
2. The Role, Mandate, and Development Plans of Harbourfront Corporation

Harbourfront Corporation is a federal Crown corporation incorporated pursuant to the *Ontario Business Corporations Act, 1987*, and continued under the *Canada Business Corporations Act, 1975*, for the purpose of developing federal property on the shores of Lake Ontario in the City of Toronto.

The sole shareholder representing the Crown is the Minister of Public Works, through whom the corporation reports to Parliament.

The first section of this chapter describes Harbourfront Corporation's history, including a description of its role, mandate, and development plans, while section two is an account of the two days of presentations and seven days of hearings on these matters held by the Royal Commission in March and April 1989. The conclusions of the Royal Commission and its recommendations on Harbourfront are presented in the third section.

1. Background

In October 1972, when the federal government announced that it was establishing Harbourfront, it was described as a waterfront park, designed to provide year-round public facilities and activities. Federal ministers, on hand in Toronto for the occasion, portrayed it as "a gift" to the people of Toronto from the Government of Canada. The federal government said it was taking the initiative to appropriate and assemble the site because it believed that this was the last chance to prevent a "ceramic curtain" of high-rises from being built by private-sector interests. These interests were poised to develop the waterfront in a way that the federal government was convinced would permanently block public access to the waterfront.

It is significant that the announcement drew comparisons between the potential of the Harbourfront site and the attractiveness of Vancouver's Stanley Park, Quebec's Plains



of Abraham, and London's Hyde Park — all parks in the traditional sense of the word.

Because the Harbourfront site was inaccessible, semi-derelict, and separated from downtown Toronto by more than a kilometre of equally run-down space, physical revitalization was obviously necessary. It was also clear that people would be drawn to the area only if there were activities that could attract them.

From the beginning, therefore, there was a sense that a mandate for both physical development and programming would be necessary and, in fact, programmed recreational activities began on the site in 1974, some time before physical redevelopment occurred.

A. Harbourfront's Organizational Model

By 1978, the organizational form for achieving the government's objectives had been chosen: a Crown corporation, to be called Harbourfront Corporation, was to be established. Thinking had been crystallized in a "Development Framework", based on consultation with the provincial, municipal, and metropolitan governments and with the larger community. This document spelled out four goals:

- development of Harbourfront as Toronto's central urban waterfront;
- preservation and development of Harbourfront as a public place;
- development of Harbourfront in ways that would take into account its special location, conditions, and history;
- financial self-sufficiency through proper organization and management of the Harbourfront lands.

The new corporation was given two roles, which were formalized in a Management Agreement between the Minister of Public Works and the Corporation signed 13

June 1980. Under the Agreement, Harbourfront's two roles were:

- to develop, manage, and operate the site in accordance with the Development Framework, and
- to initiate, conduct or sponsor cultural, recreational, scientific, and educational programs that, in its opinion, were of advantage to the public.

The dual role and mandate of the corporation were endorsed by the City, Metropolitan Toronto, and the Province in 1981, when the Ontario Municipal Board gave its approval to the Official Plan and Zoning By-law covering Harbourfront's plans.

A Master Agreement signed by Harbourfront Corporation and the City defined the planning and development process the corporation was to follow in bringing its projects before City Council for approval, and gave Harbourfront rights to almost 700,000 square metres (7,535,000 square feet) of development.

The integration of Harbourfront's two roles was formally endorsed by the federal government in a number of ways, including its approval of the 1978 Development Framework, its subsequent approval of projects and corporate plans, and its decision in 1983 to permit the creation of a heritage or capital fund, described below.

The integration of the roles is reflected in the manner in which the corporation finances its operations: the goal of financial self-sufficiency reflected the hope that income from Harbourfront's development activities would be used to subsidize cultural and recreational programming, and two categories of development revenues were set up for this purpose.

The first category consists of proceeds from the sale of land, capitalized leases, and the sale of land and air rights; these proceeds are recognized in Harbourfront's financial statements but are recorded as a "restricted surplus" with

cash deposited in a special Harbourfront account in the government's Consolidated Revenue Fund (CRF), also known as the Heritage Fund. Interest earned on this account is automatically credited to the corporation without restrictions on its use. Subject to government approval, Harbourfront may withdraw principal from the CRF account for purposes consistent with the development and financial objectives of the company. Such withdrawals have been used predominantly to fund capital expenditures on public infrastructure.

The second category comprises all other development revenues, including rental income and development fees, and is treated as normal, unrestricted corporate income.

In addition to development revenue, Harbourfront receives a significant portion of its total income from site operators (mainly food concessionaires and parking lot operators) and from corporate sponsorship and admission charges. Some program activities also receive funds from government cultural and artistic grant programs.

In Harbourfront's financial structure, development activities provide funds both to support capital spending on public infrastructure and to sustain a wide-ranging cultural and recreational program established by the corporation. The amount and, to some extent, the type of Harbourfront's programming activity has been influenced by the scale and type of development the corporation has been able to put in place.

B. Federal Policy

The mandate and role of Harbourfront Corporation falls under the Federal Land Management Policy (FLMP), which has guided federal participation in land redevelopment (particularly in central area and waterfront regeneration) for the past 16 years.

Although the 1972 announcement of Harbourfront predated the promulgation of the FLMP in 1973, both events

occurred when the government of the day had decided to become involved in the regeneration of Canadian cities. In fact, in 1969, recognizing that many of its policies had an impact on municipalities, it had created the Ministry of State for Urban Affairs (MSUA), in order to co-ordinate federal policy and the delivery of federal programs in urban areas.

MSUA led a troubled existence: it lacked clout at the Cabinet table; found its mandate challenged by the provinces and by other federal departments and agencies; and was unable to develop a municipal constituency. In 1979, the Ministry was abolished, as a cost-saving measure.

However, during this period the government had become involved in a number of urban redevelopment projects across the country, through various programs and arrangements and with several federal departments and agencies. Mechanisms included both federal and provincial Crown corporations, and both direct and indirect funding through grants and contributions.

While land redevelopment policy provided the primary justification for the federal involvement, in some cases it was done as a matter of economic/regional development policy; many — if not all — projects were given broader socio-economic objectives, and federal funding for them was allocated through a wide range of generally available federal subsidies or incentives in such areas as housing, job creation, tourism development, and cultural development. None of the federal government's other ventures, however, have carried their cultural, educational, and recreational activities as far or as successfully as Harbourfront Corporation has done. For them, such events and activities were an adjunct and not a major objective.

The demise of the MSUA signalled reduced federal involvement in cities, except for projects in which previous commitments remained to be fulfilled. This approach generally continues to this day, with the federal government's participation pretty well reduced to situations

in which its own programs and associated lands are directly affected. Given that fact, the continued existence of Harbourfront Corporation is an anomaly.

When Prime Minister Mulroney took office in 1984, his government adopted certain broad policy themes as the basis of its decisions and initiatives; these include:

- better management;
- fiscal restraint;
- harmonious federal–provincial relations.

Land management was studied under the relevant policy themes and the government moved from using land management to help achieve broader socio–economic objectives to a policy of retaining and managing only those lands specifically required to support the delivery of federal programs.

In 1985, the Ministerial Task Force on Program Review (“the Nielsen Task Force”), led by the then–Deputy Prime Minister, recommended divestiture of the Harbourfront Corporation to the private sector or another level of government. Cabinet accepted the recommendation and directed the Minister of Public Works to determine how it could be implemented. A privatization study was suspended in 1987, pending a policy review of Harbourfront’s role and mandate (see “Changing Conditions”, in this section).

In December 1987, in the most recent public government statement on the FLMP, the President of the Treasury Board of Canada redefined its terms and application to the Toronto region, following the Board’s review of a report on the strategic management of federal lands in Metropolitan Toronto. The President said that, in the Toronto region,

the federal government will continue to hold lands that are appropriate to its operational needs. Lands not required for these purposes will be transferred to the appropriate jurisdictions or to other interests.

Where the federal government agrees to transfer land, it is obligated to act in the best interest of Canada as a whole, including seeking full value of the land on behalf of taxpayers.

There are no known federal “operational needs” on the Harbourfront site.

C. Federal Objectives and Harbourfront’s Corporate Goals

The original federal objectives for Harbourfront may be inferred from the 1972 federal announcement of its formation. By intervening, the government was signalling its intention to establish a form of development that would be quite different in character from that intended by the private sector, which seemed to use as its model the Harbour Castle Hotel that had recently been completed.

What government spokesmen envisaged was revitalization of the site, not through the use of high-rises, but structures on a human scale, where a range of public amenities and activities would be provided in a park-like setting that took advantage of its waterfront location.

Over the next several years, debate continued among the four levels of government and the community at large about a set of goals for the project and development of a suitable planning framework. A consensus and a vision of Harbourfront’s future slowly emerged but, as additional elements were added, the original concept changed almost imperceptibly, and began to include more buildings, an urban character, and reduced emphasis on park and open space.

It became clear that, in order to be successful, Harbourfront would have to become a community, a good place in which to live and work as well as to play and visit, and that it would have to have a special atmosphere and character.

What was envisaged was a project that would achieve excellence in its design, in its community life, and in the cultural, educational, and recreational events and activities that would be offered there. It was to be a rich and diverse mix of buildings, parks and open space, residents, visitors, and activities. The idea of an innovative project to enrich the community was translated into goal statements, the 1978 Development Framework, sub-area plans, conceptual drawings, and models.

More important, after some rocky beginnings, the Harbourfront Corporation itself had an *esprit de corps* — a sense of leadership, of knowing where the corporation was going and how to get there — that invoked confidence and support in the community.

A series of programmatic successes for cultural and recreational activities attracted growing numbers of people to the site. The design quality of the first buildings and the emerging mix of public and private uses and amenities gave credence to the view that the corporation was well on its way to success. Harbourfront's development formula, high-quality urban design combined with imaginative, varied programming appealing to a broad range of interests, even began to attract international attention.

By 1987, almost 350,000 square metres (3,767,000 square feet) of space had been built or was under construction, amounting to approximately half of the approved density. Some 4,000 residents were already living in the community, Harbourfront was staging some 4,000 events and activities annually, and attracting 3.5 million visitors.

At that time Harbourfront seemed on the point of achieving self-sufficiency, and could look forward to no longer being dependent on the federal government for capital and operating funds. In fact, the corporation was generating enough revenue to enable it to build up the Heritage Fund and to cross-subsidize program activities at a rate of some \$5 to \$6 million annually.

Changing Conditions

Behind that apparently rosy picture, there were problems: the original concept had become blurred; public and municipal concern was expressed over the seemingly sudden appearance of high-rise residential blocks, which increased fears that the ceramic curtain which Harbourfront was designed to avoid would be erected, endorsed and supported by the federal and City governments.

There were fears that the promised parks would not be delivered; that Harbourfront Corporation had become too preoccupied with maximizing revenue generation to support its expanding and increasingly costly program activity, at the expense of maintaining the quality of its urban development and meeting the needs of the growing Harbourfront community; and that the City and federal governments had collectively failed to ensure that Harbourfront Corporation and the developers with whom it dealt were meeting planning and development obligations.

Conditions in surrounding areas were also changing and Harbourfront was no longer an isolated island of urbanity: the Central Bayfront was rapidly being built up at densities five times higher than those on the Harbourfront site, and plans were maturing for the Railway Lands, also at much higher densities than Harbourfront. The site for SkyDome had been selected, and construction was about to begin.

The changes made it necessary to reappraise Harbourfront's plans, and in February 1987 the City decided to conduct a land use review of Harbourfront. A month later the Government of Canada initiated a policy review of the corporation's role and mandate; the corporation had already begun a reappraisal of itself.

At the same time, the government and Harbourfront Corporation agreed with the City to suspend new developments pending completion of the reviews. A number of projects (now known as the "pipeline projects") that were