



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Advancing the SmartTrack Stations Program

Date: January 13, 2021

To: Executive Committee

From: Deputy City Manager, Infrastructure and Development Services

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report contains commercial information, supplied in confidence to the City of Toronto, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

SUMMARY

The SmartTrack Stations Program (the "Program") represents a significant investment to improve transportation choices within Toronto and to leverage existing transit infrastructure to serve more people. Combined with Metrolinx's GO Expansion Program, SmartTrack will transform heavy rail infrastructure in Toronto from a regional commuter service into an urban rapid transit network. This report recommends terms negotiated with the Province that will allow the SmartTrack Stations Program to proceed to construction.

Effective November 30, 2016, the Province and the City entered into an Agreement in Principle ("AIP") that established principles with respect to cost-sharing on the Program and other transit expansion initiatives. The Program progressed in April 2018 when City Council approved a contribution of up to \$1.463 billion towards the Program and requested Metrolinx to proceed with procurement, subject to the terms and conditions approved by City Council as described in item 2018.EX33.1. In May 2018, the Mayor and then-Premier signed a non-binding Ontario-Toronto Memorandum of Understanding to formally indicate the intention of the City and the Province to amend the AIP to reflect the 2018.EX33.1 terms and conditions. The Province subsequently halted the stations' procurement in December 2018 with the intention of having them delivered through a market-driven transit-oriented development delivery strategy.

More recently, the Province's and the City's roles and responsibilities related to transit expansion have changed per the terms of the Ontario-Toronto Transit Partnership that was authorized by City Council in October 2019 through the adoption of item 2019.EX9.1 and the subsequent Ontario-Toronto Transit Partnership Preliminary Agreement ("Preliminary Agreement") signed by the parties in February 2020. The Preliminary Agreement establishes the principles and responsibilities of the Province and the City in implementing major transit initiatives in Toronto, and outlines that the Province now has responsibility for funding and delivering the construction of the Subway Program (i.e., Ontario Line, Scarborough Subway Extension, Eglinton Crosstown West Extension and Yonge North Subway Extension). In turn, the City agreed it would redirect the capital contributions that the City would otherwise be expected to dedicate to the Subway Program to instead support state-of-good-repair improvements to the existing transit system and/or towards other City priority transit expansion projects. The City and the Province reiterated through the Preliminary Agreement their commitment to advancing and delivering the SmartTrack Stations Program, and, to that end, have negotiated amendments to the Program terms.

Staff recommend that City Council adopt the terms in Attachment 1 to this report in order to advance the SmartTrack Stations Program. These terms provide that the Program, which will be delivered by the Province and/or its agencies (such as Metrolinx and Infrastructure Ontario), will consist of five stations: Finch-Kennedy, East Harbour, King-Liberty, St. Clair-Old Weston and Bloor-Lansdowne. Two previously contemplated SmartTrack stations, Lawrence-Kennedy and Gerrard-Carlaw, have been removed from the Program because they have been replaced by two new stations being funded and delivered by the Province as part of the Subway Program, namely Lawrence Station on the Scarborough Subway Extension and Gerrard Station on the Ontario Line, respectively. Altogether, the SmartTrack Stations Program, GO Expansion, the Subway Program and the LRT Program (i.e., Eglinton Crosstown and Finch West) comprise a multi-billion dollar investment from all orders of government that will substantially increase the amount of transit infrastructure in Toronto.

The recommended City capital contribution to the Program has not changed, and remains \$1.463 billion, inclusive of both \$1.195 billion for Base Station Infrastructure and \$268 million for City-Initiated Station Requirements. The Province will not fund any portion of the Program Budget but will be accountable for its expenditure in consultation with the City. The Province will monitor and manage the Program scope, Budget and schedule through coordination with the City of Toronto and as outlined in the Ontario-Toronto Transit Coordination governance framework. The Province will also pursue transit-oriented development/transit-oriented communities ("TOD/TOC") opportunities in a manner consistent with the Ontario-Toronto MOU on TOD (see 2020.EX12.3). All benefits from TOD/TOC will be transferred to the City. The City will be responsible for reviewing station designs and assisting the Province in evaluating bids, and will continue to engage and collaborate with the Province throughout the design, procurement, construction, delivery and operation of the Program. If approved, the Program will be procured beginning in the second quarter of this year and is anticipated to be constructed in its entirety by 2026.

RECOMMENDATIONS

The Deputy City Manager, Infrastructure and Development Services recommends that:

1. City Council approve the terms set out in the term sheet attached as Attachment 1 to the report (January 13, 2021) from the Deputy City Manager, Infrastructure and Development Services (the "Term Sheet") and authorize the City Manager and any other relevant City officials, in consultation with the City Solicitor, to negotiate, enter into and execute amendments to the Ontario-Toronto Agreement in Principle with the Province of Ontario necessary for the implementation of the SmartTrack Stations Program (the "AIP Amendment") in accordance with the Term Sheet and on such other terms and conditions satisfactory to the City Manager and in a form satisfactory to the City Solicitor.
2. Subject to entering into the AIP Amendment in accordance with Recommendation 1, City Council endorse the re-allocation of \$585 million in federal funding under the Investing in Canada Infrastructure Program – Public Transit Stream for the SmartTrack Stations Program to the revised SmartTrack Stations Program as described in the Term Sheet (the "Federal Funding"), and direct the City Manager to advise the Government of Canada and the Province of Ontario accordingly.
3. Subject to entering into the AIP Amendment in accordance with Recommendation 1 and receiving confirmation of the Federal Funding in accordance with the terms of the AIP Amendment, City Council approve a contribution of up to \$1.463 billion to the Province for the SmartTrack Stations Program, inclusive of both \$1.195 billion for Base Station Infrastructure and \$268 million for City-Initiated Station Requirements.
4. Subject to entering into the AIP Amendment in accordance with Recommendation 1, City Council authorize the City Manager to negotiate and execute any agreements necessary with the Province and/or any other relevant provincial agency including a Master Agreement for the implementation of the SmartTrack Stations Program, based on the terms set out in the Term Sheet and on such other terms and conditions satisfactory to the City Manager and in a form satisfactory to the City Solicitor.
5. City Council direct the Chief Financial Officer and Treasurer to report back on required amendments, if any, to the capital funding and financing strategy for the SmartTrack Stations Program as part of the 2022 Budget process.
6. City Council with respect to the SmartTrack Stations Program:
 - a. authorize the Deputy City Manager, Infrastructure and Development Services or designate to identify and approve the inclusion of enhancements to City infrastructure in or near work being done for the Program, as well as any investigative, planning and design studies considered necessary for City infrastructure and services in the vicinity of

the Program ("Additional Infrastructure") which Metrolinx's contractor will be asked to construct as part of SmartTrack Stations Program procurements, subject to the following conditions:

1. the Deputy City Manager, Infrastructure and Development Services or designate, in consultation with the applicable Division Head, is of the view that the price provided by Metrolinx, as may be reviewed by an independent reviewer, for the Additional Infrastructure is fair and reasonable; and
 2. the funding for the cost of the Additional Infrastructure is or will be available in the year required, within an approved capital budget;
 - b. authorize the Deputy City Manager, Infrastructure and Development Services or designate, in consultation with the Chief Financial Officer and Treasurer, to obtain and pay for pre-estimates and estimates for Additional Infrastructure from Metrolinx; and
 - c. authorize the Deputy City Manager, Infrastructure and Development Services or designate, in consultation with the Chief Financial Officer and Treasurer, to negotiate, enter into and execute Municipal Infrastructure Agreements with Metrolinx for Additional Infrastructure, including any amendments.
7. City Council delegate authority to the Deputy City Manager, Corporate Services, or designate, to negotiate and execute a real estate protocol with Metrolinx to implement the real estate principles set out in the Term Sheet, including:
- a. the disposal to Metrolinx of certain City property for nominal consideration in accordance with the Term Sheet that is determined by the Deputy City Manager, Corporate Services to be required for the implementation of the SmartTrack Stations Program (the "SmartTrack Transit Lands"), provided that:
 1. the lands are not required for any current or future City purpose;
 2. the lands will be used solely for the implementation and operation of the SmartTrack Stations Program; and
 3. the lands will be subject to the reservation of easements or such other interests, as required for City purposes.
 - b. such other terms and provisions deemed appropriate as may, in the opinion of the Deputy City Manager, Corporate Services or the City Solicitor, be desirable to give effect the real estate principles set out in the Term Sheet.
8. City Council authorize the implementation of the real estate principles identified in the Term Sheet in respect of the SmartTrack Transit Lands as follows:

- a. authorize the permanent closure of any SmartTrack Transit Lands that are public highways and exempt these lands from the requirements of City of Toronto Municipal Code Chapter 162, Public Notice;
 - b. direct the appropriate City staff to advise the public of the proposed closures of any SmartTrack Transit Lands that are public highways, prior to implementation, in accordance with the requirements of the Municipal Class Environmental Assessment for Schedule A+ activities, by posting notice of the proposed closures on the notices page of the City's website;
 - c. authorize the granting of easements for services and utilities in the SmartTrack Transit Lands for nominal consideration in accordance with the Term Sheet on terms satisfactory to the Deputy City Manager, Corporate Services, and in a form acceptable to the City Solicitor; and
 - d. exempt the disposition of the SmartTrack Transit Lands from policies generally applicable to the disposal of City land and authorize the Deputy City Manager, Corporate Services to approve and execute such additional or other agreements or documents and to do all things deemed appropriate as may, in the opinion of the Deputy City Manager, Corporate Services or the City Solicitor, be desirable to give effect.
9. City Council authorize the public release of Confidential Attachment 1 following the completion of the construction of the SmartTrack Stations Program.

FINANCIAL IMPACT

This report recommends that the City proceed with a capital commitment to a five-station Program based on the terms in Attachment 1 (the "Term Sheet").

Updated Terms for Revenue and Cost Sharing

In April 2018, City Council approved a funding and financing strategy for the SmartTrack Stations Program (see Attachment 2 to 2018.EX33.1). City Council approved a contribution of up to \$1.463 billion, including a contribution of up to \$1.195 billion for Base Station Infrastructure and up to \$268 million for City-Initiated Station Requirements. The City's Capital Plan includes funding for a contribution of up to \$1.463 billion for the Program, inclusive of the \$585 million contribution in federal funding through the Investing in Canada Infrastructure Program – Public Transit Stream (ICIP-PTS). Per the Term Sheet, confirmation of the full amount of this federal funding is a condition of the City's commitment to fund the Program and will be sought prior to the issuance of the Request for Proposals (RFP) for the Program.

The recommended City capital contribution to the Program has not changed. In accordance with the Term Sheet, this report recommends that the City maintain the same contribution level and enter into an agreement with the Province that will commit the City to contributing amounts of up to \$1.195 billion for Base Station Infrastructure

and up to \$268 million for City-Initiated Station Requirements. This total of \$1.463 billion comprises the Budget for the Program, inclusive of all financing costs. Confidential Attachment 1 provides a summary of the SmartTrack Stations Program estimated cost allocations.

The Term Sheet specifies that the Province will not fund any portion of the Program Budget and the Parties have therefore identified an approach to jointly manage the Program costs. The Province will engage with the City in the use of the Program Budget prior to its commitment and is accountable for its expenditure in consultation with the City. The Province will provide the City with immediate notice of any shortages in the Program Budget as soon as the possibility of any such shortage is identified, and will submit proposals for mitigation measures to the City for joint consideration and resolution where shortages are anticipated. If necessary, the Province will implement specific mitigations measures (e.g., de-scoping station elements) that are jointly determined with the City to stay within the Program Budget. The agreed-to joint cost mitigation process will assist in protecting City interests in managing the costs associated with the station design.

Any underspending of the Program Budget, including savings that may result from lower bid cost, proposed savings that may result from further design development, unspent proceeds from the sale of real estate interests acquired through the Program Budget and any other underspending of the Program overall, will be returned to the City.

The 2018 Council-approved funding and financing strategy anticipated the majority of City payments to occur in 2025, at substantial completion of the Program. Per the Term Sheet, this report recommends the City commit to payments at construction milestones or in accordance with TOD commercial agreement structures, as applicable. Prior to the City remitting a milestone payment to the Province, the Province will provide supporting documentation to the City to substantiate that the milestone has been reached, and the achievement of the milestone will be verified by an independent third-party verifier.

It is expected that the milestone payments will require City contributions beginning in 2022 and that the federal ICIP-PTS contribution will be received at completion of the Program, now anticipated in 2026. Based on discussions with the Province on milestone timelines, staff estimate financing costs of approximately \$30 million as a result of foregone interest and internal funding of early payments. These costs are included in the \$1.463 billion capital budget of the Program, resulting in a reduction in the contingency amount available for the Program.

Consistent with the approach approved in 2018, the Province will be responsible for funding all operations, maintenance and lifecycle costs. The Province will own the stations and retain all fare and non-fare revenues.

The Program costs of \$1.463 billion are included in the Council-approved 10-year Capital Plan. There are no anticipated changes to the timing of debt issuance and no anticipated financial impact resulting from the commitment to maintain this capital contribution.

Funding for Required SmartTrack Capital Costs

The April 2018 Council-approved funding and financing strategy proposed that the necessary capital funding for the SmartTrack Stations Program will be raised through the following four sources. This report recommends a continuation of that approach:

- Federal Government contribution
- Development Charges
- Tax Increment Financing
- City Building Fund

Federal Government contribution – The Federal Government has committed to provide \$8.3 billion in funding for public transit to the Province of Ontario over the next 10 years through ICIP-PTS. Approximately \$4.9 billion is allocated to the City of Toronto, based on ridership. City Council identified the SmartTrack Stations Program as a priority project for this federal funding in December 2016 (EX20.4), which was confirmed in 2018 (EX33.1) and 2019 (EX9.1). In accordance with the Term Sheet, the City and Province will work together to support the application of the SmartTrack Stations Program under the ICIP-PTS federal funding program. For any approved project, the Federal Government will fund up to 40% of eligible costs which, in the case of the Program, is \$585 million. The Federal contribution is expected to occur at completion of the Program in 2026. Per the Term Sheet, confirmation of the full amount of this funding is a condition to the City's capital contribution to the Program and will be sought prior to the issuance of the Request for Proposals (RFP) for the Program.

Development Charges – Given that there are no changes to the City's capital costs for the Program, there are no anticipated changes in development charges (DC) funding for the duration of the current Development Charges By-Law, which is in effect until October 2023 or until Council updates the bylaw. The forecast capital expenditures for the Program as proposed in 2018 were incorporated in the Background Study for the current DC By-Law and rates. The growth-related eligible shares of the Program's costs, including growth-related shares of financing costs, will be considered in the City's next DC By-Law update. This work will include a comprehensive Development Charges Background Study that sets out, among other things, the City's growth forecast, growth-related capital costs, updates to transit ridership and the allocations between growth and non-growth shares. The Study will establish the City's maximum DC rates and DC-recoverable cost shares, which will be tabled for Council's consideration.

Tax Increment Financing – As described in the report to City Council in April 2018, Strategic Regional Research Alliance (SRRA) forecasted the incremental new development that will occur in the zones around the then-proposed SmartTrack stations. Corporate Finance staff used the TIF analysis to prepare a forecast of the net incremental future property taxes that will be generated as a result of the Program. The revenues are an estimated \$292 million (YOE\$), forecasted to be recovered over the 25-year period of the TIF. During this period, TIF revenues will grow as development in the TIF zones occurs. In the early years, when annual revenues are relatively small, there will be a greater reliance on City Building Fund contributions to service the debt. In later years, the reverse will occur. The accumulated and future tax increment revenues

are forecast to offset the equivalent debt service on this recoverable amount, an average annual debt service amount of approximately \$17.5 million per year.

The changes to the Program's scope will require an update to align the TIF zones with the updated station locations. There are no anticipated financial implications to the City as a result of this change. Staff will report back to Council as part of the 2022 Budget process on any necessary amendments and updates to the funding and financing strategy for the Program.

City Building Fund – In January 2017, City Council established the City Building Fund for the purposes of providing capital funding for transit and affordable housing initiatives, and in April 2018 Council endorsed the allocation of funds for the Program. There are no anticipated changes in the amount of capital that will be funded through the City Building Fund as a result of this report.

Funding Risks

The incremental property tax revenue estimates are based on forecasts prepared for the City by SRRA prior to the approved strategy in 2018 and based on a six-station concept. These estimates were peer-reviewed for the City by Cushman & Wakefield in 2015. Overall, Cushman & Wakefield was satisfied that the forecasts produced by SRRA were reasonable based on the best market information available at that time. However, there is always considerable uncertainty associated with any longer-term forecast of redevelopment because the actual rate of development will be driven by many factors such as the future rate of economic growth in Toronto.

Similarly, the actual amount of DC revenue will also be determined by the rate of development. The potential variability of DC revenues is reduced because they will be generated from a City-wide charge on development.

At the time of this report, the City of Toronto, like all cities, is in the midst of the global COVID-19 pandemic. While the longer-term implications of the pandemic on transit, office use, immigration and other growth factors are an open question, the pandemic adds an additional layer of uncertainty to any longer-term forecast of redevelopment.

GO Transit Growth-Related Capital Costs

The 2016 Ontario-Toronto Agreement in Principle ("AIP") committed the City to a number of financial obligations on transit projects that have evolved since that time. For example, the City committed to make the outstanding payments in respect of its GO Transit Growth Related Capital Costs obligations under O. Reg. 446/04 in the amount of \$60 million, constituting obligations for the three years ending in 2016-2017. The Province agreed such payment would be deemed to be the City's contribution to the following capital expansion projects, and fulfill any City obligation to contribute to these capital GO Expansion projects:

- the two new GO RER stations located at Spadina and Bloor-Lansdowne
- upgrades to existing stations across the entire GO network in Toronto

The Bloor-Lansdowne station is now included as part of the SmartTrack Stations Program and as such, if this report is approved by Council, the City would be paying for the capital cost of this station as part of the Program costs recommended in this report. As a result, Bloor-Lansdowne station will be removed from this AIP term and replaced with a term that accounts for the GO Expansion station located at Spadina-Front and any other new GO Expansion stations being built in Toronto, in accordance with the Term Sheet.

Other Financial Terms in the Ontario-Toronto Agreement in Principle

Per the Preliminary Agreement, the Province assumed funding responsibility for the Ontario Line, Scarborough Subway Extension and Eglinton Crosstown West Extension projects, thereby superseding any of the City's capital funding obligations to these projects or their precursors as described in the AIP. For example, reference in the AIP to the "proposed Eglinton West LRT extension (within the City of Toronto)" as being one of the projects for which the City is responsible for the capital costs will be deleted because it is superseded by terms in the Preliminary Agreement related to the Eglinton Crosstown West Extension. Accordingly, City staff are continuing to work with the Province to update the AIP to reflect the terms of the Preliminary Agreement.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In November 2016, City Council considered the report *EX19.1 Transit Network Plan Update and Financial Strategy* and endorsed a Summary Term Sheet that established principles for cost-sharing on a number transit expansion initiatives, including the SmartTrack Stations Program.

Link: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX19.1>

In April 2018, City Council considered *EX33.1 Implementation of the SmartTrack Stations Program and the Metrolinx Regional Express Rail Program* and approved a contribution of up to \$1.463 billion to Metrolinx for the SmartTrack Stations Program subject to the terms and conditions described in Attachment 1 of the report. The approved funding and financing strategy includes \$585 million in federal funding under Investing in Canada Infrastructure Program – Public Transit Stream.

Link: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX33.1>

In October 2019, City Council considered *EX9.1 Toronto-Ontario Transit Update* and authorized the City Manager to negotiate, enter into and execute a Preliminary Agreement with the Province and/or any other relevant provincial agency, in accordance with the terms set out in the term sheet in Attachment 6 to the report.

Link: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.1>

In January 2020, City Council considered *EX12.3 Toronto-Ontario Transit Partnership - Status Update*, which included as Attachment 1 the Memorandum of Understanding on Transit-Oriented Development (TOD MOU) that established the roles and

responsibilities of the City and the Province for the Subway Program, GO Expansion, and the SmartTrack Stations Program related to TOD.

Link: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX12.3>

COMMENTS

Background

SmartTrack Station Program

The SmartTrack Stations Program (the "Program", Figure 1) represents a significant investment to improve transportation choices within Toronto and to leverage existing transit infrastructure to serve more people. Combined with Metrolinx's GO Expansion Program, SmartTrack will transform heavy rail infrastructure in Toronto from a regional commuter service into an urban rapid transit network. With additional stations, all-day, two-way service, increased frequency and quieter and faster trains, SmartTrack and GO Expansion will expand transit access for Toronto residents travelling within and beyond the city. The Program, which is anticipated to be constructed in its entirety by 2026, offers an earlier transit expansion solution while the Province's Subway Program (i.e., Ontario Line, Scarborough Subway Extension, Eglinton Crosstown West Extension and Yonge North Subway Extension) is constructed. Altogether, the SmartTrack Stations Program, GO Expansion, the Subway Program and the LRT Program (i.e., Eglinton Crosstown and Finch West) comprise a multi-billion dollar investment from all orders of government in transit expansion initiatives across Toronto.

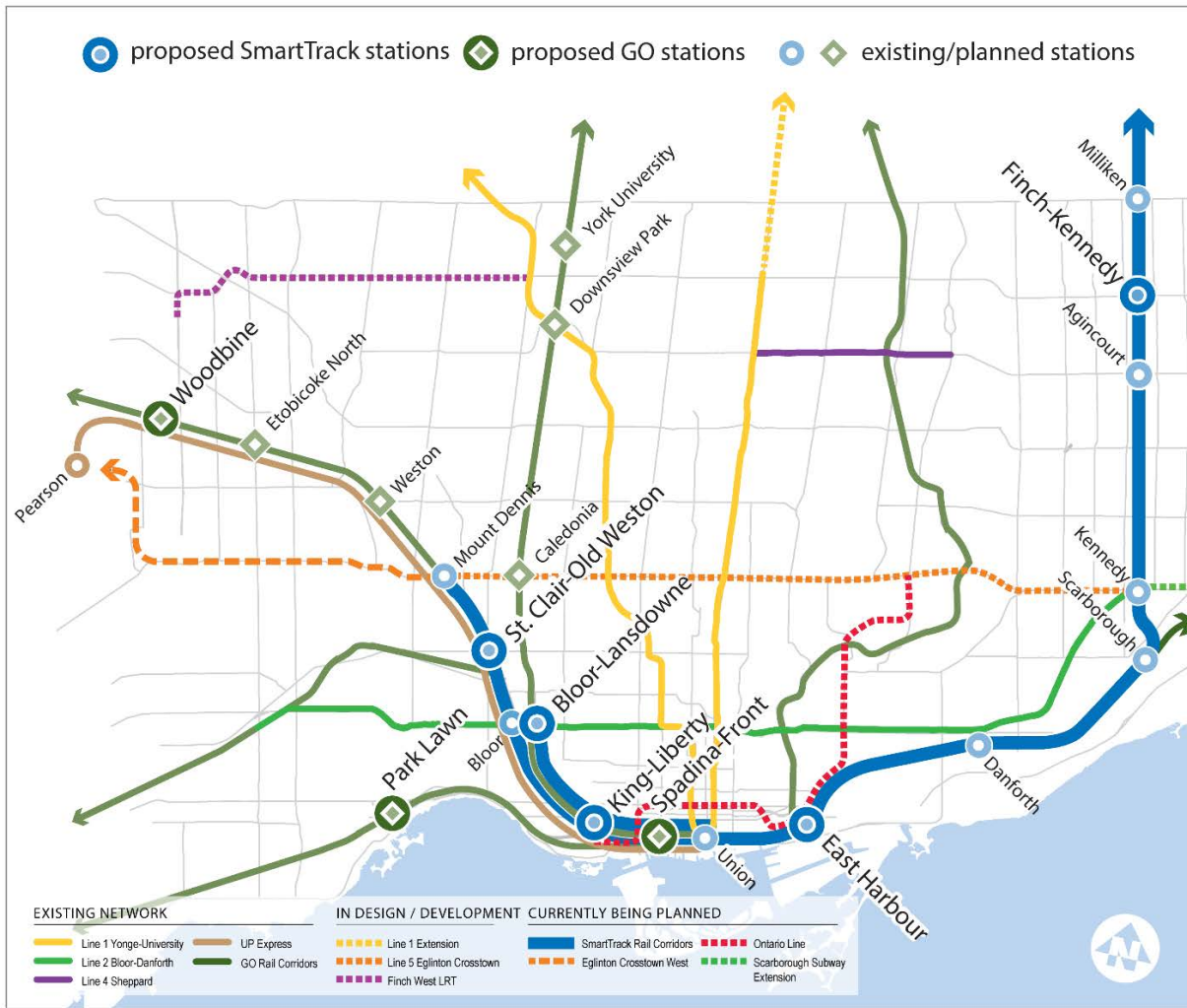


Figure 1. Map of rapid transit network illustrating the SmartTrack Stations Program.

Ontario-Toronto Transit Partnership

Effective November 30, 2016, the Province and the City entered into an Agreement in Principle ("AIP") that established principles with respect to cost-sharing on the Program and other transit expansion initiatives. The Program progressed in April 2018 when City Council approved a contribution of up to \$1.463 billion to the Program and requested Metrolinx to proceed with procurement, subject to the terms and conditions described in agenda item 2018.EX33.1. In May 2018, the Mayor and then-Premier signed a non-binding Ontario-Toronto Memorandum of Understanding to formally indicate the intention of the City and the Province to amend the AIP to reflect those terms and conditions. The Province subsequently halted the Program's procurement in December 2018 with the intention of having the Program delivered through a market-driven transit-oriented development delivery strategy.

More recently, the roles and responsibilities related to transit expansion have changed as noted in the terms of the Ontario-Toronto Transit Partnership that was authorized by City Council in October 2019 as part of agenda item 2019.EX9.1 and the subsequent Ontario-Toronto Transit Partnership Preliminary Agreement ("Preliminary Agreement") signed in February 2020. The Preliminary Agreement establishes the principles and

responsibilities of the Province and the City in implementing major transit initiatives in Toronto, and outlines that the Province now has responsibility for funding and delivering the Subway Program. In turn, the City agreed it would redirect the capital contributions that the City would otherwise be expected to dedicate to the Subway Program to instead support state-of-good-repair improvements to the existing transit system and/or towards other City priority transit expansion projects. The City and the Province also reiterated through the Preliminary Agreement their commitment to advancing and delivering the SmartTrack Stations Program, and, to that end, have negotiated amendments to Program terms for this purpose.

Summary of Updated SmartTrack Stations Program Terms

Updated terms related to the Program are included in the Term Sheet that forms Attachment 1 to this report. Table 1 provides a comparison of Program terms approved by City Council in 2018 and those proposed in Attachment 1.

Table 1. Summary of SmartTrack terms from 2018 (EX33.1) and 2021 (Attachment 1).

Term	Summary of 2018 Term	Summary of 2021 Term
Stations	<ul style="list-style-type: none"> • Finch-Kennedy; • King-Liberty; • St. Clair-Old Weston; • East Harbour; • Lawrence-Kennedy; and • Gerrard-Carlaw. 	<ul style="list-style-type: none"> • Finch-Kennedy; • King-Liberty; • St. Clair-Old Weston; • East Harbour; and • Bloor-Lansdowne.
City Capital Contribution	\$1.463 Billion, inclusive of both \$1.195 Billion for Base Station Infrastructure and \$268 Million for City-Initiated Station Requirements.	No change.

Term	Summary of 2018 Term	Summary of 2021 Term
<p>Roles and Responsibilities</p>	<p>The Program will be procured by Metrolinx.</p> <p>Metrolinx and the City will jointly work together through the procurement process for the Program before the RFP is issued.</p> <p>The City will have the opportunity to review station designs at predetermined milestones and will be on the evaluation panel.</p>	<p>The Province will be responsible for, among other things:</p> <ul style="list-style-type: none"> • Delivering the Program, including procuring and constructing the Program, within the Program Budget; • Engaging with the City to plan the use of the Program Budget prior to its commitment, and being accountable for its expenditure in consultation with the City; • Implementing specific mitigations measures (e.g., de-scoping) that are jointly determined with the City; and • Monitoring and managing the Program scope, Program Budget and Program schedule through coordination with the Ontario-Toronto Transit Coordination governance framework. <p>The City will be responsible for:</p> <ul style="list-style-type: none"> • Funding the Program Budget; • Identifying Program requirements for the City-Initiated Station Requirements for inclusion in procurement documentation; • Reviewing station designs at predetermined design milestones and assisting the Province in evaluating bids; and • Making payment from the Program Budget to the Province for incurred capital costs of the Program at agreed-to milestones.

Term	Summary of 2018 Term	Summary of 2021 Term
Payment	The majority of the City's financial contribution will be made at the substantial completion of the Program.	<p>The City will make payment at milestones based on station construction progress or, where the Province has entered into transit-oriented development agreements, based on the commercial structure of such agreements, as applicable. Any City costs associated with financing earlier payments are included in the Program Budget.</p> <p>Prior to the City remitting a milestone payment to the Province, the Province will provide supporting documentation to the City to substantiate that the milestone has been reached, and the achievement of the milestone will be verified by an independent third-party verifier.</p>
Federal Funding	The Province will support the City's application for federal funding under ICIP, anticipated to be \$585 Million. The City and the Province will seek confirmation of federal funding prior to the issuance of the Request for Proposals for the Program.	The Province will continue working closely with the City to secure \$585 Million in federal funding through ICIP, which will offset the City's contribution to the Program Budget. The City and Province will seek confirmation of federal funding prior to the issuance of the Request for Proposals for the Program. The City's commitment to fund the Program Budget is subject to confirmation of the full amount (\$585 Million) of federal funding for the Program by the Government of Canada.

Term	Summary of 2018 Term	Summary of 2021 Term
Real Estate	<p>The Province will acquire all real estate interests required for delivery of the Program.</p> <p>All severable air rights associated with privately-held properties will be transferred to the City.</p> <p>Severable air rights associated with City-owned properties will be retained by the City, and other rights required for the development of the site will be transferred to the Province at nominal value.</p> <p>In the event the Program does not proceed, any real estate interest acquired for the Program will be transferred to the City in the condition that such interest was originally received.</p>	<p>The Province will acquire all real estate interests required for delivery of the Program through the Program Budget.</p> <p>The City will not have any interest in any severable air rights to be acquired for the Program. Any proceeds realized from the sale of air rights severed from property or other real estate interests acquired through the Program Budget will be returned to the Program Budget.</p> <p>For City-owned real estate interests required for the Program, the City will transfer to the Province the rights required for the development of the site at nominal value.</p> <p>In the event the Program does not proceed, any real estate interest acquired through the Program Budget will be transferred to the City in the condition that such interest was originally received.</p> <p>Unspent proceeds from the sale of real estate interests acquired through the Program Budget will be returned to the City.</p>
Transit-Oriented Development/ Transit-Oriented Communities ("TOD/TOC")	<p>The City and the Province will develop a framework for advancing transit-oriented development as part of the procurement process.</p> <p>The Parties will review the site-specific property ownership arrangements in the interest of achieving transit-oriented development, subject to all necessary municipal approvals.</p>	<p>The Province will act as the singular commercial interface with third parties for TOD/TOC negotiations. All benefits resulting from any TOD/TOC in the vicinity of the Stations will be transferred to the City based on the principle that the City, as the primary funder of the transit infrastructure, should benefit from the TOD/TOC value created.</p> <p>The Province will pursue TOD/TOC opportunities while ensuring due consideration for City initiatives that are planned in the vicinity of the identified Stations in a manner consistent with the Ontario-Toronto MOU on TOD.</p>
Ownership, Operations and Maintenance	<p>The Province will own the Stations.</p> <p>The Province will pay all operating and maintenance costs and all lifecycle maintenance costs associated with the Program.</p>	No change.

Term	Summary of 2018 Term	Summary of 2021 Term
Program Revenue	The Province will retain all revenue (farebox and non-farebox) from the Program.	No change.
Fares	<p>Fare setting will be combined with the broader Provincial GO Transit regional fare integration network, and address the fare-related requests the City made per City staff report 2016.EX16.1, specifically:</p> <ul style="list-style-type: none"> • Reduce GO Transit's base fare component and increase the distance component (e.g., \$3 GO Transit trips within Toronto for PRESTO users); and • Provide riders using transit in Toronto with the same GO Transit co-fare option on the TTC as riders starting trips in other GTHA municipalities (e.g., City-TTC-Metrolinx Discounted Fare Agreement). 	<p>Fare setting for the Program will be considered in the broader context of regional fare integration.</p> <p>The Province will continue to engage the City, TTC, and other municipal partners to develop the regional fare integration framework and associated measures to ensure a seamless travel experience throughout the broader region.</p>
Dispute Resolution	The Parties will develop an implementation agreement for the Program that will address dispute resolution, among other terms.	Disputes between the Parties regarding the Program will be resolved in accordance with the Ontario-Toronto Transit Coordination governance framework in place for other transit expansion programs between the City, Metrolinx, the Province, Infrastructure Ontario and the TTC.
Service Concept	Program service levels will be 6-10 minutes during peak periods and 15 minutes during off-peak periods.	Program service levels will be the same as the planned GO Expansion-level service for the corridors in which the Stations reside, with a minimum service level of two-way, 15-minute frequency commencing upon full implementation of GO Expansion service, with more frequent service to be determined on a market-led basis and subject to ridership demand.

The following sections provide a summary of the Term Sheet that forms Attachment 1.

Scope of Program

The SmartTrack Stations Program will consist of five stations: Finch-Kennedy, East Harbour, King-Liberty, St. Clair-Old Weston and Bloor-Lansdowne. Two previously contemplated SmartTrack Stations, Lawrence-Kennedy and Gerrard-Carlaw, have been removed from the Program and replaced with stations being funded and delivered by

the Province as part of the Subway Program, namely Lawrence Station on the Scarborough Subway Extension and Gerrard Station on the Ontario Line, respectively.

The SmartTrack Stations designs and cost estimates have progressed since 2018, when they were at approximately 10% design. The level of design is now in the range of 25-30%, and the cost estimates and contingency have been updated accordingly (see Confidential Attachment 1). Attachment 2 contains key conclusions from an updated analysis of the stations using the City's Rapid Transit Evaluation Framework (RTEF).

Financial Terms

Financial terms related to the Program Budget, payment and federal funding are described in the Financial Impact section of this report.

Roles and Responsibilities

The Province will monitor, manage and coordinate the Program scope, Budget and schedule with the City of Toronto through the Ontario-Toronto Transit Coordination governance framework. The Province is responsible for delivering the Program within the Program Budget, and will be accountable for its expenditure in consultation with the City. If any shortages are identified in the Program Budget, the Province will provide the City with immediate notice. In these cases, the Province will submit proposals for mitigation measures to the City for joint consideration and resolution, which may include de-scoping station elements.

The City will be responsible for approving all Program scope and will continue to engage and collaborate with the Province throughout the design, procurement, construction, delivery and operation of the Program.

Real Estate

Any property that is required for the Program will be acquired by Metrolinx, the costs for which are included in the Program Budget. The City will not have any interest in any severable air rights that are acquired for the Program. Any proceeds realized from the sale of air rights severed from property or other real estate interests acquired through the Program Budget will be returned to the Program Budget. Any City-owned land required for the Program will be transferred to Metrolinx at nominal cost.

Transit-Oriented Development/Transit-Oriented Communities ("TOD/TOC")

The Province will pursue TOD/TOC opportunities in a manner consistent with the Ontario-Toronto MOU on TOD (see Attachment 1 to 2020.EX12.3). All benefits resulting from any TOD/TOC in the vicinity of the Stations will be transferred to the City based on the principle that the City, as the primary funder of the transit infrastructure, should benefit from the TOD/TOC value created.

The East Harbour SmartTrack Station is being delivered as a TOD/TOC development that will encompass the East Harbour lands and will be further addressed through a

supplemental separate agreement. Any other Stations being delivered as a TOD/TOC development will similarly be the subject of further supplemental agreements.

Ownership, Operations and Maintenance

As previously agreed, the Province will own the Program stations, and remains responsible for all operating and maintenance costs, including lifecycle maintenance. This means that the City of Toronto has no financial obligations with respect to the Program beyond its initial capital contribution.

Fares

Fare setting for the Program will be considered in the broader context of regional fare integration. The Province will continue to engage the City, TTC, and other municipal partners to develop the regional fare integration framework and associated measures to ensure a seamless travel experience through the broader region. Given their obligation to pay all operating and maintenance costs (including lifecycle maintenance), the Province will retain all revenue (farebox and non-farebox) from the Program.

Dispute Resolution

Disputes between the Parties regarding the Program will be resolved in accordance with the Ontario-Toronto Transit Coordination governance framework between the City, Metrolinx, the Province, Infrastructure Ontario and the TTC. This is the same governance structure in place for other transit expansion programs including Rapid Transit (LRTs), Subways and GO Expansion.

Service Concept

Program service levels will be the same as the planned GO Expansion-level service for the corridors in which the Program stations reside, with a minimum service level of two-way, 15-minute frequency commencing upon full implementation of GO Expansion service. Future service levels will be driven by ridership demand.

Additional Infrastructure

Similar to other programs such as LRT and GO Expansion, the Province will incorporate Additional Infrastructure requested by the City into construction of the Program, where possible, as provisional or optional items. The Province will provide separate competitive pricing to the City that will allow the City to determine if it wishes to proceed with those provisional or optional items. Following the procurement phase, the City may also request that Additional Infrastructure work be added through a variation procedure. These terms will allow for better capital coordination between the City and the Province. As an Additional Infrastructure item, the City will request the Province to incorporate the St. Clair Transportation Master Plan in its procurement for the St. Clair-Old Weston Station.

Procurement

The Program will be delivered using a Design Build project delivery method. The proposed timing for the issuance of the requests for proposals (RFPs) for the Stations, subject to the Term Sheet, is shown in Table 2.

Table 2. Proposed SmartTrack Stations Program RFP timing.

SmartTrack Station	Proposed RFP Issuance
Finch-Kennedy	Q2 2021
East Harbour	Q4 2021*
King-Liberty	Q3 2021
St. Clair-Old Weston	Q3 2021
Bloor-Lansdowne	Q3 2021
* East Harbour Station is being developed through a TOD/TOC approach with a prospective Design-Builder. The terms of the design and construction are currently being negotiated.	

Next Steps

Subject to Council's approval of the recommendations in this report, City staff will amend the Ontario-Toronto Agreement in Principle in accordance with the Term Sheet. Following the execution of these AIP amendments, the City Manager will advise the Government of Canada and the Province of Ontario of Council's decision to endorse the re-allocation of \$585 million in federal funding under the Investing in Canada Infrastructure Program – Public Transit Stream for the SmartTrack Stations Program to the revised Program as described in the Term Sheet. The City and Province will seek confirmation of this federal funding prior to the issuance of the Request for Proposals (RFP) for the Program.

City staff will also negotiate and enter into a SmartTrack Stations Program Master Agreement and/or any other applicable agreements with the Province and/or any other relevant provincial agency for the purposes of implementing the Program, on the terms set out in the Term Sheet and any additional terms deemed necessary.

CONTACT

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SIGNATURE

A handwritten signature in black ink, appearing to read "Tracey Cook", written in a cursive style.

Tracey Cook
Deputy City Manager,
Infrastructure and Development Services

ATTACHMENTS

Attachment 1 – SmartTrack Stations Program Term Sheet
Attachment 2 – SmartTrack Stations Program Technical Update
Confidential Attachment 1 – SmartTrack Stations Program Estimated Cost Allocations