Item 8.13

Section I – Items for Board of Directors Action

TO: Chair and Members of the Board of Directors
Friday, May 23, 2025 Meeting

FROM: Alexander Schuler, Associate Director, Property and Asset Management

On Behalf of John MacKenzie, Chief Executive Officer

RE: UPDATE ON TRCA RESIDENTIAL PORTFOLIO RATIONALIZATION STRATEGY

KEY ISSUE

Updated overview of Toronto and Region Conservation Authority's (TRCA) residential dwelling real estate portfolio and proposed go forward strategy to conduct additional due diligence involving internal divisions and partners towards re-use and rationalization of potentially surplus residential dwellings in the most effective and efficient manner within the context of O. Reg. 686/21: Mandatory Programs and Services (O. Reg. 686/21).

RECOMMENDATION:

WHEREAS TRCA owns residential dwellings as part of its larger real estate portfolio;

WHEREAS there is a need for TRCA to ensure appropriate prioritization of resources for investment in assets and to offset costs of aging houses to sustain its operating model for generations to come;

WHEREAS a number of TRCA's residential dwellings are in difficult to access locations, are associated with or proximate to TRCA operations or are in the process of being transferred to senior levels of government;

IT IS THEREFORE RECOMMENDED THAT the proposed criteria for assessing TRCA's residential portfolio and conducting due diligence to inform rationalization and disposition decisions outlined in Table 2 of this report be endorsed;

AND THAT staff continue to consult with municipal and senior government partners and subject matter experts in affordable housing to consider whether tailored housing solutions may be available for non-core residential sites that are identified as viable options for third-party management, long-term leases and or fee simple ownership;

AND THAT staff report back to the Board of Directors on any proposed dispositions or re-use opportunities.

BACKGROUND

TRCA owns 16,197 hectares of land throughout its watersheds across the Greater Toronto Area region. These landholdings have been acquired in support of TRCA's mandate through voluntary purchases, donation, expropriations, and planning acquisitions. TRCA's land ownership is purposeful and supports its mandate with respect to natural hazards, wetlands, source protection and regulatory matters. However, a variety of historical land acquisitions were not always delineated by or limited to TRCA's mandated areas of interest. Certain parcels of land contain sites with structures such as residential houses that do not meet, or are not required, for TRCA's mandated purposes. These sites, and the aging structures including houses and associated infrastructure on these sites create operating pressures and contingent liabilities, which in the majority of cases are not offset by annual rents.

In some cases, if these houses could be divested TRCA could minimize long-term risk and could also provide the opportunity for disposition to raise funds and or support community use through potential agreements with municipal and agency partners (e.g., housing providers) and third-party managers.

TRCA's Board of Directors approved TRCA's Real Property Portfolio Surplus Land Strategy at its meeting on October 7, 2022. The report outlined the categories of real property that currently reside in its portfolio, and described the process that staff undertake to analyze what properties are in-keeping with TRCA's objectives and obligations, and what properties are considered peripheral to TRCA's mandate. One of the identified categories mentioned in the Report was Residential Properties, and it was noted that a separate assessment was being undertaken and would be reported on to the Board. This report speaks to this earlier commitment.

TRCA’s Residential Properties

TRCA has fifty (50) residential properties, and where tenanted, residential leases permit a tenant(s) exclusive use of a residence(s) and an area surrounding the residence. TRCA has forty-seven (47) residential leases. The terms of these leases are for five years or less and are subject to the Residential Tenancies Act. Furthermore, the rental properties are often situated on land that has a combination of natural and/or hazard features as well as table lands that were assumed by TRCA through targeted acquisitions of the larger property parcels in which they are located. Some of these properties are located proximate to or in some cases abutting TRCA conservation areas or operations centres (e.g., Boyd Restoration Services Centre, Boyd Conservation Park, Albion Hills Conservation Park, Glen Haffy and others). Two of these properties containing houses are associated with critical dam infrastructure (G. Ross Lord Dam and Claireville Dam).

With respect to the conditions of the residential structures and as reported in TRCA’s 2024 Asset Management Plan (AMP), the average condition rating is a *Poor* condition rating, with a Facility Condition Index (FCI) of 10% (and a replacement cost of 27.5 million). The FCI is used in facilities management to provide a benchmark to compare the relative condition of a group of facilities. Below is the Condition Assessment Evaluation Chart with the applicable FCI ratios and condition ratings for reference.

Table 1 Building Condition Assessment Evaluation Chart

FCI Ratio	Description	Condition Rating
0% - 0.9%	Building elements are like new, functioning as designed, minor/superficial deterioration. Minimal to no deterioration of major building systems.	Very Good
1% - 4.9%	Building elements are functioning as designed with regular preventative maintenance occurring. Majority of major building systems are not requiring replacement within the next 5 years.	Good
5% - 9.9%	Building elements are functional and have experienced normal deterioration as expected given the age of the elements and expected service life. Minor distress of major building systems is observed indicating repairs and replacements will be required within the next five years.	Fair

Facility Obsolescence (Decision Point Facility Replacement vs. Rehabilitation)		
10% - 29%	Building elements and sub-elements are not functioning as intended, are inefficient requiring additional reactive maintenance. Major building elements have reached the expected service life and require replacement within the next year. Major renovation affecting majority of building infrastructure should be planned. Strategic direction for the facility asset is to be determined to weigh cost/benefits of rehabilitation vs. facility replacement.	Poor
Over 30%	Building elements and sub-elements have failed, significant deterioration has occurred as a result of failures. Material risk to infrastructure and people is present. Deficiencies must be dealt with immediately. Cost of rehabilitation has exceeded critical threshold; replacement of the facility asset will likely yield long term cost savings, reduce energy consumption, improve program / service delivery.	Very Poor

In the absence of a viable and consistent source of funding, the conditions of the residential facilities are projected to continue to add increasing financial pressures in the coming years to address the state of good repair (SOGR) backlog. As the majority of these residences are not categorized as being linked to mandatory programs or services under O. Reg. 686/21: Mandatory Programs and Services (O. Reg. 686/21), TRCA has consequently undertaken a careful examination of its real property priorities within the residential asset category.

Provincial Housing Policy Context

TRCA recognizes that for many Ontarians finding the right home and affordable housing opportunities is challenging, with the housing supply shortage affecting all regions of Ontario. The Province of Ontario has made housing supply a key priority via Bill 109, More Homes for Everyone Act, 2022 (Bill 109) and is attempting to help expedite a mix of ownership and rental housing types that meet the needs of all Ontarians via Bill 23, More Homes Built Faster Act, 2022 (Bill 23). While TRCA's residential building stock is not in keeping with its mandated purposes, TRCA's disposition strategy for this property category should consider the broader policy and governmental context, inclusive of working with government and the communities it serves to achieve collective impact and advance shared goals.

RESIDENTIAL PORTFOLIO RATIONALIZATION STRATEGY
Taking the abovementioned TRCA mandate and key priorities of the Province into account, each residential asset will undergo an evaluation with the goal of delivering an efficient, modern real estate portfolio that meets TRCA's strategic pillars and supports the efforts of our primary stakeholders and our partner funding municipalities. Information regarding the evaluation criteria is as follows:

Table 2: Evaluation Criteria	
Financial Impact	• Facility Condition Index (i.e. the relative measure of the condition of the facility) • Secured and ongoing capital funding available (ex/municipal funding partner) • Positive lease cash flow • Favourable assessment of risks (ex/health and safety assessment of SOGR backlog)
Use & Parcel Assessment	• Suitability of property • Suitability of location for re-use or disposition (ex/adjacent to local road vs situated in the interior of a larger TRCA owned parcel connected with TRCA operations) • Connection with other TRCA-owned assets • Potential future value creation on site (i.e. to deliver broader corporate, economic, and social goals) • Heritage Register (i.e. Listed vs Designated)

Following such evaluation, if specific residential properties present unfavourable indicators from the abovementioned evaluation criteria, staff will endeavor to re-purpose the asset and consider a variety of different site-specific solutions. Aside from the financial and FCI criteria items listed above, where the residential houses are situated will play a key factor in staff recommendations. For instance, from a preliminary analysis, fifteen (15) of the fifty (50) residential houses are situated by a main road and present potentially more reasonable opportunities to explore third-party management (ex/ municipal services providers) or other value capture prospects, whereas thirty-five (35) of the fifty (50) residences form part of larger surrounding TRCA holdings with limited street access and less ideal locations for severance or third-party management. In such cases, these residences with limited or constrained access could potentially be used to meet other TRCA objectives such as the enhanced trail experiences recommended in TRCA's Trail Strategy for the Greater Toronto Region (2019) or education and outreach programming delivered by TRCA's Education & Training Division, subject to a business case or pro-forma analysis.

Additionally, if a property disposition is selected for a specific site(s), such process will abide by the appropriate legislation and policies governing TRCA's disposition of real property. Through such analysis, TRCA will also consult with its regional and municipal partner subject matter experts in affordable housing to consider whether tailored housing solutions are available for select sites, inclusive of municipal housing service providers. To date, TRCA has conducted consultations with its upper tier regional partners on a select few of residential tenanted houses that present more reasonable opportunities to explore third-party management or ownership. Thus far, there has been limited interest with said partners due to the lack of a material number of units available and due to the residences having existing tenancies. Nevertheless, staff will continue to engage with our partners on how the units can still contribute to their regional housing targets in a supplemental fashion.

It should also be noted that such residential portfolio rationalization activities are in keeping with previous examinations of TRCA's real property priorities within the residential asset category, such as the divesture of seventy-nine (79) residential houses to Parks Canada from 2018 to 2020 to support the Rouge National Urban Park. Furthermore, TRCA is currently working with the Ontario Ministry of Environment, Conservation and Parks on the transfer of TRCA lands that contain three (3) residential dwellings for inclusion in the new Uxbridge Urban Provincial Park, per RES.#A156/24 from the November 22, 2024 TRCA Board of Directors meeting.

Relationship to TRCA's 2023-2034 Strategic Plan
This report supports the following Pillar and Outcome set forth in TRCA's 2023-2034 Strategic Plan:

Pillar 4 Service Excellence:

4.2 Provide and manage an efficient and adaptable organization

FINANCIAL DETAILS

The ongoing maintenance of aging housing stock is creating pressure on limited operating funds that is not being offset by rent payments. Any proposed potential re-use or disposition of houses will be based on a business case or pro-forma analysis of the situation and subject to Board approval. While there are currently no financial implications, all legal, survey, planning and other real property costs will be allocated to accounts 006-02 & 009-01.

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Attachments: 8

Attachment 1: Residential - Toronto
Attachment 2: Residential – Toronto – Ortho
Attachment 3: Residential – York
Attachment 4: Residential – York – Ortho
Attachment 5: Residential – Peel
Attachment 6: Residential – Peel – Ortho
Attachment 7: Residential – Durham
Attachment 8: Residential – Durham - Ortho