

Transit Oriented Development Implementation

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EXECUTIVE SUMMARY

In partnership with Infrastructure Ontario, Metrolinx is advancing the Transit Oriented Development (TOD) Program to leverage the value of Metrolinx's transit network and real estate portfolio.

This report sets out:

- The **objective** of the TOD Program through a TOD Policy including Guiding Principles, Objectives, and a Strategic Approach that includes the creation of an Integrated MX/IO Team.

RECOMMENDATIONS

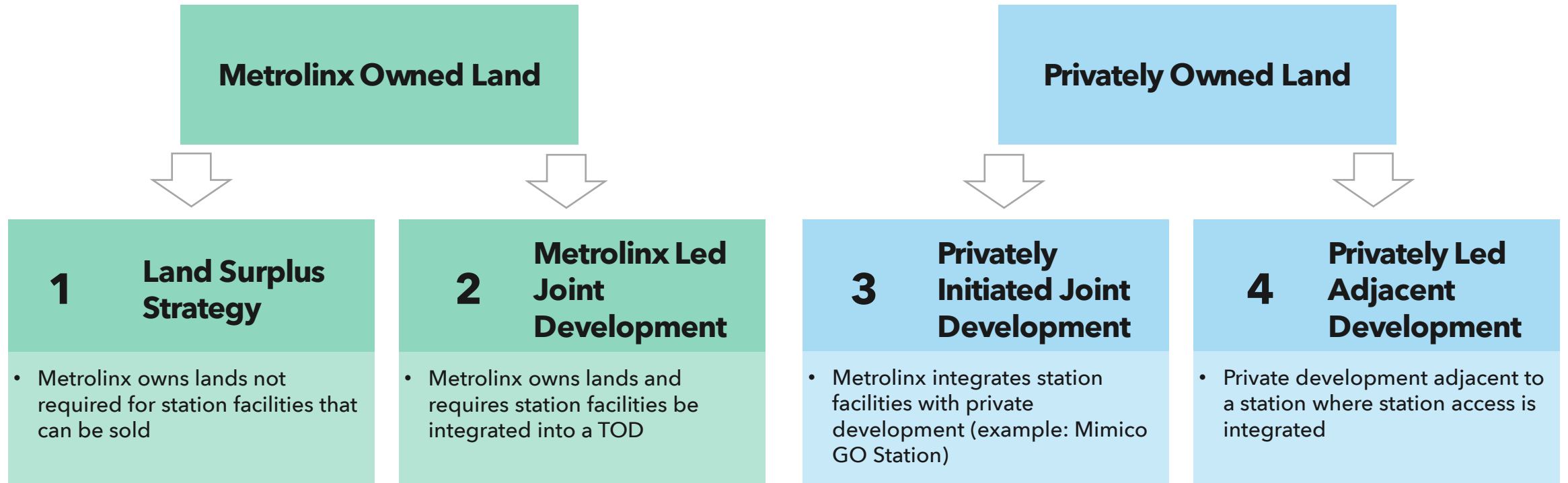
WHEREAS the Chief Planning & Development Officer has prepared the report, dated April 10th 2019 entitled, "Transit Oriented Development Implementation," (the "Report"):

RESOLVED THAT, as described in the Report, the Board direct staff to advance the TOD Program, including Guiding Principles, Objectives and a Strategic Approach;

AND THAT the Board direct staff to report back on the status of the TOD Program on a regular basis.

TRANSIT ORIENTED DEVELOPMENT (TOD)

Transit Oriented Development (TOD) is higher density, mixed-use development that is connected, next to or within a short walk of transit stations & stops, and is designed to encourage transit use.



GUIDING PRINCIPLES

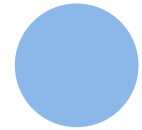
- Fair exchange of value that can generate revenue and create new investment opportunities
- Development that increases transit ridership by locating more people and jobs near stations
- Improved customer experience by enhancing station areas and making transit more attractive to the market
- City building that creates more complete places to live, work and play

OBJECTIVES



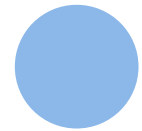
Maximize asset and revenue potential

- The TOD program will be prioritized to achieve capital cost avoidance, then recurring revenue streams, and lastly one time revenue sources.



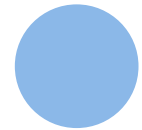
Prioritize Asset Protection

- The TOD program will not risk Metrolinx's ability to safely and reliably operate its transit service.



Be a Trusted Business Partner

- As a competent Business Partner, Metrolinx will retain risks that it can most appropriately manage, and seek out partners with established track records of quality development.



Act in the Provincial Public Interest

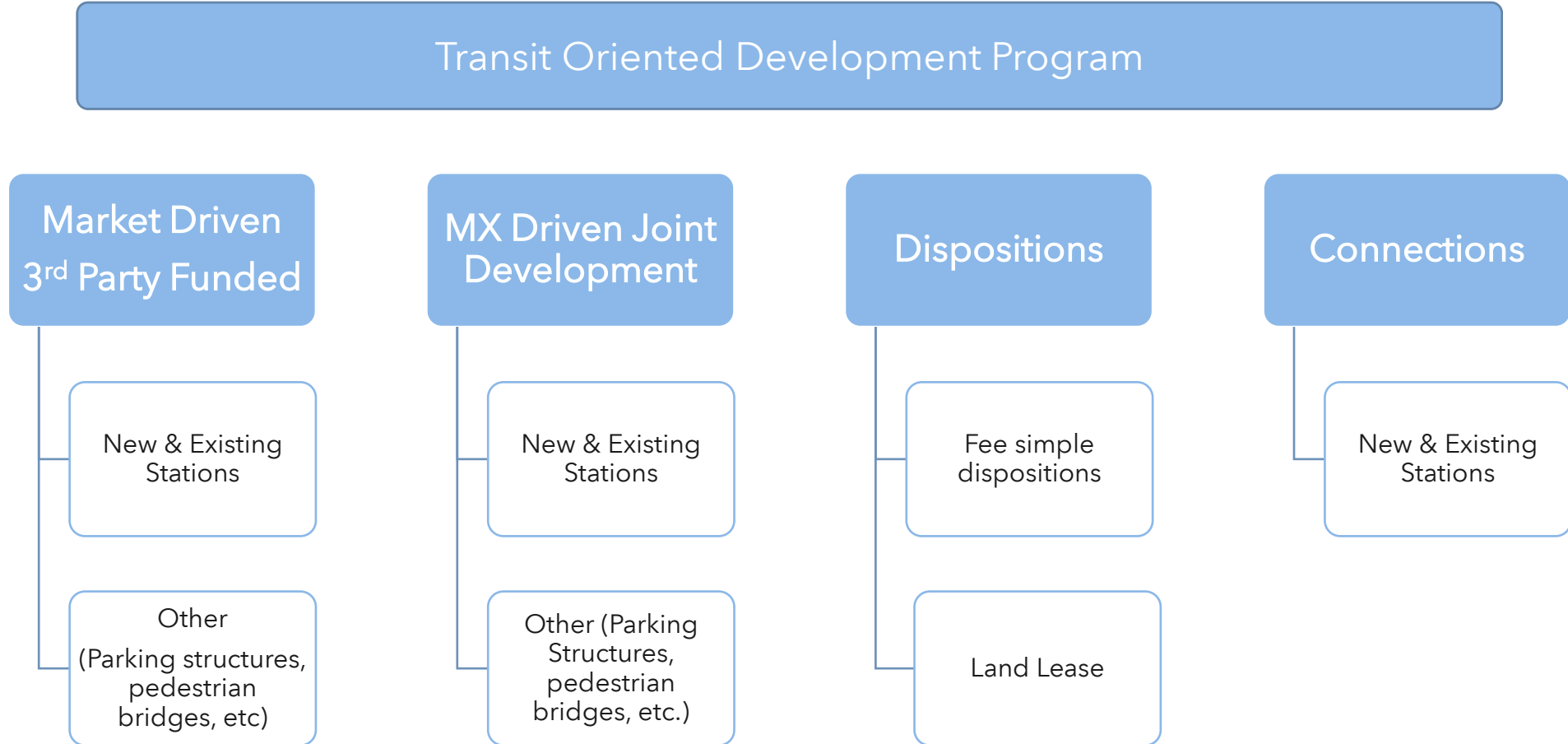
- Metrolinx will act in the interest of the Province of Ontario to fulfill its mandate. In collaboration with the province and municipalities, establish a fact-based approach to support project decision-making and delivery

STRATEGIC APPROACH

1. **PORTFOLIO SEGMENTATION** into four work streams
2. **ACT IMMEDIATELY**
 - Advance the portfolio of existing prospects.
 - Take advantage of the current state of the market
3. Establish a suite of **DEAL STRUCTURES**.
4. Establish the governance needed to responsibly guide transactions and assemble the capabilities needed to advance the program through an **MX-IO TOD INTEGRATED TEAM**.

1. PORTFOLIO SEGMENTATION

The Metrolinx TOD program applies to the Greater Golden Horseshoe Transit Network. It will be led by an Integrated MX-IO staff team and address four Work Streams.



2. ACTING IMMEDIATELY

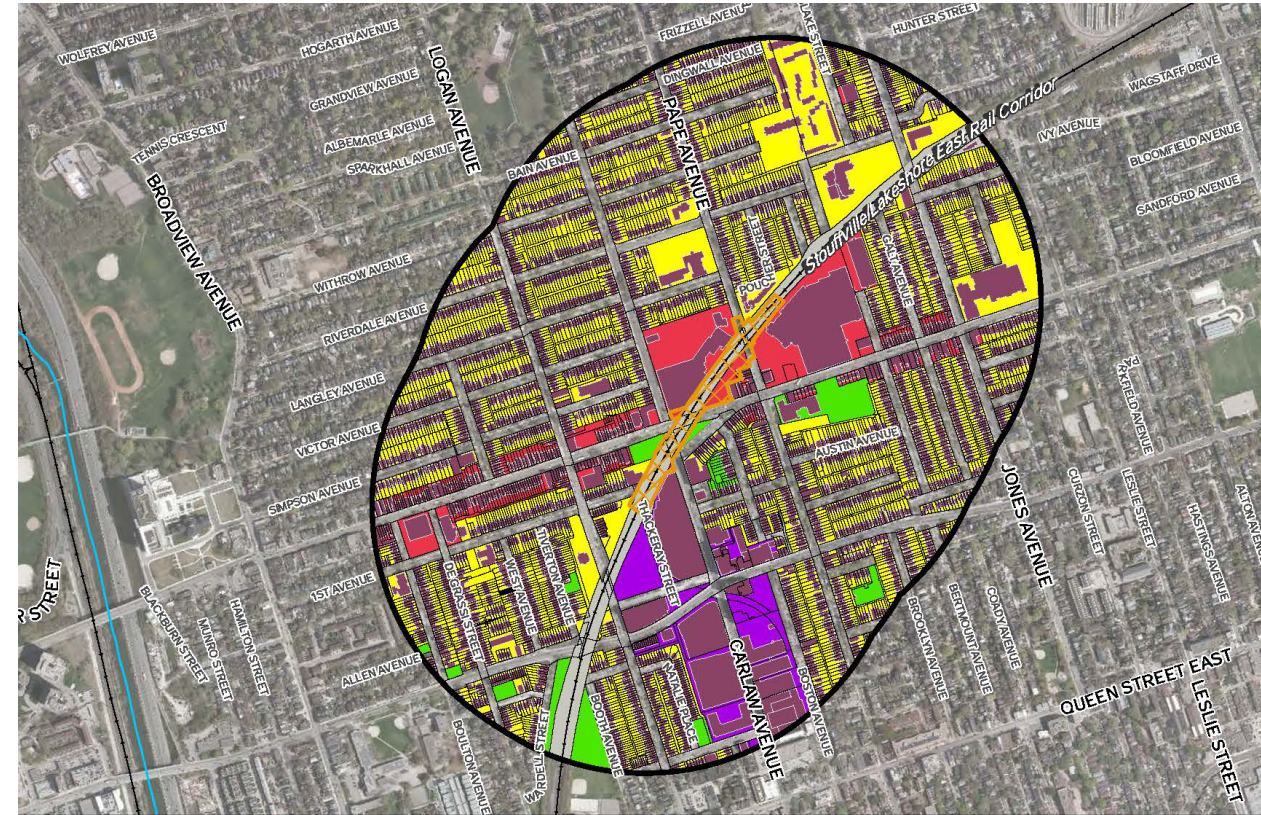
- Since the public endorsement of Metrolinx adopting a Market Driven approach to TOD, feedback from the development industry has been very positive.
- The industry has pointed to the intersection and alignment of critical factors:
 - The maturity of the development industry
 - The evolution of the consumer demand for TOD living and working
 - The consolidation of financial capacity in the market, creating deeper fiscal capacity (e.g. pension funds)
 - The scale of the transit infrastructure investment and the high frequency of service being introduced across the region
- The timing of the Metrolinx TOD Program is further strengthened by the direction and support provided by the Government of Ontario. The willingness to adopt an entrepreneurial, agile stance is focused on strengthening commercial acumen while maintaining public accountability and transparency

ACTING IMMEDIATELY: Engaging the Market

- Market Driven opportunities will be primarily through proposals initiated by third parties, e.g. municipalities, private developers, landowners, etc.
- Metrolinx's engagement with third parties is critical to the success of the Market Driven work stream
- Metrolinx is committed to engagement with proponents in a responsive, collaborative and consistent manner, including having one primary Metrolinx contact. Immediate inquiries should be addressed to TOD@metrolinx.com
- Metrolinx will conduct high level screening of proposals and, if any proposal demonstrates TOD potential, then Metrolinx can proceed to the next level of engagement
- Metrolinx is committed to working with reliable and responsible third parties

ACTING IMMEDIATELY: SmartTrack Stations

- In 2018, Metrolinx completed 12 Preliminary Design Business Cases for 12 new station locations.
- As part of the new TOD program, MX will solicit third party interest for new stations in and around these 12 locations on the corridor, including SmartTrack stations.
- This process will commence in Spring 2019.
- Following this, Metrolinx will be able to better understand the scale of the opportunity for TOD in the market for these locations.



Sample market context for new stations

3. DEAL STRUCTURES

In all instances, Metrolinx will leverage private sector expertise to determine realty value and appropriate **deal structure**. Metrolinx will seek a fair value exchange based on the priorities outlined below.

1. Capital Offset:

When a third party funds and delivers Metrolinx infrastructure, Metrolinx's priority through implementation of the TOD Program will be to secure a full capital offset to the delivery of New Stations or Station Relocations where feasible.

2. Revenue:

Once Metrolinx has determined that applicable capital infrastructure costs are either not required or have been satisfied, opportunities for long term revenue will be investigated and pursued where feasible.

- a) Long term revenue options may include levies, equity, development participation clauses, retail space, shifting operational and maintenance costs, etc.
- b) Short term revenue will be pursued where feasible and is typically a connection fee or a one time disposition.

4. AN INTEGRATED TEAM

- Metrolinx (MX) and Infrastructure Ontario (IO) together have expertise in land development:
 - Commercial transactions
 - Competitive process structuring
 - Negotiations
 - Value maximization
- Together the two organizations will build on their cumulative strengths to drive the TOD Program
- An integrated team will generate efficiencies and speed of execution.

NEXT STEPS

1. Quarterly report-back to the Board on progress.
2. Solicit third-party interest for new stations, including SmartTrack stations - June 2019.
3. Establish a MX/IO TOD Integrated Team - May 01, 2019.

