Agenda – Executive Policy Committee – May 18, 2022

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – April 5, 2022

Item No. 3 Interim Update - Strategic Facilities Master Plan

STANDING COMMITTEE RECOMMENDATION:

On April 28, 2022, Council referred the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and Executive Policy Committee back to the Executive Policy Committee, namely:

1. That this report be received as information.

2. That the Public Service report back with a final recommendation for the Strategic Facilities Master Plan, which would include the optimization of City-owned and/or third party leased assets.

3. That a working group be established, to be comprised of members of the Standing Policy Committee on Property and Development, Heritage and Downtown Development, to work with the Public Service on the final strategy for the Strategic Facilities Master Plan.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – April 5, 2022

DECISION MAKING HISTORY:

COUNCIL DECISION:

On April 28, 2022, Council referred the item back to the Executive Policy Committee.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 20, 2022, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On April 5, 2022, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service, with the following amendment:

- Add the following new Recommendation 3 and renumber the remaining recommendation accordingly:

    "3. That a working group be established, to be comprised of members of the Standing Policy Committee on Property and Development, Heritage and Downtown Development, to work with the Public Service on the final strategy for the Strategic Facilities Master Plan."

and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Interim Update - Strategic Facilities Master Plan

Critical Path: Standing Policy Committee on Property and Development, Heritage and Downtown Development – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Kelly	G. Patton	N/A	M. Jack

EXECUTIVE SUMMARY

The Strategic Facilities Master Plan (SFMP) will provide recommendations to Council for consideration and implementation of various strategies, plans and policies based on a comprehensive review of the asset portfolio components included in the history of this report.

To support the recommendations, Ernst & Young LLP conducted a jurisdictional scan which included six other Canadian municipalities and a provincial agency. These jurisdictional peers are intended to provide benchmarks of what is reasonable for management of public sector real estate. Key indicators evaluated included annual capital investment in the portfolio, approach to third-party tenants in government-owned real estate and approach to direct sales and below market disposition of real estate. Leading practice indicators are included in Attachment A comparing the City of Winnipeg Municipal Properties against a sample of comparative Canadian jurisdictions.

Probe Research Inc. is currently conducting individual interviews with key stakeholders comprised of tenants in the City-owned/ 3rd party occupied facilities, including non-profit tenants and City-owned/prospective third-party tenants. Input collected by lease holders will help shape the SFMP and guide how City-owned buildings are managed and maintained in the long-term.

Ernst & Young LLP and the internal project team are in the process of completing the recommendations, criteria, key performance indicators, and implementation timeline to operationalize the strategy for Council review and approval.

In advance of the completed SFMP, the Public Service has identified the rationalization of select City owned and/or leased building assets. A number of properties, identified in this report, have been either approved for sale, recommended as surplus, or intended for redevelopment. Properties whose status is recommended, will be included as separate reports for Council's consideration. As the Public Service works to finalize the SFMP, any additional opportunities for the rationalization of assets will be identified.

RECOMMENDATIONS

1. That this report be received as information.

2. That the Public Service report back with a final recommendation for the Strategic Facilities Master Plan, which would include the optimization of City-owned and/or third party leased assets.

3. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

On November 25, 2021, Council directed the Winnipeg Public Service to report back within 150 days with an interim report including current options for the rationalization of City owned and/or Leased Building Assets.

IMPLICATIONS OF THE RECOMMENDATIONS

Upon completion of the interim update to Council, the Public Service will finalize the Strategic Facilities Master Plan final report and prepare recommendations for Council consideration.

HISTORY/DISCUSSION

The condition of the City's Municipal Properties portfolio of buildings was identified as having an overall grade of 'D', characterized as 'Very Poor' in the City's 2018 Asset Management Plan. From the Asset Management Plan, 78% of the overall Municipal Properties assets were assessed in poor or very poor condition. Acknowledging the important municipal and community programs the portfolio supports, the Strategic Facilities Master Plan (SFMP) will provide strategic recommendations to help support future planning and financial decisions with additional guidance on how to approach facility planning, decision-making and prioritizing asset rationalization considering a sizeable and ageing portfolio. In addition to the support of non-profit tenants that offer a variety of services, amenities and community resources to Winnipeg residents, the City is also required to maintain and update City-owned facilities in order to ensure continued safe-use of these buildings.

The SFMP framework is comprised of the following groups:

I. Municipal Office Buildings City owned/City occupied. This includes the sub-group of Surplus City owned buildings under the jurisdiction of Assets and Project Management or another department being considered for disposition or reuse by the City of Winnipeg
    a. Example 1: 185 King Street – the Mandarin Building
    b. Example 2 (surplus): 1350 Pembina Hwy - Fort Garry Police Station (vacant)

II. Municipal Properties City owned/ 3rd party occupied
    a. Example 1: 5006 Roblin Boulevard - Charleswood Seniors Centre Inc.
    b. Example 2: 1885 Chancellor Drive - Waverley Heights Child Care

c. Example 3: 56 Maple Street - Firefighters Historical Society Inc.
d. Example 4: 430 Landside Street - Spence Neighbourhood Association Inc.

III. Non-building assets- specifically overhead walkways and surface parking lots attached to any properties in I and II above
   a. Example 1: King Street Pedestrian Overpass (Connecting 185 King Street and 180 King Street)

In consideration for preparing holistic recommendations for the SFMP, one additional category was included as follows:

IV. Third party owned/city occupied buildings including surface parking lots if attached to the property
   a. Example 1: 65 Garry Street – Administration Offices

Please note that the following non-building assets have not been included in the above I – IV (four) categories of the SFMP review: SOA assets, land, fleet vehicles, and entrance gates as they are under the jurisdiction of another department and/or not considered a real property asset. Appendix B contains a listing of properties within scope of the SFMP.

The SFMP is timely given the impact of COVID-19 on the utilization of office space and potential future flexible work strategies. This provides a unique opportunity to review the portfolio in the context of evolving demands for real estate. Recommendations in the SFMP are also focused on assets including the Tower at 266 Graham Avenue, which presents an opportunity to utilize the currently vacant space.

In 2019, a business case was prepared for the implementation of the SFMP. The last formal strategic facilities plan for the Civic Buildings Department was completed by Arthur Andersen & Co in 1995. Several internal reviews have been conducted since then. The examples of on-going work include the following: 2010 Facilities Master Planning: Campus Strategy by Smith Carter; 2015 Evaluation of Strategic Alternatives for the Public Safety Building and Civic Centre Car Park by Deloitte, etc. The goal of the SFMP was to undertake a holistic approach to asset management to be more financially affordable, environmentally sound and able to deliver the best value for residents into the future.
On March 20, 2020, Council adopted the 2020 Capital Budget and Five- Year Capital Forecast allowing $450,000 approval for the SFMP project. An additional $250,000 was approved on December 16, 2020 when the 2021 Capital Budget and Five-Year Capital Forecast was adopted.

In July 2020, the Public Service formed a cross departmental internal working group supported by Colliers Project Leaders to oversee and assemble RFP No. 826-2020 Professional Consulting Services for the Strategic Facilities Master Plan.

On Feb 18, 2021 Ernst & Young LLP’s Transaction Real Estate practice was awarded the contract for RFP No. 826-2020 Professional Consulting Services for Strategic Facilities Master Plan as the successful bidder. The activities within the scope of work included the following:

a. Conduct a Current State Assessment to review available studies and data sources to evaluate the current portfolio of assets, understand City goals and objectives and identify any gaps or areas of potential risk;

b. Assess leading practices and information from other comparable Canadian jurisdictions to practices, policies, and processes that may support the City with on-going facility decision-making, strategic asset management and future master facility master plan;
c. Develop an approach to level of service delivery analysis for facility's current and targeted physical condition based on asset categorization;
d. Conduct site inspections of select locations including municipal office buildings (City owned/City occupied) and municipal properties (City owned/ 3rd party occupied)
e. Ernst & Young LLP is currently finalizing recommendations which will include key performance indicators for Council consideration.

In June 2021, in conjunction with the review being conducted by Ernst & Young LLP, the Office of Public Engagement began working with the internal working group to better understand the experiences of non-profits who lease space in City-owned facilities, as well as their views on potential options for the future. The engagement and research activities included the following:

a. Probe Research Inc. surveyed City of Winnipeg citizens to understand what they know about the City's leasing practices to non-profits and to gather their input on potential options. The survey was in field Sept.7-20, 2021 and surveyed a representative sample of 600 Winnipeggers. Familiarity with the City's leasing practices was somewhat low – only one-third of Winnipeggers felt they were familiar with the City's practices. A majority (59%) responded that the City should continue to lease facilities to non-profits for below-market rates and should continue to cover maintenance costs (68%). However, there was reasonably strong support for a series of potential options, including giving non-profits first right of refusal to buy a city-owned building and selling some properties to better fund maintenance and repair works on others.
b. The Office of Public Engagement conducted an anonymous online survey with group II as noted above - Municipal Properties (City owned/3rd party occupied) tenants. The survey concluded Jan. 28, 2022 with 46 responses of 77 invitations to participate (60% response rate). The survey revealed that, for 87%, low-cost rent was a critical element of their service and program delivery. However, for one-half of tenants, building condition and vandalism were top concerns. The survey also suggests there is some openness to rationalization options, particularly sharing space with a complimentary organization.
c. In conjunction with the Municipal Properties (City owned/3rd party occupied) anonymous online survey, RFP 711-2021, Professional Consulting Services for Non-Profit Tenancy Stakeholder Engagement was awarded to Probe Research Inc. on Jan. 11, 2022. The purpose of the RFP is to gather in-depth information with current City-owned/third-party lease holders and City-owned/prospective third-party lease holders. The interviews are currently in progress and are scheduled for completion by the end of April 2022.

The results of the three phases of engagement will be amalgamated to provide both qualitative and quantitative findings and will inform the complete recommendations for the optimization of City owned and/or Leased Building Assets (SFMP) in a final report.

In advance of the completed SFMP, the Public Service has begun to recommend rationalization of select City properties within scope of the Council direction from March 20, 2020 "Executive Policy Committee - Preliminary 2020-2023 Multi-Year Operating and Capital Budget – Final Recommendation":

1. H. That Council direct the Public Service to report back within 180 days with a plan to rationalize City owned and/or leased building assets including:

i. Administrative buildings that the Public Service considers to be surplus to the needs of the City, with any sale proceeds from these buildings deposited into the Land Operating Reserve;
ii. Buildings leased to third parties that the Public Service considers to be surplus to the needs of the City (including a relocation plan for any non-profit tenants), with a portion of any sale proceeds deposited into the Transformative Fund.

City properties currently available for sale:

a. 111 Victoria Avenue (former Transcona Library)

City properties approved for sale:

a. 180 Market Avenue (Pantages Theatre)
b. 219 Provencher Boulevard (former St. Boniface City Hall)
c. 212 Dumoulin Street (former St. Boniface Fire Hall)

City properties intended to be recommended surplus to the City's needs:

a. 575 Larsen Avenue (former East End Culture and Leisure Centre)
b. 1350 Pembina Highway (former Police Station District No. 6)
c. 1121 Wabasha Street (Roland Michener Arena)

City properties declared surplus to the City's needs:

a. 604 St. Mary's Road (former St. Vital City Hall)

City properties intended to be redeveloped

a. 100 Sinclair Street (Winnipeg Aboriginal Sport and Recreation Association)
b. 955 Cottonwood Road (former Windsor Park Library)
c. 1430 Gibbs Street

The Public Service continues to receive inquiries from third-party tenants regarding the extension of their leases. In most cases existing leases have remained status quo with the ongoing work of the SFMP, but certain tenants require a lease extension to fulfill capital obligations (i.e. financing capital expenditures is not possible on a short-term lease). Where a lease extension is necessary to continue tenant programming, the Public Service will explore opportunities to consider modest rental increases or sale options. Leases or sales at less than 80% of appraised value will require approval from the Standing Policy Committee on Property and Development, Heritage and Downtown Development.

FINANCIAL IMPACT

Financial Impact Statement Date: February 28, 2022

Project Name:

Interim Update - Strategic Facilities Master Plan

COMMENTS:

There are no financial implications associated with this report.

Mike McGinn Feb 28 2022

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

Planning, Property and Development Department

OURWINNIPEG POLICY ALIGNMENT

A City That Works, Section 01 – 1a: Develop and apply direction strategies
Implementation, Section 04 – 1: Monitoring, measuring and continuous improvement

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Strategic Opportunity #1, Corporate Leadership. Direction 1.2: Understand and Integrate Business and Economic Implications of Climate Action into Decision-making Processes

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

The information and recommendations presented in this report align with and advance the Winnipeg Poverty Reduction Strategy (2021 – 2031) as follows:

They embody the Guiding Principles.
They align with the following Goals and Objectives: Goal 6 - All City Services are Equitable, Inclusive and Accessible

Related 10-year Objectives:
A. Residents have equitable access to City services.
C. Use of City's tools and resources are maximized to reduce systemic inequities

SUBMITTED BY

Department: Assets and Project Management
Division: Asset Management Office
Prepared by: Brenda Kelly
Date: March 2, 2022
File No: MA2022-016

Attachments: Attachment A – Ernst & Young LLP. Draft Recommendations
Attachment B – SFMP Asset Inventory List