



City-Wide Real Estate Review

Toronto Public Library Board of Directors Meeting

JUNE 27, 2016

City-Wide Real Estate Review

City Council directed the City Manager to undertake a review of all divisions, agencies and corporations involved in real estate processes with the intent to assess the City's real estate service delivery model.

BACKGROUND

- Deloitte was engaged to conduct the review in partnership with the Chief Corporate Officer Organization
- An internal steering committee chaired by the Deputy City Manager & CFO was formed
- An external advisory panel was assembled to advise the City Manager
- 15 Agencies, Corporations, and Divisions in scope:

6 Agencies

Exhibition Place
Toronto Parking Authority
Toronto Police Services
Toronto Public Library
Toronto Transit Commission
Toronto Zoo

4 Corporations

Build Toronto
Toronto Community Housing Corporation (TCHC)
Toronto Hydro
Toronto Port Lands Company

5 City Divisions

Affordable Housing Office
Long Term Care, Homes and Services
Parks, Forestry and Recreation (PF&R)
Real Estate Services
Shelter, Support and Housing Administration

Our Current State

A very complex and valuable real estate portfolio with significant operational and capital expenditures:



- 6,976 buildings with 106.3 million SF, 49% is multi-residential
- 8,446 properties on 28,823 acres of land, 64% is park land
- \$1.1 Billion in annual operating costs in core real estate and facilities management
- \$1.0 Billion in annual portfolio capital & development costs
- 3,177 FTEs oversee the portfolio (94% in facilities management; 6% in core real estate functions)
- \$27 Billion in assessed portfolio value (36% TCHC; 9% Parks, Forestry & Recreation)

Assessment: Key Findings

There is limited ability to make timely and informed decisions & set strategic direction on a City-wide basis.



More opportunity for city-wide, strategic planning and management of the portfolio - *Complex governance model making efficient decision making and approvals a challenge (vertically and horizontally).*



Working in silos/lack of co-ordination - *Multiple entities involved in the management of the portfolio.*



Talent / skills imbalance - *majority of real estate expertise focused on day-to-day activities, resulting in some decisions without a broader strategic view.*



Inconsistent processes, tools & technology – *Missed opportunities to integrate best practices in process and technology to improve effectiveness.*



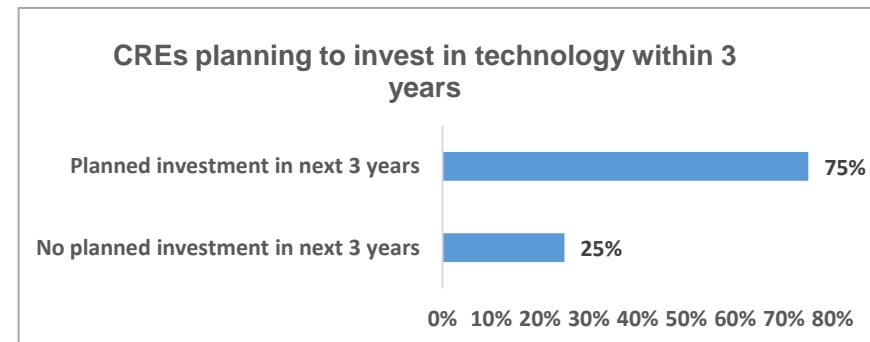
The organization is ready for transformation - *Structure and process has been developing and timing is right to pursue the next step of the maturity model.*

What others in the industry/sector doing?

We used public sector benchmarks: Infrastructure Ontario, Public Works & Government Services Canada (PWGSC) and Shared Services BC

OPERATIONAL AND STRATEGIC FINDINGS

1. Strategic alignment – Big picture view and alignment to enterprise wide strategy
2. Cost Reduction – Centralized control improves property vacancy management and portfolio optimization
3. Continuous Improvement and Innovation - Focus on process and adopting of best practices
4. Economies of scale – Procurement opportunity to identify and realize increase value for money
5. Improved data quality – Centralized and complete data to run the business enabled by technology

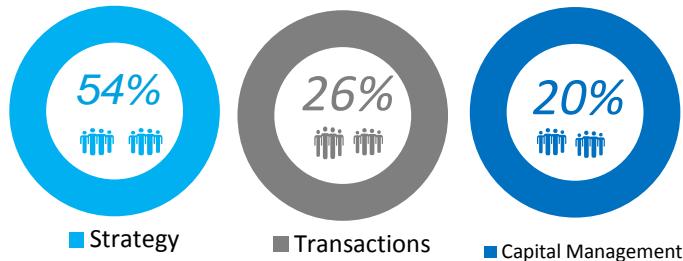


Bottom line: The industry is moving towards a centralized model including Service Relationship Management with a program focus

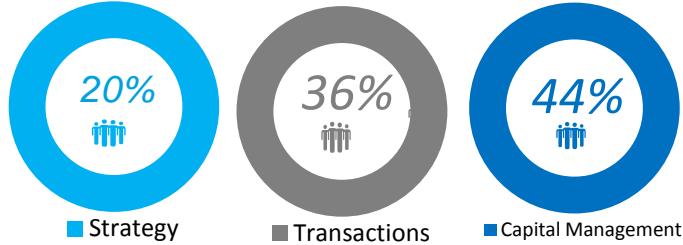
How do we compare?

- Compared to IO, the City has a disproportionate number of staff focused on facilities management
- Considering core real estate, the City has a disproportionate number of staff focused on transactional work (vs strategic planning and management)

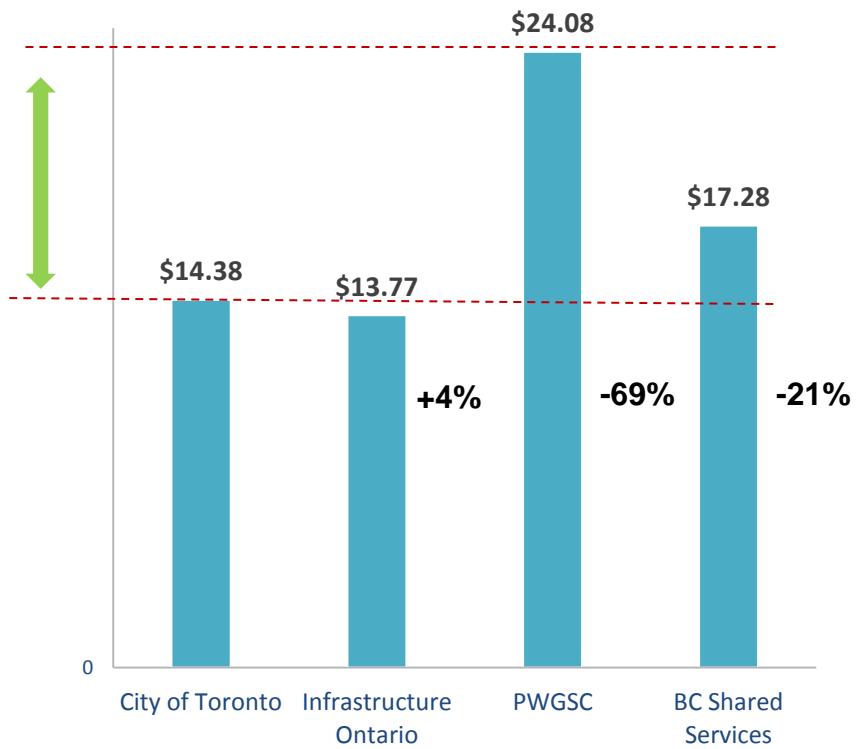
SKILLS DISTRIBUTION OF INFRASTRUCTURE ONTARIO CORE REAL ESTATE



SKILLS DISTRIBUTION OF CITY CORE REAL ESTATE



COMBINED PORTFOLIO & CORE RE SERVICES BUDGET / SF*



Some cost efficiencies may be achievable, but the current skills imbalance is the more significant concern.

From an overall cost per square foot perspective, the City's current real estate service delivery is relatively efficient.

Maximizing value by coordinating 'city building'

TODAY: INDEPENDENT PLANNING

1. Multiple independent plans
2. Lack of *coordination resulting in lost opportunity at public sites.*
3. Mix of real estate expertise – *skill mix more focused on day-to-day activities vs planning and strategy.*
4. Diverse corporate / agency vision, interests, and mandates - *not aligned to a single 'City Building' framework.*
5. Growing State of Good Repair (SOGR) backlogs - *no coordinated plan to reduce capital spending.*



Maximizing value by coordinating 'city building'

TOMORROW: STRATEGIC & COORDINATED PLANNING W/ MULTIPLE STAKEHOLDERS

1. Unlock land value - *getting the best strategic use of City lands.*
2. Co-location cost savings – *pursue mixed-use, multi-service developments.*
3. Economic opportunities - *job creation including commercial, retail & affordable housing.*
4. Community hubs - *build capacity, pride in facilities, improve accessibility & services closer to residents.*
5. Modernization of space - *enhance productivity & efficiency through space planning innovation.*



Recommendation: Centralizing Service Delivery

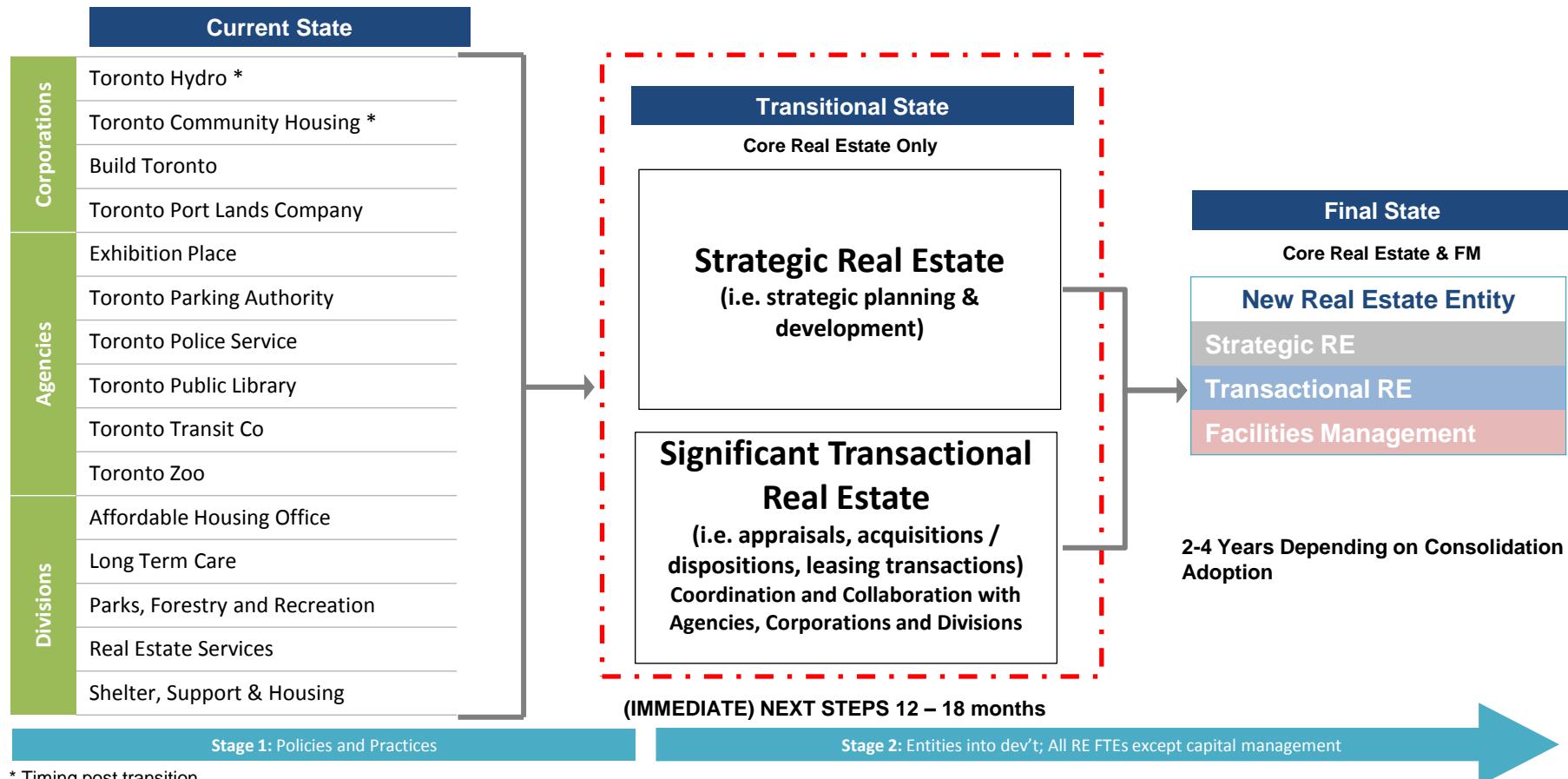
AN ENTITY TO LEAD ALL CITY OF TORONTO REAL ESTATE –

-  Simplified & Transparent Governance Model - *unified vision, clear and balanced objectives and enhanced accountability.*
-  Led by Multi-disciplinary Talent - *professionals w/ skills to strategically manage large portfolios (industry experts, contract management, data/analytics, project management, legal, stakeholder engagement).*
-  In Pursuit of Partnerships & Joint-Venture Opportunities - *with risk-sharing, alternative finance and procurement, revenue generation & efficient capital delivery.*
-  To Address State of Good Repair Backlogs & Fully Utilizing Assets - *pursue capital investments with a strategic lens maximizing return on investment (financial, social, environmental).*

= Value Creation / Effective Operations /
Cost Savings 5–10% of operating budget
Revenue Generation opportunities 5-10%

New Real Estate Entity: Consolidation of core functions

All strategic development and transactional real estate activities currently performed by the individual entities will be executed by the new Real Estate Entity in the new model (including facilities management).



* Timing post transition

Core functions in strategic operating model

New Real Estate Entity

Relationship Management (Program Expertise)

Asset management by property type

- Office/Workplace
- Retail/branches
- Land
- Multi-Residential
- Parking
- Other

Development & construction

- Strategy
- Municipal Planning
- Design and development
- Construction

Transactions

- Acquisitions
- Dispositions
- Leasing
- Financing

Shared Services

- Technology platform
- Procurement
- Finance and budget
- Legal and other

Operations

- Property management
- Facility management
- Facilities management and property management administration

The opportunities as a result of the change

EFFECTIVE OPERATIONS

A centralized, strategic approach with efficient & effective stewardship of assets

CITY BUILDING

With a strategic vision and executed through collaboration & innovation

TECHNOLOGY & PROCESSES

Integrated systems with accurate portfolio data for timely and informed decision making

VALUE FOR MONEY

Investments w/ impact (economic, social, environmental) and revenue generation opportunities

STAKEHOLDER ENDORSEMENT

Better solutions through proactive engagement with Council, employees and the community

Implementation: Visioning & Transition Framework

Likely a 2-4 year process to the end state. To start, a framework needs to be put in place comprising the following key elements:



Q3 2016 Appointment of a Transition Lead



Q4 2016 Establish a Transition Team (Program Management Office)

A series of Visioning Sessions and Workshops - *inclusive of key stakeholders.*



Q2 2017 Development of a Transition Strategy - *including an integration blueprint & KPIs.*

New Real Estate Entity Transition Structure

Current State

Corporations	Toronto Hydro*	BOD	CEO
	Toronto Community Housing*	BOD	CEO
	Build Toronto	BOD	CEO
	Toronto Port Lands Company	BOD	CEO
	Exhibition Place	BOD	CEO
	Toronto Parking Authority	BOD	Pres
	Toronto Police Service	BOD	CAO
	Toronto Public Library	BOD	CL
	Toronto Transit Co	BOD	CEO
	Toronto Zoo	BOD	CEO
Agencies	Affordable Housing Office	DH	
	Long Term Care	DH	
	Parks, Forestry and Recreation	DH	
	Real Estate Services	DH	
	Shelter, Support & Housing	DH	
Divisions			

* Timing post transition

** DH – Division Head

Operations continue to run under current boards through transition period

Proposed Transitional State

