

2015/16

Annual Corporate Plan



Introduction

In accordance with the Toronto Waterfront Revitalization Corporation Act, 2002 (TWRC Act), Waterfront Toronto (the Corporation) is required to adopt an annual business plan. In 2014, Waterfront Toronto's Board approved its ***Strategic Business Plan 2014 – 2023*** (Waterfront Toronto 2.0) which focused on realizing a full vision of the waterfront revitalization with four key priorities: flood protection and enabling infrastructure; transit; land servicing; and public realm. The 2015/16 Annual Corporate Plan reflects the completion of existing projects and the early stages of the planning and implementation of Waterfront Toronto 2.0.

The Annual Corporate Plan ensures the Corporation aligns its resources to: meet obligations under its legislation; achieve project and corporate priorities; and mitigate and/or manage risks associated with delivery and implementation.

The key elements of the Corporation's 2015/16 Annual Corporate Plan include:

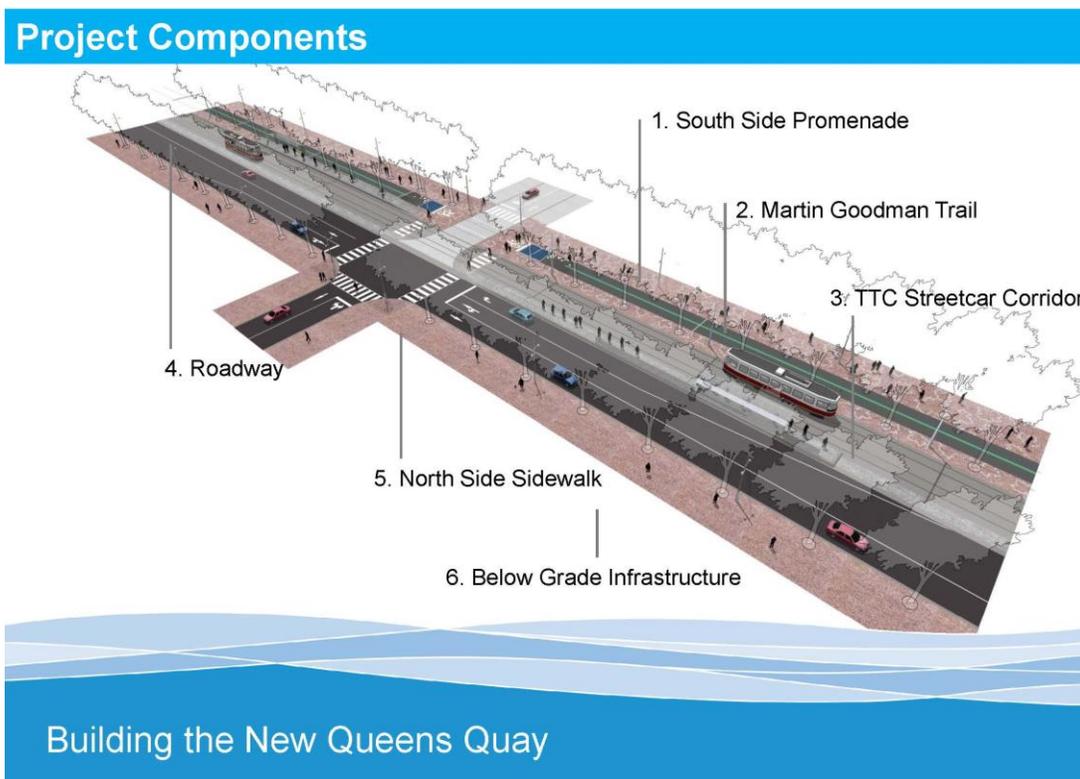
- Key Deliverables
- Budget
- Funding
- Business Development & Revenue Initiatives
- Governance
- Risk Management

Key Deliverables

Revitalization of 2000 acres of Toronto's waterfront requires ongoing coordination, planning and oversight across a complex, multidisciplinary and multi-stakeholder environment. In 2015/16, Waterfront Toronto will continue to undertake this key role and critical work in addition to the design, development and construction of significant projects within four precincts: East Bayfront, West Don Lands, Central Waterfront and Port Lands. Strategies to support the achievement of the key deliverables include execution of funding agreements and securing other revenues, timely contract commitments, and implementation of program and risk management practices.

Queens Quay Revitalization – Major Waterfront Toronto Milestone

In 2015/16, a key Waterfront Toronto deliverable is the completion of the Queens Quay Revitalization, a marquee project for the Corporation. As one of the largest and most visible projects that the organization has executed, taking three years of construction time to complete, it will be impactful to the waterfront revitalization and transformation. The Queens Quay Revitalization comprises of six major components: 1) Southside Promenade; 2) Martin Goodman Trail; 3) TTC Streetcar Corridor; 4) Roadway; 5) North Sidewalk; 6) and Below Grade Infrastructure (see below for project components). The project will be ready for Toronto 2015 Pan Am/Parapan Am Games (Pan Am) in the summer of 2015 and a special ribbon cutting will mark this major milestone.



The following is a list of key precinct and corporate deliverables for the 2015/16 fiscal year.

East Bayfront

Key deliverables for East Bayfront:

- Complete construction of the Cherry Street stormwater concrete shell, located at 480 Lake Shore Boulevard East, and complete construction of stormwater forcemains to convey flows between the East Bayfront Precinct and this new facility;
- Complete construction of the sanitary sewage pumping station (co-located at 480 Lake Shore Boulevard East) to serve the East Bayfront (east of Lower Sherbourne Street) and North Keating Precincts and associated sanitary sewer connections;
- Complete construction of Phase 1 Bayside local streets and services;
- Close on land sale for Monde Development; and
- Complete development strategy for Quayside.

West Don Lands

Key deliverables for West Don Lands:

- Complete public art installations on Front Street and Eastern-Sumach;
- Close on land sale for River City Phase 3;
- Finalize post-Pan Am development process between developers and Waterfront Toronto; and
- Execute development agreement with Anishnawbe Health Toronto.

Central Waterfront

Key deliverables for Central Waterfront:

- Complete Queens Quay street and public realm improvements, achieving readiness for Pan Am (summer 2015); and
- Complete precinct plan for Lower Yonge taking into account the completed Urban Design Guidelines and Transportation Master Plan for Lower Yonge.

Port Lands

Key deliverables for Port Lands:

- Complete the Villier's Island Precinct Plan and submit for Council approval; and
- Secure tri-government commitment for flood protection to unlock economic potential of lands.

Waterfront-wide Initiatives

Key deliverables for Waterfront-wide Initiatives:

- Complete finishing works on Union Station Second Platform; and
- Complete work on the Gardiner Expressway Environmental Assessment by further examining the recommended Boulevard concept along with the new proposed hybrid solution. Hold public consultations and submit solution for City Council endorsement.

Corporate

Key Corporate deliverables include:

- Implement new corporate accounting system;
- Execute marketing campaigns to increase public awareness of the revitalization plan;
- Continued development of Waterfront Toronto's social media platforms and capacity to allow public to engage more directly with revitalization initiatives;
- Complete philanthropic implementation plan to support public realm projects;
- Host Intelligent Community Forum Global Summit & Awards; and
- Update Corporate Social Responsibility and Sustainability Reporting metrics and report key performance measures.

Budget

The 2015/16 estimated capital investment budget of \$73.2M is presented below by precinct. Capital investments for the 2015/16 fiscal year and out-years are based on the 2014/15 Long Term Plan (LTP). The LTP forecasts total project expenditures until the end of Waterfront Toronto's mandated term under its existing program.

Figure 1 - Waterfront Toronto 2015/16 Annual Corporate Plan (in \$millions)

Long Term Capital Investment				
Precincts	Estimated Investment to March 31, 2015	Planned Investment 2015/16	Balance of Capital Investment	Total Capital Investment
East Bayfront	\$374.1	\$24.9	\$252.1	\$651.1
West Don Lands	188.5	3.3	11.1	202.9
Central Waterfront	249.0	26.1	0.5	275.6
Port Lands	99.8	1.8	1.7	103.3
Waterfront-wide Initiatives ¹	272.4	6.4	1.0	279.8
Waterfront Toronto Total	\$1,183.8	\$62.5	\$266.4	\$1,512.7
Non Waterfront Toronto Directed ²	316.5	10.7	58.7	385.9
Total Long Term Plan	\$1,500.3	\$73.2	\$325.1	\$1,898.6

Included in the 2015/16 fiscal expenditure is the allocation of corporate costs by precinct, as follows:

Figure 2 - Allocation of 2015/16 Corporate Costs to Precincts (in \$millions)

	East Bayfront	West Don Lands	Central Waterfront	Port Lands	WWI	Total
Salaries and Benefits	\$3.6	\$1.6	\$3.2	\$1.0	\$0.5	\$9.9
General and Office Administration	0.5	0.2	0.5	0.1	0.1	1.4
Communications, Marketing and Government Relations	0.3	0.1	0.2	0.1	-	0.7
Information Technology	0.2	0.1	0.1	-	-	0.4
Total corporate costs	4.6	2.0	4.0	1.2	0.6	12.4
Direct project costs	20.3	1.3	22.1	0.6	5.8	50.1
Waterfront Toronto Total	\$24.9	\$3.3	\$26.1	\$1.8	\$6.4	\$62.5

¹ Includes Waterfront-wide initiatives (WWI) such as Union Station Second Platform, Mimico Waterfront Park and Port Union Waterfront Park.

² Non Waterfront Toronto directed programs are waterfront revitalization projects funded from the Corporation's \$1.5 billion government seed capital but funding for which is flowed directly to other government agencies. For example, West Don Land's Flood Protection, GO Transit Expansion, Union Pearson Link, Fort York Pedestrian bridge and government waterfront secretariat costs.

The Corporation's 2015/16 corporate budget will be flat-lined against the 2014/15 corporate budget at \$12.4M - this will ensure the Corporation has the ability to manage the closeout of existing projects while transitioning to the planning and design of new initiatives in support of Waterfront Toronto 2.0. Resources will be required for the coordination, planning and design of revitalization projects in the Port Lands, Ontario Place and Martin Goodman Trail. Additionally, as the Corporation fully completes the projects supported by the governments' initial seed funding, increased attention will be required to ensure all potential revenue streams are fully realized in support of the continued revitalization of the waterfront.

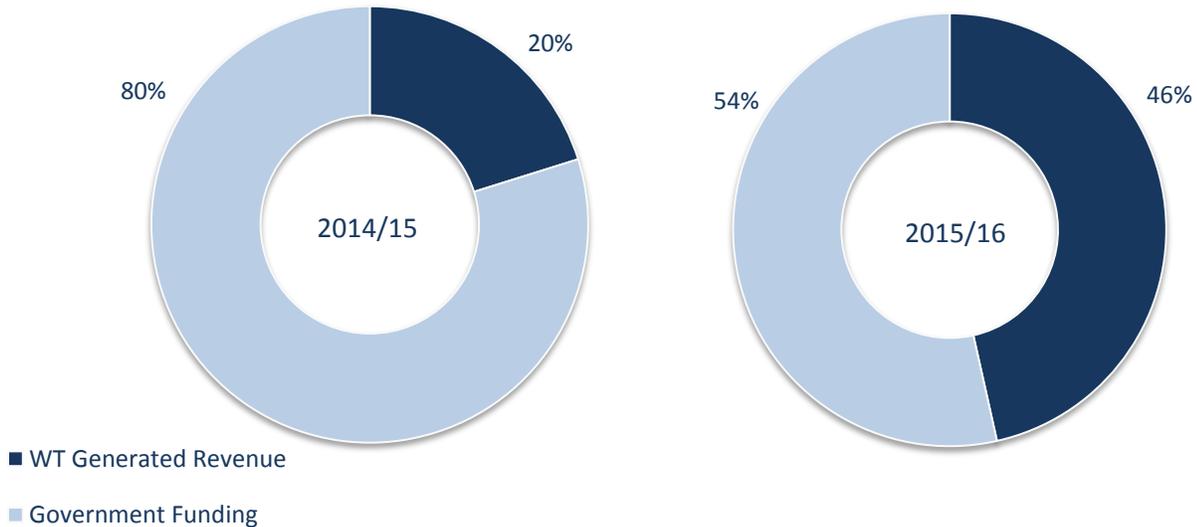
Funding

In 2001, the three orders of government pledged \$1.5B (\$500M each) as seed capital to help catalyze waterfront revitalization. By March 31, 2015, it is anticipated that 91 percent of the original \$1.5B in government funding will have been fully invested in waterfront revitalization. The funding provided by each level of government has coincided with the respective governments' planning and priorities, with the federal government first to invest their entire \$500M in early waterfront revitalization initiatives. The Corporation's remaining program will be funded by the City of Toronto and the Province of Ontario. Although funding for a respective level of government may be fully utilized, the Corporation continues to engage and report to its tri-government partners the implementation progress of all projects in accordance with the established policies and processes.

The current forecasts for the total support of the waterfront revitalization include \$1.5B in government seed funding, \$79M in additional government supported investments (including Pan Am projects), and approximately \$321M in Waterfront Toronto generated revenue for a total of \$1.9B in capital investment. These forecasts do not include Waterfront Toronto 2.0 initiatives since these projects have not received formal commitment and support from the tri-government partners.

The planned envelope of government funding for 2015/16 is predominantly committed from the City of Toronto with the balance from the Province of Ontario. For 2015/16, total government funding is estimated to make up 54 percent of the Corporation's total estimated revenue and the balance at 46 percent will be from Waterfront Toronto generated revenue. Consequently the Corporation will increase its reliance on Waterfront Toronto generated revenue from 2014/15 when an estimated 80 percent of the Corporation's total revenue was contributed from governments and 20 percent was attributed from Waterfront Toronto generated revenue (see *Figure 3*).

Figure 3 – Revenue Breakdown by Source



The increased reliance on Waterfront Toronto generated revenue to balance the budget, in 2015/16 and onwards, escalates the potential exposure to market variables for the Corporation. As anticipated, with less reliance on government contributions and to ensure financial sustainability, the Corporation will be required to start focusing its business model to one with an increased dependence on business development and revenue opportunities.

Business Development & Revenue Initiatives

In 2015/16 Waterfront Toronto will continue working on a number of business development initiatives which will be required to support implementation of Waterfront Toronto’s long-term objectives. With the majority of the government contributions already invested, Waterfront Toronto’s reliance on land sales and other revenues will become more critical to the organization’s ability to successfully deliver its projects. The Corporation will need to increase attention on commercially viable initiatives and enhance its ability to secure revenues that contribute to the revitalization in a financially sustainable manner.

In 2015/16, Waterfront Toronto expects to complete a number of transactions and initiatives that will support the Corporation in achieving its revenue targets. These business development initiatives include planned revenue transactions, potential revenue opportunities and business development initiatives that support future growth. Some of the key initiatives are outlined in the following paragraphs.

Planned revenue transactions for 2015/16 include the closing of land sales in the East Bayfront Precinct. In addition, the proceeds from the monetization and sale of George Brown College parking are critical to the Corporation’s revenue targets for 2015/16. The Corporation will also proceed in formalizing and establishing a process to secure contributions for special purposes such as (but not limited to) section 37, public art, parks dedication and new land parcels consistent with previous City Council and government approvals.

In 2015/16, the Corporation will move forward in alignment with the ***Strategic Business Plan 2014 – 2023*** (Waterfront 2.0). The Corporation will proceed by communicating to stakeholders the commitment that is required to deliver Waterfront 2.0 and the potential impact of the initiatives. A key initiative is the flood protection for the Port Lands, which is currently underutilized as it sits in a flood plain and has a legislative restriction on its use and development. There is a strong business case for flood protecting the Port Lands; doing so would enable the development of new, highly-livable, mixed-use communities in Toronto's rapidly-growing downtown. The flood protection of the Port Lands will create \$3.6B in economic value for the Canadian economy, showcase a focus on innovation and environmental sustainability, and will position Toronto as a global leader in building a resilient city. These new communities created by unlocking the Port Lands will attract the growing number of people coming to Toronto for the city's quality of life and its economic opportunities, as well as invite investment in commercial, residential and other development. The Corporation will continue to communicate the benefit of the flood protection initiative to all three orders of government, and will continue to seek the funding commitment it needs to move forward with the initiative.

Also in support of the long-term strategic priorities, the Corporation will deliver a philanthropic plan in 2015/16. The plan will confirm the interest in targeted fundraising and partnerships aligned with public realm projects and the most appropriate fundraising strategies for Waterfront Toronto to access those funds. The philanthropic plan will allow the Corporation to better understand the corporate business efforts and resources, including marketing, required to support these fundraising efforts. The Corporation will move forward on the optimal corporate, operational and legal structures required to pursue fundraising opportunities once approved by the Board and government stakeholders.

Initiatives that will be undertaken in 2015/16 in support of future business growth and waterfront revitalization include work on the Intelligent Community initiatives and The Innovation Centre. This includes hosting the 2015 Intelligent Community Forum Global Summit & Awards. Business opportunities such as integrated digital media and marketplace efforts as well as smart parking payment and capacity management will be explored. The ultra-broadband network will continue to be deployed as development progresses, and the initial WiFi will be deployed into the public realm in spring 2015. A development agreement will be finalized with the selected proponent for the Innovation Centre in East Bayfront. The Corporation will continue to research and pursue other revenue opportunities with a view to supporting Waterfront Toronto's long-term priorities and the revitalization of the waterfront.

Governance

The Corporation, now beyond the mid-point of its legislative mandate, continues to deliver important economic and social benefits which increasingly enable Toronto to compete with other leading global cities for investments, jobs and people. The evolution of the Corporation's governance model is a pre-requisite to the delivery of the remainder of the mandate and objectives set out by governments in legislation. In order to deliver on the tri-government mandate and to ensure that the next 8 years of waterfront revitalization - Waterfront Toronto 2.0 - is successful, the Corporation will continue to seek enhanced operational governance powers. The Corporation is currently in discussions with the three orders of government and is seeking tri-government consent to establish an operating line of credit and the ability to encumber its assets to manage future anticipated working capital shortfalls.

The Corporation's business model is predicated on the ability to phase development in order to allow land sale revenues to pay for incremental infrastructure investment required to remediate and service lands for development. This business model always assumed a borrowing requirement since the cash generated from the land sale transactions typically are realized after the infrastructure is completed and these land sales are the sources of reinvestment in the waterfront.

Risk Management

A sophisticated risk management framework is required to manage the complex business environment in which the waterfront is being revitalized. The Corporation has gained over 10 years of experience successfully managing and mitigating risk along with its formation of innovative approaches to infrastructure development and issues management. In 2015/16, with continuous improvement in mind, the Corporation will continue to further focus on risk management strategies.

The following have been identified as the most significant risk categories to the Corporation meeting its objectives and deliverables for 2015/16:

i. Financial Sustainability Risks - Uncertainty in relation to future revenue

As the Corporation moves towards a greater reliance on its own revenues, uncertainty related to commercial revenue streams driven by economic factors will increase. Informed and evidence-based estimates will help decrease the likelihood of overly aggressive targets and exposure to market risks, but the uncertainties related to commercial initiatives and commercial markets will not be fully mitigated. In addition to the uncertainty related to commercial revenue, risks impacting the financial sustainability of the Corporation due to uncertain government funding are expected to increase as the Corporation transitions to Waterfront Toronto 2.0 priorities. The core government seed funding will be almost entirely invested or committed to waterfront revitalization projects that were planned for the first 10 years of the Corporation's mandate. Moving forward, it will require more effort and coordination to gain commitment from the varying levels of government on future infrastructure projects and funding to support the flood protection of the Port Lands and other key

priorities as identified in the strategic plan. The enhanced governance authorities that were highlighted earlier would also serve to mitigate some of the potential financial sustainability risks.

ii. *Project Risks – Unforeseen project issues and associated cost escalation*

Infrastructure projects of the scale and complexity managed by Waterfront Toronto present many inherent risks and opportunities. Over the past decade, the Corporation has developed processes and utilized a wide variety of tools to better identify, understand, analyze, and manage capital project risks throughout the project life cycle. Key forms of risk addressed include: project cost overruns (“cost risk”), late project delivery (“schedule risk”), and adequacy of information to support project decision-making and oversight.

Risk awareness has been cultivated throughout the organization and risk management processes and practices have been implemented that are intertwined with all project management activities, with emphasis placed on risk mitigation and action. Lessons learned during the initial stages of revitalizing the East Bayfront, West Don Lands, and Central Waterfront Precincts have been captured in order to more effectively deliver future projects.

iii. *Reputational Risks - Issues arising from limitations on borrowing*

Waterfront Toronto’s infrastructure investment model requires upfront capital investments before revenues can be generated. To manage future working capital, the Corporation requires the ability to borrow against assets, and will need consent from all three orders of government. There is limited risk to the governments to allow the Corporation to borrow, since loans will be secured against assets and repaid from the organization’s revenues. This means approving the Corporation’s ability to borrow will not result in contingent liabilities for the governments and allow Waterfront Toronto to preserve the organization’s and governments’ reputation. However, if approvals are not granted in time to allow the organization to address the working capital requirement, significant reputational issues could arise for the Corporation and all three orders of government due to the inability to deliver critical and publically visible projects. Although there is limited material risk for the governments to provide the necessary consent for enhanced governance, these approvals are coordinated outside the control of the Corporation which limits the ability for the organization to ensure the risk is mitigated.