



STAFF REPORT ACTION REQUIRED

Port Lands Acceleration Initiative – Final Report

Date:	August 24, 2012
To:	Executive Committee
From:	Deputy City Manager, Cluster B
Wards:	Ward 28 Toronto-Centre Rosedale, Ward 30 Toronto-Danforth Ward 32 Beaches-East York
Reference Number:	

SUMMARY

This report presents the results of the Port Lands Acceleration Initiative and recommends a direction for moving forward with the revitalization of the Port Lands. The Port Lands Acceleration Initiative was undertaken by City staff, Waterfront Toronto and the Toronto and Region Conservation Authority (TRCA) to re-examine the Don Mouth Naturalization and Port Lands Flood Protection Project Environmental Assessment (DMNP EA) and develop a business and implementation plan for the Port Lands as directed by City Council at its meeting on September 21, 2011.

The key outcomes of the Port Lands Acceleration Initiative are:

- A strategy that incrementally delivers the revitalization of the Port Lands in a manner that matches costs to development;
- Confirmation that the flood protection plan recommended in the DMNP EA is fundamentally sound;
- A savings of approximately \$130 million in overall flood protection and infrastructure costs as a result of the revised flood protection plan compared to the plan endorsed by City Council in 2010;
- The identification of a business case for the revitalization of the Port Lands that assigns costs to the appropriate funding sources and shows a positive cash flow in the first ten years that can be invested into the next phases of development. Preliminary estimates indicate a negative return in the range of \$118 to \$189

million (present value) over the extended 30-year project time period. Further analysis is required to address this shortfall;

- Confirmation that high order transit (Bus Rapid Transit and eventually Light Rail Transit) connecting the Port Lands to downtown and the rest of the City will be a major catalyst for development of the Port; and
- Identification of the importance of existing industrial and port users to the function of the City and their role in defining the character of the Port Lands.

The Port Lands Acceleration Initiative has developed a refined option for the Don Mouth Environmental Assessment and a financial plan for development that is practical and implementable and consistent with the intent of the original plan.

The adoption of the recommendations in this report will allow work to continue to advance the revitalization of the Port Lands based on the outcome of the Port Lands Acceleration Initiative.

RECOMMENDATIONS

The Deputy City Manager recommends that:

Overall Report:

1. City Council adopt in principle the direction as outlined in the "Summary of Findings" included as Appendix 1;

Don Mouth Naturalization and Port Lands Flood Protection Project Environmental Assessment:

2. City Council endorse the 2012 "4WS Re-aligned" option and request Waterfront Toronto and the Toronto and Region Conservation Authority (TRCA) to revise and submit the Environmental Assessment to the Ministry of the Environment;
3. City Council request the TRCA and Provincial Ministries (including the Ministry of Municipal Affairs and Housing and the Ministry of Natural Resources) to approve the revised phasing strategy and planning framework (Special Policy Area) for the implementation of the DMNP EA as outlined in this report and to include the Don Greenway in the first phase of implementation;

Planning Direction:

4. City Council request the Deputy City Manager responsible for the Waterfront Initiative, Waterfront Toronto and the Chief Planner and Executive Director, City Planning to initiate precinct planning, which will include a robust public consultation process, along with the submission of a business and implementation plan for the

following precincts within the Port Lands: Cousins Quay (E1), Polson Quay (E3), and Film Studio District (F);

5. City Council request the Deputy City Manager responsible for the Waterfront Initiative, in consultation with the Chief Planner and Executive Director, City Planning and the TRCA, through planning and permit approvals and other legal agreements, if applicable, to ensure that the proposed valley corridor of the Lower Don River through the Port Lands is protected from encroachment by development;
6. City Council request Waterfront Toronto to revise, as necessary, the Lower Don Lands Class EA Infrastructure Master Plan (May 2010) and Keating Channel Precinct Class EA Environmental Study Report (May 2010) to align with the direction for the Port Lands;
7. City Council request the Deputy City Manager responsible for the Waterfront Initiative and the General Manager of Parks, Forestry and Recreation in consultation with Waterfront Toronto, the Chief Planner and Executive Director, City Planning, and the TRCA to initiate the development of recreational and ecological opportunities in parks, including Lake Ontario Park and Tommy Thompson Park;

Financing:

8. City Council direct the Deputy City Manager responsible for the Waterfront Initiative and the Deputy City Manager and Chief Financial Officer to further review utilizing City-wide development charges for infrastructure, and area-specific development charges or any other appropriate mechanisms for the Port Lands and Don River flood plain area to pay for flood protection and infrastructure in the Port Lands and other impacted areas;
9. City Council direct the Deputy City Manager responsible for the Waterfront Initiative to coordinate the creation of a land-owners group consisting of property owners and long-term lease holders within the Port Lands in order to secure infrastructure cost sharing and front-ending agreements as well as other mechanisms for funding the infrastructure necessary for redevelopment and direct the land owners group to report back on their progress within one year; and
10. City Council direct the Deputy City Manager and Chief Financial Officer to include the infrastructure projects required for the redevelopment of the Port Lands on the list of works considered for incorporation within the Development Charges By-Law Review currently underway.

Financial Impact

There are no financial implications arising from the recommendations in this report. However, the following provides a summary of the current forecast of the financial outcome for the first 30 years of the Port Lands redevelopment project.

Table 1 below provides the output from the financial model prepared by Cushman & Wakefield Ltd. ("C&W") as part of the Business Plan development. As indicated on the table, the expenditure of approximately \$1.2 billion (inflated) on major infrastructure and local servicing for Cousin's Quay, Polson's Quay and the Film Studio District (precincts E1, E3, and F respectively) will be necessary over a 30-year period. Over this same period C&W has forecast revenues of \$467 million from the sale of City lands and \$172.2 million from a Port Lands area-specific development charge.

Table 1 - 30-Year City Cash Flow for Phases 1 & 2 (\$millions)					
from Original Cushman & Wakefield Port Lands Financial Model					
Cash Flow Element	Nominal (Inflated)				Present Value
	Years			Total	10% disc. rate
	0-10	11-20	21-30		Total
Revenue from Sale of Serviced City Land	\$42.4	\$316.3	\$108.4	\$467.1	\$105.8
Development Charge Revenue	\$22.9	\$101.8	\$47.6	\$172.2	\$40.2
Major Infrastructure and Local Servicing Costs	(\$60.9)	(\$867.7)	(\$251.0)	(\$1,179.7)	(\$335.2)
Total:	\$4.3	(\$449.6)	(\$95.1)	(\$540.4)	(\$189.2)

C&W has discounted the above cash flows to a common present value format using a 10% discount rate based on the rate of return that would commonly be required by a master developer on its investment in the infrastructure and servicing. Using this discount rate, the estimated net project shortfall is \$189.2 million.

In accordance with Council's direction to have a peer review carried out of the Port Lands Business Plan, Hemson Consulting Ltd. ("Hemson") and N. Barry Lyon Consultants Ltd. ("NBLC") were retained by the City to review the financial model prepared by C&W. These peer review consultants proposed a number of amendments to the financial model.

Table 2 provides the revised forecast based on these amendments. Under this revised forecast the net present value shortfall is reduced from \$189 million to \$118 million. The cash flow breakdown shown on Table 2 indicates a significant positive cash flow in the first ten years. However, this breakdown is currently based on a very preliminary cash flow timing scenario.

Table 2 - Revised 30-Year City Cash Flow for Phases 1 & 2 (\$millions)						
Hybrid DC Strategy and NBLC Model Amendments						
Cash Flow Element	Nominal (Inflated)					Present Value
	Years					8% disc. rate
	0-10	11-20	21-30	31-60*	Total	Total
Revenue from Sale of Serviced City Land	\$67.0	\$419.0	\$67.6	\$0.0	\$553.5	\$174.7
Development Charge Revenue	\$76.6	\$118.5	\$101.8	\$460.0	\$756.9	\$127.5
Major Infrastructure and Local Servicing Costs	(\$60.9)	(\$867.7)	(\$251.0)	\$0.0	(\$1,179.7)	(\$420.2)
Total:	\$82.6	(\$330.3)	(\$81.6)	\$460.0	\$130.8	(\$118.0)

* post-30-year recoveries of Phase 1 & Phase 2 costs from DC collected from developers in Precincts E2, E4 & G

Staff Conclusions on Financial Model and Business Plan

The Port Lands Acceleration Initiative has resulted in a development strategy that incrementally delivers the revitalization of the Port Lands in a manner that better matches costs with development. Overall costs have also been reduced by \$130 million as a result of the revised flood protection plan.

In addition, the peer review has resulted in positive improvements to the outcome of the financial model. However, the revised result still indicates a negative overall financial outcome for the project that is in the range of \$118 to \$189 million (present value).

This report recommends that the potential for utilizing other means for financing the necessary infrastructure, such as through front-ending agreements with developers/landowners, and other forms of public-private partnerships, be explored further through a landowners' group.

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

DECISION HISTORY

On September 21 and 22, 2011, City Council adopted a supplementary report dated September 21, 2011. A link to this report is below:

<http://www.toronto.ca/legdocs/mmis/2011/cc/bgrd/backgroundfile-41080.pdf>

In adopting the report City Council:

- Endorsed a protocol for the revitalization of the Port Lands;
- Requested staff to report no later than the January 2012 Executive Committee meeting on the anticipated costs of completing the review of the Port Lands for 2012 and beyond and also include Waterfront Toronto's costing of the Don Mouth

Environmental Assessment Refined List of Alternatives, including flood protection, soil remediation, infrastructure improvements and other matters related to the cost of implementation; and

- Requested the City Manager to submit a report to Executive Committee within six to eight months on the business and implementation plan and related progress to date.

On January 24, 2012, the Executive Committee received a report dated January 11, 2012 that provided a status update on the Port Lands Acceleration Initiative and anticipated costs of completing the review of the Port Lands for 2012:

<http://www.toronto.ca/legdocs/mmis/2012/ex/bgrd/backgroundfile-44369.pdf>

ISSUE BACKGROUND

Report Structure

The City staff report provides an overview of the initiative findings and outlines next steps. This review has been a fulsome exercise and the detailed consultant reports are attached as appendices to this report. The appendices are:

Appendix 1 -- Summary of Findings

This overview report, prepared by Urban Strategies Inc, with graphic production by Planning Alliance, summarizes the substantial body of work undertaken during the Port Lands Acceleration Initiative process by the City, Waterfront Toronto, the TRCA and expert consultants. It also sets out the extensive public consultation and communications processes undertaken. The essential conclusion and ten principal findings with respect to flood protection, naturalization, city building and business and strategies determined from the planning, technical and financial analyze, market outreach and public review process are presented and illustrated, along with the next steps for advancing revitalization of the Port Lands.

Appendix 2 -- Port Lands Business Plan

The Port Lands Business Plan was prepared by City staff, with assistance from NBLC. It summarizes and integrates the market outreach, market analysis, and the financial modeling conducted by expert consultants and the peer review of this work into a business strategy for accelerating revitalization in the Port Lands. The Business Plan outlines the conceptual development model and associated phasing, the market rationale to support this development, and the issues associated with providing enabling infrastructure. It then reviews the C&W revenue assumptions and financial model, the modifications to key assumptions suggested by the City's peer reviewers and their potential impact on the results, and the potential risks and opportunities associated with Port Lands revitalization. Various sources of funding are examined, including land sale

and lease revenues, City-wide and area-specific development charges, special levies and rates, Tax Increment Financing and other potential revenue streams.

Appendix 3 -- Development Model Assessment

NBLC was retained to review the primary market forecasting and financial modeling work undertaken by Cushman and Wakefield (C&W) and to provide a land developer's perspective on potential improvements to the model aimed at increasing the residual value determined by C&W. NBLC concluded that C&W's approach and methodology was "sound and reasonable given the current state of planning for the area and the limitations associated with the costing of infrastructure." It did suggest, however, that C&W's projections might be somewhat conservative in their conclusions regarding the scale of the potential residential market in the Port Lands, and also recommended some technical amendments to the financial model assumptions, both directions which led to an improvement over the initial financial outcomes.

Appendix 4 -- Port Lands Business Plan Peer Review

Hemson Consultants was retained to: (1) provide an opinion on the achievability of the primary land value and market absorption forecasts; (2) examine potential alternative approaches towards applying Development Charges (DCs) for funding infrastructure requirements; and (3) assess, at a high level, the potential financial impact on the City of the proposed Port Lands development. Hemson concluded that C&W's overall approach to the financial analysis was appropriate, given the purpose for which it had been prepared, and that, with some qualifications, C&W's inputs and assumptions were reasonable. Hemson also proposed a hybrid DC strategy, which was incorporated into an amended financial model.

Appendix 5 -- Market Sounding in Support of Port Lands Development Plan

Price Waterhouse Coopers (PwC) were retained to conduct a series of market soundings on development interest in the Port Lands. They consulted over twenty representative local and international real estate development companies and financial institutions and synthesized the observations and opinions expressed with respect to the marketability, market constraints, and financing options/preferences associated with accelerated Port Lands development. They found a high level of interest in the unique Port Lands opportunity but major concerns regarding environmental and infrastructure costs and risk allocation, and identified a key public sector role in site preparation and the establishment of a clear planning framework and process.

Appendix 6 -- Port Lands Development Demand and Revenue Projections, Economic Analysis, and Financing Options

Cushman and Wakefield led a substantial team including Urban Strategies Inc., Scotia Capital, Cam Watson and Associates and Urbanation. C&W was mandated to undertake a comprehensive market analysis of Port Lands market potential, review global precedents

and estimate land values and other possible revenue sources. These analyses, together with the cost projections set out in the report on required infrastructure investment, became the primary inputs for a series of detailed financial modeling exercises, which determined residual values based on revenue/cost cash flows for Port Lands development over several decades under a number of different scenarios. As part of the C&W analysis, Scotiabank undertook an analysis of the options for financing the cash flows identified in the financial model. The strategies and sources of private financing were reviewed. The potential of and yield from various forms of Tax Increment Financing were examined.

Appendix 7 -- Preliminary Estimate of Development Charge Revenue

Cam Watson and Associates were retained subsequent to the start of the project to assist the Cushman and Wakefield team to conduct a preliminary estimate of development charge revenue that could be generated to address infrastructure servicing costs. This analysis included consideration of an Area-Specific Development Charge and an estimate of potential development charges in the Port Lands.

Appendix 8 -- Infrastructure Required to Enable Port Lands Development

Waterfront Toronto assembled high-level cost data for the local, major, and unique flood protection infrastructure required to facilitate full build-out of the Port Lands precincts located north of the Ship Channel, based on information and estimates from its own historical records as well as from multiple expert sources, including: Hanscomb Consultants, Aecom Construction and Materials, w Parsons Brinkerhoff Halsall and the Sernas Group. WT's report details the infrastructure elements considered and identifies the subset required for the initial 30 years of development considered in the financial modeling work. It also outlines: the particular challenges and cost drivers for development-enabling infrastructure in the Port Lands; the cost estimating process, scope, limitations; the specific assumptions made and methodologies employed to develop the estimates for various infrastructure elements; and the risks and uncertainties inherent in these early stage estimates.

Appendix 9 -- Flood Protection Strategy

The TRCA, assisted by Aecom, undertook a comprehensive review of their previous flood protection investigations undertaken as part of the Don Mouth Naturalization and Port Lands Flood Protection Project Environmental Assessment (DMNP EA). Staff re-examined the three short-listed options in the DMNP to determine whether they could be realigned to allow for phased implementation, additional developable area, and the impact on parkland and naturalization. As a result of this review, the 2012 "4WS Re-aligned" option was chosen as the recommended option.

Appendix 10 -- Port Lands Planning Summary

A planning direction for the complete Port Lands study area was completed by Planning Alliance (pA) and MVVA. This report sets out the critical overall structure for future Port

Lands planning, detailing each of the essential planning elements. Starting from the Central Waterfront Secondary Plan (CWSP), this framework document sets out the planning objectives, development phasing, open space, transit and design character for the area and its precincts. It also describes the evolution of Port Lands planning over the past decade and the rationale for the proposed direction. The document is highly illustrated to provide a visual sense of what the Port Lands can become.

Appendix 11 -- Planning and Infrastructure Process

This document, prepared by Planning Alliance and MVVA, is essentially a workbook of the planning and design analyses undertaken through the course of the PLAI to best understand the spatial and urbanistic implications of the flood protection, market, development phasing, infrastructure and costing work being undertaken by the overall study team. Highly illustrated, the document provides much of the background thinking for the planning framework.

Appendix 12 -- Consultation Process Summary Report

The Port Lands Acceleration Initiative was conducted from the outset in a highly open, publicly accessible process with the assistance of LURA and Swerhun Facilitation and Decision Support. The independent facilitator's report fully describes the process, summarizes the input received and indicates how it guided the PLAI process and is reflected in its conclusions.

Study Structure

The Port Lands are defined as the Keating Channel/Lake Shore Boulevard East to the north, the Inner Harbour to the west, the Outer Harbour to the south, and Leslie Street to the east. The Keating Channel precinct, City-owned lands located at 480 Lake Shore Boulevard East and the South of Eastern Employment District were also included in the study as related lands to the Port Lands study area.

The protocol provides a framework for collaboration between agencies responsible for the Port Lands, namely: the City of Toronto, Waterfront Toronto, the Toronto and Region Conservation Authority (TRCA), and the Toronto Port Lands Company (TPLC). The protocol incorporates three pieces of work that the City views as vital to the review of the Port Lands:

- (i) a further examination of the DMNP EA;
- (ii) the completion of an economic analysis and business and implementation plan; and
- (iii) a robust and comprehensive public consultation process that is consistent with the standard and expectation set in the Designated Waterfront Area.

The protocol also established key roles for each agency, expedited the review process for the Port Lands, and balanced redevelopment and community interests.

An organizational framework for the project was established by the City and Waterfront Toronto in October 2011. An Executive Steering Committee co-chaired by the Deputy City Manager responsible for the Waterfront Initiative and the CEO of Waterfront Toronto was created to provide oversight for the initiative. Staff work groups were created to focus on different aspects of the initiative and included representation from various key stakeholder agencies such as the Toronto Port Lands Company (TPLC) and the Toronto Port Authority (TPA).

Consultants with expertise in land use planning, real estate and development analysis, capital financing, municipal finance, construction cost analysis and estimation, environmental assessment, public consultation and legal were retained to provide support.

The Port Lands Today:

The Port Lands consist of approximately 356 hectares (880 acres) and was constructed by filling the Ashbridges Bay marsh in the early 20th century. The area was created as a new district on the waterfront to serve the city's growing industrial sector. The legacy of former industrial uses has left the lands contaminated and with obsolete or substandard infrastructure to support redevelopment without significant investment.

Property within the Port Lands is mostly held by public agencies. Excluding roads, the City of Toronto and Toronto Port Lands Company (TPLC) own approximately 236 hectares (584 acres) which includes all park lands in the study area. The Federal Government owns approximately 25 hectares (63 acres) which includes Toronto Port Authority lands, the Province of Ontario (through Ontario Power Generation) owns 25 hectares (62 acres), and Waterfront Toronto owns 1.5 hectares (3 acres). The remaining lands are held by private interests 28 hectares (69 acres).

The Port Lands are home to approximately 100 establishments that employ a total of 4,100 people. Businesses largely consist of manufacturing, warehousing, and office uses, in addition to a growing media and film production sector concentrated around the Pinewood Studios and government facilities. Recreation and park uses are located along the southern edge of the Port Lands which connect Cherry Beach with Tommy Thompson Park and the Leslie Street Greening.

Development in the Port Lands has been limited by the need for a comprehensive flood protection solution for the Don River flood plain. In 2010, City Council endorsed the DMNP EA which integrated development-enabling infrastructure together with flood protection works at an estimated cost of \$634M. A strategy for funding for the construction of the flood protection and infrastructure was not identified by the proponents during the EA process. In July, 2010, City Council requested Waterfront Toronto to submit a Business and Implementation Plan for the Lower Don Lands with priority for Phase 1 (Don River Mouth), addressing capital costs, revenue and expenditures, funding, project phasing and land management.

Currently, development in the waterfront is extending eastward from the East Bayfront and West Don Lands to the Keating Channel precinct north-west of the Port Lands.

Development pressure is arriving at the Port Lands as sites east of the downtown are developed. Development pressure will accelerate over the next 10 years.

THE PORT LANDS ACCELERATION INITIATIVE

The results of this review indicate that the Port Lands are an important revitalization opportunity for the City of Toronto. The challenge will be how to pay for its implementation. By phasing development and taking an incremental approach, the City can ensure that the costs of development are matched to development opportunities. The Port Lands Acceleration Initiative has examined the Don Mouth Naturalization and Port Lands Flood Protection Project Environmental Assessment (DMNP EA) and business and implementation plan to ensure that each component can be implemented in a phased and incremental approach.

Urban Strategies Inc., as part of the Cushman and Wakefield consultant team, was tasked with summarizing the project team and consultant findings. The Summary report is included as Appendix 1 and the key findings identified are:

- i. The flood protection plan recommended in the DMNP EA is fundamentally sound. The plan can be modified to reduce costs while assuring its flood protection and naturalization qualities;
- ii. The revised plan for the Port Lands will provide for generous public parks and open spaces and ensure that the water's edge is preserved for public use;
- iii. The flood protection, naturalization and open space plan provides the framework for the creation of a great new waterfront district that can exemplify excellence in urban design and sustainability;
- iv. A phased, transit-supported development strategy is essential for a successful Port Lands, from both a sustainability and development perspective;
- v. The Port Lands is a working port whose functions are essential for the operation of the City and should be maintained in place;
- vi. There is strong market interest in the area and development interests are eager to proceed once flood protection, infrastructure, the planning framework and cost allocation issues are resolved;
- vii. The Port Lands plan permits phased development, allowing the site's considerable infrastructure costs, potentially, to be progressively offset by development revenues;
- viii. A long-term business case for proceeding with the Port Lands is supported by a mix of land revenues, development charges and other funding sources that will minimise if not eliminate required public funding;
- ix. The Port Lands can play an important role in the future of Toronto as a global city; and
- x. The development of the Port Lands is a major opportunity for Toronto that can now be successfully realised.

These findings form the basis for proceeding with further work and analysis on the Port Lands Acceleration Initiative.

Public Consultation:

A full summary of the consultation process and feedback was prepared by LURA Consulting and Swerhun Facilitation and Decision Support is included as Appendix 12.

The protocol endorsed by City Council directed the City and Waterfront Toronto to ensure that public consultation for the Port Lands Acceleration Initiative was conducted in a manner consistent with the standards of consultation on the waterfront. Waterfront Toronto, with the assistance of LURA and Swerhun, led the public consultation component of the project which consisted of a Stakeholder Advisory Committee (SAC) and open public meetings. The SAC consisted of 42 representatives of various groups with an interest in the waterfront and the Port Lands. This group met on five occasions to review progress to date and advise the project team on their thoughts and concerns.

In addition to the SAC and public meetings, a Landowner and User Advisory Committee (LUAC) was established to represent land and business owners in the study area. This group met on five occasions during the study period to provide feedback on the project. Individual one-on-one meetings with City and Waterfront Toronto staff were also conducted with participants on the LUAC to discuss specific concerns and commercially confidential issues.

The following public consultation meetings were hosted by the City, Waterfront Toronto and TRCA:

- December 12, 2011 – at the Toronto Reference Library - provided an overview of the project and solicited initial feedback from the community and stakeholders. Approximately 575 people attended and approximately 75 people participated online.
- March 31st, 2012 - at the Design Exchange - provided an update on the project followed by two feedback sessions on April 3rd and 4th, 2012 at St. Lawrence Hall and the Westin Harbour Castle Hotel. Combined, these sessions were attended by approximately 500 people.
- May 24th, 2012 at the Metro Toronto Convention Centre - provided an update on the project and received feedback. Approximately 300 people attended.
- August 8, 2012 - at the Toronto Reference Library - received feedback on direction and draft recommendations. Approximately 250 people attended. This meeting was also broadcast via the internet.

A project website was launched in February 2012 to solicit further feedback and post relevant information for the public and stakeholders. This website also includes all consultation summaries prepared by the third-party facilitator for the SAC, LUAC and public meetings. The address of the project website is:

<http://www.portlandsconsultation.ca/>

Flood Protection

The acknowledgement of the need to address flooding goes back many years.

- TRCA's 1980 Watershed Plan identified that approximately 230 hectares (568 acres) of land in the Port Lands and South of Eastern were at risk due flooding.
- In 2003, the naturalized river mouth was enshrined in the Central Waterfront Secondary Plan (CWSP) and the completion of an environmental assessment to address flood protection and naturalization was identified as a priority project in the waterfront.
- In 2004, the Don Mouth Naturalization and Port Lands Flood Protection Project Environmental Assessment (DMNP EA) was initiated by co-proponents Toronto and Region Conservation (TRCA) and Waterfront Toronto.
- In December 2010, the Preferred Alternative based on Alternative 4WS was submitted to the Ministry of the Environment for approval.

Ministry of Environment Review

The initial MOE review period for the DMNP EA closed on February 11, 2011. The Toronto Port Authority (TPA), Redpath Sugar and Lafarge raised concerns around the impacts of the DMNP EA on their ability to continue operations, their ability to manoeuvre ships in the Inner Harbour and berth sugar loaded ships on the dockwalls in the winter, the effects on the operation and navigation in the Inner Harbour (ie. loss of dockwall, and the likely increased need to rely on tugs to help manoeuvre the older vessels).

To address these concerns, the TRCA sought and received a "time-out" from the official EA review process from MOE to allow the TRCA, Waterfront Toronto and the City to meet with the three parties to address their stated concerns. Resulting modifications were: committing to allow Lafarge to continue operating on their property (south side of Polson Slip) with options for relocation; and committing to further navigation studies and possible refinements to the Promontories to address Redpath and TPA concerns during detailed design.

On April 8, 2011, TRCA restarted the formal MOE review process. TPA, Redpath and Lafarge submitted letters to MOE indicating that they were not satisfied with the commitments.

The result of addressing the Toronto Port Authority, Redpath Sugar and Lafarge concerns which are outlined above was the removal of the promontories (approximately 4 hectares of park land).

In July, 2011 the TRCA and Waterfront Toronto sought a second time-out period in order to enable the City to reevaluate the future priorities of the Port Lands. This resulted in the Council Resolution in September 2011 that directed the City of Toronto, Waterfront Toronto and TRCA to proceed with the Port Lands Acceleration Initiative. MOE granted

a further extension to the time-out until the end of September 2012, while the parties undertook the Council directed review.

Port Lands Acceleration Initiative Process

Appendix 9, prepared by TRCA and AECOM provides a complete summary of the Environmental Assessment Review.

Through the Port Lands Acceleration Initiative, staff re-examined three options in the DMNP EA to determine whether they could be realigned to allow for phased implementation, additional developable area, and to determine the impact on parkland and naturalization. As a result of this review, 2012 "4WS Re-aligned" was chosen as the recommended option.

There has been no further reduction in park land through the Port Lands Acceleration Initiative, but what has been reduced is the flood plain area. This could be done because incorporating the 'deep water slip' (Polsons Slip) increases hydrodynamic efficiency of the river mouth. The result is that the flood plain area has been reduced by about 4ha and the potential development area been increased by a corresponding amount.

In summary, the advantages of the 2012 "4WS Re-aligned" option are:

- Addresses stakeholder's concerns with original 2010 "4WS Preferred" by (i) removing the promontories (lake fill adjacent to Cousins and Polsons Quay) which were considered a navigation risk, (ii) retaining existing dockwall for mooring ships that use the Port, and (iii) retaining the existing Lafarge Slip until such time as it is no longer required for concrete operations;
- Provides over 4 hectares of additional developable land area (developable land includes a 20% parkland dedication for local parks);
- Allows for phasing opportunities which increase the potential for accelerated initiation of flood protection and development in the Port Lands; and
- Results in cost reduction due to the removal of the lake fill and narrower flood plain, and bridge and utility infrastructure efficiencies.

In June 2012, Michael Van Valkenberg Associates Inc. (MVVA) was retained to assist the project team with the review of the Port Lands and the configuration of the new river.

The project team and MVVA identified the following design opportunities for the Lower Don Lands and Don Mouth that were presented by the 2012 "4WS Re-aligned" configuration:

- The performance and constructability of the river and surrounding landscape has been improved. The mouth of the re-naturalized Don River at Polson Slip, reduces costs and increases hydrodynamic efficiency. The reduced floodplain around the river also optimizes upland park land.
- Phased flood protection will enable earlier development on the Quays by allowing the business plan to tie development revenues to infrastructure investments.

- The Promontory Park and the naturalization of the north side of the river mouth at Polson Slip could be realized in Phase 1.
- The rationalized development parcels provide clearly defined open spaces around the new neighbourhoods.
- The development that had been identified on the west side of the Don Roadway was redistributed and consolidated in the other areas of the plan and parcels were regularized throughout.
- Commissioners Street replaces Villiers as the east/west spine of the Port Lands, to act as the main east/west main street through the Port Lands.

Appendix 10 outlines the evolution of the plan by MVVA.

Process for Moving Forward with the DMNP EA:

The process for revising and moving forward includes:

1. The proposed phasing and realignment of 2012 "4WS Re-aligned" must be confirmed by City Council resolution, TRCA Board resolution and an approved Environmental Assessment by the Minister of Environment.
2. Approval of an Official Plan Amendment supported by TRCA and the Province must reserve lands for future flood protection facilities and channels and define all necessary supporting policy.
3. A Flood Protection Financing and Construction Plan must be developed and approved through the precinct planning process and confirmed public and private sector funding commitments must be obtained.
4. Policy must be adopted to allow for development to commence prior to completion of the construction of flood protection works upon determination of risk, emergency response planning and liability management.

It is expected that the completion of the amendments to the DMNP EA will take approximately 32 weeks which includes 6 weeks for additional public and stakeholder consultation under the EA process. This will be followed by the formal government review process.

Moving Forward – Planning for the Port Lands

The Central Waterfront Secondary Plan (CWSP) is the primary policy document that will guide the revitalization of the Port Lands. The analysis undertaken for this review establishes the direction for moving forward with detailed planning for the Port Lands. The direction respects the Central Waterfront Secondary Plan's core principles, policies and implementation strategies.

Port Lands Parks and Open Space Strategy:

The CWSP entrenches the importance of building a network of spectacular waterfront parks and open spaces. Key policies speak to reserving the water's edge for public use, creating a natural heritage corridor south through the Port Lands, creating a new Lake Ontario Park and creating a focal point around the Ship Channel – a unique urban waterfront amenity.

Planning Alliance was retained by the project team to provide an overall planning direction for the Port Lands. Their background report is attached as Appendix 10. Their concept plan for parks and open space follows the direction of the CWSP by identifying a network of spectacular waterfront parks and public spaces as essential elements to the revitalization of the Port Lands. This builds upon the existing parks (Cherry Beach, Tommy Thompson Park, and McCleary Park) and adds an additional layer of connectivity through the creation of waterfront promenades, greenways and green corridors (important north-south streets). New parks and green spaces such as the re-naturalized Mouth of the Don River, Promontory Park, elements of Lake Ontario Park and smaller waterfront parks will then connect into the green system.

The green corridors will align with the following Streets and Waterfront locales:

- Cherry Street Green Corridor – to and from Cherry Beach
- Don Roadway Green Corridor – to and from the proposed Lake Ontario Park
- Bouchette Street Green Corridor– to and from the Hearn Generation Station
- Carlaw Avenue Green Corridor – to and from the Inner Beach
- Leslie Street Green Corridor – to and from Tommy Thompson Park and its baselands

Also, the Ship Channel is a unique industrial, recreational and cultural feature. Work should continue to determine how best to integrate the use of the channel, future development on lands abutting the channel and public realm design/public access abutting the channel.

Parks staff have reviewed the parks and open space plan and provided comments through the Port Lands Acceleration Initiative process. The provision of park land for the Lower Don Lands and the rest of the Port Lands will be guided by the Alternative Park Land Dedication By-law. As such, it is expected that, given the site area, the dedication rate will be 20% of the net site area for residential and 2% for commercial/retail land uses.

Parks staff is supportive of the integrated and linked open space system focused on the new river mouth and lake edge created by this new design. The open space system must demonstrate how neighbourhood and district level recreational programming can be integrated into an overall design, including being within a reasonable walking distance for all future residents (5 - 10 minute walking distance or approximately 500 metres). Parks and open spaces should be designed to provide for a wide range of active and passive uses for visitors and future residents alike.

Parks and open spaces are a key element of the emerging vision for Port Lands. Staff is recommending that continued work to refine the size, configuration, location and programming of proposed parks and open spaces be undertaken by Parks Forestry and Recreation and City Planning staff, in consultation with Waterfront Toronto, through the completion of the precinct planning process.

Public Realm and Public Use Opportunities:

As waterside land is redeveloped, a water's edge promenade linking Cherry Beach with the East Bayfront should be created. The mouth of the Keating Channel, which connects the Port Lands to the Keating Channel Precinct, has the potential to become a major water-based destination similar to Camden Locks in London or Chelsea Piers in New York City.

The southern frontage of the Port Lands fronting onto the Outer Harbour and the lands at the base of the Leslie Street Spit are collectively one of the City's more remarkable waterfront assets. They remain both under-used and under-improved as both recreational space and natural habitat. The examples of the Evergreen Brick Works, and projects such as London's Wetland Centre, indicate how imaginative sustainability and ecological centres can become significant destinations – and how such facilities can attract public and private funding. A fresh review of the potential of Lake Ontario Park to become the home for such destinations should be undertaken. This section of the waterfront would benefit from more activity, from formal and informal festivals, creative vending, temporary activities and a wide range of recreational programming. It should be a place of experimentation and innovation for interim uses. Staff is recommending that the City work with Waterfront Toronto and the TRCA to further develop Lake Ontario Park and identify opportunities for new recreational and ecological amenities.

Interim Recreation and Other Uses:

There is the need to preserve land for flood protection and to also undertake a comprehensive planning approach to each precinct. The result is that there are undeveloped areas that have great potential for interim use, both for generating revenues and for active and passive recreation uses. An event such as the Cirque de Soleil sets a useful precedent. A central city site of several hundred acres, potentially available for large-scale sporting events, major festivals and similar global events, is a strategic asset for the City, in the interim and in the longer term.

Port Lands Transit Strategy:

The Central Waterfront Secondary Plan (CWSP) acknowledges the importance of public transit for the connection of people and places to and within the renewed waterfront. The Port Lands Acceleration Initiative has shown that transit can be a catalyst for development. Given the scale and complexity of providing infrastructure improvements to service the Port Lands, a strategic approach that makes transit a priority is required. The importance of high quality transit for creating land value and encouraging

redevelopment is also one of the key findings from consultations with the development industry.

The key objective is get people on transit from the outset and continue to meet and encourage this demand over time. The overall transit strategy is to incrementally extend new service from the west/northwest into the Port Lands, while continuing to provide the existing TTC bus routes which currently serve the area. This approach must include an efficient connection to Union Station, which is a regional transit node and also north/south connections into existing neighbourhoods. City Council has asked staff to explore how to advance transit eastward along Queens Quay to the doorstep of the Port Lands.

The basis for the transit plan is a demand-led assessment of transit needs generated by the various land development options and phasing, which is then matched to the appropriate technology and route selection. The hierarchy of transit that has been considered includes bus/shuttle buses in mixed traffic, buses in exclusive right-of-way (Bus Rapid Transit or BRT), and light rail transit in exclusive right-of-way (LRT). Although the peak line loads are lower than those established for the original East Bayfront Transit EA because the land use projections only assume development of a portion of the Port Lands, the demand analysis undertaken as part of this review continues to support transit in its own right-of-way, in the form of either bus or LRT/streetcar service as previously determined.

A dedicated bus/shuttle service could potentially be operated with limited stops between the Port Lands and Union Station in the initial phase. In subsequent phases of development this could evolve to regular buses operating in mixed traffic or, depending on road infrastructure phasing, in a dedicated transit right-of-way. The buses would eventually transition to the higher capacity/service LRT technology as the Port Lands reach the appropriate level of development. All of these phases would be strategically planned and implemented within the context of the network of existing and future routes. A number of preliminary options are under consideration, as illustrated in Appendix 10.

One of the most important transit infrastructure issues for the Port Lands is the timing for a dedicated LRT facility crossing either the Keating Channel at Cherry Street or the Don River at the Don Roadway and Lake Shore Boulevard.

The transit review also considered a preliminary assessment of the potential to operate a Port Lands to Union Station transit route in the Lake Shore railway corridor. There are several constraints to this proposal. GO/Metrolinx is currently in the process of constructing a new operations facility on the south side of the rail corridor between Jarvis Street and Sherbourne Street. Although this is a temporary facility, GO/Metrolinx is also considering potential track improvements within the corridor and at Union Station itself. While the feasibility of a local transit service operating in the corridor will obviously require further investigation, it would appear that current and future plans by GO/Metrolinx could pose significant issues to the implementation of this service alignment. Review of this option will continue through the City's overall transportation planning initiative.

In terms of the next steps, future planning work for the Port Lands will need to confirm the transit routes and market capture areas, consider procurement and delivery strategies for providing high quality/branded transit service, and conduct a further evaluation of the rail corridor alignment option. In addition, transit planning and funding for the Port Lands should be integrated into the overall City strategy for delivery of transit.

Port Lands Phasing Strategy:

Determining how to phase the flood protection is a key accomplishment of the Port Lands Acceleration Initiative work.

The cost and revenue conclusions of the business case state that based on expected market absorption, not all of the Port Lands will be required for revitalization over the next 30 years. The review recommends a phasing strategy that connects costs with revenue. No specific order for development is proposed, nor is necessary, provided the means of implementing the required flood protection and infrastructure is assured. It is anticipated that development can proceed in multiple precincts under such conditions, ensuring a range of different opportunities to respond to demand.

The 3 phases of flood protection and the resulting removal of lands from the flood area is detailed in Appendix 9.

Phase 1 of the flood protection strategy includes the construction of a greenway (with the associated wetland at the Ship Channel) along the west side of the Don Roadway from the Keating Channel to the Ship Channel, which will serve as a spillway during flood events. This phase, in conjunction with the raising of the development lands, will remove lands west of Cherry Street (Cousins and Polson Quays) from the flood area. Some limited development may be possible during this phase to the east of the Don Roadway in advance of any flood works, subject to the standard provisions of the Special Policy Area (SPA).

Phase 2 of the flood protection strategy requires the construction of a flood protection land form along the Don Roadway from the CN Railway to the Ship Channel, the widening and deepening of the river between Lake Shore Boulevard and the CN Railway, the lengthening of the Lake Shore Boulevard and railway spur bridge, removal of existing utility bridge north of Lake Shore Blvd. and the relocation of associated infrastructure and the construction of the sediment management facility. This phase will remove all lands east of the Don Roadway from the flood area.

Phase 3 of the flood protection strategy includes the construction of the river from the Keating Channel to the Lafarge Quay, including the weirs up and downstream from Lakeshore Blvd. This phase, in conjunction with raising the development lands, will remove all lands between Cherry Street and the Don Roadway from the flood area. Upon completion of phases 1 to 3, the entire Port Lands will be removed from flood risk.

The naturalization of the Don River Mouth can occur during phase 1 or 3 for the north side of the river or as part of the construction of Promontory Park. For the south side, naturalization can proceed after the relocation of the existing Lafarge plant.

Precinct Planning:

The Port Lands are conceived as a large, diverse mixed-use new City district, which will become a place to live as well as to work and enjoy. The scale of the Port Lands could provide for substantial neighbourhoods and population over time.

Market analysis undertaken by Cushman & Wakefield has indicated the potential for a significant amount of retail development. This has to be considered within the context of City-wide retail policy, the broader neighbourhood context and the local policy framework.

The Central Waterfront Secondary Plan (CWSP) allows retail uses within mixed use areas, but large-scale, stand-alone retail stores and/or “power centres” are not part of the vision for the Central Waterfront. New retail development will only be considered within the context of the City’s urban planning principles and must be supportive of the other core principles and policies of the Plan.

Arts, media and information technology sectors are possible candidates for a Port Lands location as their workplace environments vary and are flexible to allow for quasi-industrial built forms and environments.

The existing CWSP and any amendments will set the direction for the development of detailed precinct plans for local areas where development is anticipated. The CWSP contains a detailed outline of what elements should be included in Precinct Implementation Strategies.

A finding from this review is that the CWSP should include specific precinct planning principles for the Port Lands in order to implement a critical conclusion of this review that development should proceed in the Port Lands in orderly, cost-effective precincts. No single site developments or 'mini-precinct' plans can be permitted if the costs of Port Lands development are to be properly shared. Elements of the precinct implementation strategies may be incorporated into the CWSP by way of Official Plan Amendment.

The CWSP contains policies on contributions to infrastructure and community facilities that recognize that the creation of new communities will necessitate major investment in roads, transit, servicing, flood protection measures, soil remediation, parks and public spaces, and community facilities and services. The policy requires that prior to enacting a zoning by-law on lands designated as Regeneration Areas, arrangement will be made whereby benefiting land owners will be required to pay a fair and equitable share of the costs of any new infrastructure and community facilities required for such development through one or more of the following means:

1. the payment of an area-specific development charge pursuant to the Development Charges Act;
2. a contribution made pursuant to an agreement under Section 37 of the Planning Act;
3. a cost sharing agreement involving landowners; and/or

4. such other arrangements as may be appropriate.

Approval of implementing zoning would take place after completion of the precinct planning process under the CWSP. This is consistent with work to date in West Don Lands and East Bayfront.

Key Precincts of Opportunities:

The Port Lands Acceleration Initiative identified 8 precincts in the Port Lands. Based on flood protection phasing and market analysis, three precinct areas (Cousins and Polson Quays and Film Studio District) have the potential for revitalization over the next two decades. Precinct planning should begin for these areas, which includes a business and financing plan for each precinct.

West of Cherry Street: Polson Quay and Cousins Quay:

The area west of Cherry Street would be available for development following the construction of the first phase of flood protection.

This area provides excellent waterfront views across the Inner Harbour towards to the downtown. The northern section, Cousins Quay, is entirely in public ownership. The southern section, Polsons Quay, is larger than Cousins Quay and benefits from the ship channel on its southern edge. It is currently subject to long-term leases and private ownership.

These are large, remarkable sub-precincts. The uniqueness of their location and prominence on the Inner Harbour require a distinctive development program. Sites appropriate for 'transformative' educational, research or cultural facilities, or international institutions or head offices, must be reserved to become the 'jewels in the crown' of the Toronto waterfront. Such uses would both benefit from and enhance a supportive context of mixed-use development. These sites will also be home to important public waterfront places offering a broad range of active and passive recreational and cultural activities.

Film Studio District:

The Film Studio Lands offer an opportunity for accelerated development which is being actively pursued by the site lessees. Significant investment has been made over the past decade in the film industry facilities in the precinct and there are indications of the need for their expansion and the potential to develop an important, catalytic media cluster.

The area is subject to various lease agreements entered into at the time of the initial film studio construction. The market analysis suggested a potential market for conventional office space serving the growing downtown and competitive with the office supply now typically found in the 905 area of the GTA. Creation of an employment area here would be a visible and accessible addition to the central city office supply.

This area would be made developable by the construction of the first two phases of flood protection.

Beyond the identified precincts, Lake Shore East may experience some infill development opportunities, and 2 key areas south of the ship channel - Lake Ontario Park and the Hearn could become other opportunities for revitalization.

Hearn:

The former Hearn Station on Unwin Avenue represents a unique opportunity and should benefit from special consideration. Re-use of the decommissioned Hearn Generating Station, in addition to securing the maintenance of an iconic structure for the City, could establish a major destination and associated activity south of the Ship Channel to the benefit of its long-term evolution. The building is currently subject to a long-term lease to a private corporation, the intentions of the lessee will be critical in determining its long-term use. Innovation, new business arrangements, a permissive attitude towards a full range of non-residential uses and potential partnerships should be developed to encourage the adaptive re-use of this building. The site's remote location from existing services, constraints imposed by the transmission lines, switching facility and the Portlands Energy Centre (a 550-megawatt natural gas electrical generating station located immediately east of the Hearn) are challenges that must be addressed when considering options to re-use of the building.

Port Lands Implementation Strategy:

The implementation strategy for the Port Lands would employ the range of statutory mechanisms available to the City and other agencies involved. Implementation of the objectives would be achieved through the Official Plan, the CWSP, precinct plans, plans of subdivision, and other planning mechanisms along with the development financing strategy.

N. Barry Lyon Consultants (NBLC) has recommended that, as part of the precinct planning process, a landowners group be established to examine how to fund infrastructure costs in the Port Lands and related lands. Land Owner Groups are common in Greater Toronto Area, and have been used in a few City of Toronto locations, where development of large parcels of land requires cost sharing agreements between multiple benefiting land owners. Land owners are not obligated to join the cost sharing agreement; however, agreements often include provisions to collect contributions in the future if non-contributing owners choose to redevelop their lands at a later date.

NBLC recommended that land owner groups for the Port Lands provide assistance and leadership on the following issues: help to advance the Planning Act instruments necessary to provide certainty in land use, provide better estimates of development timing, assist with providing more accurate revenue projections, develop more detailed plans for required infrastructure, and develop a formal working structure including methodologies for cost sharing and dispute resolution.

Infrastructure

Existing infrastructure in the Port Lands is near the end of its life cycle or insufficient to meet the demands of a mixed use community. Technical Services and Toronto Water staff have recommended that full replacement costs for all municipal infrastructure be included in the development pro forma in order to ensure that adequate and appropriate infrastructure is provided for the Port Lands. In addition, Toronto Water has requested that infrastructure planning be coordinated with the Central Waterfront Sanitary Servicing Master Plan to ensure that any new infrastructure is coordinated with larger infrastructure planning objectives.

Through the Port Lands Acceleration Initiative, Toronto Water has completed a preliminary assessment of sanitary sewer infrastructure in the Port Lands to determine if interim capacity exists in the existing system. Based on recent modeling, the existing sanitary sewer infrastructure can support an incremental sanitary flow of 150 L/s from the Film Studio District (precinct F). These results will be field verified using flow monitoring and CCTV inspection of the sewers. These incremental flow rates can be converted to development estimates once the nature of the future development is determined.

Business Case

The following provides a summary of the Business Case for the Port Lands Revitalization which is attached in Appendix 2.

Background

The Port Lands protocol directed the project team to complete a business and implementation plan that considered the following:

- an analysis of alternative financial scenarios and revenue sources;
- mechanisms for minimizing the City's obligation to fund the infrastructure required to develop the Port Lands; and
- recognition of the constraints facing all three orders of government.

In late 2011 a Business and Finance committee, consisting of staff from the City of Toronto, Waterfront Toronto, TRCA and TPLC was established to provide input into the creation of the business plan. In addition, the following consulting teams were retained to support the work of the committee:

Description of Principal Business Plan Consulting Assignments		
Assignment	Work Description	Consultant(s)
Market Sounding	Solicit perspectives on various aspects of Port Lands development from local and international real estate development companies and financial institutions	PricewaterhouseCoopers LLC ("PwC")
Prepare Financial Model	Prepare a market demand forecast, financial model, and review infrastructure financing options	Cushman & Wakefield Ltd. (Prime Consultant), Urban Strategies, Urbanation, Scotiabank, Watson and Associates Economists Ltd.

The above-referenced financial model incorporated information on the development capacities for each precinct supplied by the project team's planning and engineering consultants and infrastructure cost information assembled by Waterfront Toronto, with contributions from various experts in infrastructure construction cost estimating, including Aecon Construction and Materials Ltd., Hanscomb Consultants, Parsons Brinkerhoff Halsall Inc., and the Sernas Group

Infrastructure Costing

The Business Case describes the broader redevelopment plan for the area north of the ship channel. As shown below, the total estimated cost for the necessary infrastructure to support this broader plan is approximately \$1.9 billion (\$2012). However, the financial assessment in the Business Case addresses the smaller area that is forecast to be redeveloped in the first 30 years. The redevelopment of this smaller area is carried out in Phases 1 & 2 of the project.

As shown below, the total cost for Phases 1 & 2 is approximately \$1.06 billion (\$2012). An investment of approximately \$917 million (\$2012) is required to accommodate the initial 30 years of development, based on C&W's moderate market demand forecast.

Full Build-out Costs for Area North of Ship Channel (\$2012 millions)						
	Phases in C&W 30-Year Financial Model		Post-30-Year Phases			
Phase ->	1	2	3	4 & 5	Remainder	Total
	Cousins & Polson's Quay	Film Studio Precinct	Lower Don Lands	River Mouth Naturalization	Balance of Port Lands North of Ship Channel	
Flood Protection	65	114	262	15	0	456
Major Infrastructure	267	226	178	0	72	743
Transit Infrastructure	26	82	70	0	20	198
Local Infrastructure*	89	194	200	0	20	503
Total Investment	447	616	710	15	112	1,900

*Local infrastructure costs are normally paid for by the developer of the local area.

Market Sounding

As discussed above, PwC carried out a market sounding exercise in order to inform the market demand forecast prepared by C&W. The principal themes that PwC highlighted in its report on the Market Sounding sessions are summarized below:

- The whole Port Lands site is too large for a single developer to take on;
- The most attractive short-term opportunities are for residential and retail development close to existing built-up areas;
- Office development opportunities in the short term are limited to uses that service the local residential population (i.e., medical offices, small tenancies, etc.);
- Servicing is seen as a required pre-requisite before developers will have the confidence to proceed; and
- Provision of adequate transit is essential (Some participants were more specific in describing the need for higher-order "rapid" transit like an LRT rather than regular bus service).

Forecast Market Demand for Phases 1 & 2

Based on input from the market sounding, and based on its own market research, C&W prepared the market demand forecasts shown below for the first 30 years of the project. As shown on the table, a range of estimates was prepared representing conservative to aggressive scenarios. The project team's planning consultant, Planning Alliance, has indicated that the forecast 30-year-demand can be accommodated on Cousins and Polson Quays and in the Film Studio District (Precincts E1, E3, and F).

C & W 30-Year Market Demand Forecast (Phases 1 & 2)				
Land Use	Conservative Demand	Moderate Demand	Aggressive Demand	Approximate Land Value* (\$2012/sf GFA)
Office	2.7 million sf	4.5 million sf	6.2 million sf	11.00
Residential	8,700 units	9,700 units	10,700	34.00
Retail	1.4 million sf	1.4 million sf	1.4 million sf	60.00
Hotel	375 rooms	450 rooms	575 rooms	21.00

* adjusted downward to reflect impact of area-specific development charges

Cushman & Wakefield Financial Model

In order to assess the overall financial outcome for the first 30 years of the Port Lands redevelopment, C&W created a cash flow model that incorporates the following expenditures and revenues associated with servicing the lands for the proposed development:

- The forecast expenditures on the major infrastructure, including flood protection measures, which are necessary to provide adequate servicing to the development precincts;
- The forecast expenditures on the local servicing that is necessary to allow for redevelopment;
- The revenues that are forecast to be realized from the sale of City and TPLC land in the development precincts to building developers after the lands have been fully serviced (this is derived from the development forecast described above); and
- The revenues that would be realized from the imposition of an area-specific development charge in the Port Lands that will be paid when new buildings are constructed. (C&W sub-consultant Watson and Associates Economists Ltd. estimated the revenues that could be realized based on the terms of the Development Charges Act).

A range of other revenue sources were considered but, after consultation with City staff, they were excluded from the model, as discussed in Section 7.1 of the Business Plan (Appendix 2).

The model discounts the nominal future cash flows to present values using a discount rate of 10% (based on the market rate of return that would likely be demanded by a private developer carrying out the servicing) and calculates the overall net present value.

As summarized in the table below, the results from the financial model were presented in two different ways.

Comparison of C&W Cash Flow Model Perspectives		
Pro-Forma Component	Master Developer Perspective for All Lands	City Cash Flow Perspective
Revenues from Sale of Serviced Lands	<ul style="list-style-type: none"> - Assumes that all lands have been provided to master developer unencumbered by leases and ready to be serviced for redevelopment - Includes forecast revenues from the sale of all private and public lands in development precincts after necessary servicing 	<ul style="list-style-type: none"> - Includes forecast revenues from the sale of only City and TPLC lands in development precincts - Land sales revenue forecast reduced for lands currently encumbered with long-term leases
Development Charge Revenues	<ul style="list-style-type: none"> - Includes forecast revenues realized from area-specific development charge revenues collected from all developers in development precincts 	<ul style="list-style-type: none"> - Includes forecast revenues realized from area-specific development charge revenues collected from all developers in development precincts
Infrastructure Expenditures	<ul style="list-style-type: none"> - Includes expenditures for all major infrastructure, including flood protection, required for servicing the development precincts and all local servicing for both public and private lands 	<ul style="list-style-type: none"> - Includes expenditures for all flood protection infrastructure, all major infrastructure, including flood protection, required for servicing the development districts and the local services required for just the City and TPLC lands
Net Result (Total Revenue minus Total Expenditures)	<ul style="list-style-type: none"> - The net result represents the maximum amount that a master developer could pay for all of the unimproved public and private lands (assumed to be provided to the developer unencumbered with leases) in the development precincts and still earn a 10% return on its investment 	<ul style="list-style-type: none"> - The net result represents the maximum amount a master developer would pay for just the City's unimproved lands

Using the development forecasts described above (which have been translated into a forecast of revenue from the sale of serviced land), along with the development charge revenue forecast prepared for C&W by Watson & Associates Economists Ltd. (experts in the Ontario Development Charge Act), and the estimates of the infrastructure costs provided by Waterfront Toronto (with support from outside experts), C&W generated the financial model output shown below for the initial 30 years of forecast development.

C&W 30-Year Financial Model Output		
Pro-Forma Component	Present Value (\$millions)	
	Master Developer	
	All Lands Perspective	City-Only Perspective
Land Sales Revenue	\$219.0	\$105.8
Development Charge Revenues	\$40.2	\$40.2
Major Infrastructure and Local Servicing Costs	(\$354.2)	(\$335.2)
Residual Value	(\$95.0)	(\$189.2)

The table above indicates that under the "Master Developer All Lands" perspective, the residual value of the public lands together with the private lands is a negative amount of \$95 million. This means that the C&W model forecasts that a master developer would have to be provided with the unencumbered public and private lands together with an additional contribution of \$95 million in order to realize a 10% rate of return on its investment.

Under the City Cash Flow perspective, the model indicates a negative residual value of \$189 million for the City lands. This scenario is more conservative because of the revenue reduction for the City's leased lands and also because it assumes that the increase in the value of the private lands cannot be captured to help pay for the major infrastructure (although it is assumed that private landowners will pay still pay development charges).

Peer Review of C&W Financial Analysis

In July, 2012, Hemson Consulting Ltd. ("Hemson") and N. Barry Lyon Consultants Ltd. ("NBLC") were retained by the City to provide their input on the work carried out by C&W on the development of the Port Lands business plan. A third-party peer review of the business and implementation plan was required by City Council in the Port Lands protocol.

Hemson was retained to provide their input on the achievability of the C&W land value and market absorption forecasts as well as to examine potential alternative approaches towards applying development charges in order to maximize the City's overall financial outcome.

N. Barry Lyon Consultants Limited (NBLC) was retained to focus specifically on examining ways in which the financial gap identified by C&W could potentially be closed through alternative approaches towards the development plan.

Achievability of C&W Forecasts

Both Hemson and NBLC provided their feedback on the achievability of the forecasts in the C&W financial model. This feedback is summarized below:

Peer Review Comments on Achievability of C&W Development Forecast		
Development Component	Hemson Comments	NBLC Comments
Residential Development	<ul style="list-style-type: none"> - C&W forecast generally reasonable - Some concern expressed over lack of higher-order transit access to site 	<ul style="list-style-type: none"> - C&W forecast too conservative - NBLC submitted revised absorption and land price forecast
Office Development	<ul style="list-style-type: none"> - Demand for office development less certain than for residential development - Availability of higher-order transit and City commitment to full buildout of development area especially important to success of office development 	<ul style="list-style-type: none"> - Office demand "most vulnerable" component of demand in development plan
Retail Development	<ul style="list-style-type: none"> - Retail potential is substantial 	<ul style="list-style-type: none"> - Retail forecast reasonable

In addition to commenting on the demand components, NBLC also recommended that the discount rate in the financial model be reduced from 10% to 8%.

Development Charge Strategy

As discussed above, the C&W financial model incorporated forecast revenues for an area-specific development charge applied to the Port Lands development area. The C&W financial model only incorporated the development charge revenues received during the thirty-year term of the model.

Hemson examined the potential financial impact of implementing an alternative “hybrid” development charge strategy with the following two components:

- The implementation of an area-specific development charge applied to the broader area currently exposed to flooding risk at the base of the Don River in order to recover costs associated with unique flood protection works such as the spillway and the sediment management area.
- The incorporation of the remaining eligible infrastructure costs in the City-wide development charge.

Hemson has forecast the revenues that would be realized from this approach over the full buildout period for the Port Lands area north of the ship channel. As the hybrid approach draws its recoveries from a larger pool of developers across the City, the charges have a more limited impact on the prices realized for the sale of City-owned properties in the Port Lands.

Overall Impact of Peer Review Model Amendments

Tables 1 and 2 below provide a detailed comparison between the original model and the amended model which incorporates the Hemson's revised development charge cash flow and NBLC's proposed changes.

Table 1 - 30-Year City Cash Flow for Phases 1 & 2 (\$millions)					
from Original Cushman & Wakefield Port Lands Financial Model					
Cash Flow Element	Nominal (Inflated)				Present Value
	Years				10% disc. rate
	0-10	11-20	21-30	Total	Total
Revenue from Sale of Serviced City Land	\$42.4	\$316.3	\$108.4	\$467.1	\$105.8
Development Charge Revenue	\$22.9	\$101.8	\$47.6	\$172.2	\$40.2
Major Infrastructure and Local Servicing Costs	(\$60.9)	(\$867.7)	(\$251.0)	(\$1,179.7)	(\$335.2)
Total:	\$4.3	(\$449.6)	(\$95.1)	(\$540.4)	(\$189.2)

Table 2 - Revised 30-Year City Cash Flow for Phases 1 & 2 (\$millions)						
Hybrid DC Strategy and NBLC Model Amendments						
Cash Flow Element	Nominal (Inflated)					Present Value
	Years					8% disc. rate
	0-10	11-20	21-30	31-60*	Total	Total
Revenue from Sale of Serviced City Land	\$67.0	\$419.0	\$67.6	\$0.0	\$553.5	\$174.7
Development Charge Revenue	\$76.6	\$118.5	\$101.8	\$460.0	\$756.9	\$127.5
Major Infrastructure and Local Servicing Costs	(\$60.9)	(\$867.7)	(\$251.0)	\$0.0	(\$1,179.7)	(\$420.2)
Total:	\$82.6	(\$330.3)	(\$81.6)	\$460.0	\$130.8	(\$118.0)

* post-30-year recoveries of Phase 1 & Phase 2 costs from DC collected from developers in Precincts E2, E4 & G

As indicated in Table 2, the revisions to the model reduce the net present value shortfall from \$189 million to \$118 million. The 10-year cash flow breakdowns provided in Table 1 and Table 2 are based on a preliminary cash flow timing scenario. Actual cash flow

timing will be driven by future economic and market conditions, lot design and parcelization, and infrastructure construction timing.

Project Financing

As indicated by the preliminary cash flow timing shown above on Table 2, a positive cash flow may be experienced during the first 10 years of the project. However, Table 2 indicates that in the following ten years, approximately \$330 million in net expenditures will have to be financed.

The City's ability to add to its existing level of general obligation debt is limited. City Council has established a policy of maintaining a debt service ratio (the ratio of the City's debt charges to the total property tax levy) that is below 15%. This ratio is currently forecast to reach, and remain close to, 13% after 2018. Consequently there is limited room for additional borrowing.

This report recommends that the potential for utilizing other means for financing the necessary infrastructure, such as through front-ending agreements with developers/landowners, and other forms of public-private partnerships, be explored further through a landowners' group.

Front-ending agreements by which the developer (or a group of developers) finance some or all of the cost of the infrastructure are common in Ontario, especially where expensive external infrastructure is required. Arrangements are made to repay the developer or developers as future developments take place. This is often done in the context of development charges by which the developer/group of developers prepay their Development Charges (DCs), receive credits against future DCs, and repayment of any prepayments that are in excess of their DC credits. The motivation for the land-owners is to get the infrastructure built when government financing is constrained in order for the developers to get a return on their property.

Other Potential Funding Mechanisms for the Project

The analysis carried out by C&W, Hemson and NBLC indicates that there is still a forecast shortfall over the first 30 years of projected development.

However, there are a number of other potential sources of funding that may be used to reduce or eliminate the funding shortfall for the project. These are summarized in the table below:

Other Potential Funding Sources for Port Lands Infrastructure		
Potential Funding Source	Potential Application	Current Status
Long-Term Rapid Transit Funding Strategy	Funding of on-site and off-site transit works servicing the Port Lands	Staff will be reporting to Council on the Strategy in the fall of 2012
Review of Toronto Water Capital Program and Funding Sources	Funding of flood protection works for the Port Lands and major water infrastructure works	Staff are currently undertaking a public consultation process and preparing a report to Council
Infrastructure Cost-Sharing Agreements with Private Landowners	All major infrastructure in the Port Lands	This report recommends that a landowners group be established to negotiate these agreements

Off-Site Works Not Included in the C&W Financial Model

Currently the C&W financial model assumes that the cost for bringing all of the necessary services to the edge of the development precincts will be funded through other means. For instance, although the C&W model includes the cost of initially building a bus rapid transit (“BRT”) line through the Port Lands, and then later replacing this with an Light Rail Transit (“LRT”) line, it has been assumed that the cost of bringing these lines to the edge of the Port Lands will have to be funded through another source. This will be further reviewed in the Rapid Transit Funding Strategy that staff will be submitting to Council in the fall of 2012

In addition to off-site transit works, approximately \$74 million in other infrastructure works through Precinct A ("Keating North") are necessary in order to connect Precincts E1 & E3 with the rest of the City. These works include: the westward realignment of Cherry St. to match up with the realignment of this road south of the Keating Channel; the eastward extension of Queens Quay, including provisions to accommodate interim transit; and the necessary trunk watermain. The costs of these works are not included in the C&W financial model. The potential funding sources include contributions from the private landowners in this precinct as well as development charge revenues.

Staff Conclusions on Financial Model and Business Plan

The Port Lands Acceleration Initiative has resulted in a development strategy that incrementally delivers the revitalization of the Port Lands in a manner that better matches costs with development. Overall costs have also been reduced by approximately \$130 million as a result of the revised flood protection plan.

In addition, the peer review has resulted in positive improvements to the outcome of the financial model. However, the revised result still indicates a negative overall financial outcome for the project that is in the range of \$118 to \$189 million (present value). This

could become a positive outcome as staff continue to review other potential funding sources, particularly for transit.

This report recommends that further work be carried out to assess the potential for additional funding through negotiations with the private landowners.

The goal of these negotiations will be to minimize the City's net investment and financial exposure. After this work is completed, Council will have a concrete plan and, if a City contribution is still necessary, an informed decision may be made by Council on whether the required level of investment is warranted to revitalize the Port Lands.

Next Steps

The purpose of this report is to provide directions for future work that is required to implement the revitalization of the Port Lands. The recommendations included in the report direct City staff and request Waterfront Toronto and the TRCA to continue with the next steps in the process. Key next steps include:

- Completing the DMNP EA based on the 2012 "4WS Re-aligned" plan realized through the Port Lands Acceleration Initiative;
- Amending Official Plan Amendment 388, the amend to the Central Waterfront Secondary Plan approved by City council in 2010, to ensure consistency with the results of the Port Lands Acceleration Initiative;
- Initiating precinct planning for Cousins and Polson Quays and the Film Studio District;
- Establishing a land owners group, as part of the precinct planning process, to begin discussion on cost sharing and financing of infrastructure required to support development; and
- Establishing an area specific development charge for land the benefit from the implementation of flood protection measures in the flood plan.

Staff recommend that the Executive Steering Committee for the Port Lands Acceleration Initiative continue to meet to provide oversight for future work and direct inter-agency cooperation between the City of Toronto, Waterfront Toronto, and TRCA.

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SIGNATURE

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APPENDICES

- Appendix 1 -- Summary of Findings
- Appendix 2 -- Port Lands Business Plan
- Appendix 3 -- Development Model Assessment
- Appendix 4 -- Port Lands Business Plan Peer Review
- Appendix 5 -- Market Sounding in Support of Port Lands Development Plan
- Appendix 6 -- Port Lands Development Demand and Revenue Projections, Economic Analysis, and Financing Options
- Appendix 7 -- Preliminary Estimate of Development Charge Revenue
- Appendix 8 -- Infrastructure Required to Enable Port Lands Development
- Appendix 9 -- Flood Protection Strategy
- Appendix 10 -- Port Lands Planning Summary
- Appendix 11 -- Planning and Infrastructure Process
- Appendix 12 -- Consultation Process Summary Report