



Project: Under Gardiner

Operations & Maintenance and Governance Structure Study

Prepared for:
WATERFRONT TORONTO

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WITH SUPPORT FROM PARK PEOPLE

June 2016

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Executive Summary

Project: Under Gardiner (P:UG or the Project) is a proposed 10 acre, 1.75 kilometre linear open space beneath the Gardiner Expressway. Stretching from just west of Strachan Avenue to Spadina Avenue, adjacent to the Fort York National Historic Site and facing Toronto’s revitalized waterfront, the Project is geographically positioned to transform an unused expressway viaduct into an active amenity and open space connector for area residents, workers, and visitors.

The Project’s conceptual design is intended to support a range of cultural and arts programming for the waterfront, drawing Toronto residents and visitors to the space. The Project’s 5.8 acre first phase (defined throughout this report as Phase 1) will include an active performance space at the foot of Strachan Avenue and a destination ice skating trail and rink. The remaining Project area will be built out over future phases (defined in report as full build-out), and may include additional programmatic elements such as playgrounds, exhibition space, food & beverage concessions, and outdoor market space.

HR&A Advisors, Inc. and Park People (together, the HR&A team or HR&A) were engaged by Waterfront Toronto to analyze the Project’s future operating budget and recommend a sustainable funding and governance strategy for the space. The study has been guided by the broader client group, including the Judy and Wilmot Matthews Foundation (the donor) and the City of Toronto, in coordination with Waterfront Toronto. This study and the resulting recommendations are a critical step forward to preparing for P:UG’s development and launch, and are a requirement of the donor’s memorandum of understanding with the City of Toronto. Based on our analysis, described below, a successful and sustainable funding and governance strategy will require commitments from both public and private sources.

PROJECT APPROACH

Operations, Maintenance and Programming Costs

HR&A developed a high-level operating model for Project: Under Gardiner’s major cost categories using information gathered from local and other North American precedents, as well as input from local City of Toronto staff, Waterfront Toronto staff, and other members of the Project: Under Gardiner consultant team. This estimate forms a “top down” budget for the Project and may differ from budgets based on other considerations. The HR&A team understands that the client group may independently create “bottom up” budgets based on local expertise and as Project plans are refined, which are not addressed here.

This estimate includes a low and high range of costs to reflect uncertainty associated with intensity of programming, the Project’s visitation, capital maintenance, and efforts associated with fundraising. Full build-out costs consider the Project’s 10-acre program (including 8.4 acres of publicly-owned space, assuming privately-owned space remains privately managed). Phase 1 costs reflect lower routine O&M costs due to the Project’s smaller 5.8-acre core, Phase 1 construction plan (per the design team’s current plans).

Project: Under Gardiner will incur between \$3.5 million - \$5.0 million in annual operating costs at full build-out, while costs to operate the Project’s smaller, Phase 1 during initial years range from \$3.2 million - \$4.5 million. Actual costs incurred may be affected by overall visitation, intensity of use of certain spaces, and the final design and programming of the space.

Figure 1: Annual Cost Summary

Category	Phase 1		Full Build-Out	
	Low	High	Low	High
Routine O&M	\$540 K	\$720 K	\$800 K	\$1.0 M
Staff & Administration	\$1.0 M	\$1.2 M	\$1.2 M	\$1.4 M
Capital Reserve	\$200 K	\$550 K	\$200 K	\$550 K
Fundraising	\$60 K	\$180 K	\$60 K	\$180 K
Ice Skating Trail	\$130 K	\$430 K	\$130 K	\$430 K
Foundational Programming	\$1.2 M	\$1.4 M	\$1.2 M	\$1.4 M
Estimated Annual Costs	\$3.2 M	\$4.5 M	\$3.5 M	\$5.0 M

Partial Public Funding

Project: Under Gardiner’s annual operating budget will be partially supported by public funding. Of HR&A’s estimated total annual operations budget for the Project, approximately \$2.0 million to \$3.1 million in Phase 1 and \$2.3 million to \$3.6 million at full build-out is essential to ensuring routine maintenance and the space’s ongoing (including the line items for routine O&M, staff and administration, capital maintenance, and costs associated with the skating trail and fundraising, as shown in Figure 1).

HR&A recommends that the City of Toronto support the Project particularly during its early years of operation – the time period when the Project must meet these costs to establish its identity and when it is most likely that the Project may not achieve its maximum potential revenues. As the Project matures, the need for public funding may decline if fundraising and program related revenue outpace expectations. Public funding will provide crucial support for the Project in early years.

Revenue Potential

Project: Under Gardiner’s remaining budget gap after public funding may be supported by a range of revenue streams. HR&A’s analysis considered the potential for the Project to generate revenue through earned and contributed income (based on on-site programming and activation), and considered the feasibility of value capture, before considering public funding. Signature open spaces similar to the Project have often drawn funding for ongoing costs from a mix of earned income, contributed income (including philanthropy and corporate sponsorship), and public funding in roughly equal portions. HR&A examined the likely applicability of each to the Project based on the current design, program concept, and current regulatory framework, and reviewed our findings with City staff and local Councillors and/or staff.

For feasible revenue streams, the most promising of which are earned and contributed income, HR&A estimated the amount of revenue that may be generated based on the Project’s unique design and program, key features, and assumptions about local interest in supporting the project (through donations). Earned income opportunities include permit fees, equipment rental and sales from food and beverage concessions, as enabled by the Project’s design. Contributed income includes revenue collected from individual and foundational philanthropy, corporate sponsorships and naming rights agreements.

Revenues associated with local value capture are not included in HR&A’s estimate, but represent an opportunity for additional revenue generation in the Project’s future. This estimate does not include potential revenues associated with capturing values from local real estate development, business and/or residential assessments due to a lack of information and local precedents to support analysis of potential

value. Despite these limitations, HR&A recognizes the meaningful impact of high-quality open space on real estate values, and believes that value capture tools like these warrant further study by the City.

Figure 2: Annual Revenue Summary

Category	Phase 1		Full Build-Out	
	Low	High	Low	High
Public Funding				
City of Toronto	–	–	–	–
Province of Ontario	–	–	–	–
Federal Government	–	–	–	–
Earned Income				
Ice Skating Trail	\$160 K	\$360 K	\$160 K	\$360 K
Food & Beverage	–	–	\$10 K	\$25 K
Permit Fees	\$270 K	\$310 K	\$270 K	\$310 K
Contributed Income¹	\$500 K	\$1 M	\$500 K	\$1 M
Philanthropy	–	–	–	–
Sponsorship	–	–	–	–
Estimated Annual Revenues	\$930 K	\$1.7 M	\$940 K	\$1.7 M

Total revenues generated by Project: Under Gardiner may not cover the space’s annual operating costs.

After public funding, estimated annual revenue streams generated from Project operations have the potential to generate an additional \$930,000 to \$1.7 million in Phase 1 and \$940,000 to \$1.7 million at full build-out, as shown in Figure 2. As summarized in Figure 3 – and dependent on public funding – the Project will have an estimated funding gap of up to \$2.3 million to \$2.8 million per year in Project’s Phase 1, and \$2.6 million to \$3.3 million per year at full build-out.

Figure 3: Annual Funding Gap

Category	Phase 1		Full Build-Out	
	Low	High	Low	High
Estimated Annual Costs	\$3.2 M	\$4.5 M	\$3.5 M	\$5.0 M
Estimated Annual Revenues	\$930 K	\$1.7 M	\$940 K	\$1.7 M
Estimated Annual Gap	\$2.3 M	\$2.8 M	\$2.6 M	\$3.3 M

RECOMMENDATIONS

Funding Strategy

Actual public funding should strive to align with the gap between revenues and costs in early years. HR&A has identified two strategies to address the annual funding gap: direct partial public funding and repurposing of donor’s funds. In the first strategy, the Project can receive a reliable, fixed amount of direct

¹ The contributed income range assumed in this analysis is a high-level assumption that is applied to both Phase 1 and full build-out scenarios, to be adjusted at the conclusion of Arts & Communication’s sponsorship study.

funding, likely from the City of Toronto, but potentially leveraging grant funds or other funding from the Provincial or Federal governments. This strategy will be crucial in the early years of operation. Over time, additional revenues from other sources may offset the City's partial commitment to the Project's operating budget as the Project's identity and programming matures and attracts both more valuable programs and higher levels of giving.

Repurposing donor funds can also address the annual funding gap. If the City of Toronto (or another public source) committed capital dollars to the Project, an equivalent amount could be allocated from the donor's gift to project operations. This "substitution" alternative is dependent on negotiations between the City and the Matthews Foundation.

Project: Under Gardiner's management entity will assume responsibility for the space's financial health, including the remaining annual budget gap after public funding.

Governance and Management

Governance and management of the Project requires a creatively-structured public-private partnership to fulfill the mission of the space. HR&A identified key functions that need to be performed to support the Project's management, including day-to-day operations, long-term planning, capital maintenance planning and execution, and management of the Project's budget.

P:UG's governance framework was guided by five-objectives related to key governance functions.

1. Balance Autonomy & Authority
2. Produce Best-in-Class Operations & Programming
3. Secure Diverse Funding Streams
4. Leverage Existing Capacity
5. Achieve Sustainable, Long-term Management

Based on these objectives, HR&A identified two viable options for P:UG's governance – unilateral management by a non-profit Conservancy, or joint management by a Special Purpose Entity (SPE) and a new non-profit partnership. In the first option, the Conservancy would assume responsibility for all management duties including overseeing operations and maintenance, capital planning, financial management, fundraising, programming and vision implementation. As the Project's sole governing entity, a privately-led Conservancy would allow for maximum flexibility and autonomy to deliver the project as envisioned.

In the partnership option, an operating division within an existing special purpose entity would act as the overall steward and perform administrative, management, intergovernmental and community relations tasks. A non-profit Conservancy would be focused on fundraising and programming. The two entities would interact in a seamless fashion, enabling the leadership of the Project to establish and maintain a strong brand and identity for the space.

While both governance models are applicable and offer advantages to the Project, the independent structure, a non-profit P:UG Conservancy has emerged as the preferred direction. The Conservancy would be established with early support from an established non-profit, identified by the Matthews Foundation as Artscape, through an incubation period. To date, the client group has begun exploring the appropriate staff and structure for the Conservancy. Moving toward a working model for the Conservancy will require additional efforts to align the relationships and responsibilities between P:UG and Fort York, as well as a new relationship framework with the City, which may be based on precedents such as Evergreen and Artscape. The arrangements for the incubation period and subsequent post-construction Program Operation

and Maintenance Plan will be fleshed out and formalized in an amendment to the Memorandum of Understanding.

Strategy Implementation and Next Steps

To advance the development and implementation of the recommended governance and funding strategy for the Project, HR&A recommends the following next steps: i) secure public and private funding commitments; ii) solicit stakeholder buy-in for the defined governance entity; and iii) draft a memorandum of understanding and relationship framework between the governance entities and their members, including the Judy and Wilmot Matthews Foundation and Waterfront Toronto, and the City.

Introduction

Project: Under Gardiner (P:UG or the Project) is a proposed 10-acre linear public space. At completion, the Project is anticipated to cover 1.75 kilometers (km) beneath the Gardiner Expressway, from Spadina Avenue to Strachan Avenue, along the Fort York National Historic Site and abutting the Liberty Village and City Place neighborhoods. The Project is envisioned to include a robust programming calendar and to activate the space between Toronto's revitalized waterfront and the evolving program at Fort York, transforming an unused expressway viaduct into an active amenity and open space connector for area residents, workers and visitors alike.

To date, planning has been led by an innovative partnership between the Judy and Wilmot Matthews Foundation (the private donors funding the Project's early capital needs), Waterfront Toronto (acting as Project managers for this work), and the City. Together, this partnership comprises the client group. The client group engaged PUBLIC WORK, a Toronto-based Landscape Architecture firm, to design the Project, and Ken Greenberg, a local planning expert, to oversee their work. In addition to recognizing the unique opportunity to transform the space under the Gardiner into a best-in-class public amenity, the client group understands that the Project's success is dependent on establishing a strong framework to guide ongoing operations, maintenance, programming, and governance. HR&A and Park People were engaged to perform a study of the operations and maintenance costs, potential revenues, and appropriate governance structure for the Project. Lord Cultural Resources has created a programming framework for the P:UG.

This report focuses on HR&A and Park People's analysis and findings of the P:UG's operational costs, potential revenues, and governance structure. However, this work is closely tied to PUBLIC WORK and Lord's studies, and the Project's overall success will be based on the product of all of these work streams. Their work is referenced throughout this report.

The content of this report both serves to document the work done by the HR&A and Park People team, as a resource of the client group as they move toward implementation, and also as a reference document for the City of Toronto in making a decision about future involvement in this unique project.

The following sections detail HR&A's approach, methodology, and recommendations for our core scope, including:

- **Context for successful open spaces:** Based on our past work, HR&A understands that successful open spaces exhibit similar characteristics in terms of the level of upfront and ongoing investment required, the sources for that investment, and the ways in which revenues are applied to operations and programming. At the outset of this study, we considered the key factors that will lead to success at P:UG, and describe best-in-class precedents for these below, which are then used throughout our analysis.
- **Analysis of operations & maintenance cost:** To understand the budget required to support P:UG's routine operations and programming, HR&A created a high-level estimate of operating costs for the Project based on local comparables and national and U.S. precedents. The total estimated annual costs to operate P:UG will need to be supported either through revenue generated by the Project, or through other sources of support.
- **Analysis of revenue potential:** Based on our understanding of the scope and the costs required to operate P:UG, HR&A then analyzed a wide range of potential revenue sources to understand their potential to provide revenue to the Project. For high-potential sources, HR&A then estimated the amount of revenue that could be generated each year. At the conclusion of this analysis, we compare

the annual costs to annual projected revenues to understand whether additional sources of revenue, or likely, public support, were required to operate the Project.

- **Recommendations for the Project's governance structure:** As a final phase of work, HR&A assessed the operating needs of Project: Under Gardiner to determine the most appropriate governance structure for the space. Based on the client group's unique arrangement and the vision for the space, we have outlined a governance structures that foster a strong identity for the Project and can leverage existing capacity and project knowledge for relatively fast operations and management services ramp-up.

Context for Successful Open Spaces

Aesthetically and functionally, no two signature open spaces – those that are heavily used and shape distinctive identities for their neighborhoods and cities – are exactly alike. Signature open spaces can be confined or expansive; they can serve as a connection or a gathering place; and they can provide a canvas for activity or a landscaped respite from the surrounding urban environment. Despite these differences, signature open spaces around the world share a closely related approach to project funding and governance. These successful spaces across the continent provide context for building and sustaining active attractive and welcoming spaces that fulfill their core missions as public amenities. Below, key commonalities of signature open spaces and their lessons for P:UG guide our considerations for the Project’s funding strategy and governance framework.

Support world-class design with strong investment

World-class open spaces catalyze increased economic investment, job creation, tourism, and real estate development, providing wide-ranging benefits to city residents, visitors, employers, and property owners. Developing a world-class, transformative, and unique open space requires significant and sustained investments from public and private sources. Signature open spaces across North America succeed when a high-level of operations and maintenance investment is matched with interactive physical elements that drive visitation, use, and earned or contributed income to the space.

Project: Under Gardiner already represents an innovative public-private partnership between Waterfront Toronto, the City of Toronto, and the Matthews Foundation to fund and manage its design and construction. The Matthews Foundation’s generous \$25 million donation must be appropriately allocated to ensure that the space that is built aligns with the vision for the Project, not just in size, but in its level of quality and physical program. HR&A understands that the Project’s first 5.8-acre phase has been designed to align with this budget appropriately. Additional funding, or an offset of these funds to ensure appropriate funding for future operations, will strengthen the Project.

Create a funding and governance strategy that unlocks diverse sources of revenue

Once built, spaces like P:UG are costly to run. Long lasting success requires a commitment of ongoing operations and maintenance funding. Successful public-private partnerships are commonly resourceful in securing a wide variety of funding sources for the open spaces they manage.

Open spaces traditionally build operating budgets with some base public funding (often through the city or local municipality, sometimes in addition to Provincial or Federal support). Earned income describes revenue generated from program elements, such as merchandising, food and beverage, ticketed programs, permits/event rentals, parking and other user fees. Earned income opportunities vary depending on



The High Line
New York, NY

New York’s High Line is a unique public space built on top of an abandoned elevated rail line on Manhattan’s industrial west side.

Opened in 2009 and built over three phases, the space cost nearly \$180 million. Over 65% of capital costs were covered by the City of New York, while another 12% was provided by the State and Federal governments. Remaining funds were raised privately by the space’s non-profit conservancy, The Friends of the High Line. Attracting over 6 million people annually, the space is expected to drive \$4 billion in private investment and over \$900 million in revenues to the city over the next 25 years.

programs offered and often grow with increased visitation. Parks and open spaces are typically able to generate philanthropic revenue through membership programs, private donations, naming rights, fundraising events, corporate sponsorships advertising, and foundation grants. Open spaces in urban areas are also sometimes able to capture significant value from surrounding real estate and commercial businesses, either in the form of an assessment or direct contributions.

To meet the operating costs projected for P:UG, the future management entity will need to have the capacity to access different sources of funding (likely all of those described above, at least in some part). To do this successfully, this entity must have:

- A relationship with local government to enable joint decision-making and foster public support;
- A strong identity that draws supporters to the Project and space, separate from a government agency or department, to garner contributed income;
- A unique, robust program calendar that both attracts visitors to the space and generates revenue through food and beverage sales, ticket sales, event fees, and other sources.
- The ability to capture value created by benefits to surrounding real estate, if these exist.

Ensure robust, high-quality operations, maintenance, and programming

High-quality, community-specific programming in a well-maintained space is an essential ingredient to supporting healthy and activated public spaces. A sustainable O&M plan takes into account organizational vision, open space activation and available funding streams. Quality maintenance protects landscape, often helping to preserve project missions in perpetuity. It also increases perceptions of safety and quality, increasing visitation and creating value for private partners.

For P:UG, programming will be especially crucial to brand and activate a signature space that lacks the natural features of most open spaces, including open lawns and sunlight. Cutting-edge, high-quality programming will animate a playful, engaging, and design-forward space as envisioned. Lively public offerings can also generate revenue for operations, bring more customers to concessions, and create opportunities for sponsorship and philanthropy.

Assiniboine Park

Winnipeg, MB



Winnipeg's Assiniboine Park is independently operated and governed by the Assiniboine Park Conservancy, a public-private, not-for-profit corporation created in response to a need for focused reinvestment in the park. Responsible for all aspects of the park's attractions, amenities, services, fundraising, and operations, the conservancy has successfully launched capital campaigns and secured a 10-year, \$50 million capital commitment from the City of Winnipeg to fund the park's \$200 million master development plan. The remaining \$150 million is being funded from the Province of Manitoba, foundations, charities, individuals, and a significant amount from private corporations. Assiniboine Park Conservancy's success in raising private funds – both small and large – for its capital campaign is largely built around support for the park's destination elements including the zoo, conservatory, and summer entertainment series. Nearly 40% of the park's operating and maintenance costs are sourced from park revenues, including concessions, ticketed programming, event rentals, educational offerings, and more. Remaining operating costs are provided by the City of Winnipeg (approximately 40%) and gifts and sponsorships.

Lord Cultural Resources describes three “levels” of programming for Project: Under Gardiner to describe a wide range of recreational, entertainment, educational and cultural needs for a variety of users (local residents, nearby workers, citywide constituents and regional visitors). These levels include *foundational programming*: regularly scheduled, ongoing events that attract local audiences including food truck festivals, on-going fitness classes, and children’s arts and crafts; *mid-level programming*: durational events that attract a wider audience and are produced in partnerships and with additional resources; and *extraordinary events*: unique or experiential signature events that attract of regional visitors and/or sponsorship opportunities such as ticketed concerts, national public art exhibits and holiday festivals. HR&A’s assumptions within this report include only *foundational programming* events.

Establish a long-term commitment to stewardship

Dedicated management organizations are valuable in sustaining the successful daily operations of signature open spaces. Successful signature open spaces rely on the long-term commitment of a steward to plan, protect, and promote the complete vision of the space. These organizations typically program and operate their spaces as independent places, complementary to, but separate from, larger open space systems.

Dedicated stewards help advance the essence of signature open spaces, from places that provide public enjoyment, articulate civic identity, promote tourism and bolster real estate value. They produce programming, manage capital improvements, solicit private funding and oversee routine operations and maintenance.

In many cases, oversight ensures that private partners maximize public benefits, while committing the public sector to supporting great public spaces. Stewards also create and maintain strong relationships with businesses, community boards and other local organizations who can provide input on programming and operations. Like its peer signature parks, P:UG too needs a governance entity that is sustainable and self-supporting.

Millennium Park
Chicago, IL



Chicago’s Millennium Park features music festivals, tennis courts, outdoor theaters, interactive public art installations, an ice rink, and more. The lakefront park transformed over 20 acres of commuter rail lines, surface parking lots, and underused parkland into an outdoor cultural venue for local and tourists to enjoy a myriad of active programming. Millennium Park’s management successfully implemented innovative and exciting park and public art projects that attracted donors, high-profile artists, and designers. Providing a critical mass of attractions has led to a significant increase in local property and sales tax revenue, stimulated real estate development, attracted tourists, and boosted local businesses.

Friends of the High Line
New York, NY



The Friends of the High Line has acted as an advocate, protector, planner, and fundraiser of the High Line. The Friends of the High Line has succeeded in preserving the entire historic structure and opening to the public all the way from Gansevoort Street to 34th Street – a challenge that has been at the centerpiece the Friends of the High Line mission since its founding in 1999. 16 years later, the Friends of the High Line continues to serve as the passionate non-profit conservancy that imagines, delivers, and cares for a beautiful open space and vows to server this role for as far as we can see into the future.

Annual Operations & Maintenance Costs

METHODOLOGY

HR&A developed a high-level operating model for Project: Under Gardiner's major cost categories using information gathered from local and other North American precedents, as well as input from local City of Toronto staff (including the City's Parks, Forestry, and Recreation Division and Transportation Division), Waterfront Toronto staff, and analysis from the Project consultant team (particularly, Lord Cultural Resource's programming study).

For each line item, HR&A identified the associated cost driver and unit to develop total cost. For example – total cost for routine O&M is driven by the level of maintenance required (cost driver) and acreage (unit). Costs are estimated within a low and high range to reflect uncertainty associated with intensity of programming, P:UG visitation, capital maintenance, and costs associated with fundraising. HR&A also developed separate cost estimates based on P:UG's phased build-out. *Full build-out* costs consider Project's full, 10-acre build-out (including 8.4 acres of publicly-owned space). *Phase 1* reflects discounted routine O&M costs due to the Project's smaller 5.8-acre core, Phase 1 build-out.

ANALYSIS

Routine operations and maintenance (O&M): \$800,000 - \$1 million.

HR&A derived routine O&M costs using a cost per acre average from local and international comparable spaces. Total costs will be lower (\$540,000 to \$720,000) for the Project's Phase 1 (estimated to be 5.8 acres, vs. the approximately 10 acre full build out). This amount does not include routine O&M costs associated with the Project's special features, such as the ice skating trail, which are addressed separately below.

- **High estimate:** HR&A examined O&M costs per acre at the Rose Kennedy Greenway, Bryant Park, Brooklyn Bridge Park, Discovery Green, Millennium Park, and the High Line. Costs were adjusted for visitation (as a proxy for intensity of use), resulting in a per acre range from approximately \$50,000 to over \$300,000 in annual costs. In the absence of a visitation estimate for Project: Under Gardiner, HR&A adjusted O&M costs per acre based on the Rose Kennedy Greenway's annual visitation of 1.2 million, calculating an average adjusted annual O&M cost per acre of \$100,000. HR&A applied this average to Project: Under Gardiner's 8.4 acres of publicly-owned space to estimate the high range of routine O&M costs (and to the smaller Phase 1 space to generate Phase 1 costs).
- **Low estimate:** Due to the varied level of programming at Project: Under Gardiner, HR&A weighted routine O&M costs by each element's intensity of use to produce a low-end cost estimate. The Project: Under Gardiner design and management teams (PUBLIC WORK and Waterfront Toronto) provided a division of the space by low and high intensity uses or programming to guide this analysis. HR&A applied an average of \$69,000 per acre, based on comparable Toronto open spaces including Fort York, Corktown Commons, and Underpass Park, to 4.4 acres of the Project's space considered low intensity. HR&A then applied the high range average described previously of \$100,000 per acre to the remaining 4.0 acres of medium and high-intensity elements. HR&A followed this same methodology to estimate the low range of Phase 1 costs.

Staff and administration: \$1.0 million - 1.2 million.

HR&A's base analysis assumes that any future P:UG governing entity will require a core management staff of approximately seven employees, including an Executive Director, an Operations Manager, a

Programming Manager, a Development (Fundraising) Manager, and support staff. Based on comparable open spaces, we assume salaries ranging from approximately \$50,000 for support and administrative staff to approximately \$200,000 for the Executive Director, plus benefits (estimated to be 30% of base salary for each employee) and overhead costs of approximately \$180,000. These costs most closely align with a single, stand-alone management entity, and the costs for two or more partnership entities may be higher due to additional executive or leadership staff. Total costs in this category do not include salaries for on-site maintenance and security staff, included in routine O&M estimates.

Capital reserve: \$200,000 - \$550,000.

Based on Waterfront Toronto's project budget, HR&A assumed that 1% to 3% of the \$17.8 million assumed hard costs should be reserved for a capital reserve. HR&A's estimate represents an average capital need that is likely very minimal in the Project's early years and will grow over time, necessitating the Project to hold funds in a reserve.

Fundraising: \$60,000 - \$180,000.

Generating revenue from individual contributions, foundations and charities, and sponsorships requires a fundraising infrastructure. Based on experience with open space projects that raise significant revenues from fundraising, HR&A assumes that associated costs incurred in support of generating contributed income are equal to approximately 20% of fundraising revenues (further described below). Costs exclude a dedicated staff person for fundraising, which is included in the staff and administration estimate.

Ice skating trail: \$130,000 - \$430,000.

- **High estimate:** HR&A assumed an average of standard operating and maintenance costs of highly active and programmed outdoor ice rinks based on North American benchmarks such as Fountain Square in Cincinnati, Ohio or the Wells Fargo Winter Skate at Rice Park in St. Paul, Minnesota. Ice rink expenses may vary based on structure and operating model.
- **Low estimate:** HR&A assessed annual costs incurred to operate Toronto's Colonel Sam Smith linear winter skating trail to assume an annual operating and maintenance cost for Project: Under Gardiner's skating trail. Operating cost information provided by the City of Toronto's Parks, Forestry, and Recreation Division includes refrigeration, water servicing, hydro and natural gas costs, Zamboni maintenance costs, and three recreation staff associated with an ice skating trail. HR&A assumed total costs of \$130,000 by applying Colonel Sam Smith's per acre operating and maintenance costs of \$190,000 to the Project's 0.7-acre skating space (the anticipated size for the Project's Phase 1). Total costs do not include one-time equipment costs such as the purchase of a Zamboni.

Base programming: \$1.2 million - \$1.4 million.

Base program costs are incurred to operate open space-run programming, including both foundational programming and some mid-level events. Costs are analyzed on a net basis – no costs are included for third-party events. This estimate will be shaped by the eventual programming calendar and specific events run within the Project each year. For the purposes of this analysis, Lord Cultural Resources provided a base programming cost estimate per the current vision expressed by the donor for programming of Project: Under Gardiner.

Security (excluded from costs)

HR&A assumed a standard model currently used in Toronto open spaces – minimal to no additional security outside of special events. When needed, security for P:UG will be provided through other means outside of the space’s regular budget.

FINDINGS & RECOMMENDATIONS

HR&A estimates that annual operations and maintenance costs for P:UG will range from \$3.2 million to \$4.5 million during Phase 1, and annual costs for P:UG will range from \$3.5 million to \$5.0 million during full build-out. A summary of total costs per the analysis described above is shown in Figure 4. Differences between the Project’s Phase 1 and full build-out costs are solely driven by costs associated with routine O&M, calculated by acreage. HR&A assumes that the need for a capital reserve remains at minimum consistent between phases, whereas an expanded budget developed in the future at full build-out may require a larger reserve. Programming features – such as the skating trail – will be similar in size and activation between phases. Actual costs for the Project may vary based on overall visitation, intensity of use, and final design and programming at the space. These costs are then compared to projected revenues described in the next section, to assess the Project’s ability to support its own operations, or need for additional support.

Figure 4: Annual Cost Summary

Category	Phase 1		Full Build-Out	
	Low	High	Low	High
Routine O&M	\$540 K	\$720 K	\$800 K	\$1.0 M
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Partial Public Funding

Project: Under Gardiner’s annual operating budget will be partially supported by public funding. Of HR&A’s estimated annual operations budget for the Project, approximately \$2.0 million to \$3.1 million in Phase 1 and \$2.3 million to \$3.6 million at full build-out is essential to ensuring routine maintenance and the space’s ongoing (including routine O&M, staff and administration, capital maintenance, and costs associated with the skating trail and fundraising).

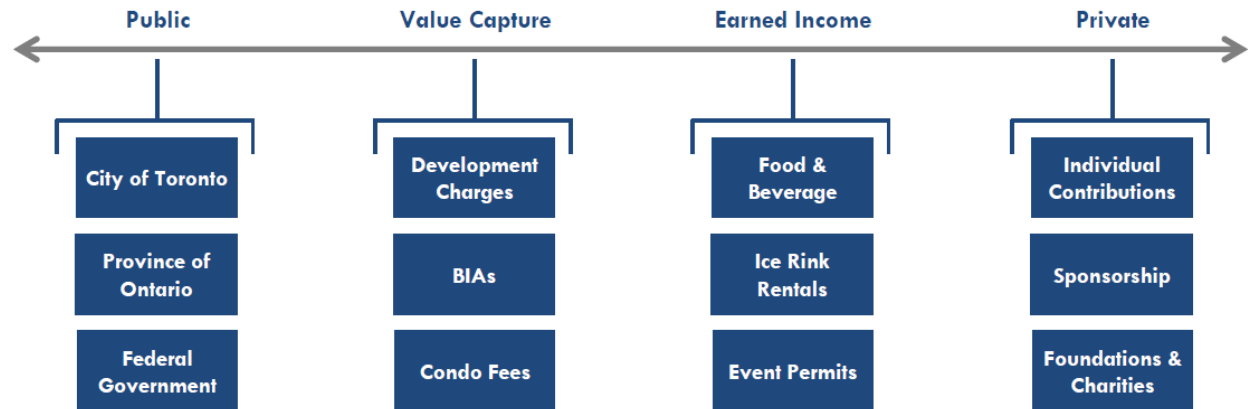
HR&A recommends that the City of Toronto support the Project particularly during its early years of operation – the time period when the Project must meet these costs to establish its identity and when it is most likely that the Project may not achieve its maximum potential revenues. As the Project matures, the need for public funding may decline if fundraising and program related revenue outpace expectations. Public funding will provide crucial support for the Project in early years, and does not necessarily require the City to pay the full amount outlined earlier each year.

Annual Revenue Potential

METHODOLOGY

Project: Under Gardiner’s remaining budget gap after public funding may be supported by a range of revenue streams. HR&A assessed the feasibility and magnitude of twelve revenue streams within four categories (see Figure 5).

Figure 5: Potential P:UG Revenue Streams



Feasibility for each revenue stream was informed by research and interviews, input from project stakeholders, the Project’s conceptual design, and the City of Toronto’s regulatory and budgetary constraints. Potential magnitude of each P:UG revenue stream was informed by the likelihood of its ability to raise funds for the space and precedents from local and international comparable spaces. Based on the assessed feasibility and potential magnitude of each revenue stream, HR&A evaluated the suitability of revenue streams to cover the costs of ongoing operations. This analysis builds a projected revenue stream based on programming and activation of the space, and potential to receive income through sponsorship or philanthropy. There may also be potential to offset the Project’s costs through high-value sponsorship and individual contributions through aggressive activation of space (currently under study), and to capture value from assessments on real estate adjacent to the Project (requiring further study by the City).

ANALYSIS

Earned income: \$450,000 - \$700,000.

HR&A assessed a range of earned income opportunities at Project: Under Gardiner, including permit fees for private events, equipment rentals from the space’s destination ice skating trail feature, and sales from food and beverage concessions. HR&A’s assessment revealed significant potential to generate revenue through these program elements, and HR&A recommends maximizing this potential by continuing to introduce programs and features through the space as it matures.

- **Ice skating trail:** \$160,000 - \$360,000. Current designs for the full construction of the space include over two acres of skating space accessible to the public (0.7 acres in Phase 1), creating earned income opportunity from equipment rentals. HR&A based revenue assumptions on current equipment rental fees at Harbourfront Centre and Nathan Phillips Square, assuming \$5 rental fee for helmets and \$6 to \$10 fee for skate rentals. Visitation estimates at comparable destination skating rinks

across North America suggest that Project: Under Gardiner may attract between 40,000 and 60,000 visitors annually, 20% of whom will rent helmets and 50% of whom that will rent skates. HR&A assumed no admission fees to the ice skating rink.

- **Food and beverage:** \$10,000 - \$25,000. Opportunities for significant revenue generating concessions, cafes, and restaurants are limited given the linear nature of the space. HR&A assumed one 540 square foot café at Bent 91, based on the space's design at full build, that generates \$200 to \$300 in gross revenues per square foot. Project: Under Gardiner will collect 10% to 15% of gross revenues generated by the café. These assumptions are based on successful downtown open spaces in Philadelphia, Cincinnati, and Minneapolis, and open space projects in which food and beverage revenues have proven highly successful such as the High Line in New York City and Discovery Green in Houston, where F&B revenues cover up to 35% of total operating costs. Bent 91 café is planned to be built following Phase 1, and will generate food and beverage revenues for the Project only at full build.
- **Permit fees:** \$270,000 - \$310,000. Issuing event permits to third party operators can generate significant revenues at very low costs to Project: Under Gardiner. In the absence of a programming calendar at P:UG, HR&A based permit fee assumptions on neighboring spaces. At Fort York, third party events attracted over 60,000 people to the space and raised approximately \$450,000 in permit fees. Based on Fort York's third party programming calendar, revenues derived from permit fees, and Project: Under Gardiner's space constraints, HR&A assumed 12 permit fee generating event days per year² that generate between \$22,000 and \$26,000 per event (the average for all events and only revenue-generating events at Fort York). These permit fees, based on the number of events held, are consistent during Phase 1 and full build-out and represent foundational programming at the site. As the Project matures, expanded programming and permitting can potentially generate additional revenues, which are not included in this estimate.

Contributed Income: \$500,000 - \$1 million.

Contributed income includes revenue collected from individual and foundational philanthropy, corporate sponsorships, and naming rights agreements. The Project: Under Gardiner team engaged Arts & Communications (A&C) to assess the potential for contributed income to this Project, and to estimate the value of this revenue stream. This study is currently underway, and the range assumed in this analysis is a high-level assumption that is applied to both Phase 1 and full build-out scenarios.

- **Philanthropy:** Historically, Toronto's philanthropic community supports initiatives other than open space. Based on the Toronto Foundation's 2014-15 Giving at Home – Toronto Impact Report, HR&A found that philanthropic contributions in Toronto have overwhelmingly been targeted towards arts, culture, health initiatives, and academic institutions, lessening the feasibility and potential magnitude of this revenue stream on the Project. Philanthropic contributions have only created a significant source of operating and capital revenue generation in select cases. For example, foundations' and individual giving account for only 9% of revenues at Toronto's Evergreen Brickworks, while individual giving covers approximately 60% of operating costs at New York City's High Line. In addition, large contributions are more likely to be allocated to signature capital projects rather than less visible ongoing operating expenses. Despite these limitations, generous contributions thus far by individual

² HR&A's assumption of 12 permit-fee generating events may not all materialize at once and will depend on coordination with Fort York, the capacity of the site, and the management of any negative event impacts (noise, traffic, etc.) in partnership with the City and local community organizations.

donors to the Project may catalyze additional philanthropic contributions in the future – similar to recent experiences at Toronto’s universities, hospitals, and cultural facilities. A&C’s initial assessment explores the feasibility of a multi-tiered strategy that leverages excitement around the Project, proposing a scenario where individuals step up as founders and make multi-year commitments, eventually transitioning to a broad-based campaign.

- **Sponsorship:** Civic project such as Project: Under Gardiner require sensitivity around the level of commercial and marketing-based sponsorship activity. Corporate sponsorships provide significant revenue to projects across the U.S., often sponsoring and naming destination elements such as sports features and concert stages. However, Toronto does not have historical precedent of the level of sponsorship required for significant revenue generation at Project: Under Gardiner. While interest may be high, sponsorship is often attracted to opportunities to sponsor assets – capital costs – rather than ongoing operations. In addition, implementation of sponsorship recognition in Toronto’s open spaces requires overcoming policy and regulatory barriers. Developing feasible corporate sponsorship opportunities would likely require a dedicated staff person to seek out and execute agreements with potential partners. A&C’s initial assessment explores the potential of one major founding corporate partner in addition to several lower-level programming or seasonal sponsors.

Value capture (excluded from revenues)

HR&A assessed the feasibility and magnitude of raising revenues to cover Project: Under Gardiner’s operating costs through BIA levees, contributions by condo boards (based on fees assessed on condo owners), and revenues from the use of Sections 37 and 42 of Ontario’s Planning Act. While the Project can potentially generate significant benefits as an amenity for surrounding neighborhoods, the potential to capture value through an assessment or charge to local businesses or developments may be low due to the current regulatory framework. While these revenues are not included here, and information was not available to support analysis of their potential value, HR&A believes that they may be worth further study by the City to determine whether value can be leveraged from nearby existing or future development to support the Project.

- **BIAs:** Levees approved by business establishments in areas adjacent to open space projects can often generate revenues to operate the spaces in U.S. examples. However, BIA charges voted on, approved, and raised by the newly established CityPlace & Fort York BIA may only be used for capital improvements and expenses due to regulatory constraints.
- **Condo fees:** Over 8,000 existing and future residential units adjacent to the Project present an opportunity to capture value from condo fees. Condo fees from existing residential developments abutting the space currently fund operating expenses for privately-owned public spaces at the Project site. However, new development opportunities abutting the space are sparse. Modifying existing condominium agreements to introduce a fee to fund operating expenses would require significant popular support and votes from current residents.
- **Section 37 and 42 revenues:** Potential future developments surrounding P:UG would benefit substantially from high-quality open space. At Brooklyn Bridge Park, approximately 95% of operating expenses are funded by ground leases for new development. However, provincial legislation in Ontario currently prohibits the use of funds raised through development charges to subsidize operating expenses. Revenues collected from Section 37 and 42 of the provincial *Planning Act* can only be allocated towards capital projects and improvements. Leveraging the significant opportunity for Section 37 and 42 funds would require legislative change at the provincial level. In

addition, a preliminary review of development sites adjacent to the Project site suggests development and value capture of publically-owned properties would be challenging.

Public funding

As shown in Figure 7, a stable base of public funding is particularly critical to fill a funding gap in the early years as other revenue sources are being developed. Precedents from across Canada show that a strong base of ongoing public funding consistently supports signature spaces in major urban centre. Annual reports from comparable spaces in Toronto and across Canada demonstrate the potential scale of public funding. For instance, Provincial and Federal sources fund approximately \$1.9 million of Evergreen’s annual budget, amounting to nearly 20% of total revenue for the organization. Assiniboine Park received \$12 million from the City of Winnipeg in 2014, accounting for over 40% of total revenue. Provincial and federal funding for Project: Under Gardiner may be partially sourced from a range of program-specific grants, while City funding likely must be drawn from the existing operating budget.

FINDINGS & RECOMMENDATIONS

Project: Under Gardiner’s annual operating costs must be supported by diverse revenue streams, and the revenues generated by the Project itself will likely not cover costs. After public funding, the most impactful revenue sources for the Project generated from operations include earned and contributed income, with potential to generate an additional \$930,000 to \$1.7 million within Phase 1 and \$940,000 to \$1.7 million at full build-out. Estimated annual revenues are summarized in Figure 6 and minor differences between phases can be attributed food and beverage concession revenues opportunities only available during full build-out. Depending on public funding, the total revenue produced by the Project’s anticipated operations will not meet its annual costs, leaving an estimated gap in funding of \$2.3 million to \$2.8 million per year in Project’s Phase 1, and \$2.6 million to \$3.3 million per year at full build-out.

Figure 6: Annual Revenue Summary

Category	Phase 1		Full Build-Out	
	Low	High	Low	High
Public Funding				
City of Toronto	–	–	–	–
Province of Ontario	–	–	–	–
Federal Government	–	–	–	–
Earned Income				
Ice Skating Trail	\$160 K	\$360 K	\$160 K	\$360 K
Food & Beverage	–	–	\$10 K	\$25 K
Permit Fees	\$270 K	\$310 K	\$270 K	\$310 K
Contributed Income³	\$500 K	\$1 M	\$500 K	\$1 M
Philanthropy	–	–	–	–
Sponsorship	–	–	–	–
Estimated Annual Revenues	\$930 K	\$1.7 M	\$940 K	\$1.7 M

³ The contributed income range assumed in this analysis is a high-level assumption that is applied to both Phase 1 and full build-out scenarios, to be adjusted at the conclusion of Arts & Communication’s sponsorship study.

Actual public funding should strive to align with the gap between revenues and costs in early years. HR&A has identified two strategies to address the annual funding gap: direct partial public funding and repurposing of donor’s funds. In the first strategy, the Project can receive a reliable, fixed amount of direct funding, likely from the City of Toronto, but potentially leveraging grant funds or other funding from the Provincial or Federal governments. This strategy will be crucial in the early years of operation. Over time, additional revenues from other sources may offset the City’s partial commitment to the Project’s operating budget as the Project’s identity and programming matures and attracts both more valuable programs and higher levels of giving.

Repurposing donor funds can also address the annual funding gap. If the City of Toronto (or another public source) committed capital dollars to the Project, an equivalent amount could be allocated from the donor’s gift to project operations. This “substitution” alternative is dependent on negotiations between the City and the Matthews Foundation.

Project: Under Gardiner’s management entity will assume responsibility for the space’s financial health, including the remaining annual budget gap after public funding.

Figure 7: Funding Gap

Category	Phase 1		Full Build-Out	
	Low	High	Low	High
Estimated Annual Costs	\$3.4 M	\$4.5 M	\$3.5 M	\$4.8 M
Estimated Annual Revenues	\$930 K	\$1.7 M	\$940 K	\$1.7 M
Estimated Annual Gap	\$2.3 M	\$2.8 M	\$2.6 M	\$3.3 M

Governance Structure

METHODOLOGY

To develop Project: Under Gardiner’s governance framework, HR&A evaluated the strengths of precedent open space management entities in context of P:UG’s governance goals and objectives. After reviewing both general (i.e. City Agency, Special Purpose Entity or Non-Profit) and specific (i.e. Yonge Dundas Square, the 519 Community Centre, and Brooklyn Bridge Park Corporation) public and private models for open space governance, HR&A assessed required roles and responsibilities to deliver funding sources and day-to-day operations to P:UG.

In tandem, the precedent analysis and role evaluation informed key governance criteria for the Project and the basis of the governance framework. HR&A weighed strong potential governance options with existing and potential management opportunities and the local political context to understand unique governance opportunities for the Project.

ANALYSIS

Governance Structure Precedents

Below, we describe three key precedent structures, followed by HR&A’s recommended structure for P:UG. Descriptions of these precedent entities can be found in Figure 8. HR&A began by identifying the range of options for P:UG’s governance within Toronto’s current universe of open spaces.

Figure 8: Governance Structures



City Agency or Division

City Agencies and Divisions are the most common open space governance entities in Toronto, managing spaces like Fort York (through Economic Development and Culture), Yonge-Dundas Square (an independent agency), and many open spaces throughout the city (through Parks, Forestry, and Recreation). Overseen by the public sector, including City Councillors and publicly appointed Board of Directors, City Agencies and Divisions have the ability to secure a public funding commitment and earmarked funds, and to apply institutional knowledge to new projects.

City Divisions would not be the most effective at collecting philanthropic revenues, forgoing significant income to contribute to the open space's operating budget. Additionally, City and public stakeholder priorities may not meet the Project-specific mission and programming expertise required to successfully meet the vision for Project: Under Gardiner.

Special Purpose Entity (New or Existing)

Special purpose entities (SPE), commonly created by a government agency to fulfill a specialized role, allow projects to leverage public sector capacity and oversight while providing a dedicated focus to management of a specific project or set of projects. As mission-oriented entities, SPEs are often equipped to provide high-quality management of complex projects. However, because of their ad-hoc nature, on their own, SPEs may struggle to cultivate longevity and an enduring vision for a project.

Non-Profit (New or Existing)

Non-profits, present in governance of Toronto's open spaces, are able to solicit, collect, and spend philanthropic donations. Non-profits allow open spaces to maintain a long-lasting identity that can creatively articulate the project's vision and are sufficiently separate from local government to engage the philanthropic community. Many non-profits also have the interest and expertise to produce best-in-class programming specifically tailored to the space.

Compared with other governance models, non-profits are less effective at leveraging intergovernmental relationships and securing earmarked streams of public sector funding.

Project: Under Gardiner - Specific Governance Duties

Drawing on functions of precedent governance structures and P:UG's organizational and operational needs, HR&A evaluated specific duties of the future governance entity. The following list outlines core duties linked to operating the project as the P:UG client team envisions.

Capital needs

- **Capital Construction:** Design, fund and build subsequent phases of the project.
- **Capital Maintenance:** Plan for funding of, and conduct, capital maintenance.

Vision and stewardship

- **Vision Implementation:** Create and foster a strong brand and sense of identity within the P:UG space, online, and in constituent communities. Vision implementation can be achieved through programming, communications, and public engagement activities.
- **Extraordinary Programming:** Conceive, design and conduct major programming efforts for P:UG with a focus on signature events and cultural programs.
- **External Relations:** Serve as a liaison and manage relationships with City, Provincial, and Federal governments, existing local non-profits, cultural communities and private stakeholders.

Day-to-day operations

- **Ongoing Operations & Maintenance:** Conduct routine operations and maintenance for the project. This work can be either carried out by the entity or contracted through service contracts with existing open space management entities such as Toronto's Division of Parks, Forestry, and Recreation, Exhibition Place, or Fort York.

- **Foundational Programming:** Schedule, organize and execute foundational programming for P:UG, such as regularly scheduled and ongoing food truck festivals, fitness classes, and children’s art or play programs.

Funding and development

- **Public Funding & Earned Income:** Collect and manage funds from: i) public entities including City, Provincial, and Federal governments, ii) on-site rentals, concessions, and permitting fees (earned income), iii) surrounding properties if applicable (through value capture).
- **Philanthropic Fundraising:** Raise funds from philanthropic giving and corporate sponsorship for signature events and programming. A balance in philanthropic revenue can fund routine O&M and other activities.

Key Governance Selection Criteria

Following precedent research and identification of primary governance responsibilities, HR&A devised a governance framework for Project: Under Gardiner, based on the Project’s character, mission, and position, and informed by discussions with the Project team, interviews with other Toronto governance entities and our experience with open spaces nation-wide. P:UG’s governance framework was guided by five objectives:

1. **Balance Autonomy & Authority:** A successful governing entity will achieve a balance between *independent governance* – the ability to define and deliver P:UG’s mission and visions – and *public control* – the right of the government to control project direction, especially in relation to funding. Ultimately, this framework should encourage a unique project identity while leveraging relationships with the City, Fort York, Waterfront Toronto, and other affiliates.
2. **Produce Best-in-Class Operations & Programming:** The right governing entity will deliver high quality operations & maintenance and space-specific robust cultural programming to P:UG, strengthening its identity and ultimately drawing support, both in terms of a strong constituency of supporters and individuals, foundations, and corporations interested in providing financial support.
3. **Secure Diverse Funding Streams:** The P:UG governing framework will help secure a range of public and private funding sources to operate P:UG. P:UG’s managing entity must balance an identity distinct from local government to build support from the philanthropic community, the capacity to fundraise from individuals or corporations, and effective relations with government entities and controls or accountability for public funding.
4. **Leverage Existing Capacity:** From corporate administration to on-the-ground operations, P:UG will require resources common to running any well-managed public space, including corporate resources (procurement, finance, accounting, human resources, payroll), operations and maintenance staff, and equipment. This capacity is particularly important due to the Project’s timeline and near-term implementation.
5. **Achieve Sustainable, Long-term Management:** Like the Project’s design and construction, Project: Under Gardiner should be governed with the ambition of providing first-class open space to future generations of Torontonians. P:UG’s governing framework must ensure a sustainable ongoing oversight and management strategy.

FINDINGS & RECOMMENDATIONS

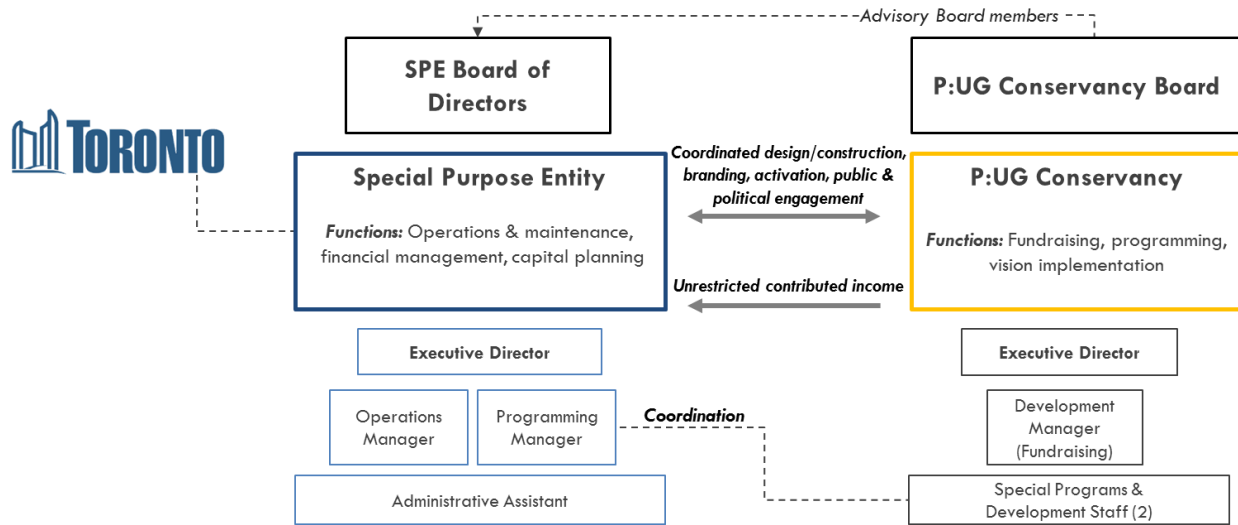
After analyzing a number of governance possibilities, two models offered clear advantages to advance P:UG as a premier open space in Toronto. These options promote P:UG’s management through an

independent non-profit with/without support from Waterfront Toronto or special purpose entity as described herein.

Option 1: Special Purpose Entity (SPE) and Conservancy Partnership

A partnership between: i) a special purpose entity and ii) a newly established, independent non-profit (referred to as the P:UG Conservancy). This recommendation maximizes each entity’s strengths, while assigning specific roles to the organization best suited to meet them. This division of responsibilities and the relationship between these entities is detailed below.

Figure 9: P:UG SPE and P:UG Conservancy Partnership Organization Chart



Project: Under Gardiner Special Purpose Entity

The SPE will address the functions within the capital needs and day-to-day operations categories noted above, and will oversee the Project’s business planning and capital planning. The SPE will also share in the responsibility for funding by playing a key role in collecting and managing public funding including facilitating earned income transfers from the P:UG Conservancy, if applicable. In addition to leading these efforts, the SPE may also provide support to the Conservancy for programming and vision implementation, particularly with regard to early year activities.

The SPE should have a dedicated staff to fulfill the positions required to provide a focused, creative approach to management of P:UG. Dedicated staff positions will include: an Executive Director, Programming Manager, Operations Manager, and dedicated administrative support. This department can also leverage support from the City of Toronto, including communications with specific City Divisions and general government relations.

The SPE’s Board of Directors would oversee the SPE’s activities and be responsible for managing P:UG to a budget. Board members would ideally bring knowledge related to management of waterfront development, institutional knowledge based on experience in like-minded organizations within Toronto, and members active in related City agencies or departments.

Project: Under Gardiner Conservancy

An independent non-profit, the P:UG Conservancy, will manage the functions within the vision and stewardship and take on a shared responsibility for funding, including raising funds from philanthropic giving and corporate sponsorship and vision implementation.

A separate staff will be required to focus on the Conservancy's core functions, though this staff will coordinate closely with the SPE. The Conservancy's staff should include an Executive Director, who will guide project vision and oversee the Development (Fundraising) Manager. Additional permanent or temporary staff may be required to implement major events or programs, and the Conservancy may grow over time to support this work.

The Conservancy should be guided by an independent Board of Directors, who will oversee the hiring of key staff members and provide ongoing oversight. The Board should include members appointed or recommended by the range of constituents with a stake in this project, including the donor or other private interests, Councillors, and surrounding residential communities. A primary responsibility of the Conservancy Board will be setting and overseeing the Project's annual budget.

Partnership Coordination and Additional Considerations

Because of their shared control and the complexity of the space they will govern, the SPE and Conservancy must be carefully and continuously coordinated. This coordination will be enabled by:

- Consultation between the entities in crafting job descriptions and hiring key staff, particularly the Director of Programming.
- Cross-appointment of Conservancy Board members as advisory members of the P:UG SPE Board Committee and vice versa.
- Accountability for the use of public funding and contributed income for specific activities, to be divided and agreed upon by the entities.

Additionally, P:UG entities would coordinate closely with Fort York management, likely including, but not limited to:

- Potential for joint operations and maintenance funded through a P:UG service contract.
- Shared programming of Fort York spaces (e.g. The Common) by P:UG and of P:UG spaces (e.g. Events Dock) by Fort York.

Strengths of the Partnership

This partnership presents several advantages to Project: Under Gardiner.

1. ***Balances Authority for Effective Management:*** Joint management between the SPE and privately-led Conservancy maximizes flexibility in delivering P:UG's mission while ensuring the right of government oversight. The relationship is positioned to deliver long-term management and funding goals of public and private stakeholders.
2. ***Prioritizes Best-in-Class Operations & Programming:*** The introduction of a non-profit partner entity supports expanded, extraordinary programming and also fosters a dedicated constituency of supporters to guide community-tailored events.
3. ***Exercises Ability to Secure Diverse Funding:*** A non-profit partner entity ensures that P:UG's identity is sufficiently separate from local government to engage the philanthropic community in a meaningful way, while a SPE supported by the City will be able to secure a wide range of funding, from public support to long-term sponsorship to the continued exploration of value capture as Projects along the waterfront and in the immediate area move forward.
4. ***Leverages Existing Capacity for Near-Term Ramp-Up:*** The partnership model allows the governance entity to leverage capacity already within the City, both in terms of management resources, but

also in terms of institutional knowledge around the waterfront and downtown's evolution and the history of P:UG, to support near-term implementation. In P:UG's initial years of operation, this model balances responsibilities among an experienced existing special purpose entity and a mission-focused new non-profit.

5. ***Provides Long-term Management that Continues a Legacy of Waterfront Open Space:*** This model delivers a sustainable model for future management of waterfront open space and helps to sustain a strategic goal for the City and Waterfront Toronto. Through this model, P:UG's governance entity builds capacity to become stewards for waterfront spaces that Waterfront Toronto has planned and created once its primary, current mission comes to an end.

Challenges of the Partnership

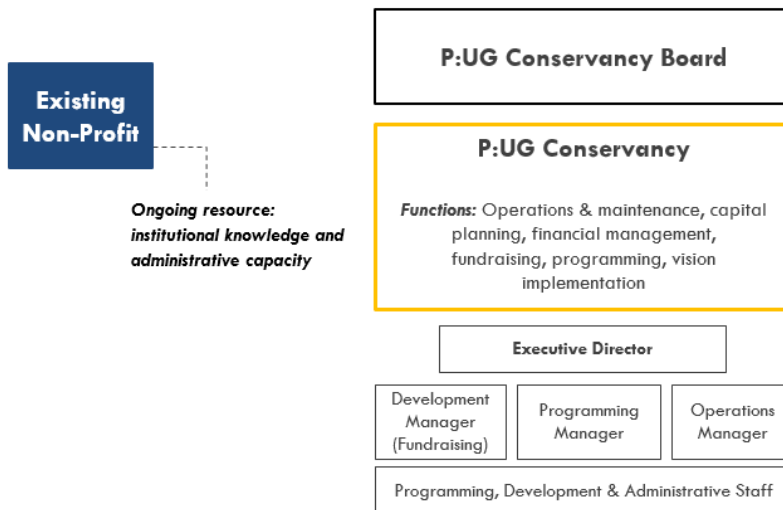
The challenges of this partnership stem from the complexity of the structure and geographic positioning of Project: Under Gardiner. With awareness and coordination, these challenges are surmountable.

1. ***Early Year Capacity:*** To provide for quick ramp-up of P:UG's overall governance structure, the SPE will likely play a larger role in programming during the first few years of P:UG operations. This suggests that P:UG's programming will be largely foundational until the Conservancy has sufficient time to build capacity and community relationships.
2. ***Requires Significant Internal Coordination:*** As a joint operating model, the Conservancy and the SPE must coordinate efforts and priorities to meet a shared vision for Project: Under Gardiner. Aligning these operations will necessitate that the entities spend time and resources "centralizing" governance functions and promoting a united brand. In addition, department leadership and Boards must share key core values for the Project.
3. ***Coordination with Fort York & City Operating Division:*** P:UG's governing entity must manage the side-by-side relationship between the Project and Fort York, a National Historic Site with different mandates, goals, and established programming calendar that must be coordinated with P:UG's planned events. If managed effectively, overlapping land area with Fort York provides opportunities for programming collaboration and potential to share resources and space. P:UG's governing entity (particularly the city-established SPE), must also continuously coordinate with the City divisions, including Parks, Forestry and Recreation, Economic Development and Culture, and Transportation. Open communication and service arrangements among City agencies can to maximize operating efficiencies and align P:UG with city-wide social and economic growth.

Option 2: P:UG Conservancy

Alternatively, Project: Under Gardiner can be solely operated and comprehensively managed by an independent non-profit Conservancy. The P:UG Conservancy would assume responsibility for all management duties described above, leveraging strength in its ability to cultivate a strong identity for the Project and carry out its functions and vision with a greater degree of autonomy than a partnership may allow.

Figure 10: P:UG Conservancy Organization Chart



As a new entity, the Conservancy will benefit from close coordination with an existing non-profit – likely Artscape – during the required six-month turnover of the Project post-construction. After this initial period, the Conservancy will benefit from an informal relationship with Artscape, as a source of institutional knowledge and administrative capacity.

The Conservancy will be led by an Executive Director, a Development Manager (to oversee fundraising), a Programming Manager, and an Operations Manager. These key team members will drive the Project’s vision and identity, long-term physical and financial planning, and oversee critical functions. The P:UG Conservancy may rely on City Divisions (through service agreements) or third party service providers to perform day-to-day maintenance (garbage removal, sweeping, lawn mowing), security, and events and ice trail operations, or over time, could build a staff to perform some of these functions in-house. From the outset, the Conservancy will require a small number of programming, development, and administrative and support staff (HR&A assumes one of each staff person at the Project’s outset).

The Conservancy should be guided by an independent Board of Directors, who will oversee the hiring of key staff members and provide ongoing oversight. The Board should include members appointed or recommended by the range of constituents with a stake in this project, including independent appointees, appointees by the local Councillors, the Mayor, and surrounding residential communities.

Strengths of a P:UG Conservancy

An incubated Conservancy:

1. **Promotes Autonomy to Fulfill Project Vision:** A privately-led Conservancy maximizes flexibility and autonomy in delivering P:UG’s mission.
2. **Achieves Best-in-Class Operations & Programming:** Through dedicated programming capacity, the Conservancy can support extraordinary programming and related fundraising efforts and also fosters a dedicated constituency of supporters to guide community-tailored events. The Conservancy may achieve best-in-class operations by leveraging existing capacity within the City’s departments or hiring an independent third-party service provider.
3. **Offers the Ability to Secure Diverse Funding:** The Conservancy’s independence and non-profit status allows flexibility to both receive public funding and also to attract meaningful philanthropic giving.

Over time, the Conservancy will strengthen its ability to attract diverse funding streams, most likely through increased programming and donations.

- 4. Establishes a Long-Term Steward for P:UG:** The Conservancy will be completed dedicated to P:UG's management and future planning, without the potential for its mission to be altered by future additional commitments or an existing operational agreement.

Challenges of a P:UG Conservancy

The challenges of this P:UG Conservancy are rooted in limited initial capacity inherent with any new-created entity in its early years. Like challenges that the partnership presents, the limitation can be minimized through strategy and coordination.

- 1. Requires Near-Term Action to Provide for Adequate Ramp-Up:** To align with a July, 2017 opening, the client group should ensure that the Conservancy's core team is assembled as soon as possible. Doing so requires the Project's funding strategy and budget to come into place promptly through an agreement between the donor and the City. The Conservancy should be fully prepared to take on their duties and have adequate time to contract the necessary services prior to opening. The client group has already taken action to this end, starting this process with the support of Artscape's leadership and existing relationships.
- 2. Minimizes Leverage of Existing Capacity:** As a new independent entity, the Conservancy may experience some challenges in early days of its operations. While Waterfront Toronto may be an accessible resource to staff, the Conservancy will benefit from the guidance of Artscape – which the client group has already begun to leverage – their Board, and the members of the client group involved in the Project's planning phases.
- 3. Coordination with City of Toronto and Fort York:** As in Option 1, the Conservancy will need to manage its close relationship to Fort York. As an independent entity, there is potential for murkiness in programming and identity between Fort York and P:UG, particularly in the most closely-overlapping spaces. The Conservancy must begin early and frequent discussions with Fort York to ensure that the level of programming in this space is appropriate and presents a clear identity for P:UG. P:UG's governing entity must also continuously coordinate with the City divisions, including Parks Forestry and Recreation, Economic Development and Culture, and Transportation. Open communication and service arrangements with City agencies can allow the entity to leverage service economies of scale and create synergies between P:UG and other city-wide social and economic growth initiatives.

While both models are highly applicable to P:UG, HR&A understands the client group prefers the more independent structure, the P:UG Conservancy, and has begun work with local non-profits and other stakeholders to build a business plan around this structure. The Conservancy would be established with early support from Artscape through an incubation period. This model provides the greatest independence from existing government entities and offers the greatest potential for the Project to proceed under the guidance of an independent Board who will be most focused on the Project's sustainable growth and future successes.

To date, the client group has begun exploring the appropriate staff and structure for the Conservancy. Moving toward a working model for the Conservancy will require additional efforts to align the relationships and responsibilities between P:UG and Fort York, as well as a new relationship framework with the City, which may be based on precedents such as Evergreen and Artscape. The arrangements for the incubation period and subsequent post-construction Program Operation and Maintenance Plan will be fleshed out and formalized in an amendment to the Memorandum of Understanding.

Strategy Implementation and Next Steps

To advance the development and implementation of a feasible governance and funding strategy for Project: Under Gardiner, the Project team must solidify funding commitments to the Project and confirm the governance approach with key stakeholders. Once decisions around funding and governance structures are set, the Project team can pursue execution of the necessary agreements to formalize these decisions, and move toward implementation.

The nearest-term next steps for implementation include:

1. **Secure a dedicated funding commitment** to P:UG from the public sector and potential corporate sponsors.
 - Public funding is likely to be required directly from the City of Toronto, but the team should continue to consider opportunities to pursue Provincial and Federal funding sources.
 - The Project team should continue to pursue conversations with potential corporate sponsors, with the goal of securing these partnerships before construction begins.

These funding commitments are necessary to support the Project's initial operating costs.

2. **Confirm the approach to governance**, first within the Project team and then with City Council. The Project's current timeframe (opening in the summer of 2017) requires rapid action to establish the guidelines and protocols necessary for project operations.

Once agreed, the Project team should develop a memorandum of understanding and relationship framework with the City to detail the roles, responsibilities, and funding protocols for P:UG's governance.

3. **Begin an executive search** to fill core staff positions. Once the intent to create a P:UG Conservancy is confirmed, the Project team should begin the search for key staff members, including the Executive Director and managerial staff for each key function (programming, operations, and development). These staff members will be essential to establishing P:UG's identity as the Project's construction gets underway and is completed, and in planning for the Project's first open season.