Attachment 5

BUILD TORONTO
STRATEGIC DIRECTION

2015-2019

BUILD TORONTO

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EXECUTIVE SUMMARY

BUILD TORONTO was conceptualized from the conclusions reached in 2008 by the City of Toronto and an expert panel that reviewed the need for a city-building real estate and development organization. These same founding principles still apply today. BUILD TORONTO is well positioned to serve this important role for the City of Toronto as a Real Estate Value Creation Company. The role and how BUILD TORONTO operates will continue to evolve to remain relevant and to deliver enhanced value to the City. Through further collaboration and better alignment with other City of Toronto entities, BUILD TORONTO will help to achieve the collective vision of making Toronto a more livable and prosperous city.

BUILD TORONTO's 2015–2019 Strategic Direction set its objectives based on an analysis of the company's strengths, weaknesses, opportunities and threats. It reflects the City of Toronto's current political, economic, social and technical environment, and conforms to the 2009 Shareholder Direction. BUILD TORONTO will lever its strengths to take advantage of the opportunities that exist and address areas that require improvement to optimize results through the following strategic objectives:

1. Enhance BUILD TORONTO's vision by embracing the demands of the City and its residents, and create value in terms of city building and financial returns.
2. Continuously improve transparency and accountability through better reporting and communication of BUILD TORONTO's role, its objectives, value creation and achievements through more quantifiable and qualitative information.
3. Maximize the value of City-owned real estate assets through monetization and city building. BUILD TORONTO will collaboratively work with the City and other agencies to develop and execute new strategies on a holistic property-by-property basis, to augment and improve the current "declaration of surplus process" to yield further potential sites and address the lack of incoming product.
4. Deliver more affordable housing to the City by establishing specific affordable housing targets with the Affordable Housing Office for the next five years, developing "preferred supplier" arrangements with affordable home providers and creating a

programmable model for implementation. The implementation of affordable targets requires an agreement with the Affordable Housing Office that will be approved by the Board and is contingent on funding levels and current and future site capacity.

5. Achieve better outcomes through the development, investment and sale of property. This will allow BUILD TORONTO to distinguish between gains made through its development skill and upward market movements.
6. Manage Financial Risk through the creation of (1) staggered points of sale through the development cycle, (2) multiple-revenue events, which will vary the timing and maximize the return by moving projects through the development cycle and (3) a continuing income stream through material, but not controlling, investments in selected strategic assets, which will be a long-term objective portfolio, with specific revolving investments being held for a medium term to earn income and capital appreciation while also being responsive to market demand for certain products and meeting the company's long-term financial objectives, including meeting the City's expectation of financial dividends.
7. Foster a commitment to collaboration throughout BUILD TORONTO's product life cycle and throughout the organization.
8. Focus on investment and development opportunities that support the City's transit and other priority initiatives.

The 2015–2019 plan period projection is presented in the Appendix. Although BUILD TORONTO believes that it has reasonable expectations reflected in its 2015–2019 projections, these are estimates based on the best information available at the time and accordingly, actual results may differ, and the future periods are meant to be more indicative than exact. Over its initial five years, BUILD TORONTO has created a strong foundation by maximizing its outcomes despite a number of challenges, such as a lack of quality sites with limited development potential and balancing financial returns and City Building initiatives. In order to leverage its strengths and address the challenges, the 2015–2019 Strategic Direction sets out a plan to position BUILD TORONTO as the driver to help the City realize greater value and support the vision for further cooperation to maximize real estate value creation. The focus will be on continuing to support the City and its ABCDs while realizing short and longer-term deliverables, including strategic City

Building and affordable housing goals within the existing portfolio, and by implementing the above mentioned eight strategic objectives. Lastly, BUILD TORONTO has included all relevant recommendations directed to the Company from the Auditors General's 2015 report as applicable.

1. INTRODUCTION

Company Background

Incorporated in 2009, and launched in May 2010, BUILD TORONTO is the City's independent real estate and development corporation. BUILD TORONTO reports to a Board of Directors made up of experienced leaders from both the private and public sectors. The company has a unique focus on supporting the City of Toronto in identifying, improving and developing City property. In 2014, the Auditor General released a report with eight recommendations directed to the City and 17 directed to BUILD TORONTO. This report was fully supported, as a majority of the recommendations were either identified, or being acted upon by Management and the Board prior to the report. The findings from the report and its recommendations have been incorporated into this Strategic Direction.

Our values:

- passion
- accountability
- creativity
- collaboration
- transparency

Our Vision

To be a "Centre of Excellence" as a Real Estate Value Creation company, to create value, solve problems and meet the needs of the City of Toronto stakeholders.

Our Mission

Use our real estate experience to be a leader, a catalyst for sustainable development, an advocate for affordable housing, and to create great neighbourhoods, while operating in a commercially viable manner for the benefit of all the citizens of the City of Toronto.

Vision and Mission Further Defined

Centre of Excellence as a Real Estate Value Creation Company

It is important that when we look at BUILD TORONTO's vision and mission, which will inform our future, we also examine its original intentions, as documented in the 2009 Shareholder Direction (August 6, 2009, including the Protocol for Cooperation between BUILD TORONTO and Financial & Real Estate, included in the Appendix) which states that BUILD TORONTO will unlock value of surplus real estate with the following objectives:

- Generate a net-financial return (such as dividends and increased property taxes) by operating within a business environment
- Participate in an advisory capacity on the Interdivisional Facilities Project Review Team to evaluate all City facility and capital and associated real estate property-related projects.
- Develop or facilitate private commercial development and work with the City, investors or private partners
- Regenerate neighbourhoods
- Attract targeted industries and create desirable jobs
- Act as a catalyst for development
- Development protocol for community involvement
- Promote urban design innovation and excellence
- Promote environmentally sustainable development
- In lieu of the Housing First Policy, negotiate with the Affordable Housing Office the number of affordable housing units for delivery

BUILD TORONTO can fulfill the mandate spelled out in our 2009 Shareholder Direction to be much more than the City's development company. We can achieve more by being a Centre of Excellence, where we act in an advisory capacity to the City on real estate projects, and as a Real Estate Value Creation Company, taking a longer-term, measured approach to creating value with partners, as well as promoting great development, environmental sustainability, and urban design. As a Centre of As a Real Estate Value Creation Company, BUILD TORONTO will become a longer-term player, invested in making the City a better place, and be the name that people think of when it comes to real estate activities to create value, solve problems and meet the needs of the City.

As a Real Estate Value Creation Company, we would continue to analyze our opportunities, develop and invest in properties, execute on partnerships and joint ventures where appropriate, but also assist the City, when requested, provide expertise and perform City real estate infrastructure projects where we have a direct interest. BUILD TORONTO has begun the transformation to a Centre of Excellence as a Real Estate Value Creation Company as evidenced by our involvement in projects the City has interest in, such as the Fort York Pedestrian and Cycling Bridge and Eireann Quay. We consider each project as an investment, not just as a real estate development. BUILD TORONTO is examining each property, each asset we receive, in terms of partnering, attainable return, hold period and other ways to ensure we maximize value for the City. Though this is an evolution and we are only at the beginning of the transformation, we will see a change from “development leads” to “asset managers”. This business approach is coordinated to meet the City's strategic objectives, and will include the development of annual property business plans, new and stronger policies and procedures and stronger analytical functions. With an analytical approach, we will continue to operate in a business environment and work with highly respected partners, at times with an equity investment in a joint venture, as projects are further developed and constructed. Management will present a detailed execution plan to fully implement this strategy, which will take into account changes required for the organization.

Commanding and Collaborative Mission

BUILD TORONTO employs people who have tremendous, rich and diverse experience and who share a commitment to enhancing the City's prosperity and livability through the creation of diverse city-building projects.

The 2009 Shareholder Direction envisioned BUILD TORONTO playing a role in enhancing Toronto's economic competitiveness by attracting new commercial development that creates desirable jobs and improves the livability of Toronto by rejuvenating neighbourhoods and providing improved infrastructure and amenities. By listing a number of goals, both broad and specific, the 2009 Shareholder Direction created an expectation that BUILD TORONTO will deliver on these city-building outcomes as part of its operations.

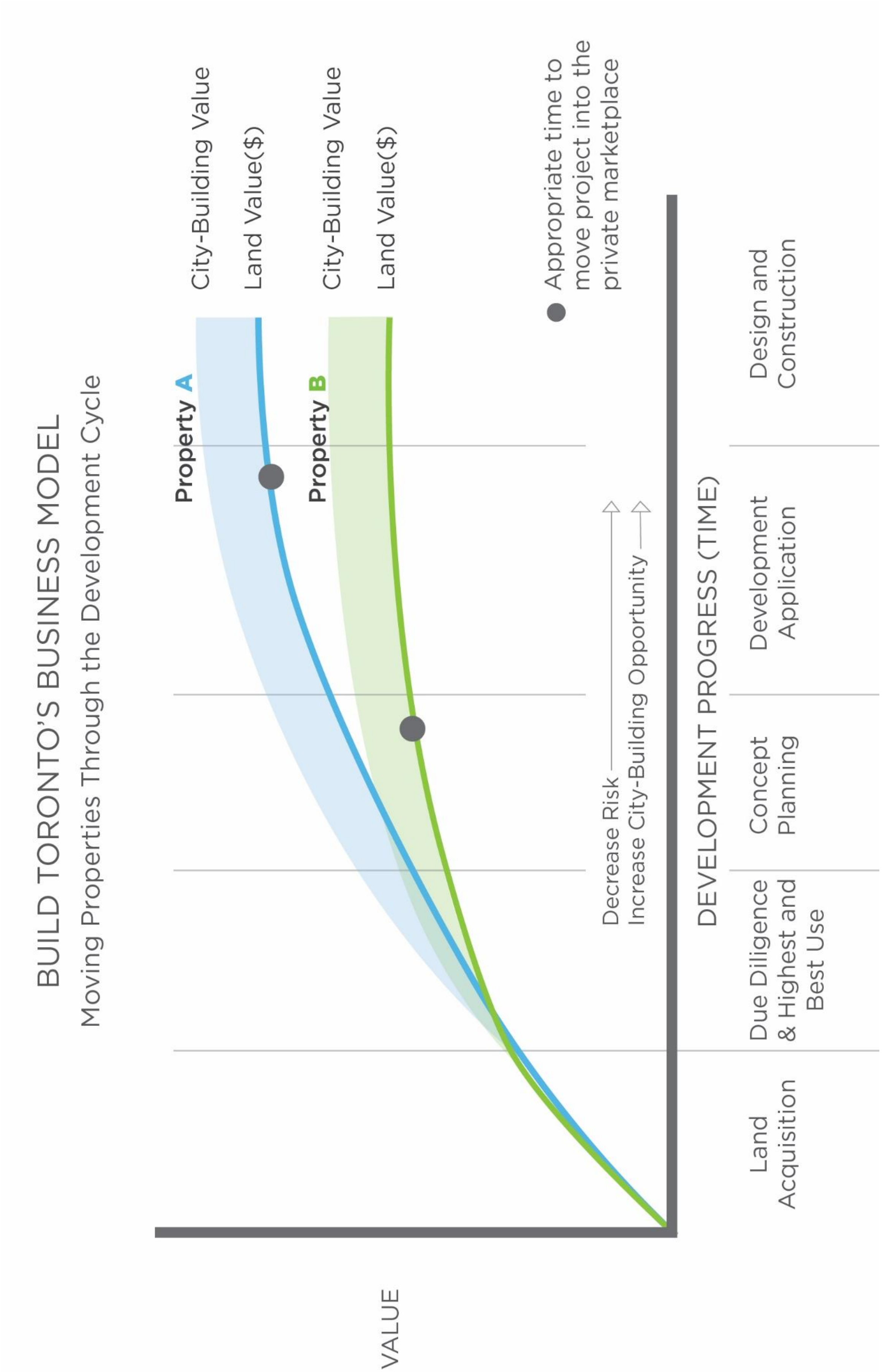
This has led to BUILD TORONTO further categorizing our city-building efforts by its Strategic Priorities: Engagement, Livable Neighbourhoods, Sustainability, Employment and Transit-Oriented Development. BUILD TORONTO should use all its resources, focused primarily on its people, to be a leader in many areas, by focusing on affordable housing, sustainable development and creating great livable neighbourhoods.

BUILD TORONTO will optimize outcomes with the objective of maximizing revenue, while also achieving city building, which can decrease the financial return. BUILD TORONTO will balance the maximization of its net financial return, by unlocking the value of properties given to us by the City, with the costs of improving the City. In addition to maximizing BUILD TORONTO's commercial and city-building outcomes, we will also be cognizant of the financial returns to the City through more indirect fiscal and economic returns that are generated. The City's financial returns may include, but are not limited to, increased assessments and property taxes on developed properties, reasonable revenues generated from development activities, proceeds of the sale or lease of certain properties, and other benefits and dividends.

Business Model

The BUILD TORONTO business model, presented on the next page, demonstrates a number of issues in regards to the risk and return of our investment in City real estate:

- The value that BUILD TORONTO generates is the combination of financial returns (which includes general market increases and returns generated by BUILD TORONTO's investment and development activities) and City-Building value.
- The development cycle begins when BUILD TORONTO's acquires land from the City, and the steps may include due diligence, determination of highest and best use through the market explorations, concept planning, zoning, leasing, design and construction.
- For different properties, value may be maximized at different points in the development cycle, for both financial return and City-Building aspects.
- The more risk that BUILD TORONTO can mitigate, such as zoning risk, tenant or buyer risk, construction risk, etc., the higher the return that BUILD TORONTO should obtain. In the current investment environment, there is a high need for asset-based income, with a limited supply of income-producing properties. By removing the development risk, BUILD TORONTO is able to expand the field of possible investment purchasers and establish relationships with longer-term institutional investors who are committed to constructing in the City.
- A key development process is the analysis and risk mitigation of potential environmental and infrastructure issues.
- By shifting projects throughout the development cycle, BUILD TORONTO is able to either shorten or lengthen the timing to a cash event, or provide for multiple cash events, providing a mechanism for balancing revenues in the future, while continuing to maximize returns. This strategy needs to be aligned with what is required in the marketplace, but will focus on being near to the front of the supply curve for innovative products.


BUILD TORONTO'S BUSINESS MODEL
Moving Properties Through the Development Cycle
Property A
Property B
City-Building Value
Land Value($)
City-Building Value
Land Value($)
Appropriate time to move project into the private marketplace
Decrease Risk
Increase City-Building Opportunity
VALUE
DEVELOPMENT PROGRESS (TIME)
Land Acquisition
Due Diligence & Highest and Best Use
Concept Planning
Development Application
Design and Construction

Principles Hierarchy

For BUILD TORONTO to deliver on its City-Building outcomes, these outcomes will be integrated into every plan for investment into each project, while maintaining the concept of delivering a reasonable return. This has led to BUILD TORONTO further categorizing its City-Building efforts by its Strategic Priorities. BUILD TORONTO is focused on Engagement, Livable Neighbourhoods, Sustainability, Employment and Transit-Oriented Development, as well as generating a reasonable financial return.

Engagement: Collaborating with City councillors, city staff, community members and development stakeholders to develop projects that address both City-Building and financial goals.

Livable Neighbourhoods: Revitalizing neighbourhoods where people can afford to live, where the public space encourages interaction and where sustainable development can support Toronto's growing needs.

Sustainability: Through remediation, recycling, energy conservation and alternatives, improving and investing in historically contaminated sites that would otherwise remain underutilized.

Employment: Attracting key industries and accelerating investment in commercial development that helps boost growth and foster employment.

Transit-Oriented Development: Developing sites around transit to encourage environmentally friendly means of transportation to create new connections and help the City sustain itself in the long term.

Financial Return: BUILD TORONTO will generate a reasonable net financial return by unlocking the value of properties given to it by the City.

2. STATE OF THE UNION

BUILD TORONTO is working on approximately 35 projects involving properties that have been approved by City Council.

Achievements From Last Year's Strategic Plan Objectives

1. BUILD TORONTO's outreach program over the course of 2014 focused on building a collaborative working relationship with City of Toronto stakeholders to support real estate development opportunities and real estate strategies.
   a. BUILD TORONTO further enhanced collaboration, particularly as it related to the *Real Estate Services City-Owned Property Audit Review process,* to find surplus properties not uncovered through the standard surplus property process. BUILD TORONTO provided, and continues to provide, a focus on projects that can be made available for significant development opportunity.
   b. Supported City of Toronto accommodation strategies that had already commenced, and collaborated with the City in reviewing municipal program delivery and employee accommodation in order to identify opportunities for efficiencies for City services and lead to potential new development sites for BUILD TORONTO.
2. BUILD TORONTO worked with Councillors to provide development analysis on City and other publicly owned facilities within their wards to analyze development potential.
3. BUILD TORONTO developed a means of measuring and tracking its defined City-Building Strategic Priorities, which included activities such as environmental remediation, neighbourhood regeneration and affordable housing. Aligned with the Strategic Priorities, each development project has established targets in its project business plan. BUILD TORONTO uses these measurements across its portfolio to identify and communicate its progress in achieving its City-Building goals.

4. BUILD TORONTO streamlined operations to respond to slowing opportunities in the current business environment, resulting in a reduction in staff complement of approximately 25 per cent.
5. To continue to attract best-in-class development partners, BUILD TORONTO continued to invest in its portfolio of projects to decrease the risk to potential partners and buyers and increase City-Building opportunities, which in turn increases the value achieved on projects sold.

Accomplishments to Date

In 2014, BUILD TORONTO accomplished the following:

- **$14.8-million** profit
- Declared a dividend of **$15 million**
- **$33.1 million** in revenue from property transactions
- **$8.8 million** in capital invested in on-going development projects
- Two significant development projects sold and moved to private developers
- Successfully streamlined operations to meet current business environment

Since inception, BUILD TORONTO has accomplished the following:

Financial Value

- **$182 million** in total revenue from property transactions
- **$28.5 million** invested in our development projects
- Value creation of approximately **$84.6 million**
- **$45 million** in dividends paid to the City
- **14** development projects sold to the private sector, three of which have been completed and four of which have broken ground
- **Two** joint venture projects
- **$12.4 million** in development fees and charges paid to the City
- **$17.1 million** in property taxes paid to the City
- **$10.3 million** in Section 37 contributions

City-Building Value

- Identified to complete or start approximately **250 affordable housing units on six sites by the end of 2017**, with **400-600 additional affordable housing units on five further sites**
- Held **40 community meetings** and engaged more than **1,600 community members**
- Plans for approximately **18 acres of new and programmed park and open space**
- Plans for approximately **five kilometres of shared bike lanes**
- Plans for **six adaptive reuse projects**, three of which are already sold to private developers
- Facilitated development on **six sites with a heritage aspect**, two of which are already sold to private developers
- Initiated remediation on **10 Brownfield** sites
- Revitalizing a total of **448 years of vacant land**
- Development plans that will generate **$1.9 billion in labour income** in Toronto
- Development plans that will accommodate **17,890 employees** in **four-million square feet of commercial space**
- Plans for **14 sites with direct access to a transit station**
- Plans for **10 sites on the future Eglinton Crosstown Line**
- Plans for **150 acres around higher order transit**
- Commenced our first large City infrastructure project; managing the development of the Fort York Pedestrian and Cycle Bridge and a **park re-conveyance** within the Ordnance Triangle development

Forecast

Based on the five-year projection in the Appendix BUILD TORONTO's five-year goals include:

- Revenues of almost **$372 million**

- Financial value creation of approximately **$130 million**
- Value realization for BUILD TORONTO and the City of **$280 million**
- Average G&A under **$8 million per year**
- Investment into the property portfolio of approximately **$142 million**
- Generate free cash flow that is potentially available for BUILD TORONTO and City uses of **$145 million**.

In addition to achieving the financial benefits, BUILD TORONTO also acts as an economic catalyst through its own and other developers' activities on sold properties. BUILD TORONTO's estimated contribution to fiscal and economic benefits on a fully developed basis are:

- Annual property taxes of $56 million per year
- Development charges of $280 million
- $54 million in building permit and planning fees
- Over 15,400 residential units
- 2.4-million square feet of office
- 1.1-million square feet of retail and 530,000-square feet of industrial/institutional space
- Developments to accommodate 17,890 employees, 75 per cent of whom are office workers

3. ANALYSIS OF INTERNAL AND EXTERNAL BUSINESS ENVIRONMENT

Summary of Internal and External Analysis

The following is a summary of the analysis that informs BUILD TORONTO's strategy:

- Strong team of real estate professionals, with a wide range of expertise that has demonstrated over a five-year period the ability to add value and collaborate with the City and industry partners.
- As per our Mandate, provide more real estate consultative services and become a Centre of Excellence through integrated real estate strategies that will assist the City in maximizing value from its real estate and City-Building outcomes and, at times, lead to acquisition of potential sites from the City.
- The City of Toronto requires leadership with its real estate interests to assist in providing solutions for affordable housing, transit-oriented and mixed-use development, and other City priorities.
- BUILD TORONTO needs to improve on delivering developments that better balance expectations of financial return and City-Building goals.
- BUILD TORONTO will deal with properties that are more complex to obtain, develop and bring to market, as well as fewer transaction-ready properties.
- Real estate markets continue to evolve, with a demand for more purpose-built residential rental and changes to traditional office space requirements.
- BUILD TORONTO, like all companies, is susceptible to market volatility, and this is further amplified by a lack of recurring income.
- Rapid changes to the City through immigration, a shift to "live-work-play" districts, expectations of transparency, a digital shift, community engagement and "green" living.

These factors, in conjunction with BUILD TORONTO's Shareholder Direction, existing inventory, history and general trends help to inform the go-forward strategy.

Analysis of Strengths, Weaknesses, Opportunities and Threats

STRENGTHS

- Strong team of professionals, within the staff complement and on the Board, with experience in real estate development, asset management, financial analysis planning, market analysis, environmental management and community engagement
- Strategic arm's length structure that provides for the flexibility to own, acquire and dispose of property; enter into Joint Venture Partnerships, as well as borrow funds and reinvest capital
- In house expertise to manage and address historical environmental issues with specialized expertise in environmental remediation
- Established collaborative and positive working relationship with Councillors and key stakeholders at the City
- Successful five-year period of adding value to the City's underutilized real estate from operating within a private sector context, while at the same time being a corporation owned by the City

WEAKNESSES

- Varying, and at times conflicting, expectations from different stakeholders and especially on the balance between the financial versus the City-Building goals
- Lack of quality sites (of good size and location) with development potential identified as pure surplus in the transfer process
- Lack of awareness and understanding of BUILD TORONTO's work and mandate
- Expectations to show annual profits within a business model that focuses more on mid to long-term value creation
- Difficulty in showing tangible results from efforts that are less tangible but particularly valuable
- Lack of traditional development tools limiting the scope of projects, such as the ability to borrow
- Focus on transparency in the public environment is not always conducive within private industry business operations
- Requirement to pay property taxes on vacant land before development occurs
- Lack of defining the right balance of local and city-wide interests among Councillors and City stakeholders

OPPORTUNITIES

- Establishing BUILD TORONTO as the City's real estate and development centre of excellence providing solutions and opportunities to the City's real estate assets
- Integrated real estate strategy led by BUILD TORONTO working with City real estate divisions and ABCDs to identify development opportunities to realize efficiencies, address infrastructure needs and meet accommodation requirements
- Identifying development opportunities and providing real estate development advice to support Councillors goals and a local and city-wide level
- Identifying development opportunities that support the City's transit and infrastructure goals

THREATS

- Ability to deliver on the conflicting short-term expectations of the Shareholder, such as delivering an annual profit, as well as the long-term goals
- Changes in political direction that may conflict with the established mandate of BUILD TORONTO
- Not being recognized by City administration as the key vehicle to deliver harmonization of the City's real estate services and development
- Ability to deliver on affordable housing goals
- Ability to be able to advise the City on the potential for development opportunities, as per the mandate, if there is a low level co-operation and collaboration among City ABCDs.
- Ability to continue to meet financial and non-financial goals if the property pipeline does not transfer quality sites.
- Loss of private-sector talent, from operating within a public sector environment, which is the foundation that makes the value-add possible.

Political, Economic, Social and Technical Analysis

POLITICAL

- New municipal administration starting December 2014
- A new cohesive and engaged City Council with signs of strong leadership and support of integration among City divisions and ABCDs
- New board members starting December 2014

ECONOMIC

- Downtown residential high rise market has slowed but is steady
- The suburban residential high-rise market has slowed and land values have dropped
- The market for large sites has slowed
- The market for ground related residential and commercial (office, industrial and retail) sites, especially at higher order transit, is still strong
- Interest rates are low
- Office space demand remains favourable within the downtown core
- Office space demand remains favourable within the downtown core; however, B-quality suburban office space continues to struggle

SOCIAL

- Rapid rate of immigration to the GTA
- Increase in traffic congestion and a preference for “live, work and play” neighbourhoods
- Aging population, resulting in a need for seniors housing and affordable housing
- Cultural shift towards higher expectations for transparency and green living solutions (energy conservation, etc.)

TECHNICAL

- Strong digital shift where people rely, more than ever on the World Wide Web to gather information, resulting in:
  - Increase in corporate and community engagement over social media
  - Ability and expectation for quicker response times
  - Continued disappearance of traditional office space in favour of the digital flexible workplaces of today

General Trends

There continues to be game-changing shifts in societal and economic factors that are transforming the product that real estate companies are providing and the way they do business. Some of these changes are a result of global factors, such as environmental concerns, low interest rates and record-high levels of available capital, while other factors are more local or regional, such as the Places to Grow Act from the Ontario Growth Secretariat which limits sprawl and intensifies land use, causing high prices to move even higher. A number of trends will have an impact on demand and on how real estate properties are used. Some have been occurring for a while and appear to be intensifying, while others are more recent. BUILD TORONTO is addressing these issues with its strategies as it moves forward to develop, partner on or sell properties, so that we can use the City's surplus land to better meet the needs of the residents of the City of Toronto as well as generating a reasonable financial return. While many trends are captured in BUILD TORONTO's Principle Hierarchy (see page 12) – Engagement, Livable Neighbourhoods, Sustainability, Employment, Transit-Oriented Development – others are shaping how real estate and development decisions are being made:

1. Expansion of cities will increase intensification. Cities will house a greater percentage of the population in Canada. Specifically, Toronto is forecast to grow by 80,000 to 100,000 people per year, with the majority of this growth through international immigration. The effect on real estate will be higher demand for housing and employment, in a constrained environment, for a variety of demographics and needs. This and other factors are also creating a need for larger apartments and more multi-bedroom units, rather than one-bedroom units. This will help to retain families, but there are large issues on income inequality (see below).
2. Addressing mixed incomes and housing affordability will drive decision making. Toronto ranks second to Vancouver in a lack of affordable housing combined with growing real estate values. Successful real estate entities need to address these issues before being forced to do so. Toronto will find ways to make it more affordable to live here, especially for families, through better handling of many of the trends noted below (such as technology and transit).

3. High demand for urban development and investment prospects in purpose-built residential rental, neighbourhood shopping and core office space, while suburban office space is not seen very positively. As well, there is a flight to quality products, with pension funds, REITs and other sophisticated investors, looking for high-quality assets to invest in and develop.
4. New real estate subsectors are being driven by demographic shifts. As the population grows and ages, demographic trends such as an aging population will lead to more aging in place and more seniors' uses of real estate, and affordability will be an important consideration.
5. Sustainability is transforming building design. Society is demanding more sustainable real estate, through the use of building materials that minimize environmental impact, more efficient HVAC, geothermal heating, district energy, lower energy consumption, water conservation, landscaping, lighting and greener construction methods. Many of these initiatives would be helpful toward marketing potential projects, that is, these proposals are not necessarily detriments to the value, but may increase the value.
6. Technology is becoming embedded in urban real estate. Automation for home and office is increasingly common, leading to enhanced security, energy conservation and connectivity. It will be necessary to harness crucial economic drivers and advanced industries, such as technology companies, aerospace, educational institutions, medical, pharmaceutical and more. With higher technology needs and the demand for intensifying collaboration, offices are being "densified"; that is the size of space each employee requires is being reduced by 10 per cent to 20 per cent from the existing average of approximately 200 square feet. There is possibility of a "Wired Score" that will be used to help to assess and compare buildings on embedded technology.
7. Transit-related development is a priority. Public transportation will be key to allowing the higher densification of the urban cores to reduce congestion and pollution, especially in mixed-use sites (see number 8 below).
8. Higher demand for mixed-use sites will change how we develop. Residents, especially millennials, highly value the ability to walk to stores, public places, work and other interests in their lives. "Walk Scores" have become a valued statistic in the decision to purchase a home. This is compelling the intersection of commercial and

residential, with amenities, and the creation of “villages” within the City. As much as developers and municipalities are frustrated with each other over development and planning, the convergence in what the market demands will lead to these two groups working together better.

9. Urban and site intensification will become more prevalent. The trend is to embrace higher densities due to the greater demand for core urban sites that are on transit, walkable, and close to other attractions. The higher demand for these sites is causing higher land prices, which will result in higher densities.
10. More public spaces and amenities will be demanded. People want open spaces, public meeting areas (inside and out), green space, places for kids and pets, and beautification such as public art. These will all become factors in future development.
11. The need to modernize urban infrastructure is real. Water, sewage, bridges, transportation, electrical transmission and technology all require renewal and development.
12. Risks are changing for developers. Financing urban growth, the additional infrastructure costs and other demands will increase inherent risk, so real estate companies will have to find new ways to tap into the source of growing capital to fund these requirements. There is a large supply of capital available, as pension funds, insurance companies and private equity firms seek the higher income returns that asset-backed investments offer, compared with the low returns from fixed-income instruments and the often fluctuating returns of the equity markets.
13. Great creative design and built form will shape the market. These are required not just for expensive places; all price points can have good design, through differing materials, textures, landscaping, and creative measures.
14. Public sector partnerships are needed. Cities are leading the way, assisting with the economics, tax breaks, financing mechanisms (such as bonds) and needed leadership on infrastructure.

Real Estate Market

Residential

Given the low-interest-rate environment, Toronto continues to be one of the most active residential real estate markets in the country. Although it is a market that is dominated by condominium development, a shift has begun, and is picking up momentum, from condominiums to purpose-built rental.

A record high inventory of 112,280 condominium units were under construction or completed in 2014 in Toronto. While just 18 per cent of the inventory in the active market was unsold at the end of the first quarter (2 per cent under the five-year average), the unsold supply dropped slightly to 20,237 remaining unsold units, with a record 26,000 units completed. Average price per square foot has risen marginally, by approximately 1.5 per cent, to $557.

Demand is highest in the downtown west area, which has 12,670 of the proposed units, with downtown east and the central waterfront being the other top areas, at 9% and 8%, respectively, of new product. There has been a trend towards larger units, rising to an average of 816 square feet from 792 at the end of last year.

The federal government, through the Ministry of Finance and the Bank of Canada, have, at times, attempted to cool the Canadian housing market through statements of concern that the market is out of step with the rest of the world, and that personal debt related to real estate ownership is too high. Many economists are now predicting a pullback in prices when interest rates rise, but there is no consensus on when interest rates will rise in Canada, or by how much. In the United States, the Fed chair is suggesting a period of economic stagnation: low interest rates may well be around for a long time, given income inequality and changing demographics. Previously there was a great deal of concern about a decline in the high-priced housing market, but currently, it is more commonly believed (and BUILD TORONTO agrees) that the market will experience a “soft landing” rather than a “bursting bubble.”

Purpose-built rental has recently enjoyed resurgence due to a number of factors, such as the concerns about the condominium market, the age of the rental building stock and extremely low interest rates. The current stock of purpose-built rental in Ontario, which should be reflective of Toronto, indicates that over 85 per cent of the units were built in 1979 or earlier, resulting in a great deal of stock that is more than 35 years old. Although only 24,000 purpose-built rental units were under construction across Canada in the second half of last year, that is a 52 per cent increase, according to CBRE.

Recent announcements point to the trend becoming stronger, with the announcement of over 1,000 units being developed on the former Honest Ed's site by a Vancouver firm and two condo sites being converted to rental prior to construction. As site intensification increases, new participants are entering the market, such as RioCan REIT, which announced it will build up to 19,000 units over 10 years, mainly in Toronto and Calgary, close to transit, which also reflects the trend towards more mixed-use sites with access to surrounding amenities.

A significant correction in the residential housing market will have a major effect on the BUILD TORONTO financial plan and the ability of the organization to meet its financial targets and provide cash dividends as forecast. Of the 32 properties currently declared surplus for turnover or transfer to BUILD TORONTO, 26 properties, representing approximately 81 per cent of the number and a greater percentage of the value of the portfolio, are residential or residential mixed-use sites. Given the cyclical nature of real estate markets, a significant correction could result in a period in which debt and equity capital is not deployed toward real estate transactions, with investors and end users choosing investments with lower risk. Given the high demand for housing in Toronto, essentially as a result of immigration, BUILD TORONTO plans to continue to work with best-in-class partners to develop more opportunities, focusing on purpose-built rental and meeting our affordable housing targets.

Office

With considerable pent-up demand, a significant construction phase began for downtown Toronto, for the period 2013 to 2017, with approximately six million square feet under construction, 60 per cent of it pre-leased. Approximately half of that space has been delivered to the market, with the remainder to be delivered during 2016 and the first half of 2017. As well, six new buildings have been announced (with no firm construction date) that will deliver an additional eight million square feet. A significant majority of this space is in the downtown area, reinforcing the trend that tenants are willing to move to new, energy–efficient, advantageously located Class A office buildings from more dated Class B offices.

With all the additional density, the downtown vacancy rate is 6.7 per cent still considered a “landlord’s market,” which is considered be in equilibrium between 8 per cent and 9 per cent. As new product comes to the market, and given fairly static demand, vacancy rates are expected to move upward, toward 11 per cent, by 2019, mainly in older Class B spaces. The condominium boom has dramatically increased residential density in the downtown area, and accordingly demand has increased for office space in the core, close to the young professional workforce. Office demand outside the core has declined, but is relatively stable. Acquisitions and consolidations in office ownership over the past two years have led to a few major players gaining stronger influence.

The BUILD TORONTO land portfolio contains two significant office sites, however, neither of them are in the downtown core, and cannot be part of the most vigorous development activity of new office space in the heart of midtown Toronto. However, they are good-quality office locations in North York and are served by the subway.

Barring an unforeseen downturn in the economy, it is anticipated that demand in these locations will remain fairly low in the next few years, given the amount of new office space coming on the market in the core. This oversupply of office space in the downtown core will put significant downward pressure on rental rates outside the core, and lengthen the time required to secure anchor tenant leases. As a result, development of the BUILD TORONTO sites requires a longer-term plan. BUILD TORONTO will focus on more mixed-use developments and on target-built projects to suit anchor tenants or City requirements.

Retail

The Toronto market is experiencing strong demand for high-quality retail locations, as a number of new entrants into the market have leased space and reduced the existing supply. The exit of Target, however, has caused the sector to pause. As well, we have seen other participants leave the market, such as Future Shop, and Jacob. In addition, many retailers are starting to explore smaller formats and multi-level opportunities, given the lack of available space in dense urban locations. It is anticipated that demand for retail space in the Toronto area will remain strong, given a limited land supply available for construction of new retail space, but the demand is expected to be concentrated in neighbourhood-oriented retailing, such as grocery, drug stores and other amenities.

There are a number of high-quality retail locations in the BUILD TORONTO land portfolio. Currently, the organization has signed two offers to lease with anchor retailers for stand-alone retail locations, and is currently marketing a third multi-tenant retail location. There are also a number of mixed-use locations that have significant retail potential.

It is anticipated that retail demand will remain strong, and BUILD TORONTO can create significant value by building new urban retail locations for high-quality tenants over the plan period.

Industrial

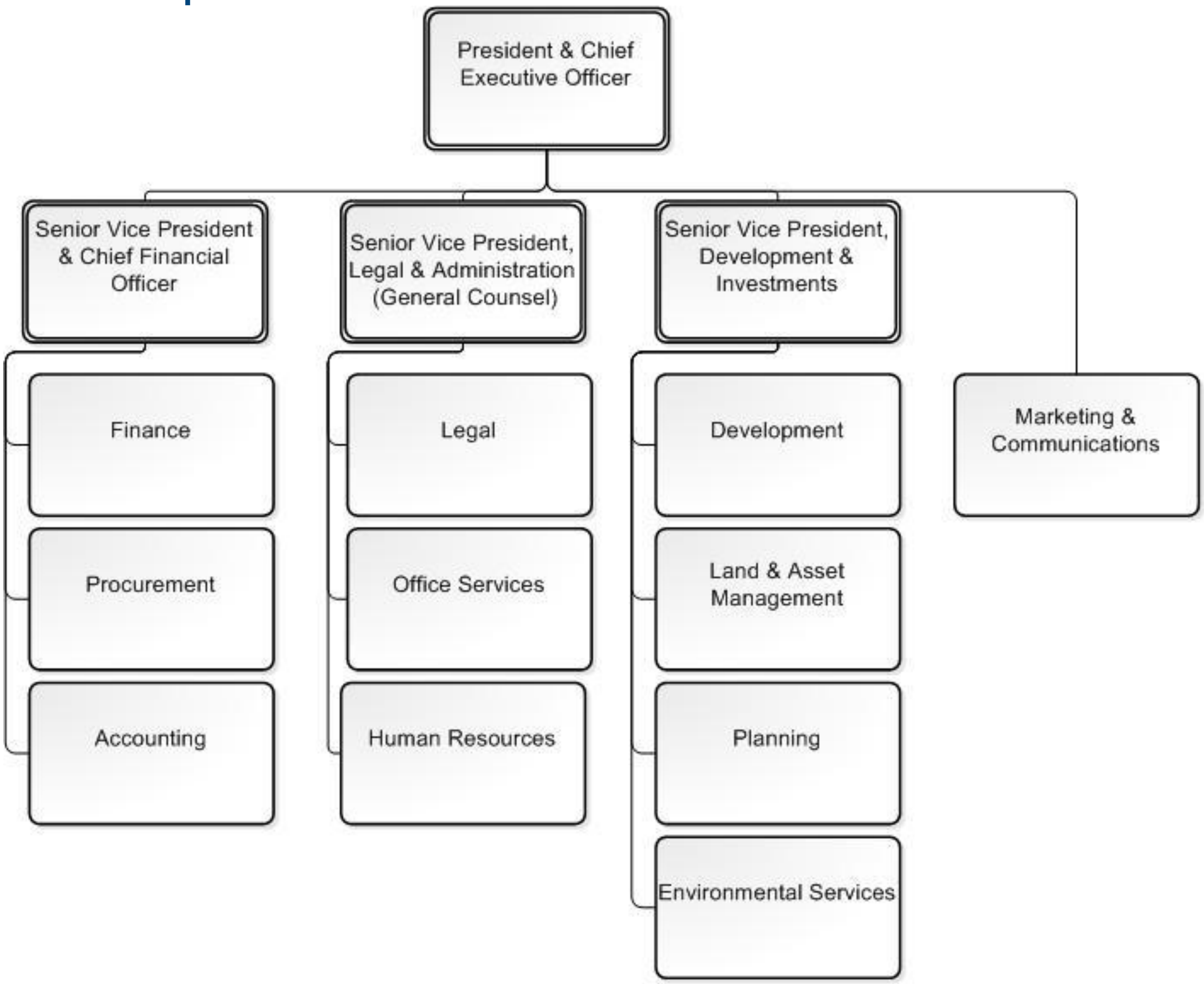
The industrial real estate market in the Greater Toronto Area (GTA) is strong, with approximately six-million square feet under construction at the close of the fourth quarter of 2014. The Ontario manufacturing sector has picked up over the last year, resulting in an increasing number of jobs, and there has been steady demand for light warehousing and distribution facilities, particularly facilities of 500,000 square feet and larger, with clear heights of up to 36 feet. Absorption has gone from a negative value a year ago to almost four million square feet in the last two quarters of 2014, with average rental rates increasing and vacancy dropping. However, the marketing of 1.7-million feet of industrial space in the GTA left vacant as a result of Target's withdrawal will have a temporary effect on the supply, mainly in the west end of Toronto.

In Toronto, while availability is low, the asking net rent continues to be among the lowest in the GTA due to a less competitive tax environment. Clear heights are also an issue, because the majority of available space in this market has heights of below 24 feet. Without a coordinated plan to repurpose these “below-standard” buildings, of which there is a large supply, the amount of available space that can meet the demands of users is expected to continue decreasing at a modest pace, putting a slight upward pressure on rental rates.

Industrial lands represent a small percentage of the BUILD TORONTO land portfolio, with four sites in the existing inventory. All of the existing sites have environmental issues that require investment in clean-up strategies, which makes profitable development challenging, given low rental rates, but which also can offer great City-Building initiatives by remediating environmental concerns. A change in industrial demand or rental rates will have only a modest impact on the BUILD TORONTO financial plan over the forecast plan period.

4. RESOURCE ASSESSMENT/GAP ANALYSIS

Internal Capabilities



It has been approximately one year since the restructuring, when the company downsized by approximately 25 per cent, with the majority of the reductions at the senior levels to streamline the organization to better reflect the market environment at that time. The company is organized functionally with three main groups; Finance and Accounting (including procurement), Legal and Human Resources (including Office Services) and Development and Investment, which carry out the investment, acquisitions, development and transactions. The Marketing and Communications function reports directly to the CEO.

Currently, the organizational needs are adequately met, but with increased activities, especially in the area of reporting and partnering, or serving as a consultant or project manager for City activities, further resources may be required. BUILD TORONTO proposes implementing a cost-recovery model to ensure that it has the proper resources to carry out a project management mandate.

Management will present a detailed execution plan to fully implement the strategy to transform BUILD TORONTO into a Real Estate Value Creation Company, which will take into account changes required for the organization to succeed.

Financial Resources

The company currently has adequate financial resources in order to meet current business requirements. BUILD TORONTO is projecting sufficient cash flow to meet short and mid-term requirements. As well, in 2015 the company will be in a position to use a $160-million City-guaranteed loan facility to access capital it may require.

Information Technology and Operational Needs

BUILD TORONTO is performing a systems assessment to identify technical strengths and weaknesses to resolve potential threats and take advantage of opportunities. As part of an effort to ensure BUILD TORONTO's intellectual property is secure and its technical requirements are met, a new information technology technical services contract was awarded, and BUILD TORONTO is confident any information technology gaps found will be addressed.

In an effort to ensure BUILD TORONTO is well-positioned to effectively engage and communicate in the new digital era, the company will need to make adequate investments in online tools and platforms, as well as online branding efforts and resources, in order to address all gaps.

5. STRATEGIC PLAN

BUILD TORONTO's 2015–2019 Strategic Direction sets out the following action items based on the analysis of the company's strengths, weaknesses, threats and opportunities, while addressing its current political, economic, social and technical environment, and conforming to the 2009 Shareholder Direction. BUILD TORONTO will lever its strengths to take advantage of the opportunities that exist and address areas that require improvement to optimize results through the following strategic objectives:

1. Enhance BUILD TORONTO's vision by embracing the demands of the City and its residents, and create value in terms of city building and financial returns.
2. Continuously improve transparency and accountability through better reporting and communication of BUILD TORONTO's role, its objectives, value creation and achievements through more quantifiable and qualitative information.
3. Maximize the value of City-owned real estate assets through monetization and city building. BUILD TORONTO will collaboratively work with the City and other agencies to develop and execute new strategies on a holistic property-by-property basis, to augment and improve the current "declaration of surplus process" to yield further potential sites and address the lack of incoming product.
4. Deliver more affordable housing to the City by establishing specific affordable housing targets for the next five years, developing "preferred supplier" arrangements with affordable home providers and creating a programmable model for implementation. The implementation of affordable targets requires an agreement with the Affordable Housing Office that will be approved by the Board and is contingent on funding levels and current and future site capacity.
5. Achieve better outcomes through the development, investment and sale of property. This will allow BUILD TORONTO to distinguish between gains made through its development skill and upward market movements.
6. Manage Financial Risk through the creation of (1) multiple-revenue events, which will vary the timing and maximize the return by moving projects through the development cycle and (2) a continuing income stream through material, but

not controlling, investments in selected strategic assets, which is a long-term portfolio strategy, with specific revolving investments that will be held for a medium term to earn income and capital appreciation while also being responsive to market demand for certain products and meeting the company's long-term financial objectives, including meeting the City's expectation of financial dividends.

7. Foster a commitment to collaboration throughout BUILD TORONTO's product life cycle and throughout the organization.
8. Focus on investment and development opportunities that support the City's transit and other priority initiatives.

Identity Creation and Promotion

BUILD TORONTO will maximize its outcomes, balancing financial returns and City-Building initiatives such as affordable housing. While the Shareholder Direction set broad categories of objectives, it lacks the details that would support consistent decision making when balancing outcomes and different projects in different geographic areas of the City. As noted in the Auditor General's report, the recommendations that will be addressed by the City Manager, including that the Mandate and the Shareholder Direction will be clarified by the City in conjunction with the Board and senior management, will be very supportive in aligning the City's and BUILD TORONTO's specific objectives.

While there is a need for this clarification, BUILD TORONTO already has a tremendous amount of experience to help set our own mission and identity, guided by the existing Shareholder Direction.

Based on our Mission, BUILD TORONTO will set overall objectives in this plan, followed by very specific objectives in the annual business plan, and progress on these objectives should be reported regularly. As well, BUILD TORONTO must be flexible and be able to tailor these objectives to specific sites and situations, and also be able to calculate and report to what extent financial returns may be reduced to fund City-Building initiatives. Reviewing and approving the property business plans on an annual basis will ensure a consistency between BUILD TORONTO's strategic objectives and the individual property plans.

As well, rather than being referred to as a development company, BUILD TORONTO should operate as a Real Estate Value Creation Company. We must demonstrate that we are not simply like any other developer, but instead are a partner and a willing investor in the future of the City. As a Real Estate Value Creation Company, BUILD TORONTO would continue to develop properties, invest in neighbourhoods, and, when requested, perform City real estate infrastructure projects where we have a direct interest or to facilitate on behalf of the City, as directed in our mandate. BUILD TORONTO has already become involved in projects such as the Fort York Pedestrian and Cycling Bridge where we are representing the City's interests on property that is not owned by BUILD TORONTO, and being an investment partner in projects that we have sold, as they are further developed and constructed, such as at 10 York.

Accountability/Transparency

BUILD TORONTO will improve its accountability and transparency to the Board and to its stakeholders by reporting on budgets, objectives, public meetings, and other activities. Recently, BUILD TORONTO has implemented an expenditure policy that defines certain requirements for reports and property-specific business plans. This provides a great start for reporting BUILD TORONTO's progress. The company should formally set out all objectives, internally for management and the board, and externally for stakeholders, and report on its progress in realizing these objectives. BUILD TORONTO's progress and success should identify and be measured against the plan and assessed on a quarterly basis. BUILD TORONTO should move toward further public disclosure of key documents, such as its Strategic and Annual Plans, perhaps in a shorter form, but still detailed enough to allow public transparency. As well, the plan objectives will be aligned with the objectives reflected in employees' short-term incentive plan, which is currently under review.

Lack of Incoming Properties

An issue that will affect BUILD TORONTO's future is the lack of properties available to BUILD TORONTO. Addressing the lack of incoming sites is a critical priority for BUILD TORONTO. As it is often difficult to extract larger, more complicated sites, it is best that BUILD TORONTO partner with the relevant parties to provide solutions and work with the City Manager's office to provide incentives, if necessary, that may be required to free-up new sites. BUILD TORONTO will also examine properties of varying size, since smaller properties may be easier to acquire. Strategies developed cannot be based only on large projects with a large City-Building and financial value impact. BUILD TORONTO must be prepared to undertake a number of other initiatives, including:

- Continue to work with Real Estate Service (RES) through the usual "surplus declaration process".
- Continue to work with RES on the strategic audit process, where more specific sites are targeted and analyzed to uncover surplus sites.
- Work with other City departments, agencies and corporations (as well as RES) to free up underutilized property, through relocation onto other sites, and efficiencies.
- Support the City's use of techniques such as accommodation studies to free-up underutilized potential sites.
- Provide more comprehensive solutions for creating value through partnering or through employing land assembly techniques to complement critical parcels of land owned by BUILD TORONTO, the City or City agencies.
- Launch a working group to work with the TTC to investigate development opportunities that will benefit the City through transit-oriented development on TTC sites.
- As recommended by the Auditor General, work with the City Manager, at their discretion and implementation, to develop a more holistic approach where an incentive program(that would be partially or fully funded by BUILD TORONTO) will incentivize parties to relocate, find efficiencies and free-up further surplus sites. This is an expansion of a program currently in effect, where BUILD TORONTO is required

to subsidize, or fully pay City agencies and tenants to relocate through the required terms and conditions of the property transfers.

- Launch a working group to work with the Works Department to investigate opportunities that will benefit the City through the development of underutilized or transplanted Works yards.
- Introduction to new potential property sites through provision of real estate consultations and assistance to City departments and agencies.
- Acquire key adjacent or complementary sites that allow better investment on existing sites.

Achieve More, Be More (Walk the Walk and Talk the Talk)

Linked to the requirement for transparency noted above, BUILD TORONTO will achieve better results and outcomes from the surplus properties under its charge, and be a leader, not a follower. BUILD TORONTO should be an industry leader, meeting the future requirements of the City. As noted above, that would entail looking specifically at addressing many of these issues:

Housing

- Embrace density where appropriate, in a high- or mid-rise form, especially where there is proximity to public transit, which is in higher demand.
- More mixed-use sites that integrate housing with commercial, office and retail.
- Larger and more two- or three-bedroom units, versus one-bedroom, as demographics change, and young people marry and have children.
- A focus on design excellence at all price ranges.
- Affordable housing, both rental and ownership, and where possible in a mixed-use setting, fostering walkable communities and local economic development.
- More purpose-built rental and fewer condominiums.
- Sustainability through the use of sustainable products, design and operation.
- More public realm, with internal and external meeting places and strong pedestrian connections to surrounding uses.
- Begin trending toward seniors' residences, for a forecast to peak in ten to 15 years.

- New homes should be technologically enabled and leading edge.

Office/Employment

- Provide space for employment office opportunities, focusing on the core and transit-oriented sites.
- More mixed-use sites that integrate housing with commercial, office and retail.
- Design office space to be more collaborative, with more meeting space and less individual space.
- Provide space for employment opportunities at industrial sites, where possible.
- Sustainability through the use of sustainable products, design and operation.
- A focus on design excellence.
- New commercial space should be provided with leading-edge technology.

Retail

- Focus on retail that provides for community needs, as well as employment.
- Integrate retail into housing and office developments.
- Sustainable products and design.
- A focus on design excellence.

Services/Partnering

- Qualify leading partners in needed areas where required, such as seniors, affordable housing, finance, joint venture partners, design and sustainability.
- Collaborate with City and partners; perhaps in modernizing current facilities, assisting in the management of infrastructure projects (hands-on project management, assisting in financing through new development, etc.) as a service, but also to create value-added opportunities.
- Partner with Economic Development and other City agencies to create financial incentives to induce employment, affordable housing, investment and City-Building opportunities.
- Through partnering, acquisition and other methods, provide a better platform for urban intensification.

Design Excellence and Innovation

There are various processes to strive for “design excellence”, which can be proactive, for selected or strategic sites, or more passive, through our development guidelines and via the development application review process at the City. The process of determining the level of activity for design excellence would be put forth in the annual property business plans. For most sites, a more passive approach could be taken, where the following actions would accomplish our objective of design excellence:

- Adherence to Build Toronto development guidelines, provided on most sale transactions, which can be modified for each site to ensure specific objectives
- Urban design guidelines set for various areas by the City, sometimes in association with Secondary Plan areas or as part of policy documents
- Design Review Panel – held monthly by the City for new applications on sites where City staff believes there will be significant impact to the surrounding neighbourhood; for city lead master plan areas; new parks; for the waterfront (there is a separate Waterfront Design Review panel which BUILD TORONTO went through for 10 York)
- As well, every development application gets circulated to the city’s urban design staff for a very rigorous review and commenting out

For those selected or strategic properties where BUILD TORONTO could be more proactive, to be catalysts for change, improvement and the adding of value through design excellence where there are opportunities to do so, one, or a couple, of the following actions taken could be:

- “Self-identify” certain projects that we actually recommend to the City that we go through Design Review Panel, such as BUILD TORONTO’s identification of the Allen East District Plan to go through Design Review. By volunteering to do this, it will ensure that the there is an objective professional review of the proposals as well as demonstrating to staff that the proponent will support a comprehensive review of the plans, not only from a staff perspective, but also from an independent tribunal.
- As well, we can sponsor design charrettes for some of our “key” or signature sites, projects in the downtown area having tall building components, or challenging sites,

whether large or small, such as those that may be environmentally contaminated, to determine the best way to deal with the challenges of remediation while balancing appropriate density for the site.

- BUILD TORONTO may also engage in “peer reviews” of some of our projects, whereby we ask an independent architect who has demonstrated design excellence, to provide peer review comments of proposals.
- Lastly, where there are opportunities, BUILD TORONTO could sponsor juried design competitions for selected sites to elevate their status, and our profile, whether that be overall master planning or site specific buildings. This option would add significant costs and time to the process.
- BUILD TRORONTO could adhere to policies of The Design Excellence Program at the center for GSA's advocacy of quality, which establishes nationwide policies and procedures for selecting the finest and most appropriate architects and integrated design teams for GSA commissions, as well as implements rigorous assessment processes to ensure enduring value in that work.

Many of these issues are included in the Principles Hierarchy on page 11 and will be specifically addressed to inform BUILD TORONTO’s overall business philosophy, and then detailed and incorporated in every property development, investment or transaction.

Manage Financial Risk

BUILD TORONTO’s financial results can be quite volatile due to a lack of transaction-ready product, market forces and a lack of recurring income that would help to offset general and administrative expenses. The amount of permanent funding, through equity investments, that is required to support approximately $8 million of general and administrative expense is large, and those funds would not be available to distribute to the City, or be used to further BUILD TORONTO’s investment development efforts. To cover the entire general and administrative expenses, BUILD TORONTO would be required to hold approximately $320 million of assets, and after conservative conventional financing, retain an equity position of approximately $128 million, funds that cannot be used for other purposes. This strategy would restrict too much capital that could be used by BUILD TORONTO or paid to the City in dividends, and the timing to accomplish this given the current portfolio is between five and ten years. As well, BUILD TORONTO will complete the process with the City to activate a City-guaranteed loan facility, which will be beneficial to ensure that we have access to capital and bridge fluctuating cash flow, but will not actually affect the volatility of cash flow, or revenue fluctuations.

As well, BUILD TORONTO's financial results will be greatly affected by properties received from the City, and from other uses of funds to support other objectives, such as City Building. Notwithstanding, the City has its own financial requirements for inflows of funds from BUILD TORONTO through the dividend. BUILD TORONTO must set a dividend policy with the City that is flexible enough to take certain fluctuations into account, but also realize that there is a certain level of dividend that must be paid, and that the cash flow must accommodate this.

Due to the political and financial risks of incurring another loss such as in 2013, Management believes that the management of financial risk is an important objective, and that if BUILD TORONTO is dependent solely on outright sales, this scenario could easily occur again, especially without a recurring income stream. Management believes that by employing the following strategies, the risk of financial volatility can be greatly reduced:

- Staggered points of sale through the development cycle, where certain properties are sold at an earlier stage, for example after conceptualization or at a later phase, such as after zoning, leasing or construction, thereby moving projects throughout the timeline, while still continuing to maximize value creation at each point in the cycle.
- Create multiple revenue events by selling the majority of a project, while retaining a material, but not controlling, interest in the project, such as was done for 10 York, where there was a sale, a reinvestment at 35 per cent and there will be a further revenue event in 2017 with the closing of the condominium sales. This will optimize value creation through the life of the project at two distinct stages.
- By holding a long-term portfolio these revolving investment interests for the medium term (up to three years as an income producing asset) BUILD can have a long-term income stream, as well as realize capital appreciation through the disposition of a

sale-ready asset that can be monetized at a future point in time, again maximizing value creation.

Collaboration/Expertise/Partnership to Enable Execution

BUILD TORONTO will enhance collaboration to ensure that we are meeting stakeholders' demands, through partnering and use our real estate expertise to ensure proper and timely execution. During 2014, BUILD TORONTO improved relations with the City and Councillors. In the next step, BUILD TORONTO will increase collaboration with the following parties and stakeholders to accomplish its objectives and fulfill its mandate:

- Community engagement with Residents
- Board of Directors
- City Councillors
- The Affordable Housing Office
- Affordable housing providers, such as Habitat, Artscape and Home Ownership Alternatives (see below)
- Planning staff
- Real Estate Services
- City corporations or agencies, such as the Toronto Parking Authority, Toronto Port Lands, TTC, Toronto Works and Toronto Libraries

To ensure quicker and more aligned execution, BUILD TORONTO needs to partner with best-in-class partners to achieve greatness. This will require a disciplined approach to a transaction or the investment process, and to selection of our partners, as we look for investors, such as pension funds, to fund projects, and for developers who have great ideas and can realize the vision.

Specifically, BUILD TORONTO's investment policy will require every partner (and its team, including architects, engineers and others involved in the process) to undergo a qualification process (through an RFPQ, or Request for Partner Qualification) that would analyze strengths and weakness and determine what partners can bring to the table to enable BUILD TORONTO to meet its objectives. BUILD TORONTO would rely on its partners for expertise in design, sustainability, building and construction (high rise, low rise and commercial), as well as seniors' housing providers and affordable housing providers, and would make a detailed review of the prospective partners' financial situation, experience, handling of previous projects and references, using clearly defined policies and procedures.

As well, when BUILD TORONTO engages on larger, more complicated and capital-intensive sites, a similar process would be used to qualify larger sources of capital and financing. Although BUILD TORONTO has been approved for a City-guaranteed loan facility of up to $160 million, the capital required to develop and then hold these projects could very well be significantly more than we could deal with on our own, and we would be required to seek out other parties; this must be done on a disciplined basis.

Transit Initiatives

BUILD TORONTO's development priorities should align with those of the City, and especially City Planning's desire to see more transit-oriented development. Such developments meet many of objectives noted in the "Achieve More" section above, such as mixed use, sustainability and density. BUILD TORONTO currently has only a handful of transit-oriented sites, so to take advantage of this area, we should carry out the following to make a larger impact:

- Develop a working group with the TTC on intensification of development around existing subway sites.
- Develop a strategy, to be approved by the Board, with TTC, Planning and RES about development around future LRT and potential subway stations.
- Discuss potential development opportunities with Metrolinx on City-owned land near to GO, or future Metrolinx-operated stations, where cooperation and land assembly may yield higher returns.

Affordable Housing

BUILD TORONTO will set realistic targets for affordable housing to be included in a potential redrafting of a “Memorandum of Understanding” with the Affordable Housing Office. BUILD TORONTO should do the following to ensure that it achieves on those targets:

- Meet with the Affordable Housing Committee Chair and the Affordable Housing Office (AHO) to ensure better communications, and work toward setting targets for the plan period.
- Set standards for each site for the percentage of affordable units, as well as ensuring there are large enough family units.
- Reach an agreement with AHO on funding, to ensure that it is available when we seek out partners to invest in our sites.
- Work with the AHO on a repeatable model that crosses over other departments (for example, automatic reduction in parking), so that site-specific planning can be done on a more consistent and more expedient basis.
- Negotiate preferred supplier arrangements with affordable home providers, again so that planning and execution can be done on a more efficient and consistent basis.

6. CONCLUSION

BUILD TORONTO’s 2015-2019 Strategic Direction plan will allow the organization to better serve the needs and priorities of the City. It is ambitious, achievable and accountable.

APPENDIX

A) 5 Year Net Income Projections

	2015	2016 - 2019	5 Year Total
Revenue from Property Transactions and Operations	$ 50,479,616	$ 321,458,640	**$ 371,938,256**
Less: Disposition Costs	(30,865,835)	(216,561,095)	**(247,426,930)**
Interest Revenue	978,915	4,066,889	**5,045,804**
Total Net Revenues	**20,592,697**	**108,964,434**	**129,557,131**
General and Administrative expense	(7,569,399)	(31,822,057)	**(39,391,456)**
Depreciation/Amortization/Other	(188,096)	(752,384)	**(940,480)**
Total Expenses	**(7,757,495)**	**(32,574,441)**	**(40,331,936)**
Net Income	**12,835,202**	**76,389,993**	**89,225,195**

B) 5 Year Cash Projections

	2015		5 Year Total
Proceeds from Property Transactions and Operations	$ 49,962,500	$ 300,979,756	**$ 350,942,256**
Capital Investment, net	(16,021,826)	(126,398,486)	**(142,420,312)**
			-
Construction Loan Repayment	-	(131,978,179)	**(131,978,179)**
Financing on Developed Property	-	99,552,138	**99,552,138**
Net Operating Income	517,116	1,382,236	**1,899,352**
Interest Revenue	978,915	5,454,389	**6,433,304**
General and Administrative expense	(7,569,399)	(31,822,057)	**(39,391,456)**
Cash Generated	**27,867,307**	**117,169,797**	**145,037,104**
Opening Cash Position	**72,812,077**	**100,679,384**	**72,812,077**
Closing Cash	**100,679,384**	**217,849,181**	**217,849,181**

Assumptions

- Operation and property management of properties BUILD TORONTO currently owns for the short term, as sites are developed or sold.
- Due to length of lead time to bring new properties to the market and the slowing Transfer process of acquiring new sites from the City, Sales and Development activity is from existing portfolio only, i.e. no new properties are assumed to be acquired during the Projection period.
- General economic climate is seen to remain constant over the strategic plan period, stable property markets
- The City Guaranteed Operating Line Facility is not used in the projection period.
- Properties are sold without VTBs
- No specific dividends are shown to be paid, actual payments would be made from free cash flow on an annual basis.
- Interest rates –assumed to start at 5.00% with a 25bps increase every 8 months, 65% Loan to Costs or Value for financing.