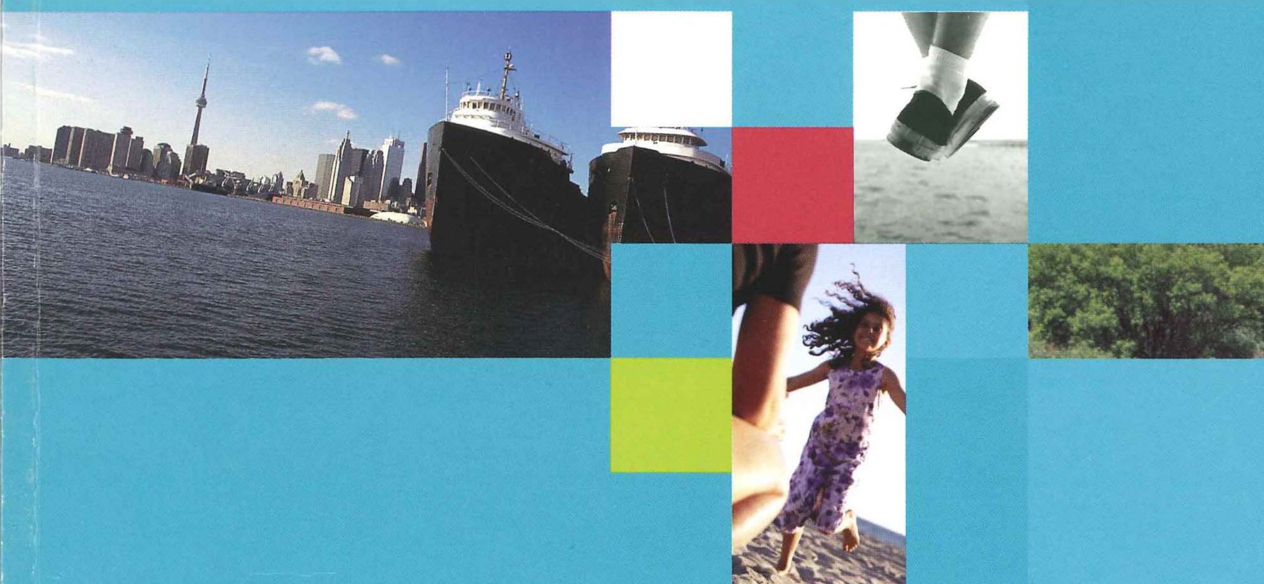
WATERFRONToronto
20 Bay Street,
Suite 1310
Toronto, Ontario
M5J 2N8

Toronto Waterfront Revitalization Corporation

Our Waterfront: *Gateway to a New Canada*



The Development Plan and Business Strategy for the Revitalization of the Toronto Waterfront

Appendices

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APPENDIX A

Public Consultation Strategy

Waterfront Revitalization Corporation Public Consultation and Participation Strategy

A1. INTRODUCTION

"The Corporation is committed to effective two-way communications with members of the public...(and) recognizes that public consultation is an integral part of the revitalization of Toronto's Waterfront."

Toronto Revitalization Corporation

The Waterfront Revitalization Corporation (or "Corporation") has a mandate to operate in one of the most complex urban communities in Canada. With unprecedented community and stakeholder interest and expectations for the future of Toronto's waterfront, public consultation will play an important role in successful development and implementation of the Corporation's projects – in the short and longer term.

To date, extensive community consultations have been undertaken on myriad keynote waterfront-based projects, including the work of the Waterfront Revitalization Task Force, the Toronto 2008 Olympic Bid, Portlands revitalization, Gardiner East dismantling, Wet Weather Flow Management Master Plan, Remedial Action Plan, Part II Plan for the Central Waterfront, among a host of others. Important consultations are now underway on key processes – including Harbourfront Parks and Toronto's new Official Plan – that will further shape and define the waterfront. Further, public consultations have begun on the first of the Corporation's priority projects – the Front Street Extension and Interchange.

The establishment of the Corporation and the initiation of its action plan for waterfront revitalization provide a tremendous opportunity to establish a public consultation strategy that builds on the considerable existing body of community knowledge, provides mechanisms to coordinate community participation in waterfront projects, and streamlines and integrates consultation activities for the development plan, business strategy, integrated environmental assessment, four priority projects and future projects.

This strategy:

> demonstrates the Corporation's commitment to meaningful public consultation and participation,

> sets the standard for accountable and transparent project planning and delivery, and

> is designed to meet and exceed the expectations of waterfront stakeholders.

A2. WHAT WE ARE STRIVING TO ACHIEVE

The Corporation initiated the development of this public consultation strategy by putting forward three key objectives: encouraging stakeholder participation; increasing awareness and understanding of the Corporation's mandate; and accurately summarizing and reporting on the consultation results. This strategy is designed to fulfill those objectives by drawing on insights gained from a review of best practices from around the world1, the consultation expectations of the communities, agencies and stakeholders interested in Toronto's waterfront revitalization, as well as our team's own experience and expertise.

Successful implementation of this strategy will achieve the following objectives:

1. Mobilize interest in waterfront revitalization, encourage stakeholder participation, increase awareness of the Corporation's vision and mandate and reinforce the Corporation's key values of transparency and accountability.

2. Build constituency, trust and support for the Corporation, its vision of the waterfront, its business plan and its individual projects among three levels of government, its elected officials, the corporate, non-governmental and community sectors and special interest groups by sharing accurate information in a timely way.

3. Meet the public consultation requirements of all the regulatory regimes in which the Corporation operates. This will include the federal and provincial environmental assessment processes and the municipal land use policy approval process.

4. Ensure productive public participation in decision-making by facilitating the input of creative ideas and knowledge – both expert and experiential – that will strengthen the information on which waterfront revitalization decisions are based.

5. Provide an opportunity for the Corporation to test its vision, ideas, strategies and projects as it formulates its business plan and development scenarios.

6. Build bridges between individuals and groups who have different opinions regarding waterfront revitalization by hearing from different networks of partners, stakeholders, citizens and communities and providing opportunities to learn from each other and resolve any conflicts.

7. Provide a comprehensive record of the results of citizen involvement in a manner that can be of direct use in decision-making.

8. Enable the Corporation to clearly demonstrate how public input was used.

9. Build capacity by enabling the creation of social capital, the emergence of leaders and, through collective action, help communities to attract financial, human and technical resources that may continue long after the activities of the Corporation are complete.

A3. CONTEXT

The Corporation's public consultation strategy is based on a comprehensive understanding of the environment in which the consultation will take place. This includes consideration of the recent, current, and anticipated future consultation activities related to Toronto's waterfront, the key issues raised by these processes, the Corporation's mandate and activities, as well as any consultation requirements as defined by government agencies and the Corporation itself.

RECENT, ONGOING AND PLANNED CONSULTATION ACTIVITIES

Table 1 illustrates recent, ongoing and planned initiatives along Toronto's waterfront that involve public consultation. In addition, recent regional and national consultations, such as those regarding the Great Lakes Water Quality Agreement, Romanow Task Force on Health Care, Canada's Innovation Strategy, Canada's Climate Change Consultations, and Ontario's Smog Plan, will provide further valuable input to Toronto's waterfront revitalization.

The recently completed consultations listed in Table 1 provide a valuable foundation for future work. In addition, it will be important to demonstrate to the public that previous input has not been forgotten and is being considered in ongoing and future work.

The ongoing consultations are an important element of the current context for the work of the Corporation, requiring coordination to ensure consistency of information provided to the public, sharing of public input results, and scheduling to avoid conflicts.

Table 1: Recent, Ongoing and Planned Waterfront Consultations

RECENT PROJECTS	PROPONENT	TIMING/STATUS
TO-2008 Olympic Bid	Olympic Bid Corporation	Completed spring 2001
Unlocking Toronto's Portlands	City of Toronto (UPDS)	Completed July 1999
Waterfront Culture & Heritage Infrastructure Plan	City of Toronto	November 2001
Our Toronto Waterfront	Toronto Waterfront Revitalization Task Force	Completed spring 2001
Our Toronto Waterfront – the Wave of the Future	City of Toronto	2000
Fort York: Setting it Right	Friends of Fort York and Garrison Common & The Fort York Mgt Board	Completed June 2000
Obstacles and Opportunities: Realizing the potential of the West Don Lands	West Don Lands Committee	November 1999
Port Relocation	Transport Canada/Toronto Port Authority	Fall 1999
Building the new City of Toronto: Reflections on Civic Engagement	Special Committee to Review the Final Report of the Toronto Transition Team (Miller Committee)	1999 - 2000
Toronto Strategic Plan	City of Toronto	1999
Clean, Green and Healthy: A Plan for an Environmentally Sustainable Toronto	City of Toronto Environmental Task Force	Completed February 2000

ONGOING PROJECTS	PROPONENT	TIMING/STATUS
Central Waterfront Part II Plan	City of Toronto (UDS)	Development plan to be released fall of 2002
Official Plan	City of Toronto (UDS)	Consultation report to P&T Committee and Community Councils Sept 2002
Harbourfront Parks	City of Toronto (EDCT)	Report to EDCH Committee Sept 2002
Gardiner East Dismantling	City of Toronto (WES)	Monthly meetings of Construction Monitoring Committee continue
Front Street Extension	City of Toronto (Transportation)	Public meetings June and Sept 2002
Wet Weather Flow Management Master Plan	City of Toronto (WES)	Draft plan expected Fall 2002
Parks and Recreation Strategic Plan	City of Toronto Parks and Recreation	Ongoing
Port Union*	TRCA	Consultation and design work completed
Mimico Apartment Strip*	TRCA	Consultation and design work completed

PLANNED PROJECTS	PROPONENT/ ELIGIBLE RECIPIENT	TIMING/STATUS
Toronto waterfront development plan (Part II) and business strategy (includes Gardiner West & Central)	Toronto Waterfront Revitalization Corporation and City of Toronto	Oct 8 – Dec 2 2002
Lower Don River Flood Protection & Naturalization	Toronto and Region Conservation Authority	Starting Fall 2002
Union Station Subway Platform Extension	Toronto Transit Commission	Starting Fall 2002
Portlands Preparation	Canada Lands Company with TEDCO and ORC	Early 2003?
Cogeneration on Hearn Site	Ontario Power Generation	Starting Fall 2002?
Cogeneration on Paperboard Site	Toronto Hydro	Starting Fall 2002?

OVERVIEW OF MAJOR ISSUES AND OPPORTUNITIES

Planning the Corporation's approach to public consultation requires consideration of the major issues, opportunities and interests related to waterfront revitalization. Highlights of perspectives and opinions coming forward to date include:

Related to the Development Plan/Part II Plan and the Business Strategy…

Ownership, Financing and Costs	Ownership of waterfront assets/lands, including future mix of public and private ownership and land control; sustainable financing mechanisms; taxpayer liability for cost overruns; and potential use of tolls.
Transportation	Future of the Gardiner; inclusion of new/enhanced cycling and pedestrian facilities; access and linkages between the waterfront and other parts of the City; enhanced transit and reduced car dependence; future of the Toronto City Centre Airport; and roll on/roll off ferry and container operations.
Environmental Protection	Protection and enhancement of air quality, water quality, and flora, fauna and wetlands; reclamation of brownfield sites; use and showcasing of new environmental technologies; energy use and climate protection.
Parks, Recreation and Public Space	Protection of the water's edge and abutting lands as public open space; desire for more "green" and open public space supporting passive and active recreational use; balance of natural vs. manicured spaces; corridors and linkages; and protection and enhancement of sailing clubs/facilities.
Social Issues	Integration of needs of the physical challenged, lower income earners, homeless people, retirees and other unique communities; local employment opportunities; and engagement of Toronto's many ethnic communities.
Urban Development and Design	Public access to the waterfront; "appropriate" scale (i.e, mix of uses, built form, height and densities, while avoiding high-rise built form); community services; and affordability.
Culture and Heritage	Protection of historically significant sites and features; and creating and sustaining cultural/heritage corridors and resources for use by cultural groups.
Current and Future Industry	Protecting existing industry; attracting new "compatible" activities (i.e. in a mixed use environment); and creating employment opportunities.

Related to the Priority Projects...

Front Street Extension and Interchange	Urban and streetscape design; future road alignment; future road capacity; linkages between Garrison Common and the Lake; traffic infiltration; air emissions; the "gateway"; and road closures during construction.
Union Station Subway Platform Expansion	Redesign of platform and connections to surface transit (e.g., LRT); modal shift potential; road closures during construction; disruptions to transit users; disruptions to local businesses; and disruptions to transit providers (bus, rail, taxis, etc.).
Flood Protection and Naturalization for the Lower Don River	Alignment/location for the lower river and mouth; extent of naturalization; relationship to Gardiner; and impacts on adjacent roads, rail lines and utilities.
Portlands Preparation	Remediation approaches and costs; and mix and compatibility of new or enhanced land uses.

Related to the Corporation's Mandate and Operations...

Accountability and Transparency	Process for decision-making and expenditure of tax dollars (public desire for an open, inclusive and accountable process for waterfront revitalization); mechanisms and safeguards.
Public Involvement	Mechanisms for early and ongoing public involvement in Corporation initiatives (expressed desire to be involved in the planning and design of projects, before key decisions are made).
Geographic Scope	Importance of waterfront revitalization across Toronto's 46 kilometers of waterfront (i.e. beyond the "Central Waterfront"). Provincial and federal governments' point of view is also important.

CONSULTATION REQUIREMENTS

Activities of the Corporation and its partners may be subject to legislative requirements of the Ontario Planning Act, Ontario Environmental Assessment Act and/or Canadian Environmental Assessment Act. In addition, the Corporation's own public consultation policy, specific directives from City Council, and the processes to be established by the Part 1 Integrated Waterfront EA will provide further guidance for public participation. More details on specific requirements include:

- **The Corporation's** public consultation policy requires that for any projects of the Corporation, it will identify and notify interested parties; issue public notice; and provide opportunity for input. In addition, the constitution of the Corporation requires approval by all three levels of government for certain activities. Government approvals will be influenced by the results of public consultation, particularly at the City level.

- **The Part 1A Integrated Waterfront EA** will include guidance for public consultation (initial draft of public consultation component to be developed collaboratively by MMM and Lura team)

- **Canadian Environmental Assessment Act** provides general guidance to ensure public notification, opportunities for public comment, a public registry, and participant funding in cases of mediation or panel review.

- **Federal Policy Statement and Guidelines on Engaging Canadians** are currently under development (2001) and will replace the existing federal consultation guidelines (1992).

- **Ontario Planning Act** requires a statutory public meeting to be held by Council or the appropriate committee (Planning and Transportation) for approval of the City's new Official Plan. It is also anticipated that the P&T Committee and the Waterfront Reference Group will expect additional public consultation to be held before the statutory meeting.

- **Ontario Environmental Assessment Act** has specific requirements for public consultation (see the Guideline for Consultation in the EA Process) that vary depending on whether the assessment is under the Municipal Class EA or an individual EA.

- **City of Toronto Council Directives,** and particularly those related to waterfront consultation requirements.

Table 2 provides a preliminary indication of the legislative requirements that may apply to specific waterfront revitalization initiatives.

Table 2: Early Look at Legislative Requirements for Waterfront Initiatives

INITIATIVE	SUBJECT TO *
Development Plan and Business Strategy	Ontario Planning Act for the Part II Plan Endorsement by the three levels of government
Integrated EA – Part 1	CEAA and EA Act
Front St Extension	CEAA and EA Act (Municipal Class EA)
Union Station Expansion	CEAA and EA Act (Declaration Order Process)
Lower Don River	CEAA and EA Act (Individual EA)
Portlands	CEAA and/or EA Act, depending on the project
Gardiner West & Central	CEAA and EA Act (Individual EA)
Future projects	May be subject to CEAA and/or EA Act, depending on the project, proponent and funding sources

* Note: All projects are subject to the Corporation's public consultation policy

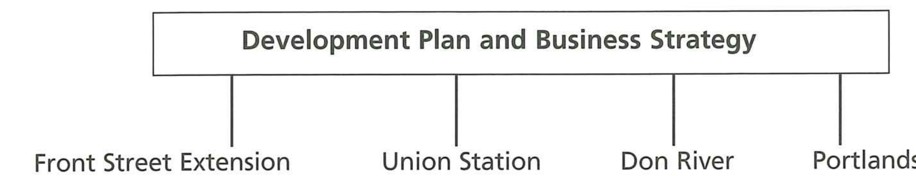
ADDITIONAL CONSIDERATIONS

In addition to the legislative context outlined above, there are additional considerations that this strategy will address. For example, timing is a key issue – the Corporation needs to show it can get things done and "get the shovel in the ground". From the City's perspective, consultation activities have strong links to Council and may be viewed as a mechanism that will directly influence the ability to receive approval to proceed with projects. The senior levels of government are committed and have requirements for effective public consultations. All levels of government should receive recognition in consultation activities for their involvement and contribution to waterfront revitalization. Finally, it will be important to notify and involve elected officials at all levels of government as part of rolling out the consultations.

A.4 FOUNDATIONS OF THE STRATEGY

This Public Consultation and Participation Strategy applies to the Waterfront Development (Part II) Plan, Business Strategy and the four priority projects, as shown in Figure 1. The Development Plan and Business Strategy will provide overall context and direction for the four priority projects.

Figure 1: Strategy Scope



There are four foundations of this Public Consultation and Participation Strategy:

1. Consultation Code
2. Public Consultation Capacity
3. Consultation Plans
4. Consultation Working Group

1. A **Consultation Code** will be prepared to confirm the Corporation's commitment to the public and other stakeholders regarding opportunities to participate in waterfront revitalization. This is envisioned as a "citizens' rights" document, building on the Corporation's existing Public Consultation Policy, that has eight to ten key commitments that reflect many of the principles that will guide strategy implementation (see principles in Figure 2). For example, the openness and inclusivity principle could be reflected in the Code of Consultation as "the Corporation is committed to ensuring that participation in the consultation process is open to all."

Figure 2: Potential Guiding Principles[1] for Consultation

Successful achievement of the objectives of this strategy will depend on a number of key factors. These have been positioned as principles that will guide implementation of the consultation strategy. These principles will be reflected in the Consultation Code and in all work of the Corporation, the Consultation Working Group, and consultations by the eligible recipients for individual projects.

- **Accountability.** The Corporation will be accountable to the public by providing accurate, timely information through the public consultation process and demonstrating how it has made use of input received from the public.

- **Clarity.** There will be well-defined objectives for, and limits to, information, consultation and active participation during planning. Clarity regarding the respective roles and responsibilities of citizens, stakeholders, and partners (in providing input), and the Corporation (for making decisions for which they are accountable) will be a key objective.

- **Timeliness.** Consultation will begin as early as possible in the process to allow a greater range of opportunities and issues to emerge and to raise the chances of successful issue resolution and implementation.

- **Openness and Inclusivity.** Participation will be open to any member of the public or other stakeholder groups that want to be involved. All citizens will have equal rights when exercising their right to access to information and participation.

- **Flexibility**. The consultation process will accommodate the needs of participants taking into account their different areas of expertise, geographic distribution, and availability.

- **Coordination.** Initiatives to inform, request feedback from and consult citizens will be coordinated between the Corporation and individual projects to enhance knowledge management, ensure coherence in decision-making, avoid duplication and reduce the risk of "consultation fatigue" among citizens and stakeholders. Coordination efforts will not reduce the capacity of the Corporation to pursue innovation and ensure flexibility.

- **Evaluation.** The Corporation will evaluate its performance in providing information, conducting consultation and engaging citizens in order to adapt to new requirements and changing conditions for waterfront revitalization.

- **Commitment.** There will be leadership and strong commitment from the Corporation, politicians, senior managers and public officials to these principles.

2. Public Consultation Capacity will be established for the Waterfront Revitalization Corporation. Reporting to the Vice-President Public Affairs, the Corporation's Consultation Team (Lura) will play a lead role in the design, implementation, and management of all consultation activities undertaken by the Corporation. This includes coordination of efforts with Corporation partners, eligible recipients and proponents of other water-front projects. The Consultation Team will ensure that the Corporation provides high quality consultation services to the public, and will also act as an advisor, planner, and negotiator to help the Corporation anticipate, navigate and respond to issues and opportunities as they arise. In meeting these responsibilities, the Consultation Team will perform four types of functions:

A. Strategic role in the design of consultation programs for the Corporation, coordination with concurrent or related consultation activities, and advising on the use of consultation input to assist decision-making.

B. The "mechanics" of coordinating information, developing and managing information, stakeholder databases, facilitating meetings, documenting feedback, distributing information, tracking issues, synthesizing results, etc.

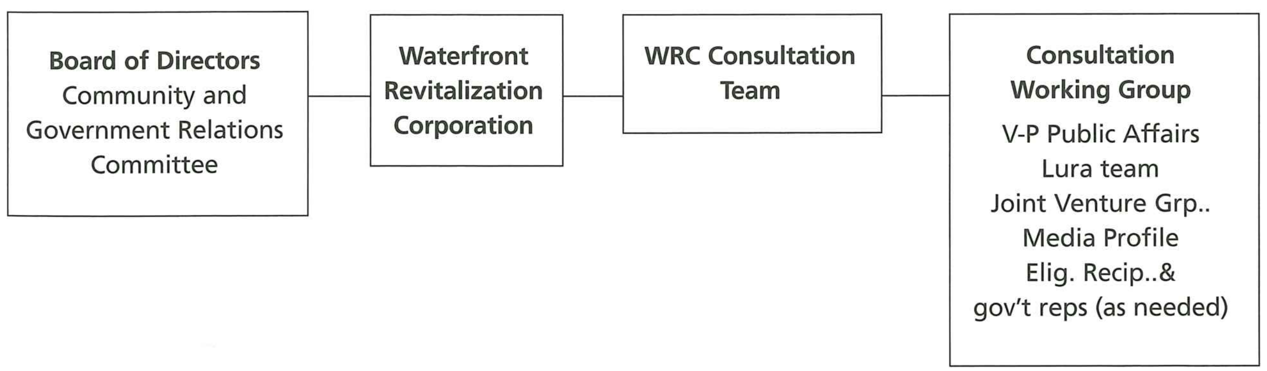
C. Early identification of opportunities and issues that are facing the Corporation related to public consultation, and facilitation of collaborative ways to proactively move forward on new ideas, resolve issues and develop timely solutions.

D. "One-window" access to consultation activities of the Corporation and the eligible recipients, with links to other relevant projects where appropriate.

3. Consultation Plans for the Development Plan & Business Strategy and the four priority projects will be developed to ensure that consultation activities related to all projects meet the Corporation's commitment to an open, transparent, and meaningful process as outlined in the Consultation Code. In the case of the priority projects, these plans will be developed by the eligible recipients and guided by the eligible recipient agreements. Eligible recipients may use the services of the Corporation's Consultation Team or another service provider of their choice. The public consultation plan must be approved by the Corporation prior to implementation. Regular update reporting will also be required through the Consultation Working Group (see below) as well as in writing. This process will ensure that the eligible recipients can tailor their consultation activities to the specific requirements of each project, maintain the necessary accountability for their own process, provide high quality public participation as specified by the Consultation Code, and meet their commitments to the Corporation as outlined in their eligible recipient agreement.

4. A Consultation Working Group will be established with representation from the Corporation, its representatives and Consultation Team. Representatives from the eligible recipients and three levels of government will participate as required to ensure a consistent and streamlined approach. The Working Group will be co-chaired by the Corporation's Vice-President, Public Affairs Kristin Jenkins and Program Manager Karen Pitre. It will meet regularly to support cooperation and collaboration among all consultation activities underway. Activities of the working group may include: information sharing, progress updates, scheduling to avoid conflicts and participant "burn-out", organizing joint meetings and joint communications where appropriate, identifying resource people for specific activities, etc. It will also be an important mechanism for discussion and resolution of issues and opportunities raised through the public consultation that would benefit from the diverse insights, expertise, and resources held by Working Group members. See Figure 3 for an illustration of the relationships among the Working Group, the Corporation, and the Consultation Team

Figure 3: Working Group Relationships



A.5 IMPLEMENTATION

Implementation of this strategy will require the use of a number of consultation mechanisms that are based on the needs of the Corporation, project proponents, key stakeholders and partners, and target audiences.

Target audiences for the consultation include: the general public; ratepayer and neighbourhood associations; interest groups; politicians at three levels of government; business/industry; institutions; and others.

Mechanisms for consultation serve a number of purposes, including information exchange and public participation, communications, and information/issue management. The mechanisms that will support implementation of this strategy may include:

Information Exchange and Public Participation

- Public workshops/meetings
- Stakeholder roundtables or briefings (can "hook" on to existing roundtables and/or create WRC-specific roundtables)
- Consultation-focused workbooks and discussion papers to facilitate information exchange with stakeholders

- Regular consultation-focused newsletters with feedback mechanism
- Telephone hotline
- Email hotline
- Website
- Walking/cycling/boat tours
- Regular stakeholder "check-in" (formal and informal approaches implemented on an ongoing basis as needed, including one-on-one telephone discussions, small round-table discussions, etc.)

Communications

- Print resources available at WRC office for members of the public and other stakeholders looking for information
- Issue-specific bulletins
- Progress reporting (envisioned every 6 months with update on key consultation activities, what has happened in previous 6 months, what feedback received, how feedback was/will be used, what to expect for next 6 month period)
- Linkages to existing communications networks
- Displays
- Translation services

Information/Issue Management

- Stakeholder database
- Issue tracking
- Problem solving

There are important components of strategy implementation that will link to other Corporation activities, including: media liaison (development of ads, press releases, meeting notices, television/radio interviews, etc.) as related to consultation activities; polling; annual Corporation public reporting; information distribution channels used to communicate other key WRC information (e.g. to politicians, government staff and management, partners, etc.).

In addition, it is envisioned that implementation of this strategy will also involve an opportunity for training of representatives of the Corporation to assist them in participating effectively in public consultation activities.

Over the longer term, other consultation mechanisms that may be worthwhile to consider include:

- Physical presence of WRC in local communities
- Resource "bank" of technical reports and other documents for cataloguing and potential access to the public
- International peer review of consultation process - international expert visit to provide feedback on effectiveness of approach and new ideas to consider for implementation (e.g. from Big Dig in Boston)
- Community-specific liaison officers
- Funding program to support efforts of volunteer participants
- Business research and information center
- Local area working groups
- Advisory committees

FALL 2002 CONSULTATIONS

Development Plan and Business Strategy

Once the Corporation has approved this Public Consultation and Participation Strategy, the Consultation Team will prepare a detailed consultation plan for the Development Plan and Business Strategy. The specific design of this consultation initiative will be guided by the content of the Plan & Strategy, the Corporation's key messages, and the needs of the three levels of government. It will also be guided by a short series of informal discussions with key stakeholders to determine the most appropriate number, type and location of sessions.

At this time, it is envisioned that these consultations will include the following key activities:

- a series of 4 geographically based public meetings/workshops focusing on the overall Strategy and Plan,
- 4 issue/theme based public meetings/work-shops focusing on key specific aspects of the Strategy and Plan (e.g., parks and open space; environmental sustainability; urban design and transportation; economic and social benefits), and
- specific stakeholder sessions as appropriate or necessary.

Background and consultation materials (print and website) will be prepared in collaboration with the Corporation's communications team to provide information to the public, stimulate broadly-based participation and facilitate input.

Table 3 below provides a preliminary timetable for the Fall consultations on the Development Plan and Business Strategy, which are anticipated to take place between early October and early December 2002.

Priority Projects

Consultation will continue this Fall for the Front Street Extension and Interchange project.

Consultations for the other priority projects, including Union Station Expansion, Portlands, and Lower Don River projects are currently under development. More detailed plans for these consultations will be communicated by the Corporation once they have been developed.

End Notes

[1] Best practices review included research into consultation activities completed and/or currently underway in other waterfront and community revitalization projects, including: Big Dig, Boston; London Docklands; Barcelona, Spain; Auckland, New Zealand; Victoria Harbour, Hong Kong; Providence, Rhode Island. In addition, leading-edge consultation research completed by a number of public agencies was reviewed, with this strategy drawing primarily from the OECD Public Management Policy Brief No. 10 (July 2001); Mapping the Links: Citizen Involvement in Policy Processes (Canadian Policy Research Networks, April 2002); and the work our team has completed over the past 30 years of pioneering public consultation activities.

Table 3 Preliminary Timetable for Consultations on Development Plan and Business Strategy – Fall 2002

KEY ACTIVITIES	TIMING
Development of detailed consultation plan and consultation/communication materials	Aug/Sept
Public release of Plan and Strategy	Mid-Oct
Presentation to Waterfront Reference Group	Oct 18
Public and Stakeholder Consultations	
> 4 geographically based public meetings	Late Oct-Early Nov
> 4 issue/theme based public meetings	Late Nov
> stakeholder briefings/meetings	As needed
Policy and Finance Committee meeting	Early November
Report on public and stakeholder consultations	Early November
Report on public and stakeholder consultations	Nov 22
Planning and Transportation Committee meeting (statutory)	Dec 2

APPENDIX B

Corporate Structure

Appendix B - Corporate Structure

B.1 INTRODUCTION – THE INTERIM CORPORATION AND THE LONG-TERM CORPORATION

Following the acceptance of the Task Force Report, the Federal Government, the Province and the City established an inter-governmental Waterfront Steering Committee comprised of senior staff from each Level of Government (the "Inter-Governmental Steering Committee") for the purposes of advancing the Project. The Inter-Governmental Steering Committee recognized the need for a long-term corporation (the "Long-Term Corporation") to be established for the purposes of implementing the Project and concluded that the establishment and governance of the Long-Term Corporation would require provincial enabling legislation.

The Inter-Governmental Steering Committee identified the Four Priority Waterfront Revitalization Projects and the development of the development plan and Business Strategy for the Long-Term Corporation as projects and tasks that should be started immediately as part of the Initiative. To expedite the commencement of these projects and tasks pending the enactment of the required provincial enabling legislation and the establishment of the Long-Term Corporation, the Inter-Governmental Steering Committee recommended that an interim corporation be created to carry out certain specified mandated activities in relation to the Four Priority Waterfront Revitalization Projects and the development of the development plan and Business Strategy for the Long-Term Corporation.

B.2 CREATION AND CORPORATE STRUCTURE OF INTERIM CORPORATION

In accordance with the recommendation of the Inter-Governmental Steering Committee, Toronto Waterfront Revitalization Corporation (the "Interim Corporation") was incorporated by the Ontario Provincial Government under the *Business Corporations Act* (Ontario) on November 1, 2001.

The Province is the sole shareholder of the Interim Corporation. In accordance with the Contribution Agreement (as defined below), each Level of Government has the right to nominate one-third of the members of the Board of Directors of the Interim Corporation other than the Chair.

B.3 CONTRIBUTION AGREEMENT AND SCOPE OF ACTIVITIES OF INTERIM CORPORATION

Pursuant to the contribution agreement (the "Contribution Agreement") made among the Federal Government, the Ontario Provincial Government, the City and the Interim Corporation, the Interim Corporation is to carry out certain specified mandated activities in relation to the Four Priority Revitalization Projects and the development of the Development Plan and Business Strategy for the Long-Term Corporation, which activities and tasks are to be funded by the Levels of Government to a maximum amount of $100 million by each Level of Government.

The Interim Corporation is not an agent of any of the Levels of Government. Other than the obligation to contribute funds pursuant to the Contribution Agreement, the Levels of Government are not responsible for any of the liabilities or obligations of the Interim Corporation.

The Contribution Agreement terminates on March 31, 2008, subject to the parties agreeing to extend the agreement or making other arrangements as are necessary.

B.4 REQUIRED APPROVALS OF THE PROVINCE AND THE CITY

Pursuant to an agreement among the Province, the City and the Interim Corporation, the Interim Corporation requires the approval of the Province and the City to the following:

- acquiring assets or property, including shares and real property, or investing in or purchasing any business;
- selling, leasing, or otherwise disposing of property or assets of the Interim Corporation having a value in excess of $10,000 in the aggregate in any fiscal year;
- borrowing or entering into any other financing including applying for or obtaining any line of credit;
- mortgaging, charging or granting a security interest in or otherwise encumbering any of the assets of the Interim Corporation;
- providing any guarantee, indemnity or other financial assistance to any entity by means of loan or otherwise;
- entering into any contract or other obligation or liability (including contingent liabilities) in excess of or which would involve the expenditure of an amount in excess of the cost of the mandated activities or which would expose the Interim Corporation to costs not covered by the Contribution Agreement;
- issuing any additional common shares or other securities; and
- entering into any amalgamation, arrangement, consolidation, merger, reorganization or continuation.

B.5 TRANSITION FROM INTERIM CORPORATION TO LONG-TERM CORPORATION

In accordance with the provisions of the Contribution Agreement, following the enactment of the required provincial enabling legislation and the establishment of the Long-Term Corporation, all of the assets and liabilities of the Interim Corporation are to be assigned to and become the assets and liabilities of the Long-Term Corporation.

B.6 OBJECTS OF THE LONG-TERM CORPORATION AND WINDING-UP OF LONG-TERM CORPORATION

The Proposed Legislation sets out the objects of the Long-Term Corporation as follows:

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

Pursuant to the Proposed Legislation, the Long-Term Corporation is to carry out its objects so as to ensure that the revitalization of the designated waterfront area creates new economic growth, new jobs, diverse and dynamic new commercial, residential and recreational communities, new cultural institutions and new parks and green spaces for the public.

The Province may require the winding up of the Long Term Corporation following the twentieth (20th) anniversary of its creation subject to review by the Levels of Government. If this winding up is not required, the Province shall wind-up the affairs of the Long-Term Corporation promptly after the twenty-fifth (25th) anniversary of its creation.

B.7 RESTRICTIONS ON AUTHORITY OF LONG-TERM CORPORATION

The Proposed Legislation imposes the following restrictions on the Long-Term Corporation:

- the Long-Term Corporation cannot borrow money unless it has the consent of the Federal Government, the Province and City Council or unless it is authorized to do so by a regulation;
- the Long-Term Corporation may not mortgage or otherwise encumber any of its assets unless it has the consent of the Federal Government, the Province and City Council or unless it is authorized to do so by a regulation;
- the Long-Term Corporation may not raise revenue unless it has the consent of the Federal Government, the Province and City Council or unless it is authorized to do so by a regulation; and
- the Long-Term Corporation is not to establish a subsidiary corporation unless it has the consent of the Federal Government, the Provincial Government and City Council.

B.8 TAX STATUS OF THE CORPORATION

TWRC is subject to current tax legislation in respect of federal and provincial income taxes, capital and large corporations taxes, the federal goods and services tax, Ontario retail sales tax, land transfer tax and realty taxes. Certain assumptions about TWRC's rights and obligations with respect to these taxes have been made in the development of the Financial Plan, as discussed below in greater detail. While the Corporation will be fully compliant with all legislation, it intends to take advantage of available mechanisms to minimize its tax liability under existing tax legislation. The extent to which it will be necessary for TWRC to fund tax obligations will have a direct bearing on the amount of financing required by the Corporation to fulfill its overall mandate.

The ultimate status of the Corporation will necessarily be reached based on existing tax legislation and/or in cooperation with the three levels of government.

B.8.1 Federal Income Tax and Large Corporations Tax

As the Province of Ontario owns all of the shares of the Interim Corporation, it is exempt from federal income and large corporations taxes under the Income Tax Act (Canada) (the "ITA").

The Base Case assumes that the Permanent Corporation will qualify for the tax-exempt status under the ITA.

The ITA provides TWRC with several avenues that may allow it to obtain tax-exempt status. The Corporation is actively pursuing these avenues and will be requesting an advance tax ruling from the Canada Customs and Revenue Agency ("CCRA") in an effort to eliminate any uncertainty over this issue. Application for the ruling will be submitted prior to enactment of the incorporation draft legislation, so that to the extent that legislative processes permit, the legislation may be amended to address any concerns that may be raised by the CCRA.

B.8.2 Provincial Income and Capital Taxes

The Base Case assumes that TWRC will qualify for the tax-exempt status under the Corporations Tax Act (Ontario) (the "CTA").

The exemptions available under the Income Tax Act are adopted by the CTA. As a result, the Interim Corporation is exempt from income and capital tax under the CTA and the Permanent Corporation will also be exempt, if it qualifies for the exemption under the ITA.

B.8.3 Goods and Services Tax

The Base Case assumes that TWRC will pay GST and receive no GST rebates.

B.8.4 Ontario Retail Sales Tax

The Base Case assumes that the Corporation will be required to pay or fund ORST on the purchases of subject property and services.

B.8.5 Land Transfer Tax

The Base Case assumes that the Corporation will not be required to pay land transfer tax on lands transferred to the Corporation.

Unless specifically exempted by special regulation, land transfer tax applies to all transfers of real property to and from the Corporation. The land transfer tax would be based on the value of the consideration (including obligations) received for the transfer. However, no liability arises if real property is transferred for no consideration (i.e., a true gift).

The Corporation, in cooperation with the Government of Ontario, intends to pursue the possibility of requesting the Lieutenant Governor in Council to make a regulation exempting TWRC from the payment of land transfer tax. It is uncertain whether this exemption will be granted.

However, any conveyance of land by the Corporation to third parties who do not qualify for specific exemptions under the Land Transfer Act (Ontario) will be subject to land transfer taxes payable by the third party. The Base Case assumes the payment of land transfer tax by third parties for land transfers to them by the Corporation.

B.8.6 Property Taxes

The Base Case assumes that the Corporation will not be required to pay property taxes on lands within its possession. The Corporation intends to pursue appropriate mechanisms to achieve this objective.

APPENDIX C

Costs

Appendix C - Costs

This appendix describes the cost of developing the Waterfront Revitalization Project. The section presents the estimated costs of major infrastructure projects and preparing the lands for development by the private sector. Further, it identifies the context in which the costs have been determined and identifies possible alternative delivering strategies and methods.

C.1 DETAILS OF WORKS INCLUDED (AND NOT INCLUDED) IN THE CAPITAL COST ESTIMATES

This section describes the items included in the capital cost estimate. It summarizes the premises underlying most elements of the cost estimate, and the rationale for the selected approach. Also, to assist the reader in fully understanding the costs that have been carried, this section identifies potential community elements for which costs have not been directly carried, along with a rationale for that decision.

C.1.1 Items Included in the Capital Cost Estimates

This section describes the infrastructure items included in the estimate of capital costs in the Base Case. In simple terms, the Base Case assumes that the TWRC owns or controls virtually all land in the developed areas (ether by transfer from government or purchase from private owners) and that TWRC pays the full cost of development. Clearly, various alternative delivery strategies are also possible, and should be appropriately evaluated as the TWRC implements the Project. Of particular note are the following two issues:

- **Should lands that are privately owned be purchased or developed in co-operation with private landowners?** Where private land is required for public uses, such as roads or parks, it is generally necessary that they be purchased or otherwise secured. Where private land is to be prepared for residential and/or commercial use by the private sector, the current owner (or a subsequent private owner) could undertake the development in cooperation with TWRC, using an appropriate sharing of costs.
- **Should lands be sold as fully prepared parcels or as partially prepared parcels?** The Base Case assumes remediated, development-ready land parcels are sold/leased to private developers. Alternatively, less "prepared" parcels could be sold/leased with the private developer taking on the task of preparing the lands for development, including constructing roads and services and possibly remediating the soil.

Generally if either or both of the alternative strategies are adopted, or partially adopted, TWRC costs (and revenues) will be lower than in the Base Case. Overall, however, the net financial impact would be unlikely to change significantly. Further, such alternative strategies would only be adopted if a cost-benefit analysis indicates the alternate strategy will produce either a superior financial return or other benefits.

C.1.1.1 PROPERTY ACQUISITION AND BUSINESS INTERPRETATION (GOVERNMENT-OWNED LANDS)

The Base Case is premised on publicly-owned lands being acquired, or controlled, by TWRC at no cost to the Corporation. TWRC is assumed to be responsible for remediating these lands.

C.1.1.2 PROPERTY ACQUISITION AND BUSINESS INTERRUPTION (PRIVATELY-OWNED LANDS AND LONG-TERM LEASES)

Most lands that are currently privately-owned will be purchased (or expropriated) as required and the price paid will be market value. An allowance of $663 million has been carried for the cost of acquiring privately-owned land, terminating long-term leases and business interruption.

C.1.1.3 SITE PREPARATION

All buildings, existing pavements and structures in the Project Lands will be removed. This assumption is made for the purpose of developing a cost estimate. During Project planning the desirability and feasibility of maintaining some of the existing pavement and structures will be considered. Significant or historic buildings will be considered for retention as appropriate.

C.1.1.4 ENVIRONMENTAL REMEDIATION

A site-specific risk assessment approach will be taken to remediate contaminated lands. With this approach, the degree of remediation undertaken is a function of the intended land use, the nature of the contaminants and the resultant risk. It is not a full remediation.

Various estimates of the cost of remediation have been reviewed in developing the cost estimate presented in the Financial Plan. The estimate included in the Financial Plan is near the mid point of the estimates from previous studies.

C.1.1.5 NATURALIZATION OF LOWER DON RIVER

The full estimated cost of naturalizing the mouth of the Don River has been carried as a cost of TWRC.

C.1.1.6 IMPROVED WATER QUALITY DON RIVER AND TORONTO BAY

An allowance of $330 million is included as a contribution towards the cost of improving water quality in the Don River and Toronto Bay.

C.1.1.7 MAJOR INFRASTRUCTURE

For the purpose of assessing costs, public work infrastructure (e.g., roads, bridges, sewer and watermains) has been divided into two categories – major and local. Major infrastructure deals with infrastructure that are typically part of the overall fabric of the City. Local infrastructure, on the other hand, is infrastructure within a local community that primarily meets local needs. Exhibit 5-1 illustrates the major infrastructure that is included in TWRC development cost. Major infrastructure includes, but is not limited to:

- Collector roads.
- Bridges.
- Trunk sewers.
- Trunk watermains.
- Stormwater management ponds and other works (not illustrated).
- Flood control (culvert under CNR, tracks, berm, etc.) (not illustrated).
- Utility relocation, including Commissioners Street high voltage lines (not illustrated).

All existing infrastructure within the development areas is assumed to be replaced. As detailed plans are developed and advanced, the condition and location of the existing infrastructure will be considered and the desirability and feasibility of retaining some, or all, of the existing infrastructure will be considered. The assumption of full replacement is made for the purpose of developing a cost estimate.

C.1.1.8 TRANSIT

A provision has been made for an expenditure of $800 million on transit. This includes work on the TTC platforms at Union Station (a priority project). Beyond that, the projects that are included in the budget have not specifically been defined at this time.

C.1.1.9 LOCAL ROADS AND INFRASTRUCTURE

These items address the cost of local roads and services to support the development of the four specific waterfront districts.

C.1.1.10 PARKS AND OPEN SPACE

The Business Plan carries the full cost of developing the entire network of parks and open spaces illustrated on the current draft of the Development Plan.

C.1.2 Additional Items Partially Supported By TWRC

This section lists the major items that are to be funded separately. The list is not intended to be all-inclusive, but rather, to identify the most significant items. For each item, a rationale is also provided for the approach that has been taken, and in some cases, a provision has been made in TWRC's budget to support a portion of the cost.

C.1.2.1 COMMUNITY INFRASTRUCTURE

The cost estimate includes a provision of land for community facilities such as schools, day care, libraries, ambulance stations and fire halls. Provision has not, however, been made for the construction of these facilities. The cost of these structures is excluded as they are typically funded in other ways (e.g., development charges, taxes or grants). This approach is in line with current practices for these types of facilities and reflects what TWRC believes is appropriate as an overall approach to community infrastructure development.

C.1.2.2 LANDMARK COMMUNITY BUILDINGS

The budget includes an estimate of $50 million for landmark community buildings (i.e., aquarium, museum, etc.). Community buildings will likely cost more that the allowance, and the Financial Plan assumes that other funds will be available from traditional or alternate sources to supplement the costs included in this estimate. This approach, and the magnitude of the allowance, reflects what TWRC believes is appropriate in the circumstances.

C.1.2.3 ENERGY

Over the last two years, a significant focus of the City's effort at the waterfront has related to the environment. Addressing air quality emissions are an element of this initiative. Air quality improvement is also an initiative of the provincial and federal governments. Energy issues at the waterfront are currently being reviewed from three perspectives:

- Building energy efficiencies.
- District energy (e.g., cooling, co-generation and heating).
- Green energy (solar and wind).

A review of these items is currently underway as a TWRC initiative. This review will result in a preferred strategy being developed. In order to achieve the desired district energy and green energy initiatives, it is expected that some incentives or seed money may be required. Currently, an allowance of $50 million has been carried for this.

C.1.2.4 SEWAGE AND WATER TREATMENT

Provision has not been specifically made to expand existing sewage and water treatment plants. If required, this is a broader City-wide issue. The Base Case assumes that any expansions of sewage and water treatment facilities will be funded separately through traditional means and development charges.

C.2 METHODS OF ESTIMATING COSTS

This section describes the methods that have been used to develop capital cost estimates.

C.2.1 Base Costs

Base costs have been estimated using readily available information that generates the best possible capital cost estimates.

Where extensive work has already been done through other studies to develop cost estimates for specific projects, these estimates are used. Other studies have been used to estimate base costs for various projects such as the Front Street Extension, Union Station TTC platform improvements, shorewall rehabilitation and the naturalization of the Lower Don River.

For projects where previous cost estimates are not available, basic cost estimates have been developed using a variety of strategies, including:

- Breaking the work into detailed elements, based on available information and reasonable assumptions.
- Determining the expected nature, complexity and quality of finishes.
- Estimating the quantity of work involved in each element.
- Applying unit costs (typically aggregated or "rolled up") from actual construction contracts and other sources to estimate total costs.

C.2.2 Additional Costs

Once material and labour costs have been estimated, several additional costs are calculated and added to the base costs, including:

Contingency Allowance – A contingency allowance is added for all projects to provide for unknown or unexpected issues such as adverse soil or environmental conditions. The contingency allowance also considers "scope creep" where it may not be possible at this time to determine the exact limits of a project.

The contingency allowance has been determined based upon the nature of the Project. While the contingency allowance has been applied separately to the individual projects, it is most appropriate to consider the contingency allowance as a single allowance for the entire Waterfront Revitalization Project.

Engineering – An allowance has been carried to adequately cover all engineering and related costs (e.g., preliminary engineering, environmental assessment, investigations and other studies, detailed design and contract administration).

Provincial Sales Tax – In general, provincial sales tax is not identified separately in construction contracts but rather, to the degree that it is applicable, the cost is included in contract prices. As these types of contracts have been used as a basis for developing the cost estimates, the provincial sales has been captured.

Soft Costs – Soft costs relate to the business of running TWRC and financing its projects. An allowance has been carried for soft costs. Items provided for as soft costs include:

- TWRC office and staff and administrative costs.
- Permits and fees.
- Legal.
- Sales and marketing.

Goods and Services Tax – Unlike provincial sales tax, GST is not included in typical construction costs but rather is added to them. The cost estimate includes a 7% allowance for GST on its purchases and to fund GST on purchases by Eligible Recipients. The GST included in the cost estimate is based on the basic cost, plus contingency, engineering and soft costs.

C.3 COST ESTIMATES

Exhibit 5-2 summarizes the total estimated capital cost for the infrastructure components of the Waterfront Revitalization. It provides the costs in 2002 dollars. This table summarizes many calculations and segment summaries.

The estimates contained in Exhibit 5-2, are preliminary as they are based on plans for the Project Lands that are in the early stages of development or in some cases, not developed at all.

Within the defined Portlands District for Creativity and Innovation lands the Development Plan considers a variety of densities and building heights that yield significantly different gross floor areas for Portlands District for Creativity and Innovation uses. As the basic plan structure (i.e., roads, parks, etc.) is not expected to change significantly regardless of the ultimate yield, the infrastructure capital costs are relatively insensitive to the building density. For all the purpose of this analysis, they are assumed not to change.

C.4 TIMING OF EXPENDITURES FOR WATERFRONT INFRASTRUCTURE

This section sets out the timing of expenditures assumed in the financial projections and the rationale for this timing. This section deals only with the timing of expenditures related to the required infrastructure. The principles for the overall development schedule for the Central Waterfront are discussed in Section 3.4.

C.4.1 Major Infrastructure Projects

Exhibit C-1 shows the proposed timing of expenditures assumed to develop the first edition of TWRC cash flow analysis. A discussion of the timing of the major projects follows.

Exhibit C-1

Annual Expenditure Summary ($2002)

Area	Total (2002 dollars)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Major Roads	190,000,000	4,000,000	80,000,000	63,000,000	39,000,000	4,000,000	-	-	-	-	-
Global	2,393,168,000	9,700,000	119,453,500	81,756,274	145,557,742	253,775,480	338,620,194	199,212,235	130,351,377	205,507,522	214,306,575
Exhibition / Ontario Place (District 1)	214,249,000	-	1,000,000	3,000,000	73,208,719	35,370,072	16,454,758	15,642,471	16,623,234	4,587,787	11,543,902
East Bayfront (District 2)	234,342,000	-	37,000,000	59,206,805	10,654,980	85,500	42,488,586	5,821,070	-	5,396,862	36,167,308
West Donlands (District 3)	166,469,000	-	11,000,000	6,000,000	17,404,580	6,110,642	13,322,542	9,226,397	73,267,585	3,566,442	3,367,891
Portlands (District 4)	1,152,303,000	1,500,000	26,500,000	52,148,000	217,684,175	137,377,680	39,549,330	40,877,428	18,876,929	81,108,527	28,998,118
Total	4,350,531,000	15,200,000	274,953,500	265,111,079	503,510,196	436,719,374	450,435,410	270,779,601	239,119,124	300,167,139	294,383,793
Running Total in 2002 Dollars		15,200,000	290,153,500	555,264,579	1,058,774,775	1,495,494,150	1,945,929,560	2,216,709,160	2,455,828,285	2,755,995,424	3,050,379,217

AREA	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Major Roads	-	-	-	-	-	-	-	-	-	-	-	-
Global	157,114,669	149,279,152	131,673,367	111,260,257	24,951,397	27,643,040	22,901,725	23,002,138	22,076,474	3,643,013	373,059	355,769
Exhibition / Ontario Place (District 1)	10,082,010	7,926,678	778,871	10,387,998	7,642,500	-	-	-	-	-	-	-
East Bayfront (District 2)	-	5,342,862	-	5,342,862	1,385,961	4,613,882	2,032,884	2,442,235	4,509,810	1,082,354	-	1,082,354
West Donlands (District 3)	992,756	5,129,241	4,704,562	-	932,088	2,073,758	523,955	-	2,768,687	3,044,453	1,511,196	-
Portlands (District 4)	72,512,924	141,918,428	65,882,002	28,119,291	37,151,353	54,509,393	7,638,783	8,489,415	647,832	15,217,534	1,318,954	1,257,826
Total	240,702,359	309,596,362	203,038,802	155,110,408	72,063,298	88,840,073	33,097,347	33,933,789	30,002,803	22,987,354	3,203,208	2,695,949
Running Total in 2002 Dollars	3,291,081,577	3,600,677,939	3,803,716,741	3,958,827,149	4,030,890,447	4,119,730,520	4,152,827,866	4,186,761,655	4,216,764,457	4,239,751,811	4,242,955,020	4,245,650,969

AREA	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Major Roads	-	-	-	-	-	-	-	-	-	-	-	-
Global	4,893,880	660,334	510,046	11,356,935	1,147,106	378,379	720,848	985,513	-	-	-	-
Exhibition / Ontario Place (District 1)	-	-	-	-	-	-	-	-	-	-	-	-
East Bayfront (District 2)	-	707,693	707,693	1,415,386	-	5,092,616	1,762,295	-	-	-	-	-
West Donlands (District 3)	-	-	1,522,226	-	-	-	-	-	-	-	-	-
Portlands (District 4)	17,302,373	2,334,619	1,803,275	40,152,582	4,055,606	1,337,762	2,548,567	3,484,295	-	-	-	-
Total	22,196,253	3,702,646	4,543,241	52,924,903	5,202,712	6,808,757	5,031,709	4,469,808	-	-	-	-
Running Total in 2002 Dollars	4,267,847,222	4,271,549,868	4,276,093,109	4,329,018,013	4,334,220,725	4,341,029,482	4,346,061,191	4,350,531,000	4,350,531,000	4,350,531,000	4,350,531,000	4,350,531,000

Front Street Extension – The Front Street extension is a priority project. Work on this project has now commenced and is scheduled to be complete by 2005.

Water Quality – While not yet defined, this work is scheduled to commence in 2006 and be completed over a 15-year period. This work will generally be coordinated with other City programs implementing its Wet Weather Flow Master Management Plan.

Transit – While also not yet fully defined, TWRC contribution to transit improvements is scheduled to commence in 2002. The TTC Union Station platform widening is one of the designated transit projects. It is scheduled for completion by 2008. Following three years of planning (2003 to 2005), expenditures on other projects are scheduled to begin with completion expected by 2012.

Naturalization of the Lower Don River – This work is scheduled to commence in 2002 with the environmental assessment and to be completed in 2007.

The timing also reflects a number of other factors relating to this project, including:

- It is symbolic to the community.
- It must be integrated with the redevelopment of the eastern portion of the Gardiner Expressway.
- It must be integrated with the construction of new access to the Portlands.
- It is an element of the flood protection works required to facilitate redevelopment of the West Donlands.

West Donlands Flood Protection Works – This work is scheduled to commence as soon as possible to facilitate the early development of the West Donlands, which otherwise are relatively easy to develop. The work is scheduled for 2004 and 2005.

Leachate Treatment System – The development of a remediation strategy for the Portlands is an element of one of the waterfront priority projects. Until this work is completed the remediation strategy for the waterfront will not be established. For the purpose of developing the capital cost estimate, it is assumed that an early project will be a leachate treatment system. The need for such a system will be determined as an element of the remediation strategy. The leachate treatment system is scheduled for construction in 2004.

Bridges – Generally, road bridges at the waterfront are scheduled for construction, as they are required to create or enhance access to an area. This typically coincides with the commencement of development of an area. When more than one bridge is proposed to create access to an area, construction of the second and any subsequent bridges is scheduled to take place as development of the area advances.

Parks – Parks, and any necessary works to support the development of parks, are scheduled for constructed based upon three criterion – namely:

- Parks in the East Bayfront and western portions of the Portlands are scheduled for development as quickly as possible – commencing in 2003, being complete by 2012, and taking two years each to complete.
- Other parks on the water's edge are scheduled for development as soon as practical considering adjacent works and necessary advanced works.
- Other parks not on the water's edge are generally scheduled for development as adjacent lands are developed and built upon.

C.4.2 Community Projects

In setting the schedule for expenditures for the remediation and development of lands within the distinct communities of the waterfront the individual components have been considered holistically. That is, the annual expenditure is looked at as a percentage of the total expected growth in the community. The total cost of development of the community has also been considered. The timing of costs has then been set utilizing the following algorithms: (Note that this approach is intentionally "insensitive" to the particular parcel being developed in a particular year.)

- Property acquisition and business interruption: Expenditures to occur at three times the rate of development. This means that property is acquired in advance of development and at a rate three times faster than the rate of development. In other words, for every hectare that is developed, three hectares of land are acquired until all necessary lands are acquired.
- Demolition, site remediation and site filling: Expenditures to occur at the rate of 20 percent of the total for the first unit, with the remainder occurring at 150 percent of the rate of development.
- Major roads and infrastructure: expenditures to occur at twice the rate of development.
- Local roads and parks: expenditures to coincide with the rate of development.

APPENDIX D

Revenues from Land

Appendix D - Revenues from Land

This appendix reviews the feasibility, from both a market and a financial standpoint, of land sales of the publicly-owned waterfront and water-oriented parcels, proposed for high-density residential and commercial development in Toronto, Ontario. It goes on to outline the estimated land value of the parcels that together make up the Project Lands.

The Waterfront Revitalization Project contemplates sale of land parcels for residential and commercial use. Each is discussed separately in this section.

It should be noted that there would be a material increase in revenue from land if the Portlands District for Creativity and Innovation is larger than in the Base Case.

D.1 REVENUES FROM RESIDENTIAL LAND

As mentioned previously, the Base Case assumes that future developments on the Project Lands will include a variety of housing types and forms of tenure. This section describes the housing options that are considered marketable and appropriate for the lands, and estimates attainable prices and absorption rates. The housing options include:

- Market condominium apartments.
- Market rental apartments.
- Low End of Market rental apartments.
- Single Room Occupancy ("SRO") apartments.

The land valuation exercises, as summarized in this section assume all of the underlying development plan assumptions as per the Base Case as described earlier in this report. As part of the Base Case assumptions, the following valuation is based on these additional underlying assumptions: 1) no monies for park land dedication are payable with respect to any development on the Project Lands; and 2) developers will pay reduced development charges equal to 75% of that which is normally paid.

D.1.1 Product Positioning

The recommended housing mix, size and prices are based on an assessment of the characteristics of likely buyers for each product category and estimates of market prices. For example, the prime sites would be targeted to affluent buyers. The other land, with less luxury market appeal, would be positioned, in part, to attract buyers with lower incomes who need affordable housing options.

These estimates of prices and rents are effective as of June 2002. In our later financial analysis, we incorporate inflation adjustments:

- For prime condominium sites, prices increase by 3.5% per year until year 2007, at which time all the lands fronting the harbour will be sold. After 2007, revenues from the sale of residential units on prime condominium sites increase at 4.0% per year. As the supply of these "prime" development sites is increasingly built out, they will see more rapid increases in values compared to other areas.
- For other condominium sites, price increase by 3.0% per year.
- A rent increase of 3.5% per year is assumed for all forms of rental units.

D.1.2 Absorption Rates for Residential Housing

Exhibit D-1 summarizes anticipated absorption of condominium and rental apartment units per year, for each of the four main districts in the Project Lands. The absorption rates per year for each district vary and result in a land sales period of about 27 years. Assuming that land sales start in 2005, the program would be complete by about 2032. The rationale for these rates and the time horizon for land sales is explained in more detail in the next section.

Exhibit D-1

Summary of Anticipated Absorption for Residential Housing

	Condominium Apartments	Market Rental	Low End of Market Rental	SRO	Total
Number of Units	23,174	5,666	9,002	2,415	40,257
Units per Year	858	189	300	81	1,380
Percent	58%	14%	22%	6%	100%

Note: Numbers may not add due to rounding.

Condominium apartment absorption for the former City of Toronto is expected to average just over 1,100 units per year, which represents about 28% to 37% of the demand. Considering that these developments will be distributed across a wide area, and in areas that will be very desirable, this is considered an attainable market share. The rate of absorption is assumed to be achievable largely in the first 20 years of build out and tapering off in the last 10 years of build out.

As mentioned in Section 4, the Financial Plan proposes ambitious absorption rates for residential housing. These rates can be attained if commercial development creates a substantial local employment base. The creation of nearby employment districts is essential to the future success of the Waterfront Revitalization Project. None of the four redevelopment districts presently has an especially large and vibrant employment base nearby.

D.1.3 Timing and Phasing of Residential Land Absorption

This section provides a rationale for the proposed allocation of land uses and absorption rates to develop a schedule of phasing and timing for the sale of the land parcels.

The following outlines the process for developing the land sales schedule, including various assumptions and factors that have an impact on its development:

- **Target Mix** – a mix of 75% market (i.e. unsubsidized) apartment units (60% market condos and 15% market rentals) and 25% more affordable rental units (i.e., 20% Low End of Market rentals and 5% SROs) is distributed across the four main districts.
- **Allocation of Land Uses** – each district is assessed individually for a variety of locational factors, including access to transportation and to local amenities such as parks and frontage on or near the water's edge. In general, the most desirable lands were allocated to the highest value uses. However, within each area, there is a complement of affordable options. The "Low End of Market Rental" shares are highest in the lower value areas and lower for the prime sites. For example, there are no Low End of Market Rental units allocated to water fronting sites in this model. To the extent possible, SRO buildings were located on smaller parcels, since the small average suite sizes result in high unit counts.
- **Balancing the Mix** – while the mix of housing is close to the targets identified above, a high percentage of Low End of Market Rentals was allocated to the secondary sites, and a low percentage in the prime development sites.
- **Number of Units** – once land uses were assigned to each parcel and adjustments were made as necessary, a unit count was calculated for each parcel, based on the average unit size for each land use/housing type and location. Gross to net efficiency (GNE) floor area was typically assumed to be 85%, except for SROs, which are assumed to have a GNE of 65%.

D.1.4 Calculating Revenues for Residential Lands

This section presents the findings of the financial analyses conducted for the waterfront parcels. Two types of analysis were used, one for the market condominium apartment units and another for the various forms of rental apartment units. The evaluation methodologies, cost and revenue assumptions for each analysis type are described in this section.

D.1.4.1 CONDOMINIUM APARTMENTS EVALUATION METHODOLOGIES

The financial analysis of the parcels identified for development as condominium apartments utilizes the residual land value approach, as outlined below:

- Step 1: Estimate achievable revenues.
- Step 2: Deduct estimated development costs (except land).
- Step 3: Calculate surplus available for land and profit.
- Step 4: Subtract profit margin.
- Step 5: Remainder is residual land value.
- Step 6: Translate to constant dollars.

The residual land value is the amount that a knowledgeable builder would be expected to pay for the land, taking into account achievable revenues, development costs, timing and a required rate of return. However, this should not be necessarily viewed as the maximum attainable selling price for a property. A developer may offer a price that is above the anticipated market value, depending on several factors, including a competitive bidding process pushing up the value of a popular site, anticipated increases in condominium product pricing or the need to use a firm's under-utilized resources. Similarly, a developer may offer a price that is below the anticipated market value, if the market demand slows down or factors such as interest rates and construction costs increase above that which is estimated.

The financial analysis model utilizes the market parameters to determine expected revenues. Expected building costs are based on Lyon Consultants' project experience as well as the costs taken from the Helyar Construction Cost Guide (2000 edition). It is believed that these cost and development parameters are representative of the market today, while also accounting for locational factors.

D.1.4.2 RENTAL APARTMENTS EVALUATION METHODOLOGIES

The financial analysis of rental apartments utilizes a similar approach, but is based on a 9% target return on equity (ROE) in the first full year of occupancy. The approach is as follows:

- Step 1: Estimate development costs excluding land.
- Step 2: Subtract anticipated annual operating expenses from annual project revenues to determine annual net operating income.
- Step 3: Estimate the total affordable development cost that can be supported by the net operating income (assuming that 75% of the cost will be financed by mortgage borrowing, and the developer requires a 9% return on equity).
- Step 4: Calculate land value as: total affordable development cost (step 3) minus development costs excluding land.

D.1.4.3 FINANCIAL ANALYSIS ASSUMPTIONS

The financial analysis model is typically divided into four sections:

- Project assumptions.
- Anticipated project costs (and operating costs).
- Anticipated project revenues.
- Residual land value calculations.

Project assumptions include unit types and sizes, parking requirements, unit prices, hard costs (building and parking construction), soft costs (marketing, legal, consultants, etc.), interest rates, timing and required rates of return.

Please note, the financial assessment is prepared without the benefit of detailed architectural or engineering drawings; consequently, all cost assumptions are based on experience with costs incurred on similar projects under similar circumstances. Also, no detailed site assessment is undertaken to identify potential site remediation requirements, if any. This assessment assumes that each land parcel has been appropriately remediated and serviced prior to land sale/lease.

D.1.4.4 PARKING REQUIREMENTS

Exhibit D-2 summarizes the assumptions for parking requirements:

Exhibit D-2

Summary of Parking Requirements

Housing Type	Parking Stalls/Unit
Prime Market Condo	139% to 150%
Mid-Market Condo	75% to 111%
Market Rental	75%
Low End of Market Rental	55%
SRO	0%

D.1.4.5 ANTICIPATED REVENUES FROM RESIDENTIAL LAND

Exhibit D-7 shows anticipated revenues per unit from the sale of residential lands.

D.1.4.6 ANTICIPATED COSTS

Exhibit D-3 summarizes the soft costs for each housing type and Exhibit D-4 summarizes the hard construction costs. The costs are for both condominium and rental apartment units, unless otherwise specified.

Exhibit D-3

Summary of Project Soft (Development) Costs ($2002)

Item	Amount ($)	Description
Municipal Development Charge	$2,379	Per residential unit (full cost of residential development charges both City and Education, $3,173, subject to a 25% reduction)
Building Permit Fee	$12/m2	Of Gross Floor Area (GFA), or $1.11/sq.ft.
Municipal Property Tax Rate	1.214%	Of assessed land value*
Land Transfer Tax	1.5%	Of assessed land value*
Cash In-Lieu (of Park Dedication) Fee	0%	Developers assumed to be exempt from fees
Consultants	6 – 8%	Of hard construction costs
Ontario New Home Warranty Program	$850	Per unit, assumed across all units for the purpose of this analysis
Legal and Condominium Fees	$100,000 lump sum + $750 per unit	Required for unit closings, drafting sale agreements, condominium documents, reciprocal agreements and general services
Marketing	1.5 – 2.0%	Of total revenues, varies depending on location and type and number of units
CMHC Application Fee	$50,000	General administrative fee (for rentals)
CMHC Insurance Premium Rate	2.50%	Of total loan amount (for rentals)
Hard and Soft Cost Interest	8.00%	Interest expense from construction financing
Bank Fee	1.00%	Of construction cost
Sales Commission	2.5%	Of total revenue, including co-brokerage fees
Goods and Services Tax	4.48%	Of total revenue (7% for rentals)
Contingency	3.5%	Of construction cost
After Sales Service	$1,000	Per unit

Exhibit D-4

Summary of Hard (Building) Construction Costs ($PSF, Year 2002)

Housing Type	Above Grade*	Below Grade	Blended Cost
Prime Market Condo			
East Bayfront Waterfront	$118	$55	$156
Portlands	$113	$50	$140
Mid-Market Condos			
East Bayfront	$113	$50	$142
Exhibition Waterfront	$103	$50	$132
Other Portlands & Exhibition Sites	$103	$50	$135
West Donlands	$88	$45	$110
Market Rentals			
East Bayfront	$113	$55	$134
Portlands & Exhibition Sites	$98	$50	$117
Low End of Market Rentals	$93	$45	$107
SRO	$88	N/A	$89

*These costs include internal site servicing.

Exhibit D-5 summarizes anticipated average annual operating costs for rental apartment units. Operating costs will vary depending on product positioning.

Exhibit D-5

Average Annual Operating Costs for Market Rental Units, Year 2002

Item	Cost	Description
Utilities	$0.16	Per square foot (net) per month
Repairs and Maintenance	$250	Per unit
Property Management	3.00%-7.50%	of total revenue, varies by product type
Overhead Allocation	$200	Per unit
On-Site Staffing	$300	Per unit

D.1.4.7 COST AND REVENUE INFLATION FACTOR

For the prime development sites, attainable condominium prices increase by 3.5% per year, as the supply of these quality waterfront sites diminishes. After 2007, revenues from the sale of residential units on prime condominium sites increases at 4.0% per year. For all other condominium sites, revenues increase by 3.0% per year. For rentals, rents increase by 3.5% per year.

Construction and operating costs for condominium and rental lands, increase by 3.0% per year.

D.1.4.7 TIMING

Exhibit D-6 summarizes the length of time involved in each stage of the development process

Exhibit D-6

Summary of Development Timeline

Development Stage	Time Period	Comment
Years Prior to Land Sale/lease	Varies	See Section on Land Sales Timing
Period to begin Marketing after Land Purchase	12 months	Accounts for time required to obtain development approvals
Presales Period	18 months	Time required to achieve 70% presales
Construction Period	16 months	
Post-Construction Absorption Period	Varies	

D.1.4.9 RATE OF RETURN AND PROFIT MARGIN

A rate of return on investment of 8% to 15% is usually anticipated for real estate development. Given the current risk profile of residential development for market condominium apartments, this analysis assumes a developer's profit of 10% of revenues. For rental apartment units, this analysis assumes a target return on equity (ROE) of 9% in the first full year of occupancy.

D.1.4.10 RESIDUAL LAND VALUE AND PROJECT PROFITABILITY

Exhibit D-7 indicates the estimated value of the residential lands in the four districts is about $2.3 billion nominal dollars. The land values rise over time due to inflating revenues. Prime development sites see the greatest increase in land values, due to the diminishing supply of high quality waterfront sites.

Assuming a general inflation rate of 2.3% per annum over the life of the Waterfront land buildout, the estimated value of the residential bid in constant 2002 dollars is about $1.6 billion.

Exhibit D-7

Estimated Land Values, Project Lands (nominal dollars)

Year	Rental Units	Rental Land Value	Condo Units	Condo Value	Total Units	Total Land Value	Total Value/Unit
2003	0	$0	0	$0	0	$0	$0
2004	0	$0	0	$0	0	$0	$0
2005	632	$7,757,263	256	$18,190,965	888	$25,948,228	$29,221
2006	1088	$13,841,502	695	$35,920,868	1,783	$49,762,371	$27,909
2007	1159	$18,125,670	803	$33,105,711	1,962	$51,231,381	$26,112
2008	926	$12,354,279	1,142	$37,178,641	2,068	$49,532,920	$23,952
2009	1041	$13,471,532	1,232	$63,632,177	2,273	$77,103,709	$33,922
2010	453	$4,941,680	1,492	$105,414,203	1,945	$110,355,883	$56,738
2011	473	$9,217,831	1,353	$113,208,849	1,826	$122,426,680	$67,046
2012	270	$3,697,456	1,481	$118,348,047	1,751	$122,045,503	$69,700
2013	391	$6,074,520	1257	$105,530,781	1,648	$111,605,301	$67,722
2014	547	$8,407,623	1219	$78,603,745	1,766	$87,011,369	$49,270
2015	1,016	$16,158,612	395	$13,772,772	1,411	$29,931,384	$21,213
2016	416	$15,623,603	937	$60,943,355	1,353	$76,566,958	$56,591
2017	784	$24,152,497	660	$78,434,104	1,444	$102,586,602	$71,043
2018	791	$16,966,364	665	$86,797,229	1,456	$103,763,593	$71,266
2019	415	$13,622,093	1,329	$94,582,661	1,744	$108,204,754	$62,044
2020	467	$24,309,098	1392	$104,066,332	1,859	$128,375,430	$69,056
2021	115	$1,526,722	1152	$59,081,113	1267	$60,607,835	$47,836
2022	282	$15,210,694	708	$57,196,572	990	$72,407,265	$73,139
2023	274	$8,483,042	561	$38,950,975	835	$47,434,017	$56,807
2024	535	$15,763,862	156	$36,251,316	691	$52,015,178	$75,275
2025	397	$19,618,317	543	$68,972,899	940	$88,591,215	$94,246
2026	480	$15,668,457	615	$59,439,835	1,095	$75,108,292	$68,592
2027	461	$15,979,399	684	$97,370,442	1145	$113,349,841	$98,995
2028	1015	$51,588,038	410	$68,265,372	1,425	$119,853,410	$84,108
2029	285	$21,502,441	284	$40,568,675	569	$62,071,116	$109,088
2030	569	$37,384,720	734	$58,146,371	1303	$95,531,091	$73,316
2031	829	$45,440,301	509	$43,496,867	1338	$88,937,168	$66,470
2032	972	$58,575,203	510	$47,395,337	1482	$105,970,540	$71,505
2033	0	$0	0	$0	0	$0	$0
Total	**17,083**	**$515,462,818**	**23,174**	**$1,822,866,217**	**40,257**	**$2,338,329,034**	**$58,085**

D.1.4.11 AFFORDABILITY

Of the market condominium apartments, approximately 2,800 units will be "Low End of Market" (with a price of $150,000 or less, and a carrying cost below $1,300 per month in Year 2002 dollars).

D.1.4.12 ANALYSIS OF BREAK-EVEN "LOW END OF MARKET" RENTS

The following is a preliminary analysis of the "Low End of Market" rents that could be supported by a "nil" land value. The outcome is quite sensitive to assumptions, as indicated below.

For instance, an Low End of Market project will yield a land value of zero if:

- its total GFA is 25,000 square metres;
- the average unit size is 765 sf (net), 900 sf (gross);
- the land is sold in 2002;
- construction starts in a year;
- monthly rent is $1,240 today, and rises by 2.75% per year to the date of occupancy, at which point it is $1,332;
- costs rise by 2.25% per year;
- parking is $50 per month (and is taken by about 55% of the tenants);
- development charges are applied at an average of $2,379 per unit;
- the vacancy/bad debt rate is 1.5%.

If its assumed that the land sale occurs in five years, to get a "nil" land value, today's rent is $1,175, or $1,499 at the time of occupancy. If the sale occurs in 10 years, the rent today is $1,150, increasing to $1,742 at occupancy. On the other hand, if the rent is set at $1,200 (today's value) and the land sale occurs in 5 years, the land value is $2.54 per square foot gross of building area, or $2,277 per unit.

D.1.4.13 CONCLUSION

The analysis indicates that condominium apartments support the highest land value. Not surprisingly, high-end condominiums support higher land values than do affordable rentals. In addition, market rentals do not support the same land values as do condominiums.

D.2 REVENUES FROM COMMERCIAL LAND

Future developments on the Project Lands will include a variety of commercial uses in many different built forms. This section describes the commercial uses that might be marketable and appropriate, and estimates attainable prices and absorption rates for each use.

The plan of development includes five major commercial class in its land use plan: Institutional, commercial, Trade Centre, Trade Mart, Hotel and commercial/residential. The following are the assumed uses identified for purposes of valuing commercial development lands:

- Multi-Use Employment (higher order employment type use with a significant amount of finished and office type space).
- Ground/street-oriented office/commercial.
- Portlands District for Creativity and Innovation. A designated area for clustered commercial development wherein significant tax incentives would be offered to qualifying businesses. The Portlands District for Creativity and Innovation is envisioned to include almost 3,300 residential housing units and 2.1 million square feet of commercial space within the Portlands.
- Office.
- Hotels.
- Trade Centre.
- Trade Mart.

Lands identified as Institutional have been reclassified for purposes of this valuation as office.

A nil land value has been attributed to the lands described as Trade Centre, Trade Mart and Hotels. This has been done for two reasons; first to reflect current market conditions and second, to reflect common practices observed in other major urban centres, where significant incentives are put in place to make feasible the development and operation of such uses, as envisioned by the development plan.

The land valuation exercises, as summarized in this section, assume all of the underlying development plan assumptions as per the Base Case, which has been described earlier in this report. As part of the Base Case assumptions, the following valuation is based on the following additional underlying assumption: no monies for park land dedication are payable with respect to any development on the Project Lands.

D.2.1 Product Positioning

Exhibit D-8 summarizes the variety of market positionings that we consider most marketable for the commercial lands throughout the three waterfront districts. It identifies the assumed commercial land use and the respective assumed average lease price for buildings, on a dollars per square foot ($PSF) basis.

Exhibit D-8

Summary of Commercial Land Use and Pricing Assumptions, Year 2002

	Average Lease Price ($PSF)	Potential Parking Revenue (per stall/month)
Multi-Use Employment	$11.00	$0.00
Ground/Street Oriented Office/Commercial	$15.00	$150.00
Office	$25.00	$180.00
Hotel	N/A	N/A
Trade Centre/Mart	N/A	N/A

These recommendations incorporate our assessment of the characteristics of likely commercial users for each of the product categories, as well as our estimates of market prices. We have made further assumptions with respect to the location of the uses within each of the particular districts. For example, office uses have been assumed to be located in district parcels, which are solely dedicated to commercial uses and located at major intersections close to existing or future commercial nodes. Flex industrial (multi-use) uses have been assumed to be concentrated in the Portlands area, building on the existing neighbourhood traditional uses. Ground oriented commercial uses, which may include both office, retail and other service oriented commercial uses have been incorporated into the many mixed uses parcels within the three districts that have proposed commercial density allocations.

These estimates of achievable average rents are effective as of the beginning of year 2003. In our financial analysis, we incorporate the following inflation adjustments:

- All potential revenues, specifically lease rates, have been assumed to increase at a rate of 3.50% per annum.
- All project costs, except for land value, the appreciation of which is based on the function of both potential future development revenues and costs, have been assumed to increase at a rate of 2.5% per annum.

D.2.2 Absorption Rates

Exhibit D-9 summarizes commercial density, measured in number of buildable square feet, that is expected to be absorbed by the market per year, for the three districts that include commercial development. The absorption rates for each district vary, but the overall and underlining assumption is that the Central Waterfront can support on average of approximately 400,000 square feet annually of buildable commercial land density during the first 15 years of the proforma analysis, then tapering to a slower rate over the balance of the analysis period. Based on this underlying assumption, the commercial land sales period is about 25 years. Assuming that land sales start in 2003, the program would be complete by about 2028. Although a nil land value has been attributed to the lands described as Trade Centre, Trade Mart and Hotels, the density allocations for these uses have been incorporated in the overall absorption analysis, save and except the Hotel and Trade Centre. It is assumed that these lands would be developed outside the market constraints applicable to the balance of the market as described herein.

For purposes of estimating potential land revenues from the sale of commercial lands, relatively conservative commercial space absorption rates have been used. These absorption rates have been based on the past performance of the Toronto market and markets in similar major urban centres. These estimates did not assume the presence or consequences of proactive marketing programs or incentives programs for new commercial development in any of the Project Lands districts. As such, it is reasonable to assume that higher rates of commercial space absorption may be achieved if these types of resources were to be put in place to directly stimulate and attract employment and commerce-oriented users into the Project Lands. In particular, the applications of such programs within a localized area, specifically the Portlands District for Creativity and Innovation, could significantly increase the amount and absorption rate of new commercial development.

Exhibit D-9

Summary of Commercial Land Use and Pricing Assumptions, Year 2002

	Multi-use Employment	Ground/Street Oriented Commercial	Office	Hotel/Trade (Parcel 110)	Trade Centre	Trade Mart	Total
Exhibition							
Total Commercial Density (SF)	112,059	764,195	651,500	627,708	235,762	104,970	2,496,194
Total Commercial Density (SF) per Year*	11,205	76,420	65,150	62,770	23,576	10,497	249,619
Percent	4%	31%	25%	26%	9%	4%	100.00%
East Bayfront							
Total Commercial Density (SF)	0	157,056	0		0	0	157,056
Total Commercial Density (SF) per Year*	0	17,450	0		0	0	17,450
Percent	0%	100%	0%		0%	0%	100.00%
West Donlands							
Total Commercial Density (SF)	0	288,344	0	0	0	0	288,344
Total Commercial Density (SF) per Year*	0	41,192	0	0	0	0	41,192
Percent	0%	100%	0%	0%	0%	0%	100.00%
Portlands							
Total Commercial Density (SF)	2,842,092	862,108	958,887	0	0	0	4,663,087
Total Commercial Density (SF) per Year*	113,683	34,484	38,355	0	0	0	186,523
Percent	61%	18%	21%%	0%	0%	0%	100.00%
TOTAL DENSITY (SF)	2,954,152	2,071,703	1,610,387	627,708	235,762	104,970	7,604,681
Total Commercial Density (SF) per Year**	118,166	82,868	64,415	25,108	9,430	4,199	304,187
% TOTAL	39%	27%	21%	8%	3%	1%	100.00%

* Total number of years is equal to the build out time horizon for the district.
** Total number of years is equal to the build out time horizon for all land, or 25 years

D.2.3 Timing and Phasing of Commercial Land Absorption

This section provides a rationale for the proposed allocation of land uses and absorption rates in order to develop a schedule of phasing and timing for the sale of the land parcels.

The following outlines the process for developing the land sales schedule, including various assumptions and factors that have an impact on its development:

- **Target mix –** a mix of 40% Multi-Use Employment, 25% Ground/Street Oriented Commercial, 20% office and 15% trade oriented market land density is distributed across the three main districts.
- **Allocation of land uses –** each district and parcel is assessed individually for a variety of locational factors, including access to transportation and to local amenities such as parks, for frontage on or near the water's edge and more importantly, access to existing employment nodes and other commercial points of concentration around major existing and future intersections. In general, the most desirable lands were allocated the highest value uses. However, within each area, there is a complement of lower order commercial uses. There is no commercial land value or density allocated lands within the West Donlands district. To the extent possible, the phasing of commercial development was assumed to be completed in unison with residential development within that district and within the individual parcels of parcels of land.
- **Balancing the mix –** while the mix of commercial density is close to the targets identified above, a high percentage of industrial oriented use was allocated to the Portlands, and a low percentage in the balance of the districts. Similarly, a high level of ground oriented commercial uses which are appropriate to the mixed-use type of development envisioned is allocated to the Exhibition district.

D.2.4 Financial Analysis

This section presents the findings of the financial analyses conducted for the waterfront parcels. The evaluation methodologies, cost and revenue assumptions for each analysis type are described in this section.

D.2.4.1 COMMERCIAL DEVELOPMENT EVALUATION METHODOLOGY

The financial analysis of the parcels identified for development as commercial development utilizes the residual land value approach, as outlined below:

- Step 1: Estimate achievable commercial lease rates
- Step 2: Deduct development costs (except land)
- Step 3: Calculate surplus available for land and profit
- Step 4: Subtract profit margin
- Step 5: Remainder is residual land value
- Step 6: Translate to constant dollars.

The residual land value is the amount that a knowledgeable builder would pay for the land, taking into account achievable revenues, development costs, timing and a required rate of return. However, this should not be necessarily viewed as the maximum attainable selling price for a property. A developer or builder may offer a price exceeding the market value, depending on several factors, including a competitive bidding process pushing up the value of a popular site, anticipated increases in lease rates or the need to use a firm's under-utilized resources. Similarly, the offer price could also be lower, if the market demand slows down or factors like interest rates and construction costs increase above that which is estimated.

The financial analysis model utilizes the market parameters to determine expected revenues. Expected costs are based on Lyon Consultants' project experience as well as the costs taken from the Helyar Construction Cost Guide (2000 edition). It is believed that these cost and development parameters are representative of the market today, while also accounting for locational factors.

D.2.4.2 REVENUE ANALYSIS ASSUMPTIONS

The revenue analysis model is typically divided into four sections:

- Project assumptions.
- Anticipated project costs (and operating costs).
- Anticipated project revenues.
- Residual land value calculations.

Project assumptions include types of uses, parking requirements, unit prices, hard costs (building and parking construction), soft costs (marketing, legal, consultants, etc.), interest rates, timing and required rates of return.

This revenue assessment is prepared without the benefit of detailed architectural or engineering drawings; consequently, all cost assumptions are based on experience with similar projects. Also, a detailed site assessment has not been undertaken to identify potential site remediation requirements, if any. This assessment assumes that each land parcel has been appropriately remediated and serviced prior to land sale/lease.

D.2.4.3 PARKING REQUIREMENTS

Exhibit D-10 summarizes the assumptions used to estimate parking requirements for commercial lands.

Exhibit D-10

Commercial Parking Requirements

Commercial Use	Number of Parking Stalls/ 1,000 SF of Leaseable Area
Multi-Use Employment	1
Ground/Street Oriented Commercial	2
Office	3
Hotel	0.5
Trade Centre	N/A
Trade Mart	N/A

D.2.4.4 ANTICIPATED REVENUES

Anticipated revenues are shown in Exhibit D-14.

D.2.4.5 ANTICIPATED COSTS

Exhibit D-11 and Exhibit D-12 summarize the hard and soft costs for each commercial use. The costs are applicable to all proposed commercial uses, unless otherwise specified.

Exhibit D-11

Summary of Project Soft (Development) Costs, Year 2002

Item	Amount ($)	Description
Municipal Development Charge	$0.00	No development charges for commercial uses have been assumed
Building Permit Fee	$1.07 to $1.54 PSF	of Gross Floor Area (GFA), [only Multi-Use Employment qualifies for the lower rate of $1.07 PSF]
Land Transfer Tax	1.5%	of assessed land value*
Consultants	10%	of hard (construction) costs
Marketing (leasing costs)	$7.00 PSF	Applicable to office and Ground/Street Oriented Commercial, based on net rentable area
	6%/2.5%	Applicable to Multi-Use Employment, 6% of year one net rent, 2.5% of net rent therefore assuming a 10-year deal.
Hard & Soft Cost Interest	8.00%	interest expense from construction financing
Sales Commission	2.0%	of total revenue, including co-brokerage fees
Land Carry Cost	8.0%	Of
Contingency	1.0% to 3.0%	of construction cost
Builders Fee and Profit	15%	Of total construction cost and land value

* For the purpose of this exercise, calculated as a % of the estimated market land value

Exhibit D-12

Summary of Hard (Construction) Costs ($PSF, Year 2002)

Commercial Use	Above Grade	Below Grade	Site Servicing (per acre of land)
Multi-Use Employment	$45	$35	$72,000
Ground/Street Oriented Commercial	$75	$40	$110,000
Office	$140	$45	$110,000
Hotel	$125	$40	$110,000
Trade Centre	N/A	N/A	N/A
Trade Mart	N/A	N/A	N/A

D.2.4.6 COST AND REVENUE INFLATION FACTOR

For all commercial development sites, attainable commercial lease prices increase by 3.5% per year.

Construction and operating costs increase by 2.50% per year.

D.2.4.7 TIMING

Exhibit D-13 summarizes the length of time involved in each stage of the development process.

Exhibit D-13

Summary of Development Timelines

Development Stage	Time Period	Comments
Years Prior to Land Sale	Varies	See Section on Land Sales Timing
Period to begin Marketing after Land Purchase	12 months	Time required to obtain development approvals
Pre-leasing Period	12 months	Time required to achieve 70% presales
Construction Period	12 months	

D.2.4.8 RATE OF RETURN AND PROFIT MARGIN

A rate of return on investment of 8% to 15% is usually anticipated for real estate development. In order to reflect the significantly higher risk profile of commercial real estate development, this analysis assumes a builder's profit of 15% on total development costs including land costs.

For purposes of estimating the reversionary value of the developable real estate, we have assumed a capitalization rate at time of disposition ranging from 9% to 12%.

The model also assumes a discount rate of 12% over the course of the development life, for purposes of identifying the present value of the lands at the time of sale.

D.2.5 RESIDUAL LAND VALUE AND PROJECT PROFITABILITY

Exhibit D-14 indicates the estimated value of the commercial lands in the four districts is about $203 million in nominal dollars. The land values rise over time due to inflating revenues.

Assuming a general inflation rate of 2.3% per annum over the life of the Waterfront land build out, the estimated value of the commercial land in constant 2002 dollars in the three districts is about $144 million.

Exhibit D-14

Estimated Land Values, Project Lands (nominal dollars)

Year	Total Development Bldg. Area (SF)	Total Land Value	Total Value/SF
2003	0	$0	$0.00
2004	0	$0	$0.00
2005	0	$0	$0.00
2006	1,689,107	$26,120,884	$15.46
2007	767,594	$10,045,535	$13.09
2008	380,084	$4,839,220	$12.73
2009	384,508	$3,982,048	$10.36
2010	606,023	$14,322,324	$23.63
2011	323,337	$13,371,899	$41.36
2012	296,460	$10,844,436	$36.58
2013	264,107	$7,691,802	$29.12
2014	585,356	$16,455,914	$28.11
2015	376,005	$12,121,285	$32.24
2016	209,067	$0	$0.00
2017	0	$0	$0.00
2018	391,247	$11,918,948	$30.46
2019	0	$0	$0.00
2020	0	$0	$0.00
2021	0	$0	$0.00
2022	251,897	$10,490,977	$41.65
2023	0	$0	$0.00
2024	0	$0	$0.00
2025	311,185	$15,256,884	$49.03
2026	0	$0	$0.00
2027	0	$0	$0.00
2028	768,705	$45,404,160	$59.07
2029	0	$0	$0.00
2030	0	$0	$0.00
2031	0	$0	$0.00
2032	0	$0	$0.00
2033	0	$0	$0.00
Total	7,604,681	$202,866,315	$26.68

APPENDIX E

Government Revenues and Employment Impacts

Appendix E - Government Revenues and Employment Impacts

E.1 INTRODUCTION

This appendix discusses the derivation of estimates of government revenues and employment impacts resulting from the implementation of the Base Case of the Toronto Waterfront Revitalization Project.

Revenues will flow to the three levels of government as a result of the implementation of the Project. In this analysis, government revenues flowing to the Federal, Ontario, and City of Toronto governments are those monies that will flow to the governments in their normal role as governments receiving various forms of tax and fee revenues, rather than in their role as participants in and funders of the TWRC.

Three categories of impact are considered:

- Direct – These are impacts generated in the Project Lands.
- Indirect – These are impacts generated among suppliers to the direct Project participants.
- Induced – These are impacts associated with the re-spending of the direct and indirect incomes earned.

Section E.2 of this appendix describes the impact framework, methodology, and technical terms used in the analysis of impacts.

This appendix presents impacts for two aspects of the Project:

- The **Construction Activities** of the Project (i.e., the construction that takes place from the time work commences to the end of the build-out in year 2035) which have been categorized into two elements:
  - **Buildings Component**, i.e., the sale/lease of developed land to builders, who will proceed to build and sell residential and commercial buildings in the Project Lands.
  - **Infrastructure Component** – TWRC infrastructure spending, some of which is required to develop the land.
- The **End State** of the Project, i.e., those impacts associated with the residential occupancy and commercial activity taking place on the Project Lands. End State impacts include the "phase up" to the year 2035 and beyond.

For both government revenues and employment impacts, estimates have been developed only for the Base Case. The various funding options discussed earlier in this report have not been considered in the estimate of employment and government revenues. For example, should a casino be established to help fund the Project, the casino would generate additional employment and government revenue impacts that have not been captured in this appendix.

Estimates of government revenues are based on the straightforward application of the applicable tax laws, assuming that the Toronto Waterfront Revitalization Project is successfully implemented, with typical levels of personal and business income associated with the economic activity resulting from the Project. The analysis does not explicitly consider the various forms of tax planning that might influence the timing and/or amount of overall government revenues.

Government revenue and employment estimates are made at a high level only, and each estimate should be considered as a mid-point of a range of plausible results.

The analysis presents results at the provincial level, but these estimates have been derived from separate results for both the Toronto Census Metropolitan Area ("CMA")[1] and the Province of Ontario. It is anticipated that the majority of economic impacts will occur within the Toronto CMA.

It has not been possible to quantify existing economic activity and government revenues in the Project Lands, but the amounts are relatively small compared to End State outcomes described later in this appendix. This analysis also develops no estimates of government revenues associated with additional economic direct activity that could take place elsewhere in the Greater Toronto Area ("GTA") or the Province as a result of the Project; and makes no adjustments for possible diversion of economic activity from other parts of the GTA to the Project Lands as a result of its redevelopment.

1 The Toronto CMA comprises the new amalgamated City of Toronto (formerly known as "Metro Toronto" and comprising the former cities of North York, York, Toronto, Etobicoke, and Scarborough, and the former borough of East York); the towns of Ajax, Aurora, Bradford West Gwillimbury, East Gwillimbury, Caledon, Georgina, Halton Hills, Markham, Milton, New Tecumseth, Newmarket, Oakville, Orangeville, Pickering, Richmond Hill, and Whitchurch-Stouffville; the cities of Brampton, Mississauga, and Vaughan; the townships of King, Mono, and Uxbridge; and the native reserve of Georgina Island 33.

E.2 IMPACT FRAMEWORK, METHODOLOGY AND TECHNICAL TERMS

In this section, we discuss the impact framework, methodology, and technical terms used in the analysis.

E.2.1 The Framework

The accepted framework for categorizing and estimating economic impacts is used. Estimates have been made for three categories of impact:

- Direct – These are impacts generated in the Project Lands. For example, during the Construction Activities, direct employment is primarily on-site construction work; direct business income is primarily the profits earned by builders/construction companies; and direct government revenues are the fees and taxes generated directly as a result of the development and construction activity, i.e., fees and indirect taxes paid to governments, and taxes on the direct labour and business income.
- Indirect – Indirect impacts are the economic activity, taxes generated, and incomes earned off-site, among suppliers to the direct project participants.
- Induced – Induced impacts are the employment and business income, and the associated personal and corporate taxes, resulting from the re-spending in the general economy of the direct and indirect incomes earned.

The economic impacts reported in this analysis make use of Year 2002 inputs in accordance with the Business Plan. These Year 2002 inputs have been used in conjunction with Year 2000 economic multipliers that were developed in support of previous estimates of economic impacts of the Project. No effort has been made to update these economic multipliers from Year 2000 to Year 2002. Accordingly, taxation rates and employment multipliers are set in the Year 2000.

E.2.2 Methodology

Estimates of direct, indirect, and induced employment and government revenues were developed separately for both the Toronto CMA and the Province of Ontario.

These estimates were developed through the use of expenditure and revenue estimates, in conjunction with the Conference Board of Canada's TEAM Model and the application of standard economic impact methodologies.

The TEAM Model is the most widely recognized tool in Canada for the development of economic impact assessments at the sub-provincial level. Although the TEAM Model does not generate employment results at the Canada level, it is expected that most of the Canadian-level impacts generated will occur in the Province of Ontario. However, the TEAM Model does calculate workers' contributions to federal government revenues, and these are reported in this appendix. The TEAM Model does not allocate commercial and residential property taxes between the provincial and municipal governments (the TEAM Model provides aggregate estimates of residential and commercial property taxes paid) — norms for property tax sharing have been used to split out commercial and residential property taxes paid to the municipal and provincial governments.

E.2.3 Definition of Relevant Technical Terms

This analysis describes employment supported and government revenues generated by economic activity in the Toronto CMA and the Province of Ontario. These government revenues include contributions to municipal, provincial and federal revenues from the Toronto CMA and rest-of-Ontario economic activity that is associated with the activities being examined – (1) the Buildings Component of the Construction Activities; (2) the Infrastructure Component of the Construction Activities; and (3) the End State.

E.2.3.1 EMPLOYMENT

For employment that is on-going, employment impacts are expressed in terms of jobs (i.e., employment impacts associated with annual expenditures). A job in each industry reflects the existing mix of employment typical of that industry, and includes the appropriate combination of full and part-time jobs, and of permanent and temporary employment. For temporary employment (i.e., those employment impacts associated with "one-off" capital expenditures), employment impacts are measured in terms of person-years ("PYs").

E.2.3.2 GOVERNMENT REVENUES

Government revenues comprise municipal, provincial, and federal government revenues as follows:

- Municipal government revenues comprise the municipal share of the residential and commercial property taxes; development charges; and other fees and levies.
- Provincial government revenues comprise the provincial share of corporate and personal income taxes; the educational component of property taxes; land transfer taxes; consumption taxes such as ORST; gasoline taxes; and employer contributions to workers' compensation and the Ontario employer health tax.
- Federal government revenues comprise the federal share of corporate and personal income taxes; federal excise taxes, duties, and GST; and employer and employee contributions to Employment Insurance ("EI") and Canada Pension Plan ("CPP").

Because of technical constraints, not all elements of these government revenues are reported for all of the economic activities under study; rather, the above description summarizes the diversity of government revenues that are reported in this analysis. Readers are cautioned to read the sections describing the activities being examined, (1) the Buildings Component of the Construction Activities (see Section E.2.4.1; (2) the Infrastructure Component of the Construction Activities (see Section E.2.4.2; and (3) the End State (see Section E.2.5) to see what is "in" and "out" of the various estimates of government revenues. Government revenues are considered somewhat differently in the analysis of the Construction Activities and of the End State. Each is discussed below.

In the exhibits that appear in this analysis, "S.S. Pension & Medical" revenues comprise, at the provincial level, employer contributions to Workers' Compensation and the Ontario employer health tax; and, at the federal level, employer and employee contributions to EI and CPP. In addition, "Excise, Duties and Gas" revenues comprise, at the provincial level, gasoline taxes; and, at the federal level, federal excise taxes, duties, and gasoline taxes.

Government revenues are expressed in millions of constant Year 2002 dollars ("$2002 M"). The government revenue estimates are developed in part from employment estimates, which are also described in this appendix.

E.2.3.3 DIRECT, INDIRECT, AND INDUCED IMPACTS

In this appendix, employment and government revenues estimates are expressed in terms of direct, indirect, and induced impacts.

Direct impacts are associated with the activities being examined and the definition of "direct" differs for each activity:

- for the Construction Activities of the Project, direct jobs comprise construction jobs in the Project Lands and the direct government revenues that flow from the construction activity;
- for the End State of the Project, direct jobs comprise those jobs associated with the new commercial activities at the Exhibition (the expansion of the National Trade Centre, the Trade Mart, the Hotel, and the Multi-Use Employment, Ground/Street Oriented Office/Commercial, and Office space); the East Bayfront (the Ground/Street Oriented Office space), the West Donlands (the Ground/Street Oriented Office space), and the Portlands (the Multi-Use Employment, Ground/Street Oriented Office/Commercial, Portlands District for Creativity and Innovation, and Office space); and the direct government revenues that flow from these commercial activities.

Indirect impacts represent the effect of the first and subsequent rounds of expenditure by suppliers to the project construction site during the Construction Activities and suppliers to the new commercial activity in the End State. The suppliers themselves generate demand for labour and goods and services produced by other industries, and earn business income. This pattern of expenditure flow continues in the economy and goods and services purchased in the first round ultimately become labour income, business income, and government income, or "leak" out of the economy as imports.

In all cases, induced impacts are those impacts associated with the re-spending of direct and indirect labour income generated.

For example, for the case of the economic activity associated with the Construction Activities, direct impacts comprise Project site construction employment and the government revenues generated by Project site construction and its employees; indirect impacts comprise the employment and government revenues generated by suppliers to the Project site; and induced impacts comprise the employment and government revenues associated with the re-spending of direct and indirect labour income.

E.2.4 Construction Activities

The aggregate Construction Activities associated with the Project (from the time work commences to the year 2035) and associated impacts are categorized as follows:

- **Buildings Component**, i.e., the sale/lease of developed land to builders, who will proceed to build and sell residential and commercial buildings in the Project Lands.
- **Infrastructure Component** – TWRC infrastructure spending, some of which is required to develop the land.

E.2.4.1 BUILDINGS COMPONENT

For the Buildings Component, estimates of direct ORST, GST, land transfer taxes, permit fees, and development charges were developed from a financial model. Using known relationships concerning provincial and federal shares of corporate income taxes, direct federal and provincial corporate income taxes were derived from that financial model. In addition, estimates of direct employment; federal and provincial personal income taxes; S.S. Pension and Medical revenues; and Excise, Duties and Gas revenues were derived using the Conference Board of Canada's TEAM Model, based on aggregate estimates of direct construction wages and salaries.

Estimates of indirect and induced impacts were derived by running the cost of the Buildings Component of the Project – $6.9 billion[1] – through the Conference Board of Canada's TEAM Model and analyzing indirect and induced impacts. In this manner, the TEAM Model was used to translate the expenditure data into the following estimates of municipal, provincial, and federal economic impacts:

- Toronto CMA and Province of Ontario direct, indirect and induced employment;
- Provincial government revenues:
  - the provincial share of indirect and induced corporate and personal income taxes;
  - the provincial share of indirect and induced residential and commercial property taxes;
  - direct, indirect, and induced employer contributions to workers' compensation and the Ontario employer health tax;
  - direct, indirect, and induced gasoline taxes; and
  - induced ORST.
- Federal government revenues:
  - the federal share of indirect and induced corporate and personal income taxes;
  - direct, indirect, and induced employer and employee contributions to EI and CPP;
  - direct, indirect, and induced federal excise taxes and duties; and
  - induced GST.
- Municipal government revenues:
  - indirect and induced residential and commercial property taxes.

E.2.4.2 INFRASTRUCTURE COMPONENT

Conceptually, the Infrastructure Component of the Project may generate similar categories of direct government revenue as the Buildings Component. However, much of the land is owned by one of the three levels of government and many of the direct government revenues

1 $6.9 billion is the cost of residential and commercial construction for the Buildings Component of the Construction Activities. The retail value of residential and commercial construction including land is $12.9 billion.

generated in the Infrastructure Component will be costs to some other level of government. Accordingly, the assessment of direct government revenues on the Infrastructure Component of the Project has been limited to:

- Corporate income tax on profits earned during the construction of the Infrastructure Component.
- Personal income taxes on direct construction labour.
- Associated payroll taxes.
- Federal excise taxes and duties.
- GST.
- ORST.
- Provincial gasoline taxes.

For the Infrastructure Component, TWRC infrastructure spending – $3.7 billion (which excludes property acquisition and business interruption costs of $663 million which are primarily transfers rather than economic activity) – was run through the Conference Board of Canada's TEAM Model. The TEAM Model was used to estimate the following municipal, provincial, and federal economic impacts:

- Toronto CMA and Province of Ontario direct, indirect, and induced employment;
- Provincial government revenues:
  - the provincial share of direct, indirect, and induced corporate and personal income taxes;
  - the provincial share of direct, indirect and induced residential and commercial property taxes;
  - direct, indirect, and induced employer contributions to workers' compensation and the Ontario employer health tax;
  - direct, indirect, and induced gasoline taxes; and
  - induced ORST.
- Federal government revenues:
  - the federal share of direct, indirect, and induced corporate and personal income taxes;
  - direct, indirect, and induced employer and employee contributions to EI and CPP;
  - direct, indirect, and induced federal excise taxes and duties; and
  - induced GST.
- Municipal government revenues:
  - direct, indirect, and induced residential and commercial property taxes.

For the Infrastructure Component, a financial model was used to develop estimates of the GST and ORST paid by TWRC on the provision of infrastructure.

E.2.5 End State

The **End State** of the Project comprises the years from 2003 to 2035 and beyond when the build out and development of commercial activity is complete and includes the "phasing up" to the End State of the respective commercial activities that take place during the build out period and within the Project Lands. For example, when analyzing a particular projected tax revenue stream to a government in the End State (e.g., tax revenue stemming from a commercial activity), the analysis considers all of the taxes generated from 2003 through 2035 and beyond.

The **End State** of the Project, i.e., those impacts associated with the residential occupancy and commercial activity taking place on the Project Lands. End State impacts include the "phase up" to the year 2035 and beyond

The End State uses of available commercial space were translated into direct jobs supported by each element of the Plan, and End State impacts were "phased in" following the same timeline as development is expected to occur. End State operations have been "populated" using employee-to-floor-area ratios for a variety of industries. For the retail and restaurant sectors, Statistics Canada and Canadian Restaurant and Foodservices Association data were used to derive direct employment estimates based on planned floor space area and sales per square foot.

Indirect jobs associated with the End State are estimates based on Statistics Canada's published direct: indirect job output ratios for the Canadian Accommodation and Food Service; Retail Trade; Transportation and Storage; and Business Service industries.[1]

Using Statistics Canada wage and salary data by industry, direct and indirect jobs were translated into aggregate direct and indirect wage and salary bills. In turn, direct corporate taxes were estimated, by industry, using 1993 to 1997 Statistics Canada financial and employment data. End State direct and indirect wages and salaries were analyzed using the TEAM Model, providing the following estimates of municipal, provincial, and federal economic impacts:

- Induced Provincial employment.
- Provincial government revenues:
  - the provincial share of induced corporate income taxes;
  - the provincial share of direct, indirect, and induced personal income taxes;
  - the provincial share of indirect and induced residential and commercial property taxes;
  - direct, indirect, and induced employer contributions to workers' compensation and the Ontario employer health tax;
  - direct, indirect and induced gasoline taxes; and
  - induced ORST.
- Federal government revenues:
  - the federal share of induced corporate income taxes;
  - the federal share of direct, indirect, and induced personal income taxes;
  - direct, indirect, and induced employer and employee contributions to EI and CPP;
  - direct, indirect and induced federal excise taxes and duties; and
  - induced GST.
- Municipal government revenues:
  - indirect and induced residential and commercial property taxes.

For the End State, a financial model was used to develop estimates of the direct municipal and provincial property taxes associated with the assessed value of the residential and commercial buildings constructed and associated lands.

E.3 ECONOMIC IMPACTS

Exhibit E-1 provides a summary of the information upon which the assessment of the government revenues generated by the Construction Activities was based. Exhibit E-1 provides a financial summary breakout of the $12,900 million Buildings Component of the Project and the $4,350 million Infrastructure Component of the Project.

1 See "The Input-Output Structure of the Canadian Economy, 1993-1995", Statistics Canada, 1999.

Exhibit E-1

Summary of Construction Activities ($2002 Millions)

BUILDINGS COMPONENT	
Residential Units	
Market Condominium	$8,372
Market Rental	$1,535
Low End of Market Rental	$1,769
SRO	$175
Sub-Total	$11,850
Commercial Units	
Multi-Use	$317
Ground/Street Oriented Office/Commercial	$324
Office	$409
Sub-Total	$1,050
Total Buildings Component	$12,900
INFRASTRUCTURE COMPONENT	
Government Infrastructure Spending	
Property Acquisition and Business Interruption	$663
Precinct Plans and Project Initiation	$16
Site Clearing	$71
Environmental Remediation	$298
Don River and Toronto Bay Water Quality Improvements	$330
Site Grading	$175
Major Infrastructure	$1,930
Local roads and infrastructure	$271
Parks and Open Space	$522
Don River	$74
Total Infrastructure Component	$4,350

Notes: Property Acquisition and Business Interruption costs of $663 million do not have an economic impact (these costs are mostly transaction costs) are not included in the economic impact analysis for the Infrastructure Component. As such, Property Acquisition and Business Interruption figures are shown only for consistency with Exhibit 5-1.
Figures may not add up due to rounding.

E.3.1 Government Revenues

Exhibit E-2 shows the $6,723 million in direct government revenues that will accrue to governments from the Project. These revenues are the combination of government revenues associated with the Buildings Component, Infrastructure Component, and End State, and these revenues are presented on a net present value basis using the same parameters as used earlier in Chapter 5.

Exhibit E-2

Direct Government Revenues from Project, Buildings Component, Infrastructure Component, and End State (NPV $2002 M)

Federally Imposed Taxes:	
GST on sale of completed buildings	$325
GST on provision of infrastructure	$202
Corporate Income Taxes on Private Builders' Profits	$193
Corporate Income Taxes on Construction Firms' Profits	$24
Corporate Income Taxes on Commercial Activity	$915
Less: Credit to The Portlands District for Creativity and Innovation	($92)
Personal Income Taxes on Private Builders' Construction Workers' Wages	$175
Personal Income Taxes on Construction Firms' Construction Workers' Wages	$117
Personal income taxes on Commercial Activity Employees	$943
SS pension and medical on Private Builders' Firms and Employees	$67
SS pension and medical on Construction Firms and Employees	$45
SS pension and medical on Commercial Activity Firms and Employees	$342
Excise duties and gas on Private Builders' Firms and Employees	$15
Excise duties and gas on Construction Firms and Employees	$10
Excise duties and gas Commercial Activity Firms and Employees	$80
	$3,361
Provincially Imposed Taxes:	
PST on purchased building materials	$136
PST on provision of infrastructure	$141
Corporate Income Taxes on Private Builders' Profits	$103
Corporate Income Taxes on Construction Firms' Profits	$16
Corporate Income Taxes on Commercial Activity	$486
Less: Credit to The Portlands District for Creativity and Innovation	($49)
Personal Income Taxes on Private Builders' Construction Workers' Wages	$89
Personal Income Taxes on Construction Firms' Construction Workers' Wages	$60
Personal income taxes on Commercial Activity Employees	$479
LTT on sale of land	$13
LTT on sale of land and buildings (completed buildings)	$48
Residential Property Taxes (Education) - 33 year phase up of residents	$369
Residential Property Taxes (Education) - Construction Firms' employees	$16
Commercial Property Taxes (Education) - 33 year phase up of businesses	$288
Less: The Portlands District for Creativity and Innovation	($40)
Commercial Property Taxes (Education) - Construction Firms	$4
SS pension and medical on Private Builders' Firms and Employees	$8
SS pension and medical on Construction Firms and Employees	$5
SS pension and medical on Commercial Activity Firms and Employees	$40
Excise duties and gas on Private Builders' Firms and Employees	$11
Excise duties and gas on Construction Firms and Employees	$8
Excise duties and gas Commercial Activity Firms and Employees	$61
	$2,292
Municipally Imposed Taxes:	
Permit Fees (building permits, demolition permits, review fees, occupancy permits,	$31
Development charges on Residential/Commercial Construction (after credit to developer)	$32
Residential Property Taxes (municipal) - 33 year phase up of residents	$728
Residential Property Taxes (municipal) - Construction Firms' employees	$28
Commercial Property Taxes (municipal) - 33 year phase up of businesses	$289
Less: Credit to The Portlands District for Creativity and Innovation	($41)
Commercial Property Taxes (municipal) - Construction Firms	$3
	$1,070
TOTAL Federal, Provincial, and Municipal Government Revenues	**$6,723**

Notes: Private Builders' impacts are associated with the Buildings Component; Construction Firms' impacts are associated with the Infrastructure Component; and Commercial Activity impacts are associated with the End State.
Figures may not add up due to rounding.

Exhibit E-3 provides a breakout of the $6,723 million in direct government revenues reported in Exhibit E-2. Exhibit E-3 also shows estimates of the indirect and induced government revenues accruing to governments from the Project. As shown in Exhibit E-3, total direct, indirect, and induced government revenues amount to $10,044 million on a net present value basis.

Exhibit E-3

Direct, Indirect, and Induced Government Revenues from the Project (NPV $2002 M)

	Direct	Indirect	Induced	Total
Buildings Component				
Federal	$775	$137	$166	$1,078
Provincial	$395	$84	$149	$627
Municipal	$63	$22	$28	$113
	$1,233	$244	$343	$1,819
Infrastructure Component				
Federal	$397	$108	$116	$621
Provincial	$262	$66	$104	$432
Municipal	$31	$18	$20	$68
	$690	$191	$239	$1,121
End State Impacts				
Federal	$2,189	$328	$850	$3,367
Provincial	$1,635	$169	$746	$2,550
Municipal	$976	$59	$152	$1,187
	$4,800	$556	$1,748	$7,104
Total	$6,723	$990	$2,330	$10,044

E.3.2 Employment Impacts

Exhibit E-4 indicates that the Project would have the following impacts:

- **Buildings Component** spending would support 67,000 person-years of direct employment, and an additional 63,000 person-years of indirect and induced employment, for a total of 129,000 person-years of employment.
- **Infrastructure Component** spending would support approximately 31,000 person-years of direct employment, primarily as on-site construction employment, and an additional 34,000 person-years of indirect and induced employment, for a total of 65,000 person-years of employment.
- **End State** activity would support 17,370 annual direct jobs, along with 12,800 annual indirect and induced jobs, for a total of more than 30,000 ongoing jobs.

Exhibit E-4

Direct, Indirect, and Induced Employment Impacts from the Project

	Direct	Indirect	Induced	Total
Buildings Component (person-years)	67,000	28,000	35,000	129,000
Infrastructure Component (person-years)	31,000	16,000	18,000	65,000
End State (jobs)	17,370	4,630	8,170	30,170

Notes: The 17,370 direct End State jobs represent the annual employment impacts as at the year 2035 and beyond. On average, an additional 11,000 direct jobs are generated annually during the years leading up to the End State. These 11,000 jobs would be associated with an additional 3,000 indirect annual jobs and an additional 5,000 induced annual jobs during this period.
Figures may not add up due to rounding.

Exhibit E-5 below provides a breakout of the 17,370 annual direct jobs shown above in Exhibit E-4.

Exhibit E-5

Direct End State Employment, Year 2035 (Jobs)

Area	Direct jobs
Exhibition:	
Office	3,060
Retail	430
Restaurant	830
Warehouse	110
Hotel	300
Trade	0
Live/Work	0
Sub-Total	4,730
West Donlands:	
Office	230
Retail	70
Restaurant	420
Warehouse	130
Hotel	0
Trade	0
Live/Work	0
Sub-Total	850
East Bayfront:	
Office	60
Retail	80
Restaurant	230
Warehouse	70
Hotel	0
Trade	0
Live/Work	0
Sub-Total	440
Portlands:	
Office	6,850
Multi-Use	2,130
Retail	490
Restaurant	940
Live/Work	950
Sub-Total	11,350
TOTAL	17,370

E.3.3 Economic Impacts Associated with Project that Includes a Larger Portlands District for Creativity and Innovation

As mentioned earlier in Chapter 5, TWRC believes that the Portlands District for Creativity and Innovation will contain more development (i.e., TWRC believes that the commercial space will be 4.5 – 7.0 million square feet without any change in the number of residential units) but has adopted a conservative approach æ 2.1 million square feet of commercial space æ with respect to the size of the Portlands District for Creativity and Innovation within the Business Plan.

To illustrate such a circumstance, we have also estimated economic impacts for a scenario in which the Waterfront Revitalization Project includes a 7.0 million square foot Portlands District for Creativity and Innovation. Government revenues and employment impacts associated with this scenario are shown in Exhibits E-6 and E-7.

Exhibit E-6 indicates that a Waterfront Revitalization Project that included a 7.0 million square foot Portlands District for Creativity and Innovation would generate total direct, indirect, and induced government revenues of $15,728 million on a net present value basis.

Exhibit E-7 below indicates that a Waterfront Revitalization Project that included a 7.0 million square foot Portlands District for Creativity and Innovation would have the following employment impacts:

- **Buildings Component** spending would support 71,000 person-years of direct employment, and an additional 66,000 person-years of indirect and induced employment, for a total of 137,000 person-years of employment.
- **Infrastructure Component** spending would support approximately 31,000 person-years of direct employment, primarily as on-site construction employment, and an additional 34,000 person-years of indirect and induced employment, for a total of 65,000 person-years of employment.
- **End State** activity would support 29,190 annual direct jobs, along with 22,530 annual

Exhibit E-6

Direct, Indirect, and Induced Government Revenues from Project that Includes a 7.0 Million Square Foot Portlands District for Creativity and Innovation (NPV $2002 M)

Building Component				
Federal	$858	$150	$181	$1,189
Provincial	$426	$92	$163	$680
Municipal	$68	$24	$31	$123
	$1,351	$266	$375	$1,993
Infrastructure Component				
Federal	$397	$108	$116	$621
Provincial	$262	$66	$104	$432
Municipal	$31	$18	$20	$68
	$690	$191	$239	$1,121
End State Impacts				
Federal	$4,221	$611	$1,674	$6,506
Provincial	$2,751	$314	$1,471	$4,537
Municipal	$1,162	$109	$301	$1,572
	$8,135	$1,034	$3,446	$12,615
Total	$10,177	$1,491	$4,060	$15,728

Exhibit E-7

Employment Impacts from Project that Includes a 7.0 Million Square Foot Portlands District for Creativity and Innovation

	Direct	Indirect	Induced	Total
Buildings Component (person-years)	71,000	29,000	37,000	137,000
Infrastructure Component (person-years)	31,000	16,000	18,000	65,000
End State (jobs)	29,190	7,860	14,670	51,720

Notes: Figures may not add up due to rounding.

Exhibit E-8 provides a breakout of the 29,190 annual direct jobs shown above in Exhibit E-7.

Exhibit E-8

Direct End State Employment from Project that Includes a Larger Portlands District for Creativity and Innovation, Year 2035 (Jobs)

Area	Direct jobs
Exhibition:	
Office	3,060
Retail	430
Restaurant	830
Warehouse	110
Hotel	300
Trade	0
Live/Work	0
Sub-Total	4,730
West Donlands:	
Office	230
Retail	70
Restaurant	420
Warehouse	130
Hotel	0
Trade	0
Live/Work	0
Sub-Total	850
East Bayfront:	
Office	60
Retail	80
Restaurant	230
Warehouse	70
Hotel	0
Trade	0
Live/Work	0
Sub-Total	440
Portlands:	
Office	16,390
Multi-Use	4,400
Retail	490
Restaurant	940
Live/Work	950
Sub-Total	23,170
TOTAL	29,190

TORONTO WATERFRONT
REVITALIZATION CORPORATION

Toronto Waterfront Revitalization Corporation

207 Queen's Quay West, Suite 822
Toronto, ON M5J 1A7
tel: 416-214-1344 **www.towaterfront.ca**

TORONTO WATERFRONT
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