

Clause embodied in Report No. 4 of the Administration Committee, as adopted by the Council of the City of Toronto at its meeting held on April 16, 17 and 18, 2002.

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Status Report on Union Station, Process for the Evaluation of Proposals to Restore, Develop and Operate Union Station and Continued Retainer of Consultants (Ward 28 - Toronto Centre-Rosedale)

(City Council on April 16, 17 and 18, 2002, amended this Clause by adding thereto the following:

“It is further recommended that the City Solicitor be requested to submit, to the next meeting of the Administration Committee, the portion of the confidential report dated April 12, 2002, from the City Solicitor, entitled ‘Union Station - Request for Proposals’, that can be made public.”)

The Administration Committee recommends the adoption of the report (March 20, 2002) from the Commissioner of Corporate Services.

The Administration Committee reports, for the information of Council, having requested the City Solicitor to submit a report directly to Council for its meeting scheduled to be held on April 16, 2002, responding to the allegations of irregularities in the RFP process.

The Administration Committee submits the following report (March 20, 2002) from the Commissioner of Corporate Services:

Purpose:

The purpose of this report is to provide a status report on the Union Station project, including authorization to amend the Interim Management Agreement with Toronto Terminals Railway Company Limited, to provide an update on the evaluation process for the Union Station Request for Proposals and to authorize the continued retainer of consultants through the evaluation process.

Financial Implications and Impact Statement:

Proposed amendments to the interim Building Management Agreement will increase the operating costs of the Station to the City by \$61,920.00 for 2001 and \$85,032.00 for 2002 with an associated impact on net revenues to the City. Costs to complete the evaluation of the proposals to restore, develop and operate Union Station, not to exceed \$300,000.00, can still be covered out of the net revenues being generated at the Station. Once a contribution agreement

has been finalized with the federal government, one third of these costs, up to a maximum of one million dollars, will be recovered. Funds to pay Davies Ward Phillips and Vineberg to assist the City Solicitor as required on continuing legal matters other than the Request for Proposals, are included in the 2002 Legal Division budget.

Recommendations:

It is recommended that:

- (1) the Building Management Agreement with Toronto Terminals Railway Limited be amended to increase the management fee by 3 percent for 2001 and 4 percent for 2002;
- (2) Davies Ward Phillips and Vineberg LLP continue to provide legal advice and assistance to the City Solicitor as required to finalize outstanding matters associated with the purchase transaction, including but not limited to the acquisition of the Moats and Teamways, finalization of heritage agreements with the federal government and the creation of and transition to a governance body to oversee the restoration, development, and operation of Union Station;
- (3) the retainers of Marshall Macklin Monaghan and Davies Ward Phillips & Vineberg, LLP also be continued to provide advice and assistance as required in connection with the evaluation phase of the Request for Proposals process, at a cost not to exceed \$300,000.00 to be funded from the net revenues at Union Station; and
- (4) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

The City purchased Union Station from Toronto Terminals Railway Limited (“TTR”) in August 2000. That complex transaction also contemplated a restructuring of the leasehold and operating arrangements within the Station, finalization of heritage agreements with the federal government and an agreement with Canadian Pacific Properties Incorporated (“CPPI”) whereby the City would acquire CPPI’s leasehold interest in the Moats and Teamways surrounding the Station in exchange for relieving CPPI of certain obligations imposed by the Railway Lands Precinct Agreements.

Once the City owned the Station, Council authorized the Commissioner of Corporate Services to issue an international Request for Expressions of Interest from the private sector to restore, develop and operate Union Station for the City. At its meeting held March 6, 7 and 8, 2001, City Council prequalified three consortia to participate in the Request for Proposals (“RFP”) process. In August 2001, the RFP to restore, develop and operate Union Station was issued to those three pre-qualified consortia. Two proposals have been received and are being carefully reviewed and evaluated.

By its adoption of Administration Committee Report 3(1) on March 6, 7 and 8 2001, City Council has also authorized the creation of a distinct corporation to oversee the redevelopment of the Station. A Memorandum of Understanding between the federal government and the City outlines the basic terms and objectives for the corporation, which will have 4 City appointees and 2 federal appointees on the Board of Directors. Once incorporated, the corporation would take over the RFP process and select the successful proponent to restore, develop and operate Union Station. Creation of such a corporation by the City requires special legislation and has taken longer than anticipated to finalize. It is therefore more likely that selection of the successful proponent to restore, develop and operate Union Station will now be made by City Council.

In the meantime, Council also authorized an interim arrangement whereby TTR continued to operate the Station on the City's behalf for a management fee until such time as a new operator was selected to restore, develop and operate the station.

Comments:

The complete transition of Union Station into City ownership and finalization of the myriad of contractual and other arrangements is gradually being completed. Recently, the transfer of the Moats and Teamways that surround the Station to the City from CPPI closed. Negotiations with the federal government (Parks Canada) on process issues arising out of the Heritage Easement Agreement are nearing completion. Creation of and transition of the Station to a governance body is the next task to be tackled. This ongoing work program has required the continued assistance of DWPV to the City Solicitor. Because of Robert Bauer's involvement in this matter from the outset, that advice and assistance has been invaluable and should be continued as required by the City Solicitor. Funding to do so is included in the Legal Division budget.

The acquisition of the Moats and Teamways and a restructuring of the leasehold and operating arrangements with GO and VIA Rail has resulted in the City leasing out, operating and maintaining a larger portion of the Station building. When the City purchased the Station in August 2000, it entered into what was supposed to be a short term, interim arrangement whereby TTR continued to operate the Station for the City for a fixed management fee. TTR's duties have definitely increased since the Building Management Agreement was negotiated and due to the passage of time TTR's costs to manage the Station have also increased. As a result, TTR has requested an increase in the management fee and as a result of discussions between TTR and City Staff, an increase is recommended of 3 percent for 2001 and 4 percent for 2002.

As a result of the delay in establishing the Union Station corporation, a staff team led by the Commissioner of Corporate Services, with the assistance of staff from Urban Development Services, Finance, Heritage Preservation Services, Parks Canada and Transport Canada has received the proposals and commenced a review and evaluation phase. Consultations are also ongoing with GO Transit, VIA Rail and TTC. In the spirit of the memorandum of understanding with the federal government regarding the creation of a Union Station corporation, a Selection Committee composed of 4 City officials and two federal officials will evaluate the proposals and recommend a preferred proponent to City Council. Completion of the RFP process has also required the continued services of Marshall Macklin Monaghan ("MMM") and Davies Ward Phillips & Vineberg ("DWPV"). City staff have been pleased with the quality and efficiency of both MMM and DWPV's services throughout this process and recommend that their retainers be

continued to complete the review and evaluation of the proposals. It would certainly not be cost efficient at this stage to engage new consultants and City staff are of the opinion that their expertise is required given the nature and significance of this opportunity.

It was anticipated that once the corporation was created, it would take over the RFP process and evaluate and select the successful developer to restore, develop and operate Union Station. This would have included funding any consultants required for the evaluation phase. Consequently, the previous Council authority to continue the retainers of MMM and DWPV only referred to the preparation of the RFP and did not include the review and evaluation process. While the federal government has committed in the memorandum of understanding to fund one third of the costs of the RFP, up to one million dollars, the contribution will be made to the Corporation and the Corporation will reimburse the City. Therefore until the Corporation is created no funds can be made available from the federal government for this process. The costs of continuing these retainers can be funded out of the current revenues generated at Union Station.

Conclusion:

The Union Station project is proceeding at a steady pace given the complexity of the issues. Continued outside assistance is required to complete the various transactions, including the evaluation of the responses to the Request for Proposals. It is recommended that the consultants' retainers be continued. The interim arrangements with TTR to manage Union Station have also continued longer than anticipated and have been expanded, making it fair and reasonable for the management fee to be increased.

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(City Council at its meeting on April 16, 17 and 18, 2002, had before it, during consideration of the foregoing Clause, a confidential report dated April 12, 2002, from the City Solicitor, such report to remain confidential in its entirety, in accordance with the provisions of the Municipal Act, given that it contains information that is subject to solicitor/client privilege.)