

Consolidated Clause in Policy and Finance Committee Report 6, which was considered by City Council on July 25, 26 and 27, 2006.

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

City Council on July 25, 26 and 27, 2006, adopted this Clause without amendment.

Council also considered additional material, which is noted at the end of this Clause.

The Policy and Finance Committee recommends that City Council adopt the staff recommendations contained in the Recommendations Section of the report (July 12, 2006) from the City Manager and Deputy City Manager, Fareed Amin, subject to adding the following new Recommendation (13):

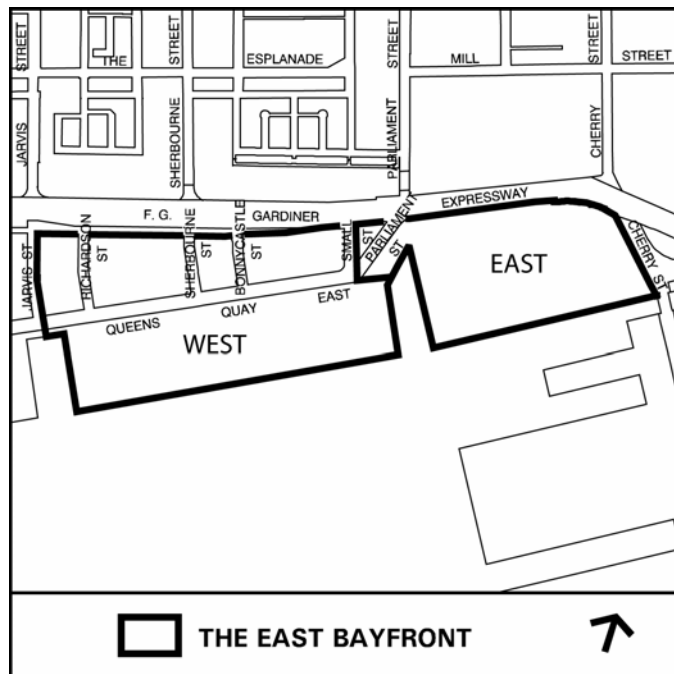
“(13) the Toronto Waterfront Revitalization Corporation be requested to apply the Toronto Green Development Standard to all new development in the East Bayfront.”

The Policy and Finance Committee submits the report (July 12, 2006) from the City Manager, and Deputy City Manager, Fareed Amin.

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:

	\$ million
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 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 (July 7, 2006)

Cultural and Animation Strategy for Toronto's East Bayfront and 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 21st 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 m² (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:

- (i) a strategy for achieving parks, open space and affordable housing objectives on private lands;
- (ii) annual revenue and expenditure projections for the full build-out of the precinct;
- (iii) private sector investment strategies and targets for the precinct;
- (iv) project phasing including projected annual residential and commercial occupancy targets;
- (v) start and completion dates for public realm components of the plan; and
- (vi) 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 (July 7, 2006);
Cultural and Animation Strategy for Toronto's East Bayfront and Appendices (April 2006);
Background Document: East Bayfront Development – Ground Floor Retail Strategy;
East Bayfront Project Schedule 2006-2008 (Initial Implementation); and
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 m² (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 seven 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 m² (1 million sq. ft.); 260 units affordable;
2,300 jobs in 37 160 m² (400,000 sq. ft.) of employment space (Phase IA); and
13 935 m² (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 m² (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 m² (900,000 sq. ft.); 225 units affordable rental;
1,700 jobs in 27 870 m² (300,000 sq. ft.) of employment space; and
13 935 m² (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, two 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 percent 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

	Nominal (\$)	Present Value (\$)*
Direct Costs		
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	-
	325,402,739	217,125,338
Revenues		
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
	Total Revenues	183,694,937
		86,588,255
	Net Cost	141,707,802
Funding		
Government Contributions	210,694,000	150,658,230
	Amount Available to be Reinvested	68,986,198
		20,121,148

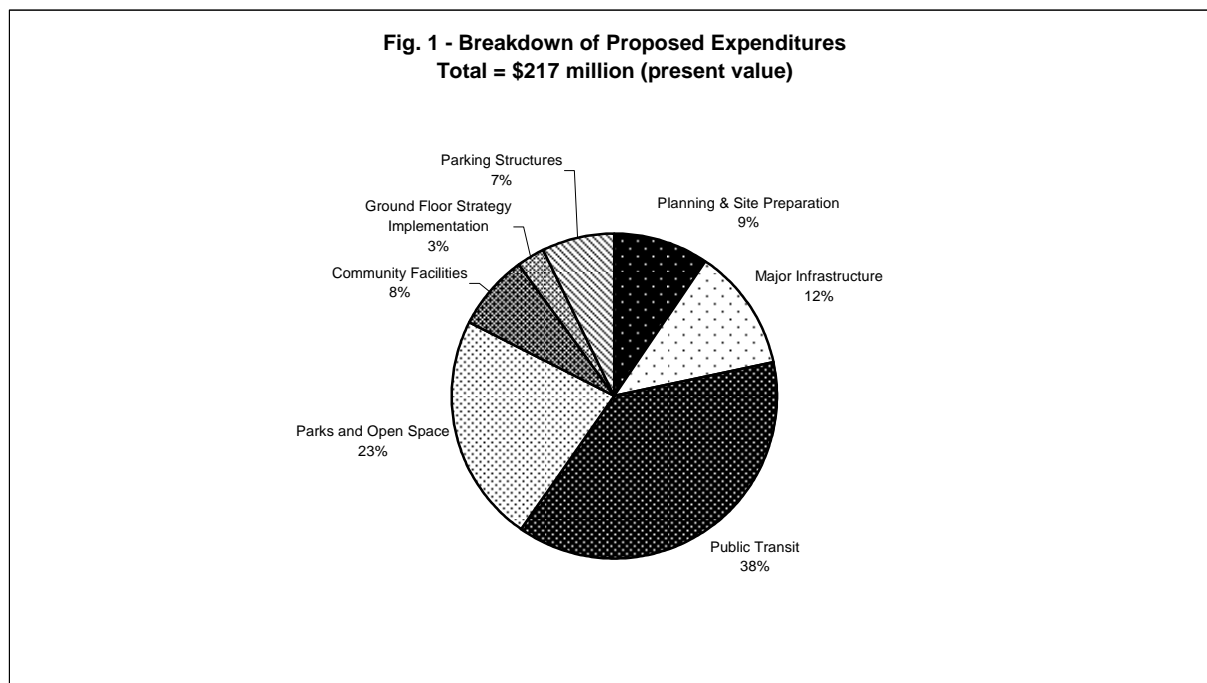
* - discounted at TWRC cost of capital

** - 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):

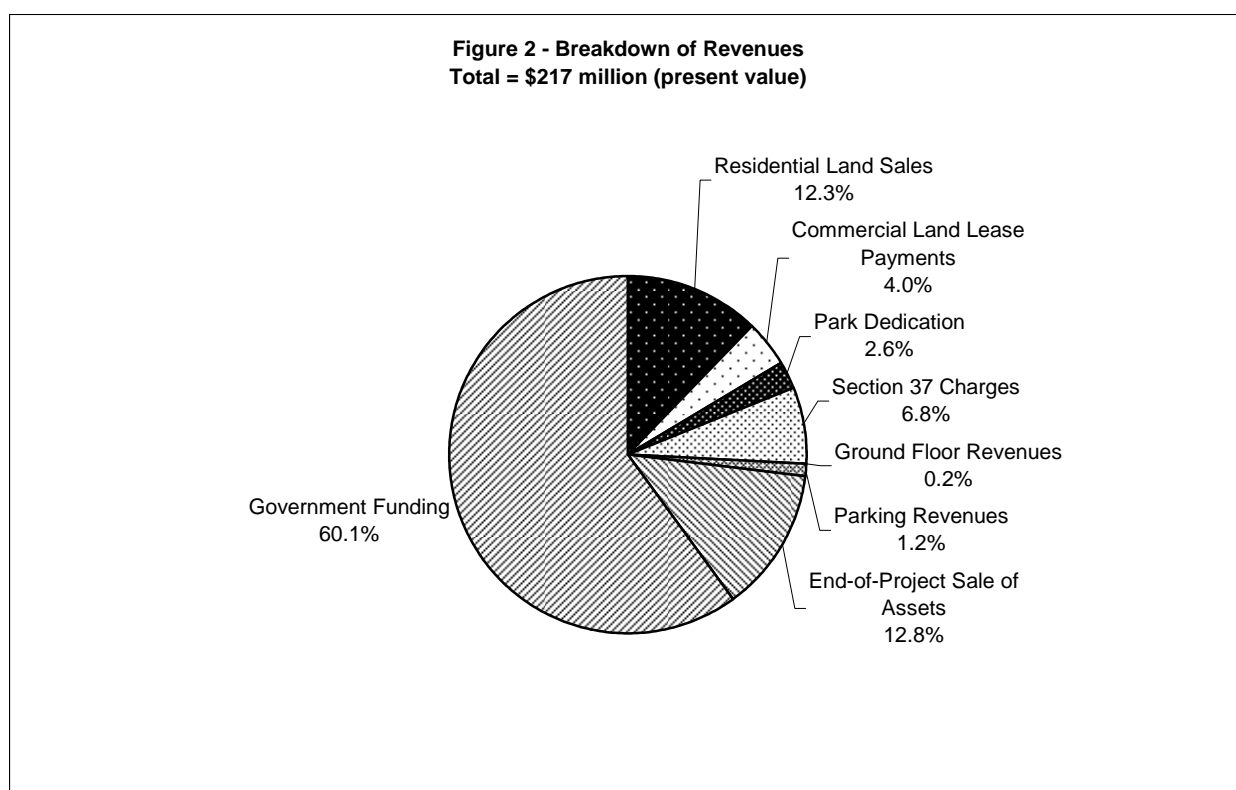
- (i) \$36 million for the construction of a waterfront promenade;
- (ii) \$16 million in support of the construction of underground parking facilities;
- (iii) this expenditure is part of a strategy to attract office development in Phase 1 of the project in order to achieve the City's objective of a balanced mix between residential and employment-based land uses;
- (iv) 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
- (v) a \$10 million opportunity cost for setting aside 20% of the land for affordable housing.

Revenues:

Figure 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:

- (i) the sale of land for residential development;
- (iii) the leasing of land for commercial development;
- (iii) parking fees; and
- (iv) 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 percent 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; and
- (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 percent 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 six percent 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:

- (i) creation of 130 060 m² (1.4 million sq. ft.) of employment/office space to accommodate 8,000 workers (half on publicly-owned land);
- (ii) attraction of knowledge-based companies and employees in the Information and Communications Technology (ICT) sector (75 percent of the total projected jobs);

- (iii) attraction of related business services in support of the ICT jobs (remaining 25 percent of the total projected jobs);
- (iv) development of an “intelligent community” broadband infrastructure to support the growth of the sector in the area and link it to the world;
- (v) 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
- (vi) to attract employment and tourism to the waterfront, in conjunction with the provision of high-level transit service, the contribution of approximately 50 percent 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 m² (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 m² (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 m² (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:

- (i) 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;
- (ii) TWRC shall give TEDCO the first opportunity to carry out environmental investigations and remediation;
- (iii) 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;
- (iv) 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;
- (v) 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

- (vi) 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.

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Attachment 1

East Bayfront Business and Implementation Plan

Final Draft
June 28, 2006

Executive Summary

The revitalization of East Bayfront represents an unprecedented opportunity to change, literally, the face of Toronto. It is an opportunity to re-connect ourselves to the waterfront not only physically but also in terms of the broader civic connections which are made when a natural and historic legacy, like our waterfront, is returned creatively to its citizens.

The revitalization of East Bayfront is an unparalleled opportunity for Toronto to establish a positive and meaningful relationship with its waterfront. The East Bayfront must be a marvelous water-related public destination for local, national and international enjoyment. The water's edge and other key public spaces must become vibrant public destinations capable of providing a variety of experiences and amenities. At the same time, East Bayfront must be a highly local environment, a real neighbourhood within the city with strong connections to adjacent communities. It must be a beautiful and desirable place to both live, work and play.

More broadly, waterfront revitalization will showcase Toronto to the world, and in so doing, capitalize on the opportunity to re-brand Toronto as a first-tier globally competitive city equipped to leverage the challenges of modern globalization. Waterfront revitalization is our chance to use an infrastructure project to drive a new economic model for a competitive Toronto. The creation of jobs and investment is a key deliverable of a revitalized waterfront.

The Toronto Waterfront Revitalization Corporation ("TWRC") is taking a well-defined approach to revitalization geared to providing public stakeholders and private sector partners with maximum certainty, coordination and quality of planning. The approach, including the phasing program, is strategic and geared to achieving the desired objectives for urban design and built forms, employment and investment targets, sustainability, quality housing (including affordable), and magnificent parks and public spaces. The approach focuses on TWRC engaging private development, local and international, in effective partnerships.

Successful implementation of waterfront revitalization will require commitments to early investments, both in physical assets as well as economic, environmental and cultural capital, to create long term value and achieve key public deliverables. Achieving the vision also requires an integrative approach. The key elements of diverse, vibrant communities (public amenities, parks, housing, employment etc.), cannot be considered in isolation – they are rather building blocks to the creation of a new community and, as such, they need to be properly phased if they are to leverage each element's ability to make the whole sustainable.

East Bayfront is a 15 year, \$2.5 billion project, which will require substantial private sector investment and support. The overall vision for the precinct as well as TWRC's investments in key public infrastructure and public amenities will signal project certainty and provide key value-added for the private sector. These strategic investments will act as catalysts for private sector investment.

The East Bayfront Business and Implementation Plan provides detailed actions to show how development of the precinct will evolve. The Plan builds on the momentum created by the approval of the Precinct Plan, the early successful TWRC waterfront projects including the

construction of the new John and York Quays, the Western Beach Watercourse and the recent Innovative Design Competition for the central waterfront.

Overall Objectives and Action Items:

The Business Plan will deliver on the Queen Elizabeth Docks (south of Queens Quay) by the completion date of 2021:

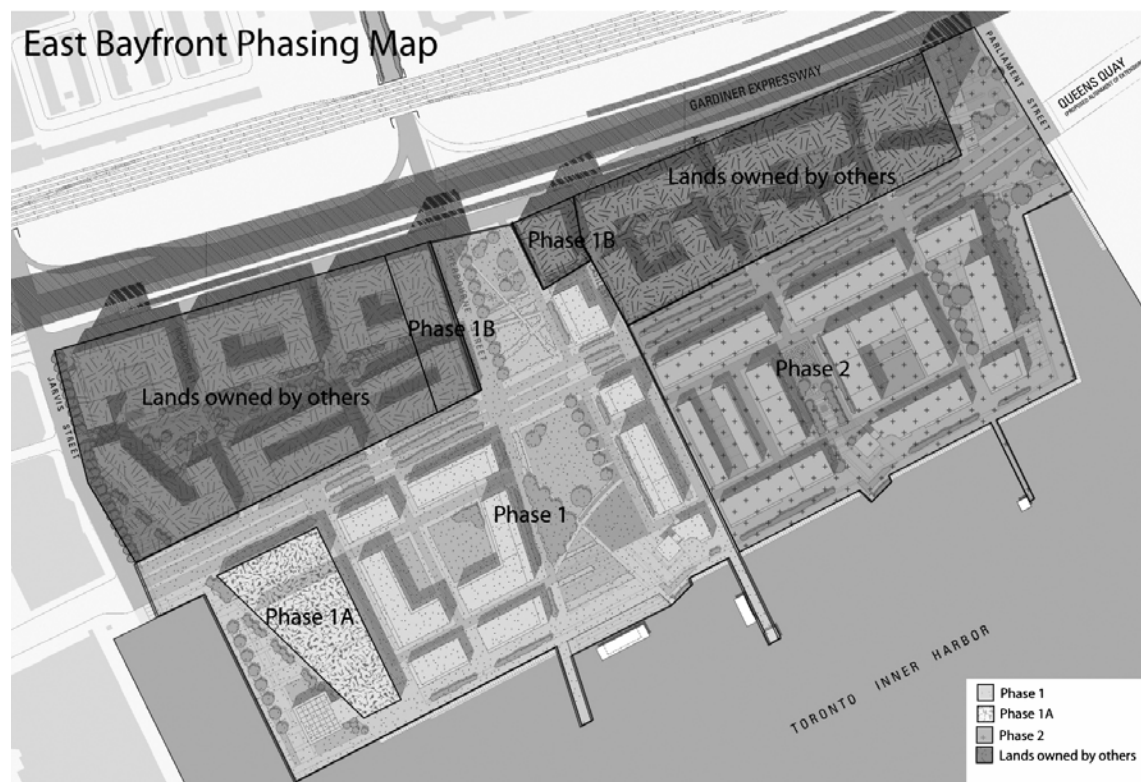
- (i) 1.9 million sq. ft of residential housing including affordable housing for a total of 2,400 units;
- (ii) 700,000 sq. ft of employment space and an employment strategy targeted at attracting 4,000 knowledge-based jobs to that space;
- (iii) 300,000 sq. ft of ground floor animation space and a high impact animation strategy to attract local, regional and international visitors; and
- (iv) 100,000 sq. ft of community facilities including a new school.

In all the Queen Elizabeth Docks will deliver approximately 3.1 million sq. ft of development for the City of Toronto. These figures do not include development on the private lands north of Queens Quay which we expect will occur in parallel. If we include private development, we estimate Queens Quay will deliver approximately 7,000 residential units. Moreover, TWRC will work closely with private land owners to capture opportunities for developing employment space north of Queens Quay. In total, the revitalization of East Bayfront will deliver 8,000 new jobs.

The revitalization of East Bayfront will require almost \$2.5 billion, of which approximately \$320 million will come from the public sector through TWRC. The three orders of government will be investing approximately \$211 million in direct funding and contribute an additional \$101 million through reinvestment of project revenues.

Phase One development begins immediately upon Council approval of this Business Plan. 2006 work includes providing notice to existing businesses and initiating relocation, site preparation, the design and early construction of infrastructure and public realm components. The issuance of a Developer Proposal Call for Phase One development is scheduled for summer 2007.

Phase One, as indicated in map below, will deliver by 2015 approximately one million sq. ft of residential housing including affordable housing for a total of 1,300 units; 400,000 sq. ft of employment space, 130,000 sq. ft. of ground floor animation (cultural, retail, entertainment) for a total development of 1.53 million sq. ft.



In addition to the targets set out above, the TWRC has identified the following 24 Action Items in the Business Plan that form the basis of the implementation strategy and provide a sense of the scope and scale of work which underlies revitalization of East Bayfront. Work on several of these Action Items is already underway, and the TWRC will move forward on others upon approval of the Business Plan.

TWRC Action Items:

- (i) Upon approval of this Business Plan, provide TEDCO with specific dates when the various sites within East Bayfront will be required in order to meet the implementation plan schedule.
- (ii) Work with the City to obtain Council approval of a zoning by-law for all of East Bayfront. The by-law will be submitted to City council in September 2006.
- (iii) In consultation with the City, finalize the Section 37 contribution requirements for East Bayfront, which will be included in the zoning by-law presented to City council in September 2006.
- (iv) Obtain approval for Corporate governance changes required by end of fiscal 2006 (ability to create subsidiary and ability to earn/collect revenues) to implement the overall East Bayfront Business Plan.
- (v) Execute a Contribution Agreement with the government funding partners for the initial implementation of East Bayfront by August 31, 2006.

- (vi) Work with TEDCO to investigate potential interim uses for the later phases of the East Bayfront lands that are compatible with the implementation schedule.
- (vii) Obtain City Council approval and Ministry of Environment (MOE) acceptance of the Risk Assessment/Risk Management Plan for East Bayfront which will allow development to move forward and permit initial occupancy in 2010.
- (viii) Once the Community Improvement Plan is approved, work with the City and developers (both north and south of Queens Quay) to facilitate the application process for financial incentives for commercial development.
- (ix) Release a developer Expression Of Interest by March 31, 2007 for Phase One of East Bayfront.
- (x) Release Request For Proposals (RFP) for infrastructure design by March 31, 2007.
- (xi) Ensure that the developer Request For Qualifications (RFQ) and RFP include provisions which will secure the Ground Floor Animation Space (commercial condominium and terms and conditions of conveyance).
- (xii) Begin the design of Sherbourne Park and the water's edge promenade in mid-2006, and complete by March 31, 2007.
- (xiii) Begin construction of Sherbourne Park and the water's edge promenade by the summer of 2007.
- (xiv) Secure an affordable housing provider to develop the affordable housing in Phase One by March 31, 2007.
- (xv) Finalize the process for implementing the mandatory green buildings requirements prior to the release of the RFQ in early 2007.
- (xvi) Secure all required environmental approvals for the development of East Bayfront (including Environmental Assessment (EAs) & Canadian Environmental Assessment Act (CEAA)) by the end of 2007.
- (xvii) Release a developer RFP by August 30, 2007 for Phase One of East Bayfront.
- (xviii) Complete the EA for the East Bayfront Light Rapid Transit by December 31, 2007.
- (xix) Begin implementation of the specific deliverables in the Employment Action Plan (attached as appendix) in order to secure the 8,000 jobs targeted for East Bayfront (75 percent of these jobs should be targeted in the Information, Communications and Technology (ICT) sector, most of which would be in development and services, while the remaining 25 percent would be in related business services in support of these ICT jobs).

- (xx) Phase Two employment space, some 300,000 square feet, will draw another 1,700 employees at full build out of that phase (2021) for a total of 4,000 employees on public lands.
- (xxi) Shortlist potential cultural/institutional partners for East Bayfront through an RFQ/RFP process by the end of 2007, and create the Creative Waterfront Advisory Council to develop a connectivity strategy with the cultural sector, retailers and the TWRC.
- (xxii) Help the City to implement the Section 37 contribution by working with individual developers in determining how affordable housing lands will be secured (options a, b or c above), whether any infrastructure construction efficiencies can be achieved, and in coordinating the interface with the TWRC's Design Review Panel.
- (xxiii) Facilitate the Design Review Panel's review of all proposed projects in East Bayfront.
- (xxiv) Purchase sites north of Queens Quay East which would accommodate the TWRC's affordable rental housing objectives of 20 percent of total residential development using the proceeds of Section 37 contributions from private land-owners. The timing of this deliverable will depend on the timing of private developments north of Queens Quay.

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(1) Introduction:

The East Bayfront Business and Implementation Plan (the “Business Plan”) sets out strategies for developing what will be nothing less than the new front door to the City of Toronto. A revitalized waterfront will leverage Toronto as a leading international creative city and a city which understands and can successfully meet the various challenges of globalization.

The Business Plan calls for a mixed-use, vibrant new community on Toronto’s waterfront. Specific objectives for employment, affordable housing, sustainability, and ground floor animation will be outlined, along with the implementation plan to achieve these objectives.

The Business Plan is informed by and consistent with the City of Toronto’s Central Waterfront Secondary Plan, the East Bayfront Precinct Plan, and the East Bayfront Environmental Assessment Master Plan. It also reflects the work TWRC and the City of Toronto currently have underway with respect to the preparation of an East Bayfront Zoning By-law and the East Bayfront/West Don Lands Community Improvement Project Area By-law. Finally, the Business Plan reflects discussions TWRC has held with private and public sector experts in development and community building.

Of critical importance is the implementation of the Business Plan. To that end, throughout the document specific Action Items have been identified. A summary of all the TWRC Action Items is included in the Executive Summary above. A detailed implementation schedule is included as Appendix A.

1.1. Site Description:

East Bayfront’s lakeside location and close proximity to Toronto’s downtown means that the revitalization of East Bayfront is one of the best remaining opportunities for Toronto to establish a positive and meaningful relationship with

its waterfront. The 22-hectare site is within walking distance of downtown, several established neighbourhoods and many existing cultural and entertainment attractions. The challenge and opportunity is to transform East Bayfront into a significant employment cluster, a tourist destination, and a vibrant new neighbourhood like the ones Toronto is so well known for. The TWRC's commitment is to ensure that East Bayfront is characterized by design excellence, high levels of sustainability and a strong commitment to creativity and innovation.

1.1.1. Location:

East Bayfront is located south of the rail corridor between Jarvis and Cherry Streets. The precinct is immediately southwest of the West Don Lands. However, for the purposes of the Business Plan, the term East Bayfront will refer only to the area from Jarvis to Parliament Streets. Over time, East Bayfront will become the critical link between the built up areas of the Central Waterfront and the emerging waterfront areas in the Port Lands.

1.1.2. Ownership:

Queens Quay East runs through the centre of the precinct. Lands north of Queens Quay are primarily in private ownership and make up approximately 50 percent of the precinct land area. Lands to the south of Queens Quay, often referred to as the Queen Elizabeth Docks, are publicly owned by TEDCO.

1.1.3. Existing Conditions:

The East Bayfront is currently zoned industrial. Given the precinct's proximity to the downtown core and the waterfront, it is significantly underutilized. Existing uses include auto dealerships, a sport and fitness facility, distribution centres and a film studio. Tate & Lyle Sugar (formerly Red Path) is located immediately to the west. The dock wall in East Bayfront is used intermittently for cargo, cruise and pleasure boat mooring.

1.1.4. Accessibility:

Queens Quay East, which terminates at the intersection with Parliament Street, is the major east/west corridor through the precinct. Three major north/south streets run through East Bayfront terminating at the water's edge and serving as major gateways for the precinct – Jarvis, Sherbourne and Parliament. There is currently no public access to the water's edge. A transportation corridor creates a major barrier along the northern edge of the site, and currently the area has limited access to public transit.

Existing public transportation options close to the East Bayfront include bus routes along Mill Street (from Pape to Union subway stations), Parliament (between Castle Frank and Union subway stations), Sherbourne (along Queens Quay to Sherbourne subway station), Queens Quay (from Queens Quay, up Bay

Street) and the seasonal 65D route that runs directly through the Distillery District. There is also streetcar service along King Street and Queens Quay a short walk north and west of the East Bayfront.

1.2. Site Characteristics:

The East Bayfront represents an excellent opportunity for new development, due to its location along the waterfront, which appeals to a wide range of potential users. Like the Downtown East, the East Bayfront has the potential to become a vibrant, mixed-use community, offering all the benefits of living and working on the waterfront close to downtown, while developing and balancing its own distinct community atmosphere with the cultural and tourism attractions that will draw both local and international visitors. The following is a SWOT (Strengths/Weaknesses/Opportunities/Threats) analysis of the East Bayfront site.

Strengths:

Lake Ontario: The water itself is the key draw. Even in its current unrevitalized state, people gravitate to the waterfront and seek access to it. TWRC's recent re-construction of John and York Quays and the subsequent swell in numbers of visitors to both Harbourfront Centre and the renovated quays is indicative of the pull of the water. Moreover, the public's embrace of and participation in TWRC's recent Innovative Design Competition for the Central Waterfront is further evidence of public desire to reconnect with the waterfront.

Proximity: The East Bayfront is located within walking distance of the financial district and all the amenities of the City, including the waterfront, cultural and sporting venues, as well as food, entertainment and retail services. It borders the Old Town of York or Old Town area, where the roots of the City of Toronto began. Major historical landmarks are found scattered throughout this area, giving it a distinct character, including the Distillery District buildings, St. Lawrence Hall (the City's first Town Hall), Toronto's First Post Office, St. Lawrence Market, St. James Cathedral and the Flatiron (Gooderham) Building.

Amenities: Distillery District, Harbourfront Centre, Waterfront Trail (a 740 km stretch of land running from Niagara on the Lake to Brockville offering walking/biking, mainly along the water's edge), David Crombie Park (a multi-use linear park that runs through the centre of the St. Lawrence neighbourhood, along The Esplanade), and the St. Lawrence Library (at Front Street East near Sherbourne Street).

Publicly-owned Developer: On behalf of the three orders of government, the TWRC is in a position to bring the vision of the precinct plan to reality, and achieve social and sustainability as well as economic objectives. Approximately half of the land area in the East Bayfront is publicly owned.

Connections: Parliament, Front and Lakeshore Boulevard are all major streets providing good access across the city. The Gardiner Expressway runs along the north of the East Bayfront and connects to major highways such as the Don Valley Parkway, the QEW and Highway 427, permitting access to all parts of the Greater Toronto Area.

Adjacent Neighbourhoods: Just to the north of East Bayfront are the St. Lawrence and Distillery District neighbourhoods. These strong urban areas at the periphery of East Bayfront will help build the requisite critical mass to animate the streetscape along the waterfront.

Weaknesses:

Existing Uses: Most of the East Bayfront is currently occupied by low and medium density industrial uses.

Winter weather: During the winter months, wind from the lake can make areas on the waterfront very cold. Finding ways to animate the streetscape during the winter will be a challenge.

Accessibility: A transportation corridor creates a large barrier to the north of the site, which separates East Bayfront from adjacent neighbourhoods, and there are limited north-south connections to the site to compensate. Existing public transit service is limited.

Critical Mass: Incremental developments are more readily accepted in the marketplace. The lack of existing residential buildings and neighbourhood amenities will make initial development in the East Bayfront more challenging.

Opportunities:

Parks and Recreation: The proposed waterfront revitalization includes the development of several major parks near East Bayfront, including Sherbourne Park and a waterfront promenade within the precinct, and Don River Park, Commissioner's Park and Lake Ontario Park within walking distance.

Development Scale: Due to the fact that East Bayfront is being developed as one large new neighbourhood, economies of scale and precinct-wide planning enable more integrative and consistent design, efficient infrastructure (such as district energy), and a long-term outlook.

Public/Private Cooperation: The TWRC, supported by the commitment of all three orders of government, will provide the necessary public infrastructure to leverage private sector investment in the East Bayfront. TWRC is uniquely able to pursue social and sustainability objectives rather than purely economic ones in the development of this important precinct and has the flexibility to withstand short-term fluctuations in the residential or employment markets.

High Quality Design: Through extensive public consultations, the TWRC has developed a strong Precinct Plan design that celebrates and takes advantage of its waterfront location while addressing the inherent weaknesses of the East Bayfront site. Gateways and view corridors to the water help reconnect the area to the City, and the TWRC will be working to further improve north-south connections across the Gardiner/railway barriers. In addition, all building designs in East Bayfront will be reviewed by the TWRC's Design Review Panel. This review process will reinforce the importance of high quality design and ensure developers consider accessibility, winter weather and other challenges outlined in the Precinct Plan.

Municipal and Community support: Few development sites in Toronto have the level of support that EBF has from the City and the local community. The investments TWRC has made in public consultations and engaging the City and the community in the process of developing the Precinct Plan will prove instrumental in achieving the vision of EBF.

Threats:

Housing Market: The current housing market in Toronto is strong. However, due to the size of the East Bayfront development, it will take many years to build-out. As a result, short-term market fluctuations should be expected, which may affect the financial and timeline projections.

Employment Market: TWRC's objective of creating significant employment space in the East Bayfront is dependent (to some extent) on demand for office space and on employment growth in the downtown core. The TWRC's Employment Strategy (outlined below) aims to provide a different and competitive type of employment space from what is currently available in the downtown core, and will be targeting a niche segment of the employment market.

1.3. Vision for the East Bayfront Community:

The East Bayfront precinct is the most central waterfront revitalization area to the downtown core. As such, East Bayfront represents an important opportunity for Toronto's city centre to establish a positive and meaningful relationship with its waterfront. The East Bayfront must be a marvelous water-related public destination – for all of the people of the City, the Province, Canada, and the world. The full extent of the 1.5 kilometres of water's edge must become a clear, vibrant public destination with a variety of experiences and amenities along its length. But at the same time, it must be a highly local environment, be a real neighbourhood within the city and have strong connections to adjacent communities. It must be a beautiful and desirable place to both live and work.

The vision for East Bayfront precinct is for a new urban waterfront community, a place of design excellence, high levels of sustainability and strong relationships to the water's edge. East Bayfront will accommodate a mixture of uses and a range

of urban built form with buildings arranged to give appropriate definition, identity and scale to the public realm of the district while serving their intended uses.

The objective is for East Bayfront to be a new community, attractive to many different types of households from a wide range of incomes. In addition to a new school and community services, a mix of affordable and market housing will be provided throughout East Bayfront. It is also assumed that a viable and sustainable urban district is not simply a residential quarter of the city, but must be a full time mixed use place of living, employment, recreation, entertainment and public/cultural activities.

(2) East Bayfront Community Description

The East Bayfront will be a mixed use district with relatively high density. Public transit will be the primary mode of transportation. The Precinct Plan has defined land parcels, development principles and building heights that permit design flexibility and can accommodate a variety of uses and types of commercial and residential buildings.

When fully built out East Bayfront will have approximately 7,000 residential units and be home to approximately 12,000 people. The East Bayfront Precinct Plan calls for 20 percent of residential development, or approximately 1,400 units, to be affordable rental housing and another five percent to be low-end-of-market housing. These targets are consistent with the Central Waterfront Secondary Plan which requires that 25 percent of large site developments be affordable housing. The affordable housing requirement will apply to both the privately and publicly owned land.

Overall, East Bayfront will also include up to 1.4 million square feet of employment space, (to accommodate 8,000 workers), and approximately 500,000 square feet of cultural, entertainment and retail space which will animate the area and promote an active streetscape. Section 4 describes in detail the TWRC's implementation plans for Employment (section 4.3) and Ground Floor Animation (section 4.4).

The proposed building pattern rises in tiers back from the water's edge with a maximum building height of 38 metres at Queens Quay. The tiering of the building heights increases the view potential and solar exposure at the north end of the site. Taller buildings integrated into the predominantly mid-rise built form are located at the north end of the site adjacent to the major north/south streets to create gateway conditions to the East Bayfront. The small floor plate towers at the north end of the site have an allowable height of 120 metres.

East Bayfront will be developed based on a 'transit first' approach. The objective is to have accessible and frequent public transit in place upon first occupancy of the new community. This strategy should increase transit ridership, as residents will develop their initial transportation patterns based on having convenient access to reliable public transit. Local parking requirements may also be reduced by this approach. The East Bayfront community will be serviced by a new LRT route along Queens Quay East, which will extend the existing Queens Quay LRT east from Yonge Street, and connect to

Union Station via the existing tunnel. Eventually, this route will also connect to Cherry Street and the Port Lands.

Community services will be built in the East Bayfront to coincide with demand so that when residents move in, the services will be there. East Bayfront will be serviced by existing fire and police services. An elementary school will be built in the precinct, and will be designed to be integrated with a daycare and a community recreation centre. A second daycare centre will be provided north of Queens Quay. The existing library in the St. Lawrence Market neighbourhood will be sufficient until the area is fully built out at which point it may be necessary to replace this small facility with a larger branch that could service St. Lawrence, East Bayfront and the West Don Lands.

(3) Creating Conditions for Private Sector Investment:

3.1. The role of TWRC:

For the first time, a single entity has a mandate supported by all three orders of government to revitalize Toronto's waterfront. The TWRC will leverage this mandate and take a comprehensive approach to accomplish economic, social and sustainability objectives by making early investments in infrastructure, engaging the community and the private sector, and promoting the revitalization regionally and internationally.

One of the critical functions of great city building is developing a great plan. The TWRC has already produced an award-winning development plan approved by City Council in November 2005 of the East Bayfront Precinct Plan.

A second critical function of the TWRC is providing an operational environment of certainty; certainty for the public that the Precinct Plan will be implemented as planned, to the highest quality; and certainty for investors that the business conditions are definitive and predictable to the maximum extent possible. The TWRC will actively engage the private sector through consultations, and strongly supports their contribution towards the revitalization of Toronto's waterfront. The main objective is to create conditions that facilitate investment while maintaining high standards of design, sustainability and public access to the waterfront. The challenge is to proactively manage development to ensure the overall vision for East Bayfront is realized, without encumbering the private sector with unnecessary conditions and restrictions. Where possible, the TWRC will work with private developers to take advantage of construction efficiencies that may arise from building public infrastructure in tandem with the private developments (e.g., roads adjacent to buildings).

Building on a strong reputation for stakeholder consultation, the TWRC has sought input from the local community, developers, the City of Toronto and various consultants to find creative ways of achieving the vision for East Bayfront. The TWRC will add value by providing essential coordination among numerous other public agencies, key infrastructure, parks and open spaces, a

waterfront promenade, and community facilities, and will build on existing programs such as LEED Certification to achieve sustainability objectives. In addition, the TWRC will work with the City to provide certainty to the market by defining zoning and obtaining required municipal and provincial approvals.

In discussing TWRC's role, it is also important to note that the Memorandum of Understanding (MOU) signed by TWRC, the City of Toronto and TEDCO on March 31, 2006 clarifies the roles and responsibilities of these entities in the revitalization of EBF and the Port Lands.

The MOU gives TWRC the overall lead role in revitalizing the designated waterfront area. TWRC undertakes this function and the many planning, site preparation, development and marketing activities which flow from them, in close cooperation with the City and with TEDCO where TEDCO lands are included. TEDCO has specific responsibilities under the MOU including for the identified TEDCO projects in the EBF (see S. 4.3 Employment); maintaining an interim property management and landlord role; conducting site investigations and carrying out remediation activities on TEDCO lands (see 3.1.3 Risk Assessment/Risk Management); providing input to the TWRC with respect to the development of the Environmental Framework and generally to provide assistance to and work with TWRC and the City to achieve the revitalization of the East Bayfront.

The following section outlines the various ways in which the TWRC is creating conditions for private sector development. The issues described are either hindrances to development which TWRC is removing, or catalysts for development which TWRC is providing.

3.1.1. Environmental Approvals:

Both the Canadian Environmental Assessment Act (CEAA) and the Ontario Environmental Assessment Act apply to various aspects of the East Bayfront Implementation.

TWRC has successfully obtained approval for the municipal infrastructure (water, wastewater, roads) required for East Bayfront implementation (with the exception of Queens Quay East) under the Provincial EA Act through the East Bayfront Class Environmental Assessment Master Plan. This came into effect at the end of March 2006. An addendum to this Class EA will be required for the District Energy distribution system.

An individual EA under the Provincial legislation has begun for the East Bayfront transit facilities. At its completion at the end of 2007, the entire Class EA process for all of Queens Quay East will be complete.

TWRC also obtained approval for Sherbourne Park and the public water's edge promenade through a Provincial Declaration Order. The Order, which relieves TWRC and the City from the requirement to do a full individual EA, has a number of conditions. The conditions (technical studies and public consultation) will be fulfilled concurrently with the park design process.

The CEAA requirements in East Bayfront are likely to be limited to Sherbourne Park and the public water's edge promenade, as they are to be federally funded. The TWRC will undertake to fulfill these EA requirements during the park design process.

TWRC Action Item 1: Secure all required environmental approvals for the development of East Bayfront (including EAs and CEAs) by the end of 2007.

3.1.2. Business Relocation:

Immediately after the approval of this Business Plan, the TWRC will formally request that TEDCO provide notice to all their existing tenants within the East Bayfront lands. It is proposed that site preparation activities will commence in September 2006. It is crucial that the lands within the borders of the future Sherbourne Park be unencumbered as soon as possible to allow initial work to be completed. To expedite the revitalization, work will begin on lands as they become available.

Taking this proactive approach will allow TWRC to prepare the various sites for development, to provide as much certainty as possible to the development community with the objective of maximizing land sale prices.

Tedco has provided the TWRC with a list of their existing tenants on the Queen Elizabeth Docks, including a status update on current lease terms. TWRC is committed to working with the City and TEDCO to facilitate the relocation of existing tenants, recognizing the importance of keeping employment uses in the City to the extent possible.

There are six tenants on the Queen Elizabeth Docks.

Currently, TWRC is engaged with Tedco in relocation discussions. There is a possibility that two of the tenants may be appropriately relocated to the Port Lands. One other tenant is currently relocating to south Etobicoke (to be completed in 2006). The three remaining tenants will require focused and collaborative efforts from City Economic Development, TEDCO, and TWRC to provide feasible alternative relocation options.

The TWRC recognizes that terminating existing leases in East Bayfront will have financial implications for TEDCO. The TWRC will work with TEDCO to avoid unnecessarily sterilizing the land by focusing on prioritizing the phased development schedule.

TWRC is also keen to find opportunities to generate interim animation on the Queen Elizabeth Docks and so begin to draw visitors to the waterfront and create a sense of “place” in people’s minds. The focus of interim animation would be events, festivals and other temporary uses that would promote revitalization efforts and generate interim revenue but that would not delay development. Funds generated from interim uses on the Queen Elizabeth Docks lands that are included in future phases of development will accrue to TEDCO.

TWRC Action Item 2: Upon approval of this Business Plan, provide TEDCO with specific dates when the various sites within East Bayfront will be required in order to meet the implementation plan schedule thereby allowing TEDCO to begin to issue termination notices.

TWRC Action Item 3: Work with TEDCO to investigate potential interim uses for the later phases of the East Bayfront lands that are compatible with the implementation schedule.

3.1.3. Risk Assessment/Risk Management:

The publicly-owned lands in East Bayfront are likely to have some forms of soil and groundwater contamination, although it is expected that the issues will be more limited than in the West Don Lands or in the Port Lands. A key objective of the TWRC is to improve the environmental condition of the publicly-owned East Bayfront lands. This has the dual benefit of creating a healthy landform for the public, and dramatically reducing the exposure of the City and TEDCO to environmental liability.

The site will be developed using a risk-based remediation approach. Risk assessment is an alternative to remediating sites to background or generic criteria. The Ministry of the Environment defines risk assessment as a scientific technique to estimate the health risk posed to humans, plants, wildlife and the natural environment from exposure to contaminants. The risk assessment takes into account site-specific characteristics to create alternative soil and groundwater criteria for the site, while maintaining the same level of health protection provided by the generic criteria.

The TWRC will develop a risk assessment for East Bayfront that may permit existing soils to remain in place, contained through engineered controls, and/or may require the removal of a reduced volume. Any soils that cannot remain on-site with a risk-based remediation approach will be treated on-site, or at a soil management facility planned for the Port Lands.

Environmental Risk Mitigation:

The Memorandum of Understanding between the TWRC, TEDCO, and the City sets out a comprehensive strategy to achieve soil and groundwater remediation, and to minimize or eliminate environmental liability to the City and TEDCO.

Through remediation, risk assessment, and the registering of Records of Site Conditions, the risk of environmental liability against the City and TEDCO is rendered remote.

The remediation strategy assigns to the TWRC the responsibility for funding and managing the remediation activities, including the responsibility to eliminate or minimize TEDCO's exposure to claims or orders relating to existing environmental conditions. There are numerous protections for the City and TEDCO. The TWRC is to develop a comprehensive environmental master plan (Environmental Framework) in consultation with TEDCO and the City. Risk management will be dealt with on a site by site basis.

TEDCO is given the first opportunity to undertake the site investigations and remediation. Where others undertake the work, the consultants and contractors are to be acceptable to the City and TEDCO. Environmental indemnities and insurance are to be provided to the City and TEDCO in appropriate circumstances. Reserve funds, as required by the City, will be established by the TWRC to fund any ongoing monitoring and maintenance of remediation programs. The risks arising from remediation activities, such as worker injury, or exacerbated contamination (e.g., piercing an existing tank) are minimal, easily preventable, and readily insurable, and will be the responsibility of the TWRC and its contractors. Furthermore, the TWRC will bear the burden of managing unpredicted contaminants that are discovered only during the course of remediation, notwithstanding that such risk is minimal. The consequence of these strategies is the creation of a healthier environment for the public, and the minimization of risk to the landowner.

Moreover, TWRC has put forward a proposal to the three orders of government for an Environmental Insurance Fund which would be used to complement the risk mitigation tools outlined above.

With respect to future City parks, where park uses may change from time to time, both the Risk Assessment and park design exercise will be done in close consultation with the City based on known and projected community needs. All Risk Assessments and park planning are subject to City approval.

TWRC Action Item 4: Obtain City Council approval and Ministry of Environment (MOE) acceptance of the Risk Assessment/Risk Management Plan for East Bayfront which will allow development to move forward and permit initial occupancy in 2010.

3.1.4. Community Services:

One the main objectives of the TWRC in East Bayfront is to make significant initial investments which will improve the marketability of the land, and make the area a great place to be. However, it is important that these investments be made before the first residents and the first workers are there. As much as possible, the

community should feel as though it has always been there. This means building parks and new infrastructure in advance of residential or commercial development. Private sector developers are not usually able to make these initial commitments, and this will be a key differentiating factor for East Bayfront as it competes with other new developments.

3.1.5. Interim Uses and Programming:

Early stage marketing of new waterfront developments will engage the public and bring people down to the water's edge. The TWRC needs to create ways of getting people excited about the revitalization efforts. These efforts will highlight the waterfront projects that have already been completed (such as John and York Quays and the Western Beaches Watercourse), but also show that many projects are underway. The investment in marketing will improve the public image of Toronto's waterfront, and act as a catalyst to private sector investment.

Working in conjunction with the City's existing cultural programs and other groups such as Harbourfront, the TWRC proposes initiating a variety of festivals and events that celebrate the waterfront and reinforce the values and objectives of TWRC with a focus on sustainability. The Humanitas Festival held May 26 through June 25, 2006 is an excellent example of an event that TWRC can help bring to the waterfront. TWRC has also been approached by the City Summit Alliance regarding the possibility of portions of the proposed Toronto International Arts Festival being held on the waterfront. We will be pursuing these types of interim uses as revitalization progresses.

3.2. Conditions of Development:

3.2.1. Zoning By-Law:

The existing zoning for East Bayfront, which has been in place for many decades, restricts land use to primarily industrial purposes.

The City of Toronto is now processing a new zoning by-law for East Bayfront, from Jarvis Street to Parliament Street. It is anticipated that the by-law will be considered by City Council in September of 2006. The portion of East Bayfront east of Parliament Street will be zoned in a subsequent phase.

It is contemplated that the new zoning by-law will permit a mix of commercial, residential, institutional and open space uses. It will comply with the City's Central Waterfront Secondary Plan, which was adopted by City Council in April of 2003. The by-law will be informed by the East Bayfront Precinct Plan which was approved by City Council in December of 2005.

As well as permitting a broad range of uses, the zoning by-law will contain provisions relating to the built-form of new development. In particular, building heights will be regulated, with the lowest heights adjacent to the water's edge.

Mirroring successful zoning initiatives in King-Parliament, King-Spadina, and other parts of the City, it is contemplated that the by-law will not control density.

The by-law will also regulate parking supply, amenity space, ground floor uses, and other parameters common to City of Toronto zoning. As well, the by-law, in conjunction with other planning tools, will incorporate provisions that will provide for private development to contribute its fair share of local infrastructure as well as the provision of affordable housing, sustainable development, and public art. The by-law will contain incentives to promote employment growth, such as an exemption on the local infrastructure and affordable housing contributions.

The zoning by-law will be specifically targeted towards attracting private sector development. It will apply both to the privately-owned lands north of Queen's Quay Boulevard, and the publicly-owned lands south of Queen's Quay Boulevard. By pre-zoning the land at this time, without the requirement of individual applications by landowners, builders will have the ability to develop more quickly, and will be relieved of zoning application fees. Builders will benefit from the certainty of known heights and permitted uses, and pre-established public contribution requirements. At the same time, builders will find flexibility in the ability to choose from a broad range of uses that are reflective of market conditions, without the limitations of density controls. Zoning that contains a combination of certainty and flexibility is an attraction to the private sector.

TWRC Action Item No. 5: Work with the City to obtain Council approval of a zoning by-law for all of East Bayfront. The by-law will be submitted to City council in September 2006.

3.2.2. Section 37 Agreements:

The two main objectives of the proposed Section 37 framework for East Bayfront are to allocate a fair apportionment of infrastructure costs to those who will benefit from the investment, and to create certainty for the private development community.

Fair Apportionment of Responsibility for provision of Infrastructure:

East Bayfront is unlike virtually any other redevelopment opportunity elsewhere in the City of Toronto, given the significant public infrastructure investment required in order to allow redevelopment to occur. The TWRC, on behalf of the City, Provincial, and Federal Governments, will be investing approximately \$320 million to construct the necessary local infrastructure. Local infrastructure is not covered by development charges.

One objective of the proposed Section 37 framework, therefore, is to ensure that developers of privately-held lands in East Bayfront pay their fair share of the costs of hard services and community facilities when they proceed with the development of their lands.

The infrastructure cost recovery from private landowners through the Section 37 framework will represent a significant percentage of the local infrastructure improvements, but a relatively small amount compared to the \$320 million public investment in East Bayfront. Moreover, non-residential development would be exempt from making contributions towards local infrastructure improvements, in keeping with the key policy objective of bringing employment uses to the waterfront. Contribution levels for residential development would not be raised in order to make up for the shortfall caused by the non-residential exemption.

Certainty:

The determination of Section 37 benefits in the City of Toronto has traditionally been undertaken on a site-by-site basis, by way of negotiations with each individual landowner. In consultations TWRC held with private land owners in the East Bayfront, the owners indicated a desire for a high level of certainty in terms of contributions to be made by them.

In keeping with this approach, the East Bayfront Zoning By-law will be enacted for all of East Bayfront, both north and south of Queen's Quay. Rather than proceeding by way of individual site applications and negotiations with each landowner, the by-law would establish both the development permissions and required Section 37 contributions for all the lands in East Bayfront at the start of the process.

The proposed Section 37 framework, therefore, provides the certainty sought by the development industry, and each landowner would know the value of the expected contribution.

Section 37 Framework:

The East Bayfront Zoning By-law would contain a Section 37 clause, whereby a landowner could *elect* to exceed specified base zoning restrictions on condition that the landowner enters into a Section 37 Agreement securing the enumerated public benefits.

The Section 37 clause of the by-law would require that the Section 37 Agreement secure five main public benefits:

- (1) A public art contribution in accordance with the City's public art program of a value not less than one percent of the gross construction costs of the development.

This is a public art contribution often imposed through Section 37, and provision of public art is an important objective of the City's Official Plan. The TWRC will work with the City and the developers to coordinate a comprehensive public art program for all of East Bayfront. This approach will allow the public art to be designed as part of the precinct, creating a cohesive artistic theme that will brand the waterfront and differentiate East Bayfront from neighbouring areas.

- (2) The construction of local improvements (including streets, water, sanitary and storm water services, community facilities, including community and daycare centres, and other services), or a pre-defined cash-in-lieu contribution per square foot of residential development (to be indexed for inflation).

The \$320 million investment to be made by the public sector will have an immediate and significant impact on the value and marketability of the lands within East Bayfront. Based on market residential development of approximately 3.7 million square feet north of Queen's Quay, the private sector is being asked to make an investment towards these infrastructure costs.

- (3) The provision of opportunities for new affordable rental housing, comprising either:
 - (a) the provision and maintenance of not less than 20 percent of the total number of dwelling units on the site as new affordable rental housing,
 - (b) a dedication to the City of land sufficient to construct 20 percent of the total number of the dwelling units on the site, or
 - (c) a cash-in-lieu contribution to the City in the amount of the value of the dedication referred to in (b).

Choosing option 'a.' above would be at the discretion of the developer, while choosing between options 'b.' and 'c.' would be at the discretion of the City.

The Central Waterfront Plan generally requires that 25 percent of all housing units be affordable rental housing and low-end-of-market housing, and that affordable rental constitute the greatest proportion of this housing.

- (4) The incorporation of sustainable development measures in the development, as set out in the by-law.

One of the core principles of the Central Waterfront Plan is to promote “a clean and green environment”, and the Plan calls for a wide variety of environmental strategies to be employed to create sustainable waterfront communities.

The Section 37 agreement will include a list of specific sustainable development requirements which all buildings (both north and south of Queens Quay) will be required to incorporate into their designs. In addition, developments will be required to connect to TWRC’s District Energy system. Connecting to this system will save developers approximately \$4,000 per residential unit, as in-building heating and cooling equipment will not be required. The savings from District Energy will partly offset the cost of incorporating the mandatory sustainable development requirements.

- (5) The consideration of all projects by the TWRC Design Review Panel.

The Section 37 agreement will require that all proposed projects submit appropriate design details to the TWRC Design Review Panel for consideration prior to submitting for an application for Site Plan approval.

TWRC Action Item 6: In consultation with the City, finalize the Section 37 contribution requirements for East Bayfront, which will be included in the zoning by-law presented to City council in September 2006.

TWRC Action Item 7: TWRC will engage individual developers in the City’s implementation of the Section 37 contribution (how affordable housing lands will be secured (options a, b or c above), whether any infrastructure construction efficiencies can be achieved through public/private partnerships, and in coordinating the interface with the TWRC’s Design Review Panel).

3.2.3. Financial Incentives:

The TWRC is currently working with the City of Toronto to establish a Community Improvement Project (CIP) area for the East Bayfront. This designation would permit the use of an ‘incentives toolkit’ to encourage commercial investment in the East Bayfront. Incentives such as those outlined in the City report “Enhancing Toronto’s Business Climate” from July 4, 2005, should be offered to prospective developers to provide them with tools to attract new tenants. The tools identified in the City report which specifically target employment and hotel development would provide significant incentives and would support the employment and Animation objectives of the Business Plan.

TWRC, the City and TEDCO will be working to develop a group of incentives for the East Bayfront and will ensure they are effectively marketed and made available. Transparency of process, accessibility to all potential developers will

contribute significantly towards achieving the employment and economic targets for East Bayfront.

TWRC Action Item 8: Once the CIP is approved, work with the City and developers (both north and south of Queens Quay) to market the incentives and facilitate the application process.

3.2.4. Developer Proposal Call:

Once the re-zoning for East Bayfront has been confirmed, the TWRC will begin a two stage process to solicit proposals for the development of Phase One of the East Bayfront.

The first stage of the process will be a Request for Qualifications (RFQ). The objective of the RFQ will be to shortlist a small group of world-class developers, and solicit input on the delivery methods for all key aspects (i.e., employment, affordable housing, ground floor animation and sustainability).

The RFQ, which will be released in early 2007, will ask for submissions outlining their general approach to the development of the site and strategies for achieving TWRC/City objectives, their credentials, experience and financial capabilities.

In the Request for Proposal (RFP) stage more detailed submissions would be requested with respect to the design and development along with financial offers and associated terms. The RFP will be released in the summer of 2007, and while the details will be informed by the results of the RFQ, the following is a list of the significant requirements which all bids must include:

- (i) Concept plans for the parcels within Phase One which the developer is bidding on.
- (ii) The identification of a plan to site affordable housing within the land area in line with targets set by the TWRC (cumulatively these targets would result in affordable housing capacity to accommodate approximately 20 percent of the residential units).
- (iii) A provision to build ground floor space which conforms to the requirements set out in the zoning by-law, and to transfer title of such ground floor space to TWRC at nominal cost.
- (iv) A commitment to build all buildings to LEED Gold Certification standards, including the mandatory requirements outlined in TWRC's Green Building Standards.
- (v) A commitment to engage the TWRC's Design Review Panel to review designs for all buildings and public realm infrastructure (if applicable).

- (vi) A commitment not to make applications to modify the zoning by-law without the consent of TWRC.

Notwithstanding the two phase approach, TWRC retains full flexibility to consider tendering the whole of the Queen Elizabeth docks should a market opportunity present itself which allows TWRC's comprehensive vision to be accomplished.

In addition to the mandatory requirements, bids can include proposals for the development of the employment site based on a long-term land lease. The RFP will be designed with flexibility to allow the TWRC to select multiple development teams for different components, or to select one team for all of Phase One. The TWRC may accept bids for the residential blocks and award the development rights for the Special Use Site to another proponent through a separate RFP process.

The TWRC's RFP 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 confirmed with 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.

TWRC Action Item 9: Release a developer RFQ by March 31, 2007 for Phase One of East Bayfront.

TWRC Action Item 10: Release a developer RFP by August 30, 2007 for Phase One of East Bayfront (the Special Use Site may be a separate RFP but on a parallel schedule).

3.2.5. Design Review Panel:

Toronto's revitalized waterfront must be characterized by excellence in urban design. What is built on the waterfront, from buildings to streets to parks and public art, will set new standards for architecture and public space across the city. To help achieve and uphold these standards, the Toronto Waterfront Revitalization Corporation has established the Waterfront Design Review Panel.

The Panel provides objective, professional advice and contributes to a culture of quality by signaling to developers and designers that high quality design is a critical consideration for the development of Toronto's waterfront.

The Panel is composed of 11 members and a Chair representing the fields of Architecture, Landscape Architecture, Planning and Engineering. It will review projects in the East Bayfront based on the TWRC's Corporate objectives, its Sustainability Framework, the East Bayfront Precinct Plan and the Design Guidelines and zoning ordinance established for the East Bayfront. The review

process will include several presentations to the Panel at key points in the design process.

While the review itself is mandatory, the panel is advisory in nature. Developers will be encouraged to take advantage of recommendations made by the panel, but will not be bound by them. The TWRC will facilitate the review, and will ensure constructive dialog between the Design Review Panel and the developers.

TWRC Action Item 11: Facilitate the Design Review Panel's review of all proposed projects in East Bayfront.

(4) Implementation Plan:

4.1. Development Framework Overview:

While the potential for the East Bayfront has long been acknowledged, the TWRC has also recognized that significant investment in new infrastructure including parks and community services are required to attract the most innovative developers, unique projects and yield the highest land values. At the same time, the area is large and the build-out of both private and public lands is expected to take approximately 15 years. The Implementation Plan therefore provides for a phased development program of both infrastructure and private investment that is linked to market demands and the needs of both existing and future community members.

4.1.1. Land Use Strategy:

The East Bayfront Precinct Plan clearly states that the objective is to create a truly mixed use, vibrant and active community, and sets an objective to have 25 percent of the gross floor area allocated to non-residential uses. Total permitted density in the East Bayfront is approximately 8.6 million square feet, resulting in non-residential uses of 2.2 million square feet. Current market conditions are strong for residential development (estimated absorption of 500 residential units per year), therefore the TWRC has focused on ensuring that other, complimentary uses are incorporated into the development framework. Three different non-residential uses have been identified, and strategies have been developed to implement them. The three non-residential uses are Employment, Ground Floor Animation and Community Services.

The target uses for East Bayfront are summarized as follows:

Market Residential	5,300,000
Affordable Rental Housing	1,300,000
Employment	1,300,000
Flexible Employment Expansion Space	100,000
Ground Floor Animation	500,000
Community Facilities/School	<u>100,000</u>
Total East Bayfront GFA	8,600,000

Employment – The objective set out in the Precinct plan is to set aside space for up to 8,000 workers. The Employment Strategy outlined below indicates that approximately 1.4 million square feet of employment space is required to accommodate these workers (half of that space will be accommodated on the south side of Queens Quay, and the other half is expected to be on the north side of Queens Quay). The TWRC has identified a site within the first phase of development which will include approximately 400,000 square feet of office space, and has allocated an additional 300,000 square feet within the second phase. Average annual absorption of the employment space is expected to be approximately 70,000 square feet per year. For the remaining employment space, TWRC will work with the City and the private land owners to promote the development of employment space north of Queens Quay and make it viable. Further, approximately 100,000 square feet of space within the Special Use Site has been reserved for employment expansion space (should demand exceed expectations) or other complementary uses (conference space, flex offices, etc). Other opportunities, such as the direct purchase by TWRC of an employment site north of Queens Quay, may be pursued. More details regarding the strategy to encourage this development can be found in section 4.3 below.

Ground Floor Animation – The success of the waterfront will in large measure be based on the ability to create an animated streetscape and a vibrant community. Mixed use development contributes to this vibrancy by bringing different people together at different times. The other main contributor is well designed and active grade related uses. The design guidelines for East Bayfront (based on the Precinct Plan) establish a flexible ground floor structure with high ceilings along major streets, Sherbourne Park and the waterfront promenade, to accommodate a variety of non-residential uses (e.g. entertainment, cultural, restaurant, etc.). For the purposes of this Business Plan, Ground Floor Animation space will include ground floor, mezzanine and some multi-story space.

In total, the East Bayfront will include approximately 500,000 square feet Ground Floor Animation space (including approximately 200,000 square feet on the north side of Queens Quay and up to 50,000 square feet of space in mezzanines or multiple storey buildings based on market demand).

More information regarding the Ground Floor Animation space and how it will be implemented can be found in section 4.4.

Community Services – The Community Services provided in the East Bayfront consists of the following:

- (i) A Community Recreation Centre;
- (ii) A public school to be operated by the TDSB;
- (iii) Two daycare centres; and
- (iv) Space within buildings to be made available to community groups.

The Community Recreation Centre, the public school and one-daycare centre will be developed jointly. The TWRC will work cooperatively with the Toronto District School Board and the City of Toronto to develop these facilities. At this time, the school and community centre are expected to be developed in a later phase of the development, once the population of the area can support such facilities. Approximately 100,000 square feet (of GFA) has been allocated to accommodate the community centre, school and daycare.

The other daycare centre is currently proposed to be provided at the base of a residential building. This daycare centre should be located in the proximity of Sherbourne Park on the north side of Queens Quay. The location will be secured via Section 37 agreement from the developers of the privately-owned lands, but the capital cost will be borne by the TWRC.

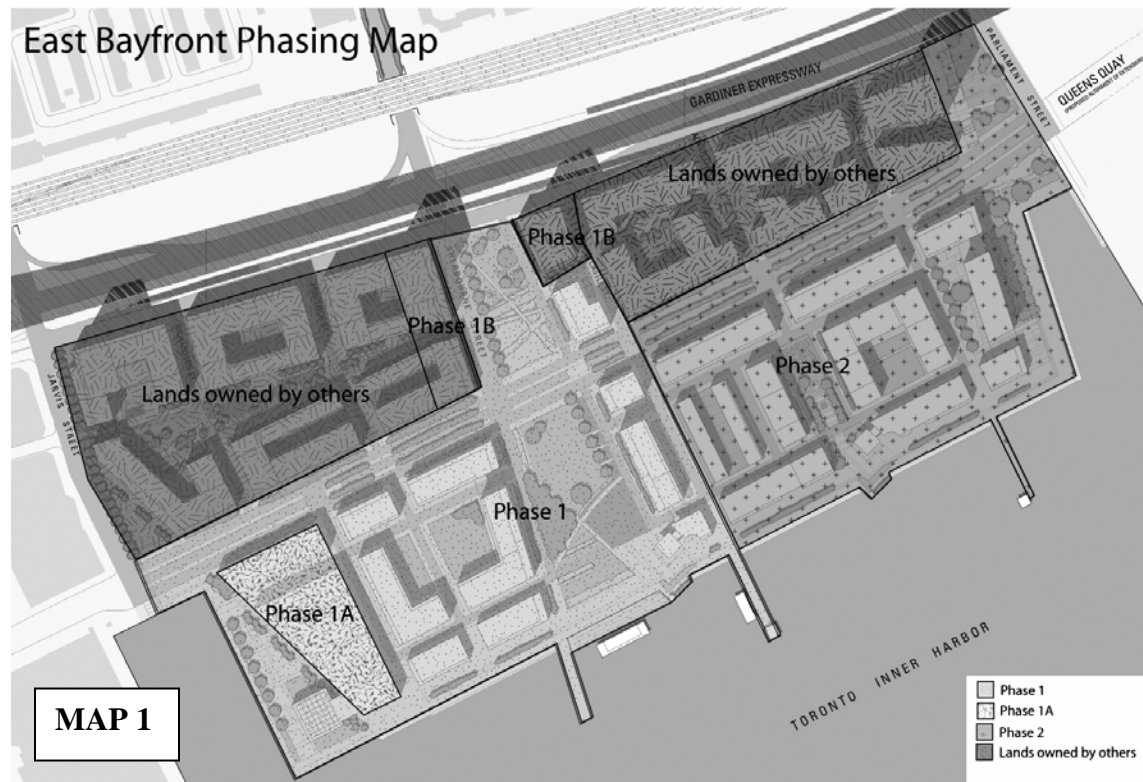
4.1.2. Project Phasing Strategy:

The Business Plan anticipates that land values will appreciate once early investments in parks and infrastructure are made. The implementation plan proposes to release lands for private investment in two phases so that TWRC will benefit from appreciated land values when the second Phase is released.

Map 1 illustrates the Phase One area and the Phase Two area. Lands coloured in pink are privately held and can be developed at any time. The Special Use Site is proposed as the employment and cultural hub of Phase One, and sits at the foot of Jarvis, south of Queens Quay.

Phase One provides for an initial development area surrounding the new Sherbourne Park, a reconstructed Queens Quay Boulevard and a waterfront promenade. The installation of the new park infrastructure will have an immediate impact on the marketability of the land which the TWRC will benefit from in terms of increased land values.

With the beginnings of a new community and much of the parkland and infrastructure complete, land values and developer interest should increase for the second phase. The TWRC should be the beneficiary of these increased values. The second phase, consisting of an area to the east of Sherbourne Park, will be released once the development of Phase One is well under way.



The outlook for growth in the City of Toronto is expected to remain relatively strong. Based on our best estimates we expect the build out of Phase One over 5 years, with annual absorption of 250 residential units (Queens Elizabeth Docks only) assuming current market conditions remain relatively stable. The release of Phase Two lands will be subject to the market conditions of the day but is anticipated that by year 2012, active preparation for the disposition of these lands could begin.

4.1.3. Phase One:

The implementation of Phase One of East Bayfront will begin upon approval of this Business Plan. A detailed schedule showing the implementation of Phase One is included in the Business Plan as Appendix A. First steps include business relocation of applicable TEDCO tenants, zoning approval, development of a risk assessment/risk management plan and the design of the parks and water's edge promenade.

The TWRC will start construction of Sherbourne Park and its water's edge promenade in early 2008 so that they are completed prior to initial occupancy of the Phase One residential developments in 2010. Moreover, the TWRC will work with the TTC on the design and implementation of the East Bayfront LRT, and completion will be targeted to coincide as closely as possible with initial occupancy of the precinct. The completion of these public amenities will be a catalyst for development, and will be strong marketing tools for both residential and non-residential developers. The TWRC will build major roads and utilities

(including district energy) using a phased approach and in coordination with contracted developers. Construction of public infrastructure (such as interior roads within blocks) by developers will be considered on a case by case basis if it is determined that efficiencies can be achieved by having a single contractor for adjacent work. Developers who deliver public infrastructure will receive an equivalent credit towards their Section 37 contribution.

The developer RFP will include the sale of the residential blocks of Phase One, with the potential for a long-term land lease for the employment/cultural block (Phase 1A on the map above). The RFP will be designed with flexibility to allow the TWRC to select one or several developers for Phase One.

The employment/cultural block in Phase One is contemplated to include 400,000 square feet of employment space, 100,000 square feet of employment expansion space and approximately 60,000 square feet of cultural, retail and/or institutional uses. This site will be severed and retained within public ownership, and will be developed under a long-term land lease agreement.

The residential blocks within Phase One represent 1 million square feet. The residential blocks also include up to 70,000 square feet of Ground Floor Animation space.

As the block planning for Phase One is not yet complete, the exact configuration of the blocks may evolve. However, the development RFP will require the developer to identify sufficient space within the Phase One lands to accommodate affordable rental housing equal to approximately 20 percent of the total residential units being developed.

The marketability of the East Bayfront lands will be strong. Much like other areas in transition, existing industries, such as Tate and Lyle (Redpath) Sugar, will help add to the character of the community. With the parks and infrastructure in place, the East Bayfront should generate higher than average index values on the waterfront, ranging from \$375 to \$450 per square foot. These rates are dependent on the construction of the waterfront promenade, Sherbourne Park and the certainty of the proposed extension of the LRT line from Union Station.

4.1.4. Phase Two:

Phase Two will include approximately 1,100 new housing units (including 225 new affordable rental units), 150,000 square feet of Ground Floor Animation space, and approximately 300,000 square feet of employment space. Proposed sites for the school and associated community facilities have also been identified for Phase Two lands. The development of these lands and the location and composition of the various components will be determined through the RFP process in conjunction with the TWRC and the City, and will be informed by the results of the RFP for Phase One. Notwithstanding this approach, the TWRC must maintain the flexibility to take advantage of market opportunities, which

may include putting the entire Queen Elizabeth Docks area out to the market through one RFP.

In addition to developing the TEDCO owned lands, the TWRC is working with the private land-owners north of Queens Quay in order to support and encourage development in line with the Precinct Plan and the zoning by-law. Specifically, the TWRC will continue to communicate with the land-owners to look for opportunities to coordinate the construction of infrastructure north of Queens Quay, to encourage the development of employment space by facilitating the implementation of the CIP program and other incentives, and to provide support on sustainability implementation (including district energy).

4.2. Infrastructure:

One of the most significant ways that TWRC will add value to the development of East Bayfront is to build the infrastructure of the precinct at an early stage. The construction of roads and sewers, district energy, and public transit will jumpstart the private sector development and increase land values.

The major roads (and corresponding underground utilities) within East Bayfront will be completed prior to the initial occupancy of the precinct. Work is expected to commence by the end of 2007.

District energy must also be operational prior to initial occupancy. A site for the central plant will be confirmed through a feasibility study this year. However, the main District Energy plant will most likely be located in the West Don Lands and would service both the East Bayfront and the West Don Lands. An interim plant will be constructed on the Phase Two lands to serve the first few buildings developed in Phase One, and to mitigate the real estate risk (i.e., the risk of a significant delay in the development of Phase Two and/or the privately-owned lands). The hot and cold water pipes which transfer energy from the central plant to the buildings will be installed along with other utilities under the road right-of-ways.

Public transit will be provided by a new Light Rapid Transit (LRT) line which will connect to the existing LRT along Queens Quay West. An Environmental Assessment is currently underway to determine the final configuration of the LRT, and this work is expected to be complete by the end of 2007. Construction could begin shortly thereafter, and is targeted to be completed in 2011.

TWRC will work with City officials to determine the viability of installing a vacuum waste system in East Bayfront. This system would increase waste diversion rates and is in line with TWRC's sustainability objectives, but further investigations are required to determine whether vacuum waste can be incorporated into the City's waste collection system. The current financial projections do not include vacuum waste, but a separate cost/benefit analysis will be conducted as part of the feasibility review.

TWRC Action Item 12: Release RFP for infrastructure design by March 31, 2007.

TWRC Action Item 13: Complete the EA for the East Bayfront LRT by December 31, 2007.

4.3. Employment:

Economic development is a fundamental element in TWRC's long term vision and a core goal is to create jobs and attract business, institutional, entertainment and research entities to the waterfront.

The creation of high value-added jobs and investment on the waterfront is a priority for the TWRC and the vehicle through which to create creative and diverse live/work environments on the waterfront. The employment strategy leverages the important initiatives already underway by the City. Implementation of the strategy will require close collaboration between the TWRC and government partners as well as key public and private stakeholders especially as regards coordination of effective marketing activities and tenant attraction strategies. The full employment strategy which sets out deliverables is attached as APPENDIX B. Also attached as part of Appendix B is a background report done in collaboration with the Schulich School of Business which helped inform TWRC's approach.

TWRC's employment strategy for East Bayfront advances a 'made in Toronto' approach which builds on the new generation of successful international development projects which are emerging at the intersection of real estate development, urban design, technology and social policy. These projects, while different in size/scope, share the following key characteristics:

- (i) They are populated by technology enterprises, workers with 21st skills, R&D and educational institutions, creative, knowledge-based employees and research and educational institutions;
- (ii) They provide housing, public amenities and services to their residents and workers;
- (iii) They place a high value on quality of place, provide facilities that promote creativity, and anticipate emerging lifestyles;
- (iv) They aim to develop the human and social capital needed to put their host cities – if not their nations – in globally competitive positions;
- (v) They integrate the latest information, communication and media technologies into the physical, social and commercial fabric of the community – they are Intelligent Communities;

- (vi) They are guided and developed through partnerships between governments, real estate developers, educational and research institutions and information and new media companies.

These are the conditions that the employment strategy seeks to create in the East Bayfront, recognizing that today the knowledge, skills and innovation potential of talented individuals have greater value than buildings and capital equipment and that early public and private sector investments in these developments create long term value.

The overall objective of the East Bayfront employment strategy is to attract some 8,000 high value-added new jobs to the area over the 15 year span of development. Of the 8,000 jobs targeted, 75 percent (or about 6,000 jobs) would be in the Information and Communication Technology (ICT) sector, and within that sector, in the areas of development and services with particular focus on the digital media and financial services software. The remaining 25 percent would be in related business and professional services which support these ICT jobs.

The strategy builds on the success of the GTA's existing Information and Communications Technology cluster. In Canada, the ICT sector spans 19 individual industries – 10 in manufacturing and nine in services. Computers and Telecommunications or CT industries account for nearly 90 percent of ICT employment. Since 2000, output growth in ICT has remained weak until recently, reflecting a balance between generally declining ICT manufacturing output and growing services input. The EBF employment strategy targets the services side of the ICT sector, plus related business services. Statistics show recovery in the sector with entry rates in 2003 rebounding from their lows in 2001 and 2002 and exit rates beginning to decline. ICT continues to attract a relatively large number of new entrants, despite the slow down. Overall, there is evidence that both firms and entrepreneurs continue to see opportunities to develop new products and markets.

This is a sector that to date has not yet demonstrated strong clustering attributes and yet has demonstrated strong job growth throughout the GTA. TWRC will focus on the types of ICT related businesses that are now located in older neighbourhoods and at the periphery of downtown. For instance, a main opportunity is provided by the existing concentration of software/systems and ICT services already located on the King Street axis. As the downtown continues to develop, these workers will need new space that is not a typical office development. TWRC's approach to employment on the waterfront is an integrated one in that we know that successfully attracting employment will be contingent upon also delivering those key elements which are important employees and employers in this sector: access to affordable housing, quality of life issues including public amenities, retail shopping and vibrant cultural and entertainment activities, access to public transit, parking and traffic congestion issues and the preference for downtown, urban locations – issues that have direct bearing on a firm's ability to recruit and retain knowledge workers.

Built into the employment strategy is the commitment to the concept of the Intelligent Community. There is a proven correlation between intelligent communities and economic and social development. TWRC's goal of creating one of the world's leading intelligent communities on the waterfront, including delivery of abundant bandwidth, will enable future knowledge clusters and related services and is a key strategy in attracting global business and education and research initiatives to the waterfront.

To be competitive on an international scale, intelligent communities must have a foundation of advanced ultra broadband communications infrastructures to attract research, innovation and knowledge workers in a variety of knowledge based industries. Other proven societal benefits are derived from the latest implementations in e-education, e-health, e-commerce, e-entertainment and community collaboration.

TWRC's has already issued an REOI to define the business model to deliver abundant and economical intelligent bandwidth with flexibility for growth to enable future services and to attract local, national and international business and research initiatives to the waterfront. Broadband infrastructure will be installed as part of EBF development.

There already is interest by media companies and others to locate on the waterfront because the broadband infrastructure will provide a living laboratory for ongoing research, operational infrastructures and e-applications.

TWRC has created an I-Waterfront Intelligent Community Advisory Council made up of 31 leaders in arts and culture, banking, healthcare, entertainment, education at university, community college levels, research, information technology, media, telecommunications and construction industries. (List attached). This group will help guide and fund early intelligent pilot projects to the waterfront and help forge key partnerships between business, academia and arts and entertainment.

The program for Phase One of the employment strategy, slated to begin in early 2007 and be substantially complete by 2012, is directed at delivering employment space at the Special Use site at Jarvis. Of the available 600,000 square feet on this site, 400,000 has been assigned to employment uses (plus up to 100,000 for employment expansion uses), excluding cultural, institutional and retail uses, of which 75 percent or 300,000 would be targeted to ICT firms. This translates into approximately 2,300 jobs (or 30 percent of the overall target of 8,000) based on the recommended split between individual and collaborative work space. Uses for the remaining 100,000 square feet would include education and learning partnerships, health and recreation uses, retail, cultural and entertainment uses.

The assumption underlying Phase One is that the housing, including affordable, and the ground floor animation space as outlined in the Business Plan would be developed simultaneously, if not preceding the employment space at the Special

Use site. TWRC's phasing approach has been confirmed in discussions with firms in the ICT sector, practitioners in the field and with developers of successful convergence/employment spaces, who support that housing and public amenities (including retail and parking) are prerequisites to the development of successful employment space. In consultation with the private sector, TWRC is also developing a variety of financial and business models to promote commercial development. Examples could include long term lease arrangements with limited upfront private investment but with clear development milestones that must be met to retain development rights. This will ensure the employment space of Phase One is protected and delivered as per the Business Plan.

When balanced with the delivery of residential housing, including affordable housing, parks and public spaces and cultural and retail uses, the employment strategy envisages approximately half or 4,000 jobs accommodated on the south side of Queen's Quay in the Queen Elizabeth Docks area. (Phase Two of EBF development contains the remaining 300,000 square feet of employment space).

It will be important to ensure that conditions exist on private lands north of Queen's Quay to capture market opportunities for employment. Zoning, financial incentives and market opportunities created through the revitalization will allow private land owners to seize opportunities to site employment uses on their lands. For instance, there are no Section 37 charges related to commercial space; the East Bayfront is anticipated to be designated under the Community Improvement Plan which allow for certain financial incentives to be made available. Moreover, TWRC intends to work intensely with the City and private developers on joint marketing to prospective tenants.

The TWRC's employment strategy for East Bayfront is flexible, and would be adaptable should either of TEDCO's current employment proposals (24/7 or project symphony) for the Jarvis Slip be successful by September 30, 2006. TEDCO projects are in line with types of uses proposed for East Bayfront, and future development could build on this foundation.

TWRC Action Item 14: Begin implementation of the specific deliverables in the Employment Action Plan (attached as appendix) in order to secure the 8,000 jobs targeted for East Bayfront (75 percent of these jobs should be targeted in the ICT sector, most of which would be in development and services, while the remaining 25 percent would be in related business services in support of these ICT jobs).

TWRC Action Item 15: Phase Two employment space, some 300,000 square feet, will draw another 1,700 employees at full build out of that phase (2021) for a total of 4,000 employees on public lands.

4.4. Ground Floor Animation:

The goal of the Ground Floor Animation strategy is to engage residents, regional visitors and tourists to the waterfront by offering a broad variety of experiences

and leisure and entertainment activities from shopping and dining to cultural activities, festivals, and the pleasure of outdoor space by the water to a broad range of users.

Research conducted on behalf of TWRC demonstrates 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 in the Precinct Plan is limited primarily to convenience uses in modest numbers. This type of retail and food service is not destination-oriented and the overall result will be the appearance of a self sufficient, but largely internal community, not overtly welcoming to visitors, no matter how “accessible” the waterfront itself may be. The reports which formed the basis of the Ground Floor Animation Strategy are included in the Business Plan as Appendix C.

Such a limited approach would neither attract artists and knowledge workers as tenants nor fulfill the aspiration for an “intelligent community” set forth in the East Bayfront Precinct Plan. Artists and workers in creative industries prefer an environment with interesting public spaces and gathering places. Without sufficient commercial and cultural animation, these industries would be unlikely to locate here – and if they did (as a result of incentives) would be unlikely to stay.

What the Ground Floor Animation strategy adds to the East Bayfront Precinct is 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 there. 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. This heightens the attractiveness to both residential and office users who could be considered part of the “creative economy”.

In order to identify what would attract culture and animation to the waterfront, interviews were conducted with 22 leaders in the field to study 13 precedents for successful animation and mixed-use attractions on waterfronts. (Consultations were also held specifically with Harbourfront Centre and the Distillery District whom TWRC sees as partners in this strategy. Our approach is to ensure that the EBF animation strategy is complementary to Harbourfront Centre and the Distillery District and has consulted closely with them to ensure our strategy reflects this approach). To complement this research, case studies of successful waterfront retail and entertainment districts were reviewed, including Baltimore’s Inner Harbour, Granville Island, Faneuil Hall in Boston, and South Street Seaport in New York.

The conclusions reached show that there is a large supply of cultural uses, institutions and festivals interested in locating in the waterfront area of the East Bayfront Precinct for a range of reasons including:

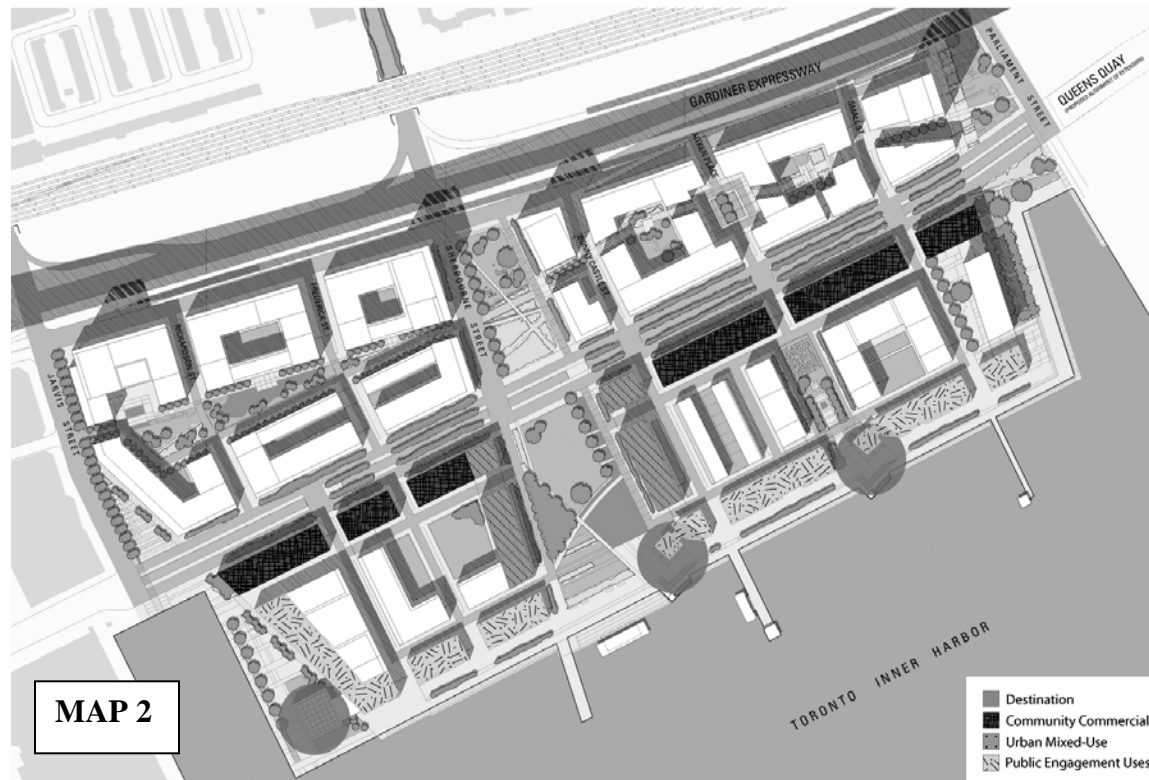
- (i) Many small organizations (both for-profit and not-for profit) are being evicted due to rising property values in Toronto.
- (ii) New cultural organizations and uses are continually being invented and they have trouble finding appropriate space.
- (iii) Cultural organizations seek security of tenure through long-term leases and condominium options.
- (iv) They are generally attracted to the waterfront.

Cultural uses will require incentives such as below market rents and security of tenure. It will be important also for TWRC to communicate its commitment to the long-term tenure of the arts and creative industries. Over the first eight years of the build-out of East Bayfront, the TWRC will provide occupancy cost subsidies which are equivalent to approximately half the occupancy costs of the space, and which total \$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 cash flow to the TWRC. The net occupancy cost subsidy over the entire development period is approximately \$4 million.

Map 2 below illustrates the targeted ground floor space on the publicly owned lands which will create an interactive community along the highly visible areas of East Bayfront along the Promenade, both east and west strips of Sherbourne Park, along Queens Quay Boulevard and along the Special Use Site.

The Ground Floor Animation Strategy suggests that approximately 500,000 square feet of Ground Floor Animation space should be provided in East Bayfront in order to develop the critical mass of visitors required to make the area a regional attraction. Approximately 300,000 square feet will be south of Queens Quay, which is evenly split between cultural uses and retail, restaurants/food services, and other uses. It is important to acknowledge that while the cultural and institutional uses will create the tourism draw for East Bayfront, its ongoing success and sustainability is highly interdependent on complementary retail uses.

It will also be important to develop and incorporate marine uses that compliment, activate and mutually reinforce the land side retail and tourism uses. The precinct plan already calls for a number of finger piers to accommodate tour and charter vessels. Marine uses can include a network of water taxi stops connecting destinations around the Inner Harbour, canoe and other small water craft rentals, recreational fishing, water-based festivals etc.



The TWRC will take initial ownership and control of the Ground Floor Animation space in buildings south of Queens Quay (but not in the buildings north of Queens Quay) in order to ensure a good mix of quality tenants and appropriate uses, and that this domain becomes a lively and engaging place. This transfer of ownership (for nominal consideration) will be a condition of the developer proposal call. Developers will create separate condominium units for Ground Floor Animation spaces to facilitate the transfer and the ongoing administration with the Condominium Corporations. There is flexibility in this ownership structure to accommodate the main floor, additional floors, or even stand alone residential/commercial buildings (if required).

The development of the Ground Floor Animation space will be in conjunction with residential/employment development phasing due to its physical connection to these properties. The TWRC will be able to conduct significant advance marketing of the Ground Floor Animation space to the retail and cultural communities to generate excitement and sustained demand. As a result, it is assumed that leases will be signed prior to space being available for the tenants to retrofit and occupy. The first tenant is expected to move in by 2010. Cultural uses will be the initial focus of the marketing efforts.

The Ground Floor Animation strategy shows that having cultural uses greatly adds to the desirability of the area. By their nature they are unique, and they create a competitive advantage for East Bayfront over other districts. TWRC must engage the cultural sector early on to learn more about their unique needs, look for opportunities for complementary organizations to work together, and

ensure the design of the Ground Floor Animation Space has the flexibility to accommodate the variety of uses.

To attract the right mix of cultural uses, which compliments and reinforces the target employment market (new media, digital photography, etc.), it is anticipated that some of the smaller galleries, operators and other uses may require financial incentives (i.e., below market rents). This investment will stimulate significant demand from the independent cultural businesses which will be crucial to creating the dynamic regional attraction envisioned for East Bayfront. These incentives are most significant in the first year of development, and would decline over time.

The retail space, including specialty retail, restaurants and food services and other services, are expected to command competitive market rents with typical terms and credit quality standards. Rates will vary based on the use, location of individual spaces, and tenant mix. Based on projections for cultural and employment, there should be strong, ongoing demand for retail space once the precinct has been fully developed.

The TWRC strongly believes that single entity ownership of the Ground Floor Animation space is the most effective way of ensuring an optimal tenant mix so that the space is tenanted strategically from both an economic and complimentary use perspective. TWRC will be able to market the area as one overall project, thus gaining efficiencies. This strategy has been viewed positively from the cultural and retail sectors (as well as from the development industry), as they will have a single point of contact for development opportunities in East Bayfront, it will facilitate the evolution of the tenant mix as retail trends change thereby minimizing vacancies. The success of the Ground Floor Animation space will be crucial in creating a tourism draw for East Bayfront. As such, the TWRC believes the investments outlined above represent effective use of public funds, which will be recaptured through higher land values as the area matures. Also, upon full build-out of the precinct, the Ground Floor Animation Space will develop into a valuable asset which can be capitalized.

In order to implement the overall East Bayfront Business Plan, several changes will be required to TWRC Corporate Governance. These changes include the ability to create a subsidiary and the ability to collect revenues from the ground floor, parking and employment lands. A subsidiary is required to establish the ground floor single entity to which would deal directly with tenants, manage the tenant mix, ensure balance and manage leases. The establishment of a subsidiary as the vehicle through which ground floor implementation is carried out is a prudent approach that maximizes the opportunity for successful implementation and minimizes risks. Pending approval of the Business Plan, the TWRC will immediately begin to work with the three orders of government to facilitate these proposed changes.

Potential cultural users include:

- (i) Individual artists;
- (ii) Not for profit and cultural organizations and companies (theatres, dance, art, heritage, film);
- (iii) Private arts and cultural entrepreneurs (private galleries, designers, publishers); and
- (iv) New media and technology innovators and artists and a range of organizations from large established institutions to small operations. (see attachment for detailed strategy).

Another key feature of the strategy is related festivals (such as an international art biennale, wine and food festivals, new media festivals and Toronto Alternative Art Fair. Each of these could attract between 100,000 and 800,000 visits per year and require between 20,000 to 60,000 square feet. Two cultural attractions plus four related festivals would generate 1 - 1.5 million visitors per year. A programmed Sherbourne Park will in itself become a tourism draw. A waterfront aquarium will draw between 1 to 1.5 million visitors. Ultimately, TWRC believes EBF can draw 7 million tourists annually at full build-out.

TWRC will be actively marketing the waterfront to these potential users, and will shortlist candidates through an RFQ/RFP process by the end of 2007.

TWRC intends to work closely and to partner with municipal and provincial tourism efforts currently underway, particularly the Premier Ranked Tourism Framework Project and the Toronto Destination Development Leadership Initiative, to identify tourism attraction gaps and establish what new attractions are needed in the City. TWRC will consult with these groups to ensure that the waterfront animation strategy also reflects recommendations emerging from their work and meets broader provincial and city tourism needs. In so doing, we believe, we also help ensure the success of animation on the waterfront.

TWRC Action Item 16: Shortlist potential cultural/institutional partners/tenants for East Bayfront through an RFQ/RFP process by the end of 2007 and create the Creative Waterfront Advisory Council to develop a connectivity strategy with the cultural sector, retailers and the TWRC.

TWRC Action Item 17: Obtain approval for Corporate governance changes required (ability to create subsidiary and ability to earn/collect revenues) to implement the Ground Floor Animation Strategy by the end of fiscal 2006.

TWRC Action Item 18: Ensure that the developer RFQ and RFP include provisions which will secure the Ground Floor Animation Space (commercial condominium and terms and conditions of conveyance).

4.5. Parks and Open Spaces:

Twenty percent (approximately five hectares) of the East Bayfront will be made up of parks and public spaces. This includes pedestrian oriented streets, public parks, the 1.5 km water's edge promenade, the Jarvis and Parliament Street Slip open spaces and a series of public squares. The quality of these public places will add significant value to the development that occurs in the East Bayfront.

The major public spaces in East Bayfront are described below:

Sherbourne Park:

Sherbourne Park will be the centerpiece of the precinct; an active space programmed year-round, and which reflects the larger revitalization goal to showcase Toronto as a contemporary expression of an intelligent city, a place of creativity and convergence, and a city ready to lead in the 21st century. Sherbourne Park will be Toronto's great new place. The park will include active and passive areas, and will feature an area used in summer for performance events and in winter for public skating and cold weather activities. Expectations should be for a contemporary space achieved through excellent urban public space design and filled with bold public art and performance.

Sherbourne Park is also the main organizing element of the East Bayfront public space network. Its layout and configuration replicates the Jarvis and Parliament slips and its geography places it at the centre of this new neighbourhood. This park is approximately 3.7 acres, and stretches from Lakeshore Boulevard East right down to the water's edge.

TWRC will initiate the design process for Sherbourne Park in the summer of 2006. The first proposal call for development will include lands on both sides of the Park. TWRC and the City will work cooperatively in leading the design and programming of the park. While much of Sherbourne Park is under public ownership, the portion located north of Queens Quay is owned partially by the City of Toronto (through TEDCO) and partially by a private landowner. The TWRC will work immediately with the private landowner to secure the privately owned portion.

Water's Edge Promenade:

The Water's Edge Promenade will be a showpiece, and will ensure public access to the waterfront. It must be designed as a coherent linear space with appropriate relationships to Sherbourne Park, adjacent development and the remainder of the central waterfront public realm. This public space will start at Jarvis and Queens Quay, and extend 1.5 km along the waterfront to the head of the Parliament Street Slip (at Queens Quay).

TWRC will initiate the design of the Water's Edge Promenade in the summer of 2006 and this work will be coordinated with the design of Sherbourne Park and the results of the Central Waterfront Public Realm Competition. The TWRC is committed to providing public access to the water's edge in the early stages of the build-out of East Bayfront. However, due to construction and engineering limitations, the water's edge promenade may be completed in conjunction with the construction of the adjacent development blocks. The first portion of the water's edge promenade (at the foot of Sherbourne Park) will coincide with the opening of Sherbourne Park. Future portions will be opened as soon as possible.

Jarvis Slip Public Space:

The open space along the Jarvis Slip (both north and south of Queens Quay) forms an important gateway into the East Bayfront from both the west and north. The Precinct Plan emphasizes the importance of using open space in this location to provide vistas through to the water's edge and to create a major public destination at the foot of Jarvis Street.

The TWRC and the City will take the criteria identified in the Precinct Plan for this open space (e.g., minimum size, intended vistas, views, etc.) and imbed them into the Zoning By-law. The final design of the public spaces will be resolved through the Site Plan Approval process for the adjacent buildings. The space to the north of Queens Quay will be secured through setback requirements in the zoning by-law. The Jarvis Slip public space will be constructed in conjunction with the adjacent developments.

Parliament Slip Public Space:

The open space along the Parliament Slip is intended to support and complement the school, the community recreation centre and other community uses planned at this location. As such, the final design, layout and programming for this space will be conducted at the time those facilities are developed.

The TWRC will work cooperatively with the Toronto District School Board and the City of Toronto to develop this space. At this time, the school and community centre are expected to be constructed at a later phase of development, once the population of the area can support such facilities. The TWRC will work with the TDSB and the City to monitor ongoing development and ensure that these facilities and public spaces are developed at the appropriate time.

Parliament Park:

Parliament Park will be an important public open space located on the north side of Queens Quay Boulevard, providing a gateway into the East Bayfront from the north and east. The development of this open space is contingent on the extension of Queens Quay Boulevard and the realignment of Parliament Street in this location.

The development of Parliament Park will take place after the Queens Quay East road improvements are complete (from Parliament to Cherry). It is expected that the Environmental Assessment for the road extension and re-alignment will be by the end of 2007. Therefore the design of Parliament Park will take place after the EA is complete and development of the park will be proceed in tandem with the road projects. The TWRC and the City will work together to ensure that sufficient land is protected for the park space.

Aitken Place:

Aitken Place consists of two green “squares” located on either side of Queens Quay Boulevard. The squares will be flanked by local roads and residential/employment uses. The design and development of these open spaces will take place coincident with the design and development of the surrounding buildings.

Whether or not these spaces become publicly owned parkland or privately-owned but publicly accessible spaces will be decided upon with the City Parks Department and will depend on the final size and layout of the spaces. At the time the East Bayfront Zoning By-law is approved, the TWRC will request that the City of Toronto amend the Official Plan to identify the desired locations for these spaces.

Publicly Accessible Open Spaces north of Queens Quay:

The publicly accessible open spaces located north of Queens Quay are intended to function as east-west through connections between Queens Quay Boulevard and Lakeshore Boulevard. These spaces will remain privately owned but will be publicly accessible to the extent possible. The Zoning By-law will create built-form criteria to ensure that these spaces are provided as part of private developments.

There will be five hectares of parks and open spaces in the East Bayfront. These spaces will define the neighbourhood, and attract residents, employees and tourists. The TWRC will focus on building Sherbourne Park and the water’s edge promenade as the first main deliverable for East Bayfront. These significant public amenities will be completed prior to initial occupancies in Phase One. The implementation plan for each of the main public spaces is outlined below.

TWRC Action Item 19: Begin the design of Sherbourne Park and the water’s edge promenade in mid-2006, and complete by March 31, 2007.

TWRC Action Item 20: Begin construction of Sherbourne Park and the water’s edge promenade by the summer of 2007.

4.6. Affordable Housing:

The TWRC is committed to meeting the affordable housing objectives outlined in the Precinct Plan. At least 20 percent of the residential development in East Bayfront will be affordable rental housing, and five percent will be low-end-of-market for-sale housing.

Publicly-Owned Lands:

On the publicly owned lands, implementation of the affordable housing strategy will be accomplished through the contract with the developer(s). Responses to the development RFP must include a concept plan for the full parcel being purchased, and must show how affordable rental housing is to be accommodated. The site plan must accommodate rental housing equivalent to approximately 20 percent of the total residential units being developed. Prior to the transfer of the publicly-owned lands to the developer, the affordable housing GFA will be severed so that it can be transferred directly to the affordable housing delivery agent, who will be chosen through a separate RFP process by the TWRC.

Privately-Owned Lands:

Affordable housing on privately-owned lands will be secured through the Section 37 Agreement as outlined in section 3.2.2 above. At the City's discretion, developers will either provide a portion of their GFA (either land or GFA through strata title) which would accommodate residential density equivalent to 20 percent of the total residential units or cash-in-lieu equivalent to the value of such land. Alternatively, a developer could make arrangements with an affordable housing delivery agent (approved by the City and TWRC), and build the required affordable rental housing.

For the larger parcels of privately-owned land, it is expected that the City will require that the land be conveyed at no cost. For the smaller parcels, it is expected that the City will accept cash-in-lieu and the TWRC will secure the affordable rental housing sites. The timing of such purchases will depend on the development schedule of the private developers, as Section 37 contributions are not made until a development application is made to the City.

TWRC Action Item 21: Purchase sites north of Queens Quay which would accommodate the affordable rental housing objectives of 20 percent of total residential development using the proceeds of Section 37 contributions from private land-owners. The timing of this Action Item will depend on the timing of private developments north of Queens Quay.

TWRC Action Item 22: Secure an affordable housing provider to develop the affordable housing in Phase One by March 31, 2007.

4.7. Sustainability:

In keeping with its Sustainability Framework, the TWRC will ensure that development in the East Bayfront meets the highest standards of sustainable design and construction. The two main tools that will be used to achieve these standards are the installation of a precinct wide District Energy System, and the requirement that every development meet pre-determined green building standards.

A District Energy System will provide high-efficiency heating and cooling to every building in East Bayfront. The system will be built using a centralized plant, and will be designed to permit the future addition of co-generation technology and/or conversion to renewable energy sources. Building construction costs will be reduced by approximately \$4,000/unit due to the elimination of in-building heating and cooling equipment. The Section 37 Agreement for East Bayfront will require that all developments be connected to the District Energy system. A separate business case for District Energy is being developed in parallel with the East Bayfront Business Plan.

All developments in East Bayfront (both north and south of Queens Quay) must meet high levels of sustainable design, including registration in the Leadership in Energy and Environmental Design (LEED) Certification process. Developments on privately owned lands will be required to pursue LEED Silver Certification, while developments on publicly owned lands will be required by contract to achieve LEED Gold Certification. Leveraging the existing LEED Certification process will provide certainty to the market. The cost of incorporating the TWRC's sustainability requirements will be partly offset by the savings developers will earn by connecting to the East Bayfront District Energy system (i.e. approximately \$4,000 per unit). Notwithstanding the above requirements, the TWRC will encourage developers of the lands north of Queens Quay to achieve higher standards of sustainability. It is anticipated that the marketing of competing projects south of Queens Quay (which are required to achieve LEED Gold Certification) will raise the sustainability standards that condominium purchasers will expect in waterfront developments, thus making it difficult to market less sustainable developments.

A separate business case for District Energy is currently being developed. As such, the details (including financial information) of this system are not included in the Business Plan.

Sustainable development will be reinforced by the provision of affordable housing, flexible zoning, new parks and open spaces and convenient public transit.

TWRC Action Item 23: Finalize the process for implementing the mandatory green buildings requirements prior to the release of the RFQ in early 2007.

4.8. Parking:

The East Bayfront Precinct Plan was developed on the basis of a transit first, live/work type of community. However, research for this Business Plan has shown that in order to attract employment and tourism to the area, sufficient parking is required. Further study is required in order to determine more specifically what the right balance of parking is for East Bayfront. This Business Plan identifies reasonable initial estimates for parking in Phase One, and proposes that some of the Phase Two lands be used for interim surface parking. It is expected that efficient and convenient access to public transit will reduce the need for parking in the long term. The interim surface parking will provide a gauge for the future need which will be incorporated into Phase Two developments.

Each residential building will accommodate its own parking except where design efficiencies allow for shared facilities. Parking to accommodate the employment and cultural uses in Phase One will be provided in underground parking facilities to be constructed under the Special Use site. This garage will accommodate up to 700 stalls, and will serve both the employment space and the cultural/tourism uses for the Phase One area, as well as Sherbourne Park. The parking capacity constructed for Phase Two will depend on utilization rates experienced at the Phase One facility, but it is assumed that approximately 500 additional spaces will be required. This facility will be constructed in conjunction with the Phase Two employment site. Having the employment and cultural/tourism uses share parking facilities will be relatively efficient as peak cultural/tourism demand will be during the evening and on weekends. The parking structures will be built by the developer(s) of the site in partnership with the TWRC. The developer RFP will request that proponents include a proposal for the financing and ownership structure of the parking garage. A separate RFP would be conducted for the operation of the facilities.

Parking for residential uses will follow minimum standards of 0.7 stalls per residential unit (plus 0.06 visitor stalls per residential unit). Residential developers would be permitted to build additional public or residential parking, but this is not expected to happen due to the high construction costs of building such facilities.

4.9. Funding:

Very little of the implementation plan outlined in this Business Plan can be carried out without TWRC funding. Draft contribution agreement proposals for East Bayfront initial implementation and for the design of Sherbourne Park and the water's edge promenade have been completed, and negotiations are ongoing with the three orders of government to finalize these agreements to secure the initial tranche of funding. Approval of these proposals is expected by the end of July 2006.

The next contribution agreement proposal would be for the construction of Sherbourne Park and the water's edge promenade once the design is complete. This agreement is expected in late 2006. The first phase of infrastructure implementation would require a contribution agreement in the summer of 2007.

TWRC Action Item 24: Execute a Contribution Agreement with the government funding partners for the initial implementation of East Bayfront by August 31, 2006.

(5) Financial Summary:

East Bayfront is a \$2.5 billion project, which will be built-out over a 15 year period ending in 2021. Of the total, approximately \$2.2 billion will be invested by the private sector, with the balance coming from reinvested project revenues and investments by the three orders of government through the TWRC.

In addition to attracting in excess of \$2 billion in private sector investment, East Bayfront will generate government revenues of approximately \$120 million from development charges, building permit fees, GST, land transfer taxes and property taxes during development. These revenues are over and above revenues referenced in the summary below. The municipal government will further benefit from incremental property taxes of up to \$30 million per year once the development is completed.

Interim debt financing will be required to leverage the public sector investment. The TWRC will endeavor to find the most cost effective financing available, but for the purposes of the Business Plan, a conservative estimate of 7.5 percent per annum has been used to estimate interest costs.

The Business Plan proposes additional investments above and beyond what was outlined in the original financial model for East Bayfront, including investments in the Ground Floor Animation Space and public parking facilities. The purpose of these investments is to spur private sector investment, and to create value that will yield long-term benefits for the public. In addition, while the original financial projections contemplated the sale of the employment lands to the private sector, the TWRC is proposing to have the employment lands developed on a long-term lease basis. The impact of this decision is a delay in the realization of the value of these lands (lease payments over time and residual land value vs. sale proceeds)..

5.1. TWRC Investment Summary:

An overall financial summary of the East Bayfront project is presented. In general, a conservative approach has been taken with respect to financial assumptions to ensure the Business Plan is achievable. These figures are confidential and should be treated as such. Significant work, including scenario analysis has gone in to developing the financial model for the East Bayfront Business Plan. However, in order to protect sensitive market information, only summary information is provided. The detailed analysis, vetted by independent

consultants, is on file with the City Waterfront Secretariat and has been reviewed by the City’s finance department.

TWRC Investment Summary (\$000’s):

Project Costs	\$320,457
Financing:	
East Bayfront Project Revenues	\$101,476
Available Government Funding (EBF & EBF LRT)	\$210,694
Other Project Revenues	<u>\$8,287</u>
Net Financing (excluding interest costs)	\$320,457
Interest Costs (during development)	<u>\$4,945</u>
Total Project Costs	<u>\$325,403</u>

In addition to the investments in traditional infrastructure (roads, sewers, parks, etc.) required to allow development in East Bayfront, TWRC will be making select investments in the Ground Floor Animation Space and public parking facilities to ensure the various employment, accessibility, sustainability and social objectives outlined in the Precinct Plan are achieved. As mentioned previously, District Energy is being developed as a separate business case. Financial details are therefore not included in the Business Plan.

The various investments will be partially offset by revenues generated by the project in the amount of approximately \$100 million. Land sales represent the majority of the revenues, but additional sources include land and retail leasing, parking, Park Dedication charges and Section 37 contributions.

5.1.1. Sensitivity Analysis:

TWRC has conducted sensitivity analysis on variables outside the direct control of the Corporation that would have a significant impact on the Business Plan. These variables include infrastructure costs (construction escalation), the residential market rates (annual absorption rates and land valuation), interest rates (for interim financing), retail and office leasing rates (which affect interim revenues) and capitalization rates (for asset valuations).

The results of this analysis indicate that by far the most sensitive variable relates to infrastructure construction costs. An average increase of 10 percent (above rates modeled by TWRC which include substantial contingencies) would increase total project costs by \$26 million and increase project funding requirements by over \$32 million (due to financing costs). The Corporation’s project controls department will diligently monitor actual and projected costs, and the timing of the later phases of the project may need to be adjusted if cost escalations continue.

Other variables which must be monitored closely include residential market valuations (condominium sale prices and the resulting impact on land values), office lease rates and the capitalization rates used to value commercial real estate. These variables present smaller but still significant risks to the Corporation in its implementation of the Business Plan. Office lease rates are especially sensitive with respect to their impact on TWRC revenue (although the magnitude of the impact is limited by the size of the office component). These risks can be mitigated through the careful management of phasing and by maintaining flexibility regarding the timing of asset dispositions.

Reasonable variations to the additional factors that were analyzed (interest rates, retail lease rates and annual absorption) can be managed by ongoing monitoring and planning activities. A comprehensive leasing and tenant mix strategy that optimizes value and the long term success of the tenants as well as the ability to competitively source private debt which requires a change in TWRC's corporate governance will assist in minimizing these risks.

5.1.2. Reinvestments and Dispositions:

At full build-out, the TWRC will have accumulated assets worth approximately \$82 million in East Bayfront (Ground Floor Animation Space, parking facilities and leased lands). In order to maximize the value from these investments, it is recommended that TWRC maintain ownership at least until EBF is fully built out. At that time, the physical assets (Ground Floor Animation Space and parking interests) could be sold through a competitive bidding process, with the proceeds reinvested in other revitalization projects. It is proposed that ownership of the lands which will be leased for the development of employment space be maintained by the City although it is expected that the lease cash flow would be monetized to generate additional funding for other revitalization projects.

5.2. Funding:

The implementation of the Business Plan is contingent upon receiving funding from the three orders of government as outlined in TWRC's approved long-term funding plan. The funding plan includes approximately \$211 million for East Bayfront over 10 years.

Based on the existing funding model, interim financing will be required, which would be paid back through project revenues and asset sales.

(6) Conclusions:

Employment:

The employment target of 8,000 jobs in East Bayfront is achievable if the focus is on delivering workplaces that offer a superior quality of life to potential employees. The TWRC will target the ICT cluster, and will encourage the development of similar

employment space north of Queens Quay through a variety of financial incentives and support initiatives.

Ground Floor Animation:

The demand for employment space and retail space will be contingent on creating a vibrant and animated ground floor in East Bayfront. The TWRC will attract cultural and institutional tenants that compliment and reinforce the employment target market, and will provide early financial support to keep them there. The TWRC will also take initial ownership and operating control of the Ground Floor Animation space in order to ensure a strategic mix of quality tenants and create a unique environment for residents, workers and tourists.

Affordable Housing:

The TWRC will reserve sites for affordable rental housing on the publicly owned lands which will accommodate 20 percent of the total residential development, and will ensure an additional five percent of residential development is low-end-of-market. On the privately-owned lands, some owners will be required to convey land for affordable housing, and the TWRC may purchase any additional sites required to meet the affordable housing objectives using the proceeds of the Section 37 contributions to affordable housing, which will be equivalent to 20 percent of all residential development.

Project Phasing:

Phase One of East Bayfront will consist of all the lands west of, and the first block east of Sherbourne Park. The developer RFP will be structured with flexibility with respect to the number of parcels, including an option on the Special Use Site at the foot of Jarvis. Prior to the initial occupancy of Phase One, TWRC will have completed the construction of Sherbourne Park and its water's edge promenade.

The balance of the Queen Elizabeth Docks will be the subject of a second RFP (Phase Two).

Sustainability:

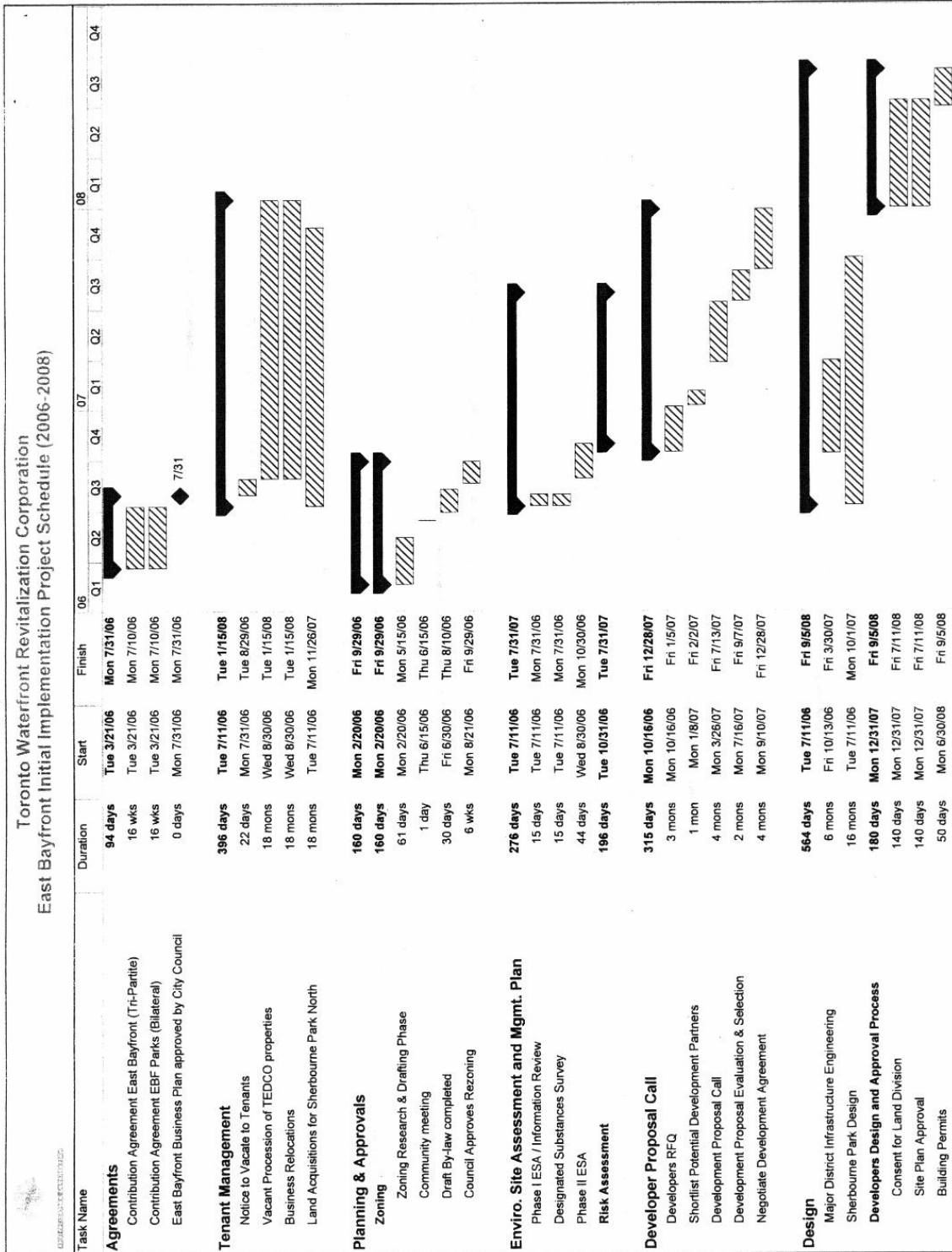
In keeping with the TWRC's Sustainability Framework, the East Bayfront will be developed as a sustainable community. District Energy facilities will provide highly efficient heating and cooling, and developments will be required to meet pre-defined green-building criteria. Developments on the publicly owned lands will also be required to achieve LEED Gold Certification.

Financial:

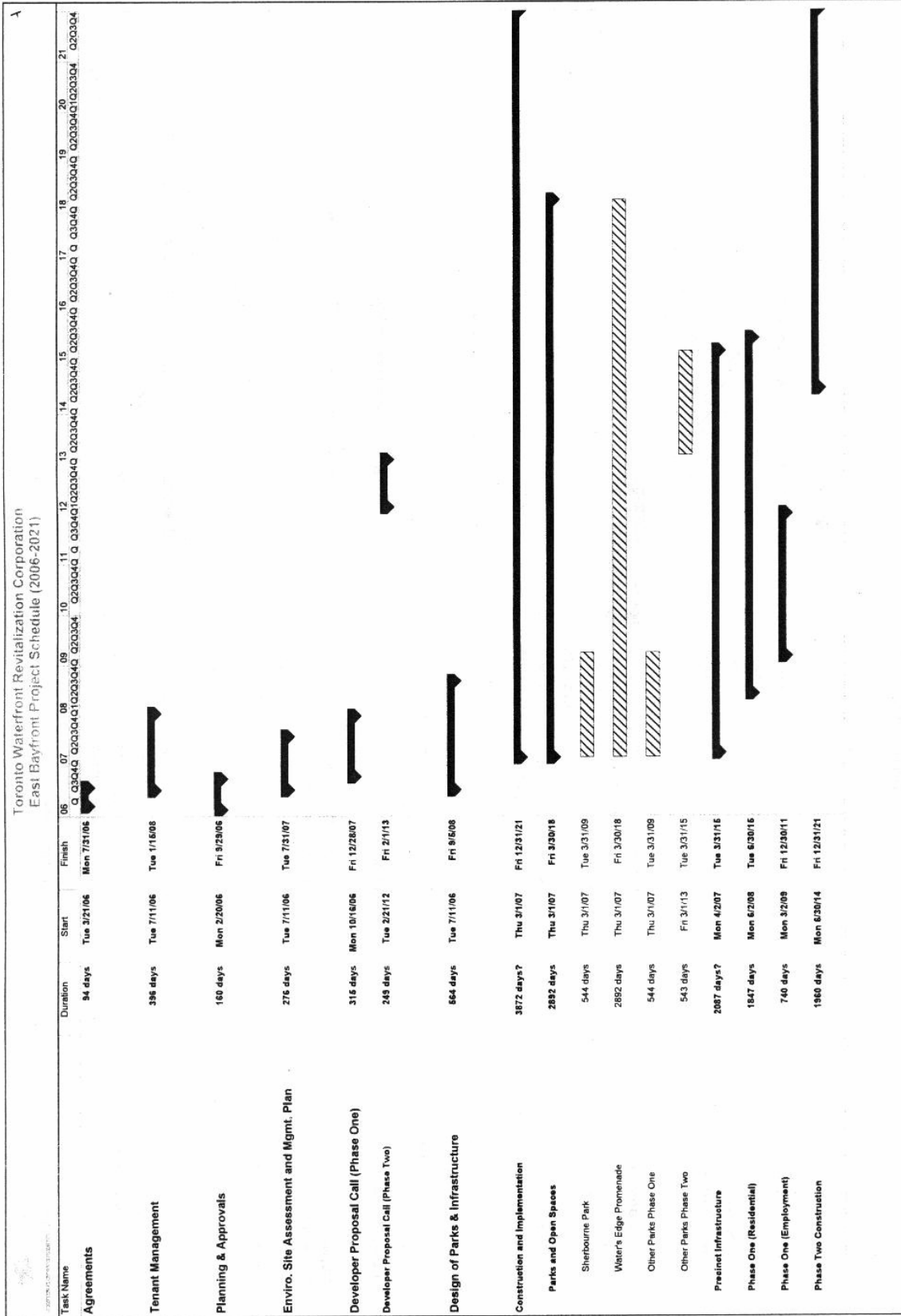
Total costs and revenues projected for East Bayfront is around \$320 million and \$101 million respectively. The TWRC will require government funding of approximately \$211 million. Revenues will be generated from the sale of lands for

residential developments, land leases for employment/commercial developments, Section 37 contributions, Ground Floor Animation Space lease revenue and Parking revenue. Interim debt will be required resulting in close to \$7 million in interest charges. At full build-out, TWRC will also own assets valued at approximately \$82 million.

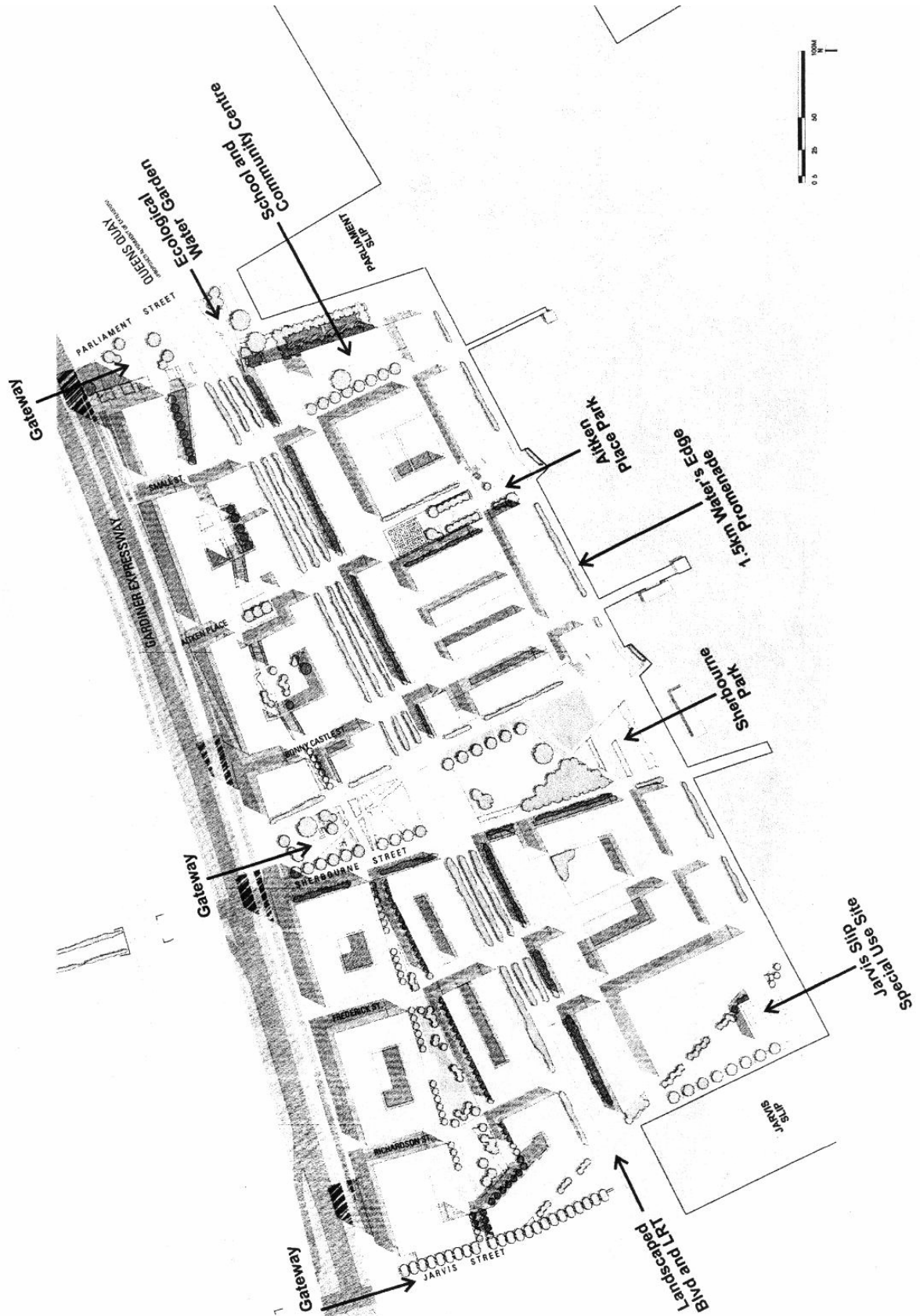
Attachment 2A: East Bayfront Project Schedule
 2006-2008
 All Implementation

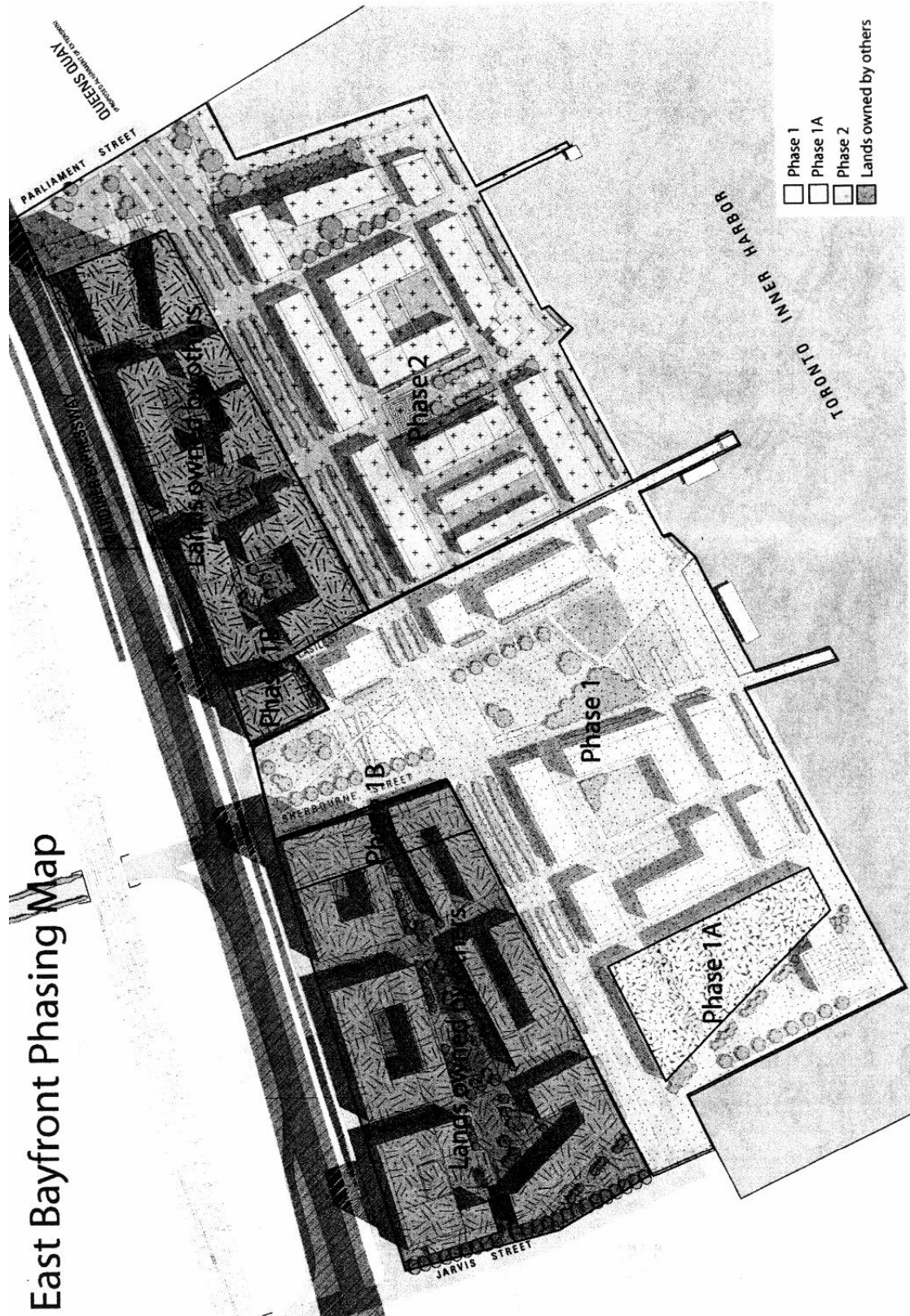


Attachment 2B: East Bayfront Project Schedule 2006-2021



Map 1: East
Toronto Precinct Plan





East Bayfront Phasing Map

Map 2: East Bayfront Phasing Plan

The Policy and Finance Committee also considered a communication (July 18, 2006) from Christopher J. Williams, Aird & Berlis LLP.

We received the Staff Report dated July 12, 2006 regarding TWRC – East Bayfront Business and Implementation Plan in the mid-afternoon of July 17, 2006. The Report provided to us did not include the various attachments referred to in the Report including the Business Plan itself.

By correspondence dated June 30, 2006 we had requested a copy of the Report and Business Plan in a timely manner, understanding that it would be available approximately one week before the Policy and Finance Committee meeting.

Following a number of meetings with staff and representatives of the TWRC and the City of Toronto we have verbally and in writing raised a number of concerns with the way in which TWRC and the City intend to use section 37 of the *Planning Act* in the proposed zoning by-law as it relates to infrastructure costs and the provision of affordable/rental housing. The July 12, 2006 Report deals in part with the use of section 37 and the provision of affordable housing.

Please be advised that we maintain serious concerns and objections to your approach and application of section 37 in the Report and in the proposed zoning by-law. We are awaiting further information regarding a number of matters. The late provision of an incomplete Report does not provide ourselves, our clients or their consultants with any opportunity to provide informed comments to the Policy and Finance Committee regarding the matters set out in the Report.

A copy of the following documents referred to in Recommendation (1) of the report (July 12, 2006) from the City Manager and Deputy City Manager, Fareed Amin, is on file in the Office of the City Clerk, City Hall:

- East Bayfront Employment Strategy (July 7, 2006);
 - Cultural and Animation Strategy for Toronto's East Bayfront and 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; and
 - East Bayfront Financial Model (confidential document).
-

Council Meeting – July 25, 26 and 27, 2006

Council also considered the following:

Communication:

- *(July 24, 2006) from Christopher J. Williams, Aird & Berlis LLP [Communication 20(a)].*