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TORONTO-YORK SUBWAY EXTENSION UPDATE REPORT

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, May 23, 2006, from the Chief Administrative Officer:

1. RECOMMENDATION

It is recommended that:

1. This report be received for information.

2. PURPOSE

The purpose of this report is to update Council as to the progress respecting the implementation of the Toronto-York subway extension project.

3. BACKGROUND

Through the March 23, 2006 budget, the Province of Ontario announced its intention to cost-share the extension of the University-Spadina subway line to Vaughan Corporate Centre. Total estimated cost of the project is \$2 billion, of which \$670 million will be funded by the Province. The provincial funding is dependent upon a tri-government agreement being established between all three levels of government – municipal, provincial, and federal, in which each level of government will commit to an equal share of the project's capital cost.

This report provides an update as to the key issues and activities that have taken place thus far to implement the subway extension.

4. ANALYSIS AND OPTIONS

As noted in a separate report to Council respecting the Move Ontario Trust, funding conditions have been placed on the Region and the City of Toronto. The following conditions must be met before all or substantially all of the provincial funding can start to flow:

- Funds equal to the contribution of the Province must be allocated between the City of Toronto and the Region of York on or before September 30, 2006;

- The first construction contract must be entered into by the earlier of (i) 365 days following the date of final approval of the environmental assessment for the project or (ii) April 1, 2008.

Activities to fulfill the above requirements have been clustered into four categories: governance, finance, planning, and construction.

4.1 Governance

In order to meet the first condition, it is imperative to secure a partnership agreement between the Region and the City of Toronto. Since the budget announcement, senior level staff from the Region and City of Toronto have met numerous times to discuss the fundamental elements of this large, cross-boundary infrastructure project, including the design/build of the tunnel, capital cost sharing, revenue sharing, and operating costs.

The majority of discussions to date have centred on determining a governance model for project planning and delivery that meets the needs and interests of both partners. Early indications point to an integrated delivery model with respect to the construction of the tunnel, and separate regimes to handle station development within the respective jurisdictions. Further discussions are planned and will include eventual dialogue with the province regarding their role and best placement in the model.

4.2 Financing

Underpinning the governance model is the money flow and respective accountabilities. Discussions are taking place between the Region and the City of Toronto with respect to the cost allocations for the delivery of the project.

Discussions continue between the Region, the City and the Province regarding the availability and use of financing tools, such as tax increment financing (TIF), as well as necessary amendments to the *Development Charges Act*, particularly in the area of transit. One significant aspect to using TIF for the subway extension is securing the Province's commitment to contribute the education portion of the taxes. Without this commitment, TIF will have limited, if any value.

At this time, there remains no federal commitment to this project. Efforts will be made by the Region and the City of Toronto jointly and separately to lobby for their involvement.

4.3 Planning

There are a number of planning issues to be undertaken in preparing for and delivering such a large project with direct impact on the communities in which it will be located. Staff level dialogue has been established between the Region and the City of Vaughan in order to sort through details of land use planning, zoning, and the impacts on growth-related plans and forecasting. Solidifying the planning and forecast assumptions are keys

to determine potential revenue resources on which to make financial decisions to that end.

4.4 Construction

At this time, Toronto Transit Commission (TTC) is anticipated to be the project delivery agent in a form of partnership with the Region. The details of roles and mandate for the design and construction are currently under discussion. The tunnel delivery and station development are intertwined components of the project. Interface issues at Steeles Avenue station will need to be addressed both in the short and longer terms.

5. FINANCIAL IMPLICATIONS

The funding of this project may have significant implications for the Region. The costs associated with the project have not been included in the 2006 ten-year Capital budget, nor have they been factored into the current Development Charges by-law. According to the development plan for the project, anticipated costs for York Region would not be incurred until the latter part of development. The future revenues, operating and capital costs, and the cost sharing formula remain the key issues under discussion between the Region and City of Toronto.

6. LOCAL MUNICIPAL IMPACT

The funding of this project will have significant implications for the City of Vaughan; analysis is on-going to determine the extent of these. Dialogue will continue between the Region and the City of Vaughan with respect to all aspects of the project, particularly in the areas of finance and planning.

7. CONCLUSION

In the short time since the province announced the extension of the Spadina subway to the Vaughan Corporate Centre, much progress has been made toward its implementation. The summer months will be a critical period as all stakeholders continue to establish their various roles and contributions to the project. Work will continue between the Region and the City of Toronto to finalize the governance and financial components of the project. Partnership between the Region and the City of Vaughan will be strengthened with respect to planning elements. Lobbying efforts from all partners to the federal government will be increased in order to realize the final one-third funding amount. A report to Committee and Council can be expected in September 2006 which will outline the activities conducted through the summer to advance the project.

The Senior Management Group has reviewed this report.