

### City-Wide Real Estate: Amendments to Municipal Code Chapters and Shareholder Directions

**Date:** November 15, 2017

**To:** Executive Committee

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

**Wards:** All

#### SUMMARY

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City Staff are recommending amendments to certain municipal code chapters and shareholder directions of two corporations, Build Toronto and Toronto Port Lands Company, to centralize real estate authorities and decision making on a City-wide basis (excluding Toronto Community Housing Corporation and Toronto Hydro). A framework for centralizing City-wide real estate authorities was adopted by City Council on October 2, 3 and 4, 2017. City Council directed staff to report back in Q4 2017 on the specific amendments required to implement the framework, including:

- **Amendments to Shareholder Directions for Build Toronto and Toronto Port Lands Company**, in order to establish appropriate authority for the Toronto Realty Agency over Build Toronto Inc. ("Build Toronto") and the Toronto Port Lands Company ("TPLC") and their respective holding subsidiaries and activities, and to effectively implement the new real estate model approved by City Council in May 2017; and
- **Amendments to Municipal Code Chapters and delegated authorities for certain Agencies and Divisions** including Toronto Transit Commission ("TTC"), Toronto Parking Authority ("TPA") and Board of Governors of Exhibition Place ("Exhibition Place"), Toronto Public Library ("TPL") and Parks Forestry & Recreation ("PF&R") to ensure that all real estate transactions are directed through the City's new real estate service delivery model and delegated authority approval process, effective January 1, 2018.

The new real estate model (consisting of the Toronto Realty Agency, plus the Real Estate Services and Facilities Management Divisions under the Deputy City Manager of Internal Corporate Services) will work in an integrated fashion to deliver real estate services to all City programs and execute the best solutions for the City as a whole. This includes driving major City-building and revitalization projects, unlocking value for City priorities (e.g., community, social, economic, and environmental opportunities), and delivering creative solutions to programs, residents and visitors of the city. All program commitments from Build Toronto and Toronto Port Lands Company will be maintained under the new real estate model and managed by the Toronto Realty Agency, such as

targets for affordable housing and dividend commitments. New targets will be established as part of a City-wide real estate strategy that will be submitted to Council in 2019 with input from Divisions, City Councillors and other City stakeholders.

Once the City-wide real estate service delivery model is launched on January 1, 2018, the new Toronto Realty Agency and the Deputy City Manager, Internal Corporate Services, will collaborate to plan and execute real estate solutions in an integrated manner, while working closely with City Divisions, Agencies and Corporations. City Staff are also establishing a new name and brand for the Toronto Realty Agency through engagement with various stakeholders and will bring forward the naming and branding strategy to City Council in early 2018.

## **RECOMMENDATIONS**

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### **The Deputy City Manager, Internal Corporate Services recommends that:**

1. City Council approve the municipal code chapter amendments in substantially the form as set out in Appendix A, effective January 1, 2018, subject to such stylistic or technical amendments as may be required by the City Solicitor.
2. City Council approve the amendments to the shareholder directions for Build Toronto and the Toronto Port Lands Company in substantially the form as set out in Appendix B and Appendix C, effective January 1, 2018, subject to such technical amendments as may be required by the City Solicitor.
3. City Council direct the City Solicitor to prepare and introduce any required amendments to the Municipal Code regulations for the Toronto Realty Agency (currently Chapter 215) and take any other necessary steps to give effect to the re-naming of the Toronto Realty Agency by the Toronto Realty Agency Board.
4. City Council authorize the City Solicitor to introduce the necessary bills to give effect to City Council's decisions in this report.

## **FINANCIAL IMPACT**

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There is no financial impact resulting from the approval of this report.

The Toronto Realty Agency (TRA) Operating Budget will align with the City's 2018 Budget process, including recommendation by the interim Agency Board of TRA's 2018 Operating Budget to be considered by City Council. Interim Budget estimates for 2018 are included in the City-wide 2018 Interim Estimate staff report to be presented to City Council for consideration.

With future real estate projects carried out by the Toronto Realty Agency, it is a pre-condition to the exercise of any delegated authority that all required funding be available in a Council approved Budget, or funding be available from third party sources.

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

## **DECISION HISTORY**

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At its meeting on May 24, 25 and 26, 2017, City Council established a new real estate Agency and adopted a new service delivery model that centralizes real estate activities on a City-wide basis, including all real estate strategy and portfolio planning, major building projects, developments, real estate transactions and facilities management. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.9>

At its meeting on October 2, 3 and 4 2017, City Council adopted a framework for centralizing real estate authorities on a City-wide basis and directed City staff to report back to City Council in Q4 2017 regarding specific amendments to municipal code chapters and shareholder directions required for implementation: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.12>

### ***Issue / Background***

Currently, there are various decision makers for real estate matters across City Divisions, Agencies and Corporations. As a result, there are varying governance structures, objectives, investment plans, databases, technologies, skill and expertise affecting the City's real estate assets. This has led to inconsistent standards, processes, and due diligence practices applied to real estate transactions, joint ventures, portfolio planning and land development.

The recommendations in this report rescind or amend current authorities across various Divisions, Agencies and Corporations and direct core real estate activities to the new centralized real estate model, including sales, leases, acquisitions and development. The changes allow for consistent City-wide oversight of real estate planning and decision-making, leading to improved financial management, asset stewardship and service delivery on a City-wide basis.

## **COMMENTS**

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### **1. Affected Authorities for Divisions, Agencies and Corporations**

This report recommends rescinding or amending the delegations of authority for real estate matters for certain City Divisions, Agencies and Corporations (see Appendix A). This includes Toronto Transit Commission ("TTC"), Toronto Parking Authority ("TPA") and Board of Governors of Exhibition Place ("Exhibition Place"), Toronto Public Library ("TPL") and Parks Forestry & Recreation ("PF&R"). Major changes include:

- Requirement for each area to use the City's delegated approval process and due diligence procedures for real estate matters.

- If reporting to City Council with a proposed transaction or real estate matter, such report will be a joint report with the Deputy City Manager, Internal Corporate Services.
- Maintaining the ability for each business area to independently execute permits, licenses and agreements that relate to core program related business activities.

The changes will centralize all real estate decision making and governance for City Divisions, Agencies and Corporations (excluding TCHC and Toronto Hydro), generating a number of City-wide benefits, including:

- Improved coordination and collaboration among City Divisions, Agencies and Corporations in driving real estate solutions;
- Improved opportunities for co-location, space sharing, value maximization and real estate cost savings;
- Improved expertise applied to real estate analysis and decision-making, including access to TRA Board expertise with a range of industry knowledge;
- Consistency in due diligence practices and application of City-wide real estate standards;
- Integrated, City-wide planning for all City real estate requirements;
- Program areas focus on core business activities versus developing real estate programs.

City staff have consulted with the affected Divisions, Agencies and Corporations regarding proposed amendments and have developed transition plans to support business continuity. The recommendations in this report preserve the ability of affected Divisions and Agencies to continue with day to day management and core (non-real estate) business activities, such as permits for events, community uses, and management agreements related to their core business operations. Examples include:

- *Parks, Forestry & Recreation*: ability to issue permits and short-term agreements in relation to parks and recreation areas for community uses and events
- *Toronto Parking Authority*: ability to manage location agreements for Bike Share, enter into operating/management agreements for third party parking facilities, and execute short term agreements for properties under the jurisdiction of TPA.
- *Toronto Transit Commission*: ability to execute antenna, entrance, access and consent agreements in order to manage transit infrastructure and enter into short term licenses and leases for properties under the jurisdiction of TTC.

- *Exhibition Place*: ability to execute short-term lease agreements along with longer term license agreements for events, exhibitions, conferences and tradeshows specific to the business of Exhibition Place.
- *Toronto Public Library*: ability to enter into short term leases and licenses for areas and facilities under the jurisdiction of TPL.

Affected Divisions, Agencies and Corporations will work through the Customer Relations Management ("CRM") System of the Toronto Realty Agency to plan and execute long-term needs. The City's Real Estate Services and Facilities Management Divisions, under the Deputy City Manager of Internal Corporate Services, will execute on day-to-day real estate requirements and support the real estate operations for each City program.

## **2. Amendments to Shareholder Directions: Build Toronto & Toronto Port Lands Company**

The legal structure of Build Toronto and Toronto Port Lands Company are being maintained, as corporations, to be utilized for the purposes of the Toronto Realty Agency. This report recommends amending the shareholder directions for Build Toronto and Toronto Port Lands Company to align the corporations accordingly (see Appendix B and C). Key changes include:

- **Board Members:** The Toronto Realty Agency board members will be cross-appointed as the board for Build Toronto and Toronto Port Lands Company (without additional compensation). This will provide consistency in oversight for real estate activities.
- **Reporting:** Business plans for Build Toronto and Toronto Port Lands Company will be done in conjunction with the Toronto Realty Agency. Annual reports and financial statements will be completed separately, but submitted to Council in a coordinated fashion (i.e., as a package) with the financial statements of the Toronto Realty Agency.
- **Operations:** Both corporations shall be required to enter into service agreements with the TRA. The service agreements will outline the services and activities TRA will provide for the purposes of the corporations' operations.
- **Mandate:** Build Toronto will be used to implement the City's real estate strategy, develop City buildings and lands for municipal or commercial purposes, and undertake project financing as required. Toronto Port Lands Company will continue to be used to hold and manage property in the Port Land's area, until such time that the property is ready for transfer or development purposes.

Staff from BT and TPLC will become part of the TRA and will no longer be employees of the corporations. The changes to shareholder directions ensure that the Toronto Realty Agency will be positioned to oversee activities within both corporations and provide the TRA with key real estate tools for financing, managing liability and maximizing land value.

### **3. City-Wide Real Estate Transformation Update:**

#### **Financial Framework**

City staff under the Deputy City Manager, Internal Corporate Services, are working with the Financial Planning Division ("FPD") on a financial framework for the new Agency and City-Wide Real Estate Model. The framework will be based on the following principles:

- The Toronto Realty Agency's 2018 Operating Budget submission will be recommended to City Council for consideration as part of the City's 2018 Budget process, following review and approval by the TRA Board.
- TRA will establish service agreements with both BT and TPLC to recover costs associated with providing services required to carry out the operations of the corporations and the TRA. This is outlined in greater detail in the revised shareholder directions in Appendix B and C.
- The current process of dividend payments from the corporations to the City will remain as is, directly from the corporations to the City of Toronto.
- City Council will approve capital funding for the Agency to deliver and execute municipal projects, including development, construction management, due diligence activities, and other required functions as decided by Council.
- The TRA, DCM of Internal Corporate Services, and FPD will work together to establish a prioritization framework, in consultation with key stakeholders, to identify and assess City real estate requirements and provide input into the City's Capital Budget process.

#### **Conclusion**

The amendments to municipal code chapters and shareholder directions will centralize real estate authorities and decision making on a City-wide basis. This will bring improved expertise, coordination and collaboration among City Divisions, Agencies and Corporations in driving real estate solutions. The Toronto Realty Agency and the Deputy City Manager, Internal Corporate Services, will work closely with City Divisions, Agencies and Corporations to plan and execute real estate solutions with a City-wide view.

The branding for the Toronto Realty Agency is currently underway, involving consultations with City programs and various stakeholders. The agency name and brand narrative will be considered by the TRA board. The naming and branding strategy will be provided to City Council in early 2018.

## **CONTACT**

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## **SIGNATURE**

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## **ATTACHMENTS**

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Appendix A: Amendments to Municipal Code Chapters  
Appendix B: Revised Shareholder Direction - Build Toronto  
Appendix C: Revised Shareholder Direction - Toronto Port Lands Company