

2023 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.

Since the agency's inception in 2018, CreateTO has identified over \$1.5 billion in value creation for the City through strategic real estate planning and more effective use of City-owned assets – value that has been invested into City priorities such as affordable housing, community and civic space, and improved services for the people of Toronto.

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.

CreateTO:

Vic Gupta

Chief Executive Officer, CreateTO

Tel: (416) 981-2879

Email: vgupta@createto.ca

Corporate:

Marie Barcellos

Manager, Financial Planning

Tel: (416) 392-8393

Email: marie.barcellos@toronto.ca

What Service We Provide

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 2023 operating budget): \$3.5 million

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 and corporations concerning the development of City lands

How Much Resources (gross 2023 operating budget): \$9.2 million

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 2023 operating budget): \$5.0 million

Budget at a Glance

2023 OPERATING BUDGET			
<u>\$Million</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues	\$17.7	\$18.0	\$18.4
Gross Expenditures	\$17.7	\$18.0	\$18.4
Net Expenditures	\$0.0	\$0.0	\$0.0
Approved Positions	81.0	81.0	81.0

2023 - 2032 10-YEAR CAPITAL PLAN			
<u>\$Million</u>	<u>2023</u>	<u>2024-2032</u>	<u>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

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

Table 2: Opportunities identified to date

Identified Opportunity	Projected Outcome
Affordable Housing	5,394 units ⁽¹⁾
Total Housing	15,024 units ⁽¹⁾
Office space reduction/savings	1,000,000 square feet
New community space	250,000 square feet
New park lands - City	566,280 square feet
New park lands - Port Lands	1,742,400 square feet
Greenhouse gas reductions	7,504 tonnes CO ₂ equivalent annually (emissions reductions over baseline)
Employment impact	20,953 direct FTE jobs 12,629 indirect FTE jobs

(1) Housing Now Phases 1, 2 & 3

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 15,024 new homes across the city, including 10,953 rental homes, of which approximately 5,394 will be affordable rental homes (through Phase 1, 2 and 3 developments).
- **ModernTO:** Advanced the City's office optimization strategy, with the goal of repurposing and redeveloping 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 St. Lawrence Centre for the Arts, 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:** Address sustainable financial model through work with the City.
- **Data Management Access:** Work with CREM to improve asset management information and data quality, develop a single repository of City-wide real estate assets, and evaluate the use of technology to modernize process and back-end systems.

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 mandate 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.
- **Managing the City's Real Estate Assets:** Advance the City-wide Portfolio Strategy and associated asset strategies: In particular, CreateTO will continue to advance the Office Optimization strategy (ModernTO) and portfolio strategies for the City-wide parking, transit, library, and industrial portfolio.
- **Creating Opportunities for City Building:** Work collaboratively with City stakeholders, external partners and community members to develop real estate solutions that are innovative in their approach and effective in their design and delivery – creating more livable, sustainable and inclusive communities. In particular, CreateTO will continue to advance projects such as St. Lawrence Centre for the Arts, 260 Adelaide and the Wellington Destructor.
- **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 in the Port.
- **Environment Sustainability:** Advance the City's sustainability objectives on a number of fronts, including the delivery of low carbon thermal energy across the Bloor-Kipling (Six Points) site; through the remediation of contaminated lands to prepare underutilized sites for sustainable development; and in piloting sustainable construction methods through the use of mass timber at 1117 Dundas Street West.

TABLED BUDGET

The City Manager and Chief Financial Officer and Treasurer have tabled:

1. The 2023 Operating Budget for CreateTO of \$17.683 million gross, \$17.683 million revenue and \$0.0 million net for the following services:

Service:

	Gross Expenditures (\$000s)	Revenue (\$000s)	Net Expenditures (\$000s)
CreateTO	17,682.7	17,682.7	0.0
Total Agency Budget	17,682.7	17,682.7	0.0

- The above includes a 2023 budgeted staff complement for CreateTO of 81.0 positions comprised entirely of operating positions.

2023 OPERATING BUDGET

2023 OPERATING BUDGET OVERVIEW

Table 1: 2023 Operating Budget by Service

(In \$000s)	2021 Actual	2022 Budget	2022 Projection*	2023 Base Budget	2023 New / Enhanced	2023 Budget	Change v. 2022 Projection	
By Service	\$	\$	\$	\$	\$	\$	\$	%
Revenues								
CreateTO	14,633.5	16,830.9	16,830.9	17,682.7		17,682.7	851.8	5.1%
Total Revenues	14,633.5	16,830.9	16,830.9	17,682.7		17,682.7	851.8	5.1%
Expenditures								
CreateTO	14,633.5	16,830.9	16,830.9	17,682.7		17,682.7	851.8	5.1%
Total Gross Expenditures	14,633.5	16,830.9	16,830.9	17,682.7		17,682.7	851.8	5.1%
Net Expenditures (including COVID-19)						0.0	0.0	N/A
Required COVID-19 Support								N/A
Net Budget (excluding COVID-19 supports)								N/A
Approved Positions**	69.0	80.0	80.0	81.0		81.0	1.0	1.3%

* 2022 Projection based on 9 Month Variance

**YoY comparison based on approved positions

KEY COST DRIVERS – FUNDING PRIORITIES

Total 2023 Budget expenditures of \$17.683 million gross reflects an increase of \$0.852 million in spending above 2022 projected year-end actuals, predominantly arising from:

- The increase in salaries and benefits due to the cumulative impact of the new staffing request, cost of living increases, the full year impact of 2022 Human Resource (HR) decisions, and the return of staff from parental leave; and
- Non-salary inflation costs increased primarily due to inflationary pressures related to Information Technology (IT) operating costs, higher office services costs reflecting a return to working from the office, and higher marketing costs from website re-design and upgrade; offset by lower professional fees as result of one-time costs incurred in 2022 to launch CreateTO's strategic plan and Diversity, Equity and Inclusion (DEI) plan.

EQUITY IMPACTS OF BUDGET CHANGES

No significant equity impacts: The changes in CreateTO's 2023 Operating Budget do not have any significant equity impacts.

2023 OPERATING BUDGET KEY DRIVERS

The 2023 Operating Budget for CreateTO of \$17.683 million gross is \$0.852 million or 5.1% higher than the 2022 Projected Actuals. Table 2 summarizes the key cost drivers for the 2023 Budget.

Table 2: 2023 Operating Budget by Revenue / Expenditure Category

Category (In \$000s)	2020	2021	2022	2022	2023	2023 Change from 2022	
	Actual	Actual	Budget	Projection*	Budget	Projection	%
	\$	\$	\$	\$	\$	\$	%
Service Fee	12,300.2	10,749.3	10,845.3	8,535.3	11,741.8	3,206.5	37.6%
Capital Funding	1,467.6	3,290.4	5,391.9	7,701.9	5,315.9	(2,385.9)	(31.0%)
Other Revenue	250.8	593.8	593.8	593.8	625.0	31.2	5.3%
Total Revenues	14,018.5	14,633.5	16,830.9	16,830.9	17,682.7	851.8	5.1%
Salary & Benefits	11,566.4	12,713.0	14,360.9	14,360.9	15,070.3	709.4	4.9%
Equipment	420.9	414.2	416.3	474.8	440.7	(34.1)	(7.2%)
Office & Other Services	2,031.3	1,506.3	2,053.7	1,995.3	2,171.7	176.4	8.8%
Total Gross Expenditures	14,018.5	14,633.5	16,830.9	16,830.9	17,682.7	851.8	5.1%
Net Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0

*Projection based on 9 Month Variance

Key Base Drivers:**Salaries & Benefits:**

Increase due to the cumulative impact of the new staffing request, cost of living increases, the full year impact of 2022 HR decisions, and the return of staff from parental leave.

Equipment:

Decrease due to lower IT equipment required.

Office & Other Services:

Increase due to IT operating costs, higher office services costs reflecting a return to office, and higher marketing costs from website re-design and upgrade; offset by lower professional fees due one-time costs relating to HR and strategic initiatives in 2022.

2024 & 2025 OUTLOOKS

Table 3: 2024 and 2025 Outlooks

(\$000s)	2023 Budget	2024 Incremental Outlook	2025 Incremental Outlook
Revenues			
Service Fee		825.5	277.1
Capital Funding	17,682.7	(471.9)	83.6
Other Revenue			
Total Revenues		353.7	360.7
Gross Expenditures			
Salary & Benefits		301.4	307.4
Equipment	17,682.7	8.8	9.0
Office & Other Services		43.4	44.3
Total Gross Expenditures		353.7	360.7
Net Expenditures		(0.0)	0.0
Approved Positions	81.0	0.0	0.0

Key drivers

The 2024 Outlook with total gross expenditures of \$18.036 million reflects an anticipated \$0.354 million or 2.0% increase in gross expenditures above the 2023 Operating Budget; The 2025 Outlook expects a further increase of \$0.361 million or 2.0% above 2024 gross expenditures.

These changes arise from the following:

- Annualization impact of 2023 hires; and
- 2.0% overall inflationary impacts in salaries, benefits and other general and administrative costs

APPENDICES

Appendix 1

COVID-19 Impact and Recovery

N/A

Appendix 2

2023 Affordability Measures

N/A

Appendix 3

Summary of 2023 Service Changes

N/A

Appendix 4

Summary of 2023 New / Enhanced Service Priorities Included in Budget

N/A

Appendix 5

Summary of 2023 New / Enhanced Service Priorities Not Included in Budget

N/A

Appendix 6

**2023 Capital Budget;
2024 - 2032 Capital Plan Including Carry Forward Funding**

N/A

Appendix 6a

2023 Cash Flow and Future Year Commitments Including Carry Forward Funding

N/A

Appendix 6b

2024 - 2032 Capital Plan

N/A

Appendix 7

Reporting on Major Capital Projects: Status Update

N/A

Appendix 8

Capacity to Spend Review

N/A

Appendix 9

Summary of Capital Needs Constraints

N/A

Appendix 10

Inflows and Outflows to/from Reserves and Reserve Funds

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 Service Priorities: 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).