



# METROLINX

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**President and Chief Executive Officer**

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October 1, 2013

Joe Pennachetti  
City Manager  
City of Toronto  
City Hall  
100 Queen Street West  
Toronto, ON M5H 2N2

Dear Mr. Pennachetti,

**RE: Master Agreement Amendment**

In light of the recent federal funding announcement for a Scarborough subway, I write on behalf of the Metrolinx Board of Directors with respect to the City's desire, further to Council's July 17, 2013 resolution, to amend the Master Agreement between Metrolinx, the City and the TTC to substitute a subway for the previously approved Scarborough LRT.

**Purpose:**

The purpose of this letter is to set out a path for moving forward with the proposed extension of the Bloor-Danforth subway to Scarborough. On behalf of the Board of Directors of Metrolinx, I want to be clear about the approach and conditions we could support before City Council addresses the question at its October meeting.

**Current Agreement:**

The Master Agreement entered into between Metrolinx and the City and TTC provides for the Scarborough LRT. Metrolinx continues to believe that the LRT project, which was to run from Kennedy station to Sheppard Avenue through the Scarborough Town Centre and to be located on an alignment that would be fully separated from roads and traffic, would provide an effective rapid transit solution to the transportation challenges in this area and could be delivered within the \$1.48 billion budget provided for it. However, given that all three levels of government have expressed a preference for a subway in this corridor instead, and each level of government has committed to share in funding the subway project, we accept that an amendment to the Master Agreement to accommodate a subway is required. Governments are the ultimate decision-makers in these matters and we must defer to the judgments that have been made. The provincial contribution to the subway project should remain limited to the funds that would have otherwise been spent on the LRT, thus protecting the other Toronto projects encompassed by the Master Agreement and other investments in reducing congestion in the Greater Toronto and Hamilton Area. The contributions made by the federal government and the City of Toronto will meet the additional cost of converting the LRT into a subway project.

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**Federal Commitment:**

The \$660 million commitment of new funding from the federal government is a significant new investment in building transit infrastructure for the Greater Toronto and Hamilton Area. It is also important that federal funding become a regular part of the program to expand and improve our urban transportation systems. Metrolinx will continue to put forward the case for sustained and dedicated funding from all orders of government to address the transportation challenges in the GTHA. In the meantime, however, we welcome a major project made possible by funding commitments from all three levels of government. Working collaboratively in a tri-partite partnership, there is no limit to what our governments can achieve in this area.

**Provincial Commitment and Reimbursement of Sunk Costs:**

On behalf of Metrolinx, I want to re-confirm that \$1.48 billion (\$2010) in provincial funding remains available for the proposed extension. This is the amount of funding required to build the Scarborough LRT pursuant to the Master Agreement. We are not prepared to spend more than this amount because we do not wish to divert funds from other projects covered by the Master Agreement and its total funding commitment of \$8.4 billion.

The Province's funding contribution to the project would become available for expenditure beginning in 2018/19 and extend over a number of years to be mutually agreed. The total provincial funding commitment of \$8.4 billion (\$2010) towards rapid transit in Toronto remains in place.

As a condition of amending the Master Agreement, as communicated previously, it continues to be a requirement that the City of Toronto reimburse Metrolinx for the sunk costs, estimated at \$85 million, invested in the Scarborough Light Rail Transit project. The City/TTC must also reimburse any costs associated with re-negotiating the LRT vehicle supply contract with Bombardier for a lower number of required vehicles.

**Kennedy Station:**

As you know, \$320 million of provincial funding is being used to support the improvements necessary to the Kennedy station, related to the construction of the Eglinton Crosstown rapid transit line. This location also represents the starting point of the proposed subway extension. Metrolinx will work with the City and TTC to finalize the design of the necessary improvements at the Kennedy station. We request that the City and TTC support Metrolinx in finalizing this plan as quickly as possible to avoid any delays in moving forward with the Crosstown. When completed, the final plan may lead to savings in the \$320 million budget since the Scarborough LRT station at Kennedy will no longer be required. At the same time, TTC and Metrolinx continue to work together on station improvements at Yonge and Eglinton, where the Eglinton Crosstown LRT and the Yonge subway will intersect. These important improvements will increase the station costs beyond the budgeted amount in the Eglinton Crosstown budget. Once the final costs of the Kennedy and Eglinton/Yonge station improvements are finalized, Metrolinx will recommend to the Province that any net savings to the two budgets be provided to the City/TTC for the Scarborough subway, in addition to the \$1.48 billion stated above, so long as no delay costs are incurred which would reduce this amount.

**City/TTC project:**

Since the Scarborough subway is an extension of the current Bloor-Danforth subway owned

and operated by the TTC, the subway extension will be a City/TTC project, not Metrolinx's. Toronto and the TTC will be responsible for the delivery of the project, in terms of providing the balance of the estimated capital construction cost and assuming any risk of delivering the project to budget and to schedule. In addition, ongoing operating and maintenance costs will be the responsibility of the City of Toronto.

### **Infrastructure Ontario's Role:**

Infrastructure Ontario is available to provide support to the City and the TTC in the delivery of the project through an alternative financing and procurement process which we believe would deliver value and reduce risk for the City/TTC. Since 2005, over 50 projects in various sectors have been brought to market, with over 20 projects completed and about 30 under construction. In the area of transit, Infrastructure Ontario has partnered with Metrolinx, the City of Ottawa and the Region of Waterloo to assist in delivering major transit infrastructure. Infrastructure Ontario has built a strong reputation for delivering projects to schedule and on budget. However, the decision on whether or not to use Infrastructure Ontario's expertise is for the City to make.

### **Route and Alignment:**

This provincial funding is available to support a subway extension from Kennedy station to Sheppard Avenue East where it will intersect with and connect to the Sheppard LRT.

The particular alignment for the subway must be selected and approved under the Environmental Assessment Act. As the project involves an extension of an existing municipal asset, the City and/or the TTC would be the proponent under the Environmental Assessment Act. In determining the detailed alignment and station locations, it is essential that a collaborative and evidence-based approach be used.

In seeking the environment approval, we expect the City/TTC to consider all alternatives for the alignment and station locations, in addition to the two that have been discussed to date, in accordance with normal practice under the legislation. This process will also permit participation and comment by members of the public, residents, businesses, land owners and other interested parties. It is in the interest of all three funding partners and all other parties that the optimal alignment and station locations be selected, which will best reflect the balance of factors that should bear on the final choice.

Our preliminary work suggests no one alignment among those that have received consideration to date dominates with respect to all relevant factors. Multiple trade-offs will be required in coming to a final judgment, and could involve refinements or adjustments to the two existing alternatives, to optimize the route. We are prepared to accept the City/TTC's judgment on the optimal alignment after it has considered all relevant information and after the proposed route has been reviewed in the Environmental Assessment process. This information must include ridership, costs and benefits, land use, economic development and employment opportunities, providing service to priority neighbourhoods, and the implementation of applicable provincial and municipal policies, including Places to Grow – the Growth Plan for the Greater Golden Horseshoe, The Big Move regional transportation plan and Toronto's Official Plan.

Ultimately, the optimal alignment is directly tied to the City's choices on land use and development to permit intensification along the route of the subway. As a result, it is essential that the City make an integrated set of choices about the alignment (including the station

locations) and the related planning, development and zoning decisions which fall within City Council's jurisdiction. It is also essential that the City take full account of our shared plans for building a network of inter-related rapid transit solutions for the region. The City/TTC must ensure the recommended alignment serves Scarborough Town Centre as a regional transportation hub (including serving as the western terminal for the Durham Pulse line) and connects with the Sheppard LRT. Absent this integrated approach to finalizing the alignment and station locations and building a rapid transit network and not just an individual project, less than full value for the subway extension would be achieved.

**Relevant Data and Recommendations:**

At Metrolinx, we will continue to share with the City and TTC all our analysis and data that bear upon the choice of alignment. We have already provided our preliminary work and will provide further analysis to the City and TTC as it is completed. In addition, the Duguid-Thompson task force will bring forward recommendations to promote economic development and jobs in Scarborough and these recommendations will have implications for the optimal alignment. We expect all of this material will be considered by the City/TTC as relevant evidence in coming to its final proposed alignment which should be based on an assessment of all the evidence available at that time.

**Conclusion:**

On the basis of the content of this letter and subject to City Council's final position, Metrolinx is prepared to enter into negotiations with the City and the TTC to amend the Master Agreement to provide for a Scarborough subway on these terms. All other aspects of the Master Agreement will remain unchanged and Metrolinx will continue to implement the projects it provides for.

We look forward to working with the City and the TTC to deliver improved rapid transit to the people of Scarborough.

Sincerely,



Bruce McCuaig  
President & Chief Executive Officer

c. Andy Byford, Chief Executive Officer, Toronto Transit Commission