



## REPORT FOR ACTION

### **Build Toronto - Annual General Meeting and 2016 Audited Financial Statements**

**Date:** May 31, 2017

**To:** Executive Committee

**From:** City Manager and Deputy City Manager & Chief Financial Officer

**Wards:** All

#### **SUMMARY**

---

This report recommends the actions necessary to comply with the requirements of the Business Corporations Act (Ontario) for the holding of the Annual General Meeting of the Shareholder of Build Toronto Inc. (Build Toronto), including receipt of its 2016 Annual Review and audited Consolidated Financial Statements for December 31, 2016, and appointment of the auditor for 2017.

This report also contains recommendations for receipt at the Annual General Meeting of the Shareholder of information disclosing the individual compensation of executive officers employed by Build Toronto in 2016, and Build Toronto actions to add value to transferred properties to date.

#### **RECOMMENDATIONS**

---

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

1. City Council treat the portion of the City Council meeting at which this report is considered as the Annual General Meeting of the Shareholder for Build Toronto by:
  - a. Appointing Pricewaterhouse Coopers LLP, Chartered Accountants as the Auditor for Build Toronto for the fiscal year 2017, and authorizing the Board of Directors of Lakeshore Arena Corporation to fix the remuneration of the Auditor;
  - b. Receiving the Build Toronto 2016 Annual Review forming Attachment 1 to this report; and
  - c. Receiving the Build Toronto Financial Report to the Shareholder (which contains its 2016 audited consolidated financial statements), forming Attachment 2 to this report.

d. Receiving the Build Toronto Inc. 2016 Compensation Disclosure and Analysis forming Attachment 3 to this report.

e. Receiving Build Toronto's 2016 Value Add Report to the Shareholder, forming Attachment 4 to this report.

3. City Council direct the City Clerk to forward the Build Toronto Financial Report to the Shareholder, forming Attachment 2 to this Report, to the Audit Committee for information.

## **FINANCIAL IMPACT**

---

Build Toronto paid the City \$25 million in dividends in 2016. Subsequent to 2016 year end, the Build Toronto Board declared a dividend of \$25 million, to be paid to the Shareholder in 2017.

The Deputy City Manager & Chief Financial Officer has reviewed this Report and agrees with the financial impact information.

## **DECISION HISTORY**

---

That portion of the City Council meeting on July 12, 13, 14 and 15, 2016, where [EX16.6 Build Toronto - Annual General Meeting and 2016 Audited Financial Statements](#) was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Build Toronto and the 2015 Consolidated Financial Statements were received. Build Toronto's Strategic Direction 2015-2019 was attached to the report.

At its meeting on March 31, April 1 and 2, 2015, City Council approved recommendations in [AU1.7: Operational Review of Build Toronto Inc.](#) In the review, Toronto's Auditor General recommended that the City Manager review the Shareholder Direction to Build Toronto, and prepare a comprehensive City-wide real estate framework.

At its meeting on March 31, April 1 and 2, 2015, City Council approved Pricewaterhouse Coopers LLP, Chartered Accountants, as the Auditor for 2015-2019 for the City, certain City Agencies, and other programs and funds, and specific City Corporations ([AU1.20: Award of Request for Proposal No. 9171-14-7121 to PricewaterhouseCoopers LLP for External Audit Services for the City and Certain of its Agencies and Corporations](#)).

At its meeting on July 8, 9, 10 and 11, 2014, City Council directed Build Toronto to provide a summary of the value created on the sale of each property closed during the year and on each project completed during the year within each Annual Report ([GM31.6: Build Toronto Progress](#)).

At its meeting on July 11-13, 2012, City Council required that Shareholder Directions for all wholly-owned City corporations be amended to require public disclosure to the extent permitted by law of individual executive compensation as part of the annual reporting to the Shareholder and where required obtain consent from executives. City Council also required that individual variable pay remuneration (one-time lump sums) not exceed 25% of an executive's base salary ([EX21.19: Executive Compensation 2011 for Agencies and Corporations](#)).

## COMMENTS

---

### 1. Issue Background

Build Toronto Inc. was established by City Council in 2008, with authorities under the *City of Toronto Act* (COTA) and incorporated under the *Ontario Business Corporations Act* (OBCA). The City is the sole shareholder. The mandate of Build Toronto is to unlock the value of underutilized lands and use the available City and agency land base to attract targeted industries, stimulate the creation of desirable employment and regenerate neighbourhoods.

Subsection 154(1) of the OBCA requires that the Shareholder receive Build Toronto's audited financial statements and the report of the auditor at the annual meeting of the Shareholder. Subsection 94(1) requires that the Directors of Build Toronto call an annual meeting of its Shareholder by no later than fifteen months after holding the last preceding annual meeting.

Subsection 149(2) of the OBCA requires that Build Toronto's Shareholder at each annual meeting, appoint one or more auditors to hold office until the close of the next annual meeting, and allows the Shareholder to authorize the directors to fix the auditor remuneration.

Section 6.8 of the Shareholder Direction to Build Toronto requires Build Toronto to provide an annual update to City Council, in addition to the requirement of the OBCA to hold an annual general meeting.

### 2. Appointment of the Auditor

The City's Auditor General from time-to-time conducts a competitive process to select an external auditor. At its meeting on March 31, April 1 and 2, 2015, City Council approved Pricewaterhouse Coopers LLP, Chartered Accountants, as the Auditor for 2015-2019 for the City, certain City Agencies, and other programs and funds, and City Corporations which includes Build Toronto Inc.

As a result, Pricewaterhouse Coopers LLP is to be appointed as the Auditor for Build Toronto for fiscal year 2017. The Board of Directors of Build Toronto will fix the annual remuneration of the Auditor.

### **3. Key Build Toronto Achievements in 2016**

Build Toronto has reported a number of key achievements in 2016, as described in their 2016 Annual Review which forms Attachment 1 of this Report. Their accomplishments include:

- \$18.7 million net property sales; and a dividend payment of \$25 million (more detail provided below).
- Sold the property at 505 Richmond Street West, which will restore a heritage building and create a new integrated development including residential condominiums, affordable housing, a youth shelter and a retail food hall.
- Started construction at 75 Billy Bishop Way in North York, which will provide new shops and employment to the local community near Wilson Subway station.
- Contracted 247 affordable housing units in projects across the City of Toronto.
- Completed zoning for 4650 Eglinton Avenue West to bring a new Canadian-owned retirement complex into Etobicoke.
- Sold properties at 30 and 36 Tippet Road, which will help to bring 200 new affordable housing units to the Wilson Subway station.
- Celebrated the grand opening of Eva's Phoenix, a transitional housing and training facility for youth.
- Began construction on the Forth York Pedestrian and Cycle Bridge, an important City infrastructure project creating a new connection to the waterfront and Fort York.
- Invested \$0.92 million in environmental and risk management measures.

### **4. Build Toronto 2016 Audited Consolidated Financial Statements**

#### **Disclosure of Financial Results**

Section 6.7 of the Shareholder Direction requires Build Toronto to deliver its audited consolidated annual financial statements to the Shareholder within 120 days of its fiscal year end. These documents are filed with the City Clerk's office. A summary of the 2016 financial results is provided in this section of the report.

As at December 31, 2016, the Build Toronto had the following wholly-owned subsidiaries:

	<b>Development of Real Property</b>	<b>Joint Arrangement for real estate development</b>	<b>Investment in Film Studios</b>
Build Toronto Holdings One Inc.			✓
Build Toronto Holdings (Harbour) Inc.		✓	
Build Toronto Holdings (Ordnance) Inc.		✓	
Build Toronto Holdings (York Mills) Inc.	✓		
Build Toronto Holdings (Victoria Park) Inc.	✓		
Build Toronto Holdings (Tippett) Inc.	✓		
Build Toronto Holdings (Dunelm) Inc.	✓		
Build Toronto Holdings (Billy Bishop) Inc.	✓		
Build Toronto Holdings (Richmond) Inc.	✓		
Build Toronto Holdings (Bicknell) Inc.	✓		
Build Toronto Holdings (Westwood) Inc.	✓		

## **Summary of 2016 Financial Results**

### **Income Statement**

Total 2016 net income, at \$12.7 million, demonstrated an increase over 2015 (\$3.3 million) primarily as a result of increased net property sales. In 2016, Build had net property sales of \$18.7 million, as compared to \$8.3 million in fiscal 2015. In 2016, Build sold four properties, which resulted in the generation of 247 affordable housing units. A summary of 2016 audited consolidated income statement is provided in the table below.

<b>Audited Consolidated Statement of Comprehensive Income for the year ended December 31 (\$000's)</b>			
	<b>2016</b>	<b>2015</b>	<b>2016 increase/ (decrease) over 2015</b>
<b>Revenues</b>			
Property Sales	50,291	22,461	
Cost of sales	(31,632)	(14,192)	
<b>Net property sales</b>	<b>18,659</b>	<b>8,269</b>	10,390
Rental Revenue	1,980	2,667	
Property operating expenses	(1,344)	(1,603)	
<b>Net Rental Income</b>	<b>636</b>	<b>1,064</b>	
<b>Net Property Income</b>	<b>19,295</b>	<b>9,333</b>	9,962
Other Income and Expenses			
Interest Income	1,518	1,539	
General & Administrative	(7,274)	(6,630)	
Depreciation & Amortization	(146)	(146)	
Interest Expense	(625)	(699)	
Financing Costs- environmental provision	(357)	(946)	
Other	247	877	
<b>Net Income &amp; Comprehensive Income</b>	<b>12,657</b>	<b>3,328</b>	9,329

### Shareholder's Equity

Build Toronto had Shareholder's Equity of \$238.3 million as at December 31, 2016, demonstrating an increase of \$4.3 million over 2015, as a result of 2016 net income, property transfers from the Shareholder, offset by a dividend paid to the Shareholder. In 2016, Build Toronto paid a dividend to the Shareholder of \$25 million, an increase over the \$15 million paid in 2015. Subsequent to 2016 year end, the Board of Directors declared a dividend of \$25 million, to be paid to the Shareholder in 2017.

<b>Audited Consolidated Statement of Shareholder's Equity for the year ended December 31 (\$000's)</b>		
	<b>2016</b>	<b>2015</b>
<b>Shareholder's Equity beginning of year</b>	<b>234,058</b>	<b>245,556</b>
Net transfer of property from Shareholder	16,603	174
Net Income	12,657	3,328
Dividends paid	(25,000)	(15,000)
<b>Shareholder's Equity end of year</b>	<b>238,318</b>	<b>234,058</b>

## Balance Sheet

As at December 31, 2016, Build had total assets of \$296 million, demonstrating an increase over 2015 (\$288 million). The increase was primarily the result of a loan receivable of \$20.6 million recorded in 2016, relating to a Vendor-Take-Back mortgage and a promissory note issued in connection with a property sale transaction.

Total liabilities as at December 31, 2016 were \$57.9 million, versus \$53.7 million in 2015, primarily relating to greater accounts payable and other liabilities. A shift of \$9.9 million from non-current to current liabilities related to the timing associated with payment of an environmental provision. In 2015, the current portion of the environmental provision had been \$519,000.

<b>Audited Consolidated Balance Sheet</b> as at December 31, 2016 (\$000's)			
	<b>2016</b>	<b>2015</b>	<b>2016 vs 2015</b>
Current assets	231,699	245,650	
Non-current assets	64,502	42,081	
<b>Total assets</b>	<b>296,201</b>	<b>287,731</b>	8,470
Current Liabilities	48,182	37,177	
Non-current liabilities	9,702	16,496	
<b>Total liabilities</b>	<b>57,883</b>	<b>53,673</b>	4,210
Shareholder's equity	<b>238,318</b>	<b>234,058</b>	4,260
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>296,201</b>	<b>287,731</b>	

## 5. Executive Compensation 2016

Build Toronto has disclosed executive compensation information for senior management in 2016 Compensation Disclosure and Analysis, forming Attachment 3 to this Report as requested by City Council.

The protection of individual privacy is required by the *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA). Specific compensation data of individual employees is private information under MFIPPA. Build Toronto has indicated that current and former senior management have consented to the public disclosure of individual compensation information contained in Attachment 3 and assured the City that there is no unauthorized release of personal information.

## 6. Value Add Report

Build Toronto carries out a number of activities to enhance the value of City properties transferred to it. The Value Add Chart to Shareholder forming Attachment 4 of this report indicates Build Toronto activities to add value to each property sold, and summaries financial and city-building outcomes as a result of these activities, as requested by Council. The chart shows that the total financial value created as a result of Build Toronto's sales to date is \$111.5 million. This figure is based on revenue from real estate sales less the value of properties when they are first transferred to Build Toronto and costs related to improvement and sale of the properties, as shown in Build Toronto's audited financial statements.

## CONTACT

---

Peter Notaro, Executive Director, Strategic & Corporate Policy, 416-392-8066, [peter.notaro@toronto.ca](mailto:peter.notaro@toronto.ca)

Todd Orvitz, Director, Corporate Policy, 416-392-6783, [todd.orvitz@toronto.ca](mailto:todd.orvitz@toronto.ca)

Joe Farag, Executive Director, Corporate Finance, 416-392-8108, [jfarag@toronto.ca](mailto:jfarag@toronto.ca)

Michael Smith, Counsel, Legal Services, 416-392-7245, [Michael.A.Smith@toronto.ca](mailto:Michael.A.Smith@toronto.ca)

## SIGNATURE

---

---

Roberto Rossini  
Deputy City Manager & Chief Financial Officer

---

Peter Wallace  
City Manager



## **ATTACHMENTS**

---

Attachment 1: Build Toronto 2016 Annual Review

Attachment 2: Build Toronto Financial Report to the Shareholder and 2016 Consolidated Audited Financial Statements

Attachment 3: Build Toronto Inc. 2016 Compensation Disclosure and Analysis

Attachment 4: Build Toronto's 2016 Value Add Report to the Shareholder