



City of Toronto Economic Development Corporation

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To: Councillor Gloria Lindsay Luby, Chair
and Members of the Economic Development & Parks Committee

From: Jeffrey D. Steiner, President & CEO

Date: June 22, 2006

Subject: **TEDCO Annual Report for 2005**

Members of the Economic Development & Parks Committee:

It is my pleasure to submit the report of the President and CEO of the City of Toronto Economic Development Corporation (TEDCO) for the year 2005 to the Economic Development & Parks Committee for your consideration. As you know, TEDCO is wholly-owned by the City and operates at arms-length under the *Ontario Business Corporations Act* and subject to Shareholder Directions from time-to-time by City Council.

TEDCO's role as an "urban development corporation" or UDC continues to be refined and our strategic focus was clearly articulated in our new mandate approved by City Council in June, 2002. While our traditional role as a property manager, land-owner and brownfield developer continues, our new and expanded focus on strategic economic development initiatives across the entire City of Toronto provides newer paths for TEDCO to assist the City. The expertise and experience of TEDCO's staff in advancing key economic and development projects over the past year has been evident.

I am pleased to highlight some of our major accomplishments from 2005:

1. The Canpar Distribution & Logistics Facility—South Etobicoke

The Canpar Distribution Facility provides an excellent example of TEDCO's ability to execute property acquisition, brownfield clean-up, lease negotiation, and development of an industrial/commercial building in accordance with tenant requirements, budget and schedule, all while achieving the City's objectives of employment land preservation and job retention.

In June 2004 TEDCO purchased the 40-acre vacant industrial property in South Etobicoke formerly owned by Ivaco Limited and historically operated by Arrowhead Metals/Annaconda Brass. The brownfield property was one of the largest vacant industrial sites in the city, and provided an excellent development opportunity to accommodate new or existing industrial tenants. The site was well located within the South Etobicoke industrial community, with rail service and excellent road access to the QEW and 427 highways. During 2005, TEDCO developed a 170,000 sf. cross-dock logistics facility for Canpar as their major Ontario hub of operations.

TEDCO's environmental remediation of this brownfield property began in December 2004. Remediation activity was extensive and involved the treatment of metal and solvent impacted areas to the Ministry of the Environment (MOE) standards. The remediation program also involved construction of a permeable reactive barrier wall around a portion of the site perimeter to provide for continuous treatment of any potential contaminated groundwater. All former building slabs, foundations and underground structures were demolished and recycled for use in redevelopment of the site.

The new Canpar Distribution Building is a state-of-the-art sorting and logistics facility. The building replaces an outdated facility on the Toronto waterfront, accommodates Canpar's growth requirements, is located close to the downtown core, and provides the company with the latest in automated sorting equipment. The building contains 94 grade separated exterior truck doors, internal vehicle accessibility, and a clear interior height of 31 feet to allow for automated equipment. The exterior portion of the site provides surface parking for an additional 180 full-length trailers.

First LEED "Green Building" Owned by the City of Toronto (via TEDCO)

In keeping with its corporate objective of supporting sustainable development, TEDCO has incorporated design and construction elements into the Canpar Distribution Facility to allow the project to obtain at least LEED Certified Status. The LEED program incorporates energy efficiency and sustainable design measures which result in reduced energy consumption, improved water efficiency, and improved indoor air quality. An energy audit of the building has confirmed a minimum reduction in energy costs of 30%.

The acquisition and redevelopment of this former vacant brownfield site will create an estimated 700% increase in tax revenue collected by the City. The new facility will also contribute to the South Etobicoke community by creating new jobs and new related business opportunities.

In summary, the successful acquisition, leasing and development of the new Canpar Distribution Facility has achieved the following objectives:

- Preservation of industrial/employment lands;
- Retention and expansion of an existing industrial tenant within the City including maintenance of 250 jobs.
- Remediation of a contaminated brownfield site to MOE standards;
- Development of a modern distribution/logistics facility which addresses tenant's customized equipment location and operational requirements;
- Opening up the former Canpar site on the waterfront to revitalization;
- Delivery to the tenant on-time; on-budget basis, and under challenging site conditions;
- Creation of an energy efficient sustainable building capable of LEED Certified Status.

2. The Portlands Film/Media Complex (“Filmport”)

The year 2005 saw the completion of the leasing arrangement by TEDCO with Toronto Film Studios (TFS) and their parent The Rose Corporation. City Council ratified the lease transactions in the Fall of 2005. The Port Lands Film/Media Complex, now named “Filmport”, demonstrates TEDCO’s ability to deliver employment related investment in a strategically important industry for Toronto and Ontario.

TEDCO initiated the Film/Media project by way of an open RFI/RFP proposal call process. Four qualified proponents were evaluated by an eight member committee. The evaluation process was assisted by the Province’s Fairness Commissioner. In June 2004, the TEDCO Board confirmed management’s recommendation of Toronto Film Studios/Rose Corporation as the selected proponent. Complex negotiations of a lease agreement took place thereafter.

TEDCO has concluded the successful negotiation of the 99-year Ground Lease and associated agreements to govern the development of the Film/Media Complex. Phase One of the project is budgeted at \$38-42 million and will now provide a minimum of 7 sound stages totaling 128,000 sf plus a further 110,000 sf of production offices, shops, and support facilities. One of the stages will be the 45,000 sf “mega stage” that will be North America’s largest, purpose-built sound stage -- capable of supporting blockbuster feature films with budgets of \$100 million or more.

Council approved the agreement and long term ground lease in September 2005. The proposed facility is working thorough the development and site plan control stages following approval of minor variances by the Ontario Municipal Board.

The new Film and Media District will be marketed as Filmport and will be a landmark project in the redevelopment of the Port Lands. The complex will provide Toronto with the critical production infrastructure required to allow the city to maintain and expand its role as a global production center for the film/media industry. This major employment-generator in the Portlands will bring skilled labour and the creative cluster to the waterfront, thus contributing to the City’s other major objective of waterfront revitalization.

3. Toronto’s 2015 World Expo Bid

Throughout 2005 and continuing this year, TEDCO provided leadership and funding for the due diligence process examining the potential of Toronto making a bid to host the World Exposition in 2015.

This is an excellent example of how an Urban Development Corporation like TEDCO is uniquely positioned to undertake this work on behalf of its shareholder. Not only is TEDCO the owner of much of the lands in the Port area and specifically concerned with the economic well being of the city, but TEDCO has been able to make the financial and human resource investment on behalf of its shareholder. TEDCO has provided governance, oversight and funding of over \$ 1.0 million dollars to advance the planning process on the bid which has enabled Toronto City Council to make a decision to request the Canadian Government to proceed with the bid.

In addition to conducting a broad public consultation process, thirteen technical studies were completed on every aspect of a potential bid including the Economic and Financial Impacts, Environmental Management, Social Development Strategy, Marketing, Sponsorship, Theme, Programming and Site Operations.

With the support of the other orders of government, Toronto can be successful in being awarded the honour of hosting the World Expo in 2015. We have a once in a lifetime opportunity to advance the city-building agenda and leave legacies in the areas of waterfront development, transit improvements, affordable housing and improvements to the cultural, recreational, public realm and infrastructure of the City and our region of Canada.

The economic potential of a Worlds Fair being held in Toronto in 2015 is staggering. With 40 million site visits (turnstile clicks), over \$ 4.5 Billion in visitor spending, \$5.3 Billion in new tax revenue, \$5.4 Billion in private and public capital spending, and over 213,000 jobs being created, the World Expo can provide an unprecedented economic stimulus. Having a firm deadline of 2015 will also spur efficiencies and tangible improvements to the waterfront ahead of current expectations.

TEDCO will continue to provide oversight to the bid until it is submitted in November 2006. During this phase, TEDCO will provide an additional \$550,000 in funding as well as ongoing governance support and, working with the City, will be involved in critical negotiations with the Province of Ontario and the Government of Canada on the key aspects of financing, backstop guarantee and governance issues.

4. The “Concrete Works” Campus

In 1990, as part of the Crombie Royal Commission study of Toronto's Waterfront, a consolidation was suggested to retain and relocate heavy industries which were dependant on waterfront and port access, yet critical to maintaining the economic viability of the City of Toronto. Once identified, these concrete and cement uses were to be relocated to the extreme east end of the Portland area and consolidated within an appropriate “campus” requiring: (1) up to date environmental controls; (2) abundant landscaping and buffering; and with these port users fronting directly on the Ship Channel for access.

This industrial relocation process was initiated by TEDCO and received Council approval in February 2005. Concrete production facilities in close proximity to the downtown core, - where many of Toronto's commercial and residential developments continue to generate demand for concrete - remains a key component in a broader sustainable economy.

The first occupant of the concrete campus is Lafarge Canada who operates under the Innocon joint-venture at this location on Commissioners Street. A number of concrete related industries are in the process of relocating to the new concrete campus located at the eastern end of the Portlands. These companies include St. Marys Cement, Essroc and Strada Aggregates.

Further consolidation studies are underway with other industries including the Salt storage and distribution facilities located along the South side of the Ship Channel.

For waterfront revitalization to occur, difficult moves need to be made so that land uses, including eventual residential and recreational, can more easily form part of the new communities to be developed in this area of the waterfront in the years to come.

5. Strategic Land Acquisition

The importance of the ability of TEDCO to engage in Strategic Land Acquisition cannot be underestimated. It is clear that when the City is attempting to assemble land for important infrastructure or development purposes, that some landowners will hold out and the overall price point on transactions will increase. The ability of TEDCO as a private company, but with its important public policy objectives, to acquire strategic lands needed for key infrastructure, development or redevelopment purposes is critical.

The need for certain lands to be in broader public control can meet a wide range of policy objectives. In order to prevent the conversion of industrial lands to residential, the protection of certain employment uses, the strategic expansion of transportation or infrastructure or other public objectives are just some of the examples where this is crucial. TEDCO has the track record and the ability to acquire strategic lands since it is set up to do so, has an effective governance and management system that can respond rapidly, and the ability to partner with the private sector to assist in achieving public objectives.

With the revised mandate of TEDCO approved by City of Toronto Council in 2002 which expanded the geographic boundaries on TEDCO's operation, City of Toronto staff, in conjunction with TEDCO, have reviewed numerous City-owned sites across the City to determine the appropriateness of their transfer to TEDCO.

The sites currently being recommended for transfer are various types, some of which have been brought forward by City staff, and some at TEDCO's suggestion. The City has within its real estate portfolio some properties which could benefit from the resources and skills and focus of TEDCO to resolve environmental and other redevelopment issues and transform these properties to productive uses. It is expected that TEDCO will be involved in a range of property acquisitions, both from the City of Toronto portfolio, and in the private marketplace.

6. Economic Development Programs and Incubators

Part of TEDCO's mandate is to advance initiatives to help implement the city's Economic Development Strategy particularly with respect to:

- enhancing the city's ability to compete within a global marketplace through skills development, entrepreneurship, mentorship, and technology transfer;
- building capacity within key industry clusters;
- embracing the diversity of creative talent and cultural expression which often inspires ideas and innovation;
- pursuing opportunities that create high quality jobs, generate wealth and investment, and ensure the city's long term fiscal health.

TEDCO is actively involved with two incubators – *the Toronto Fashion Incubator (TFI)* and the *Toronto Business Development Centre (TBDC)*. The incubators provide targeted programs and a range of resources to support the growth of new and early-stage businesses. They provide rental space, shared services, entrepreneurial skill development, mentoring/coaching, and networking opportunities that foster an environment for the successful commercialization of new and innovative ideas and products.

The TFI is an innovative, non-profit, small business centre, helping new designers develop the creative skills required to bring their ideas and product to market and to grow in the fashion industry. They currently occupy approximately 5000 sq.ft. of leased space at 107 Dovercourt Road. In 2005 the TFI reached an all time high of 252 outreach members and 8 on-site clients. TFI hosted 68 outreach events including the “New Labels” Fashion Design Show as well as monthly networking and brainstorming meetings on topical issues such as maximizing sales, trend forecasting, branding, and sales clinics.

In May 2005, Toronto Mayor David Miller and Mayor Daley of Chicago toured the TFI to learn more about Toronto’s efforts to build capacity within this creative industry cluster. The TFI successfully showcased its program initiatives and demonstrated its ability to act as a catalyst for business growth and international recognition of Toronto’s dynamic fashion industry.

Two specific TFI designers deserve mention; Canadian designer Arthur Mendoca expanded his operations from the TFI to new studio space in Toronto’s Liberty Village. Mendoca credits the Toronto Fashion Incubator for helping him launch his business. The Canadian Olympic Team sported uniforms designed and developed by Hudson’s Bay Company (HBC), with a distinct take on both Canadian heritage and modern, high-tech, high-performance sports wear. The uniform was designed by an all Canadian team including TFI alumni Crystal Siemens.

The Toronto Business Development Centre (TBDC) facility currently occupies approximately 30,000 sq.ft. of leased space at 1071 King Street West on behalf of TEDCO. The facility can accommodate approximately 40 emerging companies at one time. Throughout the course of 2005 there was a total of 49 on-site incubatees (includes turn-over). The TBDC organized 12 incubation events throughout the year, with most of these events providing opportunities for networking and meeting prospective clients.

In October 2005, the TBDC opened a new branch facility at 105 Judge Road (Etobicoke) to accommodate the Toronto West Self Employment Program. This federally sponsored program enables expansion of TBDC incubator activity through the addition of 5 incubation spaces. TBDC is currently negotiating with Services Canada (HRSDC) to deliver targeted incubation and entrepreneurial training to people with disabilities and disadvantaged youth.

7. Medical and Related Sciences (MaRS)

Toronto’s biotechnology cluster is the largest in Canada with more than 100 medical/biotech companies, employing 140,000 people and generating combined annual revenues in excess of \$4 billion.

In recent years TEDCO has financially supported development of the MaRS facility, a convergence centre for life sciences, technology and other related disciplines. This leading edge facility co-locates start-ups and established companies, business and scientific support services, and venture capital under one roof. TEDCO continues to work with the MaRS team to advance the programming initiatives of the Toronto Biotechnology Commercialization Centre (TBCC), a life science incubator located within the MaRS facility. The TBCC provides support to start-ups and early stage biotech companies through an array of support resources to turn knowledge and ideas into new jobs, products and technologies.

TEDCO provided a capital backstop guarantee to ensure the heritage aspects of the MaRS facility was preserved and integrated into the new facility.

Conclusion

TEDCO continues to provide a major contribution to the Economic Development portfolio and advance our shareholder's interests as an Urban Development Corporation in the City of Toronto. This short summary provides only a snapshot of our activities and successes in 2005. Many other development projects, infrastructure and economic development initiatives are in early-stages of planning and will be reported in further communications to City Council via the Economic Development & Parks Committee.

Our key priorities for 2006 include working with our new Board of Directors to ensure a seamless transition, completion of our 3-year corporate and business plan, initiating construction of the Filmport project with TFS, advancing the World Expo 2015 project to the Bid Phase, and other strategic development projects in the Portlands and other areas within the City. In addition, TEDCO will continue to work with the TWRC and the City of Toronto in implementing the Memorandum of Understanding with respect to Waterfront Revitalization.

We will advance our ongoing Economic Development mandate, such as exploring and implementing financial incentives, supporting key sector-specific projects and incubator programs as well as other policy and planning initiatives.

We suggest that, through TEDCO and a "hybrid" public/private redevelopment corporation – also known as Urban Development Corporations -- the City of Toronto continues to get excellent value from its ownership and encouragement of TEDCO. We look forward to continuing to work closely with the City of Toronto and our stakeholders in both the broader public and private sectors.

Respectfully submitted,

Jeffrey D. Steiner
President and CEO

Copy: Rowland Fleming, Chair, TEDCO Board of Directors
Mayor David Miller