

## Public Item # 3

To:	Build Toronto Board of Directors
From:	Steven Trumper, Senior Vice President, Legal & Administration
Date:	April 21, 2015
Subject:	<b>Project Sale Policy and Process Presentation for Board Approval</b>

### **Recommendations**

It is recommended that the Board of Directors approve the revised Project Sale Policy and Process as presented to the REIDC.

### **Background**

Attached is the Project Sale Policy and Process which was presented to the REIDC on April 15, 2015.

## **BUILD TORONTO Project Sale Policy and Process**

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**Policy Sponsor:** CEO, Senior Management & Human Resources  
**Summary:** Outlines the steps needed to be completed prior to and during a marketing and sale process.

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### **1. BACKGROUND**

The purpose of this policy is to establish a process for the marketing and sale of BUILD TORONTO properties.

The Annual Budget will have projected certain project sales to occur with the upcoming Budget Year. This process outlines the steps needed to be completed prior to and during a marketing and sale process.

### **2. FRAMEWORK**

- Due diligence materials prepared and reviewed by development, finance and legal (due diligence checklist will be appended to the policy document) and decide on information to be included in sales data room including:
  - Title including 3rd party rights, easements and covenants
  - Environmental and geotechnical status of property
  - Servicing and transportation issues and requirements if any
  - Existing building issues (eg heritage designation, hazardous substances, building condition assessment, etc)
  - Planning status
- Identify highest and best use and obtain input from City Planning, local Councillor and other relevant City Departments on, use, built form, density, height (including strata limit if any) , massing, affordable housing, City uses or services to be included,
- Outside legal counsel retained (see procurement guidelines)
- Broker selection (according to procurement guidelines)

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- Obtain current 3rd party appraisal or appropriate expression of value and internal opinion of value
- Identify existing or proposed book value and expected profit and cash flow
- Development Manager reviews and updates Project Business Plan as required
- Senior management team agrees on the property sales strategy, target city building elements, and timeline to sale.

### 2.1 Obtain REID Committee Approval to Market

Prepare submission to REID Committee signed off by SVP, Development & Investments, CFO and President & CEO which includes:

- Current Project Business Plan
- Description of highest and best uses, built form, height, density and gross floor area by type of use (include description, table, plans, renderings etc)
- Current management expression of value, 3rd party appraisal, book value, and expected sale price, value creation, and cash proceeds.
- Sale strategy including
  - Identification of property for sale (eg 100% or a joint venture interest)
  - marketing process
  - targeted city building elements
  - expected sale price
- proposed timeline
  - identification of risk and risk mitigation measures
- Preferred broker and summary of selection process
- Conditions on buyers such as:
  - Ontario Municipal Board Clause
  - strata
  - affordable housing and other City Building elements
  - built form
- enforcement mechanism for items above (eg development agreement, restrictive covenant, etc).
- Proposed buyer evaluation scoring

### 3. PROCUREMENT

Sale process will be handled as per BUILD TORONTO Procurement Policy.

- Retain counsel
  - Record and file written rationale for selection of counsel
  - Counsel to review proposed Letter of Intent and proposed Purchase and Sale Agreement (PSA)
- Retain broker
  - Prepare and send out broker RFP
  - Score and select broker
  - Negotiate and finalize listing agreement with broker
  - Record and file written description of the RFP process rationale for selection of broker to demonstrate procurement policy adhered to

### 4. MARKETING

- Execute confidentiality agreement with broker
- Agree on standard confidentiality agreement for execution by prospective purchasers

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- Agree on prospective purchaser identification process and reporting
- Agree on marketing reporting requirements (specify frequency of verbal and written progress reports)
- Review and approve broker's marketing package or CIM which will include required City building elements, required clauses and enforcement provisions
- Field and review broker marketing reports
- Prepare preliminary draft of using the most current form of Property Sale Submission Memorandum (Attachment 1 hereto)
- Update REIDC Chair on occasional basis
- Field and negotiate Letters of Intent as per sales strategy and in accordance with submission guidelines
- Ensure target city building elements and enforcement are included
- Select shortlist as appropriate/ select and negotiate final Letter of Intent (include, where appropriate, proposed Purchase and Sale Agreement with sign back) subject to REIDC approval
- Advise REIDC chair
- Score, record and file written rationale for selection of winning bidder
- If a letter of intent is signed, submit draft Property Sale Submission to REIDC for approval. Management to recommend proposed purchaser, minimum pricing and terms, city building elements, timing and process; with approval to proceed to a binding Purchase and Sale Agreement subject to REIDC and Board of Directors approval.

### **5. PURCHASE AND SALE AGREEMENT**

Negotiate Purchase and Sale Agreement (PSA) subject to REIDC and Board of Directors approval.

#### **5.1 Obtain REID Committee Final Approval of Sale**

Upon negotiation of the PSA the Property Sale Submission would be finalized and with approval sought from the REID Committee and then to Board for final approval.

Management will co-ordinate with REID Committee Chair any post-closing publicity.

### **6. COMPLETION OF SALE**

#### **6.1 Due Diligence Period**

- Deliver due diligence material in accordance with executed LOI or PSA
- Obtain confirmation from purchaser that all due diligence material has been delivered and due diligence period has commenced
- Respond to purchasers enquiries or requests for further information
- Prepare and agree on any required form of Estoppel
- Monitor and enforce all due diligence deadlines and purchaser obligations
- Ensure purchaser complies with and waives all conditions

#### **6.2 Close Transaction**

- Ensure all estoppel certificates are distributed and completed
- Ensure all City building enforcement measures are in place
- Confirm that transaction has closed in full compliance with Board of Director approval

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- Obtain supporting documentation from broker regarding purchaser identification process
- Finalize documentation regarding buyer evaluation scoring, rationale for any shortlist and rationale for buyer selection
- Confirm for file that all procurement policies adhered to
- Document achievement of city building goals, profit on sale, and created value
- Communicate closing and compliance to REIDC and Board of Directors

### **HISTORY**

Original Effective Date: February 2015

Revised Effective Date: April 15, 2015

Next Review Date: April 2016

## BUILD TORONTO Project Sale Policy and Process

## ATTACHMENT 1

## Property Sale Submission Memorandum

<b>To:</b>	<b>[Real Estate Investment &amp; Development Committee or Board of Directors]</b>
<b>Cc:</b>	<b>EMT</b>
<b>From:</b>	
<b>Date:</b>	
<b>Re:</b>	<b>[Project Name] - Request for Approval of Sale</b>

### **A Recommendation**

It is recommended that the Real Estate and Investment Committee approve the \_\_\_\_\_ as outlined in this report

### **B Background**

#### *Brief Property Description and Due Diligence:*

- Location (attach aerial photo)
- Surrounding land uses
- Planning status
- Environmental/geotechnical condition
- Servicing and access issues
- Title status and city transfer conditions if any

#### *Current Buildings/Structures (if any):*

Floor Area (GFA and rentable area), number of storeys  
 Condition (eg envelope, roof, HVAC etc ) and deferred maintenance  
 Heritage status  
 Tenants including summary of lease terms and rents  
 Current net operating income

## BUILD TORONTO Project Sale Policy and Process

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### *Appraisal and Management Valuation:*

- Value of latest appraisal and basis on which appraisal was done
- Management's opinion of value and Broker's opinion of value (if available)
- Prepare revised internal valuation

### *Identify Best Use/Stakeholder Engagement:*

- Identify alternative concepts and uses considered and provide rationale for preferred development concept plan (attached concept plan) and specify proposed density, height and floor area and parking statistics by use
- Obtained consensus with City Planning, Affordable Housing, Heritage etc
- Reviewed with local Councillor
- Community engagement if any

### *Marketing process:*

- Process for appointing broker (eg RFP?)
- Information prepared and provided to market
- Number of organizations contacted and by what media (email, signage, newspapers, phone)
- Number of proposals received
- Criteria and process for judging proposals
- Shortlisted proponents
- Process for selecting final proponent
- Specify how the process ensured that it was open, fair to all and maximized value to the organization

## **C. The Proposal**

### *1. Proposed Transaction:*

- Description of the purchaser including capabilities, financial standing, history, amount developed in the past 5 to 10 years, experience and track record working in the City,
- Description of recommended development proposal (attach illustration/plan)
- Summary of LOI or Purchase and Sale agreement (attach more detailed summary if necessary)
  - Property being sold
  - Purchase price
  - Payable
    - First deposit
    - Second deposit
    - Payable on closing
    - VTB if any and terms
  - Due Diligence Period
  - Conditions of Sale
  - Closing Date
  - Representation, Indemnities and Warranties after closing
  - Restrictions placed by BT on development, if any (eg no OMB, BT approval rights over development, community uses, affordable housing etc) and method of enforcement
  - If joint venture summarize JV agreement

## BUILD TORONTO Project Sale Policy and Process

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### *City Building Features:*

- Engagement completed and to be done
- Liveable Neighbourhoods
  - Neighbourhood Regeneration
  - Public realm and quality design
  - Pedestrian connectivity/multi-use paths
  - Parks and open spaces
  - Active ground level spaces
  - Affordable housing
  - Heritage regeneration
- Sustainable Development
  - Brownfield regeneration
  - Adaptive reuse
  - Energy and resource efficiency (LEED, District/Renewable Energy)
  - Intensification at transit nodes
- Employment
  - Additional permanent employees and employees in targeted sectors
  - Construction employment
- Financial Benefits
  - City Development Charges and Application Fees
  - Annual Property Taxes (City and Provincial)
  - Income and HST taxes generated
  - Development Costs
  - Contribution to GDP

### *Risk Analysis*

- Closing Risk
- Reputational risk
- Development Risk if forward sale or jv development project including
  - Design
  - Government Approvals
  - Construction
  - Leasing or sales
  - Financing

### *Financial Value Analysis*

- Adjust purchase price as required to account for extraordinary expenses to be incurred by purchaser (eg environmental, servicing and other off site works and use present value when payments spread over time)
- If land sale provide the following:
  - Compare adjusted purchase price to appraised land value
  - Compare adjusted purchase price per sq. ft buildable to market value per sq. ft. buildable
- If income property sale whether existing or to be developed:
  - Calculate value on completion using market cap rate from appraisal and/or present value of 10 year cash flow and document key assumptions (attach cash flow projection)
  - Prepare proforma development budget (if any) and document key assumptions and key financial return parameters (attach proforma budget)
  - Residual value is the difference between value on completion and development cost



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- If sale of joint venture interest in development property to be sold on completion
  - Prepare proforma development budget including land at purchase price and sale of finished product and schedule and calculate levered and unlevered IRR and present value (based on market discount rate)
  - Present value should be equal to the risk premium for undertaking the development
- Identify transfer value from City, current book value, expected cost of sales and profit and cash flow benefits of sale
- Calculate created value in addition to land value

**D Summary and Management Rationale for Recommendations**

Confirm and summarize integrity of sale process including sale price vs market value and list City Building and financial benefits of sale and confirm recommendation

**ATTACHMENTS**

1. Aerial Photo
2. Concept plans for lands to be sold
3. Purchaser's Development Concept
4. If selling a property to be developed primarily as a commercial/retail income property provide Proforma Development Budget with lease rates and 10 Year Cash Flow complete with financial returns. (Residential properties will be valued on price per building sq. ft. or acre and valuations will be included in text above.)

# Project Sale Policy and Process

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Public Item #3

Board of Directors Meeting

April 27, 2015

**BUILD  
TORONTO**

GROWTH  
VALUE  
RESULTS



# Project Sale Policy and Process



- Before marketing site, obtain REIDC approval of process including asset management, financial and development objectives
- Update REID Chair during marketing process
- If Letter of Intent signed, submit draft Property Sale Submission Memo to REIDC for approval
- Once Purchase and Sale and other agreements executed submit Property Sale Submission Memo to REIDC and Board for approval
- Follow up during due diligence and closing and confirm to REIDC transaction closed per Board approval

## Public Item # 4

To:	Build Toronto Board of Directors
From:	David Fiume, Senior Vice President & Chief Financial Officer
Date:	April 21, 2015
Subject:	<b>2014 Annual Audited Financial Statements and Accompanying Materials and Request for Board Approval</b>

### **Recommendations**

It is recommended that the Board of Directors:

- 1) Approve the amended December 31, 2014 Audited Financial Statements;
- 2) Receive the Management Compliance Declaration for December 31, 2014 Financial Statements.

### **Background**

Management has attached the following documents for review and discussion:

Attachment 1 <del>(to be provided)</del> :	December 31, 2014 Audited Financial Statements
Confidential Attachment 2:	Auditor's Report by PricewaterhouseCoopers
Confidential Attachment 3:	2014 Annual Financial Variance and Commentary
Confidential Attachment 4:	Management Compliance Declaration for December 31, 2014 Financial Statements

## Public Item # 5

To:	Build Toronto Board of Directors
From:	David Fiume, Senior Vice President & Chief Financial Officer
Date:	April 21, 2015
Subject:	<b>2015 Dividend Presentation by Management and Request for Board Approval</b>

### **Recommendations**

It is recommended that the Board of Directors approve that Build Toronto Inc. declare and pay to its sole shareholder a dividend in the amount of \$15 Million Dollars; and that Management consider later in 2015 whether an additional dividend (in an amount to be determined) should be paid depending on the financial performance of the Company.

After due inquiry, I am of the view that there are no reasonable grounds for believing that:

- a) The corporation is or, after the payment of said dividend, would be unable to pay its liabilities as they become due; or
- b) The realizable value of the corporation's assets would thereby be less than the aggregate of,
  - i. its liabilities, and
  - ii. its stated capital of all classes

### **Background**

Attached is a presentation on the dividend recommendation.

Confidential Attachment 1: 2015 Dividend Discussion, April 7, 2015