

Transit Network Plan Update and Financial Strategy

Executive Committee Meeting

November 1, 2016

July 2016 City Council Direction

- City Council directed staff to continue planning/technical analysis on projects including SmartTrack/RER integration with up to six stations; Eglinton West LRT with 8-12 stops and 5 potential grade separations; one-stop Express SSE; Relief Line Phase 1; and Eglinton East LRT.
- City Council authorized the City Manager to negotiate cost sharing and intergovernmental funding arrangements with the Province of Ontario for a range of transit initiatives, and to review and report on governance implications and arrangements to effectively carry out the intergovernmental funding and cost sharing arrangements.

Timelines for City Council Resolution

- At June 28, 2016 Metrolinx Board Meeting, the Board requested City Council resolution on funding commitment for SmartTrack project by November 30, 2016 to procure project with Regional Express Rail program.
- City and Province have been working to meet aggressive timelines to finalize recommended terms for cost- and revenue-sharing contained in this report.
- Executive Committee Meeting required before November 8, 2016 City Council Meeting where Council Resolution to meet Metrolinx Board requirements will be sought to meet November 30, 2016 deadline.

Summary of Report Recommendations

This report recommends:

- City Council adopt the Summary Term Sheet and direct the City Manager to finalize the intergovernmental negotiations through a phased approval process (introduced in this report as the Stage Gate Process for SmartTrack).
- Several recommendations to advance planning and technical analysis in accordance with the recommended phased approval process (Stage Gate Process) for the SmartTrack Project.
- Funding and financing strategy for City's share of costs in accordance with the Summary Term Sheet.

Summary of Terms

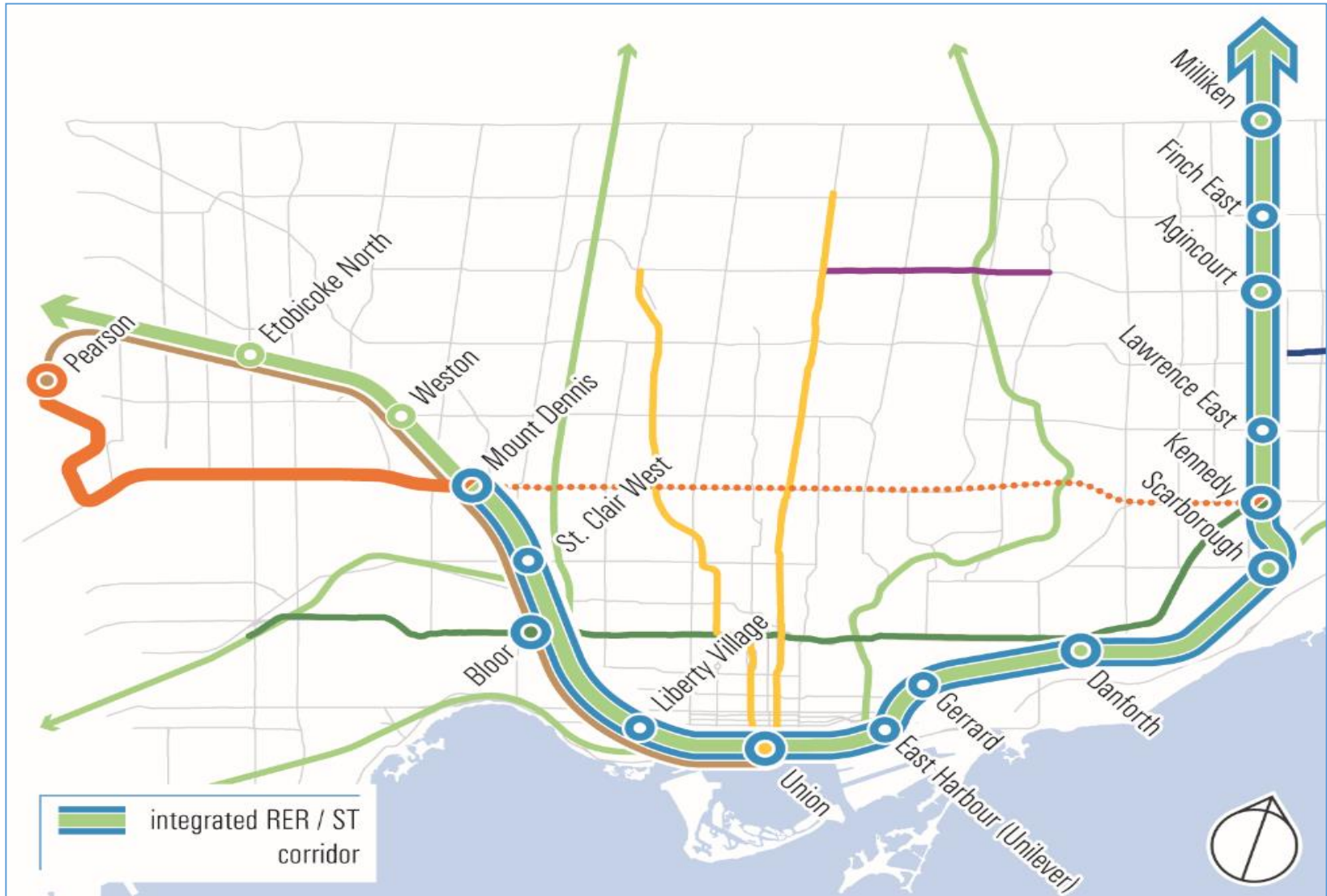
General Principles

- Reflects partnership of City and Province in constructing, operating and maintaining Toronto's expanding transit network.
- Equitable distribution of costs, revenues, and risks among parties based on roles, responsibilities and governance arrangements for each asset throughout project lifecycle.
- Toronto's contributions are incremental to existing Provincial commitments to Regional Express Rail and Metrolinx Rapid Transit Program (includes Metrolinx-Toronto LRT projects).
- Address related funding and operational issues.

Summary Term Sheet

- Summary Term Sheet (Attachment 1 of the Report) includes terms on cost- and revenue-sharing related to the following:
 - SmartTrack/RER Integration (6 SmartTrack Stations, plus marginal O&M)
 - Regional Express Rail
 - GO Transit Growth Related Capital Costs
 - Grade Separations
 - Utility Relocation
 - Metrolinx-Toronto LRT Projects (including SmartTrack - Eglinton West, Eglinton Crosstown, Finch West, Sheppard East and Eglinton East LRTs)
 - Other Transit Initiatives
 - Georgetown South Project Costs

SmartTrack Project



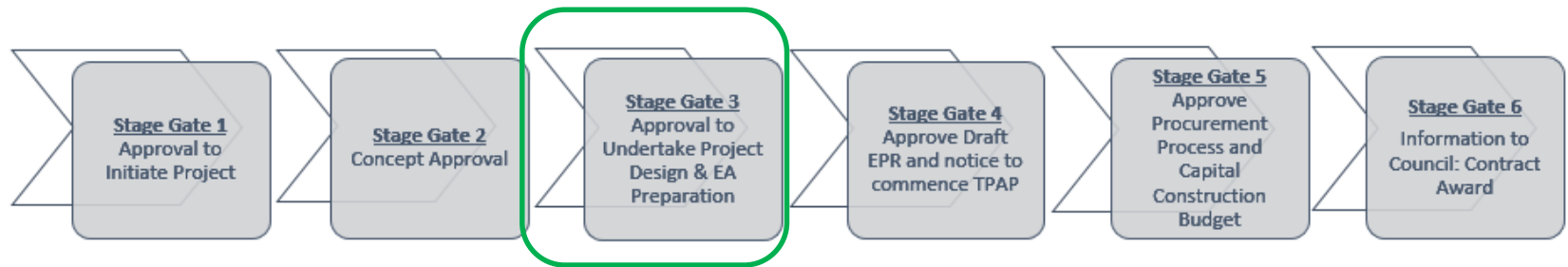
SmartTrack Project

- Approve Stage Gate Process for planning, procurement and funding approvals associated with the SmartTrack Project (Recs #1-3)
- Approve \$71M funding to be identified through 2017-2026 capital budget and planning process, for SmartTrack pre-development costs to Stage Gate 5 with cash flows shown in table below (Rec#9).

	2017	2018	Total
Gross	17.1	53.9	71.0
Net	9.3	29.8	39.1

- Approve addition of \$2.0 billion (\$3.7 billion gross) to 2017 Budget Process for preliminary SmartTrack total net project cost (Rec#10).
- Direct DCM/CFO to advance development of capital funding and financing strategy for SmartTrack (Rec#13).

SmartTrack Stage Gate Process



Stage Gate #	Eglinton West LRT Extension	SmartTrack/ RER Stations
1. Approval to Initiate Project	Q1 2015- Complete (2015.EX2.2); (2016.EX13.3)	Q1 2015- Complete (2015.EX2.2)
2. Concept Approval	Q2 2016 –outstanding work to be completed on stops and grade separations. (2016.EX16.1)	Q2 2016- Complete (2016.EX16.1)
3. Approval to undertake detailed design and EA preparation	Q4 2016 – Current Gate	Q4 2016- Current Gate
4. Approve draft Environmental Project Report and give notice to proceed to TPAP	Q3 2017 – Determine if addendum to EA/TPAP is required. Note – will also report on stops and grade separations.	Q3 2017
5. Approval of Procurement Process and Capital Construction Budget	TBD Q1 2019	Q2 2018
6. Information to City Council: Contract Award	2021	2019
7. Construction	2021+	2019+

SmartTrack - Eglinton West LRT

- As Proponent of SmartTrack, City will be responsible for capital costs of Eglinton West LRT portion from Mount Dennis to Renforth Gateway.
- Third party contribution sources will be sought for portion from Renforth Gateway to Pearson Airport.



Regional Express Rail - GO Capital Growth Contributions

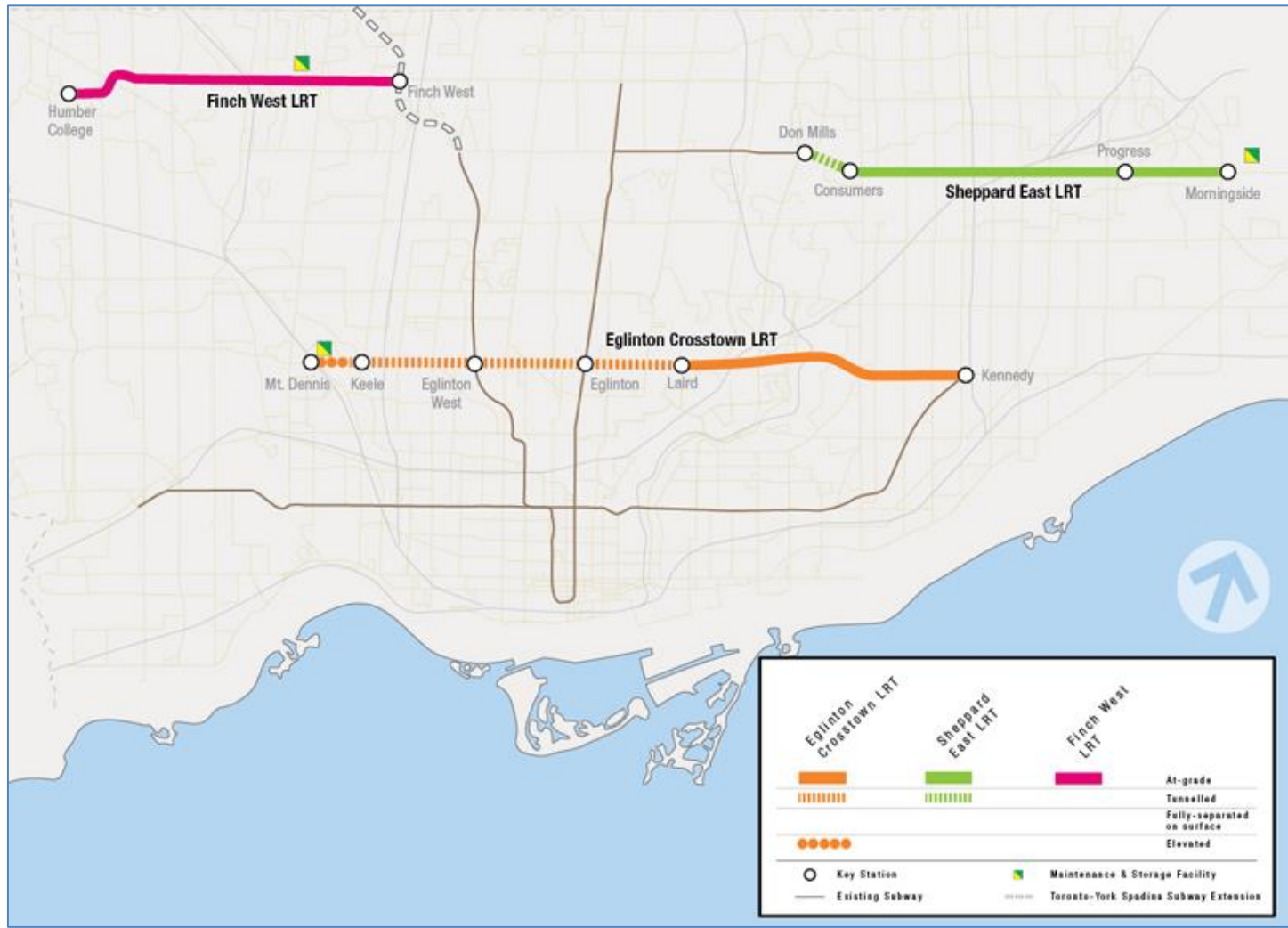
- In 2015, City Council suspended GO Capital Growth Contributions (EX3.4).
- Summary Term Sheet includes payment of previously suspended GO Capital Growth Contributions for 2015-2017 (\$60 million) in \$20 million installments over the next three years starting in 2017 (Rec# 13).
- Metrolinx will utilize City's contribution to two new GO RER stations at Spadina and Bloor-Lansdowne and for upgrades to existing stations across entire GO network in Toronto.



Regional Express Rail – Grade Separations

- Metrolinx has identified 5 grade separations required for RER:
 1. Scarborough Golf Club Road
 2. Morningside Drive
 3. Galloway Road
 4. Finch Avenue East
 5. Steeles Avenue East
- Per Summary Term Sheet, Province will pay 85% of costs associated with the 5 GO RER grade separations and the City will contribute the remaining 15% of the costs. Current estimated cost for City Contribution is \$62 million (Rec#12).

Metrolinx-Toronto LRT Projects



Operating and Maintenance for LRTs

- Metrolinx will own LRTs & TTC will operate LRTs
- City responsible for operating and regular maintenance (all non-lifecycle) costs of: Eglinton Crosstown LRT, Finch West LRT, Sheppard East LRT, Proposed Eglinton West LRT (within Toronto), Proposed Eglinton East LRT. Province responsible for lifecycle capital costs.
- City/TTC sets fares, retains farebox revenues, and non-farebox revenues associated with LRT and TTC service
- City/TTC establish service levels

Project	Estimated Annual Gross Cost (\$ millions)	Estimated Annual Net Financial Impact (\$ millions)
Eglinton Crosstown	80.0 (2021\$)	39.0 (2021\$)
Finch West	51.5 (2022\$)	TBD
Sheppard East	38.1 (2025\$)	TBD
Eglinton West (SmartTrack)	45.0 (2026\$)	TBD
Eglinton East LRT	TBD	TBD

Georgetown South Project

- In 2015, City Council endorsed principles in a Confidential Attachment (included as Confidential Attachment 6 to this report) related to financial issues involving Metrolinx on the Georgetown South Project.
- Summary Term Sheet includes term regarding settlement of Georgetown South Expansion Project.
- Report recommends City Council approve payment of \$95.5M representing City share of the Georgetown South Expansion Project, which are currently incorporated in Council-approved budgets for Water and Transportation Services (Rec#11).

Funding and Financing Strategy

SmartTrack Funding & Financing Strategy

Initiative	Project	Estimated Total Cost	Assumed Federal Government Contribution	Assumed Contributions from Others**	Estimated City Contribution Amount
SmartTrack	Six new ST Stations on Kitchener and Stouffville GO RER Corridors	1,251.8	417.1*		834.5
	Eglinton West LRT	2,468.4	822.9*	470.1**	1,175.3
Total:		3,720.2	1,240.2	470.1	2,010.0

* Assumed Federal contribution equal to 1/3 of total cost of project

** Assumed Mississauga/GTAA contribution

Notes: Province funding \$3.7 billion for basic RER infrastructure in Toronto that supports SmartTrack
Costs estimates are Class 4/5.

SmartTrack Funding & Financing Strategy

- City share of SmartTrack project is \$2.01 Billion (\$YOE). Traditional approach to finance capital costs of infrastructure is debenture debt financing (30-year debt).
- Recommended funding sources for SmartTrack project:
 1. Development Charges
 2. Incremental municipal property tax revenue from new development among SmartTrack Corridor (Tax Increment Financing); and should these funding sources be insufficient,
 3. Property tax increases or equivalent sources of annual revenue
 4. Other revenue sources such as asset sales can be explored as potential funding sources to offset initial capital costs.

SmartTrack Funding & Financing Strategy

Preliminary Capital Cash Flow Forecast for SmartTrack (\$YOE, Millions)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Gross	17.1	53.9	127.2	383.2	592.2	767.7	801.2	616.2	305.9	55.6	3,720.2
Less: Assumed Contributions from Others	7.8	24.1	56.9	173.0	263.1	346.3	367.3	289.7	152.9	29.1	1,710.2
Net:	9.3	29.8	70.3	210.2	329.1	421.5	433.9	326.4	153.0	26.5	2,010.0

Note: Includes SmartTrack Stations (2017-2024) and Eglinton West LRT (2017 to 2026)

Development Forecasts

- Projected revenues from Development Charges and Incremental Property Tax Revenues based on development forecasts prepared by Strategic Regional Research Associates (SRRA) in City along SmartTrack/RER corridor.

Growth in Commercial Gross Floor Area (GFA) (000's ft²) 2017-2042

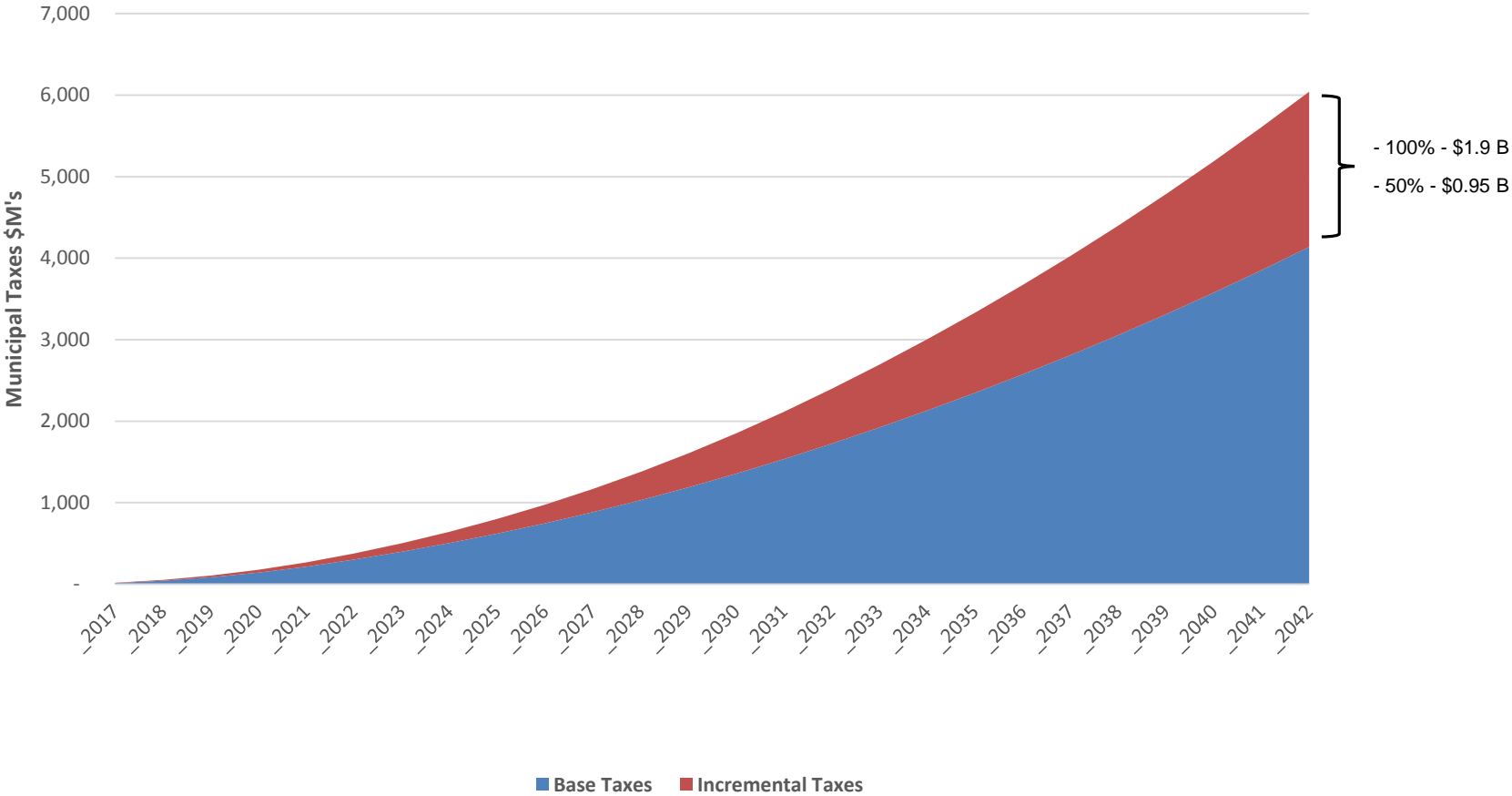
	Reference Case (no SmartTrack)	With SmartTrack	
TIF Zones	19,925	35,010	(+15,085)
Rest of City	<u>25,315</u>	<u>20,991</u>	<u>(-4,324)</u>
Total	45,240	56,001	(+10,761)

Growth in Residential Condo Units 2017-2042

	Reference Case (No SmartTrack)	With SmartTrack	
TIF Zones	60,188	86,419	(+26,231)
Rest of City	259,054	256,560	(-2,494)
Total	319,242	342,979	(+23,737)

SmartTrack Total Tax Increment (2017-2042)

Municipal Tax Revenue (Base) and Tax Increment (with SmartTrack) \$M's



Tax Increment Financing

- TIF revenue is projected to be \$1.9 billion over 25 years, and \$0.95 billion based on allocating 50% of the revenue to the SmartTrack Project.

Tax Increment Revenue Projection (2017-2042, YOES)

TIF Capture Percentage	YOE \$B
100% TIF Capture Percentage	1.9
50% TIF Capture Percentage	0.95

Development Charges

- One-time upfront fees levied on land development projects under *Development Charges Act* along SmartTrack Corridor.

Development Charges Revenue Projection (2017-2042, Nominal\$)

	Nominal \$M
Development Charges, net of Exemptions *	440
* Current DC Policy provides for DC exemptions for commercial (except for ground floor) and industrial developments, and other relief from affordable housing, etc.	

Residual Property Tax Increase

- Prudent to assume 50% of incremental taxes available to fund debt.
- Debt repayment is fully guaranteed by the City
- Anticipated residential tax Increase based on use of revenue-matched debt instruments is 2.0% (by City policy, 1/3 of any residential tax increase is imposed on non-residential tax classes).

NPV \$M's	TIF @ 100%	TIF @ 50%
TIF	857.1	428.6
DC	252.1	252.1
Proceeds from Revenue-Matched Debt	1,109.2	680.6
Cost	1,558.6	1,558.6
Residual to be Financed	(449.4)	(878.0)
Debtenture Borrowing Required	449.4	878.0
Debt Charge	27.6	53.9
Equivalent Tax Increase	1.0%	2.0%

Summary of Funding and Financing for Terms

Term	Financial Impact	Funding Source	Notes
GO Transit Georgetown South Project	\$95.5M	Council-Approved budgets for Water & Transportation Services (\$28.4M and \$67.1 respectively)	
RER Grade Separations	\$62M (YOE)	Rate and property-tax supported portion of Capital Budget. Debt charges impacting operating budget by equivalent residential tax increase of up to 0.12%	(15% of \$417M (YOE))
GO Growth Capital Contributions	\$60M	Rate and property-tax supported portion of Capital Budget. Debt charges impacting operating budget by equivalent residential tax increase of up to 0.11%.	To be applied to Spadina and Bloor-Davenport RER Stations & upgrades to existing stations
SmartTrack (6 stations & Eglinton West LRT portion in Toronto)	\$2.01B (YOE)	TIFs, DCs, possibly other revenues, and estimated Tax increase: 2.00%	See Attachment 2 - City Funding and Financing Strategy

Summary of Operating and Maintenance Financial Impacts

- Summary Term Sheet commits City to annual Operating and Maintenance costs for LRT projects as set out on a preliminary basis below

Project	Estimated Annual Gross Cost (\$ millions)	Estimated Annual Net Financial Impact (\$ millions)
Eglinton Crosstown	80.0 (2021\$)	39.0 (2021\$)
Finch West	51.5 (2022\$)	TBD
Sheppard East	38.1 (2025\$)	TBD
Eglinton West (SmartTrack)	45.0 (2026\$)	TBD
Eglinton East LRT	TBD	TBD

- Summary Term Sheet also commits City to incremental Operating and Maintenance costs resulting from SmartTrack/RER integration – these costs have not yet been determined.

Next Steps

Next Steps

- Finalize intergovernmental agreements per Summary Term Sheet.
- Continue planning and technical analysis to advance SmartTrack Stations to Stage Gate 5.
- Continue planning and technical analysis to advance SmartTrack Eglinton West LRT to Stage Gate 5.

Questions?

BACKGROUND

Financial Impact of Recommendations

Initiative	Project	City Contribution Amount (\$millions)	Comments
SmartTrack (Stations and Eglinton West)	Upfront predevelopment costs to Stage Gate 5	71	Contribution represents maximum up to Stage 5
Georgetown South GO Corridor	Grade Separations and Utility Relocation	95	Fixed commitment amount
5 RER Grade Separations	15% of Grade Separation and Utility Relocation	62	Commitment based on final cost established through procurement process
GO Capital Expansion		60	Fixed commitment amount
	Total:	288	

Grade Separations – Exposure Index

GO Rail Corridor	Crossing Location	Ward(s)	2016 Exposure Index	2030 Exposure Index
Stouffville	Steeles Avenue East	39, 41	919,000	9,336,000
Stouffville	Passmore Avenue	39, 41	236,000	2,571,000
Stouffville	McNicoll Avenue	39, 41	474,000	5,325,000
Stouffville	Finch Avenue East	39, 41	846,000	8,170,000
Stouffville	Huntingwood Drive	39, 41	265,000	3,975,000
Stouffville	Havendale Road	39, 41	49,000	425,000
Stouffville	Progress Avenue	37, 40	237,000	3,294,000
Stouffville	Danforth Road	35, 36	441,000	4,710,000
Lakeshore East	Scarborough Golf Club Road	36, 43	1,118,000	2,421,000
Lakeshore East	Galloway Road	43	367,000	794,000
Lakeshore East	Poplar Road	43	276,000	598,000
Lakeshore East	Morningside Drive	43, 44	1,215,000	2,630,000
Lakeshore East	Manse Road	44	709,000	1,536,000
Lakeshore East	Beechgrove Road	44	57,000	123,000
Lakeshore East	Chesterton Shores	44	-	-
Barrie	Wallace Avenue**	18	53,000	867,000
Barrie	Castlefield Avenue	15	237,000	3,899,000
Barrie	Carl Hall Road	9	-	-
Barrie	TTC Bus Route	9	55,000	899,000
Richmond Hill	Pottery Road	29	180,000	255,000
Richmond Hill	Beechwood Drive	29	-	-

Zones used in TIF Analysis

