



Waterfront Strategic Review Update

Background Study

KPMG LLP

—

April 2021

Final Report



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Preface

This preface was written by the Toronto Waterfront Revitalization Initiative Tri-Government Working Group and provided in this document at their request.

KPMG was retained by the City of Toronto in the fall of 2020 to prepare the Waterfront Strategic Review Update: Background Study. The Background Study was co-funded and co-managed by the government partners (City Planning Division, the Ontario Ministry of Infrastructure, and Infrastructure Canada) and provides information that will help inform government advice to Waterfront Toronto on initiatives and priorities to the end of its current legislated mandate (2028), and beyond if applicable.

The Background Study is not intended to offer solutions to strategic issues facing the corporation and is instead meant to identify issues for governments to consider as part of broader discussions on the future of waterfront revitalization in Toronto.

This Background Study covers the 2015 to 2020 timeframe and builds upon the findings contained in the 2015 Waterfront Performance Assessment that was conducted by EY. The 2015 EY report considered the relevance, economy, efficiency and effectiveness of Waterfront Toronto and its program and project delivery processes, including government and existing legal authorities. The EY report concluded that Waterfront Toronto had generally delivered revitalization projects effectively, with due regard for economy and efficiency, and consistent with international best practice. It also indicated that Waterfront Toronto had created a pool of knowledge, expertise and processes that gave it credibility delivering waterfront renewal.

This Background Study also draws upon the findings of the Waterfront Toronto Value for Money Audit conducted by the Office of the Auditor General of Ontario in 2018. The Value for Money Audit contained four recommendations directed to the Ontario Ministry of Infrastructure and six recommendations to Waterfront Toronto. A series of 36 action items were also identified. The Auditor General prepared a Follow-Up Report in 2020 and noted that 26 items were fully implemented, eight were in progress and two were no longer applicable (re: Sidewalk Labs' involvement in Quayside).

Building upon recent audits, the KPMG work plan was to review recent government audits and Waterfront Toronto materials (annual reports, funding plans), conduct interviews, analyze current and forecast financials, consider corporate alignment and governance, update the findings from the 2015 Strategic Review and prepare a slide deck to report on observations / findings. The observations / findings contained in this Background Study highlight areas for additional government dialogue as part of the broader Waterfront Strategic Review Update process. These broader government discussions will be documented in an upcoming City of Toronto staff report that discusses mandate, funding, roles and responsibilities, and potential next steps to advance waterfront revitalization.

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Executive Summary

The City of Toronto (City or Toronto) engaged KPMG LLP (KPMG) in October 2020 to develop a background study (the Background Study) to support the Waterfront Strategic Review Update (the Waterfront Update).

The Waterfront Update is a joint initiative undertaken by Waterfront Toronto's three government partners — the City of Toronto, Province of Ontario (Province) and Government of Canada — to evaluate how the organization's track record and proposed work plan align with its legislated mandate.

Our work developing the Background Study was supported by an executive-level Toronto Waterfront Revitalization Initiative Intergovernmental Steering Committee (IGSC), a director-level Tri-Government Working Group (TWG) and a Project Team consisting of staff representatives from each level of government, which provided day-to-day direction.

Project Background

The primary purpose of the Background Study is to update the findings from a comprehensive assessment of Waterfront Toronto conducted in 2015 by Ernst & Young LLP (2015 Performance Assessment).¹ The scope of our work covered the five-year period from 2015 to 2020 and was focused on the following elements:

- Waterfront Toronto's initiatives, priorities, governance, financial performance and fiscal sustainability;²
- The roles and responsibilities of Waterfront Toronto vis-à-vis other agencies involved in waterfront revitalization, including areas of perceived overlap and potential conflict; and,
- How the three government partners coordinate with one another to support Waterfront Toronto, including opportunities to improve coordination.

The Background Study builds on recent reports related to Waterfront Toronto. It is not an audit or similarly comprehensive assessment of Waterfront Toronto's performance. The evidence base for the Background Study was developed through our extensive stakeholder consultation activities and a review of financial information provided by the City and Waterfront Toronto.

As described in the Preface to this document, an upcoming City staff report will address additional issues outside the scope of the Background Study, including mandate, funding, roles and responsibilities and potential next steps to advance waterfront revitalization.

¹ See, Ernst & Young LLP, City of Toronto Waterfront Toronto Performance Assessment Final Report, June 19, 2015, available at: <https://www.toronto.ca/legdocs/mmis/2015/ex/bgrd/backgroundfile-81764.pdf>.

² These included, for example, the Port Lands Flood Protection Project, Quayside, East Bayfront precinct implementation and the Signature Projects Initiative, as well as other priorities, the governance framework and current financial outlook.

The TWG identified 29 assessment questions to be addressed by the Waterfront Update across three areas related to Waterfront Toronto's 1) relevance, 2) effectiveness, and 3) economy and efficiency. The assessment questions are included in *Appendix A*, and responses to the assessment questions assigned to KPMG are included in *Appendix B*. A summary of our findings is provided below.

Summary of Findings

Our findings are summarized below across the three assessment areas. They are based on our stakeholder engagement activities and financial analysis. For additional details on these findings, refer to Section 2.

1. *Relevance*

- 1.1 Toronto's waterfront revitalization is a nationally significant project, and interviewees from all three levels of government expressed a strong interest in continued participation.
- 1.2 Waterfront Toronto's mandate and objectives were aligned with the three government's revitalization priorities over the 2015 to 2020 study period.
- 1.3 The tri-government model — and the Waterfront Toronto model specifically — is an effective vehicle to deliver the three government's priorities on the waterfront.
- 1.4 There is broad agreement with the Office of the Auditor General of Ontario (Ontario Auditor General) that the roles and responsibilities of Waterfront Toronto and other agencies active in the waterfront revitalization require attention to reduce the potential for overlap and duplication of effort.
- 1.5 There are opportunities for the government partners to improve their coordination and support for Waterfront Toronto and other waterfront initiatives.

2. *Effectiveness*

- 2.1 Waterfront Toronto made significant progress towards its legislative and corporate objectives over the study period.
- 2.2 Waterfront Toronto's internal controls and approach to performance management matured significantly between 2015 and 2020.³
- 2.3 Waterfront Toronto's experience with its previous innovation partner for the Quayside development (Sidewalk Labs) was challenging but provided important lessons learned.⁴
- 2.4 Waterfront Toronto's 2028 legislated wind-up date is a risk to the corporation's short- and medium-term performance.

³ See also, Office of the Auditor General of Ontario, "2020 Follow-Up Report," available at: https://www.auditor.on.ca/en/content/annualreports/arreports/en20/FU_115en20.pdf

⁴ Ibid.

3. *Economy & Efficiency*

- 3.1 Waterfront Toronto managed its resources with due regard for economy and efficiency over the 2015 to 2020 study period.
- 3.2 A higher short-term borrowing limit and extended term would provide Waterfront Toronto with additional financial and operational flexibility.
- 3.3 Waterfront Toronto does not have the tools to be 100% financially self-sustaining.
- 3.4 Waterfront Toronto is approaching fiscal uncertainty with government funding sources expected to be fully drawn by 2024.

Strategic Questions

While the scope of the Background Study was the five-year period from 2015 to 2020, many interviewees engaged through our stakeholder consultation activities provided observations about post-2020 waterfront revitalization. Building on these observations, in Section 3 we present 10 strategic questions to inform the next phase of government discussions on waterfront revitalization.

Limitations of this Report

The Background Study relied on information obtained through stakeholder interviews and document review, and we have not verified the information we obtained or presented in this document.

In 2018, the Ontario Auditor General conducted a value-for-money audit of Waterfront Toronto and, in 2020, released a follow-up report. The Ontario Auditor General's objective was to assess whether Waterfront Toronto has effective systems and procedures in place to (i) plan and execute the revitalization of Toronto's waterfront in a cost-effective and timely manner; and (ii) regularly monitor and publicly report on the progress and performance of revitalization projects. KPMG is aware that Waterfront Toronto has implemented most of the recommendations received from the Ontario Auditor General. We are also aware that some of the Ontario Auditor General's recommendations were directed at the Province of Ontario and that most of them have been implemented.⁵

As a result, this Background Study did not include an in-depth re-evaluation of these topics. KPMG did not repeat the extensive work of the Ontario Auditor General, and the Background Study does not constitute an audit or similar type of review or document.

⁵ According to the Ontario Auditor General: "According to the information provided to us by Waterfront Toronto and the Ministry of Infrastructure, 72% of the actions we recommended in our 2018 Annual Report have been fully implemented as of September 30, 2020. The Ministry and Waterfront Toronto had made progress in implementing an additional 22% of the recommendations." Source: *ibid.*

1 Project Background

The purpose of KPMG's Background Study is to update the findings from the 2015 Performance Assessment. Our scope of review was limited to the five-year period from 2015 to 2020 and focused on the following key elements:

- Waterfront Toronto's current and future initiatives, priorities, governance, financial performance and fiscal sustainability;
- The roles and responsibilities of Waterfront Toronto vis-à-vis other agencies involved in waterfront revitalization, including areas of perceived overlap and potential conflict; and,
- How the three government partners coordinate with one another to support Waterfront Toronto, including opportunities to improve coordination.

Background Study Assessment Questions

The Background Study builds on the 2015 Performance Assessment and related reviews of Waterfront Toronto conducted since 2015. It is an update of previous findings and not a bottom-up, comprehensive assessment.

The TWG identified a list of 29 questions to guide the Waterfront Update. The questions are organized into a modified version of the three assessment areas used in the 2015 Performance Assessment:

1. **Relevance:** the governments' waterfront revitalization priorities, Waterfront Toronto's alignment to those priorities, roles and responsibilities for waterfront revitalization and how the governments are coordinating to support Waterfront Toronto;
2. **Effectiveness:** Waterfront Toronto's performance in achieving its corporate and legislated objectives; and,
3. **Economy and Efficiency:** Waterfront Toronto's financial performance and the degree to which it can be financially self-sustaining.

Of the 29 questions, 24 were assigned to KPMG in whole or in part to answer through the Background Study. The remaining 5 questions were assigned to the TWG. The assessment questions are included in *Appendix A*, and responses to the assessment questions assigned to KPMG are included in *Appendix B*.

Background Study Approach & Work Plan

The evidence base for the Background Study consisted primarily of stakeholder interviews and high-level financial analysis. Each is explained in greater detail below.

Stakeholder Interviews

We interviewed 37 representatives from the three governments, Waterfront Toronto, other agencies involved in waterfront revitalization, and Waterfront Toronto development partners. We used a combination of one-on-one and group interviews. Stakeholders were identified by the TWG and Waterfront Toronto. A complete list of stakeholders is included in *Appendix C – Stakeholder List*. Public consultation will be performed by the City at a later date.

Financial Analysis

Our financial analysis of Waterfront Toronto included reviewing financial data provided by the City and Waterfront Toronto, analyzing current and forecast financials and leading three workshops with Waterfront Toronto staff. The assessment was limited to a high-level review of financial strengths, constraints and opportunities. Our financial assessment is included in *Appendix D – Financial Assessment*. It does not represent a value for money examination of Waterfront Toronto's spending. A value for money audit was undertaken by the Ontario Auditor General in 2018, and a follow-up assessment was released in 2020.

Work Plan

Work took place between October 2020 and March 2021. Figure 1 shows our four-phase work plan.

Figure 1 – Background Study Work Plan



We also reviewed several documents provided by the City and Waterfront Toronto to inform our work. A complete list of documents reviewed is included in *Appendix E – Document List*.

Preliminary findings were presented to the TWG on January 6, 2021 and the IGSC on January 15, 2021. A second meeting with the IGSC was held on March 1, 2021 to discuss the strategic questions identified in Section 3 of this report. Feedback was received and incorporated into this Background Study.

2 Background Study Findings

This section presents our research findings. They are organized into three areas related to Waterfront Toronto's 1) relevance, 2) effectiveness and 3) economy and efficiency.

Our findings related to relevance and effectiveness were consistently identified by a majority of interviewees and supported by our document review. Our findings related to economy and efficiency are based on financial analysis and stakeholder engagement activities, including a financial workshop with the TWG.

Specific answers to each of the assessment questions assigned to KPMG are included in *Appendix B – Assessment Responses*.

1. Relevance

1.1 Toronto's waterfront revitalization is a nationally significant project, and interviewees from all three levels of government expressed a strong interest in continued participation.

Executive-level stakeholders from the three government partners identified Toronto's waterfront revitalization as a nationally significant project. These stakeholders emphasized the importance of Toronto's waterfront as a "gateway to Canada" and a "generational opportunity" that is imperative to get right. As the largest city and economic engine of Canada, the success of Toronto and its waterfront revitalization efforts were confirmed as ongoing priorities for each government partner.

In 2017, the three governments demonstrated their commitment to waterfront revitalization through a joint \$1.25 billion investment in the Port Lands Flood Protection (PLFP) Project and the project management capabilities of Waterfront Toronto. The PLFP project is forecast to be substantially completed by 2024.

When interviewees considered the post-2015 to 2020 period, representatives from all three levels of government consistently expressed a strong interest in continued participation in waterfront revitalization. There was a consensus among interviewees that the City has and should continue to play a leadership role guiding revitalization activities. Similarly, there was broad agreement among government staff that there is a collective interest in continuing waterfront revitalization beyond 2028, Waterfront Toronto's statutory wind-up date. However, there is no formal mechanism or commonly understood approach to renewing either Waterfront Toronto's legislated mandate or the tri-government approach to waterfront revitalization. The future roles and responsibilities of the government partners related to Waterfront Toronto and waterfront revitalization are a matter of ongoing discussion for each level of government.

1.2 Waterfront Toronto's mandate and objectives were aligned with the three government's revitalization priorities over the 2015 to 2020 study period.

Waterfront Toronto's mandate and objectives are set out in the *Toronto Waterfront Revitalization Corporation Act, 2002 (TWRC Act)*,⁶ which includes five corporate objectives and several policy objectives focused on revitalization outcomes. These objectives include ensuring that revitalization creates new economic growth, dynamic new spaces and proceeds in a manner that is fiscally and environmentally responsible.

Interviews with staff representing each government partner confirmed that, during the study period, the three governments' waterfront revitalization priorities were broadly shared. Priorities consistently identified across each level of government include: building a world-class waterfront, place making, sustainability, equity, public engagement and economic growth. The Port Lands Flood Protection Project was frequently identified by interviewees from the three government partners as a strong example that demonstrated alignment on shared priorities.

1.3 The tri-government model — and the Waterfront Toronto model specifically — is an effective vehicle to deliver the three government's waterfront revitalization priorities.

There was a strong consensus across stakeholders from all three levels of government that a tri-government approach is required to successfully deliver waterfront revitalization. The benefits of a tri-government approach identified by stakeholders include:

- Improved co-ordination in a complex space with overlapping legal, property, institutional and other interests; and,
- Cost-sharing of the significant investments required for waterfront revitalization.

Similarly, the Waterfront Toronto model — an arms-length corporation with an independent board appointed by the three levels of government — was consistently identified as an effective vehicle for waterfront revitalization during the 2015 to 2020 study period. Many government stakeholders described Waterfront Toronto as a model for intergovernmental collaboration. Stakeholders identified the strengths of the Waterfront Toronto model as:

- A nonpartisan, independent board that provides stability for the long-term revitalization across short and medium-term political and economic cycles;
- An arms-length corporation that reduces the transaction costs associated with government coordination and negotiation on specific projects and investments; and,
- A supporting governance structure (i.e., the IGSC and government secretariats) that provide a forum for oversight, accountability and frank discussions about barriers and other challenges.

1.4 There is broad agreement with the Ontario Auditor General that the roles and responsibilities of Waterfront Toronto and other agencies active in the waterfront revitalization require attention to reduce the potential for overlap and duplication of effort.

Toronto's waterfront revitalization takes place in a complex multi-stakeholder environment that varies across projects and evolves over time. Our stakeholder interviews indicated that while there is a need for many different entities to work together to plan and deliver waterfront revitalization, certain roles and

⁶ S.O. 2002, c.28.

responsibilities need to be reviewed to reduce the potential for overlap and duplication as revitalization continues to advance.

Across stakeholder groups, and in line with observations made by the Ontario Auditor General, there was a consensus that a variety of roles and responsibilities require review and clarification:

- Waterfront Toronto and CreateTO, the City's real estate development agency, with respect to the planning and delivery of waterfront revitalization activities (e.g., the development of City-owned lands in the Lower Don Lands following the completion of the Port Lands Flood Protection Project);
- Waterfront Toronto, Waterfront Toronto's Board of Directors and the three government partners with respect to identifying the objectives and priorities for waterfront revitalization; and,
- Waterfront Toronto and the current and future role of the provincially owned Ontario Place site and its development within the broader context of Toronto's waterfront revitalization.

While it was not within the scope of the Background Study to offer prescriptive solutions to address these issues, there was a consensus among interviewees that these areas required further attention and should be subject to ongoing discussion among the three governments, Waterfront Toronto, its Board of Directors and key stakeholders. It was noted that progress is anticipated during the next phase of the Waterfront Update. Alongside these three areas, several stakeholders, particularly Waterfront Toronto's development partners, suggested that a review of the Designated Waterfront Area (DWA) boundaries was overdue, noting that there was a need for a unified approach to revitalization across the City's entire waterfront, in addition to the lands within the DWA.

1.5 There are opportunities for the government partners to improve their coordination and support for Waterfront Toronto and other waterfront initiatives.

The government partners provide direction and support to Waterfront Toronto through appointments to Waterfront Toronto's Board of Directors as well as the IGSC and TWG. In certain cases, the IGSC and TWG are supported by dedicated secretariats at certain levels of government.

Interviewees indicated that the IGSC and TWG were effective information sharing forums for the three governments. However, interviewees from the three levels of government and Waterfront Toronto consistently noted that these forums and supporting governance mechanisms could be streamlined and focused while still providing appropriate internal due diligence and accountability.

Interviewees identified the following specific challenges during the 2015 to 2020 study period:

- Waterfront Toronto requires approvals from the three levels of government for borrowing consents. Interviewees reported that federal and provincial approvals can take more than a year, even for non-material changes, reducing the organization's operational flexibility and negatively impacting project schedules;
- The mechanisms used by the three government partners to provide oversight of specific projects and financial contributions can sometimes overlap. For example, Waterfront Toronto staff spend considerable time preparing data requests, briefings and other information packages for each of the three levels of government on a variety of subject matters. Consolidating these requests and reporting requirements could allow Waterfront Toronto to be more streamlined in its efforts while also ensuring that the three levels of government receive the information they require.
- City approvals and permitting processes related to Waterfront Toronto-led and directed developments can be slow, adding delays and costs to specific projects. While the City's Waterfront Secretariat plays a supporting role, interviewees indicated that Waterfront Toronto is frequently

treated as an external organization and that the City may not be adequately resourced to support waterfront-related initiatives, adding to process-related delays and costs; and,

- While the IGSC provides a forum for information sharing and project oversight (e.g., managing contribution agreements), there is no formal mechanism for the elected leadership from the three levels of government to provide strategic direction to Waterfront Toronto, a significant barrier to providing the corporation with clear direction on the governments' current and future priorities for waterfront revitalization.

2. Effectiveness

2.1 Waterfront Toronto made significant progress towards its legislative and corporate objectives over the study period.

There was a strong consensus across interviewees from the three governments that Waterfront Toronto made significant and highly visible progress towards waterfront revitalization over the study period. Interviewees identified the 2020 waterfront as more vibrant, dynamic, livable and exciting than the 2015 waterfront.

Major waterfront revitalization projects completed during the five-year study period include: River City Phase 2, 3 and 4, Monde Condominiums, Aquavista and Aqualina in East Bayfront, The Bentway, Aitken Place Park, multiple affordable housing projects in the West Don Lands, the Queens Quay West Revitalization, and preparatory works associated with the Port Lands Flood Protection Project. In total, 31 Waterfront Toronto-led or directed projects with a total budget of \$1.835 billion were completed over the previous five years. A full list of projects completed in this timeframe is included in *Appendix F – Projects Completed (2015 to 2020)*.

Waterfront Toronto's performance was consistently identified as effective over the study period by government stakeholders, with particular strengths in public engagement, the design and implementation of high-quality public realm and delivery of complex projects. The Port Lands Flood Protection Project was consistently cited as a complex project that would have been difficult to deliver by any one of the three governments working alone or together (or through another entity) in the absence of Waterfront Toronto.

At the same time, several government interviewees noted that the pace of revitalization could be accelerated and that there remained a need for a globally recognized destination like the Sydney Opera House or London's Tate Modern to draw activity and interest to the waterfront.

We engaged a selection of development partners for the Background Study. They described Waterfront Toronto as an effective partner with a unique skill set and particular strengths in planning, visioning and engagement.

2.2 Waterfront Toronto's internal controls and approach to performance management matured significantly between 2015 and 2020.

Waterfront Toronto stakeholders indicated that improving financial and project controls and reporting was a significant focus area over the past five years. Improvements included:

- The creation of a Capital Program Management Office to strengthen project management and oversight (2017);
- The implementation of a formal stage gate process to assess project budget, scope and schedule feasibility in advance of construction (2018);

- The implementation of a new cloud-based Microsoft Office enterprise resource planning (ERP) system;
- A risk appetite statement that established specific risk tolerances for innovation projects (2019); and,
- The creation of an integrated performance management framework linked to Waterfront Toronto's legislative mandate and objectives, reported annually through Waterfront Toronto's Annual Report.

In addition to improved controls and performance management, as of December 2020, 20 of the 22 actions identified for Waterfront Toronto in the Ontario Auditor General's 2018 value for money audit had been implemented, including improvements related to the oversight of organizations receiving funding from Waterfront Toronto. An additional 14 actions identified in the audit were the responsibility of the Ministry of Infrastructure,⁷ of which the Ontario Auditor General has deemed six to be fully implemented, six in the process of being implemented, and two no longer applicable (as of December 2020).

While a detailed review of project delivery was outside the scope of the Background Study, no interviewees provided evidence for inefficiency or waste at Waterfront Toronto or related to projects led or delivered by the corporation during the study period.

2.3 Waterfront Toronto's experience with its previous innovation partner for the Quayside development (Sidewalk Labs) was challenging but provided important lessons learned.

In October 2017, Waterfront Toronto selected Sidewalk Labs to develop a mixed-use community on the 12-acre Quayside lands on Toronto's eastern waterfront to showcase urban innovation and new technologies. Elected leaders from the three levels of government attended the announcement.

After multiple years working with Waterfront Toronto on innovative proposals for Quayside, Sidewalk Labs withdrew from the partnership citing the economic uncertainty associated with the COVID-19 pandemic in May 2020. It was a high-profile partnership that garnered significant stakeholder attention from 2018 through 2020. Key elements of the Quayside development that received attention included stakeholder engagement as well as data privacy, security and ownership.

A detailed assessment of Waterfront Toronto's partnership with Sidewalk Labs was not included in the scope of the Background Study. Interviewees from the three levels of government and Waterfront Toronto consistently described the Sidewalk Labs experience as a "challenging" but positive learning experience that allowed the three governments to develop new approaches and policy frameworks to data governance, intellectual property and planning.

Interviewees also indicated that internal reviews conducted by the government partners following Sidewalk Labs withdrawal revealed several important lessons learned to improve tri-government coordination related to waterfront revitalization. For example, an Ontario Government review identified opportunities to improve coordination by clearly defining roles and responsibilities, outlining clear decision-making pathways and proactively developing policy frameworks to guide development, including the identification of opportunities to accelerate legislative and regulatory change.⁸

⁷ Lists of the implemented and outstanding actions identified in the 2015 Performance Assessment and the Auditor General's 2018 value for money audit are included in *Appendix H – 2015 Performance Assessment – WT Response* and *Appendix I – 2018 Ontario Auditor General Recommendations – WT Response*, respectively.

⁸ Ontario Ministry of Infrastructure, "Quayside 1.0: Lessons Learned," June 2020.

2.4 Waterfront Toronto's 2028 legislative wind-up date is a significant risk to the corporation's short-and medium-term performance.

The *TWRC Act* includes an automatic wind-up provision after Waterfront Toronto's 25th anniversary.⁹ Without action from the three levels of government to extend or remove the wind-up mechanism, Waterfront Toronto will cease to exist in 2028.

Interviewees from Waterfront Toronto and the three levels of government consistently acknowledged the 2028 wind-up date as a significant risk to Waterfront Toronto's corporate stability and the revitalization momentum established over the last five years. Specific challenges for Waterfront Toronto associated with the wind-up date include:

- The ability to attract and retain talent, which interviewees indicated would grow more difficult as the wind-up date approaches;
- Credibility with current and potential development and other partners, particularly given the longer time horizons associated with waterfront revitalization and development projects; and,
- Credibility with the public, particularly for planning and visioning activities that stretch beyond 2028.

Many interviewees noted that, given the timelines associated with legislative change and the risks identified above, the issue of the 2028 wind-up date needs to be addressed in the short term (i.e., in the next one to two years).

3. Efficiency & Effectiveness

Since inception, Waterfront Toronto has been primarily funded by two tri-government commitments: i) an initial \$1.5 billion in seed capital committed to in 2001 and ii) an additional \$1.25 billion in project-based funding for the Port Lands Flood Protection Project in 2018.

As of December 2020, approximately \$7 million remains from the initial \$1.5 billion in seed capital. The \$1.25 billion in project-based funding will be substantially spent by 2024 and can be used only for the Port Lands Flood Protection Project. Additionally, the City approved funding in December 2020 of approximately \$163M to support the costs of demolishing the Gardiner Logan ramps and revitalizing a portion of Lakeshore Boulevard East. No additional tranche-based or project-based government funding has been committed.

3.1 Waterfront Toronto managed its resources with due regard for economy and efficiency over the 2015 to 2020 study period.

The financial analysis performed in support of the Background Study indicates that Waterfront Toronto has consistently managed its resources in an efficient and effective manner over the five-year study period.

Waterfront Toronto implemented several measures to improve resource management over the last five years, including:

- Two HR cost reviews that resulted in a 5% reduction in HR costs and overall headcount;
- Streamlined the contribution agreement process, a recommendation included in the 2015 Performance Assessment;

⁹ See, *Toronto Waterfront Revitalization Corporation Act, 2002*, S.O. 2002, c. 28 (*TWRC Act*), s. 13(3). The legislation also includes a provision for a potential wind up of the corporation's affairs after its 20th anniversary. See, *TWRC Act*, s. 13(1).

- The development of a fundraising strategy to support future funding; and,
- The improvements to financial and project controls identified in Finding 2.2.

Overall, the corporation's operating costs to total spend have remained relatively low at 6-8%. Based on our review of financial information provided by Waterfront Toronto and the City, it appears that Waterfront Toronto has sufficiently managed its finances over the study period. Similarly, interviewees did not provide any evidence that Waterfront Toronto has mis-managed its finances over the last five years.

3.2 A higher short-term borrowing limit and extended term would provide Waterfront Toronto with financial and operational flexibility.

Under the *TWRC Act*, Waterfront Toronto is not permitted to borrow without the consent of all three levels of government.¹⁰ Over the 2015 to 2020 study period, Waterfront Toronto's short-term borrowing limit has remained static despite rising collateral asset values. Waterfront Toronto's current short-term borrowing consent from the three governments is limited to \$40 million and expires in March 2023.

The financial analysis and interviews with Waterfront Toronto indicate that the current short-term borrowing limit created operational and liquidity challenges for the corporation between 2015 and 2020. The short-term borrowing limit:

- Restricted Waterfront Toronto's ability to provide bridge financing for projects pending the delivery of government funding;
- Restricted Waterfront Toronto's ability to provide bridge financing for projects not funded by government (e.g., Quayside); and,
- Created financial uncertainties for Waterfront Toronto related to the planning and scoping of new projects, particularly given the 2023 expiry date of the current short-term borrowing consent.

These challenges were exacerbated by the current funding model where Waterfront Toronto is typically reimbursed for costs incurred, creating a need for bridge financing. Similarly, the current model does not typically include the costs associated with planning and scoping projects prior to securing funding, placing additional pressures on Waterfront Toronto's borrowing capacity.

Given Waterfront Toronto's assets (e.g., Quayside), a higher short-term borrowing limit and extended term appears reasonable. Given the fiscal challenges identified in Finding 3.3, below, this higher short-term borrowing limit will be required in the near term to provide the corporation with financial and operational flexibility pending decisions related to the next phase of waterfront revitalization.

3.3 Waterfront Toronto does not have the tools to be 100% financially self-sustaining.

One of Waterfront Toronto's corporate objectives included in the *TWRC Act* is to "ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner."¹¹ The 2015 Performance Assessment found an ambiguity in the interpretation and meaning of this objective, noting that it had shifted over time from an expectation that revitalization activities be financially self-sustaining to an expectation that Waterfront Toronto be financially self-sustaining.¹²

¹⁰ *TWRC Act*, s. 4(5).

¹¹ *TWRC Act*, s. 3(1)(2).

¹² See, 2015 Performance Assessment, p. 46-53.

The Ontario Auditor General's 2018 value for money audit included a recommendation that Waterfront Toronto "further develop the waterfront area in a financially self-sustaining manner."¹³ It is unclear from the text whether the Ontario Auditor General's recommendation includes an expectation that Waterfront Toronto itself become financially self-sustaining.

Similar to the 2015 Performance Assessment, the financial analysis indicates that, given existing assets and the legislative restrictions on Waterfront Toronto's ability to raise revenue, Waterfront Toronto does not have the ability nor the tools required to be financially self-sustaining. Government partners do, however, have the ability to work individually with Waterfront Toronto and provide funding on specific projects, such as the William G. Davis Trail, The Bentway and Lake Shore Boulevard East.

While interviewees from the three levels of government indicated that Waterfront Toronto should identify opportunities to directly raise revenues, no interviewees identified an expectation that the corporation could become financially self-sustaining in the immediate term or as currently structured.

3.4 Waterfront Toronto is approaching fiscal uncertainty with government funding sources expected to be fully drawn by 2024.

During the 2015 to 2020 study period, it became clear that Waterfront Toronto's current project-based funding model is a significant risk to the corporation's ongoing efficiency and effectiveness. Almost all stakeholders interviewed across the three governments and Waterfront Toronto expressed concern about the material gap between the long-term costs of waterfront revitalization and the current funding commitments to the corporation. Concerns were also expressed about Waterfront Toronto's as yet untested ability to raise significant revenues from fundraising and land sales (currently limited to Waterfront Toronto owned lands only).

Waterfront Toronto's current capital and investment plan includes approximately \$1.47 billion in expenditures over the next eight years.

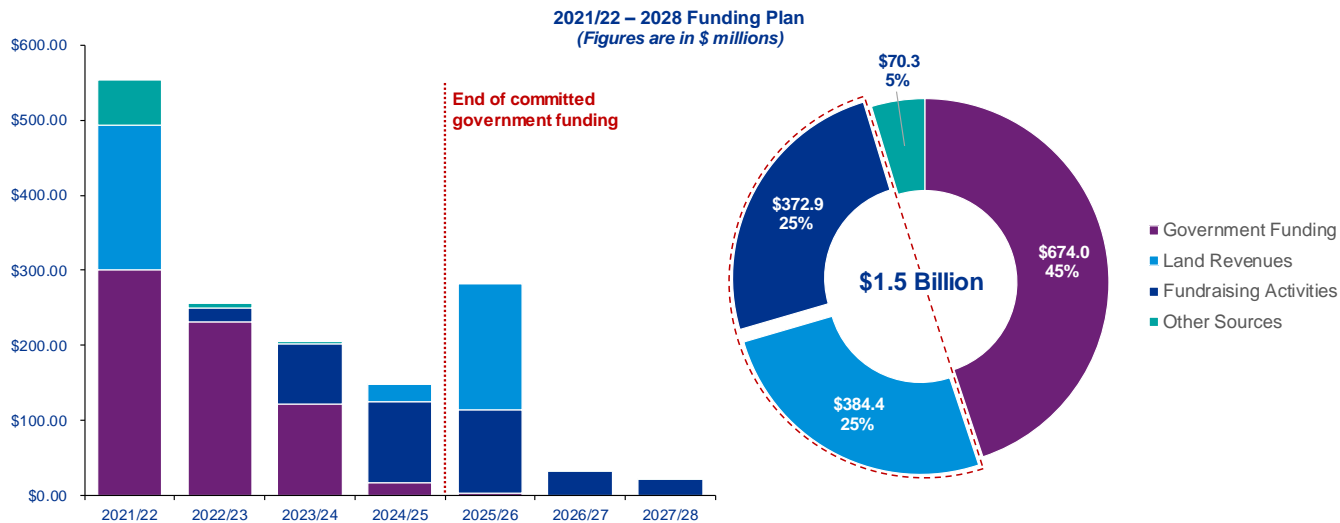
With government funding set to end in 2024 with the completion of the Port Lands Flood Protection Project, approximately 50% of the funding identified in the capital and investment plan is expected to come from land sale revenues (\$384 million) and fundraising (\$373 million). These funding sources are contingent and largely unsecured. A notable component of the anticipated land sale revenues are tied to block plans that have City-owned components and require City Council approval for disposition – revenues from the sale of those lands are not currently committed to Waterfront Toronto.¹⁴ Similarly, while Waterfront Toronto is currently developing a fundraising strategy, fundraising will be a new endeavor for Waterfront Toronto and the market response is not yet known.

Figure 2 shows the anticipated revenues associated with Waterfront Toronto's eight-year capital and investment plan.

¹³ See, Ontario Auditor General Report, p. 680-681.

¹⁴ A significant portion of land sale revenues are related to the Quayside parcel.

Figure 2 - Revenue Sources for Waterfront Toronto's Eight-year Capital & Investment Plan



The end of government funding in 2024 and the post-2024 reliance on largely unsecured revenue sources are a significant risk to Waterfront Toronto's capacity to deliver its legislative mandate and objectives identified in its eight-year capital and investment plan (beyond the Port Lands Flood Protection Project). Similarly, the lack of appropriate funding tools and associated financial constraints have the potential to impact Waterfront Toronto's ability to undertake the planning and preparatory work associated with several other projects identified as part of the broader waterfront development.

3 Strategic Questions

KPMG's scope for the Background Study was the five-year period from 2015 to 2020. During our stakeholder consultations, however, nearly every interviewee made comments and observations about post-2020 waterfront revitalization activities and, specifically, the post-2020 role and structure of Waterfront Toronto. Since these topics were not within the scope of the Background Study, they do not represent the same level of assessment and/or consensus as the findings presented in Section 2.

On March 1, 2020, KPMG facilitated a workshop with the IGSC focused on 10 strategic questions about Waterfront Toronto's post-2020 role and structure. These questions were identified through our stakeholder engagement activities and organized into five categories related to Waterfront Toronto's funding model, legislative horizon, governance, financing, and roles and responsibilities. They are presented here for reference only. The IGSC and TWG may wish to consider these items as they contemplate the next phase of the Waterfront Update.

1. Funding Model	
<i>Objectives</i>	Improve Waterfront Toronto's financial and operational flexibility.
<i>Assumptions</i>	Waterfront revitalization is not complete, but government funding will be exhausted by 2024. If additional government funding were made available to Waterfront Toronto post-2024, it will take the form of project-based funding.
<i>Questions</i>	1.1 How can WT be successfully sustained between large projects? 1.2 How can the due diligence required to support applications to government programs be funded?

2. Legislative Horizon	
<i>Objectives</i>	Improve performance and planning through legislative certainty.
<i>Assumptions</i>	The 2028 legislative wind-up date is beginning to impact Waterfront Toronto's ability to propose transformational projects and partner with developers and other stakeholders.
<i>Questions</i>	2.1 If Waterfront Toronto is going to continue to be the primary delivery agent for waterfront revitalization, when does the 2028 legislative timeframe need to be addressed to maintain corporate stability? 2.2 What processes and information are required to contemplate an extension to Waterfront Toronto's enabling legislation?

3. Governance	
<i>Objectives</i>	Improve long-term planning and performance.
<i>Assumptions</i>	The success of Waterfront Toronto rests on its ability to plan and act across government and economic cycles. Revitalization is a long-term project.
<i>Questions</i>	<p>3.1 What is an appropriate longer-term planning horizon for Waterfront Toronto (e.g., 10 years, 15 years, etc.)?</p> <p>3.2 How can Waterfront Toronto's long-term plans be aligned with evolving government objectives?</p>

4. Financing	
<i>Objectives</i>	Improve operational and financial flexibility.
<i>Assumptions</i>	An increased short-term borrowing limit is appropriate given Waterfront Toronto's existing assets.
<i>Questions</i>	<p>4.1 What level of external short-term borrowing is appropriate?</p> <p>4.2 What level of internal short-term borrowing is appropriate?</p> <p>4.3 What information is required to increase Waterfront Toronto's external short-term borrowing limit?</p>

5. Roles and Responsibilities	
<i>Objectives</i>	Improve coordination and cooperation on the waterfront.
<i>Assumptions</i>	Waterfront revitalization is a significant undertaking that will require many different waterfront agencies to work together over the long term.
<i>Questions</i>	5.1 How can roles and responsibilities for revitalization be clarified?

Appendices



Appendix A – Assessment Questions

This Appendix presents the 29 assessment questions identified by the TWG to guide the Waterfront Update. Building on the 2015 Performance Assessment, they are organized into three assessment areas related to Waterfront Toronto's 1) relevance, 2) economy and efficiency, and 3) effectiveness.

Area	KPMG Questions	TWG / IGSC Questions	Shared KPMG & TWG / IGSC Questions
Relevance	<p>Relevance</p> <ol style="list-style-type: none"> To what extent are WT's mandate and objectives aligned with the governments' waterfront revitalization priorities? <ol style="list-style-type: none"> To what extent do the governments' have shared priorities for waterfront revitalization? <p>Roles & Responsibilities</p> <ol style="list-style-type: none"> To what extent are mandates and jurisdictions for waterfront revitalization overlapping or in conflict? <ol style="list-style-type: none"> To what extent is WT positioned to lead revitalization going forward? To what extent are other entities positioned to lead revitalization going forward? What can the governments and WT do to better delineate mandates and jurisdictions for waterfront revitalization? 	<p>Vision, Goals & Priorities</p> <ol style="list-style-type: none"> What are the governments' shared priorities for waterfront revitalization? Do WT's priorities, including the four WT Signature Projects, align with the governments' priorities, as well as the organization's legislative mandate? Should WT's mandate be extended beyond 2028? If yes, does the TWRC Act need to be amended (or a new one proclaimed)? <p>Roles & Responsibilities</p> <ol style="list-style-type: none"> How can potential conflicts resulting from the overlapping mandates and jurisdictions of agencies be mitigated? Are there processes in place to clearly delineate the jurisdiction and mandate of these potential agency conflicts? 	<p>Government Coordination</p> <ol style="list-style-type: none"> What can the governments do to improve coordination? <ol style="list-style-type: none"> Would additional resources be required? What can governments do to improve support for WT? What can WT do to support improved government coordination?

Area	KPMG Questions	TWG / IGSC Questions	Shared KPMG & TWG / IGSC Questions
Economy & Efficiency	<p>9. Over the last five years, has WT managed its resources with due regard for economy and efficiency?</p> <p>10. Given the governments' priorities, does WT have the necessary resources to lead revitalization going forward?</p> <p>Financial Stability</p> <p>11. Does WT have the financial tools to implement its mandate?</p> <p>12. Do those financial tools provide a source of sustainable funding?</p> <p>13. To what degree can WT be financially self-sustaining?</p> <p>Governance & Risk Management</p> <p>14. Are WT's risk management practices adequate? Are WT's existing contingency plans adequate?</p> <p>15. Are WT's corporate and project-based reporting requirements to government adequate?</p> <p>16. How should internal and external WT borrowing be considered?</p>	N / A	<p>Financial Stability</p> <p>17. What has been the impact of the governments' shift to a project-based funding model?</p> <p>Governance & Risk Management</p> <p>18. Does the project-based funding model have implications for the governance of WT, or for risk management?</p> <p>19. What level of WT borrowing is appropriate?</p>
Effectiveness	<p>20. Over the last five years, to what extent has WT achieved its stated corporate, project delivery and governance objectives?</p> <p>Vision, Goals & Priorities</p> <p>21. Is WT achieving its legislative mandate? Are the organization's vision, goals and priorities aligned with its legislative mandate?</p> <p>22. Does WT have clear tools in place to assess its progress towards achieving goals and priorities?</p>	N / A	N / A

Appendix B – Assessment Responses

This Appendix presents responses to the 24 assessment questions assigned in whole or in part to KPMG. Each of the responses was informed by our stakeholder engagement activities and financial analysis (where appropriate).

#	Assessment Question	Response	Related Findings
Relevance			
1	To what extent are WT's mandate and objectives aligned with the governments' waterfront revitalization priorities?	<ul style="list-style-type: none"> — Waterfront Toronto's mandate and objectives were aligned with the three governments' waterfront revitalization priorities during the 2015 to 2020 study period. — Shared government priorities identified by stakeholders included: building a world-class waterfront, place making, sustainability, equity, public engagement and economic growth. — No interviewees provided evidence that Waterfront Toronto's mandate and objectives were not aligned with government priorities during the study period. 	1.1, 1.2
1 (a)	To what extent do the governments' have shared priorities for waterfront revitalization?	<ul style="list-style-type: none"> — Interviews with the three government partners confirmed that, during the study period, the three governments' waterfront revitalization priorities were broadly shared. 	1.2
2	To what extent are mandates and jurisdictions for waterfront revitalization overlapping or in conflict?	<ul style="list-style-type: none"> — Roles and responsibilities for waterfront revitalization require attention to reduce potential conflict. — Stakeholders identified several areas that require clarification, including: <ul style="list-style-type: none"> — Waterfront Toronto and CreateTO; — Waterfront Toronto, the Waterfront Toronto Board of Directors and the three government partners; and, — The current and future role of the provincially owned Ontario Place site. 	1.4

#	Assessment Question	Response	Related Findings
2 (a)	To what extent is WT positioned to lead revitalization going forward?	<ul style="list-style-type: none"> — The Waterfront Toronto model — an arms-length corporation with an independent board appointed by the three levels of government — was consistently identified as an effective vehicle for waterfront revitalization during the 2015 to 2020 study period. — The end of government funding in 2024 and the reliance on unsecured revenue sources post-2024 is a significant risk to Waterfront Toronto's capacity to deliver its legislative mandate and objectives for waterfront revitalization. 	1.3, 3.4
2 (b)	To what extent are other entities positioned to lead revitalization going forward?	<ul style="list-style-type: none"> — There was a strong consensus across stakeholders from all three levels of government that a tri-government approach is required to successfully deliver waterfront revitalization. — Stakeholder interviews indicated that while there is a need for many different entities to work together to plan and deliver waterfront revitalization, over the 2015 to 2020 study period, certain roles and responsibilities became unclear and should be reviewed to support revitalization beyond 2020. 	1.3, 1.4
2 (c)	What can the governments and WT do to better delineate mandates and jurisdictions for waterfront revitalization?	<ul style="list-style-type: none"> — As a starting point, governments should consider addressing the roles and responsibilities identified in Finding 1.4. — There was no consensus across government stakeholders on specific changes to roles and responsibilities or a path to identify specific changes. 	1.4
8	What can the governments do to improve coordination?	<ul style="list-style-type: none"> — As a starting point, governments should consider addressing the challenges identified in Finding 1.5 to improve strategic direction to Waterfront Toronto and reduce duplicative oversight mechanisms. 	1.5
8 (a)	Would additional resources be required?	<ul style="list-style-type: none"> — Our work did not include an assessment of the resources required to improve tri-government coordination. 	N/A
8 (b)	What can governments do to improve support for WT?	<ul style="list-style-type: none"> — As a starting point, governments should consider addressing the challenges identified in Finding 1.5 to improve strategic direction to Waterfront Toronto and reduce duplicative oversight mechanisms. 	1.5
8 (c)	What can WT do to support improved government coordination?	<ul style="list-style-type: none"> — There was no consensus across government stakeholders related to opportunities for Waterfront Toronto to support improved government coordination. 	N/A
Economy & Efficiency			
9	Over the last five years, has WT managed its resources with due regard for economy and efficiency?	<ul style="list-style-type: none"> — The financial information provided by Waterfront Toronto and the City and the financial analysis performed indicates that Waterfront Toronto consistently managed its resources in an efficient and effective manner over the five-year study period. 	3.1

#	Assessment Question	Response	Related Findings
10	Given the governments' priorities, does WT have the necessary resources to lead revitalization going forward?	— The end of committed government funding in 2024 and the post-2024 reliance on unsecured revenue sources are a significant risk to Waterfront Toronto's capacity to deliver its legislative mandate and objectives, particularly given the three governments ambitions for continued waterfront revitalization.	1.1, 3.4
11	Does WT have the financial tools to implement its mandate?	— Waterfront Toronto's financial tools are limited and based on its current mandate, do not allow the organization to be financially self-sufficient. Within the five-year study period, Waterfront Toronto established a fundraising strategy to support the funding of its capital program, but additional tools and funding mechanisms will be required to implement its mandate.	3.3, 3.4
12	Do those financial tools provide a source of sustainable funding?	— The financial analysis indicates that Waterfront Toronto has not been given the tools to be financially self-sustaining. — Looking beyond the completion of the Port Lands Flood Protection Project in 2024, Waterfront Toronto is relying largely on unsecured revenue sources (land sale revenues and fundraising).	3.4
13	To what degree can WT be financially self-sustaining?	— Based on the financial analysis performed as part of this study and feedback from the TWG and IGSC, Waterfront Toronto will require additional financial tools in order to become financially self-sustaining.	3.3
14	Are WT's risk management practices adequate? Are WT's existing contingency plans adequate?	— No stakeholders provided evidence that Waterfront Toronto's risk management practices and contingency plans were inadequate during the study period.	2.2
15	Are WT's corporate and project-based reporting requirements to government adequate?	— No stakeholders provided evidence that Waterfront Toronto's corporate and project-based reporting requirements were inadequate during the study period.	2.2
16	How should internal and external WT borrowing be considered?	— The current short-term borrowing limit created operational and liquidity challenges for Waterfront Toronto during the study period. — Given Waterfront Toronto's assets (e.g., Quayside), a higher short-term borrowing limit and term extension appears reasonable.	3.2
17	What has been the impact of the governments' shift to a project-based funding model?	— Increased reliance on borrowing to fund working capital (government funding is typically reimbursed for costs incurred). — Creates challenges for planning and visioning activities for projects outside of the strategic plan (as these costs do not have a funding source).	3.2

#	Assessment Question	Response	Related Findings
18	Does the project-based funding model have implications for the governance of WT, or for risk management?	— The project-based funding model provides more visibility for government partners into the use of funds by Waterfront Toronto but presents challenges when contemplating long-term planning of waterfront revitalization efforts.	3.2
19	What level of WT borrowing is appropriate?	— Given Waterfront Toronto's assets (e.g., Quayside), a higher short-term borrowing limit in the range of \$70-90 million appears reasonable.	3.2
Effectiveness			
20	Over the last five years, to what extent has WT achieved its stated corporate, project delivery and governance objectives?	<ul style="list-style-type: none"> — Waterfront Toronto made significant progress towards its legislative and corporate objectives over the study period. — There was a strong consensus across interviewees from the three governments that Waterfront Toronto made significant and highly visible progress towards waterfront revitalization over the study period. 	2.1
21	Is WT achieving its legislative mandate? Are the organization's vision, goals and priorities aligned with its legislative mandate?	<ul style="list-style-type: none"> — Waterfront Toronto made significant progress towards its legislative and corporate objectives over the study period. — There was a strong consensus across interviewees from the three governments that Waterfront Toronto made significant and highly visible progress towards waterfront revitalization over the study period. 	2.1
22	Does WT have clear tools in place to assess its progress towards achieving goals and priorities?	<ul style="list-style-type: none"> — Waterfront Toronto's internal controls and approach to performance management matured significantly between 2015 and 2020. — No interviewees provided evidence for inefficiency or waste at Waterfront Toronto or related to projects led or delivered by the corporation during the study period. 	2.2

Appendix C – Stakeholder List

This Appendix presents the stakeholders engaged during our work. Stakeholders were identified and approved by the TWG. Interviews took place confidentially and were conducted one-on-one and in small groups. Public engagement was not included in the scope of the Background Study but may be undertaken by the City at a later date.

#	Name	Position
Government of Canada, Infrastructure Canada		
1	Kelly Gillis	Deputy Minister
2	Glenn Campbell	Assistant Deputy Minister, Investments, Partnerships and Innovation
3	Mary McKay	Director General, Alternative Finance
4	Marie-Pier Nassif	Director, Program Operations, North / Atlantic / Ontario
Government of Ontario, Ministry of Infrastructure		
5	Chris Giannikos	Deputy Minister
6	Grant Osborn	Assistant Deputy Minister, Infrastructure Research and Planning Division
7	Wendy Ren	Director (Acting), Policy and Planning Branch
City of Toronto		
8	Chris Murray	City Manager
9	Tracey Cook	Deputy City Manager, Infrastructure and Development Services
10	Gregg Lintern	Chief Planner and Executive Director, City Planning Division, City Planning Division
11	David Stonehouse	Director, Waterfront Secretariat
Waterfront Toronto		
12	George Zegarac	President and CEO
13	Lisa Taylor	Chief Financial Officer
14	Meg Davis	Chief Development Officer
15	David Kusturin	Chief Project Officer
16	Christopher Glaisek	Chief Planning and Design Officer
17	Kristina Verner	Vice President, Innovation, Sustainability and Prosperity
18	Ed Chalupka	Director, Government Relations
19	Stephen Diamond	Chair, Waterfront Toronto Board
20	Kevin Sullivan	Chair, Finance, Audit and Risk Management Committee

#	Name	Position
21	Wende Cartwright	Chair, Human Resources, Governance and Stakeholder Relations Committee
22	Mazyar Mortazavi	Chair, Investment & Real Estate Committee
City of Toronto		
23	Brett Howell	Technical Coordinator, Waterfront Secretariat
24	Mike Yu	Waterfront Project Manager, Waterfront Secretariat
25	Jayne Naiman	Waterfront Project Manager, Waterfront Secretariat
26	Jay Paleja	Senior Corporate Management and Policy Consultant, City Manager's Office
Government of Ontario		
27	Andre James	Senior Economist, Agency Oversight Unit
28	Melissa Pasquali	Senior Policy Advisor, Agency Oversight Unit
Government of Canada		
29	Shawn Tippins	Principal Advisor, Investment, Partnerships and Innovation, Infrastructure Canada
30	Kira Heymans	Analyst, Infrastructure Canada
Additional Stakeholders – Waterfront Agencies		
31	Vic Gupta	Senior Vice President, Strategic Development, CreateTO
32	Geoff Wilson	CEO, PortsToronto
33	Amar Singh	Executive Vice President, Commercial Advisory and Strategy, Infrastructure Ontario
Waterfront Toronto Developer / Partner Representatives		
34	Ken Tanenbaum	Vice Chairmen, Kilmer Van Nostrand Co. Limited
35	Wayne Carson	President, Kilmer Infrastructure Developments Inc.
36	David Wex	Co-Founder, Urban Capital
37	Anne Sado	President, George Brown College

Appendix D – Financial Assessment



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2

DRAFT FOR DISCUSSION

Agenda & Objectives

Objectives

1. Provide historical context and overview of existing funding
2. Identify financial requirements to deliver on existing projects
3. Discuss financial constraints and considerations for WT

Agenda

1. Financial Context **[10 mins]**
 - ▶ Overview of MOU with TEDCO and the City
 - ▶ Funding History
2. Current Financial Process and Projections **[20 mins]**
 - ▶ Project-Based Funding Approach
 - ▶ Looking Forward
 - ▶ Financial Tools and Constraints
3. Discussion **[30 mins]**
 - ▶ Preliminary Findings
 - ▶ Discussion Questions



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Waterfront Toronto Legislative Objectives

Waterfront Toronto was established by the Government of Canada, the Government of Ontario, and the City of Toronto in 2002, operating under provincial legislation – the *Toronto Waterfront Revitalization Corporation Act, 2002*.

Legislated Objectives:

- To implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and creates an accessible and active waterfront for living, working and recreation, and to do so in a fiscally and environmentally responsible manner;
- To ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner;
- To promote and encourage the involvement of the private sector in the development of the designated waterfront area;
- To encourage public input into the development of the designated waterfront area; and
- To engage in such other activities as may be prescribed by future provincial regulations.

Relevant Legislated Powers and Restrictions:

- Waterfront Toronto's assets and revenue must not be used for any purpose except to further the legislated objectives.
- Waterfront Toronto shall not borrow money, mortgage or otherwise encumber any of its assets, raise revenue, or create subsidiaries without consent from the three levels of government to do so, or unless it is authorized to do so by regulation.
- The City of Toronto is authorized to transfer rights, assets, and liabilities to Waterfront Toronto.

These objectives should be carried out to ensure that the revitalization of the waterfront area creates new economic growth and jobs, diverse and dynamic new commercial, residential and recreational communities, new cultural institutions, and new parks and green spaces for the public.



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Overview of MOU with TEDCO and the City (2006)

The purpose of the MOU is to facilitate the implementation of the approved precinct plans for the East Bayfront and Port Lands, following approval plans by City Council, and to ensure all TEDCO lands are dealt with in a manner that realizes the waterfront revitalization vision.

City of Toronto:	TEDCO:	TWRC:
Monitor and ensure accountability and transparency for the City's contributions: <ul style="list-style-type: none"> • Contributions made to TWRC; • TWRC expenditures, revenues from sale or lease of land; • ROI for each of the three orders of government. 	<ul style="list-style-type: none"> • Remain responsible for TEDCO lands and projects; • Provide assistance to and work with TWRC and the City to achieve the revitalization of the Port Lands and East Bayfront precincts. 	<ul style="list-style-type: none"> • Develop Business and Implementation Plans for the DWA; • Identify and attract employment, tourism, business, and private investment to the DWA; • Participate in partnership initiatives where appropriate; • Advise on the conveyance or long-term ground lease of TEDCO lands; • Lead and coordinate planning and development applications to the City.

Key Points:

- The MOU is effective until TWRC winds up or otherwise ceases to exist.
- TWRC is defined as the "Revitalization Lead" in the DWA, and is described as taking the lead role in implementing the waterfront vision.
- TWRC is responsible for reinvesting revenues from land transfers and other activities back into the Revitalization Initiative, in accordance with Council approved Business and Implementation Plans.
- TEDCO agrees to make its lands (not already being used for TEDCO projects) available to TWRC on an incremental basis such that TWRC can be the revitalization lead in the DWA, provided that revitalization efforts do not unnecessarily hinder the future use and/or development of said lands.



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Funding History

- In October 2000, Canada, Ontario, and the City committed \$1.5B in seed capital toward revitalizing Toronto's waterfront.¹
- In 2018 an additional \$1.25B was committed to Waterfront Toronto towards the Port Lands Flood Protection project (to be deployed over 7 years).
- As of Nov. 2020, Waterfront Toronto has received approx. \$1.7B of nearly \$2.8B in previously committed government funding.

Government Funding to WT To-Date:	Total
Seed Capital Funding Commitment	1,503.3
Seed Capital Funding Redirected to Other Agencies ²	(399.8)
Seed Capital Funding Available for Waterfront Toronto	1,103.5
Seed Capital Funding Received To-Date	1,096.5
Outstanding Seed Capital Funding	7.0
Port Lands Flood Protection Funding Commitment	1,250.1
Port Lands Flood Protection Funding Received To-Date	417.9
Outstanding Port Lands Flood Protection Funding	832.2
Total Outstanding Government Funding	839.2

Source: Data provided by Waterfront Toronto (as of Nov. 2020)

(Figures are in \$ millions)

Note: Waterfront Toronto currently has operating costs of approx. \$20M per year

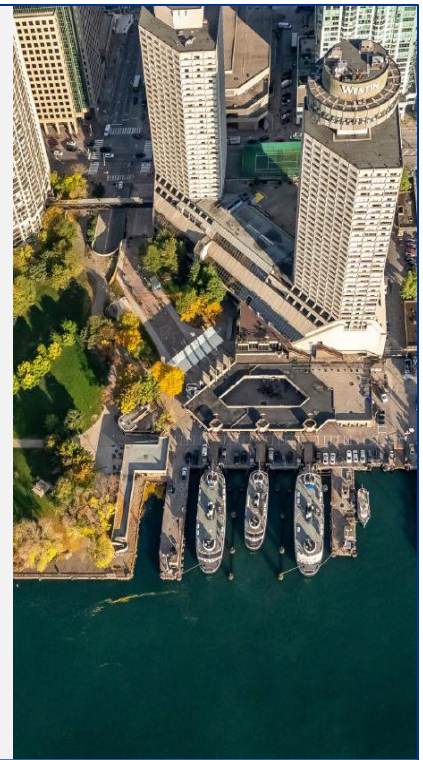
¹ Funding commitments were made prior to WT's formation. Gov'ts retained their ownership of lands on the waterfront.

² Since the original commitment, the gov'ts have redirected approx. \$700M to other organizations for other projects. Redirected funds included committed funds to WT as well as funds already received by WT. Projects included an expansion of GO Transit, the Union Pearson Express, the West Don Lands flood protection, the shoreline re-naturalization in Port Union and Mimico (TRCA) the Union Station second subway platform (TTC).



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Current Planning, Budgeting, and Funding Structure

Waterfront Toronto is responsible for the development of precinct plans within the DWA, including budget and funding strategies. WT currently receives funding via a project-based tranche funding structure on a quarter-to-quarter basis.

Precinct Planning

WT is responsible for the development of business and implementation plans for each precinct. Plans must include:

- Description of the major activities and objectives of WT and the policies and strategies for WT to achieve them; and
- Overview of the portions of the DWA that WT plans to develop, along with the est. cost of doing so and the funding options available.

Funding Approval

WT is responsible to present a project proposal to the TWG in order to receive funding approval.

- Can be quite time-consuming getting funding approvals through government.
- Creates schedule and funding challenges related to delivering project timelines.

Delivery of Funds

To date, funding has typically been delivered on a quarterly basis, according to project(s) underway at the time.

- Tranche funding is sometimes provided in different amounts from what was expected.
- Creates challenges related to funding delivered in separate packages for one continuous project, which can hamper progress and create inefficiencies.

Deployment of Funds

Provincial and Federal funding is deployed for work(s) on a specific project – Waterfront Toronto is reimbursed by the TWG after the fact.

- This puts additional pressure on the City as they generally end up front-loading the working capital.

To date, approx. \$1.1B (73%) of government funding from the original \$1.5B commitment has been allocated to Waterfront Toronto via nearly 100 separate project-specific contribution agreements, as well as two grant agreements. The remaining \$0.4B in funding covers non-WT directed programs and is flowed directly to other government agencies. The additional \$1.25B funding commitment for the PLFP project is a separate contribution agreement and is reserved solely for the PLFP project.



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Project-Based Funding Approach - PLFP

In May 2018, the three governments committed \$1.25B to Waterfront Toronto to be distributed over seven years towards the Port Lands Flood Protection (PLFP) redevelopment project.

The Port Lands Flood Protection Project is a significant undertaking that is going to enable development across the entire Port Lands area. Key aspects of the project include:

- Diverting the existing Don River into a new and re-naturalized river mouth in the middle of the Port Lands
- Providing flood protection for approx. 715 acres of land in southeastern downtown Toronto
- Unlocking development potential of currently underused post-industrial lands



The PLFP project accounts for nearly all of the outstanding committed government funding to Waterfront Toronto.

	Inception to 2020	2020/21 to 2025/26	Total Funding
Gov't of Canada	\$ 129.4	\$ 287.3	\$ 416.7
Gov't of Ontario	\$ 129.4	\$ 287.3	\$ 416.7
City of Toronto	\$ 159.1	\$ 257.6	\$ 416.7
Total	\$ 417.9	\$ 832.1	\$ 1,250

Source: Data retrieved from Waterfront Toronto

(Figures in \$ millions)



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Looking Forward

Waterfront Toronto's long-term objectives involve the delivery of four Priority Projects, five Signature Projects, and Next Generation Sustainable Community projects.

Eight-Year Financials

Waterfront Toronto's current capital investment plan involves spending approx. \$1.47 billion over the next eight years, with anticipated revenues of approx. \$1.50 billion.



Project Pipeline

WT's current capital investment plan does not include the full pipeline of projects, such as Villiers Island, Eastern Waterfront Transit, and Continuous Water's Edge, for which funding has not yet been secured (See Appendix).



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Priority Projects (Figures are in \$ millions)

The Port Lands	\$ 675.5
Complete Communities	\$ 80.3
Public Places	\$ 47.1
Other Initiatives	\$ 21.8
Subtotal:	\$ 824.7

Next Generation Sustainable Communities

Infrastructure Implementation	\$ 212.4
Planning and Development	\$ 32.0
Soil and Environmental Management	\$ 13.1
Subtotal:	\$ 257.5

Signature Projects

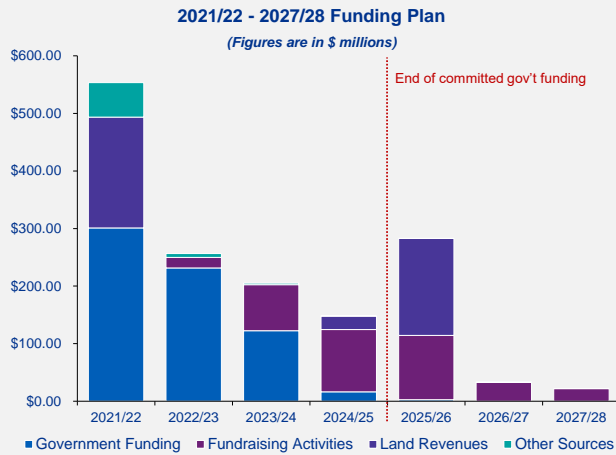
Landmark Institution	\$ 201.3
Waterfront Walk	\$ 96.6
Jack Layton Ferry Terminal	\$ 49.3
Destination Playground	\$ 31.8
Fundraising Action Plan	\$ 8.8
Subtotal:	\$ 387.8
Total	\$ 1,470.0

Source: Data provided by Waterfront Toronto



Looking Forward

Waterfront Toronto's current funding plan shows a decreased reliance on government funding; relying instead on alternative funding sources such as fundraising activities and land revenues in an effort to achieve financial sustainability.



Government Funding

Waterfront Toronto currently relies primarily on government funding, however the current eight-year funding plan shows an annual decrease in government funding. Currently, government funding is projected to end after 2024/25 – requiring WT to rely on alternative, contingent and unsecured sources of funding. The current funding plan shows approx. \$674M in funding across the three levels of government (approx. 44.9% of the total funding plan).

Other Funding Sources

Waterfront Toronto has included other sources of funding in its current funding plan, which include realized funding from prior years, private capital and partnerships, and miscellaneous funding sources, and amount to approx. \$70.3M in anticipated funding (approx. 5% of the total funding plan).

Source: Data provided by Waterfront Toronto



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Looking Forward

Waterfront Toronto's current funding plan shows a decreased reliance on government funding; relying instead on alternative, contingent and unsecured funding sources such as fundraising activities and land revenues.

Fundraising Activities

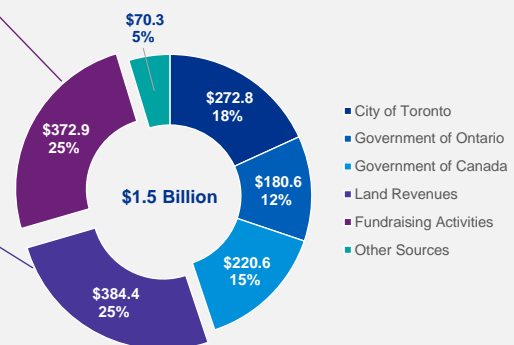
A significant portion of Waterfront Toronto's current funding plan involves fundraising activities and philanthropic gifts. Waterfront Toronto's Major Gifts Strategy (outlined in the 2019 Fundraising Action Plan) involves raising over \$400 million over ten years to support the delivery of the Signature Projects through large donations (\$500K +) from individual philanthropists or foundations. The \$400M target does not include the cost of fundraising. WT's current eight-year funding plan includes approx. \$373 million in fundraising activities (approx. 24.8% of the total eight-year funding plan).

Land Revenues

Waterfront Toronto intends to supplement its current funding plan through the realization of land revenues (from WT- and City-owned lands). The primary source of these land revenues come from the Bayside and Quayside developments. WT intends to realize upwards of \$384 million in funding generated from these land revenues (approx. 25.6% of the total eight-year funding plan). It has been noted that a significant portion of these land sale revenues have not yet been committed.

Source: Data provided by Waterfront Toronto

2021/22 - 2027/28 Funding Plan Breakdown
(Figures are in \$ millions)



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Financial Tools

Forecast Gov't Funding	\$ 674M
Alternative Funding Sources	\$ 828M
Forecast Expenditures	\$ 1,470M

Waterfront Toronto has the following financial tools to support financial health and solvency:

1	Direct Land Ownership	Waterfront Toronto has direct land ownership of eight properties valued at over \$500M.
2	Indirect Land Ownership	Waterfront Toronto has access to revenues from City-owned lands in East Bayfront, valued at approximately \$60M.
3	Borrowing of Funds	Waterfront Toronto has a line of credit facility of \$40M. The time and dollar value is limited by government consent (expires March 31, 2023).
4	Port Lands Working Capital	Waterfront Toronto is currently maintaining a target working capital of 90 days – between \$80M and \$120M.
5	Pooling of Bank Accounts	Waterfront Toronto has access to a centralized cash control facility with the bank; an internal cash management tool to minimize borrowing costs. The balances of WT's various bank accounts are pooled, minimizing the cost of borrowing (current borrowing rate is 1.95%).
6	Capital Contingency Reserve	Waterfront Toronto has a targeted \$30M+ program-wide contingency in place.



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Financial Constraints

Forecast Gov't Funding	\$ 674M
Alternative Funding Sources	\$ 828M
Forecast Expenditures	\$ 1,470M

Waterfront Toronto faces multiple financial constraints that adversely affect its ability to achieve financial sustainability.

1	Funding Shortfalls	WT does not have sufficient funding to undertake the necessary development and precinct planning processes around its planned projects.
2	Fundraising Activities	WT intends to raise over \$300M in fundraising activities. WT has defined and is currently developing fundraising capabilities in anticipation of such activities. WT has secured initial seed capital of approx. \$20M, however more will likely be required to supplement the initial fundraising effort.
3	Borrowing of Funds	The process to obtain approval to borrow money is time-consuming. In addition, WT has a low borrowing limit as a result of an aversion to risk across the three levels of government. Furthermore, WT's current borrowing facility expires in 2023.
4	Revenue Tools	WT's current revenue toolkit is basic, with limited ability to generate substantial revenues (current revenue tools include parking revenues, rents, and donations).
5	Land Revenues	WT intends to use land sale revenues to pay for enabling infrastructure, although currently does not possess the asset base necessary to generate the required base revenue. Any delay in realizing land revenues would accelerate borrowing requirements for WT.
6	Capital Contingency Reserve	WT has had to reduce the reserve limit on its program-wide contingency fund from \$60M to \$30M due to lower than projected revenues, cost pressures from projects within the portfolio, etc. Approximately \$6M (20% of target) has been funded to date.



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Five-Year Performance

The 2015 EY Performance Assessment listed nine recommendations to be actioned by Waterfront Toronto or other stakeholders. The following five recommendations are related to Waterfront Toronto's financials; three remain unaddressed (by WT or others):

No.	2015 Performance Assessment Recommendation	Status
5	Funding partners should work together to clarify the future funding situation for WT. Additional governance authorities, such as the authority to borrow, should also be strongly considered.	<ul style="list-style-type: none"> • Partially implemented. • WT has attained "Qualified Donee" status – i.e. can issue tax receipts for donations. • WT has not achieved stable, multi-year funding, however the consent to borrow has enabled WT the ability to bridge finance between cash flows.
6	The CA process should be streamlined to reduce the development and approval timeline for smaller scale projects. Gov't partners' expectations should be more clearly outlined to support efficient CA development. CAs should also be project-based, limiting to the extent possible multiple projects within one CA.	<ul style="list-style-type: none"> • Substantially implemented. • Use of standardized templates; CAs are project-based. • To the extent possible, consolidation of multiple projects into one CA.
7	Once commitments from funding partners are known, WT should conduct an efficiency review to identify opportunities to better align future projected funding needs with appropriate staff levels and human capital requirements.	<ul style="list-style-type: none"> • Fully implemented. • 5% reduction in HR costs • Current corporate operating costs to total spend has remained low in last fiscal yrs. • WT completed HR costs review again in 2020; reduced headcount
8	The City should work with WT to clarify the understanding of the 'self-sustaining' objective within the TWRC ACT with key stakeholders.	<ul style="list-style-type: none"> • Self-sustaining objective still unclear. • WT has made progress re: financial sustainability
9	The City and funding partners should affirm its decision to limit WT's governance authorities. 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.	<ul style="list-style-type: none"> • No substantive change. • WT is looking at Dev. Charges and contributions from landowners to fund waterfront infra costs.



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Preliminary Findings

Throughout our financial analysis research and stakeholder consultations we have identified a number of challenges and key considerations facing Waterfront Toronto as it works towards achieving its mandate.

TWRC Act Ambiguity	Financial Sustainability	Borrowing of Funds	Economic Impacts	Roles and Responsibilities
The TWRC Act does not specify the authorities that Waterfront Toronto possesses to revitalize the DWA lands, nor does it define the terms of land ownership or transfer. Additionally, the Act does not specify whether the concept of financial sustainability applies to the entity of Waterfront Toronto or the waterfront as a whole.	As gov't funding becomes unavailable beyond 2024, WT has put significant emphasis on land revenues and fundraising activities. WT is heavily dependent on the timing and certainty of such alternative, unsecured sources of revenue in order to achieve financial sustainability.	An increase in the borrowing consent limit to \$70-\$90M by 2022 is required due to increased reliance on less stable, non-government revenues. Additionally, WT requires continued access to a borrowing facility until 2028 to support its mandate (beyond current 2023 expiry).	Waterfront Toronto's revitalization efforts have significant indirect economic impacts to the affected and surrounding lands. Waterfront Toronto is not currently in a position where it is able to recognize any of these benefits and land value uplifts, with tax revenue and dev. charges going to other entities or governments.	In order for Waterfront Toronto to effectively and efficiently carry out its waterfront revitalization mandate, the roles and responsibilities of stakeholders involved in the waterfront must be clearly determined (e.g. WT vs. CreateTO). While not financial in nature, this has implications on the projects that need to be funded and delivered.

Waterfront Toronto does not currently possess the tools to achieve its waterfront revitalization mandate beyond PLFP. Indecision about the current and future financial health of the organization will negatively impact WT's operations.



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Discussion Questions

1 Financial Commitments

Waterfront Toronto's funding commitments are not secure. How can we overcome the financial challenges identified? What other financial commitments can Waterfront Toronto rely on to execute their strategy beyond 2024 and 2028?

2 Funding Models

During stakeholder engagement sessions, four funding models were identified as being potentially appropriate for Waterfront Toronto: tranche; project-based; land revenues; and hybrid. What could be the advantages and disadvantages of each?

3 Extension of Legislation

Waterfront Toronto's vision and project pipeline are likely to extend beyond 2028. During stakeholder engagement sessions, it was identified that Waterfront Toronto is the most appropriate organization to lead revitalization efforts for the DWA. What considerations have been made re: extension of the TWRC Act? What sort of preparations are underway?

4 Project Pipeline

Waterfront Toronto's project pipeline includes projects of significant scale and complexity. Additional funding for these projects has not been secured. How should Waterfront Toronto communicate these funding requirements? What options exist for how these projects could be funded?



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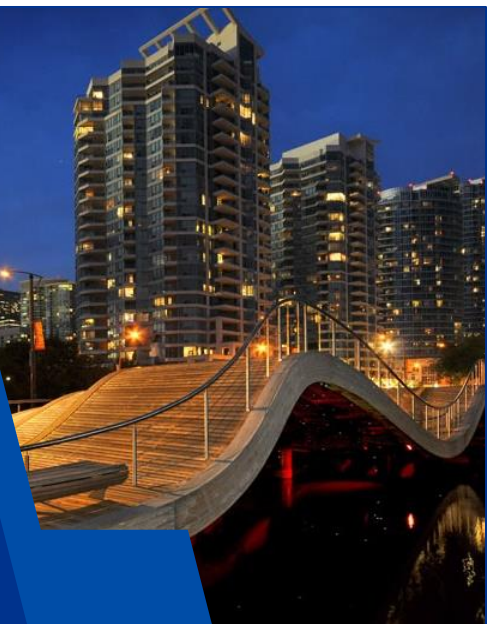
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DRAFT FOR DISCUSSION

Appendix



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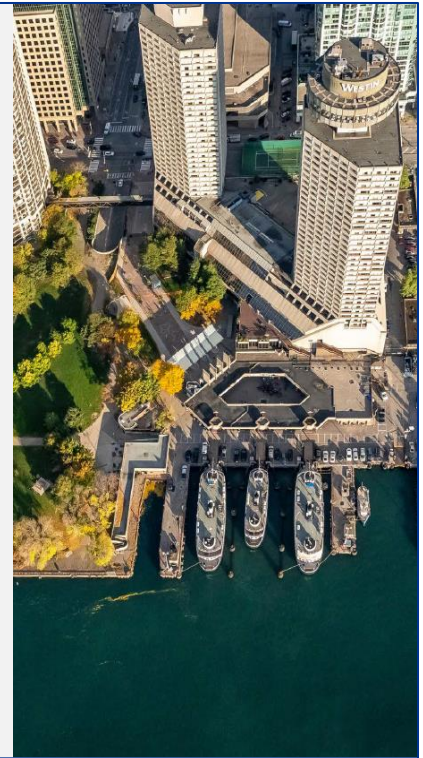
Waterfront Projects

ID	Project	Order of Magnitude
1	Port Lands Flood Protection	Incl. in Strategic Plan
2	Quayside	Incl. in Strategic Plan
3	Indigenous Cultural Centre and Museum	\$ 100.0 M
4	Port Lands Parks	\$ 40.0 M
5	Port Lands Parks (Promontory Park North)	-
6	Promontory Park Destination Playground	-
7	Don Greenway South of Ship Channel	-
8	Villiers Park	-
9	Promontory Park South Pavilion	-
10	Pedestrian Bridges to Villiers Island	-
11	Eastern Waterfront Transit (Bay to Cherry)	\$ 900.0 M
12	Partial Union Station Loop Upgrades	-
13	Queens Quay Bay to Cherry Street	-
14	Yonge Slip Lakefill	-
15	Parliament Slip Lakefill	-
16	Cherry Street Underpass	-
17	Quayside Local Streets (A & D and Small Streets)	-
18	Portlands LRT (Cherry and Commissioners)	-
19	Portlands LRT Bridges (Cherry & Commissioners)	-
20	Continuous Water's Edge	\$ 300.0 M
21	Bridges and CWF West WEP	-
22	Spadina Bridge, EBF Boardwalk	-
23	Wave decks and CWF East WEP	-
24	Parliament Slip Activation	\$ 70.0 M
25	Jack Layton Ferry Terminal	Included in Strategic Plan
26	Foot of Yonge Park	\$ 15.0 M
27	Villiers Island Implementation (Enabling Infra & Initial Public Realm)	\$ 700.0 M
28	Villiers Island Permanent Storm Water Treatment	\$ 30.0 M
Total:		\$ 2,155.0 M



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Appendix E – Document List

This Appendix presents the documents reviewed during our engagement. Documents were identified by the TWG and Waterfront Toronto.

	Document	Document Type	Date
Waterfront Toronto			
1	WT Projects Pipeline	Register	2021
2	WT Five Year Strategic Plan (2021/22 – 2025/26)	Report	2020
3	Waterfront Toronto: Priorities – Strategic Review [DRAFT]	Report	2020
4	WT Priority Projects	Register	2020
5	Funding Breakdown as of November 25 2020	Financial Spreadsheet	2020
6	Investment and Funding Plan 2021-22 to 2028-29	Financial Spreadsheet	2020
7	WT Summary of Revenue and Expenditure – 6 Years	Financial Spreadsheet	2020
8	WT 2019/20 Integrated Annual Report	Report	2020
9	Preliminary Long-Term Plan for Rolling Five-Year Strategic Plan	Meeting Presentation	2020
10	Contribution Agreement / Delivery Agreement Register	Register / Database	2020
11	Reflecting on Toronto's Waterfront	Benchmarking Study	2020
12	WT Performance Assessment EY Findings (Aug. 17 2015) Update Dec 2020	Status Summary	2020
13	Status of 2018 OAG Recommendations Dec 2020	Status Summary	2020
14	WT Five Year Strategic Plan (2020/21 – 2024/25)	Report	2019
15	Fundraising Action Plan	Board Meeting Report	2019
16	East Bayfront Business & Implementation Plan	Report	2006

	Document	Document Type	Date
City of Toronto			
17	City of Toronto – Waterfront Strategic Review Update – Priorities [DRAFT]	Report	2020
18	Compliance Audit of Waterfront Toronto Contribution Agreements	Audit	2018
19	City of Toronto Waterfront Strategic Review	Report	2015
20	Letter to WT re: WTDRP coordination	Letter	2012
Province of Ontario			
21	2020 Ontario Auditor General Report (Follow-Up on WT VFM Section 3.15, 2018 Annual Report)	Audit / Evaluation Report	2020
22	WT Strategic Review: Provincial Priorities [DRAFT]	Report	2020
23	Quayside 1.0: Lessons Learned	Presentation	2020
24	2018 Ontario Auditor General Report	Audit / Evaluation Report	2018
25	Toronto Waterfront Revitalization Corporation Act	Legislation	2017
Government of Canada			
26	Waterfront Revitalization Priorities [DRAFT]	Report	2020
27	Government of Canada Evaluation of the Toronto Waterfront Revitalization Initiative	Audit / Evaluation Report	2013
External			
28	E&Y Waterfront Toronto Performance Assessment	Report	2015
29	Mercer Delta Review of Alternate Governance Structure and Delivery Models	Report	2004
Tri-Government			
30	Port Lands Flood Protection Backgrounder	Report	N/A
Joint Agreements			
31	MoU between WT and the Mississaugas of the Credit First Nation	MoU	2020
32	MoU between WT, Canada, Ontario, and Toronto	MoU	2020
33	MoU between WT and IO	MoU	2020
34	MoU between WT and Ports Toronto	MoU	2019
35	MoU between IO, Ontario Realty Corporation, TWRC, and Ministry of Health Promotion and Sport	MoU	2010
36	MoU between WT, City of Toronto, TEDCO	MoU	2006
37	MoU between WT, Ministry of Public Infrastructure Renewal, Ontario Realty Corporation	MoU	2005

Appendix F – Projects Completed (2015 to 2020)

This Appendix presents projects led or directed by Waterfront Toronto that were completed during the 2015 to 2020 study period.

No.	Project	Completion Date	Budget / Cost
Waterfront Toronto Led Developments (Implemented by Development Partners)			
Residential Developments			\$ 1,200.0 M
1	River City Phase 2 (West Don Lands)	2015	-
2	Canary District (West Don Lands)	2015	-
3	Canary Park (West Don Lands)	2015	-
4	Canary Block (West Don Lands)	2015	-
5	Aqualina (East Bayfront)	2017	-
6	River City Phase 3 (West Don Lands)	2018	-
7	Monde Condominium (East Bayfront)	2019	-
8	Aquavista (East Bayfront)	2019	-
9	River City Phase 4 (West Don Lands)	2020	-
Affordable Housing Developments			\$ 150.0 M
10	Toronto Community Housing (West Don Lands)	2015	-
11	West Don Lands Affordable Rental Housing (Wigamen) (West Don Lands)	2015	-
12	West Don Lands Affordable Housing (Fred Victor) (West Don Lands)	2015	-
13	Artscape in Aquavista (East Bayfront)	2019	-
Subtotal – WT Led Developments (Implemented by Development Partners):			\$ 1,350.0 M

No.	Project	Completion Date	Budget / Cost
Waterfront Toronto Directed Projects			
The Port Lands			\$ 71.5 M
14	Cherry Street Stormwater & Lakefilling	2020	\$ 65.0 M
15	Port Lands Flood Protection Due Diligence	2017	\$ 6.5 M
Complete Communities			\$ 211.3 M
16	CWF Queens Quay Revitalization	2015	\$ 128.9 M
17	Bayside Phase 1 Infrastructure (Local Streets, Bonnycastle Street etc.)	2016 to 2020	\$ 50.4 M
18	East Bayfront Sanitary Sewage Pumping Station (480 Lake Shore East)	2016	\$ 20.2 M
19	Waterfront Toronto Development Management	2015 to 2020	\$ 8.6 M
20	Bayside Phase 2 Dockwall Reinforcement	2017	\$ 3.2 M
Public Places			\$ 52.5 M
21	The Bentway	2017	\$ 25.4 M
22	Bayside Phase 1 Water's Edge Promenade	2018	\$ 11.6 M
23	Aitken Place Park	2019	\$ 4.8 M
24	Martin Goodman Trail West YoYoMa to Stadium Rd	2016	\$ 3.5 M
25	Jack Layton Ferry Terminal Phase 1A	2019	\$ 3.1 M
26	Front Street Public Art (<i>The Water Guardians, Untitled (Toronto Lamp Posts) and Garden of Future Follies</i>)	2016	\$ 2.2 M
27	Front Street & Front Street Promenade	2015	\$ 1.1 M
28	Eastern-Sumach Public Art (<i>Site Specific</i>)	2016	\$ 0.5 M
29	Mill Street Public Art (<i>Peeled Pavement</i>)	2015	\$ 0.3 M
Transit			\$ 149.8 M
30	Union Station Second Platform	2016	\$ 138.3 M
31	Gardiner/Lakeshore Blvd. Reconfiguration EA	2016	\$ 11.5 M
Subtotal – WT Directed Projects:			\$ 485.1 M
Total:			\$ 1,835.1 M

Appendix G – Project Pipeline

(2020+)

This Appendix presents Waterfront Toronto’s post-2020 project pipeline.

No.	Project	Start Date (Plan)	Completion Date (Plan)	Projected Budget / Cost
The Port Lands				
1.0	Port Lands Flood Protection	2020	2024	\$ 1,413.2 M
1.1	<i>Flood Protection Features</i>	-	-	\$ 689.1 M
1.2	<i>Bridges</i>	-	-	\$ 200.4 M
1.3	<i>Roads and Services</i>	-	-	\$ 192.9 M
1.4	<i>Lakeshore Bridge</i>	-	-	\$ 163.2 M
1.5	<i>Parks and Public Realm</i>	-	-	\$ 102.6 M
1.6	<i>Cherry Street Lakefilling Project</i>	-	-	\$ 65.0 M
Next Generation Sustainable Communities				
2.0	Quayside	2020	2028	\$ 286.0 M
2.1	<i>Infrastructure Implementation</i>	-	-	\$ 212.4 M
2.2	<i>Planning and Development</i>	-	E	\$ 59.3 M
2.3	<i>Soil & Environmental Management</i>	-	-	\$ 14.3 M
Signature Projects				
3.0	Landmark Institution	2020	2028	\$ 201.4 M
4.0	Waterfront Walk	2020	2026	\$ 96.8 M
5.0	Jack Layton Ferry Terminal	2020	2026	\$ 49.8 M
6.0	Destination Playground	2020	2025	\$ 34.6 M

No.	Project	Start Date (Plan)	Completion Date (Plan)	Projected Budget / Cost
Other Priority Projects				
7.0	Storm Water and Sanitary Sewer Infrastructure	2013	2022	\$ 66.5 M
8.0	Public Art	2010	2026	\$ 27.6 M
9.0	York and Rees Street Parks	e	2024	\$ 24.7 M
10.0	In Water Pipe	2020	2023	\$ 23.7 M
11.0	Bayside Phase 2 Water's Edge Promenade	2016	2025	\$ 20.8 M
12.0	Other Planning	2017	2025	\$ 8.2 M
12.1	<i>Keating East Precinct Plan</i>	-	-	\$ 0.7 M
12.2	<i>Villiers Island Development</i>	-	-	\$ 4.5 M
12.3	<i>Port Lands Planning Next Steps</i>	-	-	\$ 2.4 M
12.4	<i>McCleary District Development</i>	-	-	\$ 0.6 M
13.0	Other Initiatives	2017	2028	\$ 6.4 M
13.1	<i>Private Sector Development Application Review</i>	-	-	\$ 1.4 M
13.2	<i>Design Review Panel</i>	-	-	\$ 3.0 M
13.3	<i>Waterfront Vision</i>	-	-	\$ 0.6 M
13.4	<i>Definitive Map and Database</i>	-	-	\$ 0.8 M
13.5	<i>Economic Dev and Cultural Animation Strategy</i>	-	-	\$ 0.3 M
13.6	<i>Waterfront Accessibility Framework</i>	-	-	\$ 0.3 M
14.0	Marine Strategy - Planning	2018	2026	\$ 2.9 M
Total:				\$ 2,262.7 M

Appendix H – 2015 Performance Assessment

– WT Response

This Appendix presents Waterfront Toronto’s updated responses to the 2015 Performance Assessment findings. The contents of this appendix were provided by Waterfront Toronto and have not been verified by KPMG.

No.	KEY FINDINGS / RECOMMENDATIONS	WT RESPONSE / UPDATE (2015)	WT STATUS (2020)
1	<p>There is a lack of clarity related to WT’s mandate.</p> <p>Moving forward, the funding partners should work together with WT and waterfront agencies to unambiguously define WT’s mandate, developing if possible a “global” MOU that integrates and updates existing MOUs to clearly define interlocking roles and responsibilities of partners across the Designated Waterfront Area (DWA) or a “Master Service Agreement” that defines the governance arrangements among agencies working within DWA.</p>	<ul style="list-style-type: none"> Working on developing a MOU with: <ol style="list-style-type: none"> the Province on involvement with WDL; and the City on involvement with flood protection of the Port Lands. 	<ul style="list-style-type: none"> Not yet implemented. Global MOU by funding partners to clearly define interlocking roles and responsibilities of partners across the DWA remains outstanding. However: <ol style="list-style-type: none"> Tri-government MOU executed July 2020 focusing on accountability and oversight of WT; Tri-government contribution agreement for Port Lands Flood Protection executed May 2018; and City Manager’s Roundtable of partner organizations across the DWA initiated 2019.

No.	KEY FINDINGS / RECOMMENDATIONS	WT RESPONSE / UPDATE (2015)	WT STATUS (2020)
2	<p>Project performance reporting to the Board and funding partners has been inconsistent.</p> <ul style="list-style-type: none"> WT should conduct a “right-sizing” review of its performance reporting. The review should seek to develop more efficient, resilient, SMART (specific, measurable, attainable, relevant and time-bound) performance indicators that enable comparison over time and against strategic objectives. The measurement system should drive critical business decisions at the executive level, provide guidance to staff, and exist separately from individual performance assessments. Government partners and the Board should work together to define minimally acceptable criteria for measurement. These criteria should aim to reduce WT’s reporting burden while integrating reliable project controls and financial data to support automation and reduce manual reporting. WT should strongly consider producing an annual report that measures performance against the annual plan. 	<ul style="list-style-type: none"> New Board reports which align the reporting at the work package level (i.e. Risk Variance Report and Financial Risk Variance Report which tie to the financial statements) were presented to the Board in June 2015. Beginning June 2015, Management report has been expanded to include comparative analysis on previous year’s accomplishments versus targets, and the associated corporate objectives. 	<ul style="list-style-type: none"> Fully implemented. Performance Measures linked to WT’s mandate with targets developed and adopted by WT in Dec 2018 (Rolling Five Year Strategic Plan) and reported annually in WT’s Integrated Annual Report (latest dated 2019/20). In 2018 also WT implemented consistent dashboard reports for funding partners and Board.
3	<p>Differences exist between Finance and Project Controls’ understanding of a “project”, which has affected performance management, reporting, and the CA process.</p> <p>WT should develop a common, entity-wide approach to project data definitions management that links with a “right-sizing” of its performance measurement approach and reflects past recommendations related to integrating Project Controls and financial data.</p>	<ul style="list-style-type: none"> WT reporting process has been streamlined and is now being done at the work package level for consistency in reporting. 	<ul style="list-style-type: none"> Fully implemented.

No.	KEY FINDINGS / RECOMMENDATIONS	WT RESPONSE / UPDATE (2015)	WT STATUS (2020)
4	<p>WT does not have a clear set of criteria for determining early project success for its pilot projects.</p> <p>WT should develop a business process for assessing ongoing project viability relative to original feasibility or business case expectations and overall value-for-money. The business process should include multiple phase gates with clear criteria for determining whether a new project should be scaled back or terminated. The phases should be linked with strategic planning recommendations in this report and ongoing business considerations.</p>	<ul style="list-style-type: none"> Currently developing a “gate system” to continuously review new initiatives such as EBF LRT. 	<ul style="list-style-type: none"> Partially implemented. WTs Board of Directors approved a Risk Appetite Statement in 2019 which establishes specific risk tolerances for innovation projects such as these. In 2018 WT implemented a formal stage gate process with respect to 30%, 60% and 90% design reviews to assess the ongoing budget, scope and schedule feasibility in advance of beginning construction.
5	<p>WT’s delivery of revitalization initiatives is largely consistent with practices of other globally recognized waterfront cities. However, debates over the relative importance of public realm improvements versus strategic infrastructure planning and implementation and the importance of stable, multi-year funding were noted.</p> <ul style="list-style-type: none"> The funding partners should work together clarify the future funding situation of WT. Additional governance authorities, such as the authority to borrow, should also be strongly considered given international comparisons and findings from this report. The City should consider the importance of strategic infrastructure improvements relative to public realm improvements in future strategic planning exercises. 	<ul style="list-style-type: none"> Ongoing discussions with governments re: need for governance powers. 	<ul style="list-style-type: none"> Partially implemented. WT attained Consent to Borrow up to \$40M in late 2015. In 2017 WT attained Qualified Donee status allowing it to issue tax receipts for donations. WT has not achieved stable, multi-year funding, however the consent to borrowing has enabled the Corporation the ability to bridge finance between cash flows.

No.	KEY FINDINGS / RECOMMENDATIONS	WT RESPONSE / UPDATE (2015)	WT STATUS (2020)
6	<p>CA process reduced WT efficiency</p> <ul style="list-style-type: none"> • Work to streamline the CA process. This should be done by introducing a risk-based approach designed to reduce the development and approval timeline for smaller scale projects. • Additionally, focusing on developing CAs that leverage improvements in WT's performance reporting, project budgeting, and risk management. Templates reflecting government partners' expectations should be created to support efficient CA development. • CAs should also be project-based, limiting to the extent possible multiple projects within one CA. 	<ul style="list-style-type: none"> • Agreed. Need to be streamlined to ensure efficiency and project delivery are not affected. 	<ul style="list-style-type: none"> • Substantially implemented. • Use of standardized templates has reduced approval time of funding agreements. • To the extent possible, consolidation of multiple projects into a single contribution agreement has resulted in streamlining. • Port Lands Flood Protection contribution agreement is example of recent project-based CA.
7	<p>Corporate spend and head count rates have stayed relatively stable while total spending has declined.</p> <p>Once commitments from funding partners are known, WT should conduct an efficiency review to identify opportunities to better align future projected funding needs with appropriate staff levels and human capital requirements. This should take into account previous internal audit recommendations related to ensuring employees have the right skill sets to deliver projects.</p>	<ul style="list-style-type: none"> • Developing a transition plan to reflect staging of WT 2.0 projects. 	<ul style="list-style-type: none"> • Fully implemented <ul style="list-style-type: none"> • 5% reduction in HR costs in 2016 (pre- PLFP) • Current corporate operating costs to total spend has remaining low at 6-8% in last fiscal years. • WT completed HR costs review again in 2020 to reduce headcount by 4 FTEs.
8	<p>The self-sustaining objective of the Act may have been misinterpreted.</p> <p>In establishing the delivery model for future waterfront redevelopment efforts, the City should work with the Waterfront Secretariats, the IGSC, and WT management to clarify the understanding of the 'self-sustaining' objective within the TWRC ACT with key stakeholders within the government as well as externally. This effort should define what the City should monitor following wind-up to determine if the revitalization was financially self-sustaining.</p>	<ul style="list-style-type: none"> • Agreed 	<ul style="list-style-type: none"> • No substantive change. • Self-sustaining objective remains unclear particularly in light of Dec 2018 Ontario Auditor General report which takes a very broad interpretation to include financial sustainability of WT the organization AND continued development on the waterfront. • WT has made progress re: financial sustainability with the approval of its Fundraising Action Plan in Dec 2019 and implementation to date.

No.	KEY FINDINGS / RECOMMENDATIONS	WT RESPONSE / UPDATE (2015)	WT STATUS (2020)
9	<p>The revenue generation tools available to WT are not adequate for it to be financially self-sustaining.</p> <ul style="list-style-type: none"> • In establishing the delivery model for future waterfront revitalization, the City and funding partners should affirm its decision to limit WT's governance authorities. • 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. 	<ul style="list-style-type: none"> • Agreed 	<ul style="list-style-type: none"> • No substantive change. • WT is looking at Development Charges and contributions from landowners to fund waterfront infrastructure costs.

Additional Recommendations from Acting City Manager

(Based on City staff report on Waterfront Strategic Review dated June 19, 2015)

No.	CITY RECOMMENDATIONS	WT STATUS (2020)
1a	Develop a transition plan to find efficiencies and manage the period between now and the time of Waterfront 2.0 funding decisions.	Fully implemented (7 above)
1b	Implement a corporate-wide performance measurement system that is "SMART" (specific, measurable, attainable, relevant and time-bound).	Fully implemented (2 above)
1c	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.	Fully implemented (3 above)
1d	Strengthen its Freedom of Information (FOI) policies and oversight to more closely reflect those of Municipal Freedom of Information and Protection of Privacy Act (MFIPPA).	Fully implemented
1e	Adopt wrongdoing policies that more closely reflect those contained in the Toronto Public Service By-law.	Fully implemented

Appendix I – 2018 Ontario Auditor General Recommendations – WT Response

This Appendix presents a summary of the implementation status of recommendations from the Ontario Auditor General's 2018 value for money review of Waterfront Toronto. The contents of this appendix were provided by Waterfront Toronto and have not been verified by KPMG.

#	ONTARIO AUDITOR GENERAL 2018 RECOMMENDATION	RELATED TO	# OF ACTIONS	FULLY IMPLEMENTED	IN PROGRESS	NO LONGER APPLICABLE	WT NOTES
1	<p>To have Waterfront Toronto's mandate reflect the public and governments' vision for a revitalized waterfront, and so that it does not overlap with other entities' mandates in the future, we recommend the Ministry of Infrastructure, in consultation with partner governments:</p> <ul style="list-style-type: none"> • Conduct a review of Waterfront Toronto's mandate, focusing on defining clearly the role and authority necessary for it to play in revitalizing the waterfront for the remainder of its legislated term; and • Clarify the roles and responsibilities of existing organizations such as CreateTO and Ministry of Tourism, Culture and Sport, which may have overlapping mandates or interest in the revitalization of Toronto's waterfront. 	MOI	2	-	2	-	

#	ONTARIO AUDITOR GENERAL 2018 RECOMMENDATION	RELATED TO	# OF ACTIONS	FULLY IMPLEMENTED	IN PROGRESS	NO LONGER APPLICABLE	WT NOTES
2	<p>To deliver future projects, such as the flood protection of the Port Lands, on time, on budget, and in accordance with the planned scope, we recommend that Waterfront Toronto:</p> <ul style="list-style-type: none"> • Consistently develop detailed project plans and cost estimates based on engineering and technical studies; • Set budget and completion timelines for each component of the Port Lands flood protection project and other projects using the information and estimates it gathers through the engineering and technical studies; and • Ensure all levels of government have signed off on project spending needs before commencement of a project. 	WT	3	3	-	-	
3	<p>To have the required systems and procedures in place to effectively manage the Port Lands flood protection project and other projects, we recommend that Waterfront Toronto:</p> <ul style="list-style-type: none"> • Complete the implementation of a project management information system to track project progress against budgets and timelines; • Actively monitor change orders, investigate instances where cost trends suggest budgets may be exceeded, and take corrective actions when necessary, such as modifying the scope of a project or simplifying its delivery to ensure project costs are within budget; • Provide regular updates to senior management on project status with explanations for significant variations between budget and actual cost; • Provide Board members with regular project progress updates, including comparisons to budgets and timelines, to enable them to exercise oversight; • Provide the three levels of government with regular project progress updates, including actual-expense-to-budget information and timelines, to enable them to exercise their oversight; • Develop and implement guidelines for the review of construction invoices, including appropriate and timely site visits; and • Establish a file management, document and archival policy. 	WT	7	7	-	-	

#	ONTARIO AUDITOR GENERAL 2018 RECOMMENDATION	RELATED TO	# OF ACTIONS	FULLY IMPLEMENTED	IN PROGRESS	NO LONGER APPLICABLE	WT NOTES
4	<p>To improve oversight of organizations receiving funding from Waterfront Toronto so that projects are delivered on time, on budget, and in accordance with the planned scope, we recommend that Waterfront Toronto:</p> <ul style="list-style-type: none"> • Include project budgets and timelines for completion in formal agreements with recipient organizations; • Approve projects and associated funding only after satisfying itself that the funds requested by recipient organizations are based on detailed and reliable budget estimates; • Require and review quarterly project updates and reports from recipient organizations and follow up with the recipient organization in cases where there are risks of cost overruns; • Provide Board members with regular project progress updates, including comparisons to budgets and timelines, to enable them to exercise oversight; • Provide the three levels of government with regular project progress updates, including actual-expense-to-budget information and timelines, to enable them to exercise their oversight; • Develop and implement processes for the review of contractor invoices provided by recipient organizations, including appropriate and timely site visits; and • Establish a file management, documentation, and archiving policy. 	WT	7	7	-	-	
5	<p>To further develop the waterfront area in a financially self-sustaining manner, we recommend that Waterfront Toronto create and implement a plan for making revitalization self-sufficient, which could include leveraging private-sector funding and revenue-generating sources such as corporate partnerships and philanthropy.</p>	WT	1	-	1	-	WT has developed a fundraising action plan and is in the process of implementing this.
6	<p>To have effective communication and decision-making processes in place to support future revitalization of the waterfront, we recommend that the Ministry of Infrastructure in conjunction with its partner governments:</p> <ul style="list-style-type: none"> • Develop a framework to guide project-funding decisions; and • Establish a formal dispute resolution process. 	MOI	2	2	-	-	

#	ONTARIO AUDITOR GENERAL 2018 RECOMMENDATION	RELATED TO	# OF ACTIONS	FULLY IMPLEMENTED	IN PROGRESS	NO LONGER APPLICABLE	WT NOTES
7	To successfully revitalize the remaining waterfront land, we recommend that Waterfront Toronto work with the three levels of government to consider incorporating in the Port Lands flood protection area and other projects best practices and lessons learned from past Waterfront Toronto revitalization projects, projects in other jurisdictions, and the features commonly associated with successful revitalization that Waterfront Toronto identified between 2003 and 2006 and in May 2018, such as large public spaces, more building height control, public access to the water's edge, festivals and cultural attractions.	WT	1	1	-	-	
8	<p>In order for the three governments to be able to monitor and assess the progress and performance of Waterfront Toronto and its future revitalization projects in the Port Lands and other projects, we recommend that the Ministry of Infrastructure, in conjunction with its partner governments and the Intergovernmental Steering Committee:</p> <ul style="list-style-type: none"> • Develop a set of performance measures and targets that are linked to Waterfront Toronto's legislated objectives; • Require Waterfront Toronto to publicly report on its performance against the targets set in these objectives at least annually; and • Regularly encourage public input from the broader population, not just local waterfront residents, into the development of the waterfront area. 	MOI	3	3	-	-	
9	<p>To manage the development of the Port Lands with due regard for economy, we recommend that Waterfront Toronto:</p> <ul style="list-style-type: none"> • Produce detailed construction cost estimates for each of the 23 component projects of the flood protection for review by the funding governments; • Report quarterly on progress against these budgets; and • Assess the effectiveness of its work on reducing the impact of construction risks, which could otherwise increase the final cost of flood protection. 	WT	3	2	1	-	Assessing effectiveness of WTs work in reducing the impact of construction risks on final cost to be assessed at the end of the project.

#	ONTARIO AUDITOR GENERAL 2018 RECOMMENDATION	RELATED TO	# OF ACTIONS	FULLY IMPLEMENTED	IN PROGRESS	NO LONGER APPLICABLE	WT NOTES
10	<p>It is important to protect the public interest and ensure responsible and transparent integration of new digital technology within urban design when creating a mixed-used smart city. Due to the nature, complexity and potential long-term impacts from the initial establishment of digital data infrastructure planned for Toronto's waterfront in the form of a smart city (the first of its kind in Canada), we recommend that the provincial government, in consultation with partner governments:</p> <ul style="list-style-type: none"> • Conduct further study on the activities of Waterfront Toronto and Sidewalk Labs in the planning and development of the smart city in Quayside and the broader waterfront area; • Reassess whether it is appropriate for Waterfront Toronto to act on its own initiative in making commitments and finalizing a long-term partnership arrangement with Sidewalk Labs or whether a separate governance structure is needed that allows for more direct provincial oversight; • Establish an advisory council comprised of smart city/digital data infrastructure experts (e.g., information technology, privacy, legal, consumer protection, infrastructure development, intellectual property and economic development) to provide proactive advice on the development of a policy framework to guide the establishment of a smart city in Ontario; • Conduct public consultations to consider in the development of a policy framework for a smart city in Ontario; • Consult throughout government on the roles and responsibilities government ministries and agencies could have during the development, implementation, and operation of a smart city; • To protect the public's interest, establish the policy framework, through legislation, for the development of a smart city in Ontario that addresses: intellectual property; data collection, ownership, security, and privacy; legal; consumer protection issues, infrastructure development, and economic development; and • Communicate openly and transparently with the public on what to expect from a smart city project. 	MOI	7	1	4	2	The two N/A recommendations relate to Sidewalk Labs and MOI oversight of this partnership with WT.

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