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November 26, 2023

Dear Premier Ford and Mayor Chow,

We are pleased to provide you with the Toronto-Ontario New Deal Working Group's recommended terms for an agreement between the Province and the City, in line with the working group's mandate to develop recommendations to **improve the long-term stability and sustainability of Toronto's finances** and to consider ways in which Toronto, the Province and the Federal Government can **advance shared priorities**.

This term sheet proposes a **package of provincial supports** to assist the City with its long-term financial plan, informed by the Working Group's assessment of the City's financial outlook, as well as commitments required of the City. There is also joint acknowledgement that contributions from the **federal government** are required.

Financial support is subject to Transfer-Payment Agreements as agreed to between the Province and City, third-party due diligence with regards to asset transfers, and where appropriate Toronto City Council and/or City budget process approval.

Recognizing the need to consider both the longer-term sustainability of Toronto's finances and Ontario's fiscal capacity, the terms also propose that Ontario and Toronto undertake a longer-term targeted review of the City's finances to be completed by 2026.

As you know, federal officials joined the working group midway through our process. While we had productive discussions with our federal counterparts, the federal government is not in a position to commit to financial supports for the City within the specified timelines of the working group. However, the terms sheet outlines expected supports from the federal government, particularly in key areas of need, such as shelters and related supports for refugees and asylum claimants, as well as cost-sharing TTC subway trains.

We thank you for the opportunity to develop a plan to set the City on a path to financial stability and seek your concurrence with these terms.



Greg Orenacsak
Deputy Minister
Ontario Ministry of Finance

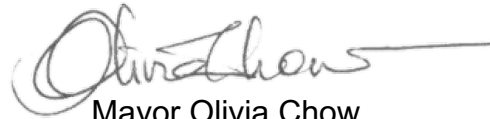


Paul Johnson
City Manager
City of Toronto

Endorsed by:



Premier Doug Ford



Mayor Olivia Chow

Cc: Michelle E. DiEmanuele, Secretary of the Cabinet
Martha Greenberg, Deputy Minister, Ministry of Municipal Affairs and Housing
Doug Jones, Deputy Minister of Transportation
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Ontario – Toronto New Deal Working Group: Term Sheet Detail
November 26, 2023

Provincial support is subject to Transfer-Payment Agreements as agreed to between the Province and City, third-party due diligence with regards to asset transfers, and where appropriate Toronto City Council and/or City budget process approval.

Table 1: Core Commitments

| Commitment Required | Key Details |
|--|--|
| <p>1. Advance housing, transit, and infrastructure opportunities to support economic development and growth</p> | <p>Toronto's housing supply and homelessness crises have worsened and demand an urgent range of policy and financial actions by the City, Provincial, and Federal Governments across the housing continuum to address the needs of current and future residents of Toronto, the GTHA, and Province who are impacted by the largest city in Canada. Toronto needs to expeditiously streamline and optimize planning approvals and accelerate the delivery of affordable, attainable, and rental housing across the continuum. As density is added, Toronto's transit and city-enabling infrastructure needs to keep up. The upload of the Gardiner Expressway and the Don Valley Parkway will create significant additional capacity for the City to support building more homes faster in Toronto and across the GTHA.</p> <p>The City commits to using immediate financial benefits as well as all future financial benefits of the upload (pending Provincial due diligence) to support historic investments in housing and the infrastructure that supports and enables growth such as transit, water and wastewater infrastructure, and local road improvements.</p> |
| <p>2. Advance specific surplus lands housing opportunities</p> | <p>The City and Province commit to highest and best use of their owned lands to meet the goal of building more homes of all kinds faster (inclusive of rental, affordable, and attainable housing).</p> <ul style="list-style-type: none"> • Within 6 months identify all properties owned by the City of Toronto and Province and the determination of priority surplus sites to support building more homes of all kinds faster. • Within 18 months have key projects started. <p>In recognition of the Province's and City shared mandate and goals around increasing housing supply:</p> <ul style="list-style-type: none"> • The City and Province support each other taking action to initiate and/or catalyze the use of their deemed surplus lands for the purposes of building housing. • A commitment from the City to work together to align use of surplus land within the City of Toronto to support shared housing priorities. • A commitment from the City to expedite the development of and provide any additional supports required on 4 provincial sites currently in progress. • As an immediate step, identification of 5 surplus municipal properties appropriate for the development of attainable modular home ownership, and a commitment to work together to develop one of the sites as an initial demonstration site in partnership with the province by Fall 2024. • Additional demonstration sites should enable construction of modular housing to commence in 2025. • Continued cooperation with the City of Toronto to determine the development charge impacts of Bill 23 and explore future opportunities for needed investments to support housing development. <p>Timing: The Demonstration Site will be identified within 60 days, and potential costs for developing sites, as well as any provincial supports identified.</p> |

| Commitment Required | Key Details |
|---|--|
| <p>3. Advance the delivery of the Priority Transit Projects and support key transportation objectives.</p> | <p>Maintain commitments to existing agreements unless mutually agreed upon (e.g., funding of SmartTrack program budget).</p> <ul style="list-style-type: none"> ➤ Timing: Immediate – (at time of NDT signing) <p>City agrees to finalize negotiations, including a revised model for funding operations and maintenance, on the Subway Program Agreement-in-Principle within defined timelines and seek City Council approval before June 2024.</p> <p>Timing: Immediate – (at time of NDT signing) Ontario expects execution of the Subway AIP by June 2024</p> <p>City commitment to accelerate and streamline City-led approvals to advance planning and construction (e.g., City permits, licenses, approvals, access agreements, right of way access, access to municipal infrastructure etc.) of provincial priority projects.</p> <p>City commitment to get traffic moving and meaningfully address and reduce automotive gridlock across the City by working with the Province and Metrolinx to manage construction schedules of infrastructure projects.</p> <ul style="list-style-type: none"> ➤ Timing: Immediate – (at time of NDT signing) <p>City agreement that the ledger on historical transit funding reconciliation exercise is settled and cleared.</p> <ul style="list-style-type: none"> ➤ Timing: Immediate – (at time of NDT signing) If the City disagrees, then a deadline should be within 60 days after NDT agreement to provide time to resolve <p>City commitment to advance Ontario’s ‘One Fare’ program (noting the November 22, 2023 TTC Board decision and consistent with the province’s commitment to reimburse 100% of the foregone ridership revenue) and to implement Regional fare and service integration based on provincial direction and City and TTC support for the continued usage of the provincial fare card system beyond expiry of the Metrolinx and TTC Master e-Fare Collection Outsourcing Agreement in 2027. This includes ensuring Toronto is reimbursed for 100% of eligible trips.</p> <ul style="list-style-type: none"> ➤ Timing: Immediate – (at time of NDT signing) <p>Commitment to expeditiously provide Metrolinx and the province with the necessary properties and easements to advance construction of Eglinton Crosstown West Extension (ECWE), tunnels, elevated guideway and stations and to support Transit Oriented Communities along the ECWE corridor. City and Province to commit to zero-dollar ROW easements for priority subway projects, reflecting shared commitment to efficiencies in the delivery of critical transit projects.</p> <ul style="list-style-type: none"> ➤ Timing: Immediate – (at time of NDT signing) |

| Commitment Required | Key Details |
|---|--|
| <p>4. Advancing Transit-Oriented Communities</p> | <p>East Harbour:</p> <ul style="list-style-type: none"> City to prioritize approvals and finalization of agreements to meet conditions precedent on commercial agreement with the development proponent, lead construction and delivery of the full implementation of the Broadview Eastern Flood Protection project outlined in the Broadview and Eastern Flood Protection Environmental Assessment, and provide its equal share of the total costs of the Flood Protection Project, currently estimated at \$200M. Discussions related to cost and development risks associated with environmental conditions, and indemnification for flooding risk are tabled for consideration at East Harbour technical working groups. City commits to fully funding the construction and property acquisition for the Broadview Extension north of the rail corridor, and to expeditiously move forward with executing the necessary agreements to deliver the Broadview Extension as part of the East Harbour Transit Hub. Associated costs are currently estimated at \$140M to the City. <p>Woodbine:</p> <ul style="list-style-type: none"> Despite the City's recently submitted Official Plan Amendments, the City commits to cooperation and collaboration on a proposal for mixed-use TOC at the future Woodbine GO as well as prioritization and expeditious treatment of planning approvals <p>Discussions related to land use planning around the future Woodbine GO station can be brought forward through upcoming meetings between MMAH and the City on the "Transit Related Official Plan Amendments."</p> |
| <p>5. Building Housing</p> | <p>Housing Target:</p> <p>A commitment to develop and submit a detailed plan to meet / exceed their annual housing targets: 20,900 in 2023, 23,750 in 2024, and 28,500 in 2025, including details on how the use of surplus lands fits into this.</p> <ul style="list-style-type: none"> ➤ Timing: Detailed plans within 60 days. <p>Work with the Province to identify opportunities for the Ontario Infrastructure Bank to help finance affordable housing.</p> <p>Improve alignment of incentives to help ensure availability of housing to residents, through tools such as the Vacant Home Tax and the provincial Non-Resident Speculation Tax.</p> |
| <p>6. Advance Efficiency and Value-for-Money measures as part of City's Long-term Financial Plan</p> | <p>Commitment to evaluate alignment of provincial & City fiscal years.</p> <ul style="list-style-type: none"> ➤ Timing: Commitment to align provincial and city fiscal years, subject to evaluation, with introduction of legislation by Spring 2025. <p>Implementation of EY efficiency proposals such as: procurement, shared services, more digitized service, review of grants/free programs, reduce overtime costs, and development of revenue generation proposals.</p> <p>City agrees for Metrolinx to proceed with the development of all Metrolinx identified signage locations to support non-fare revenue generation. All revenues will be earmarked to support Metrolinx's transit operations which benefits in the City of Toronto. The TTC shall continue its non-fare revenue initiatives.</p> <p>City to prioritize unfunded Capital needs as part of long-term financial plan.</p> <p>City commit to working with province on shared procurement, where it can benefit from economies of scale. This work will include reviews of shared procurement by agencies, boards, and corporations of the City of Toronto, including Toronto Hydro for the benefit of ratepayers.</p> |

| Commitment Required | Key Details |
|--|---|
| 7. Waterfront Toronto | Commitment to work with the Province to advance immediate opportunities for Waterfront Toronto to build all forms of housing on their available property as well as accelerate all existing housing development projects to address the shortage of social, affordable, and market housing in Toronto. |
| 8. Community Safety and Economic Recovery | City to commit to support economic recovery for businesses as well as ridership and farebox recovery, as part of terms and conditions for the Subway and Transit Safety, Recovery and Sustainable Operations Fund to support ridership growth through affordable, convenient, efficient and safe operations. |
| 9. Ontario Place Rebuilding Project | <p>The City acknowledges that while city officials have not had sufficient time to complete their review of the Development Application the Province must provide project approvals by December 31, 2023 or it will otherwise be in legal breach and put millions of taxpayer dollars at risk.</p> <p>The City acknowledges the changes made by the Province and its partners regarding the proposed Ontario Place Rebuilding Project and its associated initiatives, such as:</p> <ul style="list-style-type: none"> • Refinements to the planned design of the facility, including reducing its height and overall size, and increasing the amount of free and accessible public realm space. • The Province agreeing to change its current planned location for parking at the Ontario Place site and work with the City to establish an alternative parking solution at Exhibition Place that will improve public access to the shoreline at Ontario Place and could reduce the overall area needed for parking. • The Province agreeing to discuss partnership opportunities with the City for maintaining public, community-oriented science programming at the legacy Ontario Science Centre. <p>The City accepts that the Province has the authority to advance all project approvals and intends to assume ownership of identified City-owned properties necessary to enable site access and servicing for the rebuilding project, and appropriately compensate the City for these lands.</p> |

Table 2: Financial Support From the Province to the City of Toronto

| Three-Year Operating Support (2024-2026) | | | |
|--|--------------|--------------------|---|
| Support Stream | Annual (\$M) | 3 Year Total (\$M) | Toronto Anchor |
| Operating Support for New Subway-Integrated Provincial Transit Projects | 110.0 | 330.0 | Annual operating funding over three years, beginning in 2024/25 (annual amounts TBD with a total of \$330M in three years), for the provincially-owned Finch West LRT and the Eglinton Crosstown LRT. Funding will support bringing these projects online. The two LRT lines provide key transit connections and are integrated into the broader regional transit network, including the TTC subway system, which are unique to the City of Toronto. |
| One-time \$300M Subway and Transit Safety, Recovery and Sustainable Operations Fund (Advanced in 2023-24) | n/a | 300.0 | TTC heavy rail subway is unique amongst municipalities in Ontario and carries over 746,000 riders per weekday (2022 TTC data) supporting both local and regional connectivity. Building back ridership through improved service levels, affordable, convenient, efficient and safe services will be essential. This funding is conditional on the City establishing a new Transit Rider Safety Commitment. This commitment must include i) increased presence of police and/or safety officers on transit vehicles and in station areas, ii) guaranteed expansion and continuity of transit rider cellular and data services across the TTC network, and iii) enhanced emergency reporting options and response timelines for riders to signal incidents, threats, and concerns to the attention of authorities. |
| Shelters & Homelessness (non-refugee) operating support building on annual Homelessness Prevention Program allocation of \$217.2M – <u>conditional on Federal operating funding</u> support for refugee and asylum seekers (see federal funding below). This condition can be removed starting in 2024 if the Federal government confirms support for refugee and asylum seekers for 2023, and indicates an ongoing commitment for continued support. | 200.0 | 600.0 | City of Toronto represents ~20% of Ontario's population and operates approximately ~50% of the province's shelter beds. Of municipal service managers with populations more than 500,000, Toronto provides thousands of beds above the average when adjusted for population. |
| Total Operating | 310.0 | 1,230.0 | |

| Ten-Year Capital Support (2024-2034) | | |
|--|---|--|
| Support Stream | 10 Year Total (\$M) | Toronto Anchor |
| <p>Upload Gardiner Expressway & Don Valley Parkway to the Province subject to 3rd party due diligence targeted to be completed by December 31, 2024. Due diligence to support the upload would include an assessment of all right-of-way, airspace, and underground ownership, legal, and corridor management controls.</p> <p>In 2024, the Province will commit to providing City-stated budget (capital and operating) 2024 amounts (\$197.5M and \$6.9M) in advance while the due diligence assessment is underway. The Province will provide additional funding in 2025 (\$147.4M and \$6.9M) if the due diligence assessment is not completed.</p> <p>The Province will not explore tolling as part of the due diligence assessment.</p> <p>Note: \$2B is the anticipated minimum benefit to the City over 10 years, given outdated estimates and cost escalation. Further due diligence is required but substantially higher benefit to the City is expected, which could be upwards of an estimated \$6.5B in capital cost relief, plus related operating and maintenance cost savings.</p> | 1,935.8* (further due diligence required with costs upwards of \$6.5B) | Gardiner and DVP are nationally significant economic corridors tied to the Provincial highway network that support the movement of passenger, transit, and commercial vehicles carrying critical goods and services that support regional, provincial, and national populations, communities, and economies and one of the largest employment centres in Canada. This proposal would ensure the long-term protection, preservation, and enhancement of these vital assets from the risk of disrepair and maintain these assets for the benefit of drivers and commerce as untolled highways. |
| <p>Funding for New Subway Trains (55 trains for Line 2 trains replacement) – <i>conditional on Federal and municipal matching funding</i> (see federal funding below).</p> | 758.0 | <p>Funding would support the purchase of 55 new subway trains on Line 2 to replace assets that are reaching their end of life.</p> <p>The new subway train procurement is a top priority for the TTC to address the safety and reliability of the subway network. Metrolinx would also leverage this procurement to purchase 15 additional trains for the Scarborough Subway Extension (SSE) and Yonge North Subway Extension (YNSE) – two provincial priority transit projects.</p> |
| <p>Building Faster Fund (3 year allocation, based on Toronto exceeding annual housing targets).</p> | 342.0 | Should the City of Toronto fully exceed their housing target by 125% in all three calendar years they would receive up to \$342M. The first year's allocation is scheduled to flow in ~June 2024, with the two subsequent years' allocations flowing in ~March 2025 and 2026. |
| Total Capital | 3,035.8* to 7,600.0 | |
| Total Provincial Support | 4,265.8* to 8,830.0 | |

*Upload of Gardiner/DVP will provide a minimum of \$2B in relief for the City, \$200 million of which is to be dedicated by the City to East Harbour flood protection. The \$2B estimate for upload of the Gardiner/DVP is based on outdated estimates and does not take into account cost escalations. As such, \$2B is only a minimum benefit to the City, which could be upwards to \$6.5B, recognizing that the value of the upload of these expressways is much more significant and an updated, precise estimate will be determined through a due diligence process. Upload would also provide ongoing capital maintenance and operating cost avoidance and savings to the City.

Additional Support from the Province to the City of Toronto

Ontario will look at opportunities to **assist Toronto with debt financing** (e.g., leverage provincial cost of borrowing).

Ontario is launching the **Ontario Infrastructure Bank (OIB)**, a new agency that will enable institutional investors to further participate in infrastructure projects across the province, including long-term care homes, energy infrastructure, affordable housing, municipal infrastructure, and transportation. Partnering with the OIB, where appropriate, could support Toronto delivering key City-building infrastructure.

Ontario will support Toronto to explore options for potential third-party management of City reserve funds specific to improve financial returns, such as through the **Investment Management Corporation of Ontario**, a publicly owned and independent arms length organization that provides broader public sector institutions with investment management services.

In addition, Ontario will work with the City to support opportunities for alignment on shared priorities for incentives to help ensure the availability of housing to residents, through tools such as the City of Toronto's **Vacant Home Tax** and the provincial **Non-Resident Speculation Tax**.

Addressing Longer-Term Sustainability: Toronto-Ontario Targeted Review

In consideration that the Working Group has only been provided with three-year detailed operating forecasts, the operating support proposed in this term sheet entails three-year funding commitments. Recognizing the need to consider both the longer-term sustainability of Toronto's finances and Ontario's fiscal capacity, as part of the term sheet, Ontario and Toronto agree to establish a terms of reference by 2025 that will support the undertaking of a targeted review of the sustainability of the City's finances by 2026.

The review would assess the long-term sustainability of the City's finances and operations (e.g., use of provincial support, transit ridership recovery, shelter service demands, transit capital, implementation of efficiency measures, revenue generation, public safety and emergency management costs, etc.). The review would inform options to assist City in allocating resources to areas of highest need. The assessment would consider how the supports included in this Term Sheet have impacted the City's finances on a long-term basis (e.g., expressway upload). Additionally, it will consider the impact of federal supports.

Terms of Reference and metrics for the review process will be developed in consultation between Ontario and the City.

- The review process would consider if further action is necessary to achieve long-term sustainability of the City's finances, and, if necessary, appropriate roles for all levels of government, including the federal government.
- The review process will also take into account and must recognize the impact of any other future potential provincial commitments beyond the supports provided through this term sheet.

Proposed Federal Government Ask with Joint City-Province Support

Given the City's importance as a major contributor to Canada's economic success, the federal government must be a full partner in addressing Toronto's financial challenges.

- As a full partner, the Federal government is expected to provide full cost-shared contributions across the following key support streams at a minimum:

| Support Stream | Financial Details (Federal Contribution) (\$M) |
|--|---|
| East Harbour flood protection – A minimum of \$200M for at least one-third of total costs | 200.0 |
| Shelters support for refugee and asylum seekers (Including unfunded component of \$103M for 2023) – 3-year allocation requiring immediate action due to impending winter conditions recognizing 66% of all new shelter admissions are refugee claimants, moving towards 50% of total shelter occupancy in Toronto. | 853.0 |
| Shelter Infrastructure Plan & Homelessness Services Infrastructure Strategy (Capital cost to deliver 20 new 80-bed shelters (1,600 beds)) | 675.0 |
| Outstanding Federal 1/3 rd contribution related to Toronto's 2022 COVID-19 operating budget pressure | 235.0 |
| Funding for New Subway Trains (55 trains for Line 2 trains replacement) | 758.0 |
| Total | 2,721 |

- Federal funding for refugees and asylum seekers should help improve wraparound services and improved performance to support client needs, including with job readiness and labour market supports, reception centres and settlement service organizations.
- Along with the Province and Toronto commit to highest and best use of their owned lands to meet the goal of building more housing faster (inclusive of affordable housing).
- Commitment to work with the Province and Toronto to advance immediate opportunities for Waterfront Toronto to build all forms of housing on their available property as well as accelerate all existing housing development projects to address the shortage of social, affordable, and market housing in Toronto.
- Explore, with federal government, policing costs related to emergency response, including public order (events and protests), border control and multi-jurisdictional activities.
- The Federal government should commit to fund 40% of the total capital construction costs of the province's priority subway projects in Toronto.