

Consolidated Clause in Policy and Finance Committee Report 7, which was considered by City Council on September 25, 26 and 27, 2006.

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Proposed Spadina Subway Extension - Capital Cost Allocation between the City of Toronto and the Regional Municipality of York; and Appointment of Municipal Trustee for the Move Ontario Trust - Proposed Spadina Subway Extension – All Wards

City Council on September 25, 26 and 27, 2006, amended this Clause by adding the following:

“That a copy of this Clause be forwarded to the Federal Minister of Finance for information and endorsement.”

This Clause, as amended, was adopted by City Council.

Council also considered additional material, which is noted at the end of this Clause.

The Policy and Finance Committee recommends that City Council:

(I) adopt the following recommendations contained in the Recommendations Section of the report (September 12, 2006) from the City Manager, the Deputy City Manager and Chief Financial Officer and the Interim Chief General Manager, Toronto Transit Commission, entitled “Proposed Spadina Subway Extension- Capital Cost Allocation between the City of Toronto and the Regional Municipality of York”:

“(1) the Deputy City Manager and Chief Financial Officer, in consultation with the Interim Chief General Manager, Toronto Transit Commission, be authorized to negotiate and execute agreement(s) on behalf of the City of Toronto with the Region of York, relating to the allocation of capital costs for the Spadina Subway Extension project, reflecting a cost sharing of 59.96 percent City/ 40.04 percent Region, in a form satisfactory to the City Solicitor, which would give recognition to shared infrastructure as well as to municipal boundaries, and include the terms and conditions as set out in Appendix A to this report;

(2) (i) City Council accept a one-time payment of \$29.98 million from the Region of York on terms and conditions as set out in Appendix A to this report in recognition of investments in the subway system

previously made by the City that would contribute to the extension,
and

- (ii) the Deputy City Manager and Chief Financial Officer, in consultation with the Interim Chief General Manager, Toronto Transit Commission, be authorized to negotiate and execute an agreement on behalf of the City in respect of the one-time payment, in a form satisfactory to the City Solicitor, including terms and conditions as set out in Appendix A to this report;
 - (3) the City Manager be directed to report back on the outcome of discussions with the Federal government with respect to their funding participation of the subway extension;
 - (4) the Deputy City Manager and Chief Financial Officer be directed to report back to Council through the Policy and Finance Committee with a more detailed update on the Project capital plan and cash flow financing, as part of the City's 2007-2011 capital plan;
 - (5) Council approve an additional expenditure of up to \$200,000 by the Toronto Transit Commission relating to the City's portion of the 1/3 municipal share of the Spadina Subway Extension – Downsview to Steeles project interim funds of \$1.3 million included in the 2006-2010 Capital Program in order to continue its ongoing preparatory work for the Project; and
 - (6) the appropriate City staff be authorized and directed to take all necessary actions to give effect thereto”;
- (II) adopt the following recommendations contained in the Recommendations Section of the report (July 5, 2006) from the City Manager and the Interim Chief General Manager, Toronto Transit Commission; entitled “Appointment of Municipal Trustee for the Move Ontario Trust - Proposed Spadina Subway Extension – All Wards”:
- “(1) Mr. Joseph P. Pennachetti, Deputy City Manager and Chief Financial Officer, be nominated for appointment as the City of Toronto's Municipal Trustee for the Move Ontario Trust;
 - (2) the Deputy City Manager and Chief Financial Officer, in consultation with the Interim Chief General Manager, Toronto Transit Commission, be authorized to enter into negotiations with the Region of York to determine the appropriate allocation of the municipal portion of project costs and report back on the outcome of such negotiations;
 - (3) the Deputy City Manager and Chief Financial Officer report back on a plan for financing the City's share of the capital costs of the subway extension;

- (4) **the Deputy City Manager and Chief Financial Officer, in consultation with the City’s Chief Planner and Executive Director, be authorized to retain the services of a qualified and experienced consultant, to provide advisory support to the City in connection with the financing of the proposed subway extension as outlined in this report, at a cost not to exceed \$300,000 funded from the Development Charge Reserve Fund for Development-Related Studies (Account XR2030); and**
 - (5) **the appropriate City staff be authorized and directed to take all necessary actions to give effect thereto;”; and**
- (III) **direct the Trustee to report to the Executive Committee on any funding proposals that would require the City to relinquish any of its planning authority.**

The Policy and Finance Committee submits the report (September 12, 2006) from the City Manager, the Deputy City Manager and Chief Financial Officer and the Interim Chief General Manager, Toronto Transit Commission, entitled “Proposed Subway Extension - Capital Cost Allocation between the City of Toronto and the Regional Municipality of York.”

Purpose:

This report addresses and seeks authorities pertaining to the capital cost allocation of the Spadina Subway Extension project (“the Project”), between the City of Toronto and the Region of York, and is presented in conjunction with a report from the City Manager, dated July 5, 2006, entitled “Move Ontario Trustee for Move Ontario Trust- Proposed Spadina Subway Extension”.

Financial Implications and Impact Statement:

The Province has placed \$670 million into a Trust for the purpose of funding the proposed subway extension Project, representing approximately one-third of the total estimated \$2.1 billion capital cost (expressed in 2006 dollars). While it is anticipated that the federal government will match the Provincial commitment, to date, no formal funding commitment has been made. The balance, or one-third, of the funding is to be provided by the City of Toronto (“the City”) and Regional Municipality of York (“the Region”).

As a result of the terms of the Provincial Trust, the City and the Region must agree by September 30, 2006, on the percentage of Project capital costs to be allocated to each party as a precondition of receiving the funding. Staff have negotiated a capital cost allocation of 59.96 percent City / 40.04 percent Region based on a recognition of municipal boundaries and responsibilities, and of shared system infrastructure, to the benefit of both parties. In addition, the parties have negotiated a one-time payment of \$29.98 million, to be made to the City by the Region, in recognition of investments in the subway system that were previously made by the City, which contribute to the subway extension.

After setting aside a total of \$100 million for property acquisition from the total Project cost of \$2.1 billion, the total capital cost allocation, before Federal and Provincial subsidy, would translate to approximately \$1.19 billion City/ \$797 million Region. The City would be responsible for funding one-third of its allocation, or approximately \$367 million (inclusive of the \$29.98 million upfront payment), and would do so by levying development charges (where applicable), and by availing itself of tax increment financing (enabling legislation is still pending). The remaining funding for the City's share will be obtained from the Strategic Infrastructure Partnership Reserve Fund Account, as established by Council at its meeting of July 25, 26, and 27, 2006.

Furthermore, this report requests additional funding of up to \$200,000 (in addition to previous funding of up to \$200,000) by the Toronto Transit Commission in order to continue its ongoing preparatory work for the Project. This funding was included in the TTC 2006-2010 Capital Program, and is related to the City's portion of the 1/3 municipal share of the Spadina Subway Extension – Downsview to Steeles project interim funds of \$1.3 million.

Finally, it should be noted that City staff have continued discussions with the Provincial Government to ensure that provincial partnership "state of good repair" funding will continue to meet the TTC's capital plan requirements. Positive confirmation is currently anticipated from the provincial government that it will continue to provide bus, subway, and street car replacement program funding (Ontario Transit Vehicle Program, and Vehicle Funding Program), with formal commitment anticipated prior to the City Council meeting of September 25, 26, and 27, 2006. The City views the Spadina Subway expansion funding partnership as being linked to the ongoing sustainable funding partnership for the TTC's long-term capital plans.

Recommendations:

It is recommended that:

- (1) the Deputy City Manager and Chief Financial Officer, in consultation with the Interim Chief General Manager, Toronto Transit Commission, be authorized to negotiate and execute agreement(s) on behalf of the City of Toronto with the Region of York, relating to the allocation of capital costs for the Spadina Subway Extension project, reflecting a cost sharing of 59.96 percent City/ 40.04 percent Region, in a form satisfactory to the City Solicitor, which would give recognition to shared infrastructure as well as to municipal boundaries, and include the terms and conditions as set out in Appendix A to this report;
- (2)
 - (i) City Council accept a one-time payment of \$29.98 million from the Region of York on terms and conditions as set out in Appendix A to this report in recognition of investments in the subway system previously made by the City that would contribute to the extension, and
 - (ii) the Deputy City Manager and Chief Financial Officer, in consultation with the Interim Chief General Manager, Toronto Transit Commission, be authorized to negotiate and execute an agreement on behalf of the City in respect of the

one-time payment, in a form satisfactory to the City Solicitor, including terms and conditions as set out in Appendix A to this report;

- (3) the City Manager be directed to report back on the outcome of discussions with the federal government with respect to their funding participation of the subway extension;
- (4) the Deputy City Manager and Chief Financial Officer be directed to report back to Council through the Policy and Finance Committee with a more detailed update on the Project capital plan and cash flow financing, as part of the City's 2007-2011 capital plan;
- (5) Council approve an additional expenditure of up to \$200,000 by the Toronto Transit Commission relating to the City's portion of the 1/3 municipal share of the Spadina Subway Extension – Downsview to Steeles project interim funds of \$1.3 million included in the 2006-2010 Capital Program in order to continue its ongoing preparatory work for the Project; and
- (6) the appropriate City staff be authorized and directed to take all necessary actions to give effect thereto.

Background:

In 2001, the Toronto Transit Commission (TTC) studied transit expansion, identifying an extension of the Spadina Subway to Steeles Avenue. The conclusions of this study were adopted by City Council at its meeting of April 16, 17 and 18, 2002.

Subsequently, as part of the Ontario Budget, on March 23, 2006, the Province announced the creation of "Move Ontario", for the purpose of investing in public transit, municipal roads and bridges, including allocation of \$670 million to extend the Spadina subway from Downsview Station in Toronto to the Vaughan Corporate Centre at Highway 7 in York Region ("the Project"). The subway extension Project will comprise a total of six new stations, at an estimated capital cost of approximately \$2.1 billion (expressed in 2006 dollars).

The Provincial contribution was proposed on the premise that it would form approximately one-third of a total Project capital cost, and on the assumption that Federal funding would be provided for an additional one-third of the capital cost leaving the remaining share to be funded municipally. However, it should be noted that the federal government has yet to make any commitment towards funding its one-third share.

Representatives of the Province of Ontario, the City of Toronto, and the Region of York have executed a Declaration of Trust (the "Move Ontario Trust") to appoint them as initial Trustees of the Trust. The City and the Region are designated beneficiaries of the Trust, which has been formed for the express purpose of capital investment in a new heavy rail inter-regional public transit infrastructure project, to be selected by the Trustees in the City and the Region. The project has since been identified as the proposed Spadina subway extension Project.

At its meeting of April 25, 26, and 27, 2006, City Council adopted the recommendations of Policy and Finance Committee Report 3, Clause 33 (u), including a recommendation that City staff report back to Council:

- (a) with a detailed review of the terms of the Declaration of Trust;
- (b) to recommend a permanent City Trustee under the Declaration of Trust; and
- (c) on further matters as may be required as a result of further discussions with the Province and the Region.

The report that is concurrently before this Committee, entitled “Appointment of Municipal Trustee for the Move Ontario Trust - Proposed Spadina Subway Extension”, addresses (a) and (b) above. This report will address capital cost allocation between the City and the Region.

Finally, at its meeting of May 23, 24 and 25, 2006, Council adopted the recommendation of Policy and Finance Committee Report 4, Clause 20 as follows:

“ The Budget Advisory Committee recommended to the Policy and Finance Committee and City Council that approval be granted to the Toronto Transit Commission to expend the City’s 1/3 share up to \$200,000.00 of the Spadina Subway Extension – Downsview to Steeles project interim funds of \$1.3 million included in the 2006-2010 Capital Program for preliminary design costs.”

Comments:

The total capital cost of the subway extension Project is estimated at approximately \$2.1 billion (expressed in 2006 dollars), one-third of which will be funded by a \$670 million contribution from the Province of Ontario that is currently held in the Move Ontario Trust (“the Trust”).

Under the terms of the Declaration of Trust, the permanent municipal Trustees for the City and the Region must be appointed and the Trustees must confirm the choice of project and allocate the proportional distribution of the provincial funding between the City of Toronto, and the Region of York on or before September 30, 2006. This means that prior to September 30, 2006, the City and the Region must agree on the percentage of Project capital costs that will be allocated to each party.

Failure to meet the September 30, 2006, deadline would be considered as a termination event, resulting in the provincial funding defaulting to the municipalities of Halton, Hamilton, Peel and Durham for public transit purposes or, failing that, for general purposes.

City/TTC and Regional staff, along with the City and Regional nominated Trustees, have met over the past several months, and have negotiated a fair and equitable capital cost allocation between the City and the Region for the Project, which is the subject of this report.

Project Capital Cost Allocation:

The Region's initial position had been that capital costs should be apportioned based only on line length and municipal boundaries (70 percent City/30 percent Region). However, during negotiations between the City (including the TTC) and the Region, City staff have maintained that a fair capital cost apportionment between the parties would give recognition not only to the length of subway track, but to the facilities and infrastructure required to support the Spadina extension, which would benefit both parties. After considerable negotiations, the parties have arrived at a capital cost allocation, considered to be reasonable and fair by both parties, of 59.96 percent City/ 40.04 percent Region.

(1) Rationale for Capital Cost Allocation:

Terms and conditions of a capital cost allocation agreement as recommended in this report (detailed in Appendix A) include an overall cost apportionment of 59.96 percent City/ 40.04 percent Region, the rationale for which was derived based on the following elements as negotiated by City and Region staff:

- (i) in general, capital costs for the subway infrastructure and related facilities have been allocated within their respective municipal boundaries, except in the case of the Steeles West Station as noted below. This includes most systems costs, such as trackwork, traction power, signals, and supervisory control;
- (ii) in consideration of the operational requirements, capital costs relating to both the Steeles West Station and the crossover structure south of Steeles West Station have been allocated equally (50 percent/50 percent), with the exception of related bus terminals, commuter parking, and passenger pickup and drop off, all of which would be allocated within municipal boundaries;
- (iii) the transit control connection has been allocated based on track length;
- (iv) capital costs associated with the Wilson Yard connection have been allocated to the City, while capital costs associated with the tailtrack structure to be situated north of Vaughan Corporate Centre Station have been allocated to the Region. While it is agreed that both of these elements are required for the extension, and would benefit both parties, the capital cost associated with each is about equal;
- (v) vehicle costs have been apportioned on a line operational basis of 34 cars (or 60 percent) City, and 22 cars (or 40 percent) Region;
- (vi) yard improvement costs have been allocated on vehicle allocation basis;

Additional terms and conditions as negotiated maintain consistency with this cost allocation, including:

- (i) any capital cost over/under runs would be allocated on a 59.96 percent City/ 40.04 percent Region basis; and

- (ii) any third party government or government agency contributions made to either party for the purposes of the Project would be applied to the Project and considered to be allocated on a 59.96 percent City/ 40.04 percent Region basis.

It should be noted that the cost allocation formula as negotiated and noted above is based on the reasonable expectations of the City and the Region. If the underlying rationale for this cost allocation changes significantly due to unforeseen factors, then the parties will have an opportunity to revisit the cost allocation formula as well as the basis for its determination.

(2) Additional One-time Payment:

In addition, the parties have negotiated a one-time payment of \$29.98 million, to be paid to the City by the Region as set out in Appendix A to this report, in recognition of investments in the subway system that were previously made by the City, but which would contribute to the extension, including investments in maintenance yards and equipment, control centres, and general system capacity. In return for this payment, the City would agree to continue to maintain the existing system in a state of good repair without levying an associated depreciation charge against the Region going forward.

The one-time payment was calculated based on the present value of the system replacement cost, portion of original funding by the City taxpayers, portion of system capacity used and number of passengers using that capacity from both the Region and the City, and assuming that the absorption of system capacity would occur over a fifteen-year period.

It should be noted that inclusive of the additional one-time payment, the City's effective portion of the net capital cost allocation is approximately 58.5 percent.

(3) Property Acquisition:

Finally, City and Regional staff have agreed that the cost of property acquisition for the purposes of the Project should be borne directly by the municipality having jurisdiction. As initial estimates of the total cost of property acquisition are approximately \$100 million, City and Regional staff have agreed that \$100 million of the total Project cost should be set aside for these purposes.

(4) Additional funding for TTC:

In May 2006, Council approved funding of \$200,000 for the TTC for preliminary design costs associated with the Project. The TTC has since depleted these funds, and requires additional funding to continue its work on the Project, including identifying property requirements for stations, work on alignment within the Region and the development of supporting agreements, preparation and evaluation of related consulting requests for proposal, and undertaking federal environmental assessment requirements once federal funding is approved.

Therefore, this report recommends additional funding of up to \$200,000 be made available to the TTC in order to continue its ongoing preparatory work for the Project.

(5) Future Reporting:

As indicated in the concurrent report, future reports to Committee/Council will address:

- (a) operating cost apportionment relating to the subway extension, subject to future negotiation between the City and the Region; and
- (b) the negotiation of interim operating subsidies from other orders of government required to cushion the operating cost impact of the line from the commencement of revenue service to an agreed-upon financial performance target.

Conclusions:

This report addresses and seeks authorities pertaining to the capital cost allocation of the Spadina Subway Extension Project, between the City of Toronto and the Region of York.

The total capital cost of the subway extension Project is estimated at approximately \$2.1 billion (expressed in 2006 dollars), one-third of which will be funded by a \$670 million contribution from the Province of Ontario, which is currently held in a Trust. As a result of the terms of the Declaration of Trust, as a precondition of receiving the funding, the City and the Region must agree on the percentage of Project capital costs to be allocated to each party so that the Trustees can approve such allocation by September 30, 2006. Failure to do so would result in the provincial funding defaulting to the municipalities of Halton, Hamilton, Peel and Durham.

City/TTC and Regional staff, along with their respectively nominated Trustees, have negotiated a fair and equitable capital cost allocation between the City and the Region for the Project, resulting in an overall capital cost apportionment of 59.96 percent City/ 40.04 percent Region, as is recommended in this report. This capital cost allocation was derived based on a recognition of municipal boundaries and responsibilities, and of shared system infrastructure to the benefit of both parties.

In addition, the parties have negotiated a one-time payment of \$29.98 million, to be paid by the Region to the City in recognition of investments in the subway system that were previously made by the City, which contribute to the subway extension.

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List of Attachment:

Appendix A: Terms and Conditions of Agreement(s) between City of Toronto and Regional Municipality of York

Appendix A: Terms and Conditions of Agreement(s) between City of Toronto and Regional Municipality of York

Agreement(s) as recommended in this report, to be entered into by the City of Toronto and the Region of York in relation to the Spadina subway extension project, shall include the following terms and conditions.

(1) Capital Costs:

- (a) capital costs, excluding property, will be allocated on a 59.96 percent City/ 40.04 percent Region basis;
- (b) any capital cost over/under runs, excluding property, will be allocated on a 59.96 percent City/ 40.04 percent Region basis;
- (c) any third party government or government agency contributions made to either party for the purposes of the Project would be applied to the Project and considered to be allocated on a 59.96 percent City/ 40.04 percent Region basis;
- (d) \$100 million of the total Project capital cost will be set aside for the purposes of property acquisition, separate and apart from the consideration of other Project capital costs; and
- (e) the cost of property acquisition for the purposes of the Project will be the direct responsibility of the municipality having jurisdiction.

(2) Unforeseen Changes:

The cost allocation formula and rationale as negotiated and outlined in the body of this report and in this Appendix is based on the reasonable expectations of the City and the Region. If the underlying rationale for this cost allocation changes significantly due to unforeseen factors, then the parties will have an opportunity to revisit the cost allocation formula as well as the basis for its determination.

(3) One-time payment:

- (a) the Region will pay a one-time payment of \$29.98 million to the City in recognition of investments in the subway system that were previously made by the City;
- (b) these funds shall be payable on the following basis- 50 percent of the payment shall be due upon the date that the conditions as set out in section 4 below have been satisfied, and the second payment of 50 percent shall be due upon commencement of construction of any aspect of the Project in York Region, or 30 months from the date that the first payment is due and payable, whichever is earlier, provided that the Project has not been terminated; and
- (c) in consideration of this payment, the City will agree to continue to maintain the system in a state of good repair without levying an associated depreciation charge from the Region going forward.

(4) Conditions for Proceeding with the Project:

Unless waived by the parties or otherwise extended, the following are conditions for proceeding with the Project:

- (a) the federal government will commit to funding one-third of the capital cost of the Project by including the funding in the federal budget by the spring 2007;
- (b) the Province of Ontario will enact legislation that would allow the City to avail itself of tax increment financing as a method of financing its share of Project capital costs;
- (c) the Province will amend the *Development Charges Act 1997*, in order to allow for the recovery of transit costs based on approved transit expansion plans, and not historical averages;
- (d) subway extension operating agreements between the Region and the City are negotiated, and the necessary Council approvals obtained; and
- (e) condition 4. (a) shall be satisfied according to its terms and conditions, and conditions 4. (b) through (d) must be met in a timely way so as to permit compliance with the clause in the Move Ontario Declaration of Trust that requires a first construction contract to be entered into by the earlier of (i) 365 days after the date of the final approval of all or a portion of the environmental assessment for the Project by the Provincial Minister of the Environment, or (ii) by April 1, 2008.

The Policy and Finance Committee also submits the report (July 5, 2006) from the City Manager and the Interim Chief General Manager, Toronto Transit Commission, entitled “Appointment of Municipal Trustee for the Move Ontario Trust – Proposed Spadina Subway Extension (All Wards).”

Purpose:

The purpose of this report is to recommend the appointment of a permanent trustee for the Move Ontario Trust (“the Trust”) established by the Province to fund its share of the proposed Spadina subway extension into York Region.

The report also provides Council with an update on the planning, operational and funding issues related to the proposed project.

Financial Implications and Impact Statement:

The Province has placed \$670 million, which represents approximately one-third of the total estimated \$2.1 billion cost, into a trust for the purpose of funding the proposed subway extension project. According to the terms of the trust declaration, these funds will be available for allocation to the City of Toronto and the Region of York until a deadline of September 30, 2006. Allocated funds may then be distributed for this project as long as certain conditions are met with respect to the progress of the project, as outlined in this report.

It is anticipated that the Federal Government will match the Provincial commitment although no formal funding commitment has yet to be made. The balance of the funding is to be provided by the City and York Region. This report recommends that the Deputy City Manager and Chief Financial Officer, in consultation with the Toronto Transit Commission (TTC) staff, enter into negotiations with York Region to determine the appropriate allocation of the municipal portion of project costs.

In addition to the capital cost impacts, the project will also likely have operating cost implications. Ridership forecasts have not yet been fully developed but it appears possible that operating deficits will be incurred until such time as significant redevelopment occurs around the proposed station sites. The responsibility for funding any deficits will have to be negotiated between Toronto and the project’s other funding partners.

In order to assess the potential for new development and tax increment financing within the project area, this report recommends that the City retain the services of a consulting firm at an estimated cost of \$300,000. This consultant study is to be funded from the Development Charge Reserve Fund for Development-Related Studies (Account XR2030).

Recommendations:

It is recommended that:

- (1) Mr. Joseph P. Pennachetti, Deputy City Manager and Chief Financial Officer, be nominated for appointment as the City of Toronto's Municipal Trustee for the Move Ontario Trust;
- (2) the Deputy City Manager and Chief Financial Officer, in consultation with the Interim Chief General Manager, Toronto Transit Commission, be authorized to enter into negotiations with the Region of York to determine the appropriate allocation of the municipal portion of project costs and report back on the outcome of such negotiations;
- (3) the Deputy City Manager and Chief Financial Officer report back on a plan for financing the City's share of the capital costs of the subway extension;
- (4) the Deputy City Manager and Chief Financial Officer, in consultation with the City's Chief Planner and Executive Director, be authorized to retain the services of a qualified and experienced consultant, to provide advisory support to the City in connection with the financing of the proposed subway extension as outlined in this report, at a cost not to exceed \$300,000 funded from the Development Charge Reserve Fund for Development-Related Studies (Account XR2030); and
- (5) the appropriate City staff be authorized and directed to take all necessary actions to give effect thereto.

Background:

In 2001, the TTC carried out a Rapid Transit Expansion Study (RTES) to examine the needs and priorities for expansion of the TTC's rapid transit system given the anticipated levels of growth envisioned in the City of Toronto's New Official Plan and the predicted growth trends in the GTA.

The RTES identified the extensions of the Sheppard Subway easterly to the Scarborough City Centre and the northerly extension of the Spadina Subway to Steeles Avenue as the highest priorities for rapid transit expansion should funding be available. At its meeting of April 16, 17 and 18, 2002 City Council adopted the conclusions of the RTES.

As part of the Ontario Budget on March 23, 2006, the Province announced the creation of the Move Ontario Trust to manage the \$670 million of provincial funds that it had committed toward the extension of the Spadina subway line into York Region. The Trust was created by way of a Declaration of Trust on March 24, 2006, in order for the Province to flow its share of the project funding prior to its fiscal year-end. The City of Toronto and York Region have been designated as the beneficiaries of the Trust.

At its meeting of March 27-30, 2006 City Council adopted the recommendation in the March 27, 2006, staff report that staff report to the Policy and Finance Committee with respect to the following:

- (i) providing Council with a detailed review of the terms of the Declaration of Trust;
- (ii) recommending a permanent City of Toronto Municipal Trustee under the Declaration of Trust; and
- (iii) such further matters as may be required as a result of further discussions with the Province of Ontario and the Regional Municipality of York.

Comments:

1.0 Description of Project:

The proposed Spadina Subway Extension will include the construction, operation and maintenance of an underground subway system from Downsview Station in Toronto to the Vaughan Corporate Centre in York Region. The total length of the extension will be approximately 8.6 km, including 6.1 km from Downsview Station to Steeles Avenue Station (in Toronto and Vaughan/York Region) and 2.5 km from Steeles West Station to Vaughan Corporate Centre Station (in Vaughan/York Region). The extension will include six new stations:

- (1) Sheppard West Station – on Parc Downsview Park lands, south of Sheppard Avenue and west of the GO Bradford Rail Line;
- (2) Finch West Station – on Keele Street, immediately north of Finch Avenue, including a bus terminal, passenger pick-up and drop-off, commuter parking and extensions to Murray Ross Parkway and Tangiers Road;
- (3) York University Station – within the Common of York University’s Keele Street campus;
- (4) Steeles West Station – diagonally centred on the Steeles Avenue and Northwest Gate intersection including bus terminals for TTC, GO and YRT, passenger pick-up and drop-off and commuter parking;
- (5) Highway 407 Transitway Station – on the west side of Jane Street, south of Highway 407, including a bus terminal, passenger pick-up and drop-off and commuter parking; and
- (6) Vaughan Corporate Centre Station – on the west side of Jane Station at Highway 7, including a bus terminal, passenger pick-up and drop-off and commuter parking.

In support of this extension, additional subway fleet will be required which will necessitate improvements to the Wilson Yard. These improvements will include added storage tracks and a new track extending from the east side of the yard to Downsview Station.

2.0 Cost Estimate:

As part of the environmental assessment, the cost of constructing a 6.1 km, four station extension of the subway from Downsview Station to Steeles Avenue (Steeles West Station) has been estimated to be approximately \$1.5 billion (\$2006).

The cost estimate for constructing the additional length from Steeles Avenue to the Vaughan Corporate Centre has not been developed to the same level of detail as the estimate for the section to the south. However, the Province has provided its \$670 million contribution on the premise that it will form approximately one-third of a total project cost of \$2.1 billion (\$2006). Table 1 below provides a breakdown of the preliminary projected costs.

Project Component	Preliminary Cost Estimate (\$billions in 2006\$'s)
Stations (including entrances, bus terminals and commuter facilities)	0.8
Running Structure (including structures, track, control systems)	0.9
Improvements to Wilson Yard	0.1
Additional vehicles (estimated 56 subway cars)	0.2
Property	0.1
Total	2.1

The Province has based the total amount of its contribution towards the project on one-third of the preliminary estimate of the overall project cost. However, this cost estimate may change significantly as the required works are defined in greater detail. In addition, as the project proceeds, construction cost inflation may exceed the rate of return earned on the funds in the Move Ontario trust.

Therefore, it is imperative that the funding agreements ensure that the Federal and Provincial governments each fund one-third of the final project costs.

3.0 Project Timing:

The principal elements of the project are forecast to require the following periods of time:

- (a) Design: 2 to 3 years; and
- (b) Construction, Testing and Commissioning: three to four years.

It is anticipated that revenue service would commence approximately seven years after Ministry of Environmental approval of the Environmental Assessment (expected fall 2006) and project funding approval.

4.0 Project Merits:

The proposed project will result in the achievement of a number of the principal objectives outlined in the RTES. These objectives include:

- (a) reduces reliance on automobile use and vehicle emissions;
- (b) supports land use planning objectives of the City of Toronto, York Region and the City of Vaughan;
- (c) provides subway service to Parc Downsview Park, Keele/Finch area, York University Common, new inter-regional transit terminal at Steeles Avenue, Jane/Highway 407 area and Vaughan Corporate Centre;
- (d) improves inter-regional connections between the TTC subway, GO Transit (buses and trains), York Region Transit and TTC buses;
- (e) creates employment opportunities and households from increased development activity in the station areas; and
- (f) provides a subway station at a central location on the York University campus, while removing a busy bus terminal in the Common area.

5.0 Project Governance:

Since the Provincial announcement, senior level City and York Region staff have met numerous times to discuss the fundamental elements of this large, cross-boundary infrastructure project, including project governance, capital cost-sharing, revenue allocation, and operating cost responsibility.

A major aspect of these discussions has focused on determining a governance model for project planning and delivery that meets the needs of both the City and York Region. The discussions have been very productive to date and it appears that both partners agree with an integrated approach recognizing the TTC's expertise in the management and construction of the subway and underground stations with potentially separate regimes to address station development within the respective jurisdictions.

6.0 Funding Issues:

6.1 Terms of the Declaration of Trust:

Attached as Appendix A to this report is a summary of the major terms of the Declaration of Trust chosen by the Province as the funding mechanism for the proposed project.

The Trust has been established for the purpose of funding a new heavy rail inter-regional public transit infrastructure project to be selected by the Trustees in the City of Toronto and the Regional Municipality of York. In the event that this project does not proceed within the time frames stated in the Declaration (and those time frames are not otherwise amended or waived) or the 10-year term of the Trust expires without all of the monies being spent, Toronto and York's trustees would be replaced and the remaining monies would by default be paid out to the municipalities of Halton, Hamilton, Peel and Durham for public transit purposes or, if that cannot be done, for general purposes.

The first of these time frames requires that Toronto and York nominate a person to act as municipal trustee in order to permit the project to be selected and the funds allocated to the Project by September 30, 2006. This report recommends that Mr. Joseph P. Pennachetti, Deputy City Manager and Chief Financial Officer, be nominated for appointment to this position as soon as possible. It is noted that York Region has nominated its Commissioner of Finance and Treasurer, Mr. Lloyd Russell, as York's Municipal Trustee.

Once the project has been selected, York and Toronto must enter into a "construction contract" (defined broadly to include a contract in respect of substantial design, development, tendering of construction work) by the earlier of 365 days from the final provincial environmental assessment approval or April 1, 2008, and thereafter ensure that requests for distribution of the funding are, commencing on the date of the first request, made not more than 365 days apart.

The proportional distribution of the Trust Assets to Toronto and York shall be as determined by the Trustees, in their sole discretion.

As outlined in detail in the appendix, the Trustees are required under the terms of the Declaration to act honestly and in good faith with a view to the best interests of the municipal beneficiaries and must exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Trustees have broad authority in respect of administering the Trust's affairs. A simple majority of the Trustees is required to make a decision, except in the case of a decision to amend the terms of the Trust document, when a unanimous decision is required.

Nothing under the Declaration document obligates Toronto or York to proceed with a Project and all expenses of the Trust are to be paid from the Trust Assets.

6.2 Federal Government Share of Overall Funding:

The Provincial government's funding of one-third of the total anticipated costs is based on the assumption that one-third of the costs will be funded by the benefiting municipalities and that the remaining one-third will be funded by the Federal government. However, the Federal government has not yet made any commitment towards funding its one-third share. Efforts are currently underway by the Province, the City and York Region jointly and separately to lobby for their involvement.

6.3 Allocation of Municipal Share of Capital Costs:

The allocation of the municipal share of the capital cost of the project will need to be developed and agreed upon between the City of Toronto and York Region. Alternative formulas based on ridership, capital cost allocation by facility, linear length, etc. will be considered as the basis of negotiations.

It should be recognized that certain facilities (e.g., expansion of Wilson Yard) can be provided at a lower incremental cost than would otherwise be the case if York Region were constructing such facilities on a stand alone basis. This reality must be reflected in the negotiation of cost sharing formulas for capital costs related to the project. This report recommends that the Deputy City Manager and Chief Financial Officer, in consultation with the General Manager, of the Toronto Transit Commission, be authorized to enter into negotiations with the Region of York to determine the appropriate allocation of the municipal portion of project costs and report back on the outcome of such negotiations.

6.4 Funding Options for City Share:

The City has a number of options available for financing its share of the municipal portion of the total project cost. These options are summarized below and will be the subject of a future detailed report on a financing strategy for the subway extension.

6.4.1 Tax Increment Financing:

The Budget announcement indicated that the Province is proposing to introduce legislation to enable Tax Increment Financing (TIF). The announcement also indicated that this new municipal fiscal tool would be introduced on a pilot basis with one of the two planned pilot projects being the subway expansion involving York Region and the City of Toronto. According to Ministry of Finance staff, legislation enabling the use of TIF for these two pilot areas will be tabled later this year.

Tax increment financing, which is widely used in the U.S., involves using the projected future tax increment in a defined district to fund up-front capital expenditures on new infrastructure within that district. Debentures

are generally issued for projects on a stand-alone basis, with those projects supported by their own credit ratings, and the incremental tax revenues used as repayment for the financing. The incremental taxes arising from the redevelopment within a district are often administered by a separate TIF authority (usually for a significant period of time such as twenty years).

Based on a number of studies carried out for the Province, redevelopment around the stations has the potential to generate significant incremental tax revenues that can, through TIF, fund a portion of the City's share of the project costs. One significant aspect to using TIF for the subway extension is securing the Province's commitment to contribute the Education portion of the incremental property taxes. Without this commitment, TIF will have limited, if any, value for the City and York Region.

The Province has retained the firm of CB Richard Ellis, which has prepared a development study of the project area on its behalf, including estimates of potential assessment increments. The Region of York is in the process of retaining its own consultant for purposes of examining the development potential and assessment increment for lands within its jurisdiction.

This report recommends that the City retain the services of a qualified and experienced consulting firm for the purposes of supporting the City in this endeavour. The City's consultant would be required to perform various in depth analyses and make recommendations on issues relating to the development potential, and net revenue potential relating to the subway extension. It should be noted that a forecast of the potential tax revenue stream is critical in ascertaining the applicability of TIF for all or a portion of the City's participation in the project. In addition, the consultant would be available to support the City in its ongoing negotiations with the Province relating subway extension funding and a TIF enabling legislation/regulation.

6.4.2 Development Charges:

In addition to receiving incremental taxes as a result of the project, the City is also projected to receive development charge revenues. The cost for the extension of the Spadina subway line was incorporated in the calculation of the city-wide development charges that are currently in effect.

However, the amount that was levied for the subway extension is not expected to fund a significant portion of the City's share of the overall construction cost. This is because the Development Charge Act imposes restrictions on the City's ability to recover a substantial portion of its

infrastructure expenditure. Adjustments to reflect the benefit to existing development must be deducted from the amount to be recovered from development charges. Consequently, the Development Charge Background Study carried out in 2004 indicated that only \$31.9 million of the project cost was recoverable from development charges.

Given current legislative restrictions, the City of Toronto and York Region are continuing discussions with the Province to enhance municipal ability to fully recover growth-related capital costs from development charges.

6.4.3 Capital Budget Funding- Debt and Reserves:

Another potential source of funding for the City's share of the municipal portion of the costs is through the regular capital budget process. In this case, a portion of the City's contribution would normally be financed through the issuance of tax-supported debentures.

However, City Council is currently deliberating the utilization of hydro revenues from the approved monetization of the Toronto Hydro Note. If the staff recommendation, currently before Council, is approved by Council in July 2006, the Strategic Infrastructure Partnership Reserve Fund Account will provide the balance of capital financing requirements after utilization of tax increment financing and development charge revenues.

7.0 Planning and Development Issues and Initiatives:

Planning for the Spadina Subway Extension has involved two distinct but related land use components. One aspect has involved land use planning evaluations and initiatives that examine the extent and form of development that currently exists and may occur in support of the proposed extension. Secondly, detailed ridership forecasting for the station catchment areas has been done using the City's population and employment forecasts from the research undertaken in support of the City's new Official Plan and additional research related to land uses at existing subway stations. These two levels of analysis are described in detail in Appendix B.

8.0 Operating Cost Issues:

8.1 Operating Cost Implications:

The net operating costs of the Spadina Subway extension to Steeles Avenue and the incremental cost to operate to the Vaughan Corporate Centre cannot be estimated at this time. TTC staff are currently developing preliminary estimates for discussion purposes and further reports will be submitted to the Commission and City Council within the next several months. With a subway line now proposed to cross the northern boundary of the City of Toronto, it must be recognized that the current Municipal Act and the proposed City of Toronto Act

require the Commission to fully recover the incremental costs of operation beyond City boundaries. This requirement exists for bus services provided by the TTC under contract to various municipalities and a similar arrangement would need to be implemented with York Region with respect to net subway operating costs. A number of alternative strategies for an agreement with York Region will be developed for the consideration of the Commission and Council with respect to sharing of operating revenues, gross operating costs and net operating costs.

Due to the current level of design of the project, uncertainty concerning development levels surrounding stations, the risks associated with ridership forecasts and the difficulty in forecasting feeder bus savings 10 years prior to the commencement of revenue service of the project, the estimation of revenue, ridership, rapid transit operating costs, net feeder bus savings and net operating costs of the line would be premature and speculative at this time. TTC staff intend to provide regular updates to the Commission of the operating cost implications of the project through the normal budgeting process for the Project and at regularly scheduled milestones as the project proceeds through the design and construction process.

8.2 Transitional Operating Subsidies from Other Levels of Government:

For both the Scarborough RT and Spadina Subway extension project to Wilson Station, the TTC received special operating subsidies in the initial years of the line's operation. These special subsidies bridged the financial gap, in terms of operating costs between the revenue/cost (R/C) performance of the line and the overall system R/C ratio. In effect, until the line R/C ratio was equal to the system-wide performance, special operating subsidies were provided by the Province. The Sheppard Subway did not receive special operating subsidies from the Province and this resulted in the City being fully responsible for the line's operating costs in the initial years of operation.

Due to the existing low density nature of the area to be served by the proposed Spadina Subway extension to the Vaughan Corporate Centre, and recognizing that redevelopment around station areas will take time to materialize, it will be important to negotiate interim operating subsidies from other orders of government to cushion the operating cost impact of the line from the commencement of revenue service to an agreed-upon financial performance target. It is particularly appropriate that the Province provide such subsidies given the inter-regional nature of the project.

Conclusions:

The proposed subway construction project represents an important opportunity to achieve the City's Official Plan objectives and one of the principal objectives outlined in the TTC's Rapid Transit Expansion Study.

The Province's contribution of \$670 million represents approximately one-third of the funding required to construct the project. In order to secure all of the remaining funding, additional capital funding agreements must be negotiated with the Region of York and the federal government.

In addition to agreements for funding of the capital costs, further agreements must be negotiated that address the allocation of any operating deficits. Finally, a substantial number of other issues relating to the inter-regional nature of the project must also be addressed prior to commencement of construction. Staff will provide an update on these issues to the Committee and Council on a regular basis.

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List of Attachments:

- Appendix A Declaration of Trust – summary of Terms
- Appendix B Discussion of Planning Issues Related to the Proposed Spadina Subway Extension

APPENDIX "A"

DECLARATION OF TRUST - SUMMARY OF TERMS

- (1) Name of Trust: The "MOVE ONTARIO TRUST".
- (2) Purpose of Trust: To distribute the Trust Assets (i.e. \$670 million, plus any earnings, profits or increments thereon and additional contributions) for capital investment in a new heavy rail inter-regional public transit infrastructure project to be selected by the Trustees in the City of Toronto and the Regional Municipality of York (the "Project").
- (3) Parties to Declaration: The Declaration of Trust (the "Declaration") is signed only by the individual Trustees, representing Ontario, Toronto and York respectively. It is not a direct agreement between Ontario, York and Toronto.
- (4) Term of Trust: 10 years, terminating on March 24, 2016.

(5) **Appointment of Trustees:**

Three initial Trustees have been appointed by executing the Declaration. These are:

- (i) Colin Andersen, Deputy Minister, Ministry of Finance (the “Ontario Trustee”);
- (ii) Joseph Pennachetti, Deputy City Manager and CFO, City of Toronto; and
- (iii) Lloyd Russell, Treasurer, Regional Municipality of York.

(Collectively the “Initial Trustees”)

The initial York and Toronto appointees must be replaced by persons to be nominated by the Councils of Toronto and York (the “Municipal Trustees”). It is important that this be done as quickly as possible as these appointments are required in order to choose the Project and allocate the Trust Assets by September 30, 2006.

The Municipal Trustees are appointed by a majority vote of the Trustees. A nominee must be appointed by the Trustees.

Persons holding elected public office are not eligible to be nominated as Trustees. The Trustees will not be compensated for their services.

(6) **Duties of Trustees:**

The Initial Trustees are only permitted to:

- (a) Accept receipt of the Trust funds by March 31, 2006.
- (b) Invest the Trust funds.
- (c) Undertake such administrative activities as may be required for the affairs of the Trust (e.g., hiring professional advisors and clerical personnel).

The Ontario Trustee and Municipal Trustees shall, among other things:

- (a) Identify the Project.
- (b) Allocate funds to the Project.
- (c) Determine amount and method of distribution to York and Toronto.
- (d) Calculate and disburse the income (i.e. interest income, net capital gains) from the Trust Assets to York and Toronto on an annual basis within 180 days of the end of the calendar year, to be used for transit purposes, as determined in the sole discretion of the Trustees.

(7) **Timeframes/Events of Termination:**

In order for Toronto and York to receive the Trust Assets, the Declaration requires that the selection and implementation of the Project proceed according to certain timelines:

- (a) The Ontario and Municipal Trustees must identify the Project and allocate funds to the Project (including distribution between Toronto and York) on or before September 30, 2006.
- (b) The first Construction Contract (defined to include any contract entered into by Toronto, York, the TTC, or their agents for substantial work related to design, development, tendering or construction of the Project etc.) in respect of the Project must be entered into within the earlier of: a) 365 days from the receipt of final Provincial environmental assessment approval; or b) April 1, 2008.

Commencing with the first request, bona fide requests for distribution of funds by Toronto or York must be received no more than 365 days apart.

Note: These timelines can be amended by unanimous consent of the Trustees or waived due to Force Majeure events (e.g., act of God, war or terrorism, explosion, fire, breakdown of machines or transport, general labour disturbance, etc.).

Failure to meet any of the above timelines constitutes a “Termination Event”. Other Termination Events are:

- (a) Where the Trustees have determined that no further distributions will be made to Toronto and York (e.g., where York and Toronto have been unable to agree on Project issues)
- (b) Where Toronto and York advise for whatever reason that the Project will not proceed.

(8) Consequences of Termination/Expiry:

Where a Termination Event has occurred, the following will result:

- (a) The Municipal Trustees (i.e., for Toronto and York) are deemed to cease to hold office and would be replaced by persons to be appointed by the remaining Ontario Trustee.
- (b) Any remaining portion of the Trust Assets would then be distributed to Halton, Peel, Durham and Hamilton (the “Eligible Municipalities”) in proportions based on population to be used for public transit purposes, as determined by the Trustees in their sole discretion. Where the Trustees cannot, for some reason, distribute the funds for public transit purposes, they may, by unanimous vote, distribute them to the Eligible Municipalities without restrictions as to use.

In the event of the expiry of the 10-year term of the Trust prior to all of the Trust Assets having been spent, the funds are to be distributed on the Business Day before expiry to the Eligible Municipalities as set out above.

The funds shall not under any circumstances be distributed or revert to the Province of Ontario.

(9) Powers/Decisions by Trustees:

The Trustees are vested with continuing, full, absolute and exclusive power, without the need for further authorization by a court or otherwise, to manage the Trust Assets and the affairs of the Trust with the same authority and discretion that the sole legal and beneficial owner of the Trust Assets would have.

Decisions may be made by a simple majority vote (i.e., 2:1), with the exception of a decision to amend the provisions of the Declaration of Trust. The Trustees may, by unanimous decision, amend the provisions of the Declaration (e.g. to extend timelines or waive requirements).

(10) Standard of Care/Liability of Trustees:

In exercising their powers, the Trustees are required to act honestly and in good faith with a view to the best interests of the Beneficiaries (i.e., Toronto and York) and must exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The Trustees will be deemed to be acting for and on behalf of the Trust, and not in their personal capacity, in assuming any debts, liabilities or obligations in respect of the Trust. They shall have no personal liability so long as they act in accordance with the required standard of care. In addition, the Declaration provides that a Trustee shall have no liability for:

- (a) any action taken in good faith in reliance upon prima facie properly executed documents;
- (b) any depreciation or loss of Trust Assets by reason of the sale of any security;
- (c) the loss or disposition of monies or securities;
- (d) an act or refusal to act done in good faith based on the advice of a professional or expert advisor given within the scope of expertise of the expert or professional advisor.

The Trustees are indemnified and saved harmless out of the Trust Assets, against any claims or losses arising as a result of having been a Trustee or officer of the Trust or any taxes imposed as a result of performing Trust duties, provided that these do not arise as a result of a failure to exercise the required standard of care. This would include claims brought by, or on behalf of, a Beneficiary.

A Trustee is required to disclose any conflict of interest as a result of having a material interest in any contract or transaction entered into with the Trust.

Appendix B

Discussion of Planning Issues Related to the Proposed Spadina Subway Extension

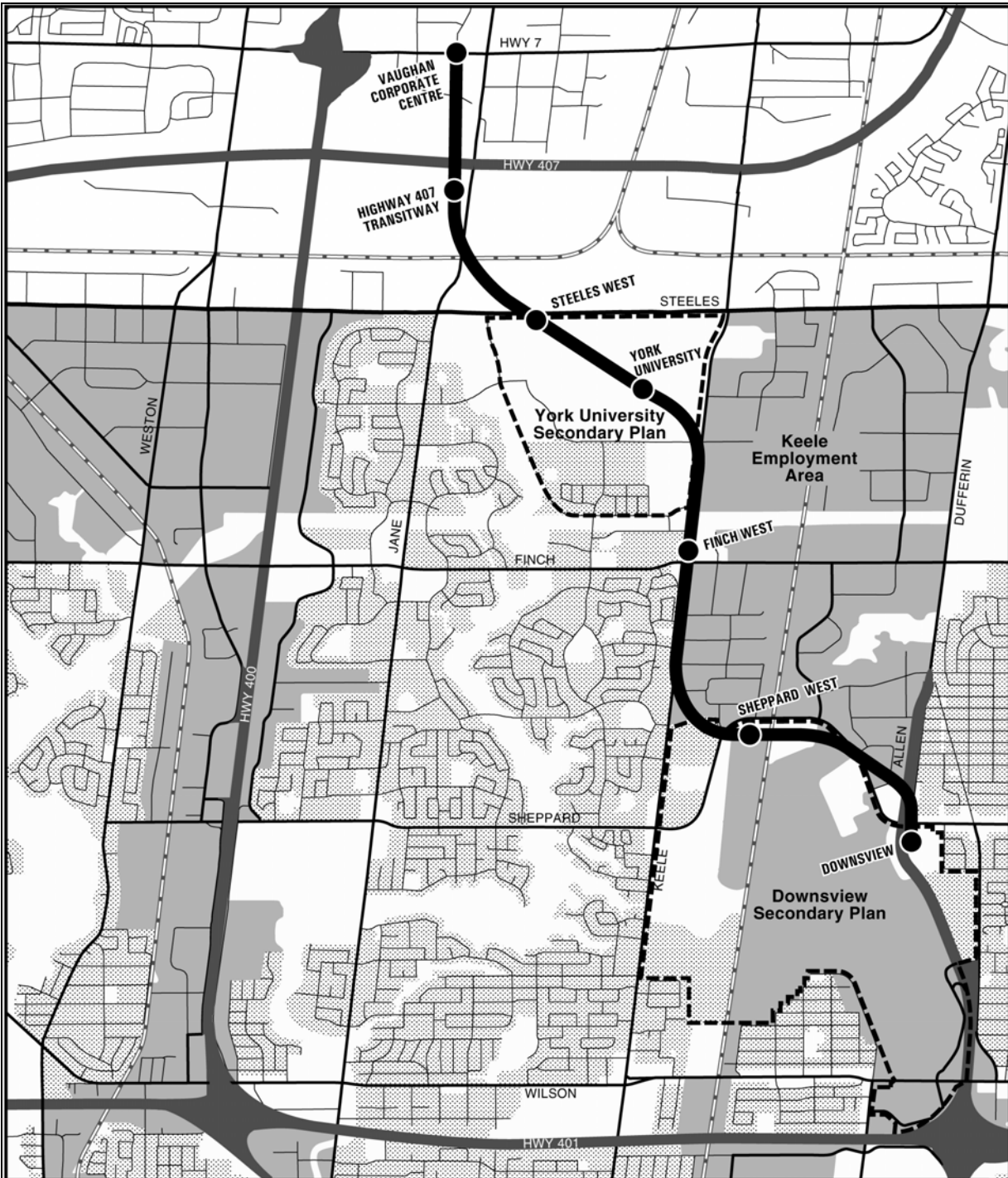
An important goal of the Spadina Subway extension is to accommodate new population and employment growth in new transit “villages” around the proposed stations. The subway will provide significant new opportunities for development in the vicinity of the stations. Stakeholders along the route including the City of Toronto, Region of York, City of Vaughan, Parc Downsview Park and York University are actively working on planning initiatives for the development and redevelopment of lands along the proposed subway route.

Within the City of Toronto, current planning documents, including the new City of Toronto Official Plan and the York University and Downsview Area Secondary Plans, support increased use of transit and have land use policies that encourage intensification on lands well served by transit. Now that the Spadina Subway Extension Environmental Assessment (SSE EA) has been completed (and has been submitted to the Ministry of the Environment for approval) and the proposed alignment and station locations have been defined, area specific land use policies can be updated to reflect the potential for intensification around the four stations proposed in the City of Toronto.

To that end, the City Planning Division is currently engaged in planning initiatives around two of the proposed stations within Toronto (Steeles West and York University) and has committed to future work around Finch West station. The City is aware that Parc Downsview Park is contemplating revisions to the Downsview Area Secondary Plan to acknowledge the proposed Sheppard West station. The purpose of the planning initiatives is to facilitate transit-supportive land use development around the proposed stations on the Spadina Subway Extension. Figure 1 illustrates the land use planning context along the route of the preferred alignment.

York University Secondary Plan: Steeles West and York University Stations:

York University currently has some 7.5 million square feet of built floor area (York University 2005). The existing York University Secondary Plan contains development policies that would permit up to 50 million square feet of development on the lands. The existing Secondary Plan, however, does not take into account the York University and Steeles West subway stations as proposed in the SSE EA. City Planning, in cooperation with York University, has begun an update of the Secondary Plan. One of the main components of the update is to establish clear policies that promote high density development around the proposed York University and Steeles West stations as well as on the Steeles Avenue and Keele Street frontages generally. The updated plan is expected to be completed early in 2007.



TORONTO City Planning Division

Spadina Subway Extension

Proposed Alignment

- Proposed Spadina Subway Extension / Station
- Residential Areas
- Employment Areas
- Secondary Plan Areas



Not to Scale

April 10, 2006

Figure 1. Land Use Planning Context and Proposed Subway Alignment:

Downsview Area Secondary Plan: Sheppard West and Downsview Stations:

The Sheppard West station is planned to be an intermodal connection with a future GO Rail station on the Bradford Line linking the two services.

The existing planning framework for the area surrounding the proposed station includes stable employment lands on the north side of Sheppard Avenue and parkland and mixed uses on the Parc Downsview Park (PDP) lands. PDP, the federal corporation responsible for developing the large land area surrounding the Downsview Airport, was consulted throughout the EA process in relation to the subway alignment and station location within the PDP property. Since the completion of the EA, Parc Downsview Park has been contemplating revisions to the Secondary Plan to acknowledge the proposed Sheppard West station by further focusing development in its vicinity. Current Secondary Plan policies envision approximately three million square feet of employment uses in the form of a research and development park south of the proposed Sheppard West station.

Land use policies in the vicinity of the Downsview Station in the Downsview Secondary Plan and Sheppard/Allen Development Framework envision higher density uses located within the station's catchment area. A total of almost 2.9 million square feet of employment and residential floor area is currently permitted in close proximity to the Downsview Station subject to rezonings.

Keele/Finch Area: Finch West Station:

Existing land uses within the Finch West Station's catchment area includes employment uses to the east and residential uses on the west side of Keele Street. Significant opportunities for intensification exist around the intersection. City Planning undertook a preliminary study of land use and intensification opportunities around the Keele/Finch intersection as part of the 2001 Keele Street Study. The study recommended that the City carry out a Secondary Plan review to promote transit-supportive development should the Spadina Subway Extension EA propose a station at the intersection. City Planning expects to undertake this review before the opening of the Spadina Subway Extension.

City of Vaughan: Steeles West Station:

The City Planning Division is also working with the City of Vaughan in support of their planning initiative to facilitate transit-oriented development on the north side of Steeles Avenue. Vaughan's OPA 620 envisions a mixed-use community for the north side of Steeles from Jane Street to Keele Street. The proposed OPA plans for a total GFA of more than 6.5 million square feet with the highest densities adjacent to the proposed Steeles West station.

SSE EA Travel Demand Forecasting:

The Spadina Subway Extension Environmental Assessment (SSE EA) included forecasts of travel demand by station for the project based on existing and future population and employment

densities. The travel demand forecasts were developed based on detailed land use forecasts in conjunction with the City of Toronto Official Plan, Secondary Plan information for Downsview Park and York University (and updated information as available from these two groups), and the maximum opportunity scenario developed in the “Flash Forward Report” prepared by the City Planning Division’s Policy and Research section.

An additional scenario was assessed that used the population and employment density target of at least 100 persons per hectare within 500 metres of stations from the TTC’s Rapid Transit Expansion Study (RTES). The RTES report states that:

“population and employment densities in excess of 100 are necessary to achieve transit modal splits which are favourable to the implementation of rapid transit. At densities below 100, the success of rapid transit cannot be assured and the operation performance of a line may not be affordable.”

Three land use scenarios were used to develop a range of possible subway ridership in 2021:

- (i) Base land use (Official Plan).
- (ii) Opportunities land use (based on the maximum residential opportunities scenario from Flash Forward).
- (iii) Policy Density land use 100 persons per hectare for the stations identified as mixed-use (based on research for subway stations around the City and contained in the TTC’s RTES report).

A 500 metre catchment area was used to define the station-area land use for the calculation of potential walk-in riders. The forecasts of land use did not reflect any potential growth beyond the 500 metre catchment area.

The station locations were reviewed as the alignments were refined during the study process. Each station was defined in relationship to its ultimate land use type: institutional (York University), Mixed-use (Keele-Finch, Sheppard-GO, Steeles Avenue), Employment only (Finch West, Chesswood-GO). For mixed-use type stations, a 65/35 split between population and employment was used. This split was developed using a database for existing subway stations across the City that were seen as comparables for the proposed stations.

The following table summarizes the results of the calculations of population and employment for each of the preferred station locations identified in the study. Note that the Policy Density scenario was not applied to lands designated for institutional development such as the lands within the existing York University Secondary Plan.

Proposed Station	Existing (2001 Census)		Base (OP)		Opportunities (OP)		Policy Density (100/ha)	
	Pop.	Empl.	Pop.	Empl.	Pop.	Emp.	Pop.	Empl.
Steeles West ¹	0	90	1,300	900	1,900	900	n/a	n/a
York U. at Common	1,775	3,965	2,600	1,800	3,500	1,800	n/a	n/a
Finch West ²	3,285	2,065	2,400	2,000	3,900	2,000	5,000	2,700
Sheppard West ²	20	1,615	700	2,000	2,200	2,000	5,000	2,700

Source: City Planning, Policy and Research Section and TTC

¹ Figures do not include the lands north of Steeles Avenue in the City of Vaughan

² Opportunities were not estimated for employment. Therefore, employment forecasts were assumed to be the same as the base employment forecasts.

None of the proposed stations currently have population and employment densities that meet that target with the exception of the Finch West station with a density of about 93 persons per hectare. Each of the station locations, however, provides significant opportunities for transit-supportive intensification. This will be the focus of the planning initiatives that will be completed in support of the proposed Spadina Subway extension.

Mr. Anthony Perruzza addressed the Policy and Finance Committee.

City Council – September 25, 26 and 27, 2006

Council also considered the following:

Communication:

- *(September 21, 2006) from Regional Clerk, the Regional Municipality of York. [Communication 12(a)].*