

TORONTO STAFF REPORT

October 24, 2002

To: Administration Committee

From: Commissioner of Corporate Services

Subject: Union Station Request for Proposals- Status Report on Negotiations with Union Pearson Group
Ward 28 - (Toronto Centre-Rosedale)

Purpose:

The purpose of this report is to provide an interim status report on negotiations with Union Pearson Group and on a process for public input.

Financial Implications and Impact Statement:

There are no financial implications arising from this report.

Recommendations:

It is recommended that:

1. City staff continue negotiations with Union Pearson Group;
2. in the event negotiations reach a point where no agreement can be reached with Union Pearson Group or further negotiating instructions are required, the Commissioner of Corporate Services be authorized to report directly to City Council's meeting on November 26,27 and 28, 2002 if required; and
3. appropriate City staff be authorized and directed to take all necessary actions to give effect thereto.

Background:

Union Station is the largest operating railway station in Canada, serving GO Transit, VIA Rail and other inter-city railways and TTC commuters. The federal government has designated it as a National Historic Site and it has been identified as a gateway to the waterfront. When the City purchased Union Station in August 2000, it identified three public policy objectives:

- (a) promotion of Union Station as a multi-modal transportation hub;
- (b) preservation of Union Station as a heritage building; and
- (c) revitalization of Union Station as a destination in order to ensure its financial stability.

At the same time it recognized that the station required both an infusion of capital and an experienced operator/manager to achieve these public objectives. The station was underperforming financially and was in serious need of basic capital repairs and refurbishment. To completely restore and revitalize the existing heritage building would require an infusion of significant capital funds. By enlisting the private sector to do so, the City can avoid the upfront capital costs and utilize the expertise of the private sector to rejuvenate the Station and restore it as a City landmark. At its meeting held March 6, 7 and 8, 2001, City Council directed the Commissioner of Corporate Services to initiate the Request for Proposals (“RFP”) which is the subject of this report.

At its special meeting held July 30, 31 and August 1, 2002, City Council selected Union Pearson Group (“UPG”) as the Preferred Proponent to revitalize Union Station. The next step in this RFP process is for staff to negotiate contractual terms with UPG, which are acceptable to the City of Toronto in the following general areas:

- team composition;
- concept design, including transportation components and heritage strategy;
- project management;
- leasing and operations; and
- business plan.

Those negotiations are underway and proceeding well. However, it is a complex matter and significant time and resources are required.

Comments.

To date, the parties have been settling the transaction framework and have begun an ambitious schedule of consultations with City staff, Parks Canada, Transport Canada and the station operators to obtain the key commitments necessary from UPG to assure City Council that its proposal will be implemented in a manner that is satisfactory to the City and to those stakeholders who have a direct interest in the Station.

(A) Transaction Framework:

The initial formal agreement to be entered into between the City and UPG, while principally an agreement to lease, is a more comprehensive agreement (the “Master Agreement”) given the complexities of the transaction. It will identify the Key Components of the proposal that must be committed by UPG before the City will agree to lease the Station to UPG.

Also to be finalized and attached as schedules to the Master Agreement will be a number of documents including:

- (a) the Station Lease;
- (b) the Concept Design, which will commit UPG to the revitalization concept for the Station, addressing such key components as the treatment of the moats; the lower level retail area; the opening in the VIA concourse to that lower level; the central stairwells; and a south access route connection; all to be approved by key stakeholders such as GO Transit, VIA Rail and Parks Canada;
- (c) preliminary project plans and preliminary outline specifications;
- (d) the Heritage Easement Agreement and Design Guidelines;
- (e) outline of the project team including strengthened heritage consultants;
- (f) the type and form of security to the City in respect of UPG's obligations;
- (g) preliminary project schedule;
- (h) preliminary project budget; and
- (i) naming/signage policy.

These must all be committed by Union Pearson Group before Council will be asked to approve the Master Agreement.

If approved and executed, the Master Agreement then provides for a "Pre-Construction Period" during which various pre-conditions must be met to the City's satisfaction in order to close the transaction, including:

- (a) finalizing the project scope, pre-construction design, plans and specifications for the Station, including any modifications to the Concept Design, which must continue to address the key City objectives for Union Station, including:
 - enhancement and integration of the transportation functions;
 - a demonstrated conservation ethic and respect for the heritage character and design of the Station and its Beaux-Arts architecture;
 - development of a distinguished identity and creation of a destination;
 - integration and connectivity to its surroundings, including enhanced pedestrian circulation and an improved south access route;
 - use of major architectural elements; and
 - accommodation of servicing requirements.

- (b) obtaining all necessary approvals, including any necessary Parks Canada/heritage approvals, municipal rezonings, site plan approvals, permits or other pre-construction approvals. This would include the usual City requirements including provision of public art;
- (c) finalizing the pre-construction project budget; construction schedule, including a staging approach approved by GO Transit, VIA Rail and TTC which integrates the Station work with the GO, VIA and TTC projects and minimizes disruption to their ongoing operating functions in the Station; construction contract, including construction financing and all necessary bonding, insurance or other security satisfactory to the City.

If, by the end of the Pre-Construction Period, these requirements have been met, then the transaction would be completed by execution and delivery of the Station Lease and any other necessary agreements to be delivered on closing and UPG would take possession of the Station.

The form and detailed content of the Master Agreement is under active negotiation between the parties. Once it is finalized, negotiations can then commence on the schedules, including the Station Lease. This is where the financial transaction will be documented. As such, there is nothing to report on this aspect of the proposal as yet.

(B) Concept Design

Simultaneously with the negotiation of the Master Agreement terms, UPG has been working diligently with City staff from the relevant areas (planning, transportation, facilities and real estate and heritage preservation) in consultation with GO Transit, VIA Rail, TTC, Parks Canada and the landowners to the South to address any issues identified through the review and evaluation phase and to finalize a recommended Concept Design that is satisfactory to all parties. This is a refinement of the UPG concept plan presented to City Council and is expected to be completed shortly. The City and UPG will then seek public input into the recommended Concept Design. Once this is finalized, the impact of any amendments on the business plan can be determined and dealt with as part of the negotiations on the financial package.

(C) Status Update on Key Issues

Heritage.

The Selection Panel in recommending UPG indicated that the heritage approach identified in its proposal was one area where improvement would be required. In response, UPG has retained the Montreal firm of Fournier Gersovitz Moss and Associates, Architects, to address heritage conservation issues. This firm has excellent credentials in the area of heritage conservation architecture. Discussions are underway to respond to issues and any further heritage requirements identified as part of the review and evaluation phase. Heritage Preservation Services staff will continue to work with Parks Canada and UPG to ensure that heritage conservation issues are adequately addressed in the legal agreements, Concept Design and resulting plans and specifications.

The Toronto Preservation Board is already aware of this proposal and will also be fully involved in its usual advisory role to City Council as part of the public review and reporting process on the Concept Design, and particularly any proposed alterations affecting identified heritage elements. A more detailed report on the heritage aspects of the UPG proposal will be incorporated in the final report on this transaction.

Additional Density

Administration Committee Report No. 11(1) adopted, as amended, by City Council at its meeting held July 30, 31 and August 1, 2002 recommending Union Pearson Group as the Preferred Proponent, made it very clear that, having reviewed both proponents' approach to the creation of additional density, selection of a Preferred Proponent did not constitute approval of an additional density concept and it was intended to proceed solely with the Base Proposal. City Council also expressed its concern with the air rights associated with Union Station and gave direction to staff on a confidential basis to preserve the interests of the City and to negotiate an approach that separated any opportunity to pursue additional density at the site from the proposal to revitalize the existing building.

UPG has recognized City Council's position and the parties are proceeding in a manner that is consistent with Council's direction in this regard. The UPG Concept Design, which is under consideration by the City and other stakeholders, does not include the creation of any additional development in the air space above the building or the tracks. The proposal is solely to restore and renovate the existing station building. Although the exact terms of the Master Agreement are still under negotiation, UPG has committed that it will restore and renovate the Station without delay and that this proposal is not in any way conditional upon the achievement of any additional density.

Public Process

The City's web site has been updated to allow easy access to the various public reports and other useful information related to the Station including the heritage framework and the public presentation on the two development proposals made to the July 30, 31 and August 1, 2002 City Council meeting.

As noted earlier, in addition to stakeholder consultations with the transportation operators and heritage agencies, public review and comment will be invited on the UPG Concept Design. In addition to the involvement of the Toronto Preservation Board, City staff will be arranging an open house information session as soon as possible and continued use of the City's web site will allow wider access to information and input on the project in advance of any final staff recommendation. City staff would also meet with stakeholders from the community to discuss specific issues as they arise.

Once City staff have completed the negotiations and are recommending a Successful Proponent, all aspects of the proposal, including the proposed contract terms will be made public before City Council gives its final approval. There will be a public report and presentation on the proposed

terms of the Master Agreement and its Schedules (such as the Lease and Design Concept) and the usual opportunity for public comment and deputation to the Administration Committee.

Conclusions:

If we continue to make good progress, I am optimistic that we will be able to provide a comprehensive report to the January Administration Committee meeting outlining the substance of the negotiations, including a response to the various City Council requests adopted at the meeting of July 30, 31 and August 1, 2002. Although negotiations are proceeding well, in the event the staff negotiating team determines that an agreement cannot be reached with Union Pearson Group such that I would be seeking instructions to commence negotiations with LP Heritage + Union Station Consortium or other critical negotiating instructions are required between now and then, I recommend that I be given the ability to report directly to City Council for advice and direction if required.

In the meantime, City staff will continue to work diligently with all parties to bring this Request for Proposals process to a successful conclusion, in order to restore and revitalize Union Station as a Toronto landmark.

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