

BACK TO SCHOOLS



HIGHLIGHTS

TLC begins exploring redevelopment opportunities for specific TDSB properties to include a community hub component that can benefit students, families and the entire community in coming years.

Progress on key redevelopment projects brings potential new school construction closer to fruition, including the Bendale and Davisville projects.

Lease revenues increased overall compared to the previous year and a number of vacant TDSB school buildings have been repurposed for other educational groups.

Active use of school pools through permit and lease agreements continues to deliver school and community benefits.

OMB Decision clarifies that the City of Toronto has a parkland acquisition program, and has the option of purchasing surplus land from the TDSB for park purposes. TDSB lands are deemed not parks unless purchased by the City.

OUR MISSION

Improving the quality of education for students in TDSB schools by maximizing value through the management and, where determined by the TDSB, the redevelopment and/or sale of properties no longer required by the school board.

The Toronto Lands Corporation (TLC) is a wholly owned subsidiary corporation of the Toronto District School Board (TDSB). It was incorporated in 2008, with the TDSB as the sole shareholder of TLC. The TLC is responsible for providing services related to asset management for all properties as prescribed by the TDSB Board by way of TDSB resolution.

The TLC services include a broad range of real estate activities from property management of leased space, project management activities related to the redevelopment of sites, disposition of assets, consulting services and any other real estate projects assigned to it by the TDSB, always focusing on best industry practices in all categories. The primary objective of real estate activity for the TLC is to maximize value to the TDSB.

MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER



David Crombie Daryl Sage

At the Toronto Lands Corporation (TLC), every action we pursue is to support the Toronto District School Board (TDSB) in enhancing the educational experience for students while strengthening our broader community. Providing a capital revenue stream permits reinvestment back into TDSB’s schools, which is the focus of all our work.

TDSB serves approximately 247,000 students across 588 buildings on 600 sites. Working collaboratively with all stakeholders, there is tremendous opportunity to leverage TDSB’s resources to provide enhanced student and community benefit, with student priority at the forefront.

This has been an eventful year for the TDSB and in turn TLC. On January 15, 2015, on behalf of the Ministry of Education, Margaret Wilson submitted an independent review of the operation of the TDSB, which was followed by the Ministry appointment of an expert panel to make recommendations to the Minister of Education. Following an extensive consultation process, the final Governance Advisory Report was released in December 2015.

In response to the Wilson Report and the Minister’s directive, the TDSB expanded TLC’s authority to include leading and identifying redevelopment opportunities to create community hubs. With TLC’s direction under this expanded mandate, the TLC and TDSB Boards approved the Bloor/Dufferin site as a demonstration site for the community hub concept. This approach would test the viability of creating community benefit by maximizing site value to fund construction of a community facility along with much needed capital to support additional system priorities of the TDSB.

With other Ontario Ministries now in support of community hub development, this is an innovative time for government to galvanize in a concerted effort to move from a restrictive paradigm to a more flexible strategic plan, utilizing school board assets for integrated education, local services and overall civic benefits. Together, as we move forward, a greater effort and focus is needed to address barriers and legislative restrictions in order to achieve this collective goal.

In these efforts, the skills, experience and dedication of TLC Board members continues to provide invaluable support and direction. December 2015 will mark the end of term for Citizen Director and Vice Chair, Dino Chiesa. Dino has been with TLC since its conception in the roles of Interim CEO and Vice Chair. We extend our sincere appreciation to Dino for his contributions over the last eight years.

We also look forward to the responsibilities of our expanded mandate and believe exciting opportunities exist in fulfilling this new function while continuing to apply our real estate expertise in support of the TDSB’s capital initiatives.

Our thanks and appreciation to the TLC Board, the TLC staff team, the TDSB Board, and TDSB staff for all their support as we work to ensure the long-term sustainability of our schools.

Sincerely,

David Crombie
Chair

Daryl Sage
Chief Executive Officer



BACK TO EDUCATION



Our primary focus is to enhance the learning environments that support the educational experience of our students by reinvesting in school assets. We achieve this goal through a variety of strategies: through redevelopment projects that integrate a new school or a replacement school on a portion of the site; upgrades and repairs to existing schools; through the sale of a property that can be improved with new residential development for the neighbourhood; or with a new community space or lease of surplus space to deliver an annual income stream.

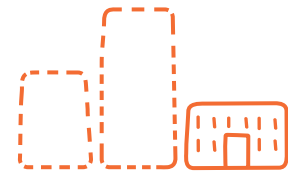
Revitalizing Schools and Neighbourhoods

TLC is responsible for evaluating the potential of TDSB sites to accommodate redevelopments on school sites that can generate a funding stream to support capital renewal priorities in the existing school, cover the cost of upgrades, or to build a new school on a portion of the property. In addition, funds that are in excess can contribute to the overall capital plan for improvements to other school buildings across the City.

A comprehensive review of sites has resulted in three redevelopment projects that have been initiated, which could provide \$100M in reinvestment back to schools. These sites include Davisville Public School, Lawrence-Midland and Bloor-Dufferin, with a fourth possible redevelopment project under consideration at John Fisher Junior Public School.

Expanding Educational Opportunities

The TDSB retains ownership of vacant school buildings until such time as it determines the long term pupil accommodation needs for an area. As a result, the vacant public schools present an opportunity for other users to occupy the space and provide a net rental return to the TDSB. Negotiating leases with private schools, other school boards and agencies has and continues to provide educational programming to service more children across the City.



194,429 sq. ft.

Leased to other school boards

\$100m

Potential reinvestment with redevelopment of only 4 projects

3

Redevelopment projects initiated

LAWRENCE-MIDLAND

In June of 2012, an in-depth analysis of school needs (known as a Pupil Accommodation Review Committee or PARC) was completed for the vicinity of Lawrence-Midland, which included three local schools. As a result of this analysis, a decision was approved to construct a new high school on TDSB's Lawrence Midland Secondary School site. In turn, this required the closure of both the David and Mary Thomson Collegiate Institute and the Bendale Business Technical Institute. At the same time an opportunity existed whereby the TDSB declared three land parcels comprising approximately 20 acres as surplus to its needs. TDSB referred the property to TLC for action as project leader, with the goal to implement an overall plan that would maximize the value of the property and produce additional capital revenues for investment by TDSB in other priority projects.

TLC worked collaboratively with City Officials to finalize potential development scenarios on two of the three surplus sites totaling 8 acres, which are adjacent to the new school site. The outcome will integrate a new school with a modern track and field, community pedestrian walkways between the new residential development, added green space, parkland and a new daycare centre. Just as important, the residual acreage will be placed on the open market for the development community to create new housing in the area and provide new capital for the TDSB.

It is projected that school construction will begin in 2016 and be ready to receive students for September 2018.

JOHN FISHER JUNIOR PUBLIC SCHOOL

TLC has been requested to assess the feasibility of the John Fisher site through a redevelopment lens and evaluate opportunities to modernize the school. The property comprises 2.7 acres, with a school that provides a French immersion program. The TDSB advised that there is a need for a replacement school on this site given the age of the current school and the continued French immersion growth in this area. The site is considered a potential redevelopment project due to its current Toronto Official Plan designation as "Apartment Neighbourhood," supporting its potential for extracting land density value that may fund school improvements on the existing lands. There may also be an interest in considering options for an integrated school within a condominium redevelopment on the lands. TLC is proceeding with its due diligence and is currently assessing the redevelopment potential to fund a replacement school on the site. TLC staff expect to finalize their review and recommendations over the next year.



DAVISVILLE PUBLIC SCHOOL

Planning studies have been undertaken to investigate the suitability for residential development and the integration of a replacement school on the current site of Davisville Public School. The Province recently announced it will provide funding of \$14.7m towards the construction of a new school. The City of Toronto is also assessing community needs in this area with an aim to possibly place much needed community amenities on the site. TLC will further discuss potential outcomes at the site that could meet the needs of the school and broader community. Following Ministry of Education approvals, the project is at the preliminary evaluation stage and will require TLC direction to TDSB and City Planning approvals.





BACK TO COMMUNITY



We seek to foster developments that not only support our school children but contribute to the fabric of our neighbourhoods. By pursuing opportunities that increase access to public services that as a City we support, or creating places for the people of our communities to come together, we generate lasting benefits that go beyond financial returns.

Bringing People Together

TLC is currently working to develop new guiding principles and standards that could incorporate as a consideration for any redevelopment project the creation of a Community Hub – vibrant centres for a community that provide greater localized access to a wide range of needed services and programs for a specific community.

In the Swim of Things

Pools are a unique asset that contribute to active neighbourhoods and we remain one of the few cities across Canada with such a large inventory of operational pools within our portfolio. TLC, through its sub-committee Swim Toronto, is responsible for ensuring the long-term sustainability of school pools, so they can continue to serve children, youth, adults and seniors throughout the communities of Toronto.



Ist

Community Hub
demonstration site

COMMUNITY HUBS

The concept of community hubs is gaining traction in cities across North America. They have been implemented in various forms globally, and continue to grow in North America. Meeting the unique needs of each community, these hubs provide a safe and friendly environment and become vibrant centres of community life for a neighbourhood. The hubs offer multiple services and programs (educational, health, recreational, employment, social services) to support the specific needs of the people in the community. Between the service offerings and the wide variety of community participation, hubs enable a broader community integration and strengthen the well-being of the community at large. This diversity of activity allows the hubs to play a critical role in the economic and social life of a community. Given the values and role of the TDSB and TLC, it is a natural progression to look towards a community hub concept not only within redevelopment projects but across all TDSB properties.

Bloor-Dufferin as a Community Hub

In December of 2013, TDSB approved a land use master plan envisioning the sale of 7.3 acres at Bloor-Dufferin containing the closed Kent Senior Public School and adjacent Bloor Collegiate operating school, accompanied by the renovation of the nearby Brockton High School to accommodate the transfer of the Bloor Collegiate students.

As part of the process, the Boards of both TLC and TDSB approved the redevelopment of the surplus site to consider a community hub component. The project is intended to serve as a demonstration site to determine if community hubs on a school site are feasible while providing benefit to students, the overall neighbourhood and revenue to the TDSB.

A working group has been formed with the province and City of Toronto to consider the options available at this site. As part of its investigative process, TLC has also reviewed various best practices for community hubs across North America, conducted numerous site visits within the City and met with a diverse group of stakeholders. TLC expects to finalize a proposed plan and recommendation in 2016.

POOLS IN SCHOOLS

In 2009, the TDSB established Swim Toronto as a sub-committee of TLC to manage, oversee and support the long-term use of 31 school pools on behalf of the TDSB. The Swim Toronto Committee in collaboration with the Aquatic Working Group (AWG), permit holders and community groups have worked to fulfill the mandate of Swim Toronto to ensure the healthy future of school pools, which are instrumental in supporting the needs of the community.

Fundamental to the work of Swim Toronto is its governance model that is effective in meeting the long-term sustainability needs of pools. This has been accomplished through:

A tri-party agreement between the Ministry of Health Promotion & Sport, the TLC and TDSB, in which the Ministry committed \$15.8m to capital improvements in the 31 TDSB pools, completed between 2009-2011.

A signed agreement with the City of Toronto for a five-year term from June 2012 to June 2017 for the continued use of 33 TDSB school pools for the seamless delivery of aquatic programs to Toronto residents throughout the City.

A competitive pool rental fee structure which accounts for prime and non-prime hours while ensuring equitable access to pools.



\$1.8m

Revenue for pools as
of August 31, 2015

31

TLC-managed
school pools

33

Pools leased to the
City of Toronto



BACK TO OUR CITY



The achievements at TLC not only generate benefits to our schools, it supports the growth, and success of our entire City. Through the sale of surplus sites for development, we revitalize the make-up of a neighbourhood with new residential units – helping accommodate the needs of our expanding population, and providing economic growth over the development period of the site. Moreover, the new dwellings provide the City with an expanded assessment tax base in perpetuity, delivering further tangible benefits for citizens.

Repurposing Neighbourhoods

Ministry funding and surplus sites remain the primary source of potential capital for reinvestment into TDSB operating schools. Sales can include an entire vacant school property or, due to the size of the parcel, a severed portion of the site that is not required for TDSB programming. A sale will either be made to a public agency who have legislated first right or through the private market in an open, competitive environment. A private sale of the surplus lands provides a community the opportunity for new in-fill development in support of the existing make-up of the neighbourhood or a purchase by a public agency that can solidify the long-term public use of the lands.

21 sites have been identified as potentially surplus to the needs of the TDSB, with community consultations anticipated to begin early 2016.



TLC PROPERTIES – OVERVIEW

A primary source of funding for the TDSB capital programs is the proceeds from the sale of surplus sites. Since the inception of the TLC Board, gross sales at August 31, 2015 total \$405M, representing the sale of 67 properties in total. Working with TDSB staff, TLC undergoes an annual review of sites in its portfolio as well as operational sites and provides advice as to which would be good candidates for severance and sale of vacant land and recommending sites for surplus declaration based on the market, timing and feedback from TDSB.

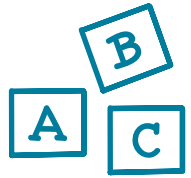
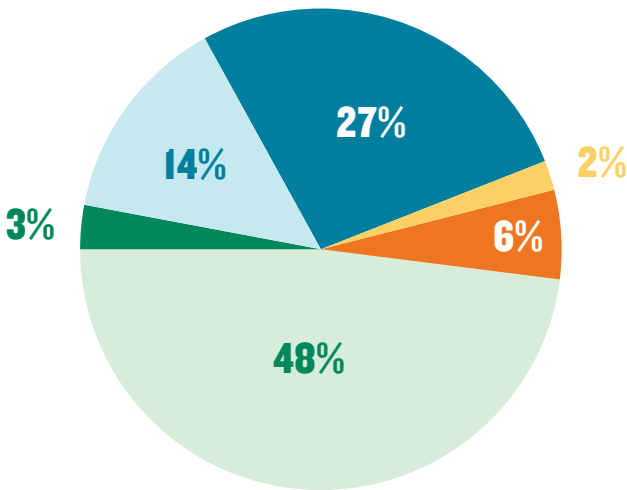
The TLC Leasing and Property Management portfolio also generate revenues by maximizing lease revenues by renegotiating fees to fair market rates. Moreover, the leasing portfolio continues to generate revenues that support the operating costs for the corporation.

ASSET CATEGORIES

TLC staff on an annual basis undertakes a strategic review of all assets under its administration, to determine reinvestment activity and to maximize rental income wherever possible. Key considerations included:

- Prioritizing opportunities in the TLC portfolio
- Reducing risks in the TLC portfolio
- Ensuring compliance with TDSB policy commitments to students, children and community

To date, the TLC portfolio consists of the following:



67 sites sold

\$405M in revenue to TDSB

10 sites

Sold to City of Toronto

27 acres

Total of acres sold to City of Toronto

- 37 Properties Managed and Leased (Includes Core Holdings)
- 3 Pending Sales
- 8 Properties Returned to TDSB
- 67 Properties Sold to Date
- 4 Redevelopment Projects
- 20 Other – Administrative Holdings, Bill 30 schools



LEASING PORTFOLIO

As of August 31, 2015, we are pleased to report that the TLC’s active leasing portfolio totals 977,000 sq. ft. of space with 43 tenants. The TDSB also utilizes vacant schools for operating programs and administrative groups. This data excludes any reference to continued owner-occupation for non-school use.

977, 000 sq. ft.
of leased premises

August 2015 – TLC Actively Managed Lease Portfolio

Tenant Type	Sq. Ft.	% of Total	Avg. Size (Sq. Ft.)	No. of Tenants	% of Total	% of Total Rental Income
Land Lease	0	0.0%	-	6	14.0%	4.0%
Vacant Units	64,078	6.6%	21,359	3	7.0%	0.0%
Special Needs Children	78,930	8.1%	19,732	4	9.3%	9.6%
Social Agency	31,590	3.2%	31,590	1	2.3%	6.3%
Other Child Care	5,588	0.6%	2,794	2	4.7%	1.0%
City Child Care	26,992	2.8%	5,398	5	11.6%	1.8%
Other Not for Profit	34,416	3.5%	17,208	2	4.7%	3.2%
Other Board	194,429	19.9%	97,215	2	4.7%	11.2%
City of Toronto	52,415	5.4%	52,415	1	2.3%	3.8%
Private Schools	488,914	50.0%	28,760	17	39.5%	59.1%
Total/Average	977,352	100.0%	27,729	43	100.0%	100.0%

On a year-to-year basis, with the sale of surplus assets, it is expected that the leasing portfolio may be reduced over time. With the successful sale of Kipling Grove, Mallow and Pine River schools, the return of Silverview to the TDSB operating school portfolio, and the recapture of a portion of Kenton for use by TDSB’s Safe and Caring School program, the size of the leasing portfolio decreased by 108,000 sq. ft. which affected eight tenants.

Tenant Mix

The top three tenant categories as a share of the total leased space are Private Schools (50%), Other School Boards (19.9%) and Special Needs Children (8.1%).

Similarly, leases with Private Schools are most prevalent with a total of 17 and City Childcare Facilities running second with five lease agreements. It is to be noted that the childcare facilities situated in multiple operating schools are not included in this data.

Comparing the average unit size of the leased space, it is Other School Boards that rank first at 97,215 sq. ft. and the City of Toronto next at 52,415 sq. ft.

Contribution to Total Rental Income

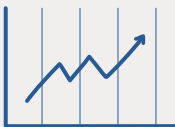
From the perspective of their contribution to total rental income, the two most important categories are Private Schools (59%), Other Boards (11%), and Special Needs Children (10%). The importance of the Private School category reflects the large size of the average private school lease.



80%

of total rental income
derived from other
Educational Providers.

FINANCIAL PLAN



Revenues from TLC lease operations continues to offset total TLC administrative expenses.

The TLC’s eighth annual budget highlights some of the successes achieved by the corporation, on behalf of the TDSB, along with recent changes that have impacted the organization.

The following highlights are provided in relation to the 2015-2016 fiscal year:

- Overall lease revenues are budgeted at 5.7% greater than the previous year.
- Property operating expenses are budgeted at 3.7% less than the previous year.
- TLC administrative expenses reflects an overall decrease in the budget by 4.4% from the previous year as a result of an implementation of an organizational restructure plan.
- Overall, revenues from TLC lease operations continues to offset total TLC administrative expenses.
- As a result of additional time to undertake community consultations on potential surplus sites, consideration of community hubs and the complexity of redevelopment projects, the required due diligence on each site can take a few years to complete. Thus, revenues generated for the TDSB can take longer to be realized. Regardless, based on pending sales, revenues for 2015-2016 are projected to be higher than the previous fiscal year.

In general, the 2015-2016 Annual Budget is closely aligned to the budget for the current year. This presentation is in line with TDSB’s direction to flat-line all budgets for this coming fiscal year due to budget constraints.

Toronto Lands Corporation Proposed 2015-2016 Budget

Operating Budget	Approved 2013-2014 Budget	Approved 2014-2015 Budget	Final 2015-2016 Budget
Realty Lease Operations			
Lease Revenue and Recoveries	\$ 7,810,000	\$ 7,632,000	\$ 8,068,000
Other Revenue	55,000	55,000	55,000
Sub-total	7,865,000	7,687,000	8,123,000
TDSB Program and Administration	915,000	493,000	493,000
Deferred Capital Improvement Revenue	-1,000,000	-1,000,000	-1,000,000
Total Revenue	7,780,000	7,180,000	7,616,000
Property Management Expenditures			
Caretaking	3,009,000	1,910,000	1,698,000
Maintenance	1,782,000	1,062,000	1,147,000
Utilities	1,680,000	1,188,000	1,167,000
Total Operations Expense	6,471,000	4,160,000	4,012,000
Property Taxes*	50,000	50,000	50,000
Provision for rental arrears	20,000	20,000	20,000
Total Property Management Expenditures	6,541,000	4,230,000	4,082,000
TDSB Staff and Services			
Facility Services	170,402	175,185	182,664
Business Services	80,973	88,485	96,867
Administrative Support Allocation	60,000	60,000	60,000
Total TDSB Realty Staff and Services	311,375	323,670	339,531
Total Expenditures	6,852,375	4,553,670	4,421,531
Net Realty Lease Operations Profit / (Loss)	\$ 927,625	\$ 2,626,330	\$ 3,194,469
TLC Administration Expenses			
Board Remuneration	70,000	70,000	70,000
Management Salary	867,087	899,916	862,025
Professional Development	4,000	4,000	4,000
Supply and Services	50,628	48,000	48,000
Rental expenses: 60 St. Clair E. *	48,019	50,071	53,100
Legal Fees	450,000	450,000	450,000
Fees and Contractual Services	417,500	417,500	417,000
Redevelopment Projects	200,000	200,000	200,000
Casual Help	5,000	5,000	5,000
Furniture and Equipment	7,500	7,500	7,500
Other expenditures (incl. memberships, meeting expenses, postage, courier)	5,000	5,000	5,000
Total TLC Administration Expenses	2,124,734	2,156,987	2,121,625
TLC Capital Planning Capacity Program			
Community Hubs Grant		116,205	106,690
Community Hubs Expenses		9,515	106,690
Total Community Hubs Program		106,690	0
Total Property Sales	38,700,000	21,230,000	\$23,050,000
Net Contribution to TDSB Capital Fund	\$37,502,891	\$21,699,343	\$24,122,844

*TLC Board approved a new lease agreement for the TLC office for a 5-yr period. 2015-2016 projection includes rental expenditures from Sept 2015 -Feb 2016 and anticipated expenditures under the new lease from March-Aug 2016.



LOOKING AHEAD AT COMMUNITY VALUE

TLC will undertake to review existing TDSB schools and identify potential surplus space in city identified high priority neighbourhoods whereby the integration of services through a hub could benefit students and our local communities.

LOOKING AHEAD AT TDSB CAPITAL INVESTMENT

TLC will begin a review of TDSB land assets and develop recommendations for TDSB consideration in support of TDSB's 2016 Capital Budget and long term pupil accommodation plan. To accomplish this goal, TLC will utilize its real estate expertise to maximize value, through re-development projects, effective land use management strategies, sales and or leasing. Revenues from approved recommendations will support capital priorities and that in turn supports the City of Toronto economic climate, i.e., neighbourhood revitalization, intensification, job creation and an increased assessment property tax base.

GOVERNANCE AND MANAGEMENT

The Toronto Lands Corporation was established in 2007 on the basis of a Shareholder's Direction, a legal document that outlines the relationship between the TDSB, as the sole shareholder of the corporation, and the TLC, its subsidiary corporation. The Shareholder's Direction sets out the real estate and asset management services that the TLC provides for the TDSB. It also focuses on the expectations surrounding the sites transferred to the TLC for oversight and actioning in accordance with TDSB resolutions. The TDSB's acumen in establishing an independent agency to manage its real estate assets has proven to be strategically and financially beneficial for the TDSB.

In 2013, after five years of operation, the TLC underwent a self-evaluation process to review its operations and progress of achievements. The evaluation provided an opportunity for the Shareholder to assess the TLC mandate and ensure that the corporation continued to meet its intended goals. By November 2014, the TDSB Board approved a revised and expanded Shareholder's Direction enabling the TLC to undertake projects with significant re-development opportunities (in operating school sites in addition to projects assigned by TDSB in operating and non-operating sites). By February 2015, the TDSB underwent its own review in the area of governance and operations as directed by the Ministry of Education. With the need to reorganize capital assets and look at other funding opportunities, the TDSB directed that the TLC pursue redevelopment projects and opportunities to create community hubs.

BOARD OF DIRECTORS

The TLC Board of Directors represents a diverse combination of public and private sector members who provide knowledge and expertise to manage, support and direct the TLC.

The TLC Board is composed of ten Directors, 6 Citizen Directors appointed by the TLC Board and ratified by the TDSB and 4 Trustee Directors appointed by the TDSB Board. For the 2015-2016 fiscal year, the Board of Directors comprised:

 <p>David Crombie Chair</p>	 <p>Harold Brathwaite Citizen Director</p>	 <p>Steven Zakem Citizen Director</p>	 <p>Parthi Kandavel Trustee</p>
 <p>Dino Chiesa Vice Chair</p>	 <p>Michael Fenn Citizen Director</p>	 <p>Jerry Chadwick Trustee</p>	 <p>Alexander Brown Trustee</p>
	 <p>Sheerin Sheikh Citizen Director</p>	 <p>Gerri Gershon Trustee</p>	

In December 2015, Dino Chiesa, Citizen Director and Vice Chair, TLC, concluded his term on the Board. Dino has been with TLC since its origination, beginning as interim CEO, then appointed a Citizen Director as a result of his extensive expertise in the real estate and urban development landscape, and economical and financial markets. Dino has been an invaluable support for the TLC throughout its numerous changes.

With the guidance of the TLC’s Nominating and Governance Committee, the committee has begun the search for a new Director to replace Dino Chiesa. It is anticipated a new citizen Director will be approved by the TLC Board and ratified by the TDSB Board by early 2016. We would like to thank Dino for his last seven years of service.

OUR TEAM

The TLC team is a highly focused and cross-disciplined team consisting of seven staff with experience in real estate, asset and facilities management, project management, planning, legal services, pools and administration. Together with the TDSB, we work with communities, local politicians and stakeholder organizations, to improve the quality of education for students in schools operated by the TDSB by maximizing the value of TDSB’s assets.

MARKET OVERVIEW

The Shareholder’s Direction requires that the Annual Plan be supported by a discussion of market conditions. The TLC reviewed market analysis provided by the following organizations below followed by links for market analysis information:

- Canada Mortgage and Housing Commission**
www03.cmhc-schl.gc.ca/catalog/home.cfm?lang=en&fr=1374592955266
- Toronto Real Estate Board**
torontorealestateboard.com/market_news/release_market_updates/news.htm
- RealNet Canada Inc.**
realnet.ca

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