

## **Build Toronto - Annual General Meeting and 2020 Audited Consolidated Financial Statements**

**Date:** June 21, 2021

**To:** Executive Committee

**From:** City Manager and Chief Financial Officer and Treasurer

**Wards:** All

### **SUMMARY**

---

This report transmits materials submitted by the Board of Directors of Build Toronto (BT) to the City and recommends actions necessary to comply with the requirements of the Business Corporations Act, Ontario (OBCA) for holding the Annual General Meeting of the Shareholder of Build Toronto, including receipt of its Annual Report and Audited Consolidated Financial Statements (Statements) for 2020 and appointment of the auditor for 2021.

Build Toronto's 2020 Statements were audited by KPMG LLP and received an unqualified opinion stating that the financial statements present fairly, in all material respects, the consolidated financial position of Build Toronto as at December 31, 2020, and its consolidated financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS). Limited review and analysis was performed by City staff.

The report also responds to City Council's request to report the impact of COVID-19 on the 2020 financial statements as well as any modifications to programs and initiatives to address the pandemic.

### **RECOMMENDATIONS**

---

The City Manager and Chief Financial Officer and Treasurer recommend that:

1. City Council treat that 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. receiving the Letter to the Shareholder from the CreateTO's Chair of the Board of Directors and President and Chief Executive Officer dated April 30, 2021 transmitting the "CreateTO 2020 Highlights ", and the "Build Toronto 2020

Audited Consolidated Financial Statements", forming Attachment 1 and 2 to this Report; and,

b. appointing KPMG LLP as the Auditor of Build Toronto for fiscal year 2021.

2. City Council receive the "Build Toronto 2020 Financial Impacts of COVID-19 ", forming Attachment 3 to this report.

3. City Council direct the City Clerk to forward a copy of the "Build Toronto 2020 Audited Consolidated Financial Statements", forming Attachment 2 to this report, to the Audit Committee for information.

## **FINANCIAL IMPACT**

---

Build Toronto's 2020 Statements recognize a net income and comprehensive income of \$5.6 million (a decrease of \$21.3 million over 2019), total assets of \$248.7 million (a decrease of \$25.1 million over 2019), and total liabilities of \$32.2 million (a decrease of \$8.6 million over 2019). The value of Build Toronto's real estate inventory, including investments in co-ownerships, decreased by \$17.8 million to \$63.1 million. Shareholder's equity decreased by \$16.5 million in 2020 to \$216.4 million after consideration of transferred property and the dividend paid to the City of Toronto.

Per Build Toronto shareholder direction, the annual dividend payment is specified by the City and can be changed from time to time. Since 2016, the amount specified has been \$25.0 million, which Build Toronto paid in 2020. Payment of the 2020 dividend has reduced the entity's retained earnings balance to a negative amount, resulting in negative impact on contributed surplus and total shareholder's equity.

The last Build Toronto property to be sold will be closed in 2021. As Build Toronto will be generating limited revenues from its assets, the dividend may not be sustainable going forward.

As outlined in Attachment 3, there was no material impact to the operations of Build Toronto due to COVID-19. They did not receive government assistance and did not require any emergency funding from the City in 2020.

## **DECISION HISTORY**

---

On February 18, 2021, City Council adopted EX21.2 Capital and Operating Budgets and requested the Board of Directors of Toronto Community Housing Corporation, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Build Toronto and Toronto Pan Am Sports Centre, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to provide the final 2020 financial impacts of COVID-19 on their 2020 Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address

COVID-19 at their 2020 Annual General Meetings.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

On September 30, 2020, that portion of the City Council meeting where EX16.14 Build Toronto - Annual General Meeting and 2019 Audited Financial Statements and as Shareholder was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Build Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX16.14>

On July 11, 2012, City Council approved a requirement 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.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.19>

## **ISSUE BACKGROUND**

---

City Council authorized the establishment of Build Toronto in 2008 pursuant to section 148 of the City of Toronto Act, 2006, and Ontario Regulation 609/06. Build Toronto was incorporated under the Business Corporations Act (Ontario) (OBCA) on November 13 2008. The City is the sole 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. The last annual meeting was held by City Council on September 30, 2020. Subsection 154(1) of the OBCA requires that the Shareholder receive the Build Toronto Statements and the Auditor's Report at the annual meeting of the Shareholder.

Section 149(2) of the OBCA requires that the Build Toronto 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 Auditor's fee for the service.

Section 6.6 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.

### **City-Wide Real Estate Model**

On January 1, 2018, the City launched CreateTO, a new agency to lead the City-wide Real Estate Model adopted by City Council in 2017. This new model involves the operational consolidation of both Build Toronto and Toronto Economic Development Corporation (operating under the name Toronto Port Lands Company) through service agreements with CreateTO for specific real estate activities, including commercial development. Service agreements were also established between CreateTO and Build Toronto to support cost recovery for back office staff support.

As a result of the City-wide Real Estate Model, Build Toronto's now holds real estate and performs transactions to enable CreateTO to fulfill its city-building mandate. The

last Build Toronto property to be sold will be closed in 2021. The remaining properties held by Build Toronto are expected to be leased or sold to pay for City operational needs or services, and affordable housing. Consequently, Build Toronto will not be generating revenues from its assets to support its operations and those of CreateTO and a new funding model will be required to fund CreateTO.

## **COMMENTS**

---

### **1. Appointment of Auditor**

The City's Auditor General conducts a competitive process to select an external auditor. On June 29, 2020, City Council appointed KPMG LLP as the auditor licensed under the Public Accounting Act, 2004 who is responsible for annually auditing the accounts and transactions of the City and certain of its local boards and expressing an opinion on the financial statements of these bodies based on the audit, as per [AU5.7: Contract Award of Request for Proposal No. 9119-19-7141 \(Doc2038917448\)](#) to KPMG LLP for External Audit Services for the City and Certain of its Agencies and Corporations.

As a result, KPMG LLP is to be appointed as the Auditor for Build Toronto for fiscal year 2021.

### **2. Key Build Toronto Achievements in 2020**

The Letter to the Shareholder from CreateTO's Chair of the Board of Directors and the President and Chief Executive Officer transmits the 2020 CreateTO Highlights (Attachment 1) which highlights key activities undertaken by Build Toronto in 2020.

### **3. Summary – Build Toronto 2020 Audited Financial Statements**

#### **Highlights of 2020 Financial Results**

Build Toronto's financial results can be summarized as follows:

- Net income and comprehensive income of \$5.6 million.
- Sold an inventory property for \$16.0 million and a future service land parcel for \$4.0 million, for total development revenue of \$20 million.
- Environmental provision of \$7.5 million was eliminated when the associated property was sold to a third party who assumed the remediation liability.
- Overall financial performance is lower due to one-time transactions that occurred in 2019 that did not recur in 2020, resulting in overall lower 2020 net income and comprehensive income.

## Statement of Financial Position

The following table summarizes the financial position for Build Toronto as at December 31, 2020, with comparative figures for 2019:

	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>	<b>%</b>
<b>Assets</b>				
Current Assets	178,968,656	210,107,126	(31,138,470)	-15%
Investments	31,458,233	30,864,777	593,456	2%
Amounts Receivable	4,612,494	513,083	4,099,411	799%
Loans Receivable	30,726,742	32,317,098	(1,590,356)	-5%
Non-Current Assets - Land	2,919,136	-	2,919,136	
<b>Total Assets</b>	<b>248,685,261</b>	<b>273,802,084</b>	<b>(25,116,823)</b>	<b>-9%</b>
<b>Liabilities</b>				
Current Liabilities	4,721,035	11,344,305	(6,623,270)	-58%
Amounts Payable & Other Liabilities	-	1,086,075	(1,086,075)	-100%
Debt	27,521,774	28,458,582	(936,808)	-3%
<b>Total Liabilities</b>	<b>32,242,809</b>	<b>40,888,962</b>	<b>(8,646,153)</b>	<b>-21%</b>
Shareholder's Equity	216,442,452	232,913,122	(16,470,670)	-7%
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>248,685,261</b>	<b>273,802,084</b>	<b>(25,116,823)</b>	<b>-9%</b>

Total assets were \$248.7 million, a decrease of \$25.1 million (or 9%) compared with the previous year, resulting from:

- Current Assets: a decrease of \$31.1 million due to the sale of real-estate inventory (\$17.8 million); a reduction in cash and cash equivalents (\$17.6 million) offset by an increase in receivables from the City for project costs.
- Accounts Receivable (non-current): an increase of \$4.1 million is primarily due to the estimated value of a serviced parcel of land to be transferred to Build Toronto at a later date, in lieu of proceeds of \$4.0 million, related to a sale of inventory during the year.
- Loans Receivable: a decrease of \$1.6 million is primarily due to the principal payments against the leasehold mortgage with Pinewood Toronto Studios; and the reclassification of a \$0.8 million promissory note to current assets from non-current, offset by accrued interest of \$0.1 million.
- Non-Current Assets: an increase of \$2.9 million is due to the transfer of a portion of a site, which will be developed into a new park, from inventory to non-current assets.

Total liabilities were \$32.2 million, a decrease of \$8.6 million (or 21%) compared with the previous year, resulting from:

- Current Liabilities: decrease of \$6.6 million primarily due to the write off of the environmental provision of \$7.5 million when the associated property was sold to a third party who assumed the remediation liability.

- Accounts Payable & Other Liabilities: a decrease of \$1.1 million due to the transfer of the long term payables to current liabilities (due within the year) for construction obligations in connection with the property expected to close in 2021.
- Debt: A decrease of \$0.9 million due to principal repayments made during the year.

## Shareholder's Equity

As at December 31, 2020, Build Toronto had total Shareholder's Equity of \$216.4 million, a decrease of \$16.5 over 2019, as a result of a dividend paid to the Shareholder of \$25 million; partially offset by a transfer of property from the Shareholder of \$3.0 million and the net income of \$5.6 million. The dividend payment to the Shareholder has caused retained earnings to move to a negative position. For details, refer to page 3 of the 2020 Statements.

	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>	<b>%</b>
<b>Shareholder's Equity, Beginning of the Year</b>	232,913,122	238,687,299	(5,774,177)	-2%
Net Income	5,569,932	26,878,026	(21,308,094)	-79%
Transfer of property to shareholder		(7,652,203)	7,652,203	-100%
Transfer of property from shareholder	2,959,398	-	2,959,398	
Dividends Paid	(25,000,000)	(25,000,000)	-	0%
<b>Shareholder's Equity End of the Year</b>	<b>216,442,452</b>	<b>232,913,122</b>	<b>(16,470,670)</b>	<b>-7%</b>

## Real Estate Inventory

The following table summarizes the change in real estate inventory, including investments in co-ownerships.

	<b>2020</b>	<b>2019</b>
<b>Balance, Beginning of the Year</b>	80,915,447	111,881,154
Transfers from/(to) shareholder	2,959,398	(7,652,203)
Development Costs	1,538,905	517,295
Cost recorded on the Consolidated Statement of Income and Comprehensive Income	(19,382,785)	(23,830,799)
Transfer of land to non-current assets <sup>1</sup>	(2,919,136)	
<b>Balances, End of the Year</b>	<b>63,111,829</b>	<b>80,915,447</b>

<sup>1</sup>During the year, as a result of a sale of real estate inventory property, a portion of the site, which will be developed into a new park, under the entity's management was transferred to non-current assets.

## Capital Structure

Build Toronto's capital structure is comprised of Debt and Shareholder's Equity, as follows. The following table summarizes the carrying value of the Company's capital as at December 31 2020 and 2019:

<b>Table 4 – Capital Structure (in \$)</b>	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>	<b>%</b>
Debt	28,499,342	29,406,808	(907,466)	- 3%
Shareholder Equity	216,442,452	232,913,122	(16,470,670)	-7%
<b>Total Capital</b>	<b>244,941,794</b>	<b>262,319,930</b>	<b>(17,378,136)</b>	<b>-7%</b>

The entity manages its capital, taking into account the long term business objectives of the entity, and achieving the City-building objectives.

## Consolidated Statement of Income and Comprehensive Income

The table below summarizes and compares the financial performance for the year ended December 31, 2020, with comparative figures for 2019:

<b>Table 5 - Build Toronto Consolidated Statement of Income and Comprehensive Income for the Year Ended December 31, 2020 (\$000s)</b>	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>	<b>%</b>
<b>Revenues:</b>				
Development Revenue	20,000,000	37,925,675	(17,925,675)	-47%
Cost of Sales	(11,085,095)	(25,241,305)	14,156,210	-56%
Net Development Income	8,914,905	12,684,370	(3,769,465)	-30%
Rental Revenue	1,476,651	1,999,209	(522,558)	-26%
Rental Expense	(966,172)	(1,330,620)	364,448	-27%
Net Rental Income	510,479	668,589	(158,110)	-24%
<b>Total Net Revenues</b>	<b>9,425,384</b>	<b>13,352,959</b>	<b>(3,927,575)</b>	<b>-29%</b>
<b>Other Income (expenses):</b>				
Income from Investments	3,174,083	9,089,455	(5,915,372)	-65%
Interest Income	2,643,434	3,358,072	(714,638)	-21%
Fair value gains: Investment property	530,000	5,472,000	(4,942,000)	-90%
Project management fees	225,000	4,945,148	(4,720,148)	-95%
Project investigative costs	(183,288)	(387,325)	204,037	-53%
Interest expense	(962,801)	(1,144,429)	181,628	-16%
Contribution to affordable housing	(1,500,000)	-	(1,500,000)	
General and administrative	(7,947,880)	(7,957,604)	9,724	0%
Amortization and depreciation	-	(16,250)	16,250	-100%
Other	166,000	166,000	-	0%
<b>Total Other Income</b>	<b>(3,855,452)</b>	<b>13,525,067</b>	<b>(17,380,519)</b>	<b>-129%</b>

<b>Table 5 - Build Toronto</b>				
<b>Consolidated Statement of Income and Comprehensive Income for the Year Ended December 31, 2020 (\$000s)</b>				
<b>Net Income and Comprehensive Income</b>	<b>5,569,932</b>	<b>26,878,026</b>	<b>(21,308,094)</b>	<b>-79%</b>

The 2020 net income and comprehensive income was \$5.6 million, a decrease of \$21.3 million (or 79%) from the previous year resulting from:

**Net Revenues:**

- Reduced net development revenue as a result of lower transaction volume. The last Build Toronto property to be sold will be closed in 2021. The remaining properties held by Build Toronto are expected to be leased or sold to pay for City operational needs or services and affordable housing.
- Reduced net rental income in 2020 due to the sale of a retail shopping centre in 2019.
- Lower income from investment mainly due to decreased revenue from 120-130 Harbour Street as it approaches completion.
- Lower fair market gains on investment property due to a one-time adjustment in 2019 to include an updated estimate of the residual value of the property.

**Expenses:**

- Lower project management and consulting fees due to non-recurring fees. In 2019, a one-time fee earned related to the sale of a Toronto Port Lands Company property of \$4.6 million.
- Contribution to affordable housing of \$1.5 million: As part of trailing obligations for property sold in 2016, Build Toronto was required to provide financial assistance to the purchasers of affordable condominium units. For this purpose, Build Toronto provided a loan to Habitat for Humanity. Since Build Toronto does not have control over the site, the timing and likelihood of repayment cannot be estimated and as a result, the loan has been written off.

**Subsidiaries and Joint Ventures**

The Statements of Build Toronto include the assets, liabilities, and results of operations of Build Toronto and its wholly owned subsidiaries. These Statements also include Build Toronto's interest in joint ventures. An overview of Build Toronto subsidiaries and joint ventures is provided in page 5 of the 2020 Statements.

**4. 2020 Executive Compensation**

In December 2017, City Council adopted a recommendation to amend Build Toronto's Shareholder Direction which directed that Build shall not hire employees, other than its CEO, without the prior consent of CreateTO. Therefore, Build Toronto no longer reports executive compensation as all executives are also officers of and paid by CreateTO.



## 5. Impact of COVID-19

As part of the City of Toronto 2021 Budget process, City Council requested the Board of Directors of Toronto Community Housing Corporation, Toronto Port Lands Corporation, Casa Loma Corporation, Lakeshore Arena Corporation, Build Toronto and Toronto Pan Am Sports Centre, in consultation with the City of Toronto's Chief Financial Officer and Treasurer, to provide the final 2020 financial impacts of COVID-19 on their 2020 Operating and Capital Budgets and operations, detailing any modifications to their programs and initiatives to address COVID-19 at their 2020 Annual General Meeting. Build Toronto provided this information in Attachment 4.

## 6. Other Information

Staff are currently exploring opportunities to streamline the reporting requirements and the annual general meetings of all City corporations in future years.

## CONTACT

---

Sandra Rodriguez, Director, Intergovernmental & Agencies Relations, 416.392.3832, [Sandra.Rodriguez@toronto.ca](mailto:Sandra.Rodriguez@toronto.ca)

Sandra Califaretti, Director, Accounting Services, 416.397.4438, [Sandra.Califaretti@toronto.ca](mailto:Sandra.Califaretti@toronto.ca)

Michael Smith, Solicitor, Legal Services, 416.392.7245, [Michael.A.Smith@toronto.ca](mailto:Michael.A.Smith@toronto.ca)

## SIGNATURE

---

Heather Taylor  
Chief Financial Officer and Treasurer

Chris Murray  
City Manager

## ATTACHMENTS

---

Attachment 1: CreateTO 2020 Highlights

Attachment 2: Build Toronto 2020 Audited Annual Financial Statements

Attachment 3: Build Toronto 2020 Financial Impacts of COVID-19