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# Toronto owes mayor a thank you on transit

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Published on Thursday February 24, 2011

http://www.thestar.com/opinion/article/943888--toronto-owes-mayor-a-thank-you-on-transit


Toronto owes Mayor Rob Ford a big thank you for three things.

The first is for raising timely doubts about the wisdom of proceeding with Transit City. This was the previous council's expensive one-size-fits-all plan to replace buses on some routes with disturbingly long streetcars mostly on their own rights-of-way and sometimes underground — also known as light-rail transit or LRT.

The second is for reminding us that heavy-rail transit — usually known as subways — is the backbone of Toronto's transit system and we could use more backbone.

The third is for his recent plan, still mostly secret, to have the private sector pay for subways from the proceeds of development of land around stations.

It's the third thank you that should be expressed the most fervently, not because his plan will solve our transit woes — it won't — but because Ford has cast a spotlight on the vital link between transit and land development. He has illuminated this link with a brightness no one else in Toronto has come near to achieving.

Transit and land development interact in two ways. First, transit can raise the value of nearby development and stimulate more of it. Second, development near stations and stops can provide transit systems with a continuing stream of revenue from fare-paying riders.

Ford's proposal emphasizes transit's effect on development. He suggests that a private-sector consortium will put up about $4 billion to extend the Sheppard subway east to Scarborough Centre and west to Downsview. Over time, the city would repay the consortium from two sources of income. The consortium would get a share of the fees levied by the city on development near seven stations on the route extensions. The consortium would also get a share of the property taxes paid in respect of the new development. The consortium would bear the risk of there being no or insufficient development.

Would any investor go for such a deal? The answer is almost certainly not. The consortium would likely have no control over the amount of development, which would have to be huge to cover the investment. The risk of having too little revenue would be high. Could the deal be sweetened to make it appealing? The answer is yes, but only at the expense of Toronto taxpayers.

Why is revenue from the fare box being ignored? It's worth looking at Hong Kong's subway system, which has perfected the art of benefitting from development at stations. Even there, with superb management and an advantageous regulatory environment, only about a quarter of the system's total profit comes from development. The largest part of the profit comes from the fare box. (This astonishingly well-run system makes a healthy profit and pays dividends to shareholders, the largest of which is the Hong Kong government.)

Fare-box revenue is likely being ignored because expected ridership on the Sheppard line will not be high enough to allow a surplus that could help repay private-sector investment. Could ridership be high enough? Yes, if there are enough homes and jobs near the line in development designed to make transit use convenient.

Indeed, a proper assessment of opportunities could well show that less development will be required if a surplus from fare-box revenue is factored in than if the required revenue must come only from development charges and new property taxes.

How could this work? It would require a development corporation such as we have for Toronto's waterfront, only with more teeth. It would be time-limited, responsible over 15 years for delivering both the subway extensions and the private-sector development required to support them, and for ensuring that the finances balance out. Without a suitably empowered body responsible for both transit development and land development, Ford will not realize his subway dreams.

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