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# The Regional Municipality of Durham Report

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To:	Committee of the Whole
From:	Commissioner of Finance and Commissioner of Planning and Economic Development
Report:	#2024-COW-14
Date:	April 10, 2024

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## **Subject:**

The Region of Durham's response to the Ontario Regulatory Registry posting related to the "Proposal to create regulation to support implementation of the GO Transit Station Funding Act, 2023"

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## **Recommendation:**

That the Committee of the Whole recommends to Regional Council:

- A) That the letter from the CAO to the Province of Ontario as contained in Attachment 2 to Report #2024-COW-14, be endorsed as the Region of Durham's response to Ontario's Regulatory Registry post regarding the proposal to create regulation to support the implementation of the *GO Transit Station Funding Act, 2023*; and,
  - B) That a copy of this report and Council resolution be sent to all area municipalities within the Region of Durham.
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## **Report:**

### **1. Purpose**

- 1.1 The purpose of this report is to seek Regional Council endorsement of Regional staff's submission to the Province dated March 27, 2024, regarding the feedback the Ministry of Infrastructure is seeking to develop a regulation to implement the Transit Station Charge (TSC) through the *GO Transit Station Funding Act, 2023*.

- 1.2 On December 4, 2023, the *GO Transit Station Funding Act, 2023* received Royal Assent. The legislation enables upper, single and lower-tier municipalities, as may be prescribed, to support the delivery of new GO stations through the collection of a TSC generated from development to pay for costs related to the construction of stations that the municipality has agreed to upfront finance.
- 1.3 The proposed feedback request from the Ministry of Infrastructure was posted for a 45-day comment period on the Ontario Regulatory Registry, which ended on March 29, 2024 (24-MOI003). As such, Regional staff submitted preliminary comments to ensure that the Region of Durham's comments were received prior to the commenting deadline. Should Regional Council wish to offer additional or different comments, a revised response to the Province will be submitted.

## **2. Background**

- 2.1 The Region of Durham has been working with the provincial government for over 30 years to expand GO train service to Bowmanville, which is a 20-kilometre extension involving four proposed new GO stations in the City of Oshawa and the Municipality of Clarington.
- 2.2 On December 7, 2017, Metrolinx awarded a Technical Advisor contract to Stantec to provide technical advisory, design, and construction support services for the Lakeshore GO East Extension to Bowmanville. The Technical Advisor has designed the rail extension to approximately 50 per cent, excluding the stations, in anticipation of awarding a Construction Manager at Risk contract to refine and bring the rail extension to 100 per cent design and priced for construction.
- 2.3 In 2018, Metrolinx introduced its Market Driven Strategy. This strategy introduced the concept of "the benefiter pays", where the Province would no longer pay for new GO stations. Instead, Metrolinx would leverage the value of the new transit service and would work with landowners adjacent to GO stations, (who stand to benefit the greatest from the introduction of the transit service), to pay for the station in exchange for the rapid transit service.
- 2.4 The Market Driven Strategy is based on the ability of a single developer to pay for and build a GO station in exchange for the increased land value associated with the new transit infrastructure.
- 2.5 Despite having carried out an engagement process to identify station partners in Durham, it has proven challenging for Metrolinx to secure developer agreements to pay for any of the four stations, underpinned by the following reasons:

- a. The fragmented land ownership around the proposed stations means that no single land parcel can generate enough land value uplift to support paying for stations; and,
  - b. The land value uplift and Regional market conditions are not strong enough within the Durham context for any single developer to absorb the cost of a station while supporting a viable development.
- 2.6 On June 15, 2023, Metrolinx awarded the rail extension Construction Manager at Risk (CMAR) contract to Bowmanville Construction Partners which is a general partnership between Ledcor CMI Ltd. and Dragados Canada Inc. This consortium will advance the rail extension to 100 per cent design for Metrolinx and will be the preferred contractor to build the rail extension. At present, the CMAR contract does not include the design or construction of the four proposed stations.
- 2.7 On September 25, 2023, the Province introduced new legislation, titled the *GO Transit Station Funding Act, 2023*.
- 2.8 On December 4, 2023, the *GO Transit Station Funding Act, 2023* received Royal Assent and came into force. This legislation:
- a. gives municipalities the ability to pass a by-law to collect a TSC to be levied on lands subject to development to pay costs related to the construction of a proposed new GO Transit station within a prescribed area around a proposed new GO station, provided a by-law is passed before the construction of the GO station begins;
  - b. provides that the TSC may recover costs related to station construction, interest on any debt incurred to pay any costs to be recovered, and any other amount provided for in the by-law;
  - c. makes the TSC payable upon the issuance of a building permit, with some provisions for earlier or later payments;
  - d. establishes reporting requirements for participating municipalities and a recourse for unpaid charges;
  - e. requires municipalities that choose to enact a TSC by-law to undertake a background study to determine if a charge is payable in any particular case, set the rate of the charge, establish the land area where the charges will apply, complete public consultation, and receive consent from the Minister of Infrastructure to pass the by-law; and
  - f. exempts lands owned and used for the purposes of a municipality or school board.

- 2.9 The Ministry of Infrastructure is seeking feedback to prepare regulation under the *GO Transit Station Funding Act, 2023* to implement the TSC and the transit station by-law. It is critical that the Province moves quickly on these regulations, as the design of the rail corridor extension for the Lakeshore East GO Extension to Bowmanville continues to progress, whereas the design of the stations are lagging behind significantly. If the Region were to upfront the cost of these stations through this new legislation, the longer it takes to determine the viability of the program, the more costs the Region could incur in redesign to have the stations work integrated with the rail corridor works, thereby decreasing the overall project feasibility.

**3. Proposal to create regulation to support implementation of the *GO Transit Station Funding Act, 2023***

- 3.1 The Ontario Regulatory Registry posting included a series of questions the Ministry of Infrastructure was requesting feedback on from stakeholders. The Ontario Regulatory Registry posting can be found in Attachment 2. Below includes a high-level summary of the Region of Durham staff's comments on the questions.

**How municipalities should be directed to map the boundaries to which they can apply the Transit Station Charge?**

- 3.2 The geographic boundaries for the collection of a TSC should relate to the impact that transit has on real estate value, as Bill 131 is based on land value capture.
- 3.3 Each community and each station site is unique, therefore the forecasted impact of the transit service on real estate value and development will be different. Broad considerations include the extent to which an area is urbanized, existing transit options, boundaries such as infrastructure, or natural features, and the status of land use permissions. As a result, mapping of the boundaries to which the TSC may apply should be determined by each municipality on a case-by-case basis as part of the preparation of the background study.
- 3.4 Any delineation is likely best started in the context of provincially delineated Major Transit Station Areas (MTSA) or Protected Major Transit Station Areas (PMTSA's) as the provincial policy that guides these delineations specifically prescribes policy benefits to land within a prescribed distance of a rapid transit station.
- 3.5 Flexibility related to the mapping should be provided to consider the following factors:

- a. the configuration/compact nature/walkability of the planned neighbourhood
- b. whether lands outside of the MTSA or PMTSA will be impacted by the presence of the rapid transit station and service
- c. the benefits provided to a wider geographic area from increased access to regional transit service.

**What costs related to construction of a new GO station should be recoverable through the Transit Station Charge?**

- 3.6 An excessive TSC will disincentivize development and is entirely contrary to the objective of equitably pooling land value uplift contributions by benefiting landowners in order to pay for a new GO station. It is critical that the TSC remains price sensitive and therefore cannot include endless costs to be recovered by Metrolinx and the municipality.
- 3.7 Construction costs for the station must be fixed at the time financing is being sought by the municipalities, as municipalities should not be involved in the delivery and oversight of the construction of the GO stations. Accordingly, it should not be the municipality's responsibility to pay for project cost over runs or unknown conditions.
- 3.8 The recoverable costs through the TSC should include:
- All costs associated with the studies needed to complete the background study including those required to assess the feasibility and risks of paying for the station(s), legal and advisory fees for the design, implementation, financing and administration of the station funding by law; and
  - All design and construction costs including municipal advisory services for station design oversight.

**The methodology and considerations to be included when calculating the charge and any additional requirements of the background study?**

- 3.9 Reliable station costs should be examined against a conservative long term, market-based development forecast tested under several amortization time periods and interest rates scenarios.
- 3.10 Recognizing that a TSC is different than a development charge that seeks to achieve complete cost recovery, the methodology should consider the principles of equity and certainty for the private sector to have trust and confidence that the charge will reflect land value capture.

- 3.11 Municipalities should be allowed to vary the TSC throughout the geographic area the by-law is subject to as justified through the background study work related to land value uplift (i.e. varying the charge based on proximity to station), which will contribute to the overall calculation of the charge.
- 3.12 Municipalities should be permitted to use a conservative development forecast as municipalities cannot take on undue risk. There must be flexibility to allow for changes to the charge under exceptional circumstances.
- 3.13 A detailed methodology is included in Attachment 2.

**What are acceptable offset strategies or measures that prescribed municipalities can consider?**

- 3.14 The introduction of transit infrastructure and fast frequent service, combined with municipally and provincially sponsored land use permissions that allow for a range of high-density developments increases land value for landowners, which creates a significant offset to landowners developing within the area. This increase in land value coupled with reduced parking standards, expedited municipal approvals, and guaranteed access to municipal services are offsets that the municipalities can consider.

**What is the methodology for calculating municipal offsets and co-ordinating offsets with the requirement for fee payment?**

- 3.15 The offsets identified above are the primary drivers of land value increases that support the TSC payment. All other municipal fees and requirements, such as planning application fees, reduced parking standards, access to servicing, etc., should be incorporated into the analysis to show total value to the landowner and present it in the context of the difference in value if there were no station or transit service. The regulation should allow for a broad range of value related offsets such as guaranteed transit service based on municipal financial risk, as well as municipal offsets to ensure that this legislation continues to be based in a market driven strategy where the benefiter pays and does not become a municipal subsidy.

**In addition to the draft by-law and background study, what additional information, if any, should the Minister of Infrastructure require from municipalities before deciding to approve a Transit Station Charge by-law?**

- 3.16 Municipal commitment to ensure transit supportive land uses, densities and policies are in place along with servicing.

- 3.17 Overall, the regulation should provide prescribed municipalities as much flexibility as possible to identify the appropriate components and TSC that will work for their community to deliver new GO stations.
- 3.18 The municipality should retain the right to terminate all agreements in the event the Minister makes amendments to the by-law that render the TSC no longer feasible from the municipality's perspective.

**Should the Province consider exemption for certain forms of development from the Transit Station Charge?**

- 3.19 Yes, and these should be identified by the municipality relative to their local context and the amount of revenue the transit service will generate. In addition, government owned lands should be subject to the TSC unless the proposed form of development is an exempted land use as determined by the municipality.
- 3.20 Where public institutions are exempt, the exemption should only apply to the space being provided for public institutional purposes (i.e., not retail, or other commercial uses therein).
- 3.21 In addition to considering certain exemptions, municipalities should have the option to recover lost revenue from exemptions through the TSC, permit phase-ins for certain community uses such as non-profit housing, and pre-payment to hedge inflation, if in the municipality's view it is fair to the development industry and wouldn't disincentivize development.

**Additional Items for Ministry Consideration**

- 3.22 Interest costs paid by the municipality should be minimized wherever possible, and for this reason, no cost of any kind, and in particular interest costs, should be paid by a municipality until the designating TSC by-law is passed to collect the charge, and there is an agreement with Metrolinx that the station will be constructed.
- 3.23 In terms of Metrolinx staff costs to manage and deliver the project, this needs to be assessed in the context of whether the GO station is a planned capital project. Stations that are part of a planned Metrolinx capital extension project, such as the Bowmanville Go Extension, means that Metrolinx has already planned for the resources to deliver the project in its budget planning process. These fees should not be paid by the municipality and recovered from the private sector. If the station is not a planned capital project, the case for Metrolinx staff cost recovery may make sense.

- 3.24 In the case of a planned rail extension and the fact that there are finite costs that can be recovered, it does not make sense to seek land costs from the municipality which will be recovered through the private sector. The GO station asset and associated lands will be owned operated, maintained and leveraged for future optimization and as such, the private sector should not bear that cost either.
- 3.25 If the TSC results in funding that meets the target funding levels prior to debt retirement the municipality should be allowed to direct the surplus towards capital improvements that maybe necessary for accommodating improved services and increasing ridership.

#### **4. Previous Reports and Decisions**

- 4.1 On May 6, 2022, the Commissioner of the Planning and Economic Development Department released Council Information Report #[2022-INFO-38](#), “Approval of the Lakeshore East GO Extension to Bowmanville”, which provided Council with an update on the approved alignment of the Extension and identified next steps.
- 4.2 On March 29, 2023, Council considered and endorsed confidential Committee of the Whole Report #2023-COW-11 containing information regarding the Bowmanville GO Extension station funding strategies.
- 4.3 On November 29, 2023, Council considered and endorsed the recommendations of Committee of the Whole Report #[2023-COW-38](#), “Durham Region’s response to the proposed *GO Transit Station Funding Act, 2023* which is a section within Bill 131: *Transportation for the Future Act, 2023*”, which sought endorsement of Durham Region staff’s input into the draft *GO Transit Station Funding Act, 2023* legislation.

#### **5. Next Steps**

- 5.1 The Region will continue to explore the use of the new legislation as the regulation is developed as a means to ensure GO station delivery for the Bowmanville GO Extension project.
- 5.2 Regional staff will continue working with the Ministry of Infrastructure on the draft regulation, and report back to Council accordingly.

#### **6. Relationship to Strategic Plan**

- 6.1 The Lakeshore East GO Extension to Bowmanville will improve mobility and travel options, supports transit-oriented development and in particular, housing, and aligns



with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

- a. Goal 1 Environmental Sustainability: Objective 1.5: Expand sustainable and active transportation.
- b. Goal 2 Community Vitality: Objective 2.1: Revitalize existing neighbourhoods and build complete communities that are walkable, well-connected, and have a mix of attainable housing.
- c. Goal 3 Economic Prosperity: Objective 3.3: Enhance communications and transportation networks to better connect people and move goods efficiently.
- d. Goal 4 Social Investment: Objective 4.1: Revitalize community housing and improve housing choice, affordability, and sustainability.

## **7. Conclusion**

- 7.1 The *GO Transit Station Funding Act, 2023* received Royal Assent and came into force on December 4, 2023.
- 7.2 The Ministry of Infrastructure is preparing regulations to implement the funding tools set out in the Act and is seeking feedback from stakeholders.
- 7.3 It is recommended that this Report and its recommendations be endorsed as the Region of Durham's response to the feedback request on the Ontario Regulatory Registry as the next step required to support the design and construction of new GO stations in the Metrolinx service area.
- 7.4 This report has been prepared in consultation with the CAO's office.

## **8. Attachments**

Attachment #1: Ontario Regulatory Registry Posting 24-MOI003

Attachment #2: Region of Durham Submission to the Ontario Regulatory Registry, commenting on the Ministry of Infrastructure's proposal to create regulation to support implementation of the *GO Transit Station Funding Act, 2023*

Respectfully submitted,

Original signed by

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Brian Bridgeman, MCIP, RPP, PLE  
Commissioner of Planning and  
Economic Development

Original signed by

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Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance

Recommended for Presentation to Committee


Original signed by

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Elaine C. Baxter-Trahair  
Chief Administrative Officer

## Act

## Proposed GO Transit Station Funding Act, 2023

<b>Regulation Number(s):</b>	N/A
<b>Instrument Type:</b>	Act
<b>Bill or Act:</b>	GO Transit Station Funding Act, 2023
<b>Summary of Decision:</b>	<p>Bill 131, Transportation for the Future Act, 2023 was passed by the legislature and received Royal Assent on December 4, 2023. Schedule 2 of this Bill included the GO Transit Station Funding Act, 2023, which is now in force.</p> <p>The GO Transit Station Funding Act, 2023 will provide a new optional funding tool that will help municipalities to fund the design and construction of new GO stations. This tool will allow municipalities to recoup the costs through a charge on new development within specified areas surrounding those new stations.</p> <p>The Ministry of Infrastructure will consult on the regulation required to implement the GO Transit Station Funding Act, 2023 through a forthcoming Regulatory Registry posting.</p>
<b>Analysis of Regulatory Impact:</b>	<p>The Ministry of Infrastructure will be consulting on subsequent regulations required to implement this tool. Such regulations will focus on the prescribed information and requirements of the background study and for the creation of a by-law, amongst other items, will be consulted on through future Regulatory Registry postings. Feedback from this and future postings will inform this proposal.</p>
<b>Further Information:</b>	 <a href="#">GO Transit Station Funding Act, 2023</a>
<b>Proposal Number:</b>	23-MOI004
<b>Posting Date:</b>	September 25, 2023
<b>Summary of Proposal:</b>	<p>The Province is consulting on the GO Transit Station Funding Act, 2023, that would, if passed, allow municipalities to fund the design and construction of new GO stations and recoup the costs through a charge on new development within specified areas</p>

surrounding those new stations.

The use of the tool, known as the station contribution fee, will only be permitted in municipalities where the Province has determined a new GO station is warranted. Municipalities will be required to provide a background study and pass a by-law which clearly identifies the area to which the station contribution fee will apply, to be forwarded to the Province for approval. Municipalities given approval to use the station contribution fee will be prescribed in a regulation.

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Transit Oriented Communities Policy and Delivery  
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777 Bay St  
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Toronto  
ON M5G 2E5

**Royal Assent** December 4, 2023

**Date:**

**Decision:**

Approved

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Sent Via Ontario Regulatory Register



March 27, 2024

Ministry of Infrastructure  
Transit Oriented Communities Policy  
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**The Regional Municipality  
of Durham**

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**Brian Bridgeman, MCIP,  
RPP, PLE**  
Commissioner of Planning and  
Economic Development

**RE: Ministry of Infrastructure's Ontario Regulatory Registry  
proposal to create regulation to support the  
implementation of the GO Transit Station Funding Act,  
2023, Proposal No. 24-MOI003**

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On behalf of the Region of Durham, please accept the following staff commentary in response to the "Proposal to create regulation to support the implementation of the GO Transit Station Funding Act, 2023". Please note that due to the commenting period on the Ontario Regulatory Registry, regional staff will be seeking endorsement of this letter at its Regional Council meeting on April 24, 2024. Should any modifications be made by Regional Council, I will immediately advise your office.

Regional staff continue to be supportive of the GO Transit Station Funding Act, 2023, which received Royal Assent on December 4, 2023, and which established the new funding tool to enable prescribed municipalities (referenced as "municipality" or "municipalities") to support the construction of critical new GO stations. The Region appreciates that the Ministry is now starting to develop the regulation needed to implement the Transit Station Charge (TSC) and urges the Ministry to continue to work collaboratively with its stakeholders to develop the regulation in a timely manner, understanding the compressed timeline that the Region of Durham continues to operate within.

Please find Regional staff comments and feedback below related to the questions posed in the Ontario Regulatory Registry posting.

**How municipalities should be directed to map the boundaries  
to which they can apply the Transit Station Charge?**

The geographic boundaries for the collection of a TSC should relate to the impact that transit has on real estate value, as Bill 131 is based on land value capture.

Each community and each station site is unique, therefore the forecasted impact of the transit service on real estate value and development will be different. Broad considerations include the extent to which an area is urbanized, existing transit options, boundaries such as infrastructure, or natural features, and the status of land use permissions. As a result, mapping of the boundaries to which the TSC may apply should be determined by each municipality on a case-by-case basis as part of the preparation of the Background Study.

In general, the process for mapping the boundaries should include the following:

- **Review MTSA Boundaries.** Many municipalities will have established Major Transit Station Area (MTSA) boundaries for future transit expansions as there is provincial policy that guides these delineations and specifically prescribes policy benefits to land within a prescribed distance of a rapid transit station. This work should be reviewed and considered as the minimum boundaries for the TSC. The MTSA (or PMSTA) boundaries should be reviewed against lands available for redevelopment and the impact on the overall community.
- **Lands Available for Redevelopment.** An analysis of the local area that considers the pattern of existing land use and the probability of redevelopment as a result of the transit investment – often called a “soft site” analysis – should be undertaken. Sites that are close to, but not within the boundary of the MTSA might be included if it is determined that the transit service would have a material impact of the development or redevelopment of the area.
- **Impact on the overall community.** The boundary may also be influenced by the overall impact on the community. Where the transit offers a new service in an area where it is expected that the market impacts extend beyond the MTSA a larger TSC area might be considered. For example, for Greater Golden Horseshoe communities that rely heavily on highway infrastructure to access the City of Toronto, the introduction of GO services may have a much more significant market impact than that experienced in more urban areas.

### **What costs related to construction of a new GO station should be recoverable through the Transit Station Charge?**

As a precursor to advising on what would be fair to ask the private sector to pay in terms of cost recovery, it is critical to state that there is only so much cost that the private sector will be willing to bear, and that an excessive TSC will disincentivize development and is contrary to the objective of equitably pooling land value uplift contributions by benefiting landowners in order to pay for a new GO station. The TSC must be price sensitive and therefore cannot

include endless costs to be recovered by Metrolinx and the municipality.

In addition to identifying what is fair for the private sector to pay, it is critical to ensure that construction costs for the station are fixed at the time financing is sought by the municipalities, as municipalities should not be involved in the delivery and oversight of the construction. Accordingly, it should not be the municipality's responsibility to pay for project cost over runs or unknown conditions.

The recoverable costs through the Transit Station Charge should include:

- All costs associated with the studies needed to complete the Background study, including those required to assess the feasibility and risks of paying for the station(s), legal and advisory fees for the design, implementation, financing and administration of the station funding by law.
- All design and construction costs including municipal advisory services for station design oversight.

**The methodology and considerations to be included when calculating the fee and any additional requirements of the background study?**

Reliable station costs should be examined against a conservative long term, market-based development forecast tested under several amortization time periods and interest rate scenarios.

Recognizing that a TSC is different than a development charge that seeks to achieve complete cost recovery, the methodology should consider the principles of equity and certainty for the private sector to have trust and confidence that the charge will reflect land value capture.

Municipalities should be allowed to vary the TSC throughout the geographic area the by-law is subject to as justified through the background study work related to land value uplift (i.e., varying charge based on proximity to station), which will contribute to the overall calculation of the charge.

Municipalities should be permitted to use a conservative development forecast, as municipalities cannot take on undue risk. There must be flexibility to allow for changes to the charge under exceptional circumstances.

The following summarizes the key steps Durham Region believes should be included as part of the Background Study methodology:

- **Identify probable TSC area boundaries:** As discussed above several scenarios should be developed to evaluate/assess the impact of various approaches to the boundaries of the TSC collection areas.
- **Identify soft sites:** Within each boundary scenario identify development or redevelopment sites and calculate the probable development yield from each site in terms of gross floor area and unit yields for the forecast period.
- **Growth Forecasts:** A long term, market based, development forecast should be prepared based on the expected long-term demand for intensified land uses within the Station Areas based on:
  - The growth forecast for the community.
  - The market attributes of the station area geographic location including the pattern of existing and surrounding land uses.
  - The amount of growth forecasted for higher density development forms from a municipal perspective.
  - Lands that may attract development that could form competitive supply.
  - Long term demand forecast.
  - Market experience/observed growth of mixed use / medium and high-density development within the community to establish a baseline growth forecast – (without transit)
  - Review medium and high-density historical observed growth within existing Transit Oriented Community (TOC) sites in comparable market areas to establish a basis for forecasting.
  - An analysis will be conducted to consider how non-residential uses will be treated through the TSC.
- **Estimate TOC Capture** – Estimate the total forecasted demand for mixed use / medium and high-density growth within the community and how much of the forecasted demand might be captured within the MTSA (or adjusted TSC area) understanding that a component of the forecasted development could be captured elsewhere within the community.
- **Estimate the Land Value Uplift** – a financial model should be developed that tests the probable land value increase a developer's land would experience based on the new transit investment and the increased land use planning entitlements. This could be accomplished by developing a residual land value model that tests the supportable land value of a development – considering all costs, revenues and profit – of a development without transit. This analysis could then be compared to the same development with the increase in revenues and sales absorptions associated with the



development with transit in place. The land value uplift is the theoretical maximum amount a developer could direct toward a TSC without impairing the feasibility of the development.

- **Develop assumptions for testing** - Based on the above analysis a range of TSC charges based on per square foot of development area could be established for testing as well as other assumptions such as inflation rates.

**Financial Testing** - The information from the aforementioned market-based growth forecasts and land value uplift should now be used to forecast how much revenue may be collected over the forecast/borrowing period to pay down all eligible costs including the debt requirement for funding the new station (as costed by Metrolinx). An amortization schedule that includes assumptions related to borrowing period, interest rates, gross floor area requiring a TSC, the proposed TSC inflation, offsets, and other factors, as necessary. This analysis should be repeated for each boundary scenario proposed for the TSC.

The model may be used to test the sensitivity and make recommendations with respect to the following:

- The impact of various interest rates on the ability to pay off the Municipal debt along with timing of when the debt is incurred (i.e., before or at completion of station construction).
- The impact of increased or decreased development relative to base market-based growth forecasts.
- Exempt development types (i.e., affordable housing). In this case, testing should make clear assumptions of the proposed exemption(s). For example, affordable housing exemptions should look at the percentage of units required, the minimum building size, the type of development (rental and condo), the target affordability level and duration of affordability.

### **What are acceptable offset strategies or measures that prescribed municipalities can consider?**

The introduction of the transit infrastructure and fast frequent service, combined with municipally and provincially sponsored land use permissions that allow for a range of high-density developments increases land value for landowners, which creates a significant offset to developers. This increase in land value coupled with reduced parking standards, expedited municipal approvals, and guaranteed access to municipal services are offsets that the municipalities can consider.

Municipalities that are successful in obtaining funding from other levels of government should be able to apply this funding to the debt.

**What is the methodology for calculating municipal offsets and co-ordinating offsets with the requirement for fee payment?**

The offsets identified above are the primary drivers of land value increases that support the TSC payment. All other municipal fees and requirements such as planning application fees, reduced parking standards, access to servicing etc., should be incorporated into the analysis to show total value to the landowner, and presented in the context of the difference in value if there were no station or transit service. The regulation should allow for a broad range of value related offsets such as the guaranteed transit service based on municipal financial risk, as well as municipal offsets to ensure that this legislation continues to be based in a market driven strategy where the benefiter pays so that this does not become a municipal subsidy.

**In addition to the draft by-law and background study, what additional information, if any, should the Minister of Infrastructure require from municipalities before deciding to approve a Transit Station Charge by-law?**

- Municipal commitment to ensure transit supportive land uses, densities and policies are in place along with servicing.
- Overall, the regulation should provide municipalities as much flexibility as possible to identify the appropriate components and TSC that will work for their community to deliver new GO stations.
- The municipality should retain the right to terminate all agreements in the event the Minister makes amendments to the by-law that render the TSC no longer feasible from the municipality's perspective.

**Should the Province consider exemption for certain forms of development from the Transit Station Charge?**

Yes, and these should be identified by the municipality relative to their local context and the amount of revenue the transit service will generate. In addition, government owned lands should be subject to the TSC unless the proposed form of development is an exempted land use as determined by the municipality.

Where public institutions are exempt, the exemption should only apply to the space being provided for public institutional purposes (i.e., not retail, or other commercial uses therein).

In addition to considering certain exemptions, municipalities should have the option to recover lost revenue from exemptions through the TSC, permit phase-ins for certain community uses such as non-profit housing and pre-payment to hedge inflation, if in the municipality's view it is fair to the development industry and wouldn't disincentivize development.

### **Additional Items for Ministry Consideration**

- Interest costs paid by the municipality should be minimized wherever possible, and for this reason, no cost of any kind, and in particular interest costs, should be paid by a municipality until the designating by-law is passed to collect the TSC, and there is an agreement with Metrolinx that the station will be constructed.
- In terms of Metrolinx staff costs to manage and deliver the project, this needs to be assessed in the context of whether the GO station is a planned capital project or not. Stations that are part of a planned Metrolinx capital extension project, such as the Bowmanville GO Extension, means that Metrolinx has already planned for the resources to deliver the project in its budget planning process. These fees should not be paid by the municipality and recovered from the private sector. If the station is not a planned capital project, the case for Metrolinx staff cost recovery may make sense.
- In the case of a planned Extension and the fact that there are finite costs that can be recovered, it does not make sense to seek land costs from the private sector. The GO station asset and associated lands will be owned operated, maintained and leveraged for future optimization and as such, the private sector should not bear that cost either.
- If the TSC results in funding that meets the target funding levels prior to debt retirement the municipality should be allowed to direct the surplus towards capital improvements that maybe necessary for accommodating improved services and increasing ridership.

Regional staff continue to welcome the opportunity to meet and further discuss the regulation to support the Transit Station Charge through the GO Transit Station Funding Act, 2023.

Sincerely,

*Colleen Goodchild*

Colleen Goodchild, RPP, MCIP  
Director of Planning  
Regional Municipality of Durham