

Canada Lands Company Limited

Corporate Plan 2016-2017 to 2020-2021
Summary



CANADA LANDS COMPANY LIMITED
SOCIÉTÉ IMMOBILIÈRE DU CANADA LIMITÉE

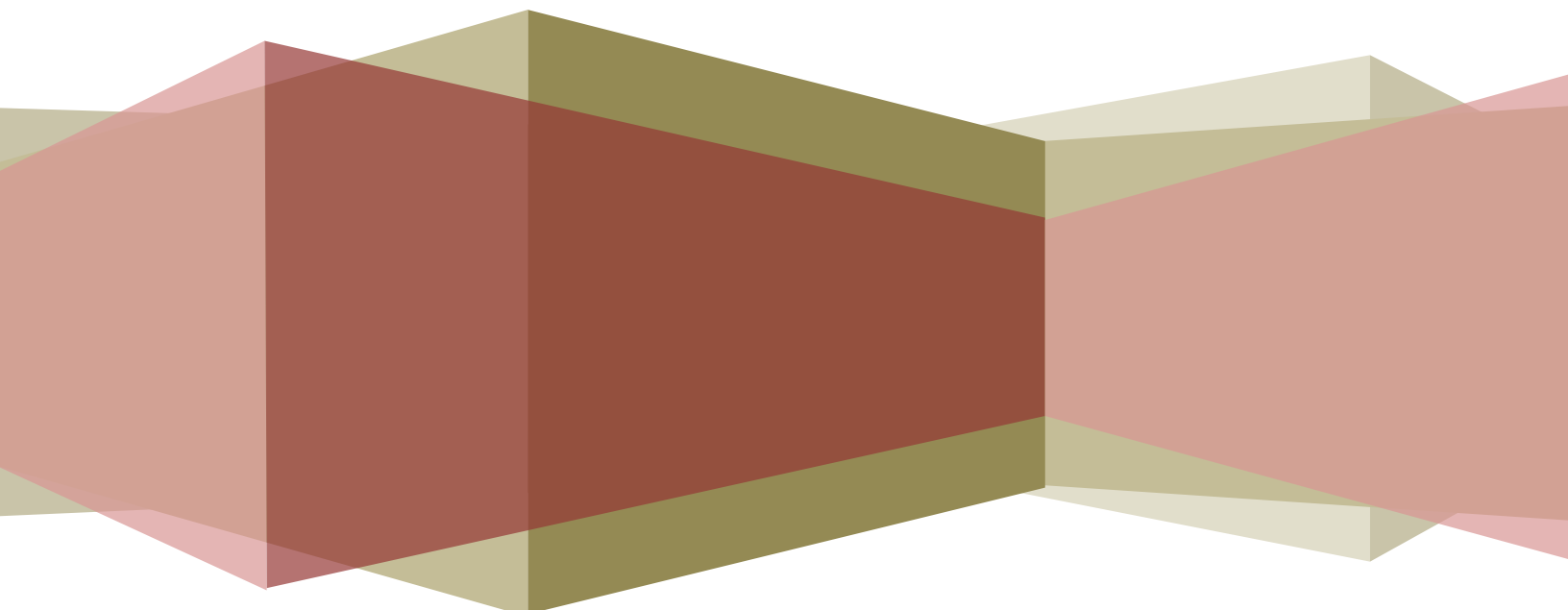




Table of Contents

1	Executive Summary.....	1
1.1	Profile	1
1.2	Organizational Structure	1
1.3	Mandates	2
1.4	Summary of Net Benefits to the Government of Canada 2016-2021.....	6
1.5	Overview of Plan Period 2016-2017 to 2020-2021.....	6
2	CLCL Strategic Priorities and Operational Overview	8
2.1	Strategic Priorities	8
2.2	Analysis of External Environment.....	8
2.3	Status of Amalgamation	10
2.4	CLCL Risk Management Framework.....	10
2.5	Canada Lands Company Limited	11
2.6	Canada Lands Company CLC Limited.....	11
2.6.1	CLC Financial Results and Discussion	11
2.6.2	Priorities.....	14
2.6.3	Development Project Highlights	14
2.6.4	CN Tower	15
2.7	Old Port of Montréal Corporation Inc.....	17
2.7.1	Old Port Financial Results and Discussion	17
2.7.2	Priorities and Future Vision for the Old Port of Montréal	18
2.7.3	Operations	18
2.7.4	Leasing Strategy.....	19
2.8	Parc Downsview Park Inc.....	19
2.8.1	PDP Financial Results and Discussion	19
2.8.2	Priorities and Future Vision for Downsview Park	21
2.8.3	Development Plans during Plan Period	22
2.8.4	Leasing Strategy.....	23
3	Financial Schedules Including Operating and Capital Budgets	24
3.1	Canada Lands Company Limited	24
3.1.1	CLCL Consolidated Statement of Comprehensive Income	24
3.2	Canada Lands Company CLC Limited.....	25
3.2.1	CLC Statement of Comprehensive Income	25
3.3	Parc Downsview Park Inc.....	26
3.3.1	PDP Statement of Comprehensive Income	26
3.4	Old Port of Montréal Corporation Inc.....	27
3.4.1	OPMC Statement of Comprehensive Income.....	27



1 Executive Summary

1.1 Profile

Canada Lands Company Limited (CLCL) was incorporated under the *Companies Act*, was continued under the *Canada Business Corporations Act* (CBCA), is listed in Schedule III, Part 1 of the *Financial Administration Act* (FAA), and has the following three subsidiaries: a non-agent Crown corporation titled Canada Lands Company CLC Limited (CLC), which manages the company's real estate interests as well as Canada's National Tower in Toronto, Ontario (CN Tower); Parc Downsview Park Inc. (Downsview Park or PDP); and the Old Port of Montréal Corporation Inc. (Old Port, Old Port of Montréal or OPM), which also includes the Montréal Science Centre (Science Centre or MSC).

CLCL is subject to federal laws, such as: the FAA; CBCA; *Access to Information Act*; *Privacy Act*; *Library and Archives of Canada Act*; and *Official Languages Act*. CLCL is also subject to the *Canadian Environmental Assessment Act*, *Canadian Environmental Protection Act* and *Alternative Fuels Act*.

Under Part X of the FAA, CLCL is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled; and ensure its financial, human, and physical resources are managed economically and efficiently, and its operations are carried out effectively.

1.2 Organizational Structure

CLCL has three subsidiaries:

- Canada Lands Company CLC Limited (operates across Canada);
- Parc Downsview Park Inc. (operates in Toronto, Ontario); and
- Old Port of Montréal Corporation Inc. (operates in Montréal, Québec).

Within these subsidiaries, CLC has two operating divisions for which financial results are tracked separately:

- Real Estate (operates across Canada); and
- CN Tower (operates in Toronto, Ontario).

The Real Estate division is comprised of three regions:

- West;
- Ontario/Atlantic; and
- Québec.

Old Port has two divisions:

- The Old Port of Montréal which operates the quays and the park; and
- The Montréal Science Centre.

PDP does not have any divisions. It reports through to CLC's Ontario/Atlantic real estate group. OPMC reports through CLC's Québec real estate group. The MSC reports directly to the President and CEO of CLC, in the same manner as the CN Tower.



CLCL's land portfolio totals 1,340 acres (or 542 hectares) as of March 31, 2016. CLC's head office and the CN Tower are located in Toronto, with some corporate staff also based in Ottawa. The West region's offices are located in Vancouver, Calgary, Chilliwack and Edmonton. The Ontario/Atlantic region's offices are located in Toronto (at head office and PDP), Ottawa and Halifax. The Québec real estate group, Old Port and Montréal Science Centre office is located in Montréal.

Central to CLC's philosophy is the commitment to the principles of corporate social responsibility. It acknowledges CLC's pursuit of financial value optimization, but also ensures its activities are carried out in a way that benefits its major stakeholders, including the local community.

1.3 Mandates

The legal objects of CLCL, as contained in its letters patent of 1956, are broad and permit it to “acquire, purchase, lease, hold, improve, manage, exchange, sell, turn to account or otherwise deal in or dispose of real or personal property or any interest therein”.

As CLCL holds no assets, it fulfills its mandate and operates its real estate and attractions activities through its CLC, OPMC and PDP subsidiaries.

The mandate of CLCL, as approved by the Government in 1995 and renewed in 2001, is “to ensure the commercially oriented, orderly disposition of selected surplus real properties with best value to the Canadian taxpayer and the holding of certain properties”. In addition to financial considerations, CLCL's mandate stipulates that other strategic considerations of the Government be taken into account as required, including “the views of affected communities and other levels of Government, and heritage and environmental issues”.

Through its commercially oriented non-agent CLC subsidiary, CLCL ensures the orderly disposition of surplus strategic properties, maintains ownership or management of certain properties which benefit from a federal presence such as the CN Tower and pursues the realization of both financial and community objectives.

CLC's role in the disposal of surplus properties is further defined by the Treasury Board's Directive on the Sale or Transfer of Surplus Real Property, which permits custodians to only sell to CLC those specific surplus federal real properties or portfolios identified as strategic. Strategic surplus real properties are properties or portfolios of properties with the potential for significantly enhanced value, those that are highly sensitive, or a combination of these factors.

Because of the complexity associated with these properties, they may require innovative efforts and a comprehensive management approach to move them into the market. As such, CLC follows transparent processes and ensures that it remains sensitive to local real estate market conditions.

CLC works regularly with federal, provincial and municipal stakeholders. CLC ensures broad market exposure and competitive bidding. It also maintains a commitment to environmental sustainability in its projects and respects heritage considerations. It recognizes that best value for the Government includes a commitment to optimize both community value and financial value, which contributes to an enhancement of the quality of life in the communities in which CLC operates across Canada.

Where there is a requirement to meet Aboriginal interests, the Government often looks to CLC to implement business arrangements that would fulfill these interests. One example is the successful

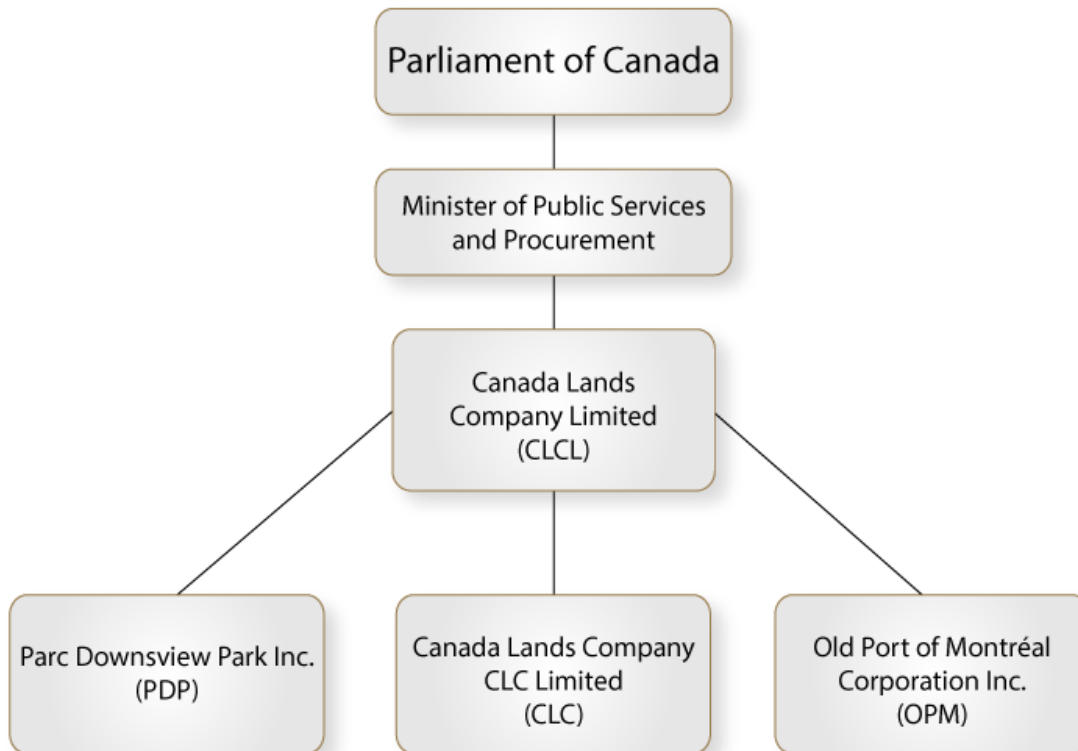


conclusion of a Joint Venture Agreement with three British Columbia First Nations. It provides the Nations a beneficial interest in three former Government of Canada properties CLC acquired in 2014. CLC will act as project manager and work together with the First Nations on major decisions.

PDP owns a 572-acre (231.48 hectares) site located in Toronto, Ontario. It was incorporated on July 17, 1998 under the CBCA. This former Canadian Forces Base was declared surplus to Government needs in 1996. PDP's mandate is the operation, management and development of the Downsview Lands. The site includes development lands and an urban park component that over time will become a new and innovative mixed-use community.

OPMC was formed on November 26, 1981 under the CBCA. Its mandate was confirmed by the Government in December 2002 and consists of developing and promoting the development of the Old Port of Montréal's territory, and of administering, managing, and maintaining the property as an urban recreational, tourism and cultural site.

Figure 1: CLCL and its Subsidiaries





Vision, Mission and Values

CLCL's vision, mission and value statements help define its strategic direction.

Vision

Our vision is to be the Government of Canada's principal real estate resource for disposal, dedicated to the development of great Canadian communities and to be a premier manager of select real estate based attractions through a commitment to:

- Developing and maintaining a solid reputation with our stakeholders and partners while being innovative, visionary and pragmatic.
- Creating projects that are recognized as distinctive Canadian icons and great communities by applying best practices and ensuring environmental sustainability, while respecting heritage and creating lasting legacies.
- Providing a full suite of real estate disposal and development advisory services and opportunities to the Government of Canada.
- Enhancing the user experience and profitability of our select real estate based tourism attractions while maintaining the integrity of the assets.

Mission

To ensure the innovative and commercially sound reintegration of former Government of Canada properties into local communities, as well as holding and managing certain real estate based attractions, while providing best value to Canadians.

Values

INNOVATION

We respect the past and embrace the future by promoting innovative approaches in our real estate, tourism and attraction sectors, and in all of our stakeholder relationships. We commit to meet or exceed expectations by integrating innovation in our projects, products and service offerings.

VALUE

We bring value to Canadians through our efforts and our activities to optimize both the financial and non-financial benefits of our business sectors. Canada Lands defines value as working to achieve the best possible outcomes for taxpayers, Government, communities, municipalities and our partners.

ETHICS

We set and meet the highest standards of ethical behaviour in what we do and how we do it.

LEGACY

We honour the legacy of every asset with which we work, and we highlight historical traditions in our projects.



CLCL Boards of Directors

CLCL, CLC, OPMC and PDP each have their own Board of Directors that hold regularly scheduled meetings. The membership for each board is the same with the exception of the President and CEO of the subsidiaries, who sits on the board of CLC, PDP and OPMC but not of CLCL. The Directors of the parent company and subsidiary boards (with the exception of the President and CEO) are independent of the business. The board's committees are composed of no less than three Directors, who are neither officers, nor employees, of the corporation or any of its affiliates (except for the President and CEO where applicable).

CLCL's Directors, the Chairman, and the President and CEO are appointed by the Governor-in-Council upon the recommendation of the Minister. CLCL's board is committed to continually reviewing its policies and practices in order to ensure that these are consistent with current best practices and reflect the needs of the company as a whole. CLCL's board has a Governance Committee, Human Resources Committee and Audit Committee.

The Boards of Directors for CLC, OPMC and PDP are appointed by CLCL's board and oversee the operations as carried out by the subsidiaries. The boards of CLC, OPMC and PDP each have a Governance, Human Resources, Audit, Investment and Risk Committee. Throughout the course of board deliberations, CLC's senior management team provides briefings on operational issues and reports for the board's analysis and discussion. This enables effective board oversight of operations and allows risk to be managed appropriately.

CLCL maintains a robust governance framework and an ongoing operational orientation serving as the Government of Canada's strategic real estate development and asset management Crown corporation.

Management Agreements

When developing the appropriate management structure for its subsidiaries, and on the advice of its legal counsel, CLC has two management agreements in place, one with PDP and one with OPMC. They give CLC full authority and control to manage the day-to-day operations of these organizations pending full legal amalgamation.

Annual Public Meetings

As a Crown corporation, and in line with best practices and the FAA, CLCL provides an annual forum through which the public can offer feedback and engage in a dialogue with CLCL's Board of Directors and management on matters directly relating to its business. In 2015, the meeting was held in Toronto where the Chairman of the Board and the President and CEO discussed the operations and financial results of the corporation. The public was invited to submit questions prior to and during the meeting. The next public meeting will be held during the fall of 2016.



1.4 Summary of Benefits to the Government of Canada 2016-2021

\$millions

Expenditure/Investment/Return	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Total
Acquisitions ¹	-	18.9	7.0	-	10.0	35.9
Promissory note repayments	29.5	145.6	4.2	30.6	4.3	214.2
Income Tax	13.6	17.2	16.9	15.9	26.3	89.9
Dividends to Canada ²	10.0	10.0	10.0	70.0	10.0	110.0
Financial support to OPMC	14.9	13.1	14.3	14.2	15.3	71.8
Total	68.0	204.8	52.4	130.7	65.9	521.8

1 Represents the upfront payment to the disposing department or agency, normally up to \$5 million per property or portfolio.

2 Indicates cash dividends forecast to be paid to the Consolidated Revenue Fund.

At the same time as CLCL provides the financial benefits to Canada, it will, through its CLC, PDP and OPMC subsidiaries, invest in its existing inventory. These investments include tax or Payment in lieu of taxes (PILT) payments to municipalities, spending on infrastructure (e.g. construction contracts for roads, water, sewer lines) and hiring consultants and technical services firms. Total investments by year and for the duration of this plan are shown in the table below:

Summary of CLCL Investments 2016-2021

\$millions

	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Total
Investments in inventory*	158.3	111.4	107.1	192.2	156.5	725.5

* Includes construction and consultant contracts, municipal taxes and PILT payments

1.5 Overview of Plan Period 2016-2017 to 2020-2021

CLCL's overall strategy for the five year plan period is to continue its work of reintegrating former Government of Canada properties into local communities, effectively managing its attractions assets through service enhancements and cost efficiencies, and consulting the government, its sole shareholder, regarding the implementation of its strategic plan.

In Ottawa, the corporation received municipal approval in 2015 which will enable the disposition of land for what CLC refers to as 'Phase 1' of the development at the former Canadian Forces Base Rockcliffe in 2015-2016. In 2015 the corporation took the opportunity to name this new development 'Wateridge Village at Rockcliffe'. Construction of the municipal services including new roads, storm water management systems and sewers began in 2015. CLC anticipates investing \$35 million in servicing costs in 2016-2017 and a further \$52 million will be spent between 2017 and 2020.

In Calgary at the former Currie Barracks site, the City of Calgary approved a new master plan in 2015 which increases the development intensity of the remaining lands. Major infrastructure investment has begun with the upgrading of a major interchange and infrastructure construction will continue through the plan period.



CLC's land sale program will continue in conjunction with joint venture partner, Embassy Bosa Inc. In 2015 the corporation took the opportunity to name this development simply 'Currie'.

In Vancouver, CLC and its three First Nation joint venture partners will begin its public consultation programs in collaboration with the District of West Vancouver and the City of Vancouver for its three properties.

In Halifax, CLC initiated its master planning process and community consultation for the redevelopment of the Shannon Park lands; an 82-acre (33.18 hectare) property acquired in 2014 from the Department of National Defence.

CLCL's overarching priority at Downsview is to hold and manage the parkland as the company continues the implementation of the City of Toronto's Downsview Area Secondary Plan requirements pertaining to the company's lands. The plan provides a land use and development framework, including a requirement for parkland, recreational and other related uses. PDP's commitment to green space, parkland and active recreational areas is as outlined in the city's Secondary Plan. Infrastructure construction has begun in the Stanley Greene subdivision; a 36-acre (14.5 hectare) residential neighbourhood which has been sold.

CLC's attractions assets will see similar progress. Key performance indicators for success at the CN Tower will demonstrate growth in attendance and revenue. Ongoing monitoring of expenses and organizational effectiveness will improve operating margins while maintaining high levels of safety, security and building integrity.

A major initiative at the Old Port in Montreal during the plan period is a broad-based public consultation process to engage the community and municipality in exploring development opportunities for the site while meeting community aspirations. The consultation process includes adjacent CLC properties included in the Nouveau Havre initiative. The corporation's goal is to develop a long term vision for the property in collaboration with the City of Montréal and stakeholders

The Montreal Science Centre has completed an assessment of the current state of its offerings as well as its medium to long term capital requirements. A plan is being developed to enable it to become more self-sufficient and provide new attractions that will enhance revenues, while maintaining service quality and improving public offering.



2 CLCL Strategic Priorities and Operational Overview

2.1 Strategic Priorities

CLCL continues to ensure sound governance practices as it oversees the business operations of its three subsidiaries. CLCL will consult its sole shareholder regarding the implementation of its strategic plan. CLCL's overarching strategic priorities during the planning period are as follows:

CLC: continue its successful redevelopment activities across Canada, adding both financial and non-financial value to former government properties, and maximize returns to local communities and the Government of Canada derived from its real estate and attractions assets and activities.

PDP: hold and manage the parkland and continue to implement the City of Toronto's Downsview Area Secondary Plan requirements pertaining to the company's lands. The plan provides a land use and development framework, including a requirement for parkland, recreational and other related uses.

OPMC: continue to maintain the Old Port of Montréal as a premier attraction, event venue and green space while exploring long term sustainability and value creation initiatives through an extensive consultation and planning process. The MSC will continue to assess and act upon its medium to long term capital requirements and seek opportunities for enhanced revenue generation, while maintaining service quality.

2.2 Analysis of External Environment

According to the Bank of Canada's (BoC) October 2015 Monetary Report, inflation in Canada is evolving in-line with the institution's previous estimates. As of autumn 2015, total CPI inflation remained near the bottom of the BoC's target range of 1 to 3 per cent, while core inflation approached 2 per cent.

The BoC assessed that global economic growth has been slightly weaker than expected for 2015, but it still believes the dynamics are intact for better performance in 2016 and 2017. Myriad forces continue to push down prices for oil and other Canadian commodities. While the fall in oil prices over the past year has had a net negative impact on the Canadian economy, Canadian non-energy exports are expected to benefit from an improving U.S. outlook and a lower Canada/U.S. exchange rate in the mid-term, offsetting some of the negative economic impact on the energy sector.

Domestically, the BoC believes that Canada's economy has rebounded. A combination of monetary policy and past depreciation of the Canadian dollar has had a stimulus effect on the economy, says the Bank, with the resulting signs of strength most evident in non-resource sectors. Household spending continues to drive Canada's economic activity and is expected to grow at a moderate pace over the next several years.

The BoC projects real Gross Domestic Product will grow by just over 1 per cent in 2015 before rising to roughly 2 per cent in 2016 and 2 1/2 per cent in 2017. Moreover, despite the complications of long-term projections, the BoC predicts that the Canadian economy can be expected to return to full capacity, and inflation sustainably to target, around mid-2017.

In the housing market, the Canadian Mortgage and Housing Corporation (CMHC) forecasts in its Fall Housing Market Outlook that economic conditions in Canada are slated to gradually improve in the



short-term and lead to modest increases in employment and average earnings, which would in turn support housing demand. CMHC does note that in the short-term, housing starts activity is expected to slow in oil-producing provinces until 2017, particularly in Alberta, where the decline in world oil prices has had a particularly negative impact on economic conditions.

Overall, the CMHC believes housing starts are expected to be relatively stable in 2016. Based on its forecast models, CMHC states that:

- Single-detached starts are expected to trend downwards, ranging between 61,000 units and 78,000 units in 2016 and between 56,000 units and 74,000 units in 2017. Multi-unit starts should continue, and are expected to range between 89,000 units and 129,000 units in 2016 and between 88,000 units and 130,000 units in 2017.
- MLS (Multiple Listing Service) sales are expected to decline in 2016 and 2017, due to moderating demand for existing units. MLS sales are expected to be between 425,000 units and 534,000 units in 2016 and between 416,000 units and 536,000 units in 2017. CMHC concluded in its fall report that other than a modest amount of overvaluation at the national level, housing market conditions are expected to remain balanced over the forecast horizon and broadly in-line with key indicators such as employment, personal disposable income, mortgage rates and population growth.

Tourism and Attractions

Over the first seven months of 2015, the Canadian Tourism Commission (renamed “Destination Canada”) reported in its July Snapshot report that total international visitor arrivals from the organization’s 11 target markets was trending upwards, rising 9 per cent over the prior year. According to the report, Canada welcomed 2,859,347 international visitors in July 2015, up 10.7 per cent compared to July 2014. From January to July 2015, Canada recorded 9,951,988 international arrivals, up 8.6 per cent relative to 2014.

Destination Canada noted additional strong gains were registered across all global regions, led in descending order by Latin America, followed by the U.S., Asia-Pacific, and Europe. Markets in the U.S. and overseas continued to expand, according to Destination Canada, while total overnight arrivals from Canada’s key international markets rose 11.1 per cent in July 2015. As of July 2015, Destination Canada reported eight consecutive months of gains in overnight arrivals from the U.S. Gains were registered across all major modes of entry, including by car, air and other modes of transport including trains, cruise ships and buses.

In its latest annual report, for fiscal year 2014, Destination Canada was upbeat about the ongoing state of Canada’s tourism industry stating that “In 2014, all major tourism indicators for Canada—tourism revenue, GDP, arrivals and employment—increased”.



2.3 *Status of Amalgamation*

The government announced in November 2012 that OPMC and PDP would be amalgamated with CLC. The objectives were to improve efficiency, clarify governance and leverage CLC's real property management expertise. The functional amalgamation of these entities has been completed.

Since assuming control of PDP and OPMC, CLCL has generated the following efficiencies:

- Eliminating \$122.5 million in appropriations over the company's current five year plan period.
- Reducing annual deficits at OPMC from \$24.5 million per year to an average of \$14.4 million.
- Improving PDP's financial performance from a pre-tax loss of \$5.1 million for the year ending March 31, 2013 to a combined break even operation for the years ending March 31, 2014 and 2015, and forecast of \$6 million in pre-tax profit for the year ending March 31, 2016.
- Reducing full time equivalent staff by 50 positions at PDP and 26 at OPMC, including the senior management group at both companies

However, the legal amalgamation has been delayed until unfavourable property tax cost implications for parkland at Downsview and the Old Port of Montreal that would be triggered by such a change can be resolved by CLCL.

The delayed legal amalgamation does not affect the operational performance or control of PDP and OPMC. Board and management processes have been established as if the entities were fully amalgamated with only the legal amalgamation left to be concluded. Despite not completing the legal amalgamation, the stated government objectives of strengthened accountability, greater efficiency and leveraging CLC real property management expertise are being realized.

2.4 *CLCL Risk Management Framework*

CLCL updated its risk management framework during 2013-2014 with the assistance of an independent consultant reporting to the Board of Directors. Risks have been categorized as strategic or operational and include market environment, legal, communications, safety and security, product offerings and acquisitions. Strategic risks are those that could have a material adverse impact on the business and generally cannot be entirely mitigated. Operational risks are those that are inherent in business and are mitigated by a sound system of internal controls, regular financial and project reviews and independent internal audit. The internal auditor is an independent third party and reports directly to the audit committee of the board. The audit plan is developed by selecting areas of highest risk for review and recommending the plan to the board for approval annually.

The risk committee of CLCL's board meets at least two times a year to evaluate whether any emerging strategic risks require consideration. Management is required to update the strategic risk assessment annually and present its findings to the board through the Risk Committee. In addition, risk assessments form a component of all acquisition and project plans submitted to the board.



2.5 Canada Lands Company Limited (CLCL) Financial Results

Revenue

CLCL's consolidated revenue for the five year plan period of \$1,776 billion, excluding financial support to OPMC of \$72 million, averages \$355 million per year during the plan period, and ranges from a low of \$281 million in 2016-2017 to a high of \$471 million in 2017-2018 varying on the timing of real estate development and sales.

Principal sources of revenue for the five years are CLC real estate revenue of \$1,050 million, CN Tower revenue of \$410 million, and PDP revenue of \$201 million, of which \$142 million relates to development and sale of real estate. OPMC revenue of \$95 million is net of a continuing operating and capital subsidy of \$72 million from CLCL.

Net Income before Tax

Consolidated net income before tax for the five year planning period is \$288 million, an average of \$58 million per year, and ranges from \$40 million in 2016-2017 to a high of \$90 million in 2020-2021, driven principally by real estate sales activity.

Principal sources of net income before tax include \$212 million from CLC real estate sales, \$119 million from the CN Tower and \$29 million from PDP, offset partially by continuing operating and capital subsidies to OPMC of \$72 million.

Liquidity

CLCL will continue to be self-sustaining and provide a net benefit to the government. During the five year plan period, CLCL is projecting payments to the government for property acquisitions and promissory note repayments and payment for new acquisitions totalling \$250 million, dividends of \$110 million, income taxes of \$90 million and a continuing operating subsidy to OPMC of \$72 million, for a total of \$522 million.

Until the year ending 2012, OPMC was receiving appropriations of \$24.5 million per annum, or \$122.5 million over a five year period. The appropriations have been replaced by direct financial support from CLCL and have been reduced to \$72 million during the five year plan through cost reduction and revenue enhancing initiatives.

2.6 Canada Lands Company CLC Limited.

2.6.1 CLC Financial Results and Discussion

CLC continues to deliver tangible benefits to the Government of Canada, both financial and non-financial, from the disposition of properties surplus to the Government of Canada's needs or program requirements. CLC purchases surplus property from federal custodians at fair market value.

CLC adds value to a property by determining the highest and best use, assessing market demand for such uses, engaging with communities to obtain input and support for any significant changes to the property, creating plans for the development or re-zoning of the property to maximize value and



obtaining municipal approvals for the plans. For larger properties and where value creation opportunities exist, CLC also services the property, which includes constructing roads, installing utilities, building out the park spaces, and servicing building lots which are subsequently sold to builders of commercial, office or residential buildings in accordance with approved municipal plans.

Existing buildings on properties are leased on an interim basis until they are demolished for redevelopment or renovated and repurposed. This provides an important revenue stream to the company pending the sale of the property but at the same time CLC must assess liabilities associated with retaining and leasing such properties.

Revenue

Over the five year plan period, CLC will generate revenue of \$1,481 million, which includes \$909 million from its real estate sales and \$410 million from the operation of the CN Tower. Within real estate, five developments comprise over 60% of revenue over the plan period: Rockcliffe (Ottawa) \$101 million, Griesbach (Edmonton) \$118 million, Currie (Calgary) \$122 million, Jericho (Vancouver) \$67 million and 1 Front Street (Toronto) \$156 million.

Expenses

Major expense categories included on the statement of comprehensive income include real estate cost of sales, attraction food and beverage costs, rental operating costs and general and administrative (G&A) costs. A brief description of each category follows.

Real estate costs comprise expenses associated with community consultation, creating land development plans, obtaining approval from municipalities, conducting environmental assessments and any required remediation, performing servicing work to prepare the property for sale, and marketing costs. The major cost component is the required servicing work that includes installation of utilities, storm and wastewater systems, roads and amenities, such as parks and green spaces. All servicing work is subject to a rigorous tendering process.

Attractions, food and beverage costs represent the CN Tower's operating costs including facility maintenance, utilities, restaurant operating costs and staff to operate one of Canada's premier attraction for 364 days of each year. The company is continually exploring opportunities to enhance CN Tower profitability, including exploring outsourcing opportunities, cost reductions and maximizing revenue generated within the retail space.

Rental operating costs represent the cost of maintaining and managing the numerous rental properties controlled by the company. Most of the revenue is opportunistic in nature and relates to properties the company rents while the underlying land or building is being prepared for sale.

General and administrative costs continue to be well controlled. Cost inflation is assumed at 2% per annum. G&A costs will remain constant over the plan period with increased staff and office needs to support the company's significant growth in real estate activities in Ottawa, Halifax and Vancouver. The Ottawa office is being expanded to support the Rockcliffe and other future Ottawa property development, and Halifax and Vancouver offices have been established and will increase staffing as required to manage development and sales activities in those markets. The Chilliwack office will close during the plan period as sales and development activities in that market are completed.



Interest and other financing costs are consistent in the 2016-2017 budget compared to the 2015-2016 forecast. These interest costs are the imputed interest for non-interest bearing promissory notes payable to the government. Under IFRS, an imputed interest charge must be calculated and shown as an expense until land development commences. The interest is not payable and represents only the notional charge of carrying the note as if it were an arm's-length commercial transaction. This imputed interest is capitalized to inventory during 2017-2018 when land development begins, resulting in a significant decrease in the Interest and other financing cost expenses.

Net Income Before Tax (NIBT)

Net income before tax for the five year planning period totals \$259 million, \$223 million from real estate and \$119 million from the CN Tower offset partially by ongoing subsidies to OPMC for capital and operating requirements of \$72 million which is discussed separately in the OPMC discussion within this plan.

Real estate NIBT increases from \$36 million in 2016-2017 to \$74 million in 2020-2021 as significant revenue streams from major developments begin, such as Rockcliffe (Ottawa), Jericho (Vancouver), Heather Street (Vancouver), and the Currie Barracks (Calgary) retail and high rise land development.

The CN Tower NIBT is projected to improve from \$22 million in 2016-2017 to \$26 million in 2020-2021 as measures for improving revenue generation from existing retail space as well as opportunities for improving margins on the food and beverage operations are identified and implemented.

Liquidity

CLC will continue to be financially self-sustaining and provide an economic benefit to the government. The company's approved borrowing limit was increased to \$100 million from \$50 million in 2015-2016. The credit facility is utilized principally for letters of credit posted as performance guarantees with municipalities in which the company operates. The increase in development activity over the plan horizon at Rockcliffe, Currie, Halifax and Vancouver properties will require significant letters of credit. (For example, for the planning period, Currie requires a \$15 million letter of credit for an interchange and Rockcliffe requires letters of credit of \$30 million with the City of Ottawa). The letters of credit are not cashed and are cancelled upon completion of the infrastructure servicing work for which they were issued.

Key Assumptions

The following key assumptions are contained within the plan:

- Real estate sales in the markets in which CLC operates are expected to be relatively stable, with the exception of Alberta, as projected in the fall 2015 CMHC market forecast.
- Inflation is assumed to be within the Bank of Canada 2% target range.
- Construction cost increases or decreases are assumed to be reflected in revenue recovery yielding consistent profit margins on land development projects.
- Salary increases are budgeted at 2% per annum to enable attraction and retention of the required expertise in the major markets in which the company operates, including Montréal, Halifax, Ottawa, Toronto, Calgary, Edmonton and Vancouver.



2.6.2 Priorities

For over twenty years, CLC's value creation initiatives have resulted in numerous benefits to the government and Canadian communities in which it operates. CLC has been very successful in implementing innovative solutions to challenging real estate opportunities all the while working collaboratively with communities and the private sector.

As it continues its next decade of operations, the corporation will focus its resources on continuing its work of reintegrating former Government of Canada strategic properties into local communities, effectively manage its tourism assets, and consult the government, its sole shareholder, regarding the implementation of its strategic plan.

2.6.3 Development Project Highlights

Real estate development practices require investing significant amounts of cash flow upfront towards planning, construction and servicing costs in order to maximize the value of a real estate asset. Positive cash flows are only achieved towards the completion of the development when sales transactions are executed. Time horizons vary widely and depend on the size and complexity of the project.

During the plan period, CLC will invest approximately \$579 million in development expenditures, of which \$140 million will be in the first year of the plan. Some of the key development projects requiring significant capital expenditures during the planning period are as follows:

Shannon Park, (Halifax, Nova Scotia) - The acquisition of this 82-acre (33.18 hectares) property was completed in 2014. CLC has initiated a master planning and community consultation process for the redevelopment of the Shannon Park lands. Demolition of vacant buildings began in 2015–2016 and will be completed along with soil remediation by the end of 2016-2017. It is anticipated that city approvals will be received and the construction of infrastructure will begin in 2019-2020. Development costs of \$24 million will be incurred during the plan period.

Nouveau Havre de Montréal (Montréal, Québec) – CLC is proceeding with its Nouveau Havre de Montréal initiative in 2016-2017 with the sale of its 19.2-acre (7.76-hectares) Rue des Irlandais site, located between the elevated Bonaventure Expressway and Bridge Street. CLC is anticipating completing a sale of 10.8 acres in due course.

The remaining 8.4 acres of this property are utilized as follows:

- 6.1 acres are leased to Canada Post Corporation until 2063 for its recently constructed mail distribution facility; and
- 2.3 acres consist of a municipal road (rue des Irlandais); CLC will transfer ownership of this road to the City of Montréal at a later date.

The Pointe du Moulin property and its iconic Silo #5 will be the subject of a broad based consultation process along with the Old Port Montréal site to engage the community and municipality in exploring opportunities for enhancing and creating value for the site. The corporation's goal is to hear community and stakeholder aspirations in order to develop a long term vision for the territory. The consultation program began in the fall of 2015 and is expected to continue through to 2017.



Rockcliffe (Ottawa, Ontario) – CLC received City of Ottawa approval of its Community Design Plan for the former Canadian Forces Base Rockcliffe in October of 2015. With this approval the corporation has begun construction of the municipal infrastructure including new roads, storm water management systems and sewers, as well as its marketing program to builders to sell lots and blocks in its Phase 1 of the development. In 2015 the corporation named the development ‘Wateridge Village at Rockcliffe’. CLC anticipates investing \$34.8 million in servicing costs in 2016-2017. A further \$51.7 million will be spent between 2017 and 2020.

Village at Griesbach (Edmonton, Alberta) – During the plan period, \$100 million will be invested in site servicing at Griesbach as development progresses in the western portion of the site. This work includes the construction of new road works including sanitary, water, storm water and utilities in accordance with City of Edmonton municipal design guidelines.

Currie (Calgary, Alberta) – \$98.8 million will be invested at Currie on site servicing over the plan period. A new master plan was approved by the City of Calgary in 2015. Approximately \$30 million will be spent on upgrading the Crowchild Trail/Flanders Avenue interchange (located just east of Currie) in order to accommodate future growth in the area, including CLC’s project. CLC will recover \$20 million from the City of Calgary during 2018 for the cost of this interchange. In 2015 the corporation took the opportunity to name this development simply ‘Currie’.

Vancouver Properties (Heather Street Lands, Jericho Lands and Marine Drive) – The acquisition of these properties was completed in late 2014. An engagement program to discuss the future of these sites began in late 2015 and will continue through to 2017 and beyond. During the plan period, CLC anticipates investing approximately \$129.4 million in several activities including public consultations, market analysis, property management activities, and engineering and environmental work, as well as preliminary site servicing work, with its first sale anticipated in 2016, at its Marine Drive site.

2.6.4 CN Tower

Based on future tourism performance indicators, the CN Tower is projecting growth in attendance, revenue and profit in 2016-2017.

Growth in international markets continues to be a focus for all tourism agencies. There is a commitment to re-engage the US market, Canada’s prime international source, through a joint effort between the provincial and federal tourism ministries such as Destination Canada¹ and the tourism industry. The Tower will continue to work with these tourism partners to mine both established and emerging international travel markets, with primary efforts on US and domestic markets.

Tourism performance in the coming year will likely continue to be positively impacted by the value of the Canadian dollar. For US citizens, lower gas prices and a strong dollar should make travel to Canada (and Ontario) more affordable; for Canadians, the depreciation in the Canadian dollar is expected to make travel within Canada more attractive.

According to the Ontario Ministry of Tourism, Culture and Sport’s Tourism Outlook², growth of 2.7% for inbound travel into Ontario is expected in 2016.

CN Tower will continue to explore profitable pricing and promotion scenarios to allow guests choices upon admission, with a view to increasing attendance, revenues and profitability in all of its offerings.



Maintaining high levels of safety, security, and building integrity will continue to be a primary focus for the organization. An audit/analysis of the Tower's security features in 2015 resulted in adjustments to security guest screening processes and protocols; implemented in summer 2015, all security checks have been moved to the perimeter of the facility. In 2016-2017, documentation and testing on all new systems will continue, and a review of security staffing levels will be undertaken to ensure optimized efficiencies are in place.

Notable are opportunities provided as a result of major milestones for the Tower, such as its 40th anniversary in 2016, and significant positive external impacts for business building and brand confirmation, including Canada's 150th anniversary celebrations in 2017.

Food and beverage continues to be a major component of the Tower's business; the budget of \$29 million in revenue for the 2016-2017 plan period will deliver a 2.5% increase in revenue over 2015-2016 revenues, demonstrating growth of 10.3% over a two-year period. To assess future opportunities for business growth and profitability, an operations review was conducted in late summer 2015 and the resulting recommendations focus on a range of opportunities, including refining/refreshing the brands of the three restaurant offerings, improving product knowledge and upsell training, optimizing efficiencies for front-of-house sales and service delivery, and ultimately reducing food costs and optimizing gross margin. All of the 10 key recommendations made to management will be implemented before the end of the fiscal period 2016-2017.

For the coming plan period, the CN Tower will focus on the positive momentum of attendance and revenue growth experienced in 2015-2016. Management expects overall attendance at 1.5 million, revenues of \$79 million and NIBT of \$22 million per year.

Notes:

- 1 *Destination Canada, formerly Canadian Tourism Commission*
- 2 *MTCS Travel Intentions Report, measuring the intentions of Canadians and residents of Selected US states to travel to Ontario*



2.7 *Old Port of Montréal Corporation Inc.*

2.7.1 **Old Port Financial Results and Discussion**

OPMC continues to provide tourism and recreation activities for residents and visitors to Montréal in addition to housing and operating the Montréal Science Centre.

Since being given management control of OPMC in November 2012, CLCL has reduced operating and capital costs from an average of \$24.5 million to an average of \$14.3 million per year over the plan horizon without adversely affecting the public perception of the Old Port of Montréal and the Montréal Science Centre or attracting any significant adverse media. The improved financial performance has been achieved by:

- Eliminating the OPMC Board of Directors and consolidating the responsibilities into the CLCL board.
- Eliminating the OPMC senior management team with responsibilities being assumed by CLC management.
- Reducing the number of full-time equivalent employees from 273 to 248, a 9.2% reduction.
- Conducting several program reviews that led to modifying the marketing strategy from one that offers in-house programming as well as funding of certain events to one where promoters and tourism operators come on site to deliver their own programs and events, subject to OPMC's guidelines and approvals, including an adequate fee structure. Completing a thorough review of capital expenditure requirements and eliminating or deferring non-essential capital expenditures that are not required to maintain site integrity or public security.

OPMC will never be self-funding without significant changes to its mandate. The MSC, which includes the IMAX theatre, incurs a deficit of approximately \$6 million per annum which varies according to planned capital spending requirements on revenue of \$10 million. The MSC generates approximately 70% of its annual operating costs in revenue and sponsorship which places it better than most other science centres and museums across Canada, all of which receive financial support from some level of government. CLCL is continuing to explore alternatives for improving attendance and increasing public and corporate donations.

OPMC itself also has a deficit of approximately \$5 million per annum which varies according to planned capital spending requirements on revenue of \$8 million from operation of parking lots, leasing of buildings and kiosk sites and welcoming events such as the bi-annual Cirque du Soleil showcase. Site maintenance, security, PILT, parking and rental property operating expenses comprise the bulk of the expenses.

Capital expenditures during the plan period will total \$12.7 million and are to maintain the safety and integrity of the site, such as maintenance on the quays and site security. In addition, \$5.7 million was spent in 2014 to 2016 to repair the multi-story parking structure adjacent to the MSC.

In addition, OPMC is contesting PILT payments currently in excess of \$6 million to the City of Montréal, which if successful could save as much as \$2.8 million per annum.



Key Assumptions

The following key assumptions are included within the plan:

- Inflation is assumed to be within the Bank of Canada 2% target range.
- Wage increases are budgeted at 2% per annum.
- Capital expenditures are for maintaining the infrastructure and public safety.
- No land sales are contemplated within the plan.
- No savings from the PILT contestation with the City of Montréal are assumed.

Liquidity

OPMC, including the MSC, will continue to receive funding from CLCL totalling \$72 million over the five year plan period. This is a significant reduction from \$123 million that OPMC would have received in appropriations over the same time. This is in addition to the \$22.9 million CLCL has provided in financial support since November 2012.

2.7.2 Priorities and Future Vision for the Old Port of Montréal

A major initiative during the plan period will be a broad-based public consultation process to engage the community and municipality in exploring opportunities for the site along with existing adjacent CLC properties included in the Nouveau Havre initiative. The corporation's goal is to develop a long term vision for the property in collaboration with the city and stakeholders.

The MSC's key objective over the plan period is to develop a plan that will enable it to be more self-sufficient and provide new attractions that will enhance revenues, while maintaining service quality.

2.7.3 Operations

As a premier event venue, the Old Port of Montréal welcomes many types of cultural and entertainment activities, such as culinary, music and outdoor festivals. The Old Port of Montréal will welcome a variety of activities during 2016-2017 including several food festivals, the immensely popular music festival Igloofest and canoe racing, as well as trade shows and cultural events. In addition, the world-renowned Cirque du Soleil is showcasing its latest productions in 2016 as well as 2017 instead of its usual bi-annual event. All of these are in addition to the Clock Tower beach, marina and skating rink amenities, which are all operated internally by OPMC.

The MSC is welcoming two new exhibits in 2016-2017 including a new permanent exhibit called *Human*, an interactive exploration of the human body and a temporary exhibit called *Animal Inside Out*, a discovery of the animal world like never before seen.

In summary, over the planning period OPMC will focus on the following key activities:

- Complete the consultation process (with CLC lands).
- Develop a renewed vision for the Old Port of Montréal site and seek municipal approval.
- Continue towards more self-sufficiency for the MSC.



2.7.4 Leasing Strategy

OPMC engages in leasing activities as part of its normal course of business; leasing existing buildings and outdoor space on an interim basis pending any redevelopment or reuse of any particular building or lands. The complexity and length of leases vary, as do the tenants. Tenants can be very small, seasonal in nature or be a longer term larger business. CLCL requires flexibility to ensure that it can conclude transactions in a reasonable timeframe. CLCL is seeking authority to enter into lease transactions of up to \$150,000 each per year not to exceed five-year terms and always ensuring market rents are applied.

OPMC's offering is oriented toward goods and services to meet the specific needs of visitors and tourists. The existing commercial offering can be divided into five main categories: food, entertainment, boat cruises and tours, retail kiosks and services.

OPMC currently manages 74 commercial leases totaling in excess of 182,196 square feet (17,000 square meters) of leased space. This total includes 12 commercial leases for tenant owned kiosks and/or portable structures totalling less than 5,381 square feet (500 square meters) of leased space. Most of the lease terms vary between one and five years, with a few that are longer term.

Leasing revenues for 2016-2017 are projected to be \$2.3 million and represent an important portion of the operating revenues derived from the site. OPMC has prepared a short-term commercial development plan to ensure revenues are maximized with minimal or no investment. A longer term strategy will be developed and incorporated in CLC's larger, long-term master planning process for the entire site.

2.8 *Parc Downsview Park Inc.*

2.8.1 PDP Financial Results and Discussion

Under CLCL control, PDP has become self-sustaining, and over the long term (beyond this plan horizon) will eliminate the debt incurred for operating losses and costs to construct the park prior to CLCL acquiring control in November 2012. The lands approved for development within the City of Toronto's Downsview Area Secondary Plan, excluding the park lands, are being operated as a CLC real estate project. While CLCL has recommended to its shareholder that legal amalgamation be delayed at this time to mitigate adverse property tax consequences for the parkland at PDP, control over the activities of PDP is directed by the Board of CLCL and managed by CLC.

CLCL will continue to manage the existing park in a cost effective manner. During 2015, the sports leagues and events were outsourced to a private sector manager. In 2014, park maintenance and leasing operations were outsourced to a private sector property manager as part of a national competitive tendering process.

Development of lands zoned for residential, commercial and industrial uses in the approved municipal secondary plan has commenced. The sale of the first phase of the Stanley Greene neighbourhood closed in June 2015. Management will continue to employ the CLC business model to enhance the value of developable PDP lands by determining the highest and best use, engaging with the community to obtain input and support any significant changes to the property and creating plans for the development or re-zoning of the property to maximize value within the approved municipal secondary plan. CLC



employees will manage servicing activities, including construction of roads, utilities and servicing building lots which are subsequently sold to commercial, office, industrial or residential builders in accordance with approved municipal plans.

Existing buildings on the property, some of which are in excess of 80 years old, are leased on an interim basis until they are demolished for redevelopment or renovated and repurposed depending on the site's heritage strategy or a building's viability. This provides an important revenue stream to the company pending the sale of the development lands identified in the City of Toronto's Downsview Area Secondary Plan.

Revenue

Real estate sales revenue for the five year plan period of \$141.5 million represents proceeds from the development and sale of the Stanley Greene neighbourhood during 2015-2016, the William Baker neighbourhood between 2017-2018 and 2020-2021 and the first portion of the Allen neighbourhood during 2019-2020 and 2020-2021.

Proceeds from rental operations will generate \$52.5 million in revenue which declines from \$11.0 million in 2016-2017 to \$9.5 million in 2020-2021 as buildings are anticipated to be demolished for redevelopment. Events and attractions provide annual revenue of approximately \$1.2 million per year or \$6.0 million over the plan period.

Expenses

Major expense categories included on the statement of comprehensive income include real estate cost of sales, attractions, food and beverage costs, rental operating costs and G&A costs. A brief description of each category follows. The expenditures by year and category described are contained in accompanying financial statements.

Real estate costs comprise expenditures associated with community consultation, creating land development plans, obtaining approval from municipalities, conducting environmental assessments and any required remediation, performing servicing work to prepare the property for sale and marketing and selling properties. Servicing work includes installation of utilities, storm and wastewater systems, roads and amenities, such as community parks, and represents the major component of cost. All servicing work is tendered according to rigorous requirements.

Attraction, food, beverage and other costs include the park operating and maintenance costs of \$2.0 million per annum and the cost of hosting programs and events at the park, all of which are managed by third parties subject to stringent qualification and risk mitigation criteria.

Rental operating costs represent the maintenance and management of the numerous rental properties located at PDP. Some of the leases are longer term such as the land lease to Buckingham Sports and Entertainment, which owns and operates a four pad arena, Maple Leaf Sports and Entertainment for playing fields and clubhouse, Spectra for the sports facilities, and a pending lease of a building to Centennial College for an aerospace campus. Some leases are opportunistic in nature relating to properties the company rents while the underlying land is planned for development.



G&A costs continue to be well controlled. Cost inflation is assumed at 2% per annum. G&A costs decrease in the 2015-2016 forecast from the 2014-2015 actual amounts by \$0.6 million and further decrease in 2016-2017 by an additional \$0.2 million reflecting the impact of outsourcing non-development activities.

PDP no longer has employees. This represents a reduction of over 50 employees from the change of control in November 2012 to the present. All board, senior management and administrative functions were absorbed into CLCL or CLC without adding additional resources. Real estate development operations have been integrated within CLC's real estate operations. Leasing operations, park maintenance, events management and the sports league operations have been outsourced during 2015.

Net Income Before Tax

Net income before tax (NIBT) for the five year plan period totals \$29 million. Real estate sales contribute NIBT of \$37 million while park and ancillary operations generate a loss of \$8 million.

Liquidity

PDP received an increase of \$10 million to its approved borrowing authority from the Minister of Finance from \$90 million to \$100 million during 2015-2016. Total credit facility debt, including cash borrowings and letters of credit, against the operating line are forecast to reach \$94 million during 2019-2020. The borrowings continue to be used for funding development costs of the Stanley Greene neighbourhood, William Baker neighbourhood and other development lands, related letters of credit in favour of the City of Toronto for \$15.5 million and promissory note repayments to the government in the amount of \$29 million for the five years ending March 2021. By March 2021, outstanding PDP debt is projected to be \$84 million similar to the current debt balance.

2.8.2 Priorities and Future Vision for Downsview Park

CLCL's overarching priority for PDP is to hold and manage the parkland as the company continues the implementation of the City of Toronto's Downsview Area Secondary Plan requirements pertaining to the company's lands. The plan provides a land use and development framework, including a requirement for parkland, recreational and other related uses.

Over the plan period, the company anticipates the start of the William Baker neighbourhood project. The parkland will figure prominently as plans are created.

In 2014, most of the buildings on site were registered by the heritage office of City of Toronto. Any future deconstruction plans will have to be managed with support from the city and appropriate heritage consideration will need to be incorporated into any new development strategy and may have to include preservation initiatives. These designations may present challenges in future neighbourhood development for PDP as it must carefully manage costs where some of these buildings are in excess of 80 years old, in poor condition and would need significant investment to maintain. A Cultural Heritage Master Plan is being completed with outside expertise to assist in prioritizing and considering these heritage assets.

A long-term community engagement initiative has begun prior to moving forward with development initiatives. Also important are consultations with the City of Toronto. The next phase of the consultation



program is anticipated in early 2016 when the development process for the William Baker neighbourhood begins.

PDP will also turn its attention to the soon to be opened Toronto Transit Commission/Go Transit intermodal transit facility, aptly named Downsview Park Station and located immediately adjacent to Downsview Park. This important transportation hub for this area of Toronto is slated to open in the fall of 2017 and in preparation PDP will begin site works and landscaping in order to improve the area and establish pedestrian access points from the station into the park, surrounding lands and buildings.

In summary, over the planning period CLCL will focus on the following key activities:

- Manage land development in a manner consistent with other CLC projects.
- Maintain and enhance the park component in a cost-effective manner.
- Integrate the park and lands with the TTC/GO Transit commuter rail station.
- Proceed with the redevelopment of the William Baker neighbourhood.

2.8.3 Development Plans during Plan Period

Stanley Greene Neighbourhood

Infrastructure construction activity in the Stanley Greene neighbourhood which includes site works such as grading and installation of underground services is substantially complete. The sale of 26 acres (10.52 hectares) of the site to private sector builders Mattamy/Urbancorp Downsview Park Developments Inc. closed in 2015. The builder has begun its home construction program.

PDP sold the remaining 12.25-acre (4.95 hectares) parcel in this neighbourhood. This transaction closed in March 2016. The purchaser is responsible for the approval and construction of municipal infrastructure and obtaining all permits from the City of Toronto.

William Baker Neighbourhood

This 62-acre (25.09 hectares) neighbourhood has been earmarked as the next development project undertaken during the plan period. Its location and the ease of implementation make it the most practical choice. Due to the significant size of the property PDP will adopt a multi-phase, multi-year approach to its infrastructure and marketing program. After making the 27-acre (11 hectares) woodlot available to the public and investing in amenities such as trails and site furniture, PDP will over the next three years engage in the following activities on this site:

- conduct site-specific consultations with the City of Toronto and stakeholders and seek support through the City of Toronto's District Planning Process;
- apply to the City of Toronto for zoning and Draft Plan of Subdivision; and
- develop and implement a sales strategy for the initial phases of development by 2017-2018.



Other Neighbourhoods

CLC is planning the development of the Allen neighbourhood in fiscal year 2018-2019 and sales in 2019-2020. The development of the two other neighbourhoods at PDP do not directly factor into the plan period. There are some key infrastructure initiatives that PDP will be involved with in collaboration with the City of Toronto and its development agency, Build Toronto that will move certain related files forward. As part of its continuing due diligence, PDP will participate in environmental assessments, and traffic and engineering studies. Future infrastructure projects include a major road that is required to be built on the east side of the property, in addition to an underpass and upgrades to the site's internal road network, most notably along Carl Hall Road and its associated underground services.

Key Assumptions

The following key assumptions are contained within the plan:

- Real estate sales in the markets in the Greater Toronto Area (GTA) are expected to be relatively stable as projected in the fall 2015 CMHC market analysis.
- Inflation is assumed to be within the Bank of Canada 2% target range.
- Construction cost increases or decreases are assumed to be reflected in revenue recovery yielding consistent profit margins on land development projects.

2.8.4 Leasing Strategy

PDP engages in leasing activities as part of its normal course of business, leasing existing buildings on an interim basis pending the redevelopment of the site or reuse of any particular building. The complexity and length of leases vary, as do the tenants. Tenants can be very small, seasonal in nature or be longer term, larger businesses. CLCL requires flexibility to ensure that it can conclude transactions in a reasonable timeframe. CLCL is seeking authority to enter into lease transactions of up to \$1.25 million each, per year, not to exceed five-year terms and always ensuring market rents are applied.

PDP will continue to align the management strategy for the existing buildings with the land development timelines. There are approximately 37 tenants leasing space in the buildings and on the lands. Of the 1.5 million square feet of rentable area in the buildings, 10.8% of the area is vacant, which is the same as in 2015-2016. Twenty acres of the lands are leased under long term ground leases. Leasing revenue will be \$9.7 million in 2016-2017. Revenues are budgeted to increase to \$10.3 million by April 2020. Tenancies in 40 and 60 Carl Hall Road, which were scheduled to expire in 2017, will now be extended to December 2020 and potentially beyond to coincide with the redevelopment of the adjacent Sheppard and Chesswood neighbourhoods in the future. PDP will continue to manage building expenditures in accordance with its lease agreements and to respond to the requirements of the assets.

Centennial College

Centennial College has submitted the necessary applications to the City of Toronto to permit the partial demolition and construction of the building at 65, Carl Hall Road. The College is anticipating that approvals will be received in time for construction to proceed in 2016. The college's objective is to have the project completed for the fall 2017 education year. The building will be completely restored and provide classrooms, labs and student services. Centennial currently trains more than 300 aircraft and avionics technicians annually and enrolment is set to triple after the relocation of the programs into the new facility.



3 Financial Schedules Including Operating and Capital Budgets

3.1 Canada Lands Company Limited (CLCL)

3.1.1 CLCL Consolidated Statement of Comprehensive Income

Canada Lands Company Limited
Consolidated Statement of Comprehensive Income
For the year ended March 31

\$millions	2015 Actual	2016 Budget	2016 YEO	2017 Budget	2018 Budget	2019 Budget	2020 Budget	2021 Budget	5 Year TOTAL
REVENUES									
Real Estate Sales	128.4	143.0	194.7	128.2	322.3	168.5	192.1	239.0	1,050.1
Attraction , food, beverage and other Hospitality	83.2	85.6	86.3	87.5	89.0	91.9	93.7	96.8	458.9
Rental Operations	41.7	42.9	39.7	58.8	53.2	41.5	41.9	38.1	233.5
Interest and other	7.9	5.4	7.6	6.9	6.0	6.2	6.6	8.4	34.1
Government funding /Financial support from CLC	6.6	15.9	16.3	14.9	13.1	14.3	14.2	15.3	71.8
	267.8	292.8	344.6	296.3	483.6	322.4	348.5	397.6	1,848.3
EXPENSES									
Real estate cost of sales	85.7	104.2	162.0	92.1	274.5	118.9	150.1	154.3	789.9
Attraction, food, beverage and other	65.7	69.1	68.3	67.8	69.0	70.3	71.5	73.0	351.6
Rental operating costs	29.4	34.9	33.8	47.0	40.4	34.0	32.7	32.8	186.9
General and administration	26.6	26.6	28.3	26.4	27.0	27.4	27.9	28.5	137.2
Write downs, reversals and pre-acq costs	8.8	-	0.4	-	-	-	-	-	-
Interest and other financing costs	4.2	5.9	5.5	5.6	1.7	1.6	0.7	0.7	10.3
Impairment of capital expenditures	-	4.7	5.4	2.9	2.0	2.6	2.2	3.0	12.8
OPMC Unfunded operating deficit	6.6	15.3	16.3	14.9	13.1	14.3	14.2	15.3	71.8
	227.0	260.7	320.0	256.7	427.7	269.1	299.3	307.6	1,560.5
Income before taxes	40.8	32.2	24.6	39.6	55.9	53.2	49.2	90.0	287.9
Income taxes	9.9	11.9	10.3	13.6	17.2	16.9	15.9	26.3	89.9
NET INCOME	30.9	20.3	14.3	26.0	38.6	36.3	33.3	63.7	198.0



3.2 Canada Lands Company CLC Limited (CLC)

3.2.1 CLC Statement of Comprehensive Income

Canada Lands Company CLC Limited
Statement of Comprehensive Income
For the year ended March 31

\$millions	2015	2016	2016	2017	2018	2019	2020	2021	5 Year
	Actual	Budget	YEO	Budget	Budget	Budget	Budget	Budget	TOTAL
REVENUES									
Real Estate Sales	128.4	119.0	117.8	128.2	287.3	131.9	160.5	200.7	908.6
Attraction , food, beverage and other Hospitality	70.4	72.4	75.3	77.9	79.2	82.1	83.8	86.9	409.9
Rental Operations	23.3	25.9	22.1	40.0	34.3	22.2	22.6	19.4	138.5
Interest and other	5.0	4.2	4.6	4.3	4.1	4.4	4.8	6.6	24.2
	227.1	221.5	219.8	250.4	404.9	240.6	271.7	313.6	1,481.2
EXPENSES									
Real estate cost of sales	85.7	85.6	92.4	92.1	249.1	92.3	125.4	126.3	685.2
Attraction, food, beverage and other	44.3	45.5	47.2	46.6	47.8	48.7	49.7	50.7	243.5
Rental operating costs	15.2	20.3	17.6	29.2	23.2	16.5	15.2	15.4	99.5
General and administration	20.8	21.7	23.1	22.1	22.6	23.1	23.5	24.0	115.3
Write down s, reversals and pre-acq costs	8.0	-	-	-	-	-	-	-	-
Interest and other financing costs	3.6	5.3	4.8	4.9	1.0	0.9	-	-	6.8
OPMC Unfunded operating deficit	6.6	15.3	16.3	14.9	13.1	14.3	14.2	15.3	71.8
	184.2	193.7	201.4	209.8	356.8	195.8	228.0	231.7	1,222.1
Income before taxes	42.9	27.9	18.4	40.6	48.1	44.8	43.7	81.9	259.1
Income taxes	12.0	10.8	8.7	13.9	15.3	14.8	14.5	24.3	82.8
NET INCOME	30.9	17.1	9.7	26.7	32.8	30.0	29.2	57.6	176.4



3.3 Parc Downsview Park Inc.(PDP)

3.3.1 PDP Statement of Comprehensive Income

Parc Downsview Park Inc.
Statement of Comprehensive Income
For the Year ended March 31

\$millions

	2015 Actual	2016 Budget	2016 YEO	2017 Budget	2018 Budget	2019 Budget	2020 Budget	2021 Budget	5 Year TOTAL
REVENUES									
Real Estate Sales		24.0	76.9	0.0	35.0	36.6	31.6	38.3	141.5
Attraction , food, beverage and other Hospitality	5.0	4.8	1.9	1.2	1.2	1.2	1.2	1.2	6.0
Rental Operations	10.1	9.4	9.8	11.0	10.6	10.7	10.7	9.5	52.5
Interest and other		0.0	1.4	0.7	0.0	0.0	0.0	0.0	0.7
	15.1	38.2	90.0	12.9	46.8	48.5	43.5	49.0	200.7
EXPENSES									
Real estate cost of sales		18.6	69.6	0.0	25.4	26.6	24.7	28.0	104.7
Attraction,food, beverage and other	5.7	6.9	4.0	3.2	3.2	3.1	3.1	3.1	15.7
Rental operating costs	7.9	7.1	8.4	9.5	9.2	9.1	9.0	8.6	45.4
General and administartion	1.3	0.7	0.7	0.5	0.5	0.5	0.5	0.5	2.5
Write dow ns, reversals and pre-acq costs	0.8	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Interest and other financing costs	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	3.5
	16.3	33.9	83.8	13.9	39.0	40.0	38.0	40.9	171.8
<i>Income before taxes</i>	(1.2)	4.3	6.2	(1.0)	7.8	8.5	5.5	8.1	28.9
Income taxes (Recoveries)	(0.4)	1.1	1.6	(0.3)	2.0	2.1	1.4	2.0	7.2
Net income	(0.8)	3.2	4.6	(0.7)	5.8	6.4	4.1	6.1	21.7



3.4 Old Port of Montréal Corporation Inc.(OPMC)

3.4.1 OPMC Statement of Comprehensive Income

Old Port of Montreal Corporation Inc.
Statement of Comprehensive Income
For the year ended March 31

\$millions

	2015 Actual	2016 Budget	2016 YEO	2017 Budget	2018 Budget	2019 Budget	2020 Budget	2021 Budget	5 Year TOTAL
REVENUES									
Attraction , food, beverage and other Hospitality	7.8	8.4	9.1	8.4	8.6	8.6	8.7	8.7	43.0
Rental Operations	8.3	7.6	7.8	7.8	8.3	8.6	8.6	9.2	42.5
Interest and other(includes donations)	2.9	1.2	1.6	1.9	1.9	1.8	1.8	1.8	9.2
Financial support from CLC	6.6	15.9	16.3	14.9	13.1	14.3	14.2	15.3	71.8
	25.6	33.1	34.8	33.0	31.9	33.3	33.3	35.0	166.5
EXPENSES									
Attraction,food, beverage and other	15.7	15.3	17.1	18.0	18.0	18.5	18.7	19.2	92.4
Rental operating costs	6.3	11.7	7.8	8.3	8.1	8.4	8.5	8.8	42.1
General and administration	4.5	1.3	4.5	3.8	3.8	3.8	3.9	4.0	19.3
Impairment of capital expenditures		4.7	5.4	2.9	2.0	2.6	2.2	3.0	12.7
	26.5	33.1	34.8	33.0	31.9	33.3	33.3	35.0	166.5
Income before taxes	(0.9)	0.0	-	-	-	-	-	-	-

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