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Mr. Joseph Pennachetti
City Manager, City of Toronto
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April 14, 2015

**City of Toronto Economic Development Corporation,
Operating as Toronto Port Lands Company (TPLC)
2014 Annual Report: Achievements and Results**

Dear Mr. Pennachetti:

It is our pleasure to submit our financial report for the year 2014, 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 2014, TPLC continued to build value for the City with its proactive role in managing its property portfolio as directed by TPLC's Board of Directors. This direction is consistent with the City's objectives as outlined in its 2013 Economic Development Plan, *Collaborating for Competitiveness*. As part of the TPLC strategy, 2014 targets for its ongoing port operations 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 preparing lands for development for Pinewood Toronto Studios and managing the relocation and consolidation of the concrete and aggregate companies to the east side of the Port Lands. In addition to engaging in the environmental approvals process necessary for redevelopment, TPLC continues to provide environmental stewardship in the area.

2014 Operating Highlights

In 2014 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.

Net Property Income – In 2014 the Corporation generated net property income of \$9.8 million against net property income of \$9.1 million in 2013, an increase of 7.3% over last year which continues the trend of steady revenue growth from its managed property portfolio.

Financial Support/Grants – In 2014 TPLC provided a grant of \$2.7 million to Invest Toronto Inc. to fund its operations and capital expenditures (2013: \$2.5 million). 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 \$1.4 million in 2014 to support the City of Toronto's Incubator program (2013: \$1.4 million). 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.

Net Income and Comprehensive Income – Overall, the Corporation generated net income in 2014 of \$1.2 million compared to \$1.9 million in 2013. (2013 included a non-recurring payment related to the Essroc relocation of approx. \$1.0 million. Excluding this one-time receipt, the Corporation posted an increase of 42% in net income for 2014).

2014 Key Initiatives and Outcomes

Acquisition of Optionee's Interest in Rose Option Lands

In 2009, the Corporation granted an option to Rose Surrounding Option Inc. to lease certain lands within the Port Lands area of the City of Toronto (Option Lands). In February 2014, the Corporation acquired the optionee's interest in the Option agreement and Option Lands of approximately 13 acres. The termination of this option agreement effectively provides TPLC with the ability to control and develop the land, and then realize the associated benefits of future development of the properties.

TO 2015 – Pan Am Games

TPLC continues to work on opportunities to leverage major events such as the Pan Am Games to attract investment to the Port Lands. In 2014, the Corporation commenced negotiations with TO2015 to lease approx. 20 acres in the Port Lands area for a bus and vehicle logistics facility to support the Pan Am Games which the City of Toronto is also contributing funding to assist in site preparations. TPLC and TO 2015 will enter into a Proud Supporter Agreement in sponsorship of the Pan Am Games and will also assist in the land preparation of the site for the bus and vehicle logistics facility.

Pinewood Studios Expansion – 30,000 sf

In September 2013, 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. TPLC completed a long-term lease agreement with tenant Pinewood Toronto Studios to permit Pinewood's expansion. During the year, the Corporation paid the tenant a foundation contribution of approx. \$800,000. TPLC's option agreements were structured to provide a contribution towards these extraordinary foundation costs to promote higher use developments on the sites.

Essroc Relocation

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. Essroc has scheduled an official opening in the fall of 2015.

Infrastructure Investment

As part of its strategy to ensure infrastructure capacity in the Port Lands, the Corporation held initial planning discussions in 2014 with City staff regarding the City's Works Yard Consolidation/ Relocation strategy regarding potential sites in the Port Lands.

The TPLC Board also approved funding as directed by Council to declare a special dividend of \$3 million payable to the Shareholder towards the rehabilitation of the dockwall adjacent to the Canada Malting lands.

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 2014. The City of Toronto continues to receive excellent value from its Corporation and can look forward to continued growth for 2014. 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 John Tory
Roberto Rossini, Deputy City Manager and Chief Financial Officer
John Livey, Deputy City Manager