THE GLOBE AND MAIL

Toronto transit agency Metrolinx to take ‘modest first step’ into real estate

STEPHEN WICKENS Feb. 25 2015

The Toronto regional transit agency will take an unprecedented step into the real estate business Wednesday when it issues a request for proposals to develop four of its Eglinton-Crosstown station properties.

Following in the footsteps of financially successful transit agencies overseas, Metrolinx’s plan will aggressively seek returns on transit investments by ensuring new stations are parts of mixed-use buildings from Day One. It’s a long-term strategy that infrastructure funding experts say should revolutionize how Canadians think about paying for transit expansion.

More Related to this Story

- New Toronto streetcars to begin arriving in substantial numbers
- Tory secures money to study feasibility of SmartTrack
- Stage set for new battles over Scarborough subway, LRT


Video **Video: Toronto's TTC fares about to change**

Commuting **Expect to pay way more in Toronto for express transit to airport**

While initial proceeds will defray only a small part of the $5.3-billion rapid transit line’s capital costs, Metrolinx is eyeing bigger returns on the other 22 Eglinton stations and, eventually, its largely underused property holdings across the region.

Such “land-value-capture” revenue streams are mostly untapped in North America, but they’ve helped East Asian cities to continually expand rail systems.

“Finally, this is so overdue for Toronto,” said Steve Fry, who studied Asian infrastructure funding while doing an MBA at Oxford and has since advised on the subject through his business consultancy, Pacific Links.

“In this part of the world, our rapid-transit cost calculations are always wrong because we never consider net costs; we never account for the money we should make off properties we have to buy to build subways," said Mr. Fry, who lives in his native Toronto even if little of his work is here.

He said Metrolinx won't make as much as it could because it's selling the four sites rather than playing developer. "But if they get this right it's a great first step … it should transform thinking around here, where we usually build wasteful stand-alone stations."

Metrolinx, which has retained real estate services firm Avison Young to advise on Phase I of a "competitive procurement process," is slated to officially launch the request for proposals on Wednesday. Winning bids are expected to be chosen in May.

The lands in play are on Eglinton Avenue West – at Bathurst Street, Weston Road and two sites at Keele Street. Industry sources say they'll likely fetch $14-million to $22-million in total. But the 19-kilometre LRT line will have 25 stations when it opens and requests for proposals for many other properties could be issued soon.

"Depending on the success of these first projects, we're likely to repeat it … that is our objective," Metrolinx spokeswoman Anne Marie Aikins said by e-mail. "It's the first example of achieving land-value capture in the [Greater Toronto and Hamilton Area] for transit and it will inform future engagement between Metrolinx and the development community."

Avison Young declined a request for comment.

The Weston Road site can take high-rises, while eight-storey buildings are the tallest permitted by the city on the other three.

Though not talking publicly, developers and real estate firms have been abuzz while studying the sites and preparing bids in recent days.

Transportation and urban-governance consultant Richard Gilbert – a long-time critic of Toronto's often sprawling one-storey, single-use subway stations – said Metrolinx's initiative should be applauded, even if this is "only a modest first step."

"In Toronto, we've considered stations as burdens that raise costs, so we've tried to keep the number of them to a minimum," the former city councillor said. "It's absurd. In some cities, stations are seen as revenue generators. If station-related development is planned for *before* stations are built, stations can be features of developments paid for by developers."

Toronto has periodically considered capitalizing on its transit properties. It published lists of prime undeveloped TTC sites in 2002, but never acted. In 2003, then-city councillor David Miller got a motion passed at the TTC calling for a report on "models such as a transit development corporation that would both ensure appropriate densities where new subways are proposed and directly capture the wealth created by the subways to help pay for their creation."

It's unclear if the report was ever done and, as mayor, Mr. Miller opted instead to promote street-based light rail because initial capital costs are lower. Promises by his successor, Rob Ford, that

Toronto could build subways fully paid for by develpers are seen as unrealistic by proponents of land value capture.

Aside from basic profit potential, Mr. Fry argues that benefits extend to transit operations as well as the capital side. He cites examples from Japan, Hong Kong and Singapore, where the co-development of stations has sped creation of urban-style land uses that in turn boost fare revenues.

Though cautioning about differences between Hong Kong and Canadian cities, he and Mr. Gilbert are fans of MTR Corp., which builds and operates that city’s subways, while also being a major developer and landlord. MTR, which has been profitable for more than 35 years, is 77-per-cent owned by the public. The other 23 per cent of its shares trade on the Hang Seng index.