



**STAFF REPORT
ACTION REQUIRED**

Roundhouse Rail Heritage

Date:	November 6, 2008
To:	Government Management Committee
From:	Sue Corke, Deputy City Manager Cam Weldon , Acting Deputy City Manager and Chief Financial Officer
Wards:	Ward 20 – Trinity-Spadina
Reference Number:	

SUMMARY

The John Street Roundhouse was built by the Canadian Pacific Railway (“CPR”) in 1929 to service the steam locomotives that hauled CPR passenger trains into the new Union Station. When steam engines were finally retired in 1959-60, the Roundhouse was converted to servicing diesel locomotives and it remained in service until 1986.

At its meeting of September 25, 26 and 27, 2006 (Clause 39 of Report 6 of the Administration Committee), Council approved a 60 year head lease (the “Lease”) with John Street Roundhouse Development Corp. (the “Tenant”) to restore and revitalize the Roundhouse and expanded Steam Whistle’s lease to include 3 more bays and set their remaining term to expire on April 30, 2032. As part of the Lease, the Tenant agreed to pre-pay 60 years worth of basic rent or \$4.8 million. The City agreed to restore the related historic structures and develop a rail heritage museum in association with the Toronto Railway Historical Association (TRHA) within 7 years of September 2006.

The purpose of this report is to inform Council of the progress on the implementation of the Rail Heritage Museum as well as solutions being worked on to mitigate any negative impact that a new hydro transformer station might have on this National Historic Site. Building restoration and tenant improvements have commenced and the railway turntable has been restored and is now operational. The initial phase of Rail Heritage Museum involves three bays of the Roundhouse and re-establishing a modest portion of the rail heritage landscape to help interpret the site. This will be accomplished by placing radial display track from the turntable into the park to showcase the rail artifact collection consisting of locomotives and other rolling stock, and opening a series of restored railway structures to the public, including the original Don Station which is being moved from Todmorden Mills.

RECOMMENDATIONS

The Deputy City Manager responsible for Economic Development, Culture and Tourism and the Acting Deputy City Manager and Chief Financial Officer recommend that:

1. Council establish a discretionary reserve fund called the “Rail Heritage Reserve Fund” to provide a source of funding for the development and state of good repair of Rail Heritage associated with the John Street Roundhouse (Attachment A).
2. Municipal Code Chapter 227 (Reserves and Reserve Funds) be amended by adding the “Rail Heritage Reserve Fund” to Schedule #7, Corporate Discretionary Reserve Funds, and that leave be granted for the introduction of any necessary bills in Council to give effect thereto.
3. Authority be granted to the Executive Director of Cultural Services to expand the scope of City rail heritage work to be coordinated and undertaken by the Tenant, in compliance with applicable City policies, including fair wage and labour trades, in order that the disruptive park construction be completed before July 2009 to coincide with the tenant’s grand opening and that any contracting money advanced by the Tenant to complete City work be deducted from the prepaid basic rent to be paid to the City, expected before summer 2009.
4. The Roundhouse Park Plan (Attachment B) be received for information.
5. The Chief Corporate Officer be directed to determine any necessary adjustments to the boundaries of Hydro One’s Transformer Station lands, to facilitate a more compact underground configuration that would avoid demolition of the Roundhouse Machine Shop and support a reinstated driveway access, including any necessary conveyances to Hydro One and any reconveyances of the Transformer Station Lands to the City, and to report back to City Council for its consideration and direction.

Implementation Points

The lease with the Tenant provides for the Tenant to undertake certain City related work such as (i) base building improvements to the City’s 3 bays for the Rail Museum (described as a \$300,000 allowance), and (ii) perform the turntable restoration (to which the City was contributing \$500,000) and that these sums would be adjusted and deducted from the basic rent to be paid on the Commencement Date. When the lease was negotiated the level of interconnectedness between the Tenant’s work and the City’s work was not foreseeable and it has turned out to be in the Tenant’s and the City’s interest to accelerate some of the City’s work (with the City’s approval), provided that the Tenant be reimbursed from the basic rent to be paid. City work will include the installation of track in Roundhouse Park and the moving and restoring the collection of rail related small heritage buildings.

Financial Impact

There are no requirements for additional funding associated with this report.

The Economic Development, Culture and Tourism Recommended 2009 Capital Budget and the Recommended 2010 – 2013 Capital Plan project a total of \$9.234M gross/\$2.0M net to complete the park improvements, restoration of associated heritage buildings including the Don Station, and the development of the Rail Heritage Museum in conjunction with the Toronto Rail Heritage Association. The budget recommends \$2.55M/\$0 net in 2009 to improve public access to the rail heritage assets of the John Street Roundhouse and anticipates the establishment of the Rail Heritage Reserve Fund for the 2010 – 2013 Capital Plan.

A capital cost plan has been developed for the Rail Museum space in the Roundhouse, the park improvements and heritage building restoration and artifact stabilization as part of the capital submission. Once completed, the heritage operation will be run by the Toronto Railway Historical Association (TRHA), an organization of local volunteers who have registered as a national charity. Modest museum admissions, select corporate sponsorship together with revenues from a miniature steam train ride in the park will all be used to offset operational costs.

During the design and construction of the Tenant's work, it became apparent that the successful completion of their space relied on timely completion of the City work. The economic efficiencies of linking some aspects of the project will directly benefit the City. As the Tenant completes approved City work, to be deducted for the pre-paid basic rent, the EDCT Capital Plan will be adjusted by the same amount.

All of the necessary and substantial capital improvements required to restore the Roundhouse (including ongoing building maintenance) is now the responsibility of the Tenant. With commercial sub-tenants occupying 29 of the 32 bays, the building will start generating its property tax potential.

DECISION HISTORY

At its meeting of September 25, 26 and 27, 2006 (Clause 39 of Report 6 of the Administration Committee), Council approved a 60 year head lease with the Tenant to restore and revitalize the Roundhouse and expanded Steam Whistle's lease to include 3 more bays and set their remaining term at 25 years to expire on April 30, 2032.

As part of the Lease, the Tenant agreed to pre-pay 60 years worth of basic rent or \$4.8 million. The City agreed to restore the related historic structures and develop a rail heritage museum, in association with the TRHA, within 7 years of September 2006. The Roundhouse is a National Historic site where the City will preserve and interpret Toronto's rail heritage in accordance with federal standards.

As part of the Queens Quay Realignment in 1992, the former City of Toronto granted an “option to purchase” to Ontario Hydro (now Hydro One) for a hydro transformer, in accordance with Clause 28 of Report 28 of the Executive Committee of former City of Toronto, for certain lands on the west side of Roundhouse Park, including the lands upon which the Machine Shop sits. Hydro One has recently exercised this option, which has complicated many aspects of the Roundhouse project, particularly as it impacts the site access and circulation, construction sequencing, museum and park planning.

ISSUE BACKGROUND

The John Street Roundhouse was built by the Canadian Pacific Railway (“CPR”) in 1929 to service the steam locomotives that hauled CPR passenger trains into the new Union Station. When steam engines were finally retired in 1959-60, the Roundhouse was converted to servicing diesel locomotives and it remained in service until 1986. By this time, the railways were moving their locomotive facilities out of the downtown and what was by then known as the Railway Lands were being extensively redeveloped. Most of the hundreds of acres of railway facilities were demolished, including the famous Canadian National Spadina Roundhouse, now the site of the Rogers Centre. In 1988, CPR donated the John Street Roundhouse to the City of Toronto for redevelopment as a railway museum. Bays 1 to 11 were dismantled to facilitate the construction of the Convention Centre expansion and then reconstructed.

Since 1986, the Roundhouse has been used for the storage of various rail related equipment and rolling stock. A proposal call was issued by the City on May 7, 1997, and only two submissions were received and neither one was acceptable to City Council. TrizecHahn Corporation was the successful proponent resulting from a Request for Expressions of Interest issued on December 19, 1997, and City Council, at its meeting of November 25, 26 and 27, 1998 (Clause No. 1 of Report No. 16 of The Corporate Services Committee) directed the Commissioner of Corporate Services, in consultation with Heritage Toronto, to negotiate with TrizecHahn in order to arrive at a comprehensive proposal for the rehabilitation and reuse of the John Street Roundhouse Complex and to report back on the results of the negotiations. TrizecHahn subsequently advised that they were not interested in proceeding, but advised of an interest from Steam Whistle Brewing Inc. to lease approximately 30,000 square feet of the Roundhouse.

At its meeting on July 6, 7 & 8, 1999 (Clause No. 1 of Report No. 1 of the Administration Committee), City Council authorized the leasing of Bays 1 to 11, inclusive, to Steam Whistle for the purpose of establishing a specialty brewery operation with ancillary uses. The lease was for a term of 20 years from March 1, 2000. Steam Whistle has created a successful brewery business in the majority of the space and operates ancillary event and retail beer sales businesses in the balance of the space.

Subsequent to the original Steam Whistle lease approval and with the objective of securing an outside party to restore the balance of the Roundhouse, the then Commissioner of Economic Development, Culture and Tourism issued an RFP in December, 2000. In July, 2001 (Clause No. 12 of Report No. 7 of the Economic Development and Parks Committee), Council declared the Roundhouse site surplus to the

City's requirements, and the intended manner of disposal be by way of a lease to O & Y Properties Inc. and its partners (the "Consortium"). Negotiations were completed with the Consortium and Council at its meeting on February 13, 14 and 15, 2002 approved the contents of a term sheet and authorized a head lease of the Roundhouse.

For a variety of reasons the lease was not immediately finalized and in the interim period, Steam Whistle requested additional space. The Consortium was advised that staff wished to finalize an arrangement with them whereby Steam Whistle's additional space was accommodated and the Consortium agreed to strict timelines to finalize the leasing and restoration of the balance of the space. The Consortium advised that it wished to move forward with the project and negotiations with Steam Whistle and the Consortium were conducted on a contemporaneous basis.

COMMENTS

Roundhouse Rail Heritage

The Toronto Railway Historical Association is a registered Canadian charitable organization, established in 2001, to promote the development of the museum at the Roundhouse. The vision of TRHA for the Rail Heritage Museum is to link three component sites: the Roundhouse, Roundhouse Park and Union Station. While the TRHA has undertaken various actions such as participation in the annual Doors Open event to promote interest in the Rail Heritage Museum as well as organizing regular public tours of Union Station, it has not been possible for them to prepare a detailed operational plan due to the remaining uncertainties with the Roundhouse restoration and other issues. The TRHA working with the Tenant, City staff and other appropriate stakeholders have been able to resolve the following:

1. Resolution of rail cars ownership issues
2. Finalization of plans for the integration of the Rail Heritage Museum within Roundhouse Park
3. Finalization of condition assessments for the restoration of various rail heritage elements such as the Coal and Sanding Tower, Don Station and Cabin D
4. Development of a cost plan for the capital needs of the Museum and establishment of an operating direction (with help from the Museum of Science and Technology)
5. Formulation, in consultation with Parks, Forestry and Recreation; Preservation Services; and Planning, for the Restoration of the Coal/Sanding Tower, a park lighting scheme, landscape improvements and interim construction access

Rail Heritage Reserve Fund

The initial phase of the development of the Rail Heritage Museum at the Roundhouse forms part of the 2009-2013 capital program of Economic Development, Culture and Tourism. The capital work will be partially funded by the prepayment of rent by the Tenant as outlined in the February 2002 report to Council. In the summer of 2009, the City will need to be in a position to receive the lump sum payment from the Tenant and will need to hold these funds separate from other City funds given that they represent 60 years of lease payments and will be used over time to support rail heritage at the

Roundhouse. The criteria for the Rail Heritage Reserve Fund is included as Attachment A.

Rail Heritage Focus and Public Attraction

Cultural Services and TRHA have also established a good working relationship with the Museum of Science and Technology in Ottawa who are mentoring the museum planning efforts. They may be willing to de-accession valuable heritage artefacts to help interpret Toronto rail history. The emphasis for the museum will be on telling the stories of how the railways contributed to the city's physical and socio-economic health and growth. There are a number of planned features to be incorporated into the museum experience including a locomotive simulator which is actually the cab of a 1950's era bullet nose diesel which has its windows replaced by plasma screens in order to simulate a ride through downtown Toronto circa 1954 which was the height of rail activity in the city. Also planned is a miniature steam train ride through the park for children and for the young at heart, modelled on the very successful ride operated by the TRHA every year at Doors Open. It has proved so popular that it is being made a permanent feature of the park. Another education initiative will be incorporating a program called "Operation Lifesaver" sponsored by a coalition of Canadian Railways including CN, CP, GO and VIA to demonstrate public safety for both gated and non-gated rail crossings. This would involve a permanent installation of working crossing barricades with signals, bells etc., and an audio visual display.

Hydro One's Option to Purchase

One of the most challenging hurdles the Roundhouse project has experienced took place when Hydro One notified the City it was exercising its "Option to Purchase" of a significant portion of land on the west side of Roundhouse Park including lands upon which the Machine Shop sits. With the condo boom, electricity supply to the downtown core has been stretched to capacity, and additional capacity and distribution has to be increased, to ensure the reliability of electricity supply to Toronto Hydro's downtown customers. The 1992 agreement specified Council's obligation to clear all encumbrances registered subsequent to the date the former City acquired title, and to partially rescind the municipal heritage designation on the option lands, which Council recently did. It is a primary concern that the City continue to provide access to its Roundhouse tenants given that the existing service driveway is on the option lands. The other objective was to protect the Machine Shop as it is still included in the Federal heritage designation.

Consensus for Co-existence of Uses

Cultural Services staff and the TRHA have learned through productive meetings with Toronto Hydro that they are in the process of being transferred control of the Transformer Station project from Hydro One. Toronto Hydro has taken a sympathetic approach to the site's heritage by hiring the project Heritage Architect from the IBI Group. A design solution for the station is being considered that would re-instate the access driveway, avoid demolition of the Machine Shop and put the entire transformer station below grade. Toronto Hydro may also make the Machine Shop available to the City for museum purposes at a nominal cost. This is a tremendous step forward in mitigating the negative impacts of the transformer station on Roundhouse Park and this National Historic Site.

In order to accommodate an ideal transformer station layout, it is likely that the boundaries on the option lands will need to be adjusted.

The General Manager of Parks, Forestry and Recreation has been consulted during the planning stages of the Roundhouse project and supports the recommendations in this report.

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SIGNATURE

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ATTACHMENTS

Attachment A – Rail Heritage Reserve Fund Criteria

Attachment B – Roundhouse Park Plan