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Jeudi 29 mars 2007

Standing committee on public accounts

Comité permanent des comptes publics

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Infrastructure Renewal

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Chair: Norman W. Sterling
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Thursday 29 March 2007

Jeudi 29 mars 2007

The committee met at 0940 in committee room 1, following a closed session.

2006 ANNUAL REPORT, AUDITOR GENERAL

MINISTRY OF PUBLIC INFRASTRUCTURE RENEWAL

Consideration of section 3.10, Ontario Realty Corp.—real estate and accommodation services.

The Chair (Mr. Norman W. Sterling): Good morning. My name is Norm Sterling. I am the Chair of the public accounts committee. Thank you for coming on such short notice. We appreciate that very much.

I don't know whether to refer to Ms. Gray as the chair of the board of directors or Mr. Glass as the president and CEO, but I invite either one of you to put forward any opening comments you might have. After that, we would ask questions, and you may answer them directly or you may call forward any of the people you have brought with you. I'm going to turn it over to Ms. Gray, the chair of the board of directors.

Ms. Carol Layton: Actually, I'm going to start. I'm Carol Layton, the Deputy Minister of Public Infrastructure Renewal. So it's going to be myself, just to begin with some opening remarks, and then leave it to Carol Gray and David Glass, if we could.

First of all, I would like to thank you for the opportunity of being able to present before the standing committee on public accounts relating to the 2006 Auditor General's report.

My purpose is in wanting to speak to the very strong and collaborative relationship we have with the Ontario Realty Corp., and that positive relationship is certainly because of the strong leadership we have in the chair of the board of directors, as well as in the CEO of the Ontario Realty Corp.

Dave Glass, CEO, came to the organization fairly recently. He's a leader who has demonstrated pretty early on all the capabilities to lead an organization with a complex business line and a massive portfolio of property that we have. He engages all stakeholders in partnership to establish the highest calibre of customer service and professional capability and long-term value. There are many competing demands that he deals with on a very efficient basis.

Prior to the appointment of Dave, we also had Greg Dadd, who came in and had to act on a pretty urgent basis for the organization. Greg was incredibly effective in that. Greg is sitting to my far right. He is now the chief operating officer and continues to make a significant, positive contribution in moving the company forward through business and strategic planning and in building relationships with employees and customers. I first of all wanted to emphasize the comfort that we have and the strong relationship that we have with the agency.

The board of directors that Carol is going to speak to has a wealth of experience, but I'd be remiss if I didn't speak to the strengths that Carol Gray does bring as chair of the board of directors of the Ontario Realty Corp. with her extensive background in the financial services sector, including former executive VP at the CIBC. Carol and I have certainly enjoyed many opportunities to work together and to liaise and talk about the many different issues.

The ORC has undergone a significant change over the past three years or so, including its move to PIR in just under two years. I really feel that that agency's coming into the Ministry of Public Infrastructure Renewal was a great decision taken by the government. With the alignment of it to the other business that we do, just to give an example of that: Public infrastructure renewal is the ministry that is responsible for infrastructure policy and planning, the long-term framework under ReNew Ontario and also for alternative financing and procurement, but things like growth planning and intensification as well. When you talk about things like life-cycle management, when you talk about asset management, when you talk about sustainable infrastructure, when you talk about brownfield development, when you talk about intensification, when you talk about the growth plan and green spaces, all of those things, the ORC, through the work that they do, contribute to those broader government objectives that we have. So I wanted to make an emphasis on that.

The corporation is a very professional organization and certainly one that has responded to some of the challenges it faced in the past by putting in better processes and procedures. I know that Dave is going to talk a lot to those sorts of changes.

A really good example that I wanted to highlight of where you see the integration of all the work of the Ministry of Public Infrastructure Renewal with the ORC is the announcement of the archives building being constructed at York University under the oversight of the Ontario Realty Corp. with that subway line that's going to be extending into York region located right below that building. So we're seeing there intensification, we're seeing there transit policy and we're seeing there a great new public works project all under the one ministry. I wanted to highlight that example.

Through the reorganization of the ORC, it's focusing on reinforcing its role around client service and asset management, establishing greater liaison and providing a higher level of service to client ministries, which is critical, as well as the advice that it provides to the Ministry of Public Infrastructure Renewal.

It's also important to recognize the accountability relationship in which we all work. We have the minister, of course, who is responsible for reporting to the Legislature and giving assurance to the Legislature on the affairs of the Ontario Realty Corp. We have a chair, who reports to the minister. We have a CEO, who reports to the chair. We have a deputy, who reports to the minister, and then we have, of course, the many senior VPs, who liaise with the ministry as well. So having a very effective relationship and having good, strong liaison between all of these different partners is critical in ensuring that we have a well-run organization and we are well positioned to deliver on the strategic objectives of the ORC as they relate to the Ministry of Public Infrastructure Renewal.

Just to also comment on some of the important governance instruments, in a sense, or documents that guide an agency that have been in place or are in the process of being in place, we do have an updated MOU that has been approved through the Treasury Board process and is in the process of being signed by our respective partners. We have a new realty services management agreement, which will outline the specifics of the day-to-day responsibilities between the agency and the Ministry of Public Infrastructure Renewal. We have first-ever service level agreements with each of the ministries which have been in place since January 2006, a significant milestone for the agency. The ORC is now finalizing occupancy agreements with ministries that will address service level expectations and obligations on a site-by-site basis. Together, these accountability mechanisms set the framework for better performance and to really measure the performance of the agency.

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The corporation's annual reports are now up to date with the tabling of both the 2004-05 and 2005-06 reports. The Auditor General noted it in his report also and, in fact, commended the role of the internal audit function in the agency. I can't underestimate the importance that internal audit plays in an agency in two key roles: the advisory support that audit provides to an agency and its board of directors as well as the assurance role that it is able to provide as well, and in particular, giving assurance of good systems, good processes, good procedures and a good assessment of the risk factors that are out there that any agency—any enterprise, in a sense—has to attend to. The internal audit group reports to a subcommittee of the board of directors that is an audit committee, and that is on improving governance and oversight.

As I quickly go through this, the ORC has implemented a couple of pretty interesting initiatives. One is a geographical information system otherwise known as GIS, which is a state-of-the-art system that provides mapping which supports our decisions on our surplus properties. In fact, that particular system has received a couple of awards, including the 2005 Showcase Award, which is the Ontario government's sort of Grammy award for excellence.

Before I hand my remarks over to Carol Gray and to Dave Glass as well, I'd like to comment on a couple of other initiatives that we're really pleased that the ORC is delivering on. One of them is the Toronto Waterfront Revitalization Corp. The ORC is the agent for the province in that initiative. Exciting work is happening out there, down at the West Don Lands redevelopment project. In fact, that is a project that will provide intensification; it's going to provide affordable housing. But in the berm that's about to be constructed down there, we're going to be protecting an area from the Don River to Yonge Street, roughly 450 hectares of land, in the event that another Hurricane Hazel hits the city of Toronto. That's an exciting project that we're certainly—and in fact, for the minister, it is his number one priority for the ORC.

The 10% energy conservation target, which we are well on the way to achieving by the close of this fiscal year—which we are just a few days away from: If you drive along Grosvenor Street and you've been frustrated by the different signs that have restricted your flow-through, that's because of the deep lake water cooling project that is under way there. We will begin to see the impact of water from Lake Ontario cooling Queen's Park rather than the chillers that we have in place now—an important contributor to our environmental objectives. Also, the greening of buildings in many other ways, for example, the LEED silver standard—LEED stands for Leadership in Energy and Environmental Design—that we will see with the rebuilding of the Red Lake office, but also the LEED gold that we will be achieving and striving for down at the West Don Lands.

The other point I would want to make is that we have another agency, Infrastructure Ontario, which is the agency that is, through the alternative finance and procurement method, overseeing the construction of many important projects. But I would want to emphasize that the close relationship that David Glass has with David Livingston, their CEO, is important as well in ensuring the clarity of roles because both of these agencies do provide services to ensure the construction of public works. We do have a good delineation of responsibilities as we work our way through that process.

I wanted to just take you through some of the accomplishments, all of them excellent examples of how the ministry, through the ORC, is contributing to achieving the priorities for the people and further enhancing the confidence of the public, the government and the Legislature in the government's ability to be prudent and efficient in the management of public funds.

I'm now going to pass the baton over to Carol Gray, who, as chair of the board of directors of the Ontario Realty Corp., will provide some remarks as well.

Ms. Carol Gray: Thank you, Carol. Good morning. I'd like to address the committee on the role of the board of directors and our governance practices. First, I'd like to talk about the directors on the board because it's how people perform governance that makes the difference between governance performance and governance compliance.

Our board is consisted of seven independent directors and one deputy minister, John Burke, who represents a client ministry, MMAH. We have one vacancy for another deputy minister from a client ministry. In composite, we have over 50 years of experience in the real estate industry, including land development and project and property management. We have deep expertise in real estate law, enterprise risk management, and operations, and senior executive experience in running large organizations with complex multi-stakeholder relations. Our governance practices comply with the CICA regulations and the CSA standards. We benchmark our governance processes against the best practices as defined by the Canadian Coalition of Good Governance.

We evaluate our performance annually and set performance improvement goals, which are published in our annual report. A description of our board's committees, our governance work plans and our practices is also published in our recent annual report. The board has a commitment to ongoing education in the area of governance. All of the directors are members of the Institute of Corporate Directors. I'll be receiving my certification on corporate directorship later this spring. A recent internal audit rated our corporate governance practices as satisfactory.

Now I'd like to turn to the role of the board as it relates to the value-for-money audit, which is why we're here today. I have three comments. Firstly, I'd like to thank the Auditor General for completing the value-for-money audit. The board is always seeking independent information about management's performance. The report is a fair assessment of the corporation, and with its recommendations it provides a road map for continuous improvement. The board will be monitoring management's progress in implementing these recommendations.

Secondly, governance is often associated with accountability. To have accountability you must have clearly defined responsibilities. The board of directors is accountable to the minister. The board's responsibilities, along with the responsibilities of the minister, the chair and the CEO, are defined in our memorandum of understanding. We have taken this broad set of responsibilities and defined them into practice in our board committees, our terms of reference, our delegations of authority, and our job descriptions for directors, committee chairs, chair, vice-chair and CEO. We each know our responsibilities and we can be held accountable.

My final comment is on independence. The board's independence is vital to judge decisions and to oversee management. Our independent directors are recruited and selected through a transparent and merit-based process, with the governance committee taking the lead in identifying the profile we are seeking, interviewing candidates and recommending our preferred candidates to the minister. In all cases, the minister has supported our recommendations. We operate in a no-surprise environment with the minister. I have regularly scheduled meetings with him at least on a quarterly basis, and there are, as Carol has mentioned, regular meetings and interventions between not only myself and the minister but between the CEO and the deputy minister and all levels below.

Value for money, or, stated another way, risk and return, is at the heart of the corporation's strategy. The board cannot evaluate management and their decisions based on the metrics of a profit-driven organization in a competitive market. However, we can and we do oversee management, their strategy and decisions through the lens of a risk-and-return model. The board strives to provide this independent evaluation of the risks that management takes and the returns that they create. It is through this independent risk-return evaluation that the board can support the Auditor General's value-for-money goal.

I'd like to now pass our opening comments on to Dave.

Mr. Dave Glass: Thanks, Carol. I'll make this very brief. As Carol mentioned, I started in early September. Over the last six or seven months I've met with dozens of stakeholders. I've met several times with all of the employees of the Ontario Realty Corp., sometimes in large groups and sometimes in small groups. I'm impressed with the corporation. The people have outstanding skills. The leaders within the organization are truly leaders, not simply functional managers.

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I'm also impressed with the Ontario public service. The people I've met are good people and very helpful in terms of working with us to improve. They come with constructive, instructive suggestions on what we need to do in the future.

From the board's perspective, I think the relationship between the management of the corporation and the board of directors has moved sharply towards one of trust and mutual respect. The roles are clearly defined. From the Ministry of Public Infrastructure Renewal, the people, the policy, the strategies, the greenbelt strategy, Places to Grow—all of the activity around infrastructure and asset management is really on the mark. As I was going through my due diligence leading up to early September, that was one of the things that contributed positively towards my decision to come to the Ontario Realty Corp.

In early September, I had the opportunity to read the audit that we're here to discuss and to meet with Jim

McCarter. I found the audit, again, very insightful from a non-real-estate organization and very instructive. The recommendations are good and they have been very useful in terms of helping us formulate plans for the future.

Beyond the responses that we made at the time of the audit, we've made a number of improvements related to those recommendations. As examples of that, I think we've made significant progress towards inventorying the provincial government real estate assets. We've created a development group with the capacity and the capability to build and implement strategies for key properties. We've developed a multi-year sales plan related to significant surplus properties. Our 2005-06 annual report clearly articulates performance measures and targets that the corporation set for itself and achieved in some cases, and didn't achieve in other cases.

In 2006-07, we've developed a number of key performance indicators to further measure our performance, primarily at the operational level, so that we can benchmark ourselves against other public jurisdictions and the private sector. We'll be implementing those measurements in the upcoming fiscal year.

We've also resourced the data integrity, data quality department, and we built action plans to address this issue by the end of 2007-08 and to maintain from that point on.

In conclusion, I think there are a lot of opportunities for the Ontario Realty Corp. We have a plan. The plan has been built based on inputs from many stakeholders, and the Auditor General's report has contributed and will continue to contribute to our success in the future.

Thank you.

The Chair: Okay, we'll go to questions now. I'm going to start with Mr. Hardeman.

Mr. Ernie Hardeman (Oxford): Thank you very much to all the presenters for the very insightful presentation. We appreciate that.

I want to just quickly focus on the relationship, with the deputy minister starting off with saying how well the system is working, because the Ontario Realty Corp. fits with the planning process with the Ministry of Public Infrastructure Renewal. When the chair of the board speaks, it's very important that we have the independence. I want to know how we meet the two challenges, that we need to be completely in sync with each other as we plan for the future, and we want complete independence for the Ontario Realty Corp., because the infrastructure that the realty corporation is responsible for and how we deal with that is not always—the principles are not always coterminous with the Ministry of Public Infrastructure Renewal. Obviously, they too are customers to Ontario Realty Corp.

You mentioned that there's a memorandum of understanding, an agreement as to how that relationship is going to be handled. Has that memorandum been updated as we've moved forward and changed to accommodate the challenges that those two solitudes would create?

Ms. Layton: It was updated just a few months ago, actually. I think it was in January that it went through the decision-making process.

Ms. Gray: Yes.

There were several questions contained in your overall question, but on the MOU, the memorandum of understanding, it was reviewed and renewed over the past year. That sort of frames the overall set of accountabilities. That work spurred on a review and renewal of our delegations of authorities, as I mentioned: our terms of reference for each of the board committees, job descriptions and so on. So it had a whole cascade effect through our governance practices.

Maybe I could just talk briefly about your comment around independence, and then I'll let Carol—

The Chair: That's a public document, is it not, the MOU?

Ms. Layton: It's accessible, absolutely. They're accessible, MOUs. I don't think it's sitting up on our website right now, but it's a document that we could easily make available.

Mr. Hardeman: If I could just get right down to the order of reporting, Deputy Minister, you report to the minister, the CEO reports to the chair of the board, and the chair of the board reports to the minister?

Ms. Layton: Yes.

Mr. Hardeman: Do the chair of the board and the deputy minister report to each other?

Ms. Layton: No. First of all, the minister is the shareholder; that's the first important thing to remember. It's the minister, as shareholder, who reports to the Legislature. The chair of the board reports to the minister. The CEO reports to the chair, and that's where you get the—David is an employee of the chair and his employment contract is with the chair. The CEO and the deputy minister—we don't have an exact reporting relationship. My responsibility is to report to the minister, but it is through the monthly meetings that I have with David that I'm able to do my job of understanding the goals of the agency, how it's progressing and how it's doing. That's a fairly—

Mr. Hardeman: I guess the question is, can you or do you ever report directly from Ontario Realty Corp. to the minister without going through the chair of the board?

Ms. Layton: Do I?

Mr. Hardeman: Yes.

Ms. Layton: Say that again. Do I ever report? I absolutely have many conversations with the minister about different activities of the ORC, but I do that because of the close relationship I have with David Glass and the various other executives—not only the close relationships that I have, but the assistant deputy minister and the staff that I have. So yes, indeed, there are many conversations we have with the ORC, because it's the minister who provides the policy direction to the ORC, but it's the ORC that operates with the operational independence that it has to have. The minister does not oversee that, but when it comes, for example, to a recent multi-year sales plan being developed by the ORC using the judgment of the ORC, it has to be signed off by the minister as it makes its way into the treasury board process.

In a sense, it's a complex relationship, but it's all guided by something called the Agency Establishment and Accountability Directive that itself was written by the previous administration back in the year 2000. It's one that guides every ministry in the development of its relationships with all of the agencies we do have. Does that help?

Mr. Hardeman: Yes, that's very good. Thank you.

Ms. Gray: I also want to point out that I'm a non-executive chair. So the relationships that Carol described are important in order for the whole machine to work properly. It's not like I have a full-time job sitting in the organization; I'm a non-executive chair.

Mr. Hardeman: Thank you.

The Chair: Ms. Martel?

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Ms. Shelley Martel (Nickel Belt): Thank you very much for being here this morning. The way I'm going to deal with my questions is really to go from the front of the report to the back, so I'm going to start on page 220. You have your copies with you just to make it a little bit easier for you. It has to do with dual responsibility. At the very bottom it says, "The ministry has also assumed responsibility for the rationalization and potential sale of 11 major properties, many of which had ... been earmarked for sale through the corporation." It's the ministry that's going to facilitate the disposition, but the corporation will play a role in the sale.

Do you want to tell me why we have 11, how they got targeted, why that's happening if the ORC is essentially supposed to have management over the properties? I don't understand what those 11 are about and why they now have shifted to the control of the ministry.

Ms. Layton: It was back in November 2005 that that strategy was developed. It's one that's an evolving strategy. It's important to appreciate that the government—and Jim McCarter in his report certainly acknowledges that there's an awful lot of surplus property out there and we have to get a whole lot better at identifying the surplus properties and get a whole lot better at thinking about how we dispose of them where they are surplus. So it was the policy direction to determine the actual framework under which the ORC would work to inform its sales plan. It was developed by the Ministry of Public Infrastructure Renewal, working with the Ontario Realty Corp. So it was through the work of the ORC that we were able to identify 11 strategic properties back then that should be considered for disposal, but recognizing certain principles. First and foremost is that the public interest could not be compromised. A second principle was that we had to think about it in the context of value for money: Let's think about how we can dispose of properties that can maximize return to the province; for example, take them further through the development process.

What was apparent back then—and I was brand new in the job, literally a month into the job when that came—was that we had to provide some policy changes to help facilitate the work that the ORC has to do, which is to actually be the agent for the province in readying these parcels for divestment and working with the different stakeholders impacted by that. I would argue that it is a partnership. We weren't overtaking a role of the ORC, but it was a partnership that we were developing and we put a specific, very small team together. It's still a small team of about four people who provide, in a sense, the dedicated support to the agency to help clear the path, whether it is policy changes to the OIC process or whether it is liaising more with ministries and just helping the—because it is the government; it's Minister Caplan and this ministry which is the owner of the land. The ORC is the agent.

Ms. Martel: Okay. Can I stop you there?

Ms. Layton: Yes.

Ms. Martel: What I don't understand is, if you implement policy changes, why can't the ORC continue to have responsibility for the disposition of this property? I'm happy that you're having policy changes and I hope that's going to help you do your work, and I assume that's the point of the matter, except I don't understand why, after doing all that, the ministry has to have responsibility for these properties.

My second question would be, is this going to happen with other properties? I would assume that if you were given the policy changes to do what you're supposed to do and to help you do that, then you would continue to deal with the disposition. All the value-for-money considerations and maximizing the return for the province would be what you would be doing. I would expect that with any piece of property, whether the ministry is selling it or the ORC.

I don't think you've really answered my question about why target these 11. Are more going to be targeted as well, if the goals are the same, and they should be, for both organizations?

Ms. Layton: Just to refer you to that same paragraph that you're looking at, it says, "The ministry will facilitate interministry co-operation to advance their disposition"—this is about interministry co-operation—"but the corporation will continue to play an active role"—this says "an active role," but it is the role—"in the sale of these properties." I think that's what's critical here, the government facilitating it through the work of the many different stakeholders, because it is the government that has to give assurance that the public interest is not compromised.

There are 11 sites. There are many more in the inventory, but at that time there were 11 properties that were identified. Since then, there has been a bit of an evolution in the list of those properties, but it is the ministry that is developing the policy framework to help facilitate the work that the ORC has.

Ms. Martel: I understand that.

Ms. Gray: I think I can also add that once the policy framework has been established, then these properties do find their way on the ORC sales plan, and it's the sales plan that the ORC must deliver on.

Ms. Martel: So you'll get them back, essentially, to deal with?

Ms. Gray: To deal with, yes, absolutely.

Ms. Martel: Okay. So I don't understand what the significance of those 11 was, but I'll leave that—

Ms. Gray: They're large, complex—

Ms. Martel: Big-money possibilities; is this why?

Ms. Gray: And tremendous lead times to take them to market, possibly, multi-stakeholder issues, those sorts of things.

Ms. Martel: All right. So now do you think that the policy changes have been put in place that will allow the ORC to do that work versus having to have the ministry do that work and then essentially transfer—maybe that's not the right word—give back the responsibility for future properties that might go on the market?

Ms. Gray: I think Dave and Greg can probably answer the question as well.

Mr. Glass: I understand the question. The 11 properties were identified. They're strategic. They're not simply strips of land at the edge of a town or the edge of a road. These are significant properties. They were identified as surplus. They're identified as properties that need further investigation in terms of highest and best use, public use in the future, those kinds of things.

The ministry has worked on the policy issues. They also work on the obstacles to moving those properties forward towards either surplus or alternate public use with relationships at other ministries and at the municipal level.

When the plan for the property has been determined, then the Ontario Realty Corp. moves forward on that plan through its multi-year sales plan. Once it has been established and approved, then we take over the development of the property, moving it through the zoning, working with other—whether it's broader public sector or municipal—people to determine best use, the residual, how to treat it, taking into account the needs of the local community etc.

Ms. Martel: So would it be fair to say that outside of those 11, when you have similar properties, similar potential, the same process is going to be used? The ministry is going to have the first crack at it and deal with the outstanding issues, whatever they may be, and the ORC will take it from there.

I guess what I'm getting at is the question of not having some specific expertise at the ORC that would allow you to do the same thing that the ministry is doing for you.

Ms. Gray: You know, it's really a matter of trying to arrive at an efficient process. The resources at ORC could be gobbled up on just these 11 properties. I think the work that the ministry has done in defining policy will pave the road so that for future large, complex properties we can follow the template that's being created. But rather than allocate all our resources on these 11 properties that do, as I mentioned, have long lead times to take them to market, it was an efficient way to kind of divide and conquer all the issues and keep our eye on the ball on a host of other properties that we can bring to market much faster.

Ms. Layton: So part of that template, for example, would be heritage protection protocols, the environmental assessment, the class EA process, the process to sell surplus properties to the broader public sector, because we've never had a consistent approach, as well. As Carol says, it's not as though it's going to mean that we're sitting on top of the agency for every one of the dispositions by any stretch of the imagination, but it is about the higher-level policy clearance, in a sense, and process cleanup that we can do at our end to then allow the agency to do its thing.

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Ms. Martel: Let me deal, then, with the next page, 221. The auditor said, "An internal audit report completed in August 2004 identified the need for stronger controls over the use of appraisers, and over selection practices for brokers and environmental consultants." He noted two problems that still remained in that regard, so can you give the committee a sense of what has been done to deal with that?

Mr. Glass: On the specific question that you've asked, I'm going to call on Gary Waddington. He's vice-president of sales and acquisitions for ORC. He's at the back of the room.

Mr. Gary Waddington: Sorry, could I ask you to repeat the question?

Ms. Martel: There was a need identified for stronger controls over the use of appraisers and selection practices for those categories. The internal audit showed that there have been some improvements, but some concerns still remain regarding where controls need to be strengthened, and I'm trying to get a response as to what follow-up has gone on with respect to those concerns.

Mr. Waddington: What we did initially with the internal audit report is we amended our sales guidelines and procedures to require two appraisals for higher-value properties, and we established at that point that for any properties that were valued at $500,000 or more, we would get two independent appraisals. Since that time, we've also reviewed that guideline and procedure to clarify it further to also stipulate that for direct transfers to municipalities at market value, we will—because we're not putting it on the open market, we felt it was appropriate to have a lower threshold for those properties. We've established a threshold of $100,000 or more in market value, at which point we will get two appraisals for anything $100,000 and up.

So that's how we've dealt with the recommendations of the auditor. That recent change was made after the Auditor General's report.

Ms. Martel: I don't understand the "selection practices for brokers and environmental consultants." Is that something the ORC does? Is there a list that the government has that you have to use?

Mr. Waddington: We follow procurement practices that are consistent with government policies and procedures. Within that, we've established vendors of record. We invite consultants, through MERX, to make proposals to provide services to ORC, and then from that list we select consultants to provide us either brokerage services or environmental services.

Ms. Martel: Can I ask what the concern was that was identified, then, and what changes have been made? Were you not using MERX before? Was that part of the problem?

Mr. Waddington: I think the vendor of record process was introduced about four or five years ago. We were still getting used to how to make best use of that process. I think what was identified at the time were some deficiencies in our understanding of how best to use that process. Through using the process, we've become more proficient in selecting vendors appropriately from the vendors of record and making sure that we rotate through the list and give all vendors a fair chance at getting the work.

So I think it was really a continuous improvement, a learning process, that the auditor and the audit had identified, that we needed to get better at using those tools.

Ms. Martel: Can I keep going?

The Chair: Yes. You have another five or six minutes.

Ms. Martel: I'm not sure if you need to stay or not, so hang on for just a second.

I want to go back to municipalities, because there were some questions that I asked the auditor early on that I still would like some clarification on. I'm going to end up flipping ahead, and I'm sorry about this, but it does come in the context of municipalities.

The auditor, on page 223—that might not be the one. Let me try to do this without finding the page in particular. The auditor raised concerns about a previous very high profile case where land was flipped. It's probably still in the court so we won't deal with that. But what I found interesting was that the auditor made a recommendation that the ORC should look at some kind of mechanism to safeguard, deal with, that potential. I noticed that in your response you did say that for municipalities there are clauses in place. I'd be interested to know what those are and why they can't be applied to a private sector transaction to stop that kind of thing.

Mr. Waddington: When we do something that we call a direct sale or a directed sale to a specific purchaser, which is usually a municipality, we incorporate certain provisions to protect against the purchaser flipping that property for a profit. We have two mechanisms that we typically use. There is something called a profit participation clause or an anti-flip provision that basically says that within a certain period of time—usually between five to 20 years, depending on the property and circumstance—if the purchaser of that property resells the property, the government has the option of either repurchasing the property or recouping any profit, any increase in what the government sold it for. That's one mechanism, one tool that we use.

The other tool is, in certain cases where property is conveyed for a specific purpose and use, we will look at putting a restrictive covenant on title to prevent any future change of use of that property without coming back to ORC for approval.

Ms. Martel: So if you can apply that in the case of municipalities—I can see a specific use; they're going to use it for a community centre, but you could have the potential of their using it for something else altogether that hasn't been designated—why can that same principle not be applied in other major sales of government assets, be it land or buildings?

Mr. Waddington: Again, if we were doing a directed sale to a private entity, we would look at those same mechanisms, but we've also looked at the impact. If we're putting a property on the open market, the reason we don't typically use those provisions—and there are always exceptions that we might consider—is because that's not the way the market typically operates. When any other vendor puts a property on the open market and invites bids from multiple parties, they typically don't put those types of restrictions on it because they will tend to reduce the amount that you could expect in terms of a sale price. Because we're trying to maximize the return for the public, we typically don't put those kinds of restrictions, because they will tend to depress the price that we would receive in the market.

Ms. Martel: One other question, then: Are you saying that when you deal with a directed sale—for example, to a municipality—you're not selling that at market value?

Mr. Waddington: No, we would sell it at market value. But market value in that circumstance is based on an opinion, an appraisal, because we get two appraisals, and appraisals are an estimate of value, the difference being, if we were going to sell it to a purchaser at an agreed market value based on an appraisal, we'll not have been able to expose it to the marketplace, because the marketplace is the ultimate determinant as to what it's worth. Because we haven't exposed it to the marketplace and it's based on appraisal, that's why we have those protections: anti-flip and change of use.

Ms. Martel: Appreciating what you have to say, what do you do, then, to respond to what the auditor has identified? You said you might be able to apply the same types of conditions in a property that may have more value or more potential for flipping. I don't know if that circumstance has arisen since the 2000 problem, but I'd just be interested in a fuller explanation because I didn't think that the response you gave to the auditor really met, from my perspective, the concern that was identified.

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Mr. Glass: The question that you asked about the municipality—there is a potential conflict. If the original intent—for example, when we do a direct sale to a municipality—is that it is for a public purpose, then we will typically sell it to them at market, an appraised value, as is, with whatever its current zoning is. A municipality would then, for example, zone it institutional, which is what the intent was of both parties. A municipality could also at that point zone it industrial or residential, in which case, in the blink of an eye, it has a very different value. That's one of the reasons for the different treatment. On the private sector or the open market sales, it's not typical in the industry that you would put those restrictive covenants out in your RFP. The typical response would be to lower the price.

What we've done is put a tracking system in place to watch activity in terms of ownership related to those properties in the following 12 months. That's kind of a reactive measure, but at minimum we will learn something to guide our behaviour in the future; from a proactive perspective, the things that Gary was talking about related to our sales and acquisition policies in terms of getting two appraisals, making sure that the appraisals are current—versus 12 months old, the minimum is six months old—because the market changes.

We're also moving in a direction of developing these properties, which could include working with a municipality to change the zoning so that when we take it to market we get the higher price as a result of the zoning change.

There's one other thing that was coming to mind and I can't remember what it was.

Ms. Gray: I think it's also applying that risk return model and deciding, do you take advantage of market conditions today, having a pretty good idea what your return would be, or do you take the risk of going through rezoning changes that may give you a higher return tomorrow but your market conditions could change tomorrow? So it is an evaluation process.

Ms. Layton: It's also about knowing, therefore, all the different properties that we have and the environmental context in which we are, the market conditions and being strategic about when we dispose of them and when we don't. So just don't sell for the sake of selling; think about achieving ultimate higher value by just waiting or, as David and Carol said, taking it further through the zoning process at our end to achieve the higher value.

Ms. Martel: It's more the private sales that I'm trying to get at. I hear what you're saying and I appreciate all that.

Mr. Glass: I remembered what I was trying to remember. We need to be smarter, because we're dealing with people who are smart, and that's the result of this particular bullet. We've built up capability and capacity in our development group so that this kind of thing won't happen again, because we've become more astute, because we have capacity to deal with that. If you look at this particular example, we relied on a consultant's report that suggested that the property had a lesser value due to a particular liability. That information was in fact incorrect. The other side of the transaction recognized that.

Ms. Martel: I get it.

Mr. Glass: We don't want that to happen again.

Ms. Martel: Thank you.

The Chair: I'm going to the Liberal caucus now, Mr. Lalonde and then to Mrs. Sandals.

Mr. Jean-Marc Lalonde (Glengarry–Prescott–Russell): I have a few questions. First of all, thank you very much for coming down to tell us or debate the issue that we read in the auditor's report. You said that the ORC has 50 years' experience and also that the new CEO has been there since September 2006, I believe. When you said September, I believe you referred to 2006. You also said that you were impressed with the corporation. Did you get a chance to read the auditor's report to find out where the weakness of this operation of the ORC was? As you've witnessed, you could answer all of those questions right after.

When we decide to dispose of property, you said, or somebody said, that you go to two appraisers. Are they always the same appraisers? Because we've known in the past that appraisers sometimes appraise it higher so either they can get the higher loan from the financial institution or that others are going to get it lower to accommodate the purchaser. What I've seen in the past, though, is that we tend to depend on the MPAC report. In the report, it refers to this property that was sold for $1.6 million over the price that it was purchased from the ORC within a period of seven months. The government assessment board in the past was operating a little differently from the one today. The one today, MPAC, would refer to the sales done within the area, the sale price of those properties within a certain area. We know that when the properties are sold by the private sector, the real estate—to get additional funding pretty quickly, they would assess the buildings way lower than the real market value.

So my question is, how do we decide the real market value of that property? Is it decided according to today's MPAC report or assessment, or is it according to the knowledge of your people within the ORC?

Mr. Glass: Let's start, I guess, with the 50 years. I'm not—

Ms. Gray: Yes, a point of clarification: That was, I think, a quote that you took from me. What I was describing is that the cumulative experience at the board is over 50 years of experience in real estate. So that's at the board level. I just wanted to clarify that.

Ms. Layton: The Ontario Realty Corp. was actually established under the Capital Investment Plan Act in 1993, and it evolved from something called the Ontario Land Corp. So it was about experience.

Mr. Glass: I think the second question had to do with a comment that I made about being impressed with the Ontario Realty Corp. The question was, had I read the auditor's report? I mentioned that I had read the auditor's report in September. Through the last six or seven months, what I have been learning, including having read the auditor's report, is that yes, I'm impressed with the Ontario Realty Corp.

Mr. Lalonde: With 100% of the operation?

Mr. Glass: Any organization has room for improvement.

Mr. Lalonde: Thank you.

My last one, I guess—and my colleague Ms. Martel asked a good part of the question: When a property is sold by a school board, we have no jurisdiction over that?

Mr. Glass: That's correct.

Mr. Lalonde: I wish we had, because a school board at the present time has sold a property for $1—we know where it is—to a developer. I would agree if that property had been sold to the public sector, like a municipality or a school board or a hostel, for example—

Mr. Richard Patten (Ottawa Centre): A volunteer organization.

Mr. Lalonde: —a volunteer organization recognized by the municipality. In this case, when I see this sold at $1, I fully do not support this.

Mr. Patten: To whom?

Mr. Lalonde: To a developer.

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Mr. Glass: I'm not familiar with the example. I would understand the concern. I think that is one of the values that we have working on with the Ministry of Public Infrastructure Renewal, the policies and the thinking behind the broader public sector. The entire assets of the province are now being looked at, including the broader public sector. We've had discussions with the Ministry of Education, as an example, about exactly your point, and being able to assist the school boards, through the Ministry of Education, in maximizing the value of those assets in terms of disposition, if that is one of the alternatives.

Mr. Lalonde: Just to go back to the government's property, ORC property, like this property that was sold for $1.6 million more within a period of seven months: I don't mind if it is to include added value. If you change the zoning and happen to build a building on it, we recognize that there is added value. But on a property like this one, I'm not impressed at all. Someone must have been asleep when this was sold.

Mr. Glass: I wouldn't disagree with you. I'm glad it didn't happen under my watch.

Mr. Lalonde: Thank you. Those are the questions I had, Mr. Chair.

The Chair: I don't know whether you're referring to that high school in Smiths Falls.

Mr. Lalonde: Smiths Falls, yes.

The Chair: Basically, the problem there was that it was going to cost the board more to rip it down than the value of the property. I suppose that was so they—

Mr. Lalonde: I didn't name the place.

The Chair: There's no reason not to, because there was logic behind their decision as well, because of the environmental cleanup etc.

Mrs. Sandals, your question?

Mrs. Liz Sandals (Guelph–Wellington): Okay, thank you. Actually, this is all a very good lead up to where I was going to ask some questions around the sale of public sector land. Let me start off by saying that I'm not debating the notion that if you're going to sell public land to the private sector, then you need to do the highest and best use so to maximize the value. But given my past experience selling schools that have been closed, when you go to sell public property, the community has very strong opinions about how that property should be used. My experience would be that the most successful sales when we were selling closed schools tended to be sales that involved quasi-public sector use, so a community social service agency hub, a church conversion to an old-age home, those sorts of things.

So in a lot of cases, in fact you're not doing a highest and best use sale, if you get right down to it, because highest and best use would probably be high-density residential. What you are doing is best community use. Maybe I'm sort of challenging the assumption of the Auditor General here that it's always highest and best use.

I happen to be the owner of one of the 11 properties which is fraught with all sorts of problems, in which the municipality would have significant opinions about not using the land for highest and best use, in which the public would have very strong opinions about the land use, and in which some of the local stakeholders would have very strong opinions.

What I'm getting around to is, when we're doing significant public sector land sales, is the assumption that you are always going to do highest and best use the right assumption? Or if you're selling significant community properties, should we be looking more at best community use? The voter, the taxpayer, looks at this as a property which already belongs to them and how it's going to be used in their best interest. They look at this as their property—not the ORC's property but their property. So I wonder if you could talk about that notion that in fact you're not always having a conversation about highest and best use from a real estate point of view, you're having a conversation about best use from a community point of view, and those are quite different conversations.

Ms. Layton: Back in November 2005, when the government did ask that there be a policy rethink about the surplus properties and the disposition, the first principle was to make sure we were representing the public interest. It's not just about the bottom-line dollar to the fiscal plan. So in the case of the Guelph example, we appreciate that we had to stop in our tracks, regroup, and make sure that as that initiative got under way, and there was a lot of anxiety in the community, we really had to think about it and start over and engage with the various parts of the local community and, first and foremost, appreciate that this is an asset for the city, to be used, and to be used most properly. So I think we're happy with where we are at that stage now versus where we were about two or three months ago. We learned some lessons on that.

Mrs. Sandals: Yes, and I suspect there will be a whole lot of lessons learned, by the time we're through this process, that will be useful in approaching some of those other major blocks of public sector land.

I guess going back to the conversation you were having with Ms. Martel around the relationship, the PIR role in these major sales, I would like to reinforce that my observation—because, again, I'm dealing with one of these properties on an ongoing basis—is that the ORC role is the one that we defined for ORC, which is the real estate role, and the PIR role has been that larger stakeholder intervention/public consultation role. In rethinking, as you've said, how this process has to unfold, I've actually been quite impressed with the way in which PIR and ORC are sorting out their roles in terms of ORC as the real estate manager and PIR as the consultation manager, if I can put it that way, so that when we come together with those two roles, in the end we are developing a process and will have an outcome that is in the public interest, which isn't necessarily in the best interests of ORC's bottom line but which I think will be in the broader public interest.

So while it may sound on paper like this is a very odd sort of relationship, to have the ministry involved in the sale, it's because it isn't strictly a sale. It's actually because it's a public consultation, and that's why the ministry comes into play, because it isn't all about real estate. It's about something that's much bigger than real estate.

Ms. Layton: And that partnership is critical, but that partnership isn't needed on each and every—

Mrs. Sandals: Exactly.

Ms. Layton: The ORC's real estate portfolios are huge, and there's also the other function it does in terms of, for example, consolidation of leases. One of the proudest initiatives that I have—I played a very small role, but it's one that the ORC takes all the credit for, or in my mind should take all the credit for—is the recent consolidation of 11 ministries in Ottawa into one building and the huge space savings of that sort of thing. That's where the ORC saw leases coming up for renewal, saw ministries distributed all over the city, and were able to identify a building that we could move into, and we now have an Ontario government presence in Ottawa in one entire building, or soon will. I think it was the ORC calling the shots on that one, and doing it within the mandate that they have of making those operational decisions.

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Mrs. Sandals: Anyway, just to make the observation—and actually, I see that consolidation in Guelph at the OMAF building at 1 Stone Road. Other people have been brought in to populate the empty space there, which is much better than renting additional sites. At any rate, I just want to make the observation that when we look at this from a public accounts point of view, we tend to be looking at maximizing fiscal impact. But when you get into some of these property issues, there are other community impacts that have to be considered as well as the fiscal impact, and the community I come from has made it very, very clear that there's a community impact here and you have to pay attention to not just the fiscal impact.

Ms. Gray: Another good example of that is the Leslie Frost centre. I don't know if you're familiar—

Mrs. Sandals: Yes.

Ms. Gray: Ultimately, the decision was made to continue the use of that property and land for the interests of the local people in an environmental management education forum. But the role the ORC played in that was to find the best operator that could fulfill on that mandate once it was determined that that was really the best use of that property.

Mrs. Sandals: Yes, and I think ORC in this particular case—once PIR has done the consultation piece, then ORC will become the implementer of the outcome. Thank you.

The Chair: In that the time is just about up for the Liberal turnaround, we'll come back there. Mr. Hardeman, do you have a few questions, then?

Mr. Hardeman: Yes. Okay. I just want to go back very quickly to the MOUs. They're public documents?

Ms. Gray: They're not published on our website, although we could make them available to you.

Mr. Hardeman: I guess my question really refers to how there has always been one. Is that my understanding, that there has always been an MOU between the ministry and Ontario Realty Corp., even before it transferred to the infrastructure ministry?

Ms. Gray: I can't speak to that because I wasn't around then.

Ms. Layton: The directive that developed, in a sense—the accountability framework—was back in 2000, which identified MOUs as a key instrument to define the roles and relationships. There should always be an MOU, to be perfectly fair. They can take time to get resolved and signed, and there's an approval process that they go through. But when you think about it, with the fairly recent chair and very recent CEO, an MOU that has made its way through the decision-making process pretty lickety-split just shows you the huge support, co-operation and responsibility that this agency has paid attention to in working with the ministry on the development of this.

They take time, but MOUs aren't stale documents, either. When a new chair comes in or a new minister comes in, they should be looked at. As government policy changes, MOUs have to be refreshed. They are in a constant state of flux.

Mr. Hardeman: Were there any changes made with the present agreement caused by the auditor's report? Did the process that had been put in place to correct some of the deficiencies require changing of the MOU?

Ms. Gray: No. The MOU is still at a high level. I think it's once you get down to some of the specific operations, procedures and so on; that's where changes were made. But there was nothing in the auditor's report that would cause us to rethink or change the sets of responsibilities as defined in the MOU.

Mr. Hardeman: With that, I want to go to the question Ms. Martel talked about earlier, about the sale of the properties that went back to the ministry because they were a large project and too complicated. It would seem to me, if anything, that should be the opposite direction.

We have the Ontario Realty Corp., professionals in managing, buying and selling properties. When you have a technical one with a lot of complexities to it, you would think you would want that professional organization doing it, as opposed to sending it back to the ministry. They don't have any reason to do that; the professionals are all at the Ontario Realty Corp. I can't understand why the ministry would be involved there.

Mr. Greg Dadd: If I can just clarify the process, perhaps going back to how the properties were identified, I think the first point to make is that the properties aren't transferred per se. All the properties are owned by PIR, so we're acting as an agent on their behalf. There's no transfer of title or that sort of thing.

The identification of the 11 properties started at ORC. In other words, we started looking at the opportunities, in terms of properties that represented some greater value, perhaps, or properties that were surplus in the inventory that we felt offered some opportunities for something different than a straight disposition: put up the for-sale sign, get rid of the property—very easy. These were a little bit different in that they, in some cases, were in-use properties whose programs would be changing at some point in the future and therefore represented an opportunity that would be coming up. They were surplus properties that had implications for the local municipality, like Mrs. Sandals was talking about, for example. They were properties that, albeit they represented revenue, really had a couple of components to them. One was multiple stakeholders. There could have been policy implications around the surplussing by the ministry. There could have been greater government good; again, I refer back to the property that Mrs. Sandals was talking about.

It was really going back to the ministry and saying that these are opportunities, but there are a number of things that need to be done before we can actually dispose of these properties. These are not "put up the for-sale sign and get rid of the property," so you need to help us because either an existing policy precludes us from moving toward this best revenue or best return for the government, it precludes us from entering into some of these conversations, or it makes it a little more difficult around the kind of conversations, or tell us who the conversations should be with, in terms of the stakeholders. What does the government want to do, aside from a straight real estate play? Carol Gray mentioned the Frost centre as an example. That wasn't a straight real estate play at all, so we needed to get input from the ministry. That was really how the identification of the properties was then. It was more like, "Here's the portfolio of these. Help us work out all of these issues around the properties."

Maybe that clarification will help a little bit.

Ms. Gray: I also want to point out that at no point does ORC absolve itself of its role of providing strategic real estate advice. That is a continuous requirement of ORC from the get-go right through to whatever finally is decided on these properties.

Mr. Hardeman: I'm still a little concerned that the Ontario Realty Corp. would not just ask the government for their position on those issues that were of concern to the realty corporation, get that information and then deal with the property beyond that, rather than turn the function over to the ministry to work, and ask for your advice, I suppose, giving their requirements and then going on with it.

Ms. Gray: Maybe we've not characterized it properly. I would not characterize it as turning the properties over to the ministry.

Mr. Hardeman: It relates to the same issue. The auditor's report mentions the 330 properties that were given to the Ontario Realty Corp., shall we say, to deal with; of those, only 140 were dealt with. We relate to the 11 that were given to the ministry because the ministry had to make policy decisions whether they should or shouldn't be dealt with. Why, with your limited resources, were you looking to add to that list when you had 220 that had not yet been dealt with? Why didn't we deal with those and get on with whatever action needs to be taken for those that are sitting there? Government has decided they want to deal with them, but Ontario Realty Corp. just hasn't been able to make it happen.

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Mr. Dadd: I think we've come a long way since the basket of 330 properties was put together. At the time, we created what was called—in terms of the property disposition process, just to clarify in case there are those in attendance who may not know, you have to have an order in council in order for us to dispose of the property at the end of the day. That gives us the ability to then go and sell it. We created a basket of these 330 properties that was really a grab bag of a whole bunch of different things. I have to tell you, at the time—again, this is going back in the past—there wasn't as much thought put into what was included in that basket of properties and the strategic approach that Carol talked about earlier around the portfolio. We're moving in a different direction now, and it's how we came up with this even much smaller subset.

In those properties there were some that were still in use. For example, unless the intent is to stop the government program that's being delivered in that particular property and move it somewhere else, you really can't dispose of it. There were properties that, after they were suggested to be sold, once we were going through our due diligence process around the things we have to do, for example, around our class environmental assessment, we realized that there was environmental liability around the property. When we did the business case to assess how we were going to dispose of this, the costs of remediating the property to allow us to sell it far exceeded the revenues that were available.

Again, looking at it from a business perspective, we would rather put that investment into properties that would give a reasonable rate of return, or a rate of return at all, to the government. It was this mixed group of properties that was really the cause of why we started with the 330 and sold about half of them. There were also some properties that, at the end of the day, when you put them on the market, nobody was really interested in. It was a whole bunch of different things we ended up with, which is why a couple of years ago we said, "Let's take a time out on this. Let's go back and reassess the portfolio from a whole bunch of different perspectives, including what properties can we reasonably sell," understanding that you're not always going to sell 100% of your properties. You're going to start with a larger group and start winnowing down and spending money on assessing environmental issues, assessing the saleability, assessing where it stands in the current market environment: Do you want to sell it now or do you want to wait because there's some other event occurring that could raise the value of that property and, therefore, if we wait a little while we could sell it later for a much better rate of return?

We're being far more selective about what we put into our multi-year sales plan, as I said, assessing from different perspectives. Out of that assessment were the 11 properties that Ms. Martel referred to earlier, as well as the other properties that are in our multi-year sales plan. So we've become far, far better in the use of our resources, and that's both the people looking at this and the costs being spent to prepare properties for market, than when we started with this 330.

Ms. Layton: So within the vast inventory, in a sense, through all the factors that Greg has talked about, we've identified the priority properties to really put some focus on.

Mr. Hardeman: Just a final one. You mentioned getting some return, that the cost of remedial action is greater than the—do you make decisions based on—as we would with our local service station—that it's got to be cleaned up? Even though the present owner of the property is going to be out money, he's not going to be out as much as if they do nothing. He still owns the liability. Do we ever clean them up and sell them at a loss?

Mr. Dadd: Sometimes we do. We assess how easy it is for us to stabilize the property to ensure that any contamination that's on the property isn't going to spread anywhere. Even if we sell the property we still hold the liability, so we have to do a cleanup at the end of the day. Part of it is assessing if the cost is so excessive that it really doesn't make a lot of sense from a business perspective. When you're trying to assess priorities of where you apply the limited amount of dollars and resources that you have, that's where it comes down to that decision, if it's a huge amount or if it's a small amount, and then do the remediation, or in the case where it doesn't make sense to dispose of it, then we do stabilization to ensure that any contamination that's on that kind of property stays on that property and goes nowhere else.

Mr. Hardeman: Thank you. I think Mr. Sterling wants to ask a—

Mr. Norman W. Sterling (Lanark–Carleton): Yes, I'm interested in this discussion particularly because of the government's intention to close Rideau Regional Centre in 2009. There's a 350-acre parcel of land there with extensive buildings on it—a huge site. Last summer, I believe, I met with the minister of infrastructure, Mr. Caplan, and with the mayor of Smiths Falls. My concern as we go forward, from the discussions I've heard this morning, is that ORC only has a certain number of the cards to deal with this situation going forward. If there's half a million square feet of space at RRC, I don't know whether, bottom line, it's a liability overall or a positive in terms of where they're going. But essentially, this community of 9,200, as many people know, has suffered very much in terms of loss of jobs. In a community of 9,200, Rideau Regional Centre represents 800 jobs. Hershey is going to close their plant there. We're hoping to reverse that, but if plans go according to what they have said, that's another 500 jobs in a town of 9,200. As the mayor points out, that would be the equivalent of losing something like 100,000 jobs in Ottawa, just an enormous impact on the economy. What the community and the mayor are trying to do is look for opportunity to use RRC land, which, coincidentally, isn't actually in Smiths Falls but in the adjacent township, but uses Smiths Falls services. But what the mayor and the adjoining mayor are trying to do is to get as much economic opportunity out of that site as possible when it closes in 2009 if the government, again, doesn't change their plans with regard to that facility.

Now, what I'm seeking here is a structure for that to occur. ORC now has been given responsibility for this piece of land. We were informed of that last summer. As far as I know, there has been no assessment of the buildings, of what state of repair the buildings are in. I have not been informed about that. I don't believe the mayor has been informed about that. There's no structure for decision-making as we go forward. If the community is lucky enough, or another level of government or a private interest comes forward, how do we get decisions made in a fairly short period of time if an opportunity should appear on the horizon? There's no structure for this to occur as we go forward. If I go to ORC, I may get bounced over to a minister, or the town may get—I'm talking for the town now. We may get bounced over to a minister, etc.

From my point of view, there should be some kind of formal agreement between various partners as to what happens if an opportunity comes forward, what are the opportunities being offered to the town or the community to try to make the best of a very bad situation. So I'm looking for a response as to how my town can go forward.

Mr. Glass: We have the Rideau centre on our books to deal with. Quite frankly, it's a liability rather than an asset. If you looked at the 500,000 feet of buildings that are on there and looked at it purely from a demolition point of view, we're looking at costs that are at least twice, if not more, the cost of the land if it was turned back to farming, as an example.

We're more than willing to work with you, to work with the municipalities to discuss how best to use that asset to support the community, so call me or have the people in Smiths Falls call me. We're currently conducting some environmental reviews on the site. We understand the circumstance in Smiths Falls. This is the approach, quite frankly, that we will be taking with any municipality. I think we've learned something in Guelph, and I think we're going to move that forward. There are a number of other municipalities that we will be working with and are working with in a similar manner.

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Mr. Sterling: We need an assessment of what the property is about; in other words, what are the good structures, what are the bad structures? The government invested and committed itself in 1994 to about $10 million of renovations etc. They put in a brand new heating system and a brand new laundry. There are some uses for some of those assets.

The community needs—they don't have money where they can undertake the kind of studies necessary for them to present to somebody who might have a use for this particular land or facility. They don't have the money to go forth and say, "This building is good"—I mean, the nurses' residence has been vacant now, as I understand it, for 10 or 15 years. It probably should be ripped down now.

How can these decisions be made to go forward? In 2009, two years away, I just don't want, as the last resident leaves, that the lock goes on the door and the place falls down. We've got to look for something more than that.

Mr. Glass: I would agree, and we're more than prepared—

Mr. Sterling: So I will call you and I will attempt to enter into an agreement. I will also ask you to try to perform some kind of assessment as to the state of repair of this place and what the exit plans are for the government with regard to what they're doing there. Are they going to be out on January 1, 2009? Are they going to be out on October 31? Can it be partially occupied by other people or not?

As you know, the OPP have their regional headquarters there, and they are interested in it as well. We don't want to lose them as tenants for this particular property. We've got to start making decisions and get this thing at a higher plateau than it is presently in terms of what's happening. The mayor has to be able to really control or to be very heavily involved in this. His community is under great duress at this time.

The Acting Chair (Mr. Richard Patten): So there's no truth to the rumour that you're running for mayor?

Thank you, Mr. Sterling. Ms. Martel.

Ms. Martel: I'll just return to some of the questions that I had. On page 223 of the report, the auditor, in talking about how ORC can deal with an assessment of existing space and needs, pointed out that right now there are no mandatory requirements for clients to report their space usage to the corporation. I think someone said that you're getting some information now from government services that may not have been coming before, but what do you get from individual ministries, and in how timely a fashion, about what their needs are so you can make some better assessments about the space that you'll need?

Mr. Dadd: There have been a number of things that we've done in the organization to try to move ahead of the curve in looking at space needs and trying to assess them much better ahead of time. One of those initiatives in terms of an organizational structure is establishing what are called account teams. The account teams have a portfolio of ministries for which they are responsible for understanding the business requirements. It's not just the business requirements as they stand today but understanding the business requirements going forward, because real estate is a long-term play. It's not something you make a decision about now; it's "Where are we going and what kind of spaces do we need?"

Part of that relationship development that happens between the account team and the ministry is to look at how ministries are now accommodated. For example, one of the things that we've been working very closely with all ministries on is the accommodation savings: How can they look at the amount of space they're in now and reduce it? One tries to do this from a perspective of the business case involved, so the cost versus the return. So there might be—for example, they're in an existing space. In order to get them out, you need to buy out the lease and looking at that versus the savings that you might get from being a little more efficient and the use just doesn't justify it. However, we've taken advantage of a series of opportunities, where leases are coming up, to either move ministries into government-owned space or to look at consolidation opportunities. Carol Layton referred to one earlier where we did this in Ottawa in order to achieve not only operational consolidation, but also space savings coming out of that.

Ms. Martel: On that, though, it sounds like it was the ORC taking a look at the leases and the potential.

Mr. Dadd: That's correct.

Ms. Martel: You still would have to confirm ministry numbers around how much of that is required. Is there or is there not any kind of mandatory requirement for your clients to let you know how many staff are involved, and if that's shrinking, what are the opportunities to look at consolidation as you did in Ottawa?

Mr. Dadd: In terms of a policy directive, off the top of my head I can't recall. I will say that we've gotten full co-operation from all ministries in getting this information, so it's not adversarial.

Ms. Martel: No, and I'm not suggesting that it is. I was curious as to why there wouldn't be any kind of mandatory requirement for them to report that to you on an annual basis, every six months—I don't care what the timeline is—instead of, as it sounds, your account teams having to go out and actively seek that information from the ministries they're responsible for.

Mr. Dadd: Part of it is that we're still developing and moving ahead on our information systems that we have available, so that database, for example—it's not just how many people exist in a particular program, but it's where they are. So we know where people are. Ministries know how many people they have. It's a matter now of putting those two pieces of information together on a base that you can say, "In this amount of space, you have this amount of people." That's where we're still working on the information, how we're pulling it together. So it's more from the lack of the integration of those two elements.

Again, ministries aren't withholding the information, so I'm not sure whether we would gain anything more from a mandatory requirement that they give us those numbers. We're getting them now on a voluntary basis. As I said, it's just a matter of trying to match up space with the amount of people that are in the space.

The point the auditor was making was, how does that then give you some opportunities? In some cases you really don't have an opportunity because either they're using the space effectively or the timing is not right. It would cost you more to move people out of a space and rationalize them in somewhere else than it would cost to leave them in there for now, whhile we look at the bigger picture. The difference in how we're operating as an organization, how we're working with ministries, is trying to move up the scale of how we make decisions so it's on a more strategic and portfolio basis rather than on an individual, site-by-site, building-by-building, floor-by-floor perspective that maybe we've used in the past just because it was easier at the time.

Ms. Martel: I appreciate that you said a broader view, so this will sound funny because I'm actually looking at a more specific situation on page 224, where the auditor identified accommodation around Queen's Park. The auditor said that the corporation has been trying "to conduct a space-utilization assessment for these buildings," but that's been put on hold because you're trying to get "reliable data from existing tenants." Are your existing tenants government ministries, and why would you have to put this on hold if you can't get reliable information, if we're actually talking about government ministries?

Mr. Dadd: It talks about "more complete and reliable" information. We have information. What we're doing is testing the reliability of that information. For example, it's a matching of space and where people are. There is not a really good database that gives you floor maps. So we're working with ministries on walking through space, even verifying by doing head counts and that sort of thing, so we can actually have a really good understanding of who is sitting in the space and how much people are occupying the amount of space that's available in Queen's Park.

Ms. Martel: All right. So is it fair to assume that this effort is not on hold anymore and that there are discussions/negotiations going on with the tenants in these spaces to get that information and to piece together what the needs are?

Mr. Dadd: Yes, I think that's fair to say.

Ms. Martel: Let me go over to page 229. You've talked about data and reliability, so this leads me to some questions about your RealSuite computer system. I think, Mr. Glass, you said that you are dedicating or adding some resources in the data management department? Is this an effort to deal with the concerns that the auditor identified with this particular computer system?

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Mr. Glass: Yes. They called it data integrity, data quality.

Ms. Martel: Can you tell me the nature of the resources and what they're doing? I don't pretend to understand all the problems, but there certainly looks like there were more than a few and that they were significant.

Mr. Glass: I think when the systems were first implemented there was a strong focus on entering accurate data, and then an assumption might have been made that that was good. So continued focus on data quality wasn't there. We have put in place resources to renew the focus on data quality and embed best practices through the operating units so that the data gets to a point of highest integrity and remains there.

Ms. Martel: So the issue is not the technology itself as much as it is a question of having the resources to do the inputting, to get the correct information? Would I be right in making that assumption?

Mr. Glass: That's correct.

Ms. Martel: How many staff have you added?

Mr. Glass: I believe the number is two. This is James Storozuk. James is our chief information officer.

Mr. James Storozuk: Good morning. Our data quality initiative has been formally resurrected, as Dave indicated, and we have a data quality coordinator who has been hired as of October 2006 to actually oversee the data quality improvement program. At the same time, the GIS system that Carol referred to is used as a data quality tool within our organization to help us map out our properties and link it to multiple data sets in order to improve quality. We have seven people within that group who are working towards mapping properties, verifying properties, right down to the ownership fabric.

Ms. Martel: But those are two different databases, right?

Mr. Storozuk: There are multiple, actually. The GIS actually brings it all into one place, which is a great tool to actually verify data and data quality from different systems.

Ms. Martel: So is the GIS going to at some point essentially be the tool that's used and RealSuite will be eliminated?

Mr. Storozuk: No, the GIS tool will be used as a tool that overarches all different systems. So, for example, we can go into a property like Queen's Park. We can look at floor plates. We can look at orthoimagery of it. We can actually know who the tenants are, where they are and what they're paying for rent. That information is coming from other transactional systems. The system in the report called RealSuite actually manages all of our operations, so all of our facility management transactions go through that system. The GIS is a way to actually display that in a very human-friendly way.

Ms. Martel: So in terms of the problems that the auditor identified, which in general terms was that property that was listed as vacant wasn't and the reverse—

Mr. Storozuk: What we did was we actually centralized the data quality review process within the organization to a group of key individuals who oversee all transactions of adding or deleting space. This group is responsible for ensuring documentation, ensuring the address information is correct and so forth. The data quality coordinator is one of those individuals. We've actually centralized initially to get a control on it, to be able to do a root-cause analysis against some of the problems that we have. Eventually that will go back out to business units as we review their procedures to make sure that they do it correctly.

Ms. Martel: So you've got a new position with respect to data quality coordinator. Are there other staff actually doing the more hand—

Mr. Storozuk: Other staff and business units come into the group that oversee changes in data and corrections. Every organization will have data issues. No organization gets away with not having data errors. It's just the normal course. You can't do it 100% of the time, so we're trying to narrow it down and focus on some of the problems and changes to make those fixes. Since that group has gotten together, we've reviewed 126 records within RealSuite and made corrections to those. We've looked at 306 sold land records and marked them inactive in RealSuite, so we've corrected those. We've added over 500 photos to our system to make sure that people have visual representation. We've marked 158 buildings inactive within our GIS and retired them.

We've gone through the process, as the auditor identified, to actually figure out ways to improve the quality of our systems.

We have an awareness program for our employees so they can understand the importance of data quality in their roles. We've put together a governance structure that actually helps people understand what their responsibilities are and gives them accountability for them. We've also modified some of our systems to guide them through that process so that it actually helps them put quality data into the system.

We're doing a bunch of activities to improve our data and we will do this forever. It's a constant, never-ending, continuous improvement exercise that we'll go through.

Ms. Martel: Part of my concern in looking at it was, is it a question of the technology itself and the need to replace it or would it be more an issue of staffing to manage the technology?

Mr. Storozuk: Our technology is sound. Some of the technology has to be adapted, actually, to guide our staff through the process. That could be better. The issue is really about the processes we have. We can improve our internal processes all the time and review them all the time, and in part of that review process you will find places where people make the wrong decision. We have to guide them through that process. So we're reviewing our processes all the time.

Ms. Martel: You talked about this being centralized, and then I thought I heard you say something about going back to units. I'm not sure if that means it will be decentralized again as an operation.

Mr. Storozuk: Any goal in any organization in the 21st century is to have data managed and entered at the point of the transaction. Right now, we've brought it back to understand the problem. Eventually, we want to put that back in the hands of people because, really, the staff are accountable for their effort and their work. Right now, we want to be able to control and manage it a little better and then we'll push it back out again, and business units will be responsible for data one more time and will have more accountability.

Ms. Martel: All right. You've given us a list of the changes that have occurred in terms of the records and the photos etc. Do you have—"waiting list" is not what I'm looking for, but a list of ongoing issues like that that still have to be dealt with, or are you up to date, essentially, on the transactions?

Mr. Storozuk: We're up to date on what we know is in error. We're moving towards putting more tools in place to actually identify errors. We have a tool now that does comparisons among our systems to look for discrepancies. So now we're actually looking for the problems to try to fix them in advance.

Ms. Martel: I don't think I have any more questions, then, on that particular issue, so thank you very much.

I had a question around progress towards the inventory of assets, Mr. Glass. In your remarks you said you were making some progress there. I'd like to get a sense from you of where you are on that and how much more work would be required so that we have a more complete picture of what the government owns and manages.

Mr. Glass: We have made quite significant progress in the area. We put a project together that involved developing and building an IT solution for this, training and educating people on that system, data collection, search verification and, with the GIS, the mapping of all of the properties.

The status to date is that the system is developed and it's operational. We're using the GIS as the basis for data entry and to review its functionality. The training has been completed for all ministries. Some 9,300 properties have been added to the system, over and above the 4,500 properties that are owned by the Ministry of Public Infrastructure Renewal.

Our next steps are to move it towards some specific agencies, boards and commissions that also have real estate holdings. Then, following that, the broader public sector, but that's at the thinking stage versus the planned and scheduled stage.

Ms. Martel: I appreciate that information. Outside of those properties, if I understood the auditor's report correctly—and I should know this but I didn't—it appeared that MNR, MTO and GO have their own properties as well. I don't know the historical rationale for that. So who is keeping track of what those assets are, making sure there is a correct inventory etc.?

Mr. Glass: We're working with five ministries: transportation, natural resources, environment, municipal affairs and agriculture. They are ministries that own real estate assets. So far, they have entered 9,300 of their properties. That's where the 9,300 came from in addition to the 4,500 PIR-owned properties. There's still more work to be done in terms of data entry by some of those ministries, but it's progressing on schedule.

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Ms. Martel: So the 9,300 essentially come from those five ministries that you've just identified because they're the owners.

Mr. Glass: That's correct.

Ms. Martel: So in terms of disposition, what's their connection to ORC? I ask this question because not so long ago we had an issue in one of our smaller communities of a company trying to get hold of a property that was surplussed by MNR. We ended up going back to ORC to have those dealings and issues and questions answered, not to MNR. When I read this I was thinking that that's not our experience, in essence; the experience still was with ORC. Is the difference just that these ministries own the land, but in terms of any kind of disposition it all goes back to ORC?

Mr. Dadd: Not necessarily. Maybe what I'll do is ask Gary Waddington to come back up again because he can explain in a little more detail, perhaps, and clarify for you.

Mr. Waddington: Sorry, to recap the question, it was, does ORC have a role in—

Ms. Martel: Well, I wondered if the only difference between the five ministries that Mr. Glass has just referenced and the other properties is that those ministries actually own those assets, but when it comes to disposition, declaration of surplus, those issues are still managed by ORC. Is that correct?

Mr. Waddington: Yes, that's correct. There's a process. As an example, there's an agreement that ORC has with MTO to review their surplus properties and then transfer those over to ORC for disposition.

Ms. Martel: And in the other cases, is that the same?

Mr. Waddington: In the case with the other ministries, it's less formal, but they have surplus properties that were used by them. With MNR, they have a lot of crown land that's not patented, as you probably know, but if it's a patented property that's surplus to their requirements it would come to ORC to deal with.

Ms. Martel: And the appraisals, if any, would be conducted by ORC?

Mr. Waddington: Once it came over to ORC to deal with, it would follow the exact same as the sales procedures: an appraisal and environmental review, all of those aspects.

Ms. Martel: I think that answers that question; thanks very much.

Can I just ask some questions about—

The Chair: Before you start, perhaps we'll wait for another round before you can get back to those.

Ms. Martel: Okay.

The Chair: I'm now going to go to the government side. Mrs. Mitchell, you want to ask questions, and you're entitled to ask questions as a substitute, but I do think it's important that people know that you are the parliamentary assistant to the minister responsible for this agency. The government has in the past not had the parliamentary assistant asking questions in this committee, but I think it's—

Mrs. Carol Mitchell (Huron–Bruce): It's my understanding that it's not the practice.

The Chair: The standing orders allow you to ask questions here; they don't allow you to ask questions in the House if you're a minister. There has been some comment before that they voluntarily don't do that. But you may go ahead.

Ms. Monique M. Smith (Nipissing): That's just not true. Mr. Chair, I asked questions when we had the Deputy Minister of Health here when we were talking about—what were we talking about?

The Chair: Yes.

Ms. Smith: There was no issue then and you didn't raise it then. I just don't understand why you've raised it now.

The Chair: There has been an issue before. I take issue with it and some other members take issue with it. But go ahead, Mrs. Mitchell.

Mrs. Mitchell: First of all, I would just like to reinforce I'm sitting in today, but I'm here as a substitute and I happen to be the parliamentary assistant. Other members have been allowed to ask a question and there was no exception taken at that time but there is at this time. I do want to put that in the record.

But I do have several questions. One of the things that I think needs to be more strongly reinforced is how you deal with the deferred maintenance on your buildings. You talked about heritage buildings and you talked about the inventory you have. But with such a large inventory, how do you ensure that the maintenance needed is there when it is needed to maximize the asset management?

Ms. Layton: I can start with that, if you want. Absolutely: The need to deal with deferred maintenance is a priority on every front on everything, whether it's hospitals, transportation, and certainly the government's owned property.

There are interesting statistics that I know the Auditor General has in his report that show the average age of buildings and facilities. The government, through the ReNew Ontario five-year plan, has been able to increase the resources that are available to the agency. We've gone from a $74-million level up to $160 million this coming year to help address the deferred maintenance issue.

The other point I'd make that is worth noting is that because we have public works initiatives like courthouses and other government facilities also being financed and constructed through the alternative finance and procurement route, we have another agency assisting with much-needed redevelopment of important public works projects. The Durham consolidated courthouse is a great example of that.

Deferred maintenance is certainly recognized as something we have to address. It's a multi-year initiative, and it's one we have to tackle within the confines of the fiscal plan process as well, but it is one where we have been able to achieve higher transfers to the agency to be able to address that.

The other aspect of it is the charging for accommodation part, which is a more sensitive issue—that is, how much do we put the cost onto ministries? Is it a robbing-Peter-to-pay-Paul type of initiative? That is something where the CAO is again, and it's recognized in the Auditor General's report. There are concerns about the extent to which we move forward with higher charges to reflect, in a sense, their use of property.

Ms. Gray: Just one final point: Limited resources are probably a fact of life, but it's how you spend those resources, identifying the priorities and strategically making the decisions around where to put the money; that's one thing. Secondly, it's having the quality programs in place to ensure that the projects, once they are actually embarked on, are delivered on time and within budget. It's not just about having enough money. That's an issue, but once you do have the money, it's making sure you're putting it to its best use.

Ms. Mitchell: Thank you. One of the pluses that the auditor raised was the performance indicators you have in place for the external managers of your properties. What I would like to know is a further expansion: What are those indicators? Are they directly linked to a financial penalty if the indicators are not met?

Mr. Glass: Yes. In terms of penalties, that's correct. The penalties are in place. If they don't achieve certain levels—if they're, for example, below 80%—they don't get any incentive. If they get to 90%, they get a portion of it, and at 100% they get all of it.

In terms of the actual measures, I'm going to defer to Greg.

Mr. Dadd: They would be the kinds of things such as how they maintain their properties in terms of levels of cleanliness, the feedback from our tenants as far as customer service, and their operating budget that we established at the beginning of the year—how are they able to maintain that operating budget or accrue savings for that? In total, I think there are now about 42 different indicators that we have assessed independently, as well as assessment from our property management staff, that are evaluated at year-end and will then lead to either a sanction against the service provider if they haven't met minimum targets or a bonus structure if they in fact have met that. And then we have that audited.

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The Chair: Mr. Patten.

Mr. Patten: It's good to see you. As some of you probably know, I have some experience with the predecessor of the corporation, which I think, by the way, has a very important job. So my questions are friendly questions, because I'm curious.

The areas that, of course, people look at are the financial, the competencies related to real estate management and all this kind of thing, but often for the local representative it's the appropriateness of the positioning, the service, whether there's a storefront.

In Ottawa, for example, we have community and social services on the eighth floor of 1 The Driveway. We have trade and economic development on the eighth floor of the Elgin building, and now small business.

I must say, by the way, that one-stop shopping with the three levels of government at city hall is very good; we have had good feedback on that.

My question really is in terms of accommodations and some consolidations. Who does that? Do you have people in Ottawa, or do you farm out others who will perform that?

You were talking about Preston Street. That's the new building?

Ms. Layton: That's correct.

Mr. Patten: So there'll be a lease arrangement. It's not too far out of town. It's in my riding. But do you know what? No one ever spoke to me. They probably think politicians somehow are so partisan and so tainted that often bureaucracies are hesitant. But I would say, assume the best of our elected officials; that they really are interested in their community. They see what things look like on the street. They get feedback from people.

I can recall that when I first got elected, the Congress centre had no sign. There was nothing about the presence of the provincial government. The courthouse—what a fabulous courthouse that is. The new courthouse—it's not so new anymore, but it still is state-of-the art; it was at the time. There was nothing that said, "This is a provincial courthouse." In a town so dominated by the federal government, those little symbols of the presence of the provincial government and what we do are so very important because, in the daily lives of people, quite frankly, we do more than the federal government does. But that's not the image in the community. So I give you that backdrop.

I would be curious to know, on the consolidation aspect—your clients really, I guess, are the ministries that are there—what functions and contacts they have. Any of them that have client services directly—meaning citizens—probably are in the one-stop-shopping area, but I don't think all of them are. I'd be curious to know how that has worked out and what the overall objective was in the consolidation of all these services.

Mr. Glass: I'm going to introduce Lori Robinson on this. She's our senior vice-president of strategic asset management. The entire strategy around the Ottawa co-location and subsequent co-location activity falls under Lori.

Mr. Patten: By the way, I don't need massive detail, because my colleagues, I'm sure, aren't interested—just conceptually and in a summary way. I'd be happy to follow up at another date to get more detail, because it's in my riding and no one has talked to me about it.

Ms. Lori Robinson: Absolutely. We do start with the program needs, in working with all of the ministries. From a real estate perspective, we looked at all of the lease locations that we had available, looked at the amount of locations which didn't make sense from a program perspective, and met with all the ministries to talk about what made sense from a consolidation point of view. We then took that information and looked at the Ottawa market. With every ministry, you need to look at where their location of program delivery is. We would like to have done an even larger co-location. There was a requirement or a request to do larger, but because of program delivery areas, we had to limit it to what we ended up with.

Within the co-location itself, what we've done—we have multiple floors, three-and-a-bit floors. We do have the public coming to the building, but we've kept the public-access, front-facing ministries together on the floors where they will have the public coming in. On the other floor and a half where there isn't public, but back office operations, we've consolidated those so that we get a fairly functional plan within how the building will operate. Does that answer your question?

Mr. Patten: Yes, it does. Do you have staff in Ottawa?

Ms. Robinson: Yes, we have a regional office in Ottawa. We have a local project manager who has been hired from a third party company to be the eyes and ears on the ground and ensure that the project gets completed on schedule.

Mr. Patten: Okay. I wouldn't mind a briefing. I think some of the other members in the area would welcome the opportunity as well.

Ms. Robinson: I'd be happy to do that.

Mr. Patten: Thank you very much.

The Chair: Shelley, you had one short question?

Ms. Martel: Actually, Chair, I wonder if I can just get it in writing, given the time and that I've just received a note to come upstairs. I would like it if you could just give us some additional information as a committee in terms of what you've done to resolve the auditor's concern about the use of unit price contractors? If you could get back to us about the steps you've taken to deal with that, I'd appreciate it.

Interjection.

The Chair: Mr. Hardeman.

Mr. Hardeman: I want to go to the issue of allocating sufficient floor space for the ministries. I noticed the issue of the relocation in Ottawa, where you're putting ministries together. How do you go through the process of getting the information from the different ministries and the concurrence that they're willing to move? My understanding was that generally ORC just asked the ministries if the present space is sufficient and, it not, if they want to get rid of something they don't want to pay for, then you're looking for change, but that the decision to do it is actually made by the ministry, as opposed to ORC. How do you go about downsizing the amount of floor space with the consent of the ministries?

Mr. Dadd: Our experience has actually been very positive in doing that. I think if you look at some of the space that ministries are in now or tenants are in now, it is because of the particular design of the space. Perhaps the approach to workplace design at the time, with a lot of closed offices on the perimeter of a floor, for example, and workstations sprinkled somewhere in the middle of the course, is not a terribly efficient use of space at the end of the day.

We sat down with ministries and looked at how they can improve morale, frankly, with the staff, help make their space more efficient, look at some cost savings that they're also looking for, so it's from some different levels. You can start with, very simplistically, that you're in this amount of space and we think, just as a rule of thumb, that you can be accommodated in approximately so many square feet per person, so here are the numbers just to look at that. But in doing that, one of the things that I think has been very helpful in persuading, for example, the multiple ministries and operations that we're looking at in the auto consolidation, because that's probably one of the largest we've dealt with so far, has been to say, "Just look around at the space you're in. Not only is it inefficient, but it's not very nice space in terms of how it's laid out." People don't want to come to work, necessarily, just because it is an old design from 20 years ago, perhaps, and nothing has happened in between other than that files have grown up in aisle ways and that sort of thing. So it's taking the staff and the ministry to show them, "Here's what we could do for you. And we not only could do it for your employees, we could do it at less cost than what it is now." So it's using different methods of approach so that at the end of the day what they end up with—all of our relocations that we've done and the consolidations have been very positive. We've moved them from this space that they've perhaps been in for a long period of time that has those inefficiencies—it's dark because there are offices all over the place—to something that is light and airy and modern. It just makes people want to come to work. It's a different kind of work environment. We've made it more efficient. So it's those kinds of tools that we use.

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Mr. Hardeman: You said you can get this better space at a cost saving. How do you decide in individual ministries how much they're going to pay for space?

Mr. Dadd: There are two ways that we approach that. In the government-owned buildings, the process that the auditor talks about in the report is charging for accommodation, which was established in 1997, I believe. It applies a charge per square foot to the ministries for the space that they're living in. Frankly, it's analogous to third party leased space. You've got a base rent and then you've got the operating costs that are passed through. It's no different from any arrangement that you would have going into private sector landlord space. It's the same dynamic.

The amount of space that they have is how much they're going to spend on their accommodation. If we can reduce that amount of space, they can take that money and put it to other uses.

Mr. Hardeman: I also have here what I guess has to do with how you set prices and what ministries pay. There's something in here about renting space from the city of Toronto in Toronto city hall and that we're paying considerably more for that than what the space is worth.

Mr. Dadd: Dave, did you want to take it or do you want me to take it?

Mr. Glass: I can take it. I believe that the audit says we're paying above market for space that we have in the Toronto city hall, and we may well be paying above market, but there are a couple of factors. First, there isn't really a market comparable to the old city hall with 70 courtrooms in it.

The old city hall as well is really an interim measure to deal with delivery of court services in downtown Toronto. There is a longer-term program plan that we have been working on with the Ministry of the Attorney General and an outside consultant that has produced a report that details out the requirements across Toronto out into the future. In fact, it goes out 25 years. The priorities that that plan is driving do not, in the near term, deal with alternate facilities in downtown Toronto. So the requirement for courtrooms downtown is temporarily being met by those rooms that are in the old city hall. In the five- to seven-year time frame, the alternative to the old city hall will begin development. So by the end of roughly a 10-year period we will have a solution to the courtrooms in the old city hall.

In the meantime, the judges are quite happy to be in the old city hall. It represents justice appropriately, in their minds. Without that, the old city hall to a great degree, would become a bit of a white elephant, an empty building, and that's probably not the best use of it.

Mr. Hardeman: The province doesn't own city hall?

Mr. Glass: That's correct. We pay rent to the city of Toronto.

Mr. Hardeman: Not being as involved in the marketplace as Ontario Realty Corp., it would seem to me, if I'm looking to lease space and I'm the only customer that can utilize the space to its full value, that at the end of the day I would not pay more than market rent for it.

Mr. Glass: If you look at it from the city's point of view, we have built out 70 courtrooms in that facility. It will cost us around $20 million to replicate that. It's a build out that is roughly $400 to $500 a foot because of the nature of what goes on in courtrooms. So it's extremely expensive to rent at market, whether market is $15 a foot or $22 a foot. It depends on which building and what time of day.

But on top of that, to fit up at the $400- to $500-a-foot level and execute a move of that magnitude is fairly pricey when you consider that the time frame we're dealing with in terms of an exit plan is in the neighbourhood of seven to eight years. The payback on the investment in the move is not there.

Mr. Hardeman: Again, I'm still confused. I mean, I can understand it from the province, that obviously we need the courtrooms, so we have to pay, I suppose, what we have to pay in order to keep the courtrooms. But is that the case, that we're being blackmailed into paying too much because it's the only game in town? They can't do anything with it if we were gone.

Mr. Glass: On the other hand, they also know the math behind this. They know what it would cost us to move and fit up 70 new courtrooms in downtown Toronto. They've set their price. While on the face of it, against traditional office space, it's above market, under these circumstances, they've pegged their number fairly accurately.

Mr. Hardeman: Okay. We've had some questions in the last number of months about the property specific to the Guelph Turfgrass Institute. If we're paying more than office space at Toronto city hall, how do you decide how much we would pay for the land of the Guelph Turfgrass Institute?

Mr. Glass: A couple of things: To directly answer the question, the value of the land that the turfgrass institute is on would be based on its zoning. If it's zoned institutional or high-density or medium-density residential versus low-density etc., that would determine the market price.

On the other hand, in that case, that particular component of the Guelph lands is under lease to the turfgrass institute until 2016. We are working with stakeholders in Guelph to determine, on that entire property, how to best use it: what functions, what zoning, what can support the plans Guelph has for its community. After a bit of a rocky start, perhaps we're moving in the right direction in terms of a co-operative effort related to that property.

Mr. Hardeman: Thank you.

The Chair: Further questions? Do you have any other questions, government side?

Thank you very much for coming to our committee. You will be forwarding any of the information and documentation as per our meeting—the memorandum of understanding. You're excused now. Thank you very much. We appreciate your response.

We have one other matter, and that is the letter which has been tabled regarding the charitable gaming and oversight of municipal licences. Does anybody have any objection to me sending this letter?

Mrs. Sandals: We just got it here. It needs to go to the subcommittee. We haven't had a chance to look at it; it just landed on our desks this morning. Could we just refer that to the subcommittee?

The Chair: I would rather deal with it today. Is there any—

Mrs. Sandals: Well, we haven't read it.

The Chair: It's been in front of you for two hours.

Interjection.

The Chair: Pardon?

Mr. Lalonde: We had to listen to what was going on too.

Mr. Hardeman: I guess the Chairman has a right to send a letter as he sees fit. I just read it and I see nothing of great significance in it different than what we discussed at the last meeting, so I personally have no objection to you sending it.

Ms. Martel: I don't have an objection either. This is an issue that all the committee members agreed with when we dealt with the OLG. All committee members expressed concerns about making sure someone had some oversight, and that that happened soon. From my perspective, it's not a new issue and it was one we all agreed on, and yet still, we don't have an answer from the ministry. So I see it in that context: it's just to try to get some sense from the commission about when they're going to get on top of this matter.

Mrs. Sandals: Could we ask that it be shared with us? We really haven't had time to have a look at it, so I would strongly prefer that either we deal with it next time, when we've had a chance to look at it, or at subcommittee. I think either would be acceptable, whether we have a week to look at it or the subcommittee, whichever you prefer.

Ms. Martel: I'll give you a third option. I'm fine with it. It seems the Tories are fine with it. If the Liberals want to have another look at it and let you know, Chair, if they've got some concerns and what they are, and then, if there are, I guess the subcommittee will have to deal with it. But I don't see the reason to have to wait another week for the subcommittee to have a special meeting to review this letter.

Mrs. Sandals: Yes. That's why I said, just deal with it next week.

The Chair: I would rather deal with it in committee. Next week then?

Mrs. Sandals: That's fine.

The Chair: Providing they don't have any objection to it.

The committee adjourned at 1202.

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