

### Section I – Items for Board of Directors Action

**TO:** Chair and Members of the Executive Committee  
Friday, October 7, 2022 Meeting

**FROM:** Michael Tolensky, Chief Financial and Operating Officer

**RE:** **TRCA REAL PROPERTY PORTFOLIO SURPLUS LAND STRATEGY**

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#### KEY ISSUE

Assessment of Toronto and Region Conservation Authority's (TRCA) Real Property Portfolio and Recommendation of a Strategy that Reflects Organizational Objectives and Aligns Real Estate Solutions to Meet those Objectives in the Most Effective and Efficient Manner.

#### RECOMMENDATION:

**IT IS RECOMMENDED THAT the TRCA Real Property Portfolio Strategy report be endorsed;**

**AND THAT TRCA staff provide updates to the Board on a biennial basis.**

#### BACKGROUND

TRCA owns 16,197 hectares (40,024 acres) of land throughout its watershed region. These landholdings have been acquired in support of TRCA's mandate through voluntary purchases, donations, expropriations, and planning acquisitions. TRCA's land ownership is purposeful and supports its mandate of public safety for flood and erosion control as well as to protect ecologically significant features. These lands also provide recreation to watershed residents.

However, some historical land acquisitions were not always delineated by or limited to TRCA's areas of interest. Some parcels of land may contain portions that do not meet, or are not required, for TRCA's mandated purposes. These portions of land may provide the opportunity for additional funding for TRCA to further its mandate through the revenue gained from licences, leases, or dispositions.

#### Legislation and Policies Governing Conservation Authority Land Management and Disposition

The *Conservation Authorities Act* gives conservation authorities the power to sell, lease or otherwise dispose of land. Historically, the province has made a substantial contribution towards the acquisition of land and the construction of infrastructure associated with the land and requires recognition of their contribution if the real property is disposed. This means that there are requirements that conservation authorities must follow when considering options for any disposition of real property that received provincial funding for its purchase. Unless a special permission is obtained, the revenues for the sale of land originally purchased by or with support of the province are transferred back to the province. The province retains some oversight over those lands through the *Conservation Authorities Act* and various policies, including the *Policies and Procedures for the Disposition of Conservation Authority Land* and *Policies and Procedures for the Treatment of Conservation Authority Generated Revenue*.

Disposition of land for which the province provided Section 39 funding requires approval of the Minister unless the disposition is for provincial or municipal infrastructure or utility purposes. Lease terms for such lands that exceed five years are considered a disposition of real property under provincial policy. To obtain Minister's approval for the disposition, the conservation

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authority must demonstrate that they have met the province's requirements for disposition, which includes public consultation, obtaining market value, protecting the features that supports the conservation authority's mandate, and partner consultation.

Where there are lands that are surplus to TRCA's mandate, those lands provide the opportunity for funding to support certain projects, subject to ministerial approval to direct such funds for a specific project(s). These instances are rare but in 2018, after significant effort, TRCA was successful in redirecting some revenue that would have normally gone directly back to the province for the Head Office project after obtaining ministerial approval. In contrast, Licences and leases less than five years are an opportunity for self-generated, unrestricted revenue. This broader real estate strategy will evaluate TRCA's real property portfolio to ensure that TRCA protects the features that support its mandate while also identifying opportunities that will minimize costs and maximize TRCA's use of its real property assets to support TRCA's projects and programs subject to any required provincial approvals.

### Assessment and Development of TRCA's Real Property Portfolio Surplus Strategy

TRCA's properties represent both an obligation and an opportunity. TRCA's portfolio of real property includes land and built assets that support TRCA's objectives and TRCA has an obligation to protect those lands. However, where there are lands that are surplus to those requirements, TRCA has an opportunity to maximize the use of its assets that are peripheral to TRCA's mandate. To ensure that TRCA is both protecting natural resources and maximizing the use of its resources, a strategy has been developed that reflects organizational objectives and aligns real estate solutions to meet those objectives in the most effective and affordable way.

TRCA's Real Property Portfolio Surplus Strategy consists of six steps:

1. Identify the natural features and attributes.
2. Identify the current portfolio mix and real property use.
3. Filter lands that are to be protected and/or Retained and Lands that Represent Opportunities.
4. Forecast future needs.
5. Evaluate market opportunities.
6. Make recommendation to Declare the Lands Surplus, pursuant to TRCA's *Sale and Disposition of Real Property Policy*.

#### *1. Identify Natural Features and Attributes*

TRCA owns real property to protect the watershed region's natural features and hazards and to support the implementation of TRCA's programs, services and projects.

The majority of TRCA's land and assets have been acquired through planning conveyances or through provincially funded projects. While planning conveyances have been acquired based on delineation of natural hazards and features, other land acquisitions have not necessarily been delineated by or limited to TRCA's areas of interest. Some parcels of land may contain portions that do not meet, or are not required, for TRCA's mandated purposes.

For properties that were acquired with provincial funding, provincial approval is required for real property dispositions, which includes leases and similar agreements longer than five years. For these provincially funded lands, provincial approval for disposal will generally not be granted for properties with the following attributes:

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- Provincially Significant Wetlands (PSW) or other wetlands
- Provincially Significant Areas of Natural and Scientific Interest (ANSI's)
- Habitat of endangered species
- Managed/agreement forest lands
- valley lands
- hazard lands
- headwater recharge and discharge areas
- forested areas, and
- any other lands which support provincial interests identified within the provincial Policy statements (i.e. hazard/natural heritage)

These same principles are applied through TRCA's *Sale and Disposition of Real Property Policy* for all TRCA properties.

This strategy will evaluate TRCA's land inventory and exclude any real property that has these attributes from the surplus land inventory.

Exceptions will be permitted only when:

- a small portion of the feature may be impacted
- the feature is not significant
- the use is permitted by Ontario Regulation 166/06
- the impact can be mitigated, and
- the impact of including the features as part of the surplus inventory results in a greater net benefit of TRCA's objectives

### *2. Identify the Current Portfolio Mix and Real Property Uses*

TRCA real properties can generally be grouped into seven categories of real property use. These land categories are based on both the natural attributes of the property as well as existing programs, services and operations.

#### i. Protected Lands - No Entry/No Trespassing

Properties with no land improvements, where public access is not invited and often marked as per the Trespass to Property Act. These lands are often the most sensitive lands and access is limited to protect these natural and hazard features.

These lands will be identified as lands to be retained and protected by TRCA.

#### ii. Conservation Lands – Limited Passive Use

Properties that have some natural hazards or features, but limited use of these properties is permitted in designated areas, with free entry for use of passive facilities (trails).

These lands would be generally identified as lands to be retained and protected by TRCA. However, areas may be identified that are not integral to the permitted passive recreational use and that do not have natural or hazard features that require protection. In this instance, a portion of these lands may be further evaluated for

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other opportunities, subject to the exceptions listed under *Step 1: Identify Natural Features and Attributes*.

### iii. Conservation Areas/Parks/Education Centres

These properties are actively used for TRCA programming and are generally pay for use. These include day use parks, campgrounds, and education centres.

The properties in this category have areas with natural and hazard features as well as table lands that have facilities and buildings where programming takes place. These lands would generally be identified as lands to be retained due to the community and recreational opportunities that they afford, however there may be portions of lands in this category that could be considered surplus once natural and hazard features and current and future programming and service requirements are taken into consideration.

### iv. Operational Lands

Operational lands are properties where there are facilities that support TRCA's operations, including lands that hold permanent administrative offices and works yards.

The properties within this category consist of land that has a combination of natural and hazard features that require protection as well as table lands with buildings and facilities.

There may be portions of lands in this category that could be considered surplus once natural and hazard features and current and future operational requirements are taken into consideration.

### v. Residential Rental Properties

TRCA's residential leases permit tenants exclusive use of a residence and an area surrounding the residence. Terms of the leases are less than five years and are subject to the *Residential Tenancies Act*. The status and condition of these properties varies.

The properties within this category consist of land that has a combination of natural and hazard features that require protection as well as table lands and buildings that are currently subject to the lease agreements.

There may be future surplus opportunities for these properties. A separate assessment that includes a broader review of the residential program and facilities is being undertaken.

### vi. Non-Residential Agreement Properties

TRCA has non-residential leases, licences, and agreements on TRCA real property with varying terms and conditions.

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The properties within this category consist of land that has a combination of natural and hazard features that require protection as well as table land.

There may be future opportunities for these properties. A separate assessment that includes a broader review of the status and cost-benefit of agreements is recommended following the evaluation of market opportunities.

### vii. Municipal Management Agreement and Funding Partners' Properties

These are properties under management agreement with funding partners. A significant portion of land under management agreement consists of lands that have both natural and hazard features. In addition, management agreement properties are generally used for municipal greenspace and recreation. These properties will be excluded from the general portfolio assessment for surplus properties.

However, in keeping with the goal to maximize the use of resources and develop a strategy that reflects organizational objectives and aligns real estate solutions to meet those objectives in the most effective and affordable way, management agreement lands should be reviewed to see where there may be opportunities to streamline ownership between the funding partner and TRCA, which may result in recommendations for land transfers between funding partners.

### *3. Filter Lands that are to be Protected and/or Retained and Lands that Represent Opportunities*

Once each property has been categorized based on natural features and property use, the residual properties that have no identified exclusions will be recommended to undergo an evaluation of market opportunities (see step 5).

### *4. Forecast Future Needs*

As a component of the TRCA Real Property Portfolio Strategy, the Greenspace Securement & Management Plan was created. The Greenspace Securement & Management Plan (GSMP) is an aspect of the overall Greenspace Acquisition Project (GAP). The purpose is to identify lands for securement through a systematic approach, provide transparent rationale as to why real properties are to be acquired, and identify how those lands will be managed in support of TRCA programs and services.

The GSMP was initially approved at Board of Directors Meeting #3/20, and a full report was received at Board of Directors #02/21.

The analysis involved assessing all 1,015,267 land ownership parcels within the jurisdiction based on a set of 24 criteria. The analysis was a simple presence/absence of that criteria within the ownership parcel. This way the total number of criteria in each parcel could be tallied and a ranking system devised to identify parcels for securement.

Parcels identified via the GSMP will be considered in conjunction with evaluating market opportunities (step 5) of surplus properties as there may be opportunities for strategic acquisitions that have purchase prices off-set from the proceeds of dispositions.

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### 5. Evaluate Market Opportunities

Through evaluating market opportunities of the filtered surplus properties, the objective is to ensure properties are disposed in their optimal state, from a lens that considers both saleability and marketability. Therefore, two concepts will be considered via the market evaluation:

- *Value Capture* involves optimizing land use designation of a surplus property to achieve the optimal value of a site; and,
- *Major Barriers-to-Disposition* are complicated physical, compliance, or stakeholder barriers that require time, capital, and expertise to overcome.

TRCA's objective will be to invest the right level of time and money into the surplus recommendation to ensure appropriate strategies and returns are targeted through the disposition process.

Accordingly, TRCA's process of evaluating surplus properties will consist of two phases (see *Evaluation of Market Opportunities Flow Chart below*)

- Phase 1: Preliminary review to further filter out sites that have a low as-is value or value capture, or have significant major barriers-to-disposition;
- Phase 2: Detailed review of sites with an as-is value of at least \$200,000, or a net uplift potential of at least \$300,000.

For properties that pass Phase 1 criteria, the Phase 2 review will provide a Pass or Fail based on criteria shown below, and will provide one of three recommendations:

Pass – Proceed with Value Capture activities;

Pass – Proceed with Barriers to Disposition activities;

Fail – Proceed with standard due diligence to prepare site for surplus recommendation.

Evaluation of Market Opportunities Flow Chart:



Each of the three recommendations will entail reporting to the Board of Directors throughout the process. The Pass recommendations will require two reports to ensure the Board endorses the process to continue with the Value Capture or Barriers to Disposition activities, whereas the Fail recommendation will require one report to the Board to endorse the Surplus Recommendation.

*Make Recommendation to Declare the Lands Surplus, pursuant to TRCA's Sale and Disposition of Real Property Policy*

As per TRCA's Sale and Disposition of Real Property, the Surplus Recommendation will ensure that the TRCA fulfills its obligation to all parties that may be impacted by the Recommendation and will be undertaken in a consistent and transparent manner, with appropriate consultation and accountability and in alignment with TRCA's strategic direction, core values, and the regulatory and legislative environment in which it operates. Please see Appendix 1: Sale and Disposition of Real Property Policy for further details.

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### **Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan**

This report supports the following strategies set forth in the TRCA 2013-2022 Strategic Plan:

**Strategy 3 – Rethink greenspace to maximize its value**

**Strategy 4 – Create complete communities that integrate nature and the built environment**

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**Attachments: 2**

Attachment 1: Sale and Disposition of Real Property Policy

Attachment 2: Map of TRCA's Jurisdiction and Property Holdings