



**STAFF REPORT
ACTION REQUIRED**

**Toronto Waterfront Revitalization Initiative
Five-Year Business Plan / Ten-Year Forecast (2007 – 2016)**

Date:	June 11, 2007
To:	Executive Committee
From:	Deputy City Manager Richard Butts
Wards:	All
Reference Number:	(p:\2007\Cluster B\WF\ec07004.doc) & (p:\2007\Cluster B\WF\ec07004 App A, App B, App C)

SUMMARY

The *Toronto Waterfront Revitalization Corporation Act, 2002* which came into effect on April 1, 2003 requires that Waterfront Toronto (formerly the Toronto Waterfront Revitalization Corporation) prepare annual and five-year business plans for approval by the Federal, Provincial and Municipal governments.

This report will outline the deliverables, funding requirements, and cost-sharing arrangements for Waterfront Revitalization over the next ten-year period (2007 to 2016) as reflected in the Five-Year Business Plan/Ten-Year Forecast for the Project developed by Waterfront Toronto in partnership with officials from the three governments.

Contributions identified from 2009 onwards are preliminary and will be refined as part of the annual Plan review process and the City’s budget process, following Waterfront Toronto’s completion of a comprehensive revenue generation and financing strategy by December 31, 2007, outlining the annual projections from the development of public land, private sector investment, and any other revenue initiatives. This strategy is to include a business and financial plan for achieving Waterfront Revitalization in the Portlands, and must be completed to the satisfaction the three governments.

Furthermore, a Memorandum of Understanding (MOU) will be developed with Waterfront Toronto confirming deliverables for 2008 on a project-by-project basis.

Finally, a total of \$8.987 million will be reallocated among projects within the 2007 approved Capital Budget for Waterfront Revitalization, with no net impact to the City’s

contribution for the year or to its overall commitment of \$500.000 million to the Initiative.

RECOMMENDATIONS

It is recommended that Council:

1. approve the Five-Year Business Plan/Ten-Year Forecast (2007 – 2016) for the Waterfront Revitalization Initiative, subject to the following conditions:
 - the City’s annual budget process;
 - approval by the Provincial and Federal Governments of the same Plan;
 - Waterfront Toronto completing and submitting to the three governments by December 31, 2007 a comprehensive revenue generation and financing strategy, outlining the annual projections from the development of public land, private sector investment, and any other revenue initiatives, together with a business and financial plan for achieving Waterfront Revitalization in the Portlands; and
 - the development of a Memorandum of Understanding (MOU) between the City and Waterfront Toronto confirming deliverables in 2008 on a project-by-project basis;
2. direct that no City funds be released to Waterfront Toronto in 2008 until the revenue generation and financing strategy identified in Recommendation 1 has been endorsed by the Intergovernmental Steering Committee of senior officials from the three orders of government;
3. authorize the revision of the City’s 2007 – 2016 Capital Plan for the Waterfront Revitalization Initiative to reflect the following cash flows: \$55.701 million (gross)/\$55.341 million (net) in 2007, \$51.131 million (gross/net) in 2008, \$55.385 million (gross/net) in 2009, \$57.095 million (gross/net) in 2010, \$25.800 million (gross/net) in 2011, and \$192.369 million (gross/net) in 2012 to 2016;
4. approve the following reallocations totalling \$8.987 million among projects within the 2007 Capital Budget for the Waterfront Revitalization Initiative, and any resultant amendments to total project costs where applicable, with no change to the approved amount for the year of \$55.701 million (gross)/ \$55.341 million (net) or to the City’s overall net commitment of \$500.00 million for the Waterfront Revitalization Initiative:
 - reductions to Waterfront Toronto Corporate Costs (\$.635 million), Union Station (\$.302 million), Mimico (\$.850 million), Precinct Planning Studies (\$.103 million), Harbourfront Water’s Edge (\$.222 million), Precinct

Implementation Projects (\$.989 million), Transportation Initiatives (\$5.878 million), Dockwall Repairs (\$2 thousand), and Waterfront Project Secretariat (\$6 thousand); and

- increases to Portlands Preparation (\$4.781 million), Port Union (\$.957 million), Sports Fields, Facilities & Parks Development (\$1.000 million), Urban Planning Resources (\$.125 million), and Financial Securities (\$2.124 million); and

5. authorize and direct appropriate City Officials to take the necessary action to give effect thereto.

Financial Impact

Subject to the annual budget process, the recommendations in this report will result in the following cash flows for the City's gross/net contribution to Waterfront Revitalization: \$55.701 million (gross)/\$55.341 million (net) in 2007, \$51.131 million (gross/net) in 2008, \$55.385 million (gross/net) in 2009, \$57.095 million (gross/net) in 2010, \$25.800 million (gross/net) in 2011, and \$192.369 million (gross/net) for the period 2012 to 2016. The City's overall contribution to the Waterfront Revitalization Initiative will remain at \$504.200 million (gross)/ \$500.000 (net). This includes \$66.719 million (gross)/ \$62.879 million (net) already incurred to the end of 2006 and an amount of \$22.355 million (gross/net) incorporated in years 6 to 10 that is not allocated to specific tasks at this time, but is intended for the completion of the Water's Edge Promenade, and transit initiatives.

A total of \$8.987 million will be reallocated among projects within the 2007 Capital Budget for Waterfront Revitalization, with no net impact to the City's contribution for the year.

The 2006 Budget for the Harbourfront Water's Edge project will be adjusted to match the actual expenditures for the completion of this project. Waterfront Toronto will be returning to the City of Toronto unspent funds in the amount of \$.222 million and these funds will be returned to the Strategic Infrastructure Reserve Fund to be reallocated to the 2007 Capital Budget for the Port Union project, which has a requested funding change of \$0.957 million in 2007.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

ISSUE BACKGROUND

Toronto Waterfront Revitalization was launched on November 3, 1999, when the City of Toronto, Province of Ontario, and Government of Canada announced the creation of the Toronto Waterfront Revitalization Task Force. On March 27, 2000, the Task Force

released its recommendations for waterfront renewal, which included the concept of a tri-government corporation.

On October 20, 2000, the three governments announced their commitment of \$1.5 billion to the Initiative, and directed staff to develop the mechanics for implementation. Provincial legislation establishing the permanent Waterfront Toronto (the *Toronto Waterfront Revitalization Corporation Act, 2002*) came into effect on April 1, 2003, creating a without share capital corporation consisting of the members of its Board of Directors. The *Act* requires that the Corporation prepare annual and five-year business plans for the governments' approval.

In December, 2004, Council approved a report entitled "Governance Structure for Waterfront Revitalization" and endorsed the transformation of Waterfront Toronto to an empowered corporation focussed on project implementation subject to numerous conditions, including:

- All net revenues from the revitalization of public lands in the Designated Waterfront Area (DWA) being reinvested in the Initiative; and
- Agreement being reached among all governments and Waterfront Toronto on a Five-Year Business Plan including short- and long-term priorities, deliverables and performance measures.

As the Five-Year Business Plan/Ten-Year Forecast is intended to be a rolling document to be approved by the governments annually, Waterfront Toronto presented its first annual Plan late in 2004 (approved by Council in 2005), its second annual Plan in April, 2006 (approved by Council in July, 2006), and its third annual Plan in May, 2007. A tri-government "Finance Working Group" was convened in May, 2007 to review the most recent document in detail.

On May 4, 2007, Minister Baird confirmed the extension of Federal participation in the Initiative to March 31, 2011. The Federal "sunset" clause originally established in 2001 required that the Federal government expend its \$500 million contribution by March 31, 2008.

COMMENTS

A. Summary of Review Process

The objective of the intergovernmental "Finance Working Group" in its review of the Waterfront Toronto Five-Year Business Plan/Ten-Year Forecast was to achieve consensus on a Plan that would:

- (i) address the overall vision for Waterfront Revitalization as outlined in the City's Central Waterfront Secondary Plan;

- (ii) address individual and shared government priorities as follows:
 - substantial completion of parks, public space and greening initiatives by the end of 2010; and
 - implementation of the West Don Lands and East Bayfront Precincts, including the up-front introduction of transit and affordable housing into these communities;
- (iii) reflect and maintain the tripartite financial commitment of all governments;
- (iv) clearly define priorities for the next five year period;
- (v) improve Waterfront Toronto’s accountability by clarifying specific deliverables and annual government investment over the next five year period; and
- (vi) enable Waterfront Toronto to function as a going concern.

The underlying assumptions of the review were that: Waterfront Toronto would function as “Revitalization lead” with effective control of public land in the DWA; revenues from the sale/lease of public lands would be re-invested in the Project through Waterfront Toronto; and the up-front delivery of the public realm (parks, public spaces and transit) would be both the priority in the short-term and the focus of public investment.

Several major fiscal issues needed to be considered when reviewing the current Five-Year Business Plan/Ten-Year Forecast. Specifically, these were:

- the extension of Federal participation in the Initiative to March 31, 2011 enabling adjustments to the timing of Federal contributions to better reflect cash flow requirements;
- Provincial contributions between 2007/08 and 2011/12 being set at a total of \$198.590 million for years 1 to 5, of which \$22.490 million was allocated to 2007;
- the City’s net capital targets being set at \$55.341 million in 2007, \$51.131 million in 2008, \$30.354 million in 2009, \$26.016 million in 2010, and \$25.800 million in 2011; and
- the funding requested by Waterfront Toronto exceeding total funding available, i.e. the government commitment of \$1.5 billion, the revenue from the development of public lands, and the Corporation’s interest income projected to March 31, 2008. Additional revenue sources, such as private sector investment, have not yet been estimated nor included in the Plan with the exception of \$25.726 million of potential private sector financing identified for the “Financial Securities” project discussed below.

The recommendations in this report seek Council's approval of this Plan, which is discussed below, subject to approval by the Provincial and Federal governments of the same Plan in 2007 as well as several other conditions outlined below.

B. Proposed Plan (Chart 1)

The Proposed Plan details the expenditure pattern for public investment in substantial improvements related to parks and public spaces, transit, community facilities, brownfield remediation, and building sustainable communities. The annual cost requirements from each government for each project have been developed for the first five-year span, while a "lump sum" requirement from each government for each project is included for years 6 to 10. The latter will be defined as implementation progresses to a more advanced stage. Each government's overall \$500 million has been allocated, to the extent possible, according to its priorities, and fiscal/timing constraints.

Several substantial challenges remain. As indicated above, the total identified funding available is insufficient to cover Waterfront Toronto's projected costs for proposed projects. Given this constraint, the Working Group preserved as much funding as possible for the East Bayfront and West Don Lands precinct developments (including the introduction of transit and development of Don River and Sherbourne Parks), other transit initiatives such as the Union Station Subway Platform upgrade, and parks and public spaces (such as Port Union and Mimico). These projects, for the most part, are fully funded as requested by Waterfront Toronto.

Consequently, not all of the proposed increases to other existing projects could be funded, although these shortfalls were kept as much as possible to a minimum and focussed on the later years in the Plan. As well, the only "new" projects to be funded are Intelligent Communities (a tri-government priority that will provide for the implementation of broadband infrastructure in West Don Lands and East Bayfront), the Ireland Park Foundation (a Federal priority), Urban Planning Resources, and Financial Securities (both City priorities). Urban Planning Resources will provide for two dedicated City Planning staff in response to the expedited time frames and additional workloads generated by the Initiative. Financial Securities will provide the City security from Waterfront Toronto and/or third parties constructing Municipal infrastructure, and will be the subject of a staff report to be considered at a future meeting of Council. The City and Province will contribute to this item in 2007 and 2008, after which it is expected that Waterfront Toronto will obtain private sector financing for the subsequent years the securities are required. This financing, in the amount of \$25.726 million, has been reflected in the Plan.

Serious funding issues remain for the Central Waterfront Public Realm, Lake Ontario Park, and Naturalization of the Don River in 2009 and beyond, when these projects are expected to be well into the implementation phase. Finally, the City's contributions for 2009 and 2010 exceed the Capital targets for those years by \$25.031 million and \$31.079 million respectively, and, in 2009, the Province is exceeding its target as well.

Since the Plan is sufficiently funded over the next two years for Waterfront Toronto to proceed with delivering the Waterfront Vision and the Mayor's mandate, and since any shortfalls can only be eliminated through the generation of additional revenues by Waterfront Toronto, it is recommended that Council direct the Corporation to complete and submit to the three governments a comprehensive revenue generation and financing strategy by December 31, 2007, outlining any amounts expected from the development of public land, private sector investment, and any other revenue initiatives. The strategy should also include a business and financial plan for achieving the Waterfront Vision in the Portlands. This will allow sufficient time for implementation of the strategy to address any funding gaps and the City/Provincial "over-target" situation by the critical 2009 time line.

Given the importance of this strategy and the necessity for its timely implementation in advance of 2009, it is further recommended that: no City funds be released to Waterfront Toronto in 2008 until the strategy has been approved by the three governments through the Intergovernmental Steering Committee; and that, in order to further enhance accountability for the implementation of Revitalization, a Memorandum of Understanding (MOU) between the City and Waterfront Toronto be developed confirming deliverables for 2008 on a project-by-project basis.

The Proposed Plan is summarized in Chart 1 below. A description of each project, with the deliverables over the next five and ten years, is included in Appendix "A", and a detailed cash flow by year is attached as Appendix "B".

Waterfront Revitalization Initiative								CHART 1
Proposed Plan								
\$000s								
	City Contribution (Net)	Provincial Contribution	Federal Contribution	Total Gov't Contribution	Revenue Allocation to 2016	Revenue Allocation 2017 - 2022	Total Project Costs	
Waterfront Toronto Corporate Costs	\$27,169	\$30,198	\$30,674	\$88,041	\$7,617	\$0	\$95,658	
Priority Projects								
Union Station	\$40,000	\$30,000	\$19,334	\$89,334	\$0	\$0	\$89,334	
Mouth of the Don EAs	\$1,000	\$1,000	\$2,300	\$4,300	\$0	\$0	\$4,300	
Portlands Preparation	\$20,233	\$20,233	\$20,233	\$60,699	\$0	\$0	\$60,699	
Front Street Extension	\$58,702	\$56,667	\$56,666	\$172,035	\$26,566	\$0	\$198,601	
Subtotal	\$119,935	\$107,900	\$98,533	\$326,368	\$26,566	\$0	\$352,934	
Core Projects								
Port Union	\$18,334	\$5,333	\$5,333	\$29,000	\$0	\$0	\$29,000	
Mimico	\$6,266	\$2,167	\$2,167	\$10,600	\$0	\$0	\$10,600	
Precinct Planning Studies	\$1,831	\$2,323	\$2,903	\$7,057	\$0	\$0	\$7,057	
Subtotal	\$26,431	\$9,823	\$10,403	\$46,657	\$0	\$0	\$46,657	
Harbourfront - Water's Edge	\$5,906	\$5,906	\$5,907	\$17,719	\$0	\$0	\$17,719	
Precinct Implementation Projects								
West Don Lands	\$71,562	\$88,751	\$17,600	\$177,913	\$17,191	\$0	\$195,104	
East Bayfront	\$42,228	\$38,932	\$37,300	\$118,460	\$72,967	\$31,376	\$222,803	
Portlands	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
West Waterfront EA & Design	\$0	\$2,484	\$0	\$2,484	\$0	\$0	\$2,484	
Subtotal	\$113,790	\$130,167	\$54,900	\$298,857	\$90,158	\$31,376	\$420,391	
Strategic Land Acquisition	\$0	\$15,000	\$45,142	\$60,142	\$0	\$0	\$60,142	
Transportation Initiatives								
Front Street Pedestrian Bridge	\$300	\$0	\$0	\$300	\$0	\$0	\$300	
Gardiner Scoping & EA	\$11,000	\$0	\$0	\$11,000	\$0	\$0	\$11,000	
West Don Lands LRT	\$7,410	\$11,690	\$0	\$19,100	\$0	\$0	\$19,100	
East Bayfront LRT	\$49,324	\$55,410	\$0	\$104,734	\$10,366	\$0	\$115,100	
Subtotal	\$68,034	\$67,100	\$0	\$135,134	\$10,366	\$0	\$145,500	
Naturalization of Don River	\$28,712	\$36,471	\$0	\$65,183	\$762	\$0	\$65,945	
Dockwall Repairs	\$998	\$0	\$0	\$998	\$0	\$0	\$998	
W. Don Lands/E. Bayfront District Energy	\$2,280	\$4,100	\$23,620	\$30,000	\$0	\$0	\$30,000	
Pier 4 Rehabilitation	\$1,500	\$0	\$0	\$1,500	\$0	\$0	\$1,500	
Sports Fields & Facilities & Parks Development								
Transitional Sports Fields	\$1,000	\$0	\$5,000	\$6,000	\$0	\$0	\$6,000	
Regional Sports Complex & Feasibility Study	\$5,289	\$7,500	\$21,211	\$34,000	\$0	\$0	\$34,000	
Western Beaches Watercourse	\$4,000	\$4,000	\$14,500	\$22,500	\$0	\$0	\$22,500	
Leslie Greening	\$620	\$620	\$620	\$1,860	\$0	\$0	\$1,860	
Martin Goodman Trail (Ph.1)	\$1,900	\$1,900	\$2,438	\$6,238	\$0	\$0	\$6,238	
Portlands Beautification	\$0	\$0	\$7,480	\$7,480	\$0	\$0	\$7,480	
Central Waterfront Public Realm	\$50,000	\$1,461	\$27,492	\$78,953	\$1,863	\$0	\$80,816	
Commissioner's Park	\$3,334	\$3,333	\$3,333	\$10,000	\$0	\$0	\$10,000	
Subtotal	\$66,143	\$18,814	\$82,074	\$167,031	\$1,863	\$0	\$168,894	
Other								
Federally Funded Initiatives*	\$0	\$0	\$56,176	\$56,176	\$0	\$0	\$56,176	
GO Transit Expansion	\$0	\$65,000	\$65,000	\$130,000	\$0	\$0	\$130,000	
Lake Ontario Park - Planning & Ph. 1	\$0	\$0	\$15,478	\$15,478	\$0	\$0	\$15,478	
Tommy Thompson Park	\$0	\$0	\$8,000	\$8,000	\$0	\$0	\$8,000	
Waterfront Project Secretariats/Technical Studies	\$6,703	\$0	\$3,593	\$10,296	\$0	\$0	\$10,296	
Urban Planning Resources	\$1,285	\$0	\$0	\$1,285	\$0	\$0	\$1,285	
Financial Securities**	\$8,759	\$8,759	\$0	\$17,518	\$25,726	\$0	\$43,244	
Intelligent Communities	\$0	\$762	\$0	\$762	\$1,080	\$0	\$1,842	
Ireland Park Foundation	\$0	\$0	\$500	\$500	\$0	\$0	\$500	
Subtotal	\$16,747	\$74,521	\$148,147	\$240,015	\$26,806	\$0	\$266,821	
Funding Allocated to Projects	\$477,645	\$500,000	\$500,000	\$1,477,645	\$164,138	\$31,376	\$1,673,159	
Unallocated for Water's Edge Promenade, Transit & Transportation Initiatives	\$22,355	\$0	\$0	\$22,355	\$0	\$0	\$22,355	
Unallocated Revenues	\$0	\$0	\$0	\$0	\$26,532	\$125,528	\$152,060	
Total Project Costs	\$500,000	\$500,000	\$500,000	\$1,500,000	\$190,670	\$156,904	\$1,847,574	

* Includes Discovery Centre, Union Pearson Link, Harbourfront Canada Square, UN Peace University, Shakespeare Works, Harbourfront Op. Funds

**The revenues identified for Financial Securities represent private sector financing

C. Reallocation of Funding within Approved 2007 Net Capital Budget for Waterfront Revitalization

The process through which the Proposed Plan was developed has necessitated that reallocations be made within the 2007 Waterfront Capital Account as approved by Council, with no total net impact for the year. The required changes are summarized below in Chart 2. A detailed comparison between the Approved 2007 Net Capital Budget and the 2007 net funding in the Proposed Plan is attached as Appendix “C”.

			CHART 2
Project			Proposed Adjustment (\$000s)
Increases:			
i. Portlands Preparation			\$4,781
ii. Port Union			\$957
iii. Sports Fields, Facilities and Parks Development			\$1,000
iv. Urban Planning Resources			\$125
v. Financial Securities			\$2,124
		Total Increases	\$8,987
Reductions:			
vi. Waterfront Toronto Corporate Costs			(\$635)
vii. Union Station			(\$302)
viii. Mimico			(\$850)
ix. Precinct Planning Studies			(\$103)
x. Harbourfront Water's Edge			(\$222)
xi. Precinct Implementation Projects			(\$989)
xii. Transportation Initiatives			(\$5,878)
xiii. Dockwall Repairs			(\$2)
xiv. Waterfront Project Secretariat			(\$6)
		Total Reductions	(\$8,987)
		Net Impact	\$0

The requested 2007 funding changes for these initiatives result from cost refinements, consideration of the City and Provincial targets, and the extension of Federal participation in the Initiative to March 31, 2011.

The reallocations of Harbourfront – Water’s Edge and Dockwall Repairs result from these projects being completed under the budgeted amounts, and the final variances are now available to fund other items.

The 2006 Budget for the Harbourfront Water’s Edge project will be adjusted to match the actual expenditures for the completion of this project. Waterfront Toronto will be

returning to the City of Toronto unspent funds in the amount of \$.222 million and these funds will be returned to the Strategic Infrastructure Reserve Fund to be reallocated to the 2007 Capital Budget for the Port Union project which has a requested funding change of \$0.957 million in 2007.

The two new items for which City funding has been included in 2007 are Urban Planning Resources and Financial Securities, both of which have been described above.

CONTACT

Elaine C. Baxter-Trahair
Waterfront Project Director
(416) 397-4083
ebaxter@toronto.ca

SIGNATURE

Richard Butts
Deputy City Manager

ATTACHMENTS

Appendix “A” - Description of Projects and Deliverables included in the Proposed Five-Year Plan/ Ten-Year Forecast (2007 – 2016)

Appendix “B” - Proposed Five-Year Plan/Ten-Year Forecast (2007 – 2016) – Detailed Cash Flow Requirements

Appendix “C” – Comparison of Approved 2007 Net Capital Budget for Waterfront Revitalization and 2007 Net Funding in the Proposed Five-Year Plan/Ten-Year Forecast (2007 – 2016)