



**STAFF REPORT
ACTION REQUIRED**

Union Station Revitalization Project – Status Update

Date:	July 24, 2014
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward 28 – Toronto-Centre Rosedale
Reference Number:	P:\2014\Internal Services\FAC\Gm14006FAC (AFS #19226)

SUMMARY

The purpose of this report is to provide an update on the City of Toronto's Union Station Revitalization Project, including a status report on the construction progress and project budget.

Union Station is a National Historic Site and one of the finest examples of Beaux – Art Architecture in Canada. As part of the sale in 2000 from the Toronto Terminals Railway Company Limited to the City of Toronto, the City was required to enter into a Heritage Easement Agreement with Parks Canada which governs all the restoration work at the station. Union Station opened in 1927 and has often been characterised as a grand urban gateway, and was intended to transform the town of York into a world class metropolis. Today the City of Toronto is setting an example of restoration and revitalization of this historic site, once completed the station will act as a gateway to the waterfront and the City.

The Union Station Revitalization Project is now in its fourth year of a multi-year construction schedule. It is one of the most complicated projects in the country, "wedged" into one of the most congested parts of the City and being undertaken while the TTC funded subway platform reconstruction is underway as well as two other major Metrolinx funded infrastructure projects: the GO Transit Atrium & Track Signalling/Repair, and the construction of the Union Pearson Express terminal station. The total re-investment and re-vitalization by all levels of government and organizations is estimated at approximately \$1.5 billion.

The Union Station Revitalization Project is on schedule for completion in 2016. Union Station is by far the largest and busiest transportation hub in the country handling 65 million passengers per year which is expected to grow to 130 million passengers per year by 2021. Without the revitalization of the Station and the capacity the City is adding through concourse construction, the City would not be able to handle these volumes and arguably would be limiting the City's overall potential to grow. This project paired with Metrolinx transit projects are an investment in the City's infrastructure that will promote transit oriented growth in the long term.

The next Project milestone is the completion and turnover to Metrolinx of the newly constructed York Concourse scheduled for October 2014. The General Contractor/Construction Manager (GC/CM) for the work, Carillion Construction Inc., has committed to achieve this milestone date, despite the severe challenge presented to them by the breadth, scope and complexity of the overall project.

As the project has progressed, it is becoming evident from discussions with the Head Lessee that the Station will also act as a destination for culture, entertainment and dining experiences. Union Station will not just be a place that people pass through on their way to work or back, it will become a destination in itself. Union Station will also link the communities north of the station to communities now being developed to the south and will in essence act as a City/community gathering place where "the best of Toronto" can be experienced.

With respect to budget and financing, the Federal Government has stated that it will not provide additional grant funding and discussions with Metrolinx and the Province are continuing.

A recommendation follows to enable the City to bolster its defense against construction claims being filed. Such claims are typically vastly overstated in the first instance, and therefore require careful legal and technical analysis to protect the City's interests during the judicial process.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council authorize the CCO to amend the following retainer (excluding all recoverable HST), in accordance with the details as specified below:
 - a) Osler, Hoskin & Harcourt LLP in the additional amount of up to \$550,000.00 (net of all applicable taxes), revising the current contract value to \$1,500,000.00 (net of all applicable taxes) to continue to provide construction law services and expertise through the construction duration, subject to any additional amounts which may be required related to project claims.

Financial Impact

Funding is available in the 2014 Approved Capital Budget and 2015 – 2023 Capital Plan for Facilities Management and Real Estate (FM&RE) to continue the Union Station Revitalization Project (USRP). Total project budget is \$796.4 million and the funding sources are outlined in Table 1 below.

External Funding Sources:	
GO / Metrolinx	222.8
Transport Canada	133.0
Transport Canada – Transit Secure	6.5
VIA Rail	24.9
Other Stakeholders	2.4
Total External Funding	389.7
Internal Funding Sources:	
City Debt	168.0
Recoverable Debt	190.5
Reserves	45.0
Development Charges	0.43
Section 16 Agreements	2.75
Total Internal Funding	406.7
Total Funding	796.4

Overall, the project remains within the Council approved project cost of \$796.4 million. Current cash flows approved as part of the 2014 Capital Budget and 2015 to 2023 Capital Plan and updated forecasts are shown below in Table 2.

	Amount Spent To-Date (As of Dec 31, 2013)	2014	2015	2016	2017	Total
Current Estimates	394,601	123,527	141,230	108,842	28,200	796,400
Approved Plan	394,601	190,016	131,941	71,842	8,000	796,400
Variance	0	(66,489)	9,289	37,000	20,200	0

A summary of life-to-date expenditures incurred up to June 30, 2014 against the project costs of \$796.4 million is provided in the Appendix A – Life-to-Date Financial Update.

Projections to year-end indicate that the USRP's capital expenditures are forecasted to be \$123.527 million or 65.0% of the 2014 approved cash flow of \$190.016 million by year-end. Phase 1 of the project experienced delays due to a number of factors, including found site conditions such as heritage, environmental elements including designated substances, and performance issues with the General Contractor/Construction Manager, the prime consultant, and certain subcontractors. However at present the delay issue is before the courts and/or has not yet been reviewed sufficiently with experts in the field to reach a conclusion on legal responsibility for the delay. This has impacted progress on

the York Concourse, the restoration of other interior areas, and the installations of new mechanical and electrical systems. In addition, the need for coordination amongst stakeholders and other projects in the precinct have also impacted progress. Work plans have been revised to address these issues, with Stage 1 of the project now expected to be complete in 2015. These delays have impacted the timelines for Stages 2/3, which will not be commenced until the end of 2014 with the majority deliverables in 2015. At the end of the year, any unspent cash flow with their respective funding sources will be carried forward into 2015 for FM&RE to continue the delivery of the project.

The annual cash flows estimates outlined in Table 2 above do not align with the cash flows estimates in the FM&RE's 10-Year Capital Budget and Plan approved by Council during the 2014 budget process. FM&RE continue to closely monitor the progress and spending of the project and will submit the updated cash flows through the 2015 budget process in alignment with the latest forecasts.

Regarding requests for additional funding from other levels of government, discussions at the Federal level for an additional \$15 million have not yielded the desired results, and discussions at the Provincial level continue. The outstanding additional financial request to the province is for total \$45 million comprised of \$20 million for the Northwest PATH and \$25 million for the Station building.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of January 29 and 30, 2014, City Council approved the 2014 Capital Budget and 2015-2024 Capital Plan for Union Station Revitalization Project. This included an increase of \$80 million for additional work and \$1 million for Heritage Plan and chandeliers. The report is available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX37.1>
<http://www.toronto.ca/legdocs/mmis/2014/ex/bgrd/backgroundfile-65945.pdf>

At its meeting of December 16, 17 and 18, 2013, City Council approved the Union Station Revitalization – Status update, including authorization for the Chief Corporate Officer to change the delivery method for construction work and the amendment of four existing contracts required to carry out the remainder of work within the Union Station Revitalization project, as well as for additional work to be carried out on behalf of 3rd parties, namely Metrolinx. The report is available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM26.5>

At its meeting on January 15 and 16, 2013, City Council approved the 2013 Capital Budget and 2014 - 2023 Capital Plan for the Union Station Revitalization project. This included an increase to the original capital budget of \$8.2 million for additional work being carryout on behalf of various stakeholders at Union Station, funded through 3rd party contributions, and an increase of \$40 million for the NW PATH project, funded

equally from City and Metrolinx contributions, mainly due to revised estimates for future phases of the project. The report is available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX27.1>

<http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-54840.pdf>

The Auditor General conducted a detailed on-site project audit in 2012 with a final report to Council on November 27, 2012 and the recommendations contained are being implemented for this project:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AU9.7>

At its meeting on October 2, 2012, City Council approved an increase to the 2012 approved budget and 2013 capital plan of \$0.25 million for the installation of a commemoration of the Walks and Gardens Trust, funded through the Union Station reserve fund. The report is available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM11.6>

At its meeting on April 10, 2012, City Council approved an increase to the Union Station Revitalization budget of \$1.75 million to provide heritage architectural lighting and a heritage interpretation plan for Union Station, funded from a development agreement for 15 York Street. The report is available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX18.8>

At its meeting on March 5, 2012, City Council approved the amendment of five existing contracts required to carry out the remainder of work within the Union Station Revitalization project, as well as for additional work to be carried out on behalf of 3rd parties, namely Metrolinx. The report is available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM11.4>

At its meeting on January 17, 2012, City Council approved the 2012 Capital Budget and 2013 - 2022 Capital Plan for the Union Station Revitalization project. This included an increase to the original capital budget of \$25 million all related to work being carryout on behalf of various stakeholders at Union Station, funded through 3rd party contributions.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX14.1>

At its meeting on November 30, December 1, 2, 4 and 7, 2009, City Council authorized the award of a General Contractor/Construction Manager contract to the recommended proponent, and the extension of various professional services contracts to carry out the Union Station Revitalization Project. The reports are available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.GM26.32>

A report giving authority to proceed with the Union Station Revitalization Project, and confirmation of Federal and Provincial Funding commitments, as well as authorization to execute the necessary agreement with a Head Lessee for the commercial space within Union Station, was approved by Council at its meeting on August 5 and 6, 2009. The reports are available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.44>

A report seeking authority to proceed with the design for the revitalization of the Station and the Northwest PATH connection was approved by Council at its meeting on December 1, 2 and 3, 2008. The report is available on-line at:

<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-16776.pdf>

A Report outlining Union Station Revitalization - Recommended Approach was approved by council July 26, 27, 28 2006. The report is available on-line at:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/pof6rpt/cl011.pdf>

ISSUE BACKGROUND

The Union Station Revitalization project is the centrepiece of Council's vision to restore and expand this vital transportation hub for the next 50 to 100 years as described in the Master Plan approved by Council in July 2006. Stage 1 represents about 66 % of the overall project budget while stages 2, 3, and the Northwest PATH represent the balance.

The vision had three main objectives to be achieved:

- expansion and enhancement of the transportation purpose, primarily through improved pedestrian flows,
- restoration of this National Historic Site, and
- creation of a destination, a commercial retail hub as important in Toronto as Grand Central Station is in New York and others in similar world-class cities.

The completion will provide, as well, a pedestrian destination with self-sustaining retail and commercial uses serving the rapidly increasing densification in the adjacent residential community.

COMMENTS

Union Station remains as the single most challenging project currently underway in the GTA, and very likely in the country. Maintaining passenger, station and rail operations throughout construction continues to be an immense constraint on the predictability of the cost and schedule. In this context, our commitment to public and worker safety remains our highest priority and rises above all other considerations. The additional challenges associated with the status of the building as a National Historic Site and the associated requirements by this designation are significant. The coordination with the adjacent major capital projects being undertaken by Metrolinx with their Train Shed Reconstruction Project and the TTC with their Union Station Second Platform Project plus the construction of the new Union Pearson Express terminal continues to create on-

going complications and challenges. The previously acknowledged and recognized challenges have impacted the project from both a cost and schedule perspective. The uniqueness and complexity of the project, although recognized at inception, continues to be difficult and intricate. It is clear that some options that are available for cost and schedule mitigation on a normal construction project are not available to the project team due to safety constraints and significant impact on station users. The dynamic nature of the project necessitates active management of the schedule and cost challenges by the project team as on-going issues and items continue to be encountered. The project team continues to aggressively and proactively manage the project within the current budget of \$796M.

The Union Station Revitalization project began physical construction in 2010, with major construction works beginning in 2011. At the time that the construction management contract was awarded, the total project design was still at the Design Definition stage. Accordingly, estimates were still subject to change. Significant progress has been made on the project with the design nearing 100% completion and the Stage 1 construction is approximately 60% complete. Stage 1 is the York Concourse and base building systems, Stage 2 is the Bay Concourse, and Stage 3 is the finishing connection to the TTC subway station. The following provides a synopsis of the status of the construction work:

Work completed to-date:

(1) VIA Elements:

- Panorama Lounge
- York West Teamway Catering space
- East Concourse offices
- Baggage Handling System
- VIA Concourse heritage washrooms
- Fourth floor office space
- Great Hall east and west ticket offices

(2) York West Concourse

- Structural concrete and steel including all stairs to platforms and team-ways.
- New loading dock, with access/egress through ACC and Telus buildings tunnels.

(3) West Wing

- Floors 2 through 4 complete, strata sold to and occupied by Metrolinx.

(4) Structural Support Column Replacement

- York Concourse: 111/111
- VIA Concourse: 152/191
- Bay Concourse: 29/29.
- Overall Stage 1 completion for column work is 88%.

(5) Mechanical/Electrical systems

- Significant progress with fire/sprinkler systems.
- Cooling system for West Wing complete.
- Heating systems online at October 2013.
- West Mechanical Penthouse completed in spring 2013.

Next schedule milestones:

- York Concourse completion October 2014; turnover to Metrolinx for operational trials & active service for passengers.
- Go Transit final fixtures & fit-out of York Concourse to follow turnover.
- Life safety systems to be complete to support York Concourse operation.
- All base building support mechanical and electrical systems to be complete to support York Concourse operation.
- Centre Block exterior façade restoration to be completed end 3rd quarter of 2014.

Future construction Stage 2/3 Review

- Documentation review completed
- Reviewing budgets and scope with consultants and Carillion.

Schedule: Project substantial completion is achievable for year-end 2016 which remains well within our overall schedule delivery window to our stakeholders and partners. Certain internal milestones have slipped behind schedule, notably the completion of the York Concourse and the overall completion of Stage 1. The changes to these internal milestones do not impact overall project schedule completion in 2016 due to built-in schedule float buffer, but notwithstanding are an inconvenience to the City and Metrolinx. The project team is striving to mitigate any and all impacts, with the current plan to complete the York Concourse in October 2014, some ten months later than previously forecast.

It should be noted that the Northwest Path Tunnel Phase 1 (across Front Street) is currently under construction with an expected completion by the end of 2014. Phase 2 (up York Street from Front Street to Wellington Street) approved construction budget is included in the current forecast and is based upon the 30% design completion to-date. Final design will be completed in late 2014 for initiation of construction in later 2015 after the PanAm games.

Budget: The current total Council approved project budget is \$796 million. While we have received construction forecasts that are higher than this amount, the project team has responded with value engineering, constructability changes, challenging of tender results, retendering, minor scope adjustments and consideration for different construction methodologies. In addition, the City team has undertaken an internal assessment of the forecasts to evaluate the nature of the changes to the forecast and whether, in fact, the costs being forecast are attributable to the City. The General Contractor/Construction

Manager (GC/CM) is also currently sending multiple notices of intent to claim to the City. The claim amounts are unknown and their validity has not been ascertained. In addition, a number of claims have been filed by subcontractors against the GC/CM and, in some cases, also against the City. This is not an unexpected reality on a project of this complexity and duration. The project team together with the legal team (external and internal) have, are, and will take whatever steps are necessary to protect the City's interests in these matters.

Construction Process

Construction of the Union Station Revitalization Project (USRP) Stage 1 is being performed under a General Contractor/Construction Manager (GC/CM) master contract with Carillion Construction Inc. (CCI) as awarded to CCI by Council in December, 2009. This type of contract is used when construction must be performed in stages before the total design is 100% complete.

The design for the USRP project by NORR Architects is 100% complete. Construction of Stage 1 is approximately 60% complete.

The master contract contemplates that the City and CCI may enter into further phase agreements for the full extent of the construction work required for the USRP. At each stage, the contract contemplates that the parties may decide to continue the work under the current Contract, however, the City is not under any obligation under the Contract to enter into additional phase agreement contracts with CCI for any further stages of construction work. The contract therefore provides flexibility for the City to complete the work using another process and/or contractor. In the case of the USRP project, the current scheduling requirement to overlap ongoing construction work in the current stage with future stages does create a further level of coordination complexity and separation of constructors under Ontario Health and Safety Act (OHSA) should the City pursue a different construction delivery model. Construction administration staffing levels would also likely be impacted. Council in 2013 granted authority to the CCO to make the appropriate decision as to whether better value, cost certainty and improved overall schedule delivery can be achieved by tendering the remainder of the project, on a Stipulated Price Lump Sum contract form through normal City contract procurement process or continuing with the current model of project delivery via the GC/CM contract arrangements.

Professional Services

The supporting professional services to enable the City to continue to implement the revitalization and fulfill our contractual agreements with the Head Lessee, Metrolinx, VIA and the Transport Canada are a necessary requirement.

The firms noted below in this report have been involved in the revitalization work from the outset and have extensive experience and knowledge of the project at the station. Not continuing with the current service providers would delay future construction work and result in a schedule delay and increased costs.

NORR's existing contract City Council approval to-date totals up to \$41,000,000.00 (PO # 6030175, excluding taxes) to cover the estimated cost of providing design, construction documentation, construction administration and resident services for the continuation of the project. Note that NORR has been authorized a total of \$58.6 million on all project purchase orders to date. Potential cost pressures on this account are likely to generate further discussions and possibly disputes going forward. A legal tolling agreement is currently in place with this consultant to mitigate this issue and allow the work to progress. A tolling agreement delays litigation and allows the parties to continue working toward a solution.

Osler, Hoskin & Harcourt LLP have provided the City with construction law support services since the initiation of the RFP for the general contractor/construction manager and were instrumental in the development and refinement of the master contract currently in place with Carillion for the construction work. The requirement for legal advice to support the ongoing implementation and interpretation of items and issues in the agreement and the various phase agreements will be ongoing through construction. Osler has been assisting the project team and internal legal, in a lead role, to address the various claims that have arisen to date on the file. It is prudent and cost effective for Osler, Hoskin & Harcourt LLP to continue their role in assisting the City to address the legal construction-related issues pertinent to the successful completion of the Union Station Revitalization Project. It is therefore recommended that the Osler, Hoskin & Harcourt LLP retainer agreement be amended by up to an additional \$550,000.00 to a total value of up to \$1,500,000.00 (excluding taxes), to provide the required construction law support services for the next several years subject to any additional amounts which may be required related to project claims.

Conclusion

Although the Union Station Revitalization project has experienced some challenges over the first half of its implementation the overall project remains both a technical marvel and an important revitalization initiative. Work continues on delivery of the essential scope of the project to implement the Council, Partners and Stakeholder envisioned iconic centrepiece of the downtown core and transit.

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SIGNATURE

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ATTACHMENTS

Appendix A - Project Financial Report June 30, 2014.xlsx