



Environmental Risk Management In Real Estate



Albert Ho
First Capital REIT

SMART Remediation
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Environmental Risk Management In Real Estate


SMART Toronto 2020


Albert Ho
Director Environmental Programs


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Real Estate Concepts & Considerations


 Highest Best Use

 Asset Class

 Geography

 Location

 Tenant Mix

 Environmental Risks and Liabilities

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REAL ESTATE ASSET CLASS



Office
Mount Royal Village, Calgary



Retail
York Mills Gardens, Toronto



Residential
Bayside Village, Toronto



Industrial



Hotel / Resorts
Griffintown – 100 Peel,
Montreal



Medical
71 King Street West,
Mississauga



Senior Housing
Wilderton Centre, Montreal

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SUPER URBAN NEIGHBOURHOODS IN CANADA'S LARGEST CITIES

Western Canada	Vancouver, Calgary, Edmonton	Central Canada	Toronto	Eastern Canada	Montreal, Ottawa
Properties	47	Properties	68	Properties	51
GLA	7.0m	GLA	9.1m	GLA	6.8m
Fair Value %	31%	Fair Value %	50%	Fair Value %	19%



















As of September 30, 2019

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TOP 20 RETAIL TENANTS – Necessity Based and Diversified

Contribute 45% of annualized minimum rent (AMR)

Rank #	Tenant	AMR	Investment Grade	Rank #	Tenant	AMR	Investment Grade
1.	 Loblaws	10.1% *	✓	11.	 CIBC	1.4%	✓
2.	 Sobeys	6.0%	✓	12.	LCBO	1.3%	✓
3.	 metro	3.7%	✓	13.	McKesson	1.2%	✓
4.	 Hudson's Bay	2.9%	✓	14.	 LOWE'S	1.2%	✓
5.	 Walmart	2.5%	✓	15.	 rbi	1.0% **	-
6.	 TD	2.0%	✓	16.	 Scotiabank	1.0%	✓
7.	 Bank of Montreal	1.9%	✓	17.	BMO 	1.0%	✓
8.	 GoodLife FITNESS	1.8%	-	18.	 Longo's	1.0%	-
9.	 DOLLARAMA	1.7%	✓	19.	 WINNERS	1.0%	✓
10.	 save on foods	1.6%	-	20.	 LONDON DRUGS	0.9%	-

* Includes Shoppers Drug Mart **Includes Tim Hortons, Burger King and Popeyes

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FIRST CAPITAL REIT SNAPSHOT (TSX: FCR.UN)

One of Canada's leading, developers, owners and operators of mixed-used urban real estate in Canada's most densely populated centres

Formerly - First Capital Realty Inc.



Now - First Capital Real Estate Investment Trust (REIT)



166
Properties

\$10.1b
Total enterprise value

Super
urban
Market focus across Canada

25.1m sf
of gross leasable area
(22.9m sf at FCR share)

\$4.8b
Equity market capitalization

As of September 30, 2019

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FCR's Pillars of Environmental Risk Management

1. Integration of Risk Management into Functional Teams
2. Master Service Agreement with select Consultants and AGAT labs
3. Environmental Insurance Policy
4. Work Programs
5. Quarterly Reporting to Executive Management and the Board of Directors



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Key Functional Teams

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Investments

Purpose

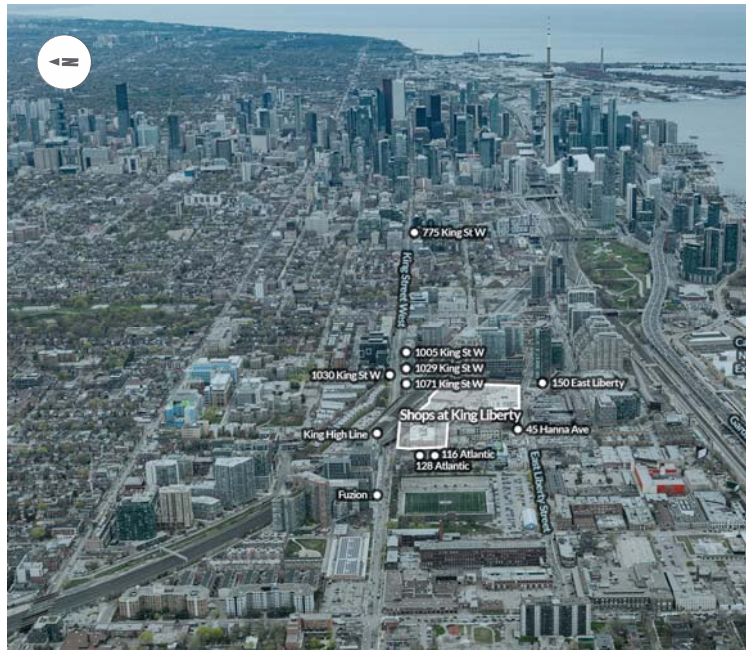
Acquisitions, dispositions and investment opportunities

Required Services

- Environmental Assessments (Phase I & II ESA)
- Property Condition Assessment
- Geotechnical Assessment
- Risk Assessment
- Evaluation of Environmental Impairment (\$\$)

Business Considerations

- Contracts - Agreement of Purchase and Sale
- Due Diligence Period – Set Timelines to Waive Conditions



Liberty Village Assembly, Toronto

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Financing

Purpose

Debt, equity, mortgage financing and treasury cash management

Required Services

- Environmental Assessments (Phase I & II ESA)
- Property Condition Assessment
- Evaluation of Environmental Impairment to a Property (\$\$)
- Risk Assessment

Business Considerations

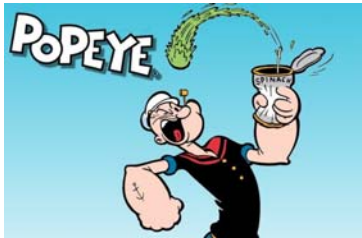
- Meeting Lender's Requirements
 - ✓ Environmental and Property Condition Assessments
 - ✓ Pre-approved consultants
 - ✓ Completing Lender Undertaking(s)
 - ✓ Reliance Letters



One Bloor East, Toronto

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Juicing Returns with Leverage

Financing Conditions

- Acquisition Price \$20,000,000
- Retail Building 100,000 sq. ft.
- Rent \$22 /sq. ft with 3% increase per year
- Operating Expense \$15 /sq. ft. with 2% increase per yr.
- Debt Servicing or Interest Rate 3% per year
- Sale Capitalization Rate 5.75% in year 5
- Amortization period of 5 years

No Leverage	0	1	2	3	4	5
Property Income		2,200,000	2,266,000	2,333,980	2,403,999	2,476,119
Operating Exp		1,500,000	1,545,000	1,591,350	1,639,091	1,688,263
Debt Servicing		0	0	0	0	0
Sale Price						21,150,000
Net Earnings	(20,000,000)	700,000	721,000	742,630	764,909	21,937,856
IRR		4.8%				
ROE (@Year 1, 5)		3.5%	3.9%			

Moderate: 65% Leverage	0	1	2	3	4	5
Property Income		2,200,000	2,266,000	2,333,980	2,403,999	2,476,119
Operating Exp		1,500,000	1,545,000	1,591,350	1,639,091	1,688,263
Debt Servicing		390,000	390,000	390,000	390,000	390,000
Sale Price						21,150,000
Net Earnings	(7,000,000)	310,000	331,000	352,630	374,909	21,547,856
IRR		28.1%				
ROE (@Year 1, 5)		4.4%	5.7%			

High: 90% Leverage	0	1	2	3	4	5
Property Income		2,200,000	2,266,000	2,333,980	2,403,999	2,476,119
Operating Exp		1,500,000	1,545,000	1,591,350	1,639,091	1,688,263
Debt Servicing		540,000	540,000	540,000	540,000	540,000
Sale Price						21,150,000
Net Earnings	(2,000,000)	160,000	181,000	202,630	224,909	21,397,856
IRR		64.8%				
ROE (@Year 1, 5)		8.0%	12.4%			

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Operations

Property Management

Purpose

Responsible for day to day operations of the property and tenant relations.

Required Services

- Risk Assessment
- Remediation (Planned)
- Hazmat Surveys
- Hazmat Abatement (including mould)
- Monitoring – Groundwater, Soil vapour and/or Indoor air
- Vapour Mitigation
- Spill and Flood response
- Sewer Use Bylaw Compliance

Business Considerations

- Access restrictions and notification requirements
 - ✓ Interruption to tenant operations
 - ✓ Interruption to operations of building



Brewery District, Edmonton

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Top 5 Intolerable Environmental Risks

1. Off-site Migration
 2. Uncharacterized or Not Fully Characterized Contamination
 3. Unresolved and/or Ambiguous Recommendations in Reports
 4. Relying on Environmental Reports that are Not Current
 5. Inability to Investigate the Property
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Expectations of Consultants

1. Communicate Frequently and Promptly
 2. Manage Each Property as a Separate Project with its Own Deadlines
 3. Meet Agreed to Deadline(s)
 4. Develop an Appropriate Scope and Budget for each Engagement
 5. Provide Expert Opinion and Practical Recommendations
 6. Invoice on Time
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Super Urban Case Study

Master Planned Super Urban Neighbourhood Future Mixed-Use Neighbourhood Former Christie Cookie Site, Toronto, ON

Demographics 2019 Estimates	5KM AVG
Population	269,200
Average Household Income	\$113,500
50% Non-Managing Partner	
Planned Gross Leasable Area	
Retail GLA	500,000 sf
Office GLA	500,000 sf
Residential GLA	6,000,000 sf (7,500 units)
25 % of Site Open Acres	



Development Process



Prepare Concept Plan (Massing Plan)
– Planning Consultants



Obtain Internal Stakeholder Feedback
- includes Leasing, Construction, Environmental and financial review



Refine Plan



Submit for Municipal Entitlements
- Re-zoning and/ or Site Plan Approval (18 to 36 months expected)



Negotiate Approval Conditions/ Address Comments Raised by Municipality



Approved Redevelopment Plan

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Life of the Christie Project (Phase 1)

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2020

Detailed Master Plan
Zoning Bylaw Amendment (ZBA)
Secondary Plan
Go Station Approved

OPA and ZBA Approved
Phase 1 Site Plan Approval
(SPA) Submission

2022



2024

Phase 1 SPA Approved
Phase 1 Construction Begins

Life of the Christie Project (Phase 1)

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CHRISTIE PROJECT | 2150 LAKE SHORE BLVD W



Aerial - South View



Boulevard Square



Station Square



Entertainment Square



Park



Galleria

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Albert Ho

Director Environmental Programs

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Shops at King Liberty

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