



**STAFF REPORT
ACTION REQUIRED
Confidential Attachment**

Transitional City Funding for the Toronto Economic Development Corporation (TEDCO)

Date:	August 28, 2007
To:	Executive Committee
From:	City Manager Deputy City Manager and Chief Financial Officer
Ward:	All
Reason for Confidential Information:	This report involves the security of property belonging to the City or one of its agencies, boards, and commissions.
Reference Number:	P:\2007\Internal Services\SP\Ex07010Sp tn (AFS#5633)

SUMMARY

The purpose of this report is to provide Executive Committee and Council with staff's assessment of TEDCO's financial status and to report on the need for the City to provide TEDCO with transitional funding.

Following discussions with senior TEDCO management and the review of financial statements and pro-formas provided by TEDCO, City Finance staff have determined that TEDCO will require transitional financial support from the City. Staff are recommending that this support be provided by transferring to the City TEDCO's current responsibility for funding the annual \$3 million operating payment to the Toronto Port Authority (TPA) beginning in 2008.

RECOMMENDATIONS

The City Manager and the Deputy City Manager and Chief Financial Officer recommend that:

1. TEDCO's existing responsibility for funding the \$3 million annual operating payment to the Toronto Port Authority be transferred to the City beginning in 2008.
2. TEDCO be directed not to undertake any initiatives other than those presented on its existing 5-year plan until after the City Manager has reported to Council on the governance review of the City's economic development activities

FINANCIAL IMPACT

The means by which City will fund the \$3 million annual operating payment to the TPA will be addressed through the 2008 Budget process.

It is anticipated that the necessary financing of the payment amounts can be replenished through future revenues received from TEDCO as compensation for the City surplus lands provided to TEDCO.

DECISION HISTORY

At its meeting of July 16, 17 18, and 19, 2007 Council adopted a report from the Deputy City Manager responsible for waterfront revitalization regarding the transfer of lands in the East Bayfront from TEDCO to the City. Amongst the recommendations adopted by Council was the following:

“Given that TEDCO's opportunities to generate revenues from its lands in the General Waterfront are declining, that TEDCO officials have advised that TEDCO will encounter cash flow difficulties at the end of 2007 or early in 2008, and that the proposed review to address funding and other issues related to TEDCO is not expected to be reported on until March 2008, the City Manager be directed to report to Council in September, 2007, through Executive Committee, on providing transitional funding to TEDCO, if required”

ISSUE BACKGROUND

Since 1994-1995, when lands were transferred from the Toronto Harbour Commission to TEDCO, TEDCO's role has focused on brownfield reclamation, property management and real estate development on the City's waterfront.

However, in entering into the waterfront revitalization initiative, the City of Toronto together with the Federal and Provincial governments concluded that a new entity should take over primary responsibility for these activities from TEDCO and from the other existing government-related entities then managing lands in Toronto's waterfront. By establishing a new single entity, the Toronto Waterfront Revitalization Corporation (now Waterfront Toronto) as the lead for these activities, the three governments aimed to avoid further duplication of resources, jurisdictional gridlock, piecemeal development, and project delays.

Consequently, the new waterfront governance structure, which was approved by Council in December, 2004 and refined by it in September, 2005, directed that land-holding ABCC's such as TEDCO undertake new activities outside the designated waterfront area (DWA), continue their lease management role within the DWA until their lands are required for revitalization, maintain their lead role in projects which they initiated in the DWA that are advanced stages of planning, or undertake new initiatives in the DWA through service or delivery agreements with the TWRC.

At its meeting of January 31, February, 1 and 2, 2006, Council adopted City staff's recommendation that the City enter into a Memorandum of Understanding between the City, TEDCO and the TWRC that sets out the respective roles and responsibilities in revitalizing East Bayfront and the Port Lands and clarifies how and when public lands are to be made available for renewal. This MOU recognized TEDCO's reliance on revenues derived from its waterfront land holdings and identified that, where specific lands are to be transferred away from TEDCO ownership, TEDCO prepare a Financial Impact Statement detailing the direct net revenues derived from the parcels being transferred and the impact that such revenue will have on its ability to meet its financial obligations. Upon review of an Impact Statement, the Deputy City Manager and Chief Financial Officer, in consultation with the Waterfront Secretariat, are to submit a report to Council recommending measures to mitigate the financial impacts on TEDCO, should such measures be required.

Following the decision to establish a new lead agency for waterfront land development, Council established a new mandate for TEDCO as the City's redevelopment agency responsible for stimulating reinvestment in strategic and underutilized sites across Toronto. Council's objective in augmenting TEDCO's mandate was to expedite creation of development-ready sites to act as catalysts for brownfield investment and employment generation across the City. In light of the TWRC's responsibilities and the need to recapture investment (property taxes and jobs) in areas beyond the waterfront, Council directed that TEDCO pursue opportunities across the City.

To further TEDCO's implementation of this new mandate, the City has provided TEDCO with a number of surplus City properties for redevelopment. With the adoption of Clause 28 of Report 1 of the Policy and Finance Committee on January 31, February 1 and 2, 2006, Council declared five properties surplus for the purpose of transfer to TEDCO for nominal consideration (except TEDCO to pay any Land Transfer Tax, GST and registration costs). The properties are:

- (i) Part of 301 Rockcliffe Boulevard ("Rockcliffe");
- (ii) 3575 Danforth Avenue ("3575 Danforth");
- (iii) 411 Victoria Park Avenue ("411 Victoria Park");
- (iv) Part of 1035 Sheppard Avenue West ("Downsview"); and
- (v) Parcels between Midland Avenue and Brimley Road, north of St Clair Avenue East ("Midland/St Clair").

The Downsview and Midland/St. Clair properties are substantial in size (50 and 18 acres respectively) and hold considerable value as sites for residential and commercial

development. At its meeting of May 24, 25, and 26, 2006, Council adopted a report from the Chief Corporate Officer which established a requirement that TEDCO compensate the City for these lands using the ultimate development proceeds. TEDCO's payment to the City would be based on the lands' "Agreed Property Value", which, in turn, would be based on their highest and best use value. The Agreed Property Values have not yet been determined for the subject lands.

TEDCO has prepared 2-year and 5-year financial pro-formas that indicate that, even with the net revenues generated from the development of these properties, TEDCO will continue to experience financial challenges. At its meeting of July 16, 17 18, and 19, 2007, Council directed that the City Manager determine whether TEDCO requires transitional funding until a broader governance and funding review is completed in March, 2008.

At the same Council meeting in July, 2007, a motion was adopted by Council to amend Recommendation 2 (a) of Item GM6.21 regarding the purchase by TEDCO from the City of portions of Basin Street and Saulter Street for the Filmport project. A nominal purchase amount of \$1 was approved as a first step towards addressing TEDCO's cash flow challenges.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Confidential - Attachment to "Transitional City Funding for the Toronto Economic Development Corporation (TEDCO)"