



Canada Lands Company Limited
Société immobilière du Canada limitée

Canada Lands
Company Limited



Corporate Plan Summary 2017-2018 to 2021-2022

INNOVATION | VALUE | LEGACY

Canada 



1. Executive Summary	2
1.1. Profile.....	2
1.2. Organizational Structure.....	2
1.3. Mandates.....	4
1.4. Summary of Net Benefits to the Government of Canada 2017-2022.....	7
1.5. Overview of Plan Period 2017-2018 to 2021-2022.....	8
2. CLCL Strategic Priorities and Operational Overview	10
2.1. Strategic Priorities.....	10
2.2. Analysis of External Environment.....	11
2.3. Status of Amalgamation.....	12
2.4. CLCL Risk Management Framework.....	13
2.5. CLCL Financial Results for Fiscal Year 2017-2018 to 2021-2022.....	14
2.6. Canada Lands Company CLC Limited.....	14
2.7. Parc Downsview Park Inc.....	21
2.8. Old Port of Montréal Corporation Inc.	27
3. Financial Results	31
3.1. Canada Lands Company Limited (CLCL).....	31
3.2. Canada Lands Company CLC Limited.....	34
3.3. Parc Downsview Park Inc.....	35
3.4. Old Port of Montréal Corporation Inc.	36



1. Executive Summary

1.1. Profile

Canada Lands Company Limited (CLCL) was incorporated under the *Canada Business Corporations Act* and is listed in Schedule III, Part 1 of the *Financial Administration Act*.

CLCL is subject to federal laws, such as: the *Financial Administration Act*; *Canada Business Corporations Act*; *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 *Financial Administration Act*, 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.

OPMC has two divisions:

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

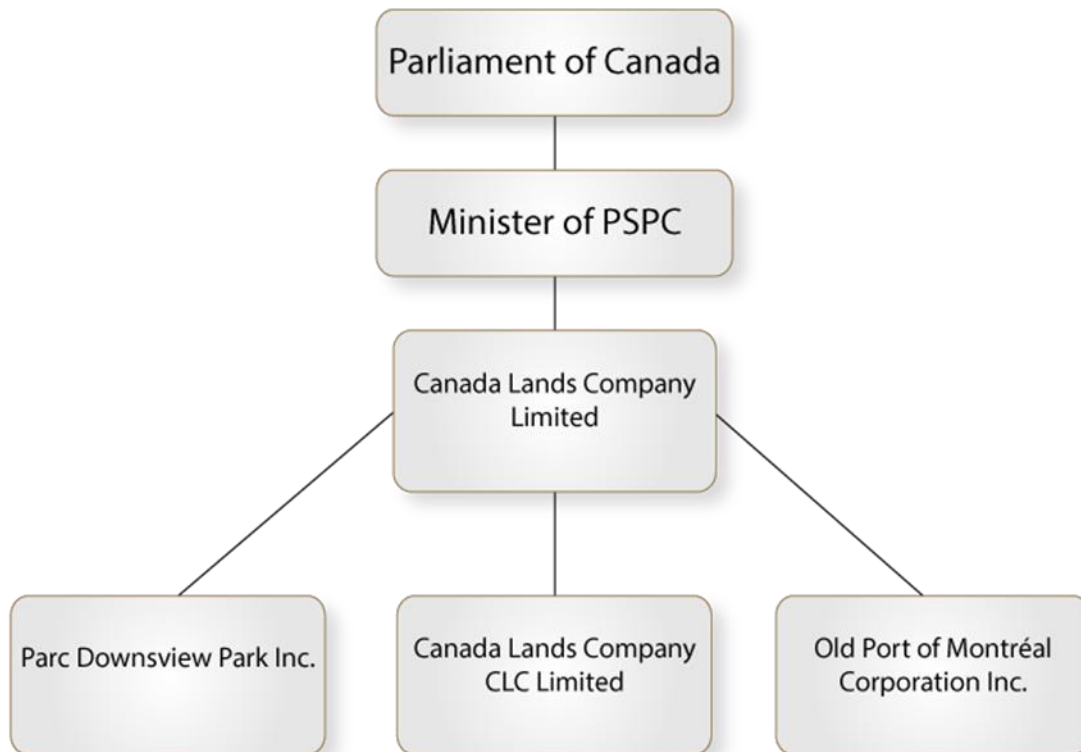
PDP does not have any divisions. It reports through to CLC's Ontario/Atlantic real estate group. OPMC and MSC report through CLC's Québec real estate group.



CLCL's land portfolio totals 1,340 acres (or 543 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.

Figure 1: CLCL and its Subsidiaries





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 tourism 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 described in 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 acts as project manager and works together with the First Nations on major decisions.



PDP owns a 572-acre (231 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 OPM's territory, and of administering, managing, and maintaining the property as an urban recreational, tourism and cultural site.

Vision, Mission and Guiding Principles

CLCL's vision, mission and guiding principles provide the framework for the company's strategic direction. The company's strategic plan was updated in 2016 and include revisions to these statements which better reflect the current organization, as well the government's ongoing policy changes.

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.

Vision

Our vision is to be the Government of Canada's principal real estate disposal agency and attraction resource, dedicated to the development of great Canadian communities and to be a premier manager of select attractions through a commitment to engagement, sustainability, superior advisory services, integrity, diversity and highest standard of ethical behaviour.

Guiding Principles

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 partners.



Legacy

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

Corporate Social Responsibility

We encourage a culture that embraces inclusion, diversity, and respect and strive to be representative of, and aligned with, the communities that we engage. We set the highest standards of ethical behaviour in what we do and how we do it, while considering non-financial benefits our projects can generate.

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 CLCL and 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.

Annual Public Meetings

As a Crown corporation, and in line with best practices and the *Financial Administration Act*, 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 2016, this meeting was held in Edmonton, Alberta 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 2017.

1.4 Summary of Net Benefits to the Government of Canada 2017-2022

\$millions

Expenditure/Investment/Return	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	Total
Acquisitions ¹	12.7	-	2.0	0.9	15.0	30.6
Promissory note repayments	22.3	142.0	25.5	16.4	19.4	225.6
Income Tax	7.6	15.4	19.4	20.0	40.6	102.9
Dividends to Canada ²	- ³	10.0	10.0	10.0	10.0	40.0
Recurring financial support to OPMC ⁴	15.1	16.6	16.2	15.7	14.8	78.4
Federal Infrastructure at OPMC	10.0	-	-	-	-	10.0
Total	67.7	184.0	73.1	63.0	99.8	487.6

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.

3. As part of the CLCL 2016-2021 Corporate Plan, CLCL was approved to reduce its dividend to \$6.5 million in 2016/2017 and \$0 in 2017/2018, and redirect a total of \$13.5 million of dividends from its shareholder to fund Federal Infrastructure projects at OPMC.

4. Excluded from OPMC recurring financial support from CLCL during the plan period is \$3.5 million in federal infrastructure spending made in 2016-2017 that will be expensed in 2017-2018 when spent.



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 2017-2022

\$millions

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	Total
Investments in inventory*	87.0	86.7	127.9	158.8	186.5	646.9

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

1.5 Overview of Plan Period 2017-2018 to 2021-2022

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. The activities anticipated over the plan period are well positioned to support government objectives in regards to relationships with Indigenous Peoples, to provide assistance to municipalities and engage with Canadians on matters such as housing and infrastructure needs.

Overall CLCL's current projects will deliver:

- \$647 million in infrastructure related investment over the plan period;
- New green spaces and parks;
- New affordable housing units (total number of units is determined through the planning process); and
- New sustainable development practices such as storm water management and pedestrian-friendly communities.

For example, in Ottawa, following receipt of its municipal approvals, work began on the 310-acre (125.5 hectare) Wateridge Village community; one of the most anticipated redevelopment projects in our nation's capital. The construction of site infrastructure for the first and second phases of this 15-year project is underway. The anticipated results of this development include new housing options for Ottawans as well as future employment uses. In addition, 20% of the site has been set aside for green spaces and parks. CLC will also work towards numerous legacy initiatives that will enable it to appropriately commemorate the history of the Algonquins of Ontario and former military activities on the site. Total investments over the plan period are anticipated to be \$59 million.



In Vancouver, CLC and its three First Nation joint venture partners, Musqueam Indian Band, Squamish Nation and the Tsleil-Waututh Nation, have begun the public engagement process for two of its three jointly-owned properties in Vancouver; namely its 21-acre (8.5 hectare) site located on Heather Street and the 5-acre (2 hectare) Marine Drive site in West Vancouver. Investments of \$74.4 million are anticipated as the company moves forward with the master planning process and infrastructure servicing needs over the plan period. The third joint venture property, the Jericho lands, a 52-acre (21 hectare) site will be the subject of a master planning process anticipated to begin in 2018. These projects will result in a mix of new community benefits and housing options. As well, the redevelopment of all three sites will enable employment, training and contracting opportunities, as well as commemoration opportunities for CLC's joint venture partners and their members.

In Halifax, CLC owns an 82-acre (33 hectare) property called Shannon Park, which was acquired from DND in 2014. This project will result in new public access to Dartmouth's waterfront for the first time in decades as well as new housing options. . Also, the company is working closely with the Millbrook First Nation, an adjoining land owner, regarding the master planning and construction efforts. The total investment over the plan period is anticipated to be \$26.6 million.

The CN Tower's commitment to ongoing enhancements will create improved accessibility for its attractions and experiences that in past has enabled it to deliver a wheelchair accessible EdgeWalk experience. Management continues to explore opportunities to improve accessibility in other aspects of the Tower experience. For 2017-2018, as part of a legacy project for Canada's 150th anniversary, the Tower replaced two sections of glass observation windows, creating a new floor-to-ceiling accessible observation opportunity.

A major initiative at the OPMC that started in 2015 is a broad-based public consultation process to engage the community and municipality in exploring revitalization opportunities for the site and adjoining CLC lands while meeting community aspirations. The corporation's goal is to develop a long term vision for the property in collaboration with the City of Montréal and stakeholders enabling the corporation to receive municipal approval for this vision. The next steps over the plan period include presentation of land use options and further public consultation occurring in late 2017 and finalization of the master plan in 2018. An integral part of this activity includes consultation with the shareholder throughout the process. The results of this initiative will provide benefits such as improved access to the waterfront, new opportunities for activations on the site and more pedestrian connections.



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's overarching strategic priorities during the planning period are posed to help the Government of Canada deliver on key policy objectives, the most important, of which is improving the everyday lives of Canadians. These priorities can be summarized as follows:

CLC: As it has done for over 20 years, CLC will continue its successful redevelopment activities across Canada, adding both financial and non-financial value to former government properties, and maximizing returns to local communities and the Government of Canada derived from its real estate and attractions assets and activities. The company will also continue to collaborate with government departments on how it can bring the most value to Canadians.

PDP: Continue to hold, manage and enhance the parkland and continue the development planning in accordance with the City of Toronto's Downsview Area Secondary Plan. The plan provides a land use and development framework, including a requirement for parkland, recreational, residential and employment uses. Over the plan period the company will submit a new plan and zoning applications and seek city approvals for its next phase, currently referred to as the William Baker neighbourhood. This neighbourhood will not only provide new housing options in the City of Toronto but also deliver infrastructure upgrades through partnerships with the City of Toronto. Important new infrastructure in the form of the new TTC/Metrolinx station will introduce enhanced public transit access to the Park and new neighbourhoods. CLCL will continue to ensure Park operations are funded through its general revenue sources in perpetuity, as long as necessary.

OPMC: Continue to maintain the Old Port of Montréal as a premier attraction, event venue and green space by delivering and implementing a vision for the site that will evoke a sense of renewal by giving Montrealers more access to its waterfront, and more opportunities to engage with this federal site in a sustainable manner. The MSC will continue to deliver on its mandate of providing enriching, science-based educational experiences through interactive exhibits and displays, while continually working towards increased self-sufficiency. CLCL will also continue its due diligence analysis and consultation pertaining to the OPMC's governance. CLCL will continue to ensure that the OPMC's operations are appropriately funded.



2.2. Analysis of External Environment

Economic Climate

The Bank of Canada (Bank) stated in its October 2016 Monetary Policy Report that the global economy was regaining momentum. The slowing of global growth in 2016 was mostly due to weaker-than-expected activity in the United States in the first half of the year, said the Bank, adding that solid domestic fundamentals were expected to support a rebound in growth in the US real gross domestic product (GDP).

Globally, the Bank expected economic growth to pick up from approximately 2.75 per cent in 2016 to about 3.5 per cent by 2018. Generally speaking, global growth in investment had slowed since 2012, partly as a result of uncertainty over future prospects for global demand and ongoing structural adjustments in China.

The Bank also reported that the Canadian economy was on track for a rebound in the second half of the year. The uptick reflected improving exports, a return to full oil sands production and the rebuilding activity in Alberta. In 2016, Canadian real GDP increased in July across a number of industries while goods exports posted gains in July and August, following a sharp contraction over the previous five months.

Meanwhile, the Bank reported that activity outside resource sectors was also growing at a solid pace, driven by an expanding service sector and supported by the past depreciation of the Canadian dollar.

Although real GDP was expected by the Bank to grow starting in the second half of 2016, the Bank's forecast for real GDP growth had been revised down since its July 2016 Monetary Report, primarily because of a weaker outlook for exports and the housing market.

Housing Market

The Canada Housing and Mortgage Corporation (CMHC), in its fourth quarter 2016 Housing Market Outlook, projected that housing construction was expected to decline slightly in 2016 and 2017 to levels more consistent with economic and demographic fundamentals, before stabilizing in 2018.

Multiple Listing Service (MLS) sales were expected to be strong in 2016 compared to 2015, but with a decline in 2017 before levelling off in 2018 to more sustainable levels reported the CMHC. Resale prices would increase in 2016 compared to 2015, but the pace of MLS price increases was expected to slow in 2017 and 2018. Over the forecast period, overvaluation in the existing home market was contributing to limited house price increases.

CMHC further noted that regional disparities remained. Starting in 2017, these were expected to reduce gradually since, firstly, starts in British Columbia and Ontario would edge down after a strong



start to 2016 and, secondly, effects from the oil price shock on Alberta, Saskatchewan and Newfoundland and Labrador would start to dissipate.

The report expected housing starts to be in a slightly lower range than in 2015, at between 185,100 to 192,900 units in 2016, and from 174,500 to 184,300 units in 2017, before stabilizing in 2018 at between 172,700 and 183,100 units.

The CMHC expected mortgage rates to stay near current levels until the end of 2016, supporting housing demand. CMHC also anticipated interest rates to gradually start rising from current levels in the first half of 2017.

Tourism

According to Destination Canada's July 2016 Tourism Snapshot, Canada greeted 2,875,708 overnight visitors from 11 international markets, up 12.8 per cent year-over-year, marking the fourth month in 2016 of double-digit expansion.

Canada saw year-to-date gains in all of Destination Canada's 11 international markets with the exception of Brazil, with Asia-Pacific markets continuing to see exceptional growth in July 2016.

Overnight arrivals from the United States increased 11.4 per cent, returning to double-digit levels of growth in July 2016 after slowing in June.

2.3. Status of Amalgamation

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

However, the legal amalgamation has been delayed until the unfavourable property tax cost implications that would be triggered can be resolved. In 2016-2017 CLCL continued its consultations with responsible officials pertaining to the situation at OPMC. The corporation is currently working towards a negotiated settlement with the City of Montréal; however there is no estimated timeline of when this will be achieved. As for PDP, the situation is stable as taxation levels for payment in lieu of taxes (PILT) have been established. A legal amalgamation would expose PDP, and ultimately CLCL, to significant financial risk moving from PILT to property taxes, with no tangible benefit.



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 while also maximizing non-financial benefits.

2.4. CLCL Risk Management Framework

CLCL updated its risk management framework during 2015-2016 with the assistance of an independent consultant.

Risks have been categorized as strategic or operational. Strategic risks are those that could have a material adverse impact on the business and generally cannot be entirely mitigated by Board or management action.

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 audits.

The internal auditor is an independent third party and reports directly to the Audit Committee of the Board. The audit plan is developed by identifying areas of highest risk for review and recommending the plan to the Board for approval annually. A fraud risk assessment and the mitigating controls addressing fraud risks was completed during 2015-2016 as part of the internal audit plan, resulting in some minor adjustments to internal controls, policies and procedures, but no significant findings.

The Risk Committee of the 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. CLCL Financial Results for Fiscal Year 2017-2018 to 2021-2022

Revenue

CLCL's consolidated revenue for the five-year plan period of \$1,798 million, excluding financial support to OPMC of \$92 million, averages \$360 million per year during the plan period, and ranges from a low of \$241 million in 2017-2018 to a high of \$470 million in 2021-2022 depending on the timing of real estate development and sales.

Principal sources of revenue for the five years are CLC real estate revenue of \$1,000 million, CN Tower revenue of \$480 million, and PDP revenue of \$201 million, of which \$144 million relates to development and sale of real estate. OPMC revenue of \$99 million is net of a continuing operating and financial support of \$92 million from CLCL.

Net Income before Tax

Consolidated net income before tax (NIBT) for the five-year plan period is \$320 million, an average of \$64 million per year, and ranges from \$2 million in 2017-2018 to a high of \$147 million in 2021-2022, driven principally by real estate sales activity.

Principal sources of net income before tax include \$234 million from CLC real estate sales, \$165 million from the CN Tower and \$55 million from PDP, offset partially by continuing operating and financial support, which includes Federal Infrastructure spending, to OPMC of \$92 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 federal government for upfront property acquisitions of \$31 million, promissory note repayments of \$226 million, dividends of \$40 million, redirected CLCL dividends from our shareholder to OPMC for approved Budget 2016 Federal Infrastructure projects of \$10 million, income taxes of \$103 million, and a continuing operating subsidy to OPMC of \$78 million, respectively, for a total of \$488 million.

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 to the holding of certain properties. CLC purchases surplus property from various custodians at fair market value determined at the time and condition of acquisition.

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 green spaces, and servicing building lots which are subsequently sold to builders of retail, 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 \$1,474 million, which includes \$861 million from its real estate sales and \$480 million from the operation of the CN Tower. Within real estate, six developments comprise approximately 66% of revenue over the plan period: Wateridge (Ottawa) \$94 million, Griesbach (Edmonton) \$90 million, Currie (Calgary) \$72 million, Jericho (Vancouver) \$78 million, Heather Street (Vancouver) \$79 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, beverage and other hospitality costs, rental operating costs and general and administrative (G&A) costs. A brief description of each category follows.

Real estate cost of sales comprise expenses associated with community consultation, creating land development plans, obtaining approval from municipalities, conducting environmental assessments and any required remediation, and performing servicing work to prepare the property for sale. 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. In addition, real estate cost of sales also includes costs incurred on properties not considered under development.

Attractions, food, beverage and other hospitality costs represent the CN Tower's operating costs including facility maintenance, utilities, restaurant operating costs and staff to operate one of Canada's premier attractions for 364 days of each year. The company is continually exploring opportunities to enhance CN Tower profitability, including product investment and enhancement, innovation, cost efficiencies, and space utilization.

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.

G&A costs continue to be well controlled. Cost inflation is assumed at 2% per annum. G&A costs will remain relatively constant over the plan period with slight increased staff and office needs to support



the company's significant growth in real estate activities in Ottawa, and Halifax, as well as additional G&A required to support the increased revenue growth at the CN Tower. The Ottawa office is being expanded to support the Wateridge development and other future Ottawa property development. The Halifax office has recently been established and staffing will be adjusted as required to manage development and future sales activities at the Shannon Park development and future Atlantic Canada development. 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 largely the imputed interest for non-interest bearing promissory notes payable to the government for properties not considered under development. 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 as land development begins in 2019-2020, 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 \$264 million, \$229 million from real estate and \$165 million from the CN Tower offset partially by ongoing subsidies to OPMC for capital and operating requirements of \$92 million which is discussed separately in the OPMC discussion within this plan.

Real estate NIBT increases from \$8 million in 2017-2018 to \$100 million in 2021-2022 are expected due to sales volume and product mix. Real estate sales and margins are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of product within the project, the cost of land, and the length of time for a project to be sold. Towards the later part of the plan period significant revenues from recently commenced major developments such as Jericho (Vancouver), Heather Street (Vancouver), Booth Street (Ottawa) and Shannon Park (Halifax) begin.

The CN Tower NIBT is projected to improve from \$32 million in 2017-2018 to \$35 million in 2021-2022 as measures for improving revenue generation from innovation and enhancements on the observation level, as well as opportunities for improving margins on the food and beverage business.



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 for letters of credit posted as performance guarantees with municipalities in which the company operates. The level of development activity over the plan horizon at Wateridge, Currie, Halifax and Vancouver properties will continue to require significant letters of credit. (For example, during the planning period, Wateridge will continue to require previously issued 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 and Uncertainties

The following key assumptions and uncertainties are contained within the plan:

- Interest rates will remain stable and consistent with their current levels for the short-term.
- Inflation is assumed to be within the Bank of Canada 2% target range.
- 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. Construction cost increases or decreases are assumed to be reflected in revenue recovery yielding consistent profit margins on land development projects.

2.6.2. Priorities and Future Vision

As it has done for over 20 years, CLC will continue its successful redevelopment activities across Canada, adding both financial and non-financial value to former government properties, and maximizing returns and benefits to local communities and the Government of Canada derived from its real estate and attractions assets and activities. The company will also continue to collaborate with government departments on how it can bring more value to Canadians. Its work will centre on the following ideals:

- Improve the lives of the Canadians through its work in reintegrating underutilized properties back into productive use.
- Commemorate the legacy of a site and ensure that future generations of Canadians learn about the contributions of those who came before them.
- Support government priorities in the areas of housing, sustainable development, environmental stewardship and community-building.



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 achieved towards the completion of each development phase as 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 \$522 million in development expenditures, of which \$65 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:

Wateridge Village, Ottawa, Ontario: Following a successful community engagement program and receipt of its municipal approvals, work began on the 310-acre (125 hectare) Wateridge Village community; one of the most anticipated redevelopment in our nation's capital. The construction of the site infrastructure for the first and second phases of this 15-year project is underway. During the plan period the company will focus on securing necessary municipal approvals on a phased basis and the construction of infrastructure, parks and green spaces as well as legacy initiatives that will enable CLC to appropriately commemorate the history of this former military site and the Algonquins of Ontario. Total investments during 2017-2018 are estimated to be \$18 million and over the planning period at \$59 million.

Currie, Calgary, Alberta: \$73.6 million will be invested at Currie on site servicing and infrastructure work such as an interchange which was completed in 2016, landscaping and streetscaping. A new master plan was approved by the City of Calgary in 2015 and the corporation will continue to deliver on that plan in a financially viable manner, geared to the current Alberta market.

Village at Griesbach, Edmonton, Alberta: During the plan period, \$83.5 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.

Heather Street Lands, Vancouver, British Columbia: CLC and its three First Nation joint venture partners, the Musqueam Indian Band, Squamish Nation and Tsleil-Waututh Nation, have begun their public engagement process for two of their three properties in Vancouver; namely their 21-acre (8.5 hectare) site located on Heather Street and their 5-acre (2 hectare) Marine Drive site in West Vancouver. Investments of \$74.4 million are anticipated as the partners move forward with the planning process and servicing needs over the plan period. The third joint venture property, the Jericho lands will be the subject of a master planning process anticipated to begin in 2018.

Shannon Park, Halifax, Nova Scotia: CLC owns an 82-acre (33 hectares) property that was acquired in 2014. CLC anticipates receiving municipal approval for its preferred plan in the first year of the plan period which will enable the company to commence servicing works and to market to builders.



As well, the company will create a planned trail system that will provide public waterfront access to the community for the first time in many decades. Also, the company is working closely with the Millbrook First Nation, an adjoining land owner, on shared master planning and construction efforts. The total investment over the plan period is anticipated to be \$26.6 million.

Nouveau Havre de Montréal, Montréal, Québec: CLC is proceeding with its Nouveau Havre de Montréal initiative in 2017-2018 with the sale of its 19-acre (8 hectare) Rue des Irlandais site, located between the elevated Bonaventure Expressway and Bridge Street. CLC completed the sale of 10.8 acres of the site in 2017.

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 are included in the broad-based consultation process taking place as part of the reimagining of the Old Port of Montréal. Feedback from the community and the municipality will inform a long term vision for the territory. The consultation program began in the fall of 2015 and is expected to be finalized in late 2017, in time to present a renewed vision as part of Canada's 150th and the City of Montréal's 375th anniversaries.

2.6.4. CN Tower

For the 2017-2018 plan period, the CN Tower will again project growth in attendance, revenue and profit. Building on a strong year in 2016, research from the Ontario Ministry of Tourism, Culture and Sport's Tourism Outlook anticipated an additional 2.1% growth for inbound travel to the province in 2017. The ongoing commitment to re-engage the US market¹, as well as enhanced opportunities that are expected with the Mexican market, as the Canadian travel visa is lifted at the end of 2016, are expected to provide additional visitors to Toronto/Ontario/Canada in 2017. The Tower will continue to work with tourism partners to mine both established and emerging international travel markets.

CN Tower management will look to leverage all prospects for business growth in the coming year, leveraging major city events and convention business to Toronto, and will continue to explore programs to work with its neighbouring attractions to maximize business-building opportunities. For the 2017-2018 plan period the budgeted revenues of \$92 million will represent a 5.8% growth year over year, and an 11% growth over the previous 2 years. Similarly, an attendance increase of 3.4% is planned, delivering a 10.5% growth over the previous two years.

Note: 1. Destination Canada national tourism initiative Connecting America – national tourism initiative to attract US visitors, through partnerships with the Government of Canada, tourism industry partners and businesses across the country



Focusing on the guest experience and service excellence to drive positive referrals and repeat visits will be a key performance indicator for all business channels at the Tower. This will include a continued concentration on mobile applications for ticketing and for guest engagement throughout the visit experience. Specifically, the Food and Beverage team will continue to drive revenues and profitability through attention to increasing gross margin with maintained food costs, and improved revenues, with a planned delivery of \$33.7 million, an increase of 4.3%.

As part of the requirements set forth under the *Accessibility for Ontarians with Disabilities Act* (2005), CN Tower is committed to ongoing future enhancements that will continue to create improved accessibility for its products and experiences. Following the successful implementation of the wheelchair accessible EdgeWalk in 2015, CN Tower management has continued to explore opportunities to improve accessibility in other aspects of the Tower experience. For 2017-2018, this will include the installation of a small elevator device in 360 Restaurant to better enable access to tables by the window. Further, and as part of a legacy project for Canada's 150th anniversary, the Tower has replaced two sections of glass observation windows, creating a new floor-to-ceiling accessible observation opportunity.

These enhanced viewing areas are part of the first phase of a major planned renovation of the 1,300 square metre observation level through a design/build approach to create a memorable, interactive and innovative, world class observation experience. The has a target completion date of mid-2018.

On average, approximately \$3 million dollars are spent annually on capital base building repairs and improvements. CN Tower's base building systems and core infrastructure assets are tracked and monitored via a computerized maintenance management system. In addition, an independent review is completed every five years that provides an overall assessment of the mechanical, electrical, structural and architectural elements of the building. This next property assessment is due in 2017-2018.

Underpinning all business at CN Tower, the maintenance of high levels of safety, security, and building integrity will always be a primary focus for the organization. Continued testing will take place on all new security guest screening processes and protocol systems implemented since 2015-2016. The security team will continue to grow and maintain relationships with all levels of law enforcement, and will continue to be a leading member of neighborhood security information sharing groups.



2.7. Parc Downsview Park Inc.

2.7.1. PDP Financial Results and Discussion

PDP has become self-sustaining, and over the long term (beyond this plan horizon) will eliminate the debt incurred by operating losses and costs to construct the park. 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.

PDP will continue to manage the existing park in a cost effective manner. In 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 final phase of the Stanley Greene neighbourhood closed in March 2016. Management will 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. Through a management agreement between PDP and CLC, employees 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 \$144 million represents proceeds from the development and sale of the William Baker neighbourhood. Sales are anticipated between 2019-2020 and 2021-2022.

Proceeds from rental operations will generate \$52 million in revenue which will decline from \$12 million in 2017-2018 to \$7 million in 2021-2022 as buildings are anticipated to be demolished for redevelopment. Events and attractions provide annual revenue of approximately \$1 million per year or \$5 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 it represents most of the corporation's costs incurred by a development project. All servicing work is tendered according to rigorous requirements.

Attraction, food, beverage and other hospitality costs include the park operating and maintenance costs of \$2 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 remain consistent at \$0.6 million per annum during the plan period.

Net Income Before Tax

Net income before tax for the five-year plan period totals \$55 million. Real estate sales contribute NIBT of \$69 million while park and ancillary operations generate a loss of \$14 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 \$92 million during 2020-2021. The borrowings continue to be used for funding development costs of the William Baker neighbourhood and other development lands, related letters of credit in favour of the City of Toronto for \$12 million, promissory note repayments to the government in the amount of \$12 million, and the completion of the development of the Stanley Green neighbourhood during the five years ending March 2022. By March 2022, outstanding PDP debt is projected to be \$78 million, comprising \$47 million in cash borrowings and \$31 million in letters of credit. Annual cash flow details and borrowing requirements are contained in the financial schedule in section 3.3.3.

Key Assumptions and Uncertainties

The following key assumptions and uncertainties are contained within the plan:

- Interest rates will remain stable and consistent with their current levels for the short-term.
- 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.

2.7.2. Priorities and Future Vision for PDP

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

Over the plan period, the company anticipates the development and disposition of the William Baker neighbourhood as well as significant infrastructure work, including an implementation of new road infrastructure that will help address current neighbourhood traffic issues.

In 2014, most of the buildings on the 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 include preservation initiatives. These designations may present challenges for interim operations and 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, developed with outside expertise, has recently been completed. This master plan provides the framework by which PDP will finalize and implement its heritage strategy over the plan period. This strategy will not only include built form, but will also include the site's natural, historical and cultural heritage.



The company will continue to deliver its community and school programs centered on the natural environment that is Downsview Park. School programs offer students the opportunity to learn about the environment and nature through programming provided by certified teachers. Other programs such as park stewardship, fauna/flora education and community plantings welcome thousands of people each year.

Engagement Program

PDP's long-term community engagement program includes various opportunities by which the community can engage with PDP and the site. The company hosts many community outreach events, big and small, as well as more formal interactions. In 2016, PDP established the "Downsview Lands Engagement Hub" a physical space located next to PDP's project office where members of the public can come to obtain information from a PDP representative on all things related to the Park and its activities and development plans. The space is also offered at no charge for community uses, providing the neighbourhood much needed meeting/activity space.

Figuring prominently in the next few years is the development of its William Baker neighbourhood, a regional road design and construction, and continued park enhancements. Also important is the partnership PDP has with the City of Toronto in helping to deliver on these plans.

Also, during the early part of the plan period, PDP will turn its attention to the new Toronto Transit Commission/Metrolinx intermodal transit facility, aptly named Downsview Park Station and located immediately adjacent to Downsview Park. This important transportation hub in this area of Toronto will be a major catalyst, and complementary to much of the work PDP is undertaking on its site. An important project related to the transit station includes pedestrian access to Downsview Park and the Centennial College aerospace program facility.

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

- Manage land development in a manner consistent with CLC projects.
- Continue its engagement program to ensure community input.
- Finalize the site's heritage strategy.
- Maintain and enhance the park component in order to meet community aspirations.
- Integrate the Park and lands with the Toronto Transit Commission/Metrolinx commuter rail station.
- Proceed with the redevelopment of the William Baker neighbourhood.
- Continue to provide meaningful event and community programs.



2.7.3. Development Projects Highlights

Park Improvements

The green space called Downsview Park will be the subject of a few important enhancements early in the plan period. In 2016-2017 the company initiated improvements to pedestrian entrances along Keele Street. These improvements include upgrades to the western edge of the Park such as:

- Improving connections and visual interest while retaining existing mature trees.
- Creating a signature entry point and providing recognizable secondary entry points to the park
- Improving landscaping and public realm amenities around transit stops adjacent to the Park.

Also on the horizon will be additional forestation efforts, and these will be included as part of the Canada150 program.

The Park is also home to urban agricultural uses. In 2011, PDP launched a pilot project to test community and market interest in and the viability of urban farming. The results of the pilot indicate that there is a strong interest in urban farming among the community and growers. While the use has been accepted by the community and provides an excellent back drop for the Park's education and stewardship programs, the financial returns on this pilot are not favourable. The company's role is to lease lands to third parties whom have the expertise and business acumen to operate a financially sound urban farming business.

William Baker Neighbourhood

This 62-acre (25 hectares) neighbourhood has been earmarked as the next development phase undertaken during the plan period. Its location and the existing roads and services 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 development 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 in 2015-2016, PDP will over the next three years engage in the following activities on this site:

- conduct pre-consultations with the City of Toronto and stakeholders and seek support through the City of Toronto's ongoing District Planning Process;
- apply to the City of Toronto for zoning and Draft Plan of Subdivision approvals; and
- develop and implement a sales strategy for the initial phases of development by 2019-2020.

Other Neighbourhoods

PDP will be commencing the community consultation and master planning for the Allen and Sheppard-Chesswood neighbourhoods during the plan period. Infrastructure construction will be initiated in the later years of the Plan period.



There are some key infrastructure initiatives that PDP is currently working on 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 is participating in environmental assessments, and traffic and engineering studies for a new planned regional road that transect much of the site and will help alleviate some of the current traffic issues. Other infrastructure projects include constructing pedestrian connections from the new TTC/Metrolinx commuter station to the Downsview Park green space and buildings, as well as Centennial College.

2.7.4. Leasing Strategy for PDP

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 longer term, larger businesses. PDP requires flexibility to ensure that it can conclude transactions in a reasonable timeframe. PDP is seeking authority to enter into lease transactions of up to \$1.40 million each per year 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 40 tenants leasing space in the buildings and on the lands. Of the 1.5 million square feet of rentable area in the buildings, 8.3% of the area is vacant, which is lower than 2015-2016. Twenty acres of the lands are leased under long term ground leases. Leasing revenue will be \$12 million in 2017-2018. Revenues are budgeted to decrease to \$7 million by March 2022. Tenancies in 40 and 60 Carl Hall Road, which were scheduled to expire in 2017, will have been 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 is a key tenant at Downsview Park and has begun the construction phase with a renovation and retrofitting of a heritage building on the site located at 65 Carl Hall Road. The College's goal is to have the building's renovation completed for the fall 2018 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.



2.8. Old Port of Montréal Corporation Inc.

2.8.1. OPMC Financial Results and Discussion

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

Since operational amalgamation in 2012-2013, CLCL has continued to focus on managing operating and capital costs, averaging \$15.7 million per year (excluding Federal Infrastructure spending of \$13.5 million) without adversely affecting the public perception of the OPM and MSC, or attracting any significant adverse media.

OPMC will never be self-funding without significant changes to its mandate. The MSC, which includes the IMAX theatre, generates a deficit of approximately \$6 million per annum which varies according to planned capital spending requirements on revenue of \$9 million per annum. This is consistent with or better than benchmarks against other science centres and museums across Canada, most of which receive financial support from some level of government. OPMC 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 \$34.6 million. Included within the \$34.6 million are recurring and routine capital expenditures of \$21.1 million which are to maintain the safety and integrity of the site, such as maintenance on the quays and site security. In addition to the recurring and routine capital expenditures, there is also \$13.5 million of redirected CLCL dividends to fund two budget approved Federal Infrastructure projects: 1) MSC parking garage improvements and enhancements, and 2) Railway track safety measures throughout OPMC over the fiscal years 2016-2017 and 2017-2018.

Key Assumptions and Uncertainties

The following key assumptions and uncertainties 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.
- Recurring and routine capital expenditures are for maintaining the infrastructure and public safety.
- No land sales are contemplated within the plan.



Liquidity

OPMC, including the MSC, will continue to receive funding support for their operating deficit and routine and recurring capital expenditures from CLCL totalling \$78 million over the five-year plan period. In addition, OPMC will receive \$13.5 million of funding from CLCL for two approved Federal Infrastructure projects during 2016-2017 and 2017-2018.

2.8.2. Priorities and Future Vision for OPMC

Master Planning Process

In June 2015 the Government of Canada announced the launch of public consultations leading to a master plan for the revitalization OPM and Silo #5. The previous OPM master plan is now 25 years old. CLCL's objectives are to provide for an innovative revitalization of the site to enhance the visitor experience improving access to the waterfront as well as providing a diversity of offerings to visitors. OPM's heritage assets and historical character would be highlighted in the revitalization. The MSC, renowned for its innovative approach, second largest in Canada and the only one of its kind in Quebec, would continue its current educational and scientific mission.

The company has reached out to the general public in a transparent and participative approach as an integral part of this process, completing the first phase of public consultations in January 2016. One of the objectives of the consultation is to unveil a long term vision and plan for OPM in 2017 to coincide with Canada 150/Montréal 375th celebrations.

The second phase of the process, which started in February 2016, consisted of developing preliminary concepts for a master plan identifying preferred uses, density and planning parameters. The options identified sub-sectors of the territory that are most suitable for redevelopment /development and assess the potential for each in terms of public and /or private use (mix of commercial/ residential/ recreational/ institutional uses). Due to the labour interruption at the Old Port, the second round of public consultations, originally scheduled for November 2016, were held in June 2017. Also, the company held five workshops in late November 2016 with invited stakeholders pertaining to commercial and tourism development, event programming, accessibility, heritage issues and urban design.

The information and inputs gathered from the consultation process include the following themes:

- Prioritize public access to the waterfront
- Respect the site's heritage value
- Provide for more active uses for visitors such as commercial and cultural
- Create links between the piers and the site
- Include a more inviting gateway
- Update infrastructure

It is expected that the information garnered through these will further inform the final master plan in time for a full public presentation in late 2017.



2.8.3. Operations

As a premier event venue, OPM 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 2017-2018 including several food festivals, the immensely popular music festival Igloofest, as well as trade shows and cultural events. In addition, the world-renowned Cirque du Soleil will showcase its latest production in 2017.

OPMC will collaborate on various important projects to celebrate the 150th anniversary of Confederation and the 375th anniversary of the founding of Montréal in 2017 including many different events and programs.

The *Human* exhibit was designed and built by the MSC team in 2016. This permanent exhibit allows visitors to discover and experiment interactively with the transformations that have resulted in the human species, as well as those that occur during the life cycle of a human. A second phase is currently under development and will be unveiled to the public in 2017. The MSC will welcome a new exhibit in 2017-2018 dedicated to First Nations engineering innovations.

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

- Address the operational impacts of the labour conflict.
- Complete the public consultation and master planning process for OPM and Silo #5 and present a plan to the City of Montréal for approval.
- Establish the funding model for the implementation of the approved plan.
- Collaborate on various important activities to celebrate Canada's 150th and Montréal's 375th anniversaries in 2017.



2.8.4. Leasing Strategy for OPMC

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 \$400,000 per year, not to exceed five-year terms and always ensuring market rents are applied. These are similar to last year's amounts.

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 75 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 5,940 square feet (550 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 2017-2018 are projected to be \$3.3 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.



3. Financial Schedules Including Operating and Capital Budgets

3.1. Canada Lands Company Limited (CLCL)

3.3.1. CLCL Consolidated Statement of Comprehensive Income

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

\$millions	2016 Actual	2017 Budget	2017 YEO	2018 Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget	5 Year TOTAL
REVENUES									
Real Estate Sales	170.4	128.2	143.0	68.8	276.4	157.5	179.9	321.9	1,004.5
Attraction , food, beverage and other Hospitality	92.2	87.5	92.0	100.4	101.5	104.6	106.1	109.5	522.1
Rental Operations	42.3	58.8	44.3	51.6	43.7	44.2	40.9	30.4	210.8
Interest and other	10.5	6.9	9.6	7.6	6.2	6.9	8.7	8.1	37.5
Government funding/Financial support from CLC	7.0	14.9	16.7	28.6	16.6	16.2	15.7	14.8	91.9
	322.4	296.3	305.6	257.0	444.4	329.4	351.3	484.7	1,866.8
EXPENSES									
Real estate cost of sales	124.7	92.1	98.8	61.2	232.9	105.3	126.5	180.9	706.8
Attraction, food, beverage and other	69.7	67.8	68.8	73.3	75.2	77.0	78.5	80.2	384.2
Rental operating costs	35.9	47.0	39.8	43.3	39.2	37.8	35.9	30.3	186.5
General and administration	27.5	26.4	27.9	28.2	28.5	29.2	29.7	30.3	145.9
Write downs, reversals and pre-acq costs	2.6	-	-	-	-	-	-	-	-
Interest and other financing costs	5.3	5.6	5.9	5.8	5.9	0.7	0.7	0.7	13.8
Impairment of capital expenditures	3.4	2.9	4.0	14.7	1.3	1.9	0.1	0.1	18.1
OPMC Unfunded operating deficit	7.0	14.9	16.7	28.6	16.6	16.2	15.7	14.8	91.9
	276.1	256.7	261.9	255.1	399.6	268.1	287.1	337.3	1,547.2
Income before taxes	46.3	39.6	43.7	1.9	44.8	61.3	64.2	147.4	319.6
Income taxes	12.3	13.6	15.1	7.6	15.4	19.4	20.0	40.6	102.9
NET INCOME	34.0	26.0	28.6	(5.7)	29.4	41.9	44.2	106.8	216.7



3.3.2. CLCL Consolidated Statement of Financial Position

Canada Lands Company Limited
Consolidated Statement of Financial Position
As at March 31

\$millions	2016 Actual	2017 Budget	2017 YEO	2018 Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget
ASSETS								
Non-Current								
Investment properties	29.3	13.8	31.6	33.7	34.9	36.5	37.3	38.5
Inventories	155.1	146.3	155.1	155.1	155.1	155.1	155.1	155.1
Property, plant & equipment	133.9	145.7	128.0	128.6	129.3	120.5	115.8	106.7
Trade receivables and other	24.1	4.4	29.4	11.7	14.2	44.2	91.1	87.3
Long term receivables	50.9	51.2	52.4	54.0	52.9	54.5	56.1	54.2
Deferred taxes	89.9	96.1	94.5	98.6	103.3	101.0	105.7	100.3
	483.2	457.5	491.0	481.7	489.7	511.8	561.1	542.1
Current								
Inventories	169.7	408.3	255.1	422.2	276.5	301.9	335.9	371.0
Cash	184.8	106.4	136.1	101.8	152.9	89.0	67.0	121.6
Restricted cash for Federal Infrastructure	0.0	0.0	3.5	0.0	0.0	0.0	0.0	0.0
Trade receivables and other	17.3	19.2	21.1	41.1	14.9	14.9	14.9	14.9
Current portion of long-term receivables	56.3	15.6	13.0	13.0	13.0	13.0	13.0	13.0
Current income tax recoverable	1.3	0.0	1.3	1.3	1.3	1.3	1.3	1.3
	429.4	549.5	430.1	579.4	458.6	420.1	432.1	521.8
	912.6	1,007.0	921.1	1,061.1	948.3	931.9	993.2	1,063.9
LIABILITIES								
Non-Current								
Notes payable	238.6	249.3	272.5	273.9	254.9	245.3	232.4	224.9
Provisions	8.3	1.4	0.8	0.8	0.8	0.8	0.8	0.8
Deferred taxes	15.4	17.4	15.4	15.4	15.4	15.4	15.4	15.4
Deposits and Other	2.1	4.0	2.2	2.2	2.2	2.2	2.2	2.2
	264.4	272.1	290.9	292.3	273.3	263.7	250.8	243.3
Current								
Credit facilities	47.9	57.3	37.1	70.2	77.1	43.4	76.5	46.7
Notes payable	48.6	145.6	22.3	142.0	25.5	16.4	19.4	26.9
Prepaid rent and deposits	5.3	5.1	5.2	5.5	5.5	5.5	5.5	5.5
Deferred Federal Infrastructure funding from CLCL	0.0	0.0	3.5	0.0	0.0	0.0	0.0	0.0
Deferred Revenue	4.5	4.9	4.0	4.0	4.5	4.7	4.8	4.9
Accounts payable	45.3	32.8	38.6	38.4	30.7	30.9	31.1	31.1
Provision for PILT being contested	8.0	11.7	11.6	15.2	18.8	22.4	26.0	29.6
Provisions	14.8	4.0	11.7	3.0	3.0	3.0	3.0	3.0
Taxes payable	0.0	3.8	0.3	0.3	0.3	0.3	0.3	0.3
	174.4	265.2	134.3	278.6	165.4	126.6	166.6	148.0
EQUITY								
Contributed surplus	181.1	181.1	181.1	181.1	181.1	181.1	181.1	181.1
Accumulated earnings	439.9	445.8	468.5	462.8	492.2	534.2	578.4	685.2
Accumulated dividends	(147.2)	(157.2)	(153.7)	(153.7)	(163.7)	(173.7)	(183.7)	(193.7)
Net Equity	473.8	469.7	495.9	490.2	509.6	541.6	575.8	672.6
	912.6	1,007.0	921.1	1,061.1	948.3	931.9	993.2	1,063.9



3.3.1. CLCL Consolidated Statement of Cash Flows

Canada Lands Company Limited
Statement of Cash flow
For the year ended March 31

\$millions	2016 Actual	2017 Budget	2017 YEO	2018 Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget
Operating activities								
Net Income	34.0	26.0	28.6	(5.7)	29.4	41.9	44.2	106.8
Income taxes	3.9	(0.3)	(0.4)	(0.4)	(0.5)	6.3	(0.7)	9.1
Interest paid	(0.5)	(1.4)	0.3	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Depreciation	14.7	13.1	14.5	15.8	16.4	17.3	17.2	17.5
Cost of Property Sales	124.7	92.1	98.8	61.2	232.9	105.3	126.5	180.9
Expenditures on properties	(80.1)	(158.3)	(146.4)	(87.0)	(86.7)	(127.9)	(158.8)	(186.5)
Acquisitions	(27.8)	0.0	(55.9)	(149.2)	0.0	(2.0)	(0.9)	(29.0)
Write downs and impairments	5.6	2.9	4.0	14.7	1.3	1.9	0.1	0.1
Recovery of expenditures on properties	0.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0
Recovery of expenditures on properties from joint ventures	0.0	0.2	0.0	0.0	0.8	0.0	11.2	56.5
Deferred government funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term receivables	(45.5)	42.1	40.1	(7.4)	(7.1)	(35.1)	(63.2)	(54.2)
Notes payable - notional interest	6.6	0.0	6.8	6.8	6.5	6.8	6.4	5.4
Affordable Housing adjustment	6.6	0.0	(6.6)	0.0	0.0	0.0	0.0	0.0
Change in current assets / liabilities	(4.8)	3.5	3.5	0.0	3.5	3.5	3.5	3.5
Cash Provided by (Used in) Operating Activities	37.5	19.9	(12.7)	(151.9)	215.8	17.3	(15.2)	109.4
Financing activities								
Change in Credit Facilities	(23.7)	(14.3)	(10.8)	33.1	6.9	(33.7)	33.0	(29.7)
Promissory Notes acquired	22.9	0.0	23.3	136.5	0.0	0.0	0.0	14.0
Promissory Note Repayments	(15.6)	(29.5)	(23.6)	(22.3)	(142.0)	(25.5)	(16.4)	(19.4)
Dividends	(10.0)	(10.0)	(6.5)	0.0	(10.0)	(10.0)	(10.0)	(10.0)
Cash Provided by (Used in) Financing Activities	(26.4)	(53.8)	(17.6)	147.3	(145.1)	(69.2)	6.6	(45.1)
Investing Activities								
Federal Infrastructure Expenditures	0.0	0.0	0.0	(13.5)	0.0	0.0	0.0	0.0
Expenditures on investment properties	(0.8)	0.0	(2.3)	(2.1)	(1.2)	(1.6)	(0.8)	(1.2)
Expenditures on property, plant and equipment	(9.7)	(10.1)	(12.6)	(17.6)	(18.4)	(10.4)	(12.6)	(8.5)
Cash Provided by (Used in) Investing Activities	(10.5)	(10.1)	(14.9)	(33.2)	(19.6)	(12.0)	(13.4)	(9.7)
NET INCREASE (DECREASE) IN CASH	0.6	(44.0)	(45.2)	(37.8)	51.1	(63.9)	(22.0)	54.6
Cash, beginning of year	184.2	150.4	184.8	139.6	101.8	152.9	89.0	67.0
CASH, END OF YEAR	184.8	106.4	139.6	101.8	152.9	89.0	67.0	121.6

Loan balance, beginning of year	71.6	71.6	47.9	37.1	70.2	77.1	43.4	76.4
Change in loan balance	(23.7)	(14.3)	(10.8)	33.1	6.9	(33.7)	33.0	(29.7)
Loan balance, end of year	47.9	57.3	37.1	70.2	77.1	43.4	76.4	46.7
Letters of credit required	40.0	93.2	74.0	75.4	73.2	79.0	79.0	94.5
Total borrowings against credit facility	87.9	150.5	111.1	145.6	150.3	122.4	155.4	141.2
Total available	140.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Available credit	52.1	49.5	88.9	54.4	49.7	77.6	44.6	58.8



3.2. Canada Lands Company CLC Limited

3.2.1. CLC Statement of Comprehensive Income

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

\$millions	2016 Actual	2017 Budget	2017 YEO	2018 Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget	5 Year TOTAL
REVENUES									
Real Estate Sales	93.8	128.2	143.0	68.8	276.4	100.5	178.6	236.4	860.7
Attraction , food, beverage and other Hospitality	81.0	77.9	85.4	90.5	91.9	95.0	96.4	99.6	473.4
Rental Operations	22.2	40.0	24.3	31.8	23.9	23.3	21.9	14.0	114.9
Interest and other	5.8	4.3	4.5	4.7	3.8	4.6	6.4	5.8	25.3
	202.8	250.4	257.2	195.8	396.0	223.4	303.3	355.8	1,474.3
EXPENSES									
Real estate cost of sales	64.0	92.1	97.9	61.2	232.9	75.5	125.8	136.2	631.6
Attraction, food, beverage and other	48.5	46.6	48.2	49.6	50.9	52.6	53.8	55.4	262.3
Rental operating costs	18.0	29.2	21.0	24.4	20.1	18.9	16.7	13.5	93.6
General and administration	22.5	22.1	22.9	23.5	23.4	24.0	24.4	24.9	120.2
Write downs, reversals and pre-acq costs	2.2	-	-	-	-	-	-	-	-
Interest and other financing costs	4.8	4.9	5.2	5.1	5.2	-	-	-	10.3
OPMC Unfunded operating deficit	7.0	14.9	16.7	28.6	16.6	16.2	15.7	14.8	91.9
	167.0	209.8	211.9	192.4	349.1	187.2	236.4	244.8	1,209.9
Income before taxes	35.8	40.6	45.3	3.4	46.9	36.2	66.9	111.0	264.4
Income taxes	10.6	13.9	15.5	8.0	15.9	13.1	20.7	31.5	89.2
NET INCOME	25.2	26.7	29.8	(4.6)	31.0	23.1	46.2	79.5	175.2



3.3. Parc Downsview Park Inc.

3.3.1. PDP Statement of Comprehensive Income

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

	2016 Actual	2017 Budget	2017 YEO	2018 Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget	5 Year TOTAL
REVENUES									
Real Estate Sales	76.6	0.0	0.0	0.0	0.0	57.0	1.3	85.5	143.8
Attraction , food, beverage and other Hospitality	2.0	1.2	1.1	1.0	1.0	1.0	1.0	1.0	5.0
Rental Operations	11.6	11.0	12.5	12.3	11.6	11.6	10.3	6.7	52.5
Interest and other	1.4	0.7	1.0	0.0	0.0	0.0	0.0	0.0	0.0
	91.6	12.9	14.6	13.3	12.6	69.6	12.6	93.2	201.3
EXPENSES									
Real estate cost of sales	60.7	0.0	0.9	0.0	0.0	29.8	0.7	44.7	75.2
Attraction,food, beverage and other	3.6	3.2	3.3	3.5	3.5	3.6	3.6	3.6	17.8
Rental operating costs	9.8	9.5	10.8	10.1	9.9	9.8	9.7	7.2	46.7
General and administrartion	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.6	2.9
Write dow ns, reversals and pre-acq costs	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest and other financing costs	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.7	3.5
	75.6	13.9	16.2	14.8	14.7	44.5	15.3	56.8	146.1
Income before taxes	16.0	(1.0)	(1.6)	(1.5)	(2.1)	25.1	(2.7)	36.4	55.2
Income taxes (Recoveries)	4.2	(0.3)	(0.4)	(0.4)	(0.5)	6.3	(0.7)	9.1	13.8
Net income	11.8	(0.7)	(1.2)	(1.1)	(1.6)	18.8	(2.0)	27.3	41.4



3.4. Old Port of Montréal Corporation Inc.

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	2016 Actual	2017 Budget	2017 YEO	2018 Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget	5 Year TOTAL
REVENUES									
Attraction , food, beverage and other Hospitality	9.2	8.4	5.5	8.9	8.6	8.6	8.7	8.9	43.7
Rental Operations	8.4	7.8	7.5	7.5	8.2	9.3	8.7	9.7	43.4
Interest and other(includes donations)	3.5	1.9	4.1	2.9	2.4	2.3	2.3	2.3	12.2
Financial support from CLC	7.0	14.9	16.7	28.6	16.6	16.2	15.7	14.8	91.9
	28.1	33.0	33.8	47.9	35.8	36.4	35.4	35.7	191.2
EXPENSES									
Attraction, food, beverage and other	17.6	18.0	17.3	20.2	20.8	20.8	21.1	21.2	104.1
Rental operating costs	8.1	8.3	8.0	8.8	9.2	9.1	9.5	9.6	46.2
General and administration	4.4	3.8	4.5	4.2	4.5	4.6	4.7	4.8	22.8
Impairment of capital expenditures	3.4	2.9	4.0	14.7	1.3	1.9	0.1	0.1	18.1
	33.5	33.0	33.8	47.9	35.8	36.4	35.4	35.7	191.2
Income before taxes	(5.4)	-	-	-	-	-	-	-	-
Income taxes (Recoveries)	(2.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	(2.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

www.clc.ca

Canada Lands Company

1 University Ave, Suite 1200, Toronto ON M5J 2P1 Canada

info@clc.ca

Unless otherwise noted, all imagery is the property of Canada Lands Company.