

Mr. Joseph Pennachetti
City Manager, City of Toronto
Toronto City Hall
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Toronto, Ontario M5H 2N2

April 30, 2013

**City of Toronto Economic Development Corporation,
Operating as Toronto Port Lands Company (TPLC)
2012 Annual Report: Achievements and Results**

Dear Mr. Pennachetti:

It is our pleasure to submit our financial report for the year 2012, on behalf of the Board of Directors of the City of Toronto Economic Development Corporation operating as Toronto Port Lands Company (TPLC). As you know, TPLC 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. TPLC is a self-financing corporation, incorporated in 1986 to manage real estate assets and to promote employment revitalization in the City of Toronto.

With this strong foundation as an urban development corporation and a history of award-winning developments, sustainable development and other initiatives, TPLC continues to evolve according to public policy considerations and changing market conditions.

In 2012, TPLC continued to build value for the City with its strategy to adopt a more proactive role in managing its property portfolio as directed by TPLC's Board of Directors. This direction is consistent with the Mayor's objectives as outlined in his 2012 Economic Development Plan, *Collaborating for Competitiveness*. As part of the TPLC strategy, 2012 targets included increasing revenue and jobs in the Port Lands, and working with the private sector land owners and leaseholders to achieve new development in the area.

The Port Lands strategic location represents a competitive advantage where many industrial, media and retail service-oriented businesses can effectively gain access to prospective and existing customers in the downtown core. TPLC's advantage is that it is nimble and operates in a commercial setting with a reasonable means of expediting transactions and operations. The success of the central downtown Toronto area will depend in part on TPLC achieving its mandate.

TPLC remains the largest property owner in the Port Lands with roughly 400 acres in its portfolio. Along with day to day activities of managing and leasing its properties, TPLC works closely with a wide range of partners and stakeholders while continuing to prepare for future redevelopment of the Port Lands. This includes managing the relocation and consolidation of the concrete and aggregate companies to the east side of the Port Lands and engaging in the environmental approvals process necessary for redevelopment. TPLC continues to provide environmental stewardship in the area.

2012 Asset Sales and Property Transfers

Sale of Corus Quay Land and Building – In 2007 City Council approved TPLC (then TEDCO) to proceed with the first office development on the East Bayfront. TPLC, as owner and developer, completed the project on time and on budget in 2010. Corus Quay achieved LEED Gold designation, became a catalyst for the area's revitalization and a new hub for 1,100 knowledge-based jobs retained in Toronto as Corus Entertainment's Toronto headquarters. The new lease contributed incremental net property income (before financing) of approximately \$9 million annually. In April 2011, City Council approved TPLC's proposal to sell Corus Quay, the building and its lands. The sale, with the assistance of Build Toronto, was completed on March 9, 2012 and an accounting gain of \$39 million was recorded in 2012.

Additional Gain on Sale of Midland and St. Clair / Evergreen – Evergreen was a joint development between TPLC (then TEDCO) and Monarch Corporation with Monarch as the builder. This innovative partnership created the largest low-rise residential neighbourhood built to LEED - H standard in Canada at the time. The project included a profit-sharing agreement which generated ongoing revenue to TPLC from the sale of two parcels of land for the project. Further interim distributions from the developer and revised cost-to-complete estimates have resulted in a further adjustment to the gain on sale of \$900,000 in 2012, bringing the aggregate gain to \$11.7 million. In 2011, TPLC's Board of Directors authorized a resolution granting a payment on the sale of **Evergreen** to Build Toronto Inc. of \$10.8 million. The 2012 financial statements included a reserve in the amount of \$900,000 for additional amounts due to Build Toronto Inc.

Property at 60 Atlantic Avenue, Toronto – As per City Council's direction, the Corporation transferred an investment property at 60 Atlantic Avenue to Build Toronto Inc. in April 2012 at no consideration. The building subsequently sold for \$9.7 million in 2012.

2012 Operating Highlights

In 2012 TPLC continued to prudently manage its assets and initiatives in the Port Lands. With more than 70 tenants and hundreds of short term licenses, TPLC's team continues to create jobs and generate revenue for the City by maximizing the value and economic development potential of its properties. Highlights are outlined below.

Financial Dividend to City – Following Council approval to amend TPLC's Articles of Incorporation, the corporation was able to pass on to the shareholder (the City) a special dividend amount of \$40 million, that can be used for City budgeting purposes. The dividend was paid in April 2012.

Net Property Income – In 2012 the Corporation generated net property income (before financing) of \$10.9 million against net property income (before financing) of \$19.4 million in 2011. Excluding part-year revenue from the Corus Quay building, the Corporation maintained rental revenue at \$10.1 million year over year.

Financial Support/Grants – In 2012 TPLC provided a grant of \$2.47 million to Invest Toronto Inc. to fund its operations and capital expenditures. The grant is part of a TPLC commitment to Invest Toronto Inc. to provide funding up to specified funding maximums identified in the grant agreement as directed by City Council in 2009.

Incubator Funding – TPLC also made a payment of \$1.35 million in 2012 to support the City of Toronto's Incubator program. TPLC previously staffed and carried out the activities of the Incubator program that is now part of the City's Economic Development & Culture Division as directed by City Council in 2009.

Innovation, Media and Creativity Cluster – With the City taking the lead, precinct planning around Pinewood Toronto Studios has been initiated with area landowners.

Initiatives – In 2012 TPLC again attracted internationally acclaimed Cirque du Soleil back to the Port Lands for their fifth year. Cirque du Soleil's big top attracts thousands to the area and is one of the many examples of maximizing interim use of properties which not only generates revenue for TPLC but offers spin-off benefits in the areas of economic development such as job creation, entertainment and tourism.

TPLC continues to focus on attracting tenants for lighter industry, knowledge worker and employment generating interim uses. One new TPLC tenant is Flax Energy, an innovative Ontario corporation who makes food, fuel and feed from one agricultural crop – Canadian flaxseed.

In September 2012, Pinewood Toronto Studios held a groundbreaking event signaling the addition of three new state-of-the-art sound stages to its complex just south of Commissioners Street on adjacent Option lands. This next phase of the film studios continues to attract and retain jobs in the vital film and entertainment production industry, one of the primary drivers of Toronto's economy.

The Port Lands remain a functioning port area and will continue to house industrial tenants. As part of the consolidation strategy to relocate concrete and aggregate companies to the eastern Port Lands, TPLC has been working with Essroc as well as the Toronto Port Authority and Waterfront Toronto, to move the global cement producer from its current Cherry Street location to a new site just north of the Ship Channel alongside other like companies. Site preparation commenced in 2012 and construction of the new Essroc terminal will begin shortly.

Conclusion

Toronto Port Lands Company continues to provide a major contribution to building our City. Our seasoned team of professionals also directly contributes to the City's new economic development strategy and achieving its objectives. A dedicated staff consists of highly qualified individuals with a long-term commitment and perspective with both private and public sector experience. This short summary provides only a brief review of our activities and successes in 2012. The City of Toronto continues to receive excellent value from its Corporation and can look forward to continued growth for 2013.

We would like to thank the balance of the staff and the other Board members for their hard work and positive contributions to the City.

Respectfully submitted,



Michael Kraljevic
President & Chief Executive Officer



Mike Williams
Chairman of the Board of Directors

cc: Mayor Rob Ford
Roberto Rossini, Deputy City Manager and Chief Financial Officer
John Livey, Deputy City Manager