



Calgary

City Auditor's Office

Real Estate Acquisitions Audit (Green Line LRT Stage 1)

October 10, 2018

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The City Auditor's Office completes all projects in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Executive Summary

The Green Line Light Rail Transit (Green Line) project is a significant public transit infrastructure project at The City of Calgary (The City) with an estimated construction cost of \$4.65B for the first stage of construction. The real estate team which organizationally is now part of the Green Line Business Unit has responsibility to support the timely acquisition of land in accordance with the Acquisition Strategy for the Green Line and Delegated Authority Process.

The objective of the audit was to provide assurance that the real estate team, within the Green Line Business Unit, has effective controls and risk mitigation processes to support achievement of their business objective, which is timely acquisition of all land for the Green Line Stage 1. To support the expected construction schedule and mitigate the risk of contractor delay claims an acquisition program between 16 Avenue N (Crescent Heights) and 126 Avenue SE (Shepard) was initiated to acquire required properties no later than March 31, 2020, in time to support the project execution plan¹. Administration has informed Council that land acquisition represents one of the highest risks to project readiness.

The real estate team has an established process to manage land acquisitions and, based on audit results, controls to mitigate the risks of acquiring land at unfavourable prices or conditions are designed and operating effectively.

At a broader level, we identified two areas where control enhancements are required to further mitigate the risk of not meeting the project execution plan and of ineffective environmental due diligence. Specifically, ineffective communication and escalation of delays to the acquisition of required properties and unclear roles and responsibilities may impede the timely completion of the land acquisition portion of the project and impact the identification and communication of environmental liabilities and risks.

The Green Line project management team has not identified final property requirements due to ongoing Stage 1 design which is delaying the continued progress of the acquisition process. As a result, the real estate team may have less time to negotiate with property owners, which could lead to more expropriations at a higher cost for The City, reputational risk, and the risk that the real estate team may not be able to meet the acquisition deadline. We confirmed that the real estate team monitored the status of acquisitions and identified issues and risks. Although the real estate team maintained a line of communication with the Green Line project management team on the Stage 1 acquisition process, formal reporting on issues ceased in March 2018 to accommodate Green Line organizational changes. In addition, as of January 2018, issues identified in the reports were not categorized by severity and did not include mitigation strategies. To better support meeting the Stage 1 acquisition deadline, we recommended that the real estate team clarify the issues communication and escalation process with the Green Line project management team, confirm that mitigation strategies are in place, and resume monthly reporting on the issues.

¹ The real estate acquisition deadline provided by the real estate team during the planning and fieldwork phases of the audit was March 31, 2020. During the reporting phase, the Director, Green Line, advised the acquisition deadline will be updated to support the project execution plan. The revised date will be no later than March 31, 2020.

Roles and responsibilities for environmental review are not clearly defined for large projects resulting in the risk that environmental due diligence is not effective, and environmental liabilities and remediation costs are not identified and communicated. The Green Line project management team assumed responsibility for the environmental review and management processes for Green Line Stage 1 acquisitions, and generally complied with the Sales, Acquisitions and Leases Environmental (S.A.L.E.) Policy. The real estate team continued to be responsible for the preparation of purchase offers and reports to delegated approvers, which incorporated environmental conditions and mitigation strategies. The S.A.L.E. Policy assigns environmental review and management responsibilities to the Real Estate & Development Services Business Unit for purchases on an individual basis with no clarity on roles and responsibilities for large projects. We raised recommendations to improve the environmental due diligence for the land acquisition process and support a higher degree of collaboration between the real estate team and the Green Line project management team. These recommendations were specific to defining environmental review management responsibilities for large projects and the level of information on the outcome of environmental assessments to communicate to the real estate team and delegated approvers, and updating the S.A.L.E. Policy.

In total five recommendations were raised, with two specific to the issue communication and escalation process, and three to the environmental due diligence process. The real estate team within the Green Line Business Unit and Real Estate & Development Services Business Unit have agreed to all recommendations and have set action plan implementation dates no later than October 31, 2018 and September 30, 2019 respectively. The City Auditor's Office will follow-up on all commitments as part of our ongoing recommendation follow-up process.

1.0 Background

The Green Line Light Rail Transit (LRT) (Green Line) is Calgary’s next LRT line and the largest infrastructure investment to date. The long term vision for the Green Line is to have full build out of LRT service from 160 Avenue North to Seton Southeast. A staged approach for implementation is planned. The first stage, Stage 1 delivery (Figure 1), protects for future growth and expandability by establishing the foundation for future development in both the Southeast and North, while accomplishing the most challenging segments of the line including the downtown connection, and land acquisitions.

To support project readiness, as at March 2018, Administration has identified properties required for Stage 1 and commenced with an acquisition program. Land acquisition represents one of the highest risks to the project’s ability to move forward with construction, which is expected to be complete by 2026. The full Green Line LRT will impact additional privately owned properties, which will be determined as designs advance.

The Green Line Business Unit is responsible for the overall Green Line project, including the acquisition of land in accordance with the Acquisition Strategy for the Green Line (approved by Council in December 2015), Delegated Authority Process (approved by

Council in March 2018), and applicable legislation, bylaw and policy. At the time of this audit, the real estate team transitioned organizationally to the Green Line Business Unit. During the planning and fieldwork portions of our audit the real estate team communicated their objective to acquire all land for the Green Line Stage 1 by March 31, 2020. In the reporting phase of the audit, the Director, Green Line, advised the acquisition deadline will be updated to support the project execution plan. The revised date will be no later than March 31, 2020.

Figure 1 – Stage 1 Route Map



Figure 1 source
<https://engage.calgary.ca/greenline>

There are three components to the Acquisition Strategy: Negotiations, Expropriation and Approval Process. The Acquisition Strategy is critical to meet the construction schedule and limit The City of Calgary's (The City's) financial exposure related to potential expropriations and construction delays. In addition, the Acquisition Strategy indicates required properties will be reviewed in accordance with the Sales, Acquisitions and Leases Environmental Policy (S.A.L.E. Policy) to mitigate environmental risk. The City Auditor's Office plans to conduct a series of audits on the Green Line over the lifespan of the project given its proposed complexity and significant capital budget. This second Green Line audit, with a focus on real estate acquisitions for the Stage 1 of the Green Line project, is part of the City Auditor's Office 2017/2018 Annual Audit Plan.

2.0 Audit Objectives, Scope and Approach

2.1 Audit Objective

The objective of this audit was to provide assurance that the real estate team has effective controls and risk mitigation processes to support achievement of their business objective of acquiring all land for Green Line Stage 1 by the established deadline. The objective was achieved by assessing the design and operation of controls to mitigate the following risks:

- Land purchases at unfavourable prices or conditions to The City or property owners;
- Inability to meet project schedule deadline;
- Undetected environmental liabilities from contaminated soil and/or rectification costs; and
- Reputational risk.

Risks, key controls, and the corresponding components of the Acquisition Strategy are identified in the appendix.

2.2 Audit Scope

The scope of the audit included real estate acquisition activity completed or in progress for Green Line Stage 1 from February 2015 (properties which Administration confirmed to be required for Green Line) to April 2018. Processes related to the disposition strategy of any surplus land and management of holding costs associated with acquired properties (e.g. maintenance costs) were not included in the audit scope.

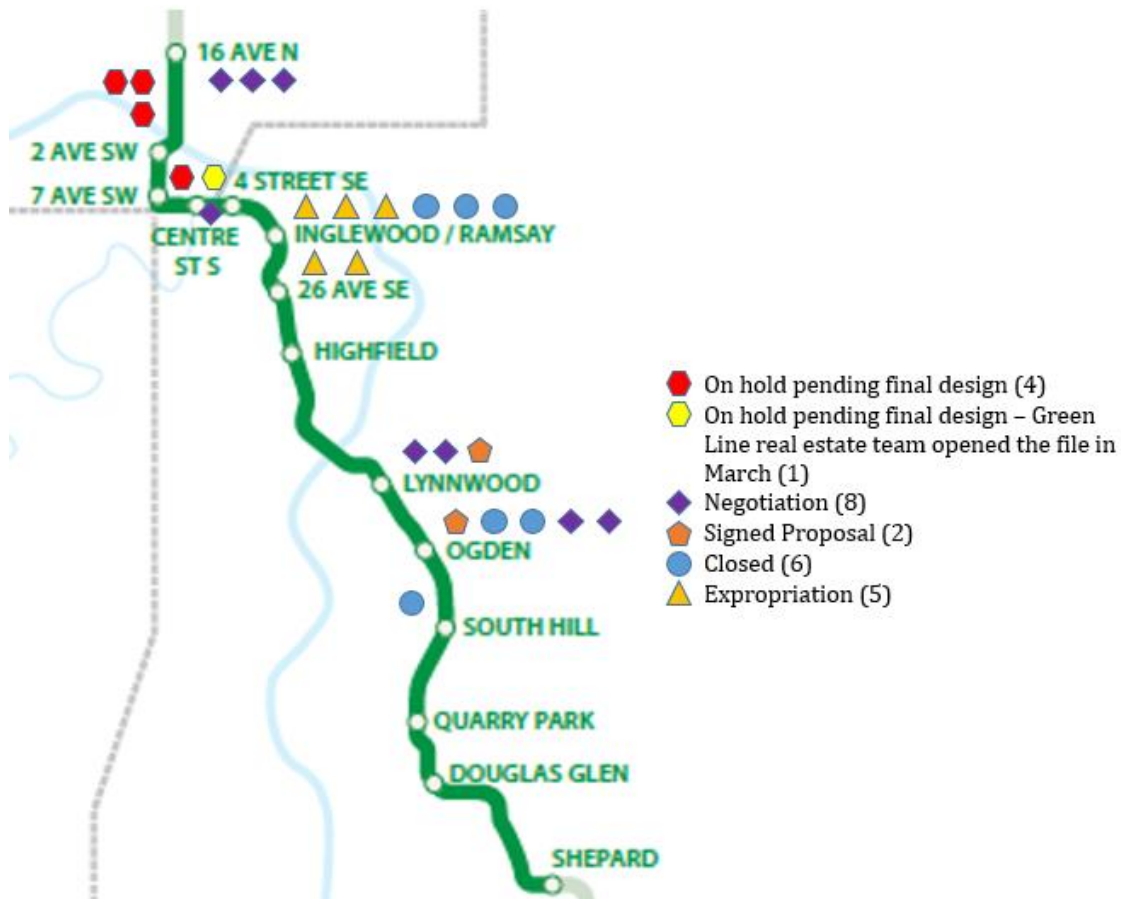
2.3 Audit Approach

Our audit approach included the following:

- Review of acquisition files and related documents to assess the effectiveness of controls;
- Interviews with Green Line real estate staff associated with the real estate acquisitions for Green Line Stage 1; and
- Interviews with the Green Line management team.

Based on the list of properties to be acquired by the real estate team for Green Line Stage 1, we selected a sample of 26 properties to test. The audit sample included properties at various stages of the acquisition process (Figure 2).

Figure 2 – Status of Audit Sample Properties – Stage 1 (March 2018)



Source: Audit sample based on Green Line Property Listing (March 2018)

Information on the status of the audit sample relative to the Acquisition Strategy:

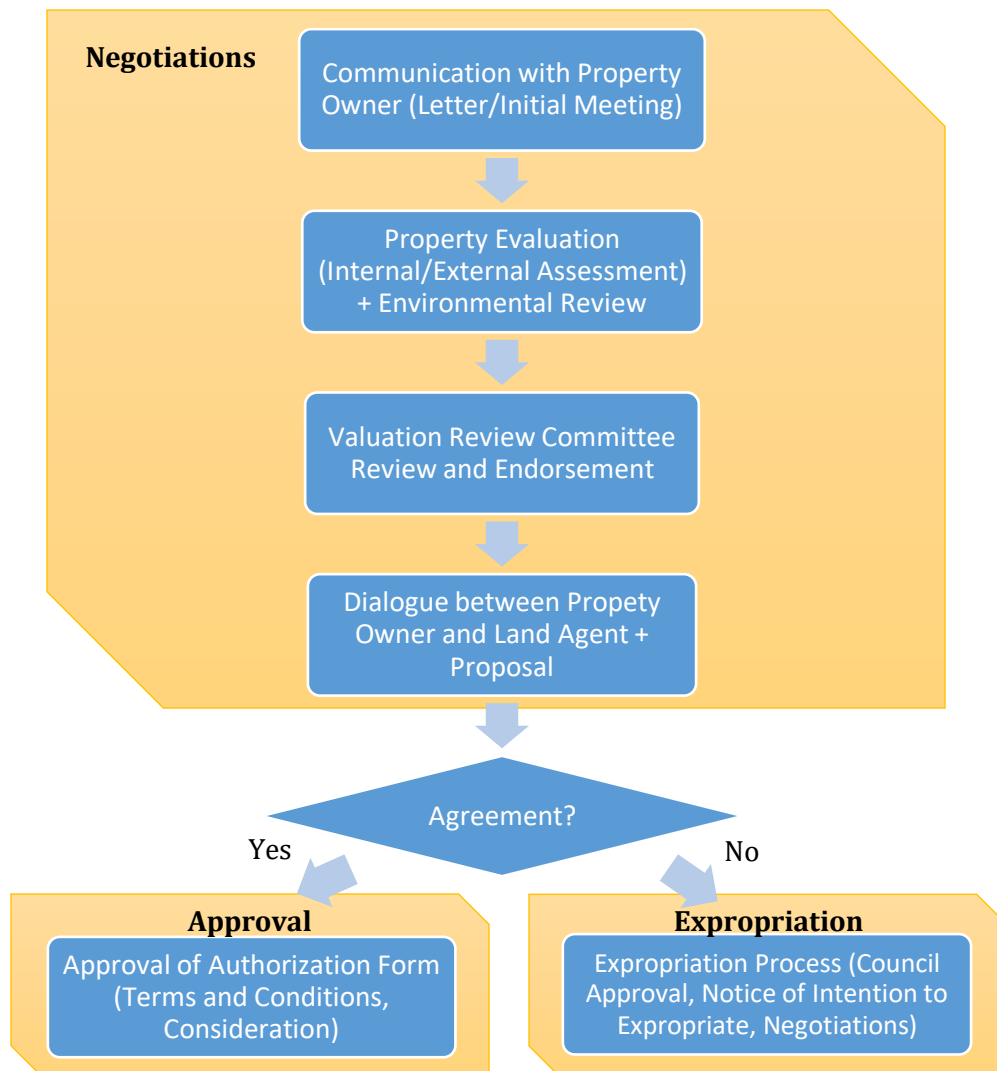
- On hold pending final design: the land acquisition process has not started.
- On hold pending final design: real estate team opened the file in March: letter of communication to property owner sent.
- Negotiation, signed proposal, closed, expropriation: see Figure 3.

3.0 Results

3.1 Land Acquisition Process

The real estate team has an established process to manage land acquisitions in accordance with the Acquisition Strategy, Bylaw 52M2009- Real Property Bylaw (Real Property Bylaw), and the S.A.L.E. Policy. We tested key controls under the three components of the Acquisition Strategy: Negotiations, Expropriation and Approval Process (Figure 3). Where applicable to the properties in the sample, we evaluated the effectiveness of key environmental controls identified in the S.A.L.E. Policy.

Figure 3 – Acquisition Strategy Components



Source: Acquisition Strategy – Green Line

3.1.1 Negotiations

Per the Acquisition Strategy, Administration will negotiate with all property owners throughout the process to reach an agreement, where possible. As negotiations advance with each property owner, an internal valuation or independent appraisal is completed to determine market value of the land being acquired. All internal valuations and independent appraisals are vetted through the Valuation Review Committee (VRC). Upon agreement between the parties on the terms of the transaction, which may include market value and additional compensation, a proposal letter is prepared and sent to the property owner. The proposal letter is not a final offer and states that internal endorsement is necessary. All supporting documentation is vetted through the VRC before it is presented to the appropriate delegated authority for final sign off.

For our sample, property valuations to define fair market value were conducted by qualified individuals and endorsed by the VRC. Land Agents maintained a line of communication with property owners to discuss the status of the acquisition throughout the process.

3.1.2 Expropriation

There were five instances in our sample where an agreement could not be negotiated with the property owner and the expropriation process was initiated. Per the Acquisition Strategy, Administration will continue to negotiate with all property owners until such time that the negotiations are no longer advancing in a meaningful manner. Following the commencement of expropriation proceedings Administration will continue to work with property owners to negotiate agreements for the required property acquisitions.

We observed that Council authorized the initiation of expropriation. Administration prepared the Notice of Intention to Expropriate detailing the purpose for which the land was required, the authority of The City, property owners' rights to object, and the approving authority of Council with respect to expropriations as outlined by the Province of Alberta Expropriation Act. Administration sent the Notice of Intention to Expropriate to property owners and new appraisal reports were issued with appropriate VRC endorsement.

3.1.3 Approval Process

In our sample there were eight instances where The City was able to negotiate a purchase agreement with the property owners. We verified that these agreements were approved by the appropriate authority as outlined in the Acquisition Strategy or the Real Property Bylaw². Approval of the land acquisitions was documented in Land Reports or Green Line Land Authorization Forms (GLLAF) containing the material terms and conditions of the proposed transaction, including description of the real

² Approval authorization for the SE portion of Green Line Stage 1 is outlined in the Acquisition Strategy for transactions after December 2015. Approval authorizations in the Real Property Bylaw apply to Stage 1 transactions prior to that date. In March 2018, Council approved the Delegated Authority Process that applies to the remainder of Green Line Stage 1.

property, parties, consideration, and material terms and conditions respecting the transaction.

3.1.4 S.A.L.E. Policy – Environmental Conditions

The purpose of the S.A.L.E. Policy is to ensure The City is informed on the environmental condition of the properties being acquired to enable The City to exercise due diligence in property transactions. The Green Line project management team has assumed responsibility for environmental review and management processes for Stage 1 rather than the Real Estate & Development Services Business Unit as outlined in the S.A.L.E. Policy. The real estate team was responsible for the preparation of Land Reports or GLLAFs and incorporating environmental conditions in purchase offers.

The Green Line project management team generally complied with the S.A.L.E. Policy, for all sampled acquisitions, and conducted environmental reviews, which consisted of historical information, risk assessment and recommendations. For complex environmental files, a more detailed Phase II Environmental Site Assessment was conducted.

The S.A.L.E. Policy does not specify environmental roles and responsibilities in the acquisition process for large projects, such as Green Line where two or more Business Units are involved. As a result, there is a risk environmental due diligence in the acquisition process is not effectively supported and environmental conditions and mitigation strategies are not effectively communicated to the Green Line real estate land agents for inclusion in Land Reports or GLLAFs and purchase offers.

There were two instances where the Land Reports did not include information on the environmental risk and three where the outcome of environmental assessments was in the attachment and not sufficiently clear in the GLLAFs to delegated approvers. In these instances of omission, we determined the risk exposure was not significant based on further discussion with the Environmental & Safety Management (ESM) Business Unit, who confirmed that there were no environmental exposures for these properties.

An updated Policy with defined environmental review responsibilities for large projects and the level of environmental assessment information to communicate to the Green Line real estate land agents for inclusion in Land Reports or GLLAFs and purchase offers, will enhance the due diligence process and provide approvers information on environmental risk and conditions to support effective decision making (Recommendations 3 to 5).

3.2 Monitoring and Oversight Controls

The real estate team maintains a master file list for Stage 1 properties. The list is updated monthly to reflect changes in the status of the files and newly identified risks. The real estate team prepared monthly Status Update Reports on Stage 1 acquisitions for the Green Line Project Director. Status Update Reports presented the current land acquisition status relative to performance, budget and schedule benchmarks as set out in the project plan and information on the percentage of completion of significant tasks. The Status Update Reports contained an issue log with a description of the issues along with an owner, status and open

date and risks to the project. However, as of January 2018, issues were presented with no severity and associated mitigation strategy.

Formal reporting ceased in March 2018 to accommodate Green Line organizational changes. Of significance, ongoing Stage 1 design by the Green Line project management team is delaying the identification of final Stage 1 property requirements and the continued progress of the acquisition process for some properties (see Figure 2 on page 9 for properties in our sample). This issue impacts the real estate team's ability to negotiate with property owners, which may lead to more expropriations and reputational risk. We recommended that the real estate team clarify, with the Green Line project management team, the communication and escalation process for Stage 1 land acquisition issues and risks to ensure that mitigation strategies are put in place and the deadline can be met. We also recommended that the real estate team resume monthly reporting on the status of the acquisitions including the severity of issues, mitigation strategy, corrective action and percentage of completion (Recommendations 1 and 2).

We would like to thank the real estate team, the Green Line project management team, and staff in ESM for their assistance and support throughout this audit.

4.0 Observations and Recommendations

4.1 Issue Communication and Escalation Process

Although the real estate team prepared monthly Status Update Reports on Stage 1 acquisitions to the Green Line Director, formal reporting ceased in March 2018 to accommodate Green Line organizational changes. In addition, as of January 2018, issues identified in the reports were not categorized by severity and did not include mitigation and corrective action strategies. Periodic communication ensures mitigation and corrective action strategies can be discussed and put in place and risks can be escalated to the Executive Steering Committee³ where appropriate to ensure the Stage 1 acquisition timeline can be met.

Per the Corporate Project Management Framework (CPMF) Progress Reporting Guidance, progress reports should be presented, at minimum, on a monthly basis, which supports the communication and escalation process. As a result of a reorganization of the Green Line project team, the monthly Status Update Reports were put on hold effective March 2018.

Although project issues were included in the monthly Status Update Report, for the January and February 2018 reports, there was no information on mitigation strategy or severity of the issue. Per the CPMF, the issue log should include a narrative describing the issue, including statements regarding the severity of the issue and a mitigation strategy describing how the issue will be resolved.

In our sample of 26 properties, four properties were on hold pending final design. The real estate team opened a file at the end of March on an additional property as a result of ongoing design. This issue, which impacts the real estate team's ability to achieve the deadline, was presented in the progress reports along with nine other issues in no particular order of severity and with no mitigation strategy.

Ongoing Stage 1 design is delaying the identification of final Stage 1 property requirements and the continued progress of the acquisition process. As a result, the real estate team may have less time to negotiate with property owners, which may lead to more expropriations at less favourable conditions, and reputational risk.

³ The Green Line Executive Steering Committee is chaired by the General Manager, Transportation and composed of the City Manager, Deputy City Manager, City Solicitor and General Counsel, Chief Financial Officer, Director Green Line, and Director Calgary Transit. The Committee meets on a weekly basis. Discussion topics include project governance, finance, schedule, and risk.

Recommendation 1

The Manager, Project Access, Green Line work with the Green Line project management team to:

- a) Clarify the communication and escalation process for Stage 1 land acquisition issues and risks, including mitigation and corrective action strategies; and
- b) Ensure mitigation and corrective action strategies are put in place.

Management Response

Agreed.

| Action Plan | Responsibility |
|---|---|
| <p>A Responsibility, Accountability, Signatory, Consult, Inform, Omit/Out of Loop (RASCIO) schedule is being created to inform the Green Line team of the roles and responsibilities related to the various components of the acquisition process and help facilitate who to include if escalation is required. Additionally, an issue log has been developed for management by the Leader, Acquisitions and the Access Managers to identify issues/risks, open date, mitigation, person/position responsible, identification of escalation requirements and to what level, corrective action strategy and closed date. A memo explaining the escalation process and a copy of the above documents will be distributed to the Green Line leadership team and the Leader, Acquisitions.</p> <p>The issues log will be included in the regular project reporting on acquisitions to the Director. In addition to this, the Director has begun a new practice as part of the Senior Management Team meeting agenda. Items of a critical nature to the area of responsibility are to be identified with the date they are brought forward, and they will remain on the agenda until the item has been resolved. This initiative will ensure that issues are being escalated, recorded and actioned as required at the Senior Management levels.</p> | <p><u>Lead:</u> Manager, Project Access</p> <p><u>Support:</u> Manager, Sales & Acquisitions – Green Line, Leader, Acquisitions</p> <p><u>Commitment Date:</u> September 30, 2018</p> |

Recommendation 2

The Manager, Project Access, Green Line:

- a) Resume monthly reporting; and
- b) Improve the effectiveness of communication by incorporating guidance from the Corporate Project Management Framework (CPMF), including, severity of issues, mitigation strategy and corrective action, and percentage of completion.

Management Response

Agreed.

| Action Plan | Responsibility |
|---|---|
| <p>Organizational changes within the Green Line business unit took place in 2018 March. With these changes the reporting on acquisitions changed from one single point through the Project Director to Access Leaders reporting to Execution Director, as well as through Project Access at the Senior Management level.</p> <p>The Finance Manager has been tasked with developing a single template for Green Line project reporting. Once this is available, it will be used for all formal written project reporting moving forward. The template is required to be consistent with the requirements of the CPMF and will include severity, mitigation strategy, and corrective action with the issue identification.</p> <p>In the meantime the Leader, Acquisitions continues to report on acquisitions through functional reporting to the Access Leaders and the Manager, Sales & Acquisitions - Green Line by way of one on one meetings, email communication and team meetings.</p> <p>In addition to the above, the Green Line team under our new structure is working on developing dashboard reporting on Access items in the work areas that will include acquisitions.</p> | <p><u>Lead:</u> Manager, Project Access</p> <p><u>Support:</u> Finance Manager, Access Leader</p> <p><u>Commitment Date:</u> October 31, 2018</p> |

4.2 Environmental Review and Management for Large Projects

The S.A.L.E. Policy does not define the environmental review and management roles, responsibilities, and procedures for large projects. The environmental review and management processes for Green Line were conducted by the Green Line project management team rather than Real Estate & Development Services Business Unit, which does not align to the S.A.L.E. Policy. Although this approach is reasonable given the magnitude of Green Line Stage 1, there is a risk that environmental due diligence in the acquisition process is not effectively supported and environmental conditions and mitigation strategies are not effectively communicated to Green Line real estate land agents for inclusion in Land Reports or GLLAFs (Section 4.3) and in purchase offers. Roles and responsibilities for environmental review and management on large projects should be clarified to support the identification and management of environmental liabilities and rectification costs.

Roles and Responsibilities

The S.A.L.E. Policy does not specify environmental roles and responsibilities in the acquisition process for large projects (such as Green Line) versus purchases on an individual basis. The S.A.L.E. Policy indicates that Corporate Properties and Buildings (CPB) (now Real Estate & Development Services Business Unit) is responsible for the acquisition of all City land and provides environmental and property management services to other City departments as follows:

- Manage and allocate environmental liability;
- Exercise environmental due diligence in property transactions;
- May, under certain conditions, acquire contaminated property;
- Will have an Environmental Review conducted for each purchase. CPB will, where warranted, commission further Environmental Assessments of Property based on the results of the Environmental Review;
- Will cause to be undertaken environmental remediation or risk management; and
- Will include in its Land Report to Council the outcomes of the Environmental Assessments and the allocation of liability for all transactions.

In addition, the S.A.L.E. Policy states that Environmental Assessments (Environmental Site Assessments and Environmental Reviews) are managed by ESM.

In March 2018, during the course of file reviews and through discussions with Land Agents and the Stage 1 Project Manager, we confirmed that the Green Line project management team had assumed responsibility for Stage 1 environmental reviews, commissioning further assessments, and the management and allocation of environmental liabilities and risks. We also noted that Environmental Reviews were conducted by consultants and managed by the Green Line project management team. Although ESM was provided with the consultant reports, the work performed by the consultants did not include reaching out to ESM to access their database during the Environmental Review. ESM advised that earlier consultation may have provided additional relevant information.

The real estate team continued to be responsible for the preparation of Land Reports or GLLAFs and incorporating environmental conditions in purchase offers, where appropriate.

The Policy was last revised in January 2005 and does not reflect structural changes to The City as CPB has been reorganized as Real Estate & Development Services Business Unit under the Deputy City Manager's Office and the Environmental Business Unit is now ESM.

Policy Clarity

The S.A.L.E. Policy and Procedures do not define what observations or conditions in the Environmental Review trigger the need for further environmental assessment, the purpose of this further assessment, and how the assessments are to be conducted. In addition, the S.A.L.E. Policy does not define the conditions under which contaminated property may or may not be acquired.

Recommendation 3

The Manager, Project Access, Green Line:

- a) Define environmental review management roles and responsibilities, and associated procedures, for land acquisitions for the Green Line project, including the timing of Environmental & Safety Management involvement (i.e. roles and responsibilities of the project management team and Law); and
- b) Define the conditions that warrant further environmental assessments of properties (i.e. Phase I or Phase II Environmental Site Assessments) and the conditions that may preclude the acquisition of contaminated property.

Management Response

Agreed.

| Action Plan | Responsibility |
|--|--|
| <p>The Green Line Access team has developed an environmental process document (Environmental Site Assessment (ESA) Decision-making process (prior to property acquisition)). This document identifies the workflow for environmental site assessment decision making within the Green Line business unit. The process clearly identifies decision points and the roles and responsibilities of the various team members, including acquisitions, environmental, Access Leaders, ESM and Law.</p> <p>A further amendment to the document will be made to clearly define conditions for the team that will/will not trigger further environmental assessments or may prevent The City from proceeding with an acquisition.</p> | <p><u>Lead:</u> Manager, Project Access</p> <p><u>Support:</u> Regulatory Permits and Environment Lead, Manager, Sales & Acquisitions – Green Line, Access Leaders</p> <p><u>Commitment Date:</u> September 30, 2018</p> |

Recommendation 4

The Director, Real Estate & Development Services review and update the Sales, Acquisitions and Leases Environmental (S.A.L.E.) Policy, including responsibilities for large projects and reflecting an up-to-date City organization structure.

Management Response

Agreed.

| Action Plan | Responsibility |
|--|---|
| <p>Real Estate and Development Services will lead a review and update of the S.A.L.E. Policy in 2018/2019. It is proposed that structural changes will be updated, and consideration will be given to identify process improvements for large scale projects. Collaboration will be necessary across the corporation, including the Law Department, Environmental and Safety Management, and potentially the Corporate Land Administration Team.</p> | <p><u>Lead</u>: Director, Real Estate & Development Services</p> <p><u>Support</u>: Manager, Sales & Acquisitions</p> <p><u>Commitment Date</u>: September 30, 2019</p> |

4.3 Environmental Risk Communication

The real estate team did not consistently include effective information on the outcome of environmental assessments in Land Reports or GLLAFs. The inclusion of complete information on the outcome of the environmental assessment in Land Reports or GLLAFs and associated risk management provides approvers with knowledge about environmental conditions of properties being acquired and the exercise of due diligence in property transactions. Communication of the level of environmental risk, allows approvers to ask questions on the outcomes of environmental assessments and the allocation and management of environmental liability and supports effective decision-making.

The S.A.L.E. Policy establishes that Administration will include the outcomes of environmental assessments in Land Reports to Council. The Land Reports and GLLAFs reviewed, for our sample of acquisitions, contained information that The City engaged environmental consultants to perform an environmental assessment, in accordance to the S.A.L.E. Policy. We observed five instances where the Environmental Review prepared by consultants indicated a high or medium risk of property contamination, and recommendations for further environmental assessment (Phase I or Phase II Environmental Site Assessment). In the communication to approvers and to Council (Land Reports and GLLAFs), there were:

- Two instances where the Land Reports indicated completion of an Environmental Review on the property and acceptance of environmental conditions. The Land Reports did not include information on the outcome of the assessments (high or medium environmental risk) or the next steps for remediation; and

- Three instances where the GLLAFs indicated completion of an Environmental Review on the property and acceptance of environmental conditions. Information on the outcome of the assessments (high environmental risk) was contained in the attachment and not in the GLLAFs. As a result, the information on the environmental conditions may not be sufficiently clear to delegated approvers.

The real estate team continues to acquire land for Stage 1, creating an opportunity to include the outcome of environmental assessments and the level of environmental risk in future Land Reports or GLLAFs.

Recommendation 5

The Manager, Project Access, Green Line:

- Define the level of information on the outcome of environmental assessments that needs to be included in the Land Reports or Green Line Land Authorization Forms; and
- Obtain the required environmental information from the Green Line technical team and include the outcome of the environmental assessment with the corresponding level of environmental risk and mitigating strategies in the body of the Land Reports or Green Line Land Authorization Forms.

Management Response

Agreed.

| Action Plan | Responsibility |
|---|--|
| <p>The GLLAF template has been amended to provide direction to the Land Agents to insert details in the Environmental section summarizing what assessments have been undertaken, findings of the environmental assessment(s), including the level of risk and mitigating strategies to be used. The Land Agents will obtain the required information on mitigation strategies from the Access Leader and Regulatory Permits and Environment Lead.</p> <p>A workshop will be held with the Land Agents to introduce the amendments. The workshop will ensure requirements and expectations for completing the Environmental section of Land Reports and GLLAF's is understood going forward.</p> | <p><u>Lead:</u> Manager, Project Access</p> <p><u>Support:</u> Manager, Sales & Acquisitions – Green Line, Access Leader</p> <p><u>Commitment Date:</u> September 30, 2018</p> |

Appendix – Real Estate Acquisitions Risk and Control Matrix

| Risk Category | # | Risk | Inherent Risk (H/M/L) | Identified Key Control ⁴ |
|--|---|---|-----------------------|---|
| Financial / Schedule (project cost and schedule overrun, inefficient use of resources) | 1 | Land purchases at prices or conditions perceived as unfavourable to The City. No or insufficient valuation or appraisal processes | H | <ul style="list-style-type: none"> Property valuation by qualified individuals to define fair market value. If appraisal is standard, performed by the real estate team. If complex, then will be performed by qualified appraiser. Negotiation process allows for an open dialogue between the property owner and the land agent to discuss the specific terms and conditions of the proposed acquisition. (Negotiations) Valuation Review Report submitted to Valuation Review Committee for endorsement. (Negotiations) Review and approval of Authorization Forms in accordance with delegation of authority in the Acquisition Strategy and the Real Property Bylaw. (Approval) |
| | 2 | Acquisition deadline is not met | H | <ul style="list-style-type: none"> The real estate team receives request by the Green Line Business Unit to acquire the land. The real estate team opens all files and maintains a master file. A process exists to identify/map all required properties, status of the properties, heat map. Process to prioritize resources on highest risk files. Negotiation process allows for an open dialogue between the property owner and the land agent to discuss the specific terms and conditions of the proposed acquisition. If agreement cannot be reached, expropriation is initiated. Council authorizes all expropriation initiation processes. (Negotiations and Expropriation) Review and approval of Authorization Forms in accordance with delegation of authority in the Acquisition Strategy and the Real Property Bylaw. (Approval) Reporting on the status of acquisitions and mitigation strategies. |

⁴ Acquisition Strategy Component included in brackets, where applicable.

| Risk Category | # | Risk | Inherent Risk (H/M/L) | Identified Key Control ⁴ |
|---|---|--|-----------------------|--|
| Environmental (non-compliance with the S.A.L.E. Policy, exposure to liability) | 3 | Potential environmental liabilities from contaminated soil / Environmental rectification costs not included as part of land cost | H | <ul style="list-style-type: none"> • After opening a file, the real estate team will check the history/background information of the property and check for environmental risks; concerns identified by Green Line and others. (Negotiations) • When acquiring properties, the S.A.L.E. Policy and Procedures are followed. Per S.A.L.E. Policy, Real Estate & Development Services Business Unit may, under conditions, acquire contaminated property. Real Estate & Development Services Business Unit will conduct an Environmental Review for each purchase. Further Environmental Assessments may be commissioned based on the results of the review. Disclosure of environmental information and liabilities are documented. (Negotiations) • Property valuation assessment follows the Environmental Review and takes it into consideration. (Negotiations) |
| Reputation (negative media coverage, outcomes inconsistent with commitment to the public, decreased public satisfaction, complaints to Council) | 4 | Perception that The City is taking advantage of property owners | M | <ul style="list-style-type: none"> • Property valuation by qualified individuals to define fair market value. If appraisal is standard, performed by the real estate team. If complex, then will be performed by qualified appraiser. Negotiation process allows for an open dialogue between the property owner and the land agent to discuss the specific terms and conditions of the proposed acquisition. (Negotiations) • Valuation Review Report submitted to Valuation Review Committee for endorsement. (Negotiations) • Review and approval of proposal letter in accordance with delegation of authority in the Acquisition Strategy and the Real Property Bylaw. (Approval) • Communication, including letter and initial meeting with property owner to explain the acquisition process. Negotiation between Property Owner and The City. If agreement cannot be reached, expropriation is initiated. (Negotiations and Expropriation) • Council authorizes all expropriation initiation processes. (Expropriation) |