

Chapter 6

Urban Development Through Corporatism - The Case of Toronto Harbourfront

I. Introduction

Removal of regional disparity in the levels of economic development along with achieving a high rate of economic growth are important objectives of planning and policy making in almost all nations with large geographical area. In the current global environment, it is hardly possible to sustain rapid progress without integrating the economy with the world economy. Being competitive in the world market becomes continuing concern over time. Technological sophistication, economies of scale & scope and, efficiency of man & machine hold the key. Since these are usually the features of the urban production system, it is not surprising that urban area development has started attracting the attention of policy makers in progressive economies. Although equitable regional distribution of the gains are crucial for large sized countries, it can no longer be left only to the central government. State or provincial governments on one hand and local self-governments like municipalities on the other hand need to be simultaneously pro-active. This is the essence of the approach of decentralized planning/policy efforts to tackle the regional problem. If the development initiatives are taken by the local communities themselves, people's participation and involvement all along the development projects not only in terms of moral support and backing, but also funding can be ensured. The possibility of political reality distorting people's participation in the decision making process at the local level is more in the educationally backward rural areas of the less developed countries than in the urban areas. Unfortunately, the discussion of decentralized planning or policy making has so much centred around rural areas that the urban dimension of the problem is virtually ignored. This gets reflected even in the constitutional, legal and institutional framework in most of the countries where formal coordination across various departments and among different levels of government hardly exists. Under such circumstances, local community's effective participation in decision making may go a long way in ensuring success of the development efforts. On the other hand, if the project is perceived to be an exclusive initiative of the senior level of government, irrespective of the quality of the effort, it may not succeed.

In most countries, constitutionally, urban development is considered a state or province subject, though Ministry of Urban Affairs may exist at central government level. Since they usually do not exercise any control over the plans and programmes of the other regular line departments, they by and large fail to coordinate urban development policy in different parts of the country. The result is lack of focus in national urban development policy if it exists! In Canada, the Ministry of State for Urban Affairs (MSUA) was created in the Federal Government in the 1970's. However, it could not serve any purpose and had to be wound up in the late 1970's. Artibise & Kieman (1988) find that in Canada, like most other countries, the efforts for urban economic development are without the conceptual and policy frameworks. Initiatives for urban economic development are not systematically taken either by the senior levels of (federal and provincial) governments or by the local (municipal) governments. The latter are constrained by limited financial resources and inadequate or non-existent legal powers. Moreover, they have non-interventionist philosophy making their activity in the field of economic development minimal and tentative. Hardly 0.33% of the total municipal spending in Canada are devoted to the economic development of the urban area. Of late, however, there is some evidence of a new, urban-based programmatic approach to regional development taking shape in Canada, which they have studied considering seven short cases including Toronto Harbourfront. [See Artibise & Kieman, 1988].

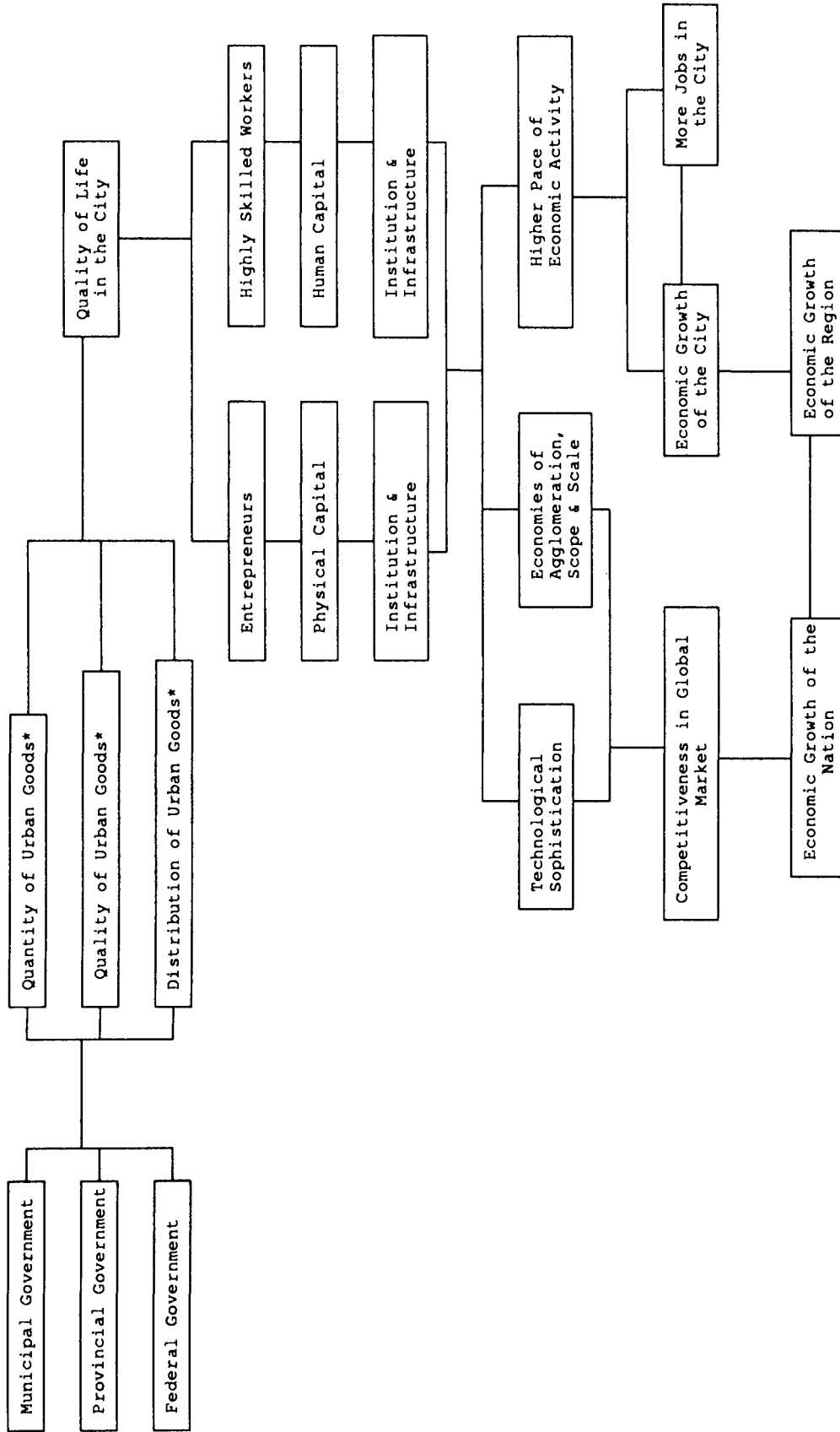
The phenomenon of urbanization in Canada has interesting history. During the Seventies, for the first time in Canada, rural areas recorded a faster rate of growth than the urban areas. The new era was labelled "post-urbanization" and "counter-urbanization". However, it did not last long. The 1986 Census proved that the urbanization in Canada preceded with the growth more centred in the metropolitan centres. The percentage of Canadian population living in major urban centres increased from 56 in 1976 to 61 in 1986. Moreover, unlike the period 1976-81 when the middle-sized urban centres grew at considerably higher rate (14.8%) than the large centres (5.9%), during 1981-86, the trend reversed with the large centres growing at 10% as compared to a meagre 3.6% for the middle-sized centres. Serious efforts for the urban revival and revitalization started taking place during the last seventies and early eighties in Canada. These efforts were the result of the growing conviction or belief in the critical role of cities and towns in the process of regional and national economic growth as comes out in the model as outlined in Chart 1 [Some of the basic ideas of the model are contained in Artibise & Kieman, 1988].

"Toronto is found to be the most livable city in North America" says Toronto Star (9th June 1990) based on a 20-factor livability index. The factors considered in the study included income, housing, homeless population, crimes, jobs, education, commuting facilities, transit fare, transit crimes, transit time, hospitals, stress, suicides, entertainment facilities and cost, cleanliness, environment, etc. Toronto is also the biggest metropolitan area in terms of population in Canada. The trend in Toronto's population is very similar to the Canada's large urban centres taken together. In order to gain further insights into the role of urban economic development initiatives, it is proposed to consider the experience of Toronto in further detail. Moreover, with a view to focussing on the policy initiatives to revitalize the inner-city, the case of Toronto Harbourfront Corporation is discussed in the present paper. In the next section, brief history of the Toronto Harbourfront is presented after reviewing the trends in the Toronto Inner City over the period 1951-86. The third section outlines the main features of the Toronto Harbourfront including its objectives, set-up, finance and activities. The fourth section is devoted to the discussion of the development during eighties including the most recent status of the Corporation (HC). The sixth and the final section examines major issues arising out of the Harbourfront experience.

II. Toronto Harbourfront Corporation - Background

The inner city of Toronto has been passing through a period of mild transition in recent years. Certain long-term historical trends have either slowed down or reversed. There are substantial differences between the inner city and the rest of the metropolitan area of Toronto. Table 1 presents a comparison between the two in respect of several features over the period 1951 to 1986. The inner city is inhabited more by young adults and senior citizens who are not married as compared to the outlying areas of Toronto. Moreover, there are fewer families with school-going children living in the inner city than the rest of the city. Percentage of people living alone is substantially high in the inner city than the outlying areas of Toronto. All these facts result in salient differences in the life-style between the two areas. The inner-city of Toronto also has a larger proportion of persons with high levels of education and of employees in managerial and professional occupations.

Chart 1 : The Model



* Also called "soft infrastructure" and would include health, safety, culture, education, recreation, entertainment, housing, transport, etc.

**Table 1
A Comparison of Inner City and Metropolitan Area of Toronto**

Item	Units	1951	1961	1971	1981	1986
1. Inner City Population	(In '000)	143.5	127.1	124.8	114.7	128.2
2. As Proportion of Total Metropolitan Area	(In %)	12.8	7.0	4.7	3.8	3.7
3. Proportion of Private Households with persons living alone :						
(a) Inner City	(In %)	9.8	22.5	34.7	51.4	48.9
(b) Remainder	(In %)	4.2	7.3	12.2	20.0	19.9
4. Proportion of Lone-Parent Families in All Families :						
(a) Inner City	(In %)	NA	NA	16.7	21.0	22.7
(b) Remainder	(In %)	NA	NA	8.9	11.5	12.4
5. Proportion of Immigrant Population						
(a) Inner City	(In %)	NA	40.3	41.0	40.9	39.1
(b) Remainder	(In %)	NA	32.7	33.6	37.9	36.3
6. Concentration of Ethnic Groups Other than British or French in Inner City Relative to Total Metropolitan Area	(Index*)	NA	122	111	102	102
7. Proportion of Population (15+) with University Education :						
(a) Inner City	(In %)	NA	NA	24.2	37.3	42.0
(b) Remainder	(In %)	NA	NA	13.2	20.4	23.3
8. Median Family Incomes in Constant 1985 Dollars :						
(a) Inner City	(In Can. \$)	NA	NA	22,689	NA	30,622
(b) Remainder	(In Can. \$)	NA	NA	32,624	NA	41,723
9. Proportion of Families in Selected Income Groups (at constant 1985 \$) :						
I. Less than \$ 20,000 :						
(a) Inner City	(In %)	NA	NA	43.3	NA	33.0
(b) Remainder	(In %)	NA	NA	19.9	NA	16.7
II. \$ 60,00 or More :						
(a) Inner City	(In %)	NA	NA	8.6	NA	22.0
(b) Remainder	(In %)	NA	NA	10.3	NA	22.7

Source : Statistics Canada : Inner City in Transition, Cat. # 98-123, December 1989.

* Index = (Proportion of ethnic groups in Inner City divided by Proportion of the Ethnic Group in Metropolitan Area) x 100.

NA = Not Available

Considering the historical trends over the period 1951 to 1986, we find that the declining trend in the population of the inner city of Toronto is reversed for the first time during 1981-86, though in percentage terms, the declining trend still continues. Similarly, the increasing trend of persons living alone is arrested during 1981-86 for the first time in both the inner and the outer city of Toronto. However, the increasing trend continues in the case of the lone-parent families. In terms of median income of family, the gap between the inner city and the outer city of Toronto is widening in absolute terms but declining in relative terms. The median family income of the inner city was only 69.5% of the one in outer city in 1970 whereas it was 73.4% in 1985. The income distribution has also changed over the same period in the same direction in both the inner and outer parts of Toronto. Proportion of families in lower income group declined and the one in the upper income group substantially increased over the period 1970-85. All these trends clearly indicate that the inner city of Toronto has been witnessing some powerful dynamic forces of economic and social development. Whether these forces are autonomous or induced can be judged only by looking into the history of the city.¹

Compared to other regions, the Toronto region attracted considerable growth of economic activity and hence population after the Second World War. The city started spreading outward converting farmlands into housing estates, schools, industrial parks. Shopping centres naturally followed providing further incentive to the population transfer. The central place started losing the business to the suburbs. This led to the declining importance of the inner city in both industry and trade and hence of the associated rail and water transportation. All these developments politically posed a threat to the traditional dominance of the city of Toronto in the metropolitan region. The city politicians, therefore, adopted a new plan for the city in 1969. It aimed at promoting more commercial and residential development in the central city. The residential development envisaged in the inner city was not for the poor but for the middle and upper-middle class contributing highly skilled manpower. Such a strategy resulted in proliferation of high-rise apartments into low-density neighbourhoods and threatened quality of life of the middle class neighbourhoods. The 1973 elections, therefore, witnessed a voter revolt and the pro-development city aldermen gave way to the reform-minded group.

The change of power in the city council meant substantial reorientation of policies in the light of changed objectives. The focus in the 1969 plan was on expanding employment in the Central Area with separating of residential areas whereas the new Council aimed at limiting growth in the Central Area and diversifying its land use. The new plan for the Central Area was adopted in 1978. The plan allowed some room for new commercial, institutional and residential activity by intensifying land-use in the Central Area, but a large part of the development was to be redirected to the regional sub-centres in order to protect the residential neighbourhoods surrounding the Central Area and the adjoining industrial areas from the commercial and institutional expansion. The 1978 plan, thus, had a bias against the redevelopment and intensification of the neighbourhoods surrounding the central area.

On the other hand, the economic structure of the Toronto region has been undergoing significant changes. The Central Area of Toronto emerged as a centre for high order information-based services which accounted for almost two-thirds of the labour force of the Toronto Metropolitan Area in 1981. There has been a massive relocation of the corporate headquarters to the central city area. By 1987, 39% of the top 500 Canadian companies and more than 50% of the largest financial institutions had their headquarters in this area.² The occupational structure in Toronto has also been rapidly shifting in favour of clerical, managerial, scientific, technical and service categories. These relatively affluent white-collar workers prefer a downtown residential location. Because of the 1978 plan, a large part

¹ The history of the City and HC is drawn from Desfor, et. al. (1988 and 1989) and Artibise & Kiernan (1988).

² In terms of non-American multinationals, Toronto is the fifth most important headquarters city in the world. [Toronto Star, September 9, 1986].

of the demand for such housing had to be met along the waterfront. The developers, therefore, saw a golden opportunity to build there for the high income housing market. However, most of the land along the central waterfront was controlled by federal government institutions like Toronto Harbour Commission (THC), national railways and Harbourfront Corporation. These institutions were subject to tremendous pressure from the market forces. On account of the mandate given to these institutions and hence their perceived organizational goals, some of these institutions had to yield to the market forces resulting in the residential and commercial developments along the central waterfront.³ High-rise residential towers and hotels created a conspicuous wall along the core of the central waterfront depriving the city of the view of the waterfront. The HC was created in October 1972 by the Federal Government of Canada in order to protect the waterfront from commercial exploitation.

During the federal election campaign in 1972, it was announced that the federal government would acquire 100 acres of prime central waterfront land on Lake Ontario and develop it as a park to provide recreation to all Torontonians. Initially at least such a concept proved popular with the Torontonians. Over the first 3 years, a lot of planning and consultative activity was undertaken with the Ministry of State for Urban Affairs (MSUA) taking the initiative. However, little actual development occurred. As Artibise and Kiernan (1988) argue, there were three basic reasons for this : "the impossibility of forging a consensus even within MSUA on how the lands ought to be developed; the sheer physical difficulty of actually acquiring and demolishing some of the obsolete industrial structures which stood on the site; and, most importantly, the virtual exclusion of the City of Toronto from the consultative process."

In 1975, MSUA set up an informal 'Harbourfront Council' whose nominees were representative officials from all the three levels of government and appointees of the Mayor and Metro Chairman of Toronto. In spite of this effort, intergovernmental issues reflecting the strained relations between politicians and planners did not allow any consensus to emerge on the objectives of the development. As a result of such a long patch of antipathy and inactivity, it was decided to transform the Harbourfront into a Crown Corporation to enable it to operate more effectively as a developer. Moreover, in 1978, the corporate board of HC appointed Howard Cohen as general manager. Mr. Cohen was the *de facto* chief planner for the city of Toronto prior to joining HC as a manager. Mr. Cohen was able to resolve some planning issues between the city of Toronto and HC and hence gave firmer direction for the latter's overall plan. The 1978 plan of the HC had three fundamental objectives : (a) to activate the inner city waterfront area by providing traffic generating cultural activities and other recreational facilities; (b) to activate the economy of the area through residential and commercial development; and (c) to generate sufficient development revenue for it to become self-financing within 7 years. Before we examine more recent experience, it would be interesting to review some important features of the HC.

III. Features of Harbourfront Corporation⁴

The Harbourfront Corporation (HC) is a Crown Corporation whose share capital is held by Her Majesty the Queen in Right of Canada (in short "Canada") as represented by the Minister of Public Works. The Corporation is exempt from the corporate income-tax. The site under the control of HC totals approximately 100 acres and occupies a central position on the Toronto waterfront. The HC is under a Management Agreement with Canada dated June 13, 1980 as amended and renewed from time to time but is expiring on March 31, 1991. As per this agreement, HC has a dual role and mandate:

- (a) To develop, manage and operate the Harbourfront site in accordance with a development framework approved by Canada' and

³ THC accumulated huge debt which led it to revise its development strategy in favour of commercial and residential development by mid-sixties.

⁴ Major source of material presented in this section is the series of the Annual Reports of HC.

- (b) To initiate, conduct or sponsor cultural, recreational, scientific and educational programmes which, in its view, are of advantage to the public.

HC was created politically to build a constituency of people on waterfront and hence there should be benefits on the real estate front. In terms of its role in economic development, the HC was expected to encourage private investment along with the public activities. It was envisaged that the private investments and activities would pay for the public activities. This was in line with the Rightist political swing of 1981. Thus, the HC is supposed to pursue 'public' objectives which necessitates a certain level of government control. On the other hand, however, it is expected to manage its activities so efficiently as to enable it to be self-financing which requires a lot of flexibility and freedom in its operating style. Such an internally contradicting mandate is an important feature of HC.

Another feature of HC is that the title to the lands of the Harbourfront site is held by Canada with the exception of park land and public infrastructure conveyed to municipal governments and certain lands transferred to the Corporation by Canada. Thus, the corporation can sell only air rights or give on lease the lands on the site on behalf of Canada. The net proceeds generated by the Corporation from the development of the Harbourfront site as well as capital contributions from Canada are credited to contributed capital to recognize Canada's contribution to the capital funding of HC. All the funds derived from the capitalized leasing, sale or resale of lands or development rights are available to the HC in fulfilling its mandate. These funds, when received from developers are placed on deposit with Canada in the Harbourfront Capital Account which is an interest bearing account of the Consolidated Revenue Fund. The HC can withdraw the principal only with the approval of Canada. Similarly, the interest can be distributed to HC on request. Annexure 1 below provides the consolidated financial statements of the Harbourfront Corporation for last few years.

It can be observed that about four-fifths of the current expenditure of HC is in the programming activities and only one-fifth is in real estate. Since HC is a huge production company with about 450 multi-cultural and special events communities involved, its range of programming activities is very wide and diverse. It is a highly labour intensive company. Annually around 4,000 different events, activities and performances take place in HC. Out of these, about 85% of the programmes are free for the public in the sense that there are no admission fees. Such programmes are underwritten by the HC. The box-office, therefore, does not contribute substantially to the revenues of HC though parking charges do (about 15% of expenditure)! Sponsorship for the shows from big private sector companies also earn about 13% of the total operating expenditure. The major source of revenue has all along been the real estate (rental of building, lease, etc.) which accounts for almost 40% of the expenditure.

Lands are all leased and not sold. The lease is for 60 years to 99 year period. There are, however, some retail deals also where the rent differs from case to case. Usually, the rent in such cases is consisting of two components: (a) the base rent and (b) 6 to 8% of gross sales. The base rent increases with time to provide effective hedge against inflation. Since land cannot be sold by HC, the ground-floor all along Harbourfront has to be public land. The real estate developer, therefore, has to retain the ground-floor. It is possible, however, to sell the building but not the land. Condominium⁵ laws with their loop-holes in Canada permit to sale outright the residence although on the leased land. The HC and developers have limited partnership in the proportion of 55% to 45%. The rentals are shared between the HC and the private developers as per their agreements.

The organization of the Harbourfront Corporation is summarized in Chart 2. There are in all six directors each looking after several divisions as indicated in the chart. These six directors report to the General Manager who is, in turn, answerable to the Board of Directors. The Board of Director is appointed by the Prime Minister's Office. Functionally, they report to the Minister of Public Works at Ottawa. There is no political representation on the Board. Similarly, the Province is not represented

⁵ Condominium is the getting together of individual leasers or buyers. It is a concept very similar to cooperatives.

on the Board. Conventionally 2 out of 18 Board members represent the local interest, one of whom is a nominee of the Mayor of the City of Toronto. In this connection, it is interesting to note that HC receives sponsorship support from funding agencies at all the three levels of government viz., federal, provincial and municipal.

IV. Development During the Eighties

The main thrust of the 1978 plan of the HC was to achieve financial self-sufficiency in due course. The fulfilment of other objectives of the Plan about the cultural activities and real estate development activities was involving enormous expenditure. Clearing the site of the industrial buildings and providing necessary infrastructure supporting the cultural activities and real estate development were very costly propositions. HC as an organization was, therefore, faced with the situation where it might have to depend on regular subsidies from the Government of Canada to cover both the capital and operating expenses. Under such circumstances, the HC staff feared that the required support from government might not come forth and hence decided to adopt the strategy of financial self-sufficiency. This strategy had to revolve around use of the basic asset of the Corporation viz., land. The real estate development at a fast pace was, therefore, considered the most optimal means to achieve the objectives. Considering the costs involved, the real estate development had to take the form of high-density residential schemes, luxurious housing projects and expensive commercial and retail space in order to generate the required level of revenue. To promote efficiency through competition among private developers and obtain the best bargain, system of 'proposal-call' was followed. Only the right to build on the public land was sold to the private developers. The pace of the development was dictated by the revenue need of the HC and the external environment.

In 1981-82, there was a world-wide recession and the real estate was down. It hit HC hard and nothing got started. In spite of these two bad years, the originally agreed time-period of 7 years from 1980-87 for attaining self-sufficiency in finance was not revised. Therefore, the period for the real development was confined to 1983-87 when the pace of development was too fast to escape the attention of public, the city politicians and the critics of the HC. As a result, since 1987, no significant real estate development could take place because the HC was facing moratoriums and development-freezes on account of several reviews and reassessments at various levels.⁶ The cultural programming activities, however, continued almost without any interruptions. A year-wise brief history of development and public programming at HC is presented in Annexure 2.

The issue of the autonomy of the Corporation is a critical one in this context. HC is accountable to the Federal Government and not to the City or Province. Jurisdictionally, the HC is not obliged to listen to the city and the Provincial governments.⁷ However, the normal approval procedures of the City became an effective tool of control for the City over the HC. Thus, HC was not autonomous from the local governments for practical purposes. The stories of disputes between the HC and the City officials were spreading and when they became well-known by 1987, the City councillors and their constituencies became more vociferous. The official plan and the zoning by-laws⁸ of the City of Toronto were binding on HC, though negotiation in this regard was possible. As a result of this, HC had to build 20 acres of park and public land to be turned over to the city. The infrastructure on this land also had to be built and improved by HC but the maintenance responsibility was with the city.

⁶ It is interesting to note that during this time, the Toronto down-town area experienced a massive real estate development generating considerable expansion of office-space approved by the City.

⁷ Toronto is governed by two-tiers of governments: area-wide government known as Metropolitan Toronto and six municipalities one of which is the City of Toronto. Planning functions are carried out at both levels of government.

⁸ Zoning by-laws provide zoning standards for lot size, unit size, set-backs, plot coverage, parking requirements, density, height, etc.

The actual point of control by the city comes at the time of issuing the building permit to the developers. As per the planning process, the Harbourfront area has five sub-areas, each having its sub-area plan showing the intent. The normal development review process in the city ends up with the agreement between the city, the HC and the builders/developers. As per the Provincial Planning Act, the city cannot frustrate the HC plan by not issuing the building permit. However, if the city refuses the permit, the HC has a right to appeal to the court or to the Ontario Municipal Board at the provincial level provided it conforms to the zoning by-laws of the city. Unfortunately, this process of appeal had to be undergone most of the time in the case of HC.

The main elements of the city's grievances against HC were [See, Artibise & Kiernan, 1988] : (a) The Corporation's initial commitment to the park space on waterfront was not being fulfilled by the plan proposed and executed by the HC. (b) The site was being severely overbuilt by HC to generate the required revenue out of the real estate development. (c) The waterfront view was being effectively denied to the Torontonians by the HC's Plan of building a row of high-rise structures creating almost a ceramic wall along the waterfront. (d) The nature of the real estate development taking place on the HC lands was basically resented by those who could not afford it. The commercial space was extremely expensive. The housing projects were also largely meant for the upper-middle class. The concept of affordable housing⁹ did not receive much attention. Some critics argued that such megaprojects are like vacuum cleaners sucking more from the economy than giving. They internalize all external economies of scale and scope and externalize all possible costs. The feeling among the Torontonians was that HC has benefitted the owner companies at the cost of the society and the residents of the city. Sheer size of the projects provides opportunity for political and economic leverage. When we considered all these together, the megaproject of HC, as argued by Artibise and Kiernan (1988), was becoming an antithesis of what it was originally intended to be. This led to a rapid fall of the HC in the eyes of the public.

Finally, from January 1, 1991 the HC is reorganized as non-profit making new legal entity though the name is retained. The real concern was to continue the cultural and artistic programming in spite of its being costly. Recently, there is a drive for privatization all over the North America. The solution to the problem of HC was, therefore, thought to be to split the activities of HC into two : (a) cultural and recreational activities and (b) real estate development activities; and sell outright the assets of the latter to continue with the park and recreation. Thus, the real estate side of HC which was the major revenue generating activity is to be divested by selling it off. The buyer who would buy out all the leased interest and land, would also have the future development rights as per the city by-laws. Out of the 100 acres of land, about 50 acres are meant for parks and roads and 20 acres for private ownership for residence. The total value of the assets to be sold works out to approximately \$ 80 million. The sale will be completed in 3 to 5 years. An endowment would be created notionally right away and would be repaid in 3 to 5 years. Interest at the rate of 11% p.a. is assumed. On the basis of rational projection of cash flows, it is expected that the annual deficit of \$ 10.7 million would have to be financed out of the annual expenses of \$ 18.5 million on recreational programming and maintenance of park and roads. As a result of such a reorganization, 45 employees out of a total of 210 have already been laid off saving annually \$ 2.2 million in salaries and remuneration.

In order to overcome the mistrust from the city and the province, the new Board of Directors for the non-profit organization-HC would consist of 26 persons. 8 to 10 of these 26, would be from the existing Board prior to 1991. There would be a maximum of 6 representatives from different government levels. The balance of 10 to 12 members would be drawn from local people with roots in the communities like artists, businessmen, ethnic groups, etc. These are all political appointments

⁹ 'Affordable Housing' means housing which would have a market price or rent that would be affordable to households of low and moderate income which are defined as the ones within the lowest 60% of the income distribution for the housing region. Similarly, 'Affordable' means annual housing costs not exceeding 30% of gross annual household income. 'Housing Costs' are either gross rents or mortgage principal or interest amortized over 25 years, assuming a 25% down payment and taxes.

wherein half would be from the city and 25% each of the province and the Federal governments. All this restructuring and reorganization is expected to take 2 to 3 years.

V. Achievements of Harbourfront Corporation

Harbourfront has become one of the most popular attractions in Ontario. More than 3.5 million people out of whom about 80% live in the Toronto area visit the site every year. A person, on an average, visits the site 5 times a year. Thus the repeat clientele is also created. The park and recreational programmes at the Harbourfront have been largely successful in generating traffic in the downtown area and hence giving a boost to the economy of the inner city through consumption of goods and services. The most significant achievement of the HC is in terms of stimulating investment in the inner city area of Toronto. By the end of 1987, HC's investment in obtaining land and creating public infrastructural facilities was of the order of \$ 55 million and \$ 80 million respectively. This investment on the part of HC stimulated \$ 300 million investment on the site by the private sector in new housing, office and retail development by 1987. By now, the cumulative private investment on the site is nearing \$ 700 million mark. Considering the stimulant ratio of public investment to private investment of around 4 on other waterfronts in the world, the HC's performance on this count has been commendable. Thus, the HC proved very successful with both the city consumers and investors. It is only the popularity due to sheer performance that has enabled it to survive all along the period of political conflicts. In fact, HC received 3 times the "Excellence on Waterfront Award" so far, the last one being in September 1989 from the Waterfront Council in Washington DC.

It is worth noting at this stage that behind such a superlative performance of the HC were efficient management and hard work and commitment of the staff. The performance would have seriously suffered had there not been a strong marketing of the real estate development. After the world-wide slump of 1981-82, it was a difficult proposition to induce private developers. On the other hand, institutionally, they had a two-tier proposal call system which is appropriate when the real estate is hot. The two tier system was :

Stage I: Only broad proposals are invited from developers to short-list them on the basis of their background, past experience and ability to undertake the task.

Stage II: More detailed proposals mentioning the team, details of the plan, cost, etc. are invited from the shortlisted developers to make a final selection.

When the real estate was cold, the procedure was promptly changed because nobody came forward. Brokers were at once removed and research was sponsored by the HC. The socio-economic-demographic conditions of the downtown population were studied in 1982. This survey about the people, their income, consumption pattern, family size, labour force characteristics, etc. was used to derive plan and programmes which would work. The developers were taken into confidence by sharing the results of the survey and the research. Thus, HC's strategy was to look for private investors to produce the product with all specifications based on the research. In other words, the pre-sale functions were largely carried out by the HC which would reduce the cost and the risks of the private producers. Private developers were, then, hunted for undertaking the specific product. HC retained a fair degree of control because it also took up the monitoring function. In 1983, 539 units were sold only in 5 days - a sales performance worthy of praise considering the environment. Responsible for such a sharp turning around of the attitude of the developers was the management response in terms of marketing efforts and research undertaken by the HC rather than overall economic environment.

VI. Issues Arising from Harbourfront Experience

Major urban development projects like the HC take a long time to yield returns in terms of economic, social and cultural development of the city. It takes nothing less than 8 to 10 years. Once it creates

an impact, the physical conditions of living in the city rapidly changes. The soft infrastructure provided by such mega-projects starts attracting human capital in terms of highly skilled personnel to come, settle and give the boost to the business and the economy of the city. The experience of HC, however, raised several issues of critical importance in the success of such a strategy of urban and regional development [See, Artibise & Kiernan, 1988].

The Harbourfront Corporation was established in Toronto as an uncalled for intervention by the Federal government largely to serve political ends. The City was not even taken into confidence. The question of the city of Toronto proposing or demanding establishment of such a Corporation for its development simply did not arise. On the contrary, the announcement of HC was made in the context of wooing the voters by promising them park, open space and community activities which aroused very high and perhaps wrong expectations among the Torontonians. The issue of political overtones confusing the perception of the serious developmental effort is too important to be ignored. Had it not been allowed to raise wrong expectations from HC, the reaction of the city would have been less sharp and perhaps a lot of time wasted in the type of behind-the-scene guerilla wars between the city and the HC could have been saved and the bitterness averted.

Secondly, the issue regarding the full trust, understanding and cooperation among different levels of governments in such major developmental effort is critical for the ultimate success of the project. The senior levels of governments need not wait for the need of a major intervention to be felt by the city, but the city has to be taken into confidence. Ultimately, the local government is the government closest to the people and hence, they are directly answerable to the people in the city. The city politicians have to suffer if such projects fail to fulfill the expectations aroused. If, therefore, they are not taken into confidence, the project may have to face strong opposition from all sides including the media. This may lead to the loss of sympathy from the senior governments for such Corporations leading to further problems and crises for the management of the Corporations. It was felt by the HC management that proper representation of the city on its Board of Directors would have gone a long way to avoid the stalemate to resolve several issues between the city and the HC. The city with all its urban planning machinery should have been an active partner from the very beginning of the project.

Thirdly, the issue of a clear mandate with internal consistency is important for the long term performance of the project. When the strategy is to develop urban areas by creating public corporations, their institutional objectives, priorities and goals should be clearly defined. Moreover, there should not be internal contradictions among the objectives as far as possible. In the case of HC, the mandate given to it was internally contradicting. The goal of financial self-sufficiency was clearly not compatible with that of providing public parks, cultural amenities and activities and housing for all income ranges. This, created unnecessary tension and confusion for the management of HC which ultimately decided to interpret the mandate and the priorities as per their perception rather than the city's perception. The basic conflict and displeasure between the city and the HC arose out of such internally inconsistent mandate given to it.

Fourthly, the issue of privatization of such Corporation raises concerns about the ultimate aim and objective of creating such Corporations in first place. It is clear that "public control of land-base is absolutely indispensable to successful implementation of new urban mega-projects. By controlling the critical land resource, the Corporation can virtually dictate the timing, nature, quality and profitability of development". [Artibise & Kiernan, 1988]. To sell off these real estates to the private developers with the right for future developments on the site may amount to losing control over the critical land resource.

Finally, the issue of flexibility not only in day-to-day operations but in matters pertaining to long term planning and strategy formulation is also very significant for determining the performance of the project. The corporate structure of the intervention is perhaps best suited here as revealed by the experience of HC. Suitable management response to the changing environment can come forth most

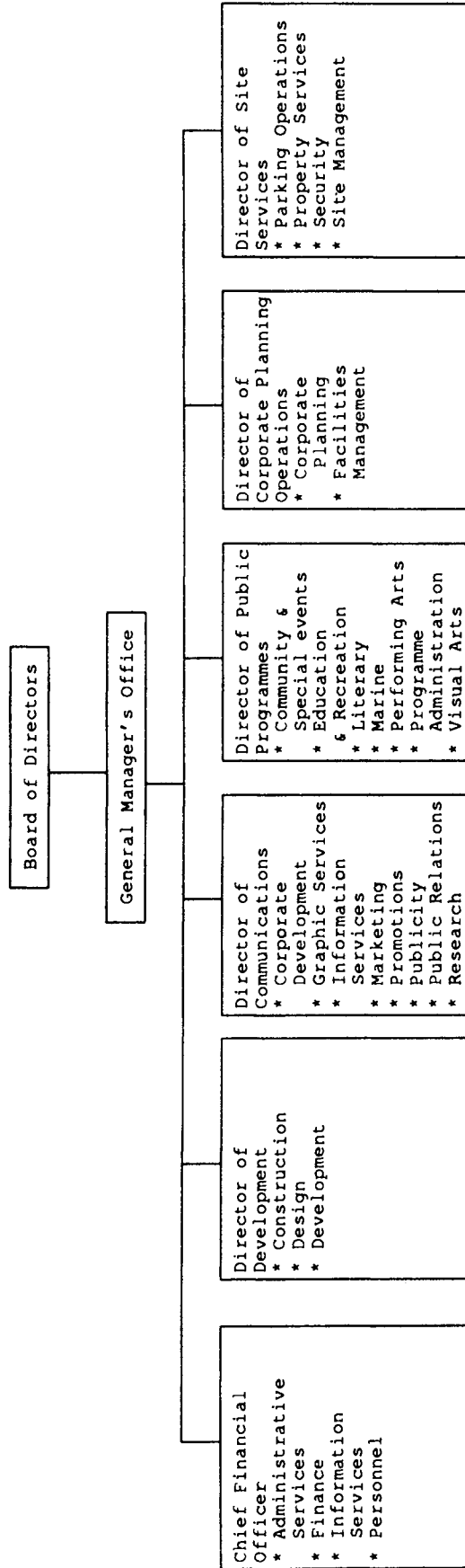
efficiently under the corporate structure. It also has the flexibility of incorporating representatives of different interest groups in their decision making process to ensure its ultimate success.

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Chart 2

Harbourfront Corporation Organization



Annexure I

Financial Statements of Harbourfront Corporation

Statement 1 : Consolidated Balance Sheet (\$ Million)				
	1990	1989	1988	1987
I. Assets				
A. Current Assets				
1. Cash and Term Deposits	5.010	1.880	2.794	2.534
2. Receivable from Canada	4.165	5.918	9.223	0.357
3. Receivable from Developers	0.929	4.999	9.797	12.254
4. Other Receivables and Assets	1.974	1.390	1.713	1.822
Sub-total	12.078	14.186	23.527	16.966
B. Non-Current Assets				
1. Receivable from Canada	---	1.839	0.732	6.973
2. Receivable from Developers	12.405	12.446	12.165	21.467
3. Prepaid Leases	0.290	0.435	0.580	---
4. Deferred Development Costs	5.082	4.448	4.141	6.229
5. Fixed Assets	1.197	1.608	1.266	1.044
Sub-Total	18.974	20.776	18.883	35.714
Grand Total	31.052	34.962	42.410	52.680
II. Liabilities & Shareholders' Equity				
C. Current Liabilities				
1. Accounts Payable & Accrued Liabilities	3.178	3.144	2.958	1.563
2. Deferred Revenues	2.653	0.886	0.772	1.488
Sub-total	5.830	4.030	3.730	3.051
D. Shareholders' Equity				
1. Share Capital	---	---	---	---
2. Contributed Capital (surplus)	31.935	32.494	34.441	41.605
3. Retained earnings	(-)6.7	(-)1.5	4.239	8.024
Sub-total	14	62	38.680	49.629
	25.221	30.932		
Grand total	31.052	34.962	42.410	52.680
<u>Source</u> : Harbourfront Corporation : Annual Reports				

Statement 2 : Consolidated Statement of Operations (\$ Million)				
	1990	1989	1988	1987
I. Public Programming and Facilities				
A. Revenues				
1. Event Admissions	2.106	2.005	1.689	1.348
2. Corporate Sponsorship	2.620	1.649	1.084	1.077
3. Government Grants	1.014	0.960	0.835	0.754
4. Parking & Other Income	4.602	3.726	3.218	2.662
5. Facility Rentals	0.769	0.830	0.870	0.650
Sub-total	11.111	9.170	7.696	6.490
B. Expenses				
1. Event Production	6.279	5.654	4.669	3.855
2. Event Administration	1.301	1.160	1.046	0.898
3. Marketing	2.798	2.647	2.337	1.527
4. Operation of Facilities	6.685	6.808	5.108	4.653
Sub-total	17.063	16.270	13.159	10.934
Net Income on Public Programming & Facilities	(-)5.952	(-)7.100	(-)5.463	(-)4.443
II. Commercial and Corporate Activities				
A. Revenues				
1. Commercial Income	2.631	2.295	2.520	2.172
2. Interest from Developers	1.094	1.290	0.868	1.272
3. Interest on HC Capital Account	0.439	0.918	0.643	0.534
Sub-total	4.164	4.503	4.031	3.978
B. Expenses				
1. Commercial Management	2.210	1.506	1.030	1.074
2. Corporate Administration	1.154	1.248	1.323	0.815
Sub-total	3.364	2.754	2.353	1.890
Net Income on Commercial and Corporate Activities	0.800	1.749	1.678	2.088
III. Net Income of HC	(-)5.152	(-)5.351	(-)3.785	2.355
Source : Same as Statement 1.				

Statement 3 : Consolidated Statement of Contributed Capital and Deficit (\$ Million)				
	1990	1989	1988	1987
I. Consolidated Capital				
1. Balance, beginning of year	32.494	34.441	41.605	45.270
2. Net Proceeds on Development Activities	(-)0.732	(-)0.062	0.376	0.450
3. Cost of Parklands and Public Infrastructure Conveyed to Municipal Governments	---	(-)0.206	(-)3.475	---
4. Period development and other public infrastructure costs	(-)3.476	(-)1.803	(-)4.065	(-)4.115
5. Capital Parliamentary appropriation from Canada	3.649	---	---	---
Balance at end of year	31.935	32.494	34.441	41.605
II. Deficit				
1. Retained earnings at beginning of the year	(-)1.562	3.789	8.024	10.379
2. Net Profit for the Year	(-)5.152	(-)5.351	(-)3.785	(-)2.355
Balance at end of year	(-)6.714	(-)1.562	4.239	8.024
Source : Same as Statement 1.				

Statement 4 : Consolidated Statement of Changes in Financial Position (\$ Million)				
	1990	1989	1988	1987
I. Operating				
1. Net Profit for the year	(-)5.152	(-)5.351	(-)3.785	(-)2.355
2. Depreciation	0.497	0.497	0.287	0.156
3. Profit on disposal of fixed assets	(-)0.001	(-)0.031	--	--
Sub-total (1 to 3)	(-)4.656	(-)4.885	(-)3.498	(-)2.199
4. Other receivables and assets	(-)0.584	0.324	0.109	(-)0.435
5. Prepaid leases	0.145	0.145	(-)0.580	--
6. Accounts payable and accrued liabilities	0.034	0.186	1.395	(-)0.644
7. Deferred Revenues	1.767	0.114	(-)0.716	(-)0.028
8. Interest receivable on HC Capital Account	0.751	(-)0.595	0.034	(-)0.012
Sub-total	(-)2.545	(-)4.712	(-)3.256	(-)3.318
II. Investing				
1. Investment in Fixed Assets	(-)0.316	(-)0.967	(-)1.353	(-)2.921
2. HC Capital Account :				
(a) Deposits	(-)4.412	(-)4.107	(-)11.059	(-)8.000
(b) Withdrawals	7.253	6.900	8.400	9.800
Sub-total	2.525	1.826	(-)4.012	(-)1.120
III. Financing				
1. Grant & Sponsorship of Fixed Assets	0.231	0.159	0.844	1.982
IV. Development				
1. Net Proceeds on Development Activities	(-)0.732	0.062	0.376	0.450
2. Cost of Parklands & Public Infrastructure to Municipal Governments	--	(-)0.206	(-)3.475	--
3. Period Development and other public infrastructure costs	(-)3.476	(-)1.803	(-)4.065	(-)4.115
4. Capital Parliamentary Appropriation from Canada	3.649	--	--	--
5. Deferred Development Costs				
6. Receivables from Developers	(-)0.634	(-)0.307	2.088	(-)3.818
Sub-total	4.111	4.067	11.759	11.642
	2.919	1.812	6.684	4.159
V. Change in the year	3.130	(-)0.914	0.260	1.703
VI. Cash & Term Deposit, beginning of the year	1.880	2.794	2.534	0.831
VII. Cash & Term Deposit, end of year	5.010	1.880	2.794	2.534
Source : Same as Statement 1.				

Annexure II

History and Development of the Site

1972 Events and Development

- 100 acres of Harbourfront property were assembled by the Crown for use as park land, through expropriation, direct acquisition, purchase of shares, etc.
- The Federal Government presented the property to the City of Toronto for redevelopment.

1972-76 Events and Development

- The land was administered by the Department of Public Works, followed by the Minister of State for Urban Affairs.
- No consensus on site utilization was achieved.
- A Harbourfront Committee was established by the Federal Government to advise on the future of the site. It recommended (with the support of the City and Metro) the transfer of decision-making authority to a local Toronto Corporation of community based people.
- Extensive public consultation on the future of Harbourfront.
- York Quay Park and Pond were completed for public use.

Public Programming

- First literary readings were held.
- First tours of site were held by school groups.
- 30 dealers participated in the Antique Market.
- Scotland at Harbourfront Scottish Festival.
- Philippine Cultural Festival.
- Crafts people demonstrating on site.

July 1976 Events and Development

- Harbourfront Corporation was established with local Board of Directors.

Public Programming

- The Art Gallery at Harbourfront was established.
- Creation of Programmes Division to fulfil public programming mandate.

1978 Events and Development

- New management was put in place by the Board.
- A development framework document was produced, defining Harbourfront as a mixed use waterfront development initiative. A seven-year plan towards operational self-sufficiency was proposed.
- Pier 4 Restaurant complex was developed by Whaler's group.

Public Programming

- Site attendance reached 700,000 as a result of programme initiatives.
- Brunch with bach series introduced.
- First summer day camps for children.
- First major Canada Day celebration.

1979-80 Events and Development

- First year of implementation of the development framework - improvements to York Quay Centre and Water's Edge Promenade.
- Proposal call for development on Spadina Quay and Terminal Warehouse.
- Private sector activities increased with new tenants on Queens Quay West, including an expanded Pier 4 facility.

Public Programming

- School by the Water, Harbourfront's urban studies and visual arts programme, was formally established with 850 schools visiting.
- First exhibition of crafts at Harbourfront.

June 1980 Events and Development

- Federal Government final approval of \$25.53 million to develop Harbourfront over a seven-year period from April 1980 to March 1987.
- Agreement reached with Olympia & York for renovations to the Terminal Warehouse, renamed Queen's Quay Terminal.

Public Programming

- Harbourfront Craft Fair established.
- Harbourfront Antique Market established as a permanent facility.
- The first international festival of Authors was held.

1981 Events and Development

- Second Phase of Water's Edge Promenada opened.
- Harbourfront negotiated and received final approval respecting the Harbourfront plan from the Ontario Municipal Board for City and Metro Bylaws.
- Negotiations with City of Toronto, Metro, Railways, etc., respecting modifications to City Zoning and the Official Plan for Harbourfront.
- Letters of intent completed with Rampart Enterprises and VKS Ltd. for the development of Spadina Quay for retail, condominiums, and office uses.
- Construction began on Queen's Quay Terminal.

Public Programming

- First Ice Canoe races were held.

1982 Events and Development

- Renovation of the north end of York Quay Centre.
- Harbourfront and the City of Toronto signed the master agreement that guides the location and development of parks, residential, commercial and retail uses and the development approval process.
- A two-year recession began. All private development was put on hold except for Queen's Quay Terminal.
- Announcement of four developers to build 500 units of non-profit housing on Bathurst Quay.

Public Programming

- Annual Winter Festival established
- First International Children's Festival is held.

1983 Events and Development

- Submission of Bathurst Quay sub-area plan to City for approval. Subsequent approval same year.
- City Council approved Spadina Quay sub-area plan.
- Federal Government announced \$ 23.8 million allocation to Harbourfront under the Special Capital Recovery Programme. Projects included a 1,200 car parking garage, the Spadina Pier, an artificial skating rink, the Peter Street Slip Bridge and improvements to Queens Quay West.
- Expression of interest document was issued for John/York Quays involving hotel, residential and commercial uses.
- Queen's Quay Terminal opened June 24, 1983.

Public Programming

- Official opening of Premiere Dance Theatre in Queen's Quay Terminal.

1984 Events and Development

- Parking garage opposite Queen's Quay Terminal Completed.

Public Programming

- Toronto International Festival, arts & cultural celebration.
- Worlds of Asia Festival
- Tall Ships.

- 1985** **Events and Development**
- York Quay centre renovation completed.
 - TTC announced its plan to serve the Harbourfront site with a light rail streetcar system.
 - 80% of site services are in place.
 - 41% of private investment is committed.
 - Metro Police Marine Unit Station opened.
 - City of Toronto Planning Department requested a six-month freeze on development. Negotiations between Harbourfront and City officials began.
 - Hotel Admiral opened by the Whalter's group.
- Public Programming*
- Creatove Sweden Festival.
 - Amsterdam via Toronto Festival.
- 1986** **Events and Development**
- City Council approved new parks and open space plan.
 - Opening of Spadina Gardens to the public by Toronto Mayor Eggleton and Parks and Recreation Commissioner Pirk.
 - Minister of Public Works announced a privatization study of Harbourfront.
 - Approval of 21 storey moderately priced rental housing project.
 - King's landing condominium completed by VKS Developments.
 - Harbour Point Condominiums completed by developers Huang and Danczkay.
- Public Programming*
- Opening of du MAURIER Theatre Centre.
 - First du Maurier Ltd. World Stage International Festival held.
 - Mennonite Bicentennial Festival.
- 1987** **Events and Development**
- Municipal moratorium and creation of the Harbourfront Review Committee by the City of Toronto.
 - Federal moratorium on development and announcement of a policy review on the role and mandate of Harbourfront.
 - City released six "pipeline" projects on condition of receiving 6.5 acres of parkland.
 - Minister of Public Works, with the support of the Toronto Ministers announced the end of the federal review of Harbourfront and confirmed the dual mandate of the company: the development of the site and the responsibility for public activities.
 - Harbourfront conveyed Bathurst and Spadina parks, for a total of 6.5 acres, meeting the condition for the release of the 'pipeline' projects.
 - After a federal endorsement and City Council Review, the Harbourfront 2000 plan was released to the public. The plan proposed to increase the quality and quantity of open space, offering 50 acres of publicly accessible open space (up from the previously agreed 40 acres), with 30 acres of dedicatable public parks (up from 20 acres).
 - The Federal government released the reports on the Management of Federal Lands in Toronto, prepared for the Bureau of Real Property Management at the Treasury Board.
 - King's landing complex completed by Rampart Developments.
 - Bathrust Quay non-profit housing completed.
 - Harbour Terrace condominium completed.
- Public Programming*
- Site attendance reached 3.5 million.
 - Opening of the Power Plant Contemporary Art at Harbourfront gallery.
 - Canoe Festival introduced.
 - Boulevard of Broken Dreams.
- 1988** **Events and Development**
- Interim Control Bylaw imposed by the City of Toronto freezing development until December 1988 and requesting a municipal report on the policies governing the development of Harbourfront.
 - A rental apartment complex (350-390 Queens Quay West) was completed with 500 inexpensive apartments opened.

- Harbour Channel Cooperative Housing (119 non-profit apartments) project started construction.
- Retail outlets opened on ground floor of King's landing complex, just east of Spadina.
- Harbourfront Antique Market moved to new location at Maple Leaf Quay, just west of Spadina.

Public Programming

- First du Maurier Ltd. Quay Works Festival.
- Quebec's Cirque du Soleil visited for two sold-out months.
- First Molson W.O.M.A.D. (World of Music, Art and Dance) Festival.

1989

Events and Development

- Interim Control Bylaw extended to November 1989, or until 40 acre parks agreement is negotiated with the city.
- The Royal Commission on the Future of Toronto's Waterfront initiated hearings into Harbourfront. The Corporation made an extensive presentation to the Commission, including the fully expanded Harbourfront 2000 development plan.
- Remodelling of old Antique Market site began, to allow for interim use of the remaining building.
- New shops opened in the Harbour Point complex.
- The Harbourfront portion of the Light Rail Transit (LRT) line was completed.
- Opening of the new tent in the square facility in the Urban Square at York Quay Centre.
- A creative Children's Play Area, part of Little Norway Park in Bathurst Quay, was completed, including a storytelling chair, a clam shell-designed pool, a children's maze, change rooms and washrooms.
- Harbourfront and the City of Toronto reached a negotiated settlement that would see the Interim Control Bylaw lifted and 41.3 acres of parks turned over to the City.
- The Provincial government announced an indefinite ministerial zoning on the Harbourfront lands, once again freezing all development.

Public Programming

- First TropiCanada - a Winter Heatwave outdoor recreational and indoor entertainment programme for three winter weekends.

1990

Events and Development

- The Federal government appointed a federal negotiator to resolve the Harbourfront impasse among all levels of government.

Public Programming

- Molson Canadian Festival Italiano and Hispanic Fiesta.
- First Molson Canadian Comedy Festival.
- First Pierhead Jump charter boat festival.
- Waterways -- Festival of marine culture introduced.