

Item	Action Type	Audit Recommendation	Management Response	Initial Estimated Completion	Status as of March 2026
AUD25008 – Corporate Real Estate: Audit of Lease of Space at Pier 7, 121 Haida Drive (formerly 47 Discovery Drive)					
1	Policies and Procedures	We recommend that Corporate Real Estate Office and Facilities Planning and Business Solutions bring before Council their analysis of the costs and benefits of individual metering of commercial spaces at 47 Discovery Drive (now 121 Haida Drive).	Corporate Real Estate Office and Facilities Planning and Business Solutions have assessed the estimated costs of separately metering the commercial spaces and determined that this unfunded capital cost outweighs any potential benefit to the City. Publicly accessible facilities within the leased space add to complexity of attempting to install separate metering. The lease agreement was structured so that utility costs are adequately cost recovered through Base Rent and Additional Rent. Corporate Real Estate Office and Corporate Facilities and Energy Management will take the recommendation under advisement as part of the broader Centralized Lease Administration policy and procedure work currently underway and will bring forward the analysis to Council at an appropriate time.	2026	Q1 2027 – Corporate Real Estate Office and Corporate Facilities and Energy Management continue to evaluate this matter within the broader Centralized Lease Administration policy and procedure work. A fulsome policy framework is anticipated to be brought forward in early 2027.

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2	Policies and Procedures	We recommend that for future lease-outs using non-competitive procurement, Corporate Real Estate Office, in consultation with Procurement staff, clarify the Policy 11 approval requirements and modify the Policy as necessary, and also develop criteria for when Council is to be informed and approval is to be obtained before entering into negotiations with any prospective tenant.	Corporate Real Estate Office will work with Procurement staff to provide clarity with respect to the Procurement Policy, in particular Policy #11 Non-Competitive Procurement and Schedule B Exemptions to the Procurement Policy. Where required, i.e. when staff do not have Delegated Authority with respect to a particular transaction, Council direction is sought prior to finalizing or executing any agreement. With respect to the development of criteria for when Council is to be informed and approval sought in advance, Corporate Real Estate Office will take the recommendation under advisement as part of the broader Centralized Lease Administration procedural and delegated authority work that will be brought forward to Council at a future date.	2026	Q1 2027 – Corporate Real Estate Office has reviewed best practices in municipal leasing and licensing authorities, and will collaborate with Procurement as further policies are developed.

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3	Policies and Procedures	We recommend that Corporate Real Estate Office include in its information materials a formal appraisal report of market rent when negotiated leases are brought forward to Council for approval.	While in principle providing more details respecting valuation of rent to Council is agreed to, it is not industry (public and private sector) practice to undertake formal appraisals on leases. The Appraisal Institute of Canada has specific guidelines respecting Market Rent Reports; however, it is not standard industry practice for landlords to prepare such reports as market comparables are not readily available. In line with industry practices, Corporate Real Estate Office maintains a database of comparable lease deals, including other City-owned space which is often unique relative to other commercial spaces. Market data, which is limited, is usually supported by a Gross Rent Occupancy Cost analysis, which is often the most applicable in valuing lease agreements for unique retail spaces that lack market comparables and where accurate gross revenue sales history is known. The market rent and Gross Rent Occupancy Cost analysis is used to inform Corporate Real Estate Office’s recommendations to Council. Corporate Real Estate Office will enhance the discussion of market conditions and the assessment of appropriate rental terms in future reports to Council.	2026	Ongoing – Corporate Real Estate Office has developed a standard for enhanced discussion of market conditions and the assessment of appropriate rental terms for all future reports to Council. The broader Lease Administration policy and procedure work will also include Lease Evaluation criteria to better illustrate market rent determinations.

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4	Policies and Procedures	We recommend that Corporate Real Estate Office bring forward to Council its response and advice with respect to the Kroll recommendation that the City consider the use of tenant inducements.	Consistent with other public sector organizations, tenant Inducements are not offered by the City. Inducements provide the equivalent of an upfront payment to the tenant that requires funding. Further, they increase the risk to the organization in the event the tenant defaults or the agreement is terminated, leaving the City unable to recover its cost through rental revenue over the lease term. From a policy perspective, there are Municipal Act restrictions outside of approved economic development programs. Nevertheless, Corporate Real Estate Office will continue to monitor public sector practices, and will take the recommendation under advisement as part of the broader Centralized Lease Administration policy and procedure work currently underway and advise Council accordingly.	2026	Completed – Due diligence research and benchmarking with other municipalities have been completed. Grant funding continues to be available to tenants meeting established criteria, however a standard tenant inducement is not currently being considered due Municipal Act requirements, and the upfront cost which may not be recovered from tenants.