

# PROVINCE OF ONTARIO-CITY OF TORONTO TRANSIT PARTNERSHIP

## PRELIMINARY AGREEMENT

### Preamble

On November 4, 2019, the Province of Ontario (the “Province”) and the City of Toronto (the “City”) (collectively, the “parties”) jointly announced the “Ontario-Toronto Transit Partnership” (the “Partnership”). The Partnership:

- Represents the culmination of extensive collaboration between the Province and the City under the mutually-agreed ‘*Province of Ontario-City of Toronto Realignment of Transit Responsibilities Review Terms of Reference*’, dated February 12, 2019; and,
- Will deliver significant expansion, modernization/upgrades and state of good repair enhancements to public transit in Toronto.

The foundational principles/parameters and terms/conditions underpinning the Partnership were originally outlined in two letters, which the Province issued to the City on October 9 and 10, 2019. On October 29, 2019, Toronto City Council confirmed its direction related to the Partnership, as outlined in the City staff report, ‘*EX9.1 Toronto-Ontario Transit Update*’. Consequently, City Council authorized the City Manager, and any other relevant City officials, to negotiate, enter into and execute an agreement with the Province and/or any other relevant provincial agencies, in accordance with the terms set out in a term sheet, attached as ‘*Attachment 6*’ to City staff report, ‘*EX9.1 Toronto-Ontario Transit Update*’. As noted in the City staff report, ‘*Attachment 6*’ reflects the underlying principles/parameters articulated in the aforementioned letters issued by the Province.

Consistent with the above-noted direction from the Province and the City, this document is intended to serve as the “**Preliminary Agreement**” between the parties, thereby establishing the principles and responsibilities of the Province and the City in implementing the following major transit initiatives in Toronto, subject to the terms and conditions of this Preliminary Agreement:

- 1) The four priority projects (hereafter referred to as the “Provincial Projects”) included in Ontario’s ‘*New Subway Transit Plan for the Greater Toronto and Hamilton Area (GTHA)*’, and as referenced in the 2019 Ontario Budget, namely:
  - The Ontario Line, which the Province has committed to deliver as early as the end of 2027, at a preliminary capital cost estimate of \$10.9 billion;
  - The three-stop Scarborough Subway Extension/Line 2 East Extension, which the Province has committed to deliver by 2029-30, at a preliminary capital cost estimate of \$5.5 billion;
  - The Yonge North Subway Extension, which the Province has committed to deliver by 2029-30, at a preliminary capital cost estimate of \$5.6 billion; and,
  - The Eglinton Crosstown West Extension, which the Province has committed to deliver by 2030-31, at a preliminary capital cost estimate of \$4.7 billion.
- 2) State of good repair enhancements, modernization/upgrades and other expansion to the Toronto Transit Commission (TTC) subway system.
- 3) The Bloor-Yonge Capacity Enhancement Project.
- 4) The stations program for GO Expansion/SmartTrack in Toronto, in accordance with the commitments made by the Province and the City to amend any previous agreements, as required, to continue to advance the program and support delivery.

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This Preliminary Agreement, and the complementary documents referenced herein, will form the foundation of additional agreements to be negotiated between the Province and the City in the future, in respect of the Partnership.

### **Ontario-Toronto Transit Partnership – Principles/Parameters, Terms/Conditions & Roles/Responsibilities**

The Province and the City agree to the following principles/parameters, terms/conditions and roles/responsibilities underpinning this Preliminary Agreement:

#### **Subway System Ownership/Responsibility & Required Access/Control**

1. The existing subway system will remain the responsibility – and under the ownership – of the City and the TTC.
2. The Province will have ‘sole responsibility’ for the planning, design and construction of the Provincial Projects, and intends to own the resulting assets.
3. The Province and the City will collaborate to:
  - (a) Establish how to best manage key interface stations and other assets that will intersect between the existing and future expanded subway networks, in order to ensure that the Provincial Projects are seamlessly integrated with the existing TTC system; and,
  - (b) Jointly define the required levels of provincial access to, and provincial control over, the key interface stations and other assets, as applicable, that will intersect between the existing and future expanded subway networks, in order to facilitate new construction of the Provincial Projects and ongoing ownership of the corresponding assets.
4. Subject to 3., above, the City will grant the Province the jointly-defined and required levels of access to, and control over, the key interface stations and other assets, as applicable, that will intersect between the existing and future expanded subway networks. Such an arrangement will further acknowledge that the Province must meet Public Sector Accounting Board (PSAB) requirements in order to retain ownership and control of provincial assets.

#### **SmartTrack Stations Program & Bloor-Yonge Capacity Enhancement Project**

5. The Province and the City remain committed to advancing and delivering the SmartTrack Stations Program and the Bloor-Yonge Capacity Enhancement Project.
6. To support the advancement and delivery of the SmartTrack Stations Program, the Province and the City will, as soon as possible, negotiate amendments to previous agreements, as required, for this purpose. This will include amending and updating the ‘Ontario-Toronto Agreement in Principle (AIP)’, signed in January 2018, related to the SmartTrack Stations Program, in order to:

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- (a) Reflect the applicable provisions set out in the 'Ontario-Toronto Memorandum of Understanding (MOU)', signed in May 2018;
- (b) Clarify and adjust other terms, as appropriate/necessary, in respect of the 'Ontario-Toronto AIP'; and,
- (c) Take into account the Province's approach to an 'Ontario-led Transit-Oriented Development (TOD) strategy', as outlined in 15. and 16., below.

### Ongoing Province-City Engagement & Collaboration to Support Delivery

- 7. The Province will continue to engage and collaborate with the City and the TTC during the delivery cycle of the Provincial Projects – that is, from the planning and design stage, through to the construction and operations stages. Furthermore:
  - (a) The Province will coordinate with the City during all phases of the delivery cycle of the Provincial Projects, in order to mitigate impacts both on the planned construction of other major infrastructure projects, and on local communities.
  - (b) The Province will lead engagement with the public, communities and other stakeholders in respect of the Provincial Projects, while working closely with the City, the TTC and other partners.
- 8. The Province will collaborate with the City to:
  - (a) Seek opportunities to advance and accelerate, where possible, the delivery of the Provincial Projects, the stations program for GO Expansion/SmartTrack in Toronto and other shared transit priorities in Toronto.
    - i. Separate from this Preliminary Agreement, the Province has provided to the City a "**Provincial Statement of Intent Related to the Arrangement to Support Accelerating Transit Delivery**" of the Provincial Projects. This document reflects the provincial intentions – including the provincial commitment to the City to continue with advance consultation and cooperation – in respect of a suite of enabling authorities and enforcement mechanisms that the Province proposes to introduce to the Legislature in winter 2020, focused solely on the Provincial Projects.
  - (b) Generate streamlined processes and leverage the authorities available to expedite project implementation, while recognizing the City's role in land use planning and approvals.

### Province & City Funding/Cost-Sharing of Priority Transit Projects

- 9. With respect to capital funding contributions to support the Provincial Projects, the Province and the City acknowledge that:
  - (a) The Province's expectations of the City's capital contributions to the Provincial Projects include and reflect:
    - i. Honouring the City's existing funding commitments to the Scarborough Subway Extension/Line 2 East Extension and the Eglinton Crosstown West Extension projects;
    - ii. A commitment to fund ~26.67% of the total capital cost of the Ontario Line project, in accordance with the funding formula established for projects under

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- the 'Public Transit Stream' of the federal government's 'Investing in Canada Infrastructure Program (ICIP)'; and,
- iii. A commitment to fund the City's *pro rata* share, along with York Region, of the ~26.67% municipal contribution towards the total capital cost of the Yonge North Subway Extension project, in accordance with the funding formula established for projects under the 'Public Transit Stream' of the federal government's ICIP.
- (b) The City's expected contributions, calculated based upon the formulae set out in 9.(a), above, as applied to the preliminary capital cost estimates of the Provincial Projects, total approximately \$6 billion.
10. Notwithstanding 9., above, the Province acknowledges that – subject to the terms and conditions articulated in 10.(a) and (b), below – the City would redirect the capital contributions that the City would otherwise be expected to dedicate to the Provincial Projects to instead support modernization/upgrades or state of good repair improvements to the existing transit system, and/or towards other transit expansion projects, including those identified by the City. Under such a redirection of the City's expected capital funding contributions to the Provincial Projects, as defined in 9., above, the Province and the City agree that:
- (a) The 'TTC Capital Investment Plan' letter (dated August 28, 2019) from the TTC Chief Executive Officer to the City Manager – and any applicable updates – will inform the City's recommendations for reallocation of its capital contributions to priority subway modernization/upgrades or state of good repair investments.
    - i. The Province and the City further agree that the City will demonstrate to the Province how any reallocation of capital funding by the City represents an incremental contribution – that is, beyond what is already allocated by the City in the 'TTC Capital Investment Plan' – towards priority modernization/upgrades or state of good repair enhancements to the existing subway system.
  - (b) Final decisions on the potential redirection of City capital contributions to additional transit expansion projects will be subject to:
    - i. Fully developed business cases; and,
    - ii. Ensuring that credible progress is made towards relieving the state of good repair backlog on the existing subway system.
11. Consistent with the funding formula established for projects under the 'Public Transit Stream' of the federal government's ICIP, the Province intends to fund 33% of the total capital costs of the Bloor-Yonge Capacity Enhancement Project.

### **Federal Funding & Engagement**

12. The Province and the City will jointly endorse:
- (a) The use of committed federal funding, as identified and per the City's allocation under the 'Public Transit Stream' of ICIP, towards the SmartTrack Stations Program and the Bloor-Yonge Capacity Enhancement Project, consistent with the ICIP framework of approvals; and,

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- (b) The reallocation of committed federal funding, as previously identified and per the City's allocation under the 'Public Transit Stream' of ICIP, towards the Ontario Line and the three-stop Scarborough Subway Extension/Line 2 East Extension, and consistent with the ICIP framework of approvals.
  - i. The parties acknowledge that the City's endorsement of this reallocation is being made in anticipation of the realization of the City's expectations regarding these two projects, including in respect of the project benefits.

- 13. The Province and the City will call on the federal government to negotiate and establish a tripartite agreement (i.e., federal, provincial and municipal), in order to secure additional federal commitments to provide much-needed investment in the modernization, upgrade and state of good repair of the transit system.
- 14. In addition, the Province and the City will call on the federal government to secure greater funding contributions – that is, at least 40% federal funding – to all Provincial Projects.

### Ontario-Led Transit-Oriented Development (TOD) Strategy

- 15. The Province will collaborate with the City as the Province pursues an 'Ontario-led TOD strategy' for the stations program for GO Expansion/SmartTrack in Toronto and the Provincial Projects. The 'Ontario-led TOD strategy' will:
  - (a) Advance both the creation/capturing of value to offset the Province's capital costs of transit expansion, and the principles of good city building and planning;
  - (b) Involve the Province leading the procurement process for new stations to be constructed for GO Expansion/SmartTrack and the Provincial Projects in Toronto, while also spearheading negotiations with third parties related to prospective TOD; and,
  - (c) Reflect the commitments made by the parties through the "**Province of Ontario-City of Toronto Memorandum of Understanding (MOU) on Transit-Oriented Development (TOD)**" – as referenced in 16., below – including (but not limited) to the following:
    - i. The Province recognizes that the City is a critical partner in the successful delivery of TOD opportunities;
    - ii. The Province and the City share the strong desire to appropriately integrate new transit facilities into development, and ensure due consideration for the compatibility with surrounding neighbourhoods, in order to realize the potential associated benefits accruing to each party and to the public; and,
    - iii. The Province and the City mutually commit to ongoing, proactive and good faith collaboration in respect of the 'Ontario-Led TOD strategy'.
- 16. Per 15., above, the Province and the City have jointly developed a "Province of Ontario-City of Toronto MOU on TOD" – attached to this Preliminary Agreement as **Annex #1** – which, in focusing primarily on the Provincial Projects:
  - (a) Outlines the shared objectives of the 'Ontario-led TOD strategy' and related activities;

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- (b) Identifies the measures required to achieve the objectives of the 'Ontario-led TOD strategy'; and,
- (c) Articulates the roles and responsibilities of the parties in supporting the delivery of the 'Ontario-led TOD strategy'.

### **Roles/Responsibilities – Operating & Maintenance of Provincial Projects**

17. The City/TTC will be responsible for the day-to-day operations of the Provincial Projects and the existing transit system, including in respect of labour relations.
18. The arrangement between the Province and the City related to operations of the Provincial Projects will reflect the following core terms:
  - (a) Farebox revenue from the Provincial Projects will be applied to defray operating costs;
  - (b) In respect of a Provincial Project that extends beyond the boundary of the City to another municipality, the Province will negotiate with the relevant neighbouring municipality to secure an ongoing operating contribution, commensurate with the level of subway service provided in that municipality; and,
  - (c) Subject to 18.(a) and (b), above, any net subsidy required to operate each of the Provincial Projects will be the responsibility of the City.
19. The Province will define with the City, through 'Operating & Maintenance (O&M) Agreements' for the Provincial Projects, the specific roles and responsibilities of the parties, including (but not limited) to:
  - (a) The performance of all maintenance functions; and,
  - (b) The associated funding responsibilities of all maintenance functions.

### **Provincial Reimbursement of 'Reasonable' City Costs**

20. The Province will undertake a financial review and reconciliation exercise with the City, related to the investments made to fund the planning, design and engineering work for the Scarborough Subway Extension/Line 2 East Extension and the Relief Line South/Ontario Line projects. Subject to the outcomes of the exercise, the Province commits to reimburse the City for 'reasonable' costs incurred for these two projects.
21. Moreover, subject to the outcomes of a separate review and reconciliation exercise with the City, the Province intends to formalize a services agreement(s) with the City, which will include terms of reimbursement to the City for 'reasonable' costs incurred for staff and consulting services provided in support of advancing the Provincial Projects.

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Executed by the parties on the dates written below.

**HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO**

**Signature:**  
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**Name:** Michael Lindsay  
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**Title:** Special Advisor to Cabinet – Transit Upload  
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**Date of Signature:**  
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**Signature:**  
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**Name:** Shelley Tapp  
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**Title:** Deputy Minister of Transportation  
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**Date of Signature:**  
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**CITY OF TORONTO**

**Signature:**  
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**Name:** Chris Murray  
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**Title:** City Manager  
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**Date of Signature:**  
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