



## Strategic Plan Summary

### A Growth and Revenue Producing Development Company For a Growing Portfolio of City Properties

The inaugural strategic plan for Build Toronto sets the organization on its journey of growth. The strategic plan outlines the business model being used in the management of assets transferred to Build Toronto from the City, the financial and non-financial targets for the corporation, and the priorities for the five-year period ahead.

The company represents a new entrepreneurial model for a city-owned real estate entity. The top rated team of development leaders will partner with private and public sector interests, and access equity markets to develop properties and produce real results - specifically investment properties with long term value yield, dividend streams, economic growth, new employment, and targeted city-building – all to the benefit of the City of Toronto.

#### Mandate

Build Toronto is a development company with a city-building mandate to:

- create a financial dividend for the City
- undertake catalytic development opportunities
- undertake development that attracts and retains employment in the City
- assist in the creation of liveable neighbourhoods

There are two primary objectives for Build Toronto: to build a portfolio of investment properties that will yield an annual financial dividend for the City of Toronto, and to direct development and management of assets in order to achieve city-building results.

Build Toronto was one of two corporations created following the 2008 Toronto City Council approval of ***A New Model To Enhance Toronto's Competitiveness***, a collaborative report with recommendations from two major reviews of the City and its Economic Development and Real Estate activities. Build Toronto Inc. was incorporated on November 2008, and began operation in June 2009, following the appointment of a Board of Directors and the Chief Executive Officer, Lorne Braithwaite.

## Business Model

Build Toronto has completed a detailed evaluation and analysis of current lands transferred to it by the City and calculates a build-out potential of close to 14 million square feet of new leasable area. Build Toronto's current land inventory is appraised at close to \$200 million. The value of properties available to Build Toronto is expected to grow to \$350 million over the 2010-2014 period.

Major "investment properties" (commercial, industrial and mixed-use) will likely be undertaken as joint ventures with the private sector with Build Toronto raising or managing the aggregation of equity capital. The result, long underutilized properties across the City (including prime sites in Downsview, Scarborough, North York and North Toronto) will be transformed and 'value-enhanced' into first class mixed-use, and new revenue-generating communities. Properties that have a limited value as long-term commercial investment, or those are primarily targeted to residential development, will be sold on an improved or unimproved basis. This process will be done on a case-by-case basis, following detailed market and business opportunity analysis.

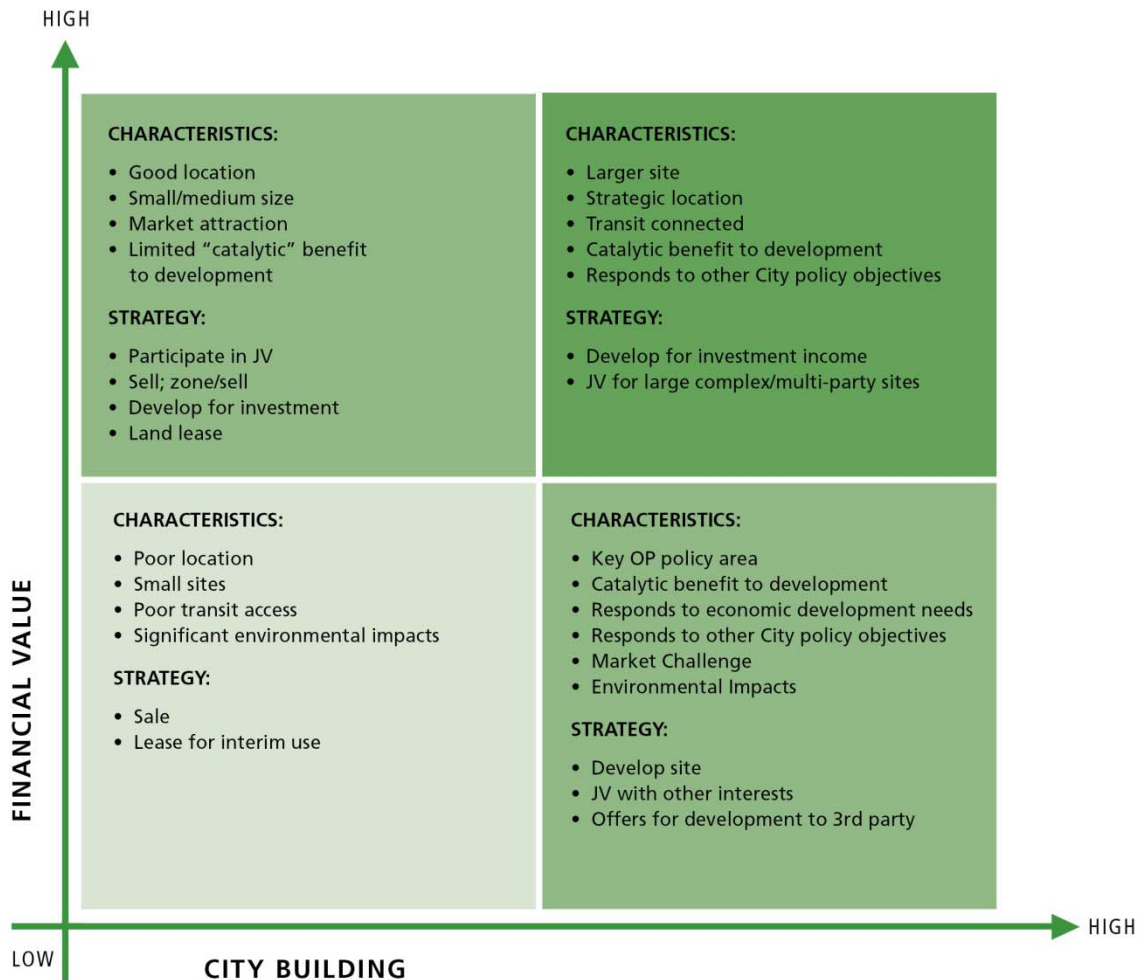
Fig. 1 – Build Toronto Business Model



## Outcomes

The outcomes for Build Toronto are based on what can be achieved from available land inventory or other assets put at Build Toronto's disposal. As noted above, the highest outcome for Build Toronto is the development of investment properties with high value (NOI) and a high contribution to city-building outcomes. The following diagram (Fig.2) illustrates the types of sites in the Build Toronto land inventory and how these support the needs of the corporation.

**Fig. 2 – Matrix of Build Toronto Values / Outcomes**



## Priorities

### 1. Building revenues

Key goals for Build Toronto are to create a financial dividend for the City of Toronto and to meet city-building objectives. A long-term sustainable revenue stream will benefit the City as this annuity can be built into long-term operating and financial plans. Over time, this value can be captured through asset sales. Building an income stream to support all operating needs will take seven years. This assumes a modest build-out and a period of close to four years before the first commercial development revenues are realized. In order to sustain Build Toronto and generate some equity capital, an aggressive asset management plan is required that maximizes value from the lands that are available for non-commercial purposes or that do not fit with the long-term asset profile.

A goal for Build Toronto is the payback of a \$10 million interim loan fund from the City by 2016 and generating sufficient capital for equity investment in key projects. Operating funds through this period will be generated through the sale of lands which are not “mission-critical” (estimated at \$64 million) together with monies from asset management activities and land loans.

**Table 1 - Current Build Toronto Development Potential (NRA sq ft)**

	INCOME PROPERTIES	ASSET MANAGEMENT
Commercial Development	4,391,000	
Residential Development		8,618,000
Industrial Development	779,000	
Land Leases (long-term)	50,000	
Land Sales/Short-Term Leases		227,000
<b>Total (NRA sq.ft.)</b>	<b>5,220,000</b>	<b>8,845,000</b>

With over 50% of current assets in the residential category, Build Toronto will either sell, or participate in development of these lands, while meeting the City’s targets of providing land for the construction of 1,250 affordable ownership and rental units over 5 years. Build Toronto will oversee the development of this portfolio working with non-profit or private developers and will work with the City’s Affordable Housing office to fund and deliver this affordable housing.

**Table 2 – Summary of Potential Investment Income 2010 – 2016**

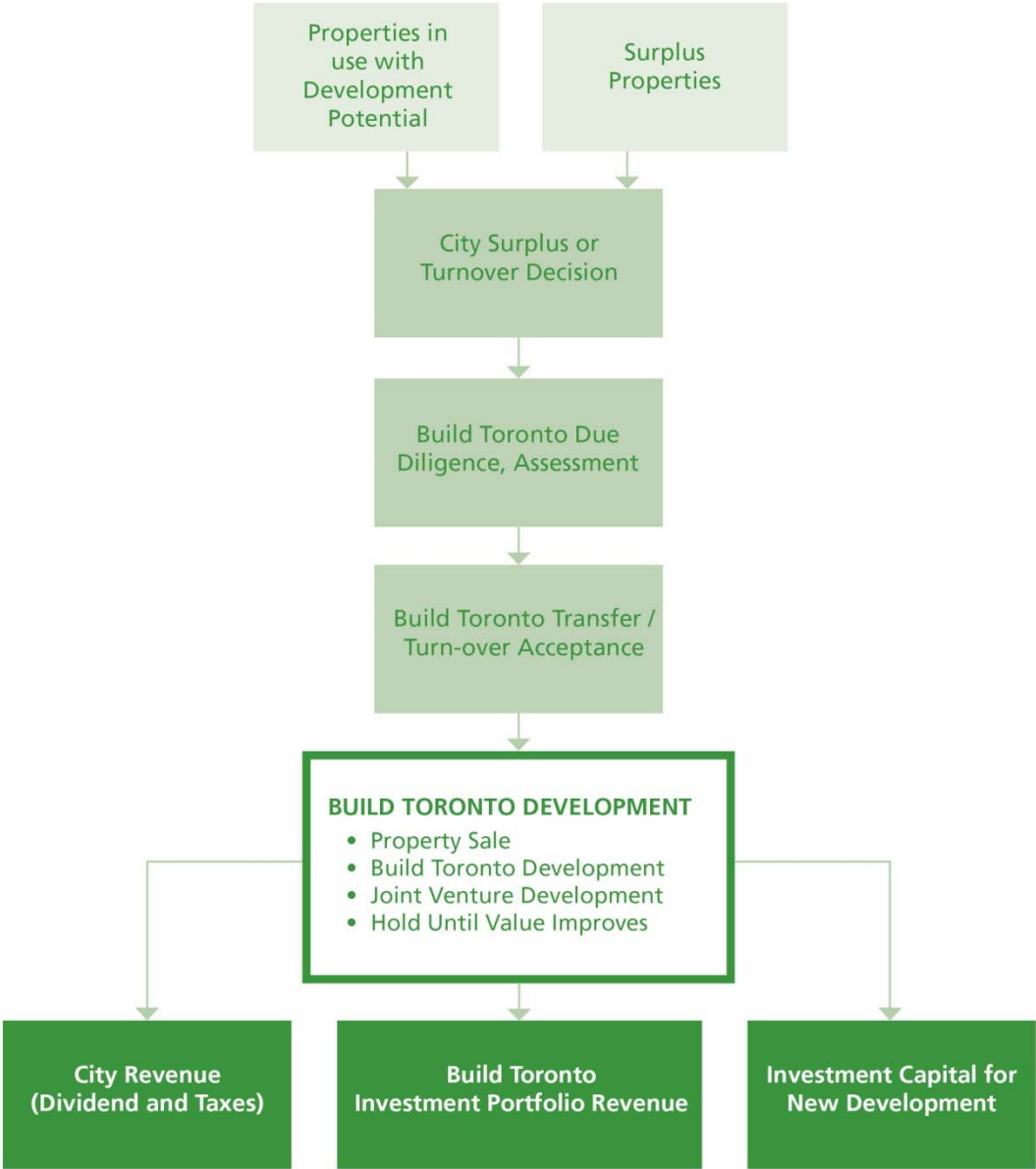
DEVELOPMENT TYPE	ANNUAL NOI (\$ MILLIONS)	TIME FOR STABILIZED NOI (YRS)	RISK
OFFICE	32.7	19% 2014, 81% 2015/16	MED/HIGH
INDUSTRIAL	9.8	2016	MED/LOW
RETAIL	0.4	2013	LOW
STORAGE	3.4	2013	LOW
<b>TOTAL</b>	<b>46.3</b>		

## 2. Financial Sustainability

There are two key financial challenges facing Build Toronto in the short and medium-term: reaching operational self-sufficiency, and generating sufficient income for equity investment in projects. The timely transfer of properties to Build Toronto is paramount to achieving financial sustainability, growth in revenues and value to the City. Build Toronto will work closely with the

City to identify lands with development potential and unlock this value to rapidly achieve operating self-sufficiency as well as generate funds for equity investment in key projects.

**Fig. 3 – Process for Acquisition and Development of Properties**



In the initial period of this plan, it will be imperative that larger projects with requirements for high-level Build Toronto equity participation start into production in order to create the net income that will provide the financial dividend to the City. Equally important is the continued identification of surplus properties by the City of Toronto and their transfer to Build Toronto in order to maintain an inventory against which Build Toronto can borrow to invest in the development of investment properties.

### 3. *Delivering City Building Value*

Build Toronto is responsible for achieving Toronto's city-building objectives and meeting its triple bottom line of economic, social and environmental results. All projects will exceed the City 'green building standard' and demonstrate the highest level of design and architectural excellence. In addition, as many projects as possible will support transit expansion, City 'priority neighbourhoods' growth, and future Transit City 'business corridors' infrastructure.

A key success for Build Toronto is to develop investment properties that have a positive catalytic impact in neighbourhoods. This includes working with the City's Affordable Housing Office to use Build Toronto sites in the delivery of 1,250 affordable ownership and rental housing units.

#### **Implementing the Strategic Plan**

Council set up Build Toronto with the stated objective to *"use its lands to enhance Toronto's economic competitiveness by attracting new commercial development that creates desirable jobs and to improve the liveability of Toronto by rejuvenating neighbourhoods and providing infrastructure and amenities."* Build Toronto's Board of Director's is Chaired by Mayor David Miller and Vice-Chair Blake Hutcheson, and represents an incredibly strong and experienced Board with exceptional expertise in the Real Estate and Development business in Toronto and in Canada.

The strategic plan covers the period to 2014, and foresees continuing transfer of lands to Build Toronto, including underutilized properties already occupied by City facilities such as libraries, parking lots and the TTC. Many of these "turnover" properties have high potential for intensification and revenue generation. Build Toronto will rely on the willingness of City operating departments to partner on accommodation solutions for existing facilities that will free up high value sites of which there are many in highly desirable locations.

#### **The Team**

Build Toronto is led by a team with deep experience in public and private sector development. **Lorne Braithwaite**, Build Toronto's CEO, is an internationally known dynamic real estate developer with strong strategic vision and business acumen gained through public and private company experience in Canada and abroad during a 32 year business career. **Derek Ballantyne**, Build Toronto's COO brings to the table his strategic leadership experience planning and directing Canada's largest public-private re-development project in Regent Park.

Rounding out Build Toronto's Senior Management Team are Don Logie, Senior Vice President, Development, Winston Young, Senior Vice President and CFO, and John Macintyre, Senior Vice-President, Corporate Affairs. Collectively, Build Toronto's Senior Management Team has the development expertise, financial acumen and the intimate knowledge of the City of Toronto and it's unique stakeholder environment required to achieve the mission.