CITY-WIDE REAL ESTATE

Next Phase of Implementation - Report Briefing

CreateTO Board

May 11, 2021

REPORT OUTLINE

The purpose of this report is to:

(1) look back on first 3 years of the model and
(2) set the foundations for the next phase of implementation and centralization

HIGH-LEVEL REPORT OUTLINE

1. **Reminder of the CWRE model** – What did we set out to accomplish and expected outcomes

2. **Three-year checkup** – What have we accomplished and key barriers identified

3. **Principles for strategic investment in real estate** – Anchor for the next phase of implementation

4. **CWRE areas of focus to advance the model** – Roadmap to continue centralization of real estate

CITY-WIDE REAL ESTATE MODEL – REMINDER

Establish a centralized service delivery model for stewardship and strategic planning for City-wide real estate assets to achieve the following outcomes (1) Improved service effectiveness; (2) Cost efficiencies and (3) Enhanced capacity to support City building priorities

PROGRAM MANDATE

ENABLE CITY-BUILDING

Enable City Priorities & Pursue Opportunities In The Public Interest

PROGRAM FOCUSED

Deliver Quality Real Estate Service & Solutions To City Programs

REAL ESTATE ASSET STEWARDSHIP

Governance & Oversight Of All City-Wide Real Estate Activities

MATURITY PATH

3. SERVICE DELIVERY

Centralized property and facilities management activities
City-wide oversight of all RE activities

2. ASSET MANAGEMENT & BUDGETS

Consolidated view of RE budgets
Prioritization and oversight

1. AUTHORITIES & ASSET USE DECISIONS

Consolidated asset use decision making Strategic portfolio planning

REPORT RECOMMENDATIONS AND DIRECTIONS

To ensure CWRE Model continued success, several key recommendations are included in the report:

1. **Re-affirm that all assets are City assets and should be treated on a City-wide basis, and clarify the scope and accountability for real estate matters (authorities and asset use decisions)**

2. **Adopt a set of real estate investment principles to guide the City's real estate choices, to:**
   - ✓ Maintain a portfolio that meets current and anticipated future needs, city-wide
   - ✓ Make the most effective use of capital based on optimization criteria (e.g. equity; resilience, etc.).
   - ✓ Maximize the value to the public and Improve service to the public

3. **Adopt changes to policies to operationalize these principles and eliminate barriers, incl.**
   - ✓ Amend legacy Policy on Treatment of Property
   - ✓ Align Strategic Acquisition Policy (*in response to Council Direction in 2019.EX9.6*)

4. **Direct staff to define new requirements and governance framework for capital investment in real estate**
   - ✓ Set stage for financial consolidation (capital and operating) for real estate asset

5. **Adopt a new, sustainable financial model for CreateTO that reflects its city-building mandate (*report back*)**
   - ✓ Eliminate Build Toronto and TPLC dividend in this report

STRATEGIC INVESTMENT IN REAL ESTATE: PRINCIPLES

1

The City's real estate assets are to be optimized for City-wide benefit as part of the City-wide Real Estate model. **Capital investment in real estate will be prioritized on a City-wide basis.**

2

Existing real estate assets that are unlocked through portfolio optimization will be repurposed to meet program needs and city building opportunities as a first priority.

3

In the event that City Council determines that a sale of a real estate asset is the best way to maximize its value to the City, **net proceeds will be reinvested to fund the purchase of new real estate assets and expanded capacity** that supports the current and future ability to deliver City programs.

4

The City may, from time to time, proactively and strategically acquire real estate assets where lands becoming available from unforeseen circumstances and/or without an identified and/or immediate program requirements.

SETTING THE STAGE FOR NEXT PHASE OF IMPLEMENTATION

Operationalizing these principles requires a number of work-streams and policy decisions, which will be worked on in the next two years:

Strengthening the “Supply-Demand model”

Consolidating RE asset management and budget planning on a City-wide basis

Aligning the strategic acquisition framework with the CWRE model

Modifying policies in conflict with model

Determining a sustainable funding model to support CreateTO

WHAT DOES THIS MEAN TO YOU?

Impact of our plans to CreateTO and to its Board:

- **Provide greater clarity on the mandate of CreateTO: scope (*what)*; and reach (*who*)**
  - Mandate for all planning and strategic matters, incl. portfolio strategy and development of lands
  - Responsible to actively solution for DACs
  - Act as stewards of all real estate assets to be optimized on City-wide basis

- **Advance the CWRE Model and CreateTO role**
  - Set expectations for next phase of implementation on our centralization journey (financial matters)
  - Board will be making recommendations regarding real estate capital (starting with new capital)

- **Address important financial issues for Model and CreateTO**
  - Elimination of the dividend requirement
  - Direction to bring back a financially sustainable model for CreateTO

NEXT STEPS & REPORT TIMELINES

We have developed a comprehensive engagement plan to cover senior City staff, Boards and City Councillors:

• TPA – President, Sr Staff	Mar 24	✓
• FPD	Mar 25	✓
• DCM, Corporate Services and CFO briefing	Mar 26	✓
• CMO	Mar 29	✓
• TCH – CEO (i)	Apr 13	✓
• City Building Committee	Apr 14	✓
• CreateTO ELT / CREM SMT	Week of May 4	✓
• CreateTO Board members briefings	Week of May 4	✓
• City Sr Leadership Team briefing	May 6	✓
• Strategic Program Management Committee	May 10	✓
• CreateTO Board Meeting	May 11	
• TPA Board Meeting	May 12	
• Political briefings – Councillors in small groups	No later than May 25	
• Executive Committee Meeting	Jun 1	
• City Council	Jun 8, 9	