

Chapter 3

Section

3.15

Waterfront Toronto

1.0 Summary

In 2002, the federal, provincial and Toronto municipal governments established Waterfront Toronto “to oversee all aspects of revitalization of Toronto’s waterfront.” With the land along the waterfront being held by a variety of public- and private-sector landowners, it was widely accepted that the waterfront could only be successfully revitalized if a coordinated, well-planned approach was undertaken. This required that some entity be put in charge to ensure that the needs of the public would be put first and foremost, so that the full potential of Canada’s largest city—a city by the lake—could be realized. That entity was Waterfront Toronto.

Successful oversight requires that the overseer has the authority to ensure the job is done right. Unfortunately, Waterfront Toronto was never given this authority, and as a result, the development of Toronto’s waterfront lands has largely continued to be driven by historical practices, the existing bylaws, and other regulations governing commercial and residential development. Waterfront Toronto has been able to rezone just over 150 acres of land from industrial to mixed commercial-residential use.

Other cities have established entities similar to Waterfront Toronto to ensure that the competing development interests of landowners and other

stakeholders come second to the public’s best interest. These oversight entities were given much greater authority than was given to Waterfront Toronto, making it possible for them to implement such measures as restricting building heights, creating large public spaces, providing public access to the water’s edge and expropriating land in cases where the intended use was not consistent with the overall revitalization plans.

Another key responsibility of an effective overseer is to watch over all work being done to ensure it is done right, cost-effectively and on time. Waterfront Toronto never established all of the necessary processes to do this. This may have been partly because it never had any real authority to stop projects it believed were not consistent with its vision of a world-class transformation of Toronto’s waterfront. It tended to take a more hands-off approach when it came to project implementation.

From day one, Waterfront Toronto was well aware of the constraints that it operated under, and its concerns about this were confirmed in a 2004 consultant report to the Board. Waterfront Toronto, on several occasions, informed the three levels of government of the constraints, but few changes were made. Waterfront Toronto’s communications to the public gave the impression that it was playing an irreplaceable role in the world-class transformation of Toronto’s waterfront, a total of 2,840 acres. This was not our conclusion.

Waterfront Toronto's purchase of Quayside land between 2007 and 2009 created an opportunity for Waterfront Toronto to develop land in the way it sees fit. This will be Waterfront Toronto's first development of its own land. It will now be up to Waterfront Toronto to determine how to develop the Quayside without any current financial commitment from the three levels of government. It was proactive of Waterfront Toronto to seek out interested parties to procure an innovation and funding partner for Quayside. This in effect gives Waterfront Toronto the autonomy that would have been beneficial for it to have had over the last 15 years. However, its new agreement with Sidewalk Labs raises concerns in areas such as consumer protection, data collection, security, privacy, governance, antitrust and ownership of intellectual property. These are areas with long-term and wide-ranging impacts that the provincial government, along with the City of Toronto, needs to address from a policy framework perspective to protect the public interest before this initiative proceeds further.

As well, we noted that the Board of Waterfront Toronto was given just a weekend to discuss and understand the implications of the initial Framework Agreement before being asked to approve it. The Intergovernmental Steering Committee also expressed concern about the lack of sufficient time given to the Board and the governments to review the initial Framework Agreement. The committee itself was only made aware of the name of the successful bidder five days before the October 17, 2017, public announcement, which involved the Prime Minister, the Premier of Ontario, the Mayor of Toronto, Waterfront Toronto and Sidewalk Labs. Sidewalk Labs was selected by Waterfront Toronto as the successful bidder on September 12, 2017.

In addition, we noted that by May 2018, the federal, provincial and city governments had further committed to providing \$1.25 billion to Waterfront Toronto to cover the cost of flood protection of the Port Lands. This also extended Waterfront Toronto's operation to 2028 without the benefit of an operational review of Waterfront Toronto. The three

levels of government could still request a review of Waterfront Toronto to be done three months before the 20-year anniversary date in 2021 to determine whether the corporation should continue until 2028. Sidewalk Labs' provision of \$50 million to further explore the development in Quayside was contingent on the three levels of government providing this \$1.25 billion toward Port Lands flood protection. A second agreement with Sidewalk Labs called the Plan Development Agreement, signed in July 2018, replaces the initial Framework Agreement and potentially opens the door to expand the Sidewalk Labs' project to the approximately 600 acres of land in the Port Lands. Waterfront Toronto does not have the authority to grant rights to lands beyond what it owns in Quayside.

In the following, we explain some of our specific concerns:

Mandate

- **Waterfront Toronto was not given ownership over the lands it was tasked to revitalize, and therefore the visions of those with ownership controlled the decisions over waterfront development.** Waterfront Toronto was given ownership and control of 1% of the land it was tasked to revitalize. While the three governments and the Toronto and Region Conservation Authority own 75% of the developable waterfront area, they did not transfer ownership to Waterfront Toronto. Waterfront Toronto also did not have the authority to expropriate the 24% of private land that was available for development. Under a protocol with the City of Toronto, Waterfront Toronto must ask the City to expropriate on its behalf. In 2002, in an attempt to exert greater independence to regulate building heights and the use of land in the waterfront, Waterfront Toronto's Board of Directors asked its founding governments to first consult with the Intergovernmental Steering Committee and Waterfront Toronto

before approving development on both public and private land. However, Waterfront Toronto informed us that the governments did not approve this arrangement, and therefore Waterfront Toronto had to follow the plans of others.

- **Waterfront Toronto did not pursue more large-scale planning of the entire waterfront development.** The Province did not give Waterfront Toronto the authority to conduct the planning and zoning of lands. Under the *Planning Act*, the City of Toronto has the authority to conduct the planning and zoning of lands. Waterfront Toronto used the City's Central Waterfront Secondary Plan as a guide for revitalization rather than creating its own master plan or large-scale vision. Such a plan could have established areas allocated to parks, condominiums, cultural sites and businesses over the entire waterfront area and used those targets as a measure of Waterfront Toronto's progress. Waterfront Toronto conducted its planning on a neighbourhood-by-neighbourhood basis and any plans Waterfront Toronto did make had to be approved by the City. We found that neighbourhood plans by Waterfront Toronto were similar to the City's, focusing on mixed-use development rather than public spaces, which would have benefitted all waterfront visitors as intended under the *Toronto Waterfront Revitalization Corporation Act, 2002*.
- **Waterfront Toronto's development mandate overlaps with other entities, which can cause development delays and duplication of effort.** Waterfront Toronto's mandate overlaps with the mandates of other entities, such as CreateTO; Infrastructure Ontario; the Ministry of Tourism, Culture and Sport; and Ontario Place Corporation. The roles and mandates of these entities were not re-evaluated or revised, resulting in overlapping jurisdiction and mandates. For example, there was a conflict between Waterfront Toronto's

neighbourhood plan to create a beach park (which became Sugar Beach) and Toronto Economic Development Corporation's (now CreateTO) plan to build an office complex (the Corus building). Waterfront Toronto and the City negotiated for two years before reaching a compromise—both had to reconfigure their projects to accommodate the other.

Use of Government Funding

- **Governments provided funding on a project-by-project basis through complex funding agreements.** These agreements set out the funding contributions among the three governments, which were done on a project-by-project basis. From its inception until 2017, Waterfront Toronto signed 93 funding agreements with the three governments. This funding method focused on individual projects as opposed to the broader revitalization mandate and expected long-term deliverables and results.
- **The governments redirected \$700 million (approximately 47%) of their original \$1.5 billion in funding commitments to other agencies for other projects.** The governments directed Waterfront Toronto to provide government funding of about \$313 million it had already received, and \$383 million the governments initially committed to provide to Waterfront Toronto, to other agencies for other projects. In their public announcements of funding, the governments generally did not disclose that some of the funding they provided for these projects was already part of their earlier commitment to Waterfront Toronto. These projects included an expansion of GO Transit, the Union Station second subway platform and the Union–Pearson Express. Public announcements gave the impression that the governments were investing more than they did in waterfront revitalization.

- **Waterfront Toronto has not met its mandate of making development financially self-sustaining.** Waterfront Toronto has a mandate to ensure that ongoing development in the waterfront area can continue in a financially self-sustaining manner, but it has been dependent on government funding and is unable to sustain ongoing development without it. In 2009, a consulting report advised Waterfront Toronto to build internal expertise in fundraising, pursue a strategy to generate revenues from corporate sponsorship and explore strategic philanthropy. Waterfront Toronto did not act on these recommendations until 2016.
- **Waterfront revitalization project costs exceeded initial estimates.** We reviewed all projects over \$10 million, which represented over 60% of total spending on construction and planning projects directly managed or implemented by Waterfront Toronto. We found that five of the 13 projects we reviewed cost 22% in total (about \$43 million) more than the estimated project amounts. Our audit found that Waterfront Toronto did not have a consistent approach in determining the estimated project amounts. Waterfront Toronto relied on a mixture of high-level planning estimates, funding agreements and spending approvals by the Board as its source of initial project cost estimates.
- **Monitoring projects against budgets was difficult due to poor documentation.** In 2012, Waterfront Toronto introduced a new corporate data server to centralize the storage of project documents, but some project documents and files continued to remain on individual staff computer hard drives. Over time, these project files and documents could not be located due to staff turnover. At the time of our audit, Waterfront Toronto was in the process of implementing a new project management system to store project documentation and better track projects' spend-

ing against budgets and monitor progress against timelines.

- **Waterfront Toronto provided poor oversight of those projects where it transferred funds to other organizations to conduct the development work.** We reviewed all projects over \$10 million where Waterfront Toronto transferred funds to other organizations that delivered the projects. These projects represent nearly 90% of all funding provided by Waterfront Toronto to other organizations. Of the eight projects we reviewed, five did not include any cost estimates in the agreements between Waterfront Toronto and the recipient organizations. One project cost 55% in total (\$49 million) more than its initial estimated cost. The remaining two projects were on time and on budget.

Port Lands Flood Protection

- **The upfront provision for consulting, operating and other costs and contingencies is significant (at \$453 million) and amounts to 37% of the projected total.** Funding for this project was approved by the governments in May 2018 before a detailed budget was finalized. Such a large contingency provision is questionable, and consulting, operating and other costs are already forecast to be higher than the initial estimate.

Sidewalk Labs Project

- **Waterfront Toronto communicated and provided information to Sidewalk Labs and other potential bidders prior to the issuance of the request for proposals (RFP).** In March 2017, Waterfront Toronto issued an RFP for an innovation and funding partner for the Quayside area. Respondents were given six weeks to respond to a complex request for proposal—in comparison to 10 weeks previously being given to respondents for public art projects in the West Don Lands. Sidewalk Labs

was selected as the innovation and funding partner, as its proposal was by far the most comprehensive. Sidewalk Labs received more information from Waterfront Toronto prior to the RFP than other parties that would be responding to the RFP. Waterfront Toronto indicated that it also shared information with some other potential bidders prior to the issuance of the RFP. Sharing agreements were also signed with Sidewalk Labs and two other organizations, one of which was also short-listed. According to Waterfront Toronto, this sharing of information was before the issuance of the RFP and part of its regular market sounding process where it was trying to gauge market interest in the Quayside project.

- **Unlike its previous operating practices, Waterfront Toronto did not adequately consult with any levels of government regarding the Sidewalk Labs project.** The scope of the project, from self-driving vehicles to data collection, falls under multiple provincial and federal ministries and City departments, but Waterfront Toronto did not adequately consult with any of them prior to signing an initial agreement on October 16, 2017, and beyond. This was being discussed at a senior political level.
- **Because the smart city site will likely be larger than the Quayside lands, even more attention will need to be given to addressing the significant public concerns with this project.** The Plan Development Agreement stated that while the scope of planning could include the entire waterfront area, the implementation of urban innovation (smart technology that improves sustainability and efficiency in the community) is restricted to the 12-acre Quayside lands. However, the Plan Development Agreement permits implementation on any land owned by Waterfront Toronto or Sidewalk Labs outside of Quayside—in the wider waterfront area—but this would require approvals from all levels of government.
- **The project has raised public concerns regarding data collection and use.** To ensure the ethical use of data that may be collected by the smart city project, the Plan Development Agreement aims to establish a digital governance framework. Such a framework establishes accountability, roles, and decision-making authority for Waterfront Toronto and Sidewalk Labs and includes areas such as digital policy and standards. The Plan Development Agreement also proposes new data governance approaches, such as the use of a data trust, where data is stored by a third-party organization. However, the agreement does not provide specifics on data governance. Also absent is clarification on whether personal information, which Sidewalk Labs gathers, will be linked to its sister company's, Google's, existing collection of personal data in its users' accounts. In April 2018, Waterfront Toronto established a 15-member Digital Strategy Advisory Panel (Panel), consisting of industry experts and academics, to advise it on matters such as data security, systems set-up, privacy of personal data and intellectual property. Based on discussions with Panel members, the Panel's effectiveness in providing management guidance on key issues in the smart city project has been limited. Members assessed some meetings as primarily focused on administrative work, such as project background and confidentiality, and technical and scheduling issues. There have also been two resignations due to concerns over lack of transparency and apathy on the part of Waterfront Toronto over residents' concerns over data privacy.
- **Uncertainty exists about whether Waterfront Toronto and Sidewalk Labs will comply with provincial procurement obligations and the memorandum of understanding with the City of Toronto.** The current agreement between Sidewalk Labs and Waterfront Toronto requires the

two parties to jointly issue requests for proposals (RFPs) to developers if the project goes ahead. Waterfront Toronto's current procurement policies are required to comply with the Province's Broader Public Sector Procurement Directive. Also, a memorandum of understanding (MOU) between Waterfront Toronto and the City of Toronto gives the City a significant role in overseeing and approving RFPs to developers for the revitalization of lands owned by the City. It is unclear at this stage how the Broader Public Sector Procurement Directive will be applied by Waterfront Toronto when issuing joint RFPs with Sidewalk Labs in order to comply with its provincial procurement obligations and the MOU with the City. Waterfront Toronto management indicated that it will comply.

Overall Conclusion

We concluded that 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. Ownership and control of the lands it was tasked to revitalize remained with the original owners. The City of Toronto also 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 vision. Waterfront Toronto's development mandate also overlapped with the mandates of other provincial and City entities. We also noted that the governments approved and provided Waterfront Toronto with funding using a short-term project-by-project focus rather than a holistic long-term perspective. As a result, Waterfront Toronto has directly developed only 5% of the total publicly owned developable land in the waterfront area and provided development funding to other organizations for revitalization projects for another 151 acres since its inception in 2002.

Our audit also found that 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. For example, five of the 13 projects we reviewed cost 22% in total (about \$43 million) more than the estimated project amounts. As well, Waterfront Toronto did not provide sufficient oversight of projects when it transferred funds to other organizations conducting development work.

We also concluded that the Province lacks a policy framework to guide the development of a mixed-use smart city such as the one being contemplated for Quayside. To protect the public interest, such a framework should address intellectual property; data collection, ownership, security and privacy; legal issues; consumer protection issues; infrastructure development; and economic development.

This report contains six recommendations for Waterfront Toronto and four recommendations for the Ministry of Infrastructure, consisting of 36 action items, to address our audit findings.

OVERALL WATERFRONT TORONTO RESPONSE

Waterfront Toronto respects the Auditor General and her Office's mandate. We thank the Auditor General and her team for their work. Waterfront Toronto commits to take all necessary and appropriate steps to use this report's recommendations and observations to improve our operations.

While Waterfront Toronto is proud of our development achievements and role in protecting Toronto's waterfront from the ad-hoc development that had characterized the previous five-plus decades, we share the audit's view that our work in revitalizing Toronto's waterfront is far from complete. Toronto only has one waterfront and to meet its full potential will take over 30 years. Our public interest mandate means getting development right must

take priority to irreversible development for development's sake—as has been the case on the waterfront previously. While the latter may generate short-term revenues, it won't preserve or make best use of the waterfront.

We also note that, as never before, the world is watching Toronto's waterfront. People are excited about Quayside's potential to radically improve some of the challenges posed by living in big cities today: affordable housing, traffic, energy use and waste. At the same time, people are interested in issues about data privacy and what role technology should have in our lives. Waterfront Toronto will not go forward with the Quayside project without first consulting with the three levels of government and giving the governments an opportunity to review and comment on any key documents before they are approved by the Waterfront Toronto Board.

As stated in the audit, Waterfront Toronto has already taken steps to update our project management system.

OVERALL MINISTRY RESPONSE

The Ministry of Infrastructure welcomes the recommendations made by the Auditor General to improve the government's oversight of Waterfront Toronto and to ensure that Waterfront Toronto is able to effectively deliver upon its mandate of revitalizing Toronto's waterfront.

The Ministry oversees the performance of Waterfront Toronto with respect to its legislative mandate. The Province works closely with partners, including the federal government and the City of Toronto, to ensure Waterfront Toronto complies with government legislation and regulations to develop the waterfront in a cost-effective manner.

The Province, in collaboration with the City of Toronto and the federal government, has established the objects of the corporation as well as specific authority for Waterfront Toronto to undertake its activities—for instance, the

authority to identify, define and manage projects within the scope of its legislative objects.

Since Waterfront Toronto's inception, funding from all three levels of government has contributed to the development of the waterfront. This funding has resulted in an economic boost and job creation. Between 2001 and 2013, the investment made by government partners resulted in the creation of about 16,200 full-time, full-year jobs. This investment contributed to the creation of multiple projects, including public spaces such as Sherbourne Common, Corktown Commons and Underpass Park. This public funding also contributed to the development of the West Don Lands, which currently provides affordable and low-end-market housing as well as 9.3 hectares of park and public space.

A third-party report noted that the initial government funding dedicated to enabling infrastructure has unlocked lands, resulting in \$4.1 billion in economic output to the Canadian economy and \$2.6 billion in development value attracted to the waterfront, based on the first six developments.

The Province is working with its government partners to further enhance the oversight of Waterfront Toronto. The Province will continue to work to ensure that the development of Toronto's waterfront proceeds in a responsible and efficient way while maximizing economic development and job creation opportunities.

2.0 Background

2.1 Waterfront Toronto Overview

Toronto's history of being a port city has meant that for decades the waterfront has been largely an underutilized industrial area. **Figure 1** shows the portion of land available for development.

The Waterfront Revitalization Task Force, comprising representatives of the City of Toronto,

Figure 1: Waterfront Land

Source of data: Waterfront Toronto

Type of Land	Publicly Owned Land		Developable Land	
	Acres	%	Acres	%
Privately owned land			338	12
Publicly owned land available for development				
Developed by other agencies with Waterfront Toronto funds	151	14		
Developed by others (e.g., Infrastructure Ontario, private developers)	39	4		
Developed by Waterfront Toronto	55	5		
Remaining to be developed by Waterfront Toronto	817	77		
Total publicly owned land available for development	1,062	100	1,062	37
Total land available for development			1,400	49
Non-developable land			1,440	51
Total waterfront land			2,840	100

the Government of Canada and the Province of Ontario, was established in November 1999 to develop a business plan and make recommendations for revitalizing the waterfront. In its March 2000 report, the Task Force's recommendations included:

- making the water's edge publicly accessible from Etobicoke to Scarborough;
- making the waterfront a place of fun, excitement and entertainment all year round;
- removing the elevated Gardiner Expressway and building a new road and transportation network to Toronto's downtown and revitalized waterfront; and
- creating neighbourhoods in the core of the City for working, living and recreation, resulting in a substantial increase in the City's stock of affordable and market housing.

The Task Force was established to support Toronto's bid to host the 2008 Summer Olympics. After Toronto lost the Olympic bid to Beijing in July 2001, Waterfront Toronto was established by the three governments in 2002, but it operates under provincial legislation—the *Toronto Waterfront Revitalization Corporation Act, 2002* (Act)—with a broad legislative mandate to oversee and lead the renewal of Toronto's waterfront. Its mandate is to

enhance the economic, social and cultural value of the waterfront area.

The Act has a sunset clause that provides for Waterfront Toronto to be wound up after May 15, 2023. If, however, a review is completed by the governments before this time and recommends that the corporation not be wound up until 2028, then the corporation may continue operations until 2028. On March 5, 2018, the Ministry of Infrastructure wrote a letter to Waterfront Toronto restating the legal provisions of the Act, which specifies that Waterfront Toronto can continue to exist until 2028 provided that the governments do not agree to an early wind-up.

In May 2018, the governments in effect exercised a five-year extension of Waterfront Toronto's mandate by approving a seven-year Port Lands flood protection project that takes the corporation beyond the sunset date in 2023. The project will involve the rerouting of the Don River to the middle of the Port Lands between Ship Channel and Keating Channel, and the creation of a stretch of naturalized river valley in the process. The project will also involve extensive excavation of soil and remediation work that will ultimately raise the ground throughout most of the Port Lands.

2.2 Ownership of Waterfront Lands

Under Ontario Regulation 200/03, the total waterfront area under development, excluding roadways and waterways, covers an area generally south of Front Street between Dowling Avenue to the west and Coxwell Avenue to the east (see **Appendix 1** for a map of the Toronto waterfront area). The area, a total of 2,840 acres, also includes Mimico, Port Union, Ontario Place and the Leslie Street Spit but excludes the Toronto Islands. As seen in **Figure 2**, the three levels of government and the Toronto and Region Conservation Authority own 1,047 acres, or 75%, of the developable waterfront area. Waterfront Toronto owns 15 acres, or about 1%, of the developable waterfront area, and about 338 acres, or 24%, of the developable waterfront area is privately owned.

2.3 Legislated Mandate

According to the *Toronto Waterfront Revitalization Corporation Act, 2002*, the legislated objectives of Waterfront Toronto are to:

- implement a plan that enhances the economic, social and cultural value of the land in the 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;

- ensure that ongoing development in the waterfront area can continue in a financially self-sustaining manner;
- promote and encourage the involvement of the private sector in the development of the waterfront area;
- encourage public input into the development of the waterfront area; and
- engage in other activities that may be prescribed by future provincial regulations.

In addition, these objectives should be carried out to ensure the revitalization of the waterfront area creates new economic growth and jobs, new cultural institutions, new parks and green space for the public, and diverse and dynamic new commercial, residential and recreational communities. See **Appendix 2** for results of Waterfront Toronto's operations and progress toward its legislated and strategic revitalization objectives.

2.4 Intergovernmental Steering Committee

The three levels of government provide oversight and governance of Waterfront Toronto through an Intergovernmental Steering Committee. The Steering Committee comprises a voting member from each level of government (usually Deputy Ministers and the City Manager) who is supported by a staff member from each level of government, and

Figure 2: Waterfront Land Ownership, 2018

Prepared by the Office of the Auditor General of Ontario

Land Owner	Acres	Developable	Distribution
			(%)
Federal government	381	110	8
Provincial government	678	220	16
City of Toronto	1,161	629	45
Toronto and Region Conservation Authority	88	88	6
Total government lands	2,308	1,047	75
Waterfront Toronto	15	15	1
Private and other*	517	338	24
Total waterfront area	2,840	1,400	100

* Includes land where ownership data is unavailable (three acres).

Waterfront Toronto is represented by a non-voting member. The Steering Committee helps with executive decision-making, funding projects and directing project implementation. As per the Steering Committee's terms of reference, "it is to serve as an executive level focal point for inter-governmental management and co-ordination on matters related to Waterfront Toronto. It also provides governance and oversight to Waterfront Toronto. Specifically:

- Leads the identification and discussion of general and project-specific governance issues related to waterfront revitalization and Waterfront Toronto, when necessary;
- Co-ordinates activities between the three levels of government and Waterfront Toronto;
- Serves as a forum for information exchange related to the implementation of tri-government funded projects;
- Undertakes joint planning exercises to ensure that proposed projects are in keeping with the goals and objectives and mandate of the TWRI and Waterfront Toronto;
- Manages contribution agreements and related activities;
- Provides feedback on Waterfront Toronto's Annual Corporate Plan to the Waterfront Toronto Board;
- Establishes working groups, as required, to provide advice and direction on sub-issues; and
- Establishes project-based executive steering committees, as required, to direct and implement the delivery of government supported waterfront revitalization projects."

See **Figure 3** for the structure of how revitalization projects are delivered and **Figure 4** for a list of stakeholders and partner agencies.

Figure 3: Revitalization Projects Delivery Structure

Prepared by the Office of the Auditor General of Ontario

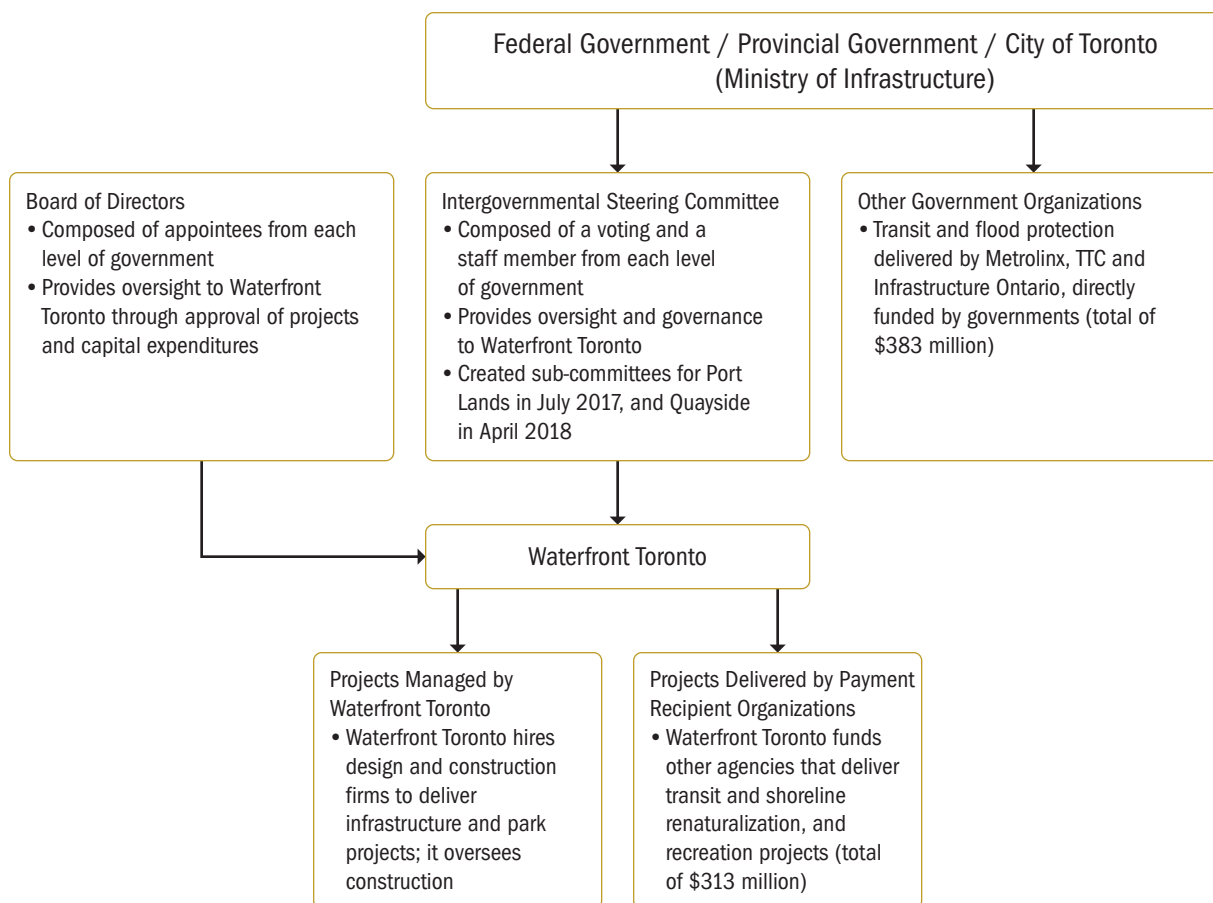


Figure 4: Waterfront Toronto Stakeholders and Partner Agencies

Prepared by the Office of the Auditor General of Ontario

Federal	
Infrastructure Canada	A ministry representing the federal government's interest in waterfront revitalization and responsible for approving federal funding to Waterfront Toronto.
Toronto Port Authority	An agency that owns and operates the Billy Bishop Toronto City Airport, the Port of Toronto and Outer Harbour Marina. Collaborates with Waterfront Toronto in the revitalization of the Port Lands.
Provincial	
Ministry of Infrastructure	A ministry with legislative responsibility for Waterfront Toronto, including its mandate, provincial funding and oversight through annual progress reports.
Infrastructure Ontario	An agency of the Ministry of Infrastructure, which oversees major project procurement and delivery, including real estate. Project lead for the flood protection in the West Don Lands and developed the Pan Am Athletes' Village in partnership with Waterfront Toronto and a private-sector developer.
Toronto and Region Conservation Authority	One of the 36 conservation authorities in Ontario that delivers a wide range of programs and services related to flood protection, erosion control, water quality and quantity management, and protecting the natural environment. Works with Waterfront Toronto to re-naturalize the mouth of the Don River and lead re-naturalization of Mimico and Port Union shorelines.
Ministry of Tourism, Culture and Sport	Developed a revitalization plan for Ontario Place (within the designated waterfront area), and in partnership with Infrastructure Ontario led its parkland projects: Trillium Park and Trail, and Celebration Common.
Municipal	
City Planning Division	Holds authority over city planning, zoning, permits and urban design.
Toronto Economic Development Corporation/Toronto Port Lands Company/CreateTO	Toronto Economic Development Corporation (TEDCO) was established as a self-financing corporation to pursue real estate development and to promote employment revitalization in Toronto. In 2009, TEDCO was re-branded as the Toronto Port Lands Company to better reflect its business in the port area. In 2017, Toronto Port Lands Company and other City agencies were merged to form CreateTO, which continues to own and manage about 500 acres of waterfront land in and around the Port Lands.
Toronto Transit Commission	Operates public transit in Toronto. Works with the City and Waterfront Toronto to increase capacity of public transit to accommodate new commercial and residential waterfront development.
Local Planning Appeal Tribunal (formerly the Ontario Municipal Board)	Adjudicative tribunal that hears cases in relation to a range of municipal planning, financial and land matters such as official plans, zoning bylaws, subdivision plans, and development charges.

2.5 Board of Directors

In addition to the Steering Committee, Waterfront Toronto is also governed by a Board of Directors, composed of 12 members and a Chair, with each level of government appointing four representatives. The Chair is jointly appointed by the three levels of government unless governments do not agree on a Chair, in which case the Board appoints

a Chair from its members. Members of the Board are not allowed to be employees of the governments. At the City and provincial levels, only one of the appointees may be an elected official. At the federal level, there are no such restrictions. Otherwise, members are not allowed to hold office. Through representation on the Board and the Intergovernmental Steering Committee, the three governments' policy interests are incorporated in

strategic decision-making at Waterfront Toronto. Currently all Board members have served for less than two years, with the exception of the Chair, who has served since February 2016. Through the years, the Board has been supported by numerous committees responsible for providing recommendations to the Board in different areas of operations such as finance, real estate development, public and government engagement and design review.

In addition, a Digital Strategy Advisory Panel was set up in April 2018 to guide Waterfront Toronto in its negotiations for a smart city partnership with Sidewalk Labs (see **Section 2.9**). The Panel advises Waterfront Toronto management on issues such as data security, systems set-up, privacy of personal data, and ownership and control of intellectual property. At the time of our audit, the Panel was composed of 12 members. The members, appointed by Waterfront Toronto management, had varied backgrounds in areas such as venture capital, civic technology, and information law and privacy.

2.6 Operating Funding and Spending

In 1999, the Waterfront Revitalization Task Force estimated that it would take approximately \$12 billion to realize the potential of the undevel-

oped waterfront land. It was proposed that the private sector could fund \$7 billion of the costs through various partnerships with governments, and the remaining \$5 billion could be raised by governments.

As seen in **Figure 5**, in October 2000, the governments of Canada, Ontario and the City of Toronto pledged \$500 million each (for a total of \$1.5 billion) toward revitalizing Toronto's waterfront. Governments retained their ownership of lands on the waterfront (see **Appendix 3** for a land-ownership map).

Subsequently, the governments redirected \$383 million from the \$1.5-billion commitment to other government organizations for transit and flood protection projects on the waterfront. In 2006, the City allowed Waterfront Toronto to retain and reinvest proceeds from the sale of City lands toward revitalization work. By March 2018, Waterfront Toronto had received a total of \$1.135 billion from the governments, and \$133 million from sources other than governments, such as parking fees, proceeds from land sales and a donation.

By May 2018, the three governments further committed \$1.25 billion to Waterfront Toronto to be distributed over seven years toward a second phase of waterfront redevelopment—the flood protection of the Port Lands. In the 2017/18 fiscal year,

Figure 5: Breakdown of Government's Initial Funding to Waterfront Toronto, from Inception to March 31, 2018 (\$ million)

Source of data: Waterfront Toronto

Type of Funding	Total	Level of Government		
		Federal	Provincial	City
Governments' initial commitment	1,500	500	500	500
Less: Funds redirected to other agencies ^{1,2}	(383)	(102)	(200)	(81)
Add: Sale of City of Toronto lands ³	18	—	—	18
Funding to Waterfront Toronto	1,135	398	300	437
Less: Transfer payments to other agencies ^{2,4}	(313)	(75)	(123)	(115)
Funding available for use	822	323	177	322

1. Includes funding for GO Transit expansion, Union Pearson Rail and West Don Lands flood protection.

2. In public announcements of program funding for the initiatives in footnote 1, the governments generally did not include notice that some of the funding would be provided from their previous commitments for revitalization.

3. Over the next five years, as a result of current commitments by the City, Waterfront Toronto will receive a further \$86 million.

4. The governments instructed Waterfront Toronto to provide funding to agencies such as the Toronto and Region Conservation Authority for shoreline renaturalization in Port Union and Mimico, and to the TTC for a second subway platform at Union Station.

Waterfront Toronto received an advance of \$65 million against the \$1.25-billion commitment, from which it spent \$39 million for an infilling project at the Port Lands.

As seen in **Figure 6**, since inception, Waterfront Toronto has spent a total of \$1.34 billion toward revitalization projects, including operating costs of \$112 million in total. **Figure 7** shows the types of projects on which governments directed Waterfront Toronto to spend the funding it was provided.

Figure 8 shows Waterfront Toronto's revenues and expenses over the last five years, including salaries averaging \$9.5 million and other operating costs of

\$3 million. **Figure 9** shows the financial position of Waterfront Toronto during the past five fiscal years.

2.7 Staffing at Waterfront Toronto

Over the last five years, Waterfront Toronto has employed on average 70 full-time and contract staff. Waterfront Toronto briefly reduced staff by about 10% to 63 in 2015 and 2016, based on a recommendation by the City citing a decrease in active projects. **Figure 10** shows that as of September 2018, Waterfront Toronto had increased the staff count to 96, 20 of whom were contract staff, as it begins work on the \$1.25-billion flood protection of the Port Lands.

About 60% of Waterfront Toronto's staff work on project-related activities such as urban planning, project design, management and procurement. The remaining 40% of staff work in government liaison and public communications, legal, finance, human resources and administration. Nine staff are fully dedicated to the Sidewalk Labs smart city project, reviewing legal documents and co-ordinating with Sidewalk Labs to develop the plan for the Quayside project (see **Section 2.9** for more details).

Figure 6: Breakdown of Spending on the Waterfront, from Inception to March 31, 2018 (\$ million)

Source of data: Waterfront Toronto

Category of Spending	Amount
Projects directly managed by Waterfront Toronto	760
Cancelled projects	49
Land purchases	106
Payments to other agencies for projects	313
Operating costs	112
Total	1,340

Figure 7: Revenue Source by Level of Government and Expense by Project, from Inception to March 31, 2018

Source of data: Waterfront Toronto

Types of Projects	Toronto	Ontario	Canada	Other ¹	Total	Total
	(\$ million)					(%)
Promenade and streetscape	115	49	112	60	336	25
Other municipal infrastructure ²	130	134	39	24	327	24
Other and corporate costs ³	32	42	35	37	146	11
Union Station second platform ⁴	58	63	17	0	138	10
Park	22	23	70	0	115	9
Land acquisition	3	17	86	0	106	8
Planning and preliminary work	46	22	21	2	91	7
Cancelled	9	10	23	7	49	4
Soil and environmental management	13	11	5	3	32	2
Total	428	371	408	133	1,340	100

1. Other is funding from sources other than governments, such as land sale proceeds and parking fees.

2. Other municipal infrastructure includes a stormwater treatment facility.

3. Other includes costs associated with one-time events.

4. Waterfront Toronto was directed in 2002 by the three funding governments to transfer \$138 million to the TTC toward the construction of a second subway platform at Union Station.

Figure 8: Waterfront Toronto's Five-Year Income Statement (\$ million)

Source of data: Waterfront Toronto

	2013/14	2014/15	2015/16	2016/17	2017/18	5-Year Average
Revenue from governments	36.2	29.1	24.9	15.3	4.5	22.0
Other operating income	2.2	3.6	1.3	2.1	2.6	2.4
Total revenue	38.4	32.7	26.2	17.4	7.1	24.4
Salaries	9.3	9.0	8.9	10.0	10.3	9.5
Operating costs	2.8	3.2	3.6	2.6	2.8	3.0
Direct project costs	32.7	27.1	23.8	5.6	2.6	18.4
Less: Capitalized portion of expenses ¹	(8.4)	(7.4)	(6.2)	(3.9)	(7.1)	(6.6)
Total expenses	36.4	31.9	30.1	14.3	8.6	24.3
Operating income	2.0	0.8	(3.9)	3.1	(1.5)	0.1
Gain on sale of land and capital assets	—	19.9 ²	—	3.3	1.5	4.9
Net income	2.0	20.7	(3.9)	6.4	0.0	5.0

1. Capitalized portion of expenses are costs that relate to assets that are still under development. They are not recognized in the financial statements when they are incurred but rather over the life of the asset.

2. Sale of East Bayfront land to developer.

Figure 9: Waterfront Toronto's Five-Year Balance Sheet, as of March 31 Each Year (\$ million)

Source of data: Waterfront Toronto

	2014	2015	2016	2017	2018	5-Year Average
Assets						
Cash and other current assets	91	108	63	66	81	82
Assets under development	298	392	309	300	347	329
Capital assets	113	106	104	88	89	100
Total assets	502	606	476	454	517	511
Liabilities						
Deferred contribution and grants	74	51	58	45	57	57
Other current liabilities	18	31	8	7	23	18
Long-term liabilities	3	3	5	6	5	4
Total liabilities	95	85	71	58	85	79
Net assets	407	521	405	396	432	432
Total liabilities and net assets	502	606	476	454	517	511

2.8 Waterfront Revitalization Projects

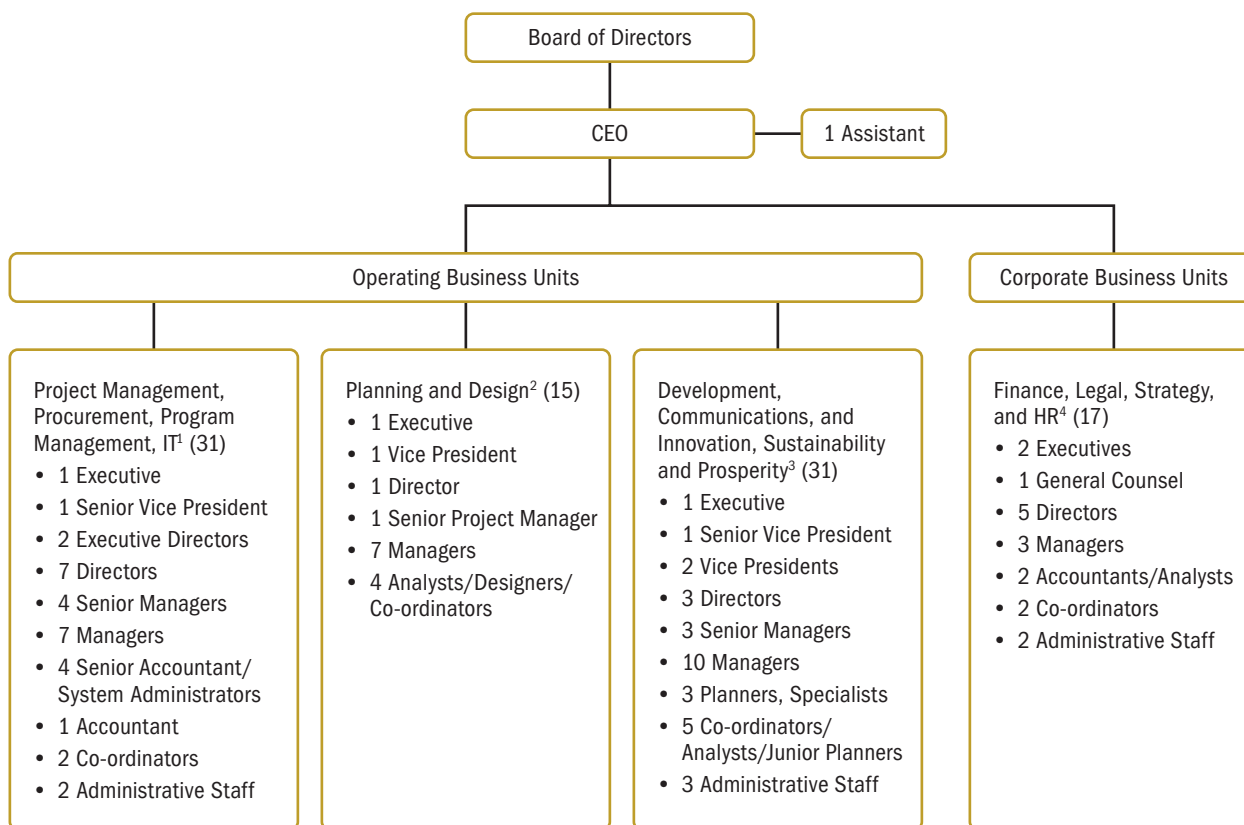
Appendix 4 lists the projects Waterfront Toronto has been involved in. Waterfront Toronto's involvement has ranged from leading and paying for the projects to completion, to only participating in the planning or acting in just an advisory capacity on

projects led by other organizations. For some projects, on the direction of its funding governments, Waterfront Toronto has only provided funding to other agencies to carry out the projects. As seen in **Figure 11**, the 55 acres that Waterfront Toronto has developed primarily fall within three categories:

- parks;

Figure 10: Waterfront Toronto Organizational Chart, September 2018

Source of data: Waterfront Toronto



1. Project Management and Procurement procure all design, engineering, consulting and construction services for the building of infrastructure and park projects.
2. Planning and Design co-develop urban plans for neighbourhoods with the City of Toronto and oversee design of infrastructure and park projects. They further manage regulatory approvals, including environmental assessments and permits.
3. Development and Communications direct and develop land, liaise with governments, and are responsible for public consultations and external communications.
4. Finance, Legal, Strategy, and HR are responsible for managing funding agreements and financial performance, recruitment and retention of staff, and oversee corporate and legal activities, such as the agreements with Sidewalk Labs.

- promenades and streetscapes, including bike lanes and sidewalks; and
- residential buildings, including affordable housing.

Appendix 5 contains a map of where these projects are located in the waterfront area.

There has also been significant development of residential condominiums in the waterfront area since 2003 led by private-sector developers.

2.9 Smart City Project with Sidewalk Labs in Quayside

Between 2007 and 2009, Waterfront Toronto purchased Quayside land plots for \$68 million to build affordable housing, provide public access to the water's edge, enable streetcar track extensions, locate an energy plant and enable other development opportunities.

Sidewalk Labs was the successful bidder to an RFP issued by Waterfront Toronto in March 2017 for the procurement of an innovation and funding partner for Quayside. In the October 2017 Framework Agreement between Waterfront

Figure 11: Use of Lands Led by Waterfront Toronto, March 31, 2018

Source of data: Waterfront Toronto

	Acres	% of Total
Parks	31	56
Promenades and streetscapes	10	18
Residential in West Don Lands and East Bayfront	10	18
Parking lots	3	6
Civic (George Brown College Waterfront Campus)	1	2
Total	55	100

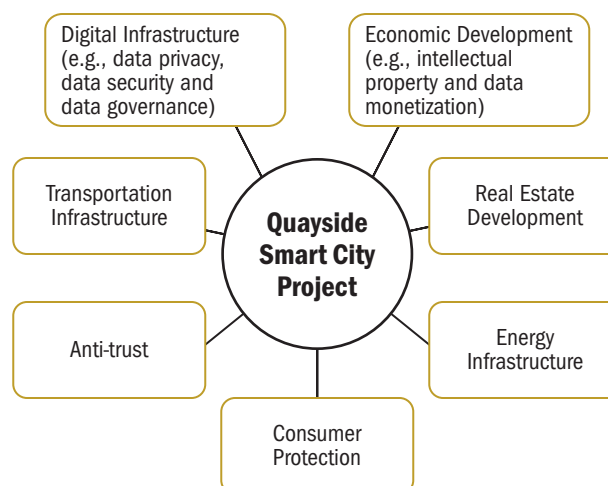
Toronto and Sidewalk Labs, they agreed to create an urban area (now publicly referred to as a “smart city”) that uses electronic sensors to collect data for the purpose of managing assets and resources efficiently within the area in Quayside (see **Figure 12** for areas requiring study and analysis, and potentially requiring provincial and municipal policy development). The intent is to address urban challenges—such as efficient energy use, housing affordability and transportation—by employing technologies such as high-efficiency modular buildings and self-driving cars and developing a network of cameras and sensors within the neighbourhood.

On July 31, 2018, Waterfront Toronto and Sidewalk Labs signed a further agreement called the Plan Development Agreement, which replaced the October 2017 agreement. The Plan Development Agreement establishes the roles of the two companies, sets project management structures and identifies principles for the governance of data, including for the collection and use of personal data. As part of both the Framework Agreement and the Plan Development Agreement, Sidewalk Labs committed to establish Google Canada’s new Toronto headquarters in the eastern waterfront.

Waterfront Toronto is able to withdraw from this smart city project without penalty up until a Master Innovation and Development Plan—a successor to the Plan Development Agreement—is signed.

Figure 12: Areas Needing Provincial Analysis and Policy Development Prior to Moving Forward with the Quayside Smart City Project

Prepared by the Office of the Auditor General of Ontario



Waterfront Toronto is planning to sign such an agreement in 2019.

A 15-member Digital Strategy Advisory Panel was established by Waterfront Toronto in April 2018 to advise management on issues such as privacy, data ownership and intellectual property.

Sidewalk Labs and Waterfront Toronto held public meetings in March, May and August, 2018, and more are scheduled for December 2018 and early 2019.

3.0 Audit Objective and Scope

The objective of our audit was to assess whether Waterfront Toronto, in working with the municipal, provincial and federal governments and other stakeholders, has effective systems and procedures in place to:

- plan and execute the revitalization of Toronto’s waterfront in a cost-efficient and timely manner in accordance with applicable legislation, regulations, agreements and mandates; and

- regularly monitor and publicly report on the progress and performance of revitalization projects.

We identified the audit criteria (see **Appendix 6**) we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, and internal and external studies. Senior management at Waterfront Toronto reviewed and agreed with our audit objective and associated criteria.

Our audit was conducted primarily at Waterfront Toronto's office from December 2017 to October 2018. We obtained written representation from Waterfront Toronto that, effective November 9, 2018, it has provided us with all the information it is aware of that could significantly affect the findings of this report.

Our audit examined various aspects of Waterfront Toronto's operations, including planning, designing, prioritizing, budgeting, procurement, management and delivery of revitalization projects, since its inception in 2002. We interviewed senior management, current and former Board members, and current and former members from the Digital Strategy Advisory Panel; and examined related data, emails and other documentation at Waterfront Toronto. We also interviewed staff from the City of Toronto, the Ministry of Infrastructure, and Infrastructure Canada to obtain an understanding of each funding government's involvement with Waterfront Toronto. We met with stakeholders such as Infrastructure Ontario, the former and current Information and Privacy Commissioners of Ontario, CreateTO (formerly the Toronto Economic Development Corporation), the Toronto and Region Conservation Authority, the City of Mississauga, the Toronto Transit Commission (TTC), Sidewalk Labs, and community groups representing the interests of residents.

Waterfront Toronto, in addition to undergoing an annual audit of its financial statements, has been the subject of 31 other audits between 2003 and 2017. The majority of these audits, commissioned either by the three levels of government, or by

Waterfront Toronto itself, reviewed either specific aspects of Waterfront Toronto's operations (for example, human resources and cash management) or whether Waterfront Toronto spent funding it received from governments for the intended project. The scope of three audits included the review of Waterfront Toronto's effectiveness and efficiency in the last five years. We reviewed the audit reports we considered relevant in determining the scope and extent of our audit work. These reports generally contain findings consistent with those in our report.

In addition, we contracted a national survey company to ask Greater Toronto Area residents about their awareness of Waterfront Toronto as an organization and their views regarding Toronto's waterfront. We also reviewed relevant research and best practices in waterfront revitalization in Canada and other jurisdictions. We engaged an independent advisor with expertise in revitalization projects to assist us on this audit. We also reviewed other audits performed on behalf of the three levels of government in this area in planning our work.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies the Canadian Standards of Quality Control and, as a result, maintains a comprehensive quality control system that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Canadian Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations: Mandate and Original Funding

4.1 Waterfront Toronto Conducted Limited Direct Development of Waterfront

As seen in **Figure 1**, the entire waterfront area consists of developable and non-developable land. About half of the waterfront land is non-developable, including railways, infrastructure, heritage sites, landmark venues such as the CN Tower, and pre-existing community centres, commercial buildings and residential condominium towers. Of the 1,400 acres of developable land, about 338 acres are privately owned. **Figure 1** shows that the remaining 1,062 acres of land in the waterfront area are publicly owned.

Since Waterfront Toronto's inception in 2002, it has directly developed (that is, managed projects directly to completion) 55 acres or 5% of the 1,062 acres of publicly owned developable land. **Appendix 3** is a map of the Toronto waterfront area that shows the areas directly developed by Waterfront Toronto. Waterfront Toronto provided development funding to other organizations for revitalization projects for an additional 151 acres. Private developers and other government organizations, such as Infrastructure Ontario, have developed 39 acres, leaving 817 acres of publicly owned land, mainly the Port Lands, to be developed in the future.

In 2013, Waterfront Toronto hired a consultant to assess the economic benefit of its projects as a way of estimating the impact of its work. The consultant estimated that nearly \$10 billion of development—such as buildings and infrastructure—would be created in areas adjacent to those developed by Waterfront Toronto. However, the consultant was not able to definitively determine the contribution of Waterfront Toronto's work toward the \$10 billion in development, since

external factors, such as strong growth of demand for residential and commercial space in Toronto, are likely to have influenced the local market. In the report, the consultant stated that the economic impacts are at least in part attributable to direct impacts by Waterfront Toronto.

4.2 Waterfront Toronto Had Limited Authority to Lead Revitalization

4.2.1 Waterfront Toronto Has Mainly Relied on City of Toronto Plans for Waterfront Land Use

In 2000, the Toronto Waterfront Revitalization Task Force, established by the three levels of government to make recommendations for revitalizing the Toronto waterfront, characterized the approach to managing the waterfront lands as “random and unco-ordinated dispositions of public assets. Investment cannot be attracted unless such a mechanism [that is, an organization] is present to co-ordinate, phase, promote and integrate public and private actions.” While Waterfront Toronto was subsequently created to be such an organization in theory, it did not lead waterfront revitalization and development.

Under the *Planning Act*, municipalities in Ontario have the authority to plan and zone lands for different uses, such as residential, commercial, or parklands. In 2003, the City of Toronto had already developed a master plan for the central waterfront area. Given that Waterfront Toronto does not have the formal planning authority and the fact that the plan took City Council five years to review and approve, Waterfront Toronto did not develop its own master plan or a large-scale vision for revitalizing Toronto's waterfront. Instead, it relied, as expected by City Council, on the City's master plan and used it to guide waterfront revitalization.

The City's master plan generally identified the waterfront as an area for mixed residential, commercial, civic and parkland uses. However, it did not

specify, for example, what percentage of land could be used for parks relative to other uses. It also did not identify specific areas for each type of development—for example, the location where parks would be built in the waterfront area. The City's master plan identified 25 potential projects on the waterfront. Of these 25 potential projects, we identified 18 as aligning with Waterfront Toronto's mandate. As seen in **Figure 13**, at the time of our audit, Waterfront Toronto had substantially completed only eight of the 18 projects. The other seven projects aligned more closely with the other agencies.

Waterfront Toronto, in conjunction with the City of Toronto, had developed more detailed plans for the West Don Lands and East Bayfront neighbourhoods in 2005, the Keating Channel in 2010, and Villiers Island (a portion of the Port Lands) in 2017. Together, these neighbourhood plans cover about 10% of land in the central waterfront area. Since Waterfront Toronto had to obtain approvals from City Council for these plans, the plans for the West Don Lands and East Bayfront neighbourhoods are very similar to those for surrounding neighbourhoods planned by the City of Toronto, which focused on mixed-use development rather than public spaces.

In September 2004, a consultant hired by Waterfront Toronto evaluated the organizational and governance model against success factors found in other waterfront revitalization organizations in other jurisdictions. The review noted that Waterfront Toronto had no control over lands, including the ability to regulate privately owned lands, and that co-ordination among government stakeholders or agencies, such as the City, appeared insufficient. It also found that although the original vision for Waterfront Toronto was to operate like an empowered development corporation, it actually was operating like a co-ordination agency with insufficient power and control to compel alignment among stakeholders' efforts and/or advance the development of the waterfront.

4.2.2 Waterfront Toronto Had Limited Ownership and Control of Land

Waterfront Toronto was not given ownership and control over the lands it was tasked to revitalize, which limited its ability to plan large-scale projects. Waterfront Toronto may also be subject to the changing priorities and revenue needs of its funding governments. As early as 2002, in an attempt to control building heights and the use of land in the waterfront, Waterfront Toronto's Board of Directors asked its founding governments to require that proposed developments on both public and private land along the waterfront be reviewed by the Inter-governmental Steering Committee and Waterfront Toronto. Waterfront Toronto informed us that the governments did not approve this arrangement.

Waterfront Toronto owned only 15 acres (1%) of the developable land, while the Government of Canada, the Province of Ontario, the City of Toronto and the private sector owned the majority of the remainder of the land, which was not transferred to Waterfront Toronto. As shown in **Appendix 7**, this is in contrast to the development of, for example, The Forks in Winnipeg, where the organization charged with the development of The Forks was given ownership of the lands it was responsible for revitalizing. In 1993, an international organization dedicated to downtowns and city centres around the world gave The Forks a special achievement award that it won over 60 other Canadian, U.S., Caribbean and South African cities.

Waterfront Toronto did not and still does not have the authority to expropriate land. Under a protocol with the City, Waterfront Toronto must ask the City to expropriate on its behalf. However, Waterfront Toronto has not exercised this protocol.

Over the last decade, privately owned lands were largely developed into condominiums. Since Waterfront Toronto did not own these lands, it had no direct control over their development. While the City of Toronto has control over zoning of these private lands, rezoning privately owned land toward use as parks requires the City to compensate landowners

Figure 13: Status of Potential Waterfront Projects Identified in the City of Toronto's 2003 Central Waterfront Secondary Plan

Status assessed by the Office of the Auditor General of Ontario

				Within Waterfront Toronto Mandate	Substantially Completed by Fall 2018
Project	Type	Description and Scope			
1 Queen's Quay streetscaping	Removing barriers	Transform the street into a pedestrian and cycling friendly avenue		Yes	Yes
2 Waterfront trail/Martin Goodman trail	Removing barriers	Connecting and expanding existing trails to achieve a continuous trail from Garrison Creek to the Don Valley		Yes	Yes
3 Water's edge promenades	Public space creation	Promenades connecting individual parks and public spaces into a continuous pedestrian corridor		Yes	Yes
4 Harbourfront Centre	Public space creation	Replacing surface parking lots with underground ones to free up land for cultural or commercial use		Yes	Yes
5 East Bayfront parks	Public space creation	Build new parks at the foot of Jarvis, Sherbourne and Parliament streets		Yes	Yes
6 West Don Lands flood protection	Sustainability	Create a berm to protect flooding		Yes	Yes
7 West Don Lands	Development	Developing the Don Lands		Yes	Yes
8 East Bayfront	Development	Build new residential neighbourhood of mid-rise condominium		Yes	Yes
9 Gardiner Corridor	Removing barriers	Overcoming the barrier that the Gardiner Expressway creates		Yes	No
10 Lakeshore Boulevard streetscaping	Removing barriers	Transform the street into a pedestrian and cycling friendly avenue		Yes	No
11 Foot of Yonge Street	Public space creation	Create a distinguishing public space incorporating a pier, plaza, cultural and entertainment venues		Yes	No
12 Don Greenway	Public space creation	Green space corridor connecting the Don Valley and the Tommy Thompson Park through the Port Lands, including a Centre for Creativity and Innovation		Yes	No
13 Lake Ontario Park	Public space creation	Extension of Ashbridges Bay through infilling to expand and connect Tommy Thompson Park		Yes	No
14 Ship Channel	Public space creation	Explore possibilities of using some of the dock space along the channel for a community amenity		Yes	No
15 Commissioners Park	Public space creation	Build a new park between Cherry St. and Don Roadway (north to Commissioners St.)		Yes	No
16 Sustainable transportation	Sustainability	Prioritize transit, bikes and walking as means of transportation		Yes	No
17 Renaturalizing the mouth of the Don River	Sustainability	Renaturalization will result in a new recreational space		Yes	No
18 Opening the Port Lands to urban development	Development	Develop the area into a busy neighbourhood featuring innovation and knowledge industries		Yes	No

			Within Waterfront Toronto Mandate	Substantially Completed by Fall 2018
Project	Type	Description and Scope		
19 New Fort York Park	Public space creation	Expand the Fort York park to create an attraction with national, regional and local draw	No	Some
20 Marilyn Bell Park extension	Public space creation	Addition of 3 hectares to the park	No	Some
21 Exhibition Place	Development	Leverage and improve upon existing development in the area	No	Some
22 LRT Transit	Removing barriers	Extending Light Rail Transit routes between Exhibition Place and the Port Lands	No	No
23 Ontario Place	Public space creation	Connect Ontario Place into the waterfront parks system	No	No
24 Canada Malting silos	Public space creation	Leverage the existing silos to build a special place for public and private use	No	No
25 Create Cultural Heritage Corridors	Removing barriers	Link the water's edge to form a waterfront cultural grid	No	No

for the land's value. The City also benefited from revenue received through developers' charges and property taxes from condominium development.

4.2.3 Development Mandate Overlaps with Other Government Entities' Mandates

Waterfront Toronto's mandate is similar to those of other existing government entities, which further limited its ability to plan and execute the revitalization of Toronto's waterfront. The roles and mandates of the following infrastructure and economic development agencies were not re-evaluated or revised, resulting in overlapping jurisdictions and mandates.

Toronto Economic Development Corporation (TEDCO)

Toronto Economic Development Corporation (TEDCO), established in 1986 prior to Waterfront Toronto's inception, is a wholly owned corporation of the City with responsibility for managing its owned land and selected city-owned lands located within the downtown waterfront area. In 2006, there was a conflict between Waterfront Toronto's neighbourhood plan to create a public area, includ-

ing a park and a public attraction, and TEDCO's plan to build an office complex (the Corus building) near the south end of Jarvis Street on land owned by the City. Waterfront Toronto and the City negotiated for two years before reaching a compromise—both had to reconfigure their projects to accommodate the other. Waterfront Toronto's planned 4.5 acres of public space was reduced to a two-acre triangular beach park (which became Sugar Beach).

In June 2017, TEDCO merged with other City agencies to form CreateTO. While a 2006 Memorandum of Understanding between the City of Toronto, TEDCO, and Waterfront Toronto designated Waterfront Toronto as the revitalization lead for the Port Lands, CreateTO continues to own and manage about 500 acres of waterfront land in and around the Port Lands (part of the 1,400 acres of developable land in the waterfront area).

Without resolving this overlapping mandate, there could be future potential conflict over the use of the land in the Port Lands, for which CreateTO oversees long-term land leases. The City's long-term plan for the Port Lands indicates the eastern parts of the area would continue to be used by film studios and for industrial purposes. However, Waterfront Toronto's latest neighbourhood plan for

the area shows that it intends to develop adjacent lands as a mixed-use residential community.

In the fall of 2017, the Intergovernmental Steering Committee asked the two organizations to discuss a process to confirm their respective roles and responsibilities, but did not provide further direction. Since January 2018, Waterfront Toronto has been working with CreateTO to define their respective roles and responsibilities. At the time that our audit was completed, this was still ongoing.

Infrastructure Ontario (IO)

Infrastructure Ontario (IO), an agency of the Province, is responsible for leading major infrastructure projects and managing the government's real estate portfolio. By 2011, the Ministry of Infrastructure had provided to IO \$135 million in funding, \$120 million of which was redirected from Waterfront Toronto's committed funding of \$1.5 billion, toward building a flood-protection landform in the West Don Lands. This landform fortifies and elevates the bank of the Don River, thereby removing the risk of West Don Lands flooding, and in turn enables building in the area.

In 2010, the Ministry of Tourism, Culture and Sport funded, through IO, the Athletes' Village in the West Don Lands for the 2015 Pan Am Games. IO oversaw the development of five blocks of buildings by a private developer, which were used as dormitories during the Pan Am Games in 2015. After the Games, two of the blocks provided affordable housing, two were developed into condominiums, and a student residence and community centre were also built. The private developer built condominiums on three additional blocks after the completion of the Games. Although the West Don Lands is a neighbourhood within the designated waterfront area, the Ministry of Tourism, Culture and Sport designated IO as the lead for this project.

Ministry of Tourism, Culture and Sport

Ontario Place, a 155-acre complex including water lots (that is, land plots, some or all of which are

covered by water), is within the area designated for revitalization by Waterfront Toronto. However, the Ministry of Tourism, Culture and Sport, which oversees the Ontario Place Corporation, led development of a revitalization plan for it and relied on IO to support the implementation of its parkland projects. In June 2017, IO completed the development of the Trillium Park and Trail, covering 7.5 acres of land previously used primarily as a parking lot. Waterfront Toronto's involvement in the project was limited to managing the public-consultation and design process.

In February 2018, the Ministry of Tourism, Culture and Sport further awarded a design contract for Celebration Common, an additional 18-acre park to be built next to Trillium Park. Again, this project is being planned by the Ministry and will be managed by IO. The park was being planned to provide a multi-purpose green space with opportunities for public art, community events and recreational use. Waterfront Toronto was not involved in the planning of the project or the procurement of the design contract. In June 2018, design work paused when the new provincial government was elected.

4.2.4 Nearly Half (\$700 Million) of the \$1.5-Billion Funding Commitment to Waterfront Toronto Redirected to Other Agencies

As seen in **Figure 5**, by 2018, the governments of Ontario, Canada and Toronto had reduced the amount of funding committed to Waterfront Toronto for revitalization to about \$1.1 billion from their original commitment of \$1.5 billion. A total of \$383 million from the \$1.5 billion was reallocated to other agencies for projects, such as an expansion of GO Transit (\$130 million), West Don Lands flood protection (\$120 million), Port Lands Sports Complex (\$32 million), the Union–Pearson Express (\$25 million), Fort York Pedestrian Bridge (\$21 million) and 19 other smaller projects.

In addition, the governments directed Waterfront Toronto to provide a total of \$313 million in

funding to other agencies for shoreline restoration and transit projects. While these projects fit within a mandate of developing the waterfront, in total they represent nearly \$700 million for projects that Waterfront Toronto did not directly design or manage.

In their public announcements of funding, the governments generally did not disclose that some of the funding they would be providing for these projects represented a reduction of their earlier announced commitment to Waterfront Toronto. These public announcements gave the impression that the governments were investing additional amounts toward waterfront revitalization.

4.2.5 Funding to Waterfront Toronto Was Project-Focused Versus Being Provided Annually or Long-Term Focused

Funding from the three governments was provided to Waterfront Toronto in a project-by-project basis through 93 separate funding agreements. In 2006, in a letter to the federal government's independent panel on grants and contribution, Waterfront Toronto expressed concern that this funding mechanism "focuses on individual projects as opposed to the broader revitalization mandate and expected long-term deliverables and results." A year earlier, in 2005, Waterfront Toronto had begun planning for how to allocate the governments' funding commitment toward possible projects, but the governments would only fund amounts specific to individual projects as opposed to providing annual funding. As a result, in effect, the governments directly controlled the choice of specific projects and the nature of revitalization on government-owned land.

One example was Waterfront Toronto's unsuccessful attempt to bring a campus of the United Nations-affiliated University for Peace to the foot of Yonge Street. The City of Toronto's master plan called for the pier to be preserved as public space of special significance. Waterfront Toronto's plan was to use the pier as a cultural space to re-brand and bring recognition to Toronto's water-

front. It proposed a campus of the University for Peace offering masters level educational programs to international students, UN officials and governments on conflict prevention, democracy and governance.

In 2004, the privately owned 10-acre site was listed for sale. Waterfront Toronto only received support from the federal and City governments for the purchase of the site, but not the Province. This left a shortfall in funding for the purchase of the site. In November 2005—while Waterfront Toronto was trying to secure sufficient funds to purchase the land—a consortium of developers acquired nine of the 10 acres of the site to build a 15-storey condominium complex. Later that year, Waterfront Toronto purchased the remaining one-acre plot. However, the University for Peace was abandoned by its sponsors. Waterfront Toronto did not have funds allocated for building a park in that location at the time. The lot remains in use as a parking lot until such time as funding is available for park construction.

The additional \$1.25-billion commitment from the governments for the Port Lands flood protection project will flow funds to Waterfront Toronto in accordance with an overall funding schedule that already defines the individual project budgets that will need to be established by early 2019.

RECOMMENDATION 1

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:

- 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 the Ministry of Tourism, Culture and Sport,

which may have overlapping mandates or interest in the revitalization of Toronto's waterfront.

MINISTRY RESPONSE

The Ministry acknowledges the importance of establishing clear roles between the levels of government and Waterfront Toronto in the development of Toronto's waterfront.

The provincial government will discuss with its government partners the Auditor General's recommendations on a mandate review and on how best to clarify roles and responsibilities between relevant organizations.

The provincial government, along with the federal government and the City of Toronto, utilizes an Intergovernmental Steering Committee that jointly supports Waterfront Toronto to fulfill its mandate and to facilitate collaboration with other relevant parties. The Province has also actively engaged with relevant government partners to ensure decisions are made in alignment with other key initiatives.

The provincial government is working with government partners and Waterfront Toronto to develop an accord that will strengthen accountability and clarify the roles and responsibilities of each party.

The Province, working with its government partners, will also consider these recommendations as it works with and reviews Waterfront Toronto's 2019–2023 Strategic Business Plan.

The provincial government will continue to work with its partners to support Waterfront Toronto in effectively delivering on its mandate and collaborate with other relevant agencies and corporations.

4.3 Actual Project Spending Exceeded Estimated Project Costs

We compared the estimated project amounts for all construction projects over \$10 million managed

by Waterfront Toronto (detailed in **Figure 14**) to the actual cost of the projects. These projects collectively represent over 60% of total spending on projects by Waterfront Toronto.

We found that the actual cost for six of these projects was lower by about 12% (about \$29 million). However, for the remaining five projects, the actual cost to date was higher by about 22% (about \$43 million). Two projects are still not complete, and Waterfront Toronto estimated that it will require a further \$40 million to complete them, which will be funded through revenues expected to be received from land sales and other sources.

For two planning projects listed in **Figure 14**, Waterfront Toronto had not prepared detailed costs estimates. We, therefore, could not determine whether these projects were on budget. For example, for the West Don Lands planning and preliminary work, Waterfront Toronto did not prepare any cost estimates prior to undertaking the planning work and continued to spend an average of over \$1 million annually for 10 years ending in the 2014/15 fiscal year.

Waterfront Toronto funded the continued implementation of construction projects whose actual cost exceeded their estimated amounts through subsequent funding agreements signed after construction had begun and from other sources.

4.3.1 Inconsistent Approach in Determining Estimated Project Costs

Waterfront Toronto did not have a consistent approach in determining estimated project amounts. It relied on a mixture of high-level planning estimates, funding agreements and spending approvals by the Board as its source of initial estimates.

We did note improvements in the project planning for the Port Lands flood protection work. A project charter outlining project scope, budget and completion timelines was developed for the first time in February 2017 for the Cherry Street infilling project, the first sub-component of the Port Lands

Figure 14: Projects Managed by Waterfront Toronto Tested by the Office of the Auditor General of Ontario

Source of data: Waterfront Toronto

Project	Type	Neighbourhood	Estimated Cost (\$ million)	Total Spent by March 2018 (\$ million)	Cost Increase (\$ million)	% Change	Planned Completion Date	Actual Completion Date	# of Months Delayed
Queens Quay – Promenade and streetscape revitalization	Public Space	Central Waterfront	85.7	120.3	34.6	40.4	Summer 2015	Jun 2015	0
Land servicing in West Don Lands – Water, sewer, streets	Municipal Infrastructure	West Don Lands	46.3	48.8	2.5	5.4	2014/2015	2015/2016	Up to 12
Sherbourne Park	Park	East Bayfront	28.9	30.1	1.2	4.2	Mar 2011	Jul 2011	4
Corktown Common ¹ – Park	Park	West Don Lands	26.8	27.3	0.5	1.9	Jan 2012	Jun 2013	17
Land Remediation ²	Environment Management	East Bayfront	11.2	15.8 ²	4.6	41.1	2011	Ongoing	84+
Subtotal			198.9	242.3	43.4	21.8			
Land servicing in East Bayfront – Water, sewer, streets ²	Municipal Infrastructure	East Bayfront	132.2	111.1 ²	(21.1)	(16.0)	Various	Ongoing	Up to 12
Stormwater Treatment Facility ³	Municipal Infrastructure	East Bayfront	24.9	24.2 ³	(0.7)	(2.8)	Apr 2014–Mar 2015	Dec 2015	9
Canada Square	Public Space	Central Waterfront	30.8	29.7	(1.1)	(3.6)	Mar 2012	Jun 2012	3
Wavedeck Promenade	Public Space	Central Waterfront	17.4	14.3	(3.1)	(17.8)	Spring 2008–Summer 2009	Sep 2008–Aug 2009	0
Canada's Sugar Beach	Public Space	East Bayfront	16.1	14.2	(1.9)	(11.8)	Jul–Sep 2010	Jun 2010	0
Water's edge walkway	Public Space	East Bayfront	12.6	11.4	(1.2)	(9.5)	2016/2017	Dec 2015	0
Subtotal			234.0	204.9	(29.1)	(12.4)			
Lower Don Lands – Neighbourhood plan	Planning and Preliminary Work	West Don Lands	n/a	19.5	n/a	n/a	n/a	n/a	n/a
West Don Lands planning	Planning and Preliminary Work	West Don Lands	n/a	12.6	n/a	n/a	n/a	n/a	n/a
Subtotal				32.1					
Total				479.3					

1. The delay was mainly due to a flood protection landform, which had to be completed prior to park construction. Park construction began in August 2010.

2. Waterfront Toronto expects to spend \$40 million in addition to what it has spent by March 31, 2018, as parts of these projects are ongoing.

3. The City expanded the capacity of the Stormwater Treatment Facility, contributing to a cost increase.

flood protection. As well, the finance committee of the Board reviewed the design and cost of projects at different stages and provided quarterly updates to the Board. This approach will be needed to effectively oversee projects related to the planned \$1.25 billion Port Lands flood protection.

4.3.2 Change Orders in Projects Added Costs and Extra Work

Conditions at construction sites may not always be fully known when project blueprints are completed, resulting in requests for information from contractors that, in turn, require Waterfront Toronto to issue site instructions or change orders. We found that a number of change orders added during

construction contributed to additional project costs and work.

In **Figure 15**, we list the most common reasons for change orders in projects managed by Waterfront Toronto. While we recognize not all instances requiring a deviation from the original construction contract could have been foreseen during project planning, we noted instances where more detailed planning prior to construction could have helped to avoid some of the change orders after construction started.

For example, close to \$700,000 was necessary for resizing the pipes used in a sanitary sewer due to a design change recommended by a consultant after construction had already begun. We also found that the original design for a fountain at

Figure 15: Rationale for Delays and Added Costs in Projects Managed by Waterfront Toronto Tested by the Office of the Auditor General of Ontario

Source of data: Waterfront Toronto

Project	Inadequate Design and Planning	Unforeseen Site Conditions	Co-ordination of Multiple Stakeholders	Rationale for Delays and Added Costs
Queens Quay - Promenade and streetscape revitalization	●	●	●	Unanticipated site conditions, delay costs, co-ordinating work with TTC
Land servicing in West Don Lands – Water, sewer, streets	●	●	●	Unanticipated site conditions/conflicts, additional utility investigation which resulted in the realignment of the sanitary foremain
Sherbourne Park	●		●	Design changes, delay cost, City requests
Corktown Common – Park	●	●	●	Flood protection landform quality of work and delay
Land remediation	●	●		Greater-than-anticipated contamination
Land servicing in East Bayfront – Water, Sewer, streets	●	●	●	Additional municipal approvals, co-ordinating multiple contractors, unstable terrain and high water table
Stormwater Treatment Facility			●	Increase in the capacity of facility and catchment area by the City
Canada Square	●	●		Unanticipated site conditions and design changes
Wavedeck promenade				n/a
Canada's Sugar Beach				n/a
Water's edge walkway				n/a
Lower Don Lands – Neighbourhood plan	●			No cost estimates developed for project
West Don Lands Planning	●			No cost estimates developed for project

Sherbourne Common included stainless steel components. These components were removed during the procurement process in order to scale down the project but were added back during construction at a cost of nearly \$275,000.

For its largest project—the addition of promenades and bike lanes along Queens Quay—there were 598 change orders between 2008 and 2015 at an additional cost of \$18.5 million (about 14% of the total project cost). We found that some of these change orders could have been avoided through more rigorous planning and better co-ordination with partner agencies that were also working on the same site. For example, Waterfront Toronto spent \$3.9 million due to insufficient co-ordination with an electrical utility and the TTC, both of which were conducting work on the site at the same time. Penalties imposed by contractors and trades as a result of delays amounted to \$3 million. These delays were caused by both Waterfront Toronto and by contractors working on a piece of the project that was not completed in order for another contractor to start at the agreed-upon time. Additional permits and approvals required by the City of Toronto after construction had begun cost another \$2.3 million.

4.3.3 \$49 Million Spent by Waterfront Toronto on Cancelled Projects

Waterfront Toronto spent a total of \$49 million (see **Figure 7**) contributed by all three governments on cancelled projects. For example, it spent \$28 million on planning the district heating plants (central facilities where heating is provided to adjacent buildings rather than through boilers being installed in the individual buildings) for the East Bayfront and West Don Lands neighbourhoods. The plan was to introduce a central heating plant that would be more efficient for the high density in the two residential neighbourhoods. However, the Province would no longer fund the construction of the heating plants and Waterfront Toronto's Board had to cancel the project. The buildings in these two neighbourhoods can be retrofitted for district

heating, but currently use conventional heating and cooling systems.

Waterfront Toronto provided the City's Transport Division \$18 million toward the purchase of land along a planned two-kilometre extension of Front Street to Dufferin Street. The extension was pre-requisite work to demolish the Gardiner Expressway east of Spadina. The project was intended to improve road capacity and increase public space on Lakeshore Boulevard East through addition of bike lanes, landscaping and public arts. However, because the Gardiner Expressway is not being demolished, this project was cancelled. The City's Transport Division still owns the land.

The remaining \$3 million was spent on the cancellation of three smaller projects.

RECOMMENDATION 2

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:

- 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.

WATERFRONT TORONTO RESPONSE

Waterfront Toronto supports the recommendation.

Consistent with our current practices, which have been applied to the Port Lands flood protection project, Waterfront Toronto will develop detailed project plans and cost estimates based on design, engineering and technical studies for future projects.

The overall budget of \$1.25 billion and completion timeline of late 2023 for the Port Lands flood protection project was established in the October 2016 due diligence report, which was completed by a competitively procured team of multi-disciplinary professionals to create more certainty on the project's cost, schedule and risks prior to the funding commitment from governments.

Waterfront Toronto will set the budget and completion timelines for each individual component of the Port Lands flood protection project and other projects using the information and estimates it has gathered through design, engineering and technical studies at the 30% design drawing stage, in accordance with leading industry practice and will continue to do so for future projects.

Waterfront Toronto's current practice is to ensure a signed funding agreement with governments is in place prior to the commencement of a project.

4.3.4 Difficult to Monitor Projects against Budgets Due to Poor Documentation

We noted that prior to 2012, project documents and files were stored only on local hard drives of staff computers. In 2012, Waterfront Toronto introduced a new corporate data server to centralize the storage of project documents to help staff collaborate on projects. However, some project documents and files continued to remain on individual staff computer hard drives and were not transferred to the corporate data server. Over time, these project files and documents could not be located due to staff turnover, and there were no backups for these files. We noted that six of the 11 project managers have left the organization since 2014.

In March 2018, Waterfront Toronto internally identified that it risked being “unable to produce accurate and timely information, resulting in impacts to decision-making, accountability and transparency.” It also identified there was a risk of

“inadequate project information (including design, scope and cost estimates) used to develop strategic plans and project budgets, resulting in possible cost overruns or reduction in scope.”

At the time of our audit, Waterfront Toronto advised us that it was in the process of implementing an off-the-shelf financial and project management system to store project documentation and better track projects' spending against budgets and monitor progress against timelines. It expected to have the new system in place by early 2019. Such a system would be beneficial in overseeing projects related to the planned \$1.25-billion Port Lands flood protection and any other project work.

4.3.5 No Process to Guide the Review of Invoices

Prior to approving payment of construction invoices, Waterfront Toronto engages external consultants to review invoices against the contract and check for legitimacy of expenses billed.

We found that invoice reviews were not documented, and there was no process to guide the review of invoices, such as what type of information or supporting documents reviewers should look for. The only documentation Waterfront Toronto could show us was that invoices were approved for payment in the accounting system. Among the invoices we examined, we also noted that Waterfront Toronto had not revised or rejected any of the invoice claims relating to the 13 projects we reviewed (see **Figure 14**).

In comparison, at The Forks in Winnipeg, a project manager was required to attach a memo documenting his or her approval of invoices and, where possible, a project status update also was provided by frontline staff.

RECOMMENDATION 3

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:

- 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.

WATERFRONT TORONTO RESPONSE

Waterfront Toronto supports the recommendation.

Waterfront Toronto is currently implementing a new Enterprise Resource Planning (ERP) system to enhance its ability to manage, monitor and report on projects—including project budgets and change orders, enhancing transparency and accountability, and increasing operational effectiveness and risk management. This system is expected to be operational in early 2019.

Waterfront Toronto's current practice in a situation of unavoidable cost that cannot be managed by the contingency is to:

- reduce project costs through value engineering or alter timelines without modifying project scope; and/or
- if necessary, obtain approval to modify the project scope, through the deferral or elimination of non-critical project elements to ensure that the budget can be met.

In early 2018, Waterfront Toronto enhanced its project governance to create a formal Capital Program Management Office (CPMO) to streamline and strengthen controls related to project and program management.

The CPMO has developed new project oversight dashboard reports that will be used to provide regular updates to senior management, Board members and the three levels of government on project status and key risk areas, as well as budget, cost, scope and schedule variations.

In fall 2018, Waterfront Toronto improved the documentation related to its existing processes for the review of construction invoices, including appropriate and timely site visits by project cost certifiers.

Waterfront Toronto is currently developing a file management and document retention policy and anticipates adoption of this policy on or before December 31, 2019.

4.4 Waterfront Toronto Had Weak Oversight over Projects It Funded Other Organizations to Deliver

4.4.1 Project Costs Exceeded Amounts in Initial Agreements

We reviewed all projects over \$10 million each where Waterfront Toronto transferred funds to another organization to manage and deliver the projects. These projects are listed in **Figure 16** and represent nearly 90% of all funding provided by Waterfront Toronto to other organizations.

Figure 16: Projects Funded by Waterfront Toronto to Other Organizations Tested by the Office of the Auditor General of Ontario

Source of data: Waterfront Toronto

Projects Funded by Waterfront Toronto	Other Organizations	Estimated Cost (\$ million)	Total Spent by March 2018 (\$ million)	Cost Increase (\$ million)	% Change	Planned			# of Months Delayed	Rationale
						Completion Date	Completion Date	Completion Date		
Union Station second platform	TTC	89.3	138.3	49.0	54.9	Dec 2011	Aug 2014		32	Initial budgets were incomplete. Refinements to overall scope of the project, such as removal of structures, platform finishes, increased foot prints, increased demolition costs.
Subtotal		89.3	138.3	49.0	54.9					
Western Beaches Rowing Watercourse	Toronto and Region Conservation Authority	22.6	22.4	(0.2)	(0.9)	June 2006	June 2006		0	n/a
Corus building	Toronto Economic Development Corporation	12.5	12.5	0.0	0.0	n/a	n/a	n/a	n/a	n/a
Subtotal		35.1	34.9	(0.2)	(0.6)					
Port Union Waterfront Park	Toronto and Region Conservation Authority	n/a	23.7	n/a	n/a	n/a	Nov 2012		n/a	n/a
Mimico Park		n/a	17.8	n/a	n/a	n/a	Oct 2012		n/a	n/a
York Quay and John Quay – Harbourfront Centre	Harbourfront Corporation	n/a	17.7	n/a	n/a	Spring 2005	2006		12+	Contract tendering costs exceeded initial estimates, therefore, a portion of the project was deferred until funding was available.
George Brown College Parking Garage	George Brown College	n/a	21.9	n/a	n/a	n/a	Sep 2012		n/a	n/a
Lower Don River Bridge	Toronto and Region Conservation Authority	n/a	19.7	n/a	n/a	Dec 2007	Dec 2007		0	n/a
Subtotal			100.8	n/a	n/a					
Total			274.0							

We found that five of the eight projects did not initially include complete estimated costs in the agreements between Waterfront Toronto and the recipient organizations. One example is the shoreline re-naturalization project at Port Union that was completed by the Toronto and Region Conservation Authority—Waterfront Toronto agreed in 2003 to reimburse the Conservation Authority for the cost of the project. The initial agreement between Waterfront Toronto and the Conservation Authority did not identify a cost estimate. However, there was a cost estimate of \$16 million set between Waterfront Toronto and the three levels of government in 2004. Subsequently in 2008, Waterfront Toronto and the Conservation Authority amended their initial agreement to include a cost estimate of \$25 million. The project came in at \$23.7 million, which was nearly 50% more than the \$16 million that the three levels of government had planned to fund. Waterfront Toronto had to request more funding from the governments to cover the additional cost of \$8 million to the Conservation Authority.

We found that two of the remaining three projects were on budget, while one project incurred cost overruns of about 55%, about \$49 million in total. This project was the second subway platform at Union Station whose cost increased from the initial estimate of \$89.3 million in 2006 to a final cost of \$138.3 million in 2014. The increase was due to higher-than-anticipated costs for platform finishes, demolition and structure removal costs, and the increased footprint of the station. Waterfront Toronto paid for the entire cost of the project using funds primarily provided by the Government of Ontario and the City of Toronto.

4.4.2 Initial Agreements Did Not Always Include Planned Completion Dates

We found that four of the eight projects did not have a planned completion date in the agreements between Waterfront Toronto and the recipient. Waterfront Toronto cannot exercise appropriate project oversight when basic information such as

timelines are not provided to the recipient organizations at project onset.

Of the remaining four projects that did have planned completion dates, two of them took an average of 22 months longer than planned to complete. For example, the Harbourfront York Quay and John Quay project carried out by Harbourfront Corporation was delayed by about 12 months. The delay was due to contract tendering costs exceeding the initial estimates, which resulted in a portion of the project being deferred until funding was available.

4.4.3 Waterfront Toronto Unable to Find All Tracking Documents of Projects It Funded

Agreements between Waterfront Toronto and organizations that it paid to deliver projects, such as the shoreline restoration in Port Union delivered by the Toronto and Region Conservation Authority (described in **Section 4.4.1**), broadly outlined the responsibilities of each party. Waterfront Toronto oversaw projects by providing direction, approving work plans, and holding meetings on a quarterly basis to review project progress.

Recipient organizations were required to maintain a master project schedule plan and submit monthly and quarterly progress reports and a final report, at completion of project, to Waterfront Toronto and to each level of government. However, as noted in **Section 4.3.4**, Waterfront Toronto did not have a project management information system to track and store these reports. As a result, it was unable to find all such documents it may have received, to provide them to us. We followed up with one recipient organization that had received funding from Waterfront Toronto for four projects completed as far back as 2006 and found that the organization had not completed the final reports for these projects.

4.4.4 Payments Made without Independently Checking that Expenses Were Legitimate

Prior to Waterfront Toronto reimbursing the recipient organizations for expenses they incurred in delivering projects, Waterfront Toronto's internal policy required it to engage external consultants to review invoices against the contract and check that expenses billed were legitimate. However, we found that rather than engaging external consultants to review invoices, Waterfront Toronto relied only on the recipient organization itself to confirm that all charges were for legitimate project costs.

As with projects directly managed by Waterfront Toronto, there is no formal process to guide the review of invoices, such as what type of information or supporting documents reviewers should review (see **Section 4.3.5**). Of the invoices we examined, staff had not revised or rejected any invoice claims. We did not find any documentation indicating the extent of review that staff had performed to ensure the accuracy of invoices. Waterfront Toronto only showed us that the invoices were approved for payment in the accounting system.

RECOMMENDATION 4

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:

- 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.

WATERFRONT TORONTO RESPONSE

Waterfront Toronto supports the recommendation.

Waterfront Toronto has not entered into any new eligible recipient agreements in the past five years nor does it anticipate transferring any major funding to recipient organizations over the next five years.

Waterfront Toronto's current practice is to specify appropriate contract terms—including project budgets and timelines for completion—with all vendors (including those previously deemed to be “eligible recipients”).

Board members and the three levels of government will receive improved project budget, schedule and risk reports, including new dashboard reports referred to under **Recommendation 3**.

In fall 2018, Waterfront Toronto improved the documentation related to its processes for the review of construction invoices, including timely site visits by project cost certifiers.

Waterfront Toronto is currently developing a file management and document retention policy and anticipates adoption of this policy on or before December 31, 2019.

4.5 Waterfront Toronto Not Financially Self-Sustaining as Mandate Anticipated

According to the *Toronto Waterfront Revitalization Corporation Act, 2002* (Act), one of Waterfront Toronto's mandates is to "ensure ongoing development in the waterfront area can continue in a financially self-sustaining manner." However, we found that it has been substantially dependent on government funding and is unable to sustain ongoing development of the waterfront, or even its own operations, without it. In comparison, The Forks in Winnipeg generated sufficient income from land leases, including retail and parking space, to cover both its operating costs and make funds available for revitalization projects.

Waterfront Toronto did not prioritize exploring alternative ways to generate revenues in its strategic plans. Some non-government revenues, which Waterfront Toronto collected, include parking, small-scale land leasing and rental fees as well as revenues from land sales totalling \$133 million since inception (see **Figure 7** for details). However, these revenues are not sufficient to generate the level of income necessary to cover ongoing revitalization costs.

By March 2015, Waterfront Toronto had used almost all of the federal and provincial funding commitments and had only \$67 million of municipal funding commitments remaining from the \$1.5 billion seed capital. In the following years, to ensure it had sufficient cash, the Province allowed it to establish a \$40-million line of credit secured against the 10 acres Waterfront Toronto owns in the Quayside district. During the same year, it borrowed \$5 million, which was repaid within a few months. In 2017, it sold a parking facility for \$11.3 million and issued a letter of credit of about \$3 million to the Department of Fisheries and Oceans for the Cherry Street Stormwater and Lake-filling project at the Port Lands. At the time of our audit, the letter of credit remains outstanding.

4.5.1 Waterfront Toronto Did Not Proactively Explore Fundraising and Corporate Sponsorships for New Revenue

Waterfront Toronto has not been successful in leveraging corporate sponsorships, philanthropic donations and fundraising toward revitalization. Waterfront Toronto did not initiate projects that would generate revenue from sources other than government funding or develop a framework on how to achieve this in the future.

In 2009, a consulting report advised Waterfront Toronto to build internal expertise in fundraising, pursue a strategy to generate revenues from corporate sponsorship, and explore strategic philanthropy along the waterfront. However, Waterfront Toronto did not act on these recommendations; it informed us the reason was a lack of Board consensus because the 2008 recession would make fundraising more difficult.

In December 2015, Waterfront Toronto was transferred a philanthropic donation of \$25 million, received by the City of Toronto, for the Bentway project—an initiative to transform the area below the elevated lanes of the Gardiner Expressway into community space, including a skating rink. The donor gave the funds to the City of Toronto, which enlisted the help of Waterfront Toronto to manage the project. Waterfront Toronto itself has not directly received or pursued philanthropic contributions.

In 2016, Waterfront Toronto applied to the Canada Revenue Agency to be a charitable organization and received that status in October 2017. This now allows Waterfront Toronto to receive donations and to issue tax receipts for those donations. However, it has yet to engage in any fundraising activities or receive any further donations.

In comparison, Chicago explored strategic philanthropy in the early 2000s, when raising funds for the Millennium Park along its waterfront, and nearly half of its costs of \$490 million USD were raised through corporate donations. The park is also on 25 acres of land donated by the state rail company.

RECOMMENDATION 5

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.

WATERFRONT TORONTO RESPONSE

Waterfront Toronto supports the recommendation.

Waterfront Toronto has outlined its objective to leverage private-sector funding, corporate partnerships and philanthropy in its Strategic Business Plan 2019–2023. During this five-year period, Waterfront Toronto will create and develop a plan for making revitalization self-sufficient and less reliant on government funding. In 2017, Waterfront Toronto received qualified donee status from the Canada Revenue Agency, which allows it to receive donations and issue tax receipts.

4.6 Intergovernmental Steering Committee Does Not Have a Project Decision-Making and Dispute Resolution Framework

The Intergovernmental Steering Committee does not have a framework or guide to support its decision-making process regarding what types of projects to fund in order to advance a revitalization mandate. Such a framework could be useful in ensuring consistency given that the membership of the Steering Committee has changed a number of times over the years. For example, at the federal level, the ministry responsible for revitalization changed three times. This revolving nature of committee membership in a multi-government structure can lead to poor corporate memory and weak oversight.

There is also no formal dispute-resolution mechanism that the governments could use if they cannot come to an agreement on an issue. Such a mechanism could have been useful in instances where governments in the past have disagreed on what project to fund; for example, the district heating project in East Bayfront and West Don Lands was cancelled near the end of the planning stage because the provincial government would not commit to the final funding. A conflict resolution mechanism may also be useful in the future as governments determine and discuss their support for the various components of the proposed smart city project.

RECOMMENDATION 6

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:

- develop a framework to guide project-funding decisions; and
- establish a formal dispute resolution process.

MINISTRY RESPONSE

The Ministry agrees that effective communication and decision-making processes are key to support the revitalization of the waterfront.

The three levels of government utilize an Intergovernmental Steering Committee to collaborate and co-ordinate project funding decisions. The Terms of Reference of the Intergovernmental Steering Committee guides the decision-making process. The decision-making has also been guided by the requirements stated in the legislation and Contribution Agreements.

The Intergovernmental Steering Committee also acts as the dispute resolution mechanism for issues related to the development of Toronto's waterfront.

Contribution Agreements for Waterfront Toronto projects contain measures to promote collaboration and procedures to resolve disputes.

The Port Lands flood protection project's Executive Steering Committee has also developed, in September 2017, dispute resolution mechanisms for issues specific to the delivery of the project and provides direction in relation to project management, planning and identified risks.

The Province is working with the government partners and Waterfront Toronto to develop an accord to strengthen accountability of each party and will consider these recommendations in the development of the accord.

4.7 Some Best Practices Not Part of Projects despite Multiple Overseas Trips to Learn About Waterfronts

Between 2003 and 2006, Waterfront Toronto's leadership team conducted an international review of best practices by travelling to study revitalization in other cities, including Montreal, Vancouver, New York City, Chicago, Boston, San Francisco, Rio de Janeiro, London, Paris, Stockholm, Hamburg, Barcelona and Singapore. At the time of our audit, Waterfront Toronto no longer had documentation on the costs incurred for those trips. Waterfront Toronto informed us that the purpose of the trips was largely to educate the CEO about waterfronts around the world. Some trips were paid for by third parties, such as the Greater Toronto Marketing Association paying for the CEO to visit Australia.

Waterfront Toronto could not confirm, after the international review concluded in 2006, whether a formal presentation or report of findings was produced for the review of the Board of Directors. However, Waterfront Toronto internally identified general best practices to revitalize waterfront areas. These included large public spaces, building height control, public access to the water's edge and recreational use of water.

While Waterfront Toronto projects designed by consultants have won more than 90 regional and international architect awards for design excellence in its public space projects, we noted that some of the best practices identified in the 2003 to 2006 international review have not been consistently part of Waterfront Toronto's projects:

- **Large Public Spaces:** Waterfront Toronto's major projects to date consist of municipal infrastructure and small public spaces (two to three acres), with the exception of the 12-acre Corktown Common in the West Don Lands neighbourhood. This park was built on a flood-protection landform that is not suitable for commercial and residential development.
- **Building Height Control:** Waterfront Toronto does not have the authority to control building height of condominiums developed by private developers on privately owned land in the waterfront area. Buildings in East Bayfront on the water's edge under Waterfront Toronto's jurisdiction are limited to 14 floors south of Queens Quay and 32 floors north of it to preserve views of the lake. The East Bayfront neighbourhood was developed by Waterfront Toronto and therefore it had control over building heights. However, condominiums currently being built at the foot of Yonge Street, on privately owned land adjacent to East Bayfront, will have 90 or more storeys. We also noted that, while there were no buildings taller than 150 meters (at least 35 storeys) in the waterfront area in 2003, 15 have been built since (with height ranging from 35 to 67 storeys).
- **Public Access to Water's Edge:** Public access to the water's edge in projects directly developed by Waterfront Toronto has been limited to a 19-metre-wide promenade between condominium buildings and the lake, along the 600-metre shore of East Bayfront. Swimming access is restricted by federal regulations, since the inner harbour is a designated port.

- **Use of Water:** The only projects funded in the central waterfront area by Waterfront Toronto that featured the recreational use of Lake Ontario were a restoration project at Cherry Beach and a 600-metre rowing course proposed and constructed by Toronto and Region Conservation Authority near Ontario Place.

In May 2018, Waterfront Toronto completed another review of urban waterfronts to guide its future work, such as designing communities on the Port Lands. The most common features it found to be associated with successful revitalization include continuous public access to the water's edge, destination parks, festivals and cultural attractions. Waterfront Toronto has dedicated funding for only one festival and itself has not developed cultural attractions in the waterfront area since its inception.

RECOMMENDATION 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.

WATERFRONT TORONTO RESPONSE

Waterfront Toronto supports the recommendation.

Waterfront Toronto's current practice is to complete a lessons learned (post-mortem) workshop at the end of each major project, with the objective to apply those lessons to future projects.

As Waterfront Toronto develops its future strategic and annual corporate plans, it will incorporate the relevant and appropriate features commonly associated with successful waterfront revitalization.

4.8 Performance Measures and Targets Not Established

4.8.1 Outcome Performance Measures and Targets Not in Place

Neither Waterfront Toronto nor its overseeing governments developed a set of formal performance measures and targets to assess whether its mandate or policy objective was being achieved. Waterfront Toronto developed specific policy objectives with respect to its broad mandate. These include:

- reducing urban sprawl, and developing sustainable and complete communities in accordance with Ontario's Growth Plan for the Greater Golden Horseshoe;
- creating more parks and public spaces, expanding public transit and increasing economic competitiveness, jobs and prosperity based on interpretation of its legislation; and
- increasing the supply of affordable housing on direction from the City of Toronto.

The initial \$1.5-billion funding agreement identified general areas for potential performance measurement, such as the development of public transit, affordable housing, recreation/tourism and commercial space. Subsequent funding agreements also contained project outcomes that Waterfront Toronto was to meet, but did not contain targets by which its performance could be assessed.

In its 2014 strategic plan, Waterfront Toronto identified the types of projects that would further these policy objectives—for example, building local infrastructure, land decontamination, parks, transit and flood protection. However, without a set of formal performance measures and targets, it is difficult to determine the effectiveness of Waterfront Toronto's individual projects, or its overall approach to revitalization.

In August 2007, a consultant proposed a list of potential performance indicators, including the number of new community gardens, the percentage mix of affordable and market-priced housing units developed, increase in tourism, the ratio between private and public funds, and project performance measures (that is, whether projects are on time and on budget). The consultant's report was presented and approved by the Board, which asked Waterfront Toronto management to further develop more specific performance measures. Management did follow through with this initiative and presented a report to a committee of the Board, but the committee did not adopt the report.

4.8.2 Waterfront Toronto Not Meeting City of Toronto's Target for Affordable Rental Units

One numeric target for Waterfront Toronto was set by the City of Toronto in 2003 —20% of all residential units are to be affordable rental units. This target applies to areas inside of the waterfront. The City of Toronto defines affordable housing as units where total rent and utility costs are at or below the City's average: average rents in Toronto were about \$1,200 for a one-bedroom unit and over \$1,400 for a two-bedroom unit in the fall of 2017. By the completion of our audit, a total of about 5,000 new residential units had been built with Waterfront Toronto's involvement, but only 580 (or 12%) of them were affordable housing units, which is below the City's 20% target.

4.8.3 Public Reporting of Operational Statistics Infrequent and Inconsistent

To inform the public of progress, Waterfront Toronto periodically publishes a report that includes descriptions of projects and various statistics such as the number of residential and affordable housing units built and number of public spaces renovated or built. However, the information in these reports does not directly relate to Waterfront Toronto's legislated objectives and was

insufficient to assess the effectiveness and efficiency of Waterfront Toronto's operations on an annual basis and over time. Waterfront Toronto published these reports only every two or three years, not annually, and when statistics were reported, they were not compared against any targets. These statistics reported outputs of activities—for example, the number of residential units developed—but did not report outcomes of revitalization such as an increase in social and cultural value of land, or improvement in the public's access of the waterfront area. Statistics were also not reported consistently over the years, making it difficult to perform trend analysis.

4.8.4 Waterfront Toronto Actively Consults with Local Residents but Not with Broader Population

Part of Waterfront Toronto's mandate is to encourage public input on the development of the waterfront area. We met with community groups representing residents along the waterfront who expressed positive views of Waterfront Toronto and the extensiveness of its community consultation. In particular, they valued the investment in infrastructure and public spaces it has created for local residents.

However, Waterfront Toronto did not engage in a similar manner with the public beyond the local waterfront residents. Engaging a broader population would have ensured that the interests of all Ontarians were known and incorporated into the design and planning of waterfront revitalization projects.

We also contracted a national survey company to conduct a survey of Greater Toronto Area residents and it found that 45% of respondents were familiar with Waterfront Toronto as an organization. Of these respondents, nearly half of them were familiar with Waterfront Toronto's purpose. The survey also showed that while 45% of respondents thought that Toronto's waterfront meets the expectation of what a large urban city's waterfront should look

like and include, 35% thought that it did not meet their expectations. The remaining 20% of survey respondents either did not visit or did not have any expectations of the waterfront.

Top reasons why respondents disliked the waterfront include too many high-rise condominium and industrial buildings, not easily accessible, not enough green space and parks and lack of attractions. This is consistent with our finding that Waterfront Toronto spent 49% of its funding for municipal infrastructure and streetscapes, and only 9% on the creation of parks, as shown in **Figure 7**.

RECOMMENDATION 8

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:

- 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.

MINISTRY RESPONSE

The Ministry of Infrastructure agrees that performance measures are essential to the monitoring and assessment of projects.

The Province is currently working with its government partners and Waterfront Toronto to develop an accord to strengthen accountability of each party and will further consider how to address the recommendation of the Auditor General, including performance measures and

targets that are linked to Waterfront Toronto's legislative objectives, public reporting and engagement.

The Province, along with its government partners, is working with Waterfront Toronto as it develops performance measures linked to its legislative objectives through its 2019–23 Strategic Business Plan.

5.0 Detailed Audit Observations: Port Lands Flood Protection

5.1 Planning and Development of the Port Lands

5.1.1 Preliminary Estimate of the Cost of Flood Protection in the Port Lands Raises Concerns

The City of Toronto estimates the revitalization of the entire Port Lands (including flood protection) to be a 30-year project. This timeline extends beyond Waterfront Toronto's mandate, set in its legislation to expire in 2028. The governments of Canada, Ontario and the City of Toronto announced the project in June 2017, based on a 2016 due diligence report by Waterfront Toronto containing cost and time estimates.

By May 2018, the governments had signed joint agreements to fund a total of \$1.25 billion toward flood protection of the Port Lands. The project involves:

- excavating and remediating 1.2 million cubic metres of soil to a depth of approximately six to 10 metres;
- raising the new river's edge by 1.5 metres or more;
- building a weir (a wall that will control the water flow);
- designing and building three bridges;
- constructing the underground portion of the future stormwater treatment facility; and

- building two parks including permanent aquatic habitats and recreation programming.

In contrast to how the initial \$1.5 billion was funded, the new funding arrangement for the additional \$1.25 billion will be provided to Waterfront Toronto in accordance with a funding schedule based on individual project budgets that will be established by early 2019.

The \$1.25-billion amount was determined using 2016 cost projections. These cost projections were preliminary estimates that per the Public Services and Procurement Canada cost estimate definitions were not sufficiently accurate to warrant federal funding approval. Regardless, all three governments approved the funding. The Ministry of Infrastructure informed us that the governments were aware of the preliminary nature of the cost projections and a due diligence report commissioned by Waterfront Toronto noted that there was a 90% probability of completing the flood protection project on or below budget.

However, as seen in **Figure 17**, the \$1.25-billion cost projection of the Port Lands flood protection comprises a base construction cost and three additional categories of costs: consulting and operating

costs, risk contingency, and an escalation allowance. At a total of \$453 million, these additional costs amount to 37% of the total cost estimate. We question the reasonableness of these costs below.

Consulting, Operating and Other Costs Already Forecast to Be Higher than Initial Estimate

Consulting, operating costs and other costs are estimated as a fixed 20% of base construction costs such as materials and labour. As of March 2018, Waterfront Toronto already revised the forecast for consulting, operating and other costs to \$175 million, which is \$15 million over the initial estimate in 2016 of \$160 million. Waterfront Toronto forecast a breakdown of the consulting, operating and other costs as follows:

- \$100 million—design and engineering consultants;
- \$24 million—Waterfront Toronto operations;
- \$24 million—geotechnical testing, permits and approvals;
- \$17 million—project management, public engagement and other consultants; and

Figure 17: Breakdown of \$1.25 Billion Port Lands Funding Based on 2016 Cost Projections

Source of data: Waterfront Toronto

	Cost (\$ million)	% of Total Funding
Construction Costs		
River bed digging and lake-filling	529	42
Roads, services and utilities	106	8
Bridges and dockwall structures	104	8
Parks and public spaces	58	5
Total Construction Costs	797	63
Risk contingency ¹	174	14
Consulting, operating and other costs ²	160	13
Escalation allowance ³	119	10
Subtotal	453	37
Total	1,250	100

1. Risk contingency is an allowance for risks and events that may increase the cost of the project or delay its schedule.

2. Consulting, operating and other costs include design and engineering, project management, legal, and permits and approvals, and were set as 20% of construction costs.

3. Escalation allowance is an estimate to address the inflation of costs over the seven years of the project.

- \$10 million—payments to partner agencies (Toronto and Region Conservation Authority, CreateTO, City of Toronto).

Estimate of Risk Contingency May Be Overstated

The risk contingency is an allowance for risks and events that may delay the project or increase its cost. We noted that the risk contingency assumes possible construction problems are not prevented. As seen in **Figure 17**, Waterfront Toronto has budgeted \$174 million, which was calculated by a consultant using a computer simulation incorporating 62 risks, such as potential construction or other project problems, and the cost overrun associated with each. The contingency amount results in a high probability of the project being completed on budget.

While Waterfront Toronto informed us that it believes the large risk contingency amount is necessary due to the high-risk nature of this project, we question the reasonableness of some of the risks identified. For example:

- **Soil Contamination Risk:** This is the project risk with the largest contingency amount. It addressed the potential discovery of unanticipated contaminants while digging through the Port Lands. The Toronto and Region Conservation Authority, which acts as regulator of the flood plain, informed us that this risk has been somewhat mitigated by the extensive geotechnical study already conducted by Waterfront Toronto's geotechnical consultants.
- **Stormwater Treatment Facility:** Another risk associated with the contingency value is the possibility of the City deciding to upgrade a temporary storm water facility to a permanent one, which would cost an additional \$15 million and take one year to complete. At the time of our audit, the City had not assessed whether the upgrade is immediately needed. Rather than the City funding this upgrade on its own should it decide to go ahead with it, its cost estimate was included as a contingency allowance.

5.1.2 Development in Port Lands Allowed before Flood Protection Is Complete

The hydrological design of the Port Lands flood protection aims to ensure that if a storm like 1954's Hurricane Hazel, with rainfall over Toronto of 73 millimetres during a day and a half, happens again, the Port Lands and surrounding areas will not be flooded. (In comparison, the flooding that occurred in Toronto in August 2018 was on two separate days each with 22 to 25 millimetres of rain.)

Developers owning land at the mouth of the Don River, and film studios in the eastern part of the Port Lands, have expressed interest to begin building prior to the completion of the flood protection project. In April 2018, the ministries of Natural Resources and Forestry, and Municipal Affairs, and the City created a protocol allowing for some parts of the Port Lands to be developed prior to the flood protection of the entire area. The protocol allows a departure from current practices, which require development applications to include technical flood-related information. Instead, applicants will only be required to submit examples of measures they will implement to manage flood risks. The protocol does, however, require landowners and developers to prepare an emergency management plan to the satisfaction of the City and the Toronto and Region Conservation Authority. Developers are to assume all potential costs in the event of flooding and are to agree to not hold the government authorities who developed the protocol liable for damages resulting from potential flooding.

Ontario amended its building code on July 20, 2018, to allow for development to proceed under this protocol. However, the protocol does not allow occupancy until flood protection of the entire Port Lands is completed in seven years. If development is allowed and future flood protection work requires a redo of parts of this early development as a result of unanticipated difficulties during flood protection work, the developer is responsible for paying for the rework.

RECOMMENDATION 9

To manage the development of the Port Lands with due regard for economy, we recommend that Waterfront Toronto:

- 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.

WATERFRONT TORONTO RESPONSE

Waterfront Toronto supports the recommendation.

Waterfront Toronto has completed detailed construction cost estimates for each of the 23 component projects to a 30% design drawing level. These estimates will be reviewed by the funding governments through the Port Lands Executive Steering Committee and Infrastructure Canada Port Lands Project Oversight Committee in accordance with the terms of the tri-partite contribution agreement.

Through its dashboard reporting framework, Waterfront Toronto will formally report on progress against these budgets on a monthly basis and will provide this information to the Waterfront Toronto Board and three levels of government on at least a quarterly basis. Waterfront Toronto has engaged a third-party expert risk consultant for the Port Lands flood protection project whose responsibility is to document and assess the impact of construction risks on the project. Waterfront Toronto management and the entire project team, with support of a Capital Peer Review Panel, identify and review project risks on a monthly basis. Through this process, mitigation strategies are identified to reduce the impact of construction risks on the project.

6.0 Detailed Audit Observations: Smart City Project with Sidewalk Labs

6.1 Waterfront Toronto Enters into Agreements with Sidewalk Labs without Sufficient Due Diligence and Provincial Involvement

6.1.1 Smart City Originally Not Part of Waterfront Toronto's Development Plan

During 2015, Waterfront Toronto was developing a request for proposals (RFP) that contemplated mixed-use development (that is, residential, commercial and public space) on 4.5 acres of land owned by Waterfront Toronto in Quayside. This was consistent with its 2014-2023 Strategic Business Plan and the City of Toronto's 2003 Central Waterfront Secondary Plan.

After the arrival of a new Chief Executive Officer in January 2016, the plan to develop the Quayside district as a typical mixed-use development changed. Waterfront Toronto began approaching companies to understand what innovative development options could potentially be available for Quayside.

As a result of these consultations, a new RFP was developed and issued by Waterfront Toronto in March 2017 to procure an innovation and funding partner for Quayside (now for a 12-acre area along Queens Quay near Parliament Street adjacent to the Port Lands).

On September 12, 2017, Waterfront Toronto internally selected Sidewalk Labs, a sister company to Google, as the successful bidder as an innovation and funding partner to create an urban area (now publicly referred to as a smart city) in Quayside that would showcase advanced technologies, building materials, sustainable practices, and innovative solutions toward climate-positive urban development. This was publicly announced on October 17, 2017, by the Prime Minister, the Premier, the Mayor

of Toronto, Waterfront Toronto and the Executive Chairman of Alphabet Inc. (parent company of Google and Sidewalk Labs).

As noted in its November 2017 meeting minutes, the Intergovernmental Steering Committee expressed concern about how Waterfront Toronto shared Quayside information with its Board and government partners prior to the official announcement. The meeting minutes stated that “Waterfront Toronto needs to give its Board and government partners information in advance, with adequate time to review materials.” The Intergovernmental Steering Committee was briefed about the project and RFP in a June 2017 meeting, about three months after issuing the RFP. While the Committee was informed that Waterfront Toronto had internally selected a successful bidder during a September 2017 committee meeting, the Committee was only made aware of the name of the successful bidder five days before the October 2017 public announcement. As for the Mayor’s Office, it had received “almost no information about the project” according to an internal Waterfront Toronto email three weeks prior to the signing of the Framework Agreement. In addition, while Waterfront Toronto signed the Framework Agreement with Sidewalk Labs on October 16, 2017, the three levels of government expressed frustration according to the Intergovernmental Steering Committee meeting minutes that they did not receive a copy of the signed agreement until after November 2, 2017.

Up until the awarding of a project to Sidewalk Labs for the development of the smart city, Waterfront Toronto had primarily handled traditional mixed-use developments. As a result, it had limited experience in digital data infrastructure development.

Appendix 8 contains a timeline for the Quayside (smart city) project.

6.1.2 Exchange of Information Was Occurring with Mainly Sidewalk Labs, but also Others, prior to the RFP

In a June 2016 email, the Chief Planning and Design Officer of Waterfront Toronto contacted the CEO of Sidewalk Labs. The email stated: “My new CEO and I are very interested in what you are doing at Google and would like to talk to you about a potential pilot in Toronto.” Between June 2016 and the issuance of the RFP, there were frequent communications between Waterfront Toronto and Sidewalk Labs. As well, Waterfront Toronto provided Sidewalk Labs with surveys, drawings, topographic illustrations of the waterfront area including Eastern waterfront, and other materials. Sidewalk Labs architects signed a digital data licence agreement with Waterfront Toronto to allow Sidewalk Labs to use the information it was provided.

Although Waterfront Toronto did not issue the RFP until March 2017, in August 2016, Waterfront Toronto also signed a non-disclosure agreement with Sidewalk Labs in order to receive information from it. Further, in September 2016, Waterfront Toronto met with a delegation from Sidewalk Labs and provided a site visit and tour of the waterfront area.

Waterfront Toronto has indicated that it, as well, shared information with some other potential bidders prior to the issuance of the RFP, including providing site tours of the waterfront area. As well, sharing agreements were signed with two organizations, one of which was also shortlisted.

Waterfront Toronto advised us that this sharing of information was before the issuance of the RFP and part of their regular market sounding process where they were trying to gauge market interest in the Quayside project. Further, Waterfront Toronto said the information provided did not give these potential bidders an unfair advantage over other potential bidders that did not receive the information and would have been provided to any interested party that would have requested it.

As such, this raises the risk of an unfair and unequal advantage to all parties that would be responding to the RFP. Fair practice and equal treatment would suggest that all potential bidders receive the same information at the same time.

6.1.3 Six Weeks Was Not Enough Time for Respondents to Respond to RFP Given Sidewalk Labs' Earlier Involvement with Waterfront Toronto

Waterfront Toronto gave respondents only six weeks to respond to the RFP for the smart city project. Six proponents responded, of which three were shortlisted. The unsuccessful respondents that we interviewed indicated to us that the six-weeks response timeframe for a project of this magnitude was too short. In comparison, in the past Waterfront Toronto has given bidders significantly longer to respond to more traditional tenders. For example, 10 weeks were given to bidders to submit proposals for public art projects in West Don Lands, 11 weeks for a construction manager for Port Lands flood protection and 25 weeks for a developer to lead the construction of a single office building—the Innovation Centre in East Bayfront.

A bids evaluation panel, consisting of six Waterfront Toronto staff, scored Sidewalk Labs' proposal significantly higher than those of the other two short-listed candidates—an international technology infrastructure company and a Canadian consortium including a real estate developer, venture capitalists and an insurance firm. The panel's notes indicated that Sidewalk Labs' proposal was the only one combining both technology and real estate development.

Sidewalk Labs was also the only proponent offering \$50 million USD in funding to cover the cost of developing a Master Innovation and Development Plan for a smart city to be signed in 2019 as discussed below. As per the October 2017 Framework Agreement, \$40 million of this amount was contingent upon Waterfront Toronto securing the \$1.25-billion commitment from the three

governments for flood protection for the Port Lands (about 600 acres of land surrounding Quayside), which it obtained in May 2018 (as noted in **Section 5.1**). From our review of information from July to December 2016, we confirmed that Sidewalk Labs' interest in Quayside from the start was being able to expand its project to the Port Lands. As noted in **Section 6.2.1**, Waterfront Toronto does not have authority to grant rights to lands beyond the lands in Quayside that it owns and that Sidewalk Labs is aware of this limitation.

6.1.4 Full Waterfront Toronto Board Not Provided with Sufficient Time to Approve the Framework Agreement for the Smart City Initiative

In October 2017, Waterfront Toronto signed a Framework Agreement with Sidewalk Labs to create the mixed-use community (publicly referred to as a smart city).

The Framework Agreement was presented by the Chief Executive Officer to Waterfront Toronto Board members on October 13, 2017, and the agreement was approved by the Board on October 16, 2017. On the same date, the Framework Agreement was signed by the Chief Executive Officer and the Chief Development Officer of Waterfront Toronto following Board approval. Prior to receiving the formal draft agreement for its review and approval, the Board was given two briefings about the project on October 11 and 12, 2017. However, the two briefings were background information about the project and the RFP selection process and a high level briefing on the terms of the Framework Agreement. The three-member Investment and Real Estate Committee of the Board typically reviews similar agreements prior to recommending an agreement for Board approval. This Committee received an overview of the principles and draft terms of the Framework Agreement about one month prior to the submission of the agreement to the Board for approval and met with management a number of times to review issues. However, the Committee

could not reach a consensus on whether or not to support the project. As a result, it did not issue a recommendation on October 13, 2017, to the Board on whether or not to sign the agreement. Not only did the Board not receive a recommendation from its sub-committee, it had only one business day to review the agreement prior to providing approval.

In addition, we found internal Waterfront Toronto emails indicating that the Board felt it was being “urged—strongly” by the federal and provincial governments to approve and authorize the Framework Agreement with Sidewalk Labs as soon as possible. The October 17, 2017, public announcement by the Prime Minister, the Premier, the Mayor, Waterfront Toronto and Sidewalk Labs about the signing of the Framework Agreement was arranged on October 12, the day before the Board received the final Framework Agreement for review and approval.

6.2 Further Questions Remain about the Smart City Project after the Second Agreement

A second agreement, which establishes the roles of the two companies, sets project management structures, and principles for the governance of data—was signed on July 31, 2018, after consultation with and approval by the Board, by the new acting CEO and Chair of the Board.

The objective of this second agreement was to “establish a roadmap for the planning phase of the Project involving the preparation and creation of a Master Innovation and Development Plan for the Project” (MIDP). In other words, the Plan Development Agreement, which replaced the Framework Agreement, sets out the high-level principles and procedures that Waterfront Toronto and Sidewalk Labs will follow in order to jointly develop the MIDP, which will be a plan that describes the project in more detail and addresses commercial terms for the subsequent implementation of the plan.

According to the Plan Development Agreement, Sidewalk Labs will cover costs of develop-

ing the MIDP up to \$50 million USD, including costs incurred by Waterfront Toronto up to \$4.47 million USD.

While Waterfront Toronto and Sidewalk Labs have agreed on how they will work together toward the MIDP, neither are obligated to agree on any version of a final MIDP, sign Implementation Agreements, or follow through with the actual implementation of the smart city prior to signing the MIDP. If Waterfront Toronto, including its Board of Directors, is not satisfied with the content of the MIDP and the accompanying business case, it may terminate the Plan Development Agreement at any time without penalty. Currently, Waterfront Toronto has the authority, through the *Toronto Waterfront Revitalization Corporation Act*, to enter into these and other agreements without any stakeholders’ and government approval.

6.2.1 Plan Development Agreement Expands Smart City Planning Site

On its website, Sidewalk Labs states that it aims to expand the smart city project across the approximately 800 acres in the eastern waterfront.

Although the proposal Sidewalk Labs submitted covered only the 12-acre Quayside area, with possible further planning in the eastern waterfront, the Plan Development Agreement dated July 31, 2018, extended the planning of urban innovation to Toronto’s entire waterfront area (about 2,600 acres).

This change represents an increase in geography of about 200 times from the size of the Quayside area. Waterfront Toronto’s position is that although references to the entire waterfront were previously to the narrower eastern waterfront, this does not alter or broaden the essential purpose of the Plan Development Agreement, which remains focused on the Quayside lands.

While the Plan Development Agreement allows the parties to develop plans for any location in Toronto’s entire waterfront area, this does not mean that the parties are allowed to actually implement

their plans on land that is located outside of the Quayside parcel that does not belong to Waterfront Toronto or Sidewalk Labs. Such development would still require the approval of the applicable governing bodies and/or third-party landowners, and it would need to comply with all applicable laws and regulations. The components of the Plan Development Agreement that relate to the potential expansion of the smart city project beyond the Quayside area is consistent with what was requested in the RFP.

The documents we reviewed showed that Sidewalk Labs informed Waterfront Toronto that it had always seen the project as a twenty-plus year undertaking. In that case, this project will extend well beyond the 2028 sunset date for Waterfront Toronto.

6.2.2 Public Concerns about Digital Data Infrastructure (Consumer Protection, Data Collection Standards, Security, Privacy, Governance and Anti-Trust)

Aiming to ensure the ethical use of data, the Plan Development Agreement establishes a digital governance framework. The digital governance framework includes existing federal legislation, such as the *Privacy Act* and the *Personal Information Protection and Electronic Documents Act*. It also proposes new data governance approaches, such as the use of a data trust, which is when data is stored by a third-party organization. This organization would approve and control the collection of, and manage access to, urban data. At this point in time, it appears that it will be Waterfront Toronto's responsibility to oversee the governance of the data collected by the smart city project, including having personal information removed from the data, allowing individuals to opt out of having their personal data collected, and having the ability to review and delete their own data.

However, detailed approaches on how these principles will be realized are not included in the Plan Development Agreement. The Master Innovation and Development Plan (MIDP) and implemen-

tation agreements are expected to address this. Also absent is clarification on whether personal information, which Sidewalk Labs gathers, will be linked to its sister company's, Google's, existing collection of personal data in its users' accounts.

In April 2018, Waterfront Toronto established a Digital Strategy Advisory Panel consisting of industry experts and academics to advise it on digital economy issues such as data security, systems set-up, privacy of personal data and intellectual property. Its members are bound by a broad agreement to not disclose information they receive in meetings. At the time of our audit completion, the Panel had met four times.

Based on discussion with Panel members, its effectiveness in providing management guidance on key issues on digital governance and privacy has been limited. Members assessed some meetings as primarily focused on administrative work, such as project background and confidentiality, and technical and scheduling issues. There have also been two resignations due to concerns of lack of transparency and apathy by Waterfront Toronto in relation to residents' concerns over data privacy.

Sidewalk Labs publicly released a draft proposal on data collection and privacy, in which it described the use of a Civic Data Trust—a third-party governing body that would have broad authority, including decisions relating to the de-identification of personal data. At the time of our audit, it is unclear who would be in control of or own this governing body. Various members of Waterfront Toronto's Digital Strategy Advisory Panel raised concerns with respect to the proposal including the following:

- the location of the storage of data—within Canada or outside Canada (whereby Canadian privacy laws can be bypassed);
- the access to and use of data stored in the trust; and
- what proportion of the data collected will actually be stored in the trust.

The draft proposal also led to the resignation of Ontario's former Information and Privacy Commissioner from Sidewalk Labs' advisory team over

concerns that the proposed Civic Data Trust would have broad decision-making powers, including decisions relating to the de-identification of personal data. Waterfront Toronto informed us that it has subsequently met with the former Ontario Information and Privacy Commissioner to discuss the concerns raised.

6.2.3 Complex Inter-relationships Need to Be Addressed

The scope of the smart city project as planned by Sidewalk Labs will include components that fall under the jurisdiction of multiple provincial and federal ministries, and divisions of the City. For example: the self-driving vehicles are regulated by the Ministry of Transportation; buildings, including wooden frame ones proposed by Sidewalk Labs, taller than six storeys are regulated by the Ministry of Housing; economic development by the Ministry of Economic Development, Job Creation and Trade; aspects of privacy and data governance, including establishing a digital platform through which the various smart services will be integrated into a system, may be overseen by both the provincial and federal governments; and local planning and waste management are overseen by the City. Prior to the signing of the Plan Development Agreement, Waterfront Toronto had not adequately engaged these ministries or divisions in consultation on the potential impact of the smart city project on the sectors they oversee.

6.2.4 Uncertainty about Whether Waterfront Toronto and Sidewalk Labs Will Comply with Provincial Procurement Obligations and the Memorandum of Understanding with the City of Toronto

The Plan Development Agreement requires Sidewalk Labs and Waterfront Toronto to jointly issue requests for proposals (RFPs) for developers after the Master Innovation and Development Plan (MIDP) is approved (if it is approved). Waterfront

Toronto's current procurement policies are required to comply with the Province's Broader Public Sector Procurement Directive. Further, a memorandum of understanding (MOU) between Waterfront Toronto and the City of Toronto gives the City a significant role in overseeing and approving RFPs for developers in the revitalization of lands owned by the City. However, in issuing the original RFP for a funding and innovation partner for the smart city project, Waterfront Toronto did not ask the City to review the RFP or be involved in the evaluation and selection of the successful bidder. It is unclear at this stage whether Waterfront Toronto will issue joint RFPs with Sidewalk Labs that will comply with its provincial procurement obligations and the MOU with the City. Waterfront Toronto management indicated that it will comply.

Waterfront Toronto had revised its procurement policy in June 2018, making it easier to procure goods and services without a competitive tender process and no requirement to document the rationale for awarding the contract to a single or sole supplier. That change in procurement policy was not presented to the Board after the CEO approved it. During the course of our audit, in October 2018, we brought to the attention of Waterfront Toronto's management that such policy contradicts the Province's Broader Public Sector Procurement Directive. Waterfront Toronto subsequently reinstated their original procurement policy.

6.2.5 Uncertainty Surrounding Ownership of Intellectual Property and Economic Development

The Plan Development Agreement distinguishes between intellectual properties related to urban planning, such as neighbourhood plans and blueprints for street grids, and intellectual properties related to product or services, such as self-driving cars and smart street lights. According to the Plan Development Agreement, ownership of intellectual property developed for the Quayside project will depend on the value of relative contributions of

Waterfront Toronto and Sidewalk Labs. It may be owned by one of them, or jointly if co-ownership is explicitly agreed to in writing.

The legal advice that we sought on this matter noted that the Plan Development Agreement is generally vague as to ownership, use and commercialization, leaving many of the details to be determined in the MIDP and subsequent implementation agreements. If the Plan Development Agreement is terminated, then it is likely that Sidewalk Labs will retain ownership of any intellectual property it has developed to date, but Waterfront Toronto would receive a perpetual, royalty-free licence of site-specific (only in Quayside) intellectual property. Further, Waterfront Toronto is under a legislative obligation to provide the three levels of government with a plan for the transfer of its assets and liabilities when it is eventually wound up. When this occurs, any intellectual property assets held by Waterfront Toronto will likely be transferred to the three levels of government.

6.2.6 Governments' Interests May Not Be Fully Represented

There is a risk that the three governments' interests may not be fully represented during negotiations with Sidewalk Labs because the governments are not required to directly participate in negotiations. According to the Plan Development Agreement, the upcoming MIDP, which may see Waterfront Toronto and Sidewalk Labs agreeing on a plan for the smart city, will not require the governments' approval and signing.

According to the Plan Development Agreement, any implementation of the MIDP will be subject to Waterfront Toronto approval and Sidewalk Labs approval, as well as various other conditions including the receipt of any necessary governmental approvals and clearances with respect to matters falling under each of the three governments' legal jurisdictions. Only Waterfront Toronto's Board is required to approve the MIDP, and Waterfront

Toronto is allowed to seek approval from any or all three governments at its discretion.

The Plan Development Agreement requires that the three parties acknowledge that the MIDP addresses existing laws and policies and that it may require revisions, or other approvals under existing applicable laws and policy frameworks.

As the governments are not included as parties to the agreement, they can only influence Waterfront Toronto through their appointees to its Board of Directors. With the exception of the deputy mayor, Board members are not government employees—they include members with background in real estate development, management consulting, not-for-profit leadership, and academic and policy experts. Without a protocol requiring that the MIDP and implementation agreements address concerns governments may raise during their review of the draft, including concerns on privacy and intellectual property ownership, the governments' ability to influence the decision-making process around the MIDP would be indirect and may be limited.

At the time of our audit, Waterfront Toronto informed us that it plans to ask the governments to review and comment on the draft MIDP it receives from Sidewalk Labs. At the time of our audit, it had formalized this plan into a protocol; however, the protocol only requires Waterfront Toronto to provide to each of the three governments the key agreement and any supplementary agreements for comment. The protocol does not clarify whether Waterfront Toronto would approve the MIDP if Sidewalk Labs does not make changes to the draft that the governments may request.

RECOMMENDATION 10

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:

- 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.

MINISTRY RESPONSE

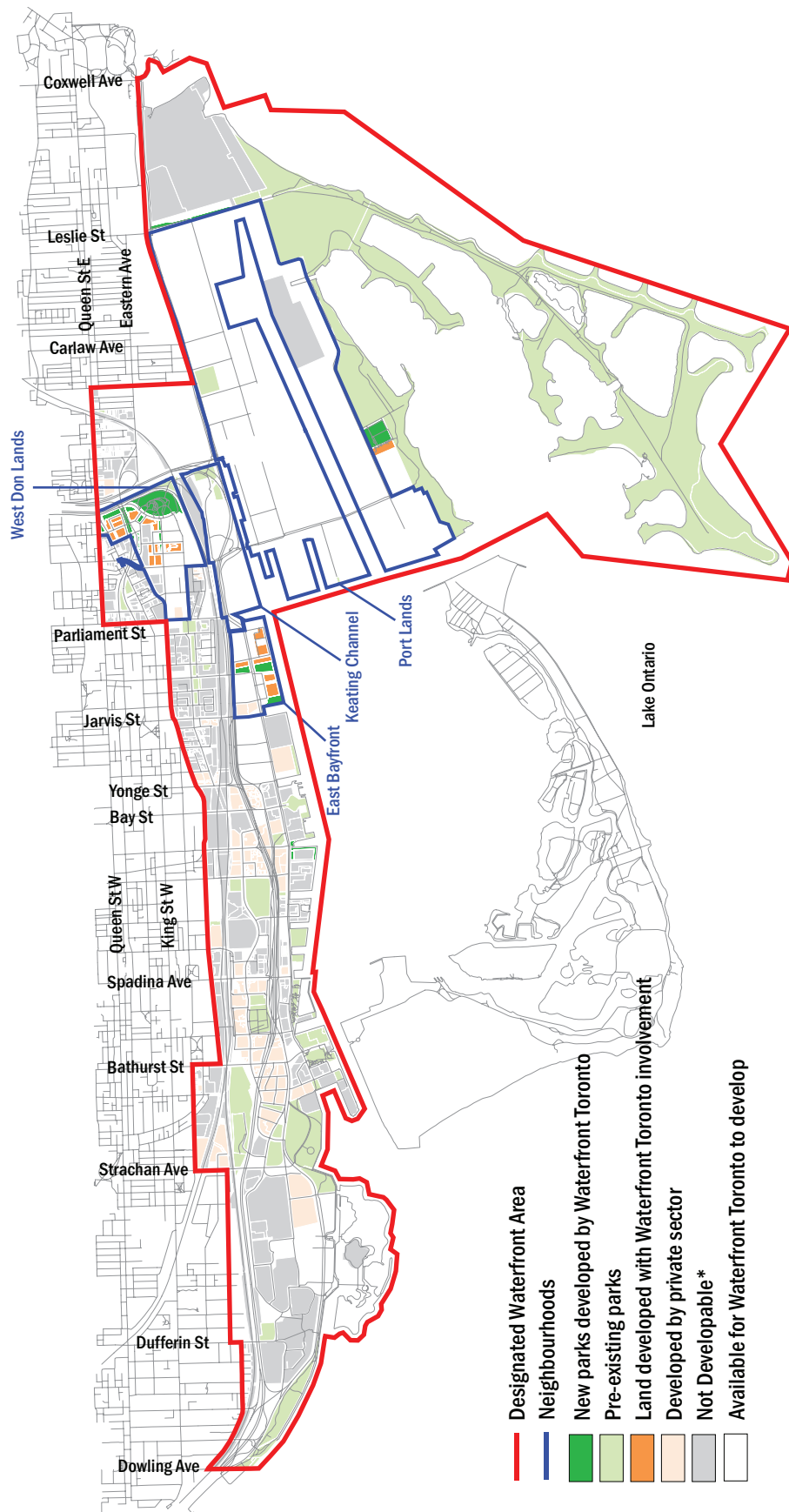
The Ministry welcomes the recommendation from the Auditor General and is committed to protecting the personal privacy of Ontarians. The Province recognizes the importance of the issues and concerns around digital governance and data privacy.

Although Digital Governance Framework Principles have been included in the Plan Development Agreement between Waterfront Toronto and Sidewalk Labs, we acknowledge that there are broader public interest issues around privacy, legal, consumer protection, infrastructure development and intellectual property that could arise from the creation of the first smart city in Canada that the Province needs to study from a provincial government policy framework perspective.

Waterfront Toronto has indicated that it plans to enter into a Master Innovation and Development Plan (MIDP) with Sidewalk Labs in 2019. The Province will work in conjunction with its partner governments to study the issues surrounding the creation of a smart city in Toronto to determine whether any new or amended provincial and/or federal legislation and/or municipal bylaws and/or government policies will be needed to protect the public interest prior to the MIDP being signed.

Appendix 1: Developed Land in Waterfront Area

Source: Waterfront Toronto



* Land that cannot be further developed, as determined by Waterfront Toronto, such as landmarks, railway, infrastructure and pre-existing land.

Appendix 2: Results of Waterfront Toronto's Operations and Progress toward Revitalization

Prepared by the Office of the Auditor General of Ontario

Legislated Objectives ¹	Waterfront Toronto Strategic Objectives ²	Parts of Objectives Achieved	Details in Report Section
<p>To implement a plan that enhances the economic, social and cultural value of the land.</p> <p>Corporation will carry out objectives to ensure:</p> <ul style="list-style-type: none"> • new economic growth • new jobs • diverse new commercial, residential and recreational communities, cultural institutions, and parks and green spaces for public. 	<p>Destinations: Creating enduring value through well-designed and vibrant cultural, recreational, civic and public spaces for residents and visitors.</p> <p>Prosperity: Leveraging innovation and partnerships to deliver economic growth and new jobs.</p>	<ul style="list-style-type: none"> • Waterfront Toronto created plans for four neighbourhoods: West Don Lands, East Bayfront, Central Waterfront and the Keating Channel, covering about 10% of land in the central waterfront. Waterfront Toronto did not create a master plan for the entire waterfront area, but adopted the City of Toronto's <i>Central Waterfront Secondary Plan</i>. • Waterfront Toronto enhanced the social and cultural value of the land through design excellence and public art in West Don Lands. However, similar to adjacent areas, neighbourhood plans include a mix of residential, commercial use and public space. • A consultant for Waterfront Toronto estimated that nearly \$10 billion of development would be created in areas adjacent to those developed by Waterfront Toronto. However, the consultant was not able to definitively determine the contribution of Waterfront Toronto's work toward the \$10 billion in development since external factors such as strong growth of demand for residential and commercial space in Toronto are likely to have influenced the local market. In the report, the consultant stated that the economic impacts are at least in part attributable to the direct impacts by Waterfront Toronto. 	<p>4.2.1</p> <p>4.1</p>
<p>Create an accessible and active waterfront for living, working and recreation, and to do so in a fiscally and environmentally responsible manner.</p>	<p>Neighbourhood: Advancing complete communities that address the need for housing, mobility and access, connectivity and inclusivity.</p> <p>Sustainability: Promoting cutting edge solutions to reduce carbon emissions, while promoting a high quality of life and improving public health.</p>	<ul style="list-style-type: none"> • In the two neighbourhoods where development has progressed, currently 12% of housing units are affordable. The City's target is 20%. • Waterfront Toronto developed 55 acres, and provided development funding to other organizations for revitalization projects over 151 acres. 	<p>4.8.2</p> <p>4.1</p>
<p>To ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner.</p>	<p>Waterfront Toronto aims to complete land servicing using government contributions in areas most likely to attract private-sector investment.</p>	<ul style="list-style-type: none"> • Revenues that Waterfront Toronto generates from parking, small-scale land leasing, rental fees and revenues from land sales are not sufficient to generate the level of income necessary to cover ongoing revitalization costs. 	<p>4.5</p>

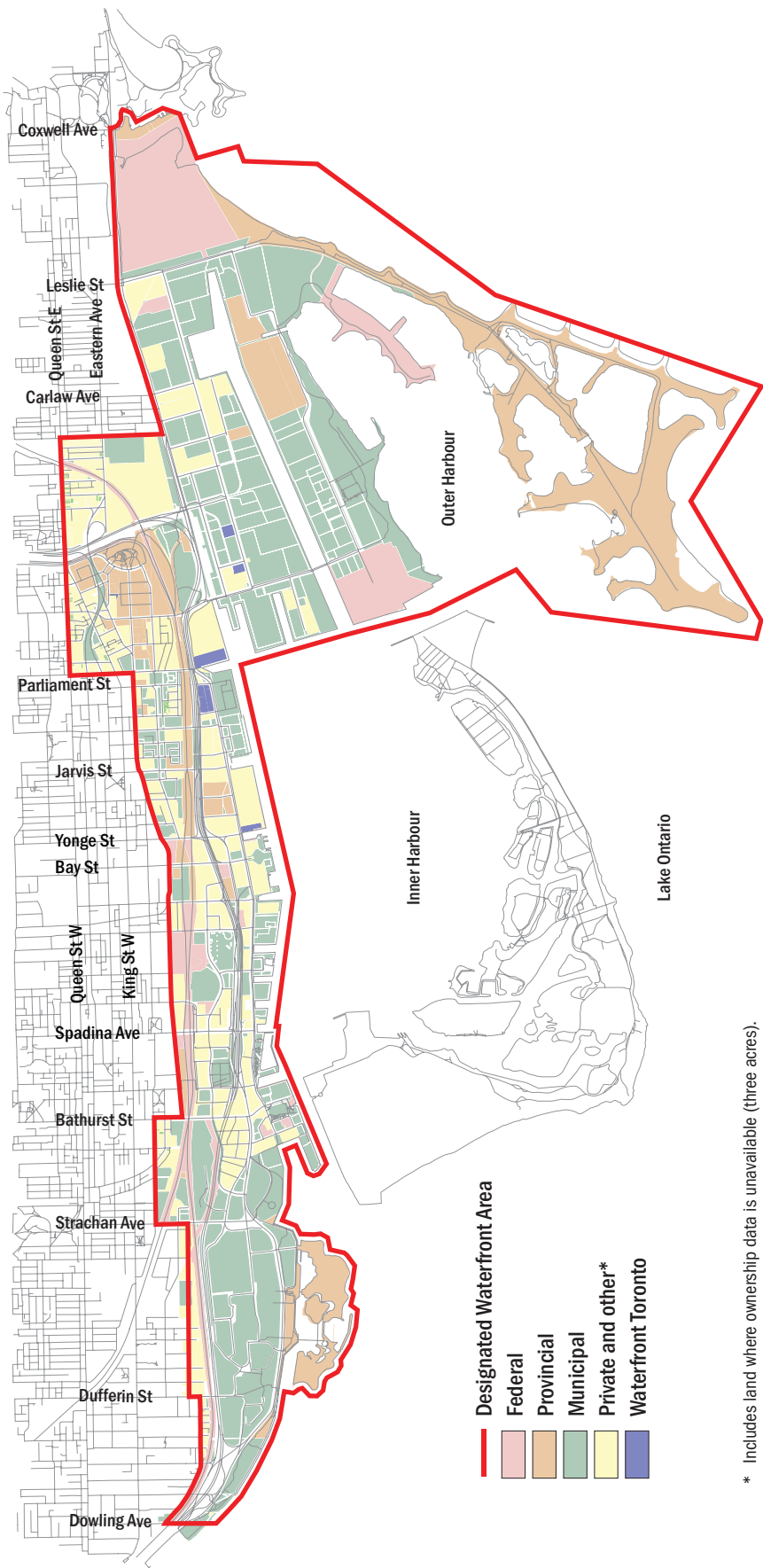
Legislated Objectives ¹	Waterfront Toronto Strategic Objectives ²	Parts of Objectives Achieved	Details in Report Section
To promote and encourage the involvement of the private sector in the development of the designated waterfront area.	Waterfront Toronto uses a development model to attract innovative and experienced development teams.	<ul style="list-style-type: none"> Waterfront Toronto has not been successful in leveraging corporate sponsorship, philanthropic donations and fundraising toward revitalization. Waterfront Toronto sold lands in East Bayfront to condominium developers. On September 12, 2017, Waterfront Toronto internally selected Sidewalk Labs as the innovation and funding partner to help create and fund a community that would showcase advanced technologies, building materials, sustainable practices and innovative solutions toward climate-positive urban development. 	4.5.1
To encourage public input into the development of the designated waterfront area.	Engagement: Cultivate a high-performance and listening organization, promoting deep stakeholder trust, broad community outreach and consequential citizen feedback using robust data analysis and superior interactive web tools.	<ul style="list-style-type: none"> Community groups representing waterfront residents we spoke with conveyed positive impressions of Waterfront Toronto and the extensiveness of its community consultation on public space projects. 	6.1
To engage in such other activities as may be prescribed by regulation.	n/a	<ul style="list-style-type: none"> Governments have not prescribed other activities for Waterfront Toronto. 	4.8.4

1. As indicated in section 3 of the *Toronto Waterfront Revitalization Corporation Act, 2002*.

2. As indicated in Waterfront Toronto's 2017/18 Corporate Plan and 2014–2023 Strategic Business Plan.

Appendix 3: Waterfront Area Land Ownership, August 2018

Source: Waterfront Toronto



* Includes land where ownership data is unavailable (three acres).

Appendix 4: Projects with Waterfront Toronto Involvement Sorted by Neighbourhood and Completion Date

Source of data: Waterfront Toronto

Project Component ¹	Neighbourhood	Project Lead By	Type of Project	Completed In
Western Beaches Watercourse ²	Central Waterfront	Toronto and Region Conservation Authority (TRCA)	Rowing Course	Jun 2006
Wavedecks	Central Waterfront	Waterfront Toronto	Public space	Jun 2009
Water's edge promenade and boardwalk (west)	Central Waterfront	Waterfront Toronto	Public space	Jun 2009
Martin Goodman trail at Ontario Place	Central Waterfront	Waterfront Toronto	Park	Sep 2009
Queens Quay Environmental Assessment	Central Waterfront	Waterfront Toronto	Planning	Dec 2009
York Quay Revitalization	Central Waterfront	Harbourfront Centre	Public space	Jun 2012
Portland Slip	Central Waterfront	Waterfront Toronto	Public space	Jul 2014
Constructing Queens Quay	Central Waterfront	Waterfront Toronto	Public space	Jun 2015
Queens Quay (west)	Central Waterfront	Waterfront Toronto	Public space	Jun 2015
Union Station second platform ²	Central Waterfront	TTC	Transit	Jul 2015
Lower Yonge precinct planning	Central Waterfront	City of Toronto/Waterfront Toronto	Planning	Apr 2016
Footbridges	Central Waterfront	Waterfront Toronto	Public space	Not funded
Urban park and William G. Davis trail at Ontario Place	Central Waterfront	Ontario Place	Park	Jul 2017
Jack Layton Ferry Terminal	Central Waterfront	Waterfront Toronto	Ferry Terminal	In Progress
York Street and Rees Street Parks Design Competition	Central Waterfront	Waterfront Toronto	Planning	Pre-Construction
Corus Quay ²	East Bayfront	Toronto Economic Development Corporation (now called CreateTO)	Office Complex	Sep 2010
Canada's Sugar Beach	East Bayfront	Waterfront Toronto	Park	Jun 2010
Transit environmental assessment ²	East Bayfront	TTC	Planning	Jul 2010
Sherbourne Common	East Bayfront	Waterfront Toronto	Park	Jul 2011
George Brown College ²	East Bayfront	George Brown College	College Campus	Sep 2012
Aitken Place Park	East Bayfront	Waterfront Toronto	Park	In progress
Queens Quay (east)	East Bayfront	Waterfront Toronto	Public space	Not funded
Water's edge promenade and boardwalk (east)	East Bayfront	Waterfront Toronto	Public space	In progress
Bayside development	East Bayfront	Waterfront Toronto	Residential development	In progress
Monde condominiums	East Bayfront	Private Developer	Condominium	In progress
Waterfront Innovation Centre	East Bayfront	Waterfront Toronto	Business Centre	In progress

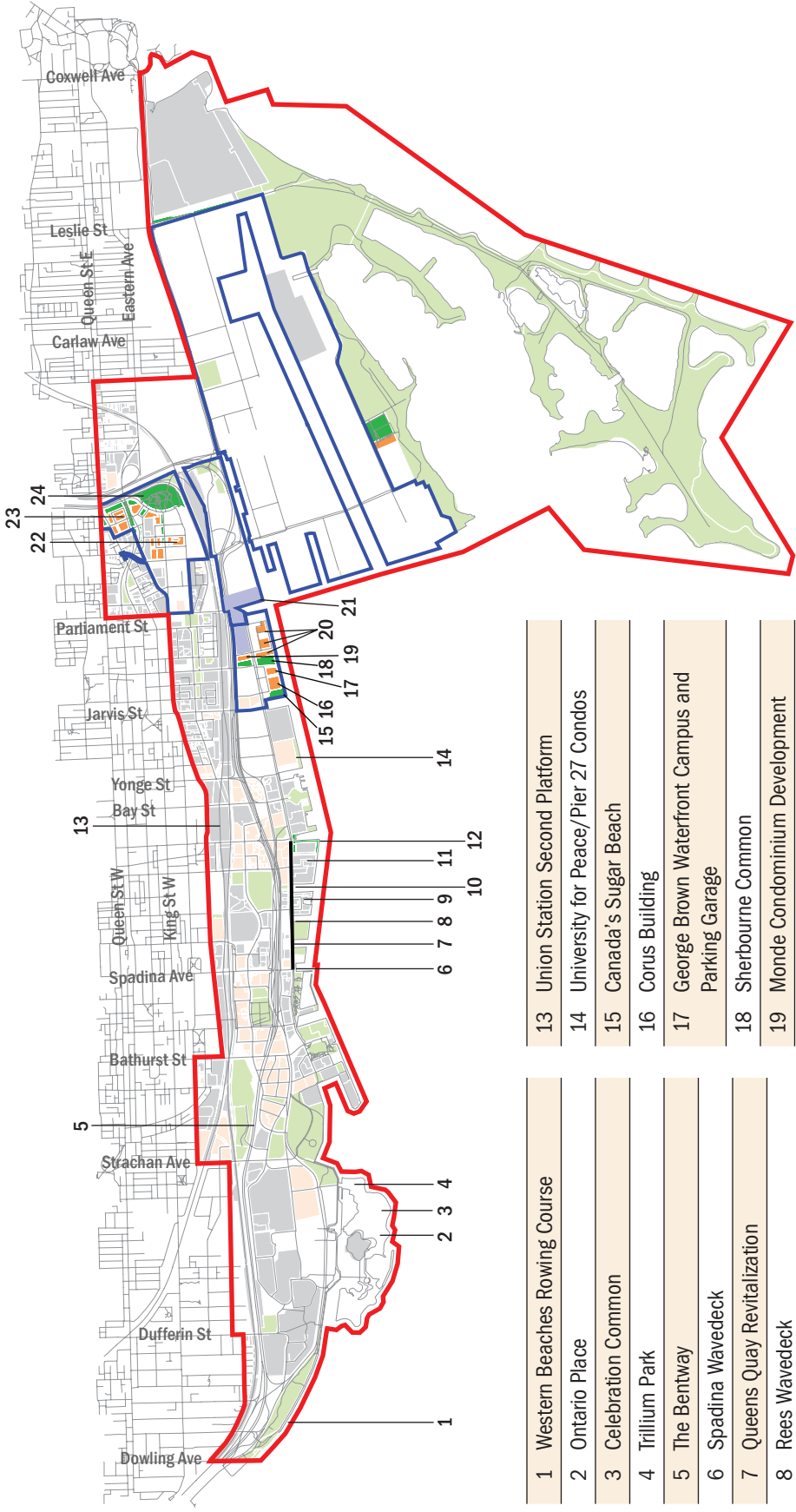
Project Component ¹	Neighbourhood	Project Lead By	Type of Project	Completed In
Quayside	East Bayfront	Sidewalk Labs/Waterfront Toronto	Mixed-use community	Pre-Construction
Cherry Beach	Port Lands	Waterfront Toronto	Park	Sep 2008
Cherry Beach Sport Fields	Port Lands	Waterfront Toronto	Sports Complex	Sep 2008
Keating Channel precinct	Port Lands	Waterfront Toronto	Planning	May 2010
Lower Don Lands framework plan	Port Lands	Waterfront Toronto	Planning	May 2010
Greening the Port Lands	Port Lands	Waterfront Toronto	Park	Jul 2010
Pilot soil recycling facility	Port Lands	Waterfront Toronto	Infrastructure	Nov 2010
Cherry Street stormwater and lake-filling project	Port Lands	Waterfront Toronto	Lake-filling	In progress
Lake Ontario Park project planning ²	Port Lands	TRCA	Park	In progress
Tommy Thompson Park ²	Port Lands	TRCA	Park	Aug 2012
Don Mouth naturalization and port lands flood protection	Port Lands	Waterfront Toronto	Flood Protection	Pre-Construction
Villiers Island	Port Lands	Waterfront Toronto	Planning	Pre-Construction
Lake Ontario park	Port Lands	Waterfront Toronto	Park	Pre-Construction
Underpass park	West Don Lands	Waterfront Toronto	Public space	Aug 2012
Flood protection landform	West Don Lands	Infrastructure Ontario	Flood Protection	Jun 2013
Pan Am Games (2015)	West Don Lands	Infrastructure Ontario	Housing	Jun 2015
Front Street promenade	West Don Lands	Waterfront Toronto	Public space	Jun 2015
Toronto community housing development	West Don Lands	Toronto Community Housing Corporation	Housing	Jun 2015
Stormwater treatment system	West Don Lands	Waterfront Toronto	Infrastructure	In progress
Corktown Common	West Don Lands	Waterfront Toronto	Park	Jun 2013
Cherry Street transit ²	West Don Lands	TTC	Transit	Sep 2016
Affordable housing in the West Don Lands	West Don Lands	Infrastructure Ontario	Housing	In progress
Canary district condominiums	West Don Lands	Private developer	Condominiums	In progress
River City development	West Don Lands	Private developer	Condominiums	In progress
Gardiner environmental assessment terms of reference	Wider Waterfront	City of Toronto	Planning	Sep 2009
Mimico Waterfront Park ²	Wider Waterfront	TRCA	Park	Oct 2012
Port Union Waterfront Park ²	Wider Waterfront	TRCA	Park	Nov 2012
Marilyn Bell Park	Wider Waterfront	City of Toronto	Park	Jul 2007
Gardiner east environmental assessment	Wider Waterfront	TRCA	Planning	Jan 2017
The Bentway (project under Gardiner)	Wider Waterfront	Waterfront Toronto	Public space	In progress
Waterfront transit study ²	Wider Waterfront	Waterfront Toronto/TTC/City of Toronto	Planning	Pre-Construction

1. Items, as presented on Waterfront Toronto's website, sometimes are components of a single project.

2. Funding provided to other agency to conduct work.

Appendix 5: Map of Waterfront Revitalization Projects

Source: Waterfront Toronto



1	Western Beaches Rowing Course
2	Ontario Place
3	Celebration Common
4	Trillium Park
5	The Bentway
6	Spadina Wavedeck
7	Queens Quay Revitalization
8	Rees Wavedeck
9	York and John Quay - Harbourfront Centre
10	Simcoe Wavedeck
11	Canada Square and Ontario Square
12	Promenade - Water's Edge

13	Union Station Second Platform
14	University for Peace/Pier 27 Condos
15	Canada's Sugar Beach
16	Corus Building
17	George Brown Waterfront Campus and Parking Garage
18	Sherbourne Common
19	Monde Condominium Development
20	Hines, Tridel Condominium Development
21	Quayside - Smart City Project
22	Pan Am Athletes' Village
23	River City Condominium Development
24	Corktown Common

Appendix 6: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Roles, responsibilities, accountability and governance requirements for the overall revitalization of Toronto's waterfront and each project are clearly defined to deliver on Waterfront Toronto's mandate including compliance with legislation, regulations and funding agreements.
2. Waterfront Toronto exercised due diligence in designing, prioritizing and implementing a detailed and comprehensive revitalization plan[s] that enhances the economic, social, cultural and environmental value of the waterfront land in a fiscally responsible manner. The plan[s] is informed by best practices in urban development and public engagement and periodically updated to reflect changes in expectations, budgets and timelines.
3. A fair, open and transparent procurement process is used consistently in the awarding and management of contracts for various revitalization projects, with due regard for economy and quality. Information systems are appropriate for effectively managing projects.
4. Processes are in place to ensure resources are managed with due regard for economy and efficiency and used for the purposes intended to meet the Waterfront Toronto's objectives.
5. Appropriate performance measures and targets have been established for Waterfront Toronto and its projects and monitored against actual results and publicly reported to ensure that public and stakeholders' expectations are met. Corrective actions are taken on a timely basis when issues are identified.

Appendix 7: Waterfront Revitalization Comparison with Other Jurisdictions

Prepared by the Office of the Auditor General of Ontario

	Toronto Waterfront	The Forks	South False Creek	Granville Island	Old Port
Description	Toronto's waterfront area stretches across Lake Ontario just south of Toronto's downtown core.	The Forks has been designated as a national historic site and is located at the junction of the Red River and the Assiniboine River.	South False Creek is a medium-density neighborhood that is primarily residential.	Granville Island is an urban waterfront with cultural and commercial offerings. The island's main attraction is the Public Market.	Old Port of Montreal is located along the St. Lawrence River and borders Old Montreal. It hosts festivals and features amenities including Clock Tower beach and a skating rink.
Location	Toronto, Canada	Winnipeg, Canada	Vancouver, Canada	Vancouver, Canada	Montreal, Canada
Acres	2,840	56	136	38	117
Date revitalization began	2002	1988	1974	1972	1981
Waterfront revitalization managed by	Waterfront Toronto	The Forks North Portage Partnership	City of Vancouver*	Canada Mortgage and Housing Corporation	Old Port of Montreal Corporation (now a subsidiary of Canada Lands Corporation Ltd.)
Planning	Waterfront Toronto and City of Toronto	The Forks North Portage Partnership	City of Vancouver	Canada Mortgage and Housing Corporation and City of Vancouver	Old Port of Montreal Corporation
Main types of development and land use	<ul style="list-style-type: none"> Residential Public spaces 	<ul style="list-style-type: none"> Public spaces Recreational Commercial 	<ul style="list-style-type: none"> Residential 	<ul style="list-style-type: none"> Public spaces Commercial 	<ul style="list-style-type: none"> Public spaces Recreational
Funding sources	Public and private	Public and private	Mostly public	Public and private	Mostly public
Land ownership	Government of Canada, Province of Ontario, City of Toronto, private sector, Toronto and Region Conservation Authority and Waterfront Toronto	The Forks North Portage Partnership	City of Vancouver (80%) and others	Government of Canada	Government of Canada
Connections to city	Streetcar, bus, walkway and others	Buses, walkway and others	Bus, walkway and others	Bus, walkway and others	Subway, bus, rail, walkway and others
Level of completion	Ongoing	Initial efforts complete, though future development is planned	Initial efforts complete, though future development is planned	Initial efforts complete, though future development is planned	Initial efforts complete, though future development is planned

* City of Vancouver is evaluating options for long-term governance.

	Inner Harbor	Battery Park City	Millennium Park	Pittsburgh Riverfront	Canary Wharf
Description	Inner Harbor is a seaport which features cultural sites and tourist attractions along the waterfront.	Battery Park City is known for its parks and open spaces in the middle of a major city.	Millennium Park is a public park that has become a top tourist destination. It is known for the public art on display, including the Cloud Gate.	Pittsburgh's waterfront converges around three rivers and is made up of a 13-mile interconnected loop of riverfront parks.	Canary Wharf is a major business district and one of the United Kingdom's two main financial centres, with many of the tallest buildings in Europe.
Location	Baltimore, USA	New York City, USA	Chicago, USA	Pittsburgh, USA	London, U.K.
Acres	240	92	25	850	97
Date revitalization began	1963	1968	1998	1999	1981
Waterfront revitalization managed by	City of Baltimore	Battery Park City Authority	Millennium Park Foundation and City of Chicago	Projects managed by various public and private bodies	Canary Wharf Group
Planning	Waterfront Partnership of Baltimore, Greater Baltimore Committee and City of Baltimore	Battery Park City Authority	City of Chicago and Millennium Park Foundation	Riverlife Task Force	Canary Wharf Group
Main types of development and land use	<ul style="list-style-type: none"> Public spaces Recreational 	<ul style="list-style-type: none"> Public spaces Residential Commercial 	<ul style="list-style-type: none"> Public spaces Recreational 	<ul style="list-style-type: none"> Public spaces Recreational 	<ul style="list-style-type: none"> Commercial
Funding sources	Public and private	Public and private	Public and philanthropic	Public, private and philanthropic	Public and private
Land ownership	City of Baltimore	Battery Park City Authority	City of Chicago	City of Pittsburgh, Urban Redevelopment Authority of Pittsburgh and others (public and private)	Canary Wharf Group
Connections to city	Subway, rail, bus, walkway and others	Subway, bus, walkway, rail and others	Subway, rail, bus and walkway	Rail, bus, walkway and others	Subway, rail, bus, walkway and others
Level of completion	Initial efforts complete, though future development is planned	Complete	Complete	Ongoing	Initial efforts complete, though future development is planned

Appendix 8: Quayside Project Timeline

Prepared by the Office of the Auditor General of Ontario

2015	Waterfront Toronto develops a draft request for proposal (RFP) to procure a partner for the Quayside project. Initially, it only looks to develop 4.5 acres of the Quayside land into a mixed-use neighbourhood.
Dec 2015	Waterfront Toronto's Board announces William Fleissig as President and CEO of Waterfront Toronto.
Jan 2016– Jan 2017	Waterfront Toronto launches a market sounding process to gauge the potential for innovation for the Quayside area. Waterfront Toronto consulted with over 50 local, national and international companies. As part of this process, non-publicly and publicly available documents and tours of the waterfront are provided to interested parties, three of which signed an information sharing agreement with Waterfront Toronto.
Jun 27, 2016	The Chief Planning and Design Officer of Waterfront Toronto approaches the CEO of Sidewalk Labs indicating “my new CEO and I are very interested in what you are doing at Google and would like to talk to you about a potential pilot in Toronto.”
Jul 21, 2016	Waterfront Toronto's Chief Planning and Design Officer discusses the Port Lands as meeting the characteristics that Sidewalk Labs is looking for in building a new community (e.g., 1,000 acres for development). Eight months before the RFP for Quayside was issued, the CEO states in an internal email that “Google has purportedly told other candidate communities that they want to control ALL data in this demonstration project area. Could present privacy issues and control issues.”
Aug 12, 2016	Waterfront Toronto signs a non-disclosure agreement with Sidewalk Labs in order to receive information from them. Waterfront Toronto begins providing surveys, drawings, topographic illustrations of the waterfront area (including the Eastern waterfront) and other materials to Sidewalk Labs.
Sep 16, 2016	Waterfront Toronto leads Sidewalk Labs on a guided tour of the waterfront area.
Jan 2017	Helen Burstyn assumes the role of Chair of Waterfront Toronto's Board of Directors (she was appointed as Board Member by the Province of Ontario in February 2016).
Feb 1, 2017	The draft request for proposal is revised to procure an innovation and funding partner for the Quayside area.
Mar 17, 2017	Waterfront Toronto issues the Quayside request for proposal on various international tender services to develop and fund a plan for a community in the 12-acre Quayside area.
Apr 27, 2017	Waterfront Toronto receives six proposals; however, one bidder withdraws, leaving five proponents.
May 10, 2017	Waterfront Toronto shortlists three proponents from the five proposals it received. They are given until August 22, 2017, to submit a final offer, which includes a term sheet.
Jun 15, 2017	Project background information and the RFP process are presented to the Intergovernmental Steering Committee.
Aug 22–30, 2017	A panel of six Waterfront Toronto staff evaluate the final offers. Sidewalk Labs receives the highest score.
Sep 12, 2017	Waterfront Toronto internally selects Sidewalk Labs as the winning bidder for the request for proposal.
Sep 13, 2017	The Investment and Real Estate Committee, which is a sub-committee of Waterfront Toronto's Board receives Sidewalk Labs' term sheet.
Sep 19, 2017	First draft of the Framework Agreement is drafted, which is substantially the same as Sidewalk Labs' term sheet.
Sep 25, 2017	Waterfront Toronto informs the Intergovernmental Steering Committee that a winner has been selected for the Quayside project. Details of the winner and agreement are not provided.
Sep–Oct, 2017	Drafts of the Framework Agreement are discussed among Waterfront Toronto management, Sidewalk Labs and Investment and Real Estate Committee.
Oct 8, 2017	Investment and Real Estate Committee receives the final draft of the Framework Agreement.
Oct 11, 2017	Waterfront Toronto's CEO provides the first of two briefings to the Board of Directors, including a summary of the RFP screening process, key aspects of the project and terms of the Framework Agreement.

Oct 12, 2017	Waterfront Toronto's CEO provides a second briefing to the Board on the project. The public announcement is scheduled for October 17 by the Prime Minister, the Premier, the Mayor, Waterfront Toronto and Sidewalk Labs.
Oct 13, 2017	Draft Framework Agreement, along with letters from legal counsel and other experts in the fields of procurement and intellectual property, are provided to the Board as part of the Board meeting materials for approval at its October 16, 2017 meeting.
Oct 16, 2017	Waterfront Toronto's Board meets to approve the Framework Agreement. Waterfront Toronto CEO and Chief Development Officer signs the Framework Agreement with Sidewalk Labs to create an urban area (now publicly referred to as a smart city). Sidewalk Labs is to provide a maximum of U.S. \$50 million for the development of the plan, including up to U.S. \$4.47 million of Waterfront Toronto's planning and negotiation expenses. One of the conditions for Sidewalk Labs to release \$40 of the \$US \$50 million is for the three governments to execute the \$1.25 billion funding agreement for the Port Lands Flood Protection Project.
Oct 17, 2017	The agreement is publicly announced by the Prime Minister, the Premier, the Mayor of Toronto, Waterfront Toronto and the Executive Chairman of Alphabet Inc. The Intergovernmental Steering Committee is made aware of the name of the successful bidder only five days before the public announcement.
Oct 17, 2017– Jul 31, 2018	Waterfront Toronto and Sidewalk Labs work toward a second agreement, with regular briefings and reviews by the Board and the three governments.
Mar 20, 2018	Sidewalk Labs and Waterfront Toronto host their first public roundtable on the vision for the project.
Mar 29, 2018	Waterfront Toronto's Board approves a protocol for briefing governments on key agreements relating to the Quayside project.
Apr 27, 2018	The Waterfront Toronto Board creates a 15-member Digital Strategy Advisory Panel to advise management on issues such as privacy, data ownership, ethical use of technology and intellectual property.
May 1, 2018	The three governments sign a joint agreement to fund a total of \$1.185 billion toward flood protection of the Port Lands, in addition to the \$65 million previously committed in June 2017. Sidewalk Labs releases a document called "Responsible Data Use Policy Framework" which contains high level visions of how data use and privacy would be addressed.
May 3, 2018	Sidewalk Labs and Waterfront Toronto host their second public roundtable providing high-level details on the key areas of the project, including the data use framework released earlier that week.
Jun 7, 2018	The Digital Strategy Advisory Panel holds its first meeting, in which background information is provided regarding the project. Members are also asked to sign a confidentiality agreement.
Jun 25, 2018	The Digital Strategy Advisory Panel has its second meeting in which further background information is provided, along with digital governance issues, to which the panel provides advice on.
Jul 4, 2018	Fleissig leaves his position as CEO of Waterfront Toronto. Waterfront Toronto's Board appoints Michael Nobrega as the acting CEO. He also remains as a member of the Board.
Jul 20, 2018	During the Intergovernmental Steering Committee meeting, the three levels of government are briefed on the draft Plan Development Agreement and provided feedback, including that the scope of the planning site should be expanded to the wider waterfront area to be consistent with Waterfront Toronto's mandate.
Jul 23, 2018	Waterfront Toronto's Board sub-committee approves the second agreement and seeks Waterfront Toronto's Board approval.
Jul 25, 2018	CEO of OMERS Ventures resigns from the Digital Strategy Advisory Panel over the confidentiality agreement and the lack of transparency surrounding this project.
Jul 31, 2018	Waterfront Toronto's Board Chair and acting CEO signs a second agreement, the Plan Development Agreement, with Sidewalk Labs, which supersedes the October 2017 Framework Agreement. This agreement further defines the role and responsibilities for each party in developing a plan for the Quayside community (now publicly referred to as a smart city). Board member Julie Di Lorenzo resigns from Waterfront Toronto Board over the terms of the Plan Development Agreement.
Aug 14–15, 2018	Sidewalk Labs and Waterfront Toronto host their third public roundtable providing an overview of smart streets and timber buildings.

Aug 16, 2018	The Digital Strategy Advisory Panel holds its third meeting, in which the panel discusses its purpose and mandate, and drafts a work plan for upcoming meetings.
Aug 27, 2018	A member of the Digital Strategy Advisory Panel resigns due to continued scheduling conflicts that limited active participation.
Oct 4, 2018	Saadia Muzaffar, founder of TechGirls Canada, resigns from the Digital Strategy Advisory Panel over “Waterfront Toronto’s apathy and utter lack of leadership regarding shaky public trust and social license.”
Oct 15, 2018	Sidewalk Labs releases draft proposals for digital governance to address privacy concerns, which include the use of a civic data trust—a third-party governing body that owns and manages the urban data Quayside will collect.
Oct 17, 2018	Sidewalk Labs’ own advisory panel has its first scheduled meeting.
Oct 18, 2018	The Digital Strategy Advisory Panel holds its fourth meeting, in which certain panel members criticize Sidewalk Labs’ digital governance proposal and request that the Master Innovation Development Plan be delayed.
Oct 19, 2018	Ontario’s former Information and Privacy Commissioner resigns as Sidewalk Labs’ consultant over the proposed digital governance plan.
Nov 6, 2018	Waterfront Toronto meets with Ontario’s former Information and Privacy Commissioner to discuss concerns about the proposed digital governance plan.
Dec 8, 2018	Planned date for Sidewalk Labs’ and Waterfront Toronto’s fourth public roundtable, which is to provide an update on the components of the plan, including proposed site plans.
Sep 30, 2019	The Master Innovation and Development Plan for Quayside is to be finalized by September 2019. However, Waterfront Toronto hopes to start reviewing it in early 2019 and then to have completed a review by the three levels of governments and approved by the Waterfront Toronto Board by September 2019.
Dec 31, 2019	Subject to receiving Board approval, Waterfront Toronto plans to sign a series of four implementation agreements. These implementation agreements are to contain details on ownership of intellectual property, data privacy, data management, land valuation and infrastructure.