

Build Toronto and City Real Estate Strategy

Date:	March 23, 2009
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The City's *Prosperity Agenda* and the *Blueprint for Fiscal Stability and Economic Prosperity* reports both indicated a need for substantive change in how the City attracts new investment and uses its under-utilized real estate holdings to regenerate Toronto. After engaging consultants and seeking advice and input from a number of experts and stakeholders, a *New Model to Enhance Toronto's Competitiveness* report was approved by Council. Among other things, the report recommends establishing two new City corporations referred to as "Invest Toronto" and "Build Toronto", amending the mandates of Economic Development, Culture and Tourism and Facilities and Real Estate Division, and instituting a centralized real estate strategy that includes all City land holdings including those managed or owned by City Agencies, Boards, and Commissions such as the Toronto Transit Commission and Toronto Public Library (TPL).

Build Toronto will engage private and public sector partners in the development of under-utilized City real estate to unlock value, stimulate the creation of desirable jobs, and regenerate neighbourhoods, consistent with the City's broader economic, social and environmental goals.

Further, the City's Chief Corporate Officer was requested to develop a City-wide real estate strategy with the objective of optimizing facility usage across the corporation and identifying opportunities for intensification.

This report summarizes information on Build Toronto taken largely from the *New Model to Enhance Toronto's Competitiveness* report.

FINANCIAL IMPACT

Until more information is available on the proposed City-wide real estate strategy and how Build Toronto will operate and interact with TPL, the financial impact cannot be determined.

The Director, Finance & Treasurer has reviewed this Financial Impact Statement and is in agreement with it.

DECISION HISTORY

The City's *Prosperity Agenda* identified the need for a new arm's length structure to help implement a comprehensive strategy for ensuring Toronto continues to be economically competitive in the local, national, and international arenas. The *Prosperity Agenda* also stated it is critical that Toronto attract new investment by stepping up its marketing, promotion, and international presence. The report can be found at:

<http://www.toronto.ca/prosperity/>.

The City's Fiscal Review Panel's *Blueprint for Fiscal Stability and Economic Prosperity* recommended a review to determine an organization structure that would best enable the City to maximize the value of the real estate holdings of the City and its Agencies, Boards, and Commissions. The report highlights can be found at:

http://www.toronto.ca/mayor_miller/pdf/blueprint_highlights_20080217.pdf.

ISSUE BACKGROUND

After engaging consultants and seeking advice and input from a number of experts and stakeholders, a *New Model to Enhance Toronto's Competitiveness* report was approved by Council at its October 2008 meeting. Among other things, the report recommends establishing two new City corporations referred to as "Invest Toronto" and "Build Toronto", amending the mandates of Economic Development, Culture and Tourism (ECDT) and Facilities and Real Estate Division (FRED), and instituting a centralized real estate strategy that includes all City land holdings including those managed or owned by City Agencies, Boards, and Commissions (ABCs) such as the TTC and Toronto Public Library (TPL). The *New Model to Enhance Toronto's Competitiveness* report can be found at:

<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-15926.pdf>

Invest Toronto will engage the private sector in promoting Toronto as an investment opportunity through marketing, conducting trade missions, and coordinating with other governments and business.

Build Toronto's mandate will be to unlock the value in under-utilized lands and use the available City and ABC land base to attract targeted industries, stimulate the creation of desirable employment, and regenerate neighbourhoods through the following activities:

- developing City and ABC surplus lands and excess real estate, or portions thereof, with development potential;
- working with other sectors in urban regeneration;
- remediating brownfields;
- catalyst development;

- recommending to the City optimal use of City real estate holdings;
- using financial incentive tools as provided by the City.

“Developing” is intended to imply a wide range of activities focused on unlocking value including acquisition and disposition of properties, project management, financing, environmental remediation, planning and rezoning and joint ventures with other private and public sector organizations.

COMMENTS

The Board for Build Toronto is currently comprised of 12 members:

- the Mayor as Chair;
- a citizen Vice-Chair;
- the Chair of the City’s Economic Development Committee;
- the City’s General Manager of EDCT;
- the City’s Chief Corporate Officer; and
- seven residents of Toronto.

The list of members approved by Council on February 23, 2009 can be found at:

http://www.toronto.ca/toronto-competes/pdf/build_toronto_board_backgrounder_230209.pdf.

Developing the City Real Estate Strategy

Currently each City Division and ABC (ABCD) that owns or manages property develops their own strategy for facilities to support their individual programs. There is a cross-corporate Property Management Committee that reviews lands no longer required by an ABCD to determine whether they can be made available for affordable housing purposes or used by another program. This is an effective process once an ABCD identifies lands no longer required.

Although ABCDs consider how facility use can be optimized within their own programs, there are fewer opportunities to work together to share facilities or co-locate. Council has proposed that the CCO assume responsibility for taking a cross-corporate view and develop a City-wide real estate strategy with the objective of optimizing facility usage across the corporation and identifying opportunities for intensification.

This strategy is intended to have two benefits – to reduce on-going facility costs to individual programs and to identify properties, or portions thereof, that can be declared surplus or are candidates for intensification. Along with this strategy, the CCO will begin an audit of real estate assets owned by the City and ABCs to identify properties with potential for private development.

The intent of developing a City-wide real estate strategy is to consider the most effective and efficient use of all City and ABC properties to meet the needs of programs. Where there is an opportunity to intensify or redevelop such properties in association with the

private sector, the properties may be either transferred or turned over to Build Toronto for development purposes.

Where land is not required for program purposes and transferred in title to Build Toronto, Build Toronto will be able to use and dispose of the land as it sees fit, subject to the terms of any negotiated Transfer Agreement with owner of the land. Where the City or ABC has a continuing program interest in lands, instead of Build Toronto owning these lands, Build Toronto will take management and control of the land in order to unlock the value of the property. Where Build Toronto does not assume title of the land, a Turnover Agreement would need to be negotiated with the owner. For Turnover Agreements, Build Toronto would consult with the ABCD to obtain concurrence of any proposed transaction which affects the operations of the ABCD prior to entering into any transaction with a third party in respect of such lands. The determination of whether all or some portion of a property is turned over or transferred to Build Toronto will be on a property-by-property basis.

Transfer and Turnover Agreements would require Library Board approval and the agreement will address the issue of distribution of the proceeds. It is intended that all significant opportunities for private development or joint ventures be handled by Build Toronto.

The CCO is currently working on principles of a City-wide real estate strategy and a report is expected to be considered by City Council within the next few months.

Impact on TPL

TPL's location of branches and use of lands is guided by a number of considerations.

In 2003, City Council directed that, where feasible, library branches should be located on City-owned lands. For mall locations, relocation onto City-owned land is intended to result in operating costs savings and fewer disruptions in service, as lease negotiations and rental payments would no longer be necessary. Morningside and Jane Sheppard (currently nearing completion) are two branches which have been relocated from rented space in a mall onto City-owned lands. The current practice is to engage the City's Facilities and Real Estate Division in reviewing all available City-owned lands within the catchment's area before any branch lease is renewed. At the same time, the importance of branch location needs to be considered. Malls are often community focal points and neighbourhood branches in these locations are among the busiest in the City.

The Joint Facilities and Joint-Use Facilities policy, approved by the Board on May 12, 2003, provides the framework used in making the decision around locating a library in a joint-use facility where that would provide an equal or better service to the public than a stand-alone facility. This policy establishes the criteria, from the Library's perspective, for a successful partnership in a joint-use facility.

In its meeting on September 23, 2002, the Library Board approved the *Policy Governing Land Transactions among City Agencies, Boards, Commissions and Departments and Proceeds from Sale of Surplus City-Owned Real Property* and under this policy, the Board formally turned over to the City its jurisdiction to deal with its surplus lands. The financial operations of the policy include:

- when land is transferred between City divisions and ABCs there are no proceeds and no cost for the land;
- if TPL declares land surplus and it is sold outside of the City and its ABCs, then the proceeds are placed in a capital reserve for the benefit of TPL;
- when land, for which TPL holds title, is redeveloped then the net proceeds are placed in a capital reserve for the benefit of TPL.

TPL has never received any proceeds from releasing surplus land, but has benefited from new libraries on City-owned land at no cost, e.g., St. James Town Branch and Morningside Branch.

The proposed City-wide real estate strategy will likely amend the current policy on dealing with surplus land and may also impact on the process for making a decision to locate a library in a joint-use facility or on City-owned land, but details are not available at this time.

Of the 99 branches and 3 service buildings operated by TPL, ownership of the lands is as follows:

- In 51 locations, TPL owns the land;
- In 35 locations, the City owns the land;
- In 1 site the City and TPL own different portions of the land;
- In 12 mall locations, TPL is a tenant;
- In 1 location, the land is owned by the Toronto Transit Commission and the City;
- In 1 location, the land is owned by the Toronto District School Board;
- In 1 location, the land is currently owned by the City, with partial ownership to be transferred to the two School Boards.

Where TPL has legal title to a property, the Board has control over how it is used for service delivery and/or redevelopment.

The CCO has begun the audit of corporate real estate assets to identify properties with potential for private development that may be considered for transfer or turnover to Build Toronto. In connection with this, Library staff met with representatives from the office of the CCO to begin preliminary discussions around potential surplus lands or opportunities for redevelopment. As TPL has no surplus lands, the focus would be primarily redevelopment opportunities, whereby there would be a continuing interest for an improved library on site. In a preliminary discussion, two TPL-owned potential redevelopment sites were identified, mainly due to their desirable locations: Deer Park Branch, 40 St. Clair Ave. East (Yonge and St. Clair); and Parkdale Branch, 1303 Queen St. West (Queen, west of Dufferin). It was noted that each location had challenges for

redevelopment, and that further discussion and Library Board approval would be required, including negotiating Turnover Agreements, before any plans for redevelopment could proceed.

Once the CCO has assessed that a property, in whole or as a portion, has potential for private development, his recommendation will be to have the property declared surplus and transferred or turned over to Build Toronto, and that the City or ABC concur with the recommendation. If Build Toronto subsequently determines that redevelopment is not feasible, then the surplus declaration can be rescinded at that time.

CONCLUSION

As more information on Build Toronto and the City-wide real estate strategy becomes available, it will be reported to the Board.

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SIGNATURE

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