



ModernTO - Workplace Modernization Program Business Case and Implementation Plan Update

Date: November 3, 2020

To: Executive Committee

From: Deputy City Manager, Corporate Services

Wards: All

SUMMARY

The purpose of this report is to provide Executive Committee with an update on one of ModernTO key transformation initiatives, the Workplace Modernization Program ("the Program"), currently focused on the City's office portfolio. A report with final recommendations for the proposed visions for the eight unlocked properties will be brought to CreateTO Board and City Council in the second quarter of 2021. The investment required for the Program implementation will be included in the capital request through the 2021 annual budget process for Council consideration.

The COVID-19 pandemic has had a significant impact on the Program, acting as a catalyst for change and accelerating the transition toward remote working. This resulted in further optimization of the office portfolio and reduction in the City's office footprint from what was presented to City Council in October 2019. Over the past year staff completed due diligence to review and validate implementation costs, potential savings, and employee and functional information from in-scope Divisions, Agencies and Corporations. The work completed to date confirmed that the Program can consolidate the 14,900 office employees from City Divisions, Agencies and Corporations in 15 locations from the current 55 leased-in and City-owned locations, reducing the City office floor area by 1 million square feet or 33 percent (compared to 750,000 square feet or 25 percent of portfolio projected in 2019). The Program will generate annual savings of \$30.5 million from operating costs and reduction of the City's State of Good Repair ("SOGR") obligations. This represents savings of \$2,100 per year per employee in workplace accommodation costs, and an annual return on investment of 12 percent.

To achieve these outcomes, an investment of \$225 million is required to renovate primary office facilities in order to make the office environment more efficient and to invest in key business transformation, which will enable the relocation of staff from leased and owned office locations. Once the Program is fully implemented, it will free up eight properties, generating an estimated \$450 million in land value (subject to market

conditions) that can be leveraged for city building purposes, including housing, and community and environmental initiatives.

The Program is aligned with the City's efforts to modernize government and will bring additional benefits to the City including smaller environmental impacts and reduction in the City's greenhouse gas emissions ("GHG"), improved talent attraction and retention, better employee engagement and opportunities to provide additional accessible public and community space on the ground floor of the Civic Centres. The focus on employee mobility and the redistribution of office capacity outside of the downtown core, and in particular to Etobicoke and Scarborough, will also reduce commute times and frequency, contributing to the reduction in GHG emissions as well as improved work-life balance for employees.

The Program will deliver modernized City office space that support increased occupancy and space utilization. The new workplace design will fundamentally change the city's office environment from one primarily filled with dedicated individual work spaces into a collaborative environment with a range of unassigned work spaces. Overall employee mobility will increase, and most employees will have the ability to allocate a portion of their work time to working remotely, at home or from a satellite City office location.

The Program is supported by business process transformation to enable a resilient and safe workplace that will position the City well to meet the demands of a productive workforce in the future, as well as provide the flexibility to respond better to future emergencies, like the COVID-19 pandemic. This transformation will support employees in the new workplace with the appropriate tools, policies and technologies to be mobile, connected and engaged.

The next steps is to procure services from the right partners to work closely with the City to support the detailed design and pre-construction preparatory work that will proceed in 2021. Renovation of the primary office locations are scheduled to take place between 2021 and 2026. Additionally, 2021 will see the completion of the public engagement process and the completion of a report on final recommendations for the proposed visions for the eight unlocked properties, with the expectation that these sites will be unlocked for new City building opportunities between 2021 and 2026.

RECOMMENDATIONS

The Deputy City Manager, Corporate Services, recommends that:

1. Executive Committee receive this report for information.

FINANCIAL IMPACT

Staff completed due diligence over the past year to review and validate implementation costs and potential savings from the Workplace Modernization Program, including a review of all in scope leases, reconciliation of existing planned capital expenditures and backlog, and confirmation of real estate and facility related annual operating costs. This work supports the detailed business case below, including financial benefits generated from the Program, as well as the investment required to access these benefits.

Business Case and Value Creation

There are multiple financial benefits for the City arising from implementing the Workplace Modernization Program including reductions in annual operating costs, reduction in annual capital costs, reduction of the City's SOGR backlog, and the unlocking of land value for City building purposes. Table 1 below quantifies the benefits to be realized through the Program, once fully implemented.

Table 1 - Financial Benefits by the Workplace Modernization Program over 25 year period

Item	Benefit over 25 year period
Estimated value of eight surplus properties ("unlocked properties")	\$450 million ^[1]
Cost savings (\$30.5 million/year) - Operating lease savings from collapsing 32 leases (\$20.5 million/year) - Operating cost savings from reduction of owned office space (\$5.5 million/year) - Capital savings (SOGR) from reduction of owned office space (\$4.5 million/year)	\$762 million ^[2]
Total Financial Benefits (Unlocked Land Value and Cost reductions)	\$1.2 billion

[1] Current value estimate is \$420-\$470 million, subject to market conditions and appraisals. Value of unlocked land and total financial benefits do not reflect expected cash returns, as value may be allocated to a range of City building objectives, such as affordable housing. City Building goals on the 8 properties are subject to a consultation process and additional due diligence activities.

[2] Straight-line savings over 25 years with no escalation.

The total benefits of \$1.2 billion over a 25 year period are made up of one time value generated through the unlocking of land value, ongoing annual operating cost reductions, capital cost reductions and the elimination of current state of good repair backlog at the eight city properties. The current projected value of the eight properties is estimated to be \$450 million. This is subject to future market conditions and could fluctuate over time. This value can be utilized to service a variety of City Building initiatives and City priorities.

In addition, there are annual cost reductions in the form of lease savings and reduced operating and maintenance responsibilities. Gross lease savings of \$20.5 million per year are generated from a reduction of 32 leases, which the City will no longer require. Instead of leasing, occupants of these leased facilities will be relocated to more efficient City-owned buildings at the expiry of the lease term, generating direct operating savings, which will be used to offset investment. Similarly, with the reduction of 8 City-

owned office properties, the City will no longer have to pay for the operating and capital obligations associated with the real estate. Operating savings of \$5.5 million per year is projected based on savings from utilities, building maintenance, custodial and security costs. These operating savings will be realized over the course of the program.

Capital savings of \$4.5 million per year is estimated based on savings from planned capital investments and the elimination any SOGR backlog that currently exists for the 8 properties.

Total capital and operating savings are \$30.5 million per year. This represents 25 to 30 percent savings on current annual costs for the office portfolio, and an annual return on investment of 12 percent (once the Program is fully implemented), which is considered a good return on investment.

Workplace Modernization Program Implementation Costs

In order to realize these financial benefits, the Program requires an investment of \$225 million over five years to renovate primary office facilities, consolidate employees, and to invest in key business process transformation initiatives, as detailed in the Comment section of the report. A breakdown of these investments is summarized in Table 2 below.

Table 2 - Workplace Modernization Program Costs

Description	Total all-in costs
A. Modernization of Five Civic Properties ^[1]	\$200 million
B. Business Transformation Initiatives ^[2]	\$25 million
Workplace Modernization Implementation Cost	\$225 million

[1] Costs to modernized City Hall, Metro Hall, North York Civic Centre and Scarborough Civic Centre, and fit-up design of new ECC, relocation and move costs, swing space, and Program Administration

[2] Includes capital costs for technology, information management, remote working and change management

Of the \$225 million for the Workplace Modernization Program, total project cost of \$24.4 million was included in the 2019 and 2020 Council Approved Capital Budgets for CREM. This is made up of \$20 million to invest in base building and fit up requirements to use the East Wing of Union Station, floors 2 to 4, as swing space for the Workplace Modernization Program. The remaining \$4.4 million was approved through the 2020 budget process to be used to establish an implementation and funding plan, a multi-disciplinary project team and carry out site due diligence and community consultations with respect to the unlocked properties.

The remaining capital funding of \$200.6 million for the Workplace Modernization Program implementation will be considered as part of the City's 2021 annual budget process amongst all other City priorities.

The total implementation costs of the Workplace Modernization Program excludes the revenues, savings and capital investment costs required to build the new Etobicoke Civic Centre ("ECC"). It should be noted that the office space area made available from the new ECC project has been included in workplace accommodation planning and is required in the business case to realize the financial benefit to the City after the program is completed.

Funding Model for the Workplace Modernization Program

The Workplace Modernization Program will generate significant returns and value for the City. As outlined in Table 1, these benefits are made up of unlocked value of City properties and ongoing operating and capital cost savings due to the reduction of 33 percent in office floor space. These benefits provide for sufficient value to fund the total overall costs of \$225 million and still provide an additional estimated \$975 million in net value to be leveraged for other City priorities and city building opportunities.

The funding model will use a combination of recoverable debt from the annual lease and operating savings, reallocation of approved capital no longer required and a portion of the land value from the unlocked properties, if applicable. Additional savings and funding sources such as Federal/Provincial grants and funding programs, and energy incentive programs associated with modernization projects and upgrades to building systems are currently being reviewed. These will be considered as a component of the overall funding model to be leveraged, if applicable, to support the implementation of the Program.

The Executive Director, Corporate Real Estate Management and the Chief Executive Officer, CreateTO in collaboration with the Chief Financial Officer and Treasurer will identify funding sources and include the capital request through the annual budget process for Council consideration.

The Chief Financial Officer and Treasurer has been provided the financial impacts associated with this program for review as part of the 2021 budget process.

DECISION HISTORY

At its meeting on October 29 and 30, 2019 City Council adopted a staff report entitled "ModernTO - City-Wide Real Estate Strategy and Office Portfolio Optimization" which directed the Deputy City Manager, Corporate Services to report back with a detailed business case and an execution plan for completing office optimization in primary office buildings: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.2>

At its meeting on October 29 and 30, 2019 City Council adopted a staff report entitled "ModernTO - Enabling a Flexible and Mobile Workplace" which provided supplementary information regarding non-real estate matters; in particular on the transformation required to enable a flexible and mobile workplace in support of the Office Portfolio Optimization Plan: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.3>

At its meeting on July 16, 17 and 18, 2019, City Council adopted a report entitled "Office Optimization - Office Swing Space at Union Station", which approved the plan to utilize Union Station East Wing on an interim basis to support lease expiring in 2020 and to serve as swing space for office modernization projects:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX7.4>

At its meeting on December 5, 6, 7 and 8, 2017, City Council adopted a report entitled "City-Wide Real Estate - Amendments to Municipal Code Chapters and Shareholder Directions", which amended certain municipal code chapters to centralize real estate authorities and decision making on a City-wide basis:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX29.5>

At its meeting on October 2, 3 and 4, 2017, City Council adopted a report entitled "City-Wide Real Estate - Delegated Authorities Framework and Transition Plan", which established a framework for centralizing City-wide real estate authorities with the new City-wide real estate model approved by City Council in May 2017:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.12>

COMMENTS

Following City Council approval of the City-Wide Real Estate Strategy and Office Portfolio Optimization in October 2019, the Workplace Modernization Program was established to enable the workplace of the future while realizing key benefits and targets. Working through the COVID-19 pandemic, the Program was developed with key corporate partners and under the strategic oversight of a steering committee. Staff conducted broad engagement of leaders and employees across all impacted Divisions, Agencies and Corporations.

The report is organized in seven sections below. After reviewing the impacts of the COVID-19 pandemic on the Program, this report highlights the City's Workplace Strategy with the principles underpinning the Program, and the Master Office Accommodation Plan, which confirms what office footprint the City will require to accommodate all 14,900 office employees once the Program is fully implemented. The Key Benefits of the Program are presented next in the report, followed by the Business Transformation Enablers required to successfully roll out the Program; and the Implementation Approach and Timeline. Finally, a brief Update on the work led by CreateTO on the eight sites is included.

COVID-19 Impacts

The COVID-19 pandemic has had a significant impact on the Workplace Modernization Program. The pandemic accelerated the City's approach to and readiness for City-wide remote working, while also presenting an opportunity to rethink the future of its workplace. While the Program focuses on re-imagining the office workplace post-pandemic, the Program Team leveraged lessons learned and adapted the plan to fit the requirements of the post-COVID-19 workplace.

Resiliency and Safety

One of the key lessons from the COVID-19 pandemic is that the City's office workplaces need to be more resilient and responsive to future emergencies—whether a global pandemic or another emergency that would impact City's offices—and how employees can access and/or work in them. The new Workplace Strategy has safety and resiliency at its core, so that the City can pivot quickly in the event of a future emergency and ensure that staff can continue to work safely and productively. Rather than incorporate measures and standards specific to the COVID-19 pandemic (e.g. six-feet physical distancing), the Program has embedded resiliency in the planning of the workplace to respond to any type of large unforeseen event with far reaching impacts (e.g. natural disaster, health crisis, building malfunction, etc.).

Employee Mobility

The assumptions used to develop the Office Portfolio Optimization presented to City Council in the fall of 2019 were revisited in light of the COVID-19 pandemic impacts. The Workplace Modernization Plan increased the average mobility ratio from a 1.3 staff per workstation to a 1.7 staff per workstation mobility ratio, meaning there will be 10 desks for every 17 employees, on average. This change was based on evidence of successful remote working during the pandemic, which resulted in increased leadership support and strengthened willingness to consider remote working as an ongoing option post-pandemic combined with in-office work. Feedback from the employee survey indicates that 95 percent of respondents would want to work remotely a portion of the week and only 5 percent would anticipate coming into the office five (5) days per week. This has allowed the City to be more ambitious with the remote working expectations and mobility ratio.

Technology Services Division responded at the onset of the COVID-19 pandemic by facilitating a rapid increase in the remote-enabled workforce. This allowed the City to resume 90 percent of all its services by July 2020. The valuable lessons learned during the COVID-19 response will be leveraged as part of the Program.

Workplace Strategy

The Workplace Strategy is the City's comprehensive approach to creating a new modernized workplace. The City is re-imagining its workplace to be more resilient and adaptable, ensuring that real estate assets have enhanced capacity and are utilized well, the needs of the office workforce are supported, and that the City is able to attract and retain talent. The Workplace Strategy underlines the following principles.

- **Flexible and adaptable design strategies** - Use design strategies to allow Divisions and Agencies to grow within the space with limited future construction, by including modular space configuration, standardized floor plan and room sizes, and flexible furniture.
- **Balance of individual, team, collaboration, social and support spaces** - Create a flexible, 'activity-based' environment that enhances employee engagement, with

more shared work settings and a wide range of space types that foster collaboration and engagement to bring innovation and inspiration to the workplace.

- **Visual and acoustic privacy for confidentiality and legislative requirements** - Design workplaces with a mix of open and closed spaces, offering choice for visual and acoustic privacy for focused work requiring higher levels of concentration and confidentiality.
- **Inclusive, Universal Design** - Create environments that are welcoming and equitable for all. Employ universal design principles to ensure spaces are functional for a wide range of mobility levels and comply with standards.
- **Wellness, health, safety and ergonomics** - Enable employee wellness through sustainable, safe, and healthy buildings. Offer ergonomic tools and furniture, and provide amenities that promote employee wellness.
- **Alignment With City Initiatives** - Ensure alignment across all elements of the Corporate Strategic Plan. Support workplace culture initiatives and other City priorities such as TransformTO's net-zero emissions goal.
- **Technology infrastructure to enable flexibility and foster collaboration** - Provide employees with technologies that allows them to collaborate, work efficiently and effectively, and align with corporate technology projects (e.g. the implementation of Microsoft Office 365).
- **Uphold information management principles and requirements** - Provide the framework to support legislated requirements for the protection and security of privacy and information, while advancing accountability, openness, trust and transparency.

Master Office Accommodation Plan

Deloitte was awarded the workplace consultant contract through a competitive procurement process in early 2020 to develop a Master Accommodation Plan for employees from City Divisions, CreateTO, Toronto Transit Commission ("TTC"), Toronto Parking Authority ("TPA") and Toronto Community Housing Corporation ("TCHC"). The Master Office Accommodation Plan will consolidate 14,900 office employees in 15 locations from the current 55 leased-in and City-owned locations, including five primary office buildings, nine City-owned facilities and one lease for the Accountability Offices. This consolidation will result in a reduction of the City office floor area by 1 million square feet, or 33 percent. The City's new office workplace standard will allocate 140 square feet per workstation and provide 10 desks for every 17 employees on average. Both targets were developed using best practices and industry standards, and with a resiliency and safety lens.

Office Portfolio Benefits

Table 3 below is a summary of the current City-wide office portfolio and proposed future state (once the Workplace Modernization Plan is fully implemented).

Table 3 - Summary of City-Wide Office Portfolio*

Item	Owned	Leased-In	Total (Current)	Total (Proposed)
Office Locations	22	33	55	15
Total Size (usable square feet)	2,550,000	550,000	3,100,000	2,100,000
Percentage of Portfolio (size)	82 percent	18 percent	100 percent	1 lease, 14 owned
Employees Accommodated	12,300	2,600	14,900	14,900
Efficiency Ratio (sq.ft/employee)	207	212	208 (average)	140 (average) ^[1]
Annual Operating Costs ^[2]	\$49.5 million	\$21 million	\$70.5 million	\$44.5 million
Annual Capital Costs ^[3]	\$45 million	\$0	\$45 million	\$40.5 million
Annual Total Cost	\$94.5 million	\$21 million	\$115.5 million	\$85 million
Total Annual Cost per Employee	\$7,700/year	\$8,100/year	\$7,800/year	\$5,700/year

*Excludes the Toronto Hydro office and "field offices" in service-based facilities (e.g. fire stations, libraries, community centres, etc.)

[1] 140 square feet per employee represents estimate for entire office portfolio. Five modernized facilities identified in this report are targeted at 107 sf/employee, accounting for modern space design at 140 sf/workstation and 17:10 mobility ratio (person : workstation).

[2] Includes custodial, utilities, maintenance and security for owned buildings; gross lease costs for leased space - no property taxes

[3] Includes building capital costs only (annual average of deferred maintenance plus 10-year planned SOGR), excluding capital costs for fit-up

As a result of the proposed plan, the City will become significantly more efficient with facility expenditures (\$30.5 million cost savings annually), environmental footprint (1 million square foot reduction from reducing 40 locations), and accommodation cost per employee (27 percent cost improvement or savings of \$2,100 per year per employee). The portfolio will also be more in line with industry standards when compared to other public and private sector organizations.

Efficient Space Design and Accommodation

Real estate optimization will be achieved with efficient space design that increases occupancy while ensuring the health and safety of staff. The City's new office workplace will be designed using a benchmark of 140 square feet per workstation compared to the current average of about 208 square feet per workstation.

The new space design approach, called 'activity-based working', ensures that the workplace provides a range of work space options to support collaboration, engagement and productivity. Modern office designs recognize that employees no longer sit at their

desks and process paper, but instead work in teams to collaborate around work opportunities and decisions. Employees will become mobile within the office, moving to different work spaces throughout the day and choosing space types that are appropriate for the task at hand (e.g. choosing focus areas for concentration work or collaborative areas for team work). Employees will also have the choice to work from one of the almost 600 universal touchdown spaces across the Civic Center network that will be accessible to City staff from all Divisions and Agencies.

The City's optimized workplace will provide no assigned seating for employees, including no dedicated offices. This allows the re-imagined future workplace to be more flexible, adaptable and create a less hierarchical environment where all employees have access to all spaces. A limited number of exceptions will be considered based on accessibility requirements, for instance roles or individual employees who may require the use of equipment or technology installed at a particular desk.

Increased Space Utilization and Mobility

Real estate optimization relies on increasing space utilization: the portion of a given workday a particular work space is being used. Previous studies indicated that space utilization at the City of Toronto was about 36 percent. To increase the utilization rate, the Program adopted a desk sharing model. It is expected that utilization will increase to about 65 to 70 percent, which is in line with industry standard.

The Master Accommodation Plan was developed using an average desk sharing ratio of 1 to 1.7, meaning there will be 10 desks for every 17 employees. The mobility ratio of 1.7 is an average across employees in each Division or Departments, recognizing there will be a range of mobility ratios for the entire staff complement. It accommodates employees in a neighborhood model, providing workspaces at peak utilization, while reducing the portfolio by 33 percent.

The higher mobility ratio is made possible by the introduction of remote working, offering employees the possibility to complete some of their tasks remotely, at home or from any of the primary office locations. The Workplace Modernization Plan is based on the assumption that most office employees will work remotely two to three days a week on average, when presented with the opportunity. This assumption is informed by the online employee survey recently conducted. The office will increasingly become a place to collaborate, be engaged, participate in training, interact with co-workers and have face to face time with their manager/supervisor, or conversely with their direct reports for management staff.

Input Gathering and Stakeholder Engagement

To support the development of the Master Office Accommodation Plan, the Program Team engaged extensively with staff, as well as internal stakeholders, between March and September 2020. All of the engagement for the Workplace Modernization Program was carried out remotely through WebEx sessions and an online survey.

- *Leadership Engagement* - The Program Team coordinated 13 leadership engagement WebEx sessions in May 2020 with over 47 participants from all City

Divisions as well as leaders from CreateTO, TTC, TPA and TCHC. In addition to the sessions, the Program Director engaged and consulted with leaders at each step of the process. Over 60 one-on-one meetings were held between July and September with Divisions Heads, the City Senior Leadership Team and senior leadership at the TTC, TCHC, TPA and CreateTO.

- *Employee Survey* - A survey was issued to impacted staff in July 2020. 6,863 employees participated in the survey, representing a 47.6 percent response rate. The survey was conducted during the first wave of the COVID-19 pandemic, when 93 percent of respondents were working from home. The employee survey captured employee sentiments on mobility, individual and collaborative space, technology, accessibility, and wellness.
- *Program Data Collection* - In July and August, the Program Team worked with all Divisions, Agencies and Corporations to capture key functional information about their space requirements, location and adjacency preferences and security requirements. This engagement also validated information for in scope employees, such as their current location, and technologies. The Program Team also conducted site visits and validated all building footprint data, working in collaboration with CreateTO.
- *Office Locations Validation* - The team worked collaboratively to validate the in-scope office locations and determine appropriate actions required for the implementation plan. The Workplace Modernization Program is recommending the whole or partial collapse of 32 leases, as outlined in Appendix A. The approach is to collapse the leases at end of lease term and not to renew, extend existing office leases, or enter into new office leases. In addition, staff will explore opportunities to exit leases early or sub-lease the space, wherever possible if the Program can be accelerated. The Program Team considered non-office uses as well as unique program requirements in determining its approach.

Workplace Modernization Benefits

In addition to a clear financial business case and the significant positive financial impact and value generated by the Program, Workplace Modernization will generate other benefits to the City and will support City priorities.

Environmental Benefits

The Workplace Modernization Program supports the City's goals to achieve net zero emissions city-wide by 2050, or sooner. The Workplace Modernization Program will contribute to achieving net zero through:

- *Reduction of the City's greenhouse gas emissions (GHG)*: The optimized office portfolio will have a smaller environmental footprint, contributing to a reduction of the City's GHG emissions associated with office use.

- *Green design features:* The new and existing buildings in the office portfolio will also benefit from energy efficiency improvements and low carbon construction requirements as set out in the Toronto Green Standard to achieve net zero new construction for City owned buildings by 2026, or sooner. The building retrofits will also contribute to achieve the City's target of net zero by 2050, or sooner.
- *Reduction in vehicular traffic and parking:* Allowing employees to work remotely at home or closer to home at another City office location reduces GHG emissions and improves air quality as commuting trips in personal vehicles by City employees are avoided. As of 2017, GHG emissions from all passenger vehicles accounted for approximately 30 percent, or 4.5 mega tonnes (MT) of equivalent carbon dioxide (eCO₂), of the city-wide emissions. Fewer and/or shorter trips may also encourage employees to use Smart Commute options, including active transportation, where possible.

Public and Community Access to Space

The rationalization of office space in the primary office locations will allow the Program to partner with other initiatives to re-imagine the ground floors of the Civic Centres where front facing services and service counters will be consolidated. The Program team will work with Corporate Real Estate Management and the Customer Experience Transformation team, in consultation with key stakeholders and local Councillors, to examine common areas in the primary office buildings for opportunities to deliver public services more effectively and offer more space for public and community uses, as appropriate. The Program will continue to partner with other internal stakeholders for opportunities to facilitate access to flexible shared space for public and community uses on the ground floor of the core office buildings, in response to the recommendation to enable more access to public space included in the report from the Toronto Office of Recovery and Rebuild "COVID-19: Impacts and Opportunities."

Employee / Workforce Benefits

Flexible workplace solutions and remote working options contribute to engagement, productivity, and employee wellness, by offering greater work-life balance opportunities. A modernized workplace will also contribute to attracting and retaining talent. The ability to work remotely and to have access to a modernized workplace is critical in attracting talent. It also strengthen employee engagement and commitment to the City. Offering an attractive environment will become more and more important for the City to compete for talent in the next decade.

Business Transformation Enablers

The Workplace Modernization Program optimizes the use of space in the City's office portfolio and transforms how and where employees work. In order to succeed, the Program requires changes and investments to be made in certain areas to enable staff to effectively use the physical space and technology to work productively.

1. Technology

Technology Services Division ("TSD") will partner with the Program to successfully deliver tools to enable new ways of working and effective employee transition into new spaces and remote work. New technologies will enable employees to work anywhere, anytime and from any device. The Workplace Modernization Program Technology component has three main areas of focus:

(a) Workplace Optimization Support - Ensuring the new workplace is equipped and connected (meeting room technology, smart building, space booking system, etc.); supporting the relocation and renovation activities, and supporting the new office workplace post renovation.

(b) Employee Mobility - Enabling employees to be mobile and work from anywhere. It will also help in increasing the City's resilience in the face of emergencies (e.g. the COVID-19 pandemic).

(c) Technology Shared Office Services - Supporting co-location of the four Agencies and Corporations in the primary office facilities along with City Divisions. Shared Office Services will result in standardization of operations and building economies of scale of the delivered services.

TSD has a broad range of technology improvement initiatives that enable, improve and support business and technology services for City staff and residents. Examples include: implementation of Microsoft Office 365 to have effective work collaboration and enhancement to the network to support integration, and effective management of access and identities. TSD will coordinate these initiatives to avoid any duplication of effort, to ensure cost efficiency and to utilize standard foundations.

To deliver the modernization work TSD will work closely with critical City partners, including Corporate Real Estate Management, Corporate Information Management Services, People and Equity and the Office of the Chief Information Security Officer, as well as numerous related technology project teams. Partnerships will be formed with the Agencies and Corporations, and the work is planned to be collaborative in nature.

2. Information Management

Corporate Information Management Services ("CIMS") in the City Clerk's Office is a key partner for the Workplace Modernization Program. This partnership ensures that efforts led by CIMS to transition to digital information management are aligned and coordinated with the transition of Divisions and employees to the new workplace. CIMS will also be assisting Divisions with office moves through the Workplace Modernization Program with a focus on two main areas:

Policy Development, Education and Awareness

CIMS is developing specific Information Management ("IM") guidelines and tools to compliment those developed by the Workplace Modernization Program to support Remote Working. City employees will have one source for information management responsibilities while working remotely.

A fundamental aspect of workplace modernization will be supporting IM and digital literacy education across the workforce. CIMS will continue to create and/or update IM policies, standards, and guidelines to support IM in a digital environment. CIMS will also continue to work collaboratively with Technology Services Division to design and implement digital IM tools and processes.

Digital Information Management

Physical transformation of the workplace will go hand-in-hand with new business processes and operations, and any transitions to digital ways of working will require the proper management of digital information being created, collected and retained. Various IM approaches — including improved privacy protections, processes and tools to file, categorize and organize information digitally, — will help ensure digital information can be appropriately accessed, retrieved, used to its fullest potential, and managed throughout its lifecycle. Digitization and disposition standards will allow for the destruction of eligible paper records according to established rules and procedures, further helping to reduce the physical footprint and reliance on paper.

CIMS will provide professional information management guidance and consultation to Divisions throughout their digitization and business transformation projects, to ensure compliance with legislative and policy requirements. CIMS will also work with Divisions to provide training, awareness and education to best enable information management accountability, openness, trust and transparency.

3. Remote Work Program

The Remote Work Program supports the culture change required for the implementation of the Workplace Modernization Program. The Program will include the policy, guidelines and tools required to support employees to be mobile and to have flexibility and choice of their work location. It will support flexible work hours and alternate scheduling options. The Program will ensure implementation of appropriate tools and training to support the leadership of remote and virtual teams, supervision of remote work, and performance management. There will be no difference in expectation of performance regardless of work location. The Program will support an adaptable workplace culture keeping up with changing demands to attract and retain talent.

The implementation of the Remote Work Program will provide the tools, guidelines, principles and requirements to support the City's needs. The focus of the program is:

- to determine how flexibility can be offered based on the nature of the work and the operational requirements, within the context of the divisions;
- to ensure effective communication, safety and timely completion of work and that flexible work arrangements are properly established between the City and the employees;
- to set clear expectations for staff and management on roles and responsibilities while working remotely.

The Remote Work Program is being informed by a jurisdictional scan of both public and private sector organizations to identify leading practices in work from home and flexible work arrangements as well as outcomes from the City's pre-COVID Remote Work Pilot projects. It will be implemented in partnership with the People and Equity Division and will be aligned with the City's approach to talent management.

In-scope Agencies and Corporations (CreateTO, Toronto Transit Commission, Toronto Parking Authority, and Toronto Community Housing Corporation), as separate employers with their own human resources policies, will need to update their policies and/or adopt remote work policies consistent with the objectives and standards established by the Workplace Modernization Program in order to facilitate co-location and to improve overall municipal efficiencies, standards and cost savings.

In light of the COVID-19 pandemic, the People and Equity Division is developing an Emergency Remote Work Policy which will form the basis of the long-term Policy.

4. Change Management and Communications

Implementing the Workplace Modernization Program involves changes to systems (information management, technology); processes (remote working policies, leading virtual teams); and people (all affected stakeholders). To be effective, change management strategies will communicate and engage stakeholders with one voice, in an integrated and consistent manner.

The change vision, "Working together to modernize and innovate our workplaces to drive great service delivery for Torontonians," aims at creating a workplace that is flexible, accessible and collaborative. It helps employees perform better, think faster, and live better, enabling them to creatively solve Toronto's citizen's challenges, while minimizing our real estate and environmental footprint.

The guiding principles to drive this change across the City divisions and partner Agencies and Corporations are vision alignment across stakeholder groups; active and visible sponsorship; open and honest communication; and minimized disruption to business activities. The change approach is aimed at driving strategic and cultural change. The five aspects to the change approach are:

- Aligning leaders from Divisions, Agencies and Corporations in order to enable management and executives to sponsor the change, ensuring their accountability in inspiring the organization in the direction of the new workplace.
- Management communicating impacts to people, processes and technology to the organization so that stakeholders understand the changes affecting them.
- Leveraging social and change networks in order to include employees in the change journey, implementation, engagement and communication so they may facilitate cultural shifts across the organization in a unified way.
- Tailored communication and engagement events to prepare staff for implementation, identify and correct change uptake issues.

- Adoption and sustainment post implementation by ongoing assessment of change adoption and comparison to key performance indicators and performance metrics defined as successes in the business case.

The scale of impact from this large transformation Program requires an organizational cultural shift to realize the benefits. Staff will need to learn new ways of working, how to work in a new physical environment, adopt new team norms, and adjust to new ways of leading and being led. A change of this scale will naturally be challenging for some. The intent with all change activities will be to resolve barriers to implementing the Workplace Modernization Program and facilitate adoption of new ways of working.

The roadmap for change includes three key phases: stakeholder engagement, program implementation and strategic program change sustainment. The first phase includes conducting feedback from staff on the future state, developing the change strategy, and engaging key stakeholders for alignment. In the project implementation phase a change network of ambassadors who will drive the change in their divisions will be formed. Part of this phase includes conducting ongoing stakeholder assessments and employee readiness surveys to gauge the change efforts; and implementing corresponding interventions to address ineffectual change uptake. The third phase ensures sustainment of the change long term, and includes partnering with People and Equity to develop learning and training policies and plans so employees and new staff are oriented to how to be successful in the new workplace. It also includes contributing to leadership development actions that will drive performance and success in the modernized workplace.

Implementation Approach and Timeline

The Workplace Modernization Program is complex and incorporates major areas of focus ranging from construction to policies and technology, spanning multiple years. The Program follows a strong program management approach with a focus on collaboration and engagement. Alignment of internal stakeholders as well as Agencies and Corporations is paramount in the successful implementation of this initiative.

Program Governance and Resources

The Program Team will continue to work with the established governance framework and identified additional resources, both internal and external, to support this implementation. Representation from key City Divisions is paramount and resources have been assigned to support this program through a core team formed by leads from Technology Services Division, City Clerk's Office - Corporate Information Management Services, People and Equity Division and Corporate Real Estate Management, which is leading this program. The City's union partners will continue to be engaged in the City's efforts to modernize its workplace policies and practices.

Furthermore, the governance of the Workplace Modernization Program is supported by a steering committee, composed of senior leaders with critical portfolios for the success of the Program as well as operational leaders to ensure representation from across the various business lines. The Committee advises the Program Team, and ensures strong

coordination, cooperation and oversight on the development of the Plan and business case. The steering committee is chaired by the Deputy City Manager, Corporate Services and composed of the following leaders:

- Executive Director, Corporate Real Estate Management
- Chief Executive Officer, CreateTO
- Chief People Officer, People and Equity
- Chief Technology Officer, Technology Services
- City Clerk, City Clerk's Office
- Chief Communications Officer, Strategic Communications
- General Manager, Toronto Employment and Social Services
- General Manager, Transportation Services
- Director, Insurance and Risk Management, Finance & Treasury
- Director, City-Wide Real Estate Program, and
- Co-chairs of BoundlessTO, the City's Next Generation Task Force

Approach to Implementation and Procurement

The magnitude and complexity of this program requires a strategic approach and adequate internal and external resources to implement the Program. The City will seek an external partner to support the implementation of the Program, and in particular to manage the next phases of the Master Accommodation Plan to ensure the Program can be accelerated and completed within the proposed schedule.

Corporate Real Estate Management and Purchasing and Materials Management will procure a third-party project management services firm through a competitive process. This would allow the Program to leverage the benefits of a Master Service Agreement to engage in a more collaborative delivery process and manage a single external partner that is responsible for the implementation components, including all planning, design, construction and furniture fixtures and equipment and move logistics. This type of contract is typically beneficial to complex projects with tight timelines and often results in higher quality work, accelerated schedules and increased cost certainty by leveraging supply chain capacity and experience such agreement will bring to the Program.

The Workplace Modernization Program will retain a consultant to assist with identifying and drafting the requirements for the request for proposal and the master service agreement and to act as the City's liaison through the competitive process in partnership with Corporate Real Estate Management, Purchasing and Materials Management, and Legal Services.

Implementation Plan

The Workplace Modernization Program team has worked collaboratively with City Divisions, Agencies, and Corporations to develop an implementation plan to focus and align on key deliverables and milestones. The Workplace Modernization Program implementation plan spans five (5) years. Upon acquiring additional internal resources and an external partner to support the implementation of the Program, staff will work immediately at planning and mapping the roll out of the Master Office Accommodation Plan. This roll out will include a 'pre-construction' phase which includes executing a multitude of planning, design, policy and logistical components the Program through

2021, and a construction phase (Q4 2021 to 2026) which will include staff relocations to swing space, office fit-up renovation and state of good repair work, energy efficiency improvements, furniture and technology installations and move-in occupancy activities.

The modernization of the Civic Centres will focus on actively exploring techniques and strategies to accelerate construction sequencing by planning to empty and renovate multiple floors at a time while causing minimal disruption to the operation of core City services. This will also be supported by leveraging the lessons learned from COVID-19 which include encouraging staff to continue working remotely, requesting Divisions de-personalize workstations and offices making them available for use by other staff, and relocating staff to vacant space and available swing space as much as possible. Appendix B depicts a high level summary of the roll out and timeframes for the pre-construction and construction activities at each Civic Centre being modernized. The roll-out sequencing is tentative and will be validated during the detailed design and construction phase. The ground floors of the Civic Centres are currently scheduled towards the end the program. The Program will work with internal stakeholders to identify interim solutions to facilitate access to flexible shared space for public and community uses until these floors are modernized. Key milestones for the Program implementation are highlighted below.

Table 4 - Workplace Modernization Program Implementation Plan

Main Components	Implementation Plan Sub-components	2020	2021	2022-2026
Master Accommodation Plan*	Workplace Strategy	x		
	Master Office Accommodation Plan	x		
	Master Service Agreement Procurement	x	x	
	'Pre-construction' (planning, design, logistics)		x	
	Modernization (construction, office fit-up)		x	x
	Relocation		x	x
Business Transformation	Technology	x	x	x
	Remote Working	x	x	x
	Information Management	x	x	x
	Change Management and Communication	x	x	x
Unlocking of the eight (8) Sites **	Councillor Engagement	x	x	
	Public Engagement		x	
	Decommissioning			x

* The Program team will develop a plan to implement projects concurrently to allow program acceleration

** CreateTO will continue to report and/or request specific authorities through established governance processes on the progress of the unlocking of the 8 sites. See below for more details.

Update on the unlocking the eight (8) sites

As a result of the Workplace Modernization Program, eight existing City-owned properties are to be unlocked and re-purposed in order to achieve new city building objectives, including affordable housing, City services, and other City priorities. Corporate Real Estate Management and CreateTO are currently undergoing consultations with key stakeholders to determine a site vision / concept for each site, with recommendations to City Council targeted for the first or second quarter of 2021.

Initial consultation has been conducted with City Planning, local Councillors, existing occupants and other key stakeholders. An architectural design and planning team has also been assembled and initial conceptual designs are being explored to help establish potential value of these assets and to inform the potential city building objectives that can be achieved on these sites.

To help inform and establish visions for these sites, a public engagement process will be conducted, with initial community consultation beginning in January 2021 and continuing through March 2021. It is anticipated that community consultation will be conducted primarily through virtual meetings. With an initial meeting scheduled for each property to introduce the site to the community, identify the surrounding context and how that influences the future potential of the site, potential community benefits that could be delivered, and to share and seek feedback on opportunities and challenges to consider as the City plans future uses. A follow up meeting will then be scheduled to share and seek feedback on the proposed future use(s), community benefits, and built form. These meetings will provide an opportunity to share information about the City and CreateTO's plans related to these publicly-owned properties and to seek feedback from communities on how the future use(s) of these sites can help support the City's public policy priorities as well as local community priorities. Based on the feedback received through the public engagement process and following further consultation with City Planning and other impacted stakeholders, the concepts will be further refined. A report containing recommendations on the proposed visions, including supporting site concepts and business plans will be brought to City Council in the first or second quarter of 2021.

Table 5 - Key Activities and Timelines

Key Activity	Timing	Details	Status
Project Initiation	Nov 2019	As per Council adopted ModernTO plan	Completed
Consultation 1 (Input)	Jan – Feb 2020	Initial Consultation with City Planning, Local Councillor, Major Occupants	Completed
Consultation 2 (Input)	Feb – Mar 2020	Initial Consultation with City Divisions to determine identified needs.	Completed
Conceptual Design	May – Aug 2020	Prepare initial architectural massing concepts to determine potential built-form options	Completed
Consultation 3 (Direction)	Sep – Nov 2020	Follow up consultation with City Planning, City Senior Leadership Team	In Process

Key Activity	Timing	Details	Status
Community Consultation 1	Jan – Feb 2021	Initial consultation with stakeholder groups (BIA's, Local neighbourhood) – Virtual meetings	To Be Completed
Refine Architectural Design	Feb - Mar 2021	Architecture team to finalize massing concept	To Be Completed
Community Consultation 2	Mar – Apr 2021	Follow up consultation with stakeholder groups (BIA's, Local neighbourhood) – Virtual meetings	To Be Completed
Consultation 4 (Discussion)	Apr 2021	City Planning, Current Occupants, local Councillor (Consensus on vision/use of each site and relocation plan for existing occupants)	To Be Completed
Staff Report	Q2 2021	Staff report to City Council with Recommended Vision for the Eight Sites	To Be Completed
Implementation	2021 - 2026	Repurpose sites in accordance with Council directions	To Be Completed

Note 1: Repurposing may include alternative city uses, affordable housing, land sales or partnerships with third parties.

Corporate Real Estate Management and CreateTO will work to accelerate the relocation of existing City divisions and operations at 18 Dyas Road and 95 The Esplanade due to limited redevelopment potential of these two sites. As a result, less consultation will occur for the 18 Dyas and 95 Esplanade locations. City building opportunities at these locations will be determined in consultation with the local Councillor.

Conclusion

The Workplace Modernization Program is part of the ModernTO initiative, which aims to modernize government. It will significantly transform the City's office workplace as well as how and where City employees work. With an investment of \$225 million, the Program will optimize the City's office portfolio and achieve a number of financial, environmental, and employee benefits.

The Program will reduce the required office footprint by 1 million square feet, allowing the City to consolidate its 14,900 office employees in 15 locations (from 55 currently), including five core office buildings that will be fully renovated to accommodate more capacity and allow for better utilization of space. 32 of the 33 leases will be collapsed or partially collapsed through the course of the Program. Once fully implemented, the Program will save \$30.5 million annually from reduced operating costs and capital obligations, representing a 27 percent improvement in accommodation costs per employee, and an annual return on investment of 12 percent. In addition, the Program

will free up eight sites that will be available for city building opportunities. The eight sites currently have an estimated land value of approximately \$450 million, subject to market conditions and appraisals. CreateTO is leading the planning and consultation work on these sites and will report to City Council in the second quarter of 2021.

In addition to the significant positive financial impact and value generated by the Program, Workplace Modernization will generate other benefits to the City. The Program supports the transition to a digital environment and enhances the City's resiliency and responsiveness to future changes and emergencies. The Program also supports the City's goals to achieve net zero emissions city-wide by 2050, or sooner. Employee wellness and work-life balance will be improved, which will help the City attract and retain talent. Finally, the Program will rationalize use of office space in the five core office buildings, allowing for better uses of the buildings' ground floor for public services and counters, as well as access to flexible shared space for public and community uses.

The Workplace Modernization Program requires business transformation in certain areas to enable office staff to work productively. In collaboration with internal partners, the Program will support deployment of new technologies and tools to enable new ways of working; promote and enable the transition to digital information management; and develop a comprehensive program with policy, guidelines and tools required to support employees to be mobile. The Program has developed a comprehensive change management and communication strategy to ensure employees will be supported through this massive change.

The next steps will be to procure services from the right partners to work closely with the City to support the implementation of the Program. Detailed design and pre-construction preparatory work will proceed in 2021. Renovation of the primary office locations will take place between 2021 and 2026.

The Workplace principles and standards will also be leveraged for other City workplaces beyond the Office Portfolio, as CreateTO continues to bring new real estate asset type portfolio strategies to City Council for approval, including the portfolio for Industrial (e.g. service yards, warehouses) and the Community Infrastructure (e.g. recreation centres, employment centres, libraries).

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SIGNATURE

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ATTACHMENTS

Appendix A - Current City Wide Leased Office Locations - Portfolio Recommendations

Appendix B - Preliminary Implementation Roll-out Schedule