

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING OF MAY 23, 2017</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER &amp; CITY MANAGER</b>
<b>SUBJECT:</b>	<b>ASSET REVIEW: CLASS A – VACANT LAND AND BUILDINGS</b>

<b>RECOMMENDATION</b>
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That on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer & City Manager the following actions be taken:

- 1) this report regarding the findings and recommendations of the review of City of London Vacant Land and Buildings **BE RECEIVED** for information;
- 2) consistent with *Sale and Other Disposition of Lands Policy*, Municipal Council **BE ADVISED** that the Housing Development Corporation, London (HDC) has requested that 403 Thompson Road and 122 Base Line Road West be transferred to HDC ownership for the purpose of affordable housing development.
- 3) Civic Administration **BE AUTHORIZED** to undertake all administrative actions necessary to transfer 403 Thompson Road and 122 Base Line Road West from City of London ownership to the HDC for affordable housing purposes, per Council's *Asset Transfers to Municipal Services Corporations Policy*, it being noted that the transfer will be subject to a 10 year reversion clause should the lands not be sold or developed by the HDC.
- 4) based on the results of the Asset Review, the following City-owned properties **BE DECLARED SURPLUS** to the needs of the City (see maps in Appendix 'B'):
  - a. a portion of 535 Pinetree Drive;
  - b. Roll # 030290038000000 Oxford Street East;
  - c. 92 Clemens Street;
  - d. Roll # 030750205990000 Huron Street East;
  - e. Roll # 040170084010000 Egerton Street;
  - f. 748 Classic Drive;
  - g. 116 Emery Street West; and,
  - h. 130 Southdale Road West;
- 5) Civic Administration **BE DIRECTED** to develop a program for the disposal of small parcels of City-owned land that are not required for City needs and are not independently viable for development; and,
- 6) **IT BE NOTED THAT** disposal processes are presently underway for the following Class A assets: 47 Outer Drive, 7 Annadale Drive, and 391 South Street.

## PREVIOUS REPORTS PERTINENT TO THIS MATTER

“Asset Review: Sale of Major Assets Policy and Future Asset Review Timelines,”  
Corporate Services Committee, March 7, 2017

“Asset Review: London Hydro Inc. – Discussion Paper,” Strategic Priorities and Policy  
Committee, February 13, 2017

“Review of Corporate Assets: Initial Scoping Report,” Corporate Services Committee,  
December 13, 2016

“Capital Assets and Revenue Alternatives,” Committee of the Whole, November 8, 2011

“Capital Assets and Revenue Alternatives – Discussion Paper,” Committee of the Whole,  
June 21, 2011

## LINK TO THE STRATEGIC PLAN

The Class A Vacant Land and Buildings review advances the following areas of focus and objectives of Council's Strategic Plan:

- Leading in Public Service
- 3. Proactive financial management
  - A) Make sure that finances are well-planned to keep costs as low as possible and look to limit the burden on current and future rate payers.

## PURPOSE OF REPORT

On December 19, 2016, Municipal Council approved an approach and tasks related to a review of municipally-owned assets. This report responds to the first part of item f) of the Council resolution, which is as follows:

*That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken:*

- f) *The Civic Administration BE DIRECTED to report back on options for municipally-owned assets and the potential proceeds from the sale of assets for the following categories:*
  - i) *Class A – Vacant land and buildings (First Quarter, 2017);*
  - ii) *...;*

This report responds to that request and summarizes the findings of the review.

## BACKGROUND

The City of London owns a number of vacant properties that have been purchased over time or acquired through development processes. These parcels are reflected in the Master Land Database, which was established in 2015. This inventory has served as the basis for the Class A review.

In December 2016, Staff identified 138 distinct parcels of land that were classified as vacant land in the Master Land Database (Appendix 'A'). It was noted by Staff that there was significant variation in parcel sizes, ranging from one-foot reserves and rear lanes, to larger properties with development potential. As part of the City's Asset Review, Staff were directed to examine the vacant land portfolio to evaluate the status of these lands and to identify any candidates for disposal.

## METHOD

A holistic and systematic review of the City's vacant land portfolio had not been undertaken in recent memory. Additionally, Staff could not find examples of similar reviews performed by peer municipalities. Notwithstanding the lack of past experience or comparators to draw upon, the staff team developed the following categories for the review of City-owned vacant parcels:

1. **Disposal:** Properties that are surplus to City and declined by the Housing Development Corporation were deemed to be candidates for disposal. If no issues were identified through the property liaison circulation, the parcel would be recommended for disposal per Council's *Sale and Other Disposition of Lands Policy*.
2. **Transfer to HDC:** Per the *Sale and Other Disposition of Lands Policy*, the Housing Development Corporation (HDC) has "first right of refusal" of any lands that are not required for City needs. Properties classified for transfer would be subject to the *Asset Transfers to Municipal Services Corporations Policy*.
3. **Retain for Strategic Needs:** Civic Administration has identified the need to retain certain vacant lands for future strategic purposes. Although not presently required for municipal needs, there may be opportunities for the lands to be part of a broader infrastructure project, for a beneficial land swap, or for redevelopment. It is anticipated that these lands would continue to be retained by the City until the strategic opportunity materializes or results in the lands no longer being required.
4. **Retain for Operational Needs:** Although some parcels may appear to be vacant, there are circumstances where the lands are being actively used for municipal purposes (e.g., utility corridors) or where lands are being held, pending a future capital project (e.g., pathway connection). Lands classified as being required for operational needs may be re-categorized over time, or may be recommended for disposal in future vacant land reviews if the lands have served the purpose that they were being held for.
5. **Program for Small Parcels:** The City owns a number of small parcels (e.g., former rear lanes, one foot reserves, remnant slivers of land) that may have been inherited in the past or have served the purpose for which they were acquired. These small parcels are not viable for development on their own, and may be of interest to abutting land owners.
6. **Inventory Adjustment:** Although a great deal of effort was made to assemble the Master Land Database, the inventory is still relatively new. Upon detailed review, vacant parcels may be better classified as another land type due to unknown information/conditions at the time that the inventory was established. Parcels identified for inventory adjustment will be re-classified to applicable asset classes and will not be examined in future reviews of vacant City-owned lands.

The vacant lands review team took the following approach to identify the recommendations presented in this report:

### Phase 1: High-level Assessment

Using the Master Lands Database, Realty Services staff conducted a high-level assessment of the marketability and viability for development of all 138 vacant land parcels. From this examination, a number of parcels were deemed to be unviable due to size and other constraints, and recommendations were submitted for inventory adjustment. Additionally, Realty identified a number of parcels for classification as "Retain for Strategic Need" and "Retain for Operational Needs" based on records and recent discussions with various Service Areas of the Corporation. A subset list of properties for further review was drafted and the second phase commenced.

### Phase 2: Housing Development Corporation Consultation

Housing Development Corporation (HDC) leadership was engaged at the beginning of the review process to discuss the approach and to determine property needs. Once the refined inventory of vacant lands was available, an assessment of each parcel was undertaken with the HDC to determine candidates for transfer for affordable housing purposes, based on identified needs and optimal locations. Planning Services staff were also engaged to assist with assessing neighbourhood context, City-building considerations, and development potential. The preliminary list of potential HDC transfers was shortened after further review and discussion.

### Phase 3: Property Liaison Circulation and Valuations

The final phase of the vacant lands review involved the circulation of twenty-two (22) potential disposal candidates to internal and external stakeholders for review and comment. The circulation generated a number of responses related to operational constraints, strategic needs, inventory adjustments and no concerns regarding disposal. Follow up discussion were held with parties that expressed reservation about disposal to confirm that lands were needed for current or future uses and the plans associated with those uses (e.g., needs assessments and budgeted costs). Fourteen (14) properties were reclassified as a result of the liaison responses and a final list of eight (8) properties for disposal has been identified.

## ANALYSIS

The Class A: Vacant Lands and Buildings review has reached a number of conclusions related to the review categories. In addition, the review has produced important learning opportunities and policy outcomes.

### Review Categories

**1. Disposal:** A total of eight (8) parcels have been identified for potential disposal, with no identified municipal need (see maps in Appendix 'B'). In addition to these properties, three (3) parcels are presently subject to disposal processes related to property re-development or land rehabilitation. Information on each of the Asset Review disposal candidates is provided below:

- a) **a portion of 535 Pinetree Drive:** The northern portion of 535 Pinetree Drive is presently being used for parking and access by the abutting elementary school without a current force and effect Agreement speaking to this use. The southern portion of the property is heavily treed and would not be able to be developed. Disposal of the property to the abutting owner may be a consideration. Severance and sale of the viable portions of the site may also be a consideration.
- b) **Roll # 03029003800000 Oxford Street East:** This property is located near the intersection of Oxford St. E. and Clarke Rd. The present zoning is for Restricted Service Commercial uses (e.g., automobile garages, repair establishments, animal clinics, convenience stores, personal service establishments, self storage establishments, financial institutions, etc.). Development on this site may need to be restricted to mitigate negative impacts on existing City telecommunications infrastructure located on the abutting parcel.
- c) **92 Clemens Street:** This parcel is an independent single detached dwelling lot. At present, a storm sewer traverses the southern portion of the property. An easement for access would be required should this property be purchased from the City.
- d) **Roll # 030750205990000 Huron Street East:** The City owns a narrow parcel of land abutting the Webster Street Fire Station and an apartment building. Presently, the property is being used by the apartment building for parking without authorization from the City. No municipal need exists for the parcel for either the Fire Station, the abutting park or for underground services.
- e) **Roll # 040170084010000 Egerton Street:** This double lot-sized property abuts a single detached dwelling and the Canadian National Railway right-of-way. No municipal needs have been identified and the property has been used from time-to-time by the neighbouring home as overflow parking without authorization from the City. Although the parcel is zoned for residential uses, the railway setbacks will likely restrict the amount of development (if any) that the site could support.
- f) **748 Classic Drive:** This parcel was dedicated to the City in the late 1970s to provide watermain looping, a pedestrian connection and a potential street linkage between Classic Drive and Selkirk Street. Since that time, the land has remained vacant, except for a walkway located at the northern limits of the property that does not fully link to Selkirk Street. After review, it has been determined that 748 Classic Drive could be declared surplus and sold, with an easement located on the southern end of the property to provide access to both the watermain and a walkway. The balance of the parcel could support a new single detached dwelling.

- g) **116 Emery Street West:** No municipal need has been identified for this single detached dwelling lot. It does not have any known constraints for sale and the construction of a residential building.
- h) **130 Southdale Road West:** No municipal need has been identified for this parcel, which is zoned for single family residential uses. The property may not be large enough to support a single detached dwelling and may need to be part of a broader development concept associated with abutting lands.

**2. Transfer to HDC:** The Housing Development Corporation (HDC) has identified two (2) parcels of City-owned land that are of interest for near-term affordable housing construction: 403 Thompson Road and 122 Baseline Road West. Prior to the commencement of the Asset Review, the Housing Services Division and the Housing Development Corporation were examining these properties and undertaking preparatory steps required for the lands to be developed. It is recommended that these properties be transferred to the HDC, per Council's *Asset Transfers to Municipal Service Corporations Policy*, which would formalize efforts to date and facilitate the development of the lands. This report also recommends that the transfer be subject to a 10 year reversion clause, which is supported by the HDC leadership. As noted below, these properties have a combined established value estimate of \$740,000, reflecting a municipal contribution to affordable housing in addition to that being provided through the Multi-Year Budget.

**3. Retain for Strategic Needs:** A total of forty (40) parcels have been classified for retention due to Strategic Needs. As described in the definition above, these properties are anticipated to be required for municipal needs in the future and/or disposal has been deemed premature, pending the outcomes of various City initiatives. Properties classified as Strategic Needs will be reviewed again with the next Class A review in 2019 to assess whether disposal or re-classification is warranted. Continued classification of properties as Strategic Needs will require continued substantiation of retention by the Service Area making the request.

**4. Retain for Operational Needs:** The Asset Review determined that thirty-two (32) properties need to be retained for operational reasons. These properties are providing and/or supporting a multitude of City services. Staff recommend that these parcels remain categorized as Class A assets and be reviewed in future years to determine if the warranted need remains.

**5. Program for Small Parcels:** Of the 138 vacant land parcels identified in the City's Master Land Database, 25% are small parcels that have minimal development or market value. However, Staff recognize that there may be interest in these properties from abutting landowners, relieving the City of ownership and associated obligations and liabilities. Tendering thirty-four (34) small parcels is unlikely to generate proceeds; in fact, the costs of the transaction are anticipated to be greater than the financial benefit the City would receive from selling most small parcels. Staff recommend that this subset of parcels continue to be actively monitored maintaining visibility to ensure any and all opportunities to dispose of them are realized as there is no current identified municipal need. Proceeds from this subset of parcels are not anticipated to be material in nature but divestiture could resolve any real or perceived liability associated with the parcels.

**6. Inventory Adjustment:** One of the beneficial outcomes of the Asset Review has been an opportunity to refine the City's Master Land Database. Vacant lands are the most challenging to categorize and further review has resulted in nineteen (19) parcels being recommended to be re-classified to other asset categories. In general, the re-classifications relate to land constrained from development (i.e., former municipal landfills and topographical restrictions). The re-classified properties will not be examined with future vacant land reviews.

#### Financial Assessment and Disposal Considerations

Realty Services staff have established a value range for the eight (8) properties identified for disposal. The methodology considers the highest and best use for the site in the determination of value. Based on available information, a value range between \$500,000 and \$680,000 has been established for the aggregate of all sites if interested parties emerged from the tender process. Some of the gross proceeds may be required to off-set transactional and site preparation costs.

Staff recommend that the tendered properties be listed in "as is" condition, without guarantee. This may impact the amount of proceeds generated, however, it does not require additional investment in the lands pre-sale, for which a funding source is not available. The lands will be sold at market value, ensuring compliance with the *Municipal Act, 2001*.

The two (2) properties recommended for transfer to the HDC have a combined established value estimate of \$740,000. This final established value will be appear on the HDC's financial statements following the transfer. Additionally, the transfer will have the effect of providing affordable housing with resources beyond planned budgetary contributions.

#### Educational Findings from the City-owned Vacant Lands Review

As a result of the Class A vacant lands review, a there have been a number of beneficial findings in addition to identifying candidates for disposal:

- **The City does not have a large number of properties that are idle and unproductive:** Given the size of London and the scale of municipal operations, some members of the public may believe that the City has a number of properties that have either been forgotten about over time or sitting idle, with opportunity for significant proceeds upon sale. As the Asset Review has found, most City-owned vacant lands are not truly vacant (i.e., there is a servicing rationale for their retention) or are being held to take advantage of strategic opportunities in the future. Additionally, the City owns a significant number of legacy small parcels with transaction costs that generally out-weigh the financial benefits of sale. The classification and information collected about these parcels of land has been a highly beneficial result of the vacant lands review.
- **Realty Services is actively managing the City's surplus property portfolio:** Over time, Realty Services has brought forward lands for disposal as a result of recommendations from Service Area managers and from public interest in lands. Reports declaring land surplus are public and appear on Council's agenda on an ongoing basis. Subsequent Agreements of Purchase and Sale where required to be brought forward to Council are completed in camera. Realty Services is active in the identification of parcels which can be considered for potential surplus declaration. In some circumstances, parcels are identified for potential surplus declaration through unsolicited interest from the public. In this way, remnant parcels are brought forward in essence by the real estate market. Although another Class A Vacant Lands Review will occur in 2019, Realty will continue to bring forward surplus land recommendations should additional lands acquired since 2015 warrant disposal in advance, or lands held through this review are no longer required.
- **A systematic review of the City's vacant lands is beneficial to Service Areas throughout the Corporation:** The Class A review has produced a broad internal conversation about the City's vacant land portfolio. Discussions about reviewed properties generated learning opportunities for linked activities underway by other Service Areas. One of the beneficial results of the Asset Review was the forum to have these conversations and to look at "big picture" issues and needs related to the vacant land portfolio.

#### Policy and Procedures

The Class A review has not identified the need for new policies or revisions to existing policies. Properties recommended for disposal will be administered through the City's *Sale and Other Disposition of Lands Policy*.

Proceeds generated from the sale of identified surplus lands will be allocated per the City's *Sale of Major Assets Policy*, which was developed in parallel with the Class A review. The amount of proceeds and associated allocation will be reported out in the annual report of the City Treasurer regarding major asset sales.

The City's vacant land portfolio will be reviewed again in 2019, consistent with Council's endorsed timeline for asset reviews.

### **CONCLUSION**

This report concludes the Staff review of the Class A portion of the Asset Review. Should Municipal Council adopt the above recommendations, the disposal of surplus properties will proceed according to the *Sale and Other Disposition of Lands Policy*.

Two (2) properties are recommended for transfer to the Housing Development Corporation (HDC) for the construction of affordable housing units. These lands have an established value estimate of \$740,000, and reflect support by Municipal Council to affordable housing in addition to direct cash contributions made in recent years.

The City Treasurer will initiate another comprehensive review of the City's vacant lands in 2019. Properties retained through this review will be examined again at that time, as well as any new vacant lands acquired by the City since December 31, 2015.

Acknowledgement: The authors would like to thank Charlie Abromaitis for providing advice and valuations for reviewed properties. Additionally, the participation of Housing Development Corporation staff (Steve Giustizia, Neil Watson and Isabel Da Rocha) was instrumental to the success of this project.

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May 15, 2017

- cc. Senior Leadership Team  
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 A.L. Barbon, Director, Financial Services  
 I. Collins, Senior Financial Business Administrator  
 K. Murray, Senior Financial Business Administrator  
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**Appendix 'A': Inventory of Municipally-owned Assets (as of December 31, 2015)**

**Appendix 'B': Maps of Properties Recommended for Disposal**

## APPENDIX 'A'

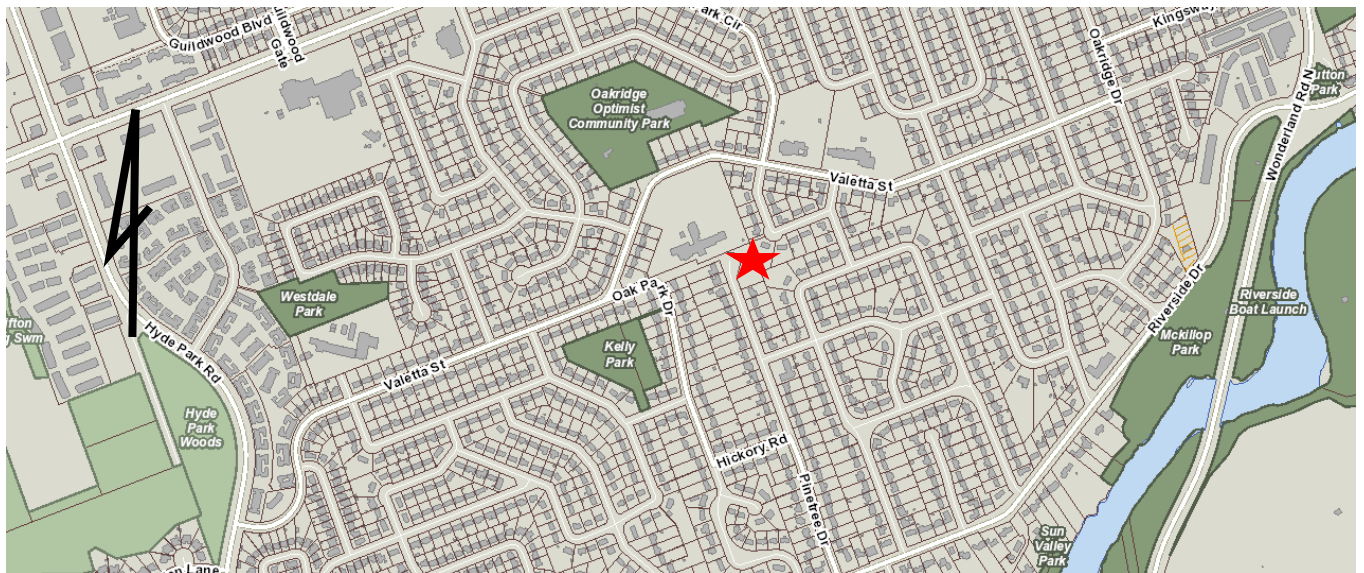
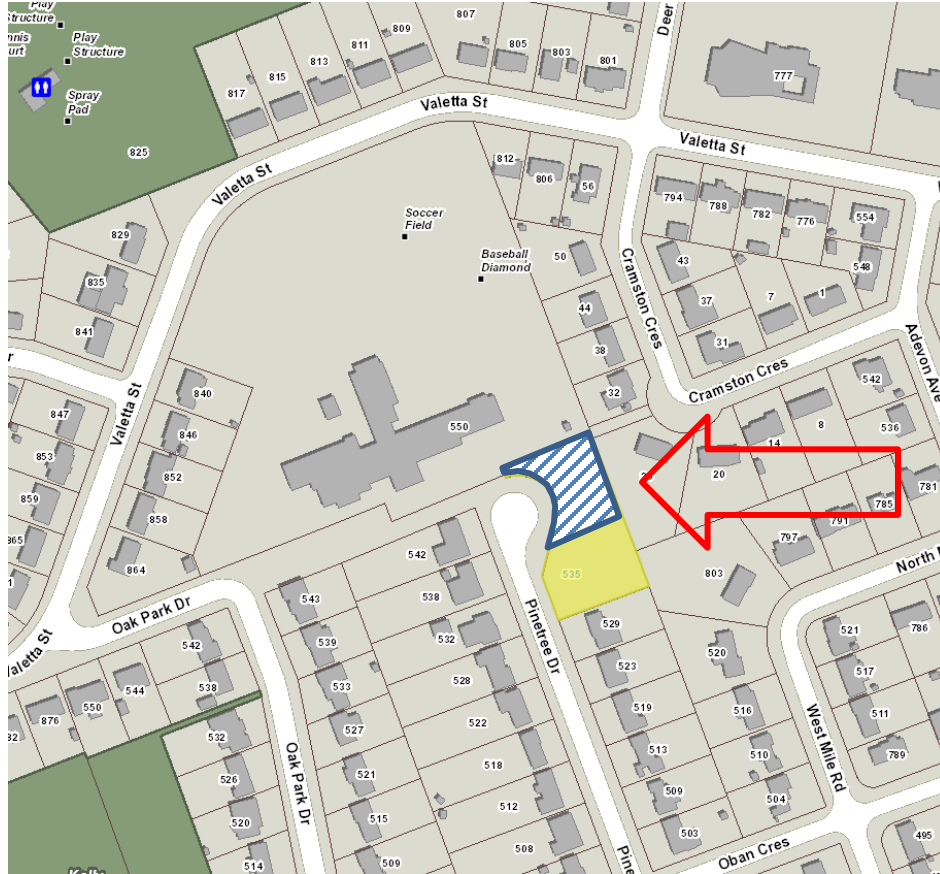
### INVENTORY OF MUNICIPALLY-OWNED ASSETS (AS AT DECEMBER 31, 2015)

Asset Class	Asset Sub-category	Asset Details	Number of Assets	Land (L) or Land & Buildings (L&B)	Notes
<b>Class A - Vacant land and buildings</b>					
Class A	Vacant land and buildings	Vacant land and buildings	138	L/L&B	Includes both large-size parcels for potential development and small parcels for potential sale to abutting landowners
<b>Class B - Industrial lands for sale</b>					
Class B	Parcels of industrial land for sale	Parcels of industrial land for sale	43	L	-
<b>Class C - Major venues, non-core services and assets</b>					
Class C	Major venues	Major venues	7	L&B	-
Class C	Non-core assets	Non-core assets	5	L&B	-
Class C	Corporations wholly owned by the City	Corporations wholly owned by the City	4	L&B	Reflects bundled assets where City has an ownership interest (e.g., London Hydro (all assets))
Class C	Heritage properties	Heritage properties	12	L&B	Reflects heritage properties in municipal ownership not being used for core municipal operations
Class C	Parking lot parcels	Parking lot	15	L	-
<b>Class D - Buildings and land associated with core municipal operations</b>					
Class D	Administrative facilities	Administrative facilities	2	L&B	-
Class D	Fire Services locations	Fire Services locations	18	L&B	Includes stations, training facilities and communications towers
Class D	Operations Centres	Operations Centres	5	L&B	Each operations centre includes a number of buildings for equipment storage, salt storage, administration, etc.
Class D	Pollution Control Plants	Pollution Control Plants	5	L&B	Each wastewater treatment facility includes a number of buildings associated with plant operations
Class D	Wastewater pumping stations	Wastewater Pumping Stations	33	L&B	-
Class D	Future Pollution Control Plant lands	Future Pollution Control Plant Lands	2	L	Lands held for the construction of the future Southside Pollution Control Plant
Class D	Water facilities	Water Facilities	20	L&B	-
Class D	Dearness Home	Dearness Home (all assets)	1	L&B	-
Class D	Community and recreation facilities	Community and Recreation Facilities	95	L&B	Includes arenas, community centres, pools, field houses, washrooms, maintenance buildings and Storybook Gardens
Class D	Golf courses	Golf Courses	3	L&B	Each golf course includes a number of club house and maintenance buildings
Class D	Parkland parcels	Park parcels	524	L	Excludes recreation facilities located within parks
Class D	Stormwater Management facilities	Stormwater Management Facilities	116	L	Includes storm ponds and storm channels
Class D	W12A Landfill lands	W12A and buffer lands	23	L&B	Includes W12A properties and buffer lands
<b>Class E - Furniture, equipment and vehicles</b>					
Class E	City-owned vehicles	City-owned vehicles	466	N/A	-
Class E	Furniture, equipment, technology	Furniture, equipment, technology and contents	N/A	N/A	Asset inventories are being examined as part of Corporate Asset Management Plan efforts
<b>Class F - Constrained land (non-developable)</b>					
Class F	Cemetery parcels	Cemetery land	6	L	Reflects non-active cemeteries
Class F	Natural heritage and hazard parcels	Natural heritage and hazard parcels	322	L	Includes floodplain lands, woodlands, wetlands and Environmentally Sensitive Areas
Class F	Former landfill parcels	Former landfill parcels	67	L	Sites formerly used for landfill purposes
<b>Class G - Hard services</b>					
Class G	Hard services	N/A	N/A	N/A	Not included in asset review inventory



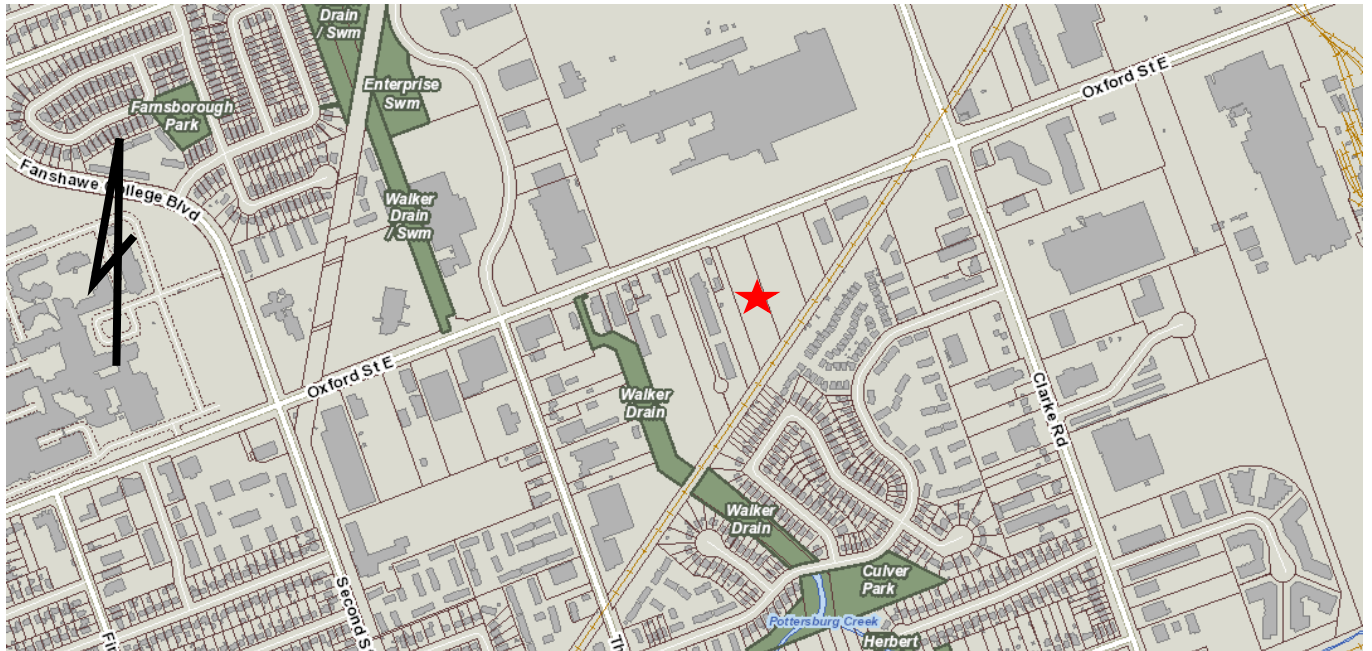
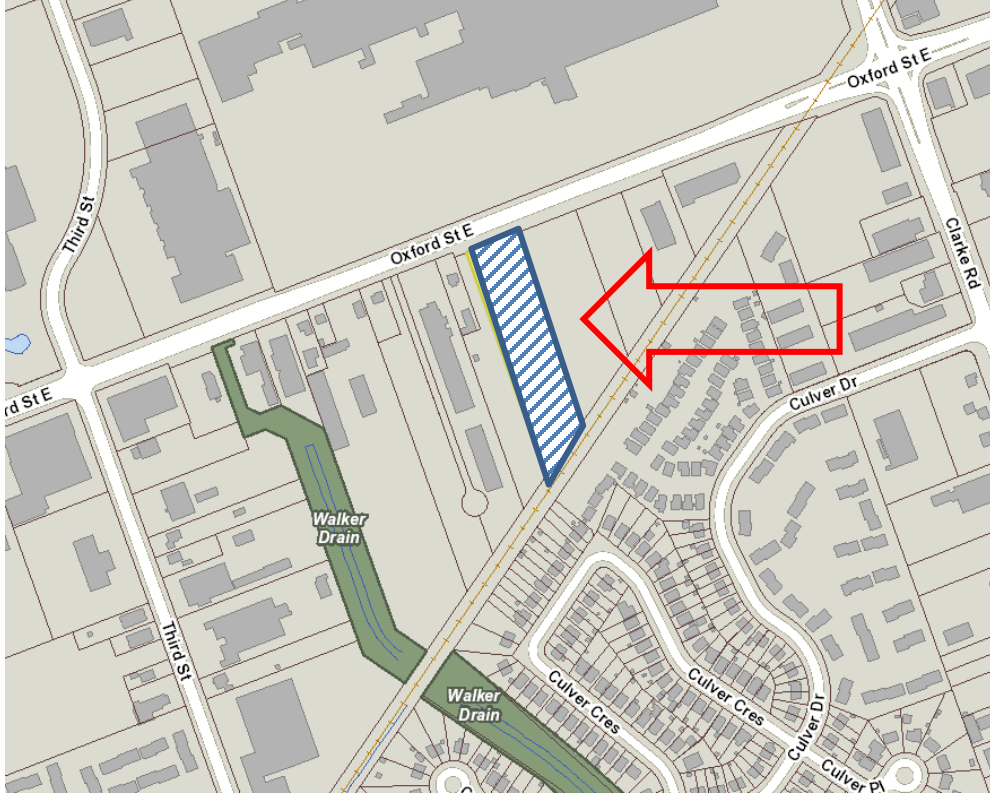
**APPENDIX 'B'**  
**MAPS OF PROPERTIES RECOMMENDED FOR DISPOSAL**

**Location Map**  
**North side 535 Pinetree Drive**



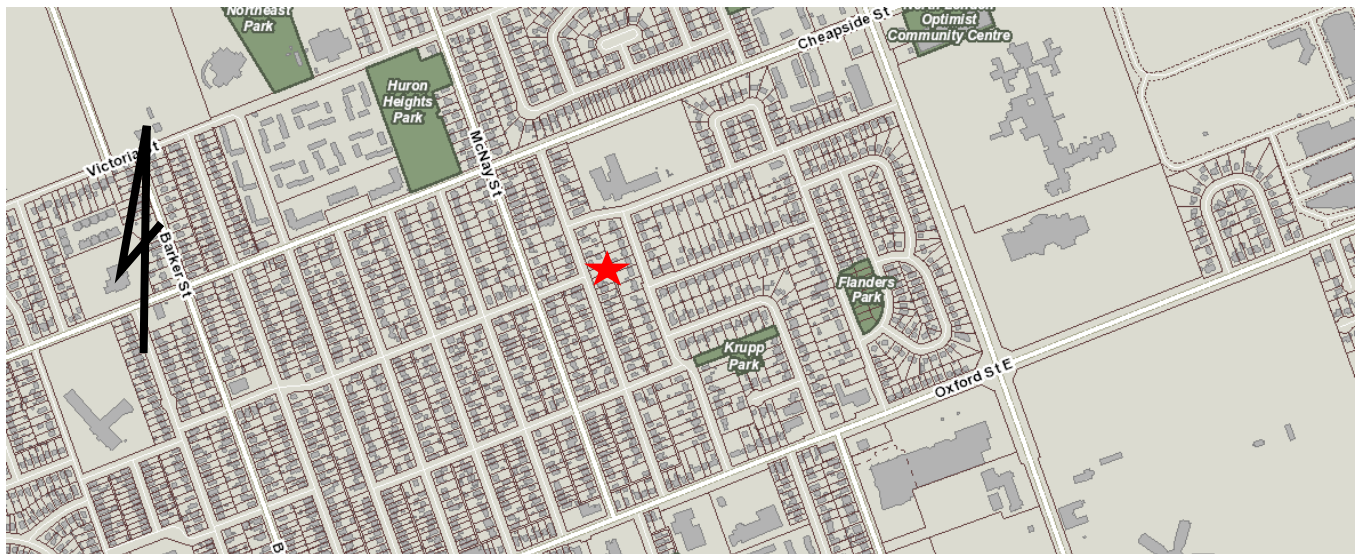
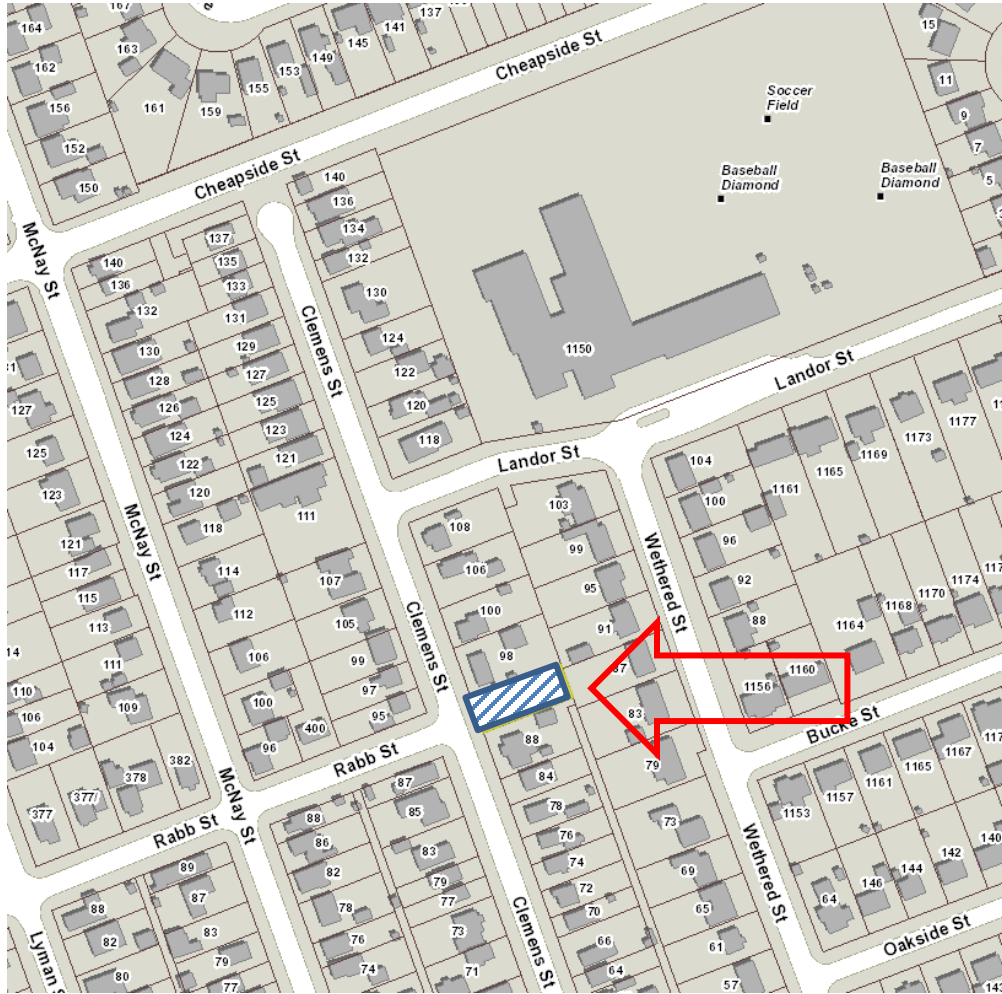
**APPENDIX 'B'**  
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**Location Map**  
**Roll # 03029003800000 - Oxford Street East**



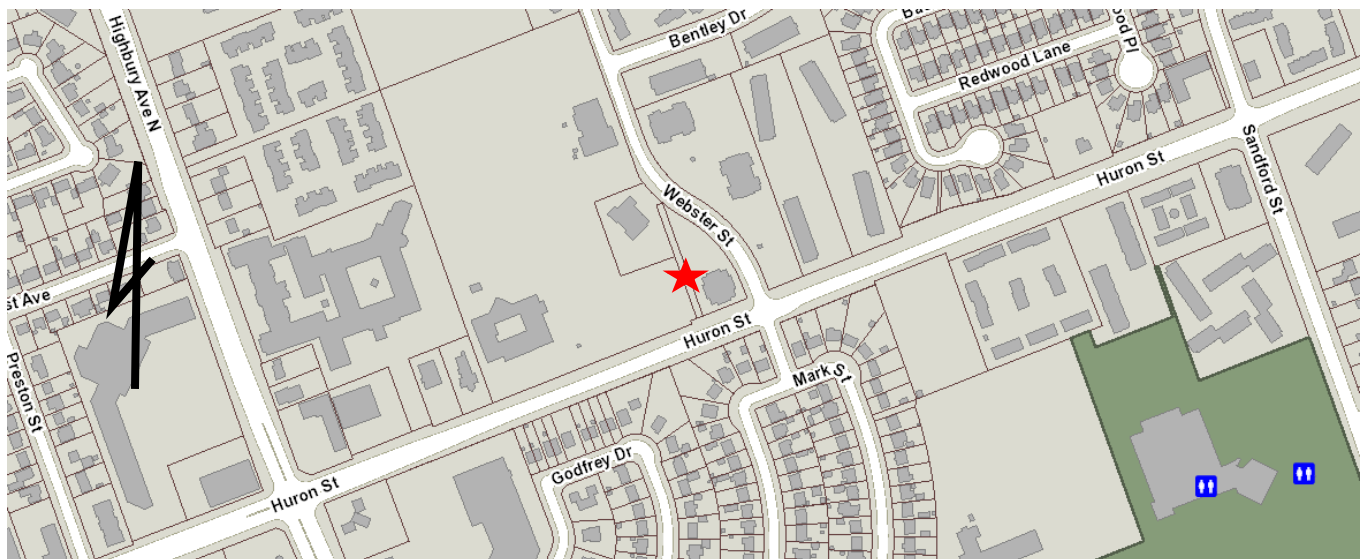
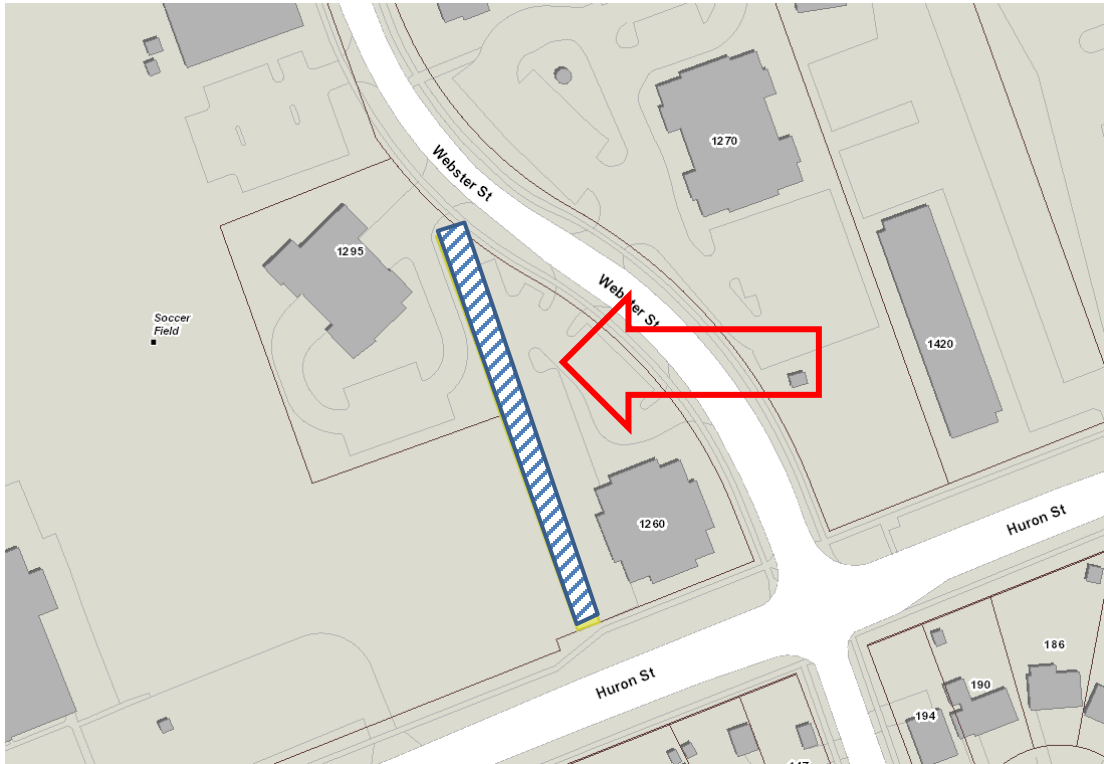
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**Location Map**  
**92 Clemens Street**



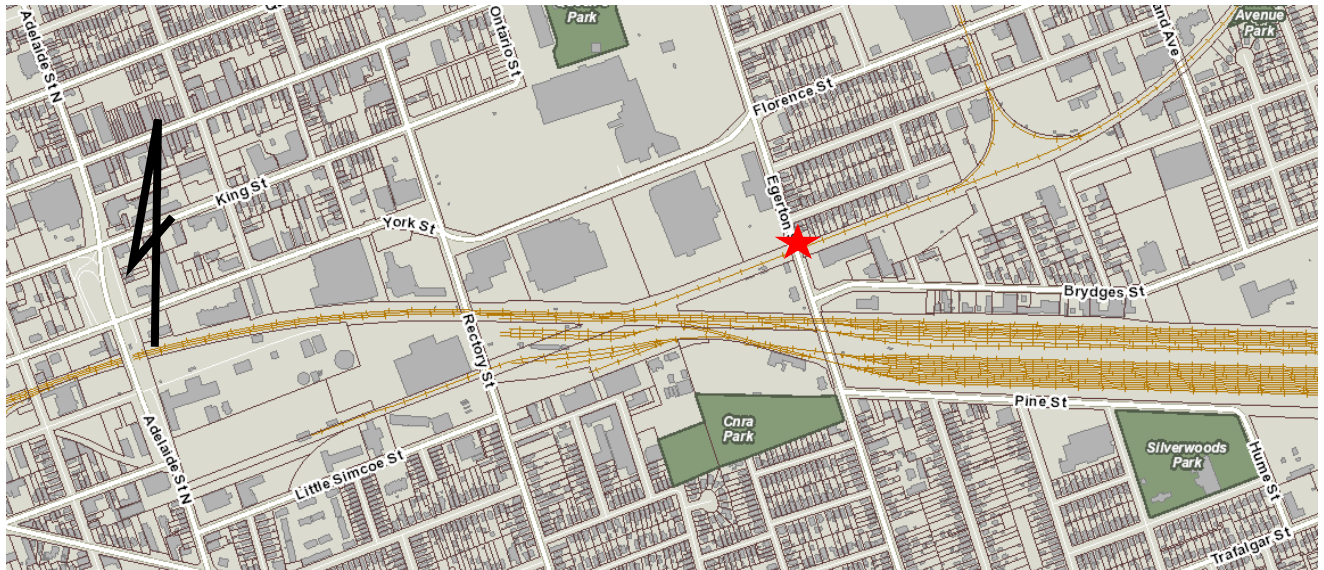
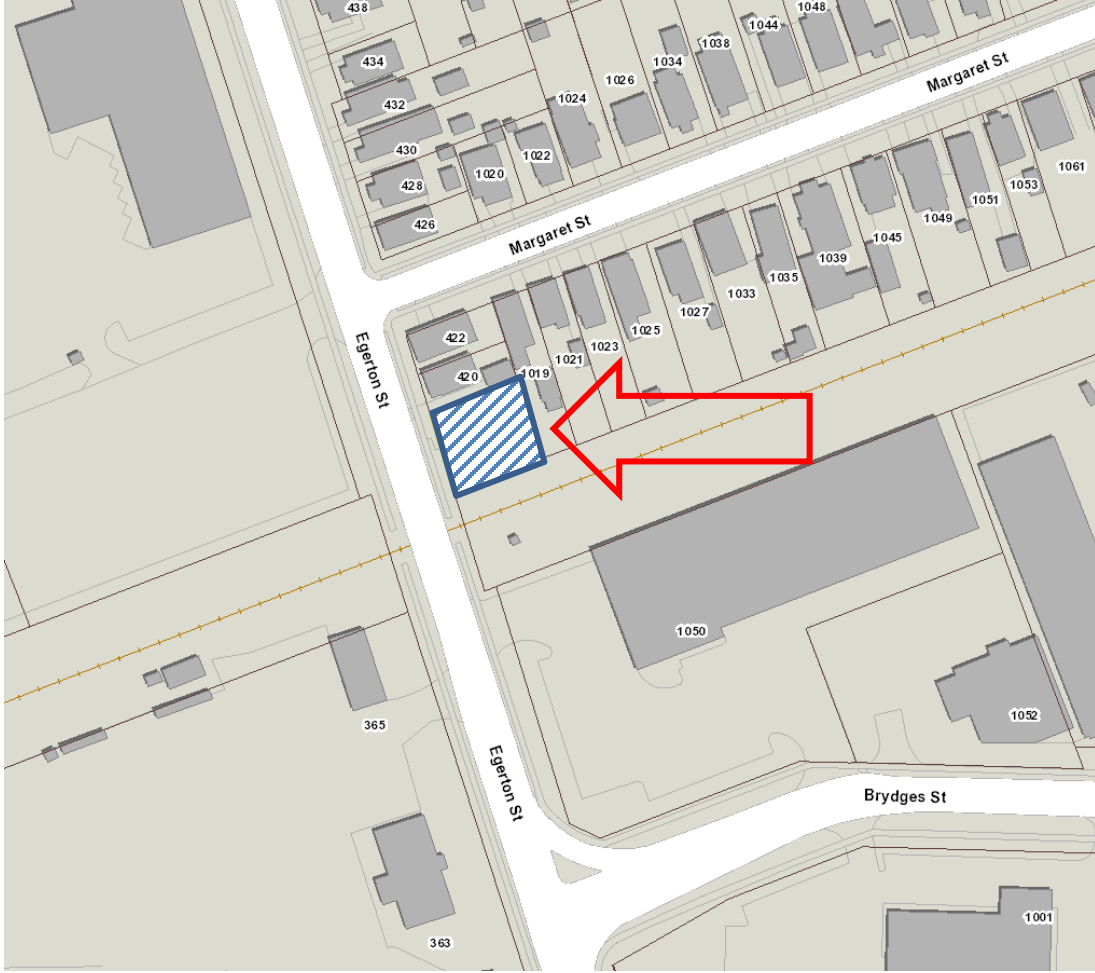
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**Location Map**  
**Roll # 030750205990000 Huron Street East**



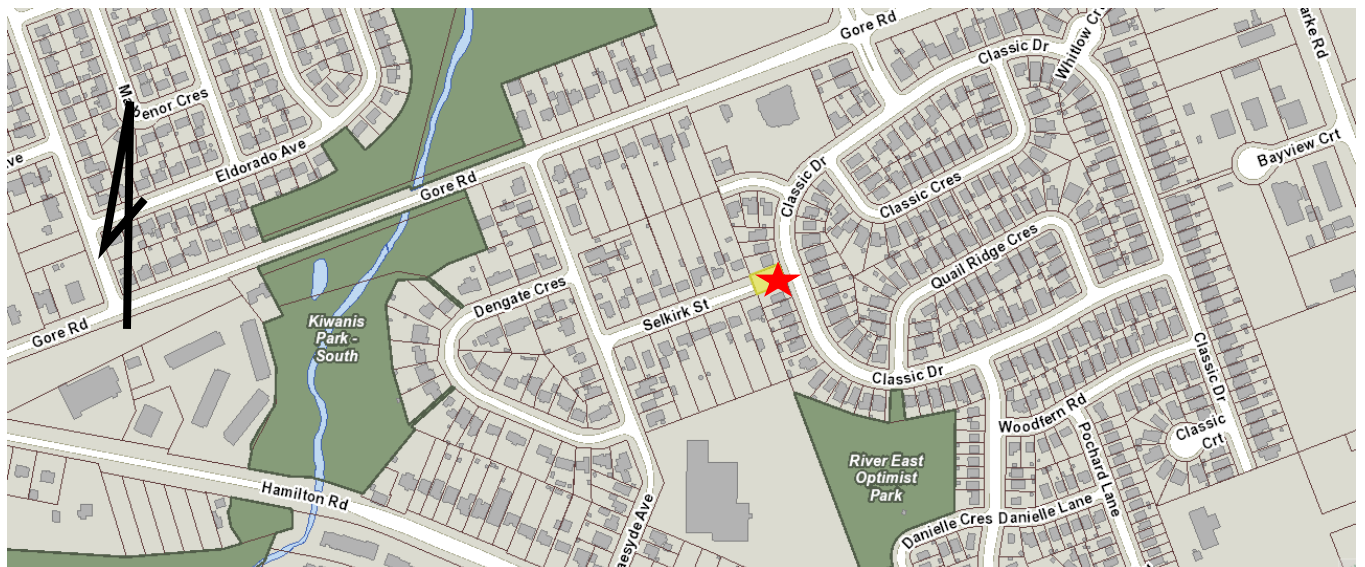
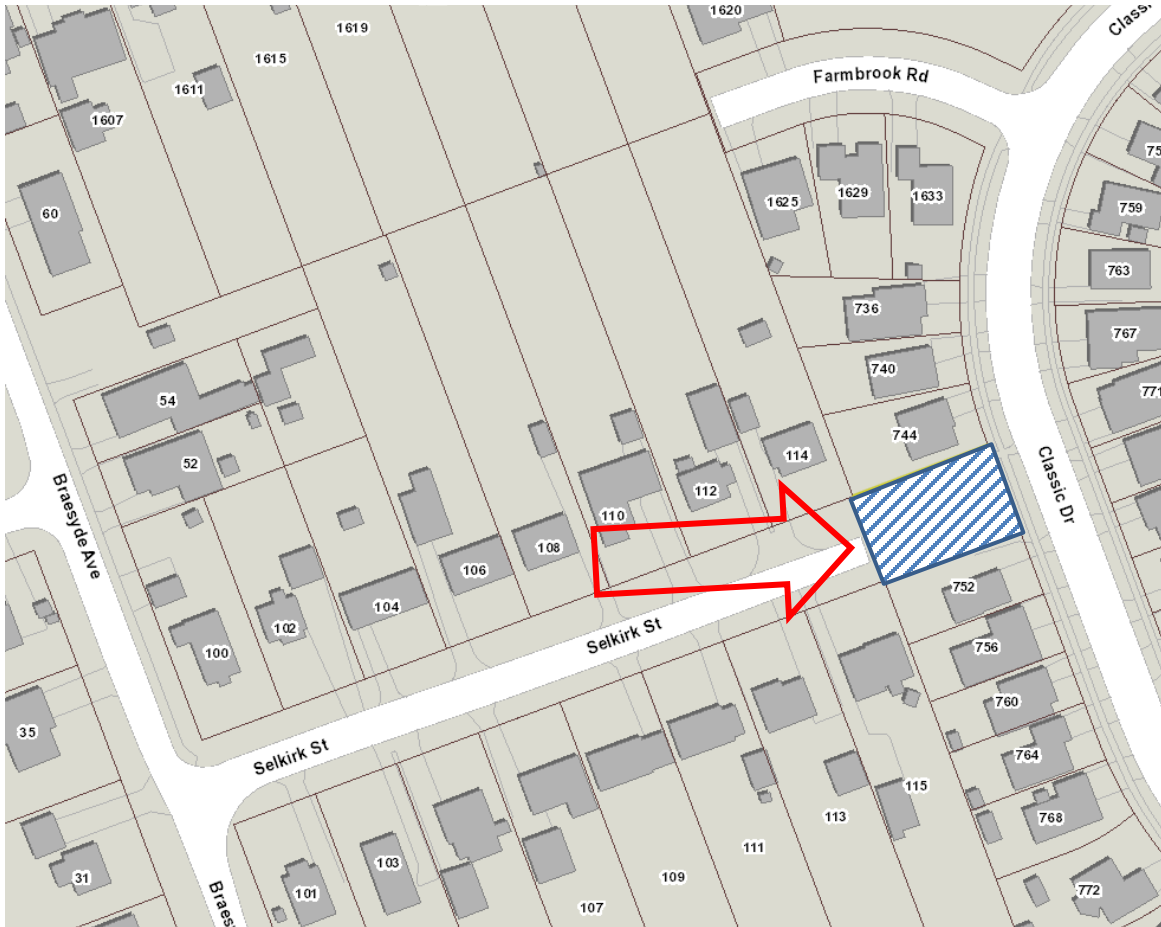
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**MAPS OF PROPERTIES RECOMMENDED FOR DISPOSAL**

**Location Map**  
**Roll # 040170084010000 Egerton Street**



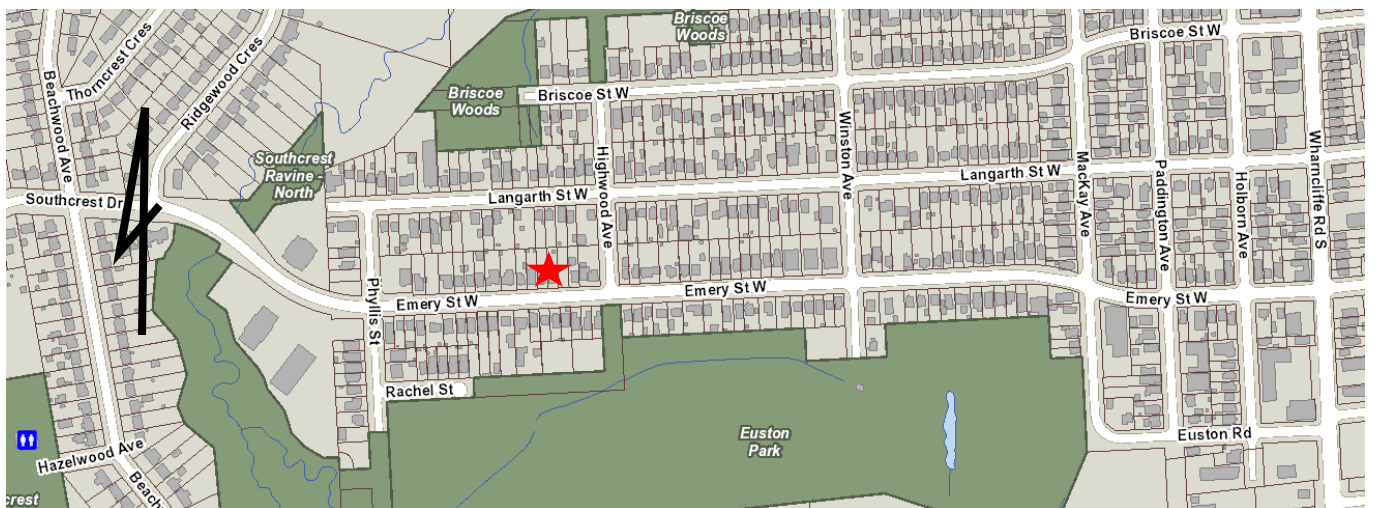
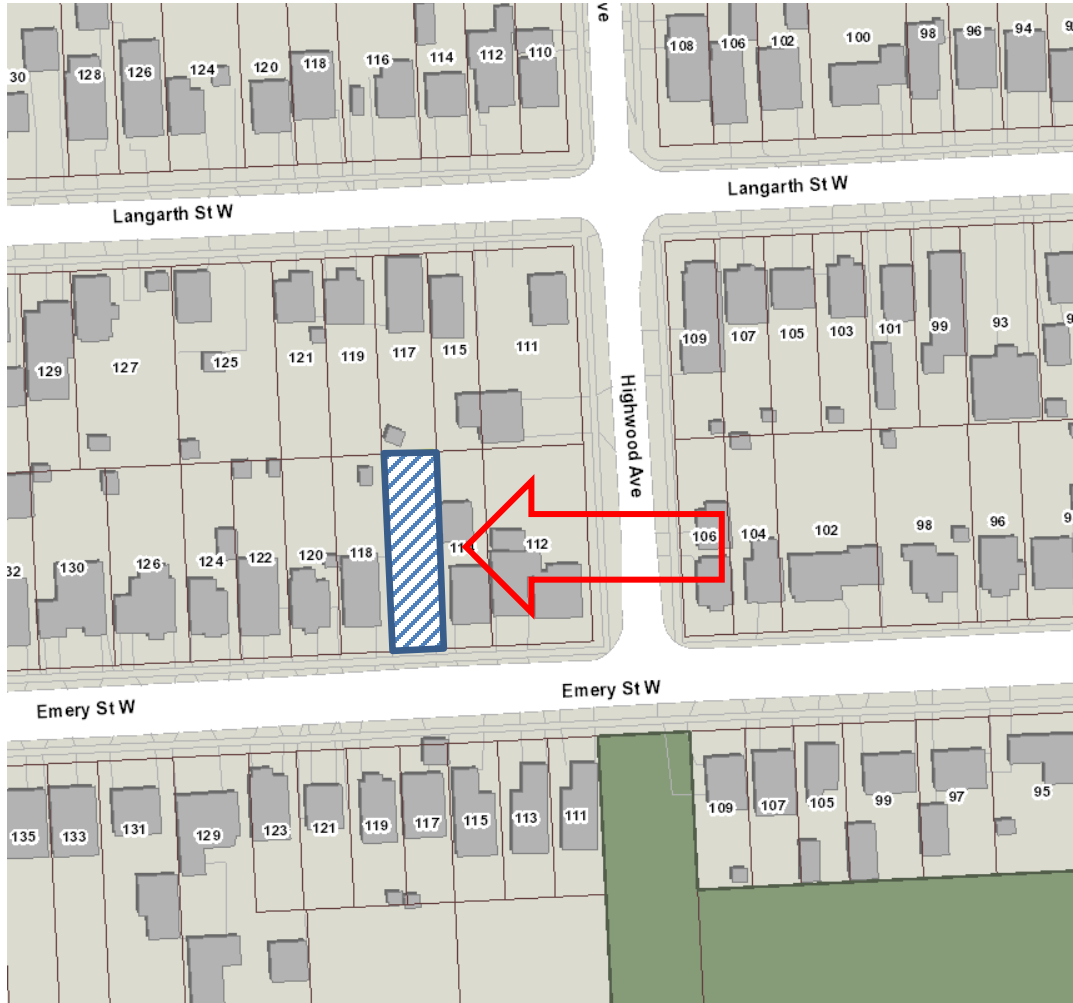
**APPENDIX 'B'**  
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**Location Map**  
**748 Classic Drive**



**APPENDIX 'B'**  
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**Location Map**  
**116 Emery Street West**



**APPENDIX 'B'**  
**MAPS OF PROPERTIES RECOMMENDED FOR DISPOSAL**

**Location Map**  
**130 Southdale Road West**

