

2008/09 Management Report

RESULTS FOR THE YEAR

During the year ended March 31, 2009 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 2008/09 included:

- Transportation (\$4.7 million). Continuing detailed design on the Union Station second platform expansion and initiating the environmental assessment and integrated urban design study regarding the future of the Gardiner Expressway from Jarvis Street to east of the Don Valley Parkway.
- Parks and Recreation (\$26.7 million). Significant investment continues to be made in waterfront parks and recreation including:
 - Construction of three wavedecks along the Central Waterfront (Spadina, Rees and Simcoe) as well as improvements to the Martin Goodman Trail at Ontario Place
 - Completion of two sports fields complete with playground and parking lot in the Port Lands
 - Completion of Mimico Park Phase 1 and continued construction of Port Union Waterfront Park, both located to the west and east of the designated waterfront area (DWA)
 - Masterplanning, precinct planning and environmental studies relating to the Lower Don Lands and naturalization and flood protection of the Don River
- Utilities and Flood Protection (\$59.9 million). Continued construction of the flood protection landform in the West Don Lands (by Ontario Realty Corporation) as well as initiating construction of the municipal servicing, hydro and interim district energy centre infrastructure for the first development site in East Bayfront, Dockside.
- Land (\$56.8 million). WT invested significantly in land acquisitions in 2008/09 acquiring four more properties in East Bayfront.
- Development (\$13 million). WT continued to invest in development activities, the most significant in West Don Lands and East Bayfront (namely First Waterfront Place).

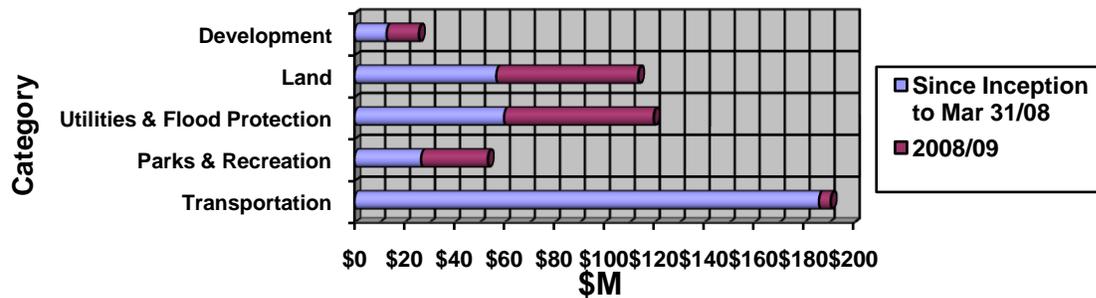
Table 1

Capital Investment Category	2008/09 FY	Since Inception to Mar 31/09	%
Transportation	\$ 4,737,238	\$ 190,434,266	32%
Parks and Recreation	26,684,756	131,317,050	22%
Utilities and Flood Protection	59,911,687	115,366,405	20%
Land	56,843,558	112,427,586	19%
Development	13,043,210	41,099,965	7%
Total Capital Project Investments	\$ 161,220,448	\$ 590,645,272	100%

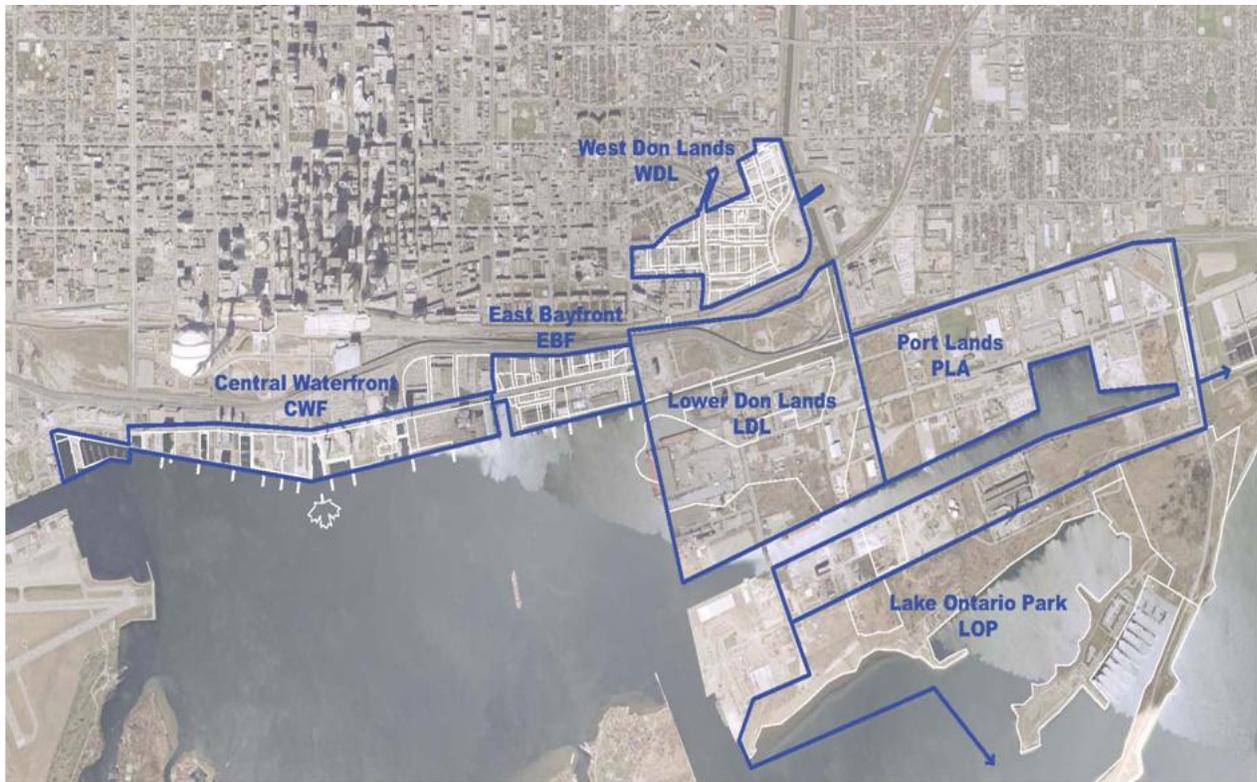
Since inception in November, 2001 to March 31, 2009, WT has invested \$591 million¹ in capital projects on Toronto's waterfront that will provide service to the citizens of Toronto, Ontario and Canada for the next 30 – 50 years.

¹ Including \$53 million invested by Ontario Realty Corporation in West Don Lands.

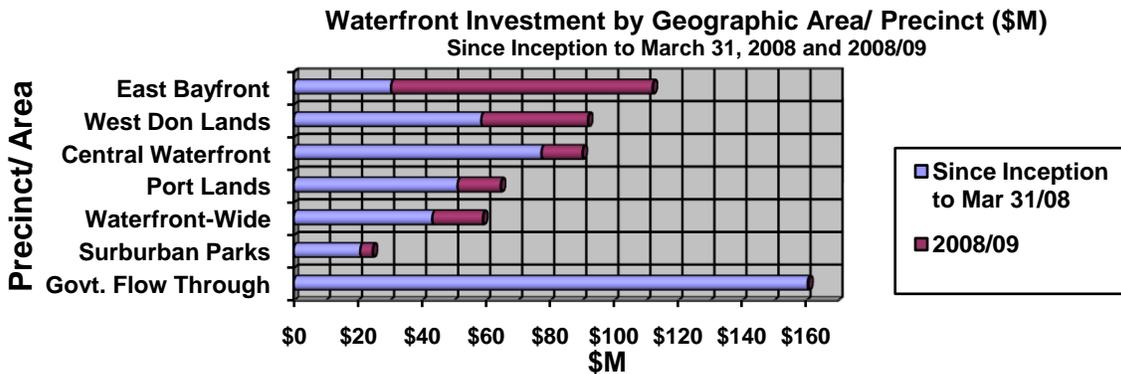
Capital Investment by Category (\$M)
 Since Inception to March 31, 2008 and 2008/09



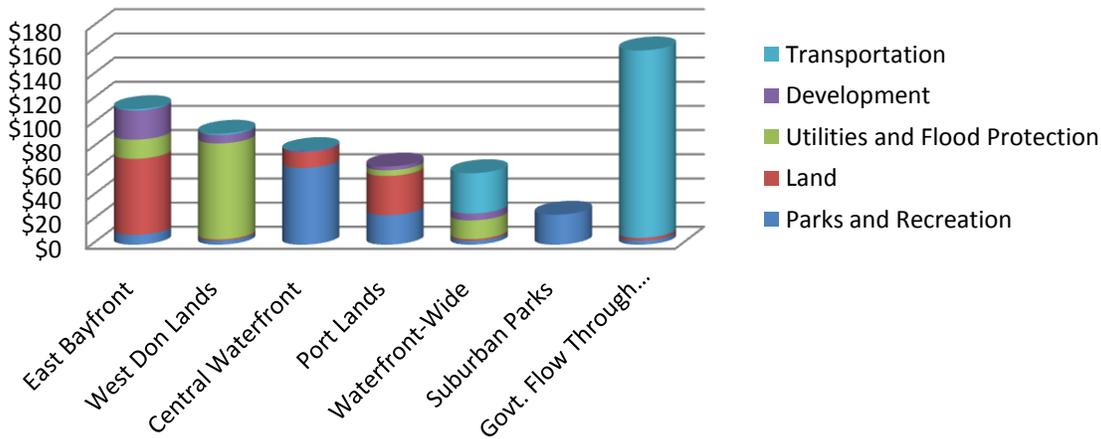
In terms of investments by precinct or geographical area (refer map and graphs below), \$112 million (19%) of investments to date have been made in East Bayfront (\$82 million in 2008/09), \$92 million (16%) in West Don Lands (\$33 million in 2008/09), \$77 million (13%) in Central Waterfront (\$13 million in 2008/09), \$65 million (11%) in the Port Lands (\$13.5 million in 2008/09) and \$59 million (10%) in waterfront-wide initiatives including \$35M for transportation (\$16 million for 2008/09). WT has also invested \$25 million (4%) in suburban parks projects along the lakefront of Mimico and Port Union (\$4 million in 2008/09). The remaining \$161M (27%) of investments made to date relate to government flow-through projects which have been funded directly by the governments to other third parties to support waterfront revitalization. The most significant of these are transportation projects, namely a \$130 million capital contribution to Go Transit and \$25 million contribution to the Union Pearson Rail Link.



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.



Total Project Investments by Precinct by Category (\$M)



Accounting for WT's Investments to Date

Of the over \$591M invested by WT in capital projects to date, only \$101M (23%) is recognized as capital assets in the Corporation's March 31, 2009 financial statements. This is because with the exception of land and district energy infrastructure assets, the majority of the waterfront capital assets created by Waterfront Toronto are not owned by Waterfront Toronto. While their creation is funded by Waterfront Toronto, assets such as parks and recreation, transit and utilities infrastructure are owned, operated and maintained by other organizations 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 2009/10 the investment focus will continue to be on the East Bayfront, West Don Lands and Central Waterfront precincts. In particular, there will be less focus on acquisition/ assembly of land and greater focus on development as well as utilities and transportation infrastructure related to the new communities being developed in West Don Lands and East Bayfront, including the new Cherry Street transit line and extension of the Queens Quay transit line. There will be major investment in parks and recreation, particularly in the Central Waterfront area where construction of the Simcoe and Rees WaveDecks will be completed. Activity is picking up in East Bayfront as construction of Sherbourne Park and Sugar Beach has been initiated. As well, the environmental assessment related to consolidating Queens Quay into two lanes to create new public spaces, will be presented to City Council for approval

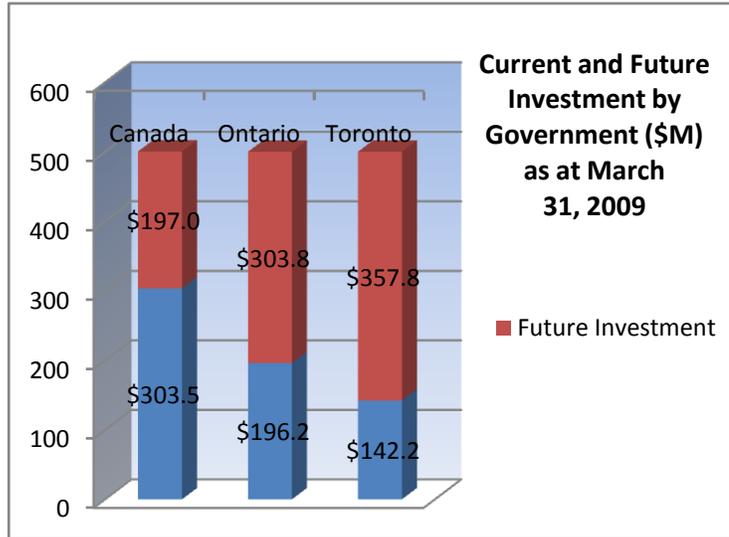


in September 2009. Also worth noting are WT's continued efforts at building new parks such as Mimico and Port Union (the two suburban parks outside the Designated Waterfront Area (DWA)), and Tommy Thompson Park in the Port Lands. Our focus and efforts will continue on waterfront wide transit initiatives including tendering the construction of the Union Station Second Platform.

RESOURCES

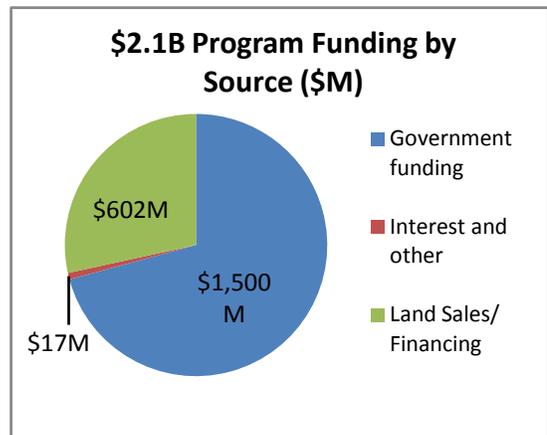
Funding

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, 2009 \$642 million (43%) has been invested in waterfront revitalization with the majority of the balance of \$858 million (57%) to be spent over the next five years. The \$642 million incurred to date includes \$591 million of capital investments and \$51 million of Corporate and government secretariat costs.



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. The additional public sector portion of the funding was expected to be provided through 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.



Capital Resources

The Corporation's capital resources are currently derived from government contributions (98%) and interest and rental income (2%). WT requests funding for projects from governments on a quarterly basis. The adequacy of our cash resources is dependent on accurate quarterly cash flow forecasts and timely receipt of funding from governments.