



## STAFF REPORT ACTION REQUIRED

### Next Phase of Waterfront Revitalization

<b>Date:</b>	June 17, 2014
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager and Deputy City Manager, Cluster B
<b>Wards:</b>	All Wards
<b>Reference Number:</b>	P:\2014\Cluster B\WF\EX14005

#### SUMMARY

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The purpose of this report is to propose a strategic review related to the next phase of waterfront revitalization, the outcome of which will be reported to the Executive Committee in the second quarter of 2015.

The need for a strategic review is triggered by the submission of Waterfront Toronto's Strategic Business Plan to the City, efforts to determine a funding scheme for East Bayfront transit and emerging Port Lands Acceleration Initiative work. The recent provincial and upcoming federal elections also provide a timely opportunity for re-engagement of the government partners and the re-assessment of waterfront priorities.

Since Waterfront Toronto was established in 2003, almost \$1.5 billion of government funding has been invested in waterfront revitalization. City funding to the project and capital budget expenditures, along with Waterfront Toronto land and development revenues, will largely complete the capital projects that are underway through to 2017. However, waterfront revitalization is at the half way point and progress could stall without the continued participation of the three orders of government.

While much work has been completed, a number of important city building projects remain as yet unrealized. These include waterfront transit, notably the extension of transit to East Bayfront and eastern points, as well as flood protection and servicing in the Port Lands. Both of these initiatives are included in the City's recent development charge renewal for partial funding. In addition, new projects of significance are emerging. For example, Great Gulf Corporation's proposed employment hub at 21 Don Roadway beside the Don River and discussion of a subway relief line should be considered as the City plans for the next decade of its waterfront delivery.

The proposed strategic review will use the experience of waterfront revitalization since 2000, results of discussions with federal and provincial officials, and consultation with key stakeholders including the public, to formulate a platform for the future. A set of agreed upon principles, as articulated in this report, will guide the review, the outcome of which will be reported to Council early in its next term.

## **RECOMMENDATIONS**

**The City Manager and Deputy City Manager, Cluster B, recommend that:**

1. City Council direct the City Manager and Deputy City Manager, Cluster B, to report on the outcome of a waterfront strategic review in Q2, 2015.

## **FINANCIAL IMPACT**

The recommendations contained in this report have no direct financial impact. The outcome of the recommended strategic review of waterfront revitalization will have significant longer term implications.

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

## **DECISION HISTORY**

In November 1999, the Toronto Waterfront Revitalization Task Force was announced by the City, Provincial and Federal governments. The Task Force report was issued in March 2000.

Fung Report, "Toronto Waterfront Revitalization Task Force Report Our Toronto Waterfront: Gateway to a New Canada"

[http://www.toronto.ca/waterfront/fung\\_report.htm](http://www.toronto.ca/waterfront/fung_report.htm)

In October 2000, the Toronto Waterfront Revitalization Initiative (TWRI) was launched as a partnership of the Government of Canada, the Province and the City. Each government committed \$500 million, for a total of \$1.5 billion.

On May 30, 2001, City Council approved the creation of an interim Toronto Waterfront Revitalization Corporation, City oversight and funding processes, and funding for four initial capital projects. Governance Structure and Funding to Implement the Toronto Waterfront Revitalization Initiative:

<http://www.toronto.ca/legdocs/2001/agendas/council/cc010530/pof7rpt/agendain.pdf>

Clause 1

Bill 151 - The Toronto Waterfront Revitalization Act, introduced in 2001, was proclaimed in 2003. With this proclamation, the Toronto Waterfront Revitalization Corporation became a permanent entity (later named Waterfront Toronto).  
[http://www.ontla.on.ca/bills/bills-files/37\\_Parliament/Session3/b151ra.pdf](http://www.ontla.on.ca/bills/bills-files/37_Parliament/Session3/b151ra.pdf)

In 2004, in a report regarding the governance structure for waterfront revitalization, Council confirmed that the City's contribution of "developable land" will be considered contributions in kind, over and above the City contribution of \$500 million in direct funding.  
<http://www.toronto.ca/legdocs/2004/agendas/council/cc041130/pof9rpt/cl001.pdf>

Through the City's annual budget process, the City approves its allocation of its waterfront funding towards projects identified in Waterfront Toronto's Long Term Funding Plan.  
2014-2023 Waterfront Revitalization Initiative Capital Analyst Notes  
<http://www.toronto.ca/legdocs/mmis/2014/ex/bgrd/backgroundfile-65960.pdf>

There have been a series of Council decisions with respect to extending transit to East Bayfront and beyond. These appear in the following reports:

(i) Central Waterfront Secondary Plan (2003)

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030414/plt5rpt/cl001.pdf>

(ii) East Bayfront Precinct Plan and Class Environmental Assessment Master Plan (2005)

<http://www.toronto.ca/legdocs/2005/agendas/council/cc051205/pof10rpt/cl002.pdf>

(iii) East Bayfront Business and Implementation Plan (2006)

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/pof6rpt/cl009.pdf>

(iv) East Bayfront Transit Environmental Assessment: Streetcar Service on Queens Quay East Between Yonge Street and Parliament Street (2009)

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-09-30-cc40-dd.htm>

EX33.18 (18a)

(v) East Bayfront LRT (2012)

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.PG16.18>

The Port Lands Acceleration Initiative work to date identifies investment requirements for the construction of flood protection and related infrastructure. A report, "Port Lands Acceleration Initiative Phase 2 – Progress Report", will be considered by the Planning and Growth Management Committee at its June 19<sup>th</sup> 2014 meeting:  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.PG34.11>

In May 2013, Waterfront Toronto released "Economic Impact Analysis (April 2001 – March 2013)". The summary report is provided here as Attachment 1. The full report and summary is at:  
[http://www.waterfronttoronto.ca/uploads/documents/economic\\_impact\\_analysis\\_2001\\_2013\\_1\\_1.pdf](http://www.waterfronttoronto.ca/uploads/documents/economic_impact_analysis_2001_2013_1_1.pdf)

In December 2013, Waterfront Toronto submitted to its government partners a Strategic Business Plan known as Waterfront 2.0. A copy is attached and at: [http://www.waterfronttoronto.ca/uploads/documents/wt\\_strategic\\_business\\_plan\\_2014\\_2023\\_1.pdf](http://www.waterfronttoronto.ca/uploads/documents/wt_strategic_business_plan_2014_2023_1.pdf)

In December 2013, the Department of Finance Canada released an Evaluation of the Toronto Waterfront Revitalization Initiative: <http://www.fin.gc.ca/treas/evaluations/twri-irsrt-eng.asp>

## **ISSUE BACKGROUND**

The current waterfront revitalization model features a tri-governmental partnership called the Toronto Waterfront Revitalization Initiative, which was formally launched in October 2000. Each government committed \$500 million, for a total of \$1.5 billion.

The objectives of the Toronto Waterfront Revitalization Initiative were:

- To enhance and improve the quality of life in the Toronto region;
- To contribute to sustainable urban development;
- To enhance and improve transit and transportation infrastructure;
- To enhance Canada's, Ontario's and Toronto's international images;
- To increase opportunities for economic growth and development; and
- To increase Toronto's ability to develop, attract and retain knowledge-based workers.

To oversee the planning and implementation of these objectives, the governments established the Toronto Waterfront Revitalization Corporation, later called Waterfront Toronto.

Waterfront Toronto (WT) is an independent corporation governed by the Toronto Waterfront Revitalization Corporation Act. Its Board of Directors is appointed by the three governments. As required by the Act, the corporation's annual business plan or "Long Term Funding Plan" is negotiated by representatives from the three governments and WT. Each government's contribution to the Long Term Funding Plan is then subsequently submitted for approval to City Council, the provincial Minister of Infrastructure and the federal Minister of Finance. Actual funding is flowed to WT via one or more Contribution Agreements for individual projects.

Each order of government has a waterfront secretariat to manage its respective participation in waterfront revitalization. There are several public agencies which also play a role in waterfront revitalization. These include the Toronto Port Authority, the Department of Fisheries and Oceans, Infrastructure Ontario, the Toronto and Region Conservation Authority, the Toronto Port Lands Company, the Toronto Transit Commission, Build Toronto and others.

Current projections indicate that the tri-governmental \$1.5 billion investment will be largely spent by 2017, with all funding expended by 2019. The federal government has fully spent its share of the \$500 million and the provincial government has approximately \$17 million remaining, based on year-end, 2013 figures. As of May 2014, the City has just over \$170 million remaining from its original \$500 million contribution. These funds are committed to the completion of projects as approved through WT's Long Term Funding Plan, including the revitalization of Queens Quay West and East Bayfront (Bayside, Parkside and Dockside), Fort York Pedestrian Bridge, sanitary and stormwater facilities at 480 Lakeshore Boulevard, the completion of the environmental assessment for the Eastern portion of the Gardiner Expressway, and others.

An almost immediate financial challenge is that according to current forecasts, WT will be in a cash shortfall position in 2017/18. As discussed later in this report, WT proposes in Waterfront 2.0 that the ability to borrow will cover such cash deficiencies. This would require tri-governmental provision of authority.

Given the immediacy of the cash flow issue as well as the need for a further tri-governmental funding commitment towards the next phase of waterfront revitalization, it is timely to consider the City's waterfront goals and priorities moving forward. A strategic review will assess the strengths and weaknesses of waterfront delivery to date, look at current and emerging funding and other opportunities, and enable focused discussion of waterfront delivery issues and plans for the future.

## **COMMENTS**

### **1.0 Waterfront Achievements**

Over a decade has passed since the TWRI Act was proclaimed. The returns on waterfront investments to date include a range of social, economic and environmental benefits. According to the Waterfront Toronto Economic Impact Analysis prepared by urbanMetrics in 2013, the waterfront investments have generated \$3.2 billion in economic output for the Canadian economy and 16,200 full time years of employment. In addition, it has resulted in tax, tariff and fee revenues of \$348 million to the federal government, \$237 million to the provincial government, and \$36 million to the City of Toronto. In the first six development projects, \$2.6 billion in private sector funding has been attracted. Attachment 1 provides a summary of the report.

The investments to date have resulted in a series of achievements. A selection of these is as follows:

- New public parks and open spaces, including two new parks in the wider waterfront (Port Union and Mimico);
- Build-out of the West Don Lands neighbourhood and Pan Am Games Athletes' Village;
- Infrastructure and new development in East Bayfront and the West Don Lands;
- Reconstruction of Queens Quay West;

- Construction of the Union Station, Second Platform;
- Comprehensive flood protection plan for the Lower Don and Port Lands; and
- Comprehensive planning and public consultation to enable future development in new precincts (examples include Keating Channel and Villiers Island/Cousins Quay).

Many of the waterfront successes are directly attributable to the work of WT. The organization is recognized for its delivery of well-received public spaces, strengths in planning, design and communications, and comprehensive public consultation practices.

## **2.0 The Need for a Structured Review**

From the City's perspective, there have been many lessons learned from the past ten years. These apply to the tripartite model, WT and other delivery mechanisms, and City internal processes.

Given that revitalization is far from complete, a structured and strategic approach to planning for the next decade of waterfront delivery is prudent. It should, as a starting point, identify the City's waterfront goals and priorities for the next 10 years. Corporate strategic directions and priority actions provide context.

Additional context is provided by the recently completed Program Review of the Toronto Waterfront Revitalization Initiative, an evaluation of the federal government's participation in waterfront revitalization. The study validates the tri-governmental model in general and suggests that the model could be used to inform a future large contribution program.

A series of items serve as catalyst to start the strategic review now. These drivers, which will shape specific aspects of the review process, are discussed in Section 3.0.

Through the strategic review, there will be analysis of funding and financing opportunities. The current waterfront model, inclusive of the tri-governmental governance structure, its decision making mechanisms and funding processes, will also be evaluated. In addition, the financial tools, authorities and organizational capacity of WT, as the primary agency responsible for waterfront delivery to date, require analysis. The organization's effectiveness in revenue generation is currently under review through a provincially-led Value for Money Audit, and will cover 2012/13 and 2013/14 years. The outcome of this audit activity will be considered during the strategic review.

The strategic review process will include ongoing discussions with federal and provincial governments, as detailed in Section 4.0, as well as stakeholder consultation.

## **3.0 Issues**

The following section describes issues and/or items which will shape the waterfront strategic review.

### **3.1 Funding for the Next Phase of Waterfront Revitalization**

#### **Funding Background:**

It was recognized during the early stages of the revitalization initiative that the \$1.5 billion commitment by the three orders of government would not be sufficient to fund all of the required expenditures. In 2002, Waterfront Toronto forecasted that the total expenditures required for the revitalization initiative would be \$4.4 billion (all figures in 2002 dollars) in public sector investment over a thirty-year period. The organization's Financial Plan indicated that additional funding of \$1.2 billion would be required to supplement the initial \$1.4 billion (equal to \$1.5 billion in nominal terms) tri-government contribution and the forecasted \$1.7 billion in land sales revenues.

At the time, WT forecasted that the initial \$1.5 billion government contribution would be fully spent by 2006 and it was urgently recommended that the three governments consider the use of various revenue tools to provide the necessary additional \$1.2 billion in funding.

The actual spending of the initial \$1.5 billion government funding commitment has lasted for a longer period than originally anticipated but it is now necessary to once again consider options for providing the additional funding that is necessary to complete the initiative. WT has indicated that a further funding commitment is required soon if it is to continue its mandate through to 2023 or beyond. Projections indicate a negative cash balance in 2017/2018.

#### **The Need for Stable Long Term Funding Commitments:**

The first phase of waterfront revitalization relied on a single commitment of \$1.5 billion in long term funding from the three orders of government. A continuation of this type of long term funding commitment would allow for the multi-year planning and contractual arrangements which will build confidence among WT's private development partners regarding the ultimate completion of the broader initiative.

#### **Leveraging Existing Government Funding Tools and Programs:**

In building a stable long term funding plan for the second phase of the initiative, it may be necessary to rely more heavily on existing funding programs and capital funding mechanisms, particularly if it proves impossible to once again obtain a single, dedicated tri-governmental funding commitment. An umbrella commitment from the federal government for the project could potentially be implemented through individual funding commitments from the federal government's P3 Canada fund and Building Canada Funds for new transportation infrastructure, affordable housing, parks and other elements of waterfront revitalization.

The Province of Ontario similarly invests in such projects as transit and flood protection, and often provides matching contributions for the contributions made by the federal

government. For example, before it was dissolved for the election, the provincial government had signalled its intent to fund a portion of the East Bayfront transit project in its proposed 2014 Budget document. A second new framework commitment from the provincial government could also recognize any individual project funding commitments, but would add certainty about flow of funds to allow longer term planning.

As a significant portion of the infrastructure required for the next phase of waterfront revitalization can be attributed to growth, the City can use Development Charge revenues to fund a portion of its contribution to waterfront revitalization. The City may be able to look to the federal and provincial governments for financing to cover the up-front infrastructure costs that would eventually be recovered through Development Charges. Discussions with other orders of government should explore all options.

#### Contributions from Private Landowners:

In response to a direction from Council in October, 2012, staff have initiated discussions with landowners in the Port Lands with respect to potential funding contributions for infrastructure as well as for the overall financing of some portion of the required works (i.e. through landowner front-ending of costs which are recovered later through development charge credits). A landowners group has been formed in the Port Lands to help coordinate and advance these discussions as well as provide for landowner input to the implementation of an area-specific development charge for the Port Lands.

Currently, the Port Lands landowners are awaiting the outcome of the Planning studies being undertaken before making firm commitments regarding funding and financing contributions.

#### City Funding Capacity:

If insufficient funding is made available from the above sources, the City's ability to provide additional contribution amounts (over and above the amounts available through development charges) will be tightly constrained by the City's broader capital funding capacity and the existence of other major funding priorities. Currently the City is facing urgent capital funding needs in areas such as social housing rehabilitation, transportation and transit rehabilitation and expansion. The City has identified funding shortfalls for these responsibilities of over \$5 billion combined through the budget process, before consideration of the "Feeling Congested" Transportation Expansion Needs Study, and is seeking assistance from the other orders of government.

### **3.2 Waterfront 2.0**

Waterfront 2.0 is WT's high-level strategic business plan which was provided to the governments in December 2013. It details WT's accomplishments, priority projects for the latter half of its twenty-year mandate, order-of-magnitude costing and proposed revenue sources. The report proposes an investment of \$1.65 billion and suggests that work could occur from 2014 to 2023.



The four project priorities are:

1. Eastern Waterfront Transit via the East Bayfront Light Rail Transit;
2. Flood Protection and Enabling Infrastructure in the Port Lands;
3. Land Servicing of the remainder of unserviced lands in East Bayfront (Quayside), West Don Lands (Block 3&4) and North Keating; and
4. Public Realm initiatives, including north-south connections and additional parks.

Each of these project priorities is aligned with a proposed funding source: land sales; development charges; government funding; philanthropic/sponsorship revenue and private sector contributions; and/or Public Private Partnership Canada funding.

Implementation of the Plan would require funding from governments and enhancements to WT's corporate powers. Waterfront 2.0 proposes that WT secure a short term line of credit for working capital and various long term loan structures to address construction cash flow needs. Correspondingly, enhanced governance powers, in particular the ability to borrow and encumber assets, would be required. WT indicates that it also requires the ability to create subsidiaries in order to isolate risk, and an expanded ability to receive revenue.

Secretariat staff of the three governments have begun analysis of Waterfront 2.0. Preliminary findings of City staff suggest that in some cases, the Waterfront 2.0 cost estimates for WT priority projects appear low and require further analysis.

This report proposes that the City's waterfront goals and priorities for the next ten years be defined as part of a structured and strategic process. Waterfront 2.0 and the four priority projects identified therein will be considered as part of the review.

### **3.3 East Bayfront Transit – A Case Study of Tri-Government Cooperation**

The East Bayfront transit project is an example of tri-government cooperation to be investigated further through the upcoming strategic review process. The extension of transit to East Bayfront, and ultimately, to the Port Lands, is critical to ensuring that the full potential of waterfront revitalization is realized. In particular, higher order transit is key to achieving the aggressive employment targets planned for mixed use communities along the waterfront.

P3 Canada is a crown agency of the federal government and has indicated interest in identifying a transit project within the City of Toronto to be procured, financed, built maintained and operated through a public-private partnership. The potential benefit of the P3 structure is primarily risk transfer associated with the costs, timing and quality of complex infrastructure projects. In July 2013, WT submitted a preliminary application to P3 Canada Fund for support for the project.

In addition to exploring P3 Canada funding, WT was able to secure a tentative funding commitment from the Province of Ontario. In May 2014, the Provincial government introduced a proposed budget indicating its intention to fund a significant portion (potentially \$200 million) of the East Bayfront transit project.

WT proposed that the remainder of required funding for the project be split between WT and the City, contingent on WT securing borrowing authority from the three government partners.

After passing an initial P3 Canada Fund screening, WT was invited to develop a more detailed business case to substantiate use of P3 as opposed to a traditional procurement. Ultimately, however, the project was not suitable for a P3 Canada procurement approach due to its limited scope (a short LRT extension) and related deficient operating and maintenance components. Staff are now focusing on the Gardiner Expressway rehabilitation and may identify transit and other City infrastructure projects for potential P3 Canada Fund procurement.

For the East Bayfront transit project, staff expect to use the work to date to support an application for federal funding under the new federal Building Canada Fund, which may be more suitable for East Bayfront transit and will be considered as part of the 2015 Budget process.

### **3.4 Emerging Port Lands Acceleration Initiative Work**

At its June 19<sup>th</sup> 2014 meeting, Planning and Growth Management Committee will consider a report, "Port Lands Acceleration Initiative Phase 2 – Progress Report", which will be considered by Council in July, at the same time as this report. The report identifies investment requirements for the construction of flood protection and related infrastructure. Like East Bayfront transit, the revitalization of the Port Lands is a key priority in revitalizing Toronto's waterfront. At this point in time, while there is no funding allocated through the Long Term Funding Plan or otherwise, there is the opportunity to leverage government programs and priorities to commence the critical pre-development work that will unlock the potential of the Port Lands. Accordingly, the revitalization of the Port Lands will form part of the broader funding discussions in the upcoming strategic review process.

### **4.0 Intergovernmental Funding Discussions**

A useful forum to begin the process of re-engaging the Government of Canada and the Province of Ontario in waterfront discussions is the already existing Intergovernmental Steering Committee (IGSC). Struck during the early years of the revitalization initiative, this group served the purpose of providing a formal forum for intergovernmental management and coordination on all matters related to the waterfront revitalization. The IGSC is composed of the following: the Finance Canada Associate Deputy Minister for the Government of Canada; the Deputy Minister and Assistant Deputy Minister of Infrastructure Renewal for the Government of Ontario; and the City Manager and Deputy

Manager for the City of Toronto. Although some individuals have met ad hoc in the past, this group has not been operational as a formal committee in recent years.

With the sun-setting of federal and provincial funding commitments, the continued role of the governments, even from a policy perspective, requires deliberation.

Therefore, tri-government meetings at a senior level should again be formalized. A priority would be the securing of a tri-governmental funding commitment towards the next phase of revitalization.

## **5.0 Proposed Strategic Review Guiding Principles and Process**

The following list is a proposed set of guiding principles for the strategic review. These principles reflect the experience of the past decade of revitalization with a view to moving forward in a consistent and transparent manner.

The guiding principles are as follows:

- a. Capital priority setting should be aligned with City building interests;
- b. The tri-government funding structure should be continued, with the three orders of government as equal partners and investors;
- c. The City's disproportionate contribution of land relative to the other governments should be addressed in formulating a tri-government partnership for the next phase of waterfront revitalization;
- d. The recommended approach must be efficient, effective and financially viable, and will best utilize the capacities of the respective organizations;
- e. Any consideration of enhanced corporate governance including borrowing, mortgaging of assets and ability to raise revenue should ensure there is no recourse to the governments; and
- f. A broad range of stakeholders should be consulted as part of the strategic review.

The review process will commence this summer. Review of recently completed analysis, including the federally-led Program Review of the Toronto Waterfront Revitalization Initiative, will provide a starting point. Consultation with stakeholders will be considered a priority, particularly with respect to assessing the strengths and weaknesses of revitalization to date. Feedback will be sought from City divisions, waterfront-related agencies, government secretariats, members of Council, selected landowners and community groups, and others. Later in the process, meetings with the public will ensure broad discussion of waterfront issues and plans.

## 6.0 Conclusion

The City and its partners are at the half way point of waterfront revitalization with critical initiatives such as waterfront transit and flood protection and servicing in the Port Lands unrealized. Given the need for funding, specifically a tri-governmental long term commitment, combined with the timeliness of a review of the waterfront model, a strategic review of waterfront revitalization is proposed. The content of Waterfront 2.0 will be considered during the course of the review. The outcome of the strategic review, including an assessment of the current waterfront governance structure and processes, a funding framework, and recommendations for advancing waterfront revitalization, will be reported in early 2015.

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## SIGNATURES

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Joseph P. Pennachetti,  
City Manager

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Deputy City Manager, Cluster B

## ATTACHMENTS:

1. Waterfront Toronto's Strategic Business Plan, Waterfront 2.0
2. Summary Report of Waterfront Toronto Economic Impact Analysis (April 2001 – March 2013)