



## STAFF REPORT ACTION REQUIRED

### Union Station Revitalization Project – Status Update

<b>Date:</b>	June 12, 2015
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Corporate Officer Director, Purchasing and Materials Management
<b>Wards:</b>	Ward 28 – Toronto-Centre Rosedale
<b>Reference Number:</b>	P:\2015\Internal Services\Fac\Gm15017Fac-(AFS 20304)

#### SUMMARY

The purpose of the report is to advise on the status of the City of Toronto's Union Station Revitalization Project, recommend a revision to the capital budget and funding necessary to complete the renovation / restoration, and to recommend the award of Tender 75-2015 to Bondfield Construction Company Limited.

When the project was approved the initial budget of \$640.2 million was based on an overall design completion of 20-30%. The current budget of \$796.4 million includes updated cost estimates and scope changes realized since the initial budget was approved. The results of tendering Stage 2 and 3 of the Union Station project, combined with the latest estimates to complete Stage 1 require additional net funding of \$20 to \$23 million (\$59 million gross, excluding the potential cost of claims) to complete the Union Station Revitalization Project, after the recommended deferral of phase 2 of the NW PATH extension. The revised project cost is now \$800.7 million, net of proposed offsets.

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. However, the Province has not committed additional funding for increases identified for the NW PATH or general construction of the Revitalization project.

The City has not accepted legal responsibility for certain construction claims filed by the contractor and its subcontractors. Claims in a project of this size require careful legal and technical analysis to protect the City's interests. The cost of claims are not known at this time and are therefore not included in this report.

The Union Station Revitalization Project is now scheduled for substantial completion in 2017. 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 2031. There are a number of projects in and surrounding the Station, including UP Express Terminal and GO Transit train shed, with re-investment and re-vitalization by all levels of government and organizations estimated at over \$1.5 billion. These transit projects are an investment in the City's infrastructure that will promote transit oriented growth in the long term.

As the project has progressed, it is becoming evident that the Station will also act as a commercial retail hub and a destination for culture, entertainment and dining experiences, and will connect the community to the south currently under significant development.

## **RECOMMENDATIONS**

---

The Chief Corporate Officer and the Director, Purchasing and Materials Management recommends that:

1. City Council approve an increase in the Facilities Management and Real Estate 2015 – 2024 Capital Budget for the Union Station Revitalization project in the amount of \$4.3 million, with funding outlined in the financial impact section of this report.
2. City Council grant authority to award a contract for Tender Call No. 75-2015 for the Union Station Revitalization Project Stages 2 and 3 to Bondfield Construction Company Limited in the amount of \$178,542,180 net of HST, including all allowances, contingencies and charges, being the lowest compliant bid in conformance with the Tender requirements.
3. City Council authorize the Chief Corporate Officer to continue negotiations with Metrolinx on funding options for the Northwest PATH connection and to defer completion of phase 2 of this scope of work until appropriate funding is obtained.
4. City Council direct staff to seek alternate funding sources and cost recoveries for the Union Station Revitalization Project, inclusive of further divestitures and strata sales, lease agreements, and funding contributions from other levels of government and report to City Council to adjust the funding sources for the project accordingly should any funding become available.
5. City Council authorize the CCO and the City Solicitor to execute an amendment to 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 \$6,800,000 (net of all applicable taxes), revising the current contract value to \$8,300,000

(net of all applicable taxes) to continue to provide construction law support and litigation services and other related consulting expertise through the construction duration, including representing the City with respect to project claims.

## FINANCIAL IMPACT

### Total Project Cost and Current Estimates:

The gross cost increase to complete the Union Station Revitalization Project, including the NW PATH, is \$59.3 million. However, approval of the report will only result in an increase to the Facilities Management and Real Estate (FM&RE) 2015 to 2024 Capital Budget and Plan of \$4.3 million for the Union Station Revitalization Project, net of the recommended offsets of \$55 million proposed by staff. The total project cost will be increased from \$796.4 million to \$800.7 million, which excludes the potential cost of claims. This includes increases in estimated costs of the remaining scope of work, offset by a reduction in scope through the deferral of phase 2 of the NW PATH connection. Table 1 below details the change from the current approved budget to the revised recommended budget:

<b>Table 1: Current Approved Project Cost Budget vs. Latest Forecast (\$M)</b>	
<b>Current Approved Budget:</b>	<b>796.4</b>
<b>Additional Cost Pressures:</b>	
Stage 1 revised forecast vs. current budget	13.1
Stage 2/3 - Tender results vs. current budget	31.1
Legal fees for claims and additional legal support	6.8
Additional professional support services	4.5
Insurance coverage increase due to time extension	2.0
Continued internal resource support due to time extension	1.7
<b>Total Increase in Cost vs. Budget</b>	<b>59.3</b>
<b>Recommended Scope Reduction:</b>	
Deferral of phase 2 of the NW PATH extension	(55.0)
<b>Revised Project Budget based on latest forecast</b>	<b>800.7</b>
<b>Total Increase in Gross Project Budget after Scope Reduction</b>	<b>4.3</b>

**Notes:**

*Additional cost pressures noted above exclude the potential cost of claims.*

Future cash flows based on these estimates, and a comparison to the current approved plan, is outlined in table 2 below:

<b>Table 2 –Approved Project Budget vs. Current Estimated Project Cost (\$ millions)</b>						
	<b>Amount Spent To Dec 31, 2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Current Estimates	488.534	81.450	117.598	108.118	5.000	<b>800.700</b>
Approved Plan	488.534	131.176	125.441	51.249	0.000	<b>796.400</b>
Variance	0	(49.726)	(7.843)	56.869	5.000	<b>4.300</b>

Projections to year-end indicate that the USRP's capital expenditures are forecasted to be \$81.5 million or 62.0% of the 2015 approved cash flow of \$131.2 million. Delays experienced due to found site conditions, performance issues with 3<sup>rd</sup> party contractors and consultants, coordination amongst stakeholders and projects in the precinct, and a transition between construction contractors has, and will continue to, impact progress in 2015. At the end of the year, any unspent cash flow with their respective funding sources will be carried forward into 2016 for FM&RE to continue the delivery of the project. Work plans have been updated to reflect these issues with Stage 1 now expected to be completed in 2016. Stage 2/3 will commence in the third quarter of 2015 with major deliverables to be achieved in 2016/17.

### Financing Sources:

The Council approved budget and financing plan for the Union Station project is outlined in table 3 below:

<b>Table 3: Union Station Revitalization Project Cost &amp; Funding Sources</b>	<b>Approved Budget \$ millions</b>
<b>Project Costs:</b>	
Stage 1 Construction	388.9
Stage 2 Construction	147.9
Other Construction (Including 3 <sup>rd</sup> Party works)	70.2
NW Path	105.0
Professional and consulting services (Including design and legal fees)	64.9
Other Fees (Including insurance and permits)	9.3
Internal project management	7.1
Other heritage elements	3.1
<b>Total Project Cost Budget</b>	<b>796.4</b>

<b>Project Funding Sources:</b>	
Province (GO / Metrolinx)	222.8
Federal	139.5
VIA Rail	24.9
Other stakeholders	2.4
<b>Total External Funding Sources</b>	<b>389.6</b>
City Debt	168.0
Recoverable Debt	190.5
Reserves	45.1
Development Charges	0.4
Section 16 Agreements	2.8
<b>Total Internal Funding Sources</b>	<b>406.8</b>
<b>Total Project Funding Sources</b>	<b>796.4</b>

Approval of this report will result in adjusted financing sources in order to fund the incremental project cost for the Union Station Revitalization Project. Additional funding requirements will be offset by the deferral of scope from the NW PATH phase 2, as well as existing funding in the Facilities Management & Real Estate 2015 - 2024 Capital Budget and Plan for future state-of-good-repair work at Union Station which is not allocated. Table 4 below outlines the adjustments to funding sources to accommodate the additional gross project cost of \$59.3 million:

<b>Table 4: Additional Funding to Offset Additional Project Costs of \$59.3M</b>		
<b>Funding Source:</b>	<b>Scenario 1</b>	<b>Scenario 2</b>
Additional City Debt	36.5	39.5
City Reserve Funding (Strategic Infrastructure Reserve)	15.3	12.3
Development Charge funding from Pedestrian Infrastructure DC	7.5	7.5
<b>Gross Additional Funding to Offset Additional Project Cost</b>	<b>59.3</b>	<b>59.3</b>
Reduction in City Debt due to NW PATH scope deferral	(24.0)	(27.0)
Reduction in City Debt from 2016 to 2018 for Union Station SOGR	(12.5)	(12.5)
<b>Net Additional Funding to Offset Additional Project Cost</b>	<b>22.8</b>	<b>19.8</b>

**Notes:**

**Scenario 1:**

GO / Metrolinx do not provide any additional contributions over the \$22M already paid as part of its agreement with the City on the NW PATH.

**Scenario 2:**

GO / Metrolinx contribute 50% of total estimated NW PATH costs.

There are two scenarios presented that represent different amounts that may be collected from Metrolinx relative to the NW PATH project. The existing agreement with Metrolinx obligates the City to proceed diligently to construct the NW PATH up to Wellington Street and it obligates Metrolinx to contribute 50% of the cost of the NW PATH project, up to a maximum of \$33 million. This was based on an original \$65 million budget for this scope of work. The budget for this scope of work had increased by an additional \$40 million to \$105 million. In 2014 the City sought additional contributions from Metrolinx in the amount of \$20 million (to maintain its 50% share based on the revised budget), however Metrolinx has refused to increase its contribution. To date the City has recovered \$22 million from Metrolinx with respect to costs incurred on the NW PATH for phase 1 and preliminary design for phase 2. Another \$3 million will be invoiced to Metrolinx for the completion of works, resulting in a total expected contribution of \$25 million.

Scenario 1 above assumes Metrolinx will cease to contribute anything above the \$22 million already received given that the City is not proceeding with completing phase 2 at this time. Scenario 2 assumes Metrolinx will continue to contribute 50% of costs incurred, which is expected to be approx. \$50 million. The City intends to pursue recoveries of 50% of the costs incurred for the NW PATH, as outlined in the current agreement with Metrolinx.

Detailed changes to the expenditure budget and financing sources are outlined in appendix A attached at the end of this report.

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

## **DECISION HISTORY**

At its meeting of March 10 and 11, 2015, City Council approved the 2015 Capital Budget and 2016-2025 Capital Plan for Union Station Revitalization Project.  
<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilAgendaReport&meetingId=9689>  
<http://www.toronto.ca/legdocs/mmis/2015/ex/bgrd/backgroundfile-77481.pdf>

At its meeting of August 25, 26, 27 and 28, 2014, City Council approved the Union Station Revitalization – Status update, including an amendment to an existing contract.  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.GM32.10>

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, including an increase of \$80 million related to forecasted cost increases 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 3<sup>rd</sup> 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, resulting in an increase of \$48.2 million to the overall project cost. 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 3<sup>rd</sup> 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, including 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 3<sup>rd</sup> 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>

At its meeting on August 5 and 6, 2009, Council approved 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. The reports are available on-line at:

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

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

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

At its meeting on July 26, 27, and 28, 2006 Council approved a report outlining Union Station Revitalization - Recommended Approach. The report is available on-line at:

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

## ISSUE BACKGROUND

Union Station was opened to the public in 1927 and 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. In July 2006 City Council approved the Master Plan for the Union Station Revitalization project as Council's vision to invest in the restoration and revitalization of this historic site and to expand this vital transportation hub for the next 50 to 100 years. To put the City's current investment into the station into context, Union Station has seen no significant capital investment by its owners for the past 90 years and as such, reflects a "once in a century" type of investment in city building.

The vision has 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.

In 2009 the City signed the Head Lease Agreement with Osmington Inc. The agreement gives Osmington the exclusive right to carry out commercial uses in the Station, including leasing retail space, advertising, commercial signage and special events, with the City and Osmington sharing equally in the profits that are generated from these commercial activities.

The completion of the Revitalization will provide a pedestrian destination with self-sustaining retail and commercial uses serving the rapidly increasing densification in the adjacent residential community. The station will act as a gateway to the waterfront and will renew and revitalize a major centrepiece of the City.

The Union Station Revitalization Project is now in its fifth year of a multi-year construction schedule and is one of the most complicated projects in the country, "wedged" into one of the most congested parts of the City. The project began physical construction in 2010, with major construction works beginning in 2011. At the time that the construction management contract was awarded to Carillion Canada Inc. (the General Contractor/Construction Manager), project design completion was between 20-30%, and as a result cost estimates were subject to significant change from the original \$640.2 million budget for the project. Also at the time, there was pressure to award the construction contract in order for the City to comply and leverage federal and provincial stimulus funds associated with the project. Through executive level reviews over the last few years it was identified that projects of this size and complexity require a much higher level of contingency, in the range of 30 – 40%. From the onset of the project City resources were not adequate to manage the project, a situation that was exacerbated by



inadequate performance by Carillion in its contractual role as the City's Construction Manager. This resource issue was addressed in 2012.

Throughout actual construction, maintaining passenger, station and rail operations, and the uniqueness and complexity of the Union Station Revitalization project, has been an immense constraint on the predictability of the cost and schedule. The additional challenges associated with the status of the building as a National Historic Site and the associated requirements by this designation are significant and materially impactful. Furthermore, 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 has created complications and challenges. While the TTC Union Station project and the UP Express project are drawing to a close, these coordination challenges are now being replaced by Metrolinx's Union Station Track and Signal Corridor Improvements, Regional Express Rail (RER) and Bay Street Bus Terminal Development initiatives. The project team continues to aggressively and proactively manage the project within the constraints of the approved capital budget and with a focus on public safety and minimizing impacts on Station users. However ongoing challenges associated with the delivery and completion of the Stage 1 component of the project and market forces have impacted the ability to move forward without additional funding.

## **COMMENTS**

### **Work Completed To Date**

Significant progress has been made on the project. Design was 100% complete in October 2014 which included the final stage 2/3 works. Key milestones reached and components completed include on Stage 1 and the NW PATH include:

- VIA Elements – Panorama Lounge, York West Teamway Catering space, East Concourse offices, baggage handling system, heritage washrooms, office space and Great Hall ticket offices.
- York West Concourse – base building fit-up work including stairs / elevators to platforms, life safety systems, loading docks and access/egress through ACC, Maple Leaf Square and Telus building tunnels.
- West Wing - Floors 2 through 4 complete, strata sold to and occupied by Metrolinx.
- Structural Support Column Replacement (Stage 1) – 313/331 columns complete, or 95% stage 1 completion.
- Electrical systems completed including installation, commissioning and operation of main and emergency power, lighting and lighting control, safety/security and communications systems.

- Mechanical systems completed including installation, commissioning and operation of HVAC, fire protection, plumbing, building automation and mechanical equipment systems.
- Exterior heritage façade restoration including roof of West, East Wings and Centre Block
- NW Path Phase 1 complete and open to the public in April 2015. This connects the northwest corner of Union Station across Front Street to the northwest corner of Front and York Street.

### **Future Milestones Planned**

- Stage 1 remaining construction to be completed early 2016, including Retail Concourse beneath York and VIA Concourses. Retail areas will be released to the Head Lessee as they are completed and ready for occupancy by tenants.
- Stage 2/3 publically tendered and award recommendation coming forward as part of the report – substantial completion expected by end of 2017, which includes the restoration of the Bay Concourse, VIA Concourse, Great Hall, remaining retail areas and East Wing exterior façade.
- NW Path Phase 2, which will extend the tunnel north to connect with the existing PATH system at Wellington Street; design still work in progress – based upon budget constraints, recommended to be deferred until funding is obtained.

### **Updated Schedule**

Project substantial completion is not achievable for year-end 2016 however the updated schedule remains within our overall schedule delivery window to our stakeholders and partners. Our federal funding partners have indicated that a positive response will be received to the City's request to extend the current Building Canada Fund agreement to reflect these new dates. Certain interim completion milestones have slipped behind schedule, notably the completion of the York Concourse, some retail space turnover and the overall completion of Stage 1. Although staff has mitigated a number of the delays encountered on the project through re-sequencing and restaging of the works, the overall impact of the challenges encountered has resulted in an extension of the overall project schedule completion to 2017. The project team has also successfully mitigated any significant impacts of the project on the 2015 Pan Am Games, although the completion of the overall project was never planned for the Pan Am Games.

### **Budget Challenges**

Looking back over the course of the project, the original budget of \$640.2 million was based on overall design completion of only 20 - 30%. At the time, no detailed drawings existed, and technical information was limited to approximately 30 design definition schematics. Since that time, greater than 10,000 detailed drawings have been completed and design completion was only achieved in October 2014. Multiple unforeseen site

conditions were uncovered impacting both project schedule and budget including subterranean structural features, heritage elements, electrical services that were not included on any drawings, etc.

#### *Current Approved Budget*

The current total Council approved project budget is \$796.4 million. The budget had previously increased from the original \$640.2 million approved budget due to the following factors:

- Additional scope related to work requested by 3<sup>rd</sup> parties (\$33.2 million) which is fully recoverable from external sources, at no cost to the City
- Additional scope related to additional heritage elements (\$3.0 million) including the Heritage Interpretation Plan, lighting and the Walks and Garden Trust Commemoration, funded through section 16 agreements and Union Station reserves
- NW PATH updated cost estimate resulting in a need for an additional \$40 million over and above the initial \$65 million that was planned for this scope of work
- Updated cost estimate for the revitalization (excluding the NW PATH) completed in 2013 resulting in a need for an additional \$80 million to complete this scope of work

See appendix A at the end of this report for the current approved budget by major component.

#### *Updated Project Cost Forecast*

While staff have received construction forecasts from the Contractor / Construction Manager (GC/CM) that are higher than this amount, some of these forecasted costs are difficult to analyze as to whether the costs are appropriately attributable to the City or to others on the project due to the lack of a comprehensive and transparent cost monitoring and reporting system from the GC/CM. The latest gross project cost estimates indicate that an additional \$59.3 million is required to complete the project. This is made up of the following:

Stage 1: The current forecast estimates that an additional \$13.1 million is required to complete all components of Stage 1, excluding the potential cost of claims. Staff have thoroughly reviewed this estimate and believe that the \$13.1 million is realistically needed to complete Stage 1. Carillion Construction Inc. is making multiple claims to the City, the validity of which have not been ascertained or accepted by the City. In addition, a number of other claims have been filed by subcontractors against the GC/CM and, in some cases, also against the City. The project team together with legal counsel (external and internal) have, are, and will take whatever steps are necessary to protect the City's interests in these matters.

Legal Fees: Legal costs, and the cost to obtain external expertise to deal with claims put forward by the GC/CM, are expected to be an additional \$6.8 million. This will ensure the City interests are protected and that sufficient legal support is available to address all matters related to claims. Staff are unable to entirely assess the scope of legal services which may be required at this early stage of the process and may be required to request additional funding if necessary for the trials stage.

Construction Process Change and Schedule Impacts: The move to a stipulated price lump sum contract and a delay in overall project completion by a year has resulted in incremental cost impacts. Additional funding is being requested to provide for:

- Additional professional support services (\$4.5 million) to support existing internal staff in the areas of risk and claims management (25%) and for expertise with respect to architectural, heritage, structural, mechanical, electrical and general engineering consulting and contract administration services (75%). The additional services are required to manage a stipulated price lump sum contract. The original project was tendered under a construction management framework. Given that we have now altered the structure of the contract to stipulated lump sum, these services are now required.
- Incremental internal staff costs (\$1.7 million) to support the extended duration of the construction period, and;
- Adjustments to the overall project specific insurance program (\$2.0 million) currently in place required as a result of time extension to complete the project.

All of these costs will be categorized and, to the extent relevant, be included in the assessment of and eventual allocation of responsibility, and possibly recovery, for direct City costs attributable to the delays in delivery of the project by the current GC/CM on stage 1.

Stage 2/3 Tender Results: With respect to the stage 2/3 tender, costs have come in higher than originally budgeted, driving the need for additional funding of \$31.1 million. Staff have compared the bid to estimated costs and found the price of the recommended bidder to be a competitive reflection of current market conditions for a project as complex and challenging as this. It is worth noting that the values for the majority of tenders submitted were in a tight price range.

#### *NW PATH Phase 2 Scope Deferral*

To offset the cost pressures outlined above, it is recommended that phase 2 of the NW PATH extension be deferred. As noted above, this scope of work is currently in the design phase. Following through with this recommendation would result in a reduction to the gross project budget of \$55 million (some contracts for phase 2 design have already been issued and staff are still exploring the impacts of terminating these contracts, therefore the final available reduction is still to be determined).

### *Alternate Funding Options*

Other potential sources of funding recommended to be explored include proceeds from the potential sale of additional parts of the Station. The City has previously entered into agreements to sell the Concourses and West Wing to Metrolinx, which accounts for over 200,000 square feet of a total of over 900,000 square feet of space in Union Station, post revitalization. Entering into these types of sale agreements in the future will provide a source of external financing, reducing the City's contribution on the project. Consideration must be given to existing agreements with Metrolinx, as well as the Head Lessee, in exploring these options as some of the financial benefits may be slightly offset by a loss of future revenues expected from any sale of rentable area.

Regarding requests for additional funding from other levels of government, discussions at the Federal level for an additional \$20 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 \$35 million comprised of \$20 million for the Northwest PATH and \$15 million for the Station building. Funding for the \$20 million and the \$15 million for the Station work has been funded by the City. Presently there is no offsetting funding for the Province's \$20 million share for the Northwest PATH. This scope of work is being recommended to be deferred until funding is obtained, and this unfunded amount will be removed from the overall project cost.

### **Head Lease Agreement**

Since the Head Lease agreement was signed in 2009 the vision of the Station becoming a commercial retail hub and a world class destination has taken form. In August of 2009 Council authorized the CCO to administer and manage the Head Lease Agreement with the Head Lessee, Osmington. Since then City staff have been working with Osmington in managing and maximizing the value of the current and future retail spaces within the Station. To this end City staff and Osmington have identified certain work and upgrades that can be completed in the commercial area of the Station to further promote and facilitate the vision. Staff will continue to work with Osmington on potential enhancements to this space and will report back to Council in the future on any matters that require its determination or direction.

### **Construction Process Update**

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

## **Change in Construction Contract Form and Project Delivery**

As reported to Council in 2013, 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 under no obligation 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 December 2013 Council authorized the CCO to implement the ongoing and future work either under the Construction Manager/General Contractor or other available construction delivery mechanisms approved under City procurement policies and procedures. In light of the ongoing challenges associated with the delivery of the Stage 1 components of the project, and the fact that design is now 100% complete, the CCO has decided to pursue the delivery of the Stage 2/3 components of the project in a more typical stipulated price, lump sum contract. The rationale behind this decision is that this contract form will provide the City with better value, cost certainty and improved overall schedule delivery commitments. Under this contract form the owner must exercise a higher level of diligence, as the contractor is limited in responsibilities to the interpretation of their contractual requirements. Internal staff resources, and the additional professional resources being requested through this report, will help to mitigate this risk and ensure that the City realizes the noted benefits of this change in project delivery method for the stage 2/3 work.

## **Tender Call 75-2015**

On March 13, 2015, Tender Call No. 75-2015, Union Station Revitalization Project Stages 2 and 3 was released to the public for bidding. Due to time restrictions with respect to completing Stage 2 and 3, it was decided to proceed straight to tender and build in mandatory requirements into the Tender document as opposed to doing a pre-qualification followed by a tender. There was considerable interest in the market for this work as was witnessed by the fact that twenty-two (22) contractors purchased the documents representing eight (8) General Contracting companies and fourteen (14) sub trades, attendance of approximately 80 people at the project's mandatory site visit and the considerable number of questions that were generated by the interested bidders. The complexity of the project remained difficult to assimilate during a relatively short tender period. A total of seventeen (17) addenda were issued responding to nine hundred and six (906) questions; most questions pertaining to the technical specifications. As such two extensions were provided, as requested by the bidders, to allow for a thorough and fulsome analysis of the constraints and challenges associated with the delivery of the project within the timeframe required.

Tender 75-2015 closed on May 26, 2015 and the Purchasing & Materials Management Division (PMMD), at its Public Opening held on May 26, 2015, opened the following tenders for Tender 75-2015, Union Station Revitalization Stages 2/3:

<u>Firm Name</u>	<u>Bid Amount Net of HST and all other charges</u>
Bondfield Construction Company Limited	\$178,542,180
Ellis Don Corporation	\$181,779,338
Kenaidan / Obayashi (Joint Venture)	\$181,867,000
Eastern Construction	\$205,072,168*

\* Eastern Construction was declared non-compliant as they did not adhere to the bid submission requirements. The firm has been duly notified of the rejection.

The tender prices received were in excess of staff's independent third-party estimates although still well below the pricing proposals previously provided by CCI at the City's request under the CM/GC Contract.

Contained in this bid amount, Facilities Management has included a contingency of \$16,144,150 to address any unforeseen project requirements and identifiable but not currently quantifiable work requirements. This amount is to be used at the discretion of the City only.

The bid amount also includes an amount of \$16,300,000 for Continuing Work. This is scope of work that was originally tendered as part of the Stage 1 works, but encompasses work that continues through entire project, including Stages 2/3. This work includes elevators, escalators, way-finding and signage and moat covers. The subcontractors performing this work have agreed to continue with the provision of these scopes of work under the new General Contractor, honouring substantially the same terms and conditions, subject to some minor adjustments to pricing due to changes in delivery timeframes.

The tender documentation submitted by the recommended bidder has been reviewed by the Facilities Management and PMMD and was found to be in conformance with the tender requirements.

The Fair Wage Office has reported that the recommended firm has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trade requirements and has agreed to fully comply.

Upon review of these results, it is very clear from the similar pricing of the top three (3) bids that the current "market value" of the work being undertaken is as priced. The construction market has competitively priced the work and has determined the value of the work being proposed to be undertaken at Union Station, with all of its constraints, complexities and challenges. Therefore, the pricing received for this scope of work is a reflection of current market conditions.

In the interests of providing the City with some possible options to reduce scope to be undertaken on the project, staff included a number of items in the tender document for the bidders to provide pricing on. The value of these proposed reductions in the lowest tender submission totals only approximately \$3M and as such, are not being recommended by staff.

The contractor, Bondfield Construction Company Limited being recommended for approval to carry out the Stage 2/3 work has considerable experience in major infrastructure projects in Ontario and has demonstrated through the tender process, that it has the bonding capacity to undertake this work.

The form of contract that will be utilized for this work is one that would typically be utilized on contracts between some private owners and contractors for work valued over \$100 million. This contract has been vetted and approved by both internal and external legal services for utilization on this project. One of the key distinctions is that it provides the City with "Termination for Owner's Convenience" which is a right that the City wishes to retain on this project due to its particular nature and the challenges encountered to date.

## **Professional Services**

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.

### **Amendment to Legal Services Retainer**

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. They have also provided, with the input of City staff, the current contract to be used for the Stage 2/3 construction. The requirement for legal advice to support the ongoing implementation and interpretation of items and issues 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 claims and contract 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 a maximum of an additional \$6,800,000 to a total value of up to \$8,300,000 (excluding taxes), to provide the required construction law support and litigation services with respect to project claims..



## **Conclusion**

Although the Union Station Revitalization project has experienced some challenges over the initial stages work continues on delivery of the essential scope of the project to implement the Council, Partners and Stakeholder envisioned iconic centerpiece of the downtown core and transit. Staff have considered, and will continue to consider, options to minimize the net financial impacts of completing the Union Station Revitalization project. Seeking and receiving approval for additional funding (excluding the potential cost of claims) as detailed above will allow for the award of the stage 2/3 contract and will put the project on a schedule for substantial completion by the end of 2017.

## **CONTACT**

Richard Coveduck, Director  
Facilities Design & Construction  
Tel: 416-338-2737

Joe Casali, Director  
Real Estate Services  
Tel: 416-392-7202

Joanne Kehoe, Manager  
Purchasing & Materials Management Division  
Tel: 416-392-7323

Rick Tolkunow, P.Eng,  
Principal Engineer  
Facilities, Design and Construction  
Tel: 416-392-6322

Lorraine Searles-Kelly, Solicitor  
Legal Services  
Tel: 416-392-7240  
Fax: 416-397-5624

## **SIGNATURE**

---

Josie Scioli  
Chief Corporate Officer

---

Michael Pacholok, J.D.  
Director  
Purchasing and Materials Management

## **ATTACHMENTS**

Appendix A – Union Station Revitalization - Current Approved Budget vs. Recommended Budget

**Appendix A**  
**Union Station Revitalization – Current Approved Budget vs. Recommended Budget**

	Scenario 1				Scenario 2			
	Current Approved Budget	Deferral of Phase 2 of NW PATH	Additional Forecasted Costs	Revised Budget	Current Approved Budget	Deferral of Phase 2 of NW PATH	Additional Forecasted Costs	Revised Budget
<b>Expenditures:</b>								
Stage 1 Construction	388.9	-	13.1	402.1	388.9	-	13.1	402.1
Stage 2/3 Construction	147.9	-	31.1	179.0	147.9	-	31.1	179.0
Other Construction (Incl 3rd Party Work)	70.3	-	-	70.3	70.3	-	-	70.3
Professional Services (Consultants & Legal)	65.0	-	11.3	76.3	65.0	-	11.3	76.3
Fees & Permits (Incl Insurance)	9.3	-	2.0	11.3	9.3	-	2.0	11.3
Internal City Charges	7.1	-	1.7	8.8	7.1	-	1.7	8.8
Heritage Elements	3.1	-	-	3.1	3.1	-	-	3.1
<b>Total (Excl NW PATH)</b>	<b>691.4</b>	<b>-</b>	<b>59.3</b>	<b>750.7</b>	<b>691.4</b>	<b>-</b>	<b>59.3</b>	<b>750.7</b>
NW PATH	105.0	(55.0)	-	50.0	105.0	(55.0)	-	50.0
<b>Total Expenditures</b>	<b>796.4</b>	<b>(55.0)</b>	<b>59.3</b>	<b>800.7</b>	<b>796.4</b>	<b>(55.0)</b>	<b>59.3</b>	<b>800.7</b>
<b>Funding Sources:</b>								
GO / Metrolinx	222.8	(31.0)	-	191.8	222.8	(28.0)	-	194.8
Transport Canada	133.0	-	-	133.0	133.0	-	-	133.0
Transport Canada - Transit Secure	6.5	-	-	6.5	6.5	-	-	6.5
VIA Rail	24.9	-	-	24.9	24.9	-	-	24.9
Other Stakeholders	2.4	-	-	2.4	2.4	-	-	2.4
<b>Total External Funding</b>	<b>389.7</b>	<b>(31.0)</b>	<b>-</b>	<b>358.7</b>	<b>389.7</b>	<b>(28.0)</b>	<b>-</b>	<b>361.7</b>
Internal Funding Sources:								
City Debt	168.0	(24.0)	36.5	180.5	168.0	(27.0)	39.5	180.5
Recoverable Debt	190.5	-	-	190.5	190.5	-	-	190.5
Reserves	45.1	-	15.3	60.4	45.1	-	12.3	57.4
Development Charges	0.4	-	7.5	7.9	0.4	-	7.5	7.9
Section 16 Agreements	2.8	-	-	2.8	2.8	-	-	2.8
<b>Total Internal Funding</b>	<b>406.8</b>	<b>(24.0)</b>	<b>59.3</b>	<b>442.1</b>	<b>406.8</b>	<b>(27.0)</b>	<b>59.3</b>	<b>439.1</b>
<b>Total Funding</b>	<b>796.4</b>	<b>(55.0)</b>	<b>59.3</b>	<b>800.7</b>	<b>796.4</b>	<b>(55.0)</b>	<b>59.3</b>	<b>800.7</b>