

Contributing Departments

Planning, Prop. & Devl. 99%
Public Works 1%

2007 Budget:

\$11.3 M – Tax Supported Property Asset Mgmt
\$33.0 M – Civic Accommodations Fund
\$28.7 M – Building Services Fund
\$0.7 M – Glacial Sand & Gravel SOA

Property Asset Management

Includes:

- *Real Estate*
- *Civic Accommodations*
- *Facilities Maintenance*

Service Overview

DESCRIPTION

The Property Asset Management Service facilitates the acquisition, development, operation, maintenance, security and disposition of City-owned land and buildings. The service is composed of three sub-services:

Real Estate: oversees property sales, acquisitions, and appraisal;

Civic Accommodations: coordinates the City's building assets, including accommodations development, leasing of civic space, design and project management of new and existing civic buildings.

Building Services: develops, operates, maintains, protects and preserves the City's physical building infrastructure/assets to provide for current and future facility needs within available funding.

GOALS

1. Optimize the productive use of City properties through effective property sales, acquisition and appraisal practices.
2. Optimize infrastructure condition through a Physical Asset Management Program for City buildings.
3. Provide effective facilities management.
4. Develop and implement environmental stewardship policies and programs to guide the management and maintenance of all new and existing City facilities.

SERVICE LEVEL STATISTICS

Description	2004	2005	2006
Property Asset Management			
Property sales closed	60	134	156
Gross revenues from sales closed	\$4.8M	\$5.81M	\$6.28M
Property sales terminated	5	5	1
Gross revenues from terminated sales	\$ 4K	\$ 1K	\$2.0M
Property sales carried over to subsequent year	29	118	120
Gross revenues from property sales	\$6.7M	\$4.15 M	\$8M
Number of individual leases	±527	± 545	± 608

Description	2004	2005	2006
Gross revenues from leasing	±2M	± \$2.5 M	± \$2.5M
Number of properties in the Land Acquisition Program	±345	± 315	± 255
Capital Value of properties in Land Acquisition Program	\$29M	\$25 M	\$20M
Number of properties Appraised	±314	± 196	± 240
Capital value of appraised property	±35M	± \$67.5 M	± \$66.1M
Civic Accommodations			
Number of buildings	139	138	135
Total square footage	2,222,481	2,442,000	2,491,000
Estimated market value	\$3-4B	\$3-4B	\$3-4B
Facilities Maintenance			
Buildings receiving facilities maintenance services (owned and leased)	654	625	599
Building area receiving facilities maintenance services (owned and leased)	5.1 million sq ft	5.1 million sq ft	5.4 million sq ft.
Replacement value City owned buildings receiving facilities maintenance services	\$719 million	\$800 million	\$1.0 billion

Strategic Direction

LINK TO PLAN WINNIPEG

While all Plan Winnipeg policies guide the CAO's leadership, there is particular emphasis on the following:

- 1A-01 Promote Downtown Development
- 2B-01 Commit to Sustainability
- 2B-03 Commit to Responsive Government
- 2B-04 Provide sound Municipal Management
- 2B-05 Meet High Standards of Service Delivery
- 2C-04 Implement Industrial Land Planning Strategy
- 3B-09 Preserve Major Open Spaces
- 4B-01 Integrate Safety into Overall Planning and Urban Development
- 4B-02 Promote Safety in Buildings
- 5A-01 Promote Environmentally Responsible Decision-Making
- 5A-04 Encourage Energy Efficiency
- 5B-03 Develop and Implement Heritage Conservation Plans
- 5C-01 Maintain and Expand the System of Public Parks
- 5C-02 Promote the Use of Rivers and Riverbanks

- 5C-04 Protect Environmentally-Sensitive Lands
- 5D-04 Recognize Importance of Arts, Entertainment, and Culture

SYNOPSIS OF POLICY DIRECTION

This service is committed to the sound management of the City's infrastructure and assets by maintaining high standards and continuously improving its methods of service delivery. The Division strives to promote equitable access to facilities and services as well as safety in buildings and energy efficiency. Building Services provides a variety of services that touch citizens' lives on a daily basis and is dedicated to meeting or exceeding the public's expectations in operating, maintaining, and renewing existing infrastructure, being environmentally friendly and leaving a positive legacy for future generations.

This service area aligns with the City's commitment to ensuring a responsible government through the management of specific categories of city-owned real property assets, and the development and sale of surplus real property assets. In terms of its land acquisition

and appraisal services, the Real Estate service area provides direct support to other service areas and departments in achieving their objectives relative to Plan Winnipeg and Council approved programs. Services are provided in support of these initiatives to provide planned projects and renewed physical infrastructure such as housing, parks, roads, bridges, sewers, etc.

The goals and activities of this service area are consistent with City Council's long-range policies as expressed in Plan Winnipeg in that the service works to:

- Put Downtown first by promoting downtown development;
- Support an inclusive community through equitable access to municipal facilities and services;
- Support sound municipal management and high standards of service delivery in regard to facilities management;
- Invest strategically in infrastructure;
- Promote safety through the design of civic accommodations; and
- Encourage energy efficiency, heritage conservation and the adaptive reuse of Heritage Buildings.

The service delivery has to be consistent with all laws, regulations, and civic directives. The main requirements for construction and renovation projects are that they conform to the existing building and fire codes, and that the work is performed in accordance with the Workplace, Safety and Health regulations.

On December 11, 2002 Council approved a Universal Design Policy to improve access to those with disabilities, the Policy provided direction as to how Universal Design was to be implemented into the civic organization and provide guidelines for implementation. Since then guidelines for the built environment have been developed to assist in construction consistency.

On September 21, 2006 Council approved a Climate Change Action Plan which provided direction to how civic facilities are to be designed, built, and operated for improved energy efficiency.

KEY FACTORS INFLUENCING SERVICE DELIVERY

Land Operating Reserve

Reduced revenues resulting from subsidies financed by the Land Operating Reserve that offset non-market value transactions for not-for-profit organizations and for economic development initiatives are occurring. However, the assessed value of the non-profit transactions is credited towards the City's overall contribution

to the Affordable Housing Initiative. The value and marketability of the City's remaining land inventory has been reduced through historical land sales. Recent market trends have resulted in increased land values for marketable sites.

Contract Rents

The service area has undertaken an analysis and implemented an electronic database to ensure lease compliance, through the collection of rents and taxes. Also, existing contracts are monitored to verify that leases reflect current market levels.

Liabilities

Potential liability risks exist with respect to certain property assets that the service area will likely acquire through Tax Sale and/or the Vacant Derelict Building By-law. Many of these properties are in poor condition (includes property management inventory and vacant land management).

Asset Management Performance Audit Part 2- Facilities Maintenance Audit

The Public Works Department Asset Management Performance Audit made a number of recommendations relative to the delivery of facilities maintenance services. These can be categorized as organizational, asset management, work management, and financial management opportunities. Funding approved in the 2007 Capital Budget increased the rate at which the recommendations can be implemented.

External Costs

Utility rates are increasing. Water rate increases may be required to offset mandated environmental upgrades to water and effluent treatment processes. Natural gas rates continue to fluctuate, reflecting world tensions, the changing economy, weather conditions, natural disasters, government policies, and level of gas reserves/exploration. Electricity rates are expected to continue to rise over the coming years and may eventually reflect more closely rates in other parts of Canada.

The supply of materials, contractors and labour continue to be in short supply and rising rapidly in cost. The economic environment of the Winnipeg and western Canada is buoyant resulting in demand far exceeding the supply. As a result, inflationary pressures are expected to result in increases in the order of 25% per year over the next number of years.

Climate Change

Global environmental concerns are heightening public awareness of energy conservation issues and the impact of/on city services. Green House Gases (GHG) production, greener buildings and cleaning products, accessibility and generally a desire for a friendlier indoor environment are impacting facility maintenance procedures and costs. Opportunity exists to both reduce GHGs and utility consumption while replacing building systems which are at the end of their life cycle - addressing both the environment and infrastructure deficit.

Building Inventory

The net building inventory continues to change as City departments adjust space requirements and new buildings come on line to house City programs. The disposed of space is normally older and in need of repair. Still the majority of the building inventory, constructed over 30 years ago, requires substantial investment to continue to operate and function for the use intended.

Building Security

Personal and building safety/security concerns have increased since the events of September 11, 2001.

Regulations and Policies

Changes to regulations and policies such as building codes, universal design guidelines and environmental strategies affect service delivery. Learning and working within new regulations and guidelines may result in higher operating costs due to training needs and added building and construction costs.

Aging Building Infrastructure

Deferred maintenance has an impact on immediate operational needs (cleaning, utilities, etc). Building systems are aging and are becoming technologically obsolete and more difficult and costly to repair. Over time, the deferred maintenance backlog has grown. If capital investment is targeted, then reactive maintenance can be replaced with preventative maintenance - a more cost effective, less disruptive strategy.

Business Opportunities

Maximizing business opportunities in a public sector environment is challenging. While the civic accommodations is moving towards emulating a full service "profit- based" property management office, the nature of public service and the need to consider the overall public good results in very different service requirements than a private property management office. Service delivery requires due diligence with respect to the

tendering process, heritage buildings, and budget realities.

SUMMARY OF GOALS AND STRATEGIES

- 1. Optimize the productive use of the City lands through effective property sales, acquisition and appraisal practices.**
 - Implement and support initiatives such as CentreVenture, WHHI (the Affordable Housing Initiative), Vacant Building By-law, and other special initiatives.
 - Assemble land for Council approved programs/projects such as the, Kenaston grade separation, Riverbank Walkway System and other projects.
 - Maintain a comprehensive land inventory and implement a marketing program that maximizes revenues, as well as sales and leasing opportunities.
 - Continue to pursue options to link with other corporate electronic databases and records in order to maximize information/data on all city-owned real property assets.
 - Ensure that service related reports include disclosure of subsidies where transactions are being contemplated at less than market value.
- 2. Optimize buildings infrastructure condition through a Physical Asset Management Program for City buildings.**
 - Continue developing a Physical Asset Management Program by implementing the Public Works Asset Management Performance Audit Part 2 – Facilities Maintenance Audit recommendations.
 - Continue system integration (VFA.facility, Maximo, PeopleSoft, etc).
 - Invest in Building Automated Systems and other building technology.
 - Imbed risk management procedures and measures within the Division's asset and work management systems.
 - Link to the city's asset management program.
- 3. Provide effective facilities management.**
 - Review existing assets with respect to cost and functionality.
 - Manage designs and projects for new and existing civic buildings.
 - Property Management practices that emulate a full service property management office.
 - Provide sound business advice to Council based on comprehensive financial and business planning, and a strong controllership model.
 - Training in specific areas (Universal Design, LEEDS environmental building design).

4. Develop and implement environmental stewardship policies and programs to guide the management and maintenance of all new and existing City facilities.

- Continue Power Smart Agreement initiative.
- Communicate environmental awareness/methods in daily work

life/processes of staff, contractors, staff and the public.

- Provide leadership in building related environmental initiatives.
- Incorporate Accessibility principals in service delivery.

Performance Information

REAL ESTATE

EFFECTIVENESS

Performance Measurement	2004	2005	2006
Percentage of PPD Reports submitted directly to Standing Committee by Real Estate	47.6%	52.1%	57.9%
Percentage of Real Estate reports concurred by Standing Committee	98%	98%	99%

EFFICIENCY

Performance Measurement	2004	2005	2006
Total sales/leasing per FTE	\$.8M	\$.72M	\$.78M
Total Transactions including Reports per FTE	16	22.8	23.5

CIVIC ACCOMMODATIONS

EFFECTIVENESS:

Some measures that are commonly used in the property management industry are the vacancies that the property manager has in their portfolio and total cost per square foot to operate and manage. The Civic Accommodation Division manages City owned space and leases space for civic departments for service delivery. The comparison of costs is shown in the tables below.

A property manager does not want to hold vacant space as it is non-productive and costly to do so. The table below shows the Civic Accommodations Division's historic vacancies and compares this data against the vacancy rates for property management within the City of Winnipeg.

Performance Measurement - Vacancy comparison	2004	2005	2006
Winnipeg Overall Vacancy (%) [see Note 1]	7.60%	7.75%	7.10%
Civic Accommodation Vacancy (%)	5.76%	7.06%	6.85%
% Difference	1.84%	0.69%	0.25%

Comments: The Winnipeg overall vacancy rate has averaged greater than 0.75% more than the Civic Accommodations vacancy rate.

Notes:

1: Source: Colliers Pratt McGarry Winnipeg's Office Report. Mid-Year Report 2007.

EFFICIENCY

The Civic Accommodation Division manages City owned space and leases space for civic departments for service delivery. The comparison of costs is shown in the tables below.

Performance Measurement – Owned & Leased Costs	2004	2005	2006
Total Lease Cost/sq. ft. (\$)	\$14.79	14.92	14.60
Total Owned Cost/sq. ft (\$)	\$12.58	\$13.26	13.32
\$/sq. ft. Difference	(\$2.21)	(\$1.66)	(1.28)
% Difference	17.57%	12.52%	9.61%

Comments: The leased portfolio cost has averaged over \$1.50 sq. ft (more than 10%) than the owned portfolio cost

FACILITIES MAINTENANCE

EFFECTIVENESS

Facility Condition Index (FCI)

The building industry utilizes FCI to reflect the relative condition of buildings. This index is the ratio of deferred maintenance to the current replacement value of a building. An FCI of 0.0 reflects a building in perfect condition. An FCI of 1.0 indicates a maintenance deficit that is equal to the cost of replacing the building with a new building. The Recreation Leisure and Library Facilities Policy indicates that the City will strive to attain a Managed Care Level of Maintenance for recreation and library buildings (i.e. FCI of between 0.10 and 0.20 and an annual investment of 3.5% of the Current Replacement Value).

Condition of Recreation and Library Buildings

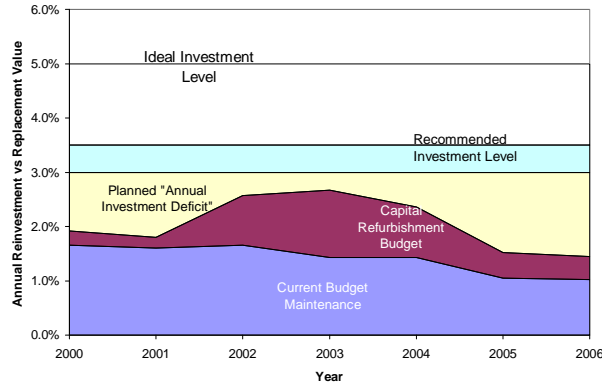
FACILITY TYPE	FACILITY CONDITION	
	INDEX (FCI) 2006 (%)	INVESTMENT NEED
Indoor Soccer Complexes	0.07	\$350,000
Field Houses	0.14	\$600,000
Daycares	0.16	\$1,600,000
Indoor Pools	0.18	34,000,000
Libraries	0.19	\$4,200,000
Recreation Centres	0.26	\$600,000
Community Centres	0.34	\$38,600,000
Arenas	0.36	\$20,000,000
Leisure Centres	0.38	\$2,400,000
Wading Pools	0.43	\$4,200,000
Senior Centres	0.70	\$1,700,000
Outdoor Pools	0.70	\$7,500,000
	TOTAL	\$115,750,000

The first five rows of data above are within the 'managed care' range as defined by the RLALF policy. The remaining facilities require greater investment to elevate the condition to the 'managed care' level.

FCI = DM / CRV (DM = Deferred Maintenance; CRV = Current Replacement Value)

Note: the condition information is based on inspections performed on a portion of the inventory and may change once all buildings in a group are inspected.

Maintenance Investment as a Percentage of Current Replacement Value (CRV)



The level of investment to maintain buildings expressed as the ratio of the amount expended for maintenance of the building inventory vs. the replacement value of the building inventory measures an organization's ability to fund its building maintenance over the long term. In the City's case, this percentage should be between 3 and 3.5% depending on the building type. The maintenance/refurbishment is funded from both the Current and Capital budget as well as other sources.

EFFICIENCY MEASURES

Utility Consumption

The efficiency of city buildings can be measured by comparing the energy consumption per square meter and then comparing the results with city buildings within a particular building group, between building groups and to Manitoba averages.

