TORONTO

STAFF REPORT
ACTION REQUIRED

Union Station Revitalization – Recommended Approach

Date:	November 13, 2007
To:	Executive Committee
From:	City Manager Deputy City Manager and Chief Financial Officer
Wards:	Ward 28, Toronto Centre-Rosedale
Reference Number:	P:\2007\Internal Services\F&re\Ec07117F&re - AFS #2263

SUMMARY

This report advises that expert consultants were retained and worked with an interdivisional team to review possible options for the revitalization of Union Station, as directed by Council at its meeting of July 25, 26, and 27, 2006. The team evaluated several options and determined the best option to revitalize the Station as a multimodal transportation hub and as a landmark destination. The selected approach also provides revenue generating opportunities which will improve the Station’s financial performance.

RECOMMENDATIONS

The City Manager and Deputy City Manager/Chief Financial Officer recommend that:

1. City Council endorse the Recommended Approach as the conceptual framework for the revitalization of Union Station involving the following key elements:

    (a) a comprehensive state of good repair, transportation and heritage restoration capital program to be undertaken by the City;

    (b) construction by the City of a new upper level transportation concourse area of approximately 11,700 square meters (126,000 square feet) to be leased to GO Transit in place of its existing leased space;

    (c) the excavation and construction of a new retail concourse beneath the existing Bay, VIA and York Street concourses of approximately 12,500 square meters (134,500 square feet) to be undertaken by the City in consultation with the Union Station stakeholders; and

(d) selection of a head lessee to lease and operate all commercial space in the Station, of up to approximately 41,000 square metres (440,000 square feet, including the newly created lower retail concourse);

2. Staff be directed to undertake negotiations with Transport Canada to amend the current Memorandum of Understanding respecting a federal contribution to the heritage and multi-modal transportation elements in this revitalization project;

3. Staff be directed to undertake negotiations with appropriate provincial ministries concerning their financial participation in this revitalization project;

4. Staff be directed to undertake negotiations with GO Transit to pursue development of the Recommended Approach;

5. the Chief Corporate Officer execute a new two year Building Management Agreement with The Toronto Terminals Railway Company Limited for the period, January 1, 2007 to December 31, 2008, on revised terms set out in the body of this report and summarized in Attachment 8, in a form satisfactory to the City Solicitor;

6. the Chief Corporate Officer amend the 49-year lease with VIA Rail Canada Inc. (VIA) to incorporate changes already made to its leased premises in various parts of Union Station as summarized in Attachment 8 and increasing the rent payable accordingly; and

7. the City Manager report back to Executive Committee with an implementation plan for the Recommended Approach.

Financial Impact

<u>2006 and 2007 Actual Expenditures</u>

Table 1 below details actual capital expenditures incurred during 2006 and 2007.

Actual Spending 2006/2007 – Table 1
($millions)

Projects	**2006 Actuals**	**2007 Projected Actuals to Year-end**
West Window/West Wing Skylight	2.862	
Pedestrian Bridge	.069	1.601
Fire & Life Safety/Emergency	.446	
Building Condition Assessment	.083	.626
Union Station NW Path Study	.097	.344
UPG Historic Structures	.148	
York Street Expansion Joint		.455
Terazzo Flooring		.203
Cooper Roof Repairs		.043
Union Station Security		.642
South Access Tunnel		3.000
Total	**3.705**	**6.914**

The following table identifies total consulting and related expenditures incurred during further development of the revitalization options in 2006 and 2007.

2006/2007 Revitalization Expenditures – Table 2

Union Station Operating / Reserves	
Deloitte & Touche – real estate & financial advisory	$646,600
NORR Architects	500,000
JC Williams Group – retail consultant	49,555
FGMA	628,000
Other costs	20,000
Total	**$1,844,155**

The recommended 5 year capital plan for Union Station, from 2008 to 2012, for State of Good Repair work, totals $86.149 million.

2008 -2012 Recommended Capital Plan Table 3 ($000)						
	2008	**2009**	**2010**	**2011**	**2012**	**2008-2012**
Gross Expenditures	**16,543**	**13,053**	**20,253**	**20,050**	**16,250**	**86,149**

Facilities and Real Estate staff have, with the aid of transportation, engineering and architectural consultants, identified a total of $268.63 million ($2007) in capital works that will need to be carried out over the next twenty-five years to provide state of good repair, heritage, transportation and pedestrian flow improvements to Union Station. These improvements are summarized in Table 4 below:

Table 4 – Capital Cost Summary		
Category	Improvement	Cost ($2007 million)
Required	Heritage Improvements	75.43
	State of Good Repair	101.16
	Sub-Total BCA(includes 2008-2012 Plan)	**176.59**
	Pedestrian Flow	32.34
	GO Concourse/Holding Area	56.82
	Loading Dock (included in 2008-2012 Plan)	2.88
	Sub-Total Transportation	**92.04**
Revenue Enhancement	Promenade Retail	28.13
	East and West Wing Retail	10.00
	West Wing Office	11.16
	Moat Retail	6.61
	New Retail Area Below Passenger Concourse	81.38
	Sub-Total:	**137.28**
	Less Duplicated Costs with State of Good Repair	(17.58)
	Total:	**388.33**

Some of these capital costs will be funded through sources other than the City. For example, it is anticipated that GO Transit will contribute towards the cost of improvements benefiting GO Transit and the federal government will contribute towards heritage restoration and other costs.

Deloitte & Touche LLP ("Deloitte") has assessed the degree to which future revenues from the station can offset the capital costs. They have forecast that the station, as presently configured will not earn sufficient revenues to offset these capital costs.

In order to fund the remaining balance, Deloitte has examined a number of potential capital improvements that may provide the City with increased commercial rental revenues from the station. As a result of this analysis, the consultant has recommended the revenue enhancement improvements summarized in Table 4, which have a total capital cost of $137.28 million ($2007).

The implementation of the enhancement works is forecast to reduce the net funding requirement for the station.

In implementing the proposed improvements, the City would, however, assume certain risks. These primarily include construction risk and revenue performance risk.

One option for mitigating the revenue performance risk is to transfer this risk to a private sector entity with the requisite real estate expertise and financial capacity. To this end, Deloitte has recommended that the City explore potential agreements with private entities interested in acting as the head-lessee for the commercial areas of the station. According to Deloitte, there is considerable interest amongst the private entity in the possibility of investing capital in this project in return for the right to receive the net cash flow emanating from these commercial areas.

The actual amounts that private sector entities are likely to bid for the head-lessee rights is to be determined through an head lessee selection process that will be described in a early 2008 report from staff.

According to Deloitte, the integration of the construction program for the new retail areas with the City's and GO's capital work at the Station results in a very large and complex civil engineering/construction project—these component parts must be phased and coordinated. This construction phase must be implemented by the City. The base design required for the new retail areas is to be done by the City in 2008, in consultation with GO, VIA and prospective private-sector interests. This design will define the new retail areas for the Station. Prospective head lessees will, through a future selection process in 2008, have an opportunity to submit offers to lease the new and existing retail areas and the existing office space in the Station. The selected head lessee's investment proposal will help to define the financial arrangements to revitalize the Station and determine the City's capital construction obligations (including the degree of construction risk to be assumed, which may be reduced through additional geotechnical testing and structural analysis in 2008).

Based on variations of capital cost sharing between the City, its partners and private sector investors, Deloitte's preliminary estimate of return is between 8% to 20%. In summary, a future report in early 2008 will provide a more detailed assessment of the financial implications based on the results of:

- Lease and contribution discussions with the station's transportation tenants and other levels of government
- Structural and geotechnical analysis

A final assessment of the financial implications will be provided following the completion of the head lessee selection process. Council will be provided with this assessment prior to the final decision to proceed with revitalization.

DECISION HISTORY

At its meeting of July 25, 26 and 27, 2006, Council dealt with the termination of The Union Pearson Group (UPG) agreement to restore, develop and operate the Station and set out the next steps for the revitalization of Union Station. (http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/pof6rpt/cl011.pdf) In addition, Council adopted several recommendations pertaining to the revitalization project. The most comprehensive of these directed the City Manager to convene an interdivisional staff team, engage expert consultants as required to review models for the restoration and continued operation of Union Station, and consult with the Station's stakeholders, including GO, VIA and the TTC to bring forward a new strategy for the revitalization of Union Station. The strategy was to be based on the Principles and Objectives included as Attachment 1 to that report and assumed City control of the revitalization or a hybrid model involving both public and private investment and/or operation, which were discussed as Options 4, 5 and 6 in the body of the report to Council and are included as Attachment 2 of this report. The resulting strategy was to include a business case analysis, project goals, deliverables, timelines and an estimated five-year budget starting with the 2008 Capital Budget.

The July 2006 Report also provided that the existing Building Management Agreement with the Toronto Terminals Railway Company Limited (TTR) "be renegotiated by the Director, Real Estate Services to ensure the TTR has all necessary operating authorities to deal with security and other regulatory issues together with any potential operating cost savings, in a form satisfactory to the City Solicitor." The background and terms for a new Building Management Agreement with the TTR are appended as Attachment 8 to this report.

Finally, approval was given to retain Fournier Gersovitz Moss and Associates Architects (FGMA) to prepare a limited building condition assessment including a Conservation Strategy for Union Station at a cost not to exceed $300,000.00.

ISSUE BACKGROUND

There are a number of significant background studies and documents impacting the revitalization of the Station. These include details related to the Station's purchase, the Heritage Easement Agreement with Parks Canada, the Memorandum of Understanding with Transport Canada, the GO-City lease that formed part of the purchase agreement, leases with other parties, the TTR Management Agreement, the Master Plan and District Plan, pedestrian flow studies and the review of potential for development over the

Station’s Head House or Trainshed. All of these are summarized in more detail in Attachment 3.

Progress to date

Several significant steps have been undertaken since the July 2006 staff report. A comprehensive Building Condition Assessment was completed that will guide heritage and state of good repair (SOGR) capital planning for the next twenty-five years. Capital projects completed in 2007 include the West Window in the Great Hall and the Atrium in the West Wing, both important heritage features that were in serious need of repair. Work has begun on the pedestrian bridge immediately in front of the plaza entrance from Front Street to the Great Hall as this too is in need of structural repair. The City is also constructing a new south tunnel to Union Plaza, as part of the GO construction work at the south end of the train shed. In addition, GO and the City have reached agreement on GO’s work to construct tracks 13 and 14 at the south end of the train shed, permitting GO the capacity to undertake track platform and Trainshed reconstruction .

COMMENTS

As directed by City Council in July 2006, the Union Station Revitalization project team undertook the following tasks:

- retained FGMA to prepare a comprehensive Building Condition Assessment identifying $176.590 million in SOGR and heritage restoration improvement;
- retained expert consultants - Deloitte Touche LLP (Deloitte) – as real estate and financial advisors to undertake a business case analysis of a number of development options including the potential for development above the Trainshed and Head House and to recommend a revitalization strategy;
- retained expert consultants - NORR Limited Architects and Engineers (NORR) - to prepare and test various design alternatives leading to a recommended conceptual design called the Recommended Approach;
- reviewed TTR operations and renegotiated a revised Building Management Agreement;
- consulted with the transportation operators through the existing Operators’ Committee; and,
- convened an intergovernmental committee with provincial and federal government staff, as well as the rail operators to explore public funding opportunities for Union Station.

The revitalization project team was established in February 2007 and hired the consultant teams which, in addition to Deloitte and NORR, also included Arup Canada Inc. (transportation consultants) and J.C. Williams, retail consultant. The consultant team worked with an interdivisional staff team and reported to a directors’ advisory group and a senior management steering committee. The work plan resulted in the Recommended Approach, described below. Also as directed, negotiations with the TTR (see Attachment 3) have resulted in a recommended new building management agreement and staff are seeking confirmation of amendments already made to VIA’s leased space as detailed in Attachment 8.

Options Evaluated
Several options were evaluated within the existing building as well as building over the tracks. The consultant team, consisting of Deloitte and NORR as well as their sub-consultants undertook construction costing, retail analysis and examined the options working with an interdivisional staff team. The "build-over or air rights" options were deemed to be uneconomic because of the extraordinary expense and complexity involved in these undertakings. The options that were evaluated within the building envelope, as well, included a design called the Modified Functional Plan, shown in Attachment 7.

Based on anticipated transportation demand, the retail opportunity in the Modified Functional Plan is reduced by GO's new stairway plan as well as by GO's concourse requirements for an expanded holding area to accommodate the forecasted afternoon peak. Foregoing the retail space within the concourses and the resulting revenue generation substantially reduces the overall financial viability of this development option for the Station.

The Modified Functional Plan (in previous concepts) included excavation beneath the VIA concourse. However, when evaluated by NORR, it was determined that the area is not as large as previously assumed because significant allowance must be made for mechanical systems.

The team evaluated each of the revenue generating areas within the Station based on cost to construct, phasing, and revenue generation. Taking account of transportation planning for future travel demand, costs, and revenue generation, on a preliminary basis the consultant and staff team concluded that the Recommended Approach provides the greatest benefit. The passenger and retail areas resulting from the options are summarized below.

Summary of Promenade, Concourse and Retail Areas*

Option	Passenger Circulation Area (Square Meters - Common and Exclusive)	Retail Area
Existing	7,240	1,900
Modified Functional Plan	18,100	4,500
Modified Functional Plan with Centre Retail Excavation	18,660	8,150
Full Excavation (Recommended Approach)	21,600**	18,800

*Areas are below the head house only.
**Includes 11,700 sq meters of exclusive GO concourses, but not including the Great Hall and the East and West Wings.

Recommended Approach

A. Selection of Revitalization Approach

The July 2006 report to City Council identified six potential options for redevelopment of Union Station assuming "City control of the revitalization or a hybrid model involving both public and private investment and/or operation, discussed as Options 4/5 and 6". Of the options adopted by City Council, Option 4 would result in full redevelopment under City control, Option 5 proposed incremental redevelopment under City control, while Option 6 entailed a hybrid model, with combined public and private participation. (see Attachment 2 for the details of these Options).

The Recommended Approach proposes that the public sector fund and manage the state of good repair, heritage and transportation components of the Station, and construct the shell of the new retail area. The head lessee would operate and manage the office and retail commercial components of the Station. The Recommended Approach is closest to Option 6, the hybrid model.

Option 4, full redevelopment by the City is not proposed. In order to optimize one of the key goals of financial sustainability, our review of potential development scenarios has indicated a large retail and commercial component is appropriate as Deloitte's study demonstrates that the revenue generated reduces the financial impact of the Station on the City. This is best operated by a private sector entity with appropriate real estate expertise and financial capacity under a head lease arrangement.

Option 5, was described as incremental redevelopment under full City control. It only differed from Option 4 by proceeding incrementally and was rejected for the same reasons and because, if the Recommended Approach or an alternate approach is to occur, revitalization must begin now to meet travel demand and to coordinate with GO's capital program for Trainshed and track reconstruction.

Essentially the Recommended Approach separates the public elements of the Station from the commercial areas. It will require capital investment in three main areas:

1. heritage and SOGR (as detailed in the Building Condition Assessment - Attachment 6),
2. transportation improvements (as generally described in the Union Station Master and District Plans), and
3. development of the commercial areas of the Station (as recommended by Deloitte).

Under this model, heritage, SOGR, and transportation improvements continue as public sector responsibilities and a private sector head lessee will lease and operate the commercial components after these are brought to a base building standard. The revenue generated from the head lease will provide a positive return on investment from the commercial components, reducing the City's cost of operating the Station and offset the capital costs.

This model creates a clear division between the operation of the public and commercial space. The City retains ownership of the Station and leases the transportation concourses directly to the transportation tenants while all commercial space (retail and office) is leased to a head lessee (selected from the private sector) to operate, with payment to the City based on a combination of capitalized and long term lease payments. This is significantly different than the model previously envisioned. The private sector was to bear all of the risk and be solely responsible for all of the work to be undertaken within the Station including the SOGR, heritage and coordination/construction of the transportation improvements (including construction of concourse space for GO) within the Station up to the Trainshed areas owned by GO Transit.

With the assistance of Deloitte and NORR, City staff has concluded that (a) the Recommended Approach has the potential to provide the greatest amount of concourse space to accommodate GO's ridership growth and for pedestrian circulation and (b) the scale of the commercial components has the potential to greatly enhance Union Station as a landmark destination and provide the best opportunity for the Station to become economically self-sustaining.

With the assistance of Arup Canada Inc. staff also undertook detailed pedestrian planning to consider future (2021) peak period conditions. The review built on the previous work was undertaken collaboratively with the Union Station operators (GO Transit, VIA Rail and TTC) and consulted with the Union Station Public Advisory Group. The Recommended Approach, while still requiring some additional analysis, clearly demonstrates the potential to maximize spatial opportunity objectives for pedestrian flow and other uses at the Station. Connectivity and pedestrian routing generally exhibited an encouraging degree of efficiency. As this assessment deals with the movement of passengers at Union Station at a high level and has been conducted within a compressed time frame, further work will be required to assess the Recommended Approach.

In May 2007, City staff met with representatives of Transport Canada, Parks Canada, the provincial Ministries of Transportation and Public Infrastructure Renewal, the Greater Toronto Transportation Authority. This resulted in the formation of the Union Station Revitalization Intergovernmental Committee, with two subcommittees, dealing with governance/funding and design.

B. The Conceptual Design
With the assistance of NORR and Deloitte a conceptual design for the Recommended Approach has been generated for a revitalized Union Station as shown on Attachment 7. In addition, Attachment 7 also shows some details of the other options considered. All of this work will require approval from Parks Canada pursuant to the terms of the Heritage Easement Agreement.

New Transportation Concourses
Two new GO concourses would be constructed generally at the same level as the existing VIA concourse and on each side of the VIA concourse, with a total area of 11,700 square meters which would be leased to GO for their exclusive use. GO's new concourses,

combined with shared use circulation areas, will result in a passenger circulation area of approximately 21,600 square meters, including the existing VIA concourse. Like the VIA concourse, the new GO concourses would connect directly to the Great Hall and the East and West Wings, enlivening these areas and improving pedestrian access to the street. The work currently being undertaken by GO to add new stairs to track level can be accommodated within the new concourses.

Transportation Improvements
One of the main objectives of Station revitalization is to improve pedestrian flow. Transportation and pedestrian planning initiatives are being pursued to respond to anticipated increases in transit ridership over the next 20 to 30 years and to address the constraints that this growth will place upon the existing infrastructure at Union Station and its environs and specifically, to consider existing and future pedestrian movements and interactions both inside and outside of the Station.

To this end, city staff has undertaken detailed pedestrian planning initiatives to consider future morning peak-period conditions (2021). Arup Canada Inc. was previously retained to assist in this work, which was subsequently vetted through the Union Station operators (GO Transit, VIA Rail and the TTC) and presented to the Union Station Public Advisory Group. Most recently, Arup has assisted in a high level assessment that has been completed for future (2021) weekday afternoon peak-period pedestrian flow conditions.

The Recommended Approach, while still requiring additional analysis, demonstrates the potential to maximize pedestrian flow objectives and accommodate other uses at the Station. Connectivity and pedestrian routing generally exhibited an encouraging degree of efficiency. Other preliminary findings of the pedestrian flow analyses suggest that the area under the Head House (the Promenade) must be renovated to improve east-west pedestrian circulation, while additional connections between the proposed new GO concourses and the Great Hall are required, along with improvements to the teamways, moats (including weather protection/moat covers), and new stairs from the teamways to Front Street. As the high level pedestrian assessment was conducted within a compressed time frame, further work will be required to fully assess the Recommended Approach.

Funding for many of the pedestrian improvements recommended in Attachment 6 (as well as potential cycling facilities to be located within the Station or its environs) could be augmented with proceeds from Section 37 contributions from development projects located within the Union Station District.

Other Related Projects
The loading facilities for Union Station will need to be expanded and relocated into the southwest corner of the building to provide coordinated dock access and separate this function from pedestrian circulation routes within and around the Station. The cost of this project is estimated at $2.88 million and is included within the 2008 Capital Budget as this work must be in concert with GO's track work being undertaken above as it requires removing supporting columns for the train tracks. As well, opening up the York Street concourse for GO, as proposed in the Functional Plan which is part of the City-GO lease

agreement, and renovating the Bay Street concourse, is estimated to cost approximately $33.328 million, and must be coordinated with GO's Trainshed and track reconstruction.

New Retail
The most significant investment required to implement the Recommended Approach involves creation of a new retail area by excavating beneath the existing Bay and York Street GO concourse areas and under the VIA concourse. The new retail area would connect directly to the existing levels of the PATH and TTC concourse without significant grade changes. The VIA concourse and the Promenade area under the Great Hall and West Wing would remain at their existing level to preserve their heritage character.

The table below describes the retail and office commercial areas of interest to a third party participant.

Potential Commercial Components in Union Station (Recommended Approach)

Location in Union Station	Estimated Office Area	Estimated Retail Area
West Wing	9,000 square meters (gross)	1,460 square meters
East Wing	10,440 square meters (gross)	1,285 square meters
Promenade	-	5,100 square meters
Moat	-	1,200 square meters
New retail	-	12,500 square meters
Total 40,985 square metres	19,440 square meters (gross)	21,545 square meters

In each of the commercial components above it is proposed that the head lessee will lease the shell of the building area within which the head lessee will undertake all required tenant improvements. This increase in non-residential floor area would require amending the zoning by-law approved by City Council in 2004 as By-law 386-2004. A detailed analysis of the actual floor space will be undertaken and approval sought to permit this expansion which is larger than the current zoning permits. It is important to undertake the approvals needed to implement the Recommended Approach concurrently with other ongoing work to ensure that the implementation of the Recommended Approach is not unduly delayed.

Other improvements to commercial areas
The Recommended Approach also requires building modifications to enhance commercial viability and to increase the Station's role as a landmark destination. Along with the newly created retail area below the transportation concourses, improved retail space is proposed for the Promenade, the West Moat, and the East and West Wings.

Summary of Public and Environmental Benefits of the Design
Revitalization of the Station can provide several important external environmental and economic benefits which are described in more detail in Attachment 5. Additional design benefits of the Recommended Approach would be:

- direct connection with no grade change from the existing PATH and TTC fare collection level through the Moat and into the Station leading to stairs, escalators and elevators to the GO and VIA concourse level
- increased pedestrian use of the Great Hall and Front Street resulting from direct connection from the GO concourse areas;
- an 11,700 square meter (126,000 sq. ft.) exclusive use GO concourse area, greatly increasing GO's exclusive use area;
- improved pedestrian flow throughout the Station through provision of additional alternative pedestrian routes in and out of the Station and at the street and PATH elevations;
- an increase in potential retail space below the concourse level to approximately 12,500 square meters (134,500 square feet); and,
- enhanced viability of retail in the East and West Wings at grade and revitalization of these ground floor spaces.

C. Capital Cost of Recommended Approach
There are three major components of the capital costs associated with the Recommended Approach:

Heritage and State of Good Repair: The Building Condition Assessment (BCA) referred to in Attachment 6 detailed a total of $176.590 million, comprised $75.426 million of heritage-related expenses and $101.164 million of SOGR capital work that must be completed over the next twenty-five years. The BCA was an exhaustively thorough undertaking that examined every component of the Station.

Transportation: Transportation projects to meet increasing ridership were another major component of the Recommended Approach, which would have a total capital cost of $92.043 million. The largest of costs in this category would be the $56.823 million to construct the new GO concourses. In addition, there are 18 individual transportation projects required to improve the functioning and pedestrian flow of the Station. These projects are for work within the Station area and do not include external projects such as the creation of a northwest PATH connection or a bridge connection over Bay Street to the GO bus terminal

Revenue Enhancement: Finally, five revenue enhancement projects would have a total capital cost of $137.285 million. The largest of these would be the creation of the new retail area below the new GO concourses which would cost $81.379 million to construct. Based on variations of capital cost sharing between the City, its partners and private sector investors, Deloitte's preliminary estimate of return is between 8% to 20%.

Taken together, the total estimated capital cost of the Recommended Approach, is $388.328 million, including the state of good repair, heritage and the transportation projects noted above.

Securing Public Investment
Negotiations will continue to secure public sector investment, primarily through an Intergovernmental Committee consisting of Transport Canada, provincial Ministries of Transportation and Public Infrastructure Renewal, the Greater Toronto Transportation Authority (GTTA), GO and VIA. It is anticipated that, concurrently with the detailed design process, contribution agreements will be formalized. The results will be reported back in 2008.

Securing Private Investment for Commercial Components
The City's three anchor leases in Union Station are with GO Transit, VIA Rail, and the Bank of Nova Scotia. The City also has an additional 118 commercial leases with 53 retail tenants. The City netted an average of $1 million per year over the last several years, which could increase to $2 million through improved leasing operations and negotiation of longer term leases. As an interim measure, the City has held off major renovations or new tenancies and maintained short (six month) termination clauses in all the commercial leases initially in anticipation of a private sector transaction and now pending approval of a new revitalization strategy for Union Station.

Deloitte's evaluation of the positive return on investment potential of the revenue generating opportunities identified above, supported by preliminary indications of strong market interest, indicates that the City can secure a head lessee for the commercial component. This can be characterized as a standard real estate transaction, which can be completed using typical long-term, leasing agreements.

Construction
The construction project required to implement the Recommended Approach must proceed as a public sector project. This is especially the case for the new retail in the excavated area under the proposed new GO concourses where GO will be very concerned about the execution of the project. As well, Deloitte believes that no prospective head lessee would be willing to undertake this project which, because it is beneath Canada's largest functioning rail station and involves retrofitting within a heritage structure, is a highly complex undertaking.

Governance
In 2001 City Council authorized execution of a Memorandum of Understanding (MOU) between the Government of Canada and the City of Toronto (see report at http://www.toronto.ca/union_station/pdf/governance_structure_report.pdf) that provided for a federal contribution of $25 million to a single purpose City corporation, with both City and federal representation on the board of directors, which would be given a long term lease of Union Station. One of the objectives of that corporation would be to enlist the expertise of the private sector to restore, redevelop and manage the Station as a commercial office and retail facility complementary to its function as a transportation terminal. At the time Council authorized this governance structure, the City did not have the authority to create such a corporation and this has never been implemented. Passage of the City of Toronto Act, giving the City more authority over governance structures, has provided an opportunity to review the 2001 MOU.

The City has operated as landlord of Union Station with GO Transit and VIA as primary tenants since assuming ownership in 2000. The current arrangement requires the City to operate the station, undertake heritage and structural restoration, collaborate with GO on major capital improvements, conduct the revitalization assessment, secure federal funding for security upgrades, contract with the TTR for the day-to-day operations, and manage the retail tenant agreements. In short, the City directly manages the Station in the same way that it operates numerous other special purpose facilities such as Old City Hall, and the St. Lawrence Market.

A Union Station governance plan should consider the following issues:
The Recommended Approach discussed in this report suggests that the public sector be responsible for the development and operation of heritage/SOGR and transportation improvements while a head lessee would lease and operate the commercial component.
All orders of government have similar public interests in Union Station including its importance as a transportation hub, its heritage value, its economic importance to the Toronto region including environmental and policy reasons as identified in Attachment 5.
The City has the primary ownership interest and as such, any governance entity would be accountable to the City as owner, with the City approving changes to the property, long-term lease or funding arrangements, and approval of business plans and budgets. Since each of the governments has expressed an interest in providing funding for aspects of the redevelopment plan relating to their particular interests, in considering governance options it might be reasonable that the level of participation in the planning and development of the station should be commensurate with the level of investment.
Preferably one entity should manage and coordinate the Station revitalization and be responsible for on-going management when Station revitalization is complete, since there are numerous issues such as security, custodial care, and structural maintenance that are more efficiently and effectively provided or coordinated by one entity.

In response to high level interest by Transport and Parks Canada, the Ontario Ministries of Transportation and Public Infrastructure Renewal, the GTTA, GO Transit, and VIA Rail, City staff established the Union Station Revitalization Intergovernmental Committee with two sub-committees, dealing with design and governance.

The governance sub-committee has met to discuss the objectives of the various parties. It is also recommended that staff work with Transport Canada to modify the current MOU to make at least a portion of the $25 million contribution available for the design work and pedestrian improvements needing immediate initiation.

Conclusions

The expert consultant and interdivisional staff team selected the Recommended Approach, as it has the potential to provide the greatest amount of concourse space to meet GO's ridership growth and for pedestrian circulation, as well as improved access to the Great Hall level in addition to improving the Station's attractiveness as a landmark destination. As well as improving the Station's economic sustainability, the Recommended Approach also satisfies the goals and objectives of the Master and District

Plans. Deloitte's business case demonstrates that capital investment in the existing and additional retail and commercial areas will assist the City reduce base case costs relating to heritage, state of good repair and transportation improvements. For the tenant stakeholders and Station users, the Recommended Approach has the potential to greatly improve connections and permeability and greatly increases GO's concourse area. The benefits resulting from the development of the Recommended Approach will see the revitalization of the Station as well as addressing projected increases in public transportation demand and will be consistent with Official Plan policies to reduce car dependency and the negative environmental impacts associated with discretionary auto use.

With Council's endorsement of the Recommended Approach, an implementation plan will be submitted in early 2008 for Council approval.

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SIGNATURE

Shirley Hoy City Manager	Joseph P. Pennachetti Deputy City Manager and Chief Financial Officer

ATTACHMENTS

Attachment 1: Principles and Objectives
Attachment 2: Council Motion July 25, 26 and 27, 2006 and excerpt from the report of July 4, 2006
Attachment 3: Issues Background
Attachment 4: Work Plan
Attachment 5: Economic and Environmental Benefits of the Station
Attachment 6: Capital Cost Summary of Recommended Approach – Building Condition
Attachment 7: Illustration of Recommended Approach and other Options
Attachment 8: Terms of Revised TTR Building Management Agreement and VIA Lease Amendments

ATTACHMENT 1

The following Principles and Objectives were an Attachment to the City Solicitor's report on Union Station adopted by Council on July, 25, 26 and 27, 2006 (http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/pof6rpt/cl011.pdf) and continue to be guiding principles for considering undertakings within the Station.

Union Station is the most important transportation center serving the Greater Toronto Area. It is a cherished heritage building and civic landmark.

The following principles and objectives shall guide the revitalization of Union Station:

Principles:

1. *A Public Asset* – ensure Union Station remains in public ownership

2. *Transportation first* –ensure transportation is the primary function of Union Station

3. *Safe, Efficient and Coherent* – provide for each of the necessary transportation functions in a safe efficient and coherent manner

4. *Respecting Heritage, Leveraging its Value* – respect the historic significance of Union Station

5. *Accommodating Change, Protecting for the Future* – ensure flexibility for expansion and future changes of use

6. *Connected and Integrated* – ensure that Union Station is fully integrated internally and with its environs

7. *Compelling and Beautiful* – Union Station and its environs shall be re-established as a civic landmark of the highest design quality

Objectives:

1. The revitalization of Union Station is intended to improve the delivery of national and regional rail passenger services, enhance pedestrian circulation; increase capacity for transportation uses, including a possible air-rail link and airport check-in services, improve space utilization, restore certain heritage aspects of the building and expand and rehabilitate the retail and office components of the Station.

2. Union Station will include connections for inter-city rail, commuter rail, bus terminal and TTC services and accommodate transportation tenants – primarily GO Transit and VIA Rail.

3. Union Station is Canada's busiest passenger transportation facility and is critical to the City's economic well being. It must accommodate volumes that are expected to more than double over the next 20 years.

4. Union Station will become economically self-supporting and gain a significant component of its revenue from expanded transportation, retail, office and other commercial sources.

5. Funding partnerships will be sought with other governments and where appropriate, private investment and expertise may be utilized to restore, develop or operate all or portions of Union Station.

6. Improvements will be undertaken to maintain and restore the architectural structure and historical features of the building while also improving its overall ability to serve its tenants and the public.

7. The functional layout of the various uses within Union Station shall address pedestrian circulation, including barrier free accessibility to and from the platforms, within, through, into and out of the Station.

8. A comprehensive way finding and passenger information system will be developed for the Station including additional connections to the PATH system.

9. Concourses are to provide safe, efficient and convenient passenger waiting and ticketing areas and pedestrian access between the various transportation uses, including the platforms, and to destinations beyond the Station. They will also provide expanded commercial facilities to serve the general public and transportation tenants and provide revenue.

10. Public input will be maintained throughout any revitalization through the Union Station Revitalization Public Advisory Group.

ATTACHMENT 2

The following text respecting the Options is excerpted from the report of July 4, 2006 adopted by City Council at its meeting of July25, 26 and 27, 2006:
(see report
http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/pof6rpt/cl011.pdf)

"The range of options available to City Council is summarized below in Table 1.

Table 1 – Options For Union Station Redevelopment			
	Description	**Pros**	**Cons**
1.	Status Quo	• Limited capital expenditures • Less financial risk than redevelopment options	• Condition of Station is deteriorating with current level of capital expenditure • Available funding subject to capital budget considerations/ unpredictability as Station is competing with other City initiatives
2.	Issue New RFP for Long-Term Lease to a Private Developer/Operator	• Allows City to avoid further capital expenditures and reduces potential financial risk to the City • Private developer will likely be more efficient than City in planning and developing the retail/office/hotel portions of the Station	• Loss of City control over building to private interest • New RFP process will require significant period of time • New RFP may not result in favorable lease terms as there are limited number of potential tenants with necessary skill, experience and resources
3.	Sale to Another Public Agency	• Station will remain in public control • Allows City to avoid further capital expenditures and eliminates financial risk to the City	• Lengthy negotiations may be required before transfer of ownership and implementation of required capital works • Loss of City control over building
4.	Full Redevelopment under City Control	• Greater flexibility to implement changes to Station • Greater control over construction and renovation work • Potential for increased financial return as a result of City's lower cost of capital and tax-free status	• Requires significant ($100 million+) upfront funding commitment • Greater financial and operational risk • Property managers hired on short-term contracts may not have same incentives for long-term performance as private operator/tenant with long-term leasehold interest and investment
5.	Incremental Redevelopment under City Control	• Limited annual capital expenditures • Greater control over construction and renovation work • Less financial risk than full redevelopment	• Incremental approach towards redevelopment may not be successful in establishing new retail image for Station • May not result in the commercial rents that could be achieved under the full redevelopment
6.	Hybrid Model	• Private developer will likely be more efficient than City in planning and	• Difficulties may arise in determining responsibility for

		developing the office/hotel/retail portions of the Station • Public transportation agencies (VIA, GO) are best able to manage development of their own facilities • City maintains control over public spaces and restoration of heritage elements	problems and defects • City funding required for heritage restoration and development of public spaces

Options: (only those options identified for review in July 2006 have been included here)

4/5. Carry out the Revitalization Under City Control
Under these options, the City maintains ownership and control over the Station while carrying out more extensive renovations than under the status quo option. Renovations to the Station could proceed using one or a combination of: Station revenues, funds raised through the issuance of City debenture debt and/or financing mechanisms as well as other government funding. There is still an outstanding commitment by the federal government to provide funding of $25 million towards works that achieve certain transportation and heritage objectives. Other such funding initiatives could be considered.

Within this model there are different avenues that could be pursued depending on the nature and availability of funding. An incremental approach to development would put a slower pace on the restoration and revenue generation. A full redevelopment would see the City invest significant capital into the Station upfront in order to create momentum and the sense of destination that would positively impact revenues in a shorter time frame.

The City's lower cost of capital, compared to a private-sector developer, would have a very positive impact on overall development costs. This means that there is a theoretical potential for the City to realize a net financial return over the long term.

However, even with the use of consultants and property management firms under contract for all or portions of the Station, the City may not be as nimble and efficient in managing the development and operations of the Station as a long-term private leasehold tenant/operator would be. In addition, the City would have to maintain a firm commitment towards stable capital funding in order to carry out a full revitalization on its own.

Nevertheless, by retaining control of the Station, the City would benefit from greater flexibility in achieving other objectives for the Station. This flexibility would apply in particular to potential future alterations to the Station's layout which may be required as part of the Station's future evolution as a multi-modal transportation hub.

This option has considerable merit and should be reviewed further.

6. Hybrid Model

One final option would be to parcel control over specific portions of the Station to different entities to attempt to maximize the potential benefits to all of the Station's stakeholders. As shown in Appendix B, this is the approach applied to a number of recent projects such as the development of Boston South Station and Terminal 4 of John F. Kennedy Airport in New York. The specific details of an ideal hybrid option for Union Station would have to be considered with input from its stakeholders but the principal elements for a hybrid option are as follows:

A. Provide full control of transportation-specific facilities to GO and VIA

With full control over their respective concourses, GO and VIA would be able to better coordinate the redevelopment of these concourses with their own plans for the Trainshed and the platforms. They would also be able to manage the extent of any retail activity in these concourses and, therefore, the impact that this activity will have on pedestrian traffic movement to and from the trains.

Although no formal proposal has been received, GO has expressed continuing interest in purchasing all or part of the Station. The capital infusion could then be used by the City to kick- start the revitalization.

B. Provide control over exclusively private sections of the Station to a head lessee

Portions of the Station with little or no public activity, such as the west wing or lower concourse, could still be offered to a head lessee or "AAA tenant" under a long-term lease, as is already the case in the east wing (leased to the Bank of Nova Scotia).

This would allow the City to avoid the capital expenditures required to upgrade these parts of the building but would still result in the City deriving some increased revenues from areas which are currently vacant. A private developer will likely be more efficient than the City in planning and developing these areas for commercial use.

The areas best made available under long-term lease to a head lessee would be those with fewer heritage requirements in order to reduce uncertainty faced by the head lessee regarding the restoration requirements associated with the federal heritage easement agreement. They would also be areas with minimal direct interaction with the transportation functions of the Station. This should reduce the need for potential tenants to engage specialized expertise in preparing their response and in ultimately carrying out their redevelopment. It should also reduce uncertainty in the tenant's cost and revenue forecasts and result in more favourable financial offers to the City.

C. Maintain maximum City control over public spaces and heritage restoration

Another opportunity in the hybrid model is to allow the City take full responsibility for the major aspects of the Station's heritage restoration and the development of the Station's public spaces.

Under this approach, the restoration of the building's exterior and its critical interior spaces, such as the Great Hall, could be carried out by private contractors, managed by the City's Facilities and Real Estate Division in an approach similar to the recent restoration of Old City Hall. The City would also maintain responsibility for the development of additional public elements such as new pedestrian connections. By taking control of these facets of the Station's development, the City's objectives for the Station can be secured and uncertainty over the status of these issues can be reduced for the Station's other stakeholders.

Although the hybrid option would aim to carefully separate responsibilities based on the interests of the various stakeholders, each of the controlling entities would still be impacted by the decisions and activities of other controlling entities in the Station. For instance, the tenant/ developer of a hotel in the west wing would still be relying on a timely restoration of the exterior of the building by the City's contractor. Disputes could still arise if this restoration is delayed because of the City's capital budget pressures.

Divided authority over the Station can also lead to difficulties in delineating the responsibility for each aspect of the Station's development and operation. Even with careful development of the legal documentation, the recent dispute with GO over leakage in the Station roof demonstrates the difficulty in completely articulating responsibility for every facet of the Station's operation.

Overall costs may also be impacted negatively by the need for each entity controlling a section of the Station to become experienced with the logistics of managing activities in the Station. Until this experience is gained, additional costs will be incurred as each of these entities will be "tripping over each other" while carrying out their development and operations activities.

Finally, although the City will likely receive some up-front revenues from the sale of the concourses, a substantial amount of up-front capital funding may still be required by the City to carry out the necessary heritage restoration.

This option should also be examined."

ATTACHMENT 3

Issue Background

The following background issues are important to understand the complex relationships among the various stakeholders and will impact on any revitalization initiative for Union Station :

Union Station Purchase with GO Transit

In 2000 Toronto Terminals Railway Company Limited sold its three assets (the rail corridor between the Don River and Strachan Avenue, the CP Express site east of Union Station on Bay Street and the Union Station building) to the City and GO Transit. Prior to this transaction, the City owned the lands below the Station and leased the building to TTR pursuant to a lease executed in 1915.

The $80 million purchase price included a set-off of $25 million in settlement of an outstanding rent dispute between the City and TTR and $55 million contributed by GO Transit. The transaction secured for the City the Union Station building comprised of the multi-storeyed historic “Head House” on Front Street (including the Great Hall and Centre Block above it, the East and West office wings and the retail areas below them) and the concourse areas extending below the tracks between Bay and York Streets.

For its contribution GO Transit purchased the rail corridor and the CP Express site where it has constructed a bus terminal. GO Transit owns the “Trainshed” consisting of the tracks, platforms and roof at the rear of Union Station. The City retains ownership of the air rights above a 27 foot elevation above the tracks between Bay and York Streets.

GO also secured a pre-paid 99 year lease, primarily involving common and exclusive use of the existing Bay Street Concourse and eventual development of a matching York Street Concourse. The offer to lease agreement included a “Functional Plan” of the Bay Street, VIA and York Street concourses, identifying the City’s intention to redevelop the concourses and the area located directly beneath the Head House (the “Promenade”), with approximately 100,000 square feet of retail, and ensuring space for pedestrian circulation and additional GO Transit stairs.

Concurrently with the negotiations with The Union Pearson Group to redevelop the Station, the City and GO entered into negotiations of a detailed lease agreement for the concourses and other components of the Station. This lease was finalized in May 2006, but because portions of the agreement were contingent on the City and its private sector partner consummating an agreement, it remains unexecuted.

Heritage Easement Agreement

While owned by TTR, Union Station was federally regulated. In 1975 it was designated by the federal government as a National Historic Site as the finest example in Canada of stations erected in the classic Beaux Arts style during the era of rapid expansion of the rail networks. In 1989 the Station was also designated under the Heritage Railway Station Protection Act. As a condition of the City’s purchase of the Station, the federal government required the City to enter into a Heritage Easement Agreement with the Minister of Canadian Heritage as represented by Parks Canada which defines the terms for the maintenance of the building and requires federal approval of any alterations to the building impacting the defined heritage characteristics.

In July 2001 Parks Canada approved Heritage Design Guidelines developed by ERA Architects Inc. on behalf of the City that guide development within Union Station in conjunction with the Historic Structures Report prepared by Fournier Gersovitz Moss and Associates Architects in 2006. Parks Canada, the City and GO Transit have also executed a collateral agreement that limits federal approval to those areas of the Station having heritage value (essentially excluding the GO concourses) and provides a staged process and timelines for approving alterations.

Memorandum of Understanding

In June 2001, the Mayor and Minister of Transport signed a Memorandum of Understanding (MOU) which offered up to $25,000,000 in federal funding for the revitalization on certain terms and conditions. The MOU was premised on the creation of a City Corporation to oversee redevelopment of the Station by a private sector operator. Governance of the Corporation was to be provided by a board of 6 directors, 4 appointed by the City and 2 by the Minister of Transport. This MOU needs substantial modification to recognize the changes associated with the termination of the private sector transaction and the ongoing discussions with the provincial and federal governments' staff on financial contributions from both governments and an appropriate governance model.

The Union Station Master Plan and the Union Station District Plan

City Council approved a Master Plan for the Station in December of 2004. This is a visionary document intended to guide the restoration, revitalization and operation of the Station. This document defined four "big moves" - an integrated public realm, a modern station accommodating change, revitalization of underutilized spaces and maximized porosity through extended pedestrian connections and the following principles – transportation first; safe, efficient and coherent; respecting heritage, leveraging its value; accommodating change, protecting for the future; connected and integrated; and compelling and beautiful. These principles provide the basis for the Principles and Objectives identified in Attachment 1.

The Master Plan also recognized the importance of the Station to the surrounding district and recommended that an urban design plan be undertaken to heighten the civic prominence of the Station and improve connections to the downtown and the waterfront. In June 2006 City Council adopted the Union Station District Plan and Heritage Conservation District to shape the future development of the area surrounding the Station. The Union Station District Plan defined two General Principles – "Create a clear design philosophy for the public realm" and "Contemporary design must reinforce and enhance heritage elements respecting their essential value and character" and then went on to define where key opportunities existed and recommended various ways of meeting these challenges.

The City Transportation Planning Section has commissioned Arup Canada Inc. to undertake two studies of pedestrian movement in and around Union Station. The Union Station Area Pedestrian Study included development of pedestrian forecasts and desire-line analysis coordinated with anticipated future population and employment forecasts in the downtown and waterfront. The Union Station Internal Pedestrian Circulation Study included an analysis and model simulation of forecast morning peak period pedestrian volumes and levels of service at the Station. The intent of this work has been to provide greater insight into the existing and future operation of Union Station from a pedestrian flow perspective, and to provide input to concepts for the layout of retail, commercial and transit-related components.

The current report on revitalization is all premised on and is consistent with the Master Plan and District Plan.

New Development Options – "Air Rights"

Both the Union Station Master Plan and District Plan reviewed the issues associated with building above the existing Head House and Trainshed. The potential to undertake such new development is constrained by the Heritage Easement Agreement, the Official Plan and Zoning By-law as well as the policies enunciated in the Master Plan. Practically it is also constrained by the need to maintain operations at Union Station throughout any redevelopment project, as well as the economics. More recent work undertaken by Deloitte and NORR in conjunction with the preparation of this report further evaluated a range of redevelopment options and has concluded that none were economically viable. A fuller discussion of this is included in Confidential Attachment 8.

TTR Management Agreement

Since the City acquired the Station in 2000, TTR has provided interim building management under a short term contract. The contract provides management, financial control, security, maintenance, custodial, and event procurement. Over the years and until December 31, 2005, Council approved annual fee increases in the management contract to cover increased costs. Facilities & Real Estate Division recently completed a review of building management functions and recommend continuing with TTR's management with the increases set out below, pending a determination on Station management/governance.

The recommended management agreement with TTR has a two year term commencing January 1, 2007 to December 31, 2008, with an option to extend one year and subject to a five month termination clause which can be exercised by either party. There is also a partial termination provision whereby the City has the option to assume the security services. The fee increase is 8% effective January 1, 2007 over the 2005 base year, comprised of 4% for 2006 and 4% for 2007. As well, effective January 1, 2008, there will be 3% increase.

A staff review of TTR operations was conducted as part of the Revitalization project in the areas of custodial, maintenance and security. In each case, the level of service provided was lower than the City standard. However, increasing the level of service to the City standard using either TTR or City staff would cost, respectively, approximately $700,000 and $1 million more per year. This is not recommended until a head lessee is selected and a new station management/governance model is determined.

Union Station has the highest concentration of people of any location in Canada (twice the number of people handled at Toronto Pearson Airport daily within a much smaller area). Security is of increasing importance. The potential level of risk associated with a high volume operating train station means that this is an area where costs are most likely to increase. The federal Transit Secure program is providing funding for much needed capital expenditures for security equipment. However, there will be increased operating costs associated with these new security measures. A review of how to best perform security services and an equitable allocation of those costs between the transportation and commercial uses is being undertaken as part of the revitalization strategy. In the meantime, it is recommended that TTR continue under the terms of the new Management Agreement until a new revitalization strategy is completed.

Other Significant Capital Projects

At the present time GO is currently undertaking overall improvements with an estimated cost of $600 million to the track, signals, switching and the Trainshed at the Station. This will not only include significant heritage and structural work to restore the Trainshed, but will also include additional stairs and the introduction of a new glazed centre portion of the Trainshed to create an significant new skylight component.

During this same period of time the TTC have currently commenced the construction of a new second platform for the Union subway station at an estimated cost of $90 million to be completed in 2012. This work is being funded through a Waterfront Toronto program and is anticipated to be part of additional work related to the development of a new LRT line on Queens Quay East with additional construction work required in the below- grade Bay Street loop. The coordination and construction phasing of this work in conjunction with the City's revitalization project is critical.

Existing Lease Relationships

The City's three anchor leases in Union Station are with GO Transit, VIA Rail, and the Bank of Nova Scotia. The City also has an additional 118 commercial leases with 53 retail tenants. The City netted an average of $1 million per year over the last several years, which could increase to $2 million through improved leasing operations and negotiation of longer term leases. As an interim measure, the City has held off major renovations or new tenancies and maintained short (six month) termination clauses in all the commercial leases initially in anticipation of a private sector transaction and now pending approval of a new revitalization strategy for Union Station.

The lease with VIA Rail Canada Inc. was authorized by City Council in February 2000, as amended by City Council in September 2006, for a 49 year term commencing June 30, 2000 for a total area of 71,987 square feet on various levels of Union Station and consisting of exclusive use office, ticketing, baggage handling, and 10 monthly parking spaces. A final form of lease has been executed. VIA pays a set rent plus its share of operating and maintenance costs for Union Station. Under the lease, the leased areas may be revised from time to time to accommodate VIA Rail's needs in the context of Union Station redevelopment proposals.

VIA has already relocated parts of its rentable space to accommodate revitalization initiatives totalling an overall increase from 72,087 to 78,119 square feet as follows:

a) the office premise on the second floor increases from 3,062 square feet to 4,934 square feet effective September 15, 2006, and further increases to 8,040 square feet effective February 1, 2007;
b) in the Great Hall, VIA's space increases from 2,123 square feet to 3,959 square feet effective December 15, 2006; and
c) on the Arrivals Level, the area decreases from 2,557 square feet to 1,775 square feet effective April 1, 2007.

Rent for the increased space will be adjusted according to the terms of the lease.

TTR's lease with the Bank of Nova Scotia (BNS) was assigned to the City when it purchased the Station. The BNS occupies all four floors in the East Wing of the Station containing a gross rentable area of 133,449 square feet. The lease provides for a minimum rent to be paid to the City, with the BNS being responsible for payment of all operating costs, maintenance, repairs and its proportionate share of realty taxes. The lease expires in 2016.

The lease with GO Transit commenced June 30, 2000, with an initial 50 year term and a further right to renew for an additional 50 years. As noted in the discussion of the initial purchase of Union Station, GO has already prepaid its rent to the City, including the renewal term but still is responsible for payment of its proportionate share of operating costs and realty taxes of Union Station and upkeep of its exclusive areas.

GO Transit's initial premises included exclusively occupied areas of up to 954 square meters (10,269 square feet) together with 1830 square meters (19,697 square feet) of passenger common space. As redevelopment of the Station occurs, the lease recognizes that GO Transit's space requirements will evolve. It also provides for a renovated Bay Street concourse and the future build out of the York Street concourse in accordance with the Functional Plan that forms part of the lease. Up to 2006, the City and GO Transit negotiated extensively on a more detailed formal lease that would have been subsidiary to the City's agreement with its private sector partner had this proceeded. Once the private sector transaction was terminated, GO indicated an interest in negotiating those elements of the lease that relied on the Modified Functional Plan.

In February 2007 GO Transit presented a new stairway plan to the City which adds stairs and, for structural reasons, changes the alignment of stairs between the concourses and the platforms. Details of the plan have the potential to reduce the efficient use of the concourse areas for queuing and for retail purposes. GO would like to use more of the area of the Bay Street concourse than originally envisioned. This area represents an increase to the Bay Street concourse from what was previously proposed in the lease and encroaches into the space designated for revenue generating retail commercial. Furthermore, as a future operating strategy, GO is now considering holding passengers in the concourse areas prior to boarding. If implemented, the waiting area requirements within the concourses would increase, with a commensurate reduction in potential retail space opportunities. GO's current concepts do not entirely conform to the existing lease and will greatly reduce the City's capacity to generate revenue through retail commercial uses in the concourse areas.

In the interim, the City's vision for the Station has also substantially changed, suggesting that this is an opportune time to revisit the GO and City lease. A substantial benefit arising from the implementation of the Recommended Approach would be that GO's potential exclusive use area in the Station will increase from 954 square meters under the existing lease to 11,700 square meter (125,000 square feet) of GO concourse area, an increase of more than 10,000 square meters of exclusive GO area, however this would require some renegotiation of the lease.

ATTACHMENT 4

Council Direction and Work Plan

A work plan to carry out the July 2006 Council direction is described in the table below.

Direction	Action
Convene an interdivisional staff team.	An interdivisional staff team met on a weekly basis since inception of the Revitalization Project in February, with direction from a senior management Steering, Directors' Advisory, and ad hoc Councillor Committees.
Engage expert consultants to review models for the restoration and continued operation of Union Station.	Architectural, financial, retail consultancy and transportation planning firms were engaged. Financial modeling of the revitalization options was conducted.
Consult with the Station's stakeholders (GO, VIA and the TTC).	GO, VIA, TTC, Waterfront Toronto, reviewed the Recommended Approach. An Intergovernmental Committee with federal and provincial government officials has been formed as an additional component of consultation and planning.
Base strategy on the principles and objectives included as Attachment 1.	The Recommended Approach is based on the principles and objectives of Attachment 1.
Assume City control or a hybrid model involving both public and private investment (Options 4, 5 and 6)	The Recommended Approach maintains City control while providing the basis for private sector participation through a long term head lease arrangement of the commercial components (the Hybrid approach).
Provide business case analysis, project goals, deliverables, & timelines	The Recommended Approach was tested through architectural and costing studies and financial modeling, demonstrating that it provides the optimal combination of transportation utility and financial sustainability.
Estimated five-year budget for the 2007 Capital Budget.	Projects identified in the Building Condition Assessment (BCA) are included in the 2008-12 capital submission. The total BCA cost over a 20 year horizon is approximately $177 million. Conservation studies, including Deep Lake Water Cooling and energy efficiency, are complete or underway.
Renegotiate Management Agreement with TTR	Renegotiation complete.

ATTACHMENT 5

Economic and Environmental Benefits of the Station

Increasing Union Station and regional transportation system capacity is highly beneficial for the Toronto City Region's economy and environment. The Mayor's Economic Competitiveness Advisory Committee identified regional transit as a primary necessity for economic growth. Union Station and related facilities (PATH network, TTC subway, etc.) improve the City's economic competitiveness by providing employers access to a highly diversified regional labour market, increasing employees access to central area employment, increasing assessed values of central area properties, and reducing congestion and fossil-fuel dependence. These economic and environmental benefits will increase with Union Station revitalization and improvements to the regional transportation system.

Toronto's Economic Research and Business Information Unit states that the financial district achieves a very high intensity of use because it is close to the hub of the regional transit system. With 47 hectares (100 acres) the District has more than 100,000 employees and an average wage nearly double the Toronto CMA average. Employment income doubled between 1991 and 2001, reaching $8.4 billion in 2001. The financial district is 0.075% of the City's total area, yet accounts for 3.09% of the City's total assessment base. Intensity of use will increase with increased capacity to deliver passengers to Union Station.

The Station and regional transportation system permits more of the use of the existing road network for the movement of goods and services. It reduces the Toronto region's oil and gas dependency at a time when peak oil and increased global demand in future will likely limit the economic expansion of oil dependent economies. Union Station and the GO and VIA rail systems also provide access to major entertainment and attractions, supporting Toronto's tourism and local business reinforcing the adopted policies of the Union Station Master Plan.

Concerning environmental benefits, the Toronto Environment Office estimates that under typical operating assumptions commuter trains contribute 10 times less greenhouse gas emissions per passenger kilometre than buses and nearly forty times less than private automobile. GO Transit estimates that about 1.5 billion kilometres of automobile travel per year is deferred by commuters using the GO system rather than driving, which reduces CO2 equivalent emissions by approximately 324,000 tonnes.

Transportation activities are the biggest source of air pollution in Canada's urban areas, which significantly affect heart and lung health. In Toronto, 90% of carbon monoxide, 83% of nitrogen oxide, and 60% of sulphur dioxide, emissions have been attributed to transportation activities. Vehicles deliver emissions at street level where people are often most concentrated. Finally, the plans for Union Station will allow for a doubling of passenger use within the existing building footprint, representing a remarkable level of transportation intensification within the existing building footprint.

ATTACHMENT 6

Capital Cost Summary of Recommended Approach – Building Condition Assessment, Transportation, and Revenue Generation

A. Building Condition Assessment

In July 2006 Council authorized retention of Fournier, Gersovitz and Moss, Architects (FGMA) to conduct a thorough Building Condition Assessment (BCA), which was completed in August 2007. The BCA resulted in a detailed assessment of projects in the areas of heritage and state of good repair totalling $52.2 million in the period 2008-2012 and approximately $177 million over 20 years. The BCA project areas from the 5 year capital submission are summarized in the table below.

BCA-related State of Good Repair and Heritage Projects (2008 – 2012)	Capital Cost (millions)
Life Safety	$0.534
Environmental	0.137
Re-roofing	5.009
Structural / Building Envelope	18.721
Mechanical / Electrical	18.520
Interior Finishes	9.279
Total	**$52.200 million**

Other items in the 2008-2012 capital plan include security, the south tunnel access project, and prior approved projects. Altogether, the 2008-12 capital plan submission totals $84.589 million. Over the next 20 years, BCA-related work is expected to approach a total capital cost of $200 million. The capital cost estimate used in the body of this report is $176,590,000 because it is estimated that there will be approximately $17.6 million of overlap between the BCA work and the revitalization work described in B and C below.

B. Pedestrian Infrastructure and Inter-modal Flow Improvements for Union Station

Pedestrian flow improvements are an important component of Union Station revitalization and were examined by NORR Architects and Hanscombe cost consultants as part of the revitalization study. The proposals relating to pedestrian flow improvements in the 2008-2012 Capital Plan Summary are estimated to cost $34,800,000 which also includes $2,880,000 for inter-modal flow improvements related to the loading dock. The 2008 Capital Plan requires expenditure of $2,775,000 for design and tendering of the Promenade area beneath the Head House and a skywalk connection to the Promenade, and capital expenditure for the loading dock of $1,440,000.

Within the $34,800,000 capital expenditure proposed for 2008-2012, a total of $7.584 million is allocated to construct moat coverings on the east and west sides of the central pedestrian bridge. These moat coverings will substantially improve pedestrian amenity in the moats and will be an important part of pedestrian infrastructure for the Station. As well, the TTC's second platform work, which is one of the "four big moves", involves an intervention of stairs about 5 meters south, with a 30 meter width, into the moat. To reduce potential pedestrian health and safety impacts related to this stair location, and provide weather protection, the TTC has requested the City to construct the moat covering on the east side of the pedestrian bridge.

The North West PATH connection identified in the Union Station District Plan (2006) is another important pedestrian infrastructure element that will significantly enhance transit as an option for future travel. In June 2006, City Council directed staff to commence an Environmental Assessment (EA) for this project in accordance with the District Plan. GO Transit is cost sharing the EA and staff will report on this matter in the near future. The new northwest PATH will extend from Union Station to the existing PATH system in the vicinity of Wellington Street and will relieve congestion and support downtown growth as GO Transit's service expands over the next twenty years. The estimated cost for the recommended North West PATH alternative is approximately $50 million, which is not part of the capital cost estimate included in this report. However, it is recognized that capital funding will be required for this key element of Station revitalization pending completion of the current Environmental Assessment process, and could include cost-sharing opportunities with other levels of government and/or the private sector.

Pedestrian flow improvements received the main emphasis of transportation planning of Union Station and were examined by NORR Architects and Hanscombe cost consultants as part of the revitalization study. These projects are estimated to cost $32.340 million and are shown in the table below.

Required Pedestrian Circulation Improvements

Project	Location	Estimated Cost	Estimated Schedule
Improve pedestrian circulation within Promenade areas	Area beneath the Great Hall and East and West Wings from Bay St to York St	$11.448 million	2008-10
Moat coverings on the east and west sides of pedestrian bridge	Creates continuous cover of moat from Bay St to York St	$7.584 million	2009-10
New stairs to Front Street	Connects moat to SE corner of Bay & Front and SW corner of York & Front	$1.872 million	2010-11
Teamway improvements	Pedestrian improvements to the Bay West teamway and the York East Tramway, improving north-south access and access to GO concourses	$6.444 million	2009-11
VIA / GO Concourse secondary connections	Creates an east west connection at the south end of the GO-VIA concourse areas	$2.868 million	2012-13
Skywalk connection to Promenade	Provides a connection from the west end of the Promenade to the West Wing, and thence to Skywalk.	$1.704 million	2008-09
PATH connections to the Royal York	Improves existing connection from centre of concourse to Royal York	0.420 million	2012
Construct the GO concourse	Creates an exclusive GO concourse of 21,500 sq meters below train platform	$56.823 million	2010-14
Northwest PATH Pedestrian Link	Planned to link the westerly part of the Station to the existing PATH system at Wellington St.	Not Included (see Text)	N/A
Loading Dock	Near south west corner of basement, with access from Lakeshore Boulevard	$2.880 million	2008
Total		**$92.043 million**	

C. Revenue Generation Projects

The revenue generation projects are those for which interest by a third party investor will be sought. Similar to the transportation and BCA projects, costs for these projects have been estimated by a costing consultant as part of the revitalization analysis.

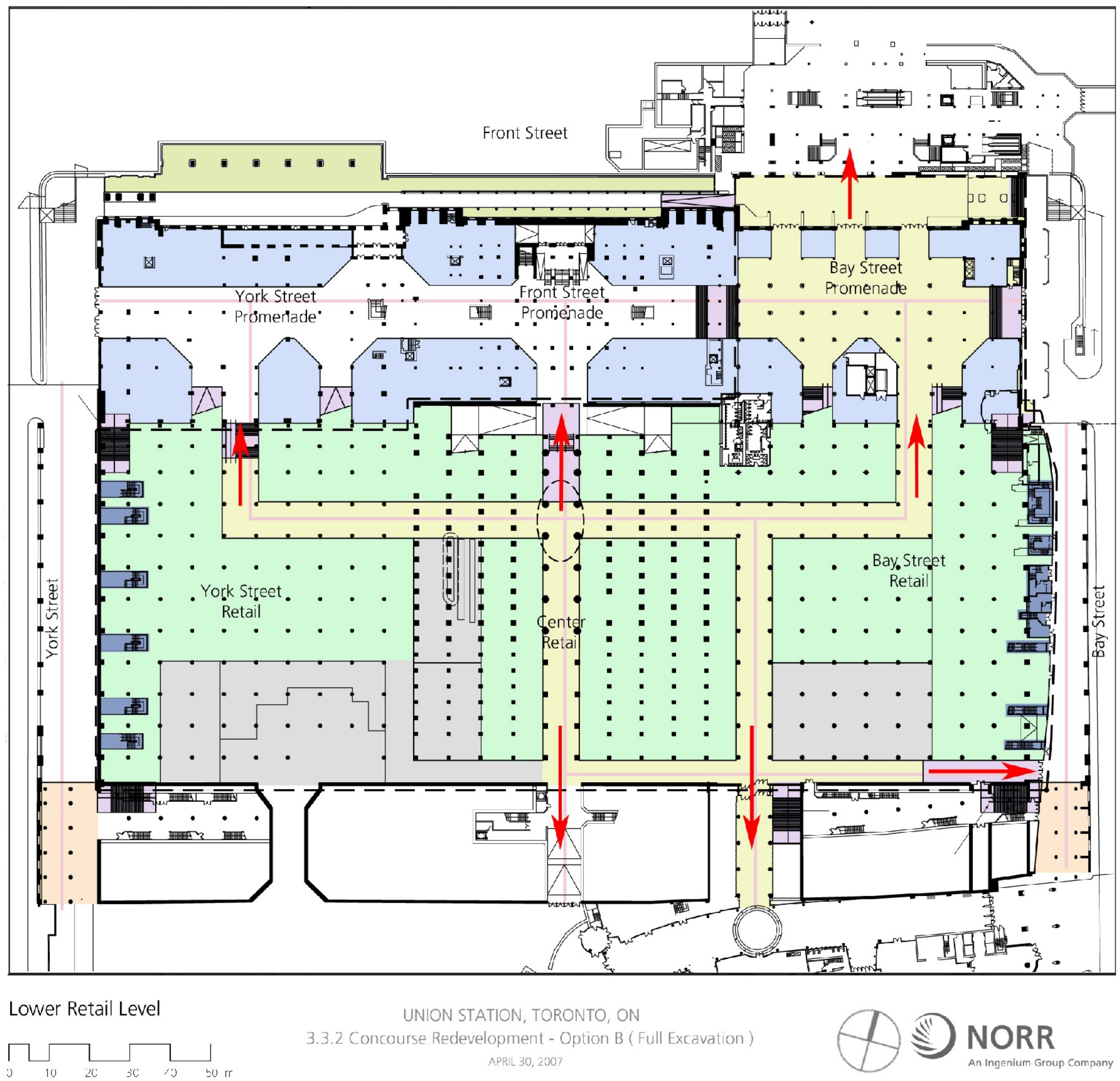
Capital Costs of Revenue Generation Projects

Location	Estimated capital cost (millions)
Promenade Retail	$28.132
Moat Retail	6.610
East & West Wing Retail	2.174
West Wing Office	11.160
Lower Concourse Retail	81.379
East Wing Retail	7.830
Total	**$137.285**

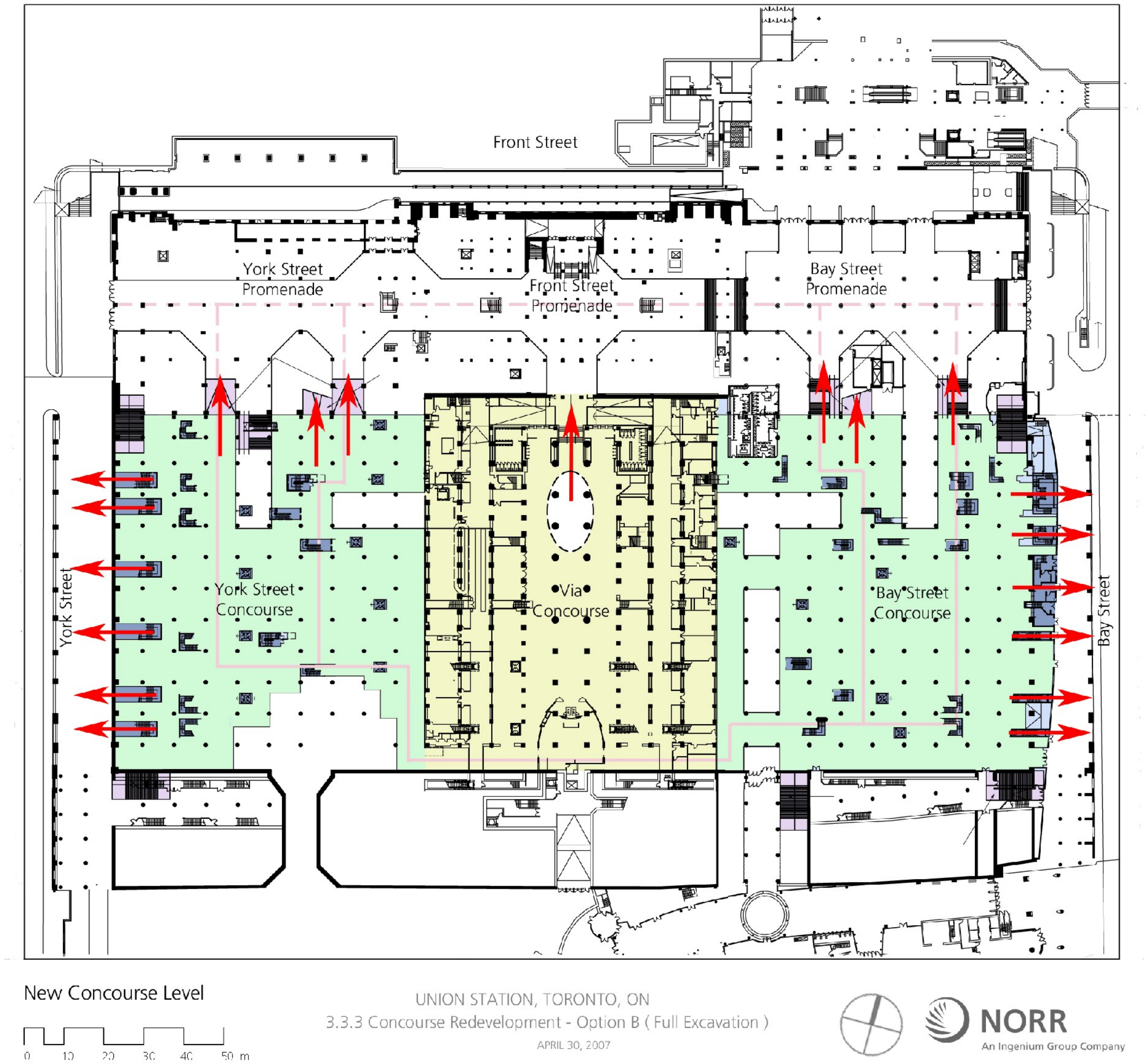
ATTACHMENT 7

Illustration of Recommended Approach and other Options

RECOMMENDED APPROACH
New Retail Floor Level with renovated Promenade Area and direct access to the TTC/PATH route to the north

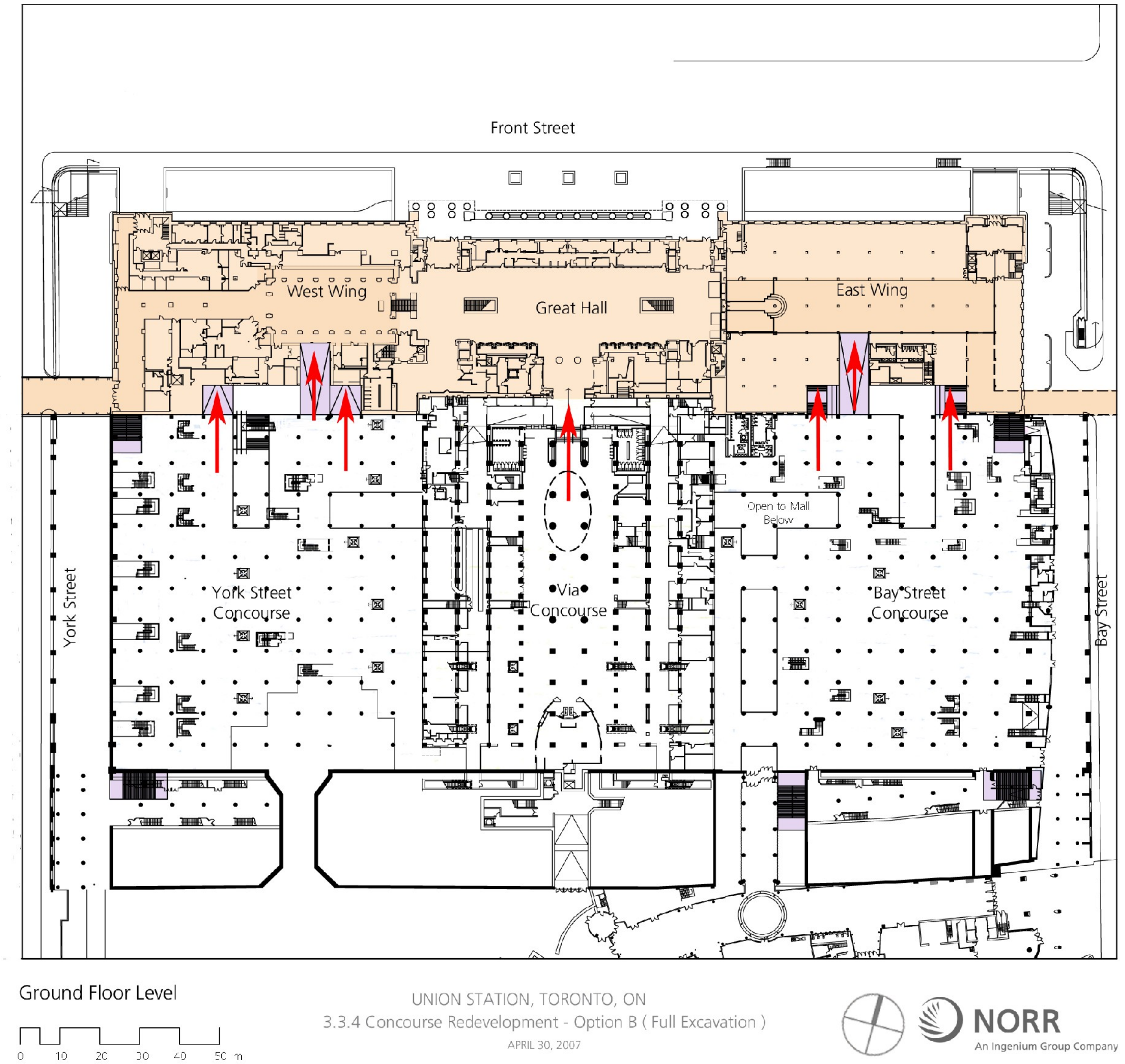


RECOMMENDED APPROACH
New Concourse Level showing potential access to the Great Hall Level and the Teamways on Bay and York Streets



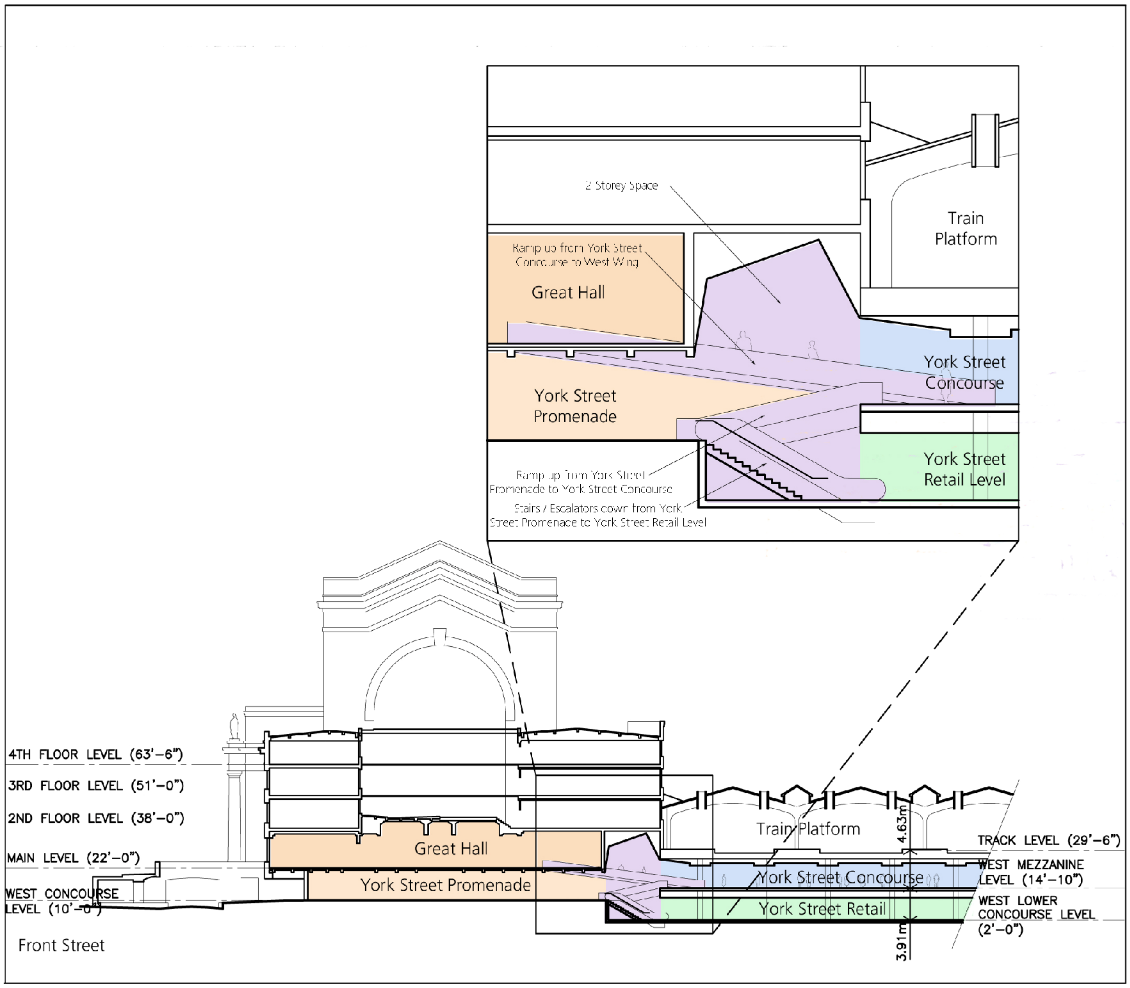
RECOMMENDED APPROACH

Great Hall Level with extended commercial space into the East and West Wings



RECOMMENDED APPROACH

Section showing elevations of the New Retail and Concourses in relation to the Great Hall and the York Street Promenade and the West Moat



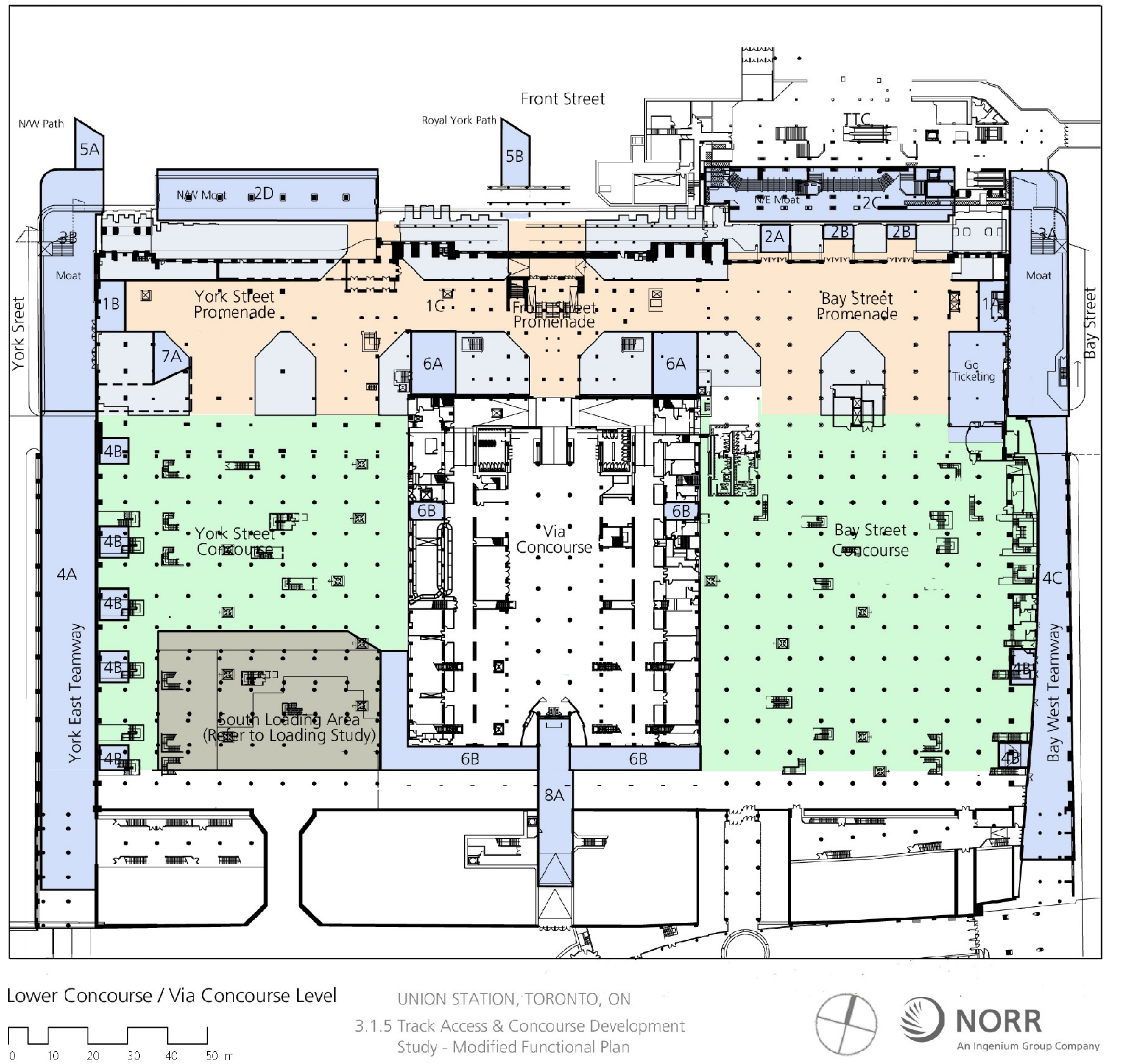
Section Through York Street Concourse

0 5 10 15 20 25 m

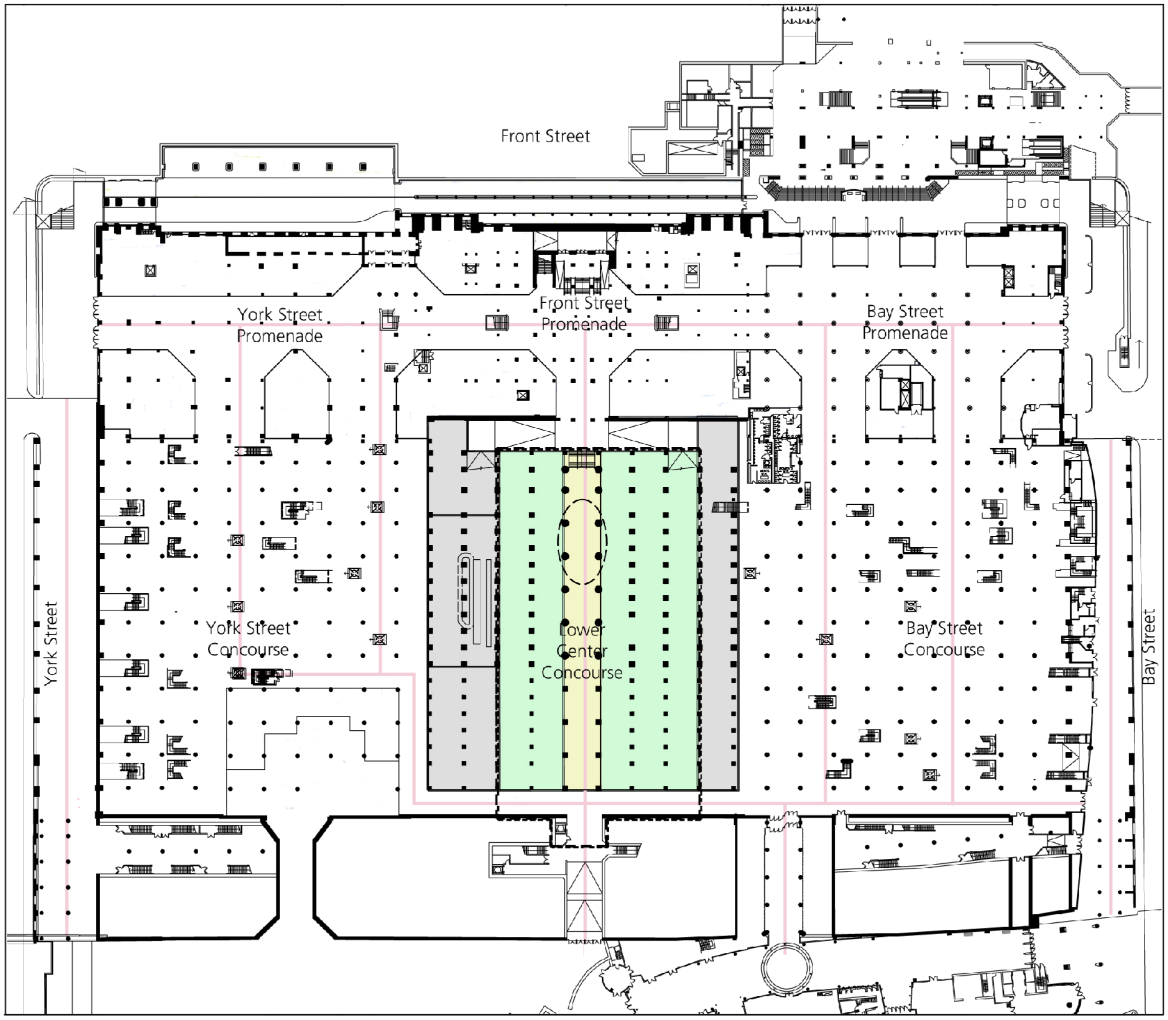
UNION STATION, TORONTO, ON
3.3.5 Concourse Redevelopment - Option B (Full Excavation)
APRIL 30, 2007

NORR
An Ingenium Group Company

MODIFIED FUNCTIONAL PLAN
Concourse Level and Promenade



MODIFIED FUNCTIONAL PLAN
- with Excavation Below VIA Concourse



Lower Concourse Level

UNION STATION, TORONTO, ON
3.2.2 Concourse Redevelopment -
Option A (Center Concourse Excavation)

NORR
An Ingenium Group Company

ATTACHMENT 8

Terms of Revised TTR Building Management Agreement and VIA Lease Amendments

Amendment to TTR Building Management Agreement

Since the City acquired the Station in 2000, TTR has provided interim building management under a short term contract. The contract provides management, financial control, security, maintenance, custodial, and event procurement. Over the years and until December 31, 2005, Council approved annual fee increases in the management contract to cover increased costs. Facilities & Real Estate Division recently completed a review of building management functions and recommend continuing with TTR's management with the increases set out below, pending a determination on Station management / governance.

A staff review of TTR operations was conducted as part of the Revitalization project in the areas of custodial, maintenance and security. In each case, the level of service provided was lower than the City standard. However, increasing the level of service to the City standard using either TTR or City staff would cost, respectively, approximately $700,000 and $1 million more per year. This is not recommended until a head lessee is selected and a new station management/governance model is determined.

Union Station has the highest concentration of people of any location in Canada (twice the number of people handled at Toronto Pearson Airport daily within a much smaller area). Security is of increasing importance. The potential level of risk associated with a high volume operating train station means that this is an area where costs are most likely to increase. The federal Transit Secure program is providing funding for much needed capital expenditures for security equipment. However, there will be increased operating costs associated with these new security measures. A review of how to best perform security services and an equitable allocation of those costs between the transportation and commercial uses is being undertaken as part of the revitalization strategy. In the meantime, it is recommended that TTR continue under the terms of the new Management Agreement until a new revitalization strategy is completed.

Therefore, Staff are recommending that the Building Management Agreement with TTR be amended to include the following key terms:

Term:	Two years commencing January 1, 2007 with an option to extend for one year
Termination:	Either party may terminate on five months notice; City may take over security at its option.
Fee Increases:	2006: 4% 2007: 4% 2008: 3%

Revisions to VIA Leased Space at Union Station

The lease with VIA Rail Canada Inc. (VIA) provides that the leased areas may be revised from time to time to accommodate VIA Rail's needs in the context of Union Station redevelopment proposals. VIA has spent significant funds renovating its own space and has worked closely with the City and formerly with UPG to accommodate the City's revitalization initiatives.

VIA has agreed to the following amendments to its rentable space totalling an overall increase from 72,087 to 78,119 square feet as follows:

d) the office premise on the second floor increases from 3,062 square feet to 4,934 square feet effective September 15, 2006, and further increases to 8,040 square feet effective February 1, 2007;
e) in the Great Hall, VIA's space increases from 2,123 square feet to 3,959 square feet effective December 15, 2006; and
f) on the Arrivals Level, the area decreases from 2,557 square feet to 1,775 square feet effective April 1, 2007.

Rent for the increased space will be adjusted according to the terms of the lease.

It is recommended that Council confirm these amendments and grant authority to the Chief Corporate Officer to continue to make these kinds of minor amendments to VIA's leased premises as the revitalization project is implemented, as contemplated in the lease, without the need to continually seek Council approval.