



CANADA LANDS COMPANY LIMITED
SOCIÉTÉ IMMOBILIÈRE DU CANADA LIMITÉE

Canada Lands Company Limited
Corporate Plan Summary 2002-2003 to 2006-2007

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Executive Summary

Introduction

Approval of the 2002-2003 to 2006-2007 corporate plan for Canada Lands Company Limited (CLCL) was delayed because of conditions imposed upon the company with respect to its Parc Downsview Park Inc. (PDP) subsidiary requiring discussions with the government. These discussions have now been concluded and the company forwarded an addendum to its corporate plan to the government in February 2003, which led to its corporate plan being approved on April 3, 2003.

This document includes financial information contained within the addendum to CLCL's 2002-2003 to 2006-2007 corporate plan.

Canada Lands Company Limited

Through its subsidiaries, CLCL continues to work with the Government of Canada (the government) to produce substantial financial value and community benefits by making unproductive strategic government assets productive again. In doing this, the company acts in line with government policy objectives and has the effect of promoting overall good stewardship of government resources.

Since its reactivation in 1995, CLCL has met or exceeded most of the expectations initially placed on it, including selling the majority of the portfolio transferred to its Canada Lands Company CLC Limited (CLC) subsidiary. By the end of the fiscal year 2001-2002, CLCL will have distributed, as note repayments and dividends, a total of \$232.7 million to the government and affiliated Crown corporations. The benefits, which the corporation provides to local communities and Canadian taxpayers, extend far beyond this, and include the potential of:

- \$4.7 billion in stimulated private sector investment;
- 26,000 created jobs;
- 16,000 new and/or refurbished residential units; and
- \$32.8 million invested to remediate properties and green urban spaces.

As detailed in the following sections of this corporate plan, the major critical requirement for CLC's future success is a continuous flow of new properties, through an accelerated Crown property transfer process. The major outstanding issues to be resolved for the future success of PDP are ensuring financial viability of the company and securing title to the Downsview Park lands. CLCL is working to find solutions to all of these issues, and the company looks forward to working with government officials to implement them.



CLCL's actual consolidated financial results compared with the budget for the year ending March 31, 2002 are presented below.

	\$ Millions	
<u>2001-2002 Plan</u>	<u>Actual</u>	<u>Budget</u>
Property sales	83.3	64.8
Income before taxes	15.0	6.9
Expenditures on properties	58.0	122.9
Cash flow before distributions	0.5	(78.6)
General & administrative expense	15.6	18.1

Canada Lands Company CLC Limited

The key strategic issue facing CLC in the plan period continues to be its need for the government to increase the rate and number of properties transferred to it. In considering this, CLC has further realized that the historically slow rate of property transfers to it has prevented the government from divesting itself of many of its burdensome unproductive properties. This, in turn, has not allowed the government to reallocate its assets as necessary to attain maximum efficiency of its overall operations. It is hoped that the government will renew its effort to expedite the number and speed of property transfers to CLC, and thereby benefit both parties.

By the end of fiscal year 2001-2002, five properties were approved for transfer, pointing to a transfer process that continues to be time-consuming and cumbersome for both the company and government custodians.

CLC is embarking upon three major strategic directions to guide its future operations. They include:

- increasing Crown property transfers;
- positioning company communications; and
- refinement of business lines.

The company will continue to carry out its mandate as approved by the government on reactivation in 1995, "to ensure the commercially oriented, orderly disposition of surplus real properties with best value to the Canadian taxpayer and holding of certain properties". It is also equipped to assist the government with a broader role than property disposals as the need may arise. CLC's areas of competence can provide assistance to help the government meet its changing needs in areas such as environmental remediation and build to suit projects for government office accommodation on CLC land – subject to prior appropriate approval.

CLC's actual financial results compared to the budget for the fiscal year ending March 31, 2002 are presented below.



<u>2001-2002 Plan</u>	\$ Millions	
	<u>Actual</u>	<u>Budget</u>
Property sales	83.3	64.8
Income before taxes	15.2	7.6
Expenditures on properties	55.2	110.2
Cash flow before distributions	4.6	(67.8)
General & administrative expense	13.2	14.7

Parc Downsview Park Inc.

PDP is a corporation with a mandate to develop Toronto's Downsview Park (the park) as a unique urban recreational greenspace that will be held in perpetuity for the enjoyment of future generations. Similar to other organizations in their early stages of development, PDP faces many challenges in fulfilling its mandate.

The key strategic issues faced by PDP include:

- achieving financial viability of the corporation;
- obtaining title to the Downsview Lands; and
- carrying out the design and build of the park.

While the land title and financial issues are the key issues which challenge the company's ability to move forward with the government's mandate, there are further issues which the company is currently addressing and which require early resolution as expanded upon throughout the body of this plan.

PDP's actual financial results compared to the budget for the fiscal year ending March 31, 2002 are presented below.

<u>2001-2002 Plan</u>	\$ Millions	
	<u>Actual</u>	<u>Budget</u>
Revenue	10.7	10.2
Income before taxes	(0.2)	(0.7)
Expenditures on property	2.8	12.7
Cash flow before distributions	(4.1)	(10.8)

Fiscal year ended March 31, 2003	\$ Millions	
	<u>Outlook</u>	<u>Budget</u>
Revenue	13.7	9.7
Expenses	14.2	10.2
Net loss before taxes	0.5	0.5
Expenditures on property	2.2	12.8
Net cash outflow	2.2	10.7



1. Canada Lands Company Limited

1.1 Introduction

This corporate plan is structured to reflect the fact that Canada Lands Company Limited (CLCL) is a holding company for its two active wholly-owned subsidiaries, Canada Lands Company CLC Limited (CLC) and Parc Downsview Park Inc. (PDP). The company's third active subsidiary, Old Port of Montréal Corporation Inc. (Old Port), reports to the Parliament of Canada through the Minister responsible for Crown corporations (the Minister) as if it were a parent Crown corporation.

CLCL has virtually no assets or corporate resources other than the shares of its subsidiary companies. Furthermore, its subsidiaries operate with different mandates in very diverse business environments. Consequently, this corporate plan will discuss the company's performance and its future strategic directions through the two sections dealing with its subsidiaries.

1.2 Mandate

The objects of CLCL, as contained in its articles of incorporation in 1956, are very broad and permit the corporation 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.

The mandate of the corporation, as approved by the Government of Canada (the government) on reactivation in 1995, was “to ensure the commercially oriented, orderly disposition of surplus real properties with optimal value to the Canadian taxpayer and the holding of certain properties”. At that time, it was also indicated that the government could require that, in addition to financial considerations, other strategic considerations would be taken into account, including the views of affected communities and other levels of government. This mandate was reviewed by the government in June 2001 and was subsequently renewed.

CLCL is a holding company with no assets; therefore, it achieves its mandate through the operation of its two active wholly-owned subsidiaries, CLC and PDP. The mandates of CLC and PDP are addressed in their respective sections of this corporate plan. As Crown corporations, CLCL and its subsidiaries are guided by applicable government policies in the areas of employment equity, official languages, First Nations lands claim issues, heritage and the environment.



1.3 Corporate Profile and Structure

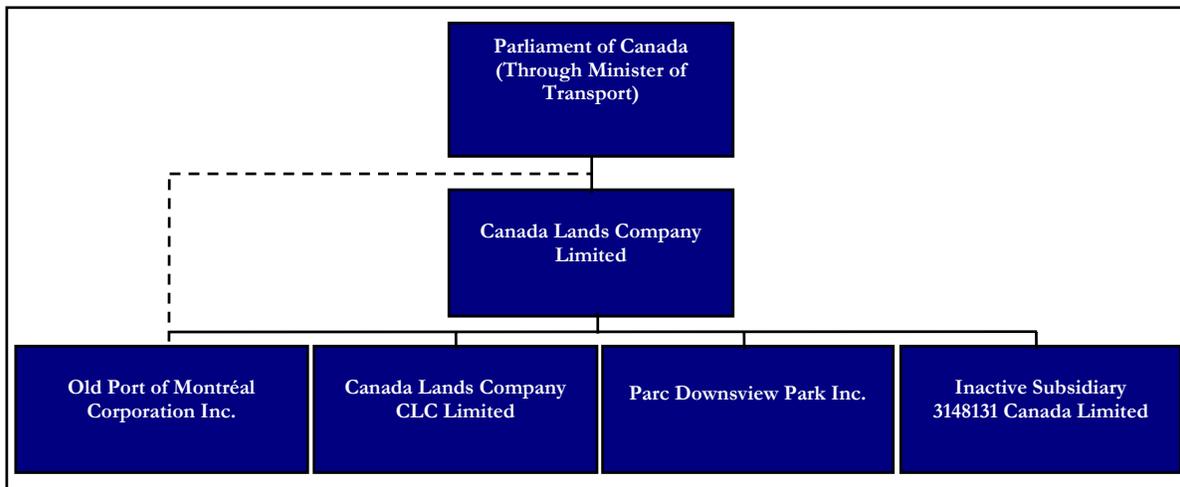
As a self-financing, commercial, non-agent federal Crown corporation, CLCL reports to Parliament through the Minister. The company, through its subsidiaries, maintains ownership or management of certain strategic properties such as the CN Tower and Downsview Park in Toronto, and its Board of Directors oversees the realization of both commercial and community enhancement objectives.

The four wholly owned subsidiaries of CLCL are:

- CLC, the core real estate business;
- PDP, incorporated in 1998, to manage and develop the 640 acre former Canadian Forces Base (CFB) Toronto lands in Downsview, Ontario, as a unique urban recreational greenspace for the use of future generations;
- Old Port, responsible for redeveloping the Old Port of Montréal and which reports to the Parliament of Canada as a parent Crown corporation; and
- 3148131 Canada Limited, which is an inactive subsidiary and currently under consideration for dissolution.

The reporting structure of CLCL and its subsidiaries is illustrated in Exhibit 1.

Exhibit 1: Canada Lands and Its Subsidiaries



1.4 CLCL Objectives, Strategies and Performance Measures for the Plan Period

CLCL's objectives, strategies and performance measures are outlined in Appendix A of this document.



1.5 CLCL Corporate Achievements 2001-2002

CLCL's corporate achievements are illustrated in Appendix B of this document.

1.6 Financial Discussion

CLCL's financial highlights for the year ending March 31, 2002 and the five years 2002-2003 to 2006-2007 are presented in Exhibit 2 below.

**Exhibit 2: CLCL Financial Highlights for the Year Ending March 31, 2002
and the Five Years 2002-2003 to 2006-2007**

	\$ Millions								
	CLC			PDP			CONSOLIDATED		
	2001-2002	2002-2003	2002-2007	2001-2002	2002-2003	2002-2007	2001-2002	2002-2003	2002-2007
Property sales	83.3	115.3	645.4	0.0	0.0	0.0	83.3	115.3	645.4
Other revenue	18.0	12.7	86.2	10.7	13.7	48.7	28.7	26.4	134.9
Income before taxes	15.2	8.0	90.0	(0.2)	(0.5)	(8.9)	15.0	7.5	81.1
Expenditures on properties	55.2	68.7	511.0	2.8	2.2	42.2	58.0	70.9	553.2
Income taxes	4.0	3.0	33.3	0.1	0.0	0.0	4.1	3.0	33.3
Cash inflow (outflow)	4.6	4.5	163.7	(4.2)	(2.2)	(9.2)	0.4	2.3	154.5
Distribution to Shareholder									
CMHC notes repayment	20.0	8.2	17.5				20.0	8.2	17.5
Government notes repayment	18.9	17.4	91.8				18.9	17.4	91.8
Dividends	15.5	4.6	23.6				15.5	4.6	23.6
Total	54.4	30.2	132.9	0.0	0.0	0.0	54.4	30.2	132.9
As at 31 March									
Assets	340.5	346.0	482.1	24.4	23.7	52.4	364.9	369.7	534.5
Bank borrowings	0.0	0.0	88.8	0.0	0.0	36.6	0.0	0.0	125.4
Government / CMHC notes	47.0	64.0	90.4				47.0	64.0	90.4
Government notes (PDP)				19.0	19.0	19.0	19.0	19.0	19.0
Equity	212.0	213.1	245.8	1.0	0.5	(7.9)	213.0	213.6	237.9
Number of employees	96			17			113	0	0



1.6.1 Dividend Program

The corporation's land portfolio now consists of large strategic tracts of land no longer required by the government, as most of the CN portfolio has been sold. The past practice of distributing the year-end cash balance is no longer practical due to the change in the property portfolio and, if carried on, would be detrimental to the viability of the corporation. Due to the size of the properties involved, local communities and municipal governments are involved in redevelopment consultations.

As a result of this, additional time and expense are required to secure optimal zoning for the sites. The size of many of the projects requires that they be carried out in stages so as not to saturate the local real estate markets. For these reasons, the time-span to develop, market and dispose of properties has increased, from one to five years with the CN portfolio, to five to twenty years with the present portfolio. In larger projects, there is significant capital required up front to carry out development. This is not usually recovered until several years later.

The company realized in 2000, that due to these factors, carrying on the past practice of distributions to the government would result in a negative cash balance and would impact its commercial viability.

CLC's discussions with central agencies of the government, and Public Works and Government Services Canada (PWGSC) on an alternative method of determining distribution payments were framed by the broad direction on dividends provided by the government in 1995, and concentrated on arriving at an acceptable definition of working capital requirements.

Consistent with the government's direction, it was agreed that working capital requirements would generally be determined by the cash demands on CLC to carry out its business activities and would be based on its projected cash flow from operations for the next three years, less note repayments during the same period.

The recommended dividend program allows CLC to carry on business as a commercially viable entity and more fully integrates the 1995 dividend policy. This dividend program permits CLC and the government to get the most efficient use of any cash generated from operations.

The following principles are built into the dividend program.

- Dividends are made when the year ending cash balance is greater than the working capital requirement. The working capital requirement is the cash flow from normal business for the ensuing three years less any note repayments.
- The actual dividend payment in a given year can be different from the budgeted dividend estimated in the previous year.



- The amount of the dividend payment will never be of such amount that CLC will have to borrow funds to pay it; but the corporation will, in the normal course of its business operations, fund major capital projects to be retained by the corporation, through appropriate external financing, following acceptable industry practice.

The dividend to be paid in fiscal year 2001-2002 (for fiscal year 1999-2000) is \$15.5 million. In year one of the plan (fiscal year 2002-2003), the dividend is expected to be \$4 million, and over the plan period dividends are expected to total \$19 million.



2. Canada Lands Company CLC Limited

2.1 Mandate

As the core real estate subsidiary of CLCL, CLC has the same mandate as its parent company to ensure “the commercially oriented, orderly disposition of selected surplus federal real properties with optimal value to the Canadian taxpayer and the holding of certain properties.” This was laid out by the government in 1995 and was reconfirmed by it in CLC’s 2001 mandate review. The realization of optimal value recognizes financial value, economic stimulation and a contribution to the quality of life in communities where the company does business.

In carrying out its mandate, CLC ensures that it is sensitive to local real estate market conditions and that it follows transparent processes. The company deals primarily with those strategic properties possessing significant development potential or those requiring innovative planning, rezoning, servicing or environmental remediation, or those having community sensitivities or sensitivities at other levels of government.

In selling its properties, CLC ensures broad market exposure and competitive bidding whenever possible. It also ensures environmental sustainability in its developments, and respect for heritage considerations and First Nations land claim issues.

2.1.1 Vision Statement

The following vision statement has been adopted by CLC.

Canada Lands builds innovative property solutions to create financial value and community legacies for Canadians.

The following tag line was chosen to reflect the company’s vision and is being used as part of the company’s visual identity program.

Innovation • Value • Legacy

2.2 Corporate Profile

In carrying out its mandate in a self-financing manner, CLC purchases properties at fair market value from the government, then implements innovative property solutions while contributing to an enhancement of the quality of life in the communities in which it conducts business. It collaborates regularly with federal, provincial and municipal stakeholders, pays all taxes at all levels of government, and abides by all municipal development processes.



The company currently has 93 employees. Its head office is in Toronto, and regional offices are maintained in Vancouver, Ottawa and Montréal, along with ten project offices in cities where major projects are located. The company's current land portfolio totals approximately 2,300 acres, located in 28 municipalities across Canada.

2.2.1 Interaction with Stakeholders

As CLCL was specifically created to act in a commercial manner that was not possible within the mandate of agencies within the government, its CLC subsidiary carries on business similar, in many ways, to a private sector real estate company. It is interesting to note that it is more often than not viewed as a partner to the private sector. This is largely due to the fact that:

- the company frees up land otherwise unavailable to the private sector;
- works with the private sector to bring properties back into productive use;
- stimulates increased economic activity; and
- increases municipal tax bases.

When determining the optimal use for a property, CLC engages in extensive community consultations and operates in a fully transparent manner with all stakeholders. It applies its real estate expertise and creative property solutions to ensure that it meets high standards of environmental stewardship, and respects heritage considerations and First Nations land claim issues. These operating values are well recognized and appreciated by stakeholders and private sector partners. In the past year, for example, CLC was asked to make a presentation to the Prime Minister's Caucus Task Force on Urban Issues.

Other stakeholders, including both elected and departmental officials of the government, are consulted widely to ensure that the company's actions are consistent with its shareholder's priorities.

A memorandum of understanding (MOU) between the Real Property Services (RPS) branch of PWGSC and CLC was signed in February 2002, to focus on better meeting custodian department needs.

2.2.2 Corporate Social Responsibility

The corporation has moved into the next phase of implementation in its commitment to corporate social responsibility (CSR) and has begun work to integrate it into all operations across the country. This work has been facilitated through the development of a balanced scorecard, which documents corporate objectives, initiatives, key performance indicators and achievements in five key result areas. These are: Business/Financial, Community/Legacy, Shareholder/Board of Directors, Human Resources and Municipal/Provincial Interest.



In the fiscal year 2001-2002, two major initiatives were undertaken to further internalize CSR – a presentation and discussion by the President and CEO with employees at each region of the company, and the creation of an Employee CSR Committee with representation from each region and company operational area. The Employee CSR Committee Chair is also a member of the Corporate CSR Committee, and has the responsibility of representing employee concerns and areas of interest.

For performance monitoring, management and reporting, CLC utilizes the aforementioned balanced scorecard. It measures both financial and non-financial objectives and enables CLC to:

- select relevant, meaningful indicators;
- diagnose and evaluate performance;
- move from measurement to management;
- pinpoint/focus performance improvement efforts;
- optimize value added from resource allocation; and
- align operational activities with strategic priorities.

To ensure the alignment of operational activities with strategic priorities, the measures or objectives for the fiscal year 2002-2003 capture all of the priorities arising from the company's 2001 annual strategic planning exercise.

2.3 Analysis of External Business Environment

2.3.1 National Economic Outlook

Canada, as the most trade-intensive of the G8 countries, is very much influenced by external economies, particularly that of the United States which served as the destination for 85% of Canadian exports in 2000. For the first time since early 1992, the level of activity of the Canadian economy was reduced in the third quarter of the past calendar year, largely due to a 7.7% drop in exports spurred by falling demand.

Prior to the September 11th terrorist attacks, the economy was already in a downturn. With the economy already fragile, this disruption to production and blow to consumer and investor confidence had immediate negative consequences. Mounting job losses, due to the immediate weakening of demand or from the disruption to the movement of goods, spilled over to affect the rest of the economy.

Inflation is presently low and stable. The federal budget and all provincial budgets, except those of Nova Scotia and Prince Edward Island, are balanced. For the first time in 17 years, Canada's net debt to Gross Domestic Product (GDP) ratio will fall below 50%. These factors will result in better positioning for Canada than in previous downturns, so that the country can withstand the economic challenges it faces. Canada's economy is predicted to grow by 1.3% in 2001 and 1.1% in 2002, with economic turnaround not expected until the



second half of 2002. Reflecting lower interest rates and taxes and the expected turn-around in the economy, economic growth is expected to rebound in Canada to 3.9% in 2003.

The Canadian real estate market is currently feeling the effects of the economic slowdown, global political unrest and the high tech meltdown. This has resulted in slightly higher commercial vacancy rates in most national markets. Office vacancy has increased to 10.7% from 8.3% at the beginning of the year, while rental rates have continued to increase. Due to the slowdown in the high tech and auto manufacturing sectors, the industrial vacancy rate has risen from 3.5% to 4.6%, with rental rates increasing moderately. Canadian housing starts, fuelled by the low mortgage interest rates, rebounded in October after a dip in September.

2.3.2 Western Region Outlook

British Columbia is anticipated to continue to lag behind the national average in economic growth during 2002-2003. In addition to the high tech meltdown, it will struggle with the expiry of the Canada softwood lumber agreement. The arrival of a new provincial government has led to increased business optimism, but even this is muted due to the above-noted factors and the provincial government's weak financial condition.

Also of note is the First Nations referendum, which will be held this fiscal year and has begun to give rise to new economic uncertainty. Once the referendum has taken place, it is hoped that all parties will be able to begin focusing on resolving First Nations related issues; however, many people expect that only a few small breakthrough events will result.

Losses in the high tech sector have resulted in an availability of substantial sublease space and the lowest demand experienced since the inception of CLC's Glenlyon Business Park. The construction of a 90,000 square foot facility for Nokia in Glenlyon will be one of the few major new projects built in the lower mainland this year. The completion of the 200,000 square foot 401 Burrard office building will precede the completion of two other large downtown projects being built, in the midst of a much softer downtown market. In Kelowna, a strong residential market provides the basis for high expectations regarding the absorption of CLC's 25 acre Brandt's Creek redevelopment. A recently announced hotel development on the site indicates the project is off to a positive start.

The Alberta economy will continue to be one of country's leaders, although at a decreased pace and with a narrower spread over other provinces. This is mainly due to the downturn in energy prices. Alberta's increasingly diverse economy should offset some of the impact of lower energy prices, which in previous years would have had a very serious impact on the corporation's financial results.

CLC's Western Region forecasts \$79.4 million in sales for 2002-2003 and \$70.3 million in sales for 2003-2004.



CFB Calgary continues to flourish as its profile grows both locally and nationally, this is evidenced by the increasing numbers of industry awards it continues to receive, along with outstanding sales. The project's inner-city location provides some protection from downturns in the local economy, and its reputation for a high quality of lifestyle will continue to make it the preferred location for families and businesses in the Calgary area. In Edmonton, CLC hopes to begin working on its 600 acre CFB Griesbach site. A plan for the site is expected to be approved by the City early in 2002 and redevelopment will begin this summer. The project will include the provision of 550 rental homes to military families for an indefinite period.

2.3.3 Central Region Outlook

As with the other regions, the general economic slowdown precipitated by the implosion of the high tech industry has been felt.

The outlook for recovery in 2002 remains good. Many expect demand for new residential construction to remain strong with the commercial sector dropping only slightly. With interest rates at a 40 year low, demand for new housing should remain strong and provide many new real estate development opportunities, in particular for urban infill residential projects. CLC is well positioned to be part of such opportunities with sales at its Malvern project located in Toronto, for example. Over the planning period, infill residential projects are also anticipated for Ottawa. This is encouraging news for CLC's anticipated CFB Rockcliffe and Kapyong Barracks projects. These sites have both been identified for strategic redevelopment and disposal by CLC.

CLC is forecasting \$11.4 million in sales of properties for 2002-2003 for the Central Region and \$10.4 million in 2003-2004.

In terms of raw book value, the vast majority of Central Region's real estate assets are located in the Greater Toronto Area. Most of its Toronto assets are income-producing properties, mainly reliant on the tourism industry and are feeling the impact of the current economic downturn, which is expected to be short-lived.

2.3.4 Eastern Region Outlook

CLC's most significant transactions in the Eastern Region will occur in Montréal. The effects of amalgamating several of Québec's cities, such as the Island of Montréal and the South Shore, remain to be seen.

Simultaneous with this, the Government of Québec has launched a \$1.5 billion fiscal support program to attract industries to a downtown Montréal project, which has now been widened to include the entire downtown area. This represents a new approach that will allow more developers and industries to benefit from the project's economic impact.



CLC is forecasting \$24.6 million in property sales for the Eastern Region in 2002-2003 and \$19.3 million for 2003-2004. Capital expenditures are planned for the acquisition of certain properties, specifically the St-Lawrence Seaway portfolio of surplus properties, as well as the acquisition and renovation of an office building in downtown Montréal.

Nova Scotia's diversified economy, which includes offshore petroleum and gas operations, has allowed the region to sustain its momentum, despite the economic slowdown noted elsewhere in Canada. During 2002-2003, because of the offshore operations, a moderate increase is forecast for the economy and the real estate market. This should have positive repercussions for CLC's property disposal operations, especially in the residential segment of the market and the pre-development work on the 800 acre Shearwater project, part of CFB Shearwater.

In Moncton, the economy has been relatively stable for a number of years, although the residential market shows positive growth. This trend should remain constant during 2002-2003 and CLC hopes to market its Franklin Yards site as a 60 acre residential development. It expects to complete these transactions within a five year period from 2002 to 2007. At Emmerson Business and Technology Park, the developer is holding discussions with a number of potential partners, and construction work should commence in the early part of fiscal year 2002-2003.

Prince Edward Island continues to pursue economic diversification from its traditional industries, which include agriculture, fishing and tourism. It is now getting into services and knowledge industries such as aerospace, manufacturing and technology. The resultant economic growth is encouraging the portion of PEI's population that traditionally emigrated west to remain on the island. This growth is also attracting new residents. For CLC, this results in an increased opportunity to redevelop Upton Farm in Charlottetown into a mixed-use, residential and commercial project. The site will provide an adequate short-term (2002-2004) and long-term (2005-2010) solution to some of the needs of the municipality of Charlottetown.

2.4 Strategic Issues and Directions for the Plan Period

2.4.1 Increasing Crown Property Transfers

As a policy tool for assisting government in providing good stewardship of its real estate assets, CLC is aware that the relatively slow rate and low number of strategic property transfers may be preventing government from divesting itself of properties it no longer requires and can ill afford to carry. A renewed government effort to expedite property transfers to CLC would serve the best financial and community interests of the government. It would also enable CLC to better serve the government through economies of scale and sustained operations capable of providing service in all regions of the country where unproductive government properties exist.



Approval for eight property transfers to CLC was obtained during fiscal year 2000-2001 and the company received five property transfer approvals in 2001-2002. This number must increase over the plan period if the company is to effectively employ its resources and maintain its ability to service government property disposal needs in all regions.

Although the new disposal policy assists the transfer process by clarifying roles and responsibilities, it will likely not make transfers occur in a more timely fashion. The company will continue to work with the government to implement its disposal policy.

Unless the government takes a stronger leadership role in challenging departments to justify the retention for which there are no on-going operational requirements, and accelerates the disposal of strategic properties to CLC, the policy will not address its stated objectives.

The main challenge for CLC will be to work with custodians to identify potential surplus strategic properties, and also to assist them in preparing their divestiture strategy to meet operational needs, while respecting TBS policy objectives of good stewardship for real property assets. Bulk transfer and lease back opportunities are approaches that CLC will continue to pursue proactively with key custodial departments and agencies, provided they meet the custodians overall real estate strategies and capital plans.

Looking ahead, CLC is actively pursuing strategic property transfers and marketing of its services in accordance with its mandate. The company plans to further enhance the disposal process through internal training of its staff and increased liaison and dialogue with federal professionals, Members of Parliament, and ministers responsible for various strategic properties that could and should be transferred to the corporation to the benefit of the government.

CLC recognizes that the sooner more properties are transferred to it by the government, the greater the economies of scale and the greater the financial return for all parties involved. The company also acknowledges that a sizeable reduction in its employee base and offices due to slow property transfers and an insufficient inventory may not enable it to provide adequate service to the government in all regions of the country.

2.4.2 Positioning Company Communications

CLC had become well known in specific communities across Canada due to the success and high quality of some of its largest projects. The most outstanding example is the redevelopment of the former CFB Calgary property, which has garnered a considerable amount of media, public and political attention due to the numerous awards it has received and the favourable reception of the project by the citizens of Calgary.

A key priority for the company throughout the five year planning period will be to continue to cultivate a core group of stakeholders who champion the abilities of CLC and offer valuable third party testimonials of completed projects. The company will work towards maintaining the recognition of the company across Canada as an innovative property



developer and manager that creates value for the government and communities. The board of directors of the company actively assists management in these efforts.

The company is also working to increase communications internally among employees, so that expertise and tacit knowledge are disseminated throughout the organization to the benefit of all regional operations across the country.

2.4.3 Refinement of Business Lines

The company has successfully developed core competencies in a number of business lines through its activities related to the properties under its ownership. These include environmental remediation (former CN Shops in Moncton and Brandt's Creek), build to suit projects on CLC lands (Glenlyon Business Park and 401 Burrard), and property management (Toronto Convention Centre and 277 Front Street). Some of the company's core competencies are discussed below.

Potential New Business in Environmental Remediation

In striving to better serve the interests of the government, CLC has highlighted its demonstrable expertise to PWGSC, TBS, DND, Transport Canada and other federal departments involved in the real property function. As a result, the company has been specially mandated to provide services for the remediation of the Toronto waterfront as part of the overall federal contribution to the Toronto Waterfront Revitalization Initiative tripartite effort.

In addition, the government is currently documenting the extent of environmental liability on all federal Crown lands. This information is expected to be available in 2002, at which point the government will face key policy decisions regarding how to address its liabilities. CLC has offered its services, which are unique in combining real estate expertise with environmental remediation expertise to achieve optimal (best value for money) remedial solutions.

Potential New Business in Build to Suit

The government is facing a challenge in meeting its high level of demand for office accommodation, especially in the NCR. While cognizant of balancing its portfolio between leased and Crown owned accommodation on both sides of the Ottawa River, PWGSC has identified a clear need for a speedy and efficient way to address government office accommodation needs. CLC is able to draw upon its build to suit experience, as for example in constructing 401 Burrard for the government, and is thus able to respond to PWGSC's request to provide similar buildings on CLC owned land in the NCR. CLC's experience and demonstrated success in delivering high quality, environmentally friendly buildings on schedule and within budget may be useful in enabling it to offer these services in other regions of the country where there is also a need for government facilities.



Potential New Business in Affordable Housing

The government's homelessness initiative provides for the use of surplus federal Crown land to be considered for affordable housing projects which are community based and have a viable financial plan. CLC is exploring opportunities for acquiring surplus strategic properties where the potential for an affordable housing component could be built into the overall development plan, and where there is a strong community-based group that Human Resources and Development Canada's Homelessness Secretariat has identified as a potential partner. The company intends to continue working in partnership with the Homelessness Secretariat to identify and develop other opportunities.

As part of its routine procedure for each property, CLC already has in place a policy commitment to consider the suitability of each project for affordable housing opportunities. Some examples of results achieved from this initiative to date are evident in the affordable housing components of CLC projects such as the former CFB Calgary and the 650 Lawrence Avenue site. The Malvern site in Toronto is expected to follow suit. The company has already demonstrated its capabilities in a number of areas that bring value to the government and it welcomes the opportunity to offer these skills to the government as it tackles key issues relating to the real property function.

Potential New Lines of Business

One strategy to address CLC's relatively small property inventory and thus allow it to remain viable as a full service provider to the government would be to allow it to enter into carefully targeted new lines of business. The adoption of any such new business lines for servicing identified government needs would require modifications to CLC's current mandate as set by the government in 1995. If the government were to perceive a need for the company's expertise in an area not currently covered by its mandate, it may then wish to consider modifications to CLC's mandate at that time.

2.5 CLC Objectives, Strategies and Performance Measures for the Plan Period

CLC's objectives, strategies and performance measures for the planning period 2002-2003 to 2006-2007 are outlined in Appendix C of this document.

2.6 Assessment of Corporate Resources

2.6.1 Human Resources

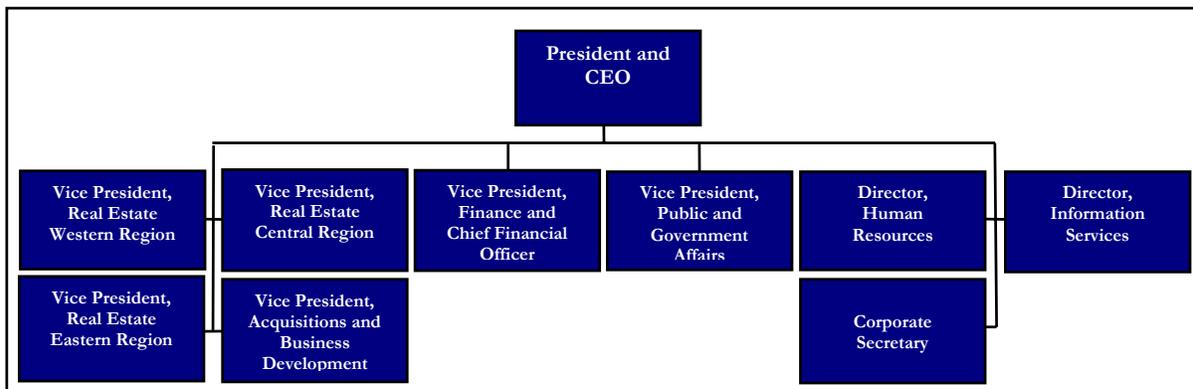
CLC has a permanent staff complement of 93 employees located in 14 offices across the country. Temporary employees and consultants are used to accommodate fluctuation in



workloads or to address specialized skill requirements. At present 17 permanent staff have been seconded to PDP from CLC under a management services agreement.

CLC's senior management team is currently structured as illustrated in Exhibit 3.

Exhibit 3: Senior Management Team Organizational Structure



Corporate human resource programs continue to encourage competency-based selection and compensation programs, accommodate changing roles, and demonstrate CLC human resource values relating to high ethical standards, mutual respect and trust, employment equity and official languages. Key objectives for the Human Resources department for fiscal year 2002-2003 are noted below.

Using the strategic framework's existing principles, and policies and employment practices developed over the previous fiscal year, the focus for 2002-2003 will be on refining incentive, benefits and pension programs to ensure current industry standards. Completion of this portion of the framework supports CLC's goal of being an employer of choice, and responds to the company's need to retain its talent pool.

Drawing on the leadership competencies identified in the previous fiscal year, CLC is building a leadership development program that addresses the specific needs of the company. This program is intended to provide both a common development baseline for employees in supervisory, management and leadership roles, and to provide individualized training opportunities to address specific strengths, interests and needs.

In addition to regional funding for individual training needs, corporate funding has been set aside for the development of strategic skills throughout the company. Critical skills that are core to CLC's business will be identified and appropriate development streams will be created.

Responding to employees' ongoing desire for more information, a more formalized internal communications program will be developed, to ensure that critical information is made available in appropriate formats and in a more structured manner. With a significant amount



of organizational change occurring, it is essential that all employees be fully informed on business, operating and administrative matters. This initiative responds to requests received through an employee survey.

2.6.2 Information Resources

During the next five years, CLC's Information Services department will continue to build on the foundation laid in the 2001-2002 fiscal year. It will continue to develop a more service-oriented and customer-focused culture and philosophy within the department. One of the key objectives for this department for the fiscal year 2002-2003 is to deliver the customer service standards defined from a company-wide needs assessment that was carried out over the past year. These standards include providing a broader range of services through the newly established employee help line, along with decision and business information designed to leverage and analyze company data.

The Information Services function is committed to ensuring that it is properly positioned to recommend and implement innovative and timely solutions. These solutions will better develop the department's partnership with company employees and stakeholders.

While the department will continue to direct its attention to system availability and reliability, it will also continue to maintain and secure the company's data and information integrity. It will concentrate on business needs of the company by evaluating application software, and measuring customer satisfaction and system performance. The department realizes that the improvement of the technological infrastructure of the company is an ongoing process, and integral to business success and cost effectiveness.

2.6.3 Financial Resources

With the implementation of the new CLC dividend policy, all excess cash other than working capital requirements will be distributed to the government. CLC will not finance unbudgeted transactions out of cash, but will finance them from external sources. CLC has a \$50 million line of credit with a major bank. This line is presently used for letters of credit totaling \$17 million.

2.7 CLC Corporate Achievements 2001-2002

An assessment of CLC's achievements to date on objectives from fiscal year 2001-2002, as expressed in the 2001-2002 to 2005-2006 Corporate Plan, is summarized in Appendix D of this document.



3. Parc Downsview Park Inc.

3.1 Mandate

The principal goal of PDP is to develop Downsview Park (the park) as a unique urban recreational greenspace, to be held in perpetuity for the enjoyment of future generations.

PDP is to be entirely self-financing, with the principal sources of income being revenues from the sale or lease of lands and buildings. The Downsview lands will be transferred to the company from DND.

PDP operates at arm's length from the government. The company follows principles and standards of good corporate governance, using its resources efficiently, effectively and with prudence, taking due regard of the fact that it is acting on behalf of the taxpayers of Canada. PDP also respects and is guided by the social policy objectives of the government, including those related to sustainable development.

3.1.1 Vision

The board of directors held a visioning exercise in 1999 and agreed on the following vision statement for PDP:

“Downsview Park is to be held as a unique urban recreational greenspace for the people of Canada and the Greater Toronto Area. It is intended to be a meeting place for all ages to play, learn and enjoy throughout the four seasons. The vision for Downsview Park shall encompass all of the former Canadian Forces Base Toronto lands, including those currently required by DND, as well as other adjacent lands, which may become available in the future. The park shall be held in perpetuity and the goal shall be to increase the size of the park over time. The park shall be a peaceful and safe place. The park shall be developed according to the principles of environmental, economic and social sustainability. The park will celebrate Canada's mosaic brilliance and its past, present and future accomplishments.”

The government currently has rights of first refusal to purchase some of the lands surrounding or immediately adjacent to the park. PDP is currently seeking to acquire these rights. The long-term vision of the company assumes that if and when these lands become available for purchase, PDP will attempt to acquire them provided it has the financial ability to do so.

3.2 Corporate Profile

PDP was incorporated on July 17, 1998 under the Canada Business Corporations Act as a wholly-owned subsidiary of CLCL.



This profile describes the board of directors and committee structure and outlines the activities of PDP.

3.2.1 Board of Directors and Committees

PDP and its directors and officers are subject to Part X of the Financial Administration Act. The government recommended the appointment of twelve directors.

PDP has established eight committees: Audit, Budget, Business Development, Human Resources, Communications and Liaison, Foundation, Governance and Park. As well, a Special-Purpose Joint Committee of PDP and CLC Directors has been established to address matters of mutual concern. The governance committee is currently reviewing the company's committee structure.

3.2.2 Corporate Organization

This past year has represented a period of corporate transition for PDP. At the start of the fiscal year, some services for PDP were provided through a Management Services Agreement with CLC. The purpose of the agreement was to provide appropriate staffing in an efficient and flexible manner, thus minimizing duplication of roles during PDP's initial years. Under that agreement, services such as Human Resources, Information Services, Finance and Accounting, Public and Government Affairs and Corporate Secretarial were provided on an as-required basis. The Information Services group of CLC also provided support for PDP's computer systems.

In March 2001, the PDP Board decided that the long-term interests of the company would be better served if PDP provided most of its staff functions in-house. Therefore, staff would become employees of PDP rather than CLC; however, PDP may continue to rely on CLC for Corporate Secretarial and Human Resources services.

3.2.2.1 Human Resources

At present, PDP has 17 permanent staff. CLC also provides management services in the areas of Accounting & Finance, Corporate Secretarial, Human Resources, Information Services, Public & Government Affairs and certain other engineering and environmental services.

During fiscal year 2001-2002, some of these services were taken over directly by PDP; during fiscal year 2002-2003, it is intended that the majority of these services, except Corporate Secretarial consulting and Human Resources, will be taken over by PDP directly. Seconded staff and management services were always contemplated as an interim measure until such time as PDP was sufficiently organized. The budgets contained in the plan provide for the above.



3.2.3 Downsvie Foundation

The original mandate of PDP authorized the establishment of a charitable foundation be created in order to receive donations from individuals, groups and corporate entities to assist in the funding of the Park. As the current corporate structure of PDP does not permit it to be a qualified donee under current Canada Custom and Revenue Agency (CCRA) guidelines, a restructuring of the company or special consideration granted by CCRA will be required in order for this to occur.

3.2.4 Corporate Functions

PDP has two principal functions: the first is to design, construct and program the park; the second is to develop and manage the revenue-producing opportunities on the adjacent lands not initially required for park-specific development.

3.2.4.1 Park Design and Construction

PDP's primary function is to manage the design and development of the park. This responsibility has included the co-ordination of the Downsvie Park International Design Competition, negotiating contractual terms with the park design team, overseeing the activities of the design team, undertaking various technical reviews and studies, and constructing various components of the park.

3.2.4.2 Park Programs

The park programs' function includes: creating and carrying out a series of programs and special events on the property; undertaking a comprehensive public consultation program focused on the park; partnering in the organization of a number of high profile international events; and managing various public affairs and communications issues.

3.2.4.3 Development of Commercial Opportunities

The development of commercial opportunities includes identifying and realizing long term land development plans for the non-park lands.

The key commercial development activities have included: developing and refining land use options for the Allen Road lands (Blocks I, J, K, L, M in exhibit 4 of this summary); assisting DND in identifying housing options for the Private Military Quarters (PMQ) (Blocks A & B); completing the sale of the surplus lands along Wilson Avenue; working with potential tenants on the North Residential site (Blocks C & D); advancing the land transfer process; and providing technical planning support to the park design and construction function.



3.2.4.4 Managing Income Producing Properties

This function includes managing the existing services and buildings and providing facility maintenance for all Downsview lands. PDP applies industry standard property management fees for services to tenants. Direct involvement in property management has allowed PDP to have greater control of expenses and provide for maximum operating flexibility.

Currently, the Downsview property has thirty buildings, containing 2.2 million gross sq. ft. of space, which are the responsibility of PDP's Property Management Group. Twelve of these buildings, representing some 400,000 square feet are still occupied by DND. The remaining eighteen buildings contain 1.8 million sq. ft. For the purposes of the plan, it has been assumed that the buildings currently occupied by DND will be vacated and demolished by DND once the proposed new Downsview Training and Administrative Facility (DTAF) is ready for occupation.

3.3 Downsview Land Use Plan

The Downsview lands consist of 640 acres of land divided into four broad land use categories. These land use categories are: Park, Commercial, South Residential Enclave and DND. These four land uses and the associated block plan are graphically depicted on the Land Use Plan on the following page.

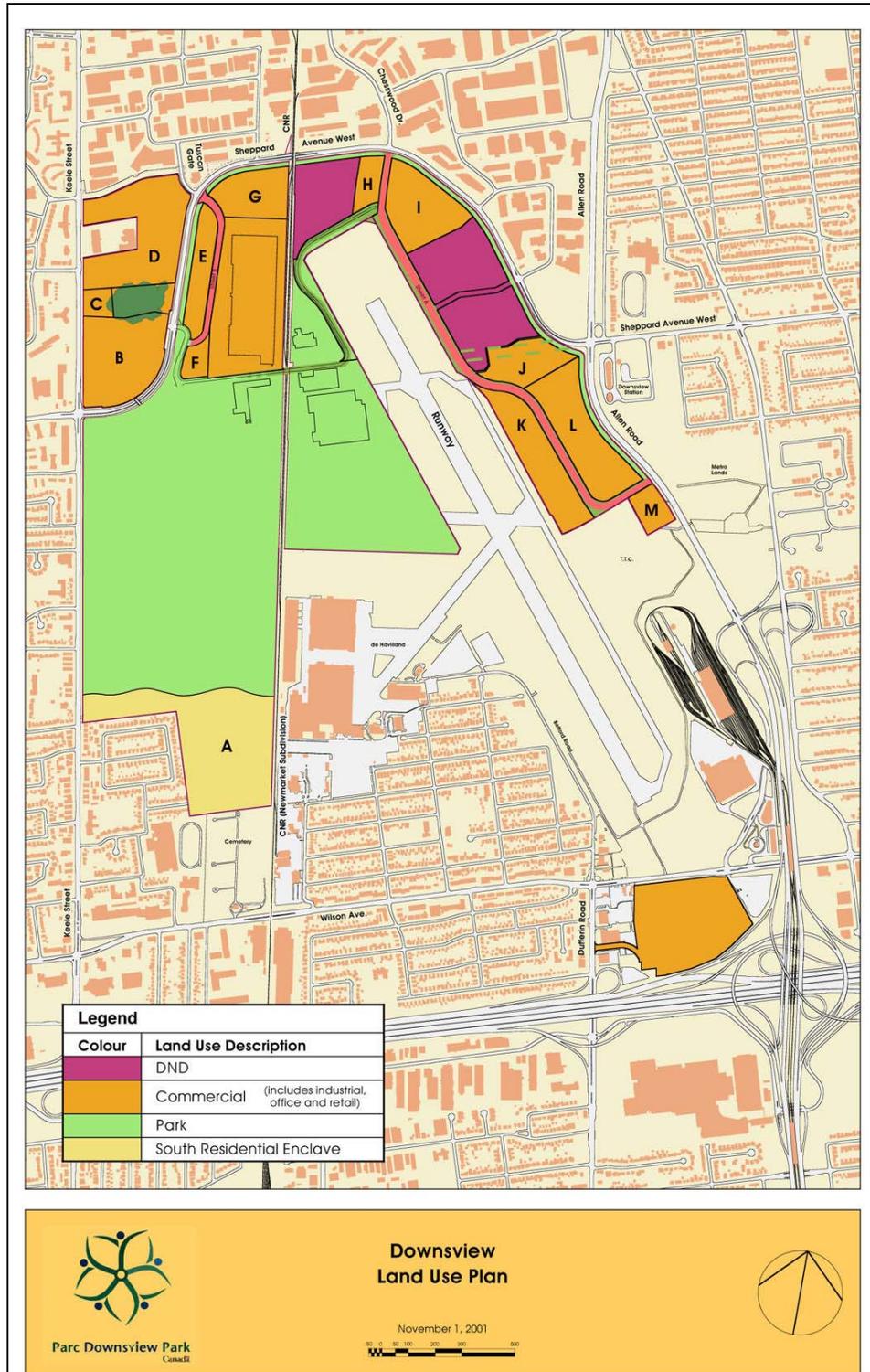
The parkland consists of 324 acres and is comprised of two components.

- The park, located west of the CNR Rail line, which is primarily open space.
- The recreational / cultural campus, located east of the CNR line, which is comprised of a group of military buildings that are architecturally distinguished and of heritage value.

The commercial lands consist of 203 acres and have been subdivided into various blocks for subsequent development. The commercial lands will be the primary revenue source for PDP in the future. The commercial lands also include a small woodlot north of Sheppard Avenue, which is unconnected to the balance of the parkland.



Exhibit 4: Map of Downsview Park Land Uses





Also coloured on the plan is the commercial block south of Wilson Avenue. These lands are not included in the total commercial land area identified above, as this property was sold in the 2000-2001 fiscal year.

The DND lands consist of 62 acres and are comprised of three land parcels: the Defence and Civil Institute for Environmental Medicine, the Downsview Training and Administrative Facility and the DND Training Lands.

The South Residential Enclave or Block A is approximately 51 acres and is contemplated to be a revenue-generating land parcel for PDP.

3.4 Assessment of 2001-2002 Achievements

3.4.1 Assessment of Achievements from the 2001-2002 Plan

The table in Appendix E identifies the 2001– 2002 objectives together with the performance measures and time horizons that were assigned to each.

3.4.2 Other Accomplishments

The table in Appendix A identifies accomplishments, which were not identified in the 2001-2002 Plan. These accomplishments reflect opportunities that presented themselves during the past year.

3.5 Analysis of the External Environment

PDP monitors the external environment in order to capitalize on opportunities and to identify and mitigate potential challenges and issues. The objectives and strategies outlined in Section 3.8 respond to these opportunities and challenges.

3.5.1 Impacts of September 11, 2001

The full impact on Canada of the tragic terrorist attack in the US is not yet fully known; however, it is evident that this event has already had a significant effect on the Canadian economy, defence and security policy, and travel and tourism, as well as creating psychological and social impacts on average Canadians. The attacks may also have implications for PDP; however, it is uncertain whether these effects will have negative long-term impacts for the company or will reinforce the need for initiatives like Downsview Park, which may serve as a point of national pride for Canadians.



All levels of government have had additional financial requirements in order to address new defence and security measures. While it is uncertain at this point, the military facilities on the PDP lands may play a greater role in national defence and security, and this could have potential implications for PDP.

Another potential implication is the impact of the September 11 event on worldwide tourism and travel, and what, if any effect this will have on PDP. In the wake of the attack, the World Tourism Organization, in its report *The Impact of the Attacks in the United States on International Tourism: An Initial Analysis*, speculated that historically, tourist demand at an aggregate is resilient to these types of crises and that severe decline in world travel demand is not anticipated; however, one of the possible scenarios would be the redistribution of total demand, with the focus on regional or domestic tourism and with no major changes in the motivations for trips or total spending. Therefore, it is possible that air travel may be more affected, and there may be a preference for short-haul versus long-haul flights. For PDP, this could mean that the park becomes more important as a focus for citizens of Ontario, Canada and the United States and less important for travelers from Europe and other locations.

One more direct implication for PDP is that there will likely be an effect on the level of security planned for World Youth Day 2002 (WYD) at the park. While the WYD organization has overall responsibility for security and this event is revenue neutral for PDP, it is still likely to have operational implications on the company. PDP will be working closely with the Department of Foreign Affairs and International Trade in order to address security issues.

Perhaps the most uncertain impacts of September 11 are the psychological and sociological effects on the general public. It has become clear in the wake of the tragedy that a significant percentage of the population has been shaken by the event, and that the urban public needs opportunities to relieve the stress and strain of urban living. Historically, urban parks have served this role in major cities around the world. Urban parks have provided the opportunities for city dwellers to relieve themselves from the stresses of day-to-day living and allow citizens to recreate in a natural setting. The importance of PDP may increase in this environment.

3.5.2 Real Estate Market in Toronto

The local and sub-regional real estate market witnessed a broad expansion in recent years, particularly since 1997, as witnessed by the number of new developments and land transactions. According to information prepared by Colliers International, demand for industrial land and buildings grew rapidly during the 1990s and into 2000 and 2001, where the market in Toronto performed exceedingly well. Net new supply of industrial space peaked in 1999 at over 16.0 million square feet, while absorption reached 18.0 million square feet. The latter part of the 1990s, combined with 2000 and 2001, also saw annual demand of over 10.0 million square feet.



Since early 2001, the overall real estate market has declined, with year-to-date figures indicating overall absorption for industrial space, for example, totaling a mere 1.0 million square feet; Greater Toronto Area (GTA) wide, the corresponding figure is 550,000 square feet, or only 5% of year-end 2000 estimates (which similarly fell 50% compared to 1999 and 30% compared to 1998). While this drop-off in demand is consistent with the slowing economy, which the Toronto area is generally concluded to be in currently, it is likely that the ability of PDP to equal the value, timing and level of land sale / lease transaction activity contemplated by it in its 1998 financial plan is constrained.

3.5.3 Opportunities

Re-Regulation of the Ontario Power Sector

As was stated in last year's corporate plan, the Province of Ontario has announced the re-regulation of Ontario's power sector. This re-regulation allows enterprises other than Ontario Hydro to generate and sell power through the City of Toronto grid to private purchasers. The province's plans have been delayed on a few occasions, but the government has announced its intentions to open the market in May 2002. PDP has been tracking this regulatory change in order to realize an opportunity to establish a self-sufficient heat and power facility, which could sell electrical power over the grid.

3.5.4 Challenges

There are four major external factors significantly challenge PDP's ability to realize the government's mandate for the site. They are:

- DND land leases;
- DND housing;
- Ability to control development on the Downsview lands; and
- External communications.

3.6 Assessment of Corporate Resources

This section is an assessment of PDP's strengths and constraints in relation to its ability as a company to implement the vision of the park.

3.6.1 PDP Strengths

As an organization, PDP has developed and enhanced a number of key strengths in order to enable it to realize its mandate.



Downsview Park International Design Competition

As was noted in last year's corporate plan, the Downsview Park International Design Competition received worldwide acclaim. Many of the world's leading architects, landscape architects and other design professionals participated in the competition. Five highly qualified and renowned teams were selected as finalists. The competition was widely covered in the national press. The competition was also the subject of a symposium at the Museum of Modern Art in New York, an exhibit at the Van Alen Institute in New York and will also be the subject of a book by the Harvard University Press. PDP can build upon this recognition and acclaim in order to raise the corporation's profile and generate support for the park construction program; however, this opportunity may be lost if PDP is unable to move forward with construction of the park within the foreseeable future.

Downsview Lands are a Highly Desirable Development Location

The Downsview lands represent the largest infill development opportunity in the City of Toronto and are an extremely desirable location for future development. From a pure real estate development perspective, the Downsview lands benefit from their location in the central area of the GTA. More specifically,

- the park is located within an already developed area comprising residential, light industrial and commercial uses;
- the park is provided with excellent access from / to Highways 400, 401 and 407;
- located immediately east of the site, the Sheppard Avenue subway provides the park with a direct link to the area's regional public transit system and the City of Toronto's downtown core;
- the park is located approximately ten kilometres east of Lester B. Pearson (Toronto) International Airport; and
- municipal services and infrastructure exist on the edges of the site.

In summary, the Downsview lands are a valuable real estate asset that PDP can utilize to meet its long-term objectives.

PDP is Realizing Significant Short Term and Medium Term Leasing Opportunities

Although PDP has yet to obtain title to the lands, the company has been working to realize opportunities to generate income from leasing the existing buildings. Some of these buildings and lands have allowed PDP to derive increased leasing revenue.



3.7 Strategic Issues

3.7.1 Title to the Downsview Lands

At present, PDP carries on operations on the revenue-generating portions of the Downsview lands through one-year leases with DND. Similar to the 2001-2002 Corporate Plan, the fundamental issue that PDP must resolve in order to achieve the government's mandate for the Downsview lands, while maintaining its self-financing mandate, is to obtain long-term title to the Downsview lands.

3.7.2 Design and Build the Park

As stated in the mandate, the principal goal of PDP is to develop the park as a unique urban recreational greenspace, to be held in perpetuity for the enjoyment of future generations. The park offers a unique opportunity for the government to establish a federal enclave within the most populous region of the country.

During 1999-2000, PDP held a highly acclaimed international competition to design the park. The competition resulted in the selection of TREE CITY as the winning design.

This design competition identified a capital budget of \$145 million for the park, of which \$40 million was set for the first phase, \$50 million for the second phase and \$55 million for the third phase. While establishing a total capital build-out of \$145 million, it was noted in the Design Competition Brief that each phase should have coherence, integrity and drawing power in its own right and therefore that each phase be able to stand on its own. Furthermore, the document stated that the total capital budget of \$145 million is premised on the ability of PDP to secure future revenue streams, which cannot be counted with certainty. Therefore flexibility in timing and implementing of construction will be required.

The business case concluded that the TREE CITY design and the cost of implementing it are reasonable; however, it recommended a ten-year time frame for the first phase of the park in order to more closely tie revenues with expenses. The company is moving forward based on this ten-year time frame. The total cost for the first phase of the park is \$40 million for construction, plus 10% design fees, with a 2% contingency. The business case also allows for Phase II and III of the park to proceed, but with construction occurring as money is available.

At this point, PDP is anticipating that it will be able to commence construction of the park immediately following the WYD event scheduled for July 2002. This target date was noted in last year's corporate plan and PSP is still on track to meet this start-up date. Over the next several months, the TREE CITY design team will be preparing the first draft of the TREE CITY Implementation Plan with a view to refining the plan by spring 2002. This schedule is necessary to commence the implementation of the TREE CITY design in August 2002.



In accordance with PDP's long-standing commitment to public consultation, the implementation plan process will include a public consultation program that is extensive and inclusive of as many stakeholders as possible. PDP management is currently in the process of preparing a detailed public consultation program. Extensive consultation is to begin in February 2002. The consultation strategy also includes establishing a Park Advisory Committee, approved by the board in principle, to assist in refining the TREE CITY Implementation Plan.

3.7.3 Corporate Structure

The current corporate structure of PDP does not allow it to fully realize the government's mandate for the Downsview lands. The three key corporate structure issues, which need to be resolved, are the company's current inability to solicit and receive donations, a governance model, and PDP's taxable status.

3.7.3.1 Foundation

At the time of government approval of the Downsview Park project, the documentation envisaged that a Downsview Foundation would be created to solicit donations from corporations and the general public to assist in funding the development of the park. The necessary Treasury Board authority was granted for setting up the foundation.

Subsequent investigation has disclosed that PDP, as a non-agent Crown, would be unable to accept funding from the proposed foundation, as it is not a "qualified donee" under the terms of the Income Tax Act. This matter was discussed at length with PWGSC, Finance, Treasury Board and DND. It was PWGSC's recommendation that PDP be made an agent of the Crown, which would give it the necessary status to accept charitable donations. This recommendation was made in June 2000, and is currently under review.

At PDP's request, a feasibility study was recently carried out by Goldie and Company, which strongly recommended that a foundation be created as the appropriate vehicle to assist in raising funds for the development of the park.

3.7.3.2 Taxable Status

The third major issue is PDP's taxable status, in that it must pay a number of federal and provincial taxes. Given the social nature of PDP's mandate, this seems to be an unreasonable burden. If these taxes do not have to be paid, then the development of the park could proceed at a quicker pace if the availability of funds is not a constraint.



3.7.4 DND Housing Issue

Another impediment to developing the commercial lands is the lack of a solution to DND's housing requirements on the Downsview lands. DND has stated that it requires up to 220 housing units for military members serving in the GTA, and that a solution to the Canadian Forces (CF) Toronto housing needs must be found before lands at Downsview, designated as residential, can be transferred to PDP.

In order to expedite a solution to this problem, PDP has recommended that it take a leadership role in developing a housing solution for DND. DND has responded to PDP's proposal in a positive fashion, noting that such a solution could have the benefit of meeting DND's housing needs without requiring intervention by DND. While PDP's proposal is not fully defined at present, it may include a comprehensive turnkey solution, whereby the company manages the design, financing and development of up to 220 units for DND. A variety of financial scenarios will be considered in developing the housing solution.

In order for the proposal to be accepted by DND, it would have to meet the following criteria: housing must be in reasonable proximity to the new DTAF facility; the rental structure for military members must not exceed prevailing market rates as set by CMHC; and the housing mix must satisfy the particular needs of the military families living in Toronto and be designed to present a long-term contemporary solution to the CF housing needs.

The development of the up-to-220 units may or may not occur on the Downsview lands. One option will be to consider locating these housing units somewhere else within the GTA. PDP will be exploring various options in such a way as to expedite a solution in a rapid fashion in order to meet its agenda while serving DND's needs.

The advantage to PDP in taking this leadership role is to expedite a rapid solution; however, it raises the issue of whether or not this is within PDP's mandate.

3.7.5 World Youth Day 2002

WYD 2002 is a major international event that brings together the world's Catholic youth. The Canadian Conference of Catholic Bishops is hosting the event, which is being facilitated by all three levels of government. PDP is helping to facilitate this event at the Downsview lands and the Bombardier runway will be the main venue for the large-scale activities associated with WYD. The event is expected to attract up to one million people, culminating in a Papal mass.

The site will be used for a vigil on July 27, 2002, and the closing Papal mass on July 28, 2002. As well, the park is expected to be used for a number of other important event functions and activities which are still to be determined.

WYD is a major public undertaking and requires significant operational requirements on the part of PDP; however, PDP's involvement is based on a cost-neutral basis, which is reflected



in the corporate plan. PDP is to receive a grant from the government of up to \$3.45 million to offset the costs associated with its participation in WYD.

Both the WYD organizers and PDP expressed interest in developing a legacy for the event. PDP is proposing that a garden / labyrinth be created to commemorate the event and to provide a point of destination for conference delegates wishing to return to the site. The garden would be the first feature built in the park and could mark the implementation of the TREE CITY design concept. This project requires approval by the WYD Organizing Committee.

Through the WYD 2002 event, PDP hopes to maximize the profile of the park and promote the government's vision for the site. PDP also wants to ensure that the City of Toronto provides effective communication with the community regarding the logistical challenges of facilitating this large event. Two public meetings sponsored by WYD and attended by PDP management will be held to inform the community about the impact of this event.

3.8 Objectives, Strategies and Performance Measures for the Plan Period

The table in Appendix F identifies the 2002–2003 to 2006–2007 objectives together with the strategies, performance measures and time horizons that are assigned to each.



4. Financial Schedules

4.1 CLC Statement of Operations and Cash Flow for 2001-2002 to 2006-2007

	\$ Millions						Total
	YEO 2002	2003	2004	2005	2006	2007	
REVENUE							
Property sales	84.0	115.3	100.0	120.0	157.4	152.7	645.4
Cost of properties sold	73.2	98.8	82.8	96.5	124.0	126.0	528.1
Net property sales revenue	10.8	16.5	17.2	23.5	33.4	26.7	117.3
Property rental	7.8	7.9	10.9	11.4	12.9	17.5	60.6
Interest and other income	10.2	4.8	4.8	5.1	5.2	5.0	24.9
	28.8	29.2	32.9	40.0	51.5	49.2	202.8
EXPENSES							
General and administrative	12.5	15.2	15.7	16.6	17.4	17.3	82.2
Interest	0.6	0.3	0.3	0.3	3.3	6.4	10.6
Land holding costs	3.0	2.7	1.9	2.3	1.4	0.7	9.0
Depreciation	2.6	2.4	2.7	2.8	4.0	5.7	17.6
Capital taxes	0.6	0.6	0.5	0.5	0.5	0.5	2.6
	20.8	21.2	21.1	22.5	26.6	30.6	122.0
INCOME BEFORE TAXES	8.0	8.0	11.8	17.5	24.9	18.6	80.8
Income taxes	3.0	3.0	4.4	6.5	9.2	6.9	30.0
NET INCOME	5.0	5.0	7.4	11.0	15.7	11.7	50.8
Recovery of cost of properties sold	73.2	98.8	82.8	96.5	124.0	126.0	528.1
Depreciation	2.6	2.4	2.7	2.8	4.0	5.7	17.6
Provision for decrease in property values	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures on properties	(58.7)	(68.7)	(83.7)	(128.4)	(139.7)	(90.5)	(511.0)
Acquisitions	(58.0)	(47.4)	(53.5)	(2.6)	(14.5)	(39.6)	(157.6)
Debt repayment	0.0	0.0	0.0	0.0	(1.1)	(2.4)	(3.5)
Vendor mortgages	(10.2)	(9.9)	11.5	6.8	(2.4)	11.9	17.9
Long Term Financing	0.0	0.0	0.0	39.2	42.2	11.1	92.5
Government notes issued	24.1	25.2	53.3	0.7	12.7	37.7	129.6
CMHC notes issued	28.4	9.1	0.2	1.9	1.8	1.8	14.8
Changes in working capital	(8.9)	(19.0)	(2.5)	(3.8)	(2.1)	(3.0)	(30.4)
CASH INFLOW (OUTFLOW)	(1.0)	(4.5)	18.2	24.1	40.6	70.4	148.8
CMHC notes repayment	(22.7)	(10.1)	(7.0)	(2.3)	0.0	(26.0)	(45.4)
Government notes repayment	(18.4)	(7.2)	(10.0)	(19.3)	(29.3)	(15.7)	(81.5)
Dividends	(15.5)	(3.9)	0.0	(1.2)	(2.5)	(11.3)	(18.9)
DISTRIBUTIONS	(56.6)	(21.2)	(17.0)	(22.8)	(31.8)	(53.0)	(145.8)
ACCUMULATED DISTRIBUTIONS	232.7	253.9	270.9	293.7	325.5	378.5	325.5



4.2 PDP Statement of Operations and Cash Flow for 2001-2002 to 2006-2007

	Actual		\$ Millions					Total
	2001	YEO 2002	2003	2004	2005	2006	2007	
REVENUE								
Property sales	20.9							0.0
Cost of properties sold	20.1							0.0
Net property sales revenue	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rental	5.8	6.5	7.7	7.0	7.6	8.3	10.4	41.0
DND reimbursement of revenue costs		3.1	1.6					1.6
Foundation contributions				0.1	0.2	0.3	0.5	1.1
Co-generation plant (net)					0.9	1.0	1.0	2.9
Deferred amortization	1.7	0.1	0.2	0.1	0.1	0.2	0.2	0.8
Government funding	1.9							
Interest and other income	0.7	0.7	0.2					0.2
	10.9	10.4	9.7	7.2	8.8	9.8	12.1	47.6
EXPENSES								
Park expense	1.9	2.6	2.7	2.4	2.2	2.2	2.2	11.7
General and administrative	2.1	2.8	3.1	3.4	3.6	3.6	3.8	17.5
Interest				0.3	1.0	1.7	2.1	5.1
Rental operating costs	5.5	4.2	3.6	2.4	2.7	2.7	2.8	14.2
Depreciation	0.2	0.5	0.8	1.0	1.1	1.1	1.1	5.1
	9.7	10.1	10.2	9.5	10.6	11.3	12.0	53.6
INCOME BEFORE TAXES	1.2	0.3	(0.5)	(2.3)	(1.8)	(1.5)	0.1	(6.0)
Income taxes	0.0							0.0
NET INCOME	1.2	0.3	(0.5)	(2.3)	(1.8)	(1.5)	0.1	(6.0)
Recovery of cost of properties sold	20.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	0.2	0.5	0.8	1.0	1.1	1.1	1.1	5.1
Deferred amortization	(1.7)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.8)
Changes in working capital	(0.4)		2.0	0.7	0.7	0.8	(1.1)	3.1
Expenditures on properties	(3.7)	(3.2)	(12.8)	(15.5)	(13.1)	(10.4)	(5.9)	(57.7)
Land acquisitions			(25.7)		(12.5)			(38.2)
Loans				12.0	13.5	10.0	6.0	41.5
Government notes issued			25.7		12.5			38.2
CASH INFLOW (OUTFLOW)	15.7	(2.5)	(10.7)	(4.2)	0.3	(0.2)	0.0	(14.8)



Appendices

Appendix A

CLCL Objectives, Initiatives and Performance Indicators for the Plan Period

INITIATIVES	KEY PERFORMANCE INDICATORS	*TIME HORIZON
IMPROVE AND RESOLVE GOVERNANCE ISSUES WITH SUBSIDIARIES		
Support Parc Downsview Park (PDP) in resolution of governance issues, title and financing impediments	Implement government approved governance structure for PDP and monitor performance Achieve resolution of title and financing impediments	Budget Year and Strategic Plan Years Budget Year and Strategic Plan Years
STRENGTHEN CURRENT GOVERNANCE PRACTICES		
Explore and seek to further enhance governance practices	Work with the Minister's office to fill board positions vacated by members whose terms expire in 2002-2003 Further assess and refine corporation governance practices	Budget Year Budget Year

***Note:** In the "Time Horizon" column of the chart above, "Budget Year" refers to the objective being achieved during the company's detailed business plan for the fiscal year 2002-2003. "Strategic Plan Years" refers to the objective being achieved during the period covered by the company's strategic plan for the subsequent four fiscal years, from 2003-2004 until 2006-2007.



Appendix B

CLCL Achievements 2001-2002

2001-2002 INITIATIVE	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
IMPROVE AND RESOLVE GOVERNANCE ISSUES WITH SUBSIDIARIES		
<p>Explore and recommend solutions with respect to governance issues related to PDP</p> <p>Participate in the mandate review for the Old Port of Montréal</p> <p>Ensure that members of subsidiary boards are aware of governance issues in relation to the parent board</p> <p>Support PDP in working towards the resolution of the title and financing impediments</p>	<p>Implement government approved governance structure for PDP and monitor performance</p> <p>Achieve resolution of title and financing impediments</p> <p>Conduct board orientation sessions for subsidiaries</p>	<p>With the completion of the PDP business case and a scheduled Public Accounts Committee hearing on February 26, government direction is expected prior to the end of the fiscal year addressing title, governance issues and financial impediments</p> <p>Board orientation sessions were routinely conducted for new board members</p>
STRENGTHEN CURRENT GOVERNANCE PRACTICES		
<p>Explore and seek to enhance governance practices</p> <p>Review committee structure</p> <p>Conduct regular board assessments</p> <p>Review and enhance as appropriate strategic planning process</p>	<p>Continuous enhancement of corporate governance practices</p> <p>Ensure successful appointments to vacant positions</p> <p>Orient and – as necessary – train new board members</p> <p>Conduct board assessments at least annually</p> <p>Establish terms of reference for</p>	<p>Recommendations for improved governance from the mandate review and special examination have been acted upon</p> <p>Board members were re-appointed and replaced when terms had expired including a new chair at the end of November 2001</p> <p>New board members received</p>



2001-2002 INITIATIVE	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
	governance committee and schedule meetings	an orientation session and ongoing training was conducted for all board members as deemed necessary Terms of reference for the governance committee will be established by the end of fiscal year 2001-2002 along with a schedule of meetings



Appendix C

CLC Objectives, Initiatives and Performance Indicators for the Plan Period

INITIATIVES	KEY PERFORMANCE INDICATORS	*TIME HORIZON
ENHANCE FINANCIAL PERFORMANCE		
<p>Seek to enhance the financial value and return on projects</p> <p>Continue to make financially prudent investment in projects to ensure sustainability of business and distribution to the shareholders</p> <p>Structure projects to ensure a sustainable revenue stream and cash flows</p>	<p>Maintain General and Administrative (G&A) expenses at previous year's actuals plus 3%, other than staffing and other expenses necessitated by new projects</p> <p>Meet or exceed corporate financial targets (net income before tax (NIBT) and cash flow before capital expenditures) set in the corporate plan</p> <p>Carry out targeted capital expenditures made in order to ensure financial targets on major projects can be met in ensuing years</p>	<p>Budget Year and Strategic Plan Years</p> <p>Budget Year and Strategic Plan Years</p> <p>Budget Year and Strategic Plan Years</p>
INCREASE PROPERTY TRANSFERS		
<p>Proactively identify strategic federal property assets that are underutilized</p> <p>Formulate property specific action plans to obtain approvals and facilitate title transfers</p>	<p>Obtain necessary approvals for six transfers over the course of the fiscal year</p> <p>Achieve transfer of title for four properties</p>	<p>Budget Year</p> <p>Budget Year</p>
EXPLORE EXPANSION OF SCOPE OF SERVICES AND NEW BUSINESS LINES AS WARRANTED BY GOVERNMENT NEEDS		
<p>Continue stakeholder consultation to ensure services align with</p>	<p>Clarify scope of work for CLC in the Toronto Waterfront Revitalization Initiative</p>	<p>Budget Year and Strategic Plan Years</p>



INITIATIVES	KEY PERFORMANCE INDICATORS	*TIME HORIZON
stakeholder needs	Secure necessary authorities on a project basis as the needs may arise with respect to either a build to suit or environmental remediation and any other initiatives	Budget Year and Strategic Plan Years
ENHANCE CUSTOMER RELATIONS		
Continue to apply customer satisfaction monitoring methodology to target groups in each region	Minimum overall customer satisfaction score of 75% for new target groups or increase in satisfaction score for repeat surveys	Budget Year and Strategic Plan Years
CREATE LEGACIES AS A PART OF EACH MAJOR PROJECT		
Implement legacy or community investment initiatives as part of an overall development strategy	Legacy or community investment initiatives benefiting the development of major projects	Budget Year and Strategic Plan Years
PARTNER WITH LOCAL ORGANIZATIONS WHEREVER POSSIBLE		
Seek innovative ways to partner with local organizations / service providers	New partnerships forged over the course of the fiscal year in support of development plans	Budget Year and Strategic Plan Years
EVALUATE OPPORTUNITIES FOR STRATEGIC DONATIONS RELATED TO MAJOR PROJECTS AND / OR IN COMMUNITIES WHERE THE COMPANY CONDUCTS BUSINESS		
Review, evaluate and act upon potential areas of financial or in-kind support	Community acceptance and support of proposed development plan	Budget Year and Strategic Plan Years



INITIATIVES	KEY PERFORMANCE INDICATORS	*TIME HORIZON
SEEK INPUT FROM AND ENGAGE THE COMMUNITY WITH RESPECT TO ALL MAJOR PROJECTS		
Undertake broad-based consultation for each major project as part of planning approval process	Community acceptance and support of proposed development plan	Budget Year and Strategic Plan Years
BE RECOGNIZED AS AN EMPLOYER OF CHOICE		
<p>Issue annual employee workplace satisfaction survey</p> <p>Based on employee input from last year's workplace satisfaction survey, refine human resources programs to resolve issues / difficulties</p> <p>Strive to create challenging and positive work environment, and focus on employee retention with a particular view to skill development and skill appropriation</p>	<p>Enhance baseline employee satisfaction</p> <p>Refine human resources programs</p> <p>Ensure appropriateness and flexibility of organizational structure to respond to needs and opportunities</p> <p>Maintain voluntary employee turnover at below 5%</p> <p>Through human resources information system, develop a skills inventory and strategic development plan</p>	<p>Budget Year and Strategic Plan Years</p> <p>Budget Year and Strategic Plan Years</p> <p>Budget Year and Strategic Plan Years</p> <p>Budget Year</p>
COMMUNICATE WITH AND CONSULT EMPLOYEES EXTENSIVELY		
Continue to strengthen employee communications, and inform employees regularly through both formal and informal means, including regular meetings and the employee newsletter	<p>Issue employee newsletters at least quarterly and hold regular meetings at regional offices</p> <p>Introduce more structured employee communications framework</p> <p>Ensure each region has access to relevant</p>	<p>Budget Year and Strategic Plan Years</p> <p>Budget Year</p> <p>Budget Year and</p>



INITIATIVES	KEY PERFORMANCE INDICATORS	*TIME HORIZON
<p>Develop a process for capturing and communicating best practices and expertise across the organization</p> <p>Continue to engage all employees in the strategic planning process</p> <p>Continue to engage employees more fully with respect to corporate financial and non-financial performance</p>	<p>centres of excellence</p> <p>Respond to major findings of employee workplace satisfaction survey and engage employees in workplace change initiatives</p> <p>Employee buy-in and appreciation of strategic direction and corporate plan</p> <p>Quarterly employee CSR committee progress report submitted to the board and published in employee newsletter</p> <p>Hold a national employee conference during fiscal year</p>	<p>Strategic Plan Years</p> <p>Budget Year and Strategic Plan Years</p> <p>Budget Year and Strategic Plan Years</p> <p>Budget Year and Strategic Plan Years</p> <p>Budget Year</p>
<p>PROVIDE ECONOMIC STIMULATION IN COMMUNITIES WHERE CLC CONDUCTS BUSINESS</p>		
<p>Promote timely development and construction of sites</p> <p>Identify and implement most appropriate mixed use developments for sites</p>	<p>Value of construction projects commenced</p> <p>Potential construction jobs created</p> <p>Potential new permanent jobs created</p> <p>Amount of estimated increase in municipal tax base</p>	<p>Budget Year</p> <p>Budget Year</p> <p>Budget Year</p> <p>Budget Year</p>
<p>CHAMPION SOCIAL POLICY OBJECTIVES TO REACH CONSENSUS AMONG THREE LEVELS OF GOVERNMENT</p>		
<p>Explore the feasibility of contributing to affordable housing and other social policy objectives with each major development project</p> <p>Utilize environmentally / fiscally responsible means of remediating contaminated sites</p>	<p>Number of affordable housing units created</p> <p>Investment in environmental remediation initiatives</p> <p>Number of contaminated acres brought back into productive use</p>	<p>Budget Year</p> <p>Budget Year</p> <p>Budget Year</p>



INITIATIVES	KEY PERFORMANCE INDICATORS	*TIME HORIZON
PROMOTE SUSTAINABLE DEVELOPMENT		
<p>Incorporate sound principles of sustainable development for each development initiative</p> <p>Explore and implement innovative means of recycling and / or reusing demolition or construction wastes</p>	<p>Creation of strong sense of community, belonging or neighbourliness for projects</p> <p>Public areas that encourage walking and socializing</p> <p>Quantities of recycled or reused materials from demolition or construction</p>	<p>Budget Year</p> <p>Budget Year</p> <p>Budget Year</p>
POSITIONING OF COMPANY COMMUNICATIONS		
<p>Showcase CLC's accomplishments to various stakeholders as a business development tool through project tours and events</p> <p>Develop the Web site to respond to company needs</p>	<p>Roll out new corporate visual identity program across regions</p> <p>Conduct a minimum of five project tours for key stakeholders</p> <p>Successfully implement the Web site redevelopment work plan</p>	<p>Budget Year</p> <p>Budget Year</p> <p>Budget Year</p>
IMPROVE INTERNAL FINANCIAL AND QUALITATIVE MEASURES AND PERFORMANCE		
<p>Report on performance regularly to the board and the shareholder</p> <p>Ensure sufficient and appropriate policies exist, and that newly established 'share value' for CLC is a means of more appropriately measuring financial success</p>	<p>Report to the board quarterly and to the shareholder with the frequency determined by the board</p> <p>Identify areas requiring new or revised corporate policies or controls, and develop and implement as necessary</p> <p>Monitor and report to the board on performance on a quarterly basis with respect to the 'share value' performance indicator</p>	<p>Budget Year and Strategic Plan Years</p> <p>Budget Year and Strategic Plan Years</p> <p>Budget Year and Strategic Plan Years</p>



INITIATIVES	KEY PERFORMANCE INDICATORS	*TIME HORIZON
FURTHER CLARIFY THE COMPANY'S COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY (CSR)		
Further clarify CSR and its rationale and ensure increasing employee buy-in Continue communications of CSR to employees, the government and the public	Continued communications and employee participation with respect to CSR Implement a comprehensive internal communications framework	Budget Year and Strategic Plan Year Budget Year
WORK TOWARDS ACHIEVING BILINGUALISM FOR ALL DESIGNATED EMPLOYEE POSITIONS		
Execute the official language designation plan	Assess employee capabilities and develop appropriate training plans to meet minimum requirements 100% of management team to meet minimum requirements or be registered in language classes	Budget Year and Strategic Plan Years Budget Year and Strategic Plan Years
STRENGTHEN CURRENT GOVERNANCE PRACTICES		
Explore and seek to further enhance governance practices	Work with the Minister's office to fill board positions vacated by members whose terms will expire in 2002-2003 Further assess and refine corporate governance practices	Budget Year Budget Year and Strategic Plan Years

***Note:** In the "Time Horizon" column of the chart above, "Budget Year" refers to the objective being achieved during the Company's detailed business plan for the fiscal year 2002-2003. "Strategic Plan Years" refers to the objective being achieved during the period covered by the Company's strategic plan for the subsequent four fiscal years, from 2003-2004 until 2006-2007.



Appendix D

CLC Achievements 2001-2002

2001-2002 INITIATIVES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
INCREASE PROPERTY TRANSFERS		
<p>Proactively identify federal property assets that are underutilized, develop tailored solutions for transfers and offer services to custodian departments</p> <p>Formulate property specific action plans to facilitate title transfers</p>	<p>Obtain necessary approvals for eight transfers over the course of the fiscal year</p> <p>Achieve transfer of title for eight properties</p>	<p>Assistant Deputy Minister's (ADM) interdepartmental committee identified 11 new possible strategic property transfers to CLC at its first meeting in December 2001</p> <p>Chair of board and board members have met with affected Ministers with the aim of facilitating property transfers</p> <p>One transfer of title received</p> <p>Approval for up to six property transfers</p>
PROACTIVELY ADDRESS FIRST NATIONS ISSUES ON CLC PROPERTIES		
<p>Implement a proactive approach to addressing First Nations issues</p> <p>Identify site specific strategies</p>	<p>Establish and present to the board a proactive plan to address First Nations issues</p> <p>Develop site specific strategies for at least two test sites</p>	<p>Precedent setting CFB Chilliwack title transfer (Parcel A) occurred December 2001</p> <p>A proactive plan to address First Nations issues has been presented and approved by the board; however, our ability to influence matters in any positive or proactive manner has been demonstrated to be very limited</p> <p>Site specific strategies</p>



2001-2002 INITIATIVES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
		<p>developed for six test sites</p> <p>Some specific activities have been undertaken by the British Columbia board member and others for input on the Westbank First Nations attempted purchase of Kelowna lands</p>
EXPLORE EXPANSION OF SCOPE OF SERVICES AND NEW BUSINESS LINES		
<p>Explore the need for and, if appropriate, develop rationale for expansion into areas of core competency, other than disposal, in a manner that mitigates risk and ensures success</p>	<p>Secure role for CLC in the Toronto Waterfront Revitalization Initiative</p> <p>Secure necessary authorities on a project basis with respect to either a build to suit or environmental remediation initiative</p>	<p>Confirmed to lead the Port Lands environmental remediation of the Toronto Waterfront Revitalization Initiative on behalf of the Government of Canada</p> <p>Approval obtained for one build to suit in Glenlyon Business Park</p> <p>Commenced development phase for Tunney's Pasture build to suit project</p>
ENHANCE CUSTOMER RELATIONS		
<p>Develop customer satisfaction monitoring methodology and apply methodology to target groups in each region</p>	<p>Minimum overall customer satisfaction score of 75%</p>	<p>Survey in CLC's 2001-2002 strategic planning process conducted within the federal family, indicates that CLC achieved a customer satisfaction score of 67%</p> <p>Chilliwack residential (tenancies) indicated an 83% satisfaction score with CLC's appointed housing site management company</p>



2001-2002 INITIATIVES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
		<p>277 Front Street commercial building (tenancies) achieved a score of 80%</p> <p>Crowne Plaza Hotel (hospitality) achieved a score of 89%</p>
INCREASE FINANCIAL PERFORMANCE		
<p>Continuously seek to create financial value for the shareholder in the context of the company's mandate</p> <p>Ensure sustainability of business through focus on future developments</p>	<p>Achieve reduction in G & A from time of Special Examination</p> <p>Meet or exceed financial targets (NIBT and cash flow before capital expenditures) set in the corporate plan</p> <p>Value of new initiatives commenced during the fiscal year but to be concluded in future years</p>	<p>G & A reduced by 15% (approx. \$2.3 million) from fiscal year 2000-2001</p> <p>NIBT resulted in a positive variance of \$0.4 million</p> <p>Cash flow before distributions and capital expenditures resulted in a positive variance of \$15.3 million</p>
EVALUATE OPPORTUNITIES FOR STRATEGIC DONATIONS RELATED TO MAJOR PROJECTS AND / OR IN COMMUNITIES WHERE WE OPERATE		
<p>Review, evaluate and act upon potential areas of support, financial / or in kind</p>	<p>Measure and report on the value of in-kind donations component of an overall development strategy for a project over the course of the fiscal year</p> <p>Measure and report on employee hours donated to societal causes through work-related and company sponsored projects and programs</p> <p>Utilize one percent of pre-tax profits for donations and sponsorships</p>	<p>As of December 2001, the value of in-kind donations as reported by the CLC's three operating regions, was approx. \$3.6 million</p> <p>As of December 2001, 0.86% of the 2000-2001 NIBT was spent on donations and sponsorships</p>



2001-2002 INITIATIVES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
CREATE LEGACIES AS A PART OF EACH MAJOR PROJECT		
Implement legacies or community investment initiatives in the overall project development strategy	Legacy or community investment initiatives associated with active projects	<p>65 affordable housing units in Calgary</p> <p>The MacKenzie and Mann Park constructed in Edmonton</p> <p>Restored section of Brandt's Creek in Kelowna</p> <p>10 acres of woodlots retained and transferred to the City of Toronto</p>
SEEK INPUT FROM AND ENGAGE THE COMMUNITY WITH RESPECT TO ALL MAJOR PROJECTS		
Undertake broad-based public consultation for each major project as part of planning approval process	Community acceptance and support of proposed development plan	<p>As identified in public consultation, McLevin Woods project in Toronto retained 10 acres of woodlots as component part of municipal approval</p> <p>After a collaborative public consultation, municipal government gave approval for a neighbourhood area structure plan on the 618 acre Griesbach site in Edmonton</p>
PARTNER WITH LOCAL ORGANIZATIONS WHEREVER POSSIBLE		
Seek innovative ways to partner with local organizations / service providers	New Partnerships forged over the course of the fiscal year	<p>Partnership agreement with Giffels Enterprises in Moncton to develop business park</p> <p>City of Calgary and Calhomes for a 65 unit affordable</p>



2001-2002 INITIATIVES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
		<p>housing project</p> <p>Options for Homes for a 430 affordable unit project at 650 Lawrence in Toronto</p>
<p>PROVIDE ECONOMIC STIMULATION IN COMMUNITIES WHERE CLC CONDUCTS BUSINESS</p>		
<p>Promote timely construction development of sites</p>	<p>Potential construction jobs created</p> <p>Potential new permanent jobs created</p> <p>Amount of estimated increase in municipal tax base</p>	<p>3,800 person years of construction employment</p> <p>Estimated 3,200 permanent jobs as a result of developments</p> <p>Estimated cumulative municipal tax base increase of \$404 million</p>
<p>CHAMPION SOCIAL POLICY OBJECTIVES TO REACH CONSENSUS AMONG THREE LEVELS OF GOVERNMENT</p>		
<p>Explore the feasibility of contributing to affordable housing with each major residential development project</p> <p>Utilize environmentally / fiscally responsible means of remediating contaminated sites</p>	<p>Number of affordable housing units created</p> <p>Investment in environmental remediation initiatives</p>	<p>65 affordable housing units created in Calgary</p> <p>\$1 million invested in environmental remediation</p> <p>Participated in planning for 25 homes to be used for affordable housing in Albro Lake</p>
<p>PROMOTE SUSTAINABLE DEVELOPMENT</p>		
<p>Incorporate sound principles of sustainable development for each development initiative</p> <p>Explore and implement innovative means of</p>	<p>Creation of strong sense of community, belonging, or neighbourliness for projects</p> <p>Attractive public areas that encourage walking and socializing</p>	<p>CLC produces the Glenlyon Business Park Newsletter and created the Glenlyon Web site</p> <p>The opening of Brandt's Creek in Kelowna with its walking / biking trails and scenic views</p>



2001-2002 INITIATIVES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
recycling and / or reusing demolition or construction wastes	Quantities of recycled or reused materials from demolition or construction	80% of waste materials used for recycling and reuse in demolition projects to be diverted from landfill was targeted, and CLC's property 20 Goldenrod achieved 91%
BE RECOGNIZED AS AN EMPLOYER OF CHOICE		
<p>Develop and issue an employee workplace satisfaction survey</p> <p>Review and, based on employee input, modify the new human resources programs to resolve issues / difficulties</p> <p>Strive to create challenging and positive work environment</p>	<p>Achieve baseline employee satisfaction score</p> <p>Refine the performance evaluation process</p> <p>Review and simplify titles and re-evaluate positions that require it</p> <p>Maintain voluntary employee turnover at below 5%</p>	<p>Achieved a baseline employee satisfaction score of 67% in an internal survey</p> <p>Goal-setting completed and performance expectations more clearly articulated than in the past</p> <p>Positions have been re-evaluated throughout the year</p> <p>Review of titles deferred to next fiscal year as part of program refinement</p> <p>Voluntary turnover was 2.7%</p>
COMMUNICATE WITH AND CONSULT EMPLOYEES EXTENSIVELY		
<p>Inform employees regularly through both formal and informal means including regular meetings and the employee newsletter</p> <p>Determine matters of greatest importance / concerns to employees to enable company to modify / refine its human resources programs and</p>	<p>Issue employee newsletters at least quarterly and hold regular meetings</p> <p>Issue an employee survey</p> <p>Ensure each employee has the ability to provide input into strategic and corporate plans for next fiscal year</p> <p>Quarterly employee CSR</p>	<p>Employee newsletter issued quarterly</p> <p>Employee survey with 57% participation</p> <p>Process for employee input designed and implemented</p> <p>Employee CSR committee reported to corporate CSR committee in November and</p>



2001-2002 INITIATIVES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
<p>practices to more fully address employee needs</p> <p>Engage employees more fully in strategic planning process</p> <p>Engage employees more fully with respect to corporate financial and non-financial performance</p>	<p>committee progress report submitted to the board and published in employee newsletter</p>	<p>published a report in the employee newsletter in December</p>
<p>POSITIONING OF COMPANY COMMUNICATIONS</p>		
<p>Promote a consistent image for CLC across Canada, including incorporation of the Canada word mark</p> <p>Raise the visibility of CLC</p> <p>Showcase CLC's accomplishments to stakeholders through project tours and events</p>	<p>Introduce a corporate visual identity program</p> <p>Ensure proper signage for all major projects</p> <p>Conduct a minimum of five project tours for key stakeholders</p>	<p>Comprehensive visual identity program launched in January 2002</p> <p>Proper project signage is in place for all major projects</p> <p>The company conducted nine major project tours</p>
<p>IMPROVE INTERNAL FINANCIAL AND QUALITATIVE MEASURES AND PERFORMANCE</p>		
<p>Set measures of performance – both financial and other – based upon which performance will be judged</p> <p>Using the balanced scorecard, report on performance regularly to the board and the shareholder</p>	<p>Establish a minimum of ten key performance indicators</p> <p>Report to the board quarterly and to the shareholder with the frequency to be determined by the board</p> <p>Establish a 'share value' performance indicator</p>	<p>40 KPIs for 2001-2002 fiscal year</p> <p>Regular updates through the reports of the president and the CFO at each board meeting</p> <p>'Share value' performance indicator to be presented to the board for consideration in March</p>



2001-2002 INITIATIVES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
Establish a 'share value' for CLC as a means of more appropriately measuring financial success		
WORK TOWARDS ACHIEVING BILINGUALISM FOR ALL DESIGNATED POSITIONS WITHIN THE WORK FORCE		
<p>Promote the use of and proficiency in both official languages for employees</p> <p>Ensure management leads by example</p>	<p>Non-bilingual employees in designated positions to participate in language classes</p> <p>100% of senior management team to have a minimum basic skills in both official language or be registered in language classes</p>	<p>Official language designation plan finalized in December 2001</p> <p>All members of the senior management team either meet the requirements of their job's language designation or are presently training to achieve it</p>
STRENGTHEN CURRENT GOVERNANCE PRACTICES		
<p>Explore and seek to further enhance governance practices</p> <p>Review committee structure</p> <p>Conduct regular board assessments</p> <p>Review and enhance as appropriate strategic planning process</p>	<p>Continuous enhancement of corporate governance practices</p> <p>Modify or validate committee structure as appropriate</p> <p>Conduct board assessments at least annually</p>	<p>A more comprehensive delegation of authorities was implemented</p> <p>The committee structure for the board was reviewed and found adequate</p> <p>The strategic planning process was improved through increased consultations with employees, and new consultations with custodians and provincial and municipal representatives</p>



Appendix E

PDP Objectives, Strategies and Performance Measures for the Plan Period

OBJECTIVE	STRATEGY	PERFORMANCE MEASURE	TIME HORIZON
Have written agreements in place with DND for the orderly transfer of all the lands to PDP on a property tax neutral basis	Work with DND, the Department of Justice and Treasury Board on finalizing the agreements for the orderly transfer of the lands	Signed and approved agreements	1 year
Develop an appropriate corporate structure for PDP	To explore with government officials the optimal corporate structure for PDP	A structure that allows PDP to receive donations from the foundation, minimize taxes to PDP and provide an appropriate governance relationship	1 year
Establish the Downsview Foundation	To work with CCRA officials to obtain charitable status for the Downsview Foundation	Incorporation of the Downsview Foundation with charitable status	1 year
Complete the Master Plan and Phase I design for Tree City	PDP will work with the Tree City design team to develop a detailed design and take it through a comprehensive public consultation process	Detailed design for Phase I of the Park	1 year
Facilitate the WYD 2002 event in July, which will include a Papal Mass	Work with various levels of government and other organizations in implementing WYD 2002 and the Papal Mass	Facilitating WYD 2002	1 year
Prepare an urban development plan for the Downsview lands	Retain a consultant to prepare an urban development plan for the Downsview lands	Urban development plan	1 year



OBJECTIVE	STRATEGY	PERFORMANCE MEASURE	TIME HORIZON
Identify and realize a user for the commercial block located to the immediate north of the DTAF (Block I)	PDP will work with interested parties to identify viable and compatible commercial uses for this site	Signed ground lease with user.	1 year
8. To undertake construction of the Chesswood Extension which will service the new DND DTAF and the commercial block to the immediate north (Block I).	Retain a consultant to prepare detailed engineering plans for Chesswood Extension Obtain the necessary approvals Initiate construction following completion of the plans	Constructed street	1 year
Secure long-term financing to initiate the capital construction program.	PDP will explore and negotiate with commercial lenders, financing at commercially competitive rate.	Funding Facility	1-2 years
Continue to work on the business plan and program for the Cultural Campus	PDP will work with its consultants in order to develop a detailed business and programmatic plan for the Cultural Campus	Detailed plan and strategy	2 years
Further develop the PDP Ecological Knowledge Database and promote it as a systems ecology tool with environmental partners	Complete enhancements to the PDP Ecological Knowledge Database Promote its use with environmental organizations and institutions Make it available on the PDP Web site	Database is to be used by PDP as a planning and monitoring tool and will be available on the Internet to be used by other institutions and organizations	2 years
Develop and implement a housing solution for DND, which will meet their requirements	PDP will take a leadership role in developing and implementing a housing solution for DND in order that they are able to vacate the existing housing (Block A, B, C & D) by April 1, 2006	An agreeable housing solution between DND and PDP and DND vacating the existing housing lands	4 years



OBJECTIVE	STRATEGY	PERFORMANCE MEASURE	TIME HORIZON
Commence construction of Phase I of the Park design	Work with the Tree City design team in constructing Phase I of the park	A substantially completed Phase I	10 years
Enhance the revenue from ongoing property rentals	Undertake building assessments that will identify various leasing options Continue to have an aggressive marketing strategy to ensure ongoing property rentals	Enhanced property rentals	Ongoing
Continue to advance the park programming profile	Work with partnering agencies, sponsors and other stakeholders	Increasing the attendance and profile of events	Ongoing
Develop a Corporate Sustainability Plan	Develop a Corporate Sustainability Plan that meets the sustainability objectives in PDP's vision statement	Corporate Sustainability Plan	1 year



Appendix F

PDP Achievements 2001-2002

2001-2002 OBJECTIVE	PERFORMANCE MEASURE	CURRENT STATUS	TIME HORIZON
Finalize the land lease between PDP and DND (subsequent objectives cannot be fully realized unless this objective is satisfied)	Signed and approved agreements: ground lease, rights agreement and an operating agreement between PDP and DND.	<p>PDP and DND have moved closer to completing the ground lease for the parklands (which include the Park, Recreational / Cultural Campus and Research-Technology Park); however, there remains an outstanding issue associated with the environmental liabilities of the site</p> <p>Acquisition of title for the balance of the lands is subject to further negotiations and discussions</p>	1 year
Continue to work with DND on identifying ways to resolve the PMQ housing issue.	A feasible housing solution	PDP has continued to assist and work with DND on resolving the PMQ housing issue. At DND's request, PDP is taking a leadership role in developing a housing solution for DND	1-2 years
Finalize the Tree City design for the park	Finalized Tree City Design	<p>Contractual arrangements have been completed for the Tree City design</p> <p>The design is currently being prepared and taken through a comprehensive technical and public review process</p> <p>The design will focus exclusively on the parkland and will not include the Cultural Campus</p>	1 year



2001-2002 OBJECTIVE	PERFORMANCE MEASURE	CURRENT STATUS	TIME HORIZON
Develop a detailed business plan and program for the Cultural Campus	Detailed plan and strategy	A consultant has been retained to develop a business plan and program for the Cultural Campus	2 years
Complete Phase I of the park design	Phase I completed	Construction of Phase I of the park design is anticipated to begin in August 2002	5 years
Identify and realize a user for the commercial block located to the immediate north of the DTAF (Block I)	Signed ground lease with user	PDP has carried out discussions with potential users of this block of land; however, PDP does not think it is prudent for the company to service this block until PDP obtains title to these lands	1 year
Undertake construction of the Chesswood Extension which will service the new DND DTAF and the commercial block to the immediate north (Block I)	Constructed street	PDP retained a consultant to undertake the detailed engineering plans. The plans have been substantially completed. PDP does not think it is prudent for the company to construct this road until it has title to the lands and a tenant for the Block I; however, this road may be constructed depending the requirements for WYD 2002.	1 year
Develop detailed business and land use plans for the remaining commercial blocks and identify potential users	Detailed business and land use plan and potential users	PDP has advanced some business and land use plans for all the lands	1-4 years
Establish the Downsview Foundation.	A legally established foundation	A feasibility study was completed that strongly supports the establishment of a foundation	1 year



2001-2002 OBJECTIVE	PERFORMANCE MEASURE	CURRENT STATUS	TIME HORIZON
		The Foundation Committee is currently attempting to establish the foundation	
Hold one major public event in each season	Four successful seasonal events	One major public event was held in each season	1 year
Establish an event evaluation system to determine the benefits and costs of hosting various public events and programs	A Board approved system	An event evaluation system was developed and is being implemented	1 year
Develop a comprehensive sustainability policy for PDP	Board approved comprehensive sustainability policy	The company has approved the comprehensive sustainability policy	1 year
Further develop the PDP Ecological Knowledge Database and promote it as a systems ecology tool with environmental partners	Database is to be used by PDP as a planning and monitoring tool and available on the Internet to be used by other institutions and organizations	PDP is in the process of further developing the Downsview Park Ecological Knowledge Base	2 years
Facilitate the WYD 2002 event in July, which will include a Papal Mass	Facilitating World Youth Day	PDP has been actively working with all levels of government and other agencies in order to facilitate WYD 2002	2 years
Establish and operate a citizen Park Advisory Committee	An operational Park Advisory Committee	Achieved	Ongoing
Enhance the revenue from ongoing property rentals	Enhanced Property rentals	Revenues from ongoing property rentals have increased from \$4.7 million to an anticipated \$6.3 million	Ongoing



Other PDP Accomplishments

ACCOMPLISHMENTS
The Canada Day 2001 celebration at the park attracted approximately 65,000 individuals making it one of the largest Canada Day events.
PDP participated with the City of Toronto by displaying its historic buildings to the public for Doors Open Toronto.
In celebration of the new Millennium, PDP invited students across the country to participate in a national initiative – the “Our Canada” Millennium Quilt project. The quilt has been on a cross-country tour throughout 2001 to promote the park and thank the schools and children who participated in the project. This tour has drawn thousands of visitors and has received media coverage.
PDP established a partnership with Earth Day Canada. Over 2,000 people planted one thousand trees on the site.
PDP is taking a leading role with the Government of Canada to facilitate the WYD programs.
The Park profile was enhanced through participation in many trade shows and public events.
PDP has created one of the largest single-site studio production complexes in Canada.