TORONTO

REPORT FOR ACTION

City Building Objectives for the Sale or Transfer of City-Owned Real Estate

Date: June 23, 2023
To: General Government Committee
From: Deputy City Manager, Corporate Services
Wards: All

SUMMARY

The purpose of this report is to inform General Government Committee of the guidelines and principles used for achieving "City Building Objectives" when City real estate is recommended for sale or long-term lease, or for transfer to CreateTO to develop for a market offering or a joint venture.

Specifically, this information report addresses:

1. The approved direction(s) informing real estate decisions (i.e., Council direction on City priorities, policy objectives, City Planning frameworks, etc).

2. The “City Building” guidelines and principles applied when City lands are considered for potential transfer or sale (e.g., Council directed program outcomes).

3. The process, due diligence activities, stakeholder engagement, and collaboration that is undertaken before a Council recommendation for a land transfer or sale is made.

The City generally prefers to retain the land or property it owns. However, the City is continuously assessing its mix of real estate assets, including buying, selling, and leasing properties to better enable the City's evolving service needs, drive 'City building opportunities', and be fiscally prudent. This includes instances where properties are declared surplus (i.e. lands the City intends to sell or otherwise dispose of) which can contribute to long-term "City building" benefits through targeted objectives (e.g. new housing supply).

The City of Toronto's Official Plan, generally describes 'City Building' as the process of shaping the physical, social, environmental and economic development of the city to support and enhance its livability, competitiveness, sustainability and quality of life for all residents. The City is able to further define city building objectives by considering specific Council directions and policy objectives, City Planning frameworks, program goals of City Divisions, Agencies and Corporations, and local community needs. City

building outcomes include, but are not limited to, developing affordable and social housing, enabling complete communities with diversified mobility options, driving net zero climate and energy goals, activating public spaces, supplying modernized and accessible facilities for City services, supporting cultural diversity, and fostering a vibrant economy through economic growth, job creation and attracting new investments to the City.

City building is a broad concept with the ambition of meeting the full potential and liveability of our communities and neighborhoods. This requires flexibility to consider a range of possibilities for a real estate site based on a number of factors (i.e., land use potential, Council priorities, community needs, fiscal sustainability, market/development achievability, etc). As a result, defining the best city building outcome(s) for a particular City-owned property requires a thorough process that includes significant real estate analysis, input and collaboration with City stakeholders, and ultimately Council direction or delegated approval. Further details regarding the processes, principles and guidelines to support city building outcomes upon the sale or transfer of real estate are provided in this report.

RECOMMENDATIONS

The Deputy City Manager, Corporate Services recommends that:

1. The General Government Committee receive this report for information.

FINANCIAL IMPACT

There are no financial impacts on the City's operating or capital budgets as a result of this report.

DECISION HISTORY

At its meeting on January 20, 2023, General Government Committee directed the Deputy City Manager, Corporate Services, in consultation with CreateTO, to report to General Government Committee regarding guidelines and principles for achieving "City Building Objectives" when properties are transferred to CreateTO or sold to the private sector: https://secure.toronto.ca/council/agenda-item.do?item=2023.GG1.11

COMMENTS

The City's Real Estate Portfolio

The City's real estate portfolio is made up of over 8,000 assets across 11 real estate asset types (i.e., office, industrial, community infrastructure, housing, etc), and requires significant yearly capital and operational investment. As the City's strategic priorities and service needs evolve, so do the real estate requirements. As a result, the City is continuously optimizing its real estate portfolio to meet large strategic outcomes (i.e., housing), support expansion or enhancement of program service delivery (i.e., division, agency, corporation service requirements), and drive consistent value for the City (i.e., fiscal stewardship).

As a general principle, the City prefers to retain the land or property it owns. However, the City is continuously buying, selling, and leasing out properties to optimize for long-term City building and sustainability of the City. Where no direct, long-term City use can be determined or there is a clear opportunity based on Council priorities, a sale or transfer may be recommended if business case analysis indicates that is the best way to maximize and/or achieve the desired City building value.

Small Scale Transactions

Apart from larger opportunities and transactions that support City building, there are also a number of smaller land sales conducted by Corporate Real Estate Management (CREM) that are authorized via delegated approvals. These transactions are typically under $3 million and support the day-to-day management of the City's real estate, enabling the sale of smaller vacant properties (e.g., former right-of-ways) and the sale of lands to support transit/infrastructure projects (i.e., smaller parcels or strips of land). City staff proactively consult with local Councillors early in the process as a requirement when delegated authorities are used for real estate transactions.

City Building Objectives and Opportunities

The City of Toronto's Official Plan generally describes city building as the process of shaping the physical, social, environmental and economic development of the city to support and enhance its livability, competitiveness, sustainability and quality of life for all residents. For example, city building can include implementing Council direction regarding:

- *Supporting City Services and Facilities*: providing land and buildings for City programs such as parks, libraries and community centers.
- *Demonstrating Complete Communities*: supporting mixed-income, mixed-use developments that provide a variety of housing, employment opportunities and public amenities that foster inclusive and equitable growth.
- *Delivering Affordable Housing*: meeting the diverse housing needs of our communities across the housing spectrum (e.g. shelters, rental, long-term care).
- *Promoting Net Zero Climate and Energy Sustainability*: promoting energy efficiency, sustainability and net zero ambitions.
- *Encouraging Economic Growth and Job Creation*: attracting investments that drive economic growth, job creation and opportunities for businesses.
- *Supporting Cultural Diversity & Equity:* promoting the city's diverse cultures through community engagement and cultural programing.
- *Enhancing Public Spaces:* supporting public realm improvements such as heritage preservation, adaptive re-use, and creating welcoming and inclusive places.

- *Promoting Fiscal Sustainability:* identifying underutilized assets and repurposing or selling surplus assets to fund city building priorities, or to realize cost savings (e.g. State of Good Repair cost reduction, portfolio consolidations, leverage partnerships or joint investments).

Applying a City Building Lens

The use of City-owned real estate to deliver city building outcomes is the result of rigourous process that requires collaboration with stakeholders, defining city building objectives, establishing priorities, and determining the potential, risks and cost associated with various opportunities. This collaborative process has played out in initiatives such as ModernTO and Housing Now.

For a particular site or initiative, defining city building objectives begins by considering and evaluating:

- Council direction, policies, and strategic plans (e.g., TransformTO, Housing Action Plan, ModernTO, etc).

- Official Plan, Secondary Plans and Planning Frameworks approved by Council (e.g., TOCore, Yonge-Eglinton, Golden Mile, Portlands etc).

- City service and program strategies, including plans approved by Council or boards (e.g., Parks and Recreation Facilities Master Plan 2019-2038; Toronto Transit Commission Real Estate Investment Plan 2022-2036).

- Evaluation of the site and real estate opportunity (i.e., site-specific characteristics; surrounding ownership and land use; market conditions; costs and funding; environmental condition; etc).

- Engagement with the local community, input from local representatives, and opportunities to partner (i.e., joint ventures, developments or partnerships with the private, public and non-profit sector, such as faith based organizations, school boards, other governments, and post-secondary institutions).

City building requirements are largely defined through Council policy directions, stakeholder collaboration and evaluating a range of policy, program and community objectives.

Stakeholder Input and Consultations

Proactive stakeholder engagement and feedback is critical, as defining City building outcomes requires a collaborative approach. CreateTO and CREM undertake frequent working group meetings with individual City Divisions and Agencies, plus conduct City-wide stakeholder meetings of key programs. These engagements provide the forum to understand City service priorities, program needs, policy objectives, planning studies, and how they may be addressed through opportunities in the City's real estate portfolio.

For example:

1. All significant real estate assets with redevelopment potential are reviewed with City Planning prior to developing a Council recommendation for sale or transfer.

2. Potential surplus properties are circulated to all City Divisions, Agencies and Corporations prior to sale or transfer to ensure City needs are prioritized first.

3. All surplus declarations require consultation with the local Councillor.
Consultation with local Councillors about local assets are also a critical component for reflecting community input and neighborhood priorities. Prior to the surplus, transfer or sale of any City-owned real estate asset, local Councillors are consulted for their feedback and input.

Stage-Gate Approach for Sales and Transfers
City staff follow a typical stage gate process to ensure there is sufficient rigour applied to larger and complex sales and transfers. That process generally includes:

(1) Identifying the real estate opportunity
(2) Conducting site analysis
(3) Evaluating City Council policy objectives (e.g. planning policies, Council directives)
(4) Assessing service requirements and priorities (e.g. through internal engagement)
(5) Producing an initial concept plan for better use of real estate
(6) Consulting stakeholders regarding the concept plan/use (e.g. local Councillors, City Planning, senior City staff) and taking appropriate considerations to inform revisions
(7) Developing a Business Case for a proposed concept that reflects stakeholder input
(8) Recommending the business case to the CreateTO Board, Committee and Council, including potential report back requirements
(9) Conducting sales/transfers once Committee and Council approval is received.

Council Approvals

While staff conduct thorough analysis and engagement to determine the best city building outcomes for a site and make recommendations to Committee and Council, City Council ultimately decides if the recommended objectives are approved and pursued by City staff.

When City-owned lands are being transferred to CreateTO to develop for a market offering or a joint venture, the city building objectives are defined in a staff report to Committee and Council, which City Council approves before the transfer of lands can occur. Similarly, prior to the sale of City lands to the private sector, City Council also approves the disposal of land through a staff report that describes the rational and applicable city building benefits (provided the disposal was not authorized via delegated authority with local Councillor input).

Conclusion

City building goals are largely defined through decisions made by City Council, which includes Council directed policy objectives, planning frameworks, and program strategies. These goals are continuously evaluated by CREM and CreateTO to determine how real estate can be utilized to support these goals. This evaluation process includes significant collaboration and consultation with local Councillors, staff committees, community stakeholders and individual City Divisions, Agencies and Corporations. Once the best city building outcomes are determined, recommendations are made to Committee and Council, who decide if the sale or transfer of City-owned real estate achieves the right balance of City building outcomes to be pursued by staff.

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SIGNATURE

Josie Scioli
Deputy City Manager, Corporate Services

ATTACHMENTS

Appendix: Summary of Principles for Achieving City Building Objectives

*A*ppendix: Summary of Principles for Achieving City Building Objectives

Principles for achieving City building goals when lands are sold or transferred to CreateTO include:

1. Align with the City's Official Plan, Strategic Plans and Policies as Directed by City Council

This includes evaluating real estate and its potential to support the City's strategic plans, policies and goals (e.g., Net Zero, Housing Action Plan), the needs of City programs, and the needs of the local communities.

2. Leverage City Assets to Maximize City Building Outcomes

This includes identifying and evaluating how sale/transfers can support City building outcomes to maximize public value once it is determined that a sale/transfer is the best way to maximize such outcomes (versus City ownership and retention).

3. Engage and Collaborate with City Stakeholders

This includes identify city building priorities and building consensus through consultations with City Planning, City Divisions/Agencies, Local Councillors, and community stakeholders, as applicable.

4. Leverage Partnerships to Deliver City Building Outcomes

This includes collaborating with the private sector, non-profits and broader public sector (e.g., governments, schools, hospitals) to identify how partnership can support City building outcomes through sales/transfers.

5. Monitor and Enforce Outcomes

This includes incorporating City-building requirements into sales/transfers agreements and monitoring compliance with sale requirements to ensure City Building outcomes are achieved.