

Development Of Transit Properties ‘Work Plan’

Meeting Date: August 27, 2008

Subject: Development Of Transit Properties ‘Work Plan’

Reason for confidential information:

This report is about a proposed or pending acquisition or disposition of land.

Recommendation

It is recommended:

1. That the Commission receive the information set out in Confidential Attachment 1;
2. That in order to avoid providing the private sector development community with an unfair advantage of the transit properties being considered for development at this time that the Commission not authorize the public release of the information in Confidential Attachment 1;
3. That the Commission endorse the following recommendations from Cushman & Wakefield LePage Inc., as proposed for implementation by staff:
 - a. The restructuring of the Property Development department. All new positions, titles and potential appointments will be reviewed by the Human Resources department in accordance with TTC policies prior to implementation.
 - b. Change the name of the Property Development department to the Asset Management and Property Development department;
 - c. Establish guiding principles for Transit Oriented Development (TOD), commuter parking policies and related internal processes, Development of Transit Site committee (DOTS); and,
 - d. Establish an internal TTC Development Task Force, consisting of stakeholder departments (Legal, Service Planning, Engineering, Finance and external facilitators) comprised of senior level representatives.

Funding

The TTC and the City of Toronto, through the implementation of the Development of Transit Properties ‘Work Plan’, may potentially yield significant financial and operating benefits associated with the

disposition and development of under-utilized transit lands.

In accordance with the recommended organizational structure, sufficient funding will be required to hire a total of three (3) additional staff positions in the Property Development department. Two professional positions (Director-Development Management and Development Manager), in the M&P category ranging in the 7SA to 12SA salary levels and one Clerical position (Property Development Support Clerk) in the 1SA to 6SA salary level.

Appropriate salary levels will be determined in conjunction with TTC process through Human Resources department. The additions of the three positions were supported by the TTC Property Committee at its meeting of July 23, 2008. If approved, these additional positions and revised organizational structure will be incorporated into the 2009 TTC operating budget.

Background

In August 2007, at the direction of the Property Committee, a Request for Proposal (RFP) document entitled "Development of Transit Sites – Work Plan" was issued.

The objective of the study was to establish a strategic blueprint, whereby, the TTC can proceed to seek revenue optimization and operating/ridership growth potential directly through transit oriented development without compromising its core business of providing efficient public transportation.

The TTC, as a major landowner in the City of Toronto, has within its land portfolio highly developable sites that include: subway stations, yards, loops, commuter parking lots, open cut right-of-ways, operating streetcar/bus garages, etc.

In order for the TTC to achieve its objective, an RFP was issued to engage 'experts' in the field of real estate to provide guidance and advice pertaining to the disposition and development of its land portfolio and more importantly to deliver a feasible 'work plan' that the TTC could reference as a basis for redevelopment of its lands in the short and longer terms in order to achieve the following transportation and infrastructure objectives.

- Increase ridership and real estate tax assessment revenues through the intensified Transit Oriented Development (TOD);
- Optimize the value of the TTC's core real estate assets;
- Redeploy capital from the disposition of non-core assets, balancing value maximization and public interest objectives;
- Achieve these criteria under a justified and transparent strategic planning and implementation process.

Discussion

In October 2007, the firm of Cushman & Wakefield LePage Inc. was awarded Proposal No. 26PCO7853 entitled "Development of Transit Properties". Cushman & Wakefield LePage Inc. is an internationally recognized organization that brings an extensive track record of success in the delivery and implementation of transit oriented and broader land development strategies.

They have been instrumental in working with many of Canada's leading public and private sector owners, which include GO Transit, Waterfront Toronto, York Region Transit, Toronto Terminal Railways, Grand River Transit (Waterloo), the Greater Vancouver Transportation Authority and the Greater Toronto Airport Authority, as well as major US clients such as the Metropolitan Transportation Authority, Amtrak, Washington Area Transit Authority, and the New York Transit Authority.

The study deliverables included: Site Investigation, Location Assessment, Market Perspectives, Municipal Planning Considerations, TTC Operational Opportunities and Constraints, Land Value Trends, Value Indications, Liquidity, Site Prioritization, TTC Real Estate Portfolio Strategy and Organization and Process.

Cushman & Wakefield LePage Inc. evaluated an initial list of 47 transit properties identified as leading candidates and possessing varying degrees of development potential. These properties are either owned outright by the TTC or are city-owned properties under TTC jurisdiction required to operate the transit system. It is noted that abutting privately or publicly owned (TPA, TEDCO) lands were not part of the Cushman & Wakefield LePage Inc. study mandate and were, therefore, not reviewed or taken into consideration.

Cushman & Wakefield LePage Inc.'s conclusions are based on implementation of a 'Work Plan' that includes a list of 'Quick Wins' and Higher Priority' properties. You are advised that the development process is well underway for a number of the listed properties, i.e. Victoria Park, Warden, Davisville Yard and Islington.

Cushman & Wakefield LePage Inc. also concluded that there may be substantially greater development potential/value in the assembly of several parcels of land as opposed to individual components, and a further more inclusive review in conjunction with the City, TPA and TEDCO of specific privately and/or publicly owned properties is recommended.

The following provide details associated with the major components identified by Cushman & Wakefield LePage Inc.:

Key Study Assumption Factors

The key assumption factors considered by Cushman & Wakefield LePage Inc. in the evaluation of transit properties were as follows:

- Commuter Parking Lot replacement;
 - Real Estate Tax Impact;
 - Infrastructure replacement;
 - Ridership Impact;
- Property Development Reorganization

Cushman & Wakefield LePage Inc. noted that for the 'work plan' to be a success, the Property Development department must be restructured in keeping with similar type organizations.

The Cushman & Wakefield LePage Inc. restructuring proposal suggests a much more extensive reorganization with the addition of significantly more positions than are being requested by staff in this report. The departmental restructuring will allow staff to implement the 'work plan' in a phased and manageable approach. The departmental restructuring was supported by the TTC Property Committee at its meeting of July 23, 2008.

The industry norm is that one Development Manager should be responsible for approximately six moderately sized projects. However, the distribution of responsibility for large projects such as the Davisville Yard redevelopment or Yonge/Eglinton would require much more focus and supervision and would, therefore, limit the number of projects assigned to the Development Manager.

Cushman & Wakefield Inc. has recommended that the TTC should also consider engaging the services of external resources/experts i.e. consultants, real estate experts, etc. to assist with the implementation of the development 'work plan'. Staff recognize the value added and will identify the engagement of external services on a project-by-project basis.

On a corporate level, other stakeholder departments through the Development Task Force will be required to review the scope of the program and pursue any additional staffing that may be required to effectively manage and implement the development 'work plan' portfolio. Future resources and program implementation will be a primary consideration of the newly formed Development Task Force. It may be necessary, on a site specific basis, that expert external professional and technical services be engaged to assume studies and portions of the program that could only be undertaken by professionals in a particular field of interest, i.e. marketing, sales, etc.

Cushman & Wakefield LePage Inc. considered several contrasting approaches on how the development

'work plan' would be implemented – restructured internal department, or the creation of a development corporation. They concluded that the current departmental set up is not designed to allow staff to focus on high level land development projects. Those responsible for major development projects are also involved with day-to-day asset management. This consumes a huge amount of energy, staff time and inefficiencies. Therefore, to effectively manage the department with a clear vision and mandate, eliminating overlapping of responsibilities, Cushman & Wakefield LePage Inc. has recommended that the Property Development department be restructured to include an "Asset Management" component and a "Development Management" component. These organizational changes are considered direct improvements to allow the development program to be set in motion in a positive manner to gain momentum and guaranteed success. The internal structural changes, as recommended by Cushman & Wakefield LePage Inc., are designed around the organizational framework in place at the Metropolitan Transportation Authority in New York City.

Cushman & Wakefield LePage Inc. has not recommended the creation of a development corporation for several reasons:

1. The company would still be accountable to the TTC's internal stakeholders in particular its operating needs. Under these circumstances, the company would be revenue driven and not transit oriented thus introducing dynamic tensions among these groups, and Property Development department would still be very much involved; and
2. Other than Hong Kong, due to an immense land portfolio, no other major transit authority has created development corporations to manage landholdings.

While the Cushman & Wakefield Inc. report dealt primarily with transit oriented development, it is important to note that the Property Development department is also responsible for the management and administration of the TTC's retail and commuter parking portfolios which also includes office leasing and other related commercial leasing. It is the intent of staff to undertake comprehensive reviews of both the retail and commuter parking portfolios to develop independent work plans in an effort to increase overall revenues and services. The conclusions of the 'work plan' will form part of future Commission reports.

Commuter Parking Lot Replacement

The sites with the most development potential and the highest value are those identified by Cushman & Wakefield LePage Inc. presently operating as TTC commuter parking lots. Due to their close proximity to subway station entrances and the local road and pedestrian network, they are considered the prime sites.

The challenge with these sites, however, is to determine financial and operational solutions for the

parking replacement while maintaining the attractiveness of the lands to attract potential developers. The TTC's current commuter parking policy states that, should the commuter parking lot be displaced as a result of development, the developer must replace the number of spaces lost on a one-for-one basis, provide cash in lieu or build a new lot at a TTC preferred location.

Cushman & Wakefield LePage Inc. has recommended that the TTC revisit its Commuter Parking Policy and ensure it's drafted in a manner viewed by the development community as a positive that supports development rather than acting as a deterrent to land development.

A policy update will be tabled at a future Commission meeting. Staff will also be undertaking a comprehensive review of the retail and commuter parking sections of the department and develop work plans for consideration and approval by the Commission at a future meeting.

Development Task Force

It is anticipated that the Development Task Force would be a distinct working group that includes TTC stakeholder departments: Property Development, Legal, Service Planning, Finance, Operations, Engineering & Construction, with external consultants engaged as required on a site-by-site basis.

The Development Task Force would be 'Championed' and mandated by the Commission providing goals and objectives to implement the responsibility for the land development, with overall responsibility for the management, and delivery of the goals and objectives resting with Property Development.

The Development Task Force would have frequently scheduled meetings with a clear participant delivery expectation. Development Task Force would be involved with: site prioritization; business cases; disposition preparation, i.e. disposition strategy and due diligence; operating issue mitigation; disposition process management; development oversight; 3rd party advisor management.

The Development Task Force would also serve as a forum where operating and development conflicts can be resolved.

Next Steps

1. Establish Guiding Principles:

- For transit oriented development;
- For commuter parking;
- For market and political interface.

2. Confirm Organizational Structure and Resources:

- Direction and mandate from Commission;
- Form “Development Task Force”;
- Approve organizational structure of Property Development department.

3. Establish and/or refine the relationships between the City of Toronto, in particular, TEDCO and the effectiveness of the Development of Transit Sites (DOTS) committee.

4. Focus on priority sites (identified as “Quick Wins” and ‘Higher Priority” sites by Cushman & Wakefield Inc.).

Justification

With the implementation of the development ‘work plan’ and the restructuring of the Property Development department, in conjunction with the creation of a Development Task Force, the TTC will be in an excellent position to embark upon the complexities and challenges associated with transit development initiatives.

August 27, 2008

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