

2022 Budget Notes

CreateTO

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Description

As the City of Toronto's real estate agency, CreateTO manages the City's real estate portfolio, develops City buildings and lands for municipal purposes and delivers client-focused real estate solutions to City divisions, agencies and corporations.

Toronto has more than 8,400 properties within its real estate portfolio. CreateTO, working together with the City's Corporate Real Estate Management (CREM) division, is continually looking for new and better ways to use those assets and deliver value to the City (e.g. through the delivery of City-building initiatives such as affordable housing, transit-oriented developments, new parks, and supporting City service delivery.)

Why We Do It

As part of the centralized City-wide real estate model, the agency is a steward of the City's real estate assets. **The agency leverages its real estate expertise to lead a City-wide real estate strategy, identify opportunities to modernize and harmonize operations, drive service delivery for programs, and maximize real estate value in the pursuit of social, economic, environmental, and program benefits.**

The new model, enabled by the establishment of CreateTO and the Corporate Real Estate Management (CREM) division, has already led to substantial value delivered back to the City through better, and more efficient unlocking and stewardship of value directly on behalf of the City and its programs—all consistent with the City-wide real estate portfolio strategy outlined by Council in 2019 aiming to make better use of City-owned assets.

The City of Toronto aims to deliver these outcomes equitably, efficiently and with excellent customer service to help improve the lives of Torontonians and work to earn their trust and confidence.

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What Service We Provide

Service 1: Real Estate Advisory Services

Who We Serve: City Council, City Divisions, Agencies and Corporations and local community members

What We Deliver: Develop and recommend strategies and plans for the City’s real estate portfolio, including specific asset classes and properties

How Much Resources (gross 2022 operating budget): \$3.40M

Service 2: Real Estate Project Delivery

Who We Serve: City Council, City Divisions, Agencies and Corporations, local community members, real estate and land developers and corporations and businesses

What We Deliver: Develop, facilitate development and/or provide strategic advice to City divisions, agencies & corporations concerning the development of City lands

How Much Resources (gross 2022 operating budget): \$8.90M

Service 3: Port Land’s Asset Management

Who We Serve: City Council, City Divisions, Agencies and Corporations, local community members, real estate and land developers and corporations and businesses

What We Deliver: Manage lands, leases, other interests in lands, and other assets owned by the Toronto Port Lands Company

How Much Resources (gross 2022 operating budget): \$4.03M

Budget at a Glance*

2022 OPERATING BUDGET			
<u>\$Millions</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenues	\$16.3	\$16.5	\$16.8
Gross Expenditures	\$16.3	\$16.5	\$16.8
Net Expenditures	\$0.0	\$0,0	\$0.0
Approved Positions	77.0	77.0	77.0

2022 - 2031 10-YEAR CAPITAL PLAN		
<u>\$Millions</u>	<u>2022</u>	<u>2023-2031 Total</u>
CreateTO has no capital budget.		

How Well We Are Doing

CreateTO continues to focus on delivering key City initiatives. Since the agency's inception, CreateTO, working with CREM, has returned significant value to the City as demonstrated in the charts below.

Table 1: Cumulative value generated

Outcome	Identified to date (2018-21)
Land value unlocked	\$1.5 billion ⁽¹⁾
Operating cost savings	\$26 million/year ⁽²⁾
Capital cost savings	\$4.5 million/year ⁽³⁾

[1] Unlocked land value identified through portfolio level work, including Housing Now Program, and ModernTO - Workplace Modernization Program

[2] Operating cost savings identified in the ModernTO - Workplace Modernization Program

[3] Capital cost savings identified in the ModernTO - Workplace Modernization Program

The Model's financial return-on-investment is one important measure. Another important measure is the value in terms of direct benefits to City programs, which represents CreateTO's primary mandate of delivering city-building outcomes.

To date, the outcomes projected from identified opportunities are as follows:

Table 2: Opportunities identified to date

Identified Opportunity	Projected Outcome
Affordable Housing	5,600 units ⁽¹⁾
Total Housing	14,879 units ⁽¹⁾
Office space reduction/savings	1,000,000 square feet
New community space	250,000 square feet
New park lands	170,000 square feet
Greenhouse gas reductions	6,985 tonnes CO ₂ equivalent annually (emissions reductions over baseline)
Employment impact	19,180 direct FTE jobs 11,560 indirect FTE jobs

(1) Housing Now Phases 1, 2 & 3

COVID-19 IMPACT AND RECOVERY**2022 Impact and Recovery****Operating Budget Impact**

- There is no significant COVID-19 financial impact on CreateTO's 2022 Operating Budget.

Service Level Changes

- Staff have adapted to the new working environment and continue to advance key City initiatives such as Housing Now and ModernTO. However; due to the nature of remote work and the fact that CreateTO is a highly collaborative project management driven organization, the efficiency of the agency has been impacted resulting in significant overtime to achieve desired outcomes. Management will continue to monitor the workload through 2022 to ensure City objectives are achieved.
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EXPERIENCES, CHALLENGES AND PRIORITIES

Our Experience and Success

- **Housing Now:** Along with our City partners, CreateTO has identified 21 sites, which are anticipated to deliver 14,879 new homes across the city, including 11,537 rental homes, of which approximately 5,600 will be affordable rental homes (through phase 1, 2 and 3 developments).
- **ModernTO:** Advanced the City's office optimization strategy, with the goal of re-purposing and re-developing underutilized City real estate assets to address City needs and city-building objectives, such as affordable housing, employment uses and community infrastructure.
- **City Building:** Advanced projects such as the Etobicoke Civic Centre, the redevelopment of 260 Adelaide/229 Richmond, and the Parkdale Hub.
- **Port Lands Development:** Actively managed its portfolio across the Port Lands, supported the ongoing flood protection work by Waterfront Toronto while focusing on revenue growth and supporting the further development of the of the Port as one of the most important film studio and media hubs in the country.

Key Challenges and Risks

- **Financial Sustainability:** Identify a sustainable financial model to support CreateTO's mandate.
- **Data Management Access:** Develop and consolidate real estate data to yield meaningful insights for improved asset management and decision making.

Priority Actions

- **Deliver Affordable Housing:** Work with our City partners to create and advance solutions that meet the vital housing needs of Torontonians. In particular, CreateTO will continue to execute the Housing Now and Modular Housing mandates by moving sites through the due diligence process, the marketing process as applicable, and by continuing to identify additional sites to support these key initiatives.
- **Advance the City-wide Portfolio Strategy and associated asset strategies:** Advance the Office Optimization strategy (ModernTO), and portfolio strategies for the City-wide parking portfolio and industrial portfolio.
- **Facilitate City Building:** Leverage the City's real estate portfolio to create new and better opportunities for the benefit of the City and its residents. In particular, CreateTO will continue to advance projects such as the Etobicoke Civic Centre & 260 Adelaide/229 Richmond.
- **Support Port Lands Development:** Advance the long-term vision for a sustainable new community in the heart of Toronto, by acting as a responsible steward of City assets in the Port Lands, supporting the ongoing flood protection work by Waterfront Toronto and supporting the further development of the film industry within the Port Lands.
- **Advancing Environment sustainability:** Meet TransformTO's requirements for City buildings and achieve near zero carbon production where feasible.
- **Identifying new revenue opportunities:** Work with City partners to identify new revenue sources to establish a sustainable funding solution for the agency.
- **Advancing Equity and Inclusion:** Work with City partners to identify opportunities to ensure all Torontonians in all parts of the City are able to benefit from City real estate development activity.

RECOMMENDATIONS

The City Manager and Chief Financial Officer and Treasurer recommend that:

1. City Council approve the 2022 Operating Budget for CreateTO of \$16.331 million gross, \$16.331 million revenue and \$0.000 million net for the following services:

Service:

	Gross Expenditures (\$000s)	Revenue (\$000s)	Net Expenditures (\$000s)
CreateTO	16,330.9	16,330.9	0.0
Total Agency Budget	16,330.9	16,330.9	0.0

2. City Council approve the 2022 staff complement for 77.0 positions comprised of 77.0 operating positions.

2022 OPERATING BUDGET

2022 OPERATING BUDGET OVERVIEW

Table 1: 2022 Operating Budget by Service

(In \$000s)	2020 Actual	2021 Budget	2021 Projection*	2022 Base Budget	2022 New / Enhanced	2022 Budget	Change v. 2021 Projection	
By Service	\$	\$	\$	\$	\$	\$	\$	%
Revenues								
CreateTO	14,018.5	14,598.8	14,343.2	16,330.9		16,330.9	1,987.7	13.9%
Total Revenues	14,018.5	14,598.8	14,343.2	16,330.9		16,330.9	1,987.7	13.9%
Expenditures								
CreateTO	14,018.5	14,598.8	14,343.2	16,330.9		16,330.9	1,987.7	13.9%
Total Gross Expenditures	14,018.5	14,598.8	14,343.2	16,330.9		16,330.9	1,987.7	13.9%
Net Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A
Approved Positions**	69.0	69.0	69.0	77.0		77.0	8.0	11.6%

*2021 Projection based on Q3 Variance Report

**YoY comparison based on approved positions

COSTS TO MAINTAIN EXISTING SERVICES

Total 2022 Base Budget expenditures of \$16.331 million gross reflecting an increase of \$1.988 million in spending above 2021 projected year-end actuals predominantly arising from:

- Increase due to new staffing requests and the full year impact of 2021 Human Resources (HR) decisions and higher professional fees and project investigative costs

EQUITY IMPACTS OF BUDGET CHANGES

No significant equity impacts: The changes in CreateTO's 2022 Operating Budget do not have any significant equity impacts.

2022 OPERATING BUDGET KEY DRIVERS

The 2022 Operating Budget for CreateTO of \$16.331 million gross is 13.9% higher than the 2021 Projected Actuals. Table 2a below summarizes the changes by revenue and expenditure category for the 2022 Operating Budget.

Table 2a: 2022 Operating Budget by Revenue / Expenditure Category

Category (In \$000s)	2019 Actual	2020 Actual	2021 Budget	2021 Projection*	2022 Budget	2022 Change from 2021 Projection	
	\$	\$	\$	\$	\$	\$	%
Service fee from Corporations	12,053.8	12,300.1	10,714.6	10,459.1	10,845.3	386.2	3.7%
Project management fees	463.3	1,467.6	3,290.4	3,290.4	4,891.9	1,601.5	48.7%
Other revenue		250.8	593.8	593.7	593.7		
Total Revenues	12,517.1	14,018.5	14,598.8	14,343.2	16,330.9	1,987.7	13.9%
Salaries and Benefits	10,285.4	11,566.4	12,000.3	11,768.5	13,961.4	2,192.9	18.6%
Office Occupancy	683.1	862.2	518.3	565.0		(565.0)	(100.0%)
Office Services	737.6	1,016.8	1,079.3	1,096.3	917.3	(179.0)	(16.3%)
Other Expenditures	811.1	573.1	1,000.9	913.4	1,452.2	538.8	59.0%
Total Gross Expenditures	12,517.1	14,018.5	14,598.8	14,343.2	16,330.9	1,987.7	13.9%
Net Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	N/A

*2021 Projection based on Q3 Variance Report

Key Base Drivers:

Salaries & Benefits: The increase is due to staffing requests and the full year impact of 2021 HR decisions.

Office Occupancy: The decrease is due to savings as a result of moving to a City owned facility on July 1, 2021.

Office Services: The decrease is due to onetime software implementation and office move related costs in 2021.

Other Expenditure: The increase is due to higher professional fees related to HR and strategic initiatives and higher project investigative costs

Offsets and Efficiencies:

Savings in office occupancy costs due to move to a City owned facility effective July 1, 2021.

Note:

- For additional information on 2022 key cost drivers refer to [Appendix 2](#) for a summary of balancing actions.

2023 & 2024 OUTLOOKS**Table 3: 2023 and 2024 Outlooks**

(\$000s)	2021 Projection	2022 Budget	2023 Outlook	2024 Outlook
Revenues	14,343.2	16,330.9	16,544.4	16,832.4
Gross Expenditures	14,343.2	16,330.9	16,544.4	16,832.4
Net Expenditures	0.0	0.0	0.0	0.0
Approved Positions	69.0	77.0	77.0	77.0

Key drivers

The 2023 Outlook with total gross expenditures of \$16.544 million reflects an anticipated \$0.214 million or 1.31 per cent increase in gross expenditures above the 2022 Operating Budget; The 2024 Outlooks expects a further increase of \$0.288 million or 1.74 per cent above 2023 gross expenditures.

These changes arise from the following:

- General inflationary impacts in salaries, benefits and other general and administrative costs

APPENDICES

Appendix 1

COVID-19 Impact and Recovery

N/A

Appendix 2

2022 Balancing Actions

(\$000s)									
Recommendation	Savings Type	Equity Impact	2022				2023 (Incremental)		
			Revenue	Gross	Net	Positions	Gross	Net	Positions
Office Relocation	Efficiencies	Low - Negative		(565.0)	(565.0)				
One time software implementation costs	Efficiencies	Low - Negative		(180.0)	(180.0)				
Total Balancing Actions				(745.0)	(745.0)	-			-

*As part of the ModernTO strategy, CreateTO has been one of the first to vacate third party lease space and move to a City owned facility.

Appendix 3

Summary of 2022 Service Changes

N/A

Appendix 4

Summary of 2022 New / Enhanced Service Priorities Included in Budget

N/A

Appendix 5

Summary of 2022 New / Enhanced Service Priorities Not Included in Budget

N/A

Appendix 6

**2022 Capital Budget;
2023 - 2031 Capital Plan Including Carry Forward Funding**

N/A

Appendix 6a

2022 Cash Flow and Future Year Commitments Including Carry Forward Funding

N/A

Appendix 6b

2023 - 2031 Capital Plan

N/A

Appendix 7

Reporting on Major Capital Projects: Status Update

N/A

Appendix 8

Summary of Capital Needs Constraints

N/A

Appendix 9

2022 User Fee Changes

(Excludes User Fees Adjusted for Inflation)

N/A

Appendix 10

Inflows and Outflows to/from Reserves and Reserve Funds

2022 Operating Budget

N/A

Appendix 11

Glossary

Approved Position: Permanent or temporary positions that support the delivery of City services and service levels as approved by Council.

Actuals: An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

Capacity to Spend: Ability to spend money along with the capacity to deliver projects as demonstrated by historic spending patterns and approved contractual obligations.

Capital Budget: A Capital Budget is the City's plan to acquire / build assets or extend the useful life of existing assets; an example of a capital expenditure is the construction of a new community centre.

Capital Needs Constraints: The capital needs that cannot be accommodated within the capital plan that the Division or Agency have the capacity to deliver.

Complement: Positions that support the delivery of City services and service levels as approved by Council.

Efficiencies: Reductions in the cost of delivering a service without a reduction in service level.

New / Enhanced: New and enhanced service changes resulting in an increase in service levels from what was previously approved by Council.

Operating Budget: An Operating Budget is the City's annual plan to provide services to the residents of Toronto; the budget includes all revenues and expenses needed to provided services; an example of an operating cost would be the cost to run the TTC subways.

Operating Impact of Completed Capital Projects: The additional expense (or savings) and positions needed to operate or maintain a new asset; an example would be the additional expense and staff needed to operate a recently completed community centre.

Rate Supported Budget: Budget fully funded by user fees such as Solid Waste, Toronto Water and Toronto Parking Authority

State of Good Repair (SOGR): The cost of maintaining assets to ensure they are able to support the delivery of City services and meet service outcomes

Tax Supported Budget: Budget funded by property taxes.

User Fees: Program generated fee and rental revenue for the use of its services (such as the TTC fare, ice rental fees and various City permits).