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A subsidiary corporation of the TDSB

**Board Meeting**

September 27, 2016

A regular meeting was convened at 6:00 pm, September, 2016, at the offices of Aird and Berlis, 181 Bay St., Toronto, Ontario, with David Crombie, Chair of the Board, presiding.

The following Directors were present: A. Brown, J. Chadwick, M. Fenn, B. Patterson, and S. Zakem

The following members participated via conference call: S. Sheikh and G. Gershon

Regrets Expressed by: P. Kandavel and H. Brathwaite

In attendance from TDSB: A. Bacopoulos, Associate Director, Facilities, Sustainability and Employee Services

1. **Call to Order**

The meeting was called to order by David Crombie, Chair of the Board.

1. **Approval of the Agenda**

M. Fenn, seconded by S. Sheikh, moved:

**That the agenda be approved as distributed**

**The motion was carried.**

1. **Declarations of Possible Conflict of Interest**

The Chair noted no conflicts of interest were declared.

1. **Approval of the Minutes**
* **July 18, 2016**
1. **Brown seconded by B. Patterson moved:**

**That the Minutes of July 18, 2016 be approved.**

**The motion was carried**

1. **Report No. 10 the Nominating and Governance Committee, September 13, 2016**

The Nominating and Governance committee convened to discuss the renewal of terms for three Citizen Directors on the TLC Board and the requirements to select one additional Director due to a concluding term in November 2016. Further discussion will be outlined in the in-camera portion of the meeting.

1. **Chadwick seconded by B. Patterson moved:**

**That Report No. 13 from the Nominating and Governance Committee (public session) be approved.**

**The motion was carried.**

1. **CEO Report, September 2016**

The CEO report to Board provided an update on the disposition of TDSB surplus sites that were referred to TLC for circulation and sale under Ontario Regulation 444/98. The properties currently are: a laneway at Galloway; recently closed schools at Sir Robert L. Borden and Nelson A. Boylen CI; and Thistletown, a closed school leased to the City for numerous years’ operating as a community centre.

The Galloway laneway property is under circulation to be completed November 2, 2106. All other sites have been circulated in accordance with On. Regulation 444/98 as of September 9, 2016. The initial expiry date for public agencies to express an interest is December 8, 2016. If a public agency meets the December 8th deadline, it has until March 8, 2017 to further submit an offer to purchase at market value.

1. **Patterson seconded by S. Sheikh moved:**

**That the report be received.**

**The motion was carried**.

1. **Ontario Regulation 444/98**

The Provincial Community Hub report was released in August, 2015, and, in part, spoke to the disposition of school board property with recommendations that the province implement a short-term strategy for school property that would allow multiple public agencies and the province additional consideration and time prior to the disposition of a site on the open market. As a result, effective September 1, 2016, the Regulation was amended.

Key components in the amended Regulation include:

1. The Province recognized that public agencies required more time to respond to available surplus properties in order to go through their approval processes. The 90 days circulation process was replaced with a 180 circulation period.
2. Expansion of the public agency list. The regulation now requires circulating to 64 public agencies rather than 15 under the old regulation.
3. In leasing to other school boards, the Province has stipulated that school boards cannot profit from leasing to other school boards and as a result has capped the rate charged to $7.97/sqft.
4. School boards in the past had the benefit of purchasing other surplus school board properties on a pre-calculated value based upon the number of students allocated to a school. The purchase price did not take into consideration the fair market value of a property, based upon highest and best use of the site. The Regulation now requires all transactions to be at fair market value.

With respect to regulation of Rent under the amended Regulation, the newly introduced rent figure for Board to Board leases is the MOE reported operating funding benchmark, currently $7.97 per square foot.

A question was raised relating to how the leasing component of the regulation affects the leasing of child care space by the TDSB. Currently, the TDSB has responsibility for leasing to City child care centres. In the TLC portfolio, if surplus space is leased to a private child care, it would continue to be at market value.

The MOE released a companion Memorandum giving additional guidance on its expectations and intent of the revised regulation. The Memorandum indicates that the principle behind the Board to Board rental changes is to ensure that boards charge a lease rate which is to only recover costs that are directly associated with leasing the space to other school boards. The rate is specified in the Regulation, with no dollar adjustment. Since the amount is embedded in the Regulation, the Regulation would have to change in order to change the rate. Under the new Regulation, market rent can only be charged to private operators.

Discussion ensued with respect to how the amended Regulation impacts sites which are currently leased by the TDSB to either other Boards or private entities. On existing agreements, there was discussion around timing and the only property affected would be Sir Sanford Fleming as the lease with the TCDSB expired prior to September 1, 2016. With private leases, staff indicated that their preliminary position is to implement the amended Regulation at the time when a vacancy occurs requiring re-circulation.

**S. Zakem seconded by M. Fenn moved**

**That the report be received.**

**The motion was carried.**

1. **Discussion re. Research Study on Recycling Ontario’s Assets**

The CEO led a discussion pertaining to the Recycling of Ontario’s Assets as a result of an article in the Toronto Star speaking to the amount of funds needed to fix TDSB schools.

Discussions around the aging TDSB facilities, the facility condition reviews that deemed sites cost prohibitive to repair, the TDSB allocation of funds from the Province for the fiscal 2017 at $44M for renewal and $112M for school conditions improvements and the continued annual escalating deferred maintenance at an average of approximately $500M.

A. Bacouplous was requested to provide relevant data on the backlog of repairs of TDSB schools to the Board.

It was noted that every public school is planned to undergo a facility condition audit every 5 years by a consultant hired by the Province. For the TDSB it is projected by 2020 there will be a backlog of $5 billion. Due to the continual increase in the backlog, the media is reporting on the situation more frequently.

M. Fenn who lead a research study for the *Residential and Civil Construction Alliance of Ontario (RCCAO)* on asset recycling indicated there is a need now more than ever to preserve key public assets and extract/monetize value from other surplus assets through the concept of recycling. By leveraging existing public assets, government at all level can unlock the wealth of legacy assets. Recycled public assets can pay for urgently needed new or deteriorating key public assets within its portfolio. The private sector can be harnessed to build and deliver new public assets or to provide services traditionally provided by public agencies. This methodology would produce opportunity for the school board to address any aging infrastructure and capital asset builds in a new way.

D. Sage noted this idea ties into the Altus Report, a study commissioned by TLC on the properties sold to date.

**At this time, in order to discuss the Altus Report, on a motion by S. Sheikh seconded by B. Patterson it was moved that:**

**The Altus Report be removed from the in-camera Agenda and added the public Agenda in order to discuss its impact on asset recycling.**

**The motion was carried.**

With respect to the Altus report, D. Sage noted TLC commissioned an economic analysis report on the benefits brought forward and realized from the sale of TLC assets to date. D. Sage noted the Altus Report, prepared by Peter Norman, Economist at Altus, utilizes modelling and forecasting techniques to establish benefits of a TDSB land sale to the broader community and the overall economy in the City.

B. Patterson was concerned that if we are losing public assets in a growing City, how do we replace it? There is no doubt that assets need to be retained but if the asset has a cost prohibitive repair requirement, how do you build a new facility and where do you get the funding? B. Patterson stated that we need to consider the partnerships that can be formed in the public and private sector and realize that there are opportunities we can create to satisfy our needs.

A. Brown indicated we are looking at billions of dollars in economic benefit but how does it benefit the school board, how is it brought back to the school for their use? Is there an opportunity to use proceeds of disposition to build new schools? He further stated that to date we don’t know where the revenues generated from the sale of sites have been allocated directly. TDSB is required under Regulation to currently use proceeds from disposition only to repair and maintain existing schools. Proceeds of disposition if the TDSB would like to utilize for the construction of a new school requires permission from the Ministry of Education.

J. Chadwick noted communities do not understand or know that a new school is a greater benefit to monetizing assets. There needs to be a cultural/knowledge change.

S. Sheikh indicated that TLC is TDSB’s economic entity; in order to meet the TLC mandate we have to meet social and political needs, as such, it may be a good idea to bring together people with specific expertise who can work with TLC in a proactive format and come up with some innovative ideas to recommend to the TDSB. Further, any findings or recommendations need to recognize both the planning and social aspects of the overall situation along with the political mandates of the Trustees.

M. Fenn suggested that in looking at this concept of public asset recycling, the point of departure is to recognize the assets in your portfolio and evaluate each one on its own merits. Government assets are usually not maintained to the same level as within the private sector. It is important to look at the value of those assets now and determine if a further value can be unlocked through a potential disposition. As interest rates remain low and market value in the City is high, now is the opportunity to monetize a portion of the portfolio. Sale or long term leases on assets that are not being well patronized are good options. M. Fenn further observed that the impact of the local community is crucial, success depends on creating conditions that favor government support and by matching those efforts with a clear approach to removing the barriers to private investment. In Australia for example, they have a broad strategy for partnership with P3s whereby healthy schools are in receipt of continual reinvestment in order to secure an ongoing standard and assets that are aged and in a poor state of repair are sold and the funds are reinvested elsewhere.

**Action Items**

From the discussion, the Board agreed a paper is required on recycling of school board assets to identify opportunities that could be available to the TDSB. In addition, best practices and further examples in other jurisdictions should be reviewed when considering options for the TDSB. The report, once completed would be presented to the TDSB.

**The Chair seconded by S. Zakem moved that:**

**A Committee of the Whole to be assembled to write a paper on recycling school board assets and that the Committee be Chaired by Michael Fenn.**

**The motion was carried unanimously.**

1. **Resolution into Committee of the Whole, In-Camera**

J. Chadwick seconded by G. Gershon the meeting moved into the in-Camera session at 7:01 p.m.

1. **Committee of the Whole Rises and Reports and Convenes in Public**
2. **Adjournment**

At 8:09 p.m. G. Gershon seconded by S. Sheikh the meeting adjourned.