

## **Replenishment of Funding for School Lands Property Acquisition**

**Date:** April 30, 2018

**To:** Executive Committee

**From:** Interim Chief Financial Officer

**Wards:** All

### **SUMMARY**

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The purpose of this report is to seek City Council approval to establish a capital project with funding from the Land Acquisition Reserve Fund to serve as a primary funding source for the acquisition of future surplus school properties. The creation of a project now, with incremental expenditures of \$5m per year from 2018 to 2020, will ensure that a portion of the Land Acquisition Reserve Fund is set aside and built up to a level that would prepare the City for the end of the provincial moratorium on declaration of surplus schools. The pending implementation of the new real estate decision model and plan will ensure that future decisions on how to expend the funds are made in accordance with City priorities.

### **RECOMMENDATIONS**

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The Interim Chief Financial Officer recommends that:

1. City Council approve a new School Land Properties Acquisition Capital Project with a total project cost of \$15 million to be created within the 2018 – 2027 Council Approved Capital Budget and Plan for Facilities, Real Estate, Environment & Energy with cash flow approvals of \$5 million in each of 2018, 2019 and 2020, to be fully funded from the Land Acquisition Reserve Fund (XR1012).

### **FINANCIAL IMPACT**

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This report seeks Council approval to amend the 2018 – 2027 Council Approved Capital Budget and Plan for Facilities, Real Estate, Environment & Energy to include a new capital project called “School Lands Properties Acquisition” with a total project cost of \$15 million, cash flows of \$5 million in each of 2018, 2019 and 2020 to be fully funded

from the Land Acquisition Reserve Fund (XR1012). The project cash flows shall be reviewed through annual Budget Processes for 2019 and 2020.

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

## **DECISION HISTORY**

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City Council at its meeting on January 31 and February 1st, 2018 adopted a motion for the Acting Chief Financial Officer to report back to the Executive Committee in the second quarter of 2018 with options for earmarking up to \$15 million in the Land Acquisition Reserve Fund for future surplus school property acquisitions.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.MM36.24>

City Council at its meeting on December 5-8, 2017, authorized the Deputy City Manager, Internal Corporate Services to enter into an agreement of purchase and sale with the Toronto Lands Corporation to acquire 925 Albion Road, and the creation of a capital project called "925 Albion Road Multi-Service Centre and Parkland Acquisition" for a total cost of \$10.507 million. Approximately \$5.1 million of the funding for this land is to come from the Land Acquisition Reserve Fund ("LARF"), depleting the balance of \$15 million in funds allocated to the School Lands Acquisition Framework in 2010.

Previous school land acquisitions that used this envelope of funds included a \$5.8 million draw from the LARF to purchase of a portion of the former Timothy Eaton Business and Technical Institute to create the Bridletown Neighbourhood Centre in 2011, and \$4.2 million was drawn in 2015 to acquire lands from the surplus David and Mary Thomson Collegiate Institute for a new child care centre.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM23.13>

When Council approved EX16.21 in July 2016, it also approved the following recommendation:

8. City Council direct the Deputy City Manager and Chief Financial Officer to report back to Council with options for replenishing the School Lands Acquisition Reserve Fund to \$15 million by the 2017 budget cycle, in order to serve as a funding strategy for future surplus school property acquisitions.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.21>

At its meeting of May 11 and 12, 2010, City Council approved a School Lands Acquisition Framework and authorized funding from the Land Acquisition Reserve Fund in the amount of \$15 million as part of a funding strategy for future school land acquisitions.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX43.2>

## COMMENTS

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### **Schools as Community Assets**

The City of Toronto has previously identified an interest in ensuring that school properties that represent significant community assets are retained for continued public access and community use. City Council has defined a fourfold interest in schools as "community assets". Schools may be important sites for:

- Child care and early learning
- Green space and recreation
- Community programming
- Responding to future growth

When schools are declared surplus, the City may have a window of opportunity to consider purchase to help achieve these goals. In order to be prepared for the opportunity to make a strategic acquisition, it is important to identify funds in advance. The recommendation of this report would set aside a portion of the LARF through the creation of a capital budget and plan allocation, the appropriate way to ensure that \$15 million remains available for this purpose.

An allocation of \$5 million in 2018, 2019 and 2020 helps to ensure that as much of the existing LARF funding is available as possible for land acquisitions that might require more immediate use of the LARF. Staff from Corporate Finance, Financial Planning, Social Development, Finance & Administration, Real Estate Services and the Office of the Deputy City Manager, Internal Corporate Services supported the recommendation. A similar arrangement setting aside the same amount was approved by Council in 2010, and this allocation has recently been exhausted.

### **Moratorium on Future School Closings**

In June 2017, the province placed a moratorium on any future school closings pending a Provincial Review of the process for considering schools for closure.

The announcement, however, didn't apply to schools that had been previously recommended for closure. Two surplus TDSB sites may be circulated for disposition in the 2019-2020 school year. The expectation is that other school boards will seek to acquire these sites for ongoing use as operating schools and that they will not be available for acquisition by the City.

The TDSB and the TCDSB have indicated that no additional schools will be considered for surplus declaration until 2019-2020. City staff will resume assessment of surplus properties in the future, using the community asset evaluation framework.

## **Land Acquisition Reserve Fund (XR1012)**

The LARF is the City's one general funding source to purchase properties. It is available to fund the purchase of new properties or it can be used for other purposes as Council may direct. It is funded from the net sale proceeds generated from the disposal of surplus properties.

The LARF had an uncommitted balance of \$41.7 million on March 30, 2018, consisting of a \$115.1 million cash balance offset by \$73.4 million in commitments against this balance.

### **Additional Funding Source – Parkland Acquisition Land Reserve Funds**

Acquisition of surplus school properties may also be funded from a variety of other sources. In particular, where a school property is purchased for park purposes, these include the Parkland Acquisition – City-Wide Land Acquisition Reserve Fund (which partially funded the 2017 purchase of the 925 Albion Road property) and four Parkland Acquisition – Local Land Acquisition Reserve Funds (North, South, East and West Districts).

### **City-Wide Real Estate Service Delivery Model**

A new City-Wide real estate model was approved by Council in May 2017, and launched on January 1, 2018. This model takes a centralized and integrated approach to real estate management and portfolio planning to execute on the best real estate solutions for the City as a whole.

One step in the implementation of this new model was the centralization and streamlining of real estate authorities delegated to City Divisions, Agencies and Corporations. In addition, an integrated and prioritized portfolio plan will be developed throughout this year and will be based on program needs now and into the future.

The evaluation and execution of any future acquisition will be incorporated and supported through this new model and plan to ensure that future acquisitions are considered through an integrated city-wide lens, and derive maximum value and benefit for the City as a whole.

## Conclusion

The creation a \$15 million capital project funded from the LARF over the next three years is a significant allocation compared to the current uncommitted balance. It is recommended to help prepare the City for the end of the provincial moratorium on declaration of surplus schools, and coincides with the implementation of the new real estate decision model and plan.

## CONTACT

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## SIGNATURE

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Joe Farag  
Interim Chief Financial Officer