

# **TORONTO** STAFF REPORT

---

July 12, 2006

To: Policy and Finance Committee

From: Shirley Hoy, City Manager  
Fareed Amin, Deputy City Manager

Subject: Toronto Waterfront Revitalization Initiative  
East Bayfront Business and Implementation Plan  
(Toronto Centre - Rosedale, Ward 28)

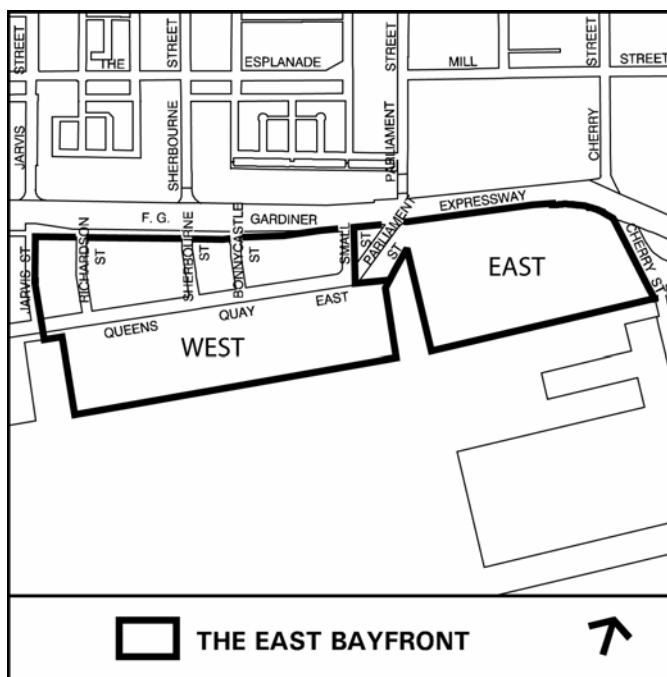
Purpose:

To recommend Council approval of the East Bayfront Business and Implementation Plan as a pre-condition to providing the Toronto Waterfront Revitalization Corporation (TWRC) with effective control of the Queen Elizabeth Docks.

Financial Implications and Impact Statement:

The proposed business plan for the East Bayfront precinct is based on a detailed financial model that has been prepared by the TWRC. This financial model forecasts expenditures of \$325.4 million and revenues of \$101.5 million for the period between 2006 and 2021. It also incorporates an estimated value of \$82.2 million that can be realized from the sale of the assets still in the TWRC's ownership at the end of that period. These assets are to include parking structures, employment lands which are leased to tenants, and the ground floor areas of residential buildings. This will result in an overall estimated net cost of \$141.7 million for the project.

The Plan also includes a total contribution of \$210.7 million from the three orders of government towards the funding of the project's forecasted expenditures. This will result in approximately \$69 million that can be reinvested back into other waterfront projects. The principle of reinvestment of



revenues back into the Revitalization Initiative has been approved by City Council and the Provincial government. (Cash flow requirements necessitate a government investment of \$210M in the earlier years of precinct build out. A portion of this investment, \$69M, becomes available for reinvestment in other Waterfront Initiatives from revenues that are generated later in the development process.) The above details are summarized in the chart below:

	<b>\$ million</b>
Costs	\$325.4
Revenues (incl. End of Project Sale of Assets)	\$183.7
Net Costs	\$141.7
Government Contributions	\$210.7
Amount Available for Reinvestment	\$ 69.0

A number of financial risk factors may impact on the actual net cost that will be funded by the three orders of government. As the largest elements within the proposed financial model are the capital expenditures for public transit, parks, municipal infrastructure, parking structures, community facilities and site preparation, greater-than-forecast construction cost inflation is one of the greatest single risk factors impacting on the project's net cost.

Changes in market conditions can also have an impact on the net amount of government funding that is required by the project. A downturn in the residential condominium market can result in lower prices for lands sold to developers or in slower land sales. It will also impact on the rate at which the TWRC recovers a portion of its expenditures from private landowners. However, only a very significant change in market conditions will result in a significant change in the net government expenditures.

Subject to the annual budget process, the recommendations in the staff report on TWRC's Five-Year Business Plan/Ten-Year Forecast, also on this agenda, will result in Council's approval of the \$325.4 million of costs for the implementation of the TWRC's business plan for East Bayfront, as well as the City's \$79.0 million share of the total \$210.7 million government funding for the project. The annual allocations of the City's \$500.0 million overall contribution towards Revitalization recommended in the Five-Year Plan report are consistent with the revised 2006 Capital Budget for the Initiative approved by Council at its meeting in June, 2006, and the 2007-2010 Capital and Debt Service Guideline for the Initiative contained in the Policy and Finance Committee Report No. 5, Clause 25, that is also on this agenda.

The Deputy City Manager for the Waterfront Revitalization Initiative and the Deputy City Manager and Chief Financial Officer will be reporting in 2007 on the process to identify municipal budget impacts resulting from the approval of the 2006 Proposed Capital Budget for the Waterfront Revitalization Initiative and the Five-Year Capital Plan. A Waterfront Renewal Budget Impact Committee with representation from the impacted City Divisions has been established to begin the process of quantifying the operating budget impacts associated with the waterfront revitalization.

The Deputy City Manager and Chief Financial Officer has reviewed and concurs with this Financial Impact Statement.

Recommendations:

It is recommended that City Council:

- (1) approve the June 28, 2006 East Bayfront Business and Implementation Plan, appended to this report in Attachment 1, with associated appendices on file with the Waterfront Secretariat and City Clerk's Office as follows:

East Bayfront Employment Strategy (June 7, 2006)

Cultural and Animation Strategy for Toronto's East Bayfront & Appendices (April 2006)

East Bayfront Development – Ground Floor Retail Strategy (May 2006)

East Bayfront Project Schedule 2006-2008 (Initial Implementation)

East Bayfront Project Schedule 2006-2021

East Bayfront Financial Model\*

\* The East Bayfront Financial Model contains privileged market information and accordingly, is a confidential document. It is available for viewing by members of Council upon request.

- (2) provide the TWRC with effective control, as defined in the March 31, 2006 Memorandum of Understanding (MOU) between the City, TEDCO and the TWRC, of the "Queen Elizabeth Docks" with the exception of the lands reserved for "TEDCO Projects" if these projects have been confirmed in signed lease(s) between TEDCO and the announced tenant(s) by September 30, 2006 after which time, if leases have not been signed, the TWRC shall lead the marketing and development of these lands as part of the revitalization initiative;
- (3) in accordance with the March 31, 2006 MOU between the City, TEDCO, and the TWRC, direct TEDCO as follows:
  - (i) within one month of the adoption of this report by Council, to provide the TWRC with all existing leases for lands, buildings or structures on the "Queen Elizabeth Docks" as well as copies of all environmental audits, environmental assessments, reports and other material information relating to the "Queen Elizabeth Docks" without representation or warranty, with the TWRC bearing the cost for TEDCO's disbursements to provide this information and signing confidentiality agreements as required;
  - (ii) within one month of receipt of a formal request by the TWRC, to provide notice of termination to the tenant(s) identified; such notice to be provided in accordance with the lease terms stipulated for each tenant;

- (4) direct the Waterfront Project Director to ensure that prior to the TWRC undertaking any site preparation activities on City or TEDCO-owned lands in East Bayfront, it demonstrate that it has obtained appropriate environmental insurance, environmental indemnities and other protections necessary in favour of the City and TEDCO as per the March 31, 2006 MOU, with such insurance, indemnities and protections to be to the satisfaction of the Deputy City Manager responsible for the Waterfront Revitalization Initiative and City Solicitor;
- (5) direct the Waterfront Project Director, when reporting to Council on the transfer or long-term lease of land from TEDCO to the City for public purposes or to a third party for development purposes, to address any covenants, insurance and indemnities to be provided to TEDCO and the City, the remediation standards to be implemented, and funding arrangements to be put in place by the TWRC for the maintenance of risk-assessed land, if required.
- (6) endorse the strategic directions contained in the East Bayfront Employment Strategy, Cultural and Animation Strategy and Ground Floor Retail Strategy and request that the TWRC, in consultation with City staff, use these documents as the basis for creating an integrated workplan and marketing materials for consultations with stakeholders and prospective development interests;
- (7) endorse the TWRC's employment target of 8,000 jobs (excluding the jobs generated through implementation of the ground floor animation strategy) for the East Bayfront (West) area and direct the Waterfront Project Director to ensure that the employment space necessary to meet the targets for both phases of East Bayfront development are identified in the applicable developer proposal calls issued by the TWRC and are legally secured as part of the awarding of the project to the successful proponent(s);
- (8) direct the Waterfront Project Director to ensure that when the Community Improvement Plan (CIP) currently under preparation by City and TEDCO staff, in partnership with the TWRC, is brought forward to Council for consideration, specific measures to facilitate the realization of the 4,000 jobs (excluding the jobs generated through implementation of the ground floor animation strategy) projected by the TWRC for lands on the north side of Queens Quay East in East Bayfront are addressed either in the CIP or in a companion strategy if needed;
- (9) direct the Waterfront Project Director to report to Council in 2007 on the efforts and strategies of the TWRC, TEDCO, and City staff, working in partnership, to relocate impacted businesses within the City of Toronto and, where existing leases specify, to negotiate any financial support required;
- (10) subject to Council adopting a Zoning By-law in September 2006 containing these provisions, support the following reimbursements to the TWRC of funds collected in the East Bayfront (West) area through Section 37 provisions:

- (i) on an annual basis, any funds collected as a contribution towards the provision of local infrastructure;
  - (ii) on an annual basis, any funds collected as part of a cash contribution for the acquisition of affordable housing sites, following the submission by the TWRC of adequate documentation to assure the acquisition of the subject site(s) within the East Bayfront (West) area;
  - (iii) the above reimbursements to the TWRC to be reflected in the tri-government Accounting Framework as a City contribution to the Waterfront Initiative.
- (11) subject to agreement by the three governments, approve in principle governance changes included in the East Bayfront Business and Implementation Plan, specifically allowing TWRC to:
- (i) create a subsidiary for the ground floor animation space single entity ownership that is subject to the same reporting and accountability standards as the TWRC;
  - (ii) borrow funds to support the construction of an underground parking facility and to secure ownership of the ground floor animation space, with no recourse to the government partners; and
  - (iii) collect and reinvest revenues from ground floor rents, parking and lease of employment lands.
- (12) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

**The East Bayfront Today**

The East Bayfront today contains a variety of businesses mainly housed in low-rise buildings surrounded by large concrete areas devoted to surface parking, storage and loading. Given its proximity to the downtown core and its waterfront setting, the area is underutilized relative to its potential.

Lands on the north side of Queens Quay East are almost entirely in private ownership except for a 0.28 ha (0.7 acre) parcel at the north-east corner of Sherbourne Street and Queens Quay East and former rail spurs which are owned by the TEDCO.

The 11 ha (27 acre) Queen Elizabeth Docks, located south of Queens Quay East between the Jarvis and Parliament Street Slips, is owned by TEDCO. The main tenants are Tate and Lyle Canada Ltd. (Redpath Sugars) who lease lands adjacent to the Jarvis Street Slip for employee parking, Cinespace Studios (MT 28), Waterside Sports Club and Bistro, Canpar (MT29) and the Royal Canadian Yacht Club (RCYC) who also own lands adjacent to the Queen Elizabeth

Docks. All tenants are on short-term leases in anticipation of waterfront revitalization activities. Canpar has recently relocated to its new facility in South Etobicoke and discussions are underway by TEDCO and the TWRC regarding possible relocation options for most of the remaining tenants.

### **Moving To Implementation**

Revitalization efforts in East Bayfront have followed a steady progression towards implementation. The first milestone was the adoption of the Central Waterfront Secondary Plan by Council in April 2003, followed by Council approval of the TWRC Five-Year Business Plan/Ten Year Forecast in September 2005. Council's endorsement of the East Bayfront (West) Precinct Plan and Class Environmental Assessment (EA) in December 2005 provided a detailed plan for the future district. The signing of the City/TEDCO/TWRC Memorandum of Understanding (MOU) on March 31, 2006, following Council endorsement in January 2006, served to clarify respective roles and responsibilities of waterfront agencies in revitalizing East Bayfront while also establishing the pre-conditions as to how and when public lands would be made available to the TWRC for revitalization. Under the terms of the MOU, the TWRC is the revitalization lead, receiving effective control of City and TEDCO-owned lands in the Designated Waterfront Area (DWA) incrementally, following Council approval of Business and Implementation Plans for the lands in question.

#### Central Waterfront Secondary Plan

The Central Waterfront Secondary Plan envisions the transformation of the East Bayfront as we know it today to "a prominent waterfront address for working and living amidst the energy and abundance of waterfront activities, including a new water's edge promenade and other public activities in a new East Bayfront park." Cornerstones of East Bayfront renewal are a revitalized Queens Quay East, the extension of high-level transit to the area and the creation of a sustainable 21<sup>st</sup> century community of the future.

#### TWRC Five-Year Business Plan/Ten Year Forecast

A budget for revitalization efforts is contained in the tri-government endorsed TWRC Five-Year Business Plan/Ten Year Forecast. A total of \$325.403 million for East Bayfront revitalization activities, consisting of both direct government contributions and revenues, is allocated in the TWRC's Five-Year Business Plan/Ten Year Forecast (2006 – 2015). A report seeking Council approval of this allocation is the subject of a separate staff report also on the July 2006 agenda of Policy and Finance Committee and Council. This Plan, originally approved for the period 2005 - 2014, is a rolling document that is subject to the approval of the three government partners on an annual basis, and forms the basis of the City's capital budget for the Waterfront Revitalization Initiative.

#### East Bayfront (West) Precinct Plan and Class Environmental Assessment (EA)

The TWRC's East Bayfront (West) Precinct Plan and Class Environmental Assessment (EA) Plan translated the high-level vision contained in the Secondary Plan to a detailed plan for the

future district (see Map1). The precinct plan provides for a new mixed-use precinct with a diversity of employment and residential functions, along with a public realm that makes it a significant public destination on the waterfront. Approximately 6,300 residential units and 185 800 m<sup>2</sup> (2 million sq. ft.) of non-residential development is proposed to be built out over 15 years. The new community would be lined with a 1.5 kilometre water's edge promenade, a new 1.47 ha (3.6 acre) Sherbourne Park, a public gathering space at the Jarvis Street Slip and several other new public spaces of varying size and function. Queens Quay East would be re-built to accommodate all forms of pedestrian, transit and vehicular traffic.

As part of Council's consideration of the precinct plan, questions arose concerning the viability of the TWRC's proposed ground floor animation strategy. Council requested that the TWRC address the viability of the strategy including the degree of subsidization required in the business plan for this precinct.

Other matters Council directed the TWRC to address in its business planning were:

- A strategy for achieving parks, open space and affordable housing objectives on private lands;
- Annual revenue and expenditure projections for the full build-out of the precinct;
- Private sector investment strategies and targets for the precinct;
- Project phasing including projected annual residential and commercial occupancy targets;
- Start and completion dates for public realm components of the plan; and
- A strategy for attracting employment and tourism uses, with targets for the number of jobs to be created and the number of visitor trips to be attracted on an annual basis.

All of these items have been addressed in the business plan and are reviewed in this report.

#### City/TEDCO/TWRC Memorandum of Understanding

In September 2005, Council approved a report entitled "Implementation of a New Governance Structure for Toronto Waterfront Renewal." The report confirmed that effective control of public lands in the DWA was to be provided to the TWRC on an incremental basis, following Council approval of detailed business and implementation plans for lands owned by the City or TEDCO. The report also directed that MOUs be developed between government partners and their respective agencies with involvement in the waterfront; in the City's case, TEDCO. The intent of the MOU was, amongst other matters, to clarify roles and responsibilities in revitalizing the waterfront, ensure TEDCO lands were available for renewal when required and not sterilized in the interim, designate TWRC as the revitalization lead subject to certain conditions and ensure that the revitalization initiative advanced in an expedited, transparent and accountable manner.

Section 5.0 of the MOU sets out the detailed requirements for the business plan as follows:

- (i) refine project phasing and timing;

- (ii) identify businesses that need to be relocated and the strategy for relocation;
- (iii) indicate whether transfers of TEDCO Lands are to be freehold or ground leasehold in nature;
- (iv) identify projects that will be completed early in the revitalization and facilitate the completion of those projects,
- (v) identify a strategy for attracting employment and tourism uses, and achieving targets for employment generation and tourism/visitor trips;
- (vi) outline any amendments or regulations to the *Toronto Waterfront Revitalization Act, 2002*, any consents from one or more of the three orders of government, and the details of the contribution agreements with one or more of the orders of government that will be required to implement the plan;
- (vii) identify the requirements for and the manner in which land revenues are to be reinvested in the Revitalization Initiative; and
- (viii) provide a framework for future activities.

Furthermore, the MOU requires that the business plan contain detailed revenue and expense projections, occupancy projections and investment and reinvestment strategies including details upon wind-up of the revitalization initiative (25 years hence).

Finally, the MOU requires that the other orders of government confirm funding for precinct implementation. Government approval of the Five Year Business Plan/Ten Year Forecast for waterfront renewal is deemed sufficient to satisfy this requirement. In this regard, the TWRC's 2005 - 2014 Plan was approved by the three orders of government in 2005. As this is a rolling Plan, a 2006 Plan in which year 2015 is added, has been prepared by the TWRC and, as noted above, will be before Council in July 2006. Representatives from the three governments have participated with the TWRC in the development of this Plan.

### **TWRC Submission**

The TWRC has submitted the June 28, 2006 East Bayfront Business and Implementation Plan (hereafter referred to as "the business plan") addressing the Council requirements outlined above. The following reports and appendices accompany the business plan:

East Bayfront Employment Strategy (June 7, 2006)  
Cultural and Animation Strategy for Toronto's East Bayfront & Appendices (April 2006)  
Background Document: East Bayfront Development – Ground Floor Retail Strategy  
East Bayfront Project Schedule 2006-2008 (Initial Implementation)  
East Bayfront Project Schedule 2006-2021



East Bayfront Financial Model: Model ProForma (Phase I and II), Sensitivity Analysis, Project Summary, Project Cash Flow, Assumptions, Infrastructure Summary, Infrastructure Detail and Ground Floor Animation Space Details

A copy of the business plan is appended to this staff report in Attachment 1. The remaining documents are on file with the Waterfront Project Secretariat and City Clerk's Office should any party wish to view them. As the Financial Model contains confidential market information, this is a confidential document that can be viewed by members of Council upon request of the Waterfront Project Director or the City Clerk. Key components of the business plan and appendices are highlighted in this report.

### **City Division and Agency Circulation**

Staff from Finance, Legal Services, Economic Development, Culture and Tourism (EDCT), Parks, City Planning and TEDCO has provided feedback to the TWRC in its development of the various components of its Business and Implementation Plan. Finance staff have been involved in the due diligence review of all of the elements of the Financial Model and both EDCT and TEDCO staff have worked with the TWRC in the formulation of its Employment Strategy.

The comments which follow describing the various elements of the business plan reflect the input of the City team. Where there remain areas of concern, the issues are highlighted and addressed.

### Comments:

#### **Phasing**

The business plan assumes a 15 year build-out of the Queen Elizabeth Docks to 2021 based on a two-phase approach (see Map 2). Notwithstanding the relatively small acreage in public ownership, this prime waterfront location will yield over 278 700 m<sup>2</sup> (3 million sq. ft.) of development in addition to public amenities. The business plan is premised on the assumption that land values will appreciate significantly once early investments in parks and infrastructure are made and construction of the first buildings commences.

The business plan projects a build-out of Phase I over the upcoming 7 year period assuming current market conditions remain relatively stable. The project mix for Phase 1 is as follows:

1,300 residential units in 92 900 m<sup>2</sup> (1 million sq. ft.); 260 units affordable  
2,300 jobs in 37 160 m<sup>2</sup> (400,000 sq. ft.) of employment space (Phase IA)  
13 935 m<sup>2</sup> (150,000 sq. ft.) of ground floor cultural, retail, service and entertainment uses

Starting in 2010, the TWRC estimates the release of 500 residential units per year precinct wide. Of this number, 250 units per year are projected on the Queen Elizabeth Docks. Its employment targets for the Queen Elizabeth Docks estimate 6 503 m<sup>2</sup> (70,000 sq. ft.) on average per year although actual absorption is typically highly variable. The business plan projects that construction of the first office buildings in Phase 1A will start in 2009 and be ready for

occupancy in 2011. Phase 1B, although largely in private ownership, will be encouraged to be developed early in conjunction with Phase 1 as a means of animating the environment around Sherbourne Park.

Project schedules for East Bayfront revitalization from 2006-2008 (initial implementation) and for construction of the full build-out period 2006-2021 appear in Attachment 2. In addition to development activities, Phase 1 includes the design and early construction of Sherbourne Park and the water's edge in front of the park, which is to be initiated in 2007, and the extension of transit, to be completed as close as possible with initial occupancy of the project in 2010. The remaining portions of the water's edge promenade will be completed in coordination with each successive adjacent building due to dockwall tie-back requirements to secure the promenade. The Jarvis Street Slip public gathering space will be developed in coordination with Phase 1A development.

The release by TWRC of Phase 2 lands through an RFP will be subject to the market conditions of the day. However, the business plan anticipates that by 2012, active preparation for the disposition of these lands could begin. Phase 2 projections are as follows:

1,100 new housing units in 83 610 m<sup>2</sup> (900,000 sq. ft.); 225 units affordable rental  
1,700 jobs in 27 870 m<sup>2</sup> (300,000 sq. ft.) of employment space  
13 935 m<sup>2</sup> (150,000 sq. ft.) of ground floor cultural, retail and entertainment uses

By holding back on the release of the Phase 2 lands to the private sector, the TWRC will benefit from appreciated land values. Although a two-phase approach remains TWRC's preference, the business plan notes that the TWRC will be maintaining flexibility in its phasing to take advantage of market opportunities. This may include putting the entire Queen Elizabeth Docks area out to the market through one RFP, if it can achieve the public and financial objectives it has established for the precinct. In the meantime, the TWRC indicates it is committed to work with TEDCO to ensure no premature relocations of businesses take place and in pursuing compatible interim uses of vacant sites to generate revenue until such time as the lands are required for revitalization.

Together with Phase 2 development, the TWRC's business plan calls for an additional park (referred to as Aitken Place Park) and eventually, an elementary school/community centre and day care centre. Aside from carrying the capital costs of the community centre and day care centre in its budget, and assuming all residential development will contribute to the costs of providing these facilities, no firm arrangements have been made with the school board regarding the purchase of a site and its operation. The use of a holding provision in the zoning projected to come forward to Council in September will allow further exploration of the provision of the school, outdoor play space and other amenities provided for in the precinct plan at the Parliament Street Slip.

In accordance with the provisions of the MOU, the business plan has been prepared on the basis that residential transfers will be outright sales in the form of fee simple title. Transfers of lands for non-residential development will be on the basis of long-term leases and the transfer of lands for parks and other public amenities will be on the basis of providing fee simple title.

## **Developer Proposal Call Process**

According to the business plan, the TWRC will offer the sale of residential blocks and options to develop the employment/cultural blocks in each of the two phases. RFPs will be designed with flexibility to allow the TWRC to select one or several developers for each phase. The TWRC is proposing to attract local and international development interest to the district through a successive Request for Qualifications (RFQ) and Request for Proposals (RFP) process for each phase. The issuance of the RFQ for Phase I is projected for March 2007; the RFP is scheduled for release summer 2007. However, the business plan maintains the flexibility to consider the tendering of the whole Queen Elizabeth Docks should a development opportunity present itself which allows TWRC's comprehensive vision for the East Bayfront to be accomplished. The issuance of proposal calls for Phase 2 is targeted for 2012/2013.

## **Delivering Affordable Housing, Parks and Community Facilities on Privately-Owned Lands**

Although the focus of the financial model is the Queen Elizabeth Docks, the business plan also allocates funding for soft and hard infrastructure on the north side of Queens Quay East including the development of new parkland, acquisition of one or more affordable housing sites and a day care centre. Development of these elements will be phased in conjunction with development on the north side of Queens Quay East.

One of the issues the TWRC was instructed to address was the acquisition of private lands for affordable housing, parks and open spaces. Over the past number of months, the TWRC has been working with City staff on this matter both as input to the business plan and the preparation of the Section 37 provisions in the zoning. In addition, various consultations with individual property-owners have occurred.

A more definitive acquisition strategy will be presented in the staff report on the zoning, following stakeholder consultations and further discussions with the impacted land-owners. For the purpose of the business plan, the TWRC has allocated funds collected through Section 37 of the Planning Act to the acquisition of affordable housing sites on the north side of Queens Quay East. Similarly, its park budget covers the development of public parks on the north side of Queens Quay East as does the local infrastructure budget (community centre, 2 day care centres, roads, servicing).

It is intended that all private development will contribute in some manner (land or cash) towards the provision of affordable housing sites on the north side of Queens Quay East. On the Queen Elizabeth Docks, the TWRC's Financial Model allocates sufficient land to provide 20% affordable rental housing.

As the TWRC will be front-ending these costs, staff is recommending that, subject to Council adopting zoning containing Section 37 provisions of this nature in September, TWRC be reimbursed specifically for the local infrastructure (hard and soft) it is providing and for the acquisition of land for affordable housing on the north side of Queens Quay East. Staff is also

recommending that the reimbursements be included in the tri-government Waterfront Accounting Protocol, as a City contribution to the Revitalization Initiative. A separate arrangement will be required between the developers of the privately-owned lands and the TWRC to compensate the TWRC for the parkland it is providing in satisfaction of the parkland contribution under the Planning Act.

### **Termination of Leases and Business Relocation**

One of the first steps following Council approval of the business plan is the provision of termination notices for tenants occupying the Queen Elizabeth Docks in order that the TWRC may initiate site preparation activities in September 2006, primarily for Sherbourne Park. To expedite the revitalization, work will begin on lands as they become available. Taking this proactive approach will allow the TWRC to prepare the various sites for development as well as provide as much certainty as possible to the development community regarding the availability of this land with the objective of maximizing land sale prices.

In anticipation of the lease terminations, various discussions between TWRC, TEDCO and the impacted tenants have taken place. To the extent possible, the TWRC, City and TEDCO will make every attempt to ensure that businesses can continue their current operations elsewhere in the City. In addition, any financial support will be extended in accordance with the terms of the existing leases. As recommended, staff will be submitting a report to Council detailing the efforts and strategies of TWRC, TEDCO and City staff to relocate the impacted businesses within the City of Toronto.

The TWRC indicates that it will work with TEDCO to ensure any relocation of businesses do not occur prematurely. As well, opportunities for interim revenues through short-term rentals may be possible.

### **Financial Model**

A core element within the East Bayfront business plan is a detailed financial model that has been prepared by the TWRC. This financial model, which is summarized in Table 1, forecasts overall revenues and expenditures related to the East Bayfront redevelopment during the period between 2006 and 2021. It also incorporates an estimate of the value in 2021 of the assets still in the TWRC's ownership at the end of that period. These assets are to include parking structures, employment lands which are leased to tenants, and the ground floor areas of residential buildings.

In order to be consistent with the Five-Year Business Plan/Ten-Year Forecast, the figures within the financial model are presented in nominal amounts. Table 1 presents these nominal amounts as well as present value amounts that take into account the time-value of money.

**Table 1 - Summary of East Bayfront Financial Model**

	<b>Nominal (\$)</b>	<b>Present Value (\$)*</b>
<b>Direct Costs</b>		
Planning & Site Preparation	23,997,000	20,531,802
Major Infrastructure	37,566,891	26,240,898
Public Transit	116,000,000	82,748,829
Parks and Open Space	81,028,856	49,510,514
Community Facilities	26,420,776	16,511,889
Ground Floor Strategy Implementation	8,640,292	5,694,054
Parking Structures	26,803,583	15,887,352
Interest Costs on Interim Debt	4,945,341	-
	<b>325,402,739</b>	<b>217,125,338</b>
<b>Revenues</b>		
Residential Land Sales**	41,320,307	26,676,553
Commercial Land Lease Payments	17,413,996	8,776,394
Park Dedication	9,286,630	5,715,365
Section 37 Charges	23,815,289	14,656,885
Ground Floor Revenues	4,082,563	344,129
Parking Revenues	5,557,118	2,631,690
	101,475,904	58,801,016
End-of-Project Sale of Assets	82,219,032	27,787,239
	<b>Total Revenues</b>	<b>183,694,937</b>
	<b>Net Cost</b>	<b>141,707,802</b>
<b>Funding</b>		
Government Contributions	210,694,000	150,658,230
	<b>Amount Available to be Reinvested</b>	<b>68,986,198</b>

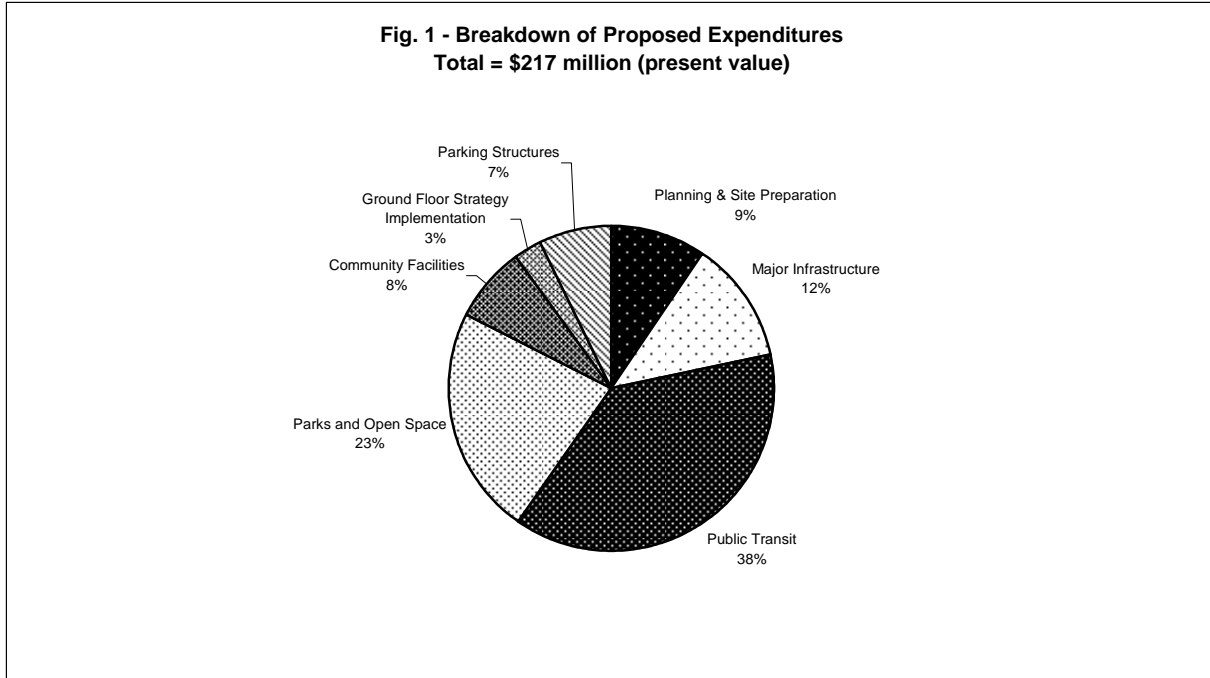
\* - discounted at TWRC cost of capital

\*\* - this amount takes the following into account:

- the need to negotiate a provision for the ground space as per the TWRC's Ground Floor Strategy
- the opportunity cost of setting aside 20% of the land for affordable housing

*Expenditures*

As shown in Fig. 1, the financial model forecasts expenditures with a total present value of \$217 million.



The above breakdown of the TWRC's proposed expenditures highlights the corporation's broad goals for achieving a range of important civic objectives as part of the revitalization of the East Bayfront precinct.

The largest single element within the project budget is for public transit. This element incorporates the \$83 million present value cost of constructing the East Bayfront light rapid transit line. The construction of this type of significant transit capital project is not usually carried out by land developers. However, one of the plan's principle objectives is to promote transit usage in this precinct by providing transit service early before residents develop a reliance on personal vehicles.

Other major expenditures that reflect the TWRC's special role in achieving various public objectives are (all amounts are present value):

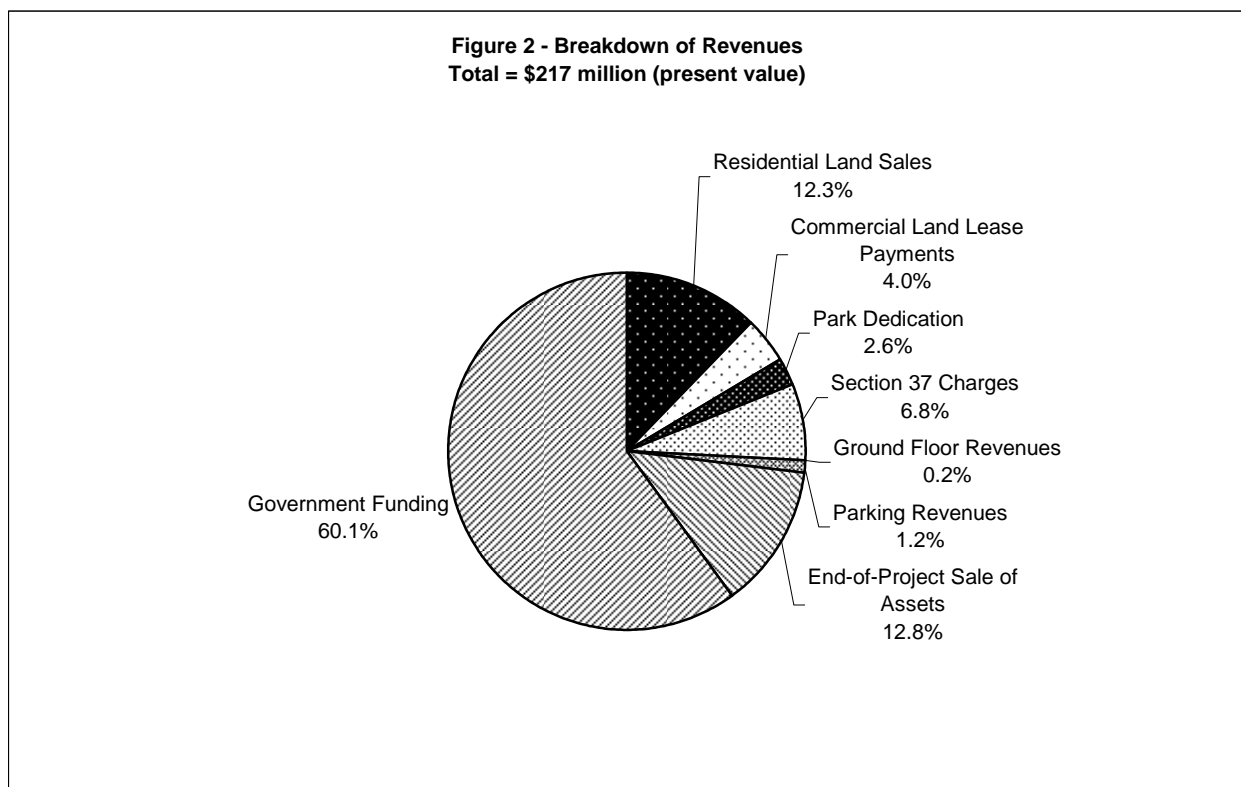
- \$36 million for the construction of a waterfront promenade;
- \$16 million in support of the construction of underground parking facilities
  - this expenditure is part of a strategy to attract office development in Phase 1 of the project in order to achieve the City's objective of a balanced mix between residential and employment-based land uses
  - the provision of the parking structure by the TWRC offsets cost disadvantages that office developers will otherwise face relative to other potential locations in the GTA; and
- a \$10 million opportunity cost for setting aside 20% of the land for affordable housing.

### Revenues

Fig. 2 provides a breakdown of the funding required to offset the projected \$217 million cost (present value) of the TWRC's plan for the East Bayfront.

The TWRC has forecast that approximately \$38 million (present value) in revenues will be generated between 2006 and 2021 from:

- the sale of land for residential development
- the leasing of land for commercial development
- parking fees
- leasing of the ground floor space in residential buildings



The TWRC is also forecasting that it will be able to recover some of the costs invested in the parks, community facility and local infrastructure from owners of private lands in the East Bayfront area through various developer contributions.

In addition, the TWRC is forecasting that it will be able to realize approximately \$28 million (present value) from the sale of the parking structures, the ground floor areas of the residential buildings and its commercial lands at the end of the project period in 2021.

Together, the projected revenues, cost recoveries, and the end-of-project asset sales will offset approximately 40% of the total forecast expenditures. The remainder of the necessary revenues

will be offset by funding provided by the three orders of government or through transfers of revenues generated in other precincts developed by the TWRC. Direct government funding of \$150 million (present value) for this project has been negotiated by the three levels of government as part of the Five-Year Business Plan/Ten-Year Forecast discussed in a separate report also to be considered by Council at its July, 2006 meeting.

#### *Financial Incentives for Commercial Development*

It is expected that a number of measures will be put into place to help achieve the objective of a balanced mix of residential and commercial development in the East Bayfront. As discussed above, the business plan proposes that the TWRC invest \$16 million in partnerships with commercial developers for the provision of underground parking facilities. The TWRC would only share in the revenue earned in excess of a base amount that would provide the private sector partner with a reasonable return on this investment. By entering into such an arrangement, the TWRC would, in essence, be providing a significant financial subsidy for the developers of commercial buildings.

The TWRC is also forecasting that its lease revenues from commercial land will be based on a significantly lower value for these lands than for lands that can be developed for residential use. This lower value represents an opportunity cost to the TWRC and an additional financial incentive towards employment-based development.

However, it is likely that some further measures will still be required and a report currently before Council from the Deputy City Manager for the Waterfront Revitalization recommends that the City establish a Community Improvement Project Area By-law for the East Bayfront, West Don Lands, Port Lands, and South of Eastern Avenue. The implementation this By-Law will enable the City to prepare a Community Improvement Plan that incorporates further financial incentives towards the creation of employment-related redevelopment.

The CIP report outlines a broad array of potential incentive tools that will be assessed for potential implementation by City Finance and TEDCO staff in consultation with the TWRC. The report recommends that Council endorse the following principles for the use of incentives in the Community Improvement Plans:

- a. Effective city building
- b. Generate jobs/employment
- c. Encourage new commercial investment
- d. Fair and equitable access to incentives
- e. Transparent distribution of incentives
- f. Cost-efficient achievement of objectives
- g. Limited government risk and liability
- h. Efficient and timely administration

After consulting with the public and various stakeholders, staff will be reporting back to Council with a recommended incentive package for the East Bayfront area.



Under the tri-government Waterfront Accounting Protocol, the cost to the City of municipal financial incentives in the TWRC precincts will be recognized as a City contribution to the Toronto Waterfront Revitalization Initiative.

### *Financial Risk Factors*

As discussed above, the largest elements within the proposed financial model are the capital expenditures for public transit, parks, municipal infrastructure, parking structures, community facilities and site preparation. Therefore, greater-than-forecast construction cost inflation is one of the greatest single risk factors impacting on the total government contribution that this project will ultimately require. A ten percent average increase in overall construction costs would result in approximately a 16% increase in the overall net cost of the project.

Changes in market conditions can also have an impact on the net amount of government funding that is required by the project. A downturn in the residential condominium market can result in lower prices for lands sold to developers or in slower land sales. It will also impact on the rate at which the TWRC recovers a portion of its expenditures from private landowners. However, only a very significant change in market conditions will result in a significant change in the net government expenditures. A ten percent reduction in the present value of revenues from land sales, commercial land leases, parking revenues and cost recoveries would only result in a 6% increase in the overall net cost of the project.

### **Private Sector Investment Strategies in East Bayfront**

Of the \$2.5 billion project cost for revitalizing East Bayfront, the business plan estimates that \$2.2 billion will be invested by the private sector. Accordingly, creating the right conditions to attract private investment is a core element of the business plan, informing the overall development approach.

The TWRC's premise is that substantial early investments in infrastructure (including transit, roads, district energy, broadband infrastructure, ground floor animation and parking) sends a clear message to the private sector that the TWRC is moving decisively to implementation and makes the development an attractive investment option. Moreover, the provision of upgraded infrastructure creates the physical means to accommodate the future community. The award-winning urban design of the precinct and the abundance of amenities are anticipated to attract employers, residents and tourists alike. Year-round animation and adequate parking will act as tipping points for private investment and will serve to elevate the district into a sought-after destination and a model of sustainable development.

A key factor in attracting private investment is providing the industry with tangible certainty about the development process. This, in turn, translates into a developer's ability to access financing. The business plan outlines TWRC's strategy for providing a high level of certainty to the development community by ensuring that prior to the first developer proposal call, the East Bayfront will have approved zoning and a pre-negotiated Section 37 agreement with the City. Moreover, prior to construction of the first private sector building, the entire precinct will have Ministry of Environment acceptance of a Risk Assessment/Risk Management Plan.

It is important to note that as a public entity, the TWRC has balanced attracting private investment with other key objectives. True success in the development of East Bayfront requires a balance between maximizing return on the investment made through the participation of the three orders of government with the social and sustainability objectives of waterfront revitalization.

Finally, the TWRC has indicated that in addition to land development, it will strive to attract private sector investment to the precinct through infrastructure partnerships and corporate sponsorship in legacy funding for waterfront parks and other public amenities.

### **Employment Strategy**

Creating high value jobs along with sustainable cultural and tourism activities will be one of the most challenging public policy objectives to achieve in the East Bayfront. However, these are critical elements to creating a sustainable community of the future. It will be crucial for the TWRC and City to actively articulate a strong commitment to achieving the necessary employment outcomes. The creation of value-added jobs, along with cultural and tourism activities, must be seen as mandatory requirements for the development of the East Bayfront and accorded equal importance to securing other public policy objectives such as affordable housing and public realm amenities.

There is a strong case for supporting proposals that will exceed and/or accelerate achieving the identified employment targets. The City lags behind the Toronto region with respect to job creation over the last decade. Job creation in the waterfront is considered a key strategy towards meeting the new Official Plan's employment growth objectives. Currently, there are a number of knowledge-based companies that have expressed interest in locating in the East Bayfront. However, company location and investment decisions are time-sensitive and the TWRC and City need to make every effort to secure anchor businesses for the district as soon as possible. Processes with respect to proposal calls must be flexible and allow the TWRC and City to move quickly to secure business opportunities as they arise.

The TWRC has prepared three documents, as appendices to the business plan, which address various aspects of employment, cultural and tourism development within the district. These are: the East Bayfront Employment Strategy, a Cultural and Animation Strategy and a Ground Floor Retail Strategy. The intent is to create a highly-animated public realm composed of retail, cultural facilities, and tourism activities as one means of attracting knowledge-based companies and workers to the area. The new workforce, along with the residents and potential visitors, would in turn help support local businesses and attractions.

The objectives of the Employment Strategy are as follows:

- creation of 130 060 m<sup>2</sup> (1.4 million sq. ft.) of employment/office space to accommodate 8,000 workers (half on publicly-owned land);
- attraction of knowledge-based companies and employees in the Information and Communications Technology (ICT) sector (75% of the total projected jobs);

- attraction of related business services in support of the ICT jobs (remaining 25% of the total projected jobs);
- development of an “intelligent community” broadband infrastructure to support the growth of the sector in the area and link it to the world;
- in conjunction with the City, the development of financial incentives and elimination of some development costs (Section 37 contributions, parkland dedication) as a means of attracting businesses to the area; and
- to attract employment and tourism to the waterfront, in conjunction with the provision of high-level transit service, the contribution of approximately 50% of the cost of construction of up to 1,200 underground parking stalls.

EDCT staff has reviewed the TWRC documents and believe they provide a sound foundation for guiding the TWRC’s efforts in the future. The focus on developing an intelligent community in the East Bayfront to accommodate software development and digital media business activities aligns very well with the City’s recently-adopted ICT Sector Development Strategy. The majority of software development and digital media activity in the GTA is already centered in the City core. The creation of new employment space in the East Bayfront presents an opportunity for both the expansion and concentration of these industries. Building an advanced broadband network in the district will help attract companies and allow for the development of next generation products and services.

Looking ahead to consultations with stakeholders such as ICT Toronto, the Board of Trade, Tourism Toronto and Artscape and with prospective development interests, EDCT staff suggest that it would be desirable for the TWRC to consolidate its employment strategy with its tourism and ground floor animation ambitions into one integrated work plan and marketing strategy to create a more powerful and robust presentation of its revitalization objectives. A recommendation to this effect appears in this report.

EDCT staff is supportive of the level of employment the TWRC has proposed for the East Bayfront and recommends that Council endorse the creation of 8,000 jobs (excluding the jobs created in the ground floor space) as the employment target for the area. Of the 8,000 jobs, 4,000 jobs are targeted on the lands that TWRC controls. To ensure that the public sector leads by example with respect to job creation, a recommendation is also included which requires that staff ensure that the employment space necessary to meet the targets for both phases of East Bayfront development is identified in the applicable developer proposal calls issued by the TWRC and legally secured as part of the awarding of the project to the successful proponent(s).

With regard to the 4,000 job target on the privately-owned lands north of Queens Quay East, staff is concerned that the private sector will not be as motivated to provide employment space in the face of a still brisk market for residential development. Even though the City, TEDCO and TWRC are proposing incentives, and may limit Section 37 and parkland dedication costs for non-residential development, this may be insufficient to ensure that a truly mixed-use district is achieved. Further work needs to be undertaken to identify mechanisms that will ensure the total employment target for the district is achieved. Accordingly, one of the recommendations to Council is that, through the CIP development process, the City and TWRC, develop specific strategies to realize the 4,000 jobs (excluding the jobs generated through implementation of the

ground floor animation strategy) projected by the TWRC for lands on the north side of Queens Quay East.

Finally, as directed by Council and stipulated in the March 31, 2006 MOU, the TWRC's employment strategy is flexible and would be adaptable should either of TEDCO's current employment proposals (Projects 24/7 or Symphony) for the Jarvis Street Slip be finalized in signed leases by September 30, 2006. The TEDCO projects are in line with the employment aspirations proposed for East Bayfront and future development could build on this foundation.

### **Ground Floor Animation and Tourism Strategy**

The Ground Floor Animation Strategy, as first introduced in the East Bayfront Precinct Plan, is a key linking element of the TWRC's employment strategy, tourism strategy and mandate to develop highly-sustainable dynamic communities on Toronto's waterfront. This strategy essentially restricts ground floor uses of buildings fronting onto the water's edge promenade, Sherbourne Park and Queens Quay East to non-residential active uses such as restaurants, retail development, cultural and tourism activities, entertainment and service uses as a means of encouraging pedestrian traffic in this area. This amounts to approximately 46 450 m<sup>2</sup> (500,000 sq. ft) of ground floor animation space, creating the critical mass of visitors required to make the area a regional attraction. The Ground Floor Animation Strategy is a key component towards realizing the TWRC's target of 7 million tourists to this district annually upon build out.

As directed by Council, the TWRC's has undertaken a more detailed investigation and reporting of the viability and cost of implementing this strategy. In addition to research undertaken by Lord Cultural Resources at the time the precinct plan was put forward, the TWRC commissioned urbanMetrics inc., market economic and strategic advisors, to assist them with the formulation of its Ground Floor Animation Strategy.

Based on the reports it commissioned, the TWRC has taken the position that without cultural and other forms of animation, the amount and type of retail that can be attracted by the number of residents and office workers projected for the district is limited primarily to convenience uses in modest numbers. The result will be a largely internal community, not very inviting to visitors, no matter how accessible the waterfront itself may be. To counter this, the TWRC is proposing through its Ground Floor Animation Strategy to attract a significant number of local, regional and tourist visitors who will increase the market for retail and food services to a point where it becomes attractive for unique and specialty retail to locate in this district. This type of retail is itself a destination that will attract more visits – and more spending by local residents and office workers than what they would spend on 'necessities' in convenience retail.

The TWRC's investigations confirm a large supply of cultural uses, institutions and festivals interested in locating in East Bayfront. Cultural uses, approximately half of the 27 870 m<sup>2</sup> (300,000 sq. ft.) of ground floor space projected for south of Queens Quay East, will require incentives such as below market rents during the first 7-10 years. Over the first eight years of the build-out of East Bayfront, the TWRC will provide occupancy cost subsidies (property taxes, utilities, maintenance etc.) which are equivalent to approximately half the occupancy costs of the space, and has a gross cost of \$7 million. In the final years of development as the subsidies are

phased out, cultural users will begin to cover their full occupancy costs which will generate positive rental cash flow to the TWRC. The net occupancy cost subsidy over the entire development period (10 years) is approximately \$4 million.

The opportunity costs of residential development occupying this ground floor space needs to be balanced with the animation, tourism, and employment objectives for the waterfront. This net investment of \$4 M represents a small but necessary expenditure to develop the critical mass of retail and animation that will allow the TWRC to achieve its employment and tourism objectives. The TWRC will lease the other half of the ground floor animation space 13 935 m<sup>2</sup> (150,000 sq. ft.) to a strategic mix of retail and entertainment tenants which will complement the cultural uses and who will pay market rents. Upon full build-out, the TWRC expects it will have created a valuable ground floor asset which can be sold, with the proceeds reinvested in other waterfront revitalization projects.

The TWRC's proposed ground floor ownership model enables TWRC to market the area as one overall project, thus gaining efficiencies and ensuring the effective mix of uses. The transfer of ownership to the TWRC (for nominal consideration) would be a condition of the developer proposal call. The TWRC reports that this strategy has been viewed positively from the cultural and retail sectors as well as from the development industry.

Cultural uses will be the initial focus of the marketing efforts as the results of TWRC's research indicates that these uses greatly add to the desirability of an area. By their nature, they are unique, and will create a competitive advantage for East Bayfront. TWRC is committed to engaging the cultural sector early on to learn more about their unique needs, look for opportunities for complementary organizations to work together, and ensure the physical design has the flexibility to accommodate the variety of uses. The cultural animation background report notes the crucial issues of affordability and security of tenure for cultural organizations.

It is important to note as well that the TWRC intends for the animation strategy to appeal to a broad range of users and therefore, the animation strategy will contain not only cultural tourism experiences but a broad range of leisure and entertainment activities.

The success of the Ground Floor Animation space will be crucial in creating a tourism draw for East Bayfront. As such, the TWRC submits that the financial costs to realize this strategy represent an effective use of public funds, which will be recaptured through higher land values as the area matures.

As part of its refinement of its tourism strategy through consultations with the industry, the business plan notes that the TWRC will work as a participant in current, key provincial and municipal tourism initiatives created to review Toronto tourism attractions and to audit any gaps in what is currently available to the market. In this way, the TWRC will ensure that tourism initiatives on the waterfront are relevant, well-founded and serve to meet broader provincial and municipal objectives.

### **Proposed Governance Changes**

In order to implement the TWRC's ground floor animation, employment and tourism strategies, the business plan notes that several changes to TWRC Corporate Governance model will be

required. These changes include the ability to create a subsidiary and the ability to collect and reinvest revenues from the ground floor, parking and employment lands. A subsidiary is required to establish the ground floor single ownership entity which would deal directly with tenants, manage the tenant mix, ensure balance and manage leases. Discussions with the City and other governments regarding the proposed governance changes are being initiated by the TWRC. As these discussions have not been concluded, staff is recommending Council approve in principle these changes, subject to tri-government agreement.

## **Risk Management**

The Queen Elizabeth Docks are likely to have some form of soil and groundwater contamination, although preliminary information suggests that contamination levels will be more limited than in the Port Lands or the West Don Lands. One of TWRC's tasks under the MOU is to appropriately address environmental conditions in East Bayfront and the Port Lands.

The business plan indicates that East Bayfront will be revitalized using a risk-based remediation approach. This is consistent with the MOU, although it should be noted that under the terms of the MOU, the TWRC may be required to remediate beyond risk assessment standards.

The MOU imposes strong obligations on the TWRC to address environmental issues. Among other matters:

- TWRC, in consultation with TEDCO and the City, is required to develop an environmental master plan and take environmental constraints into account in developing business and implementation plans. This has been reflected in TWRC's financial projections including those in the business plan;
- TWRC shall give TEDCO the first opportunity to carry out environmental investigations and remediation;
- Each time a parcel of TEDCO-owned land is to be transferred pursuant to the MOU, the onus is on the TWRC to develop an approach to address environmental conditions. Before lands are transferred, the City in consultation with TEDCO must be satisfied with the proposed approach and with the strength of any covenants to be provided to TEDCO and/or the City;
- Where lands are to be used for park purposes, walkways, streets or other public realm components, the TWRC must comply with City remediation standards if those standards are higher than provincial regulatory requirements;
- Where maintenance or management of environmental remediation systems is required, TWRC at the City's request must establish a reserve fund to cover the costs of such maintenance or management; and
- Records of site conditions (RSCs) must be filed, which will provide certain immunities (although not complete immunity) to TEDCO as an owner or a previous owner.

Council must approve the transfer of land from TEDCO to a third party for development purposes as recommended by the TWRC whether it be through long term land lease or fee simple title. Staff reports on these transfers will outline, on a site by site basis, the environmental insurance, indemnities and other protections to be instituted by TWRC to protect the City and TEDCO. This approach is needed to address the environmental issues and future uses that are unique to each site. TEDCO will be protected to the extent reasonably possible. Moreover, environmental issues will be addressed much more quickly as per the attached project schedule than if TEDCO was revitalizing the lands on its own, which in itself significantly reduces TEDCO's exposure to environmental risk.

Finally, both the TWRC and City staff are pursuing with the other governments the development and implementation of a comprehensive approach for addressing any residual environmental risks that cannot be eliminated. This will be the subject of a future report to Council.

### **Results of TEDCO Review**

Under the terms of the MOU, prior to Council approval of the Business and Implementation Plan, TEDCO is required to review and comment on the document. Accordingly, TEDCO has been provided with all material submitted by the TWRC except for privileged market information which has been reviewed by Waterfront Secretariat and Finance staff.

Several meetings with the TWRC in the development of the business plan and companion documents have taken place. Through this process, TEDCO provided verbal comments, followed by two sets of written comments on the materials which they were provided. These materials include a summary of the TWRC's financial model, developer pro-formas for Phases 1 and 2 and various sensitivity analyses. In addition, following the receipt of TEDCO's initial written response to the business plan, the TWRC provided a detailed point by point response and amended its business plan as needed.

The following outlines TEDCO's major issues and the TWRC and City staff response:

#### **Operating Impact of Initiative on City of Toronto**

TEDCO notes that the business plan does not provide funding for ongoing maintenance and operation of future municipal parks and other public realm features. This is acknowledged by the TWRC as its mandate as established by the government partners is the development and execution of a capital plan. As noted in the Financial Implications section of this report, City staff has been directed by Council to report in 2007 on the municipal operating budget impacts resulting from the waterfront initiative over the life of the project. A Waterfront Renewal Budget Impact Committee with representation from the impacted City divisions has been established to oversee this process, which will include quantifying the operating revenue and expenditure impacts of revitalization and identifying options for mitigating these impacts where possible.

## Need for Risk and Sensitivity Analysis on Financial and Phasing Assumptions

At TEDCO's request, the TWRC has provided a sensitivity analysis on key variables which may have an impact on the business plan. These variables include infrastructure costs (construction escalation), residential market rates (annual absorption rates and land valuation), interest rates (for interim financing), retail and office leasing rates and capitalization rates (for asset valuations).

The TWRC analysis indicated that the most sensitive variables relate to infrastructure construction costs. A review of the sensitivity analysis by City Finance Staff, as was noted earlier in this report, confirmed this finding. With the impacted land in public ownership, however, TWRC is able to carefully manage project phasing and the timing of asset disposition to minimize the impact of these variables.

## Ground Floor Animation Strategy

TEDCO continues to raise doubt as to the viability of this strategy. As noted in this report, the TWRC has consulted widely on all elements of this strategy. On a policy level, the strategy supports the City's tourism, cultural and employment objectives and will contribute to the realization of a dynamic and animated water's edge. Finally, Finance staff has reviewed the projected costs and revenues associated with this strategy and confirm these figures work within the context of the financial model.

## Cost of Interim Animation Strategies

TEDCO suggests that the interim animation strategy proposed for the Phase 2 lands will not present a meaningful revenue stream. It must be noted, however, that the intent of this strategy is to bring the people of Toronto down to the waterfront while revitalization efforts are underway and to demonstrate to prospective investors the potential of the area. Funds required to support this strategy, which will be undertaken in partnership with the City's culture and entertainment sectors, are included in the TWRC's financial projections.

## Impact of Business Plan on TEDCO Operations

TEDCO has raised concerns with respect to the impact on its operation of providing TWRC with effective control of TEDCO land. In February 2006, Council adopted a protocol for mitigating such impacts on TEDCO if required. Specifically, this protocol requires that TEDCO officials advise the Deputy City Manager and Chief Financial Officer if a required transfer of land is likely to impact TEDCO's ability to satisfy its obligations to third parties. In conveying this information, TEDCO officials are asked to detail the net revenue loss, if any, arising from the specific transfer. This loss is to be compared to other incremental net revenues derived from projects over which TEDCO has carriage in the MOU, as well as from TEDCO initiatives outside of the Waterfront. City staff will review the submission, meeting with TEDCO officials for clarification as needed, and report to Council on potential mitigating measures, should they be required.



### Timing of the “TEDCO Projects”

As noted earlier in this report, the MOU requires that TEDCO complete leases with the announced tenants for two projects proposed for the Jarvis Slip site by September 30, 2006 if TEDCO is to maintain its lead role in advancing these initiatives. Otherwise, TWRC can develop the site as part of the overall revitalization initiative. TEDCO’s second submission to the City requests that this deadline be extended until March 2007, citing delays in issuing zoning, community improvement plans (CIP) and developer proposal calls for the area.

Staff do not support extending this deadline. Development of a zoning by-law for East Bayfront is on track as projected and will be before Council in September 2006. Similarly, the report defining East Bayfront as a CIP area and messaging to the private sector the City’s intent to provide incentives for employment purposes within this area is now public and will be before Council in July 2006. Finally, the MOU enables TWRC as Revitalization Lead to work with TEDCO in securing commitments from the two announced tenants if leases are not signed by the agreed upon deadline and there remains interest in locating to the area.

### Conclusions:

The completion of the East Bayfront Business and Implementation Plan together with its supporting employment strategy and ground floor retail animation strategy represents a significant milestone in achieving progress in East Bayfront. Through this approval, the TWRC assumes effective control of the TEDCO-owned lands and upon TWRC request, notice of termination of the short-term leases of Queen Elizabeth Dock tenants can be provided. Control of the lands will allow the TWRC to immediately start site preparation activities and initiate the construction of Sherbourne Park.

### Contact:

Elaine Baxter-Trahair  
Director, Waterfront Secretariat  
416-397-4083  
416-392-8805  
ebaxter@toronto.ca

Jayne Naiman  
Waterfront Project Officer, Waterfront Secretariat  
416-392-0069  
416-392-8805  
jnaiman@toronto.ca

---

Shirley Hoy  
City Manager

---

Fareed Amin  
Deputy City Manager

Attachment 1	TWRC Business and Implementation Plan (June 28, 2006)
Attachment 2A	East Bayfront Project Schedule 2006-2008 (Initial Implementation)
Attachment 2B	East Bayfront Project Schedule 2006-2021
Map 1	East Bayfront Precinct Plan
Map 2	East Bayfront Phasing Plan

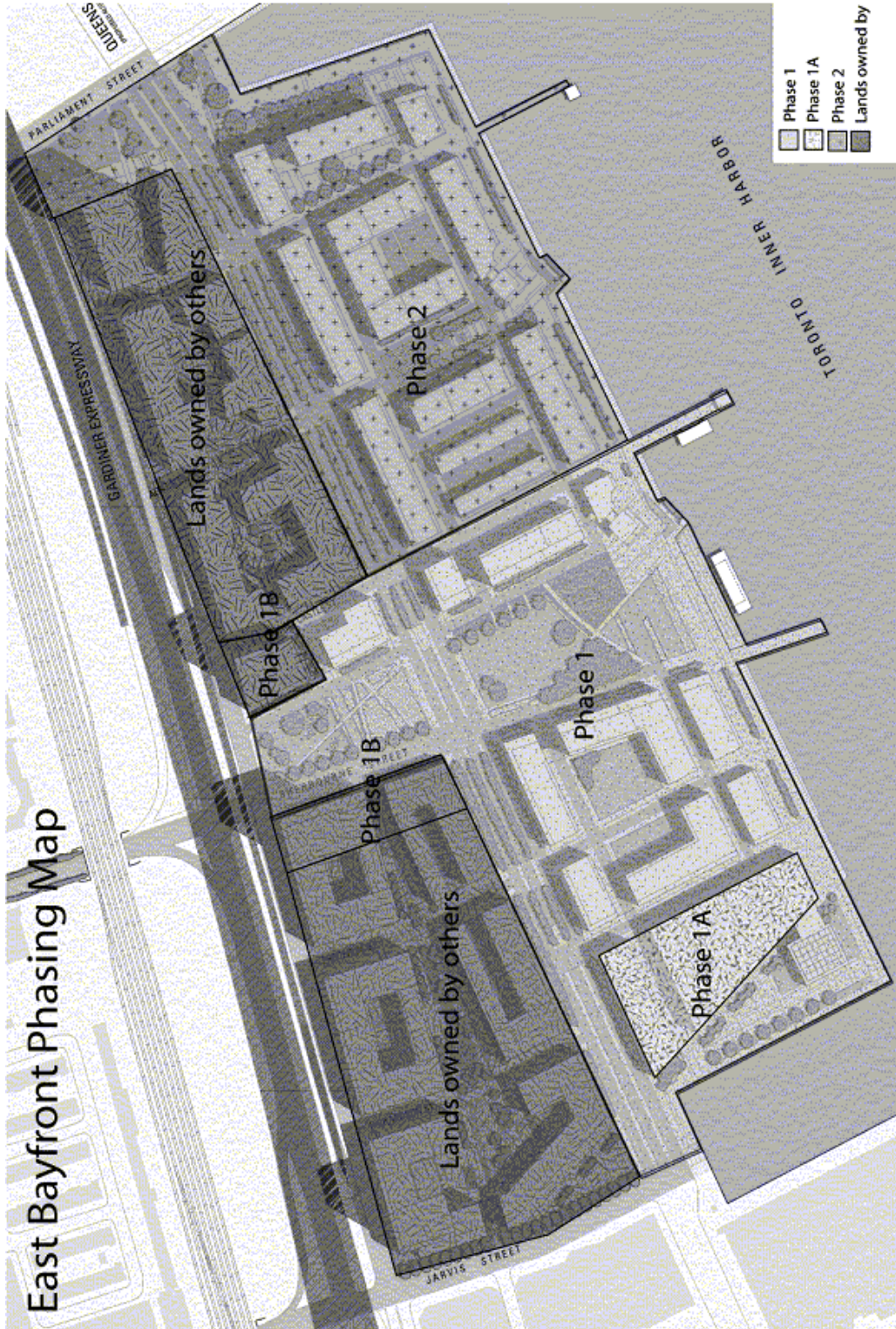
# Map 1

## East Bayfront Precinct Plan



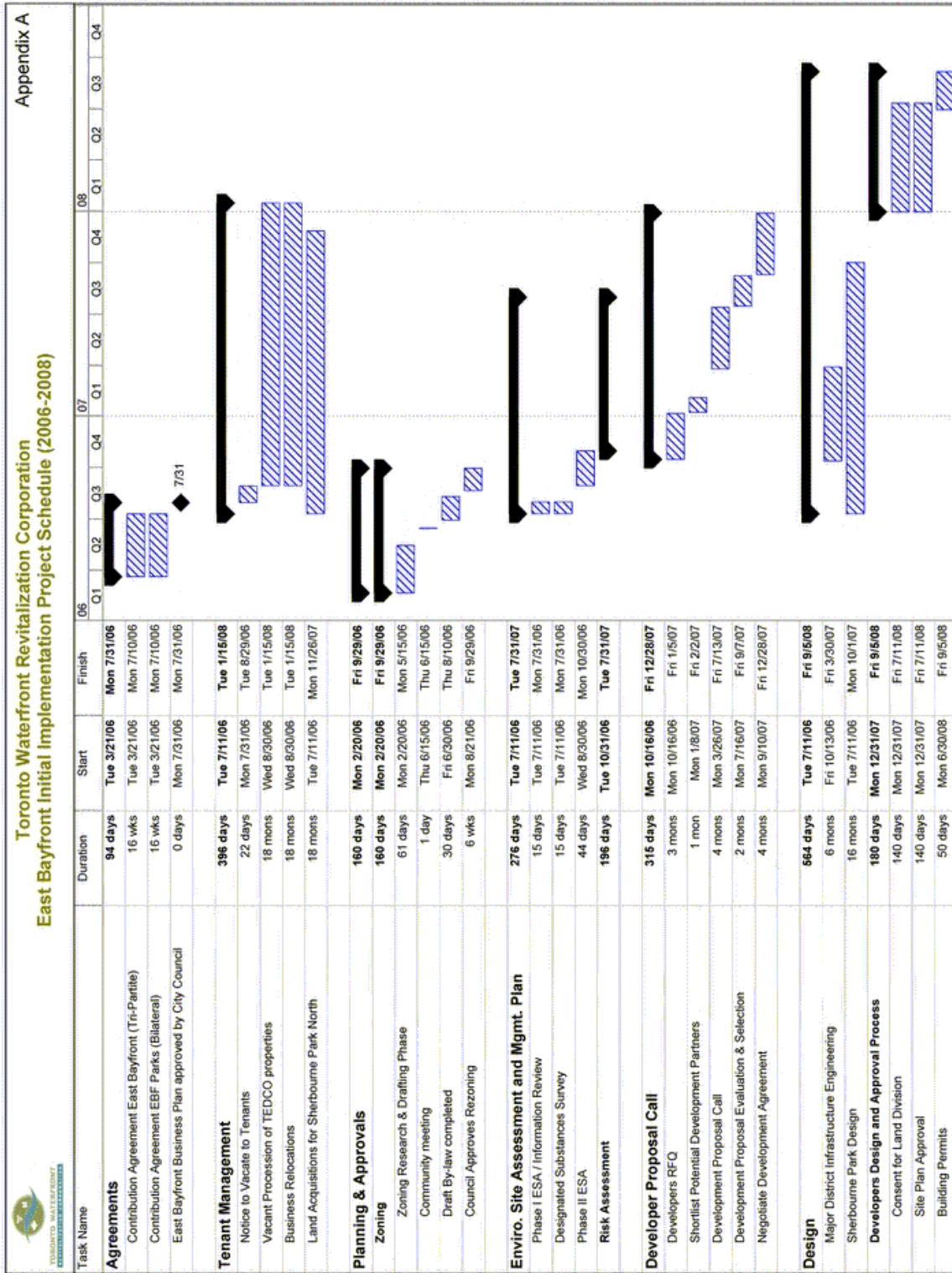
# Map 2

## East Bayfront Phasing Plan



Attachment 2A

East Bayfront Project Schedule 2006-2008 (Initial Implementation)



# Attachment 2B

## East Bayfront Project Schedule 2006-2021

