

**Making Multilevel Governance Work:  
Overcoming Coordination Challenges in the City of Toronto**

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## I. Introduction

The academic study of multilevel governance (MLG) is burgeoning, both in Canada and elsewhere. The rise of writing on MLG is spurred by the recognition that in many contemporary settings, governing power is fragmented among multiple state and non-state agents who operate at a variety of geographical scales. This fragmentation, analysts argue, has in turn given rise to governing practices whose key defining feature is coordination among autonomous agents, rather than command and control by a single, centralized public authority. While the MLG approach “provides a valuable organizing perspective for understanding the changing nature of policy making” (Bache and Flinders 2004: 105), as an analytical framework MLG “appears incapable of providing clear predictions or even explanations (other than the most general) of outcomes in the governance process” (Peters and Pierre 2004: 88).

This paper represents an initial effort to address the explanatory weakness of the MLG perspective, specifically as it relates to analysis of localized policy outputs in an urban setting. The paper analyzes four cases of multilevel policy initiatives in Toronto, Canada, and asks: What factors have affected the quality of public policy outputs in these cases?<sup>1</sup> In order to answer this question, the paper begins in Section 2 by discussing the explanatory limitations of existing MLG work. It suggests that the key to bolstering the explanatory power of the MLG perspective lies in problematizing the coordination challenge inherent in MLG situations, and it then proposes an explanatory framework built on this insight. After introducing some key features of the Toronto context in Section 3, the paper provides analytical accounts of policy processes in the four cases in Sections 4 through 7, relying on evidence from written documents, a review of media coverage, and semi-structured interviews with 46 key respondents representing a wide variety of governmental and societal groups.<sup>2</sup> Section 8 analyzes the cases in order to identify key influences on the quality of policy outputs. The analysis suggests that the more difficult the initial coordination challenge, the less likely it is that multilevel policy initiatives will succeed. However, it also suggests that the likelihood of success in any one case is shaped by the specific coordination strategies that agents adopt, and it discusses five common strategies and their implications for policy outputs.

## II. Multilevel Governance and the Quality of Public Policy: An Explanatory Framework

The concept of ‘multilevel governance’ has been defined in a variety of ways, but most authors agree on two key points. First, MLG occurs in a condition where power is fragmented among autonomous agents who nonetheless must engage with each other in order to achieve policy goals. Early work on MLG usually focused on the fragmentation of power among multiple levels of *government* that operate at different spatial scales

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<sup>1</sup> This paper is based on research conducted as part of a much larger research initiative on “Multilevel Governance and Public Policy in Canadian Municipalities”, funded by the Social Sciences and Humanities Research Council of Canada, and headed by Robert Young at the University of Western Ontario. For more information on this research initiative see: [www.ppm-ppm.ca](http://www.ppm-ppm.ca)

<sup>2</sup> In each of the four cases, initial key respondents were selected based on a review of written documentation, and further respondents were identified by referral from earlier respondents. Respondent selection in each case was designed to: a) Focus on individuals who hold significant leadership or authority positions in their respective organization, and b) Ensure that respondents included representatives of the broadest possible range of agents (i.e., organizations, agencies, groups) involved in the policy case.

(Marks 1993), but recent definitions also draw attention to the fragmentation of power across the public-private divide (Peters and Pierre 2004: 82). Second, MLG itself is usually seen as a set of *coordinated governing processes* that respond to this condition; in other words, it involves “mechanisms and strategies of coordination adopted in the face of complex reciprocal interdependence among operationally autonomous actors” (Jessop 2004: 52).

Unfortunately, this dominant view of MLG significantly limits the explanatory power of MLG analyses. The key problem is that, if our definition of MLG presupposes coordination, we cannot analyze all of the ways in which agents engage with each other under conditions where power is dispersed. Having defined coordination as a key feature of MLG, most writers examine cases in which coordination already exists. On the basis of evidence from such cases, many writers normatively endorse the fragmentation of policy power as a condition that produces superior policy outputs. “Centralized authority – command and control – has few advocates”, Hooghe and Marks write. “Modern governance is – and, according to many, should be – dispersed across multiple centers of authority” (2003: 233). MLG is said to be sensitive to the scale of different policy problems, to better reflect the diverse preferences of citizens, and to facilitate policy innovation (Hooghe and Marks 2004: 16). Yet all of these benefits are achievable only if agents successfully coordinate their policy activity, and this is by no means assured. As Peters and Pierre (2004: 86) note, “the assumption of many of the scholars working in this approach that decision making will be non-conflictual and accommodative . . . may not capture the reality of the processes involved”.

In order to analyze the full range of possible agent behavior and policy outputs under conditions of fragmented power, we have to problematize coordination by separating it from the definition of MLG, and treating it as variable. For the purposes of this paper, then, ‘multilevel governance’ refers to a condition in which policy power is fragmented among multiple state and societal agents operating at various spatial scales.<sup>3</sup> Coordination is not assumed to exist. Instead, coordination – of both power and policy agendas – becomes a central challenge for policy agents operating under conditions of MLG.<sup>4</sup> The implications of this for causal analysis of policy outputs will be discussed shortly. First, however, a few words are in order about case selection, and about the conception of “good public policy” used in this paper.

Focusing on the City of Toronto, this paper examines policy processes and outputs in four cases spread across three policy fields. The policy fields include the funding of municipal infrastructure, the development of federal property in Toronto, and the promotion of local tourism.<sup>5</sup> The four cases are: securing multilevel capital funding

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<sup>3</sup> This definition of MLG bears a resemblance to Hooghe and Marks’ (2003) definition of “Type II multi-level governance”.

<sup>4</sup> In this paper, an ‘agent’ is defined as an entity that behaves in a unitary manner in a given policy case. ‘Agents’, in this sense, can be individuals, organizations (state or societal), or entire levels of government; their defining feature is internal cohesion in relation to the policy case. Conceiving of agents in this way allows us to analyze fragmentation *within* a single level of government, which, as we shall see, is of great importance in many of the cases examined in this paper.

<sup>5</sup> The policy fields examined in the research were set by the research design parameters of the broader project mentioned in note 1. The Toronto research examined a fourth policy field as well – emergency management. However, results from this policy field are not reported here, as this field lacked a new policy initiative comparable in scope to the other initiatives examined in this paper.

for public transit (municipal infrastructure field); developing Downsview Park (federal property field); implementing Toronto's 2003 Tourism Action Plan (tourism promotion field); and revitalizing Toronto's central waterfront (includes all three policy fields). Each case was chosen because it represented a significant instance where one government agent initiated policy action that required it to interact intensively with other state and societal agents operating at a variety of spatial scales.<sup>6</sup>

As noted above, the aim of this paper is to identify factors that affect the quality of policy outputs in the four chosen cases. In order to assess the quality of policy outputs across multiple policy fields, this paper steers clear of substantive evaluative criteria – such as efficiency, equity or innovation – whose importance can plausibly be argued to vary from one policy field to another. Instead, it assesses the quality of policy outputs using two broad evaluative measures. The first is assessed from the point of view of the researcher: To what extent does the policy output fulfill the basic goal(s) of the government agent that initiated the policy process? The second measure, designed in part to counterbalance the state-centric character of the first one, is assessed from the point of view of *all local agents*, or stakeholders, who take an active interest in a policy case: To what extent are local stakeholders satisfied with the policy output? The emphasis on local stakeholders – a term that encompasses both local government agents and local societal agents – does *not* take into account evaluations by provincial and/or federal government agents. This localist perspective is deliberate, and follows from the project's focus on localized policy outputs.<sup>7</sup> In this paper, then, 'good' policy outputs are those that fulfill the goals of the government agents who initiated them in a way that satisfies all (or almost all) local stakeholders; 'bad' outputs are those that do not fulfill goals, and that do not satisfy local stakeholders. As might be expected, most of the policy cases discussed below fall somewhere between these two extremes.<sup>8</sup>

Let us now turn to the question of explanation. Combining insights from existing literature with insights derived inductively from the Toronto evidence, this paper proposes a framework that can structure our understanding of influences on the quality of policy outputs in our cases. As noted earlier, if we conceive of MLG as a condition in which policy power is fragmented among multiple autonomous agents, it follows that the most fundamental challenge for agents is the challenge of coordination. In order to produce policy outputs that meet goals and satisfy local stakeholders, a government agent pursuing a policy initiative under conditions of MLG must coordinate two things: policy power, and policy agendas. If policy goals are to be achieved, the agent must be capable of coordinating policy power commensurate with those goals.<sup>9</sup> Yet such coordination

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<sup>6</sup> In three of the cases policy action was initiated by an agent within the City of Toronto; in the fourth (Downsview Park), it was initiated by the Cabinet of the Canadian federal government.

<sup>7</sup> The two measures used here are based in part on the two measures of 'government performance' developed by Robert Putnam (1993). Measure 1 is similar to Putnam's "effectiveness"; Measure 2 bears a resemblance to – although it is not identical to – Putnam's conception of "responsiveness".

<sup>8</sup> Evaluation of outputs was based on the following data: Goal achievement was evaluated based on a comparison of initial goals, as stated in relevant policy documents, with eventual outputs as reported through documents and as related by individual interview respondents (see Section 1). Agent satisfaction was evaluated on the basis of interviews with respondents in local government organizations and local societal organizations, supplemented at times with documentary evidence.

<sup>9</sup> One influential exposition and exploration of this idea in the urban setting is found in Clarence Stone's 1989 study, *Regime Politics: Governing Atlanta* (Stone 1989).

may be difficult, or even impossible, if agents have policy agendas that are mutually incompatible. In addition, if the agenda of the government agent is not compatible with the agendas of local societal agents, it may be impossible to develop policy outputs that satisfy local stakeholders. As a result, both power coordination and agenda coordination are of critical importance. We can thus re-frame our research question as follows: What causal factors influence the extent to which a government agent operating under conditions of MLG is able to overcome the challenges of power and agenda coordination? This study highlights two categories of causal factors: 1. The difficulty of the initial coordination challenge in a given case; 2. The coordination strategies pursued by the 'lead' government agent. Let us look at each of these in turn.

The degree of power fragmentation and the degree of agenda compatibility vary widely across different MLG situations. By definition, all MLG situations involve *some* power fragmentation, but this fragmentation is not absolute. As Jessop notes, most MLG situations approximate not anarchy, but heterarchy (Jessop 2004: 52-3) – agents may be functionally interdependent; they may be highly unequal in power; and some may be embedded in hierarchical relationships. Two aspects of power are particularly relevant to our discussion. The first is decision-making authority, which usually rests within the public sphere, but which may be fragmented among levels of government, or even among various agents within a single level of government. The second involves material resources – most often in the form of money, but sometimes also in other forms, such as land or equipment – which may also be more or less dispersed among multiple agents. In part because MLG situations involve varying numbers of autonomous agents, the compatibility of policy agendas also varies across cases. An 'agenda', as the term is used here, refers to a set of goals and associated policy instruments advocated by a particular agent. There are many reasons why the agendas of agents may differ. Various levels of government may be subject to different electoral pressures, or have distinct ideological leanings; local societal actors may represent particular constituencies whose policy goals differ from those of local government. Agendas need not be *identical* in order to be compatible; yet the more radically agendas differ, the less likely it is that agents will be able to find common ground – that is, compatibility – among them.

The more fragmented policy-making power is and the less compatible policy agendas are at the start of a policy initiative, the more difficult the initial coordination challenge is.<sup>10</sup> As we will see, this paper provides evidence that there is a causal relationship between this initial condition and policy outputs: The more difficult the coordination challenge is, the less likely it is that government agents pursuing a new policy initiative will ultimately fulfill their policy goals, and do so in a way that satisfies local stakeholders. That said, we will also see that there is by no means a perfect correlation between the difficulty of coordination and the quality of policy outputs in the Toronto cases. In one of our cases in particular, agents ultimately produced quite good

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<sup>10</sup> The degree of power fragmentation and agenda compatibility in a MLG situation is not only a function of the existing structure of institutional and state-society relationships, but also of the policy goals of a lead agent in a given policy case. For example, a local government may be entirely capable of embarking on a program of transit vehicle maintenance using its own authority and resources, but if the same local government chooses to pursue a major expansion of transit service, it may require resources from other levels of government, as well as the support of local societal agents who may have other policy priorities.

public policy outputs *even though* they faced a very difficult initial coordination challenge. This brings us to the issue of strategies.

Given the complexity of policy processes under conditions of MLG, the coordination of power and agendas is rarely a one-shot deal. As a result, achieving coordination requires sustained strategic action. While the strategies of all agents in a MLG situation clearly matter, this paper focuses in particular on the causal impact of strategies pursued by ‘lead agents’. Lead agents are those government agents that initiate and drive forward a policy initiative.<sup>11</sup> The analysis highlights the importance of the overall *strategic capacity* of lead agents, and identifies two important elements of strategic capacity in the Toronto cases – the capacity for sustained strategic leadership, and the capacity to identify and exploit unexpected windows of policy opportunity. The stronger the strategic capacity of the lead agent(s), the more likely it is that the agent(s) will overcome coordination challenges.

The analysis also examines some specific coordination strategies adopted by lead agents in the various cases. Most of the MLG literature focuses on cooperative strategies through which lead agents attempt to coordinate power and agendas by seeking consensus with other agents, but in some of the Toronto cases lead agents pursued competitive strategies. The paper identifies five coordination strategies – two competitive, two cooperative – that lead agents used in the Toronto cases. The competitive strategies were: a) ‘capturing’ power from other agents, and b) excluding certain agents from policy processes. The cooperative strategies involved: a) mobilizing agenda support among local societal agents, c) bargaining for resources and/or authority, and c) seeking to institutionalize governance arrangements. While the last of these is the most common focus of writing on MLG, the Toronto evidence suggests that it is only one of several coordination strategies that may be pursued. The evidence suggests that while lead agents usually combine a number of strategies in their coordination efforts, those who emphasize cooperative strategies tend to achieve better policy results.

### III. The Toronto Context

Before we review the four policy cases, a brief discussion of the Toronto context is in order. Several features of the local societal context in Toronto are significant in shaping the landscape for the MLG cases discussed in this paper. Perhaps most notable among these is the presence of a large and diversified corporate sector, which has in recent years become increasingly engaged in local policy issues. Given space constraints, however, we will leave discussion of societal agents for the individual case studies, and focus here on key characteristics of Toronto’s local government, highlighting how these have influenced the City’s<sup>12</sup> policy power and agendas in MLG situations.

Like other Canadian municipalities, Toronto is in legal terms a ‘creature of the province’, its powers and resources subject to provincial control. That said, in practice the City has in recent years had substantial intergovernmental policy clout. A key reason for this is Toronto’s size. In its current form, the City is the product of a municipal amalgamation imposed by the provincial government in 1998 (see Horak 1998, Boudreau 2000 for detailed discussion). It is a giant on the Canadian municipal stage. As of 2006,

<sup>11</sup> As we will see later on, in most of the cases examined here the lead agent shifted over time, usually because political agents passed over implementation of an initiative to their administrative counterparts.

<sup>12</sup> The capitalized term ‘City’ refers to the municipality, as distinct from the ‘city’ as an urban form.

Toronto had 2.5 million residents, as compared to 1.6 million in the next largest Canadian municipality, Montreal. The City had a 2006 operating budget of \$7.6 billion and employed 45,000 people (City of Toronto 2007), making it the sixth largest government unit in Canada, irrespective of level of government.

The size of the City of Toronto enhances its power in multilevel policy processes in several ways. First, the City possesses a sophisticated administrative apparatus with technical expertise that would be difficult to match in a smaller municipality. Second, as one local official interviewed for this project noted, the scale and the variety of public policy problems in Toronto ensure that the City is “on the radar” at other levels of government, and that City administrators have a dense network of interactions with their provincial and federal counterparts (PI). Third, the City’s huge population base can give Toronto’s political leadership the weight of substantial popular legitimacy when it speaks with one voice on the intergovernmental stage. Finally, the City’s large population also means that the wishes of Toronto residents often figure prominently in the electoral calculations of other levels of government.<sup>13</sup> The implications of this are mixed, however. Some of the policy cases discussed in this paper show that the electoral significance of Toronto can help municipal officials to access power and coordinate agendas with other levels of government. Others show that at least at the federal level, the electoral significance of Toronto has sometimes led to a focus by federal policymakers on short-term electoral considerations, with negative implications for the coordination of longer-range multilevel policy initiatives.

Although Toronto’s exceptional size enhances the municipality’s multilevel policy power, it also contributes to internal power fragmentation. The City is governed by a 45-member, non-partisan City Council, with councilors are elected on a ward basis. The Mayor is elected at large, and as such has the weight of considerable public legitimacy on his side, but has few significant governing powers of his own.<sup>14</sup> While recent reforms (2006) granted the Mayor the power to appoint heads of standing committees, in most respects the City retains a council-committee system of government. The net result of these institutional arrangements is a fragmentation of political power that tends to weaken strategic leadership. In addition, Toronto’s Council often faces decision overload (Bellamy, 2005: Vol 2: 16), which tends to increase the influence of administrators over strategic questions of policy direction. However, in some policy fields political fragmentation is mirrored on the administrative side by bureaucratic segmentation and internal competition for influence and resources. There are, as we will see in our cases, instances in which the City has successfully overcome internal fragmentation and has functioned as a single policy agent. On the whole, however, internal power fragmentation adds significantly to the complexity of the coordination challenges that municipal policymakers face in multilevel policy processes.

Another defining feature of Toronto politics since amalgamation has been an ongoing sense of fiscal crisis in the City. This is the combined product of several factors,

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<sup>13</sup> This is not always true. For example, the federal Liberal party has long had a lock on most Toronto seats, attenuating the strategic importance of the City in federal elections. See Horak 2008, esp. 17-18, for a detailed discussion of the electoral significance of Toronto at other levels of government.

<sup>14</sup> Post-amalgamation Toronto has had two mayors: Mel Lastman, who served two terms (1998-2000 and 2000-2003); and David Miller, who is currently serving his second term (2003-2006; 2006 - ).

which cannot be fully treated here.<sup>15</sup> However, two key factors bear brief mention. First, the provincially imposed amalgamation of 1998 was accompanied by a realignment of provincial and local service responsibilities that loaded nearly \$300 million in annual new costs on the City (City of Toronto 2002). Second, due in part to high per capita social expenditures, the City has much higher rates of business property taxes than the rapidly growing outer suburbs that surround it. This places the City at a competitive disadvantage in regional context, and generates pressure to contain costs.

The sense of fiscal crisis in Toronto has had a significant impact on Toronto's policy goals with respect to other levels of government. As early as the year 2000, Council called for a "new relationship with Ontario and Canada", including access to enhanced fiscal resources and new provincial legislation that would expand the City's fiscal and policy powers (City of Toronto, 2000). When he came into office in 2003, David Miller made the "New Deal" campaign a centerpiece of his governing platform, and has expended a great deal of energy on it. While the city did secure some new policy powers through provincial legislation in 2006, by far the most effort has gone into the fiscal component of the campaign (Horak 2008). The results of the fiscal lobbying have been mixed, but at least on one front – intergovernmental funding for the Toronto Transit Commission – the City has had remarkable success. This is one of the four cases discussed later in this paper. At the same time, as we will see in the case studies, fiscal constraints often limit the City's policy agenda and weaken the position of municipal officials in relation to other agents.

Finally, we should note that policy agendas in Toronto have been influenced by a shift in the ideological centre of gravity on Council in recent years. The 2003 election that brought David Miller and fourteen new councilors into office marked a significant shift to the left in Toronto politics. This has enhanced political attention to a number of issues such as neighborhood poverty, environmental quality and public transit. However, the shift has also narrowed the City's governance options in some ways. In particular, David Miller and a number of influential City councilors have strong support from public-sector unions, so the City has sometimes been reluctant to engage in initiatives – such as public-private partnerships – that might leverage the resources of societal agents.

#### **IV. Securing multilevel funding for the Toronto Transit Commission**

Toronto has by far the largest public transit system of any city in Canada. Until 2002, the federal government did not fund the TTC in any way. By contrast, until 1998 the provincial government contributed 25% of operating costs and 75% of capital costs to the TTC each year. In 1998 all provincial funding was withdrawn, which sent the TTC into a fiscal crisis. The Commission's capital investment program was severely curtailed, and service expansion plans were put on hold. It was not long before City politicians began lobbying for a restoration of intergovernmental transit funding. At the provincial level, however, the immediate prospects for this appeared poor, so in 2001, City officials began to build alliances with other urban municipalities across Canada in order to lobby the federal government to directly fund municipal infrastructure needs. Since not all of these municipalities had the same infrastructure needs, however, the focus shifted from public transit in particular to the securing of general-purpose infrastructure funds.

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<sup>15</sup> For a detailed discussion see, for example, Slack 2005 and Horak 2008.

Between 2001 and 2003, Toronto lobbied for federal infrastructure funding through two alliances of urban municipalities: the five-member “C5”, and the Federation of Canadian Municipalities’ big-city lobby group, the 22-member Big City Mayors Caucus. Toronto played a leading role in these organizations, thanks in part to support from its newly-created, six-person corporate office of intergovernmental relations (IGR) (PI). While the lobbying effort failed to persuade the federal government of Jean Chretien to set aside infrastructure funding dedicated specifically to municipalities, in 2002 the government did beef up its tri-level infrastructure funding, supplementing the existing \$2 billion Infrastructure Canada Program (ICP) with a new, \$4 billion Canada Strategic Infrastructure Fund (CSIF).<sup>16</sup> Furthermore, the lobbying did convince aspiring Liberal leader Paul Martin to endorse the principle of dedicated federal funding for municipal infrastructure (Kuitenbrouwer 2005). Martin succeeded Chretien as Prime Minister in November 2003, promising a “New Deal” for Canada’s cities; in the spring of 2005, his government followed through, dedicating two cents of the federal gas tax (rising to five cents by 2009) to municipal infrastructure needs.

By taking a leading position in pan-Canadian lobbying efforts, the City of Toronto thus helped to secure enhanced federal funding for municipal infrastructure between 2002 and 2005. However, the question remained how much of this funding would flow to Toronto, and to the TTC in particular. At first, the City lacked a focused set of goals in relation to federal infrastructure funds. In 2001 it applied for ICP funding for a variety of infrastructure projects. The results were disappointing to municipal officials. Although the City did secure the first-ever federal funding for the TTC, a one-time contribution of \$76 million matched by another \$76 million in provincial money, most ICP money in Toronto went to private cultural institutions. City officials realized that if they were to secure a larger slice of the federal (and provincial) infrastructure funding pies, they “needed to have a consistent and concerted messaging to the federal and provincial governments about what our need was” (PI). Encouraged by the IGR office and by the TTC itself, City Council decided in late 2002 to focus all future demands for federal infrastructure funding on transit capital needs (Moloney 2002; PI). At the same time, Council broadened its focus to include the provincial government as a target for transit funding requests, and adopted a longer-term policy goal of achieving a stable capital funding condition where the federal, provincial and municipal governments would each fund 1/3 of the TTC’s capital budget (PI).

Several factors enhanced Toronto’s power vis-à-vis other levels of government as it pursued the goal of securing multilevel TTC capital funding. First, local administrative and political agents agreed on both goals and strategy, with the IGR office, the TTC, and key councilors consistently working together (PI). Second, the City’s key administrative bodies on the issue – the IGR office and the TTC – brought strong intergovernmental and technical expertise to bear on interactions with their provincial and federal counterparts (PI). Third, Toronto’s powerful business community – through organizations such as the Board of Trade – added its voice to the chorus calling for more TTC capital funding (see for example Lu 2003). Fourth, in early 2003 Toronto officials helped to coordinate broader societal support for the campaign by catalyzing the formation of the Toronto City Summit Alliance (TCSA). The TCSA is an alliance of private-sector agents – both

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<sup>16</sup> Both the ICP and the CSIF were programs that paired federal with provincial funding, which both municipalities and private-sector agents were eligible to apply for.

corporate and non-profit – that has in recent years consistently supported a number of the City’s policy goals, including intergovernmental funding for the TTC. Finally, as we noted in the previous section, as soon as he was elected in November 2003 current mayor David Miller made the push for multilevel TTC funding a central plank of the City’s broader “New Deal” campaign for more powers and resources. In short, the campaign for multilevel TTC capital funding was bolstered both by the internal unity and administrative capacity of local government, by broad agenda support from local societal agents, and by strong Mayoral leadership, especially after 2003.

The City’s first major success on transit funding came in February 2004. The City signed a five-year tri-level CSIF agreement, committing each level of government to providing \$350 million towards the TTC’s capital program (Infrastructure Canada, 2004). Changes in provincial and federal government soon brought more opportunities to access intergovernmental funding for the TTC, and Miller’s astute leadership helped to ensure that the City exploited these (PI). At the provincial level, a new Liberal government moved to implement a 2003 election promise of gas tax funding for municipal transit. Negotiations over the allocation formula took place in the fall of 2004. Shortly beforehand, Toronto withdrew from the Ontario Association of Municipalities (AMO), which gave the City a separate voice in the negotiations. This, in turn, helped to ensure that the gas tax funds were allocated to municipalities based largely on transit ridership, an outcome that brought the TTC some \$163 million per year (PI; James, 2004).

Meanwhile, at the federal level the Martin government introduced its own gas tax funding scheme in 2005. Having withdrawn from AMO, Toronto successfully pressed for its own seat at the federal allocation formula negotiating table, a position achieved by no other Canadian municipality. Here, however, the City did not achieve its goals. Unlike the provincial gas tax, the federal gas tax was earmarked for all municipal transportation needs, not just transit. Facing political pressure from smaller municipalities, Paul Martin’s Liberal government decided in June 2005 to allocate this gas tax on a per capita basis across the country (Gillespie, 2005). Nonetheless, since the Martin government was a minority government, Toronto political leaders were able to use their connections to Jack Layton, a former Toronto councilor who now led the federal New Democratic Party, to secure one extra cent per liter of the federal gas tax earmarked specifically for municipal public transit (PI).

Between 2002 and 2006, the City of Toronto thus had remarkable success in its campaign to coordinate the resources of various levels of government to help fund the TTC’s capital needs. Since 2006, the TTC’s capital budget has been supported more or less equally by each of the three levels of government, which meets the target set by Council in 2002. Total amounts of new federal and provincial funding committed to the TTC between 2002 and 2006 are summarized in Table 1. Interviews conducted for this project revealed a broad-based consensus among local stakeholders - politicians, administrators, and representatives of societal groups – that the City’s policies with respect to transit capital funding have been largely successful (PI).

***Table 1. Actual and projected intergovernmental funding for Toronto Transit Commission, 2000-2011 (\$ million)***

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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Provincial	0	0	63	141	141	159	291	320	313	317	307	248
Federal	0	0	62	14	12	163	201	229	249	228	212	207
<b>Total</b>	<b>0</b>	<b>0</b>	<b>125</b>	<b>155</b>	<b>153</b>	<b>322</b>	<b>492</b>	<b>549</b>	<b>562</b>	<b>545</b>	<b>519</b>	<b>455</b>

**Note:** All of the federal funding listed is for capital purposes. Provincial figures include operating subsidies, which started at \$70 million per year in 2003 and increased to about \$90 million in 2005 and thereafter. Italicized figures are forecasted estimates as of April 2007. The figures do *not* include recently announced intergovernmental funding for new transit infrastructure.

**Sources:** Toronto Transit Commission Annual Reports 2002-2006; Toronto Transit Commission 2007-2001 Capital Budget Program (April 2007).

That said, it is also clear that the willingness of provincial and federal governments to share resources with the City for the purpose of TTC funding is in part a product of higher-level political dynamics that the City has had limited ability to influence. Since 2006, a change in federal government has highlighted the City's vulnerability to such dynamics. February 2006 saw the election of a Conservative federal government with no political representation in the City of Toronto. Whereas the Ontario provincial government has remained receptive to new transit funding demands from the City,<sup>17</sup> the Conservative federal government has rejected new City demands (Mihevc 2008). Yet even this government has retained the transit funding initiatives of its predecessor, suggesting that in the field of transit funding, the City of Toronto's campaign has successfully established a new multilevel policy reality.

## 5. Developing Downsview Park

At 231 hectares, the site of the former Downsview air force base in the City of Toronto's north end is by far the largest of the 155 properties that the federal government owns in Toronto (Treasury Board of Canada 2008). After the base closed in the early 1990s the federal Minister of Defense, David Collenette, an influential politician representing the Toronto constituency that housed the base, proposed to the federal Cabinet that the federal government redevelop the site as a park (PI). The Downsview Park project was announced by the federal Liberals in their 1994 budget, which said that "[the] Downsview site will be held in perpetuity and in trust primarily as a unique urban recreational green space for the enjoyment of future generations," and referred to the grand ambition of creating "Canada's first national urban park" (cited in Office of the Auditor General 2000). In 1995 the government specified that the project would be self-financing, such that at least 50% of the total land would be redeveloped as a park, and the rest would be redeveloped for residential and commercial use to provide funding for park development (Office of the Auditor General 2000).

The initiative was slow to get off the ground, however. Redeveloping a large parcel of urban land for public use was not something the federal government was used to doing, and it did not have administrative structures in place that could implement the Downsview initiative (PI). Furthermore, the Downsview lands were still owned by the Department of National Defense (DND), and the DND was reluctant to transfer them to another agency for less than market value. As one federal administrator noted, "having

<sup>17</sup> For example, in June 2007, it committed up to \$4 billion for a fifteen-year TTC proposal to expand light rail service across Toronto (Kalinowski, 2007).

decided to [create Downsview Park] without, shall we say, the support or initiation of the bureaucracy, [federal politicians] then weren't quite sure how to do it" (PI).

In 1997, the government directed the Canada Lands Company (CLC) – a government corporation that sells surplus federal property – to establish a subsidiary to redevelop the Downsview lands. The subsidiary, Parc Downsview Park Inc. (PDP), began operating in February 1999 with a Board of Directors appointed by the Minister of Infrastructure. Management of the project thus passed from politicians to administrators. However, PDP did not have the power to fulfill its mandate. The Downsview lands were still owned by the DND, so PDP could not engage in large-scale development activity. Furthermore, since it had no land to sell or lease, PDP had no access to start-up capital. Finally, PDP encountered an agenda conflict with its parent company, CLC. CLC's mandate is to sell surplus federal lands at market value, not to redevelop lands for public use on a cost-recovery basis. CLC officials thus resented the creation of PDP, and sought to shut it down in order to be able to manage the land directly (PI).

In an effort to bolster its legitimacy and the public profile of the project, PDP held an international design competition for the park portion of the Downsview land in 1999. Given the large scope of the project, the competition attracted leading names in urban design. The winning concept was 'Tree City', designed by Toronto's Bruce Mau in association with pre-eminent Dutch architect Rem Koolhaas. Envisioned as a broad conceptual document, 'Tree City' was maddeningly vague to many observers (see Hume 2002). Nonetheless, the plan raised expectations among local area residents and the broader public that a major park would be forthcoming in the near future. Yet PDP did not have the necessary authority and resources to turn plans into reality, and over the next eight years, it struggled at length to secure these.

In order to resolve the agenda conflict with CLC, PDP officials lobbied federal politicians to incorporate PDP as an autonomous corporation. Here again David Collenette played a key role. In 2003, he convinced Prime Minister Jean Chretien of PDP's case. In September, Collenette and Chretien made a widely-publicized appearance at Downsview, where they unveiled detailed plans for a \$40 million park, and said that construction would start the following spring (Kuitenbrouwer 2003). However, PDP still lacked control over the land. In order to force the DND to transfer title to its land, PDP needed to "persuade Treasury Board, Finance, Privy Council Office, three key central agencies, that what started off as a political idea that they were resisting is actually good public policy" (PI). According to one PDP official interviewed for this project, many federal officials thought that PDP's park plans were far too ambitious: "People in Ottawa [were] saying 'What the hell are you doing? You are supposed to create some green space. Just put some benches out and create a couple of baseball diamonds'" (PI).

Armed with a detailed 25-year business plan, PDP officials managed to get a critical mass of federal politicians and officials were onside by late 2003, and the government seemed set to compel the DND to transfer land, as well as to grant PDP substantial borrowing authority. However, the November 2003 change in the leadership of the federal Liberal party and the subsequent election brought a new set of politicians to the fore, many of whom opposed the Downsview Park project, and PDP did not achieve its aims. After two more years of PDP lobbying, when it once again appeared that the land transfer and borrowing authority were imminent, the government fell once more and was replaced by a minority Conservative government under Stephen Harper. Somewhat

surprisingly, in fairly short order PDP managed to convince the new government of its case. In July 2006 the DND's title to the Downsview Lands was transferred to PDP for a nominal sum, and \$100 million in borrowing authority followed suit (PI).

At the beginning of 2007, PDP thus finally had the power necessary to begin fulfilling its mandate. However, having been preoccupied for years by its struggle for authority and resources, PDP had paid little attention to the interests of local governmental and societal agents, and relations with these agents had deteriorated. City of Toronto officials objected to the fact that PDP, invoking its "paramountcy" as a federal body, had rejected the City's demands to go through municipal planning processes and had begun to plan development of the site on its own (PI). In March 2007 City Council passed a resolution declaring that the City would not engage with PDP on concrete planning issues until the agency agreed to go through municipal planning processes (Lorinc 2007).<sup>18</sup> Meanwhile, local area residents had from the outset been opposed to major new residential and commercial development in the area (PI). The emphasis in PDP's public announcements on park development fed a widespread misconception among residents that *all* of the Downsview land was to be used for park purposes (Parc Downsview Park, 2007). As a result, in 2006 when PDP unveiled a residential and commercial development plan that had been drafted largely without community input, there was much local consternation (Downsview Lands Community Voice Association, 2007).

In 2007, the new Conservative federal government moved to address the conflict between PDP and local agents. It replaced most of the members of the PDP Board of Directors and appointed as Chair David Soknacki, who had served as the City of Toronto's budget chief from 2003 to 2006. The new Board has moved to improve relations with the City and with local area residents by agreeing that PDP will go through municipal planning processes after all. While this shift has been cautiously welcomed by municipal officials, local resident groups remain skeptical (PI). Furthermore, embarking on a municipal planning process is likely to further delay the development of Downsview Park. In addition, the new PDP Board has questioned the fiscal viability of PDP's current development plans, and is moving to scale back the ambitious park proposal, whose price tag has grown to \$75 million (Parc Downsview Park 2007b, 5; Parc Downsview Park 2006, 26-27). Nearly fifteen years after it was originally proposed, the future of "Canada's first national urban park" remains very much an open question.

## **6. Implementing the Tourism Action Plan**

Toronto is one of Canada's leading tourist destinations, attracting almost 20 million visitors in 2006 (Tourism Toronto 2007: 4), but over the last ten years it has not shared in the global tourism boom. By 2002, the combined effects of aggressive tourism marketing efforts by many other North American cities and the post-9/11 travel downturn, as well as the failure in 2001 of Toronto's bid for the 2008 Olympics, convinced City officials that they needed to market more effectively to visitors. For many years, tourism marketing in Toronto had been dominated by Tourism Toronto, a public-private partnership that was partly funded by the City, but whose membership and agenda were dominated by hotel and convention interests. In the initial years after

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<sup>18</sup> Specifically, the City called on PDP to participate in a Secondary Plan review process, as a municipal Secondary (i.e., local area) Plan had been developed for Downsview in 1997, prior to the birth of PDP.

amalgamation, the City of Toronto itself did not have an explicit tourism policy, and did not devote substantial administrative resources to the file. The only administrative body in the City specifically devoted to tourism-related concerns was the Toronto Special Events Unit, which helped to run city-sponsored annual events (PI).

In 2002, Council moved to strengthen the City's administrative capacity in the tourism field by creating a Tourism Division under the aegis of the Economic Development, Culture & Tourism Department. In the same year, it commissioned a consulting firm to produce a strategic tourism policy document for 2003-2008. The Tourism Action Plan (TAP) was approved by Council in the spring of 2003. Among the policy goals proposed in the TAP, three were particularly prominent. The first was to institutionalize coordination among agents in the tourism field. The TAP pointed out that Toronto's tourism marketing suffered from a lack of coherent leadership and strategic direction, and proposed the creation of a "high-level Tourism Advisory Committee" with representation from the City and Tourism Toronto. Second, the TAP recommended that resources for tourism promotion be increased by transforming Tourism Toronto into a financially independent organization funded by a self-imposed 3% 'destination marketing fee' (DMF) on local hotel stays. Finally, it recommended that the Tourism Advisory Committee develop a strategic tourism plan that specified target dates and funding for specific initiatives, and that the City itself develop a Tourism Event Strategy that would be implemented by 'Toronto International', a new unit that would specialize in attracting and promoting major one-time events (Toronto 2003, 22-24).

In the spring of 2003 Toronto was hit by the Severe Acute Respiratory Syndrome (SARS) epidemic, which killed 43 people and led to a steep drop in tourism. In the wake of SARS, Toronto-area hotels quickly instituted the 3% DMF recommended by the TAP; this tripled Tourism Toronto's annual revenues in a mere three years (Tourism Toronto 2007: 16). Meanwhile, the City moved quickly to set up the Toronto International special events unit. However, responses to SARS also highlighted the lack of multilevel coordination in the Toronto tourism field. In the wake of SARS, all three levels of government partnered with different societal agents and simultaneously launched major but uncoordinated tourism recovery initiatives. As one respondent interviewed for this project put it, "When SARS hit, everybody just panicked . . . everybody just created their own thing. It became this one-upmanship thing and it was ridiculous" (PI).

The TAP had recommended that the City and Tourism Toronto address the issue of coordination at the local level by setting up a public-private Tourism Advisory Committee that would develop a detailed strategic plan for tourism promotion. This never happened. Instead, between 2003 and 2005 in particular the relationship between Tourism Toronto and the City was marked by severe conflict. One City councilor described the relationship as "horrible", while a tourism industry official stated bluntly that "the relationship with the Mayor sucked" (PI). The conflict stemmed from an effort by Toronto's political leaders to gain control of Tourism Toronto's new destination marketing fee, in contravention of their own TAP policy. Many local politicians, including Mayor David Miller, felt that Tourism Toronto's agenda remained overly driven by hotel and convention interests, and sought control of the DMF in order to promote other tourism promotion priorities, such as arts and culture. The City's ongoing financial difficulties meant that Toronto had limited resources to put into its own tourism promotion activities, further increasing the lure of new funding. As a result, in 2004 City

politicians began lobbying the provincial government for authority to impose a municipal hotel tax that would replace the destination marketing fee.

Conflict over this issue came to a head in 2005, when Tourism Toronto unveiled the results of a \$4 million branding initiative co-funded by the provincial government. The product – featuring the slogan “Toronto Unlimited” and an associated ad campaign – was widely panned as ineffective and even embarrassing (DiManno 2005). Following the launch, David Miller and several other City politicians publicly criticized the product, even though the City had initially approved it. Miller suggested that the incident demonstrated the need for municipal control over tourism marketing money in Toronto, and reiterated the City’s demand that it be allowed to levy a hotel tax (Barber 2005). This effort ultimately failed, but the damage to the relationship between the City and Tourism Toronto is still felt despite recent efforts to repair relations; partly as a result, to date no Tourism Advisory Committee has been set up, and there is still no strategic plan to coordinate tourism promotion between the City and Tourism Toronto (PI).<sup>19</sup>

The TAP also called on the City to develop a Tourism Events Strategy, but five years later, none has been developed. Despite its involvement in tourism funding issues, Council’s interest in developing concrete tourism strategies has been weak, and it has relied instead on the initiative of administrators (PI). In the administrative realm, development of an Events Strategy has been stalled by conflict within the City’s Economic Development, Culture and Tourism Department (EDCTD). Since 2003, the EDCTD has housed two administrative units that deal directly with tourism concerns. One is the Tourism Division – which includes Toronto International, the support unit for major one-time events that was created in 2003. The other is the older Special Events Unit, whose mandate is to provide administrative support for hundreds of annual events in Toronto, ranging from neighborhood festivals to Gay Pride Week. The division of responsibilities between the units is not entirely clear. When combined with endemic budget constraints, this lack of clarity has produced ongoing conflict over priorities and resources within the EDCTD, and an inability to develop an Events Strategy, despite five years of effort. “Honestly, I could chew off my right arm because it is frustrating to do this”, said one administrator involved in the process (PI).

The absence of a concrete events strategy has in turn had repercussions for the ability of City administrators to coordinate resources for major events. Without an events strategy, Council authorizes funding for any one event on an ad-hoc basis. The resulting funding insecurity has made it more difficult for administrators to secure private events sponsorship. As one administrator noted, reports of possible funding cuts to City-sponsored events are routinely “bashed around in the media for three months and the sponsors read this and go – ‘you know, you have to wonder if this is a viable product’” (PI). Likewise, funding insecurity and the absence of a longer-term strategy have made it more difficult to secure events support from other levels of government. Most provincial and federal agencies that fund local events look for prior local funding commitment, as well as for a broader strategic rationale for the event. As one respondent put it: “Municipalities that are well organized and have strategies and policies in place are in a

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<sup>19</sup> In 2006 the City launched a new, Province-sponsored effort to develop an overall tourism strategy in collaboration with private sector agents, called the “Premier Ranked Tourism Destination Project” (City of Toronto 2007b). A final report was due in January 2008, but has not yet been released.

better position . . . That way you can clearly communicate where you want to go and what you want to do and how you want to achieve it” (PI).

Toronto’s events administrators have achieved some concrete successes despite these difficulties. Since 2006, the Special Events Unit has run a highly acclaimed ‘Nuit Blanche’ contemporary arts event on a shoestring budget (PI). Toronto International, for its part, has helped private-sector organizing bodies in Toronto to attract major one-time events such as the International Dragon Boat Racing Championships (2006) and the FIFA Under-20 World Cup of Soccer (2007). Overall, however, dissatisfaction with the functioning of the events promotion system is widespread among stakeholders (PI), and mirrors a broader dissatisfaction with the state of tourism promotion in the City. In most respects the City has not met the policy goals outlined in the 2003 Tourism Action Plan. Indeed, one City administrator referred to it as “the ‘Tourism Inaction Plan’, because it really hasn’t done much” (PI). The sector retains serious problems of power and agenda fragmentation, both between the public and private sectors, and within local government itself. This fragmentation has prevented local agents from developing coherent tourism marketing efforts, and has hampered City officials in their efforts to leverage private-sector resources and to access tourism-related funding at other levels of government.

## **7. Revitalizing the Central Waterfront**

Toronto’s central waterfront represents an extraordinary revitalization opportunity. Located immediately next to the city’s Central Business District, it was once the home of a major shipping operation and numerous industries, but these gradually declined between the 1950s and the 1970s. Today, the majority of the central waterfront consists of vacant land – close to 800 hectares’ worth – of which 86% is owned by various levels of government and their associated agencies (Lewington 2004). However, years of conflict between federal and municipal interests on the waterfront have produced a difficult environment for coordinated revitalization efforts.

For decades, the bulk of central waterfront land was owned by the Toronto Harbour Commission (THC), an agency run by a Board consisting of three municipal and two federal appointees (Tasse 2006: 8). The THC’s primary purpose was to manage the Toronto port, but it also managed extensive adjacent industrial landholdings, and operated a small Island Airport on one of the islands that ring the harbour (Tasse 2006: 10). After 1950s, the volume of shipping in the port entered a steady, long-term decline, and associated industries abandoned the adjacent area, leaving most of the port lands derelict. Taking advantage of its control of the THC Board, in the early 1990s the City of Toronto transferred 250 hectares of derelict land to the municipally controlled Toronto Economic Development Corporation (TEDCO), in return for only nominal compensation to the THC (Tasse 2006: 1-2). The transfer was made over strenuous objections from THC management and some Toronto-area federal politicians (PI).

In 1996 the federal government introduced legislation that would divest it of the vast majority of its ports across Canada, and introduce federally controlled Port Authorities to run a handful of major commercially viable ports. Toronto’s port was initially slated for divestment, but a number of influential Toronto Members of Parliament, led by Dennis Mills, lobbied successfully for the transformation of the THC into a federally controlled Toronto Port Authority (TPA) (Tasse 2006: 19-24; PI). Created in 1999, the TPA soon launched a lawsuit against the City of Toronto for return

of the TEDCO lands. The lawsuit was settled in 2003. The TPA did not regain the lands, but it did receive a multi-year, \$69 million compensation package from the City, to be paid in part by TEDCO, as well a City Council commitment to approve construction of a bridge to the Island Airport in order to improve the airport's viability (Tasse 2006: 39).

City Council duly approved an airport bridge, but the Island Airport was not popular among Toronto residents, and most opposed the move. In the fall 2003 municipal election, David Miller's pledge to withdraw approval for the bridge played a major role in his victory in the Mayoral campaign. After the election City Council withdrew its approval, sparking threats of further lawsuits from the TPA and associated construction companies and airlines. In 1995, Paul Martin's federal government – which was trying hard to build a positive relationship with Toronto – settled the dispute by paying the TPA and other affected parties \$35 million in compensation (Safieddine and James 2005), but animosity between City politicians and the TPA remains strong (PI).

The long dispute between the THC / TPA and the City received exhaustive media coverage, and suggested to many observers that multilevel coordination on the waterfront was a lost cause. However, over the past eight years such coordination has nonetheless begun to emerge. Even as the TPA / City conflict mounted, a major effort to coordinate waterfront revitalization was launched by the City of Toronto at the end of the 1990s. Having secured control over extensive port lands through the TEDCO transfer, City officials saw an unparalleled opportunity to secure multilevel funding for waterfront revitalization in 1999, when the City launched a bid for the 2008 summer Olympics. The bid enjoyed strong support from senior governments, and the vast and empty waterfront lands provided a natural site for Olympic venues.

In November 1999 the three levels of government created a Waterfront Revitalization Task Force (WRTF), with a mandate to produce a plan for waterfront revitalization that would also prepare the site for the Olympics. The WRTF reported back with a massive revitalization plan that called for \$5 billion in government investment, and for the creation of a Toronto Waterfront Revitalization Corporation (TWRC) to manage implementation on a 15-year timeline. The TWRC was to be run by a Board with appointees from all three levels of government, and was to have the power to sell and lease land and borrow money (Waterfront Revitalization Task Force 2000). In short, the WRTF report proposed institutionalized multilevel governing arrangements to respond to the fiscal and organizational challenge of waterfront revitalization.

Given the strong incentives to collaborate on the high-profile Olympic bid, the three levels of government approved the TWRC in principle, and in November 2000, they pledged \$1.5 billion in public money – \$500 million each – to fund its activity. In July 2001, however, Toronto lost the Olympic bid to Beijing, and the strong incentive to collaborate vanished. That said, waterfront revitalization now had such a high profile that no level of government wanted to appear to the plug on it, so the TWRC was nonetheless created in late 2001. In October 2002 it released its first major document, a long-range waterfront revitalization plan. The plan reduced total proposed government investment in the waterfront to \$2.8 billion and extended the implementation timeline to 30 years (MacKay 2002), but it remained an ambitious document. For a number of reasons, prospects for its realization initially appeared dim.

First, all three levels of government were having second thoughts about creating a strong waterfront revitalization entity that no one level could control. As a result, the

TWRC did not receive final provincial enabling legislation until April 2003; even then, it was granted neither borrowing power, nor the power to sell or lease land (City of Toronto 2005: 3). Second, absent the time pressure and unifying goal of preparing a site for the 2008 Olympics, no level of government was eager to release much of the previously pledged \$1.5 billion. Given Toronto's financial difficulties, City Council was especially reluctant, and proposed that the TEDCO lands already under the City's control constitute the bulk of its pledged contribution (Monsebraaten and Moloney 2002). Third, the TWRC had no land of its own. Instead, the bulk of vacant waterfront land was held by TEDCO and by the provincially-controlled Ontario Realty Corporation.<sup>20</sup> Finally, the TWRC had no legal planning authority, and thus had to rely on City approval.

For the first three years of its existence the TWRC got little done. Several expensive infrastructure projects that were originally slated for early implementation – most notably, the burying of the elevated Gardiner Expressway along the waterfront – foundered as City Council balked at their cost. As the TWRC struggled to implement anything, and the conflict over the Island Airport hit its peak, a consensus began to emerge that the multilevel waterfront revitalization effort would fail. However, it remained the case that no level of government felt like it could afford to pull the plug on the TWRC, and – according to a TWRC official interviewed for this project – this gave the agency the opportunity to develop a strategy to bolster its legitimacy (PI).

The TWRC's strategy was essentially two-fold. First, it shifted its short-term focus away from expensive infrastructure projects, and towards designing detailed 'precinct plans' for two waterfront areas: The West Don Lands, a 30-hectare area adjacent to existing neighborhoods that is to be developed for residential purposes, and the East Bayfront, 22-hectare site along the water's edge that is to be developed as a mixed residential and commercial area. Second, in developing the precinct plans and other proposals, TWRC actively sought the involvement of resident associations representing adjacent neighborhoods, a variety of community interest groups, and the broader public. As one TWRC official put it, the strategy was that "we get public support, then we get press support then we get political support" (PI).

As societal agents and the local media began to support the TWRC's planning activities, political support for the agency also began to solidify. In 2005, the TWRC received tri-level government approval for a ten-year business plan that included specific yearly financial commitments to individual projects by each level of government. As of 2007, more than \$600 million had been delivered to the TWRC by the governments (PI). In 2005, City Council approved both the West Don Lands and the East Bayfront precinct plans. However, the TWRC still needed control over the land to proceed with development. In 2005, it signed a Memorandum of Understanding (MOU) with the Ontario Realty Corporation (which owns the West Don Lands) that gave TWRC full development authority in the area. The East Bayfront case proved more problematic. The majority of the land here is owned by TEDCO, which also owns much other waterfront land. In part because it uses revenue from land leases to pay compensation to the TPA under the terms of the 2003 lawsuit settlement, TEDCO was unwilling to cede control of these lands. However, in 2006 City Council forced TEDCO to sign an MOU

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<sup>20</sup> Having failed to regain the TEDCO lands, the TPA no longer owned a great deal of land on the waterfront – about 40 hectares of remaining port land, a small marina, and the Island Airport.

with TWRC that stipulates the phased transfer of most TEDCO lands on the waterfront to the TWRC over the next fifteen years (City of Toronto 2006).

In the wake of these successes, TWRC – which recently re-named itself Waterfront Toronto – has begun developing the West Don Lands and East Bayfront, where about 14,000 new residential units and 8,000 employment spaces are to be created over the next ten years (Waterfront Toronto 2008). In addition, the agency is pursuing a number of major parks and open space projects. While most of the central waterfront remains derelict, significant revitalization is thus underway. With the notable exception of representatives of TEDCO, most local stakeholders interviewed for this project expressed satisfaction with the functioning of Waterfront Toronto, and were quite optimistic about the future of waterfront revitalization (PI). In short, despite the odds, Toronto’s waterfront revitalization seems to be taking off at last.

### 8. Analyzing the Cases: What Shapes the Quality of Public Policy?

The four cases that we have reviewed here display a wide range of policy outputs, from good to very poor. What factors explain this wide variation in the quality of policy outputs? As we noted in section 2, since achieving good public policy under conditions of multilevel governance requires agents to coordinate both power and policy agendas, the difficulty of the initial coordination challenge matters. The Toronto cases suggest that the more fragmented power initially is and the less compatible agendas initially are, the less likely it is that agents will ultimately produce good policy outputs. Table 2 lists our cases in order from most to least successful in term of policy outputs, and juxtaposes these outputs to the characteristics of the initial coordination challenge.

*Table 2. Quality of policy outputs as related to initial coordination challenges*

Case	Goals achieved?	Local stakeholders satisfied?	Initial power fragmentation	Initial agenda compatibility
Securing multilevel TTC funding	yes	yes	quite low	high
Revitalizing the central waterfront	in part	mostly	high	low
Implementing the Tourism Action Plan	mostly not	no	high	quite high
Developing Downsview Park	no	no	high	low

Clearly, there is a relationship between the difficulty of the initial coordination challenge and the likelihood that good public policy outputs will be achieved in the Toronto cases. The case in which the initial coordination challenge was (relatively) simple – transit funding – is also the one in which the best policy outputs were achieved. One of the two cases in which the initial coordination challenge was the most difficult – Downsview – also saw the poorest policy outputs. In an intuitive sense the existence of this relationship is not surprising, but the reasons why it exists are in fact somewhat complex. One reason is that more difficult the initial coordination challenge, the more

agents must invest their energy and resources in achieving the necessary level of coordination, as opposed to putting that energy and resources directly into producing policy outputs. However, there is a second reason that is related to the coordination strategies that agents choose to pursue in response to different coordination challenges. We will discuss this at the end of this analytical section.

One additional observation deserves mention here. Our cases suggest that an initial fragmentation of power and agendas *within* a single level of government may be especially problematic in MLG situations. The two cases that fared worst in terms of outputs (tourism and Downsview) were also the two cases in which the lead level of government was most fragmented internally. Again, the logic behind this pattern is quite clear: If a government attempting to pursue a multilevel policy initiative is internally disunited, it becomes extremely difficult for that government to consistently coordinate its activity with other levels of government and with relevant local societal agents.

We will return to the implications of these findings in the conclusion. Let us now turn to the issue of strategies. It is clear from Table 2 that the relationship between coordination challenges and outputs is by no means a perfect one. In other words, in some cases agents were more successful in overcoming a given set of coordination challenges than in others. Since overcoming coordination challenges typically involves a lengthy process of interaction among agents, rather than a one-shot coordination effort, the strategies of agents matter a great deal. While the strategies of all agents involved in any one case are of course relevant, our focus here will be on analyzing the strategies of lead agents – those government agents that initiate and / or pursue coordination in service of a particular policy initiative. It is important to note that in most of our cases, the lead agents changed over time. The transit funding case displayed the most consistency in this regard, with a triad of lead agents – key Toronto politicians, the IGR Office, and the TTC – providing leadership throughout. In contrast, the Downsview Park process was initiated by the federal Cabinet but in 1999 the key coordinating role was assumed by PDP. In the tourism case, City Council introduced the Tourism Action Plan and was later strongly involved in trying to secure a municipal hotel tax, but realization of TAP initiatives under the City's control was assumed administrative bodies. Finally, in the waterfront case, Toronto political leaders once again initiated the revitalization push, but leadership of the coordination effort soon shifted to the TWRC.

One set of strategic factors that had an impact on the success of coordination efforts in our cases involve the *strategic capacity* of lead agents in relation to the policy initiative. Two aspects of strategic capacity stand out as particularly important. The first is the capacity for sustained leadership. Sustained leadership involves maintaining focus on the policy initiative, and following a logically consistent strategy throughout the coordination process. This was most clearly evident in our transit funding case, where the lead municipal agents all sustained their focus on the initiative for several years, and developed a clear and consistent strategy for achieving coordination. Conversely, in the tourism case lead agents demonstrated perhaps the weakest strategic capacity. City Council endorsed a multi-faceted Tourism Action Plan (TAP), but then failed to follow through by leading the coordination process. Instead, it left the task of policy development to fragmented administrative bodies and focused much effort on securing a hotel tax, in direct contradiction to the TAP's recommendations.

The other aspect of strategic capacity that stands out is the capacity to identify and exploit windows of policy opportunity. In MLG situations the agendas of other agents may shift due to factors beyond a lead agent's control, so the capacity to identify and exploit emerging opportunities to further coordination may be critical. This capacity was most clearly demonstrated in the transit funding and waterfront revitalization cases. In the former case, lead agents took advantage of changes in government at other levels in order to coordinate financial resources for the TTC. In the latter case, Toronto's political leaders identified and successfully exploited a key opportunity to secure funding for waterfront revitalization in conjunction with the City's Olympic bid.

In short, the cases suggest that the stronger the strategic capacity of lead agents, the higher the likelihood that coordination challenges will be overcome. In addition, however, our cases also show that the concrete strategies that lead agents use matter a great deal. We will highlight five strategies employed across multiple cases in this study. The first three are what we will call cooperative strategies – those that focus on aligning power and/or agendas by seeking to build and maintain consensus among agents. One cooperative strategy involves mobilizing agenda support among local societal agents. This strategy was used prominently in the transit funding case, in which Toronto's political leaders catalyzed the formation of the Toronto City Summit Alliance, an organization that then provided a strong voice of support for multilevel transit funding. In the waterfront case, the TWRC also effectively mobilized societal agenda support, by conducting extensive consultation with local groups in its planning processes.

A second cooperative strategy involves bargaining. In this strategy, lead agents attempt to secure resources or authority from other agents by offering something else in exchange. While some bargaining occurred in all of our cases, it was most prominent in the transit funding case. Here, for example, Toronto built a lobbying alliance with other large urban municipalities, and this alliance then lobbied federal politicians for municipal infrastructure funding in exchange for the promise of political support for the federal government from local government and local societal agents.

A final cooperative strategy is that of institutionalizing governance – that is, establishing new institutions with multi-agent representation, to which relevant agents voluntarily relinquish some of their autonomous policy power. This is the primary focus of most MLG literature. However, its relative importance varied greatly across the four Toronto cases. It was a central feature of the waterfront revitalization initiative, in which the City of Toronto partnered with other levels of government to create the TWRC. Given the history of intergovernmental conflict on the waterfront, this partnering would probably have not emerged in the absence of an Olympics bid. However, once the TWRC was in place, the agency's own strategic activities helped to ensure that its coordination capacity grew over time, and today, multilevel governance seems to be well institutionalized on the waterfront. By contrast, in the Downsview and tourism cases lead agents made little apparent effort to institutionalize governance – even though in the tourism case achieving this was, in fact, one of the original policy goals of the TAP.

Not all of our cases showed a preponderance of cooperative coordination strategies. In some cases, competitive coordination strategies tended to dominate. Competitive coordination strategies are those in which lead agents attempt to enhance their power or dominate agendas at the expense of other agents. One competitive strategy involves 'capturing' power from another agent. While in theory a powerful lead

agent might be to capture power by exercising its own authority, in our cases lead agents typically captured power from others by appealing to the authority of third parties. One example of this was the (unsuccessful) campaign by Toronto City Council to convince the provincial government to allow it to levy a hotel tax that would replace Tourism Toronto's new Destination Marketing Fee. Efforts to capture power were also prominent in the Downsview case, where PDP pressed the federal government to separate it from its original parent company, CLC, and to compel the DND to transfer land. A second competitive strategy involves excluding other agents from policy processes against their will. Perhaps the clearest example of this comes in the Downsview case, where PDP rejected City demands that it go through municipal planning processes, and also restricted the involvement of area residents in its own planning processes.

In all of the cases, lead agents combined more than one of the coordination strategies discussed above. However, the cases clearly suggest that when lead agents emphasized cooperative strategies, they tended to achieve good coordination results and policy outputs. For example, the City of Toronto's successful push to secure multilevel TTC capital funding was the largely the product of two cooperative strategies. Taking advantage of broad support for their agenda among societal stakeholders, Toronto's politicians and administrators actively worked to mobilize societal support, and then used this support to aid in bargaining with federal officials for resources. Conversely, when agents emphasized competitive strategies, the results were not as good. In the Downsview case, for example, after much effort PDP officials did effectively capture sufficient resources and authority from other federal agents to pursue their mandate, but because they also rejected the terms of local government and local resident demands for involvement in planning processes, they were then unable to fully exercise these resources and authority. In other words, in this case there was a tradeoff between coordinating power and coordinating agendas, where the competitive pursuit of the first worsened the prospects of achieving the second.

If cooperative strategies of coordination produced superior results in the Toronto cases, why did lead agents in some cases nonetheless emphasize competitive strategies? When we look at the power capture strategy, we see that lead agents usually pursued this one when they believed that they had no other option – in other words, that efforts to coordinate power and/or resources consensually would be rejected by other agents because agendas were incompatible. With respect to the exclusion strategy, the main motivation appears to be reducing the complexity of the coordination process in situations where power and authority are highly fragmented.

These observations reveal a catch-22 of sorts that may face lead agents who seek to overcome very difficult coordination challenges. Absent the kind of opportunity that presented itself in the waterfront revitalization case, where the 2008 Olympic bid helped to persuade agents to institutionalize governance despite a long history of power and agenda conflict, lead agents may feel that pursuing competitive strategies is the only way to achieve coordination in situations where power is highly fragmented and agendas are incompatible. Yet it is precisely in such situations that building consensus is most necessary if coordination is to succeed. We thus come full circle to the beginnings of our analysis, and gain further insight into the reasons why policy initiatives undertaken in MLG situations marked by difficult coordination challenges tend to fail.

## 9. Conclusions

By analyzing four cases of policy initiatives undertaken under conditions of MLG in Toronto, this paper has attempted to shed some light on the factors that influence the quality of policy outcomes under such conditions. The explanatory framework developed in the paper is a preliminary effort, and as such it has some limitations. While founded in part on existing literature, it relies on empirical insights derived from a limited range of cases in one localized setting. As such, it does not explicitly engage with the full possible range of MLG conditions and agent strategies.<sup>21</sup> Furthermore, the extent to which the causal patterns evident in the Toronto cases hold elsewhere remains undetermined.

The empirical results and explanatory framework presented here nonetheless have a number of implications for the study of policy processes and outputs in MLG situations. First, the study demonstrates that if we are to advance our understanding of the implications of multilevel power fragmentation for the quality of policy outputs we must not assume that coordination exists, but we must instead place coordination challenges and the way in which they are (or are not) overcome at the center of the analysis. The results of this study suggest that if researchers do so, the apparent normative consensus regarding the functional superiority of MLG over centralized authority may be called into question. While MLG arrangements in which the power and agendas of multiple agents are successfully coordinated may indeed produce policy outputs that are more innovative and/or more locally responsive than centralized governing arrangements, achieving coordination is often difficult, and should not be taken for granted. And when coordination is not achieved in MLG situations, policy outputs suffer.<sup>22</sup>

The study further produces a number of empirical results that may be taken as propositions for testing in other empirical settings. First, the more difficult an initial coordination challenge is, the less likely it is that good public policy outputs will emerge. Second, the internal fragmentation of power and/or agendas within one level of government is particularly harmful to the prospect for good policy outputs, as an internally fragmented government will find it difficult to sustain coherent coordination strategies in relation to other agents. Third, the strategies of lead agents are of great importance in shaping the prospects for successful coordination in MLG situations. Fourth, lead agents may vary in their capacity for strategic action, and this has an effect on the likelihood that coordination efforts will succeed. Fifth, lead agents may pursue many different coordination strategies, some of which are cooperative, and some of which are competitive. Finally, cooperative strategies tend to produce superior coordination and policy results, but the more difficult the initial coordination challenge, the more likely it is that lead agents will see competitive strategies as necessary.

In short, this study suggests that the systematic investigation of influences on the quality of policy outputs under conditions of MLG involves a research agenda that is both rich in theoretical promise and important in its normative and practical implications.

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<sup>21</sup> For example, as a number of authors have pointed out, coordination challenges are sometimes addressed by government agents at supra-local levels who have the power to systematically structure incentives for local agents in order to encourage cooperative behavior (see, e.g., Brenner 2003).

<sup>22</sup> It should be noted that none of this is meant to imply that devolution of public authority from higher to lower levels of government is undesirable. It is not the decentralization of power, but rather the fragmentation of power (which may or may not result from decentralization), that produces the coordination challenges discussed in this paper.

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