

STRATEGIC ACQUISITION POLICY

This Policy updates and replaces the Strategic Property Acquisitions framework that was approved by City Council on August 25, 26, 27 and 28, 2014 in Item EX44.22 to allow for the strategic acquisition of real property to occur, based on a clear and transparent set of criteria and with the appropriate governance and level of controls.

1. PURPOSE OF POLICY

- a. Establish a framework (governance, evaluation and approval process) for the strategic acquisition of properties where lands for which a specific municipal purpose has not yet been identified become available;
- b. Define principles and criteria for the strategic acquisition of properties aligned with the City-Wide Real Estate mandate to enable city building and support program service delivery; and
- c. Establish a dedicated funding source for the purpose of acquiring properties determined to be strategically important in accordance with this Policy.

2. POLICY OBJECTIVES

The Strategic Acquisition Policy aims at providing a transparent and objective framework to allow the City to strategically and proactively acquire real estate assets. In particular, the Policy will:

- Enable the City to respond to future and/or anticipated service and program demands based on a long-term planning horizon, such as the Official Plan and Program areas' strategic plans;
- Support strategic right-sizing of the City's real estate portfolio by facilitating the addition of new properties that will support long-term program needs and city-building goals;
- Provide flexibility to purchase property that serves city-wide priorities under circumstances which could not be foreseen at the time of the capital budget process;
- Enable the City to proactively pursue property that becomes available and respond to favourable opportunities in the marketplace; and
- Reduce overall costs associated with real estate acquisitions and increase efficiency by avoiding missed opportunities.

3. FUNDING SOURCE

A portion of the value unlocked or generated by portfolio optimization initiatives will be deposited in the Land Acquisition Reserve Fund ("L.A.R.F.") to fund the acquisition of strategically important properties. Where there is no approved capital budget to purchase property that becomes available and it is determined that the property is strategically important to the City, the L.A.R.F. is an appropriate funding source.

To ensure that there are sufficient funds in the LARF to support the Policy, it is suggested that the following mechanisms be used to contribute funds to the LARF:

- Net proceeds from the sale of real estate assets will be deposited in the L.A.R.F. to fund future capital requirements, in accordance with the "Policy Governing Land Transactions Among City Agencies, Boards, Commissions and Departments and Proceeds from Sale of Surplus City-Owned Real Property" (Clause 1 of Report No. 9 of the Policy and Finance Committee, as adopted by City Council on June 18, 19 and 20, 2002), as amended from time to time
- A minimum target of 20% of the value unlocked or generated by portfolio optimization initiatives will be identified, and, once realized, will be deposited in the LARF to be used for the strategic acquisition of real property.

This will provide a source of funding for otherwise unfunded acquisitions, as well as create capacity for future needs and protect the Model's capacity to fund the acquisition of strategically important properties beyond the 10-year Capital Plan.

4. EVALUATION OF STRATEGICALLY IMPORTANT PROPERTY

Strategic acquisition opportunities will be evaluated by CreateTO, who will provide its recommendations to Corporate Real Estate Management, or City Council, as per Table 2 below. Potential acquisitions will be evaluated based on two main principles: (1) Expectation that the City will have to purchase the property, or a similar property, in the future at a higher cost; and/or (2) Opportunity, due to timing or circumstances, to purchase lands at an advantageous price (i.e. distressed sales or land assembly).

The business case prepared by CreateTO will consider the criteria outlined in the table 1 below:

Table 1 - Strategic Acquisition Criteria

Strategic Fit	<ul style="list-style-type: none">• Enable City Strategic Priorities (i.e. Housing; Mobility; Climate Change / Resilience; People & Neighborhoods; Financial Sustainability)• Support City-wide Real Estate Portfolio strategic goals (Integration, Optimization, Intensification and Rationalization)• Fit with City Official Plan• Opportunity cost if not pursued
Financial Impact	<ul style="list-style-type: none">• Expected purchase price and carrying costs at market or less• Potential for expropriation avoidance• Potential for interim lease cash flow until final development• Potential to recoup capital investment if no longer required• Difficulty to purchase similar or equivalent asset in future• Favorable assessment of risk• Available funding sources and sponsors
Use Assessment	<ul style="list-style-type: none">• Suitability of property and location• Connection to other City-owned assets• Potential opportunities and synergies with other Program areas (i.e. co-location)

5. APPROVAL PROCESS

If, following the evaluation by CreateTO, it is determined that a property is strategically important for the City to acquire, and there are uncommitted funds available in the L.A.R.F. for this purpose, authority for the transaction will be obtained in the usual course.

Council previously delegated authority to various staff positions to approve certain real estate matters where funding is available in an approved budget and other stipulated General Conditions have been complied with, as set out in Article 2 of Toronto Municipal Code Chapter 213, Real Property. Any transaction falling outside of the stipulated terms of the delegated authority must be reported through the appropriate Committee to Council.

Acquisitions of strategically important properties will also be governed by this approval process, with the exception that funding will not have to be available in an approved budget but will instead come from L.A.R.F. To provide additional oversight in this circumstance, authority to approve the acquisition of strategically important properties will be conditional upon confirmation by the approving authority one level higher than the usual approving authority for the transaction that the property is strategically important to the City, as illustrated in Table 2:

Table 2 - Approval Requirements for Strategic Acquisitions

Total Compensation Limit	Usual Approving Authority for Acquisitions *	Approving Authority that Must Confirm Property is Strategically Important to City
> \$10 M	City Council	City Council
Up to \$10 M	City Manager	City Council
Up to \$5 M	Deputy City Manager, Corp. Services	City Manager
Up to \$3 M	Executive Director, CREM	Deputy City Manager, Corporate Services
Up to \$1 M	Director, Transaction Services Director, Property Management	Executive Director, CREM
Up to \$50 K	Manager, Real Estate Services	Director, Transaction Services Director, Property Management

** As set out in Article 2 of Toronto Municipal Code Chapter 213, Real Property, for acquisitions with funding included in the City's Capital Plan approved by Council*

In accordance with the General Conditions set out in Appendix B of Toronto Municipal Code Chapter 213, Real Property, the local Councillor will be consulted prior to the exercise of delegated approval authority by staff for property acquisitions.

A summary of strategically important properties that are acquired by the City through the process described in this report will be included in the semi-annual report submitted in normal course to Committee and Council.