

Clause embodied in Report No. 3 of the Administration Committee, as adopted by the Council of the City of Toronto at its meeting held on March 6, 7 and 8, 2001.

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**Request for Expressions of Interest No. 9155-01-7001
to Restore, Develop and Operate Union Station
(Ward 28 - Toronto Centre-Rosedale)**

(City Council at its meeting held on March 6, 7 and 8, 2001, adopted this Clause, without amendment.)

The Administration Committee recommends the adoption of the joint report (February 14, 2001) from the Commissioner of Corporate Services and the Chief Financial Officer and Treasurer subject to amending Recommendation No. (1) by adding thereto the following words “such report to include how the terms of the RFP can address the Walk and Gardens Trust”, so that such Recommendation now read as follows:

“(1) the Commissioner of Corporate Services be authorized to undertake the necessary studies and other preparatory work in order for the City to issue a Request for Proposals to restore, develop and operate Union Station and to report on the terms for such a Request for Proposals to the Administration Committee meeting to be held in May, 2001, such report to include how the terms of the RFP can address the Walk and Gardens Trust;”.

The Administration Committee submits the following joint report (February 14, 2001) from the Commissioner of Corporate Services and the Chief Financial Officer and Treasurer:

Purpose:

The purpose of this report is to advise on the results of the Request for Expressions of Interest for Union Station and recommend a process leading to issuance of a Request for Proposals to restore, develop and operate Union Station, to prequalified firms only.

Financial Implications and Impact Statement:

As part of the business case for the acquisition of Union Station, it was determined that this asset was underperforming financially and was in need of basic capital repairs and refurbishment, identified by Cole Sherman at approximately \$4 million. By enlisting the private sector to restore, develop and operate Union Station, the City can avoid these upfront capital costs and utilize the development expertise of the private sector to revitalize the Station. Eventually, this will increase the revenue stream to the City. Costs to prepare and issue the Request for Proposals can be covered out of the revenues currently being generated at the Station.

Recommendations:

It is recommended that:

- (1) the Commissioner of Corporate Services be authorized to undertake the necessary studies and other preparatory work in order for the City to issue a Request for Proposals to restore, develop and operate Union Station and to report on the terms for such a Request for Proposals to the Administration Committee meeting to be held in May, 2001;
- (2) Landau and Heyman, Union Pearson Group Inc., and Union Place Development Corporation, the top scoring respondents from the Request for Expressions of Interest as evaluated by the Evaluation Team, be pre-qualified as the only participants in the Request for Proposals to restore, develop and operate Union Station;
- (3) Marshall Macklin Monaghan and Davies Ward Phillips & Vineberg, LLP be retained in order to continue to provide advice and assistance as required to prepare and issue the Request for Proposals, at a cost not to exceed \$350,000 and to be funded from the net revenues at Union Station; and
- (4) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

Council has had before it numerous reports on the acquisition of Union Station by the City in co-operation with GO Transit. The real estate transaction closed on August 28, 2000. Union Station, excluding the train shed, is now in City ownership. As part of the business case presented in support of the acquisition, it was recognized that despite the obvious public policy benefits to be gained by this acquisition, Union Station as a real estate asset was clearly underperforming. To maximize the revenue potential and rejuvenate this asset would require an infusion of capital and quality management. At its meeting held August 1, 2, 3 and 4, 2000, Council adopted Clause No. 33 of Report No. 10 of The Policy and Finance Committee, as amended, and authorized the Commissioner of Corporate Services, in consultation with key stakeholders, to prepare and issue an international Request for Expressions of Interest ("REOI") to determine the extent of private sector interest in the restoration, redevelopment and operation of Union Station.

Comments:

To assist in the preparation, marketing and evaluation of a high quality REOI document, the services of Marshall Macklin Monaghan ("MMM") were retained in October, 2000. Due to time constraints MMM were retained pursuant to the Chief Administrative Officer's authority to sole source. A series of stakeholder consultations were arranged with TTC, GO Transit and VIA Rail in addition to the various City departments and others, including federal officials, having an interest in the Station. Pre-release advertisements were placed in the national edition of The Globe and Mail and the Daily Commercial News and Construction Record ("DCN"), a trade publication catering to the development and construction industry, in late December. The notice also appeared on the City's Web site.

Purchasing and Materials Management Division (“PMMD”) released the REOI document to the marketplace on January 5, 2001. Its release was again advertised on the City’s Web site and in The Globe and Mail, DCN and a U.S. equivalent to the DCN, the National Bulletin, which publishes in all U.S. States. The REOI initially identified a submission deadline of January 29, 2001 but this was extended to February 5, 2001 to allow for longer U.S. exposure. PMMD distributed 122 REOI documents to interested parties from Canada, the United States and Europe, identified from City lists, by MMM, or in response to the advertisements. Two information meetings/guided tours held January 10 and 22, 2001 at Union Station were very well attended.

The REOI identified the City’s objective to “redevelop this jewel to maximize its capacity as a transportation hub and to create a new destination within the City core, while at the same time, rehabilitating its building systems and restoring its historic grandeur” and identified the City’s intention to pre-qualify firms or teams with the skills, resources and experience necessary to restore develop and operate Union Station for a subsequent RFP, should City Council choose to proceed with such a process.

The intention of the REOI was to pre-qualify only highly qualified firms or teams, as evidenced by their evaluated scores, to participate in the RFP in order to attract high quality submissions. PMMD received eight responses to the REOI as follows:

- (1) Cadillac Fairview;
- (2) GWL Realty Advisors;
- (3) Gistex;
- (4) Landau & Heyman;
- (5) Matthews Southwest Development Corporation;
- (6) Union Pearson Group;
- (7) Union Place Development Corporation; and
- (8) Urquhart Consortium.

The eight written submissions were initially evaluated by a Technical Evaluation Team that included staff from Finance, Heritage Preservation Services and Real Estate Services and reported through the full City Union Station Team, headed by the Commissioner of Corporate Services and comprising staff from Facilities and Real Estate, Finance, Urban Development, Heritage Preservation and Legal Services. The following evaluation criteria were identified in the REOI and utilized by the Technical Evaluation Team and the City Union Station Team to review and score the responses:

- (a) Financial Capacity;
- (b) Qualifications and Experience;
 - (i) Development;
 - (ii) Heritage;
 - (iii) Operations and Maintenance;
 - (iv) Leasing; and
 - (v) Construction Management; and
- (c) Understanding of the Project.

It was determined that two submissions (from Cadillac Fairview and GWL Realty Advisors) were incomplete (lacking sufficient detail to permit a thorough evaluation) and so only six responses were formally evaluated. The City Team believes that sufficient private interest has been elicited to warrant proceeding with a RFP.

As a result of this evaluation, the City Team recommends that the following firms or teams be pre-qualified to participate in a subsequent RFP to Restore, Develop and Operate Union Station (in alphabetical order):

Landau Heyman;
Union Pearson Group; and
Union Place Development Corporation.

These three respondents scored high marks in all categories and have satisfied the evaluation team members that they possess the skills, financial resources and relevant experience necessary to complete this landmark project.

In order to proceed with a RFP, there is further preliminary work that must be done in order to put out a credible document that will elicit high quality proposals. In the course of preparing the REOI it became apparent that there were a number of aspects affecting any potential redevelopment of the Station that were still in a state of flux. GO Transit, TTC and VIA Rail all have their own redevelopment projects underway in or around the Station. Many of their plans had not been finalized. Similarly, final details of a site specific heritage approval process for the Station are not complete. Negotiations with the Federal Government with regard to a governing body to oversee Union Station and allow for a federal contribution of \$25 million is only now at a stage where a report to Council can be made. It was therefore necessary to provide only very general information in the REOI document with the intention to provide greater detail and guidance as to the City's requirements and expectations for the Station in the subsequent RFP phase.

The REOI document limited "redevelopment" to the confines of the Union Station building, but invited respondents to indicate whether they would have an interest in responding to a RFP that

includes the option to develop a business case for increased commercial development opportunity either by creating additional density by excavation under or construction over appropriate portions of the site. The document clearly stated that any such additional density must be approached with sensitivity and would require the resolution of a range of issues, not the least of which were the heritage status of Union Station, a full public planning process and the need to maintain the transportation operations in and around the Station throughout the project without negative impact.

Before issuing a RFP it is recommended that, in order to create a more controlled and common basis upon which proposals can be evaluated, more thorough investigations and guidelines required to issue the RFP be prepared immediately, particularly in the areas of pedestrian movements, heritage guidelines and redevelopment phasing strategies.

While City Staff can do much of this work, there are areas where outside technical expertise will be required. City Staff have been pleased with the quality and efficiency of MMM's services on this matter. Because of their familiarity with this project, it would be most efficient in terms of both time and cost to continue to utilize their services for the RFP stage, as required. Similarly, for the same reasons, outside legal advice, where required, should continue to be provided by Davies Ward & Beck (now Davies Ward Phillips and Vineberg). This firm's retainer was originally authorized by Council at its meeting held July 27, 28 and 29, 1999 by its adoption of Clause No. 15 of Report No. 2 of The Administration Committee to deal with the real estate transaction and was later continued to include the REOI by Clause No. 33 of Report No. 10 of The Policy and Finance Committee adopted by Council at its meeting held August 1,2,3 and 4, 2000. This preliminary work and the cost associated with the RFP itself, estimated not to exceed \$350,000.00, can be funded out of the net revenues currently being generated at Union Station.

In order to maintain a tight timeline on this project, it is proposed that the Commissioner of Corporate Services report to the May Administration Committee on the terms for a RFP to be issued by PMMD in June. This would allow responses to be considered in the fall by either the City or, if a separate governing body is created, by that entity.

Conclusions:

As directed by Council, City staff has now received responses to an International REOI and recommend that the three firms/consortia identified in the body of this report be pre-qualified to proceed to a RFP. In order to achieve the best results from the RFP process, further preliminary work should be undertaken immediately, continuing to utilize the services of Marshall Macklin Monaghan and Davies Ward Phillips & Vineberg as required.

Contact:

Name: Patricia Simpson
Position: Project Co-ordinator
Telephone: 392-8057
Fax: 392-3848
E-Mail:psimpson@city.toronto.on.ca

Name: Lou Pagano
Position: Director, Purchasing and
Materials Management
Telephone: 392-7311
Fax: 392-0801
E-Mail:lpagano@city.toronto.on.ca

Mr. Art McIlwain, Chief Executive Officer, Urquhart Consortium Inc., appeared before the Administration Committee in connection with the foregoing matter.

Councillor Pam McConnell, Toronto Centre-Rosedale, appeared before the Administration Committee in connection with the foregoing matter.

(City Council on March 6, 7 and 8, 2001, had before it, during consideration of the foregoing Clause, a communication (March 5, 2001) from Mr. Art McIlwain, Chief Executive Officer, Urquhart Consortium Inc. submitting comments respecting the Request for Expression of Interest to restore, develop and operate Union Station.)