

Clause embodied in Report No. 14 of the Administration Committee, which was before the Council of the City of Toronto at its regular meeting held on November 26, 27 and 28, 2002.

1

**Union Station Request for Proposals  
Status Report on Negotiations With  
Union Pearson Group  
(Ward 28 - Toronto Centre - Rosedale)**

*(City Council, at its regular meeting held on November 26, 27 and 28, 2002, deferred consideration of this Clause to the next regular meeting of City Council scheduled to be held on February 4, 2003.)*

**The Administration Committee recommends the adoption of the report (October 24, 2002) from the Commissioner of Corporate Services.**

The Administration Committee reports, for the information of Council, having:

- (1) established a Reference Group comprised of Councillors Doug Holyday, Brian Ashton and Paul Sutherland to assist staff to expeditiously formulate a public consultation and public input process that optimizes public involvement in reviewing all aspects of the concept design, including transportation components and heritage strategy;
- (2) requested the Commissioner of Corporate Services:
  - (a) to request the proponents to identify any potential conflicts of interest their Board Members or Senior Managers may have with respect to involvement with any transportation agencies or other affected parties; and
  - (b) to submit a report to the Administration Committee on a Project Management Model that would ensure public accountability of a major Toronto Heritage landmark and transportation asset; and
- (3) referred the following motion to the Commissioner of Corporate Services for report, directly to Council for its meeting scheduled to be held on November 26, 2002, on its impact to the current negotiations:

Moved by Councillor David Miller:

- “(1) That the Administration Committee recommend to Council that Recommendation No. (1) contained in the report (October 24, 2002) from the Commissioner of Corporate Services with respect to the applicants rights to any future density, be received; and

- (2) that the Commissioner of Corporate Services be requested to submit a report to the Administration Committee on the terms of a full public process including the opportunity for charettes and design competitions with respect to the future development potential of Union Station and nearby lands.”

**The Administration Committee submits the following report (October 24, 2002) from the Commissioner of Corporate Services:**

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) the 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:

- (i) team composition;
- (ii) concept design, including transportation components and heritage strategy;
- (iii) project management;
- (iv) leasing and operations; and
- (v) 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:
  - (i) enhancement and integration of the transportation functions;
  - (ii) a demonstrated conservation ethic and respect for the heritage character and design of the Station and its Beaux-Arts architecture;
  - (iii) development of a distinguished identity and creation of a destination;
  - (iv) integration and connectivity to its surroundings, including enhanced pedestrian circulation and an improved south access route;
  - (v) use of major architectural elements; and
  - (vi) 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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**The Administration Committee also submits the following communication (October 7, 2002) from the City Clerk:**

Recommendation:

The Toronto Cycling Committee requested the Administration Committee for an opportunity to review the site plan of Union Station for bicycle facilities, when it is available.

Background:

The Toronto Cycling Committee, at its meeting held on September 23, 2002, had before it a communication (August 8, 2002) from the City Clerk, providing, for information, Clause No. 1, contained in Report No. 11, of The Administration Committee, headed, "Request for proposals to Restore, Develop and Operate Union Station (Ward 28 – Toronto Centre-Rosedale), which was adopted, as amended, by City Council on July 30, 31 and August 1, 2002; and advising that City Council has adopted a recommendation that discussions with the proponent include the development of an ambitious plan for cycling facilities, cycling rentals and service, modeled on best practices from Europe, and further, that there be consultation with the City's Cycling Committee and staff of the Works and Emergency Services Department.

The Toronto Cycling Committee:

- (1) requested the Administration Committee for an opportunity to review the site plan of Union Station for bicycle facilities, when it is available; and
- (2) requested the Administration Committee to give favourable consideration to the aforementioned recommendation.

**The Administration Committee also submits the following communication (November 5, 2002) from Councillor Michael Walker, St. Paul's:**

Recommendations:

It is recommended that:

- (1) the present Request for Proposals and Master Agreement negotiations be terminated and an international design competition that incorporates the railway lands south of Union Station, Union Station and the Air Canada Centre be initiated;
- (2) an independent review of the present project be commissioned – such review to be completed for the March 25, 2003 Administration Committee meeting;
- (3) Clause No. 1 to the Administration Committee from Commissioner of Corporate Services, dated October 24, 2002, be received; and
- (4) no further consideration be given to this matter until the March 25, 2003, meeting of the administration committee.

Background:

I have had the privilege of serving the people of Toronto for over twenty years. In order to discharge my duties it is only common sense that it is necessary to be informed.

In my opinion, we have been asked to vote on the union station proposal without having sufficient information to do so. That is an insult to our integrity and furthermore, if followed, would be a dereliction of our duty.

I would like to propose an alternative and hopefully better way for us to proceed. The question has to be asked: Why are we tendering Union Station without due consideration of the lands to the south that we own? Surely the design of a project envisioned now should incorporate both properties and likely the Air Canada Centre at the same time.

Union Station is not only a Toronto landmark, but a Canadian one as well. We now have an opportunity to create a landmark project - one to be recognized world wide. We own the lands to the south of Union Station and the inherent value of that land can create the capital that could be used to capitalize and develop the site not only in an economic fashion but as a landmark statement.

The call for proposals re: Union Station stated that the development of this land should only be peripherally taken into account in the selection process. That is illogical. Should we pour the footings before planning the building?

I am not sure what the value of the railway lands are but indications are that the value is over \$100 million. Certainly an appraisal would be helpful. One of the parties who submitted a proposal on Union Station has indicated the railway lands' value as \$200 million.

Certain buildings around the world have created landmarks. Examples are the Empire State Building, the Rockefeller Center, the Sydney Opera House, and Toronto City Hall itself. We have a chance to utilize this property together with Union Station to create the same. I would suggest that an international competition be called for the design of these lands, incorporating and merging the project with both Union Station and the Air Canada Centre.

Further to this, the newly adopted Official Plan states in section 3.1.1, the Public Realm:

“Policies:

(1) - quality architectural, landscape and urban design will be promoted by:

...(b) using design competitions to seek design excellence and promote public interest in design quality for public works; and...”

In order to protect Council's interests and to realize the best economic benefits, I propose that the design firm need not be the developer. Thus, once we have decided on and approved the design of the project, we can open that for tender. We almost certainly will get better value as the inside track will have been broken.

Even if the city has to contribute a part of the value of the land and thus subsidize the costs so as to make them economical, the benefit will be the landmark project.

The process must be transparent, and without conflicts of interest or even the appearance of conflicts. One of the significant shareholders in the preferred respondent is a major significant shareholder in the Air Canada Centre. His lawyer, and good friend, is our mayor's son. Accordingly, it would seem the mayor has an apparent conflict of interest that should be investigated. If there is not the appearance of conflict here I do not know what the term means. I cannot and will not vote for this proposal under these circumstances.

Approximately ten years ago I objected to a development proposal on Mutual Street involving the sears building and other adjacent properties. When City Council agreed on my and former Councillor Jacobek's initiative to bring in an independent consultant for a report, the City realized savings in excess of thirty million dollars.

At the very least, if we proceed as we are being advised to by staff which I am against, I feel strongly that an independent review of this project be commissioned prior to any vote.

This building has been with us for nearly eighty years. Three or four more months is reasonable.

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The Administration Committee, reports for the information of Council, having also had before it a communication (November 5, 2002) from Mr. Joe Lobko, Chair, Toronto Society of Architects, urging the City to support and implement a process of community involvement with respect to the restoration and development of the Union Station property, prior to entering into any contractual agreements with Union Pearson Group, or any other operator/developer proponent; requesting that the present contractual negotiations to determine the redevelopment plans for the Station be delayed until public input can be obtained; and advising that the Toronto Society of Architects would be pleased to work with the City to facilitate the generation of ideas and to promote public awareness of the issues and opportunities.

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The following persons appeared before the Administration Committee in connection with the foregoing matter:

- Mr. John Sewell;
- Mr. Lawrence David;
- Ms. Linda Sheppard, and filed a written submission with respect thereto;
- Mr. Wayne Olsen, and filed a written submission with respect thereto;
- Mr. David Jeanes, President, Transport 2000 Canada, and filed a written submission with respect thereto;
- Mr. Rick Ducharme, General Manager, Toronto Transit Commission;

- Mr. Steven Otto;
- Mr. Andy Turnbull;
- Ms. Bobbi Speck, and filed a written submission with respect thereto;
- Mr. Gary Adamache;
- Mr. Stig Harvor, and filed a written submission with respect thereto;
- Mr. Wilfrid Walker, P. Eng, Transport 2000 Ontario;
- Mr. Rob Hines, and filed a written submission with respect thereto;
- Ms. Phyllis Creighton and Ms. Dorothy Fletcher;
- Mr. David Hanna;
- Ms. Marcia Cuthbert, and filed a written submission with respect thereto;
- Mr. Hamish Wilson;
- Ms. Lois James; and
- Mr. Andrew Jeanes.

The following Members of Council also appeared before the Administration Committee in connection with the foregoing matter:

- Councillor Sandra Bussin, Beaches-East York;
- Councillor Joe Mihevc, St. Paul's;
- Councillor Howard Moscoe, Eglinton-Lawrence; and
- Councillor Michael Walker, St. Paul's.

*(City Council, at its regular meeting on November 26, 27 and 28, 2002, had before it, during consideration of the foregoing Clause, the following report (November 21, 2002) from the Commissioner of Corporate Services:*

*Purpose:*

*The purpose of this report is to report, as requested by the Administration Committee, directly to Council at its meeting scheduled to be held on November 26, 2002 on the impact on current negotiations of two motions more fully described below.*

Financial Implications and Impact Statement:

*This report has no financial implications.*

Recommendation:

*It is recommended that this report be received for information.*

Background:

*At its meeting held on November 5, 2002, the Administration Committee had before it the report (October 24, 2002) from the Commissioner of Corporate Services entitled "Union Station Request for Proposals – Status Report on Negotiations with Union Pearson Group" recommending that:*

- "(1) City staff continue negotiations with Union Pearson Group; and*
- (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."*

*The Administration Committee has recommended to Council the adoption of that report and, among other things, referred the following motions to the Commissioner of Corporate Services for a report to be made directly to Council for its meeting scheduled to be held on November 26, 2002 on their impact to the current negotiations:*

- "(1) that the Administration Committee recommend to Council that Recommendation No. (1) contained in the Report (October 24, 2002) from the Commissioner of Corporate Services with respect to the Applicant's right to any future density, be received; and*
- (2) that the Commissioner of Corporate Services be requested to submit a report to the Administration Committee on the terms of a full public process including the opportunity for Charettes and design competitions with respect to the future development potential of Union Station and nearby lands."*

Comments:

*At its Special Meeting held July 30, 31 and August 1, 2002 City Council authorized and directed staff to undertake negotiations with Union Pearson Group Inc. and to report back to the October 15, 2002 Administration Committee meeting. In addition, certain confidential instructions were issued to staff including instructions as to how negotiations with the preferred proponent were to be structured with respect to the right, if any, of Union Pearson Group to develop additional density at Union Station.*

*The effect of Motion No. (1) would be to discontinue negotiations at this time with Union Pearson Group Inc. with respect to additional density. This would, in my view, be inconsistent with Council's direction. Council specifically provided confidential instructions to staff as to how negotiations on the additional density issue were to be conducted. City Council gave firm directions to staff to preserve the interests of the City and to negotiate an approach that addresses independently the restoration and renovation of the existing building and any opportunity to pursue the creation of additional density at the Station. Without determining whether additional density could or should be created at Union Station, the legal agreements to be negotiated must protect the City's right to create and develop additional density in the future, either on its own or in concert with a developer. As a minimum, this would require the reservation of rights of access and support and other rights necessary so as not to preclude construction in the future.*

*Staff is making good progress in the negotiations with regard to Council's directions in this regard. However, the parties have not completed these negotiations and in particular have not fully settled the terms required in the lease to allow the City to create and construct additional density at Union Station in the future, should it determine that this was appropriate. By instructing staff not to continue negotiations with regard to additional density, the first motion would remove staff's ability to negotiate the appropriate protections that would allow the City, or anyone else, to create and construct additional density at Union Station in the future. This is impractical and would not be in the best interests of the City.*

*Motion Number (2) requests a report to the Administration Committee on terms for a full public process including the opportunity for charettes and design competitions with respect to the future development potential of Union Station and nearby lands. It was always intended, and the RFP document states, that any proposal to create additional density at Union Station would be subject to the normal planning and approval process as required by the Planning Act. City staff have made it very clear to proponents that there are significant planning, heritage, transportation and other issues that would have to be resolved before any additional density could be approved for Union Station. Any process to consider future development potential could incorporate design competitions, charettes and other forms of public participation. It would be appropriate for the Commissioner of Urban Development Services to report to the Administration Committee in this regard as part of the comprehensive report on the results of negotiations with the Union Pearson Group.*

*With respect to the impact on negotiations, the current concept design under discussion with Union Pearson Group does not include any additional development in the air space above Union Station or the rail corridor. As such, the second motion has no immediate or adverse impact on the current negotiations with Union Pearson Group. As noted above, any consideration of the future development potential of Union Station and nearby lands would include a full public process and the options suggested in the motion are always within the purview of the City to initiate or require – particularly for a City owned site of this significance.*

*The Chief Financial Officer and Treasurer, Commissioner of Urban Development Services and the City Solicitor have been consulted in the preparation of this report.*

Conclusions:

*In conclusion, Motion Number (1) will have a significant and adverse impact on City staff's ability to negotiate an agreement that protects the City's interests. Motion Number (2) has no impact on the negotiations.*

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*(City Council also had before it, during consideration of the foregoing Clause, communications from the following, forwarding comments with respect to the proposed redevelopment of Union Station:*

- (a) (November 1, 2002) from Janet Goodfellow; and*
- (b) (November 21, 2002) from Laura F. Cooper, on behalf of the Save Union Station Steering Committee.)*

*(Having regard that City Council deferred consideration of this Clause to its next regular meeting scheduled to be held on February 4, 2003, the aforementioned communications will be resubmitted to Council.)*