

SmartTrack Stations Program – Update

Date: December 10, 2024

To: City Council

From: City Manager

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 and involves the security of the property belonging to the City of Toronto.

The attachment to this report contains information explicitly supplied in confidence to the City of Toronto by the Province of Ontario.

SUMMARY

The SmartTrack Stations Program (Program) represents a significant investment to improve transportation choices for people within Toronto by leveraging existing transit infrastructure. The Program consists of five stations along three GO rail corridors: East Harbour, Bloor-Lansdowne, St. Clair-Old Weston, Finch-Kennedy and King-Liberty. The SmartTrack Program Budget is \$1.689B (Program Budget), inclusive of \$878M from the City of Toronto (City), \$585M from the Government of Canada and \$226M from the Province of Ontario (Province).

In November 2024, the Ontario Minister of Transportation sent a letter to Mayor Chow formally notifying the City of cost pressures that exceed the approved Program Budget. The Province noted that global market conditions driven by rising interest rates and escalating prices for materials, skilled trades and labour are resulting in higher costs for the Program. After receiving this notification, the City, Province and Metrolinx met to assess options to address these cost pressures. Confidential Attachment 1 includes the letter to the Mayor from the Province, current cost pressures provided by the Province, and all options assessed by City, Provincial and Metrolinx staff to address the cost pressures along with incurred costs to date provided by Metrolinx.

Based on the assessment completed by City, Provincial and Metrolinx staff, the following two options emerged that stay within the Program Budget, while maximizing the number of stations prioritized (3 stations):

- Option 2a - East Harbour, Bloor-Lansdowne and Finch-Kennedy.
- Option 2b - East Harbour, Bloor-Lansdowne and St. Clair-Old Weston.

Both these options maintain East Harbour and Bloor-Lansdowne. East Harbour is critical to the transit network, providing both subway and GO transit connections, as well as to significant planned employment and residential development. The Bloor-Lansdowne construction contract has been awarded and as both the design and early construction works are underway, there would be financial penalties for cancellation.

Staff recommend option 2b which prioritizes the delivery St. Clair-Old Weston over Finch-Kennedy (option 2a). The St. Clair-Old Weston station is required to ensure delivery of the City's St. Clair Transportation Master Plan, provides higher-order transit to a Neighbourhood Improvement Area, and has significant development, housing including future Transit Oriented Communities (TOC), and employment growth potential. Financial details for options 2a and 2b, along with all other options assessed are outlined in Confidential Attachment 1.

Since Finch-Kennedy and King-Liberty stations will benefit the Province through increased ridership on the GO system, and as the Province will own and maintain the stations, the City continues to maintain that the Province, through Metrolinx, should deliver all five SmartTrack Stations. As such, this report seeks Council authority to request the Province identify a funding solution, including exploring funding opportunities with the Government of Canada, to deliver the remaining two stations, King-Liberty and Finch-Kennedy at no cost to the City.

To ensure the three prioritized stations (option 2b) can be delivered within the Program Budget, this report recommends City Council direct the City Manager to request the Province ensure that the Government of Canada maintains its full funding commitment of \$585M. Direction from Council is required before Metrolinx can proceed to award construction contracts for St. Clair-Old Weston and East Harbour, which are planned for Q1/Q2 2025.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council confirm the priority for the delivery of following three stations through the SmartTrack Program (the "Program"): East Harbour, Bloor-Lansdowne, and St. Clair-Old Weston (the "Prioritized Program Scope") in accordance with Option 2b as set out in this report, up to the current Program Budget of \$1.689 billion (the "Program Budget") inclusive of \$878 million from the City of Toronto, \$585 million from the Government of Canada, and \$226 million from the Province of Ontario.

2. City Council direct the City Manager to request the Province of Ontario to identify a funding solution, including exploring funding opportunities with the Government of Canada, to deliver the remaining two stations in the Program scope, Finch-Kennedy and King-Liberty at no additional cost to the City.
3. City Council direct the City Manager to notify the Province, Metrolinx and the Federal Government of City Council's decision as set out in Recommendations 1 and 2 above.
4. City Council direct the City Manager to request the Province ensure that the Government of Canada maintains its full funding commitment of \$585 million towards the Prioritized Program Scope and convene ongoing tri-partite discussions between all three orders of government to confirm delivery of the Prioritized Program Scope within the Program Budget.
5. Subject to the Federal Government confirming its decision to maintain its full funding commitment of \$585 million towards a Prioritized Program Scope, City Council authorize the City Manager, in consultation with the City Solicitor and any other relevant City Officials, to negotiate, enter into and execute a second amendment to the Revised Ontario-Toronto Agreement in Principle, as amended, with the Province necessary for the implementation of the Program (the "Amending Agreement 2"), in accordance with Recommendation 1 above, to reflect the funding solution, if any, identified by the Province to continue to deliver Finch-Kennedy and King-Liberty stations in accordance with Recommendation 2 above, and on such other terms and conditions satisfactory to the City Manager and in a form satisfactory to the City Solicitor.
6. Subject to entering into the Amending Agreement 2, City Council authorize the City Manager to negotiate and execute an amendment to the SmartTrack Main Agreement with Metrolinx, in accordance with the Amending Agreement 2, and on such other terms and conditions satisfactory to the City Manager, and in a form satisfactory to the City Solicitor.
7. City Council direct that Confidential Attachment 1 remain confidential at this time, as it contains commercial information, supplied in confidence to the City, 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 and involves the security of the property belonging to the City of Toronto, and contains information explicitly supplied in confidence to the City of Toronto by the Province of Ontario.
8. City Council authorize the public release of Confidential Attachment 1 following the City Manager's confirmation of completion of the Program.

FINANCIAL IMPACT

The original SmartTrack Program Budget was \$1.463B comprising of up to \$878M from the City, and up to \$585M from the Federal Government. In June 2023, due to rising cost for the Program, Council approved acceptance of up to \$226M in provincial funding towards the Program Budget. As such, the revised Program Budget is \$1.689B. The City share of the Program Budget is 52%, with the Federal and Provincial cost shares at 34.6% and 13.4% respectively.

A letter from the Ontario Minister of Transportation to the Mayor in November 2024 notified the City that cost pressures now exceed the approved Program Budget. Details on the extent of cost pressures and incurred costs to date per station as provided by the Province and Metrolinx are included in Confidential Attachment 1. As part of the Minister's letter, the Province offered to provide limited additional funding to address some of the cost pressures. This offer was contingent on the City and Government of Canada investing significant additional funds commensurate with the existing cost share split above. As funding contributions from all three orders of government are capped per the existing Revised Agreement in Principle and SmartTrack Main Agreement, City staff are not recommending additional funding to address the Program's cost pressures.

Instead, this report seeks Council authority to prioritize the delivery of the East Harbour, Bloor-Lansdowne and St. Clair-Old Weston stations within the approved Program Budget, and request that the Province identify a funding solution, including exploring funding opportunities with the Government of Canada, to deliver the Finch-Kennedy and King-Liberty stations at no further cost to the City.

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

DECISION HISTORY

A full decision history is included in Attachment 1.

COMMENTS

This report provides updates on the following:

1. SmartTrack Program Overview
2. SmartTrack Program Cost Pressures
3. Cost Mitigation Options Assessment

SmartTrack Stations Program (Program) - Overview

The Program consists of five stations along three GO rail corridors: East Harbour, Bloor-Lansdowne, St. Clair-Old Weston, Finch-Kennedy and King-Liberty. The Program is being delivered by Metrolinx, and the stations will be owned, operated, and maintained by Metrolinx. Additional details about the Program are available online¹. Since City staff

¹ <https://www.toronto.ca/services-payments/streets-parking-transportation/transit-in-toronto/transit-expansion/smarttrack-stations-program/>

last reported to City Council in June 2023, the Program has achieved several milestones (see table below). Attachment 2 also provides additional details about each station's current design and status.

Station	Current Status	Construction Award Date
1. East Harbour	Design advancing to 60%	Estimated Q1 2025 - pending Council decision.
2. Bloor-Lansdowne	Design advanced to 60%, construction contract awarded	July 2023
3. St. Clair-Old Weston	90% Design	Estimated Q1/Q2 2025 - pending Council decision.
4. Finch-Kennedy	100% Design	
5. King- Liberty	90% Design	

Agreements

In July 2023, the City and the Province signed an Amending Agreement² to the Revised Agreement in Principle (AIP) to reflect the Program Budget of \$1.689B. The Amended Revised AIP confirmed that the contributions of all three orders of government are capped at \$878M from the City, \$585M from the Federal Government and \$226M from the Province.

The City and Metrolinx subsequently signed the SmartTrack Main Agreement (STMA) in September 2023. The STMA, among other matters, outlined roles and responsibilities of each party for the design and delivery of the Program. The STMA confirmed that Metrolinx will notify the City, in writing, if it determines that the Program Budget may be insufficient to deliver the Program. Upon such determination, the City, Metrolinx, and the Province will work together to manage the Program Budget by implementing cost mitigation measures as may be required, while maintaining five stations within the Program, and using contingencies.

SmartTrack Program Cost Pressure

In November 2024, the Ontario Minister of Transportation sent a letter to the Mayor formally notifying the City of cost pressures that exceed the approved Program Budget of \$1.689B. In this correspondence, the Province noted that global market conditions driven by rising interest rates and escalating prices for materials, skilled trades and labour are resulting in higher costs for the Program. Additionally, cost pressures also reflect a more mature level of design, continued market escalation, and schedule prolongation, amongst other factors.

Metrolinx has advised the City that the cost pressures take into account completed value engineering and other applied cost mitigation measures. As such, even after applying value engineering and cost mitigation measures, along with the use of existing contingencies, Metrolinx and the Province have confirmed that they are not able to deliver the existing 5-station scope without additional funds. Confidential Attachment 1 –

² <https://www.toronto.ca/wp-content/uploads/2023/07/8def-Amending-Agreement-to-Revised-AIP-2023.06.27-clean.pdf>

Table 1 includes the total extent of the cost pressures along with the current cost estimate for each station.

Cost Mitigation Options Assessment

After the Province formally notified the City of the extent of cost pressures in November 2024 through the letter from the Province to the Mayor, City staff along with Provincial and Metrolinx staff participated in an assessment of cost mitigation options. Options were assessed using the following guiding principles:

1. Maximize the number of stations within funding envelope.
2. Maintain existing funding commitments.
3. Uphold the purpose of the Program: to connect communities with transit, including connections between GO and subway, bus, and streetcar lines.
4. Ensure more transit service and more riders.
5. Maintain the link between transit investments and housing outcomes.
6. Ensure advice and options adequately consider cost risks and appropriate mitigation to prevent any further funding requests or cost pressures to any level of government.

Options Assessed

To manage cost pressures, City, Metrolinx and Provincial staff identified numerous options. Based on this assessment, the following two options emerged that stay within the Program Budget, while maximizing the number of stations prioritized (3 stations). The full list of options is provided in Confidential Attachment 1 – Table 2.

Option	Staff Recommendation
Option 2a – 3 Stations – King-Liberty & St. Clair-Old Weston deferred	Less preferred than Option 2b (see below)
Option 2b – 3 Stations – Finch-Kennedy & King-Liberty deferred	Recommended

Prioritized Stations

With the City’s strategic intent to maximize stations and maintain funding commitments from all levels of government, this report recommends City Council approve Option 2b, which prioritizes the delivery of East Harbour, Bloor-Lansdowne, and St. Clair-Old Weston stations up to the existing Program Budget of \$1.689B. The rationale for prioritizing these stations is as follows:

1. The East Harbour Transit Hub is critical to the transit network, providing connections to the Ontario Line and GO transit services, as well as to significant planned employment and residential development. East Harbour is also linked to

a broader list of intergovernmental priorities including the construction of significant flood protection infrastructure in the area.

2. Bloor-Lansdowne must be maintained as the construction contract has been awarded and as both the design and early construction works are underway, there would be financial penalties for cancellation.
3. St. Clair-Old Weston is required to ensure delivery of the City's St. Clair Transportation Master Plan, provide higher-order transit to a Neighbourhood Improvement Area, and has significant development, housing including future Transit Oriented Communities (TOC), and employment growth potential.

To ensure delivery of the three stations above, the Government of Canada's funding of \$585M must be maintained. As such, this report requests that the Province ensure the Federal Government maintain its full funding commitment towards the prioritized Program scope.

Although staff's recommended option defers Finch-Kennedy and King-Liberty stations, these stations will benefit the Province through increased ridership on the GO system. In addition, as the Province will own and maintain the stations, this report seeks Council authority to request the Province identify a funding solution, including exploring funding opportunities with the Government of Canada, to deliver both stations at no further cost to the City. Until a funding solution is identified and committed to by the Province, construction will not proceed for these two stations.

Regardless of timing for delivery of Finch-Kennedy station, Metrolinx plans to construct a grade separation at Finch-Kennedy to enable future GO Expansion service levels on the Stouffville rail corridor. The grade separation is funded outside of the SmartTrack Program Budget, and its delivery is not planned to be impacted by this prioritization.

As the East Harbour, St. Clair-Old Weston, Finch-Kennedy, and King-Liberty stations have significantly advanced through design, and as construction contracts are planned to be awarded in Q1/Q2 2025, direction from City Council is required immediately. If a decision is delayed beyond December 2024, Metrolinx notes that costs and schedules will continue to deteriorate to the point that the only viable, Program Budget-compliant option may be a two-station program, as opposed to the three-station Program Budget-compliant options presented above.

This deterioration of the Program Budget would be largely due to an inability to maintain the critical path activities for construction in the live rail corridor, which requires use of preset major track closures in 2025 and 2026, which are typically only available every 6 months or more to minimize disruption to travelers.

Next Steps

Subject to City Council's approval of this report, City staff will:

- Notify the Province of City Council's decision to prioritize the East Harbour, Bloor-Lansdowne and St. Clair-Old Weston stations, and to confirm the Government of Canada's contribution remains fully intact.

- Request that the Province find a funding solution, including exploring funding opportunities with the Government of Canada, for the delivery of King-Liberty and Finch-Kennedy stations at no cost to the City.
- Subject to the federal government confirming its contribution has not been reduced, requesting the Province to proceed with awarding construction contracts for East Harbour and St. Clair-Old Weston.
- Negotiate the required amendments with the Province and Metrolinx to the Revised Agreement in Principle and the SmartTrack Main Agreement, respectively.

CONTACT

Derrick Toigo, Executive Director, Transit Expansion Division
Derrick.Toigo@toronto.ca, 416.338.5222

Will Johnston, Deputy City Manager – Infrastructure Services
Will.Johnston@toronto.ca, 416.338.6181

SIGNATURE

Paul Johnson
City Manager

ATTACHMENTS

Confidential Attachment 1: SmartTrack Cost Pressures, Options Assessment & Incurred Costs

Attachment 1: Decision History

Attachment 2: SmartTrack Technical Program Update