

## Chapter 5

### Section 5.06

## Waterfront Toronto

### Standing Committee on Public Accounts Follow-Up on Section 3.15, 2018 Annual Report

On December 11, 2019, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2018 audit of Waterfront Toronto. The Committee tabled a report on this hearing in the Legislature in April 2021. A link to the full report can be found at [auditor.on.ca/en/content/standingcommittee/standingcommittee.html](https://auditor.on.ca/en/content/standingcommittee/standingcommittee.html).

The Committee made five recommendations and asked Waterfront Toronto and the Ministry of Infrastructure (Ministry) to report back by August 2021. Waterfront Toronto and the Ministry formally responded to the Committee on August 12, 2021.

A number of the issues raised by the Committee were similar to the audit observations of our 2018 audit, which we followed up on in December 2020. The status of each of the Committee's recommended actions is shown in **Figure 1**.

We conducted assurance work between April 2022 and August 2022, and obtained written representation from Waterfront Toronto and the Ministry of Infrastructure that effective November 15, 2022, they have provided us with a complete update of the status of the recommendations made by the Committee.

**Figure 1: Summary Status of Actions Recommended in April 2021 Committee Report**

Prepared by the Office of the Auditor General of Ontario

RECOMMENDATION STATUS OVERVIEW						
	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	3		3			
Recommendation 2	3	3				
Recommendation 3	1	1				
Recommendation 4	2	2				
Recommendation 5	4		1			3
<b>Total</b>	<b>13</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>%</b>	<b>100</b>	<b>46</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>24</b>

## Overall Conclusion

As of November 15, 2022, 46% of the Committee's recommended actions had been fully implemented, and 30% of the recommended actions were in the process of being implemented. Three of the recommended actions are no longer applicable after Sidewalk Labs announced in May 2020 that it would no longer pursue the smart city project at Quayside.

## Detailed Status of Recommendations

**Figure 2** shows the recommendations and status details that are based on responses from Waterfront Toronto and the Ministry of Infrastructure, and our review of the information provided.

**Figure 2: Summary Status of Actions Recommended in April 2021 Committee Report**

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
<b>Recommendation 1</b>  The Standing Committee on Public Accounts recommends that the Ministry of Infrastructure, working with partner governments, should: <ul style="list-style-type: none"> <li>clearly define the mandate of Waterfront Toronto and other waterfront-related agencies;  <b>Status: In the process of being implemented by September 2023.</b></li> <li>strengthen Waterfront Toronto's ability to ensure its recommendations, previously approved by its government partners, are implemented;  <b>Status: In the process of being implemented by September 2023.</b></li> <li>facilitate cooperation between waterfront-related organizations with a mandate to improve economic development of the waterfront.  <b>Status: In the process of being implemented by September 2023.</b></li> </ul>	<p>The three levels of government began a strategic review of Waterfront Toronto's mandate, current and future initiatives, governance framework and financial outlook, as well as the potential overlap between waterfront-related organizations. A consultant was retained and completed a background study in April 2021 to better inform the three levels of government on the broader strategic review. In October 2021, the City of Toronto publicly released the first City Staff Report on a renewed vision for revitalization of the waterfront and strengthening Waterfront Toronto's ability to implement previously approved recommendations. The report included the consultant's background study.</p> <p>A second City Staff Report was submitted to City Council in July 2022 containing the results of the City's public consultation on its renewed vision for Toronto's waterfront, project priorities, and status of discussions between the three levels of government. Specifically, the report noted that the three levels of government have been engaged in preliminary discussions on the next phase of waterfront revitalization, further intergovernmental discussions are required to determine the scope of work and available funding, and that officials of the three levels of governments are also exploring options for extending Waterfront Toronto's 25-year mandate, which will otherwise expire in 2028. The report included a report back in September 2023 with an update regarding provincial and federal interests, and an implementation action plan developed by the City.</p> <p>The Ministry plans on completing all action items under this recommendation by September 2023.</p>
<b>Recommendation 2</b>  The Standing Committee on Public Accounts recommends that Waterfront Toronto should: <ul style="list-style-type: none"> <li>prioritize its efforts to become more financially sustainable by exploring fundraising, funding, and revenue-generating opportunities;  <b>Status: Fully implemented.</b></li> </ul>	<p>As noted in our Waterfront Toronto follow-up (<b>Section 1.15, 2020 Annual Report</b>), Waterfront Toronto has been implementing its December 2019 Fundraising Action Plan. As part of this action plan, Waterfront Toronto hired two staff in 2021 specifically for fundraising activities, developed a philanthropic study for shared public places, developed a donor pipeline with over 100 qualified prospects, and secured the required tri-government revenue consent and draft 2022 Memorandum of Understanding (MOU) with the City of Toronto to support fundraising.</p>

Committee Recommendation	Status Details
<ul style="list-style-type: none"> <li>ensure proper communication and accountability with prospective fundraising partners; <b>Status: Fully implemented.</b></li> <li>only enter into fundraising agreements after sufficient review and approval by the Waterfront Toronto Board of Directors. <b>Status: Fully implemented.</b></li> </ul>	<p>In 2021, Waterfront Toronto initiated engagement with prospective donors, and current and past Board members to discuss opportunities for philanthropy on the waterfront. It also hosted two philanthropist boat tours to inform donor prospects on Waterfront Toronto projects. As a result of Waterfront Toronto's fundraising efforts, a \$25 million gift has been committed toward an art trail on the waterfront. Furthermore, the first fundraising agreement was executed in December 2021, where Waterfront Toronto is to receive \$1.3 million in grants from a charitable foundation for a permanent art installation. The agreement included sections on accountability to the foundation, such as written notification of the commencement of construction and reports on any significant developments during construction.</p> <p>The Board has delegated authority to Waterfront Toronto's CEO and executives to execute fundraising agreements. However, on a quarterly basis, management reports to the Board of Directors with respect to fundraising activities, including terms of anticipated agreements over \$5 million. For example, the terms of the draft 2022 MOU with the City of Toronto were presented to the Board for review and approval in December 2021.</p>
<p><b>Recommendation 3</b></p> <p>The Standing Committee on Public Accounts recommends that Waterfront Toronto should consult with the Intergovernmental Steering Committee and the Board of Directors of Waterfront Toronto prior to signing official agreements or making public announcements. <b>Status: Fully implemented.</b></p>	<p>As noted in our Waterfront Toronto follow-up (<b>Section 1.15, 2020 Annual Report</b>), Waterfront Toronto and the three levels of government signed a Memorandum of Understanding (MOU) in July 2020 to clarify the relationship between each party and their roles and responsibilities. The MOU establishes protocols for communications, that Waterfront Toronto "will engage the three levels of government through the Intergovernmental Steering Committee, and staff level committees as appropriate, on material matters and will ensure that advance copies of any relevant documents are circulated."</p> <p>Waterfront Toronto has regular quarterly meetings with the Intergovernmental Steering Committee and its Board of Directors regarding all matters, including major agreements and announcements. For example, the latest public announcement made by Waterfront Toronto on February 15, 2022 was made in accordance with the communications protocol set out in the July 2020 MOU. This announcement came after over 18 months of consultations including seven Intergovernmental Steering Committee meetings and nine Board of Directors meetings on the matter. Waterfront Toronto shared communication materials relating to this announcement with members of the Intergovernmental Steering Committee on February 11, 2022, and again on February 15, 2022 after its Board of Directors' approval.</p>

Committee Recommendation	Status Details
<p><b>Recommendation 4</b></p> <p>The Standing Committee on Public Accounts recommends that Waterfront Toronto should:</p> <ul style="list-style-type: none"> <li>• improve communication between its senior management, its Finance, Audit and Risk Management Committee, and its Board of Directors regarding the cost and process of the Port Lands Flood Protection Project; <b>Status: Fully implemented.</b></li> <li>• regularly update the Board of Directors on the work and findings of the third-party risk consultant, Capital Peer Review Panel, and Independent Capital Monitor firm regarding risk assessments for the Port Lands Flood Protection Project. <b>Status: Fully implemented.</b></li> </ul>	<p>Since May 2021, Waterfront Toronto regularly provides updates to its senior management, Finance, Audit and Risk Management Committee, and its Board of Directors regarding the cost and process of the Port Lands Flood Protection project on a regular basis. Specifically, it provides quarterly reports by its independent capital monitor since November 2018, and starting in May 2021, semi-annual cost forecast and risk update reports by its third-party risk consultant, which outlines the status of the project, and contains analyses of contingencies and risks to ensure the successful completion of the project. The Capital Peer Review Panel provides comments and advice to management as per its mandate. Where appropriate, management has updated the Board of Directors on actions taken on the Panel's advice.</p>
<p><b>Recommendation 5</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Infrastructure, in conjunction with its government partners, should:</p> <ul style="list-style-type: none"> <li>• continue to study the issues surrounding the creation of a smart city in Toronto to determine what legal protections are necessary to protect the public interest; <b>Status: No longer applicable.</b></li> <li>• assess whether Waterfront Toronto needs additional direct oversight of its practices or if its governance structure can be streamlined; <b>Status: In the process of being implemented by September 2023</b></li> <li>• develop a policy framework, through legislation, to guide the development of a smart city, addressing issues of intellectual property, data collection, ownership, security and privacy, legal and consumer protection issues, infrastructure development, and economic development; <b>Status: No longer applicable.</b></li> <li>• improve communication and consult with the public regarding the development and potential of a smart city project. <b>Status: No longer applicable.</b></li> </ul>	<p>As noted in our Waterfront Toronto follow-up (<b>Section 1.15, 2020 Annual Report</b>), in May 2020, Sidewalk Labs announced that it would no longer pursue the smart city project at Quayside. Waterfront Toronto publicly announced in February 2022 that it selected Dream and Great Gulf to develop the Quayside for mixed-use, including more than 800 affordable housing units, public spaces, and a landmark multi-use arts venue. The Ministry initially noted that this recommendation would be addressed by the government's Digital and Data Action Plan, to be carried out by Ontario Digital Service, a division under the Ministry of Public and Business Service Delivery. While the recommendation asks the Ministry to continue to study issues surrounding the creation of a smart city in Toronto, the Ministry of Infrastructure has clarified that Waterfront Toronto is not pursuing a smart city approach in future developments, and Ontario Digital Service has indicated that, as there is no current province-led smart city initiative in Ontario, there has not been any direction for implementing a policy framework through legislation to guide the development of future smart cities.</p> <p>As noted above for <b>Recommendation 1</b>, the three levels of government had begun a strategic review of Waterfront Toronto's mandate and governance structure, and is expected to complete the review by September 2023.</p> <p>Ontario Digital Service indicated that, as there is no current province-led smart city initiative in Ontario, there has not been any direction for implementing a policy framework through legislation to guide the development of future smart cities.</p>