

Agenda

Combined Meeting of the Board of Directors of Build Toronto Inc. (BTI) and the Toronto Port Lands Company (TPLC)

Date of Meeting: April 18, 2018

Time: 1:30 p.m. to 4:30 p.m.

Location: CreateTO, 200 King St. W., Suite 200 – City Builder Boardroom

Contact: Janice Paterson
416.981.2881
jpaterson@createto.ca

Public Session

Call to Order

Absence Motion & Confirmation of Quorum

Declarations of Interest under the Municipal Conflict of Interest Act and the Ontario Business Corporations Act

1. Approval of Previous Board of Directors Public Minutes of February 26, 2018 *[ACTION]*
2. CEO Report – Public *[Information]*
3. Update on Auditor General's Report – BTI *[Information]*
4. Review reports of fraud, Code of Conduct non-compliance or other forms of non-compliance – BTI *[Information]*

Closed Session Motion

*Closed Meeting Requirements: If the Board of Directors or Committees of Build Toronto Inc./Toronto Port Lands Company wish to meet in closed session (privately), a member of the Board must make a motion to do so and give the reason why the Board has to meet privately.

Closed Session*

(All items below are confidential and relate to the acquisition or disposition of land and/or the security of the corporation)

5. Approval of Previous Board of Directors Closed Session Minutes of February 26, 2018
[ACTION]
6. 2017 Financial Review
 - a. BTI
 - (i) Review of PWC Report to the Board [Information]
 - (ii) Review of 2017 Audited Financial Statements and Financial Variance & Commentary [ACTION]
 - (iii) Direct Procurement Spend Report [Information]
 - (iv) 2017 Legal Expenditures [Information]
 - (v) Dividend Declaration [ACTION]
 - b. TPLC
 - (i) Review of PWC Report to the Board [Information]
 - (ii) Review of 2017 Audited Financial Statements and Variance Analysis [ACTION]
 - (iii) Delegation of Authority (DOA) – Lease Authorities [ACTION]
 - (iv) 2017 Legal Expenditures [Information]
 - c. In Camera Session with PwC Auditors
7. BTI Matters
 - a. 50 Wilson Heights – Amendment to Capital Budget [ACTION]
 - b. 9 Madison – APS Approval [ACTION]
 - c. 75 Billy Bishop Update [Information]
 - d. Canada Square Update [Information]
8. TPLC Matters
 - a. GFL Environmental Inc., Lease Extension, 320, 334, 348, 400 and 402 Unwin Avenue, Toronto [ACTION]
 - b. GFL Environmental Inc., Lease Expansion to include 200 Unwin Avenue, Toronto [ACTION]
9. Business Information
 - a. Property Profiles [Information]
 - b. Project Status Update [Information]
10. Compensation Disclosure and Analysis (CD&A) [Information]
 - a. BTI
 - b. TPLC
11. CEO Report – Closed [Information]
12. In Camera with Interim Lead
13. Other Business

Adjournment

*Closed Meeting Requirements: If the Board of Directors or Committees of Build Toronto Inc./Toronto Port Lands Company wish to meet in closed session (privately), a member of the Board must make a motion to do so and give the reason why the Board has to meet privately.

REPORT FOR ACTION

Approval of Previous Board of Directors Public Minutes of February 26, 2018

Date: April 9, 2018

To: Build Toronto Inc. (BTI) and Toronto Port Lands Company (TPLC) Board of Directors

From: Head, Legal & Corporate Secretary, CreateTO

Wards: All

RECOMMENDATIONS

The Head, Legal & Corporate Secretary recommends that the Board of Directors approve the previous Board of Directors public minutes of February 26, 2018.

CONTACT

Steven Trumper, Head, Legal & Corporate Secretary, CreateTO, (416) 981-3817, strumper@createto.ca

ATTACHMENTS

Attachment: Draft Minutes - Public (February 26, 2018) 

REPORT FOR INFORMATION

CEO Report - Public

Date: April 9, 2018

To: Build Toronto Inc. and Toronto Port Lands Company (TPLC) Board of Directors

From: Transition Lead, CreateTO

Wards: All

SUMMARY

The Transition Lead will be providing a verbal update in the public session for information purposes.

CONTACT

Antoinette Tummillo, Transition Lead, CreateTO, (416) 981-3761,
atummillo@createto.ca

Build Toronto Inc. – 2018 Results of Follow-up of Previous Audit Recommendations

Date: April 6, 2018

To: The Board of Directors of Build Toronto Inc.

From: Auditor General

Wards: All

SUMMARY

The Auditor General's Office conducts an annual follow-up review to determine the implementation status of recommendations contained in previously issued audit reports. This report provides the implementation status of audit recommendations in the audit report entitled "Operational Review of Build Toronto Inc." dated November 17, 2014.

The audit report was presented to the Build Toronto Inc. Board of Directors on November 28, 2014, the City's Audit Committee on February 27, 2015, and City Council at its meeting of March 31, 2015.

The 2014 audit report contained 25 recommendations. During the 2016 and 2017 follow-up processes, we determined that ten recommendations had been fully implemented. Of the remaining 15 recommendations, one was verified as fully implemented during the current follow-up process (Attachment 1), and 14 recommendations were no longer applicable as a result of an establishment of a new agency to manage the City's real estate activities.

At its May 24, 2017 meeting, City Council approved the establishment of a new City agency ("Toronto Realty Agency") to manage the City's real estate portfolio, develop City buildings and lands for municipal purposes, and deliver client-focused real estate solutions to City Divisions, Agencies and Corporations. By January 1, 2018, the operations of Build Toronto and Toronto Port Lands Company (TPLC) were consolidated into the City's new agency CreateTO (formerly the Toronto Realty Agency).

Management estimates that the operational consolidation of Build Toronto and TPLC into the new Agency will result in \$3.038 million from efficiency gains. These savings are used to offset one-time setup costs and new resources required by CreateTO.

Because the operations of Build Toronto have been consolidated into the new Agency, management has indicated that 14 recommendations from the 2014 audit report are no

longer applicable. A list of the 14 recommendations together with management's comments are included in Attachment 2.

While the audit recommendations are technically no longer applicable due to the restructuring, management indicated that the intent and spirit from the 2014 audit recommendations will be considered in the planning and administration of the City's real estate activities under the new Agency.

Recommendations from the 2014 audit will no longer be included in the Auditor General's future follow-up process. The Auditor General will consider whether a performance audit of CreateTO is needed in the future in developing her annual audit Work Plan.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Board of Directors of Build Toronto Inc. receive this report for information.

FINANCIAL IMPACT

There is no financial impact resulting from receipt of this report.

DECISION HISTORY

The Build Toronto Inc. audit report was presented to its Board of Directors on November 28, 2014, the City's Audit Committee on February 27, 2015, and City Council at its meeting of March 31, 2015. The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-76203.pdf>

This is our third follow-up review of the implementation status of recommendations contained in that report. The results of our first and second follow-up review are available at:

<http://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-94491.pdf>

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105098.pdf>

ISSUE BACKGROUND

The follow-up of outstanding recommendations is required by Government Auditing Standards. Following up on outstanding recommendations from previous audit reports is important as it ensures that management has taken appropriate action to implement the

recommendations. The Auditor General reports to the Board of Directors and the City's Audit Committee each year on the implementation status of outstanding recommendations.

In accordance with the Auditor General's Work Plan, we have completed a review of the status of outstanding audit recommendations from the November 17, 2014 Build Toronto Inc. audit report.

We conducted this follow-up audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

COMMENTS

The follow-up review process requires that management provide the Auditor General with a written response regarding the implementation status of each audit recommendation. Where management indicates that recommendations have been implemented, audit work is conducted by audit staff to ensure the accuracy of management assertions. Where management indicates that recommendations have not been implemented, no audit work is performed and the audit recommendations are carried forward to the next follow-up audit. Where management indicates that recommendations are not applicable, audit staff review management's response and confirm management's assertion.

Table 1 represents the results of our current follow-up on audit recommendations for Build Toronto Inc.

Table 1: Results of the Current Review

Report Title and Date	Total No. of Recs.	Previously Reported as Fully Implemented	Results of Current Review		
			Fully Implemented	Not Fully Implemented	Not Applicable
Operational Review of Build Toronto Inc.	25	10	1	0	14

Of the total 25 recommendations in the audit report, ten recommendations had previously been assessed as fully implemented during 2016 and 2017 follow-up process. In the current follow-up process, one recommendation was verified as fully implemented. This recommendation is listed in Attachment 1.

The remaining 14 recommendations are no longer applicable because the operations of Build Toronto have been consolidated into a new realty agency. These recommendations along with management's comments are listed in Attachment 2.

A Noteworthy Recommendation:

Recommendation #22 of the 2014 audit report states that, "City Council request the City Manager, in consultation with the Chief Executive Officer of Build Toronto, Invest Toronto, and Toronto Port Lands Company to review areas where opportunities exist to consolidate or coordinate operations and report to the City Council on the results of these consultations."

At its meeting on May 24, 2017, City Council approved a new real estate service delivery model that centralizes all real estate activities City-wide. At the same time, City Council approved the establishment of a new City agency ("Toronto Realty Agency") to manage the City's real estate portfolio, develop City buildings and lands for municipal purposes, and deliver client focused real estate solutions to City Divisions, Agencies and Corporations. The operations of Build Toronto and Toronto Port Lands Company were to be removed from those corporations and consolidated into the new agency.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.9>

Management estimates that the consolidation of Build Toronto and TPLC into the new Agency will result in \$3.038 million from efficiency gains. These savings are used to offset one-time setup costs and new resources required by the new agency CreateTO.

Management advised that the intent and spirit of the 2014 audit recommendations will be considered by CreateTO in the planning and administration of its strategies and activities.

Recommendations from the 2014 audit will no longer be included in the Auditor General's future follow-up process. The Auditor General will consider whether a performance audit of CreateTO is needed in the future in developing her annual audit Work Plan.

A consolidated report on the implementation status of outstanding recommendations from previous audit reports to the City's Agencies and Corporations will be presented to City's Audit Committee at its July 2018 meeting. This report will be included in the Auditor General's consolidated report.

CONTACT

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SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENTS

Attachment 1: Audit Recommendation – Fully Implemented

Attachment 2: Audit Recommendations – No Longer Applicable

**BUILD TORONTO INC.
AUDIT RECOMMENDATIONS - FULLY IMPLEMENTED**

Report Title: Operational Review of Build Toronto Inc.
Report Date: 11/17/2014

No.	Recommendation
22.	City Council request the City Manager, in consultation with the Chief Executive Officers of Build Toronto, Invest Toronto, and Toronto Port Lands Company to review areas where opportunities exist to consolidate or coordinate operations and report to City Council on the results of these consultations.

**BUILD TORONTO INC.
AUDIT RECOMMENDATIONS - NO LONGER APPLICABLE**

Report Title: Operational Review of Build Toronto Inc.
Report Date: 11/17/2014

No.	Recommendation	Management's Comments and Action Plan / Time Frame
4.	The Board of Directors of Build Toronto request the Chief Executive Officer to conduct a review of the incentive compensation program and the executive performance management processes to ensure appropriate emphasis is placed on both long term goals established in the strategic plan and annual performance targets.	<p>Effective January 1, 2018 all employees of Build Toronto are employees of CreateTO. A full review of the incentive compensation program is currently underway with an expected completion date of Q4 2018.</p> <p>This recommendation will be carried forward to CreateTO for consideration.</p>
5.	City Council request the City Manager, in consultation with Build Toronto's Chief Executive Officer, to review the Shareholder Direction on a periodic basis to ensure that the mandate and City objectives remain consistent with City Council's ongoing priorities and expectations for Build Toronto. Any changes required should be submitted to City Council for approval.	<p>In May 2017, City Council approved the City-wide Real Estate Transformation initiating the transition to a centralized real estate service model. Through the launch of CreateTO & the new real estate model there is now a vehicle to enable continuous consultation & collaboration with all City stakeholders.</p> <p>Also, CreateTO is considered a City agency (local board) whereas Build Toronto was a City corporation (OBCA). CreateTO is governed by a different relationship framework with the City as approved by City Council on May 17th, 2017.</p>
6.	<p>City Council request the City Manager, in consultation with Build Toronto's Chief Executive Officer:</p> <ol style="list-style-type: none"> a. Formalize a dividend policy consistent with the mandate and objectives of Build Toronto; and b. Establish processes to enable the periodic review of the dividend policy. 	<p>In advance of a formalized dividend policy, City staff have budgeted for a dividend of \$25 million from Build Toronto in 2018, and have communicated this expectation to Build Toronto.</p> <p>This recommendation will be carried forward to CreateTO for consideration.</p>
7.	City Council request the City Manager to ensure that the ongoing review of real estate holdings and the City-Wide Office Modernization Plan consider alternate accommodation solutions to allow for the development of high value sites. The City Manager report to City Council and the Board of Build Toronto annually on the progress made to identify sites currently in operational or program use that have significant development or value potential.	<p>CreateTO & Real Estate services continue to work together to identify additional sites in operational or program use that have significant development or value potential.</p> <p>This recommendation will be carried forward to CreateTO for consideration.</p>

No.	Recommendation	Management's Comments and Action Plan / Time Frame
8.	<p>City Council request the City Manager ensure that a comprehensive City-Wide Real Estate Strategy is prepared which contemplates:</p> <ul style="list-style-type: none"> a. Protocols for cooperation by City divisions, agencies, and corporations which clarifies how they would be compensated for the operating and capital impacts of transferring properties to Build Toronto; and b. Protocols for real estate development activities carried out by City agencies and corporations and whether such activities should be centralized or coordinated with Build Toronto. 	<p>The CRM (customer relationship management) function of CreateTO will establish protocols for cooperation by City divisions, agencies and corporations regarding property assets and models to support development activities.</p> <p>This recommendation will be carried forward to CreateTO for consideration.</p>
9.	<p>City Council request the City Manager, in consultation with the Chief Corporate Officer and Build Toronto's Chief Executive Officer, to ensure that properties already declared surplus are transferred to Build Toronto on timely basis.</p>	<p>Build Toronto and the City's Real Estate Services staff review all outstanding properties with reasons for delays (i.e. taxes, environmental liability) on a semi-annual basis to ensure timely transition occurs and issues can be identified and actioned. A formal process will be determined through CreateTO.</p>
11.	<p>The Board of Directors of Build Toronto request the Chief Executive Officer enhance periodic project status update reports to document progress made on project plans including:</p> <ul style="list-style-type: none"> a. Description of any changes to milestones and timelines including any significant slippages or issues impacting the progress of projects; b. Actual life-to-date costs compared to original pre-development and development budgets and explanations for significant variances; and c. Revised project profitability forecasts including any changes to the assumptions used. 	<p>In 2017 management of Build Toronto implemented quarterly financial forecasts & status updates that documented any changes to profitability, milestones and timelines. These practices will be carried forward to CreateTO for consideration.</p>

No.	Recommendation	Management's Comments and Action Plan / Time Frame
12.	<p>The Board of Directors of Build Toronto request the Chief Executive Officer to provide reports summarizing the value created on each project which include, where possible:</p> <ul style="list-style-type: none"> a. A summary of activities completed by Build Toronto staff to enhance the value of properties and the related estimates of profits generated as a result of realized holding gains versus profits earned through site advancement activities; b. A summary of additional actions taken to enhance the value of the site where Build Toronto continues to participate in a joint arrangement on the site and the related future proceeds from profit participation in these arrangements; c. The projected economic impact of the development of the property; d. The financial impact of any conditions attached to the property transfer; and e. A summary of other city building benefits expected to be realized and the associated financial impact of providing such benefits. 	<p>Build Toronto reported on items, where accurate information is available, at Company's AGM at Executive Committee in 2017.</p> <ul style="list-style-type: none"> a. In progress - Build Toronto has not been able to accurately estimate holding gains on a specific property basis to be able to split these from the Value Add gains, but we continue to look at alternatives to employ in the future. b. Implemented c. Implemented d. No transfers have occurred for the last few years, so this cannot be measured. e. In progress - Build Toronto commenced in 2015, and will continue to report annually on all City Building achievements, to the fullest extent possible, based on accurate information being available. Normally, the properties Build Toronto transacts on are in development for a lengthy period of time, the timing of which is controlled by the purchaser / developer. As a result, City Building outcomes, which are negotiated at the time of the transaction, are not immediate, and the exact timing and quantification may not be known for some time. The fulfillment of these City Building objectives will become more evident and more accurately reportable as these projects commence and near completion. As noted above, Build Toronto will continue to report annually on all City Building results, to the fullest extent possible, based on accurate information being available. <p>Practices already in place from Build Toronto and those in progress will be carried forward to CreateTO for consideration.</p>

No.	Recommendation	Management's Comments and Action Plan / Time Frame
13.	The Board of Directors of Build Toronto request the Chief Executive Officer to periodically report on the actual versus projected economic impact from development of the property.	<p>Build Toronto discloses projected economic impact on transacted properties, generally calculated by a third party consultant, and reports on the actual results when accurate information is available. Build Toronto has spent an enormous amount of time, developing the systems and process to be able to track this data. Unfortunately, very few of the transacted projects have commenced construction, let alone being completed, therefore there is very little actual economic results to date, other than development charges, S37, etc., which have been reported on. When properties are further developed and completed, Build Toronto is well positioned to report on a great breadth of results, through actual or estimated actual amounts.</p> <p>This recommendation will be carried forward to CreateTO for consideration.</p>
14.	City Council request the City Manager, in consultation with the Chief Executive Officer of Build Toronto, to report to Council the estimated open market financial impact of terms and conditions of transfer agreements together with any Section 37 or other obligations on properties transferred to Build Toronto.	<p>New Transfers with full costing of terms and conditions (i.e. height/use restrictions, relocation costs, free space, affordable housing and community benefits) will be added to City Council reports.</p> <p>This recommendation will be carried forward to CreateTO for consideration.</p>
15.	The Board of Directors of Build Toronto request the Chief Executive Officer to enhance the Record Retention Policy to clarify what information needs to be documented and retained in support of processes to identify purchases and/or development partners.	<p>Generally, Build Toronto retains all documentation. The Filing Policy & Retention Policy outline how material should be saved and for how long. As part of the process harmonization, at CreateTO, management with further document what information is to be retained for procurement related processes.</p> <p>This recommendation will be carried forward to CreateTO for consideration.</p>
23.	The Board of Directors of Build Toronto request the Chief Executive Officer, in consultation with the City Manager, to review the Procurement Policy and recommend appropriate revisions to the policy which support effective, objective, fair, open, transparent, accountable, and efficient procurement processes.	<p>Build Toronto periodically reviews its Procurement Policy with the goal to make appropriate revisions which increases its effectiveness, objectivity, fairness, openness, transparency, accountability, and efficient procurement processes.</p> <p>This recommendation will be carried forward to CreateTO for consideration.</p>
24.	The Board of Directors of Build Toronto request the Chief Executive Officer to ensure that the use of rosters is in compliance with the updated procurement policy.	<p>This recommendation will be carried forward to CreateTO for consideration.</p>

No.	Recommendation	Management's Comments and Action Plan / Time Frame
25.	<p>The Board of Directors of Build Toronto request the Chief Executive Officer to enhance oversight and monitoring of procurement activities to include;</p> <ul style="list-style-type: none"> a. Improved procurement planning to reduce the need for direct procurement and direct award of additional work; and b. Improved reporting of direct procurement activities and significant increases to existing contracts through direct award of additional work. 	<p>Build Toronto has improved its internal policies to reduce the requirement for Direct procurement and additional work, through proper planning and through the more detailed definitions and wider scopes in the RFPs, but understands that there is still room for improvement, and is reviewing its current Procurement Policy. Nonetheless, direct procurement is allowable under the current policy, and provides flexibility at times required for our hybrid nature. "Additional Work" is now reported to the FARM Committee.</p> <p>This recommendation will be carried forward to CreateTO for consideration.</p>

REPORT FOR INFORMATION

Review reports of fraud, Code of Conduct non-compliance or other forms of non-compliance

Date: April 6, 2018

To: Build Toronto Inc. (BTI) Board of Directors

From: Jaspreet Hansra-Kulasingam, CFO

Wards: All

BACKGROUND

Build Toronto requires all employees to sign annually a prescribed Code of Conduct, and to report all non-compliance, fraud to the Committee. All employees have signed their 2017 Code of Conduct Forms and they have been reviewed without any non-compliance. As well, the management has no other reports of non-compliance or fraud that they are aware of to report.