

### Sidewalk Toronto

**Date:** January 16, 2017  
**To:** Executive Committee  
**From:** Deputy City Manager, Cluster B  
**Wards:** Ward 30

#### SUMMARY

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The purpose of this report is to describe the partnership initiated by Waterfront Toronto's Quayside Request for Proposals (RFP), which has been named "Sidewalk Toronto" by Waterfront Toronto and their selected partner, Sidewalk Labs. The report outlines the "Framework Agreement" between Waterfront Toronto and Sidewalk Labs, as well as City Council approval requirements and other key issues.

On October 17, 2017, Waterfront Toronto announced that Sidewalk Labs (a subsidiary of Alphabet Inc., which is also the parent company of Google) had been selected as its "Innovation and Funding Partner" for the Quayside district along Toronto's waterfront. There has been substantial media coverage of, and public interest in, this announcement. The announcement followed a RFP process initiated by Waterfront Toronto in March 2017, seeking an Innovation and Funding Partner for Quayside. Quayside is a 12 acre parcel of land along Queens Quay East near Parliament Street that is largely owned by Waterfront Toronto (see Attachment 1).

There is an extensive economic development component to the project. Waterfront Toronto and Sidewalk Labs are proposing that Quayside become a hub for innovation-related companies, institutions and entrepreneurs. The initiative reflects confidence in the city's economy, including the city's growing technology industry and related talent pool. The project is an opportunity for the city to be involved in the development of emerging technologies, and for City Divisions to influence how public concerns related to data privacy and related issues can be addressed.

Waterfront Toronto and Sidewalk Labs entered into a partnership Framework Agreement on October 16, 2017. Waterfront Toronto released a summary of this agreement on November 1, 2017 (see Attachment 2). The Framework Agreement is a confidential legal document, although it was shared with staff of the three levels of government on a confidential basis after it was approved by the Waterfront Toronto Board of Directors.

The Deputy City Manager, Cluster B will report back when Waterfront Toronto and Sidewalk Labs have come to terms on a proposed business relationship, to be articulated in a “Master Innovation and Development Plan” (MIDP). The Framework Agreement establishes a provisional process and schedule for reaching agreement on fundamental matters regarding planning and implementation; many of these will be of importance to the City. The Framework Agreement sets out the scope of the relationship which the parties will negotiate in various future agreements, including the Master Innovation and Development Plan. It does not finalize the commercial terms, conditions (including governmental approvals), representations, warranties, covenants or other provisions that would be contained in all of the future documentation. The Framework Agreement does not confer upon Sidewalk Labs, or any other entity, the right to develop any land or to avoid applicable government approvals and consents, nor does it obligate any private sector or government land owners to work with Sidewalk Labs.

The Framework Agreement anticipates three stages of work over the next 12 months. The parties may agree to extend this schedule should additional time be required. Any future agreements to be negotiated between Waterfront Toronto and Sidewalk Labs are likely to have significant implications for the City on a number of scales: from the site-specific level (the City owns approximately 1.5 acres in Quayside); to the strategic policy level (the City's current waterfront revitalization relationship is with its government partners and Waterfront Toronto). A next step for Waterfront Toronto and Sidewalk Labs is the development of a work plan and budget for the 2018 activity that will lead to the Master Innovation and Development Plan. Upon completion, the Master Innovation and Development Plan will be presented for approval to the Waterfront Toronto and Sidewalk Labs Boards. If approved, the Master Innovation and Development Plan would be subject to numerous government approvals. Examples of required City approvals include planning, building and environmental approvals, right-of-way permits, road closings, real estate transactions, and affordable housing requirements.

The Framework Agreement between Waterfront Toronto and Sidewalk Labs was not shared with governments prior to the Sidewalk Toronto announcement. For timely approvals to be realized, it will be important that all future documents, from the project work plan and budget through to the Master Innovation and Development Plan, be reviewed by City staff in advance, and with sufficient time provided for thorough review. Given Waterfront Toronto's tri-government mandate, staff of the Federal and Provincial governments should also be consulted.

The Master Innovation and Development Plan will address the 12-acre Quayside site. Quayside is prime development land. Given the pace of redevelopment in the East Bayfront and nearby, market demand related to redevelopment opportunities in Quayside is only a few years off. The Waterfront Toronto and Sidewalk Labs proposal for mixed-use redevelopment is consistent with the approved plans for the East Bayfront and Keating Channel precincts (Quayside is envisioned as a mixed-use medium-density district in the Central Waterfront Secondary Plan, City Council endorsed Precinct Plans, and in-force Zoning By-laws). The realignment of Parliament Street, extension of Queens Quay East to Cherry Street, and the normalization of the Queens Quay-Parliament Street intersection are key precursors to the redevelopment of the three parcels of land east of Quayside, over to Cherry Street. The redevelopment of Quayside

will require a number of land use planning approvals. In addition, Waterfront Toronto, working with a number of City Divisions and Agencies, will prepare a Business and Implementation Plan for Council's consideration, a requirement of the 2006 Memorandum of Understanding (2006 MOU) among the City, Waterfront Toronto, and the Toronto Economic Development Corporation (controlled by the Toronto Realty Agency).

The Sidewalk Toronto team has proposed to explore new technologies and innovations that can be implemented at scale. Data privacy, intellectual property, and the procurement process have emerged as key issues to be addressed through the 12 month Master Innovation and Development Plan planning process, so that parameters for implementation can be established in line with City of Toronto objectives and the larger public interest. As technologies continue to evolve, it is likely that many of these issues will arise in other developments, so having the opportunity to develop appropriate approval mechanisms will be useful in the longer term. Opportunities to implement new technologies and innovations at scale will also be explored, particularly for infrastructure that must be implemented at a district-level scale in order to be viable (district energy is an example of this).

It is premature for City Council to be making decisions about implementation related to the redevelopment of the Port Lands. The Port Lands Planning Framework was approved and the Villiers Island Precinct Plan was endorsed by Council on December 5, 2017. A fundamental next step for the Port Lands is the preparation of a Business and Implementation Plan for Villiers Island, to be prepared by Waterfront Toronto working in consultation with City Divisions and Agencies.

An important component of the Sidewalk Labs response to Waterfront Toronto's Request for Proposals is the proposal to pursue pilot projects in Quayside. City staff are supportive of this idea, and are of the view that pilot projects could be undertaken in other parts of the City as well. Pilot projects should be characterized by a commitment to open data. Also, pilot projects should build on, and not duplicate, relevant City initiatives. The evaluation of any successful pilots would include evaluation of opportunities to implement at scale. Given that City has no contractual relationship with Sidewalk Labs, and given that the City must be fair to other potential partners/vendors, City staff prefer that pilot projects be implemented on a non-exclusive basis, meaning that these pilots would not preclude any other technology company from pursuing a pilot initiative with the City of Toronto. There may also be opportunities to invite other technology companies to participate in pilots led by Sidewalk Labs and Waterfront Toronto.

In conclusion, City staff will engage in the year-long process that has been established by Waterfront Toronto and Sidewalk Labs, and report back when the two partners have come to terms on a proposed business plan and relationship, as documented in the proposed Master Innovation and Development Plan. City involvement will be facilitated by the Waterfront Secretariat. Many Divisions and Agencies will be involved including, but not limited to, the City Manager's Office, City Legal, City Planning, Corporate Finance, Financial Planning, Real Estate Services and the Toronto Realty Agency. Waterfront Toronto, as a tri-government agency, will consult with Federal and Provincial governments via the Waterfront Revitalization Initiative Intergovernmental Steering

Committee (IGSC), as will City staff. Also, staff will undertake due diligence on emerging proposals and investigate the key issues that are described below (data privacy, procurement, etc.). In addition, staff will assist Waterfront Toronto and Sidewalk Labs in developing their plans for Quayside and refining candidate pilot projects.

The extent of City staff involvement in this project is unknown at this time. There may be an opportunity to recover funds related to the City's due diligence review of the project. Staff will report through the Budget Committee should recovery funding from Sidewalk Labs be available and necessary.

## **RECOMMENDATIONS**

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The Deputy City Manager, Cluster B recommends that:

1. The Executive Committee receive this report for information.

## **FINANCIAL IMPACT**

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The recommendations in this report have no immediate financial impact.

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

## **DECISION HISTORY**

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On December 8, 2017, City Council approved a Member's Motion requesting the Deputy City Manager, Cluster B, to report to the January 24, 2018 Executive Committee meeting on the agreement between Waterfront Toronto and Sidewalk Labs, including an analysis of key issues and City Council approval requirements.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.MM35.45>

On December 8, 2017, City Council approved the Port Lands Planning Framework to guide the revitalization of the Port Lands. Council also endorsed the Villiers Island Precinct Plan to guide rezonings within the Precinct.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PG24.6>

On July 7, 2015, City Council approved, in principle, the undertaking of a second phase of waterfront revitalization ("Waterfront 2.0") and requested the Mayor to initiate a "Call to Action" negotiation process with the Federal and Provincial governments to secure funding. Flood protection, waterfront transit, land servicing, and public realm enhancements were identified as capital project priorities. City Council affirmed

Waterfront Toronto as the preferred delivery entity, under the assumption of a tri-government funding and governance scenario.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX7.6>

On October 2, 2012, City Council adopted the "Port Lands Acceleration Initiative - Final Report". Council endorsed the Summary of Findings of the PLAI process and adopted recommendations and directions to amend the Don Mouth and Lower Don Lands environmental assessments, based on a revised flood protection scheme. The Council action directed staff to initiate the Port Lands Planning Framework and precinct planning for Villiers Island.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX22.1>

The Central Waterfront Secondary Plan was adopted by City Council on April 16, 2003 as an amendment to the former City of Toronto Official Plan.

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

## COMMENTS

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This section summarizes the history of waterfront revitalization governance, Waterfront Toronto's mandate, and the Quayside project. The balance of this section analyzes the Sidewalk Toronto initiative. Analysis focuses on the Framework Agreement, the municipal planning and approvals process, and other key issues including procurement, and data privacy and intellectual property.

### 1. Issue Background

#### Waterfront Revitalization Governance and Waterfront Toronto

In November 1999, the three orders of government announced the creation of the Toronto Waterfront Revitalization Initiative to "develop a strategic business plan with recommendations for the development of the Toronto waterfront". An Intergovernmental Steering Committee (IGSC), comprised of senior officials from the City, the Province, and the Federal government, was formed in 2000 to define a governance structure to implement waterfront renewal.

The Province's Toronto Waterfront Revitalization Corporation Act (TWRC Act) came into force in May 2003. The TWRC Act established the Toronto Waterfront Revitalization Corporation, which was renamed Waterfront Toronto in 2007. Waterfront Toronto is a not-for-profit corporation, and all three orders of government are equal, non-equity share sponsors.

Waterfront Toronto has a legislated mandate to develop the waterfront and create an accessible and active destination for living, working, and recreation, while ensuring development proceeds in a financially self-sustainable manner. The corporation has

been encouraged to attract private sector involvement in development as well as ensuring revitalization plans are created with substantive public input.

The relationship between the City, Waterfront Toronto, and the Toronto Economic Development Corporation (TEDCO, now controlled by the Toronto Realty Agency) is defined in a three-party Memorandum of Understanding approved by Council in 2006 (the "MOU"). The MOU identifies respective roles and responsibilities in revitalizing East Bayfront and the Port Lands in alignment with the City's objectives. Specifically, the MOU identifies a lead implementation role for Waterfront Toronto in the "Designated Waterfront Area" for precincts that have Council-approved Business and Implementation Plans. The lead implementation role includes overall responsibility for revitalization matters including preparation of Business and Implementation Plans, site investigations, environmental remediation and risk management, site preparation work, hard services and other public realm improvements, and directing the transfer of development lands to third party purchasers or ground lease tenants.

Business and Implementation Plans are a fundamental mechanism for Council decision-making as it relates to the implementation of waterfront revitalization; they detail infrastructure costs and identify potential funding sources, and make recommendations on development timing and phasing, as well as implementation roles and responsibilities. While Waterfront Toronto has a significant role in waterfront revitalization, the City retains an equally significant role through the review and approval of Business and Implementation Plans, through planning approvals, through the City's role as land owner, and through the management of City land that is used for film and media uses, heavy industry, City yards/facilities and lands that are not subject to Council-approved Business and Implementation Plans.

Over the course of the past 15 years, Waterfront Toronto has entered into multiple agreements, including, development agreements with private development companies such as Urban Capital and Great Gulf, as well as master development agreements with private developers in Bayside where the role of master developer is carried out by Hines. Any transactions on government-owned land require the approval of governments.

### Quayside Planning Context

Quayside is a 12 acre district located along Queens Quay East, from Bonnycastle Street to the east of the foot of Parliament Street. The land is largely owned by Waterfront Toronto. The City and TEDCO own a number of small irregular-shaped parcels, including the Parliament Street right of way, totalling approximately 1.5 acres (see Attachment 1: Ownership Map). Ports Toronto also owns a portion of Parliament Slip which, in the future, will allow for the extension of Queens Quay East and the straightening of Parliament Street. There are two private land owners (Plaza Corp and the Royal Canadian Yacht Club) within the Parliament Development Lands, with holdings of 0.8 acres. Quayside straddles the East Bayfront and Keating Channel precincts.

The Central Waterfront Secondary Plan, TOcore Downtown Plan, East Bayfront Precinct Plan, Keating Channel Precinct Plan, and applicable Zoning By-laws establish a planning framework for Quayside as a mixed-use, medium density district.

Quayside is comprised of three development blocks, described below:

Block	Primary Addresses	Size	Precinct	Zoning By-Law
Quayside (owned by Waterfront Toronto)	259-291 Lake Shore Blvd. E., 200 Queen's Quay W. 2 Small Street	1.8 Ha / 4.5 Acres	East Bayfront	1049-2006
Parliament Development Lands (Various owners including the City of Toronto)	307 Lake Shore Blvd. E. 3 – 15 Parliament Street	0.6 Ha / 1.5 Acres	Keating Channel	1174 - 2010
333 Lake Shore Blvd. E. (owned by Waterfront Toronto)	333 Lake Shore Blvd. E.	2.4 Ha / 6.0 Acres	Keating Channel	1174 - 2010

All three development blocks are zoned CR(H), designating the land as Mixed Use and permitting a wide range of commercial, residential and community uses. A Holding designation (H) requires some conditions to be fulfilled before development can proceed. These include a 1% public art contribution, connection to district energy or on-site renewable sources, if available, and comment from the Waterfront Design Review Panel.

The area's zoning by-laws also include Section 37 agreements requiring a minimum land contribution sufficient for 20% of the units on-site to be affordable rental housing. The two sites in the Keating Channel precinct require 10% of units to be 3-bedrooms. Approximately 30% of the 333 Lake Shore Boulevard East block is designated as Parks and Open Space, permitting a 19m wide dock wall promenade and 1.35 acre park. A school and daycare may be considered for a portion of the 333 Lake Shore Boulevard East development block.

Quayside is adjacent to two Keating Channel Precinct properties owned by the private sector. 351 and 369 Lake Shore Blvd. East (known as the "Silo Site") is owned by a partnership between Great Gulf and Dream Unlimited. The site immediately to the east of the Silo Site is 324 Cherry Street and 429 Lake Shore Blvd. East, which is controlled by the development consortium 3C. These sites have outstanding conflicts with the City's land use framework: the Central Waterfront Secondary Plan and Zoning By-Law remains under OMB appeal on the Silo Site, and 3C recently appealed the site's draft plan of subdivision application. Waterfront Toronto and the City Planning Division have

been in close contact with both developers in recent years to coordinate land use, servicing, access and transportation. Both have expressed an interest in working with Waterfront Toronto on the Quayside initiative with Sidewalk Labs.

## Quayside RFP

In March 2017, Waterfront Toronto issued an RFP for an Innovation and Funding Partner to assist in the conceptualization, business planning, and implementation stages of developing Quayside. The RFP sought to identify a firm to create a "precedent-setting waterfront community" as a "testbed for emerging technologies, materials, and processes". Specifically, it requested a partner to create a vision for Quayside and identify and define the necessary technologies, infrastructure, strategies, measurable outcomes, and downstream partners to ensure the delivery of a "globally significant demonstration project".

Waterfront Toronto identified the RFP as the first in a series of RFPs for the development of Quayside. Subsequent RFPs would address project delivery and implementation of the vision, and seek infrastructure, design, and real estate development partners (i.e., developers, engineers, planners, architects, and contractors).

The Waterfront Toronto RFP process was guided by a Steering Committee, Process Manager, and Fairness Advisor. Waterfront Toronto received six submissions, which were assessed by an Evaluation Team and external subject matter experts. City staff were not involved in the process. Three firms were invited to continue to the second stage of the process, where Sidewalk Labs was selected as the preferred proponent. Sidewalk Labs and Waterfront Toronto have designated their collaborative work "Sidewalk Toronto".

While the RFP scoped the project to the Quayside site, it also framed Quayside as a pilot environment for revitalization in the broader eastern waterfront (i.e., the Port Lands and surrounding area). The RFP stated that "it may be beneficial to advance the solutions, processes, and partnerships proven successful through the project to subsequent developments on the eastern waterfront" and subsequently stipulates this expansion "could be affected by future applicable procurement policies and additional requirements of the City of Toronto or other funding authorities."

## Sidewalk Labs

Sidewalk Labs describes itself as an "urban innovation firm" with a mandate to "explore how new technologies can solve big urban problems and improve quality of life in cities." The company pursues projects concerning digital connectivity, the public realm, and social services/community development. Since the company's launch in 2015, Sidewalk Labs has focused largely on the research and development of pilot initiatives. Based in New York City, it is a subsidiary of Alphabet Inc., which is also the parent company of Google.

Sidewalk Labs' response to Waterfront Toronto's RFP described various components of their vision for achieving these objectives. Proposed projects span: the digital realm,



sustainability, buildings and affordability, mobility, the public realm and community services. Ideas range significantly in scope and scale from autonomous transit, to tall and mid-rise wood-framed buildings, to underground utility channels. The RFP response described an extensive economic development component to the project, including the relocation of Google's Canadian headquarters and establishing an Urban Innovation Institute along the waterfront.

## **2. The Sidewalk Toronto Initiative and Framework Agreement**

The Framework Agreement outlines an approach for completing a Master Innovation and Development Plan, described in the Framework Agreement as a "comprehensive plan for the urban design, technology, infrastructure, and strategies needed to achieve the parties' vision for sustainability, affordability, mobility, and economic development". Its stated objective is the creation of an urban district planned and executed at scale "from the internet up," including core innovations across:

- Mobility and transportation;
- Building forms and construction techniques;
- Core infrastructure development and operations;
- Social service delivery;
- Environmental efficiency and carbon neutrality;
- Climate mitigation strategies;
- Optimization of open space;
- Data-driven decision making;
- Governance and citizen participation; and
- Regulatory and policy innovation.

The Framework Agreement anticipates three further stages of work over the next 12 months. The parties may agree to extend this schedule should additional time be required. The Framework Agreement is summarized in detail in Attachment 2 of this report.

The Master Innovation and Development Plan will deliver a development and implementation plan for Quayside. In addition, the Sidewalk Toronto team has proposed to explore new technologies and innovations at Quayside that can be implemented elsewhere at scale. In particular, certain infrastructure must be implemented at a district-level scale in order to be viable (i.e., district energy). As technologies evolve, it is likely that these issues will arise in other developments, so having the opportunity to develop appropriate approval mechanisms will be useful in the longer term.

During stage 1 the parties will develop a work plan (referred to as a "Plan Development Agreement") and budget for the 12 month planning phase of the work. This work plan will establish the roadmap by which the parties will prepare and develop the Master Innovation and Development Plan. It will include an outline of the full scope of the Master Innovation and Development Plan, and it will establish an itemized fee to reimburse Waterfront Toronto for its project specific expenses during the Master Innovation and Development Plan planning process. Further, a methodology will establish a process for the valuation of land for the purposes of implementing the Master Innovation and Development Plan. The work plan will include schedule, scope,

milestones and budget, and will need to be developed in consultation with City staff, as well as Federal and Provincial counterparts. It will be presented to the Waterfront Toronto Board for approval. The Board has also created the Quayside Committee – a sub-committee of the Board that allows a more detailed review of issues related to the Sidewalk Toronto partnership.

Stage 2 refers to the time period beginning upon completion of Stage 1 and ending upon the achievement of certain initial milestones, including: government assurances to provide funding for flood mitigation; agreement on the scope of the Business and Implementation Plan; agreement on the scope of the Master Innovation and Development Plan; and agreement on fair procurement standards. During stage 2, the parties will collaborate with one another to develop and finalize the Master Innovation and Development Plan.

During stage 3, the parties will continue to collaborate on the development and finalization of the Master Innovation and Development Plan, and to negotiate in good faith the subsequent definitive documents that will set forth the parameters for the implementation of the Master Innovation and Development Plan, including the adoption of the required Business and Implementation Plan(s) and other governmental approvals. When the Master Innovation and Development Plan is complete, staff will report to Council on the content of the document, including analysis and recommendations for next steps.

This project will require a broad public consultation program over the next year and beyond. City staff will participate actively in this consultation program and may seek to integrate issues raised through the Sidewalk Toronto project into other City consultation processes. Waterfront Toronto and Sidewalk Labs jointly hosted an initial public meeting on November 1, 2017 at the St. Lawrence Centre. The Sidewalk Toronto team has produced a "Feedback Report" from the meeting (Available online at <https://sidewalktoronto.ca/wp-content/uploads/2017/12/Sidewalk-Toronto-Feedback-Report-Town-Hall.pdf>). According to the report, the meeting was attended by 530 people in person and over 3,000 people online.

The Framework Agreement describes a provisional work plan leading to the creation and approval of the Master Innovation and Development Plan. It describes a budget of up to US\$50 million for this process, paid for by Sidewalk Labs. Initial funding of up to US\$10 million will be available for stage 1; and funding of up to an additional amount of US\$40 million will be available between stage 1 and the approval of the Master Innovation and Development Plan. The funding is intended to pay for project costs including:

- Plan development;
- Third party expert consultants;
- Public and stakeholder engagement;
- Applicable overhead costs; and
- Pilot projects.

The Framework Agreement is among Waterfront Toronto, Sidewalk Toronto and Sidewalk Labs. Sidewalk Labs has created a limited partnership, Sidewalk Toronto

Limited Partnership, as the vehicle through which it will invest in the project. The initial US\$50 million investment is not a payment for land. This funding will be recognized as Sidewalk Labs' contribution to the preparation of the Master Innovation and Development Plan. No interest in land is to be granted to the limited partnership under the Framework Agreement by virtue of this contribution. If the Master Innovation and Development Plan is not approved by Sidewalk Labs and Waterfront Toronto's Board, the Framework Agreement will be terminated, and there will be no financial recourse or other liability to Waterfront Toronto or its government partners. However, Waterfront Toronto will be able to use the planning documents developed for the Master Innovation and Development Plan. As such, the \$50 million is at-risk capital for Sidewalk Labs.

The Framework Agreement does not confer upon Sidewalk Labs or any other entity the right to develop any land or to avoid applicable government approvals and consents, and it does not obligate any private sector or government land owners to work with Sidewalk Labs. Waterfront Toronto will maintain its revitalization role in the waterfront and be fully accountable to its government sponsors and land owners.

### **3. The Quayside Project and Municipal Approvals**

Sidewalk Labs' proposed vision for the Quayside redevelopment will need to be consistent with the district's approved planning framework and City priorities. As discussed above, most of the land is owned by Waterfront Toronto, although approximately 1.5 acres is City-owned land. Waterfront Toronto's rights with respect to City lands as described in the 2006 MOU are contingent on City Council approval of a Business and Implementation Plan for Quayside.

The City will maintain influence of the project through plan making and planning approvals process, as Waterfront Toronto and Sidewalk Labs will be required to submit all necessary land use planning applications. The project will be subject to a number of Council approvals.

A zoning by-law amendment is required to lift the Holding provision on the applicable by-law. Quayside developments will also require applications for Draft Plan of Subdivision and Site Plan Control.

The City's built form and development guidelines (including, but not limited to, Complete Streets Guidelines, City-Wide Tall Building Design Guidelines, and Toronto Green Standard) will provide a prescriptive structure for development proposals. Proposals will also be subject to review by the Waterfront Toronto Design Review Panel. All building designs must demonstrate conformity to necessary safety standards prior to the issuance of a Building Permit.

To facilitate the redevelopment of Quayside, a Business and Implementation Plan will be prepared for Council's consideration, to be drafted by Waterfront Toronto working with City Planning, Corporate Finance, Financial Planning, Real Estate Services, and other relevant City Divisions and Agencies (including the new Toronto Realty Agency). The Business and Implementation Plan will include recommendations on infrastructure costs and identify potential funding sources; it will make recommendations on development timing and phasing.

Additional approvals may be required for certain aspects of the Sidewalk Toronto initiative. First, the business relationship between Waterfront Toronto and Sidewalk Labs may necessitate tri-government approvals or amendments to the existing waterfront revitalization governance framework. Second, innovative technologies and projects must align with existing government processes and standards. More details on these aspects will emerge over the next 12 months. Waterfront Secretariat staff will work with relevant City Divisions and the Federal and Provincial governments, if necessary, to identify approval processes for unique projects.

#### **4. The Port Lands**

Questions have been raised through the media concerning the relationship between the Quayside project and the Port Lands. However, as stated above, it is premature for City Council to be making decisions about implementation related to the redevelopment of the Port Lands.

The Port Lands Planning Framework and Villiers Island Precinct Plan were adopted by Council on December 5, 2017. The Port Lands Planning Framework is a comprehensive, 50-plus year vision for the area that sets the parameters for all subsequent area plans and strategies. The Planning Framework builds on years of planning work undertaken by the City, Waterfront Toronto and many others, including the Central Waterfront Secondary Plan and Port Lands Acceleration Initiative, as well as the environmental assessments that led to the funding of Port Lands Flood Protection.

The vision for the Port Lands is for the area to transform into a number of new, vibrant districts with unique and memorable local identities and character that promote social interaction, cultural enrichment, ecological health, a low-carbon future, and a prosperous local economy. The vision for the Port Lands also includes:

- Six essential elements to define the character of the Port Lands;
- Seven transformational moves to unlock the potential of the Port Lands; and
- Twelve objectives to define what is to be achieved and measure success.

The Port Lands is primarily under public ownership. Of the area's 285 ha (700 acres) of land, privately owned parcels account for just under 22 ha. The rest is publicly owned, with the City of Toronto as the primary land owner. There are approximately 200 hectares (500 acres) of municipally owned land, as well as almost 50 ha of land owned by the Federal and Provincial governments. Of municipally owned land, there is approximately 47.6 ha (120 acres) of developable land (excluding long-term leases/uses, parks and open spaces and public streets). The Ship Channel, a major waterway running through the Port Lands, is 40 ha (100 acres).

Villiers Island will be the first mixed-use community to be developed in the Port Lands. The Villiers Island Precinct is anticipated to begin development in the next five to seven years. The City Council-endorsed Precinct Plan provides supplementary direction to inform future Zoning By-law amendments and Draft Plans of Subdivision. In order to advance more detailed planning in the area, additional studies and work continues to be required in key areas.

One of the priorities is the completion of a Business and Implementation Plan for Villiers Island, which is now under development by Waterfront Toronto. Waterfront Toronto will work with City Planning, Corporate Finance, Financial Planning, Real Estate Services, and other relevant City Divisions and Agencies (including the new Toronto Realty Agency) to develop this document. The Business and Implementation Plan will include recommendations on infrastructure costs and identify potential funding sources; it will make recommendations on development timing and phasing, as well as implementation roles and responsibilities.

## **5. Pilot Projects and Innovative Technologies**

Sidewalk Labs proposes to test and integrate new technologies and innovations in Quayside. These are discussed in Sidewalk Labs' response to Waterfront Toronto's RFP as "pilot projects". Sidewalk Labs has articulated a desire to test technologies in other parts of Toronto as well. In many cases, these pilots would have the potential to support and advance existing City initiatives, such as the Toronto Green Standard and Big Data Innovation projects.

City staff will work with Waterfront Toronto and Sidewalk Labs to refine and advance proposals as appropriate in order to implement and build upon relevant City initiatives, rather than duplicating or conflicting with them. The evaluation of pilots will include analysis of opportunities to implement at scale. Early pilot projects that have been proposed by Sidewalk Labs include an autonomous vehicle shuttle, on-street parking pilot, and waste disposal chute technology.

The City has some existing programs for supporting pilot projects, such as the Green Market Acceleration Program, which is led by the Toronto Office of Partnerships and Economic Development & Culture Division. This program, however, is limited in scope and focuses on local firms in the early stages of development. The program of pilot project testing proposed by Sidewalk Labs will require an approach tailored to this project. City staff will coordinate with the Office of Partnerships and Economic Development and Culture Division to build on the foundation of the Green Market Acceleration Program.

Procurement practices, as well as data privacy and intellectual property have emerged as key issues relating to the implementation of new technologies. The issues and approaches discussed below are applicable to initiatives both within Quayside and in other parts of Toronto.

### **Procurement**

Sidewalk Labs was procured through Waterfront Toronto's competitive Quayside RFP process, described above, which provided a mandate for the company to be an Innovation and Funding Partner for the area and to explore the application of new technologies as discussed above.

In some cases, the pilot projects proposed by Sidewalk Labs are commercial products and services which could be sold in the future to the City of Toronto. Concerns have

been raised that the application of these technologies in the Quayside area may be used as a way to circumvent the City's procurement processes and provide privileged access for future sales to the City of Toronto.

The City does not have a contractual relationship with Sidewalk Labs and is committed to open, fair, and transparent competitive processes to ensure the best possible value for the taxpayers of the City of Toronto. Procurement is managed by the Purchasing & Materials Management Division (PMMD). The City also has a Social Procurement Program, which is a partnership between PMMD, Social Development Finance and Administration (SDFA) and Toronto Employment and Social Services (TESS).

Pilot projects will be evaluated on a case-by-case basis in coordination with these and other relevant Divisions to ensure that they are implemented in a way that is consistent with City procurement policies and to determine whether further council approvals are required to proceed. Given that City has no contractual relationship with Sidewalk Labs, and given that the City must be fair to other potential partners/vendors, City staff prefer that pilot projects be implemented on a non-exclusive basis, meaning that these pilots would not preclude any other technology company from pursuing a pilot initiative with the City of Toronto. There may also be opportunities to invite other technology companies to participate in pilots led by Sidewalk Labs.

#### Data Privacy and Intellectual Property

Sidewalk Labs has proposed a "Digital Layer" as a fundamental component of neighbourhood planning. This would potentially include large scale, coordinated data gathering through tools like sensors, cameras, and smartphone applications and involve reciprocal and continual information sharing between the City of Toronto and Sidewalk Labs.

Prevailing privacy and intellectual property legislation would govern any data collection and sharing protocol. Data collected on behalf of the City of Toronto, and any authority granted by the City of Toronto to collect data on public land (e.g. public parks, public spaces, streets, sidewalks), or for public use, must be conducted in accordance with Ontario's Municipal Freedom of Information and Protection of Privacy Act (MFIPPA). MFIPPA limits the use of personal information that is in the City's custody or control. Information is also subject to Freedom of Information requests from the media and the public. Therefore, data sharing by the City is generally done on an aggregate and anonymous basis, so that data analysis occurs without infringing on individual privacy.

City policies also require a Privacy Impact Assessment (PIA) when a City division proposes to adopt new technologies that make a substantial change in the way that personal information is collected, used, disclosed, or retained. This is coordinated with the Information and Technology Division, Risk Management and Information Security (RMIS).

The City has increasingly made its data available to the public through its Open Data Catalogue and an Open Data Master Plan will be presented to the Executive Committee on January 24, 2018. Consistent with Open Data policies, City data shared with Sidewalk Labs would also be available to any interested party through the City's Open

Data portal. This data is subject to an Open Data License, which grants the user worldwide, royalty-free, perpetual, non-exclusive licence to use the data, including for commercial purposes. There are currently a number of organizations who use City of Toronto Open Data for commercial and community purposes, such as apps which access TTC GPS data, or the recently announced Waze partnership.

Information collected in Canada by a private sector business for private use is primarily governed by the Federal Personal Information Protection and Electronic Documents Act (PIPEDA). This legislation is different in its approach from MFIPPA, in that it focusses on the collection, use or disclosure of personal information in the course of commercial activity. As long as that information stays within a private commercial business, MFIPPA does not apply. However, in cases where privately collected information is provided to the City, it must be gathered and shared in a way that is compliant with MFIPPA. This includes aggregating and anonymizing the information before it is provided to the City, or made available through the Open Data portal.

Data privacy issues are complex, and technologies and approaches are rapidly evolving. With respect to the Quayside project in particular, the scope, scale and implications of data collection and use are still unclear. Proposed technologies and the issues related to them will require broad analysis and public discussion, and potentially the adoption of new policies, regulations and structures or the modifications of existing ones. For example, there may not be sufficient clarity with regard to the rules in Privately-Owned Publicly Accessible Spaces (POPS). A courtyard in front of a privately-owned building would be subject to different privacy rules relative to those governing the sidewalk beside that courtyard, with no physical delineation for people to note the regulatory change. Another emerging concern is that new technologies could "de-anonymize" data, rendering individuals vulnerable to exposure. With respect to Intellectual Property, specific pilot projects and technologies may require their own analyses and agreements.

Waterfront Toronto has committed to work closely with Sidewalk Labs on the policy and accountability frameworks that are required to address concerns such as data ownership, privacy, and the ethical use of technology and collected data. Both parties have been in discussion with senior subject matter experts from academia, all levels of government, and the civic technology community to help inform the work plan and approach to address digital governance. Advisory groups, including one focused on these issues, are anticipated to be announced by Sidewalk Toronto in the first quarter of 2018. The Master Innovation and Development Plan will include provisions to ensure and enforce requirements regarding privacy considerations, as well as other critical issues relating to data governance and ownership. These issues will also be central in the public consultation activities.

Waterfront Toronto has retained independent external legal counsel, Chantal Bernier (the former Interim Privacy Commissioner of Canada), and will be hiring additional staff that will focus on these issues throughout the development of the Master Innovation and Development Plan. Sidewalk Labs has also retained external privacy counsel and brought on experts to focus on these issues. Waterfront Toronto and Sidewalk Labs have committed to work with government stakeholders to thoroughly review the open data policies for all orders of government to ensure that the most

appropriate requirements are incorporated in the initiative. Sidewalk Labs has conveyed commitments to the principles of open data, shared data, and open architecture.

City Staff, including RMIS and Corporate Information Management Services, will coordinate with the Sidewalk Toronto team and their advisors on this issue, and will engage with community stakeholders and the Office of the Information and Privacy Commissioner of Ontario, and the Office of the Privacy Commissioner of Canada.

## **6. Next Steps**

The Waterfront Secretariat will establish an interdivisional staff team to work with Waterfront Toronto and Sidewalk Labs on the preparation of the Master Innovation and Development Plan. The staff team will be comprehensive and engage a variety of City Divisions and Agencies. The City will liaise with the Federal and Provincial governments through the Waterfront Revitalization Initiative Intergovernmental Steering Committee. City staff will also access outside resources as appropriate.



The scope of City staff involvement in this project not yet known. It may be possible and advisable to recover funds related to the City's due diligence review of the project. Staff will report through the Budget Committee should recovery funding from Sidewalk Labs be available and necessary.

## **CONTACT**

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Waterfront Secretariat  
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## **SIGNATURE**

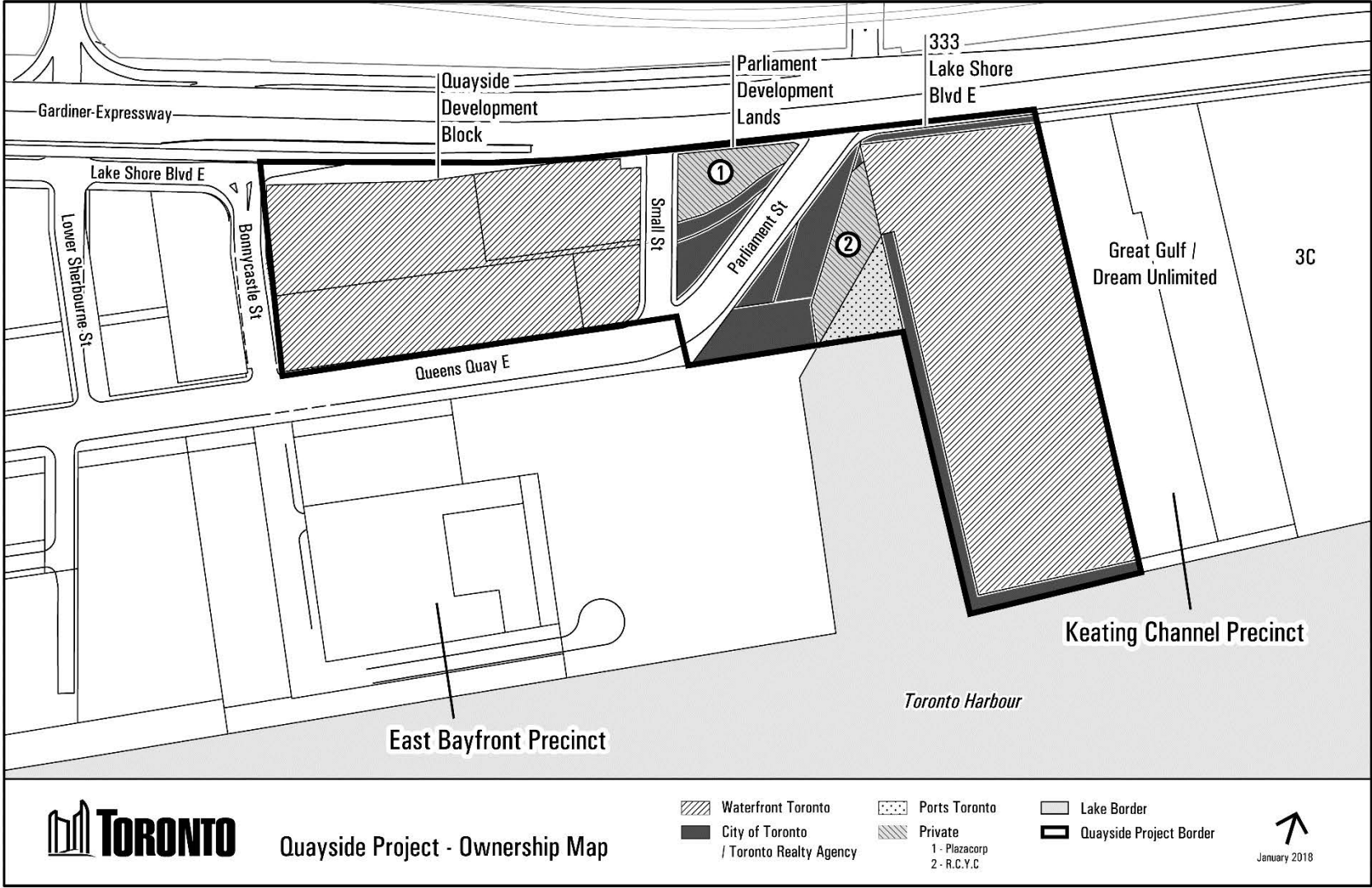
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John W. Livey, F.C.I.P  
Deputy City Manager, Cluster B

## **ATTACHMENTS**

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1. Quayside Project - Ownership Map
2. Innovation and Funding Partner Framework Agreement, Summary of Key Terms



November 1st, 2017

# Innovation and Funding Partner Framework Agreement

## Summary of Key Terms

### For Public Disclosure



#### Overview

As a result of Waterfront Toronto's Request for Proposals No. 2017-13, Waterfront Toronto has selected Sidewalk Labs as its Innovation and Funding Partner to work jointly on a plan for a new kind of district on Toronto's Eastern Waterfront – one that will combine forward-thinking urban design and new digital technology to achieve precedent-setting levels of sustainability, affordability, mobility and economic opportunity. The Framework Agreement entered into by Waterfront Toronto and Sidewalk Labs sets forth the basic terms and fundamental principles to guide that working relationship. It contemplates an initial joint planning process, which Sidewalk Labs will commit up to US\$50 million to fund, that will occur over the next 12 months. The result of that planning process is expected to be a Master Innovation and Development Plan (MIDP), which if approved by the Boards of Directors of Sidewalk Labs and Waterfront Toronto, and with applicable government approvals, will be followed by a long-term joint effort to realize the shared vision.

The Framework Agreement contemplates a collaborative relationship in the creation of the MIDP, which will outline how to achieve this new kind of district on Quayside and the Eastern Waterfront, and which will be informed by meaningful public engagement. The governance of this relationship includes a Project Management Committee that consists of an equal number of senior representatives of Sidewalk Labs and Waterfront Toronto, including their respective CEOs. The governance relationship between the parties will be elaborated in future agreements between the parties.

The Framework Agreement also contemplates that:

- Sidewalk Labs will facilitate the commitment from Alphabet Inc. to move Google's Canadian headquarters to provide an initial anchor tenant to the waterfront, subject to the MIDP.
- Sidewalk Labs and Waterfront Toronto will seek to incorporate into the MIDP innovative approaches for financing affordable housing which are expected to meet or exceed the affordable housing commitments already made by Waterfront Toronto on Quayside.
- The parties will work to incorporate the establishment of an Urban Innovation Institute in the MIDP as a secondary anchor tenant for the site.

While the Framework Agreement outlines guiding principles for the parties' relationship, many of the details will be further defined through additional discussions and future agreements as the partnership progresses over the course of the next year. This incremental planning process was designed to recognize the complexity of the endeavor, the necessity of extensive stakeholder and community engagement, and the need to incorporate feedback as the plan takes shape. Accordingly, Sidewalk Labs's capital commitments for the planning process correspond to stages of collaboration, with expenditures incrementally increasing as the parties' shared vision and integration grows.

More specifically, the Framework Agreement provides for the funding of up to US\$10 million by Sidewalk Labs prior to the achievement of certain "initial plan milestones," and the funding of up to an additional US\$40 million by Sidewalk Labs between the achievement of those initial plan milestones and the approval of the MIDP. The initial plan milestones that trigger the incremental US\$40 million commitment are:

- execution of contribution agreements representing governments' commitment of CAN\$1.25 billion to complete the Port Lands flood protection;
- re-affirmation of Waterfront Toronto's existing mandate for the planning and development of the Eastern Waterfront;

- alignment of the parties on the scope of a Business and Implementation Plan as required by City Council;
- alignment of the parties on the scope of the MIDP; and
- agreement by Waterfront Toronto and Sidewalk Labs on fair and arms'-length procurement standards for any future procurements.

The Framework Agreement permits either party to terminate the agreement in certain circumstances, including if the initial plan milestones are not achieved within approximately six months, or if the MIDP is not approved within approximately 12 months. Waterfront Toronto also has a unilateral right to terminate the agreement prior to the completion of Stage 1. The Framework Agreement does not itself provide any rights in land or any rights to develop land.

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## Parties

The signatories are (1) Toronto Waterfront Revitalization Corporation ("Waterfront Toronto"), (2) Sidewalk Labs LLC (together with its affiliates "Sidewalk" or "Sidewalk Labs") and (3) Sidewalk Toronto, Limited Partnership, which will be the entity through which Waterfront Toronto and Sidewalk will collaborate to create the MIDP for Quayside and the Eastern Waterfront.

## MIDP and Collaboration on the MIDP

When the planning work contemplated in the Framework Agreement is completed, the result will be a Master Innovation and Development Plan (MIDP), which will be a comprehensive plan for the urban design, technology, infrastructure, and strategies needed to achieve the parties' vision for sustainability, affordability, mobility, and economic development for Quayside and the Eastern Waterfront. The parties also plan to continue to develop a thoughtful "Privacy by Design" policy to be incorporated into the MIDP, which will ensure compliance with applicable privacy laws and take into account community input.

Waterfront Toronto and Sidewalk Labs commit to collaborate with one another in good faith to jointly develop the MIDP within the timeframes contemplated by the Framework Agreement.

Any subsequent implementation of the MIDP is subject to the parties' mutual approval of such MIDP. This includes approval of the MIDP by Waterfront Toronto's Board of Directors

## Site

The Framework Agreement itself does not commit any lands for development - only to conceive

an innovative plan for urban design, technology, infrastructure, and strategies to achieve the parties' vision for sustainability, affordability, mobility, and economic opportunity. For the purposes of that planning work, there will be two sites included in the planning work of the MIDP: (i) Quayside which is the area bounded by Lakeshore Boulevard on the north, Bonnycastle Street on the west, Queens Quay Boulevard and its future extension to the south, and including 333 Lake Shore Boulevard East on the east and any developable lands created by any road realigned within the Quayside boundaries, and excluding any lands not publicly owned; and (ii) the Eastern Waterfront which is the area bounded by the Inner Harbour on the west, Keating Channel and Lake Shore Boulevard to the north, Lake Ontario to the south, and Leslie Street to the east. See map attached.

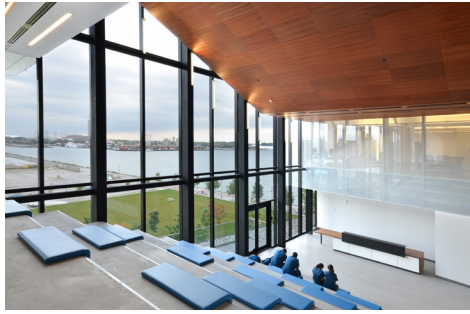
Quayside is the site on which the parties expect to first pilot the technologies and strategies included in the MIDP.

## Stages

The Framework Agreement contemplates four planning stages:

Stage 0: This stage began with Waterfront Toronto's selection through a competitive RFP process of Sidewalk Labs as its selected Proponent, and included contract negotiations and the development of the Framework Agreement. This stage ended with the execution of the Framework Agreement on October 16, 2017.

Stage 1: Started upon signing the Framework Agreement and will end with the satisfaction of the following three conditions (1) the signing of a Plan Development Agreement to provide a work plan for



creating the MIDP, (2) agreement on a Development Plan Budget for anticipated expenses during stages 1-3, and (3) agreement on a methodology for the valuation of any future transfers of land.

Stage 2: Starts at the end of Stage 1 and ends upon the achievement of the initial plan milestones as set out above. These are targeted to be completed by the Spring, 2018.

Stage 3: Starts at the end of Stage 2 and ends upon finalization and approval or rejection of the MIDP which will require Board approval of both Sidewalk Labs and Waterfront Toronto. If the MIDP is approved, an Implementation Agreement and Collaboration Agreement, and perhaps other agreements, will then be executed by the parties to govern the longer-term relationship and implementation of the MIDP. This stage is targeted to be completed by Fall, 2018.

### Government Approvals

The implementation of the MIDP will require that the parties first obtain all necessary approvals from the City of Toronto, the Province of Ontario, the Canadian federal government, and other agencies or entities as required. The agreement by Waterfront Toronto and Sidewalk Labs on the MIDP will not itself result in the grant of any such approvals.

### Capital Commitments

As described above, Sidewalk will provide a capital commitment of up to US\$50 million to fund the creation of the MIDP.

### Fair Procurement Standards

As noted above, one of the initial plan milestones is the parties' agreement on fair and arms'-length procurement standards that are consistent with Waterfront Toronto's principles of openness and fairness in procurement.

### Google Canadian Headquarters

In the Framework Agreement, Sidewalk agrees to facilitate the commitment from Alphabet Inc. to move Google's Canadian headquarters to the waterfront to provide an initial anchor tenant, subject to the MIDP.

### Local Venture Investments

The Framework Agreement also contemplates that the parties will seek to source investment opportunities in innovative Canadian companies.

### Affordable Housing Trust

The Framework Agreement provides that Waterfront Toronto and Sidewalk will seek to incorporate into the MIDP innovative approaches for financing affordable housing.

### Urban Innovation Institute

The Framework Agreement also provides that the parties will work to incorporate the establishment of an Urban Innovation Institute in the MIDP as a secondary anchor tenant for the site.

### Economics

The Framework Agreement contemplates agreement of the parties on a Development Plan Budget for the anticipated expenses of the project.

### Development

The selection of Sidewalk as the successful proponent under Waterfront Toronto's Request for Proposals 2017-13 has resulted in the selection of a partner to develop a plan that will combine forward-thinking urban design and new digital technology to achieve precedent-setting levels of sustainability, affordability, mobility and economic opportunity as will be set out in the MIDP. Request for Proposals 2017-13 did not result in the selection



of a development partner for the development of individual parcels of land. Rather the MIDP will provide an overlay plan of infrastructure and strategies to achieve the shared vision of Sidewalk and Waterfront Toronto that will be imposed on developers when they are selected in the future to develop the lands. The way in which the infrastructure and technologies will actually be delivered and financed (including legal structures) has not been determined at this time and will be given further definition in the MIDP.

Labs have agreed to release this summary while they continue to work together to address commercial terms during Stage 1.

## Public Engagement

The planning work contemplated by the Framework Agreement that will result in the MIDP will be developed with robust consultation based on questions, concerns and ideas generated from open and transparent public engagement that has been the high standard of all of Waterfront Toronto's work to date.

## Non-Disclosure of the Framework Agreement

The Framework Agreement contains a requirement that it be kept confidential. However, in the interest of transparency, Waterfront Toronto and Sidewalk

