TORONTO

STAFF REPORT ACTION REQUIRED

Capital Funding for the Kipling / Islington Redevelopment Initiative

Date:	December 21, 2006
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	Ward 5
Reference Number:	P:\2007\Internal Services\F&re\Ec07001F&re – vb/cn (AFS 3420)

SUMMARY

The Kipling/Islington Redevelopment Initiative consists of the construction of a new inter-regional bus terminal at Kipling for the shared use of MT and GO, a new accessible TTC bus terminal at Islington, and consequent replacement of accessory transit facilities and commuter parking. This Redevelopment Initiative is the culmination of a study over the past three years of how new transit facilities at Kipling and Islington could improve inter-regional transit movements and create opportunities for intensification and redevelopment adjacent to these two subway stations.

This report recommends approval of the Kipling/Islington Redevelopment Initiative and the allocation of capital funding of $17,500,000, the City's proposed share of the total $58,400,000 budget for the Redevelopment Initiative, subject to confirmation that Mississauga Transit (MT), GO Transit (GO), and the Province of Ontario and/ or the Greater Toronto Transportation Authority (GTTA) will make the capital contributions required of them. City Council has on the same agenda for approval a TTC report and recommendations adopted on December 13, 2006, on this redevelopment strategy and a cost-sharing arrangement with MT, GO, GTTA and the Province for these projects. The City's share would be funded from the Land Acquisition Reserve Fund (LARF), resulting in no new debt for the City. Proceeds from the sale of lands to SNC-Lavalin Group Inc. (SNC) and from the possible sale of two other properties (Phase II Islington and Westwood lands) would be repaid to the LARF.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. City Council approve the Kipling/Islington Redevelopment Initiative and the concepts for improvements to the Kipling and Islington Stations shown in the December 13, 2006 TTC report "Kipling/Islington Redevelopment Strategy – Status of Cost-sharing Discussions", subject to confirmation of cost-sharing commitments of MT, GO, GTTA , and the Province;

2. The 2007 – 2011 Capital Plan for the TTC be increased from $3,300,000 to $58,400,000 gross; zero net, with cash flows of:
   - $8,500,000 gross, funded by the LARF in 2007;
   - $30,700,000 gross, funded in the amount of $9,000,000 by the LARF and $21,700,000 from other stakeholders in 2008;
   - $14,500,000 gross, funded from other stakeholders in 2009; and
   - $4,700,000 gross, funded from other stakeholders in 2010;

3. Proceeds from the sale of the Islington lands to SNC, as well as potential proceeds from the proposed sale of (Phase II) Islington lands and the Westwood lands, be used to repay the LARF;

4. City and TTC staff continue to negotiate the cost-sharing arrangements necessary for these projects to proceed with MT, GO, GTTA, and Provincial staff;

5. City Council forward its recommendations on the Kipling Islington Redevelopment Initiative to the GTTA and request priority funding for the proposed inter-regional transit project at Kipling Station;

6. The Deputy City Manager and Chief Financial Officer and the Chair of the TTC write to the Minister of Transport, Infrastructure and Communities requesting the Federal government to contribute a share of the total budget for these important inter-regional transit improvements; and

7. The Deputy City Manager and Chief Financial Officer be directed to provide a further report back to Committee and City Council should alternative cost-sharing allocations be suggested or if negotiations fail to result in full funding of the capital costs of the Kipling/Islington Redevelopment Initiative.

IMPLEMENTATION POINTS

1. Confirmation of funding from MT, GO, GTTA and the Province must be received in early 2007 in order to proceed with the Redevelopment Initiative. If the other stakeholders suggest an alternative cost-sharing allocation or do not provide the

capital contributions expected from them, further negotiation and a further report to Committee and City Council may be required.

2. The design work on the two new bus terminals must continue without interruption to meet the projected schedule for the relocation of MT and the TTC and the subsequent demolition of the existing Islington bus terminal.

3. Subject to the completion of ongoing negotiations, City Council approval of the sale of a portion of the Islington property to SNC in early 2007.

4. Finalization of a license agreement with Hydro One for the portions of the Hydro corridor lands required for the Redevelopment Initiative.

5. Acquisition of two properties in the Kipling area and one in the Islington area required to complete construction of the proposed transit facilities.

6. Construction of new terminals, entrances, Passenger Pick Up and Drop Offs (PPUDO) and commuter parking lots.

7. Relocation of MT to Kipling and relocation of the TTC to its new terminal at Islington.

8. Demolition of the existing Islington bus terminal.

FINANCIAL IMPACT

It is currently estimated that the proposed Kipling/Islington development will have a total capital cost of $58,400,000. The TTC has proposed that these costs be shared between the City and other stakeholders (MT, GO, GTTA and the Province) as shown in the table below. According to this proposed cost-sharing arrangement, the City's share of the costs will be $17,500,000 or approximately 30% of the total amount.

	2007	**2008**	**2009**	**2010**	**Total**
Total Gross Expenditure	8.5M	30.7M	14.5M	4.7M	58.4M
Source of Funding					
City/ LARF*	8.5M	9.0M			17.5M
Other Stakeholders		21.7M	14.5M	4.7M	40.9M
Total Source of Funding	8.5M	30.7M	14.5M	4.7M	58.4M

* $1,700,000 in pre-approved spending authority; debt-funded was approved by City Council at its meeting of September 25, 26, and 27, 2006 to proceed with design work required for the Kipling/Islington Redevelopment Initiative.

The City's expenditure of $17,500,000 will be contingent on the other stakeholders' agreement to the proposed cost-sharing arrangement. Although discussions have taken place with the other stakeholders no funding commitments have yet been received.

If sufficient commitments are received from the other stakeholders, the City will proceed to fund its $17,500,000 contribution by drawing on the LARF rather than increasing its overall debt financing.

The LARF will be reimbursed through any proceeds that are realized from the sale of lands made available for redevelopment through the relocation of the Islington Station bus terminal. Facilities & Real Estate staff has forecast that these land sales revenues can potentially more than offset the City's $17,500,000 contribution towards this project.

At this early stage of design and planning, there is still potential for variability in the ultimate construction and land acquisition costs. An approach to allocating the impact of any cost increases has not yet been discussed with each of the stakeholders.

In addition, it is anticipated that decreases in parking revenues to the TTC may result from the completion of these projects that may require further adjustment to the TTC budget. The extent of these reductions is dependent upon negotiations with SNC and Hydro One.

DECISION HISTORY

City Council initiated the West District Study, which includes the Kipling/Islington area, in 2003.

On June 16, 2004, the TTC approved the recommendations of the Kipling/Islington Bus Operations Study, including the concept of the relocation of MT to Kipling Station and related improvements.

On September 25, 26, and 27, 2006, City Council adopted the recommendations in a confidential report of the Deputy City Manager and Chief Financial Officer and Chief Corporate Officer set out in Decision Document 37. City Council directed staff to report back in January 2007 with a business case regarding the Kipling/Islington Redevelopment Strategy and on the status of cost-sharing negotiations. At the same meeting, City Council considered a communication from the TTC regarding the September 20, 2006, TTC approval of the station concepts for Kipling and Islington stations. As requested by the TTC, City Council authorized pre-approval spending of $1,700,000 up to March 31, 2007, to proceed with the design of the new bus terminals. City Council also authorized the use of proceeds from the SNC transaction and/or new capital funds to implement the Kipling/Islington Redevelopment Initiative.

ISSUE BACKGROUND

Intensification of land use around transit sites is a major objective of the City, and in particular, of the Etobicoke Centre Secondary Plan for the Kipling and Islington area. SNC's head office proposal for a portion of the Islington station property would be a catalyst for the redevelopment of the Islington bus terminal and the related Kipling inter-regional bus terminal. In order to redevelop the Islington property, MT operations must be relocated from Islington to Kipling.

City and TTC staff, in conjunction with representatives of GO and MT, have jointly made presentations on the merits of the Kipling Islington Redevelopment Initiative to the Deputy Minister of Transportation on November 14, 2006 and again on December 1, 2006 and to the GTTA on November 30, 2006. The Province and the GTTA have been generally supportive of the Redevelopment Initiative and have indicated their willingness to consider providing some level of funding for the proposed inter-regional bus terminal at Kipling and related improvements.

COMMENTS

The Kipling Islington Redevelopment Initiative requires the relocation of MT bus operations to a new inter-regional terminal at Kipling station that would be shared with GO bus operations. A new and smaller bus terminal for TTC use would be constructed at Islington in the Hydro corridor lands, north of the current location. New and expanded PPUDO's would be built at Islington and Kipling. Commuter parking displaced from the Islington property would be replaced primarily in the Hydro corridor south of Bloor Street West. Commuter parking displaced from the Kipling station area would be replaced in the Hydro corridor to the north and south of Dundas Street West. Reference should be made to the TTC December 13, 2006 report for graphics showing the proposed redevelopment concepts for both stations.

The projected cost breakdown of these transit projects is summarized below:

Projects	Islington	Kipling	Total
Inter-regional bus terminal		$10.5 M	$10.5 M
East Entrance		$ 5.8 M	$5.8 M
New TTC bus terminal, PPUDO, entrances	$18.5 M	$ 6.5 M	$25.0 M
Replacement Commuter Parking	$ 4.4 M	$10.7 M	$15.1 M
Property Acquisition		$ 2.0 M	$2.0 M
TOTAL	**$22.9 M**	**$35.5 M**	**$58.4 M**

It has been proposed by the TTC and presented to all the stakeholders that the cost-sharing arrangement be as outlined below:

Source of Funding	Islington	Kipling	Total
City of Toronto/TTC	$15.3 M	$2.2 M	$17.5 M
Other Stakeholders	$7.6 M	$33.3 M	$40.9 M
TOTAL	**$22.9 M**	**$35.5 M**	**$58.4 M**

Transportation Benefits

The Kipling/Islington Bus Operations Study concluded in 2004 that the Kipling station was the appropriate location of an inter-regional bus terminal to serve MT and GO buses, for the following reasons:.

- Kipling is the terminus of the Bloor-Danforth subway line
- Kipling is a station on the Milton GO line
- Kipling is the terminus of a proposed inter-regional busway via Dundas HOV lanes, that connect to the Highway 427/403 busway
- Kipling provides opportunities for improved passenger interconnections between GO, MT, and TTC services.

The proposed new terminals would improve the operations of TTC, MT and GO, producing environmental benefits in the following ways:

- A new signalized access on Dundas Street West (opposite Acorn Avenue) would be developed for the MT/GO terminal to improve bus traffic flow
- Improved TTC bus access to Kipling would be available through a new MT/GO terminal driveway
- MT could save 372,000 kilometres/yr by terminating at Kipling
- Reduction of air pollution, traffic and noise at Islington would result from the MT relocation to the terminus of Bloor-Danforth subway
- New Islington bus terminal would provide accessibility with an island design that would not otherwise be possible in the TTC's ten year capital budget
- Relocation of the bus terminal from Bloor/Islington intersection north to the Hydro Corridor
- Improved TTC bus access to / from Islington Avenue.

Land Use Benefits

The Kipling/Islington Redevelopment Initiative would provide many land use benefits for the City of Toronto and the Greater Toronto region:

- Support for Smart Growth in a centre identified in the Province's Places to Grow Act

- Impetus to employment growth of the Etobicoke Centre, designated in City's Official Plan (i.e. SNC headquarters)
- Implementation of the Etobicoke Centre Secondary Plan and other Official Plan objectives
- Intensification of the Islington lands previously solely used for transit-related functions
- New development opportunities on three City properties – Islington, Westwood and Kipling - that totals more than four million sq ft
- Maximizing the transit use potential of Hydro corridor lands in this area.

Fiscal and Economic Impacts

Facilities & Real Estate retained KPMG LLP to complete a Fiscal and Economic Impact Analysis of the potential redevelopment of the Islington property. This analysis estimates the fiscal impacts on the City of Toronto (capital and operating revenues and costs) and the economic impacts on the broader region (employment generation and resulting retail spending) of the proposed SNC development and the TTC infrastructure improvements on the Islington and Kipling station lands.

This analysis, based on information provided by SNC, has assumed:

- a head office building of 345,000 sq ft to be constructed by SNC at Islington including 17,250 sq ft of ground-floor retail
- SNC total project cost of $98,000,000
- retention of 1,040 employees within Toronto
- addition of 260 employees to this location (future potential of 250-350 new positions not included in the analysis)
- SNC head office completion and occupancy by Fall 2009

The TTC provided the costs estimates and timing of the construction of the two bus terminals and related new PPUDOs, a new east entrance for the Kipling Subway station and replacement commuter parking lots for this analysis. The cost of the Islington improvements totals $22,900,000 and the cost of the Kipling improvements totals $35,500,000. The current best case time frame for completion of these projects is 2010.

In the KPMG analysis, the revenue to pay these capital costs is dependent on the projected contributions of $40,900,000 from MT, GO, GTTA, and the Province and the sale of all of the Islington lands that will become available for disposal through completion of the Redevelopment Initiative, at an estimated sale price of $25,100,000. The KPMG analysis projects a positive capital result from these projects, if all these funds are received. The contributions from the other stakeholders have not yet been confirmed. The majority of the Islington lands would not be marketed until the new Islington bus terminal is constructed and may not be marketed at all if the City elects to retain the lands for municipal purposes. As a result, there are uncertainties that pose some risks to the conclusions of the Fiscal Impacts analysis. A sensitivity analysis on the study's assumptions projected a range of net capital results from a loss of $7,300,000 to a gain of $7,400,000.

As the easterly portion of the Islington lands are still under consideration in the West District Study as a potential location for the Etobicoke/York Service Centre, the Property Management Committee may not release it for disposal and City Council may not declare it surplus. If these lands are not sold, revenue and capital loss projections would have to be further adjusted. The Islington and Westwood properties are also under consideration for transfer to TEDCO if these lands are not selected for the Etobicoke/York Service Centre. If the Phase II Islington lands are declared surplus and sold, City Council would have to exempt this property from the City's Proceeds policy in order to allocate the resulting revenue to the Kipling/Islington Redevelopment Initiative rather than the TTC LARF.

Over and above the direct fiscal impacts, the KPMG report identifies additional economic impacts of these projects, including:

Direct and indirect construction-related employment	1,885 person years
Value-added to the economy	$115,000,000
Value-added from permanent employment	$82-87,000,000
Retail sales generated	$12,300,000

Additional Approvals

All the elements of the Redevelopment Initiative will require various approvals including but not limited to: Site Plan Approval, minor variances, removal of an H in the zoning by-law, any approvals that may be required under the Environmental Assessment Act, building and other municipal permits. A full review process to address planning and development objectives will include high quality design, improvements to the public realm and functionality. Council approved guidelines for the Etobicoke Centre, tall buildings, green development, parking, streetscapes and a possible design review panel pilot project will also be considered.

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SIGNATURE

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