

2009/10 Management Report

RESULTS FOR THE YEAR

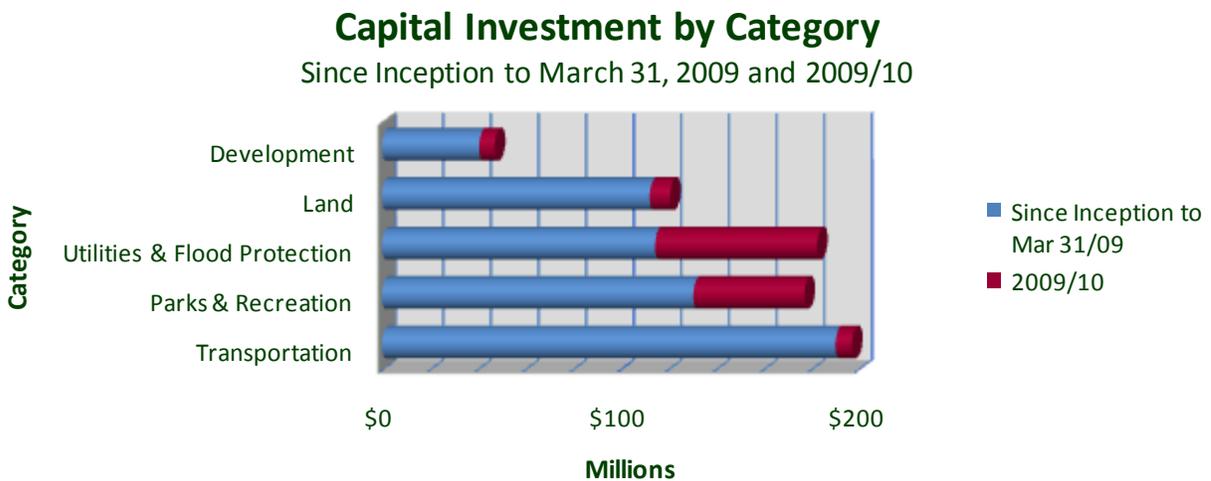
During the year ended March 31, 2010 Waterfront Toronto (“WT or the Corporation”) continued to move forward into the implementation phase of its mandate as can be seen in Table 1. The key activities of the Corporation for 2009/10 included:

- **Transportation (\$6.9 million)**
 - Completed detailed design on the Union Station second platform expansion;
 - Approval of the Gardiner EA and implementation of the environmental assessment and integrated urban design study on the future of the Gardiner Expressway from Jarvis Street to east of the Don Valley Parkway;
 - Substantial completion of design for infrastructure and public realm of the West Don Lands Cherry Street Light Rail Transit System; and
 - Initiated schematic design of the East Bayfront Light Rail Transit System.
- **Parks and Recreation (\$46.6 million)** - Significant investment continues to be made in waterfront parks and recreation including:
 - Construction of Sherbourne Park and Sugar Beach in the East Bayfront;
 - Construction of Port Union Waterfront Park Western Gateway;
 - Construction and completion of two wavedecks along the Central Waterfront (Rees & Simcoe);
 - Completed design and started construction of East Bayfront Water’s Edge Promenade;
 - Completed improvements to the Martin Goodman Trail at Ontario Place; and
 - Completed environmental assessment on Don Mouth Naturalization and Flood Protection.
- **Utilities and Flood Protection (\$67.9 million)**
 - Continued construction of the flood protection landform in the West Don Lands (by Ontario Realty Corporation);
 - Completed construction of the East Bayfront Interim District Energy Centre; and
 - Continued construction of municipal service and utilities in Dockside plan of subdivision for Phase 1 in East Bayfront.
- **Land (\$8.6 million)** - Acquired five properties in the West Don Lands and Lower Don Lands in support of delivering the master plans for these precincts including delivery of public realm and rights of way.
- **Development (\$6.6 million)** - WT continued with work related to the development of the West Don Lands, East Bayfront and the Lower Don Lands. Primary activities included:
 - Rezoning and precinct planning for the North Keating Precinct in the Lower Don Lands;
 - Plan of subdivision registrations for West Don Lands Phase 1 and Dockside in East Bayfront;
 - Re-zoning and plan of subdivision application for West Don Lands Phase 2; and
 - Developer proposal calls and negotiations with private sector developers for the Parkside and Bayside sites in East Bayfront.

Table 1

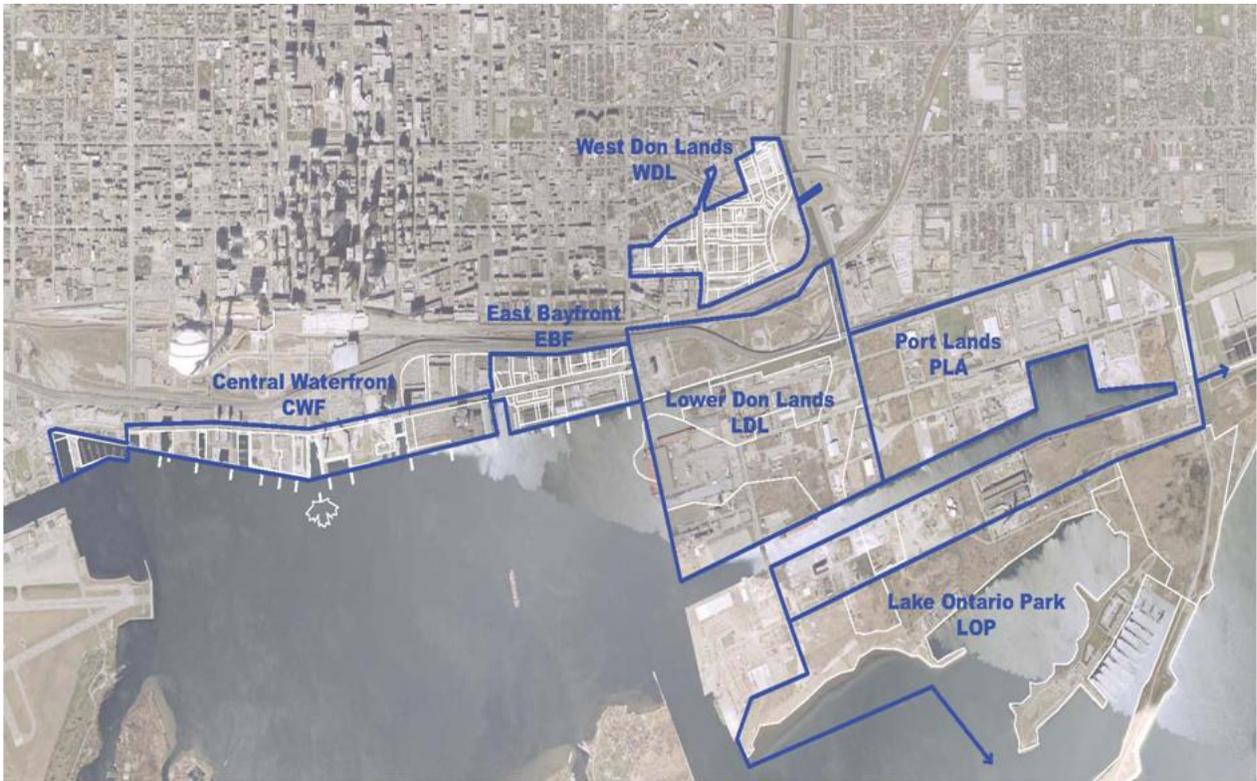
| Capital Investment Category | 2009/10 FY | Since Inception to Mar 31/10 | % |
|--|-----------------------|------------------------------|-------------|
| Transportation | \$ 6,892,894 | \$ 197,327,159 | 27% |
| Parks and Recreation | 46,585,561 | 177,382,679 | 24% |
| Utilities and Flood Protection | 67,991,362 | 182,686,263 | 25% |
| Land | 8,566,595 | 120,994,181 | 17% |
| Development | 6,551,264 | 47,361,322 | 7% |
| Total Capital Project Investments | \$ 136,587,676 | \$ 725,751,604 | 100% |

Since inception in November, 2001 to March 31, 2010, WT has invested \$726 million¹ in capital projects on Toronto’s waterfront as part of revitalization initiatives that citizens of Toronto, Ontario and Canada will enjoy and benefit from for the next 30 – 50 years.



In terms of investments by precinct or geographical area (refer map and graphs below), \$168 million (23%) of investments to date have been made in East Bayfront (\$56 million in 2009/10), \$137 million (19%) in West Don Lands (\$45 million in 2009/10), \$86 million (12%) in Central Waterfront (\$9 million in 2009/10), \$76 million (10%) in the Port Lands (\$11 million in 2009/10) and \$70 million (10%) in waterfront-wide initiatives (\$11 million in 2009/10). WT has also invested \$28 million (4%) in suburban parks projects along the lakefront of Mimico and Port Union (\$4 million in 2009/10). The remaining \$161 million (22%) of investments made to date relate to government flow-through projects which have been funded directly by the governments to other third parties. The most significant of these are transportation projects, namely a \$130 million capital contribution to GO Transit and a \$25 million contribution to the Union Pearson Rail Link.

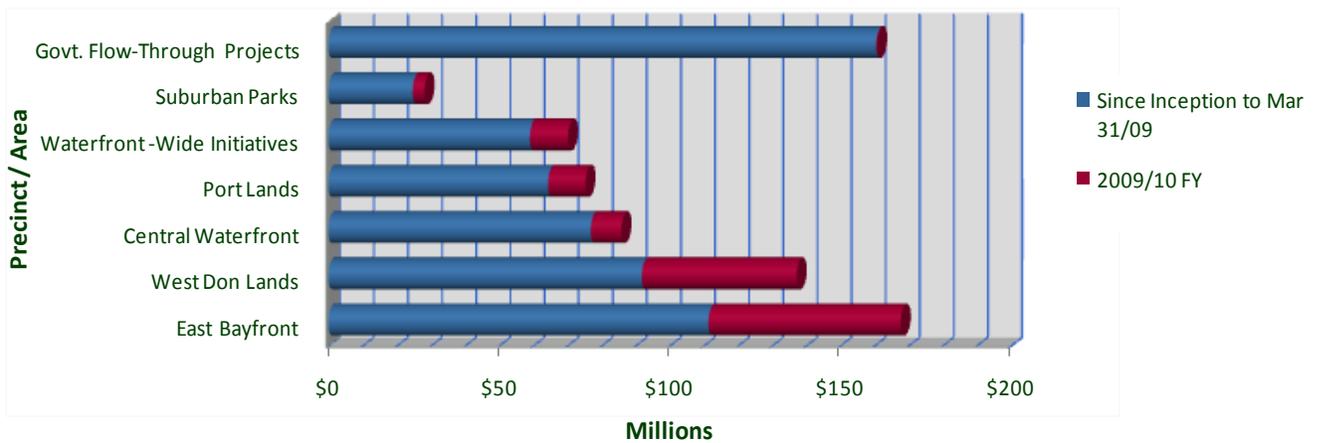
¹ Including \$85 million invested by Ontario Realty Corporation in West Don Lands.



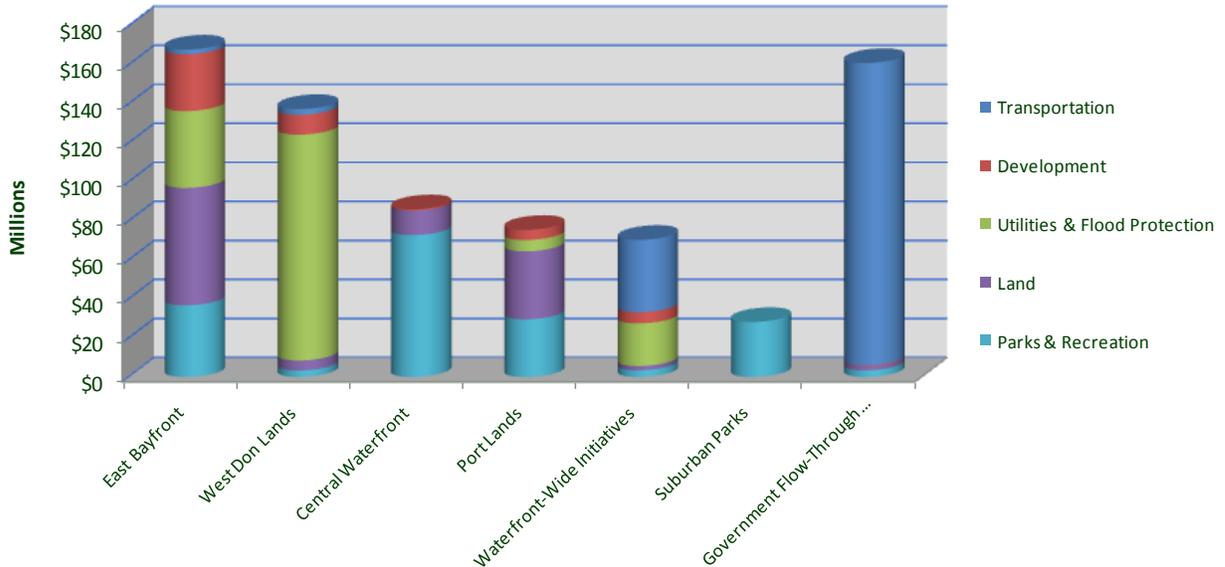
Note that in the graphs that follow, the Lower Don Lands, Port Lands Area and Lake Ontario Park shown in the map above are consolidated as one precinct called Port Lands.

Waterfront Investment by Geographic Area/Precinct

Since Inception to March 31, 2009 and 2009/10



Total Project Investments by Precinct by Category



Accounting for WT's Investments to Date

Of the over \$726M invested by WT in capital projects to date, only \$110M (15%) is recognized as capital assets in the Corporation's March 31, 2010 financial statements. This is because with the exception of land and district energy infrastructure assets, the majority of the waterfront capital assets created by WT are not owned by WT. While their creation is funded by WT, assets such as parks and recreation, transit and utilities infrastructure are owned, operated and maintained by other entities such as the City of Toronto, Toronto Transit Commission and Toronto and Region Conservation Authority. These investments are reflected as expenses on WT's Statement of Financial Activities and Net Assets.

Looking Forward

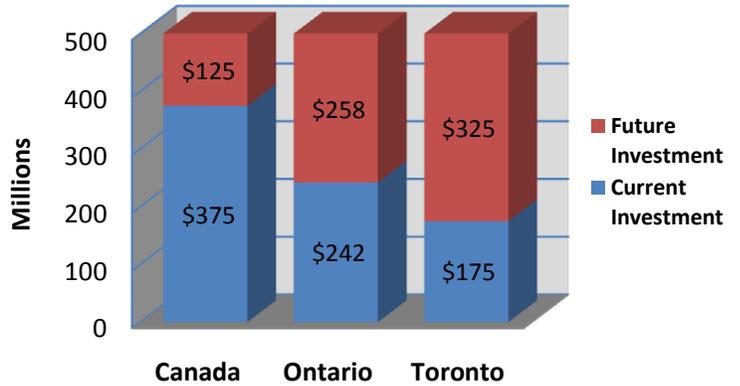
In 2010/11 East Bayfront, West Don Lands and Central Waterfront continue to be the focus of our implementation efforts. Parks and recreational spaces as well as infrastructure investments to support the private sector developments and other initiatives in both East Bayfront and West Don Lands are a large component of the Corporation's program. Two significant parks in East Bayfront will be completed and opened to the public in Summer 2010, namely Sherbourne Park and Sugar Beach. Don River Park construction in West Don Lands will commence this year. In Central Waterfront, the Queens Quay Boulevard – Phase 1 design development from York to HTO Park will continue. In addition to the key precincts, WT will continue construction of the Mimico Waterfront Linear Park and Port Union Waterfront Linear Park and complete the development of Tommy Thompson Park in the Port Lands. WT's transit initiatives which include Union Station Second Platform will commence construction and the Environmental Assessment for East Bayfront Light Rail Transit is expected to be completed.

RESOURCES

Funding

In 2001 the three orders of government pledged \$1.5 billion (\$500 million each) as initial capital for the waterfront initiative. As of March 31, 2010 \$792 million (53%) has been invested in waterfront revitalization with the majority of the balance of \$708 million (47%) to be spent over the next four years. The \$792 million incurred to date includes \$726 million of capital investments and \$66 million of Corporate and government secretariat costs.

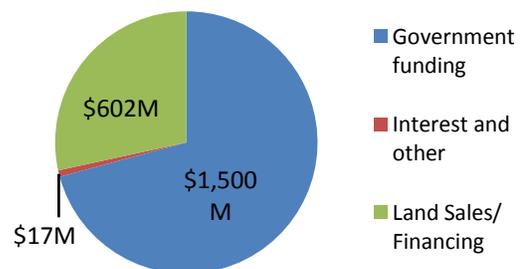
Current and Future Investment by Government as at March 31, 2010



Revitalization of Toronto’s waterfront was originally estimated to cost \$17 billion (WT’s 2001 Development Plan and Business Strategy), comprising \$4.3 billion public sector funding and \$12.7 billion private sector funding. Due to escalation in construction costs, estimated at 7% p.a., the cost is now estimated to be \$27 billion. Additional public sector funding was expected to be provided through inter alia public-private partnerships (P3’s) consistent with the Corporation’s mandate. Such partnerships require WT to identify either a separate revenue stream and/or a separate project or service. Examples in WT’s current program would include district energy and intelligent communities. Management is currently reviewing these business models with respect to possible P3 arrangements.

The Corporation is currently managing a \$2.119 billion program which is to be funded from government funding, interest and short term rental income, and land sales/financing.

\$2.1B Program Funding by Source (\$M)



Capital Resources

The Corporation’s capital resources are currently derived from government contributions (97%) and interest and rental income (3%). WT requests funding for projects from governments on a quarterly basis. The adequacy of our cash resources is dependent upon accurate quarterly cash flow forecasts and timely receipt of funding from governments.



OPERATIONAL GOVERNANCE

WT is a complex, tri-partite funded Corporation with a 25-year mandate to revitalize 2,000 acres of brownfield lands on Toronto's waterfront. It is one of the largest infrastructure projects in North America. The context within which WT currently operates has changed significantly since the original creation of the Corporation in 2001. WT has developed mature management structures and operations and from a human resource, facilities and internal systems perspective, the Corporation is well placed to deliver results.

Moreover, WT is guided by a strong, expert and engaged Board of Directors, appointed by the three governments, who oversee the strategic direction of revitalization.

There are however challenges with the Corporation's governance model which significantly impact WT's ability to deliver results. This is especially the case now that the Corporation has moved from planning to development implementation with the active engagement of the private sector. Most challenging is the fact that the Corporation is funded on a single project by project basis. The Corporation has requested that the current funding model be changed to an annual based grant as an alternative to the current project by project model. Further, the Corporation has no powers to borrow, mortgage or raise funds, enter joint ventures or create subsidiaries. The current governance and funding structure limits the Corporation's ability to deliver its mandate on a timely and efficient basis.

Operational governance continues to be under discussion with governments.