



## STAFF REPORT ACTION REQUIRED

### Waterfront Strategic Review

<b>Date:</b>	June 19, 2015
<b>To:</b>	Executive Committee
<b>From:</b>	Acting City Manager
<b>Wards:</b>	All Wards
<b>Reference Number:</b>	P:\2015\ClusterB\WF\EX/15004

#### **SUMMARY**

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This report summarizes the outcomes of the Waterfront Strategic Review, including a performance assessment of Waterfront Toronto (WT) conducted by Ernst & Young LLP (EY). A key proposal is that the City lead a "Call to Action" with the Provincial and Federal governments to advance ongoing funding discussions regarding a second phase of waterfront revitalization.

The City, Provincial and Federal governments have provided funding and land contributions to support the Toronto Waterfront Revitalization Initiative (TWRI) that was launched in October 2000. WT has been the primary delivery entity through which a range of revitalization projects have been successfully implemented. These projects have included land servicing, soil remediation, flood protection, habitat restoration and enhanced public spaces, which, in turn, have encouraged and accelerated private sector redevelopment. The tri-government partnership has initiated a process of growth and change that is transforming the face of Toronto's waterfront.

Ninety percent of government funding has been invested to date in the first phase of revitalization, known as Waterfront 1.0. The last of Waterfront 1.0 projects will be fully completed by 2024, using the remaining government funding and proceeds from land sales, leases and other revenues. A second phase of delivery, called Waterfront 2.0, is proposed. Over the past year, intergovernmental funding negotiations at the senior staff level regarding tri-government support for the Waterfront 2.0 concept have been positive but inconclusive.

With the task of revitalizing the City's waterfront far from complete, there is a danger of losing the positive momentum that has been created. The Waterfront Strategic Review

has been undertaken to facilitate the completion of Waterfront 1.0 projects and to inform the City on how to proceed with a second phase of revitalization.

The Strategic Review has engaged the other two orders of government, including senior staff representatives that comprise the waterfront Intergovernmental Steering Committee (IGSC), and has drawn from the input of stakeholders and other waterfront agencies, along with the findings of the EY study. The outcome is a set of findings and recommendations that apply to Waterfront 1.0 and, separately, a set of recommendations aimed at moving forward, in a timely and constructive manner, with a second phase of waterfront revitalization.

The EY study concludes that WT has generally delivered revitalization projects effectively, with due regard for economy and efficiency, and consistent with international best practice. WT has created a pool of knowledge, expertise and processes that has given it credibility in delivering waterfront renewal. In addition, WT's precinct plans and public spaces have been internationally recognized for urban design, landscape architecture and planning excellence. WT is also recognized as a leader in public consultation.

However, areas for improvement are identified. In particular, an appropriate balance between WT staffing levels and the level of project spending should be maintained with due consideration to the duration of down cycles. WT should also be requested to implement a corporate-wide performance measurement system and refine its data management approach to support project-based reporting. Furthermore, WT's Freedom of Information and wrongdoing policies require strengthening to more closely align with those of the City.

Based on the findings of the EY study, City staff have identified the need for WT to develop a transition plan to manage the period between now and the time of Waterfront 2.0 funding decisions. The transition plan should identify the core strengths of the organization, a staff retention strategy and a balancing of staff resources with anticipated project delivery. Opportunities to realize efficiencies should be maximized.

Some City-led processes affecting Waterfront 1.0 delivery should be refined. For example, the City should lead future government-led audits on behalf of the three partners, since Federal and Provincial funding for Waterfront 1.0 has been almost fully invested. Also, the City has multiple entities engaged in real estate development and staff are reviewing the approach to real estate development. In parallel to this real estate review, staff should consider the real estate development responsibilities of WT.

To ensure that WT can complete its delivery of Waterfront 1.0 projects, it is recommended that Council provide authority to WT to borrow up to \$40 million for a five-year period without financial recourse to the City. The borrowing authority, which is needed to bridge WT between land sales revenue payments and its expenses, requires tri-governmental approval. Approval by the Province has been provided, and Federal approval is imminent. The government partners have jointly developed an appropriate governance model, supporting oversight and monitoring of WT's borrowing.

The tri-government model has enabled intergovernmental collaboration, remained non-partisan, and reflected a shared set of goals for waterfront revitalization. Benchmarked against achievements prior to 2000, and what the City could have reasonably achieved alone, the tri-government model combined with WT as the primary delivery entity, has delivered substantial benefits to the City.

Consequently, the Strategic Review recommends that Council affirm its strong interest in continuing the tri-government waterfront revitalization partnership, and that the City take a leadership role by proposing a Call to Action. The Call to Action is proposed as a time-limited, formal and structured intergovernmental negotiation process to confirm Waterfront 2.0 funding commitments and the scope of project delivery. Led by elected officials and supported by the IGSC, the proposed Call to Action is intended to be completed as early as possible in 2016.

To frame the City's negotiating approach, positions related to key project areas have been developed based on Strategic Review findings and are provided in this report. Stakeholder consultation indicated strong support for four priority Waterfront 2.0 areas: flood protection, waterfront transit, land servicing and public realm. These priority areas are consistent with WT's 2013 *Strategic Business Plan: 2014:2023*, the *Central Waterfront Secondary Plan* and the *Official Plan*. These should be affirmed by Council at this time as Waterfront 2.0 priorities, with individual projects to be confirmed as funding commitments are secured.

Deliberations by the governments through the proposed Call to Action will largely determine the role of WT in the delivery of a second phase of waterfront revitalization. EY recommends that WT conduct a full efficiency review following the government partner decisions. Assuming a tri-government funding commitment, a renewal of the tri-government partnership and broad agreement on priority project areas, staff recommend that Council affirm WT as the preferred delivery entity. As indicated in the EY study, WT has delivered value for money to the City, is aligned with international best practice, and has achieved recognition for public outreach and design excellence.

## **RECOMMENDATIONS**

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### **The Acting City Manager recommends that:**

1. Council request the Intergovernmental Steering Committee to direct the Board of Waterfront Toronto to:
  - a) Develop a transition plan to find efficiencies and manage the period between now and the time of Waterfront 2.0 funding decisions;
  - b) Implement a corporate-wide performance measurement system that is "SMART" (specific, measurable, attainable, relevant and time-bound);

- c) Implement a common approach to project data management to promote project-based (as opposed to work package-based) reporting that is consistent, efficient and enterprise-wide;
  - d) Strengthen its Freedom of Information policies and oversight to more closely reflect those of MFIPPA;
  - e) Adopt wrongdoing policies that more closely reflect those contained in the Toronto Public Service By-law;
2. Council provide the required consent to borrow money and mortgage or otherwise encumber assets pursuant to Subsections 4(5) and 4(6) of the Toronto Waterfront Revitalization Act substantially on the terms and conditions contained in the draft Consent (attached as Appendix A) and authorize the Deputy City Manager responsible for the Waterfront Initiative to execute such Consent with such modifications as he shall deem necessary or desirable and in a form approved by the City Solicitor, and to deliver such Consent to Waterfront Toronto subject to such conditions regarding reporting and oversight as he shall deem necessary and desirable;
  3. Council direct the Deputy City Manager responsible for the Waterfront Initiative to take the lead, on behalf of the government partners, in conducting government-led audits for the balance of Waterfront 1.0;
  4. Council direct the City Manager to review the real estate development responsibilities of Waterfront Toronto in parallel with the City-wide Real Estate Review, to ensure that Waterfront Toronto's real estate development work is aligned with that of City agencies, corporations and divisions;
  5. Council support, in principle, the undertaking of a second phase of waterfront revitalization supported by tri-government funding and governance;
  6. Council affirm flood protection, waterfront transit, land servicing, and public realm enhancements as priorities for capital projects to be delivered in the second phase of waterfront revitalization, with individual projects to be confirmed as funding commitments are secured and subject to approval through the annual budget process;
  7. Council:
    - a) Request the Mayor to contact his Provincial and Federal counterparts to initiate a "Call to Action" negotiation process regarding funding for Waterfront 2.0 projects, to conclude as soon as possible in 2016;
    - b) Direct the Deputy City Manager responsible for the Waterfront Initiative to report back on the outcomes of the "Call to Action" process for Council's consideration and response; and
  8. Assuming a scenario of tri-government funding and governance to support a second phase of waterfront revitalization, Council affirm Waterfront Toronto as the preferred delivery entity.

## Financial Impact

This report recommends that Council provide the required Consent allowing WT to borrow funds and mortgage or otherwise encumber assets.

The Consent requires that any borrowing by WT be without recourse to the three governments and that WT be able to mortgage or encumber only WT-owned land assets and sales agreements and revenues generated from those assets. Therefore, there will be no financial impact on the City as a result of this Consent.

The outcome of the Call to Action process recommended in this Strategic Review of waterfront revitalization will have significant, but as of yet unknown, long term funding implications.

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

## DECISION HISTORY

In November 1999, the Toronto Waterfront Revitalization Task Force was announced by the City, Provincial and Federal governments and produced the report commonly known as the "*Fung Report*":

The Toronto Revitalization Task Force. "Our Toronto Waterfront". March 2000.  
[http://www.toronto.ca/waterfront/fung\\_report.htm](http://www.toronto.ca/waterfront/fung_report.htm)

In October 2000, the Toronto Waterfront Revitalization Initiative (TWRI) was launched as a partnership between the City, Provincial and Federal governments. Each government committed \$500 million to the initiative, for a total of \$1.5 billion.

On May 30, 2001, City Council approved the creation of an interim Toronto Waterfront Revitalization Corporation, as well as City oversight and funding processes, and funding of four initial capital projects.

The report to Council "Governance Structure and Funding to Implement the Toronto Waterfront Revitalization Initiative" can be found at:

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

Bill 151 - The *Toronto Waterfront Revitalization Act* was introduced in 2001 and received Royal Assent in 2002. The Toronto Waterfront Revitalization Corporation became a permanent corporation in 2003:

[http://www.ontla.on.ca/bills/bills-files/37\\_Parliament/Session3/b151ra.pdf](http://www.ontla.on.ca/bills/bills-files/37_Parliament/Session3/b151ra.pdf)

In a 2004 report regarding the governance structure for waterfront revitalization, Council confirmed that the City's contribution of "developable land" will be considered contributions in kind, over and above the City contribution of \$500 million in direct funding:

<http://www.toronto.ca/legdocs/2004/agendas/council/cc041130/pof9rpt/cl001.pdf>

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

i) Central Waterfront Secondary Plan (2003)

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

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

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

iii) East Bayfront Business and Implementation Plan (2006)

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

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

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

v) East Bayfront LRT (2012)

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

In May 2013, Waterfront Toronto released "Economic Impact Analysis" (April 2001 – March 2013). The full report and summary is provided at:

[http://www.waterfronttoronto.ca/uploads/documents/economic\\_impact\\_analysis\\_2001\\_2013\\_1\\_1.pdf](http://www.waterfronttoronto.ca/uploads/documents/economic_impact_analysis_2001_2013_1_1.pdf)

In December 2013, Waterfront Toronto submitted to its government partners a *Strategic Business Plan: 2014-2023*. A copy can be found at:

[http://www.waterfronttoronto.ca/uploads/documents/wt\\_strategic\\_business\\_plan\\_2014\\_2023\\_1.pdf](http://www.waterfronttoronto.ca/uploads/documents/wt_strategic_business_plan_2014_2023_1.pdf)

In December 2013, the Department of Finance Canada released an Evaluation of the Toronto Waterfront Revitalization Initiative. The Evaluation can be found at:

<http://www.fin.gc.ca/treas/evaluations/twri-irsrt-eng.asp>

The Port Lands Acceleration Initiative, involving the City of Toronto, Waterfront Toronto, and the Toronto and Region Conservation Authority, is currently underway and identifies investment requirements for the construction of flood protection and related infrastructure. The City's update report, "Port Lands Acceleration Initiative Phase 2 – Progress Report", was considered by the Planning and Growth Management Committee at its June 19th 2014 meeting:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.PG34.11>

City Council on July 8, 9, 10 and 11, 2014, adopted, with amendments, Next Phase of Waterfront Revitalization and in doing so endorsed the undertaking of this Waterfront Strategic Review:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX.43.13>

## ISSUE BACKGROUND

The Toronto Waterfront Revitalization Initiative (TWRI) was launched in October 2000 with each order of government committing \$500 million, for a total funding level of \$1.5 billion. WT was created in 2003 as the primary delivery entity.

Today, over 90% of the \$1.5 billion has been invested and the first phase of waterfront revitalization, known as Waterfront 1.0, is drawing to a close. The second phase of delivery, called Waterfront 2.0, is being discussed. However, intergovernmental negotiations at the senior staff level over the past year have not produced a firm agreement on the scope and funding level for Waterfront 2.0. As a result, WT needs to look for increased efficiencies in its delivery of Waterfront 1.0 projects and to develop an interim plan to manage the transition period between now and the time of Waterfront 2.0 funding decisions. WT recently requested borrowing authority to cover periodic cash-flow shortfalls associated with the completion of Waterfront 1.0 projects.

To determine the funding and priorities for a second phase of delivery and the ongoing role of WT, the three orders of government need to quickly determine a joint position regarding a renewed commitment to the intergovernmental partnership and funding model.

The Strategic Review presents a timely opportunity to address these issues by: (i) assessing the strengths and weakness of waterfront delivery to date; (ii) addressing WT's needs for a transition plan and short term borrowing, and (iii) seeking a timely resolution to the question of government support for the delivery of Waterfront 2.0.

## COMMENTS

### 1. Historical Context

The first major plan for Toronto's waterfront dates back to the Toronto Harbour Commission's *Waterfront Plan (1912)*. The goal of the *Waterfront Plan* was to create new land for industrial growth in the Port Lands. An extensive program of dredging, infill and land reclamation over several decades created today's shoreline and also opened up the harbour to larger ships. By the time the St. Lawrence Seaway opened in 1959, Toronto's function as a major port was already in decline.

From the 1960's onwards, there has been a major movement of industrial and warehouse activities out of the Central Waterfront. Efforts to arrest the decline of the Central Waterfront were given a boost in 1972 when the Federal government announced the gift of a 92-acre Harbourfront Park to the City. The Harbourfront Corporation was created and went on to develop an urban waterfront neighbourhood with 20 acres of public parks and programming space to animate the area. The Corporation's work concluded in 1992 amid growing public concerns over the height and density of some of the new residential developments.

In response to a variety of emerging waterfront issues, an informal Intergovernmental Waterfront Committee (IWC) was struck in 1986. The IWC comprised the Premier of Ontario, the Metro Chairman, the Mayor of Toronto and Federal cabinet minister David Crombie. The IWC was a precursor to the creation of the Federal Royal Commission on the Future of the Toronto Waterfront. Although initially focused on Central Waterfront issues, the scope of the Commission's work was subsequently broadened to include the entire GTA waterfront. The Commission completed its study in 1992 and the Province created the Waterfront Regeneration Trust to begin implementation, with a focus on the Waterfront Trail.

Although these past planning initiatives were only partially successful, they provided the foundation for the current waterfront revitalization program. A key lesson has been that, without a long-term tri-government commitment with shared planning goals and adequate funding, waterfront revitalization efforts will produce limited results.

### **1.1 Toronto Waterfront Revitalization Initiative (1999-Current)**

In November 1999, the three orders of government announced the creation of the Toronto Waterfront Revitalization Task Force to "develop a strategic business plan with recommendations for the development of the Toronto waterfront". On the same day, Mayor Lastman released "*Our Toronto Waterfront! The Wave of the Future*", a visionary document intended to guide the next 10-years of waterfront revitalization. Many of the key principles formed the foundation of the later *Central Waterfront Secondary Plan*, (2003), which is based on the following four core principles:

- Remove barriers/make connections;
- Build a network of spectacular waterfront parks and public spaces;
- Promote a clean and green environment; and
- Create dynamic and diverse new communities.

An Intergovernmental Steering Committee (IGSC), comprised of senior officials from the City, the Province and Federal government, was formed in 2000 to propose a governance structure to implement waterfront renewal. The proposed governance structure came before Council at its 2001 May/June meeting, with the recommendation for an interim, non-agent, non-share, not-for-profit corporation. Council's actions on the matter can be found at:

<http://www.toronto.ca/legdocs/2001/agendas/council/cc010530/pof7rpt/cl001.pdf>

Government funds were to be distributed via Contribution Agreements (CAs) on a project by project basis in order protect the City financially and maintain its authority on policy and regulatory matters. Four projects were identified to begin revitalization: (i) Union Station Second Platform; (ii) Don River Environmental Assessment for naturalization of the mouth of the Don River; (iii) Front Street Extension; and (iv) Initial Phase of Port Lands Preparation. Council also approved an interim governance structure and



established a Waterfront Reference Group, comprised of Members of Council, as a forum for City staff to report waterfront revitalization matters to City Council.

The Province's *Toronto Waterfront Revitalization Corporation Act (TWRC Act)* received Royal Assent in December 2002 and came into force May 2003. The *TWRC Act* established the Toronto Waterfront Revitalization Corporation, which was renamed Waterfront Toronto in 2007 for communication purposes. The objects of the Corporation, its powers and composition are defined in Section 1.2.2 of this report.

## **1.2 Waterfront Governance**

The revitalization of the waterfront is influenced by the governance frameworks of the tri-government partnership and its funding arrangements, WT's corporate structure, and the *Ontario Planning Act (1990)* and other related regulatory controls.

### **1.2.1 Tri-Government Partnership**

Government oversight of the revitalization initiative is provided through the IGSC, which comprises the following senior officials:

- The Finance Canada Associate Deputy Minister for the Government of Canada;
- The Deputy Minister and Assistant Deputy Minister of Infrastructure Renewal for the Government of Ontario; and
- The City Manager and Deputy Manager for the City of Toronto.

Over the years, the IGSC's role has evolved from formulating the preferred governance structure to implementation of the Initiative. Today, the IGSC:

- i.) Coordinates activities of the three orders of government and WT with respect to waterfront revitalization;
- ii.) Serves as a forum for information exchange and sharing of advice related to the implementation of TWRI projects;
- iii.) Undertakes joint planning to ensure that proposed projects are in keeping with the goals and objectives of the TWRI;
- iv.) Coordinates and manages contribution agreements and related activities;
- v.) Monitors WT annual budgets and forecasts;
- vi.) Develops governance options and an implementation plans as needed; and
- vii.) Establishes working groups as required, and provides advice and direction on issues.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050928/pof8rpt/cl002.pdf>

Since September 2014, the IGCS has met three times and has had productive discussions relating to WT's request for borrowing authority, the City's Strategic Review and other issues affecting the delivery of a second phase of revitalization.

The Operations Working Group (OWG) provides staff support to the IGSC, particularly in the areas of program management relating to funding agreements, WT reporting requirements, and waterfront capital planning. The OWG comprises staff from the three orders of government and meets quarterly with WT.

### **1.2.2 Waterfront Toronto**

Waterfront revitalization projects are delivered through WT, a not-for-profit corporation that was established by the government partnership. The governance framework of WT is embedded in the *TWRC Act (2002)* and the corporate affairs of WT are shaped by the *Business Corporations Act (1990)*. Although WT was created through Provincial legislation, all three orders of government are equal, non-equity share partners of WT.

The objects of the Corporation are as follows:

1. To implement a plan that enhances the economic, social and cultural value of the land in the Designated Waterfront Area (DWA) and creates an accessible and active waterfront for living, working and recreation, and to do so in a fiscally and environmentally responsible manner;
2. To ensure that ongoing development in the DWA can continue in a financially self-sustaining manner;
3. To promote and encourage the involvement of the private sector in the development of the DWA;
4. To encourage public input into the development of the DWA; and
5. To engage in such other activities as may be prescribed by regulation 2002, c. 28, s. 3 (1).

As stipulated in the *TWRC Act*, WT has a 20-year lifespan, with the potential for a 5-year extension. The Province has the authority to order the WT Board to wind up the affairs of WT on, or after, either the 20<sup>th</sup> or 25<sup>th</sup> anniversary of the Corporation.

The *TWRC Act* includes accountability features and reporting requirements to the governments. Each order of government appoints a maximum of four members to the Board of Directors for a three year term that can be renewed. An elected official is permitted to be one of the four appointments for both the City and the Province. City Council currently appoints the Mayor or the Mayor's designate. The three orders of government may jointly appoint a Board Chair or the Chair may be chosen from within the 12 board members.

The governance structure of WT has undergone some modifications since the enactment of the *TWRC Act*. Among the more significant changes were those made in

November/December 2004 which allowed the Province and the City to each appoint an elected representative to the WT Board of Directors.

The Council decision can be found at:

<http://www.toronto.ca/legdocs/2004/agendas/council/cc041130/pof9rpt/cl001.pdf>

### **1.3 Long Term Funding Plan**

As required by the *TWRC Act*, the WT Board of Directors must adopt a business plan at least 90 days before the beginning of each fiscal year. A subsection of the annual business plan is the Long Term Funding Plan (LTFP) which is developed by WT and the government partners. It records planned investments on a project-by-project basis and identifies sources of funding. Since its introduction in 2005, the LTFP has accommodated the individual and shared priorities of the three governments while maintaining the overall vision and coherence of waterfront revitalization.

In the past, the LTFP required the approval of the three government partners. Since the Federal government fulfilled its \$500 million contribution as of March 31, 2013, Federal staff no longer approve the LTFP.

The LTFP for 2014/15 shows annualized revenues and expenses forecasted to 2024, with government contributions (revenues) ending in 2020/21. Also included are approximately \$319.7 million in revenues which WT forecasts to receive through land sales, leases and other sources.

### **1.4 Delivery Framework**

Delivery frameworks have been established to coordinate the efforts of the public agencies that are active in the waterfront, including Ports Toronto, the Department of Fisheries and Oceans, Infrastructure Ontario, the Toronto and Region Conservation Authority, the Toronto Port Lands Company, the Toronto Transit Commission, and Build Toronto. The government partners have utilized a variety of measures including Memoranda of Understanding (MOU), project charters, formal steering committees, and project teams.

In addition, WT's proposed land use developments are subject to the requirements of the *Planning Act (1990)*, as administered by the City of Toronto. As a consequence, all WT precinct plans and development applications must be consistent with the in-force policies of the *City of Toronto Official Plan (2006)* and the *Central Waterfront Secondary Plan*. Furthermore, the City's technical standards for hard infrastructure (i.e. roads, water, waste water, hydro, etc.) must be followed.

## 2. Waterfront Investments to Date

### 2.1 Capital Funding (Land and Cash)

As of March 31, 2015, the three orders of government had contributed \$1.38 billion to waterfront revitalization. Contributions to date have not been evenly split between all orders of government because Federal priorities and corresponding expenditures were "front-loaded" in the LTFP. As a consequence, while contributions from the Federal government have been fully distributed, the Province has a remaining contribution balance of \$1.5 million and the City has a remaining balance of \$122.4 million. The Province's contribution will be fully distributed by the end of 2015, while the City contribution will be fully distributed by 2020.

It should be noted that not all of the \$1.38 billion has been assigned directly to WT-led projects. Over \$380 million has flowed through to other related waterfront projects, such as the second subway platform at Union Station, GO Transit expansion and the Union-Pearson Express. These flow through projects account for nearly 30% of government expenditures in the waterfront.

**Table 1: Government Contributions to Waterfront Revitalization**

	Inception to 2015		2015 to 2025		Total
	(\$M)	%	(\$M)	%	(\$M)
City of Toronto	\$377.6	27.4%	\$122.4	98.8%	\$500.0
Province of Ontario	\$502.5	36.4%	\$1.5	1.2%	\$504.0
Government of Canada	\$500.0	36.2%	\$0.0	0.0%	\$500.0
<b>Total Funding:</b>	<b>\$1,380.1</b>	<b>100.0%</b>	<b>\$123.9</b>	<b>100.0%</b>	<b>\$1,504.0</b>

Source: City of Toronto; data as of March 31, 2015

In addition to the \$1.38 billion of government contributions to Waterfront 1.0 delivery, WT has received \$69.0 million in "other revenues", from land sales, leases and other sources.

In addition to the Provincial government's \$500 million contribution, Provincial funding has been provided to WT for Pan Am Enabling Works (\$57.1 million). Further, outside of its funding to WT, the Province has funded Infrastructure Ontario for Pan Am Enabling Works (\$75.0 million) and Harbourfront Centre (\$10.0 million) for Ontario Square.

As shown in Table 2, over the next 10 years total revenues for Waterfront 1.0 are projected to drop significantly from over \$1.5 billion for the period from inception to present, to just \$392.4 million for the 2015 to 2025 period. Also, the composition of total revenues is expected to shift away from government funding to the other revenue sources,

such as land transactions, parking fees, and broadband revenues. The ability of WT to realize funding from other revenue sources will have a significant impact on the Corporation's financial health, particularly in the absence of substantial intergovernmental funding for Waterfront 2.0.

**Table 2: Total Waterfront Revitalization Revenues by Source**

	Inception to 2015		2015 to 2025		Total
	(\$M)	%	(\$M)	%	(\$M)
Government Funding	\$1,380.1	91.6%	\$123.9	31.6%	\$1,504.0
Pan Am Enabling Works	\$57.1	3.8%	\$0.7	0.2%	\$57.9
Other Revenues	\$69.0	4.6%	\$267.8	68.2%	\$336.8
<b>Total Funding</b>	<b>\$1,506.2</b>	<b>100.0%</b>	<b>\$392.4</b>	<b>100.0%</b>	<b>\$1,898.6</b>

Source: City of Toronto; data as of March 31, 2015

In terms of land investment, both the City of Toronto and the Province have undertaken residential and non-residential land transactions within the waterfront. The \$69.0 million of "Other Revenues" shown in Table 2 captures what has been transacted as of March 31, 2015. The proceeds from these land sales and lease agreements have been reinvested into waterfront revitalization by WT. The Province's land transactions are mainly focused within the West Don Lands, while the City's transactions are primarily for lands within East Bayfront (see Section 3 for precinct area boundaries). To date, the City has committed land worth approximately \$100 million. The Province has contributed land sale revenues from one development, plus lands for three affordable housing projects, a George Brown students' residence and a YMCA. The Federal government has not contributed a substantial quantity of land to the revitalization effort.

## 2.2 Waterfront Staffing

As of 2014/2015, WT had 64 full time equivalent (FTE) staff to support the delivery of waterfront revitalization in the areas of project management, urban design, finance, communications, human resources, IT and administration. Each order of government also maintains a Waterfront Secretariat to administer project funding, approve long term funding proposals, coordinate development activities, and minimize the risk exposure for the government partnership.

The staffing levels for both the Federal and Provincial Secretariats have diminished as their funding contributions have been spent and their involvement in program management has changed. As a consequence, the Federal Waterfront Secretariat's staffing levels have fallen from 12 FTEs in 2008 to now less than 2. Similarly, the Provincial Waterfront Secretariat also now has less than 2 FTEs dedicated to waterfront revitalization.

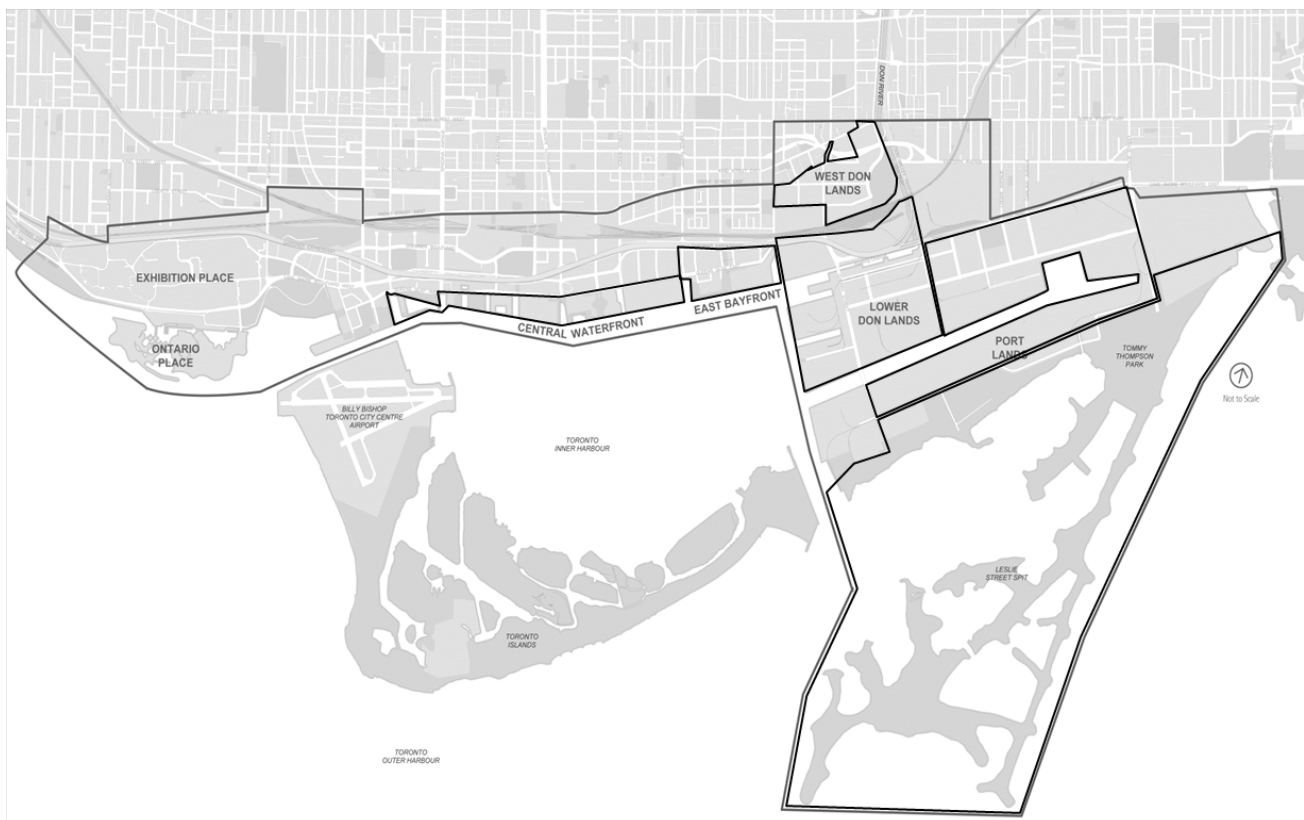
Staffing for the City's Waterfront Secretariat has remained relatively constant over the past decade and is now at 11 FTEs. The City has the largest contribution amount

outstanding and the construction phase of waterfront revitalization has required continued project management and coordination by the City. City Secretariat staff are also involved in projects beyond those delivered by WT, including the Billy Bishop Airport Expansion and the Fort York pedestrian bridge. Projects such as the Gardiner Environmental Assessment and Port Lands Acceleration Initiative, are co-managed by Secretariat and WT staff.

### 3. Waterfront Build-Out to Date

The DWA is defined by Regulation 200/03 of the *TWRC Act* and is shown in Map 1. In general terms, the DWA encompasses the West Don Lands and all lands south of the railway tracks between Dowling Avenue in the west and Coxwell Avenue in the east. Within the DWA there are multiple planning precincts, including: the Central Waterfront; Lower Yonge; East Bayfront; West Don Lands; the Lower Don Lands; the Port Lands; and Lake Ontario Park.

**Map 1: Designated Waterfront Area and Precincts**



Since 2003, the build-out of the DWA has steadily gained momentum. Initially, revitalization was slow and focused on mandatory master planning exercises and hard infrastructure investments such as land servicing and flood protection. Once core infrastructure was in place, WT focused on public realm improvements to raise the value of adjacent waterfront properties, attract private investment and to set the design standard for future residential, office and retail development within the DWA. Noteworthy public realm improvements include: the refurbishment of existing parks (e.g. Marilyn Bell Park and Tommy Thompson Park); new parks (e.g. Corktown Common); rebuilding Queens Quay West; enhancements to the Martin Goodman Trail; and improvements to the water's edge promenade. In addition, two parks were revitalized beyond the DWA: Mimico Waterfront Park and the Port Union Park.

With these initial infrastructure investments now in place, major residential and commercial development projects are being attracted to the DWA and are beginning to reshape the area. Within the Central Waterfront, East Bayfront and the West Don Lands there are 7,047 residential units built, under construction, proposed or approved, since 2003. This total reflects WT projects, as well as the "Pier 27" and the Daniels' "Waterfront City of the Arts" project. Similarly, 217,745 square metres of non-residential space have been built or are in development. The addition of new residential and non-residential space within the DWA will further strengthen the area's vitality and will make these precincts' complete communities where Torontonians can live, work and play.

#### **4. General Economic Benefits**

In an era of constrained capital, all orders of government seek development opportunities that will maximize economic benefits.

Waterfront revitalization has generated both quantitative and qualitative economic benefits for all orders of government. Based on a 2013 report prepared for WT by urbanMetrics Inc., direct public investment in the waterfront over the 2001 to 2013 period has already generated approximately 16,200 full-time years of employment (FTEs), \$1.7 billion of value added (direct, indirect and induced), and increased tax revenues by \$621.8 million (constant 2012 \$). Over the long term, urbanMetrics forecasts that public investment in the East Bayfront and the West Don Lands will generate over 43,000 full-time years of employment (FTEs), \$4.0 billion of value added (direct, indirect and induced), and will increase tax revenues by \$1.5 billion (constant 2012 \$). In addition, WT infrastructure investments have and will continue to spur development on privately held lands within the waterfront and in adjacent communities.

The revitalization of the waterfront has also produced many benefits that are difficult to quantify and are more qualitative in nature such as:

- Improved east-west recreational connections: the widening and extension of the Martin Goodman Trail through the Central Waterfront to provide a continuous route for pedestrians and cyclists to explore the wide variety of

uses and activities on the waterfront. The Trail also supports Active City principles;

- New and improved park space: the incorporation of new and improved waterfront parks to encourage people to frequent the area. These enhanced park facilities, along with improved access, have attracted an increasing number of residents from across the City, as well as visitors, to enjoy the waterfront experience;
- Remediation of soils: 86 hectares of waterfront land have been converted from brownfield sites to enhance the natural environment and reduce health and liability risks. The remediation exercise has enabled underutilized lands to be reused for open space, residential, commercial and institutional development;
- Heightened civic pride: Toronto is one of North America's largest and fastest growing cities. As a major economic engine of Canada it is important that prime waterfront lands are used to their full potential. The revitalization effort helps Toronto brand itself as a growing, world class city that recognizes the value of its unique location on the shores of Lake Ontario; and
- Elimination of flooding risk: in 1954 Hurricane Hazel hit Toronto and demonstrated that the City is not immune to the personal and property loss associated with flooding. As part of the revitalization initiative, WT has constructed the West Don Lands berm (known as Corktown Common), which eliminated the flooding risk for properties as far west as Bay Street while simultaneously enabling the development of the Pan Am Athletes Village.

Overall, the revitalization of Toronto's waterfront has generated significant quantitative and qualitative economic benefits for all orders of government. Equally important, waterfront revitalization has opened up the City's lakefront for the enjoyment of all those living and working in this area, as well as its many visitors.

## **5. Strategic Review Process**

### **5.1 Purpose of the Strategic Review**

The purpose of the Strategic Review is to review waterfront revitalization efforts to date and to propose how the City should proceed with a second phase of delivery. Guiding principles for the Strategic Review were considered by Council at its meeting on July 8, 9, 10 and 11, 2014 and were provided in the staff report:

- Capital priority setting should be aligned with City building interests;
- The tri-government funding structure should be continued, with the three orders of government as equal partners and investors;
- The City's contribution of land relative to the other governments should be addressed in formulating a tri-government partnership for the next phase of waterfront revitalization;
- The recommended approach must be efficient, effective and financially viable, and will best utilize the capacities of the respective organizations;



- Any consideration of enhanced corporate governance for WT including borrowing, mortgaging of assets and ability to raise revenue should ensure there is no recourse to the governments; and
- A broad range of stakeholders should be consulted as part of the Strategic Review.

## 5.2 Terms of Reference

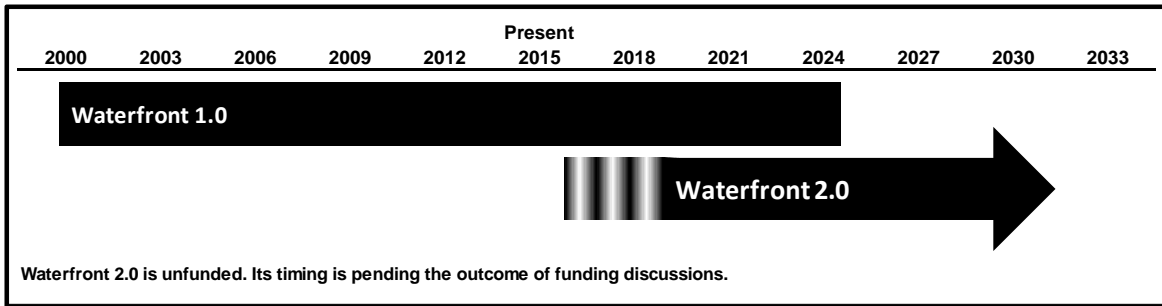
As defined in the terms of reference approved by the IGSC in December 2014, the Strategic Review objectives are to:

- Assess waterfront revitalization efforts to date. This includes an evaluation of the tri-government model, waterfront delivery mechanisms, and various waterfront processes. A range of historical and current audits, program evaluations, governance reviews, economic impact data and other studies will be considered;
- Investigate funding and financing opportunities for the next phase of waterfront delivery;
- Identify City waterfront goals and priorities for delivery moving forward; and
- Inform recommendations to advance revitalization. Recommendations will address how best to complete "Waterfront 1.0" delivery in addition to how to optimally deliver the next phase of waterfront revitalization.

For the purposes of this Strategic Review, a distinction is made between the current phase of delivery (Waterfront 1.0) and the proposed next phase (Waterfront 2.0). Waterfront 1.0 comprises all existing revitalization projects that are funded through the initial \$1.5 billion that was committed by governments in 2000, plus revenues received through land sales, leases and other sources. WT's current LTFP, which encompasses all Waterfront 1.0 projects, indicates that government contributions will be fully spent by 2020. Revenues from land sales, leases and other revenues will fund the balance of Waterfront 1.0 delivery to 2024.

Waterfront 2.0 represents the proposed next phase of waterfront revitalization and will commence when new projects are funded. If funding for Waterfront 2.0 delivery is forthcoming in the near future, there will likely be an overlap in the delivery of Waterfront 1.0 and Waterfront 2.0 projects.

**Figure 1: Phases of Waterfront Delivery**



### 5.3 City-Led Process

The Strategic Review process has been led by the Deputy City Manager, Cluster B, and has included the review of past studies and background data, including previous audits and evaluation studies (Appendix B provides a list of audits), examination of transparency and accountability processes, extensive stakeholder consultation, and a comprehensive performance assessment of WT. Funding discussions were conducted through the IGSC, while transparency and accountability policies for WT were reviewed by City staff from the Waterfront Secretariat and Legal Services. Stakeholder consultation involved extensive input with individuals from City divisions, waterfront-related agencies, government secretariats, members of Council, the Mayor's Office, landowners, community groups, and other relevant parties. Furthermore, Ernst & Young LLP (EY) was retained to assess the performance of WT as the primary delivery entity of waterfront revitalization (Appendix D provides the full EY study). Figure 2 illustrates how the EY Performance Assessment fits within the overall Strategic Review.

**Figure 2: Strategic Review Process Components**



### **5.3.1 Stakeholder Consultation**

As part of the Strategic Review, stakeholder interviews were conducted by City staff and separate interviews were conducted by EY. The City interviews were designed to discuss the strengths and weaknesses of waterfront revitalization to date and to identify opportunities and priorities going forward.

A total of 34 individuals were interviewed from City divisions, agencies, affiliated corporations, local community organizations, and waterfront development partners (Appendix C provides a list of participants). Four outreach sessions were organized and attended by 20 Councillors and staff to provide a status update on the Strategic Review and to collect feedback on current and proposed waterfront initiatives.

Stakeholder consultation was also supported by a public Town Hall meeting led by WT in April 2015 to invite comments on waterfront initiatives since 2001 and to garner ideas on future waterfront priorities. The event was attended by approximately 300 participants and an additional 178 participants joined through a live-stream feed. During the event, WT posed survey questions and sought feedback from the audience and online participants.

### **5.3.2 Ernst & Young (EY) Performance Assessment of Waterfront Toronto**

EY was retained in January 2015 to undertake an assessment of WT's performance, examining six areas: relevance; effectiveness; comparison with other waterfront agencies; economy and efficiency; financial self-sustainability, and future role.

The EY study included a literature review, data analysis, web surveys, and interviews as part of its methodology. The consultant report presents a detailed examination of a corporation operating in a complex urban planning environment, and arrives at findings and recommendations based upon multiple lines of evidence. The next section of this report includes a summary of the main findings of the EY study. The EY study is an advisory document and does not provide any level of audit assurance.

## **6. Waterfront 1.0 Findings**

Lessons learned to date relate to the delivery of Waterfront 1.0, which comprises projects funded through the initial \$1.5 billion and which will be fully completed by 2024. The findings and recommendations discussed here are relevant to the City regardless of whether there is a funding commitment towards the delivery of Waterfront 2.0.

### **6.1 Waterfront Toronto Performance**

A portion of the EY study focuses on the efficiency and effectiveness of WT's program and project processes since inception, including an assessment of the prospects for WT becoming financially self-sufficient.

#### **6.1.1 Corporate Efficiency**

EY reviewed WT's overall management of resources based on documents, interviews and a variety of quantitative data. WT has, over the years, implemented cost saving measures in response to past audits and through the application of good business practices.

WT conducts annual salary benchmarking for its staff based on peer groups in the real estate development sector, which, in general, provide higher benchmarks than those that would be provided by a similar exercise against public sector salaries. WT salaries are not benchmarked against City of Toronto salaries.

There is an effort to retain talent and to reduce the training costs associated with staff turnover. The Finance division has sought to realize revenue opportunities and, for example, has achieved increased returns on land assets awaiting redevelopment. Since 2008, WT has greatly reduced its reliance on consultant services and this has resulted in lower project costs and more timely delivery.

The EY study examines the balance of hard versus soft costs for construction projects. Soft costs relate to overhead expenditures such as administration, design and legal services. Hard costs are the more direct costs, such as labour and materials, incurred in building infrastructure projects. Soft costs were found to average an acceptable 15% of hard costs.

EY notes that the CA process can be complex and time consuming but the move away from tri-government CAs, combined with the increased experience of WT and government staff in executing these agreements, has improved funding efficiency.

Interviews with government officials suggest that still more can be done to refine and improve the CA process by: limiting CAs to single projects; refining templates to help standardize documentation; and adopting a risk-based approach designed to speed up the handling of smaller scale projects.

A significant efficiency concern identified by EY is the emerging imbalance between WT's staffing levels, which has remained relatively stable around an average of 71 FTEs for the 2009/10 to 2013-14 period, and a declining pattern of annual spending.

WT's share of projects at, or near completion, has increased substantially over the past five years and corporate spending is forecast to decline over the next five years as more projects are completed. Consequently, the EY study recommends that WT should conduct an efficiency review "to address imbalances in current trends in the organization's spending and staffing figures" (page 53, EY study) following government partner decisions on the strategic direction and funding of Waterfront 2.0 projects.

Overall, EY concludes that WT has managed its resources with due regard to economy and efficiency.

### **6.1.2 Project and Portfolio Management Assessment**

The EY study pays particular attention to the need for consistent project performance reporting to track the cost, status and completion of projects in order to better inform funding decisions, enable more timely and transparent reporting and to improve risk management. An obvious problem in WT's reporting practices is the need for a common definition of "project". Current practice is to report on a different basis depending on who is the recipient. This is complicated by the fact that although all reports originate from a "Work Package", the way in which work packages are unpacked is a manual process and can result in different information being generated, depending on which department (Project Control or Finance) is preparing the report.

Previous audits and EY's Performance Assessment recommend that a common project-based reporting practice should be adopted by WT and the Project Control and Finance divisions should integrate reporting approaches accordingly. In addition, EY recommends that WT provide an annual report that measures performance against the annual plan.

EY notes that WT's project delivery has evolved and improved. In the early period between 2002 and 2007, WT relied heavily on consultants and staff of the government agencies for project management. However, following the 2007 Value-for-Money (VFM) audit, WT expanded in-house management capabilities and since 2008 "has demonstrated an improved track record of timely project delivery" (page 24, EY study). The EY study notes that WT has, on occasion, invested in projects that were either discontinued or were a mismatch with ongoing City initiatives. As a result, the EY study identifies a need for WT to develop a clear set of criteria for determining project success for pilot projects and to determine early on when projects are failing.

EY also discusses the District Energy System (DES) project. The initiative, in which WT invested significantly, failed to materialize for a number of reasons. Major factors appear to have been the Province's decision to withhold further funding and to remove the Athlete's Village from the DES network, which diminished the overall cost-effectiveness of the project. Based on EY's review of available information, all parties acted reasonably and consistent with their interests. The DES initiative illustrates the types of risk that long-term projects face.

The EY study provides an informative historical perspective on how WT's ability to deliver projects has evolved. In the early years, despite the bold objectives of the 2001 tri-government CA regarding flood protection, land servicing and improved transportation infrastructure, there was the challenge of getting things done. This challenge arose out of a number of factors including: inter-agency conflicts; slow EAs; municipal elections; land ownership issues; shifting federal priorities (from transit to public realm projects); and delays with signing CAs. Only as the corporation began to "find its feet", did construction really get underway after 2008. Important groundwork had been laid prior to 2008, particularly in terms of generating community participation and the insistence on design excellence, key bases upon which subsequent successes have been realized.

Overall, the EY study finds that there is a need for WT to re-evaluate its approach to performance measurement, data management and reporting across all departments.

### **6.1.3 WT Financial Sustainability**

The EY study reviews the key assumptions that led to the concept of "self-sustaining" being embedded within WT's corporate objectives. The notion of the corporation being financially self-sustaining has its origins in the *Fung Report* and was carried over into the wording of the subsequent *TWRC Act* as one of the five corporate objectives.

EY points out that a careful reading of both the *Fung Report* and the *TWRC Act* reveals that the self-sustaining corporate objective refers to the financial sustainability of ongoing private sector development in the waterfront after WT has completed its mandate and once revitalization has occurred. The costly remediation work to be undertaken by WT prior to private sector investment was not originally seen to be a profitable venture but, over time, a misunderstanding has developed to the point where many now think that WT is expected to somehow pay its own way. The EY study recommends that WT and its funding partners should "clarify the understanding of the 'self-sustaining' objective within the *TWRC Act*" (page 54, EY study).

The revenue generating tools available to WT are not adequate for it to be financially self-sustaining. The EY study discusses two general revitalization models: the empowered development corporation and the umbrella coordinating agency. Empowered development corporations typically own or directly control land, borrow, create subsidiaries and are financially self-sufficient. On the other hand, coordinating agencies, like WT, typically have limited corporate powers and achieve results through

collaboration with multiple stakeholders. Any changes to WT's powers and/or revenue tools would require careful consideration and agreement by the three governments.

The 2014 Province-led Value For Money Follow-up Audit concluded that WT's efforts to identify and realize revenue opportunities have generally been adequate. Although the proportion of private revenues is expected to continue to increase over the next five years (mainly from land transactions), revenues will still be insufficient to match expected costs. WT is unable to take the actions of a typical independent corporation. WT is, therefore, limited in its ability to become financially sustaining.

The EY study concludes: "Expectations of revenue generation potential should be set in the context of what tools are available to WT and what revenue the entity can reasonably expect to generate from those tools" (page 61, EY study).

## **6.2 EY Other Findings**

There are several other findings and recommendations in the EY study which are not directly summarized in this report and relate mostly to relevance and effectiveness. These will be considered by staff in their deliberations regarding future delivery of revitalization.

## **6.3 WT Transition Plan**

Based on the findings of the EY study, City staff have identified the need for WT to develop a transition plan to manage the period between now and the time of Waterfront 2.0 funding decisions. EY identifies an emerging imbalance between WT's staffing levels and a declining pattern of annual project spending. This situation needs to be addressed through a transition plan that should include the identification of the core strengths of the organization, a staff retention strategy and a balancing of staff resources with anticipated project delivery. Opportunities to realize efficiencies should be maximized. At a minimum, the transition plan should assume Waterfront 2.0 funds will not flow for two to three years. This timeframe allocates a year for negotiations to establish the framework for a renewed intergovernmental partnership, and an allowance for a further one to two years for funding to become available.

## **6.4 Government-led Audits**

In compliance with the *TWRC Act*, WT's annual financial statements are audited externally. WT also procures internal audits periodically to support risk mitigation and continuous improvement in WT's operations. In addition, the governments have led a variety of supplementary audits, including recipient (compliance), performance and review audits, in addition to program evaluations and studies. Appendix B provides a list of these documents.

In order to avoid duplication of efforts and resources, the three governments agreed to coordinate their audit activities and allow one order of government to act as lead on audit activities for a given period of time. As a mechanism for this joint approach, an annual tri-government Audit Plan is approved by all governments and determines the type of audit and projects to be audited for the upcoming period.

The Federal Government performed the role of audit lead from 2005 to 2011, followed by the Province from 2011 to 2015. The Province most recently hired EY to undertake a Follow-Up Audit to the 2007 WT Value for Money Audit.

The government partners have agreed that the City should take the lead in carrying out audit responsibilities moving forward since the other governments have already led the auditing process. In addition, the remaining active CAs are primarily unilateral agreements with the City. For the 2015/16 Audit Plan, City Secretariat staff will consider the Strategic Review outcomes as well as the risk-based audit framework used previously. A proposed Plan will be presented to the other governments for approval in Fall 2015, and a first Audit undertaken at the end of WT's 2015/16 fiscal year.

## **6.5 Waterfront Contribution Agreements**

Contribution Agreements (CAs) provide the mechanism by which government funds flow to WT. As noted in the recent Federal *TWRI Program Evaluation*, it is important that the CA processes provide a balance between adequate government oversight and sufficient flexibility to meet the needs of the revitalization program.

Several past studies, audits, and program evaluations, and more recent interviews conducted as part of the Strategic Review, have identified the administrative burden of the CA process, both to develop the CAs and to execute them. Contributing factors appear to be challenges associated with multilateral agreements, stale CA template requirements, changeover in staff responsible for developing the CAs, and inconsistencies in WT's project cost data/performance reporting. These have frequently resulted in CA processing inefficiencies, affecting both WT's and governments' service levels.

There have been some improvements with recently executed CAs. The adjustments include a more tightly scoped portion of work to be funded, concise description of specific and measurable deliverables, and more detailed budget information.

Further refinement to CA requirements is needed at this time, not only to improve efficiency but also to reflect the latter portion of the LTFP where projects reach completion and the potential for cost over-run may be greater. Also, revenues will be used in some cases to fund the tail portion of projects. CAs should therefore be better aligned with projects as identified in the LTFP. Furthermore, the recognition of WT's revenues as a source of funding for the completion of some projects, for example, may necessitate some changes to the CA Articles, Schedule C (definition of eligible expenses).



Given that only unilateral CAs (for City and for Provincial funding) are required for the balance of Waterfront 1.0, changes to the CA template should be relatively easy to employ. Where possible, information requirements should be standardized to meet the governments' needs for accountability and transparency balanced with WT's needs for timely and flexible funding.

## **6.6 Waterfront Real Estate Function**

There are a number of City entities that have real estate functions within the waterfront. Currently, real estate activities are handled by Real Estate Services, other City divisions, agencies and corporations such as Build Toronto, Toronto Port Lands Company, Toronto Parking Authority, Toronto Transit Commission, Toronto Community Housing Corporation and others. These entities manage their real estate portfolios independently, which challenges the City's ability to develop a City-wide real estate strategy, explore co-location opportunities, maximize the value of assets, and find efficiencies in operations.

While Council updated the governance relationship of WT relative to land-holding divisions, agencies, boards and corporations in 2004, additional measures may be considered by the City Manager's Office as part of its review of real estate services provided by City-owned entities. The results are anticipated to be reported to Executive Committee and City Council in early 2016. It is recommended that the real estate development responsibilities of WT be reviewed in parallel with the City-wide Real Estate Review, to ensure that WT's real estate development work is aligned with that of City agencies, corporations and divisions.

## **6.7 Tracking of Land Contributions**

The City has been tracking its waterfront land contributions since 2005. Similarly, the Province tracks its contributions and has provided, upon request by City staff, information regarding land contributions to date. The flow of revenues from land sales to revitalization has started only in recent years. It is therefore timely that government staff work together to standardize and centralize the tracking of land contributions to ensure that the totality of government waterfront investments is consistently documented and recognized.

## **6.8 Responses to Council Directions**

When considering the City Manager's report on "Next Phase of Waterfront Revitalization" (June 17, 2014), Council at its meeting of July 8, 9, 10 and 11 adopted, among others, the following motions:

- Request WT to adopt a Freedom of Information request policy that is similar to MFIPPA for all documents and communications;
- Request WT to retain a Open Meetings Investigator;
- Request WT to develop a mechanism for disclosure of wrongdoing and protection for staff that is similar to the Toronto Public Service By-law; and

- Request the City Manager to report on terms of reference for the reestablishment of a Waterfront Reference Group.

### **6.8.1 Freedom of Information Request Policies**

A Freedom of information (FOI) policy was adopted by WT in 2009 and updated in 2012:

[http://www.waterfrontoronto.ca/uploads/documents/freedom\\_of\\_information\\_policy\\_dec\\_5\\_2012\\_final\\_approved\\_1.pdf](http://www.waterfrontoronto.ca/uploads/documents/freedom_of_information_policy_dec_5_2012_final_approved_1.pdf)

WT is not bound to FOI legislation but has made its records, regardless of medium or form, available to promote "openness, transparency, accountability and public access to information". WT's FOI policy lists 11 exemptions where information will not be released and they are substantially similar with sections 6 through 16 of the *Freedom of Information Municipal Freedom of Information and Protect of Privacy Act (1990) (MFIPPA)*.

There are a few notable differences between WT's FOI policies and *MFIPPA*. WT's exemptions are limited to overarching FOI themes whereas *MFIPPA* provides detailed sub-clauses for each exemption. In this regard, *MFIPPA* provides more clarity on the application of FOI policies. Also, WT refers to exemptions that could be beyond the scope of *MFIPPA*.

For FOI procedures, WT and *MFIPPA* have different oversight mechanisms. Specifically, WT does not have a third party appeal body. Without a third party oversight mechanism, the application of WT's FOI policies cannot be independently validated. Therefore, WT should strengthen its FOI policies and oversight to more closely reflect those of *MFIPPA*.

### **6.8.2 Open Meetings Investigator Policies**

In 2013, WT appointed The Honourable Coulter A. Osborne, former Associate Chief Justice for Ontario, to investigate any complaints over WT's open meeting practices. In the event of a complaint, the Open Meeting Investigator will comply with the investigative and reporting process set out in the City of Toronto Act. No further actions are recommended.

### **6.8.3 Disclosure and Wrongdoing Policies**

WT's Disclosure of Wrongdoing Policy (DWP) was adopted in 2009:

[http://www.waterfrontoronto.ca/uploads/documents/guideline\\_20\\_disclosure\\_of\\_wrongdoing\\_1.pdf](http://www.waterfrontoronto.ca/uploads/documents/guideline_20_disclosure_of_wrongdoing_1.pdf)

The WT DWP is intended to "ensure that there is a forum for WT employees, stakeholders and/or the public to voice concerns" related to wrongdoing. How wrongdoing is defined by WT is similar to the description provided in the City of Toronto's *Revised Disclosure of Wrongdoing and Reprisal Protection Provisions* (2014). There are, however, significant procedural differences between the two documents. These relate to who leads a wrongdoing investigation and how the results of an investigation are communicated with stakeholders. Consequently, the Strategic Review proposes that WT adopt wrongdoing policies that more closely reflect those contained in *Toronto Public Service By-law*.

#### **6.8.4 Waterfront Reference Group**

City Council approved the establishment of the Waterfront Reference Group (WRG) when it approved the interim Toronto Waterfront Revitalization Corporation, in May of 2001. The WRG consisted of City councillors drawn from the Chairs of the Standing Committees, the TTC, the TRCA, as well as having two members at large, and had a broad mandate regarding waterfront revitalization. Seeking input from City departments, agencies, stakeholders and the general public, the WRG met over a period of a little less than two years during the early phase of the TWRI. Reporting to the Policy and Finance Committee, the WRG performed a City oversight function during the formative stage of the TWRI. Subsequently, its role was replaced by the formal administrative structures put in place by the *TWRC Act*. In addition, since 2004, the Province and the City may each appoint an elected representative to the WT Board of Directors. Currently, the Deputy Mayor, as the Mayor's designate, has been a member of the Board since December 2014.

Pending the outcome of government discussions regarding a second phase of revitalization, City Council may at that point wish to consider the appropriateness of re-establishing the WRG or some similar administrative body for oversight purposes. At this stage, no further action is proposed.

### **7. Request for Borrowing Authority**

#### **7.1 Borrowing Background**

To complete the delivery of Waterfront 1.0 projects, WT needs to be able to manage its cash flow. The organization is not able to do so currently because the timing of WT's receipt of various land sale revenues does not always match or exceed the timing of its expenditure obligations. WT's projections indicate that it will have negative cash flow issues in 2015/16 and in 2018/19.

The *TWRC Act* states that WT may borrow money and mortgage and encumber its assets only with the consent of the three orders of government or with authorization under Provincial regulation. No regulation has been provided to date.

In September 2014, WT formally requested the three orders of government to provide consent to borrow to establish an operational line of credit in order to address anticipated

gaps in funding. Given the City's interest in ensuring the delivery of Waterfront 1.0 projects, this report recommends approval of the required authority which will enable WT to borrow up to \$40 million for a period of five years and encumbers its assets during this time.

WT's business model is predicated on the ability to phase development in order to allow land sale revenues to pay for the investment required to remediate and service lands for development. This approach results in a gap between the timing of revenues and that of expenses, requiring a degree of flexibility in WT's cash flow management.

The 2014/15 approved LTFP is modelled with an explicit requirement for borrowing in certain future time periods where expenses are forecasted to be incurred in advance of revenues. As previous versions of the LTFP have also been modelled this way, the requirement for bridge financing has been known by the government partners for some time. In order for WT to borrow from a financial institution and establish a line of credit, the governments must jointly provide Consent.

Since 2004, WT has requested enhanced corporate powers in order to manage its operations with some flexibility and in alignment with its mandate as envisioned since the inception of the TWRI. The EY study of WT notes that despite WT's efforts to attract private sector funding to support revitalization initiatives, the Corporation remains largely dependent on public sector revenues. Borrowing would enable WT to better manage cash flow by avoiding gaps in funding.

In 2008, City Council conditionally authorized staff to provide Consents to borrow, mortgage or otherwise encumber assets, raise revenues, establish real estate subsidiaries, and establish a district energy subsidiary, subject to the Provincial and Federal governments providing the same Consents. No financial recourse to governments was one of various conditions related to the borrowing Consent. Due to the challenges of securing several authorities within a context of different electoral cycles and shifting government priorities, the required approvals were not provided and consequently, no borrowing or other Consents were executed.

However, at the IGSC meeting on September 15, 2014, the three orders of government agreed in principle to the provision of the requested borrowing authority, and directed staff to prepare documents to allow WT to borrow up to \$40 million for a period of up to five years for purposes of completing capital projects as approved in the LTFP.

In January 2015, the Province provided approvals necessary for WT to borrow money for a five year period, subject to tri-governmental execution of the required Consent. The Federal government has confirmed that it is in the process of seeking the required approval. Bank due diligence is currently underway and will be completed by the middle of August 2015. WT Board approval of the loan agreement is anticipated for early September 2015.

## **7.2 Borrowing Discussion**

WT has not been able to borrow due to the restrictions of the *TWRC Act*, and has instead developed and exhausted various short term measures to work around its cash flow issues when needed. CAs have helped provide a degree of financial stability by providing a relatively regularized flow of funding to WT. Now, however, with fewer active CAs between WT and governments, the organization no longer has even modest flexibility.

WT anticipates that it will be in a cash deficit position of approximately \$0.9 million beginning in September 2015. The organization anticipates that it will draw up to \$12.0 million by May 2016. The cash deficit is attributed to WT's requirement to meet legal obligations related to capital projects already in progress, as well as to fund planning and development work on WT lands in order to bring these lands to market. For example, in East Bayfront there are the upfront costs associated with servicing, soil management, roads and sanitary sewers, as well as planning and development work on WT-owned lands in Quayside. Sufficient land sale proceeds are not immediately available to fund these efforts.

A second, and longer term, cash flow issue is anticipated to begin in 2018/19 and is related to future work. Consistent with its business strategy and in accordance with City Council direction, WT will commence remediation and servicing for Phase 2 of Bayside in advance of the time of receipt of initial land sales revenues. Current LTFP projections indicate that between \$30 and \$35 million will be required; this borrowing will be repaid by 2022/23.

WT indicates that approval of a borrowing facility of \$40 million will enable WT to fulfill existing contractual obligations, continue project implementation of existing capital projects and enable the completion of Waterfront 1.0. The borrowing can be adequately secured by recourse to WT land assets with a collective value of \$104 million.

## **7.3 Consents**

The *TWRC Act* states that WT may borrow money and mortgage and encumber its assets only with the consent of the three orders of government. The language of the *TWRC Act* distinguishes the authority to borrow from the authority to encumber assets. Accordingly, two distinct Consents, contained within one document, have been developed in response to WT's borrowing requirements and are discussed in the following sections.

### **Consent to Borrow**

WT has indicated that an operating line of credit from a financial institution is required as the mechanism to more effectively and efficiently manage future cash flows, allowing bridge financing where market conditions and development agreements delay the receipt of land sale revenues. In particular, it would pay for incremental infrastructure investment required to remediate and service lands for development, such as Phase 2 of Bayside and Quayside projects, both in East Bayfront.

The funding source for the repayment of draw downs on the operating line of credit and the interest cost are anticipated to be derived from land sale revenues, private sector development agreements, and other general revenues from parking operations and leases.

WT proposes to start using the line of credit in September 2015. A five year period for the Consents is required to address the cash flow issues in September 2015/16 and in 2018/19.

WT will finalize the agreement with the qualified lender once the Consent document is executed by the three orders of government and the WT Board of Directors has approved the final draft loan agreement.

### **Consent to Encumber Assets**

The proposed collaterals used to secure the line of credit are WT-owned land assets (located at 200 Queens Quay East, 259 Lake Shore Boulevard East, 291 Lake Shore Boulevard East, 2 Small Street, 333 Lakeshore Boulevard East, 54 Commissioners Street, and 130 Commissioners Street), related sale agreements and the revenues generated from these assets as well as associated receivables, and other beneficial assignments. The estimated value of these properties is \$104 million.

The Consent documents (as attached in Appendix A) have been developed to mitigate risks to the orders of government by including the following provisions:

- Explicit non-recourse to the governments;
- Encumbrance of only WT-owned land assets and sales agreements and revenues generated from those assets;
- Explicit exclusion of Contribution Agreements' funding or related rights to be used as security; and
- Restriction of the period of indebtedness to five years with an option to renew upon approval by the three orders of government.

The proposed Consents are revocable at any time, provided that the revocation does not cause WT to breach any written agreement or obligation.

### **7.4 Risk Management and Reporting**

WT has identified measures to manage potential risk associated with the proposed borrowing, including interest rate risk, default risk and credit risk. In addition, it will also report its cash flow position, potential risk issues and repayment strategies to its Finance, Audit, and Risk Management Committee. The governments, through their respective IGSC representatives, have agreed to a reporting and monitoring framework to ensure enhanced oversight. Strong controls over WT's cash flow management will be implemented. Specifically, WT will be required to provide governments with the following:

- Copy of loan agreement;
- Copy of security documents;
- Quarterly reports on outstanding principal and accrued interest as of most recent quarter, to be submitted as part of the quarterly funding package materials;
- Lender statements indicating WT draw downs and repayments made during the most recent quarter, to be submitted as part of the quarterly funding package materials; and
- Confirmation of good standing under the loan agreement to be provided periodically.

## **8. Towards a Second Phase – Waterfront 2.0**

Lessons learned from waterfront revitalization efforts to date are useful for informing how the City can move towards a second phase of delivery. Referred to as Waterfront 2.0, this second phase is a general concept for which funding, scope and delivery need to be confirmed during the course of further tri-governmental discussion.

### **8.1 Sustaining the Momentum of Waterfront Revitalization**

As many stakeholders have attested, the signs of progress on the waterfront are only now becoming widely visible after years of frustration when it appeared little was being accomplished. Early years focused on extensive planning, design, consultation, approvals, soil and groundwater remediation and other preparation. Now, however, projects such as Queens Quay Revitalization, East Bayfront and the Athletes' Village are visibly transforming the waterfront.

Several major mixed-use, residential and non-residential projects are now under construction and will feature significant new affordable housing and public space components. These additions, combined with new recreational and community facilities, will create complete communities that will help meet the needs of a growing waterfront, downtown and City. Furthermore, these developments will generate significant tax revenues for the three orders of government.

As noted by EY, it would not have been possible to deliver these benefits on the scale and with the timeliness achieved to date without the tri-government partnership and funding model in place. The tri-government partnership, administered by the IGSC, has delivered a stable, non-partisan forum for communication, debate and coordination. Since the inception of the Waterfront Task Force in 1999, there have been four City Mayors, four Premiers, and three Prime Ministers. The level of confidence that the tri-government partnership provides, has leveraged private sector investment in the waterfront.

Based on its achievements since incorporation in 2003, WT has earned credibility as an effective and reliable delivery entity. The organization is recognized for its delivery of well-received public spaces, with strengths in planning, design, and comprehensive public consultation practices.

Overall, considerable momentum has been built over the past decade. With revitalization far from complete, there is a need to maintain this momentum.

## **8.2 Tri-Governmental Partnership for Waterfront Revitalization**

Stakeholder feedback confirmed that integral to the successes of waterfront delivery to date is the tri-government model. As commented by one stakeholder, tri-government partnerships, on the scale and effectiveness of the revitalization initiative are rare, and once lost, are seldom regained.

The City has a strong interest in the continuation of the tri-government model which EY notes has enhanced the value of waterfront lands, improved lakeshore accessibility, created jobs, expanded the public realm, advanced "triple bottom-line" sustainability, and catalyzed economic development on historically underutilized and contaminated lands. The model has promoted a single vision, streamlined coordination and given enhanced credibility to the program. A report by the Mowat Centre, School of Public Policy and Governance (University of Toronto), indicates that the same results realistically could not have been achieved without the tri-government model. "As hard as it is to imagine, at no time in the last 50 years has the waterfront witnessed as much coordinated redevelopment activity as during WT's tenure. Without it, the same pattern of utterly disjointed decision making that typified waterfront planning and implementation for the past half century would only have worsened" (page 19, Mowat Centre).

Given the significant value provided by the tri-governmental model, it is therefore recommended that Council support in principle the undertaking of a second phase of waterfront revitalization supported by tri-government funding and governance.

## **8.3 Waterfront "Call to Action"**

The time has now come to renew the intergovernmental partnership and funding model to tackle the challenges of the second phase of waterfront revitalization. The Strategic Review concludes that the City should take a leadership role in this renewal process.

As noted earlier, the IGSC has met three times since September 2014 on the topic of determining next steps in waterfront revitalization. Despite having productive discussions, the governments have not made a commitment to the proposed second phase of delivery. IGSC members have discussed more recently funding specifically for flood protection. Such a commitment would help ensure that the momentum of waterfront revitalization is maintained while future long term funding for the delivery of Waterfront 2.0 is being resolved. These discussions have been positive but inconclusive.

It is recommended that Council request the Mayor to contact his Provincial and Federal counterparts to initiate a "Call to Action" negotiation process that would conclude as soon as possible in 2016. It is anticipated that the Call to Action process, to be supported by the IGSC, would be time bound and conclude with a public announcement regarding a joint position on a second phase of waterfront revitalization. This would replicate the tri-



government process that led to the launch of the Toronto Waterfront Revitalization Initiative on October 20, 2000.

This Call to Action would include the following dimensions:

- The deliberations process would be bookended by opening and closing Waterfront 2.0 "Summits", bringing together the Mayor, the Premier (or designate) and the Prime Minister (or designate) for private meetings followed by public statements;
- The deliberations process would include a firm deadline as early as possible in 2016;
- At the end of the deliberations process, the governments would collectively determine the following areas of interest:
  - Joint tri-government priorities relative to delivery of Waterfront 2.0;
  - Continue the flexibility and assurance of a multi-year tranche funding agreement or shift to funding on a narrower, project-by-project basis from existing infrastructure programs and capital budgets;
  - Total and individual amounts of public sector funding and land that the government partners are willing to contribute;
  - The vehicle (or vehicles) responsible for delivering the next phase of revitalization, subsequently providing direction on determining WT's role and responsibilities in the next phase of revitalization; and
- With the closing Summit, the government partners would publicly communicate the outcomes related to the areas of interest described above.

This framework for the Call to Action would work within the existing IGSC platform and avoid additional bureaucracy or duplicating structures. Most importantly, it would: (i) establish a deadline for the conclusion of negotiations regarding Waterfront 2.0; (ii) require public reporting on the deliberation outcomes; (iii) involve senior political representatives in the beginning and at the end of the process; and (iv) provide all governments with important information for future capital expenditure planning. The IGSC and government partners would apply "lessons learned" from the Strategic Review and the EY study, using both reports as an evidence base to inform negotiations.

The outcomes of the deliberation period may trigger changes in waterfront governance and WT's role in delivering revitalization projects. We recommend that the IGSC's public communication on the outcomes of the deliberation unambiguously clarify waterfront governance and WT's mandate given the terms reached at the end of the deliberations process.

If no formal agreement is reached through the Call to Action process, City staff would report on how the City would implement a continued program of waterfront revitalization on its own, and what role, if any, WT would play in future City-led waterfront revitalization efforts.

## **9. City Priorities for the Waterfront**

As the leader of the Call to Action, the City should affirm and communicate its vision for the next phase of waterfront revitalization. The *Central Waterfront Secondary Plan* and the *Official Plan* provide visionary statements, with both documents promoting a waterfront that is mixed-use, connected to surrounding communities, transit supportive, dynamic, environmentally sustainable, and has ample opportunities for recreational activities.

These visionary statements and policies are as relevant today as they were when they were first published. As noted in the *Central Waterfront Secondary Plan*, "waterfront renewal will not be treated as a specific project with a defined finishing point. Rather, it will be managed as an ongoing, phased effort that will carry on over decades. The principles of this Plan will act as a framework for the renewal activities and will be as valid 30 years from now as they are today".

### **9.1 Priority Project Categories**

Consistent with the City's existing planning policy framework for the central waterfront and the views expressed by the majority of stakeholders, four main priority project categories have been identified for the next phase of waterfront revitalization. The City should affirm its support for these four areas of revitalization: flood protection; waterfront transit; land servicing; and public realm, as the defining elements of Waterfront 2.0.

These Waterfront 2.0 project priorities are broadly aligned with those of WT's *Strategic Business Plan 2013-2024* but at this stage are of a more generalized nature. Waterfront 2.0 project categories have no committed government funding as of yet, although aspects of them have been the subject of tri-government discussions as well as specific funding applications. These project categories would be implemented at the time funding becomes available and no specific timetable can be attached to their delivery.

#### **9.1.1 Flood Protection and Enabling Infrastructure**

The geographical positioning of the central waterfront next to the Don River necessitates an extensive flood protection program to eliminate the risk of human and property loss associated with flooding. An example of a successful local flood protection initiative is the West Don Lands berm. Constructed by WT, the berm removed approximately 250 hectares of land west of the Don River from the floodplain, which enabled the construction of the Pan Am Athletes Village. In addition, the West Don Lands berm functions as a community park (Corktown Common).

During the next phase of waterfront revitalization, the re-routing and re-naturalization the mouth of the Don River has been proposed to eliminate the risk of flooding for over 290 hectares of land in the Port Lands and to the east of the Don River. Over the long term, the project will:

- Eliminate the risk that Federal disaster relief funds will be needed in the future to address flood damages caused to properties currently within the floodplain;
- Unlock the redevelopment and intensification potential for properties within the Port Lands and the South of Eastern Employment Area (including the proposed First Gulf development);
- Improve aquatic and terrestrial ecological functions and provide linkages to upstream habitats; and
- Enhance recreational opportunities between Lake Ontario, the Don River watershed, and the City.

An extensive construction program is required to deliver Lower Don flood protection. Construction activities will include:

- Widening the Don River north of Lake Shore Boulevard and constructing a sediment and debris management area on the west side of the River;
- Reclaiming and grading to create additional land;
- Excavating and grading to create the new river channel, greenway and habitats;
- Raising grades for development areas;
- Creating new bridges (Cherry, Commissioners, Polson Slip, and Basin), lengthening bridges (Lake Shore and Harbour Lead), removing existing bridges and abutments (Cherry), and reconstructing streets (Cherry, Commissioners, Don Roadway, and Lake Shore);
- Removing and modifying existing dockwalls at select locations to allow for naturalization initiatives and spillway construction;
- Managing soil and groundwater contamination; and
- Building flood protection landforms along the east side of the Don Roadway.

Based on current WT estimates, the Lower Don flood protection and enabling infrastructure project will require an investment of \$975 million (nominal dollars) and would take between 7 and 10 years to construct, although an accelerated construction program of 5 years is also an option. The project is the subject of a due diligence phase of work that will provide the governments with additional detailed information related to costs, soil and groundwater issues and procurement options.

### **9.1.2 Transit**

Vibrant and walkable waterfront communities require adequate access to local and regional transit infrastructure. Within the waterfront area there are multiple transit lines at various planning stages, many of which are affected by broader transit network discussions. These projects include:

### **East Bayfront LRT:**

Designed to serve the growing East Bayfront community that will have 6,000 residential units and 8,000 jobs at build out. The LRT would operate at grade level along Queens Quay East from Parliament Street to approximately Bay Street where the line would be tunnelled to link with Union Station. An East Bayfront LRT Environmental Assessment was completed in 2010 and the line is estimated to cost \$525 million (nominal dollars). The line could be extended eastward at a later date to link with the West Don Lands, the Port Lands, the First Gulf site, and Carlaw Avenue.

### **Port Lands LRT:**

Intended to meet the transportation needs generated by future residential and commercial development in the Port Lands, the LRT would operate at grade level along Commissioners Street from Carlaw Avenue to Cherry Street, where it would travel north to Queens Quay East and link to the East Bayfront LRT. Detailed plans for introducing transit within the Port Lands are currently being studied through the Port Lands Planning Framework and Transportation and Servicing Master Plan. City staff will report on this matter in Q4 of 2015.

### **Western Waterfront LRT:**

Over the years, various environment assessments have been undertaken to study demand and routing options for a western waterfront LRT. One potential scenario is to construct an LRT along Bremner / Fort York Boulevard between York Street and Fleet Street. The LRT line would then head west through the Exhibition Grounds and beyond to Etobicoke.

The transportation needs of the waterfront are currently being considered as part of the City's multi-phased "Feeling Congested?" project. The timing for new transit funding and construction is dependent on multiple factors, including which transit projects are identified as "next wave" projects in the Province's Big Move program.

#### **9.1.3 Land Servicing**

Basic soil remediation and core infrastructure (roads, hydro, sanitary & stormwater treatment) are fundamental requirements for waterfront development. While many precincts within the central waterfront already have land servicing in place, a number of smaller precincts still need basic land servicing infrastructure to increase their value and development potential. Examples include:

- East Bayfront Quayside;
- North Keating;
- Polson Quay; and
- West Don Lands Blocks 3 and 4.

Future development within the waterfront will necessitate continued land servicing investments.

#### **9.1.4 Public Realm**

An attractive and accessible public realm can be a catalyst for development and is a central tenet of waterfront revitalization. The public realm represents all investments made on public property (i.e. lampposts, benches, signage, bus shelters, sidewalks, trees, plants, event space, boardwalks, playground structures, open space, etc.). Examples of potential public realm projects that could be incorporated in the next phase of waterfront revitalization include, but are not limited to:

##### **North-South Connections:**

The existing condition of many north-south streets between the downtown core and the waterfront is unwelcoming and is a deterrent to waterfront revitalization. WT proposes to improve the attractiveness of these connections with new public art and improved streetscaping.

##### **Central Waterfront Promenade:**

Building on previous WT investments, the completion of a continuous and accessible waterfront promenade is possible in the near future. WT proposes to construct additional boardwalk and footbridges to improve pedestrian linkages and connectivity along the water's edge, with an emphasis on major destinations within the central waterfront.

##### **New Park at the Foot of Yonge Street:**

The surface parking lot on the southeast corner of Queens Quay and Yonge Street would be transformed into a signature park designed to accommodate large ships on the water's edge. The project would be a joint venture between WT and PortsToronto.

##### **Updated Jack Layton Ferry Terminal:**

Located in the heart of the central waterfront and as the primary access point to the Toronto Islands, the Jack Layton Ferry Terminal and Harbour Square Park have been referred to as the "missing link" in the waterfront. With the completion of an international design competition for the area in April 2015, work on a proposed implementation plan for the first phase is underway. Some funding for implementation has been provided by the City through Parks, Forestry and Recreation.

## **10. Waterfront Toronto as the Primary Delivery Entity**

The EY study concludes that WT's future role in waterfront revitalization efforts depends on the extent to which the funding partners commit to Waterfront 2.0 projects. Without knowing this commitment, "conclusions on WT's ability to lead the effort are not

possible" (page 62, EY study). It is critical that the funding partners come together to determine what, if any, of Waterfront 2.0 projects they are prepared to fund. On this basis, WT's appropriate organizational structure, size, governance, responsibilities and performance standards can be addressed.

The EY study presents the general case for development agencies in terms of their abilities to create benefits beyond those which public or private entities acting alone could achieve:

- Long term leadership insulated from political change;
- Coordinate multiple competing interest groups;
- Negotiate deals more quickly with the private sector;
- Address market failures (such as contaminated soils) more effectively than the private sector; and
- Better able to assume the financial risk of land reclamation.

WT has delivered these benefits to the City and has proven itself to proficient at:

- Public consultation and participation;
- Urban design, landscape architecture and planning;
- Sustainable development strategies;
- Building developer trust; and
- Tackling large-scale urban renewal projects.

Many of these benefits have arisen from the tri-government and funding model and would be difficult for the City to replicate "going it alone". For the tri-government and funding model to work, an independent entity of some kind, such as WT, is required. WT has created a pool of knowledge, expertise and processes that has earned it a widely recognized credibility in delivering waterfront renewal. Although the City could, perhaps, absorb WT's role and increase its control over the waterfront, it would "likely eliminate the cooperation and funding from the other two government partners" (page 64, EY study) in the process.

WT has learned from experience and, in particular, its capacity to manage risk has matured over the past five years. However, there remains room for improvement in WT's risk-based project budget management practices. One suggestion is that WT should further investigate the options of Alternative Financing Procurement (AFP) and continued partnerships with Infrastructure Ontario.

The EY study concludes that a full efficiency review of WT "should be conducted following government partner decisions on the strategic direction of waterfront revitalization and what if any proportion of WT's Strategic Business Plan the funding partners are willing to sign on for" (page 66, EY study). More immediately, WT should continue to improve its performance measurement practices and begin to address a plan

to manage the transition from Waterfront 1.0 delivery to the time of Waterfront 2.0 funding decisions.

Assuming the governments adopt a tri-government and funding model and agree to priority areas aligned to those described in the previous section, it is recommended that Council affirm its interest in having WT as the primary delivery entity for the next phase of revitalization. EY concludes that WT has delivered value for money to the City, is aligned with international best practice, and achieved recognition for public outreach and design excellence.

Finally, if there were not a WT, then there would need to be a similar entity to coordinate the multi-government waterfront revitalization effort. A prudent and efficient approach suggests that building upon the sound foundation and strengths of WT, rather than developing a new waterfront delivery entity, is advised.

## **11. Conclusion**

The Strategic Review was undertaken to inform the City and provides recommendations to enhance the delivery of Waterfront 1.0 projects. Findings from the Strategic Review and EY study confirm that the revitalization effort, tri-government model and WT have delivered considerable value to the City. Based on lessons learned, it is recommended that the City lead a Call to Action with the Provincial and Federal governments to advance funding discussions regarding a second phase of waterfront revitalization.

In support of the Call to Action, Council should renew its commitment in principle to the tri-government partnership and funding model, and affirm flood protection, waterfront transit, land servicing and public realm enhancements as the City's priority projects for the second phase. Should the outcome of the Call to Action result in a scenario of tri-governmental commitment to governance and funding towards a second phase of waterfront delivery, WT should be considered the primary delivery entity.

This report was prepared by the Waterfront Secretariat in consultation with Corporate Finance, Financial Planning, City Planning, Office of the Chief Corporate Officer, City Manager's Office and Legal Services.

## **CONTACT**

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## **SIGNATURE**

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John W. Livey, F.C.I.P.  
Acting City Manager

## **ATTACHMENTS**

Appendix A – Consent Documents

Appendix B – Waterfront Audits

Appendix C - Strategic Review Stakeholder Interviews

Appendix D – Ernst & Young LLP Waterfront Toronto Performance Assessment



## APPENDIX A

### CONSENT

**TO: TORONTO WATERFRONT REVITALIZATION CORPORATION  
("TWRC")**  
**RE: AUTHORITY TO BORROW MONEY AND ENCUMBER ASSETS  
FOR PROJECTS IN THE DESIGNATED WATERFRONT AREA AND  
FOR BRIDGE FINANCING**

---

#### RECITALS:

- A. TWRC is a corporation continued under the *Toronto Waterfront Revitalization Corporation Act, 2002* (Ontario), as amended (the "Act") with objects set out in the Act.
- B. Subsection 4(5) of the Act provides, among other things, that TWRC shall not borrow money unless it has the consent of the federal government, the provincial government and city council (all as defined in the Act).
- C. Subsection 4(6) of the Act provides, among other things, that TWRC shall not mortgage or otherwise encumber any of its assets unless it has the consent of the federal government, the provincial government and city council (all as defined in the Act).
- D. The undersigned wish to consent to TWRC borrowing money from federally regulated financial institutions regulated by the Office of the Superintendent of Financial Institutions (Canada) ("OSFI") ("Qualified Lenders") for the purposes of funding, by way of operating line(s) of credit or other credit facilities for bridge financing for, work undertaken or expenditures incurred pursuant to and consistent with the objects of TWRC as set out in the Act.
- E. The undersigned further wish to consent to TWRC mortgaging and otherwise encumbering certain of its assets in connection with those borrowing(s).

#### NOW THEREFORE:

- 1. Pursuant to subsection 4(5) of the Act, the undersigned hereby consent to TWRC borrowing money up to an aggregate principal amount of \$40 million from one or more Qualified Lenders, on and subject to the following terms and conditions:
  - (a) the net proceeds of all borrowing (after payment of commercially reasonable lender fees and expenses, commercially reasonable legal and advisory fees and expenses and other commercially reasonable costs and expenses of the borrowing) shall be used for the purposes

of funding work undertaken or expenditures incurred related to already approved projects in progress at the date of this consent that are identified in the long-term funding plan approved annually by the TWRC Board of Directors and distributed to the undersigned, as it may be amended or supplemented from time to time;

- (b) the term of the borrowing shall not be beyond March 31, 2020, provided that the loan documentation with the Qualified Lender may include the option to extend the term upon the written approval of the undersigned;
  - (c) TWRC shall cause the Qualified Lender under the borrowing to expressly acknowledge that it shall have no recourse to any one or more of the undersigned with respect to the observance and performance of the obligations of TWRC, except with the written consent of such undersigned party or parties;
  - (d) the loan documentation with any Qualified Lender for the borrowing shall:
    - (i) state that TWRC is not, and does not have the capacity to act as, an agent of any of the undersigned except as provided for in the Act;
    - (ii) provide that copies of any notices of default or event of default must be provided to each of the undersigned at the time that the notices are provided to TWRC;
    - (iii) require repayment in full prior to the wind-up of TWRC as provided for in the Act; and
    - (iv) include express acknowledgements from the Qualified Lender that it shall have no recourse to any one or more of the undersigned, or to any property of any of the undersigned, except to the extent, if any, that any one or more of the undersigned have consented in writing to such recourse; and
  - (e) TWRC grants the undersigned reasonable rights of audit in respect of TWRC, including TWRC's books and records as they relate to the borrowing and security arrangements in relation thereto.
2. Pursuant to subsection 4(6) of the Act, the undersigned further consent to TWRC mortgaging and otherwise encumbering the following assets in connection with such borrowing(s):

- (a) 200 Queens Quay East; 259 Lakeshore Boulevard East; 291 Lake Shore Boulevard East; 2 Small Street; 333 Lake Shore Boulevard East; 54 Commissioners; and 130 Commissioners (collectively referred to as the “Real Property”);
  - (b) Any proceeds received by TWRC from the disposition of any of the Real Property;
  - (c) Any revenue generated from certain of the lands and premises located within the designated waterfront area (as defined in the Act and regulations thereunder), for which the undersigned gave their consent to TWRC, subject to and in accordance with the terms of the consent of the undersigned dated June 4, 2007 (the “Land Revenue Consent”), provided that TWRC obtains the consent of the City of Toronto in its capacity as land owner or as may otherwise be necessary for the registration of any mortgage or encumbrance on City-owned lands and premises.
3. Such borrowings shall be subject to the requirement that, in connection with any such borrowings, TWRC may not assign any rights, including rights to receive payment or funding, under any Contribution Agreement to which any of the undersigned is a party.
4. TWRC from the observation and performance of any of its obligations under agreements to which it is a party or by which it is bound. Except as expressly contemplated herein, to the extent that this Consent is inconsistent with any of the foregoing, the foregoing shall prevail.
5. For greater certainty, this Consent does not authorize TWRC to act as an agent of any of the undersigned.
6. This Consent is conditional on (a) TWRC using the proceeds of the borrowing for purposes consistent with its objects under the Act, (b) the borrowing not contravening any obligations of or restrictions on TWRC pursuant to any law, statute, regulation or agreement, and (c) TWRC maintaining books and records and otherwise accounting for such borrowing and the proceeds thereof on bases consistent with, and no less stringent than, the bases used for its other financial transactions. The undersigned or any one of them will provide written notice to TWRC if it is believed any of the conditions in this paragraph have not been satisfied along with an appropriate time within which to remedy or correct such defect. Delay or failure on the part of any of the undersigned to provide such notice shall not operate as a waiver of the undersigned’s right to require compliance at a later date.

7. This Consent is revocable in whole or may be amended at any time (in the absolute discretion of the undersigned) by all of the undersigned giving TWRC written notice thereof.
8. Despite paragraph 7, in the case of the TWRC not satisfying the conditions set out in paragraph 6, the Consent may only be revoked after providing TWRC with reasonable time to remedy the defect and after TWRC has made reasonable efforts to remedy such defect.
9. No revocation or amendment effected pursuant to this Consent shall (i) vitiate or invalidate any written agreement or obligation entered into by TWRC, (ii) cause TWRC to breach any written agreement or obligation, or (iii) cause TWRC to be unable to exercise any right under any written agreement, in each case, to the extent that such written agreement or obligation was entered into or undertaken prior to the date of such revocation or amendment.
10. This Consent may be executed in one or more counterparts, each of which when executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.
11. This Consent shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
12. No amendment or waiver of any provision of this Consent is effective unless it is in writing and signed by all of the undersigned.

**WITNESS WHEREOF** the undersigned have executed this Consent.

**DATED** as of this \_\_\_\_ day of \_\_\_\_\_, 2015.

**HER MAJESTY IN RIGHT OF CANADA AS  
REPRESENTED BY THE MEMBER BELOW  
OF THE QUEEN'S PRIVY COUNCIL FOR  
CANADA DESIGNATED BY THE  
GOVERNOR GENERAL IN COUNCIL**

Per: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Title)

**HER MAJESTY IN RIGHT OF ONTARIO AS  
REPRESENTED BY THE MINISTER OF  
ECONOMIC DEVELOPMENT,  
EMPLOYMENT AND INFRASTRUCTURE**

Per: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Title)

**COUNCIL OF THE CITY OF TORONTO AS  
REPRESENTED BY THE UNDERSIGNED**

Per: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Title)

## APPENDIX B – WATERFRONT AUDITS

As of June 03, 2015

YEAR	Internal Audits	External Audits	Government Audits	Total no.
2014/15	- Construction Audit for the Bayside Project (MNP LLP)	- March 31, 2015 financial statement audit (BDO Canada LLP)	- Provincial audit on follow up of 2007 VFM audit recommendations and review of revenue generation capacity - City-Wide Risk Assessment (ongoing) - Waterfront Strategic Review (ongoing)	5
2013/14	- Cash handling & reporting - 7 Queens Quay (MNP LLP) - Review of Queens Quay Project (MNP LLP)	- March 31, 2014 financial statement audit (BDO Canada LLP)	- Federal TWRI Program Evaluation	4
2012/13	- Contract commitments (MNP LLP) - Project budget management (MNP LLP) - Sales tax audit (Stratos Consulting)	- March 31, 2013 financial statement audit (BDO Canada LLP)	- District Energy (Federal)	5
2011/12		- March 31, 2012 financial statement audit (BDO Canada LLP)		1
2010/11		- March 31, 2011 financial statement audit (Deloitte and Touche LLP)	- Central Waterfront Public Realm (Federal) - Contracting Practices (Federal)	3
2009/10		- March 31, 2010 financial statement audit (Deloitte and Touche LLP)	- Transitional Sports Fields (Federal) - Harbourfront Canada Square Feasibility Study (Federal) - Don River Park Design (Federal)	4
2008/09	- Program Management Review (PWC) - Schedule Control (PWC)	- March 31, 2009 financial statement audit (Deloitte and Touche LLP)	- Western Beaches Watercourse (Federal)	4
2007/08	- Funding Process Review (PWC)	- March 31, 2008 financial statement audit (Deloitte and Touche LLP)	- Federal TWRI Program Evaluation (Malatest Consulting)	3
2006/07	- Contribution Agreement Compliance (PWC)	- March 31, 2007 financial statement audit (Deloitte and Touche LLP)	- Value for Money Audit (Tri-government)	3
2005/06	- Eligible Recipient Management (PWC) - Eligible Recipient Procurement (PWC) - HR & Payroll (PWC)	- March 31, 2006 financial statement audit (Deloitte and Touche LLP)	- Priority Projects (Federal)	5
2004/05	- Eligible Recipient Audit - Harbourfront Corporation (Stantec) - Procurement function (Stantec)	- March 31, 2005 financial statement audit (Deloitte and Touche LLP)		3
2003/04		- March 31, 2004 financial statement audit (Deloitte and Touche LLP)		1
2002/03		- March 31, 2003 and March 31, 2002 financial statement audit (Deloitte and Touche LLP)		1
<b>TOTALS</b>	<b>15</b>	<b>13</b>	<b>14</b>	<b>42</b>

Source: Waterfront Toronto

## APPENDIX C – STRATEGIC REVIEW STAKEHOLDER INTERVIEWS

		EY	City			EY	City
<b>Waterfront Toronto</b>				<b>Agencies</b>			
Waterfront Toronto Board Members	Mark Wilson	✓		Fort York	David O'Hara	✓	
Waterfront Toronto Board Members	Gary Wright	✓		Toronto & Region Conservation Authority	Brian Denney	✓	
Waterfront Toronto Board Members	Kevin Garland	✓		Build Toronto	Bill Bryck	✓	
Waterfront Toronto	John Campbell	✓		Ports Toronto	Geoffrey Wilson	✓	
Waterfront Toronto	Renee Gomes	✓		Ports Toronto	Gene Cabral	✓	
Waterfront Toronto	Meg Davis	✓		Exhibition Place	Dianne Young	✓	
Waterfront Toronto	Marisa Piattelli	✓		Toronto 2015	Liza Stiff	✓	
Waterfront Toronto	Edward Chalupka	✓		Toronto Transit Commission	Vince Rodo	✓	
Waterfront Toronto	Veronica Bergs	✓		Toronto Port Lands Company	Michael Kraljevic	✓	
Waterfront Toronto	David Kusturin	✓		Infrastructure Ontario	Rich Couldrey	✓	
Waterfront Toronto	Lisa Prime	✓		Infrastructure Ontario	Peter Wilson	✓	✓
Waterfront Toronto	James Roche	✓		<b>Community Organizations</b>			
Waterfront Toronto	Chad McCleave	✓		Bring Back the Don / Toronto Green Communities	John Wilson	✓	
Waterfront Toronto	Sandra Tran	✓		Gooderham & Worts Neighbourhood Association	Julie Beddoes	✓	
Waterfront Toronto	Mary-Anne Santos	✓		Gooderham & Worts Neighbourhood Association	Jane Robinson	✓	
<b>Waterfront Secretariat</b>				West Don Lands Committee	Cindy Wilkey	✓	
City Waterfront Secretariat	David Stonehouse	✓		St. Lawrence Market Neighbourhood BIA	George Milbrandt	✓	
City Waterfront Secretariat	Irene Bauer	✓		Distillery District	David Jackson	✓	
Provincial Waterfront Secretariat	Mary Bartolomucci	✓		<b>Development &amp; Construction Companies</b>			
Provincial Waterfront Secretariat	Lise Bolduc	✓		Great Gulf	David Gerofsky	✓	
Federal Waterfront Secretariat	Francine Belanger	✓		Tridel	Bruno Giancola	✓	
Federal Waterfront Secretariat	Nico Flemming	✓		Eastern Construction	Renato Tacconelli	✓	
Federal Waterfront Secretariat	Saskia Tolsma	✓		<b>Post-Secondary Institutions</b>			
City Waterfront Secretariat (formerly)	Elaine Baxter-Trahair	✓	✓	George Brown	Mark Nesbitt	✓	
City Waterfront Secretariat (formerly)	Fiona Chapman	✓		<b>Development Consultants</b>			
City Waterfront Secretariat (formerly)	Gwen McIntosh	✓		N. Barry Lyon Consultants	Mark Conway	✓	
Deputy City Manager Cluster B	John Livey	✓		N. Barry Lyon Consultants	Jasmine Cracknell	✓	
City Planning	Jennifer Keesmaat	✓	✓	<b>Int'l Waterfront Development Corporations</b>			
<b>Other City Divisions</b>				HafenCity GmbH - Hamburg	Giselher Schultz-Berndt	✓	
City Economic Development & Culture	Mike Williams	✓	✓	Melbourne Docklands Development Authority	Simon Wilson	✓	
City Water & Waste	Lou Di Geronimo	✓	✓	Melbourne Docklands Development Authority	Ronan Mellan	✓	
City Legal Services	Diana Dimmer	✓		Dublin Docklands Development Authority	Darach O'Connor	✓	
City Legal Services	Barbara Cappell	✓		Barcelona Port Authority	Adolf Romagosa	✓	
City Legal Services	Scott Pasternack	✓		<b>Total Interviews</b>			
City Transportation Services	Stephen Buckley	✓				38	35
City Office of Partnerships	Phyllis Berck	✓					
City Internal Services	Rob Rossini	✓					
City Corporate Finance	Joe Farag	✓					
City Parks, Forestry & Recreation	Janie Romoff	✓					
City Financial Planning	Josie Lavita	✓					
City Engineering and Construction Services	Michael D'Andrea	✓					
City Engineering and Construction Services	Sinead Canavan	✓					

**APPENDIX D – ERNST & YOUNG LLP WATERFRONT TORONTO  
PERFORMANCE ASSESSMENT**