

Dear colleagues,

The Government of Ontario is committed to investing \$160 billion for public infrastructure over 12 years. In addition, the federal Government announced the total federal infrastructure investment of over \$180 billion over 12 years. These significant and historic investments create opportunities for partnerships to renew Ontario's infrastructure and real estate assets.

The 2016 Infrastructure Ontario (IO) Market Update confirms an ambitious and diversified pipeline of civil and social infrastructure projects using Ontario's modern project delivery model, Alternative Financing and Procurement (AFP). The AFP project pipeline includes projects with a total capital value estimated at \$11.8 billion. Additional AFP projects that are in the due diligence process will add to the future IO pipeline.

IO manages the Government real estate portfolio and will execute land development transactions to generate revenues for Government reinvestment in infrastructure. New direct delivery projects and new real estate capital repair initiatives across the province are highlighted, with approximately 708 projects planned worth an estimated \$330 million.

And finally, IO will continue to support public infrastructure investment through its loan program. In 2016, the loan program is anticipated to provide more than \$600 million in approved loans to eligible public sector borrowers, particularly municipalities, which will further stimulate project opportunities for Ontario companies.

### ***Modern Project Delivery for Provincial Infrastructure Projects***

The AFP project pipeline includes projects with a total capital value estimated at \$11.8 billion. This outlook builds on the \$18.3 billion of projects completed to date and the \$14 billion of projects currently in construction (as of September 30, 2016.)

Transit and transportation projects remain a priority for the Government and IO is well positioned to work with the Ministry of Transportation and Metrolinx to deliver major projects. For example, in 2015, progress was made on the Eglinton Crosstown, Finch LRT and Highway 427 projects. In 2016, the 407 East Phase 1 opened to drivers, and procurements are underway for projects such as the Hurontario LRT and several initial elements of the Regional Express Rail (RER) program, as described below.

IO will continue to deliver social infrastructure projects including procurement of the New Toronto Courthouse in cooperation with the Ministry of the Attorney General. As well, two new health care facilities, the Groves Memorial Community Hospital Replacement and the Michael Garron Hospital (formerly Toronto East General) New Patient Care Tower will move forward in cooperation with the Ministry of Health and Long-Term Care.

IO will also use AFP to deliver the transformational, multi-year Macdonald Block Reconstruction project, as described below.

IO's approach is informed by the 2015 AFP Track Record Report that shows that 98% (44 of 45 projects) of projects that reached substantial completion of construction were on budget representing \$19.2 billion in awarded contracts. As a result, new hospitals, a new learning resource centre, transit system, sports facilities and the Athlete's Village for the Pan / Para Pan American Games are available for Ontarians. IO will prepare a new 2016 Track Record Report that is anticipated to show an ongoing trend of strong performance.

In addition to IO's track record, a number of IO projects received industry recognition. The Elgin County Courthouse won eight design excellence awards in less than two years. The Canadian Council for Public-Private Partnerships awarded Eglinton Crosstown LRT Gold in the Project Financing Category while Humber River Hospital received Gold recognition in the Infrastructure Category for Innovation and Excellence in Public-Private Partnerships. Overall, IO's AFP projects have received recognition with 19 awards since 2014, and IO received the P3 Award (Gold) for Agency of the Year in 2016.

Infrastructure Ontario's AFP model is a home-grown Ontario success. As a result, Ontario companies are positioned to compete for business in other countries and export their expertise. IO, in cooperation with the Ministry of Infrastructure (MOI) and Ontario's representative in Washington, DC, will continue to assist Canadian companies to target new markets and educate Governments in other jurisdictions, particularly in the United States. Over 50 other jurisdictions have already visited Ontario to understand our approach to infrastructure investments. IO has been involved in capacity building initiatives with the Interamerican Development Bank and the National Governors Association, and also collaborated with the Ontario

General Contractors Association Annual General Meeting in Washington, DC. IO continues to share best practices with federal and provincial government counterparts to showcase successes and opportunities for collaboration in both real estate and infrastructure.

### ***Partnering with Metrolinx to Deliver LRT and Regional Express Rail Projects***

The recent release of the Hurontario LRT Request for Qualifications marks the next step in the rollout of light rail technology to meet transit needs across the province, building on our experiences with the Eglinton Crosstown and Finch West projects and our work in partnership with the City of Ottawa and Region of Waterloo on their new LRT systems. IO looks forward to collaborating with Metrolinx, and the City of Hamilton, on the Hamilton LRT.

Metrolinx's Regional Express Rail (RER) program is a unique opportunity to expand commuter transit options across the Greater Toronto and Hamilton Area (GTHA). IO has worked closely with Metrolinx and MTO to analyze and move forward with a portfolio of projects that would be suitably delivered using AFP. We are working hard to optimize our procurement strategies in order to meet Metrolinx's timelines while balancing the importance of market competition and capacity. IO has already begun procurements for the first tranche of RER projects, known as package one, which are valued at approximately \$3 billion. These projects include track work, redeveloping GO stations and improving rail crossings.

In addition, other RER packages are being contemplated which are likely to include new stations, customer amenities, electrification, a train control system and operations and maintenance.

With projects spread out across the GTHA, IO and Metrolinx require bidders to think innovatively, oversee complex integration requirements and manage costs and risks across the RER program. While IO's portfolio of work will be demanding, we remain committed to fairness and our normal project due diligence. We will ensure competitiveness within the market.

### ***Partnering with Municipalities***

The Government's investments with municipalities are an opportunity for partnerships with IO in order to deliver large and complex infrastructure projects. For example, IO continues to work as an advisor to the City of Ottawa and Region of Waterloo on their LRT projects.

At the request of the City of Toronto, IO supported preliminary business case analysis regarding the renewal of the Gardiner Expressway and the City is now positioned to consider next steps. Preliminary discussions with the City regarding Scarborough Subway have been initiated. IO anticipates the opportunity to support due diligence on the Ottawa LRT Phase Two and the Region of Waterloo regional transportation hub.

In all cases, IO's role with municipalities on municipal projects requires a mandate directed by the Minister of Infrastructure.

### ***Modernizing and Transforming Real Estate Assets***

The Government of Ontario, through MOI, holds Canada's second largest real estate portfolio. Like many public sector realty assets, the portfolio is large, old, valuable, expensive and diverse. IO works to maximize the value of assets, maintain the portfolio in a state of good repair, right size and rationalize the portfolio and provide real estate services that support public service program needs.

Reducing the Government's office real estate footprint is a priority. To date, 553,796 square feet have been reduced in Toronto and 827,736 square feet have been reduced across the province. The Government has approved the Macdonald Block Reconstruction project which will be a significant transformation of the real estate portfolio and a dramatic reduction in the Government's footprint. The project will be delivered using the Alternative Financing and Procurement model in order to transfer risk to the private sector so that taxpayers are protected from cost and schedule overruns. When completed, the Government is expected to reduce office-related costs as a result of smaller office footprint, lower maintenance and higher energy efficiency. The Government has committed to reduce greenhouse gases from government operations and IO's work

to transform real estate assets, including the Macdonald Block Reconstruction project, could contribute to efforts to address climate change.

IO will continue to manage the Government's Real Estate Portfolio on behalf of the Ministry of Infrastructure. In 2016, IO will tender an estimated \$100 million for approximately 700 new capital repair projects this year which is part of the estimated \$250 million worth of projects managed each year.

Recently IO refreshed the General Contractors vendor of record in the North and East regions to ensure the appropriate number of qualified general contractors are available to bid on and deliver real estate projects in partnership with Project Management Service Providers. Looking ahead, later in 2016, vendors from across all regions and all specializations will have the opportunity to participate in the renewal of the real estate Vendor of Record by spring 2017.

IO's real estate expertise has created the potential for direct delivery projects using traditional methods. Through competitive procurements, IO anticipates bringing to market an estimated eight direct delivery projects as listed in the chart below. All of these projects are opportunities for companies of various sizes and in various parts of the province.

IO is involved in unlocking the value of provincial assets such as the Seaton Lands in Durham Region and the Ontario Power Generation Headquarters in Toronto. In addition, collaboration will continue with the City of Mississauga towards realizing the vision for Inspiration Lakeview. These initiatives are concurrent with other sales transactions that are normal course of business for IO to rationalize the portfolio and reduce surplus properties.

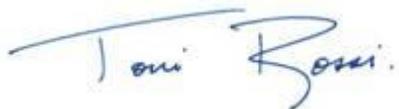
### **Loans**

Another way IO supports investments in infrastructure is through the IO loan program. IO continues to provide long-term financing for public infrastructure, particularly to municipalities and others in the broader public sector, consistent with IO's credit policies and guidelines. IO has advanced over \$7.7 billion in affordable long-term financing to public sector clients throughout Ontario representing 374 clients (89 clients in northern Ontario and 285 clients across all other regions) and over 2,169 infrastructure renewal projects with a total project value of more than \$13.6 billion (as of September 30, 2016). Municipalities, housing providers, universities and municipal corporations continue to make up the bulk of the loan program clients with a focus on growing the loan portfolio in the university sector. While IO does not manage infrastructure project procurements associated with loans to eligible public sector borrowers, IO's loan program enables projects to proceed and opportunities for additional construction work by firms across Ontario.

Attached is the new project status chart which includes updated information on infrastructure and real estate projects. Please note that the dates, models and cost ranges indicated for each project are our best estimates and are subject to change and Government approvals. These materials are available on our website and also available in French.

In closing, on behalf of the dedicated team at Infrastructure Ontario, I look forward to working with all of our public sector clients and private sector partners to continue to deliver benefits to the Government of Ontario and Ontarians.

Sincerely,



Toni Rossi  
President and CEO (Interim)  
Divisional President, Real Estate and Lending  
Infrastructure Ontario

*Disponible en français*