



STAFF REPORT ACTION REQUIRED

Strategic Property Acquisitions

Date:	August 6, 2014
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\RE\Ec14029re (AFS #19389)

SUMMARY

The purpose of this report is to seek funding for the acquisition of property that is determined to be strategically important for the City to acquire, but for which there is no approved capital budget available.

It is proposed that 15% of the uncommitted balance in the Land Acquisition Reserve Fund be dedicated towards the acquisition of strategically important property on a one time basis.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. City Council authorize funding from the Land Acquisition Reserve Fund ("LARF"), in the amount of 15% of the uncommitted balance in the LARF as an approved budget for the acquisition of property that is determined to be strategically important to the City in accordance with Table 1 set out in this report.
2. City Council direct the Chief Corporate Officer to report back to Council on all properties acquired pursuant to this strategic property acquisitions framework as part of the regular semi-annual reporting on real estate transactions.

3. City Council authorize an amendment to the Delegation of Authority in Certain Real Estate Matters (Item EX43.7, adopted by Council on May 11 and 12, 2010) by adding a General Condition that provides a higher level of approving authority for the acquisition of strategically important properties as outlined in Table 2 of this report.

Financial Impact

Where there is no approved capital budget to purchase property that becomes available and it is determined that a property is strategically important to the City, the Land Acquisition Reserve Fund is an appropriate funding source.

At the end of 2013, the uncommitted LARF balance was \$57,403,068. The current projected uncommitted balance at the end of 2014 is \$63,402,838, of which 15%, or \$9,510,426, would be dedicated to fund strategically important acquisitions.

The amount set aside for purchases will be included in Facilities Management and Real Estate Service's capital account and will be based on 15% of the estimated uncommitted LARF balance at year-end and will be adjusted for the actual uncommitted LARF balance in the new year (for material differences only). Only funds spent will be withdrawn from LARF, and unspent funds will become part of the uncommitted balance at year-end. Real Estate Services will report to City Council on all Strategic Property Acquisitions as part of their semi-annual reporting on real estate transactions.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

ISSUE BACKGROUND

From time to time, ABCDs do not have funding available in an approved budget to purchase property that is available in the marketplace that could assist the City in achieving its goals and objectives. In addition, Real Estate Services occasionally identifies property that is available in the marketplace that it considers to be strategic to the City for current or future municipal use. When the City is not able to act on these opportunities in a timely fashion due to a lack of approved funding, it can lead to missed opportunities and additional costs for the City, including: (1) the purchase of less optimal property or the purchase of comparable property at a higher cost; (2) potential expropriation-related costs; and/or (3) additional staff time to find comparable, suitable property in the future. For example, in 2005 Real Estate Services purchased 3326 Bloor Street West from The Royal Canadian Legion to complete the assembly of lands for City ownership in the North-West corner of Bloor Street West and Islington Ave. The acquisition allowed for improved master planning, increased value of existing City owned property surrounding the site, and greater control in decision making for City uses and programs. Having funds available for the acquisition of such properties will enable the City to better achieve both long and short term goals and objectives by:

- Providing flexibility to purchase property that serves municipal priorities under circumstances which could not be foreseen at the time of the capital budget process
- Reducing overall costs associated with real estate acquisitions
- Reducing the number of expropriations and related compensation costs
- Enabling the City to proactively pursue property that becomes available and respond to favourable opportunities in the marketplace, including foreclosures and powers of sale
- Increasing efficiency by avoiding missed opportunities

COMMENTS

The determination that a proposed property acquisition is strategically important to the City will include consideration and prioritization of objectives set out in the Official Plan and Council's Strategic Plan, with an emphasis on:

- Supporting major capital projects, infrastructure and City growth initiatives (i.e. transit and other corporate initiatives)
- Promoting shared services/locations for common functions among ABCDs
- Improving the delivery of City services
- Supporting social and community infrastructure

In 2010, similar funding was approved by City Council to allow the City to respond in a more timely fashion to opportunities to purchase surplus school sites. At its meeting on May 11 and 12, 2010, City Council approved the School Lands Property Acquisition Framework and Funding Strategy for the purchase of surplus school sites. Funding in the amount of \$15 million over three (3) years was authorized from LARF to support the City's long-term goals related to enhancing social infrastructure, community services and open space.

Evaluation of Strategically Important Property

To determine if a proposed property acquisition is strategically important to the City, business cases will be submitted and evaluated by Real Estate Services and will include consideration of the criteria outlined in the following table:

Table 1: Strategic Property Acquisitions - Evaluation Criteria	
Financial Impact	<ul style="list-style-type: none"> • No other eligible sources of City funding available • Inability to defer to Capital Budget process • Expected purchase price and carrying costs at market value or less • Difficulty to purchase similar or equivalent property in the future • Potential to leverage funding from other levels of government • Ability to leverage other planned or ongoing capital projects • Potential for expropriation avoidance • Potential for interim lease cash flow • Potential to recoup capital investment if no longer required • Favorable assessment of risks
Strategic Fit	<ul style="list-style-type: none"> • Fit with City Planning and Official Plan • Fit with Council's Strategic Plan • Opportunity cost if not pursued
Use Assessment	<ul style="list-style-type: none"> • Suitability of property and location • Connection to other City-owned assets • Potential synergies between ABCDs (i.e. co-location)

If, following such evaluation, a determination is made that a property is strategically important for the City to acquire, and there are funds available for this purpose (15% of uncommitted LARF), authority for the transaction will be obtained in the usual course.

Council previously delegated authority to various staff positions to approve certain real estate matters where funding is available in an approved budget and other stipulated General Conditions have been complied with. Any transaction falling outside of the stipulated terms of the delegated authority must be reported through the appropriate Committee to Council. Approval for acquisitions of strategically important properties would also be governed by this approval process.

However, to provide additional oversight, it is recommended that the Delegation of Authority in Certain Real Estate Matters be amended by adding a General Condition that authority to approve the acquisition of a strategically important property is conditional upon confirmation by the approving authority one level higher than the approving authority for the transaction that the property is strategically important to the City, as illustrated in Table 2:

Table 2	
Existing Approving Authority for Acquisitions (Total Compensation Limit)	Approving Authority that Must Confirm Property is Strategically Important to City
Director, Real Estate Services (up to \$1M)	Chief Corporate Officer
Chief Corporate Officer (up to \$3M)	Deputy City Manager & Chief Financial Officer
Deputy City Manager & Chief Financial Officer (up to \$5M)	City Manager
City Manager (up to \$10M)	City Council

As usual, in all cases the local Councillor will be consulted prior to a recommendation being made on a property acquisition.

A summary of strategically important properties that are acquired by the City through the process described in this report will be included in the semi-annual report, submitted in normal course to Committee and Council.

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SIGNATURE

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