August 12, 2008

Ms. Shirley Hoy
City Manager
City of Toronto
Toronto City Hall
100 Queen Street West
Toronto, Ontario
M5H 2N2

Dear Ms. Hoy:

Re: TEDCO Annual Report for 2007

It is our pleasure to submit this report from the Board of Directors of the City of Toronto Economic Development Corporation (TEDCO) for the year 2007. As you know, TEDCO is wholly-owned by the City, operates at arms-length under the Ontario Business Corporations Act, and is subject to Shareholder Directions from time-to-time by City Council. Year-end audited financial statements were submitted to the City in July 2008 and are included in the staff report related to this item. Once again, the auditors have certified a clean and unqualified audit for 2007.

TEDCO's role as an urban development corporation continues to evolve according to public policy considerations and changing market conditions. While our traditional role as a property manager, land-owner and developer of brownfield and underutilized lands continues, our expanded city-wide mandate approved by City Council in June 2002 provides even greater opportunities for TEDCO to support the City. The expertise and experience of TEDCO's staff in advancing key economic and development projects over the past year has been evident in TEDCO's achievements.

We are pleased to highlight some of our major accomplishments from 2007:

1. **Monarch Evergreen—LEED-H Homes Development**

This green residential housing development is an example of TEDCO's many abilities to move quickly and effectively in response to market opportunities; our ability to increase assessment for the City; our capacity to partner with the private sector and attract private investment dollars to projects, and our strong support for public policy objectives with sound business strategies. In 2007 TEDCO negotiated and announced a joint development with Monarch Corporation to build the largest green low-rise residential community in Canada. The project, called Evergreen, is in the Midland and St. Clair area of Scarborough and will consist of 206 single-family and town homes all built to the new LEED-for-Homes (LEED-H) green building standard. This is the first time that TEDCO has partnered with a builder on a residential project and also the first time than an entire residential neighbourhood will be built to LEED-H standard in Canada. This innovative public-private partnership will address climate change, challenge industry to build to greener standards, and work with the City to share new techniques and procedures.

This development is close to 24 acres in size and combines property from both companies. Rather than TEDCO simply selling the intertwined property to neighbouring property developer, Monarch, we added value to the transaction by challenging Monarch to build the entire residential project to the LEED-H standard. Monarch agreed with TEDCO and the project will become an example of how building green will be marketable, repeatable and
possible without the need for government subsidies. TEDCO negotiated this agreement at full market value from which both TEDCO and the City of Toronto will benefit in terms of revenues and development fees.

This agreement will also achieve significant public policy outcomes related to the City of Toronto Prosperity Agenda and the Climate Change initiative. The October 24, 2007 announcement of this joint development was enthusiastically received by the media and the public interested in greener homes.

2. **TEDCO’s Corus Entertainment Project**

In 2007 TEDCO concluded business arrangements, completed the pre-development phase and site remediation, and commenced construction for the Corus broadcast and office building. This 500,000 sq. ft. building will feature the latest in environmental technologies and be built to achieve the LEED Gold standard. Corus Entertainment is a Canadian owned integrated media and communications company with assets in radio, television and digital animation which wanted to consolidate its 11 different Toronto locations into one creative convergence center. TEDCO’s lease negotiations resulted in Corus becoming the lead tenant in the new building and attracting more than 1200 knowledge-based jobs to this first development on the East Bayfront. While there were some challenges in working through the design review process, we believe that the final design of the building will be a remarkable asset and attraction to Toronto’s waterfront.

By convincing Corus to accept the risk as well as the prestige of being the first tenant in Toronto’s East Bayfront precinct, TEDCO ensured that Corus jobs remained in Toronto. We are certain that this development will help attract more such knowledge-based jobs to the waterfront and to Toronto in general. In addition, TEDCO has opened the way for future development in the area since this office building will also act as a crucial buffer to existing industry such as the Redpath Sugar industrial operation on the west side of Jarvis Quay. The Corus Building has already kick-started the development of the rest of the East Bayfront and will enable the balance of the 8,000 jobs envisioned for the area as well as other businesses and public spaces. In 2007 TEDCO completed an RFP process to select a co-developer and private sector investor for the Corus Building. We are working with the successful proponent to conclude these arrangements which will come to City Council for ratification.

TEDCO was recognized by the development community as a finalist and runner-up in the National Association of Industrial and Office Properties (NAIOP) Real Estate Excellence Awards in the 2007 Office Lease of the Year category for our Corus Entertainment Project.

3. **FILMPORT**

TEDCO concluded the successful negotiation of the 99-year ground lease and associated agreements to govern the development of the Port Lands Film/Media Complex (now called “FILMPORT”). FILMPORT is 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 screen-based industries. FILMPORT Phase One sits on part of a 47 acre site with TEDCO as the landlord and environmental steward in a unique public-private partnership with FILMPORT owner The Rose Corporation and its partners.

Phase One of the project is comprised of seven sound stages totaling 128,000 sq. ft. plus a further 110,000 sq. ft. of production offices, shops, and support facilities. In 2007,
construction began on the 46,000 sq. ft. "mega-stage" which will be North America's largest, purpose-built sound stage and a Toronto icon. The high profile media event on August 8, 2007 attracted a great deal of interest and attention with the Mayor and the Presidents of both FILMPORT and TEDCO helping to secure a beam for the mega-stage. The mega stage will be capable of supporting blockbuster feature films with budgets of $100 million or more which research shows have bypassed Toronto in the past due to the lack of sufficient studio infrastructure.

Advanced planning work has commenced on the FILMPORT Phase Two lands while pre-development work continues on the site, including extensive soil remediation. In 2007, FILMPORT also released the design concept for a new media hub building designed by internationally renowned architect Will Alsop. This will further enhance the iconic architecture associated with this site.

TEDCO and FILMPORT are playing a key role in bolstering Toronto's film industry by making it more competitive internationally, attracting and retaining jobs, and kick-starting the revitalization of Toronto's waterfront.

4. 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 three not-for-profit business incubators – the Toronto Fashion Incubator (TFI), the Toronto Business Development Centre (TBDC), and the Toronto Food Business Incubator (TFBI). 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 to foster an environment for the successful commercialization of new and innovative ideas and products.

The TFI is an innovative 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. In 2007, they successfully relocated from their Dovercourt Road site to the Music Building at Exhibition Place.

The TBDC facility currently leases approximately 30,000 sq. ft. of space at 1071 King Street West through a TEDCO sub-lease. The facility can accommodate approximately 40 emerging companies at one time. The TBDC also operates a branch facility at 105 Judge Road (Etobicoke) to house the Toronto West Self-Employment Program. This federally sponsored program enables expansion of TBDC incubator activity through the addition of five incubation spaces.

The TFBI is the latest addition to TEDCO's incubator program with the official opening of its facility at 133 Rivalda Road in North York in the fall of 2007. This building is 2500 sq. ft. and
provides incubator space for start up commercial food processors. It capitalizes on the GTA’s position as the third largest food processing cluster in North America and feeds into our larger objective to establish a major International Food Processing Innovation Centre (IFPIC). TEDCO and the TFBL Board of Directors are working with a range of other partners to try and establish a long term financing model to support this project.

In addition to these specific projects within the broad Economic Development mandate, TEDCO staff also work with their partners within Economic Development and other city divisions to advance integrated Economic Development policy and projects. TEDCO provides financial and policy support to initiatives such as the Agenda for Prosperity, the Long-Term Employment Land Strategy, the Financial Incentives Report, the EDCT Program Review, and the MaRS District Energy Initiative.

5. Mandate Review of TEDCO Development Agency

As a part of the Agenda for Prosperity and the EDCT Program Review, our Shareholder, the City of Toronto, commenced a further mandate review of TEDCO or a City Development Agency. The objective of this study is to ensure that the City will be able to advance the Agenda for Prosperity and that the City’s development agency is positioned, resourced, and properly structured to assist in delivering on this Agenda. The TEDCO Board and staff look forward to the conclusion of this process as we believe there are many more opportunities for the corporation to contribute to the City’s overall strategic goals, and to advance the Agenda for Prosperity.

Conclusion

TEDCO continues to provide a major contribution to the Economic Development portfolio and to 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 2007. We have also created the TEDCO Corporate Plan 2008-2010, Building Value, to share our corporate strategy with all of our stakeholders. Many other development projects, infrastructure and economic development initiatives are in the planning stage and will be reported in further communications to City Council via the Economic Development Committee.

We believe that the City of Toronto continues to receive excellent value from its ownership and encouragement of TEDCO, a hybrid public/private redevelopment corporation. We look forward to continuing to work closely with the City of Toronto and all of our stakeholders in both the broader public and private sectors.

Respectfully submitted,

Rowland W. Fleming
Chairman of the Board of Directors

cc: Mayor David Miller
Sue Corke, Deputy City Manager
Joe Pennachetti, Deputy City Manager and Chief Financial Officer

Jeffrey D. Steiner
President & C.E.O.