

## City-Wide Industrial Portfolio

**Date:** November 8, 2021

**To:** City Council

**From:** Deputy City Manager, Corporate Services

**Wards:** All

### SUMMARY

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The purpose of this report is to provide a status update regarding the City-owned industrial portfolio, which is one (1) of eleven (11) real estate asset types outlined in the City-Wide Real Estate Strategy for optimization planning. This report will provide a summary of the portfolio, outline key activities in progress, identify key portfolio issues, and discuss relocation and consolidation initiatives expected to impact the portfolio now and in the future, including processes to ensure City services continue to operate effectively when land use changes are considered.

There are approximately ninety-five (95) City-owned industrial properties in the portfolio. Four (4) of these properties are currently being repurposed to serve the Housing Now initiative and other mixed-use, city-building outcomes. Additional opportunities to unlock lands are subject to further assessments to be completed by staff, as outlined in this report.

### RECOMMENDATIONS

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The Deputy City Manager, Corporate Services recommends that:

1. City Council direct the Deputy City Manager, Corporate Services and the CEO, CreateTO engage with local Councillors regarding use of lands for yard and industrial requirements of City Agencies, Divisions & Corporations, and the potential for alternative City Building opportunities at City-owned industrial sites, where operational requirements can be addressed through business cases for alternative site solutions.

### FINANCIAL IMPACT

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There are no financial impacts associated with this report.

## DECISION HISTORY

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At its meeting on October 27, 2021 Executive Committee directed the City Manager report to the November 9 and 10, 2021 meeting of City Council on the status of the City's plan to consolidate work yards in order to optimize available space for City-wide benefit and potential community activation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX27.4>

At its meeting on October 29 and 30, 2019 City Council adopted "The City-wide Real Estate Portfolio Strategy", as the strategic framework to best utilize the City's real estate assets to drive better value and services for the municipality. The City's industrial portfolio is one of eleven asset types identified for review under the portfolio strategy framework.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.2>

At its meeting on May 24, 25 and 26, 2017, City Council adopted a new real estate service delivery model for the City government that centralizes all real estate activities City-wide, including all real estate strategy and portfolio planning, major building projects, developments, real estate transactions and facilities management. Council also directed City staff to recommend a delegation of authority framework for real estate matters in order to centralize real estate authorities City-wide.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.9>

At its meeting on November 27, 28, and 29, 2012, City Council adopted a report regarding the City's Yard Property Utilization Initiative, directing Real Estate Services to relocate occupants from Oriole Yard and to audit the City's yards portfolio for additional opportunities.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM18.7>

## COMMENTS

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The City of Toronto owns one of the largest, most complex real estate portfolios in North America, containing over eight-thousand four hundred (8,400) properties across eleven (11) real estate asset types. As a City board, CreateTO was established to provide oversight and direction for the City's real estate portfolio, develop lands for City purposes, and deliver real estate solutions to City divisions, agencies and corporations. As directed by Council in 2019, CreateTO is undertaking a review of the City's eleven (11) real estate asset types and recommending opportunities to make better use of real estate and meet City needs.

Due to the size of the City's real estate portfolio, advice is being brought forward to the CreateTO Board and City Council over a multi-year period based on a review of each of the asset types. City-owned industrial assets are one (1) of eleven (11) real estate asset types outlined in the City-Wide Real Estate Strategy for optimization planning. A review of these assets can identify opportunities to unlock land value that can be attributed to

Council priorities (e.g. affordable housing and community infrastructure) while continuing to accommodate City service needs.

### **Industrial Portfolio Overview (City-Owned Assets)**

The City-wide Industrial portfolio contains approximately ninety-five (95) industrial properties (excluding storage sheds and other minor facilities that may be embedded in parks and other asset types). These locations support City uses such as maintenance garages, storage facilities (indoor/outdoor), warehouses, winter depots, fuel stations, light manufacturing, training facilities, transfer stations and TTC maintenance yards. Primary occupants include Fleet Services, Transportation Services, Toronto Water, Parks, Forestry & Recreation, TTC, Emergency Services (Fire, Police, and Paramedics), Solid Waste Management and Corporate Real Estate Management (CREM).

Lands in the portfolio are typically (a) area intensive to accommodate large building footprints, outdoor space requirements, and fleet and personal vehicle parking, (b) location specific to meet service area boundaries of City divisions, and (c) specialized in nature to support a diverse set of equipment, municipal infrastructure and operational functions.

### **Industrial Needs Overview (City Agencies & Divisions)**

CREM and CreateTO, in consultation with City Divisions and Agencies, have compiled an inventory of industrial real estate needs to support service delivery. A preliminary assessment of short and long-term needs determined that the City does not have a sufficient supply of industrial properties to support Divisions and Agency requirements. In order to address the lack of supply, CREM and CreateTO are exploring opportunities to intensify performance of existing yards by co-locating divisions and finding efficiencies, and through strategic acquisition of industrial lands to support unmet program requirements of City Divisions and Agencies. CREM and CreateTO are working with City Agencies and Divisions to develop a better understanding of needs by timing, location, function and funding, so that these needs can be addressed using a “whole of government” approach.

### **Industrial Portfolio Review – Key Discoveries**

CREM and CreateTO staff have completed an initial review of the City-wide industrial portfolio. Key insights include:

1. ***There is opportunity to unlock land value, but in a limited capacity:*** 82% of City-owned industrial properties are located in lands currently designated as “Employment,” “Parks” or “Other Open Space Areas” in the Official Plan (with potential changes subject to the Official Plan Review). These sites generally have low development potential, they appropriately utilize the land they occupy, and would not benefit financially from relocation (i.e. the value of these lands would likely not cover the cost of relocation/rebuild). The remaining 18% of the portfolio occupy lands with potential for

higher utilization based on a review of land use permissions and surrounding density. These sites, and other locations identified as having alternative City building potential, will be evaluated for opportunities, in context to operational needs and available relocation sites for current City services.

**2. A better understanding of long-term operational needs is required:** City Agencies and Divisions are at various stages of planning their long-term real estate needs and program requirements. In order to better plan the portfolio around co-locations and to optimize the industrial footprint, CREM and CreateTO will be working with Divisions and Agencies to further develop a clear and coordinated list of operational needs, envisioning service delivery for 15+ years, in order to develop a portfolio plan that meets long-term City requirements. The electrification of vehicles, for instance, will have long-term impacts regarding City-owned fuel stations and garage maintenance infrastructure servicing City-owned fleet, requiring a new scale of investments over time. A subset of the “Strategic Program Management Committee” (SPMC) will be leveraged to develop a coordinated, long-term view of City operational needs for industrial lands. SPMC includes senior level representatives from City Agencies, Divisions and Corporations who meet with CreateTO and CREM to ensure City-wide coordination, collaboration and input respecting real estate needs of programs.

**3. There is a need to reserve and/or acquire a strategic stockpile of employment lands to meet long-term City requirements:** As the City grows and neighborhoods continue to intensify, there are pressures for employment lands to be converted to other uses. At the same time, supply of employment lands in the City is becoming more finite and suitable sites to accommodate City services are increasingly challenging to find. Demands from City Divisions and Agencies continues to grow, creating a supply gap in the City’s portfolio. This is especially problematic in high density areas of the City (e.g. downtown core, Mid-Town, Liberty Village), where, for instance, snow camps are required to maintain safe streets during the winter seasons and suitable real estate must be available to allow these operations to function within a reasonable proximity of the neighborhoods they serve. To address the supply gap and ensure lands are available to service Toronto communities, CreateTO and CREM will work with City Planning and City Divisions to identify lands that should be acquired and/or protected for long-term City industrial use.

**4. Centralized asset management and property management practices are required:** Currently, the management of industrial facilities are distributed across various Agencies and Divisions who occupy industrial lands, including capital planning and building maintenance. This means there are varying standards, practices and investment plans that are not currently coordinated. Common oversight and accountability of these practices is required for better City-wide coordination and value creation. Centralized management can improve City-wide planning capabilities by examining building conditions and occupancy levels, prioritizing investments, determining where additional capacity exists to accommodate more co-location, and providing expertise to identify assets that should be replaced, relocated or decommissioned. A common, centralized asset management program (under CREM) for all industrial properties will form part of a broader asset management strategy for the

City, which is currently being developed with CreateTO, CREM and Corporate Finance. Third party expertise and advice may be sought to support this work.

**5. Need to invest in core yards:** Following the development of an asset management program and gaining a clearer understanding of occupancy, investment plans and building conditions, core yards should be identified for investments to make them more efficient. The City’s industrial buildings are generally old and outdated, leading the costly SOGR programs. Investing in core facilities can bring these facilities up to industry standard and allow for more co-location solutions. A funding plan for such investments is outstanding at this time. Unlocking land value through more efficient use of real estate can support funding requirements for future investments.

**Industrial Sites Approved for Alternative Uses**

There are four (4) industrial properties approved by City Council for higher and better uses, as outlined in Table 1.

Table 1: City-Owned industrial sites approved for alternative uses by City Council

Location	Size	Program
251 Esther Shiner Blvd	9.4 acres	Housing Now – Phase 1
140 Merton Street	0.84 acres	Housing Now – Phase 1
1627 Danforth Ave	5.05 acres	Housing Now – Phase 2
2444 Eglinton Ave East	2.86 acres	Housing Now – Phase 2

Combined, these properties are being re-programmed as complete community redevelopments with significant affordable housing outcomes, as directed through the Housing Now program. Accommodation plans for existing occupants are currently being developed in consultation with impacted Agencies and Divisions. Current industrial functions will be relocated to other City-owned sites, as available.

**Industrial Portfolio – Future Opportunities**

Beyond current activated sites, there are additional opportunities in the industrial portfolio to consolidate operations into modern yard facilities and achieve better City building outcomes from the real estate portfolio over the long-term. These opportunities are identified through real estate reviews, local Councillor input, and working with Divisions / Agencies regarding operational requirements. Opportunities to consolidate and co-locate multiple yards in similar proximity will be explored. These portfolio planning exercises, in addition to ‘one-off’ Division-initiated or site-specific projects, will continue to be examined by CREM, CreateTO, City Planning. Opportunities to advance these initiatives will be brought forward to the CreateTO Board and City Council as businesses cases are established, working with impacted stakeholders.

## Process for Converting Industrial Assets to Alternative City Uses

To repurpose lands from City-owned industrial use to an alternative use, there are key steps that will be taken to ensure program needs are met while maximizing the use of City-owned property. These steps include consultations with the local Councillor, identifying new accommodation plans for impacted Divisions and Agencies, site evaluations with City Planning, discussions with senior City staff at various committees and working groups, funding discussions with City Finance, stakeholder consultations, and various site-specific due diligence activities. The results of this work help establish a business case for change, which is ultimately recommended by CreateTO and City Executives for City Council approval.

## Conclusion and Next Steps

To advance the work outlined in this report, there are a number of key steps that will be undertaken by City staff, including:

1. Establishing a working group with CreateTO, CREM and occupant Division/Agencies to deliver a coordinated, long-term view of City operational needs for industrial lands (initiating in Q1, 2022);
2. Establishing an asset management and property management program for managing City-owned industrial facilities in a centralized manner with common standards (initiating in Q1, 2022); and
3. Reviewing opportunities to consolidate, relocate and/or modernize yards and to make strategic acquisition of employment lands based on the long-term view of program requirements and ability to co-locate operations (Q1, 2023).

City Council and the CreateTO Board will receive updates as business cases are established to advance opportunities outlined in this report. Matters impacting individual sites in the industrial portfolio may be brought forward to the CreateTO Board and City Council in advance of the work program outlined above.

## CONTACT

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**SIGNATURE**

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**ATTACHMENTS**

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