

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING OF SEPTEMBER 25, 2018
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	ASSET REVIEW: CLASS A – VACANT LAND AND BUILDINGS & CLASS C – MAJOR VENUES, NON-CORE SERVICES AND ASSETS

RECOMMENDATION

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

- a) the reporting of the proceeds from the sale of surplus lands, and the update on the City of London Class C – Major Venues, Non-Core Services and Assets **BE RECEIVED** for information;
- b) Civic Administration **BE DIRECTED** to allocate \$434,716 of net proceeds from the completed sales of surplus land as per the Council approved Sale of Major Assets Policy;
- c) Civic Administration **BE DIRECTED** to take no further action regarding the review of the following City-owned heritage assets:
 - i.* Baty House;
 - ii.* Eldon House/Coach House/Greenhouse/ Interpretive Centre/Museum;
 - iii.* EP Williams Estate/Gatehouse;
 - iv.* Flint Cottage/Flint Shelter/ Springbank Pumphouse;
 - v.* Grosvenor Lodge/Carriage House;
 - vi.* Park Farm; and,
- d) Civic Administration **BE DIRECTED** to bring forward a detailed business case as part of the 2020-2023 Multi-Year Budget to support the costs associated with the transition plan and subsequent disposition of T-Block building.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

“Asset Review: Class C – Major Venues, Non-Core Services and Assets,” Corporate Services Committee, December 5, 2017

“Asset Review: Class A – Vacant Land and Buildings,” Corporate Services Committee, May 23, 2017

“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 and Class C asset reviews advance 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 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:

- a) *the scoping report regarding a process for evaluating the City of London's asset portfolio BE RECEIVED for information;*
- b) *the Council-adopted "Principles for Identifying Asset Sales and Revenue Alternatives" provided in Appendix 'A' to the staff report dated December 13, 2016 BE RECEIVED for information; it being noted that the principles will be further developed into a Council policy;*
- c) *the inventory of municipally-owned assets separated by category, provided in Appendix 'B' to the staff report dated December 13, 2016 BE RECEIVED for information;*
- d) *the related Council-approved "Sale and Other Disposition of Land Policy", provided in Appendix 'C' to the staff report dated December 13, 2016, BE RECEIVED for information:*
- e) *the Civic Administration BE DIRECTED to update or develop policies for the disposal of vehicles, furniture and equipment for inclusion in the Council Policy Manual;*
- 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) *Class C – Major venues, non-core services and assets (Third Quarter, 2017).*
- g) *NO ACTION BE TAKEN to review Classes B, D, E, F and G assets as described in the staff report dated December 13, 2016;*
- h) *the ~~attached~~ presentation from the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer and the Manager of Business Process Planning BE RECEIVED; and*
- i) *the communication dated December 9, 2016 from C. Butler, BE RECEIVED.*

This report provides an update on the proceeds from the sale of surplus lands and an update on the City's Class C asset review to date.

ASSET REVIEW: CLASS A – VACANT LAND AND BUILDINGS

Background

In May 2017, Municipal Council approved the following City-owned properties to be declared surplus to the needs of the City:

- a) a portion of Pine Tree 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.

Civic Administration advised that the properties recommended for disposal would be administered through the City's *Sale and Other Disposition of Lands Policy*, and the proceeds generated from the sale of surplus lands would be allocated per the City's *Sale of Major Assets Policy*. Further, the amount of proceeds and associated allocation would be reported out regarding major asset sales.

This report provides an update on the status of the properties that were declared surplus and provides a summary of the sales transactions that have been completed to date, as well other properties that have been declared surplus since May 2017. Information has also been provided on properties that were also declared surplus, but have not sold yet.

In addition, the following properties were declared surplus subsequent to the May 2017 staff report and are included below.

- a) 330 Thames Street;
- b) 1694 Evangeline Street; and,
- c) 995 Hargrieve Road.

Sales Transactions for Surplus Lands

Table 1 provides a summary of the completed transactions for the sales of surplus lands identified in this report.

TABLE 1: CITY-OWNED SURPLUS LANDS – COMPLETED SALES

Property Description	Sale Price	Expenditures	Net Proceeds *	Status
92 Clemens Street	\$63,500	\$161	\$63,339	Closing date: April 30, 2018
116 Emery St W	\$51,500	\$0	\$51,500	Closing date: April 30, 2018
130 Southdale Road West	\$56,000	\$0	\$56,000	Closing date: July 2018
330 Thames Street	\$260,000	\$2,123	\$257,877	Closing date: March 2, 2018
995 Hargrieve Rd Adj City Owned Property	\$6,000	\$0	\$6,000	Closing date: July 27, 2018
Total Net Proceeds:			\$434,716	

* Net proceeds is defined as the net revenues realized from the sale of the property minus any expenses that were incurred to sell the property.

Table 2 provides a summary of the in process transactions for the sales of surplus lands identified in this report.

TABLE 2: CITY-OWNED SURPLUS LANDS – IN PROCESS SALES

Property Description	Sale Price	Status
Portion of Pine Tree Drive	To be Determined	In Negotiations
Roll # 030290038000000 Oxford Street East	\$257,420	Closing date: September 28, 2018
Roll # 030750205990000 Huron Street East	To be Determined	In Negotiations
Roll # 040170084010000 Egerton Street	To be Determined	In Negotiations
748 Classic Drive	To be Determined	In Negotiations
1694 Evangeline Street	\$172,000	Closing date: September 28, 2018

It should be noted that the amount of properties that are identified for potential disposal and that are ultimately declared surplus varies from year to year. Therefore, it should not be expected that future opportunities for surplus properties will be identified each year. There are no other City-owned lands to be declared surplus at this time.

Allocation of Proceeds from Surplus Lands Sales

The allocation of proceeds generated from the sale of surplus lands is determined by the City Treasurer consistent with strategy identified in the City's *Sale of Major Assets Policy*. Based on the approved policy, the proceeds from the sale of the surplus lands should be used in the following priority order:

- a) Substitute funding for approved but unissued debt;
- b) Purchasing a new asset(s) that produces a return on the investment (both financial and non-financial value improvements); and,
- c) Investments that generate predictable interest revenue, noting that only interest proceeds may be used to provide one-time or ongoing contributions for strategic initiatives.

As a result, \$434,716 of the proceeds realized to date will be used to substitute funding for approved but unissued debt.

ASSET REVIEW: CLASS C – MAJOR VENUES, NON-CORE SERVICES AND ASSETS

Background

In December 2017, Municipal Council received a report regarding the findings and ongoing strategy to review the City's Class C assets. As outlined in the last report, staff separated the Class C assets into two categories:

Separate Review Underway:

The assets included were as follows:

- London Hydro
- Public Utility Commission
- Municipally-Owned Parking Lots
- Centennial Hall
- J Allyn Taylor Building

Assets for Further Investigation:

The assets included were as follows:

- Housing Development Corporation
- London Middlesex Housing Corporation
- Baty House
- Eldon House/Coach House/Greenhouse/Interpretive Centre/Museum
- E P Williams Estate/Gatehouse
- Flint Cottage/Flint Shelter
- Grosvenor Lodge/Carriage House
- Park Farm
- Springbank Pumphouse
- Normal School Building
- Tourism/Visitors Service Centre
- London Convention Centre
- Covent Garden Market
- Labatt Park
- Budweiser Gardens
- T-Block Building

The following sections provide an update on the review of these assets, including the review of the T-Block building.

Separate Review Underway

Assets within this category are part of an on-going review to determine the strategic options for them. Table 3 provides an update on the status of each review.

TABLE 3: STATUS UPDATE

Asset Description	Status of Review
London Hydro	Review completed in Q1 2018.
Public Utility Commission	Review completed in Q2 2018.
Municipally-Owned Parking Lots	Report will be brought forward at a future date on the financial implications and a strategy to fund new public parking spaces as part of new developments in the next 20 years.
Centennial Hall	Being reviewed as part of Master Accommodation Plan.
J Allyn Taylor Building	Being reviewed as part of Master Accommodation Plan.

Assets for Further Investigation

During the review of the assets in this category, it was determined that several of the assets required additional time to review due to the heritage nature of the assets and when each of the assets were acquired by the City. Civic Administration required more time review the files for assets in this group, some dating back many years, to determine if legal agreements existed that would restrict the use of the lands and buildings characterized by the assets.

A summary of the findings of each review completed is provided in Table 4.

TABLE 4: SUMMARY OF FINDINGS

Asset Description	Comments	Recommendation / Status
Baty House	Baty House is owned by the Upper Thames River Conservation Authority.	No additional review is required.
Eldon House/Coach House/Greenhouse/ Interpretive Centre/Museum	The City holds Eldon House as a charitable purpose trust. This property cannot be divested without a court order.	Retain ownership of the asset. No additional review is required.
E P Williams Estate/Gatehouse	The City holds EP Williams Estate as a charitable purpose trust. This property cannot be divested without a court order.	Retain ownership of the asset. No additional review is required.
Flint Cottage/Flint Shelter/ Springbank Pumphouse	No documents registered on title would restrict the City's ability to divest this property. Parks and Recreation is looking at future space needs for storage, offices and event support and/or vendor opportunities at three building locations in Springbank Park. Currently the "Pumphouse" is being utilized as a public washroom and parks operations storage facility along the Thames Valley Parkway. The "Flint Shelter" is currently being utilized as an event support building to house event organizers and event operations equipment along with some program space for community users. The "Flint Cottage" is not currently in use.	Retain ownership of the asset. No additional review is required. Parks and Recreation will assess future needs and uses to determine whether there may be a city use or need along with interest from various unsolicited opportunities by vendors for various types of retail activities.
Grosvenor Lodge/Carriage House	No documents registered on title would restrict the City's ability to divest this property. The asset is currently under license to Heritage London Foundation. They maintain the asset for the City and use it to fulfil their heritage mandates.	Retain ownership of the asset. No additional review is required.
Park Farm	The City holds Park Farm as a charitable purpose trust. This property cannot be divested without a court order.	Retain ownership of the asset. No additional review is required.

As shown in Table 4, staff have determined that these assets do not warrant further review and should be retained by the City of London based on the individual constraints associated with them and the programs and services they provide to the community.

T- Block Building

The T-Block building was constructed in the early 1900's as a military stores building and residence. The City acquired the building in 1995 as part of the decommissioning of CFB Wolseley Barracks. It was designated by the City as a building of Cultural Heritage Value and Interest in 1999. The T-Block building is a three storey building with a basement, heated with hot water radiators throughout the building. There is no air circulation system (limited air conditioning in some of the spaces through the use of individual window type air conditioner units). Washrooms located on each floor (excluding the basement) are not compliant with current accessibility requirements. Access to the T-Block building for physically challenged persons is essentially limited to the main floor as there is no elevator servicing the building. Over the years, Council has directed Civic Administration to find "low cost" space for a variety of community groups in city facilities. The T-Block building has been the "go to" place for many years for this purpose.

On December 12, 2017, Council directed Civic Administration to initiate a process to review the T-Block building for potential opportunities for disposition. There are several factors considered as part of this review. They include:

- To maintain the building just as is, the Life Cycle Renewal costs from 2019 to 2029 for this building are estimated to be at least \$3.0M, noting that an additional \$1.3M of Life Cycle Renewal requirements are forecasted for the subsequent 10 years.
- In addition, to make the building accessible in accordance with current standards, it will cost at least \$2.0M (upgrades required include washrooms, elevator, exits).
- The T-Block building is not currently used to accommodate City of London staff or to deliver programs (although some of the space is used for storage).
- There are currently 8 community organizations who access office and/or storage space in this building. The annual fee of \$530.45 for office space and \$52.49 for storage space (excluding HST) is paid by each group.
- This building is located in a prime location, along a major transit corridor which may generate interest and opportunities for private sector investment.

Based on these factors, Civic Administration continues to assess the T-Block building as a strong candidate for future disposal.

Next Steps:

1. Civic Administration will develop a detailed transition plan for the disposal of T Block. A key component of this plan is to understand the possible impact on community organizations who currently use office and/or storage space in this building. Not all tenants may require space as they may co-locate with other groups and/or have the ability to cover the costs to access space in another facility. However, there are a few grassroots organizations using space at T-Block who do not currently have the means to financially support such obligations as market rent. Various alternatives for these organizations will be considered as part of this detailed transition plan.
2. Civic Administration will bring forward a detailed business case as part of the 2020-2023 Multi-Year Budget to support the costs associated with the transition plan and subsequent disposition of T-Block building.

CONCLUSION

This report provides an update on the proceeds from the sale of surplus lands and an update on the City's Class C asset review to date.

Civic Administration recommends that the net proceeds from the completed sales of surplus land in the amount of \$434,716 be allocated as per the Council approved Sale of Major Assets Policy.

Civic Administration recommends that the City-owned heritage assets identified in this report do not warrant further review and should be retained by the City of London, with exception of Baty House which was determined to be owned by the Upper Thames River Conservation Authority.

Civic Administration will develop a detailed transition plan for the disposal of T Block and report back at a future Committee date. In addition, a detailed business case will be brought forward as part of the 2020-2023 Multi-Year Budget to support the costs associated with the transition plan and subsequent disposition of T-Block building.

PREPARED AND SUBMITTED BY:
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