

Long-Term Financial Plan Update: Leveraging City-Wide Real Estate Opportunities for Affordable Housing, Complete Communities & Financial Sustainability

Date: February 14, 2024
To: Executive Committee
From: Deputy City Manager, Corporate Services
Wards: All

SUMMARY

With the magnitude of the City's unfunded capital program and the cost of generational programs such as the housing plan and climate action initiatives, the Long-Term Financial Plan identified the City's real estate assets as a source for greater value potential. Specifically, evaluating underutilized real estate and deploying strategies to maximize the long-term value of assets for City benefits and fiscal sustainability. This includes fully leveraging the value from surplus lands no longer required for municipal services and from underutilized City properties with higher and better use and public benefit potential (i.e., for housing or mixed-uses).

This report responds to recommendation 5.d. from item [2023.EX7.1 - Updated Long-Term Financial Plan](#) that was adopted by City Council in September 2023:

"...to report back in advance of City Council's consideration of the Mayor's proposed 2024 budget on a review of all City-wide surplus and underutilized real estate assets with a recommended strategy for disposition or change in use as required, with priority consideration given to opportunities which may:

- *Be leveraged to support affordable housing initiatives;*
- *Enhance the City's revenue generating potential and/or contribute to the City's goals of long-term financial sustainability; or,*
- *Allow for joint ventures or partnerships which benefit the local community".*

Through EX9.3 - Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes, a list of 92 City-owned properties (both housing ready

and with housing potential) were identified to support new affordable housing targets - which responds in part to this recommendation.

In terms of additional real estate portfolio opportunities, the vast majority of City-owned real estate is operationally required by City Divisions, Agencies and Corporations to deliver municipal services. The City does not have an abundance of properties deemed 'surplus' that are both no longer required for municipal service delivery and prime for significant real estate development. However, the City does have many opportunities within its broader real estate portfolio of underutilized properties that can be leveraged and/or redeveloped for higher and better uses, including new housing and mixed uses, co-locating municipal services and/or monetization opportunities.

Based on the City's real estate model, the mandates for CreateTO and the Corporate Real Estate Management (CREM) division include working together to continuously assess the City's mix of real estate assets (i.e., opportunities to buy, sell, lease, enter into partnerships, attract add-on investments, etc.) to enable the City's evolving service needs, drive 'City building opportunities' and be fiscally prudent.

Through initiatives such as the workplace modernization program (ModernTO), the City's housing plan and the plan for a new Etobicoke Civic Centre as a complete community, the City is already making better use of its real estate. These strategies opened opportunities for new affordable housing, complete communities, broad-based partnerships and long-term fiscal sustainability, and there continue to be opportunities to further this work.

This report identifies three broad real estate opportunities that could support city building, the City's housing plan and fiscal sustainability:

- (1) Transit-Oriented Parking Lots;*
- (2) City-Owned Land Adjacent to Provincial Transit Sites; and*
- (3) Intensification of Toronto Transit Commission (TTC) Stations.*

If approved, the Deputy City Manager, Corporate Services will collaboratively work with partners including the Deputy City Manager, Development and Growth Services, Chief Executive Officer, CreateTO, Chief Executive Officer, Toronto Transit Commission, President, Toronto Parking Authority, Executive Director, Housing Secretariat, Executive Director, Transit Expansion Division and the Chief Planner and Executive Director, City Planning, to identify and consider real estate opportunities that could support Council's housing, community and/or fiscal sustainability goals. This includes prioritization and a multi-year plan with funding and resource requirements.

Determining the best city building outcome for any City-owned property requires significant due diligence, planning analysis, financial analysis, stakeholder engagement and the development of appropriate business cases for a change in use before coming to Council for subsequent approvals. Further details regarding opportunities in the City-wide real estate portfolio are provided in this report.

RECOMMENDATIONS

The Deputy City Manager, Corporate Services recommends that:

1. City Council direct the Deputy City Manager, Corporate Services to work with the Deputy City Manager, Development and Growth Services, Chief Executive Officer, CreateTO, President, Toronto Parking Authority, Executive Director, Housing Secretariat, Chief Planner and Executive Director, City Planning, and Executive Director of Transit Expansion Division, to undertake a review of all off-street, transit oriented, City-owned parking facilities that may support Council's housing, community or fiscal goals and better align municipal parking services to City and Provincial planning policies, and report back to Council by Q4 2024 with a list of priority sites, timelines and resource requirements for due diligence to determine 'parking-to-homes' and/or community infrastructure opportunities.
2. City Council request the Deputy City Manager, Corporate Services to work with the Deputy City Manager, Development and Growth Services, Chief Executive Officer, CreateTO, Chief Executive Officer, Toronto Transit Commission, Executive Director, Housing Secretariat, Chief Planner and Executive Director, City Planning, to undertake a review of all existing and future TTC stations for redevelopment opportunities that may support Council's housing, community, transit service or fiscal goals, and report back to Council by Q4 2024 with a list of priority sites, timelines and resource requirements for due diligence to determine better use of transit sites.
3. City Council request the Deputy City Manager, Corporate Services to work with the Deputy City Manager, Development and Growth Services, Chief Executive Officer, CreateTO, Executive Director, Housing Secretariat, Executive Director, Transit Expansion Division, Chief Planner and Executive Director, City Planning, to identify City-owned real estate assets suitable to be included in Transit Oriented Communities along current or future transit expansion projects, and report back to Council by Q4 2024 with a list of priority sites, timelines and resource requirements for due diligence to maximize housing and community goals.
4. City Council direct the Deputy City Manager, Corporate Services to work with the Chief Executive Officer, CreateTO, to identify funding and resource requirements to undertake the due diligence activities for the review of City-owned Transit-Oriented Parking Lots, City Lands adjacent to Provincial Transit Sites and the Intensification of TTC stations, and submit the funding needs through the City's capital budget process.

FINANCIAL IMPACT

There will be no immediate financial implications associated with the approval of the recommendations in this report. There may be future financial impacts to complete the work outlined in the recommendations. Additional funding requirements will be included in future year budget submissions for consideration through the annual budget review process. The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as presented in the Financial Impact section.

DECISION HISTORY

At its meeting on December 13, 2023, City Council adopted item EX10.2 - Advancing Generational Transformation of Toronto's Housing System - Aligning Housing Mandates and Strategic Efforts, directing the Boards of Directors of CreateTO and Toronto Community Housing Corporation to ensure the public retention of all sites designated for housing purposes as a top strategic priority:

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX10.2>

At its meeting on November 8, 2023, City Council adopted item EX9.3 - Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes, including a list of 92 City-owned properties (both housing ready and with housing potential) allocated to support new affordable housing targets adopted by City Council:

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX9.3>

At its meeting on September 6, 2023, City Council adopted item EX7.1 and directed the Deputy City Manager, Corporate Services, in consultation with the Chief Executive Officer (CEO), CreateTO, to report back on a review of all City-wide surplus and underutilized real estate assets with a recommended strategy for disposition or change in use, with priority consideration given to opportunities which may support affordable housing, fiscal sustainability or allow for partnerships that benefit the local community:

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.1>

At its meeting on July 10, 2023, General Government Committee adopted item GG5.13 - City Building Objectives for the Sale or Transfer of City-owned Real Estate, which outlined principles, guidelines and processes for decision making regarding underutilized and surplus City-owned properties:

<https://secure.toronto.ca/council/agenda-item.do?item=2023.GG5.13>

COMMENTS

Leveraging Real Estate Assets to Deliver on Council Objectives and Support Long-Term Financial Sustainability

Given the magnitude of the City's 10-year capital program and the cost of generational goals such as housing and climate action, the Long-Term Financial Plan recommends optimizing and driving value from the City's real estate assets. This includes fully leveraging surplus lands no longer required for municipal services and from underutilized City properties with higher and better use potential (i.e., higher density, opportunities for mixed-uses, dispositions to re-invest in complete communities, etc.). These directions are supported by the City's Official Plan's Section 5.3.3 Strategic Reinvestment that identifies the potential of City resources, especially lands and buildings, being used to their best strategic advantage to advance the city building objectives of the Plan and associated implementation plans, and to leverage other public and private investment.

The City strategically manages and centrally coordinates its real estate through CreateTO and CREM, ensuring that valuable City assets are not 'stranded' or underutilized, but instead are effectively maintained and achieve their highest and best use for City and public benefit. With processes in-place to continually evaluate assets, the City can identify how assets can be deployed for maximum value to the City as a whole, including:

- (a) Retention of the property at its current or enhanced use;
- (b) Leveraging land to co-locate municipal services in support of complete communities (i.e., service hubs);
- (c) Leveraging land value to develop the property for housing, economic or mixed-uses; and/or
- (d) Disposal of the asset for cash value to be reinvested into unfunded infrastructure to enable complete communities, including affordable housing as a priority and other programs such as climate action, or the Land Acquisition Reserve Fund to fund future City needs.

Real estate is a viable mechanism for the City to create financial value. Assets can be leveraged in multiple ways for the City's benefit, where each portfolio or site will have their own characteristics and potential. Real estate can enable the City to establish complete communities through needed land supply for housing, or to co-locate municipal services (i.e., library, recreation, parks, and/or paramedic/fire), or leverage the cash value from dispositions to directly fund critical infrastructure. Real estate can also be a catalyst to attract exponential investments or assembly of land from third parties, such as stacking funding from other orders of government (e.g., the New Deal), partnerships with not-for-profits and/or co-ops (e.g., 2444 Eglinton East) and joint ventures with adjacent private land holders.

Allocating lands to affordable housing, community uses or revenue generation does not have to be a mutually exclusive exercise where a single site serves a single City objective. For example, many active projects led by CreateTO and CREM leverage City-owned lands to deliver on multiple objectives. For example, housing (e.g., rent-geared-to-income (RGI), affordable and/or rent-controlled and market units as applicable), co-locating municipal services and retail/commercial in a single project. A mix of uses on a site not only supports the creation of complete communities, but also provides opportunities for monetization that are used to directly cross-subsidize affordable housing, community infrastructure (e.g., parks and/or community spaces), or other City priorities. More specifically, the monetized element provides the City income that lowers the cost of achieving key priorities, like housing, in the 10-year Capital Plan.

Complete communities include a diversity of housing types, accommodating people at all stages of life, and providing a wide range of accessible services, amenities, retail, culture and employment opportunities. For example, through EX9.3 - Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes, 92 City-owned sites were identified for future housing development through a collaborative effort between CreateTO, Toronto Community Housing Corporation

(TCHC), CREM and the Housing Secretariat. The sites represent a multi billion-dollar City contribution of assets towards housing that will anchor communities, with additional commitments received from other orders of government to support its long-term delivery, such as the Federal Housing Accelerator Fund. Many of the larger sites can also accommodate municipal services (e.g., parks), retail, commercial opportunities and other community spaces.

The City's Real Estate Portfolio

The City's real estate portfolio is made up of over 8,500 assets across 11 real estate asset types to deliver municipal services (i.e., office, industrial, community infrastructure and housing), 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 support expansion, modernization or enhancement of program service delivery (i.e., division, agency and/or corporation service requirements), help address large strategic outcomes (e.g., housing and climate action) and consistently create value for the City (e.g., long-term fiscal stewardship). This is achieved by directly collaborating with City divisions, agencies and corporations (DACs) on their future plans and evaluating the following:

- a) *Modernization Opportunities*: Leveraging modern technologies and service delivery practices to find efficiencies, identifying growth areas/services (i.e., shelter expansion);
- b) *Intensification or Expansion Opportunities*: Maximizing colocation, city building and public benefit opportunities; and,
- c) *Rationalization Opportunities*: maintaining the right asset mix to support City goals and objectives (ModernTO and office space optimization).

This collaborative process with DACs helps identify how assets can be consolidated, relocated, expanded and/or rebuilt to unlock new real estate potential aimed at higher and better uses. City properties may then be identified as underutilized or surplus by: (a) site specific reviews, (b) operational or service changes, (c) broader portfolio strategies and/or (d) Council direction.

For example, a number of City sites identified for housing were previously used as parking lots, industrial facilities or community infrastructure, where services have been co-located in other facilities to free-up lands for housing purposes. Similarly, through the ModernTO program, the City-wide office portfolio was modernized, rationalized and consolidated to unlock eight City sites that can now support City priorities, including housing.

Recommended Opportunities for City Building and Higher/Better Uses

The City has a number of assets that merit further evaluation on how they can be better leveraged for City benefit, specifically in helping address programs such as housing, creating complete communities and funding critical infrastructure. They include:

1) Transit-Oriented Parking Lots: The City's parking portfolio contains over 300 purpose-built parking facilities generally managed by the Toronto Parking Authority. There are over 30 active city building projects on City-owned parking lots, supporting the City's housing plan, ModernTO and other initiatives. A large portion of the parking portfolio is not suitable for redevelopment for various reasons (e.g., below-grade garages, leased from third parties and located in rights of way).

However, subject to further due diligence, CreateTO and City staff estimate that there are approximately 130 parking lots with suitable Official Plan designations (e.g., Mixed Use Areas, Neighborhoods and Apartment Neighborhoods) that could potentially support housing and mixed-use outcomes at various scales. Of these 130 parking lots, 74 are located in Major Transit Station Area zones, which generally implies a 10-minute walk from higher order transit and presents an opportunity to convert parking lots into transit-oriented, mixed use housing solutions in support of the City's new housing plan and targets.

At Council's direction, the shift away from parking accommodation to housing and community service accommodation at these parking lots could provide a significant pipeline of City-owned lands to meet the City's housing and other goals. In making its decision to proceed on specific sites in the future, Council will need to balance goals and objectives from parking assets, namely continual revenue streams from parking, the need to maintain parking in some communities and neighborhoods, and other objectives within the City-wide Parking Strategy. However, repurposing parking sites in proximity to transit aligns to current Planning Policy objectives, including:

City of Toronto Official Plan: Direction to redevelop surface parking lots on City-owned land and limit the supply of surface parking as a non-ancillary use for sites in areas well serviced by transit ([Policy 2.4.7](#)).

Provincial Policy Statement (2020): Direction to identify appropriate locations for transit-supportive development to accommodate a significant supply of housing options through intensification and redevelopment ([Policy 1.1.3.3](#)).

A Place to Grow (2020): Direction to explore Major Transit Station Area (MTSA) development by planning for a diverse mix of uses, including additional residential units and affordable housing, and fostering collaboration between public and private sectors ([2.2.4.9](#)).

2) City-Owned Land Adjacent to Provincial Transit Sites: The City owns land directly adjacent to Provincial lands at various existing and proposed Metrolinx stations and Transit Oriented Communities (TOC). A preliminary review of all City-owned lands near 90 current and future Metrolinx transit stations (i.e., along existing GO Transit lines and future stations of the Eglinton Crosstown LRT West Extension, Finch West LRT, Ontario Line, Scarborough Subway Extension and the Yonge North Subway Extension projects) has been undertaken and identified material City-owned lands at 16 existing and proposed Metrolinx stations.

The Province is pursuing a TOC program led by Infrastructure Ontario and Metrolinx to deliver mixed-use developments that improve connections to transit and increase

housing supply. There is an opportunity for the City to leverage its adjacent lands to generate housing, community and/or fiscal outcomes prioritized by City Council.

3) Intensification of TTC Stations: The City has 75 TTC stations across its various subway lines. The City has initiated significant transit-oriented development at many transit stations to make better use of underutilized lands in favour of mixed-use, mixed-income communities. There are nine TTC transit stations with active projects through Housing Now or ModernTO and additional opportunities to be explored at other TTC stations. Redevelopment of TTC stations can be extremely complex and cost intensive considering the active nature of the transit facilities, pedestrian and vehicle traffic, accommodation of transit infrastructure (above and below grade) and the need to maintain ongoing transit services through any redevelopment plans.

Many subway stations (particularly downtown) are located below grade or in the right-of-way and do not have significant City-owned land at the surface that can be considered for development. Many other subway stations are already incorporated into higher order development, such as North York Centre Station, Union Station, College Station and York Mills Station.

Along the Bloor-Danforth line, there are stations that may be good candidates for intensification, but typically require partnerships with surrounding property owners to achieve the size and density required for a feasible redevelopment project. As partners become available, CreateTO, TTC and CREM can actively explore the potential for including TTC lands into redevelopment concepts. Among all transit stations, there are opportunities across various time horizons to intensify lands, with approximately ten sites that have been prioritized for review and further due diligence with TTC, City Planning and CreateTO, in consultation with local Councillors.

Priority sites for exploration are all in MTSA or Protected Major Transit Station Areas (PMTSA) zones, have higher surrounding density, have favourable Official Plan designations for mixed use development, contain sizable municipal real estate footprints and appear to have less barriers to development than other TTC stations (subject to additional discovery at due diligence).

Advancing Changes in Use, Partnerships or Disposition

As outlined in GG5.13 - City Building Objectives for the Sale or Transfer of City-owned Real Estate, City staff follow a typical stage gate process to ensure there is sufficient rigour applied to larger and complex real estate decisions that may result in a change of use, joint venture or disposition. This includes significant engagement of City DACs and due diligence. 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 recommended for change in use or disposition, the City-building objectives are defined in a staff report to Committee and Council, which City Council approves before the delivery phase. City Council also approves of all

disposals of lands through a staff report that describes the rationale and applicable City-building benefits (provided the disposal was not authorized via delegated authority with local Councillor input).

Conclusion

The City's real estate portfolio is continuously evaluated by CREM and CreateTO to determine how real estate can be better utilized to support City Council objectives. There are significant opportunities in the City's portfolio to leverage underutilized lands to support housing, community and fiscal objectives. With Council direction, the opportunities presented in this report can be further analyzed for site-specific recommendations.

CONTACT

Vic Gupta, Chief Executive Officer, CreateTO, 416-981-2879, VGupta@createto.ca

Patrick Matozzo, Executive Director, Corporate Real Estate Management, 416-392-9158, Patrick.Matozzo@toronto.ca

SIGNATURE

David Jollimore
Deputy City Manager, Corporate Services

APPENDIX

Appendix 1: Achieving City Building Goals

APPENDIX 1: ACHIEVING CITY BUILDING GOALS

City Building Objectives

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 and long-term care).
- *Advancing Transit Expansion*: enhancing the rapid transit network in the city and providing seamless mobility options for residents.
- *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 programming.
- *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 and/or leverage partnerships or joint investments).

The use of City-owned real estate to deliver City-building outcomes is the result of rigorous processes that require collaboration with stakeholders, defining City-building objectives, establishing priorities and determining the potential, risks and cost associated with various opportunities. Defining City-building objectives begins by considering and evaluating:

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

- Official Plan, Secondary Plans and Planning Frameworks approved by Council (e.g., TOCore, Yonge-Eglinton, Golden Mile, Port Lands, 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, etc.).
- Evaluation of the site and real estate opportunity (i.e., site-specific characteristics; surrounding ownership and land use; market conditions; costs and funding; and environmental condition).
- 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 evaluation of a range of policy, program and community objectives.