



Waterfront Toronto

2018 Value-for-Money Audit

Why We Did This Audit

- Waterfront Toronto was created under provincial legislation—the *Toronto Revitalization Corporation Act, 2002*—to oversee and lead the revitalization of Toronto's waterfront. Our Office has not previously audited Waterfront Toronto.
- There is strong public interest in the revitalization of Toronto's waterfront.
- Planning for large real-estate development while balancing the interests of three levels of government creates complexity and risks in areas such as project selection, project management and the procurement of developers and partners.

Why It Matters

- Land in Toronto's waterfront is owned by public and private interests. Successful revitalization depends on a co-ordinated and well-planned approach.
- Federal, provincial and municipal governments committed \$1.5 billion in 2002 for waterfront revitalization and \$1.25 billion in 2018 for Port Lands flood protection.
- Waterfront Toronto's Quayside project with Sidewalk Labs raises concerns in areas including digital governance (for example, data security and privacy) that will significantly impact the public.

What We Found

Mandate

- Waterfront Toronto was not given the authority to ensure that the revitalization of Toronto's waterfront is done right. As a result, the development of waterfront lands has continued to be largely driven by historical practices, existing bylaws, and other regulations governing commercial and residential development.
- Waterfront Toronto has directly developed only 5% (55 acres) of the publicly owned developable waterfront land and provided funding to other organizations for revitalization of another 14% (151 acres) since its inception in 2002.
- Other waterfront development entities in other cities were given greater authority than what Waterfront Toronto had regarding restriction of building heights, creation of large public spaces and public access to the water's edge, and the right to expropriate in cases where the intended use was not consistent with overall revitalization plans.
- Waterfront Toronto was given ownership and control of just 1% of the land it was tasked to revitalize; therefore, the visions of those with the remaining ownership controlled the decisions over waterfront development. The three governments and the Toronto and Region Conservation Authority continue to own 75% of the developable waterfront area.
- Waterfront Toronto's development mandate overlaps with the mandates of other provincial and City entities. Waterfront Toronto does not have the authority to plan and zone lands. Under the *Planning Act*, the City of Toronto has this authority. Waterfront Toronto used the City's existing plan to guide waterfront development rather than creating its own master plan or large-scale vision.

Use of Government Funding

- Governments approved and provided Waterfront Toronto with funding on a project-by-project basis, which focused on individual projects versus the broader revitalization mandate.
- The governments redirected nearly \$700 million (approximately 47% of their original \$1.5-billion commitment) to waterfront revitalization to other agencies for projects such as Union Station's second subway platform, GO Transit, West Don Lands flood protection, shoreline re-naturalization in Mimico and Port Union, and the Union Pearson Express.
- We reviewed all projects over \$10 million (totalling \$479 million) of the \$760 million that Waterfront Toronto directly managed. We found that five of the 13 projects we reviewed cost 22% (about \$43 million) more than their estimated project cost of \$199 million. It was difficult to obtain sufficient documentation to be able to compare actual project cost against estimated project cost. Waterfront Toronto also did not provide sufficient oversight of projects when it transferred funds totalling \$313 million to other organizations conducting development work. As a result, one project ended up costing 55% (\$49 million) more than its initial estimate of \$89 million.

Port Lands Flood Protection

- The \$1.25 billion in funding for the Port Lands flood protection work was approved by the three levels of government based on preliminary estimates. Consulting, operating and other costs are now forecast to be about \$15 million higher than the initial estimate.

Sidewalk Labs Project in Quayside

- In March 2017, Waterfront Toronto issued a request for proposals (RFP) for an innovation and funding partner for the Quayside area. Respondents were given only six weeks to respond to a complex RFP, in comparison to 10 weeks previously given to respondents for a public art project in West Don Lands.
- Waterfront Toronto communicated with Sidewalk Labs and other potential bidders, providing them with information prior to issuing the RFP. However, Sidewalk Labs received more information from Waterfront Toronto prior to the RFP than the other parties that would be responding to the RFP.
- On Friday, October 13, 2017, Waterfront Toronto's CEO presented the Framework Agreement to Board members, and it was approved by the Board on Monday, October 16, 2017, just one day before the public announcement on the project was made. Prior to that, a three-member committee of the Waterfront Toronto Board received the draft terms of the Framework Agreement and met with management a number of times over the course of a month to review issues. However, the Board's committee could not reach a consensus on whether or not to support the project.
- With respect to the Quayside project, members of the Intergovernmental Steering Committee (Committee), who provide oversight and governance to Waterfront Toronto, were concerned that while the Committee was informed during a September 2017 Committee meeting that Waterfront Toronto had internally selected a successful bidder, the Committee was only made aware of the name of the successful bidder five days before the public announcement and did not receive the final signed Framework Agreement until November 2, 2017.
- Sidewalk Labs' provision of \$50 million USD to further explore the development in Quayside was contingent on the three levels of government providing the \$1.25 billion toward Port Lands flood protection. A second agreement with Sidewalk Labs, signed in July 2018, potentially opens the door to expand the Sidewalk Labs project to the broader waterfront area, including the Port Lands.

Conclusions

- Waterfront Toronto has not been as effective as it could have been in the delivery of its mandate of revitalizing Toronto's waterfront for several reasons, including:
 - Ownership and control of the lands it was tasked to revitalize remained with the original owners.
 - The City of Toronto had the authority for the planning and zoning of lands in the waterfront area, and Waterfront Toronto used the City's existing plan to guide the development of the waterfront area rather than creating its own plan or large-scale vision.
 - Waterfront Toronto's development mandate overlaps with the mandates of other provincial and City entities.
 - Governments approved and provided Waterfront Toronto with funding using a short-term project-by-project focus rather than a holistic long-term perspective.
- Waterfront Toronto has not had sufficient systems and procedures in place to plan and execute the revitalization projects in Toronto's waterfront in a cost-efficient and timely manner. A new project management system will be implemented in early 2019.
- The Province does not have a policy framework to guide the development of a mixed-use smart city such as the one being contemplated for Quayside and potentially the broader waterfront area, and to put in place measures to protect the public interest before any formal long-term commitment is reached with Sidewalk Labs.