



STAFF REPORT ACTION REQUIRED

Union Station Revitalization Project – Status Update

Date:	May 27, 2016
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward 28 – Toronto-Centre Rosedale
Reference Number:	P:\2016\Internal Services\FAC\Gm16019fac (AFS # 22180)

SUMMARY

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

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. The Government Management Committee receives this report for information.

Financial Impact

Total Project Cost and Current Estimates:

The project remains within the current approved budget of \$800.7 million and funding is available within the approved 2016 capital budget and 2017 to 2025 capital plan for Facilities, Real Estate, and Environment & Energy.

Future cash flows based on current estimates, and a comparison to the current approved plan, is outlined in table 1 below:

Table 1 –Approved Project Budget vs. Current Estimated Project Cost (\$ millions)					
	Amount Spent To Dec 31, 2015	2016	2017	2018	Total
Current Estimates	549.921	115.919	114.328	20.532	800.700
Approved Plan	549.921	129.244	116.003	5.532	800.700
Variance	-	(13.325)	(1.675)	15.000	-

Projections to year-end indicate that the USRP's capital expenditures are forecasted to be \$115.919 million or 90.0% of the 2016 approved cash flow of \$129.244 million, which has been reported in the Q1 2016 Capital Variance Report. Included in the 2016 forecast is the remaining project budget for Stage 1, which will be substantially completed this year and is based on the assumption that Carillion Canada Inc. will provide accurate and timely substantiation for work undertaken to close out and make payment for the construction work performed. At the end of the year, any unspent cash flow with their respective funding sources will be carried forward into 2017 for FREEE to continue the delivery of the project.

Current forecasts continue to be within the current approved budget of \$800.700 million, however the project continues to face on-going challenges. These include, but are not limited to: found site conditions associated with Stage 2/3, performance issues with 3rd party contractors and consultants, coordination of work programs amongst stakeholders and projects at the station, and transfers of work scope from Stage 1 to Stage 2/3. The project team is working to actively manage these challenges within the approved budget and will report back at the regularly scheduled status updates as the outcome and any associated financial impact becomes known.

Financing Sources:

The Council approved budget and financing plan for the Union Station Revitalization project is outlined in table 2 below:

Table 2: Union Station Revitalization Project Cost & Funding Sources	Approved Budget \$ millions
Project Costs:	
Stage 1 Construction	402.1
Stage 2 Construction	179.0
Other Construction (Including 3 rd Party works)	70.3
NW Path (to NW corner of Front Street)	50.0
Professional and consulting services (Including design and legal fees)	76.3
Other Fees (Including insurance and permits)	11.3
Internal project management	8.8
Other heritage elements	3.1
Total Project Cost Budget	800.7

Project Funding Sources:	
Province (GO / Metrolinx)	191.8
Federal	139.5
VIA Rail	24.9
Other stakeholders	2.4
Total External Funding Sources	358.6
City Debt	180.5
Recoverable Debt	190.5
Reserves	60.4
Development Charges	7.9
Section 16 Agreements	2.8
Total Internal Funding Sources	442.1
Total Project Funding Sources	800.7

See appendix A at the end of this report for the current approved budget and life to date spending by major component. Forecasted spending does not include any future claims paid or received, as noted in previous reports.

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

DECISION HISTORY

At its meeting of February 17, 2016, City Council approved the 2016 Capital Budget and 2017-2025 Capital Plan for Union Station Revitalization Project.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX12.2>
<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-89026.pdf>

At its meeting on February 3, 2016, City Council authorized an amendment to the Head Lease Agreement to implement the building enhancements for Union Station. A report is available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM9.5>
<http://www.toronto.ca/legdocs/mmis/2016/gm/bgrd/backgroundfile-87143.pdf>

At its meeting of July 7, 8, and 9, 2015, City Council approved the Union Station Status Update, resulting in a budget increase of \$4.3 million related to forecasted cost increases. The report is available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM5.19>
<http://www.toronto.ca/legdocs/mmis/2015/gm/bgrd/backgroundfile-81488.pdf>

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 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, 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 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, 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 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>

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 sixth year of a eight 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 that time the construction management contract was awarded to Carillion Canada Inc. Subsequently, this Carillion Canada Inc. construction management contract was reduced to encompass Stage 1 only, and Stages 2 and 3 were awarded to Bondfield Construction Inc. under a stipulated price lump sum contract. Carillion Canada Inc. has filed an unsubstantiated construction claim action against the City that the City is and will continue to defend as required to the proper and final due process conclusion.

There is at present no factual or legal basis upon which to accept any portion of claims submitted by Carillion as legitimate. All allegations are unproven and untested. At its meeting of July, 7, 8 and 9 2015, City Council approved an expanded retainer for Osler, Hoskin & Harcourt LLP to continue to represent the City in respect of the project,

including responding to any project claims or litigation. City staff are, as part of the process, working with Osler in conducting an extensive legal and factual analysis of Carillion's claim (and the City's potential counter-claims), assisted by opinions from expert consultants/witnesses.

Throughout construction, while maintaining passenger, station and rail operations, the uniqueness and complexity of the Union Station Revitalization project has been and continues to be an immense constraint on the predictability of the cost and schedule. However, there is normal convergence occurring with respect to the variability of these many factors as the project advances closer to completion. 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 remaining adjacent major capital projects being undertaken by Metrolinx with their much modified Train Shed Reconstruction Project, upcoming Bay Street Bus Terminal Development, Vertical Access Construction, Union Station Track and Signal Corridor Improvements and the Regional Express Rail (RER) Program work has created complications and challenges and will continue to do so until the City's work is complete. 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.

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. Stage 1 is approximately 97% complete. 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) is complete.
- 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 by Q3 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. Some retail operations are expected to open by Q1 2017.
- Substantial Completion of Stage 2/3 expected in January 2018 (excluding York and Bay Street moat covers; early 2018), which includes the restoration of the Bay Concourse, VIA Concourse, Great Hall, remaining retail areas and East Wing exterior façade.

Updated Schedule

Project completion is scheduled in early 2018. This is based upon and within the parameters of the awarded Phase 2 & 3 construction contract to Bondfield Construction Co. and represents their contractual schedule. Completion of Stage 1 by Carillion Canada Inc. will occur this Summer 2016. Staff has mitigated a number of the delays encountered on the overall project through re-sequencing, restaging and re-contracting of the work, and this overall impact of the challenges encountered has resulted in an extension of the overall project schedule completion to early 2018.

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, in February 2016, the City and Osmington entered into a retail enhancement agreement which will generate additional revenue for both the Head Lessee and the City through sponsorship and retail tenant percentage rent. 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.

CONCLUSION

The Union Station Revitalization continues to progress within the current approved budget and contractor schedule. Financial pressures and schedule risks continue to exist, which are typical on a project of this size and complexity. Staff continue to actively manage these risks and have taken substantial measures to minimize any adverse impacts to the project through implementation of a new contractor, active management of project costs, and re-sequencing, re-contracting and re-staging of the work. Staff, with the assistance of external legal counsel, continue to manage and respond to the construction claims filed in Court by Carillion. The overall project remains both a technical marvel and an important revitalization initiative that will act as the centrepiece of the downtown core and transit.

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SIGNATURE

Josie Scioli
Chief Corporate Officer

ATTACHMENTS

Appendix A – Union Station Revitalization - Current Approved Budget and Life-to-Date Spending

Appendix A

Union Station Revitalization – Current Approved Budget & Life-to-Date Spending

(in millions)

	Current Approved Budget	Life-to- Date Spending	% Spent	Forecasted Final Cost	Forecast vs. Current Plan
Expenditures:					
Stage 1 Construction	402.1	360.5	90%	402.1	-
Stage 2/3 Construction	179.0	22.6	13%	179.0	-
Other Construction (Incl 3rd Party Work)	70.3	56.8	81%	70.3	-
Professional Services (Consultants & Legal)	76.3	60.5	79%	76.3	-
Fees & Permits (Incl Insurance)	11.3	9.3	83%	11.3	-
Internal City Charges	8.8	4.7	54%	8.8	-
Other Heritage Elements	3.1	0.5	16%	3.1	-
Total (Excl. NW PATH)	750.7	514.9	69%	750.7	-
NW PATH	50.0	48.2	96%	50.0	-
Total (Incl. NW PATH)	800.7	563.1	70%	800.7	-

Notes:

1) LTD Actual spending reflect all costs incurred up to April 14, 2016 in SAP (Includes construction payments up to February 2016)

2) Third Party Construction costs are subject to change. These items are reimbursed to the City directly by third parties on a cost recovery basis, resulting in a net zero impact to the City.