

# Toronto Parking Authority

Real Estate Strategy

December 12, 2019



# Accountabilities / Authorities – Key Principles

## City Council

- Holds authority over City-Wide priorities, strategies & Real Estate assets
- Approves the City-wide Real Estate Strategy & Plan, operating & capital budgets, delegated authority framework

## CreateTO

- Holds authority over development activities & integrated real estate strategic portfolio planning
- Approves the most efficient use of real estate capital within the portfolio

## TPA

- Holds authority over program strategies & requirements
- Approves program related matters
- Recommends real estate matters (as it relates to program requirements and its mandate) through the TPA Board of Directors be directed to City Council or the real estate delegated authority framework

# TPA Real Estate Model

In May of 2017, City Council approved a new City-wide real estate model that centralized real estate and facilities management activities across the City with a client focus on providing real estate services and strategic solutions to City Divisions, Agencies and Corporations

- CreateTO manages the City's real estate strategy, develops City buildings and lands for municipal purposes and delivers client-focused real estate solutions to City Divisions, Agencies and Corporations, including TPA.
  - City Divisions, Agencies and Corporations now able to focus on core business activities and effective service delivery while engaging the new real estate service delivery model on real estate issues;
  - Corporate Real Estate Management (CREM) responsible for providing real estate transaction services; and
  - Legal Services Division provides advice on real estate matters, including the negotiation and execution of various legal agreements.

# Business Model

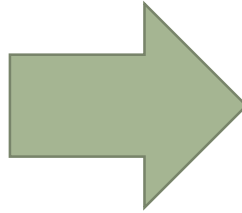
TPA Business Value:

## 1. Operating Cash Flow

- Owned / Operated Facilities
- Managed Facilities

## 2. Asset (land) Value

Strategy Alignment: Investments directed toward Customer-centric business model



# Implementation

- Acquisitions
- Joint Venture Developments involving TPA properties / and non-TPA properties
- Property Dispositions
- Parking Services Management Agreements

# TPA Real Estate Portfolio

Portfolio includes:

- 178 surface parking lots
- 35 parking garages
- 32 retail/commercial/residential units
- Asset & property value: Est. \$750 million

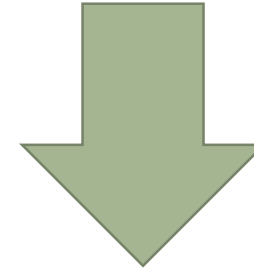
- Lands under TPA's operational jurisdiction owned by the City of Toronto
- Ultimate authority to determine the use of lands lies with Council
- TPA assets repurposed for other competing interests:
  - Housing Now Initiative
  - Respite Centre
  - TTC Second Entrance and Easier Access Programs
- TPA assets under strategic review by CreateTO:
  - Office Modernization Program
  - Repurpose for other City building objectives
    - affordable housing
    - Parks
    - Northwest Path Extension

# Evolving TPA Investment Strategy

1. Invest in areas underserved by parking
2. Support BIAs and maintain vibrancy of neighbourhoods
3. Service short-term parking demands

## Historical Strategy

- TPA pursued buy-and-hold strategies; purchasing sites that require assembly over the long-term for future JV or garage development
- Development of large-scale standalone facilities in the downtown core



## Present Day

- Target downtown core and the short-term parker
- Seek further on-street parking opportunities through time of day extensions or new locations
- Invest in both small and large peripheral (exurban) facilities to support the City-wide Real Estate model
- Pursue third-party parking management agreements
- Strengthen role as operator of City-owned parking

# TPA Investment Strategy – Design Characteristics

Toronto Parking Authority investment strategy:

1. Invest in areas underserved by parking
2. Support BIAs and maintain vibrancy of neighbourhoods
3. Service short-term parking demands

Seek opportunities and incorporate design characteristics that:

- provide safe and convenient access and egress for all customers
- offer sufficient drive aisle and parking bay space
- future proof assets; design considerations to allow for EV, AV
- include retail at grade to both attract customers and support neighbourhood vibrancy

# Consultation

When evaluating a potential real estate transaction, TPA's process starts with a range of internal/external stakeholders being consulted

Internal Stakeholders	External Stakeholders
✓ Parking Strategy & Planning	✓ CreateTO
✓ Operations	✓ CREM
✓ Design & Construction	✓ Legal Services Division
✓ Finance	✓ City Planning Division
✓ TPA Board of Directors	✓ Affordable Housing Secretariat
	✓ Transportation Services
	✓ Parks, Forestry and Recreation (PF&R)
	✓ Ward Councillor
	✓ Local Business Improvement Area
	✓ Other Agencies, as required



# Policy Framework

Real estate transactions involving Toronto Parking Authority are governed by both City and TPA policy

## TPA Policy Resolutions

TPA policy framework to evolve with the City's Real Estate Process

City of Toronto policies:

- Transact at Fair Market Value
- Delegated Real Estate Authority
- Revenue Sharing

- *TPA Policy Resolution 3-10: Public Parking in Private Developments*
  - dependent upon satisfactory physical, financial and legal arrangements being made
- *TPA Policy Resolution 6-2: Joint Venture Developments*
  - public parking that meets area needs
  - designed and constructed to TPA standards and specifications
- *TPA Policy Resolution 5-2: Disposition of Lands by Sales or Lease*
  - outlines the conditions under which TPA would consider a disposition of lands

# Parking Demand Analysis

Parking demand analysis (initiated) to determine both current and future demands. Consideration for:

- Local area parking needs
- Type of parking required
- Distance customers are prepared to walk
- Availability and usage of existing parking

- Detailed review of:
  - on and off-street parking supply;
  - usage rates; and
  - suitability of existing parking to meet demands.
- Investments directed toward Customer-centric business model
- Consider business activity, growth, construction and future infrastructure

# Financial Analysis

Pro forma or financial analysis used to assess potential return on investment

- Dynamic cash flow analysis over a 20 year operating period
- Conservative estimates incorporated into the analysis

- Parking demand assessed through comparable facilities competitor rate analysis
- Fair market value established through review of:
  1. Comparable sales transactions
  2. Value in use
  3. Construction cost
- Apply conservative estimates on usage, revenue and operating costs
- Meet TPA hurdle rate – 5% internal rate of return (IRR)

# Due Diligence

When acquiring a property or interest, TPA will work with City Divisions or external consultants to fully assess the property and the capability of any development partners

- ✓ Building condition assessments
- ✓ Designated Substance Survey (DSS)
- ✓ Phase I & II Environmental Site Assessments (soils)
- ✓ Title searches
- ✓ Zoning/land use studies
- ✓ Construction/design studies
- ✓ Cost estimating
- ✓ Working with established and experienced development partners

# Development Portfolio

## Active Developments

- 11 Wellesley Street West
- 121 St. Patrick Street
- 302 Queen Street West
- 50 Cumberland Street
- 1445 Bathurst Street

## In Progress

- 400 King Street West
- 838 Broadview Avenue

## Potential New Opportunities

- 30 Castlefield Avenue
- 105 Spadina Avenue / 363 Adelaide Street West
- 229 Richmond Street West / 260 Adelaide Street West
- 87 Richmond Street East

# Real Estate Process Flow

Prior to making recommendations about a potential transaction to the TPA Board of Directors, TPA staff have completed the following:

- ✓ Consultation with CreateTO to assess broader City interests
- ✓ Consultation with CREM, Legal Services and other City Divisions
- ✓ Parking demand analysis
- ✓ Financial analysis
- ✓ Confirmed Capital Funding
- ✓ Additional due diligence related to the property and any development partners