

A STRATEGIC APPROACH to Municipal Real Estate



Carefully balancing a City's social, cultural, environmental and financial objectives

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Maximizing the value of a city's real estate assets can be a challenge for any municipality. However, through strategic real estate initiatives, the City of Ottawa has emerged as a leader in this area, demonstrating success in improving the value of its publicly owned real estate.

As the fourth largest city in Canada, the City of Ottawa has a strong economy, a unique cultural mix and a high quality of life. Serving as the corporate entity of municipal government in Ottawa, the City is responsible for providing services to the public. To ensure that programs and services address the changing needs of our neighborhoods and residents, REPDO follows a strategic plan that outlines the important city-building priorities, including infrastructure, transit and other economic development initiatives.

Long-Term Planning

The City's 2015-2018 Strategic Plan and Term of Council Priorities was created as a roadmap for delivering solutions that meet the needs of urban, suburban and rural communities across Ottawa, while investing in key areas like light rail transit, road safety and community redevelopment.

Overseeing the strategies for all City-owned real estate is the Real Estate Partnerships and Development Office (REPDO), a department within the municipal government that acts as a one-stop shop for all real estate matters. The mandate of REPDO is to provide

innovative property solutions and real estate leadership to the City. By using best practices and strategic approaches, REPDO has created significant financial and non-financial value.

Property acquisition, disposition and leasing are core business activities. Using a policy approved by the City Council, REPDO acquires property for infrastructure projects based on relevant legislation and municipal best practices to ensure a consistent and equitable framework. As a guiding principal, the acquisition team encourages early and consistent public consultation to inform property owners of pending projects and potential property impacts.

As with other cities around the world, REPDO works hard to negotiate agreements with the property owners. However, initiating expropriation

proceedings under Ontario's Expropriations Act may be required when acquisition by other means is not possible. Recognizing the importance of consistency, we created municipal expropriation guidelines to help implement our processes, policies and procedures. These guidelines play a vital role in informing key stakeholders about the realistic timelines required to clear the right of way for project implementation, while ensuring the acquisition program is consistent, transparent and equitable.

Revenue Opportunities

From 2010 to 2015, the sale of real property assets deemed surplus to the City's needs generated \$23.5 million. While selling City-owned property is based on approved policies and procedures, REPDO staff continuously look for opportunities such as strategic land exchanges that enhance programs and create value for the City.

Leasing property has proven to be a lucrative decision since the unoccupied City properties generate \$5 million annually. REPDO is also responsible for the negotiation and management of acquisition leases for the delivery of City-

mandated programs. A lease versus purchase analysis to determine the viability and long-time impact of leasing is completed in certain situations. This involves evaluating the net present value of the ownership expense and other variables versus the net present value of the leasing expense to determine which option is preferable. A sensitivity analysis is then performed to identify best and worst case and results in a risk threshold for decision-making.

Since REPDO is also responsible for managing roughly 4,000 parcels of land, it works to protect the City's interests and ensure that assessments accurately reflect the most current property ownership. This is needed so that the City is appropriately levied or exempted from municipal taxation on its properties, when warranted.

Optimal Value for Taxpayers

For planning and developing key strategic land holdings, the City established the Ottawa Community Lands Development Corporation in 2009. As a municipal services corporation, the City serves as the sole shareholder. And since it is a legally separate entity, the

Corporation can enter into subdivision and development agreements with the City and with third parties when selling development lands that achieve specific project objectives. It has been highly effective in promoting, building and generating revenue, as well as fulfilling community needs.

As approved by the City Council, the mandate of the Corporation is to ensure the orderly disposition of selected surplus real properties with optimal value to the City's taxpayers. In carrying out this mandate, both financial and non-financial community value are considered. The City Council establishes specific objectives for each project, taking into account the social, environmental, cultural and financial implications.

Over the past five years, \$37 million in sales revenue has been generated. The Corporation is also in the final stage of developing a 126-acre parcel of City-owned vacant land for a concept that includes affordable housing. The subdivision features a mixed-density residential community that integrates pedestrian and cycle pathways, access to rapid transit, public parks and the preservation of environmental features.

Innovative Project Strategies

The City has also been effective in generating revenue through major development projects. For the Lansdowne Redevelopment, a landmark restoration and urban transformation project, REPDO orchestrated the sale and lease of residential and office air rights within the timelines and constraints imposed. By achieving the best value for the residential air rights, REPDO generated \$11.35 million in revenue and successfully achieved the City Council's objectives.

The Exposition Hall Facility is another project that created significant value. An enhanced consumer and trade show space replaced three facilities at Lansdowne Park with a new 220,000 sq. ft. facility on leased land at the Ottawa International Airport. This project was fast-tracked, and the City contributed \$8.5 million towards the \$39.5 million



Construction began in 2015 on a new \$32 million Arts Court Redevelopment project to revitalize the downtown area. REPDO conceptualized this major initiative by leveraging vacant land and selling air rights to the private sector for a mixed used hotel and condominium tower. Once completed in 2017, the project will have successfully realized more than \$80 million in private sector investment.

capital cost, guaranteeing a 30-year loan of \$20.7 million. At the end of the loan term, the City will receive 50 percent of the appraised value of the facility while maintaining a reversionary interest at the end of the land lease term in 2057.

For the Integrated Transit Station (light rail) project, REPDO assessed the business and real estate climate along the Confederation Line alignment to maximize opportunities for partnerships, growth and savings in station location and design. Negotiations with property owners for integrated station entrance agreements resulted in more functional entrances on private property instead of within the street right of way. In doing so, the City was able to avoid the expense of land encroachments and expropriations. With some of the more complex integrations, REPDO negotiated with property owners to obtain financial contributions and in-kind services toward station construction.

For another project, REPDO closed a portion of the King Edward Avenue road allowance and then negotiated a land exchange agreement with the United Arab Emirates to assemble a development parcel. The vacant site was subject to numerous encumbrances and environmentally impacted road material. REPDO completed a soil management plan, and working with various levels of government, remediated the site and reused the material for parts of the Hunt Club Road extension, thereby lowering construction costs and avoiding placing the material in a landfill. Following complex negotiations with the State of Qatar, Federal Departments and the Federal Government, REPDO sold the property for \$5 million.

In 2009, Manotick Mill Quarter Development Corporation was incorporated to formalize and maintain Dickinson Square to reflect the heritage character of the Mill Quarter and provide enhanced opportunities for cultural events. The City Council approved a \$2.45 million acquisition budget so that staff could reposition

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certain properties and register easements and covenants to protect the nature of the area.

Core Business Support

In addition to overseeing major City projects, REPDO offers property valuation to support core business activities and provides appraisal advice to other departments. In the last three years, the valuation unit performed approximately 1,100 appraisals and commissioned 200 external appraisals. By working proactively with individual departments to establish portfolio plans, the City can plan ahead for changes in real estate needs.

REPDO also oversees environmental site and risk assessment for City projects, land acquisitions and disposals and remediation of City-owned lands, when required. Overseeing the management of closed City-owned landfills and other contaminated properties is also needed to ensure public safety. In-house environmental remediation experts play an instrumental role in providing recommendations on acquisitions, land disposals, leases and park redevelopments, as well as assist in the development approval processes required when land is close to former landfills.

To create efficiencies while reducing construction and landfilling costs, the City implements soil management practices. These include screening for site-specific historical land uses and extensive research to determine whether the presence of contamination may impact a project. This is an efficient process since REPDO maintains the property inventory and environmental reports on City-

owned properties. As part of this effort, REPDO also maintains the environmental database for these properties.

Sharing Best Practices

REPDO has implemented best practices to ensure resources are effectively aligned, while staying focused on improving effectiveness, accountability and efficiency. Service excellence is a key commitment, and this means creating a positive client experience with every transaction. It incorporates three inter-related elements: employee engagement, operational excellence and client satisfaction.

Employee engagement measures the extent to which employees are satisfied with their jobs and are committed to their work and their organization. To encourage this, REPDO conducts high-impact team events, employee recognition programs and encourages feedback through frequent communications. Proactive initiatives such as career coaching and encouraging a work-life balance go a long way in enhancing employee satisfaction. In a 2015 survey, REPDO staff reported an engagement score of 4 out of 5, which is excellent. This score has validated the importance of implementing these strategies.

Succession planning and performance development have also been effective in boosting employee engagement. To prepare for future challenges, REPDO examined core capabilities and the ability to respond to future needs in a timely manner. Using this information, REPDO developed a succession plan designed to help support continuity within the organization. This included identifying

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personnel to fill key positions and giving other employees an opportunity to prepare for future leadership roles. By conducting ongoing performance reviews, managers and their staff work together to establish goals that can be measured at regular intervals. Encouraging this kind of regular feedback has led to longer and more meaningful careers for staff.

Operational Excellence

The continuous improvement of operational processes is an ongoing priority. In striving for operational excellence, having delegating authority for real estate transactions up to \$2 million has been highly effective in increasing efficiencies. The staff can accelerate situations involving critical deadlines and avoid delays associated with implementing approvals. For example, to ensure that the property required for the Ottawa Light Rail Transit project was acquired in time to meet the accelerated project schedule, City Council streamlined the acquisition process by giving staff an unlimited delegated authority limit. This added unparalleled productivity in completing the \$147 million real property acquisition program.

To make data more accessible for staff in a virtual work environment, REPDO has started leveraging the use of Unmanned Aerial Vehicle (UAV) video and photography technology. Now available at a fraction of previous costs, REPDO is exploring how the technology can effectively gather, analyze and report visual information related to

important property decisions. Initial observations confirm that their use has the potential of adding significant value to the City's processes.

Client Satisfaction

Accountability is a critical component in achieving client satisfaction, and the City of Ottawa is committed to conducting City business in an open and transparent manner. By developing service standards based on client expectations and provider capabilities, REPDO is able to communicate what our clients can expect, while setting guidelines for employees about the level of performance they should strive to achieve.

REPDO has also implemented a client outreach strategy to raise awareness of its services capabilities. Regular meetings are held to engage clients, share information and request feedback to ensure processes meet the goals established. These initiatives have resulted in a client satisfaction, with 88 percent of clients indicating that REPDO is a very valuable partner.

The City recognizes the importance of building collaborative relationships and sharing real property knowledge and best practices. In an effort to better understand common challenges and opportunities, REPDO plays an active role in representing the City with organizations such as the International Right of Way Association, Ontario Association of Municipal Real Estate Administrators, the National Executive Forum

on Public Property, the Appraisal Institute of Canada and the Ontario Expropriation Association.

Summary

All City departments require some form of real estate to deliver their services. Through a centralized and coordinated effort, REPDO is well positioned to collaborate with other departments and stakeholders. Its goal is to maintain and enhance strategic partnerships with clients and provide a comprehensive range of real estate services and expertise. REPDO takes great pride in providing consistent, quality services that are timely, coordinated and delivered in a way that meets their needs. Continuous improvement is achieved through the use of performance measures and a balanced scorecard to manage and report our progress.

By taking a strategic approach to the use of all assets, the City of Ottawa has been able to successfully maximize the value of its publicly-owned real estate, while carefully balancing the social, cultural, environmental and financial objectives for these holdings. 🌟



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