

## APPENDIX 1 CITY-WIDE REAL ESTATE PORTFOLIO STRATEGY

### 1.0 BACKGROUND

The City of Toronto owns one of the largest, most complex and valuable real estate portfolios in North America, containing 8,446 properties, 6,976 buildings, and over 105 million square feet across 11 real estate asset types, and costing approximately \$1 billion in operating costs and \$1 billion in capital costs each year.

In January 2018, the City launched a City-wide Real Estate Transformation project that centralized real estate governance and oversight of all real estate activities (excluding TCHC and Toronto Hydro), streamlining strategic planning and decision-making for real estate matters. City Council's new mandate for real estate places a renewed focus on an integrated, City-wide portfolio strategies to establish clear investment directions, service effectiveness, and engagement with internal and external City stakeholders to drive new and innovative real estate solutions. The City-Wide Real Estate Portfolio Strategy is a critical milestone in the real estate transformation and an over-arching framework on how the City will optimize its portfolio and unlock value over a phased, multi-year period.

### 2.0 PURPOSE

The City-wide Real Estate Strategy presents strategic directions to optimize the City-wide real estate portfolio. This Strategy sets the foundations and guiding principles to which all City Divisions, Agencies and Corporations (excluding TCHC and Toronto Hydro at this time) will work collaboratively on real estate solutions to help the City become more effective, efficient and adaptable to future challenges. To do this, the strategy will:

- Organize City-wide real estate assets by property type and use;
- Deliver a strategic framework and principles to utilize real estate more efficiently;
- Identify major real estate needs and how to address needs more efficiently;
- Propose strategic actions to make better use of real estate, by property type.

The fundamental purpose of the City's real estate portfolio is to serve municipal objectives. Real estate solutions will aim to support evolving service requirements and complex needs across City communities, while acknowledging fiscal challenges and operational realities of City Divisions, Agencies and Corporations.

### 3.0 DEFINING PORTFOLIO STRATEGY

Portfolio strategy is an ongoing process of understanding organizational objectives and aligning real estate solutions to meet those objectives in the most effective and affordable way. This includes continuously evaluating the portfolio mix, owned and leased real estate positions, forecasting future needs, evaluating performance, identifying opportunities in the marketplace, and making asset management recommendations that maximize resources and deliver service outcomes.

**4.0. CITY-WIDE VIEW OF PORTFOLIO**

The City-wide real estate strategy applies to all real estate assets that are owned and, or controlled by the City of Toronto (excluding TCHC and Toronto Hydro at this time). This strategy may also be used for third-party assets that the City has a significant interest in. The total scope of the City’s Real Estate Portfolio is described in table 1:

Table 1: City-Wide Real Estate Portfolio Summary

	<b>City-wide Real Estate Transformation Portfolio</b>	<b>TCHC and Toronto Hydro Portfolio</b>	<b>Total City Real Estate Portfolio</b>
Total Number of Properties	6,656 Properties on 27,592 acres of land	1,790 Properties on 1,231 acres of land	8,446 Properties on 28,823 acres of land
Total Number of Buildings	4,664 buildings with 55.7 million sq. feet	2,312 buildings with 50.6 million sq. feet	6,976 buildings with 106.3 million sq. feet
Assessed Value of Property	\$17 billion	\$10 billion	\$27 billion
Annual Operating Costs	\$724 million	\$376 million	\$1.1 billion
Annual Capital & Development Costs	\$608 million	\$392 million	\$1.0 billion

**5.0 VISION & PRINCIPLES**

The portfolio strategy vision and principles are consistent with Council's emphasis on fiscal sustainability, effective stewardship and efficient service delivery.

**5.1 Vision**

To make the best use of real estate and ensure the City-wide portfolio realizes its full value and potential in support of a more affordable, accessible and livable Toronto.

**5.2 Defining Value Creation**

As a public sector organization, "value" is maximizing benefits to the City, balancing city building objectives (i.e., desired economic, social, cultural, environmental, and community outcomes), service requirements (i.e., multiple user groups delivering direct service to residents) and financial drivers (i.e., cost control, revenue, and return on investments).

Focusing on value creation will lead to a real estate portfolio with improved cost, quality and service-oriented results. Value can be framed in three categories:

- **Operational Value** i.e. meeting the service requirements and objectives of City Council and programs to serve Toronto residents, visitors and businesses; ensuring services can be delivered efficiently and are accessible to local communities.
- **Financial Value** i.e. stewardship of assets to optimize long-term operating costs, capital costs, revenue potential (as appropriate) and occupancy; managing footprint, growth of asset base and asset performance.
- **Strategic Value** i.e. leveraging real estate and capital investments to deliver broader corporate, economic, social and environmental goals, such as neighborhood regeneration, creating new employment, delivering affordable housing solutions, and stimulating public investments.

Assets will be evaluated based on current use and value potential, using appropriate benchmarking and stakeholder input.

### 5.3 Core Objectives

Working collaboratively with City-wide stakeholders, CreateTO and Corporate Services will continuously look for new and better ways to utilize the City's real estate portfolio to meet municipal goals. Core objectives of the real estate strategy include:

- Enable solutions for City programs and City priorities
- Promote and stimulate broad economic, social and energy/environmental benefits
- Deliver sustainable, long-term, quality real estate solutions and services to citizens
- Ensure the best use of real estate, capital and resources
- Optimize the total portfolio size and asset mix

These objectives are overarching and will remain constant throughout portfolio planning of various real estate asset types. More detailed goals and objectives will be outlined by property type based on specific program requirements and asset type benchmarking.

## 6.0 MUNICIPAL REAL ESTATE ASSET TYPES & NEEDS

The City's real estate portfolio contains diverse property types and uses, which have been organized into 11 unique real estate asset types.

### 6.1 Municipal Real Estate Asset Types

Table 2: Municipal Real Estate Asset Types <sup>[1]</sup>

<b>1. Office</b> a. Administrative Centres (e.g. Civic Centres) b. Corporate Office Buildings	<b>5. Community Infrastructure</b> a. Libraries b. Recreation Centres c. Parks & Open Space d. Employment Centres e. Child Care Centres f. Community Service	<b>9. Transit Infrastructure</b> a. Subway Stations b. Subway/Street Car Service c. Rail Lines
<b>2. Residential/Housing</b> a. Long-Term Care Homes b. Shelter Space c. Affordable Housing (TCHC)	<b>6. Emergency Services</b> a. Police Stations b. Fire Stations c. Paramedic Stations	<b>10. Utility Infrastructure</b> a. Water Filtration b. Water Treatment c. Hydro (Toronto Hydro)
<b>3. Industrial</b> a. Service Yards b. Garages c. Warehouse/Storage d. Manufacturing Facilities	<b>7. Tourism, Culture &amp; Heritage</b> a. Museums & Cultural Centres b. Theaters c. Attractions (e.g. Toronto Zoo, Casa Loma, St. Lawrence Market, Union Station)	<b>11. Miscellaneous</b> a. Secondary retail uses/kiosks b. Long-term land leases c. Minor Lots & land strips
<b>4. Parking Facilities</b> a. Surface Parking b. Parking Garages	<b>8. Transportation Infrastructure</b> a. Laneways, Walkways b. Roads (residual parcels)	

[1] Real Estate asset types represent a category of built form that generally serves a particular set of functions/uses, outlined and shown as examples in the sub-points

Organizing the portfolio by asset type allows for opportunities to be discovered within each category. Similar uses and services can often co-exist in the same facility and share resources or common standards, leading to footprint optimization, financial efficiencies and service coordination improvements on a City-wide basis.

**6.2 District Portfolios**

The City owns significant regional or district portfolios where large parcels of land are owned in continuity and are suitable for large-scale City building initiatives. Significant district portfolios include the Port Lands, Downsview lands and Exhibition Place, which are subject to larger planning exercises with key partners and stakeholders. These portfolios present significant opportunities, with plans to be delivered to City Council as key milestones are achieved.

**6.3 Municipal Real Estate Needs**

The City-wide real estate strategy provides an overall approach for integrating and enabling the service requirements of City programs. City needs are outlined in service plans, facility plans, master plans and other Council directions, as described in Table 3:

Table 3: Major City Plans Influencing City-Wide Real Estate Needs

<p><b>Direct Demand for Real Estate</b></p>	<p><b>Service Plans, Facility Plans and Master Plans</b></p> <ul style="list-style-type: none"> <li>• PF&amp;R Master Plan 2019-2038</li> <li>• Parkland Strategy: Growing Toronto Parkland</li> <li>• Children's Services 2015-2019 Service Plan</li> <li>• HousingTO Action Plan 2020-2030</li> <li>• Housing Now Initiative</li> <li>• Open Door Affordable Housing Program</li> <li>• SSHA: Stability Service Planning Framework 2014-2019</li> <li>• Long-Term Care 2016-2020 Service Plan</li> <li>• Paramedic Large Multi-Function Station Plan</li> <li>• TTC Corporate Plan 2018-2022</li> <li>• Police Action Plan: The Way Forward</li> <li>• Fire Master Plan 2015-2019</li> <li>• Transit in TO: Transit Expansion</li> <li>• Libraries Facilities Master Plan</li> <li>• Toronto Parking Strategic Outlook: Enabling Mobility</li> </ul>		
<p><b>Strategic Alignment &amp; Support (Guiding Real Estate Plans)</b></p>	<p><b>Planning Frameworks</b></p> <ul style="list-style-type: none"> <li>• City of Toronto Official Plan</li> <li>• Secondary Plans: <ul style="list-style-type: none"> <li>• Port Lands Planning Framework</li> <li>• TOcore – Planning Downtown</li> <li>• Midtown in Focus</li> </ul> </li> </ul>	<p><b>Corporate Strategies</b></p> <ul style="list-style-type: none"> <li>• City of Toronto Strategic Actions</li> <li>• Operating Budget &amp; Capital Plan</li> <li>• City of Toronto Long-Term Financial Plan</li> <li>• Talent Blueprint</li> </ul>	<p><b>Social, Economic, &amp; Environmental Directions</b></p> <ul style="list-style-type: none"> <li>• Transform TO: Climate Action Plan</li> <li>• Toronto Strong Neighbourhoods Strategy 2020</li> <li>• Collaborating for Competitiveness</li> </ul>

Plans identified in Table 3 create direct demand for real estate (including funded and unfunded requirements) and are updated periodically based on program needs. Specific real estate requirements are determined in consultation with program areas and other City stakeholders (e.g. City Planning and Corporate Finance), which form the basis of workplans for CreateTO and Corporate Services. Needs vary based on timing, funding and complexity. In addition to service plans, planning frameworks and corporate strategies, such as the City of Toronto Official Plan, provide overall guidance on how and where real estate needs are addressed.

## 7.0 APPROACH TO PORTFOLIO PLANS (BY REAL ESTATE ASSET TYPE)

The Strategy is an aggregated roadmap of 11 distinct plans organized by real estate asset type. Reviewing the City-wide portfolio requires a systematic approach that involves data collection, evaluation of potential, stakeholder consultation and recommendations to the City on how to make the best use of real estate.

## 7.1 Strategic Opportunities – Directions for Optimization

Each asset type will be evaluated for strategic opportunities. The nature of analysis that will be undertaken is broadly described by four strategic objectives outlined in Table 4, which allow for the delivery of an efficient, modern real estate portfolio that provides value for money and meets City needs:

Table 4: Strategic Objectives to Achieve Real Estate Optimization and Asset Potential

<p><b>1. INTEGRATION</b></p> <p><i>Promote partnerships and collaboration with internal and external stakeholders</i></p>	<ul style="list-style-type: none"> <li>- Promote City-wide approach with greater co-location and mixed-uses</li> <li>- Coordinate program needs and capital by geography, timing and use</li> <li>- Leverage partnerships and joint venture opportunities to reduce obligations on City resources (public, private and non-profit sectors)</li> <li>- Align solutions with broader City goals &amp; objectives (e.g. Official Plan)</li> </ul>
<p><b>2. MODERNIZATION</b></p> <p><i>Improve service delivery and efficiencies through modernization of assets</i></p>	<ul style="list-style-type: none"> <li>- Modernize facility conditions and user experience</li> <li>- Identify efficient, innovate practices and standards (local, international)</li> <li>- Assess current business practices vs. future service delivery</li> <li>- Invest in efficient building technology (e.g. "Smart Buildings")</li> </ul>
<p><b>3. INTENSIFICATION</b></p> <p><i>Maximize City building opportunities &amp; public benefits on city lands</i></p>	<ul style="list-style-type: none"> <li>- Unlock and intensify underutilized assets (within City Planning context)</li> <li>- Maximize land and building occupancy potential (e.g. air rights)</li> <li>- Identify opportunities for secondary uses (e.g. retail, interim uses)</li> <li>- Pursue transit-oriented development</li> <li>- Leverage long-term leases to retain public land ownership, as feasible</li> </ul>
<p><b>4. RATIONALIZATION</b></p> <p><i>Maintain the right asset mix to support long-term City goals and objectives</i></p>	<ul style="list-style-type: none"> <li>- Strategically acquire and/or assemble lands for future benefits</li> <li>- Identify and repurpose/dispose of surplus assets</li> <li>- Reduce or expand portfolios based on needs and benchmarking</li> <li>- Reduce operating costs, capital obligations and state-of-good-repair backlogs through strategic portfolio planning</li> </ul>

Strategic lenses outlined in Table 4 will allow the City to make the best use of its real estate while producing a more cost effective portfolio that meets program requirements. Recommended changes to the City’s portfolio mix will be brought forward to the CreateTO Board and City Council, as required.

## 7.2 Stage Gating Portfolio Plans

Each of the 11 property types will be carried through a stage gate process to ensure appropriate levels of input, transparency and oversight in decision-making. The delivery framework is described in Table 5.

Table 5: Portfolio Stage Gating and Phasing

	Stage 1: Analyze	Stage 2: Recommend	Stage 3: Deliver
<b>Key Actions*</b>	<ul style="list-style-type: none"> <li>- Stakeholder Consultations</li> <li>- Needs/Budget Analysis</li> <li>- Asset Profiles (cost, condition, use, public value)</li> <li>- Benchmark/Best Practices</li> <li>- Assessment of Value Creation Potential</li> <li>- Scenario Analysis</li> <li>- Establish Portfolio Directions</li> </ul>	<ul style="list-style-type: none"> <li>- Asset Management Recommendations* (e.g. buy, sell, lease, develop, invest)</li> <li>- Operational Recommendations (e.g. policy, practices, process)</li> <li>- Business Case</li> <li>- Resource Assessment</li> <li>- Financial and implementation planning</li> </ul>	<ul style="list-style-type: none"> <li>- Transactions</li> <li>- Capital Projects</li> <li>- Partnerships &amp; Joint Venture Agreements</li> <li>- Funding/Financing Solutions</li> </ul>

\*Relevant approvals as required (i.e. City Council, Agency Boards, etc.)

Portfolio studies do not supersede or delay immediate program needs, day-to-day real estate requirements or Council directed plans, which will continue to be delivered on a priority basis. Portfolio planning will incorporate and support plans currently in progress, strengthening business cases and real estate outcomes. Key portfolios have been prioritized in 2019 based on availability of information, degree of opportunity, and business readiness.

### 7.3 Portfolio Planning Outputs

Delivering the Strategy requires significant, City-wide coordination from Divisions, Agencies and Corporations, as well as support from City Council to ensure decisions and investments address City needs and generate the highest civic value. This is a continuous process and evolving practice. CreateTO, in consultation with Corporate Services, will provide the City advice on how to make the best use of real estate with recommendations for each property type which may include:

- Consolidated capital opportunities (e.g., co-location, co-habitation, capital pooling)
- Land use intensification opportunities (e.g., leveraging air rights, mixed uses)
- Modernization opportunities (e.g., new standards for office accommodation)
- Strategic transactions (e.g., assembly acquisitions; preplanned dispositions)
- Partnerships and joint ventures (e.g., public, private and non-profit partnerships)
- Policy and innovation (e.g. emerging trends and planning principles in global cities)

Advice provided by CreateTO will be consistent with the City's broader asset management policies and corporate objectives.

### 7.4 Portfolio Planning Dependencies

To effectively plan, analyze and develop recommendations for the best use of City real estate, the City will need to invest in key areas that underpin effective asset management and decision making. The following are key dependencies for success:

- **Data & Information:** Ensure a high level of asset data quality and reliability to support decisions making. All real estate assets should be evaluated based on accurate information related to land, building condition, costs (operating and capital), value, occupancy, service delivery, regulatory, legal and community information.
- **Integrated Capital Planning:** Ensure a clear view of capital priorities to support City services. City-wide real estate capital should be aggregated and analyzed for efficiencies based on timing, geography and capital expenditure type (e.g. opportunities for co-location and capital pooling based on similar use types)
- **Benchmarking:** Ensure appropriate performance metrics are established and measured on a regular basis. Real estate should be benchmarked according to reasonable industry standards to determine efficiency of use and the potential for improvement.
- **Accountability:** Ensure joint responsibility for effective asset management. Real estate occupancy should be measured for City Divisions and Agencies use of municipal land and buildings, with full transparency of area occupied, costs, efficiency of use, service effectiveness and opportunity cost.

CreateTO and Corporate Services will be developing appropriate business plans to address these dependencies on an ongoing basis, seeking to improve the City's asset management data, capital planning, occupancy efficiency, standards and services.

## 8.0 MEASURING SUCCESS

### 8.1 Portfolio Performance

The portfolio will be measured to deliver a variety of outcomes that support City needs. Specific targets will be determined annually as program areas develop master plans for City Council approval (i.e. annual targets are dependent on funding availability, Council directions and timing of need, which are supported by real estate solutions). Key measures include:

#### Creating Complete Communities

##### Social

- a) Affordable housing units added (units)
- b) Senior housing units improved/created (units)
- c) Shelters improved/created (units)
- d) Rental units added (units)
- e) Community infrastructure space improved/created (sf)



- f) Park space improved/created (acres)
- g) Heritage preservation and/or adaptive reuse (sf)

#### *Economic*

- a) Commercial space added and/or employment lands developed (sf)
- b) Employment generated (person years)
- c) Hard infrastructure improvements enabled (# of projects/transactions)

#### *Environmental*

- d) Reduction in energy consumption and greenhouse gas emissions (\$)
- e) Brownfield remediation (acres)
- f) Energy efficiency and/or Smart projects enabled (# of projects)
- g) Residential units created around transit hubs (units)

#### **Fiscal Sustainability and Portfolio Performance**

- a) Assets unlocked for value creation (# of properties)
- b) Co-location solutions (properties)
- c) Real estate acquisition avoidance (\$)
- d) Savings realized (\$)
- e) Revenue generated (\$)
- f) Property taxes created (\$)

#### **Collaboration and Engagement**

- a) Community consultations (# of meetings)
- b) Councillor engagement (# of meetings)
- c) Partnerships established (# of solutions)
- d) Staff engagement (# of committee/input meetings)