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PAYING FOR TORONTO'S LIGHT-RAIL PLAN

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In the *Toronto Star* last year, I explained how the Spadina subway extension—and other subway extensions in Toronto—could be built and operated without a penny of new government support (Building subways without subsidies, August 28, 2006). Two things would be required.

One would be sufficient ridership to generate enough revenue to pay for the subway extension. If each of the proposed six stations were to have an average of about 40,000 residents or jobs within a square kilometre, the ridership revenue would cover operation and maintenance of the subway extension and, over 35 years, the cost of construction. Presently only the York University station would come near to meeting this requirement (counting each full-time student as a job).

The second requirement would be to set up a time-limited development corporation empowered to deliver the subway and the necessary development, including issuance of bonds to cover the construction cost.

The federal and provincial governments have now committed $1.367 billion towards the estimated $2.1 billion cost of the 8.6-kilometre extension (about $245 million per kilometre), leaving about $733 million to be paid for by the City of Toronto.

Present ridership projections for the subway extension are so low, revenue from riders will not even cover the extension's operating costs. This is because insufficient residential and other development is planned along the subway line. If enough development were to be put in place by the time the extension opened, revenues from riders would cover both the construction and the operating costs. The proposed subsidies would not be needed.

Developers find locations near subway stations sufficiently attractive that, given the necessary zoning arrangements and political commitment, the construction needed to support the subway extension will occur.

Developers do not find light-rail routes to be attractive, at least not yet. Thus, the paradox is that much more expensive subway lines can be designed to pay for themselves, but lower-cost light rail requires government support.

The new light-rail plan of the Toronto Transit Commission (TTC) would add 122.4 kilometres of streetcar service at an estimated cost of $6.105 billion, or about $50 million per kilometre. The $2.1 billion proposed for the Spadina extension—which will not be needed if sufficient development is in place—could be used to pay for the first third of this plan.

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Intensification along the light-rail routes would generate riders whose fares could make a further contribution to the cost of implementing the plan. However, what would be a realistic amount of intensification from a market perspective is unclear. So, therefore, is the addition transit revenue they would generate.

As in the case of the Spadina extension, the TTC's new light-rail plan comes with no associated plan for intensification of development along the proposed routes. Developing such plans should have the highest priority.

Here's what the TTC and the City should do:

1. Proceed with the Spadina subway extension, but only if there is to be substantial new development at each proposed station, enough to generate riders whose fares will cover the cost of constructing the extension and operating it.

2. Establish a time-limited, fully empowered development corporation to deliver both the subway extension (which would be owned and operated by the TTC) and the associated development (which would be constructed and owned by the private sector).

3. Use the funds committed to the Spadina extension to fund the first part of the light-rail plan, selecting the routes to be implemented for their intensification potential as much as for the contribution they would make to Toronto's transit arrangements.

4. Identify (i) intensification opportunities along all the proposed light-rail routes, (ii) the additional transit revenue that the intensification could generate, and (iii) the contribution to capital costs that could be made from the revenue.

5. Implement additional elements of the light-rail plan according to what could be funded from new riders generated by intensification (and from other contributions that may become available).

These five actions together comprise an integrated transit and land-development strategy. If implemented this strategy will transform Toronto by providing appropriate transit for the coming energy-constrained world and by adding substantially to Toronto's population.

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