



STAFF REPORT ACTION REQUIRED

Union Station Revitalization Project – Status Update

Date:	October 1, 2013
To:	Government Management Committee
From:	Deputy City Manager and Chief Financial Officer and Chief Corporate Officer
Wards:	Ward 28 – Toronto-Centre Rosedale
Reference Number:	P:\2013\Internal Services\FAC\Gm13011fac (AFS #18009)

SUMMARY

The purpose of this report is to provide an update on the City of Toronto's Union Station Revitalization Project, including a status report on the construction progress and an update on the project's funding and revenue forecasts. Budget costs are forecasted to be higher by \$80 million or about 11%. However, self-sustaining project revenues (i.e. recoverable debt) and contribution from the Union Station Reserve Fund will be sufficient to offset the additional costs with no new net impact on taxes.

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

The Union Station Revitalization Project is now in its fourth year of a 6 year construction schedule. It is one of the most complicated projects in the country, "wedged" into one of the most congested parts of the City and being undertaken while the TTC funded subway platform reconstruction is underway as well as two other major Metrolinx funded infrastructure projects: the GO Transit Atrium & Track Signalling/Repair, and the

construction of the Union Pearson Express terminal station. The total re-investment and re-vitalization by all levels of government and organizations is estimated at approximately \$1.5 billion.

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

As the project has progressed, it is becoming evident from discussions with the Head Lessee that the Station will also act as a destination for culture, entertainment and dining experiences. Union Station will not just be a place that people pass through on their way to work or back, it will become a destination in itself. Union Station will also link the communities north of the station to communities now being developed to the south and will in essence act as a City/community gathering place where "the best of Toronto" can be experienced. Current forecasts indicate an additional \$80 million is required to complete the project. This additional requirement can be funded from self-sustaining recoverable debt (primarily financed through rental income). It is recommended that work continue to deliver the essential scope of the project to implement the Council, Partners and Stakeholders envisioned iconic centrepiece of the downtown core and transit network.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer and the Chief Corporate Officer recommend that:

1. City Council refer consideration of the proposed revised financial plan incorporating \$60 million increase to recoverable debt and \$20 million from the Union Station Reserve Fund (XR2501) to address the need for additional funding of \$80 million to the Budget Committee as part of the 2014 Capital Budget Process.
2. City Council authorize the Chief Corporate Officer (CCO) to implement the ongoing and future construction work either through a continuation or combination of the current contractual arrangement of the retained Construction Manager/General Contractor or other available construction delivery mechanisms currently approved under current City Council procurement policies and procedures.

3. City Council authorize the CCO to amend the following contracts, retainers and agreements (excluding all recoverable HST), in accordance with the details as specified below, subject to additional budget approval set out in Recommendation #1:
 - a. NORR Limited, Architects and Engineers (Purchase Order No. 6030175), in the additional amount of up to \$2,000,000.00 (net of all applicable taxes), revising the current contract value to \$41,000,000.00 (net of all applicable taxes) to provide the required additional design and construction services associated with third party items and;
 - b. Osler, Hoskin and Harcourt LLP in the additional amount of up to \$150,000.00 (net of all applicable taxes), revising the current contract value to \$950,000.00 (net of all applicable taxes) to continue to provide construction law services and expertise through the construction duration and;
 - c. Davies Ward Phillips and Vineberg LLP (Purchase Order No. 6025203), in the additional amount of up to \$500,000.00 (net of all applicable taxes), revising the current contract value to \$2,870,000.00 (net of all applicable taxes) to provide real estate legal advice and expertise for the on-going agreement updates associated with the revitalization project, and;
 - d. PWC (Purchase Order No. 6037971) in the additional amount of \$600,000.00 (net of all applicable taxes), revising the current contract value to \$1,128,000.00 (net of all applicable taxes) to provide on-going real estate support and financial advisory assistance associated with the revitalization project.

Financial Impact

Initial funding of \$640.2 million for the Union Station Revitalization Project was approved by Council in August 2009. Subsequently, \$75.2 million in changes have been approved by Council, including an increase to the NW PATH project (\$40 million), additional third party funded work (\$33.2 million), and additional heritage items (\$2 million) including the Heritage Interpretation Plan, Heritage Lighting and Walks and Gardens Trust commemoration for a total of \$715.4 million. Table 1 below provides a summary of current funding:

Table 1: Original and Current Funding for the Union Station Revitalization Project

Funding Sources	Original Budget	Approved Changes	Current Approved Budget
External Funding Sources:			
GO / Metrolinx	\$172M	\$50.8M	\$222.8M
Transport Canada	\$133M		\$133M
Transport Canada - Transit Secure	\$6.5M		\$6.5M
VIA Rail	\$24.9M		\$24.9M
Other Stakeholders	\$0M	\$2.4M	\$2.4M
Total External Funding	\$336.5M	\$53.2M	\$389.7M
Internal Funding Sources:			
City Debt	\$148M	\$20M	\$168M
Recoverable Debt	\$130.5M	\$0M	\$130.5M
Reserves	\$24.75M	\$0.25M	\$25M
Development Charges	\$0.43M	\$0M	\$0.43M
Section 16 Agreements	\$0M	\$1.75M	\$1.75M
Total Internal Funding	\$303.7M	\$22.0M	\$325.7M
Total Funding	\$640.2M	\$75.2M	\$715.4M

The most recent forecasts indicate that an additional \$80 million is required to complete the project as summarized in the Appendix A – Life-to-Date Financial Update. To address the funding issues, the Union Station Reserve Fund (XR2501) can provide funding of \$10 million each in 2015 and 2016, for a total of \$20 million based on the current balance in the reserve fund as well as projected cash flow in future years. In addition, further revenues have developed since project inception over 4 years ago, which can offset the project's remaining cost pressures of \$60 million. Table 2 below illustrates the additional costs and funding source:

Table 2: Funding Source

(\$ Million)	Current 2009	Incremental 2013	Total
Recoverable Debt	130.50	60.00	190.50
Total Interest (4.5%, 30 Years)	109.85	50.50	160.35
Total Debt Servicing	240.34	110.50	350.85
Incremental Revenues	368.92	97.84	466.76
Surplus (Deficit) *	128.58	(12.66)	115.92

* Surplus to be allocated to (deficit to be drawn from) the Union Station Reserve annually

Additional Revenues

The financing model for the Union Station Revitalization Project approved by Council in 2009 included \$130.5 million of debt financing to be re-paid through increased revenues generated from the revitalized Station (recoverable debt). The forecast indicated that

incremental cash flow exceeded debt payments by \$128.6 million over the 30 year period, or \$34 million present value.

A revised forecast conducted by the Head Lessee confirmed an additional \$97.8 million in revenues are achievable over the 30 year period, mainly due to an increase in commercial rents. The total increased revenues including those originally forecasted in 2009 are more than sufficient to offset debt servicing over the 30 year period. A net contribution of \$115.9 million to the Union Station Reserve Fund is anticipated after the debt has been fully repaid. However, there will be timing differences in cash flows. In years when the estimated incremental revenues are lower than the required debt repayment, withdrawals from the Union Station Reserve Fund (\$20 million) will be required to bridge the gap.

Development Charges

The City of Toronto collects development charges from new construction to pay for a portion of net municipal growth-related capital costs. Based on the 2013 Development Charges Background Study, the capital costs for the Union Station Revitalization Project are eligible for the development-related capital program. The proposed by-law rates and policies are forecast to generate approximately \$62.3 million in development charges, of which approximately \$38.8 million is expected to be recovered over the next 10 years with the balance of \$23.5 million to be recovered after 2023. Given the fact that there will be self-sustaining revenues generated from the project and there are other competing Transit-related priorities within the City of Toronto, no development charges revenues will be allocated towards the Union Station Revitalization Project at this time. These DC revenues will be directed to other growth-related transit capital projects that have been recently identified.

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

DECISION HISTORY

At its meeting on January 15 and 16, 2013, City Council approved the 2013 Capital Budget and 2014 - 2023 Capital Plan for the Union Station Revitalization project. This included an increase to the original capital budget of \$8.2 million for additional work being carryout on behalf of various stakeholders at Union Station, funded through 3rd party contributions, and an increase of \$40 million for the NW PATH project, funded equally from City and Metrolinx contributions, mainly due to revised estimates for future phases of the project. The report is available on-line at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX27.1>
<http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-54840.pdf>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COMMENTS

The Union Station Revitalization project is the centrepiece of Council's vision to restore and expand this vital transportation hub for the next 50 to 100 years as described in the Master Plan approved by Council in July 2006. The vision had 3 main objectives to be achieved:

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

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

Current Status

Union Station remains as the single most challenging project currently underway in the GTA, and very likely in the country. Maintaining passenger, station and rail operations throughout construction is an immense constraint on the predictability of the cost and schedule and together with this is our commitment to public and worker safety which remains our highest priority and rises above all other considerations. The additional challenges associated with the status of the building as a National Historic Site and the associated requirements by this designation are significant. The coordination with the adjacent major capital projects being undertaken by Metrolinx with their Train Shed Reconstruction Project and the TTC with their Union Station Second Platform Project plus the construction of the new Union Pearson Express terminal creates further complications and challenges. The previously acknowledged and recognized challenges, together with newly discovered issues have impacted the project from both a cost and schedule perspective. The uniqueness and complexity of the project, although recognized at inception, has proven even more intricate than originally anticipated. Some options that are available for cost and schedule mitigation on a normal construction project are not available to the project team due to safety constraints and probable significant impact on

station users. Even with the most experienced design and construction professional team implementing the work, the project can reach a point where the full conceptual vision at project inception is impossible to deliver within the constraints of the provided project budget. The project has now reached this point in time and Council's further direction is required in order to for the project to continue.

The Union Station Revitalization project began physical construction in 2010, with major construction works beginning in 2011. At the time that the construction management contract was awarded, the total project design was still at the Design Definition stage. Accordingly, estimates were still subject to change. Significant progress has been made on the project with the design nearing 100% completion and the Stage 1 construction is approximately 60% complete. Stage 1 is the York Concourse and base building systems, Stage 2 is the Bay Concourse, and Stage 3 is the finishing connection to the TTC subway station. Certain components of the project, including the full extent of the Great Hall and VIA Concourse restorations, the Moat Cover installations and various other significant components are currently on hold, pending Council's authority to continue with the overall project based on a revised estimated total project cost of \$80 million. The following provides a synopsis of the status of the construction work:

(1) VIA Elements completed in 2012:

- Panorama Lounge
- York West Teamway Catering space
- East Concourse offices
- South portion of Baggage Handling System
- VIA Concourse heritage washrooms

(2) York West Concourse

- Significant portions of suspended slab poured. Fit out and vertical access work commenced.
- Loading bay underway with Telus tunnel access. Finishes mock-ups commenced.

(3) West Wing

- Significant handover to Metrolinx in September 2012 for their contractor fit out work. GO has now fully occupied the space.

(4) Structural Support Column Replacement

- York Concourse: 111/111
- VIA Concourse: 98/152
- Bay Concourse: 29/29.
- Overall Stage 1 completion for column work is 82%.

(5) Mechanical/Electrical systems

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

(6) Stage 2/3 Review

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

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

Business Case Analysis

As part of the August 2009 report to City Council, staff provided a financial analysis which included a number of assumptions, based on the then current knowledge. Real Estate Services has been in discussions with the Head Lessee to establish if there have been changes in their forecasts of net revenue. This is significant in that the transaction with the Head Lessee allows the City to participate in Net Revenue from the project. Estimates of revenue were originally undertaken in 2009 in the midst of a recession. The Head Lessee has now reviewed their projections based on their knowledge of the market place and on refinements to the project and they now forecast that there will be additional cash flow over the 30 year forecast period. The business case for debt financing based on incremental revenues has been updated accordingly.

The original 2009 USRP business case included \$130.5 million of debt financing to be re-paid through increased revenues generated from the revitalized Station (recoverable debt). The business case demonstrated that over a 30-year timeframe, the net present value (NPV) of cash flows exceeded the \$130.5 million debenture payments by \$34.8 million. This surplus cash flow remains unallocated. The cash flow estimates have been updated based on the following key factors:

- A change in the discount rate from 5.5% to 4.5% to correspond to the City's current cost of capital
- Revised rental rates as projected by the Head Lessee
- Revised calculations pertaining to the City's share of various revenue streams
- Revisions in the estimated square footage available for rent.

A business case analysis on the Union Station project results in a favourable NPV of \$72.2 million after taking into consideration debt issuance requirements and increased rental revenues over and above the 2009 business case estimates. The additional rental revenues are more than enough to offset anticipated debt charges of \$11.7 million per year based on the issuance of \$191 million of 30 year debt (\$30 million in 2015 and \$161 million in 2016) at an anticipated interest rate of 4.5%. Updated business case analysis is included in the Appendix C – Union Station Cash Flow Forecast for reference.

Further analysis was performed to assess the sensitivity of the cash flows to a potential increase in the interest rate for the debt issuance. A 1.0% increase in the interest rate resulted in a \$28.1 million decrease in the NPV from \$72.2 million to \$44.1 million. This scenario is included as Appendix C-1 for reference. Also, a 10% reduction in rental revenues resulted in a \$24.6 million decrease in the NPV from \$72.2 million to \$47.6 million. All scenarios still result in a positive Net Present Value.

Any surplus net rental revenues after debt payments should be allocated towards the Union Station Reserve Fund to fund future capital maintenance at Union Station.

Revised Project Costs

The project forecasted \$80 million increase is a result of a few very significant factors. The cost estimates are summarized in Appendix B – Forecast Summary of Project Cost Changes.

(1) Cost Estimates for Heritage and Retail Elements

The project estimates at the time of original project approval in 2009 were based on the documentation available at the 66% design development stage. This would be considered a "Class C" estimate, where cost estimates could be expected to vary +/- 15% depending on the level of complexity of a project. As the design development documentation was not complete at the time of project approval, the full extent of the work required to fully implement the overall vision of the project was not incorporated into the budget estimates provided at that time. Most particularly, the full extent of the Heritage restoration work was not identified as subsequently required to satisfy Heritage Easement requirements with Parks Canada and implement the restoration of the interior and exterior. Work has been progressing concurrent with our obligations to obtain approvals for the work and our obligations existing under the various agreements with our funding agencies and business partners. Considerable efforts have been made to absorb these additional items within the context of the original project contingencies, allowances and savings. This is not achievable as the full extent of the original contingencies and allowances have necessarily been required to deal with the items identified below. These Heritage design change items have resulted in an increase in project cost of approximately \$31 million. Other unidentified, but necessary elements of the work (discovered items) have added approximately \$ 20 million.

(2) Design/Construction and Existing Conditions Issues

The current facility is nearing 100 years old. The original construction and the changes to the facility over the years have been poorly or inaccurately documented. In particular, existing structural, mechanical, electrical, and life safety systems are very poorly documented. With the continued occupancy and use of the building by both passengers and tenants implementing the installation of entirely new systems while maintaining the existing services has been a constant and ongoing challenge.

Allowances were identified for environmental abatement issues and soil conditions as part of the original cost estimates. Significant discoveries of additional designated substances which required abatement has resulted in significantly increased costs.

Undiscovered heritage elements have presented an additional challenge from a cost and schedule perspective as these heritage elements have resulted in additional restoration requirements being recommended by the heritage consultant to Parks Canada for approval.

Additional required SOGR work, together with cost escalation and construction claims issues have further impacted the overall cost of the work.

The City's project team has been evaluating the numerous changes that have occurred to ensure that most are appropriately classified as to their root cause; however this is difficult as many of the reasons for the changes overlap across construction categorization structure. The majority of the changes (approx. 70%) relate to design omissions, site conditions (including environmental), design and/or contractor coordination and heritage items amount to approximately \$106 million. Classification of all changes will continue throughout the implementation for appropriate consideration and action.

(3) Future Risks

The project, including the NW Path component, continues to be subject to cost and schedule risks. There remains some residual risk with items as identified above associated with completion of Stage 1 construction, including construction claims. In addition, the current market conditions for complex and difficult construction work is not entirely favourable as there continue to be simpler and less risky work available in the construction market for the various sub-contractors upon which the project relies. The draw on construction resources, particularly as we approach the Pan Am games in 2015, puts some additional risk on the cost of the procuring trades for the required remaining work. The design and construction team continues to work at ensuring that the complexities of the work are appropriately documented in the construction documentation so that the sub-contractors are fully aware of the project constraints to enable them to price the work without allowing for a significant amount of additional risk money in their bids. A project contingency allowance of \$15 million to deal with these currently identified future risks has been incorporated into the revised funding requirements.

(4) Project Contingency, Reserve, and Subcontract Awards To-Date

The 2009 project estimate included approximately \$40 million contingency and \$26 million Reserve. To-date subcontractor tender savings realized an amount of approximately \$26 million. Together this sum of \$92 million partially offsets the previous increases set out in Items 1 through 4 above.

See attached Appendix B – Forecast Summary of Project Cost Changes.

Construction Process

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

The design for the USRP project by NORR Architects is now 100% complete. Construction of Stage 1 is approximately 50-60% complete.

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

Professional Services

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

All of the firms noted in the report have been involved in the revitalization work from the outset and have extensive experience and knowledge of the project at the station. Not continuing with the current service providers would delay future construction work and result in a schedule delay and increased costs. It is considered prudent and cost effective

to amend the agreements with these firms to continue fulfilling their role in facilitating a successful completion to the Union Station Revitalization Project.

NORR's existing contract is recommended to be amended by up to an additional \$2,000,000.00, for a revised total of up to \$41,000,000.00 (PO # 6030175, excluding taxes) to cover the estimated cost (third party funded) of providing design, construction documentation, construction administration and resident services for the continuation of the project. Note that NORR has been authorized a total of \$56.6 million on all project purchase orders to date; adding \$2 million will make this new total \$58.6 million.

Davies, Ward, Phillips & Vineberg LLP (DWPV) are currently providing legal services to deal with the various legal agreements that are currently being implemented or completed, including Metrolinx, Head Lessee, VIA, Bank of Nova Scotia, Menkes, MLSE and other parties, e.g. HSBC, Ivanhoe Cambridge, Cadillac Fairview, Royal York Hotel. Continued legal support will be required to assist in dealing with many of these issues over the next several years and as such, it is recommended that DWPV contract be amended by up to an additional \$500,000.00 for a revised total of up to \$2,870,000.00 million (PO # 6025203, excluding taxes) to reflect the required identified services.

Osler, Hoskin and Harcourt LLP have provided the City with construction law support services since the initiation of the RFP for the general contractor/construction manager and were instrumental in the development and refinement of the master contract currently in place with Carillion for the construction work. The requirement for legal advice to support the ongoing implementation and interpretation of items and issues in the agreement and the various phase agreements will be ongoing through construction. It is therefore recommended that Osler, Hoskin and Harcourt LLP retainer agreement be amended by up to an additional \$150,000.00 to a total value of up to \$950,000.00 (excluding taxes), to provide the required construction law support services for the next several years.

PWC (previously Deloitte and Touche LLP) has provided valuable services on the project since its initiation. The PWC scope of work includes real estate transactional support and advice, and financial analytical and advisory support, related to: an agreement for interim phase-in of the commercial Head Lease occupancy; leasing of additional new space within the complex with Metrolinx for retail on GO Concourses and information kiosks on the retail level; various other third party agreements respecting service tunnel access agreements with Menkes and MLSE; the lease of the East Wing that is currently occupied by the Bank of Nova Scotia; prospective new and existing stakeholders such as Ivanhoe Cambridge, the TTC, Oxford/OMERS, and other owners/managers of adjoining properties related to the north-west path tunnel and connections, an east-west path under Bay Street; and, the existing north-south path tunnel between the Royal York and Union Station. It is therefore recommended that PWC's contract be amended by up to an additional amount of \$600,000.00 (net of all applicable taxes), for a revised total of up to \$1,128,000.000 (net of all applicable taxes). Note that this contract was initially awarded to Deloitte & Touche LLP and was authorized for a total value of \$2.9 million on all project purchase orders to date; adding \$0.6 million will make this new total \$3.5 million

for these services. Of the \$3.5 million a total of \$1.128 million (\$0.528 from report GM11.4 approved by Council at its meeting on March 5, 2012, and \$0.6 million from the current request - PO # 6037971) has been/will be assigned to PWC.

Conclusion

Although the Union Station Revitalization project has experienced some challenges over the first half of its implementation the overall project remains both a technical marvel and financial success. Additional revenues have been identified that improve the overall economic and business case for the project in spite of the increased total forecast cost for the project to \$795 million. It is recommended that work continue to deliver the essential scope of the project to implement the Council, Partners and Stakeholder envisioned iconic centrepiece of the downtown core and transit network and the necessary budget adjustment(s) be referred to the 2014 Capital Budget Process.

CONTACT

Richard Coveduck, Director
Facilities Design & Construction
Tel: 416-338-2737
Fax: 416-392-4828

Joe Casali, Director
Real Estate Services
Tel: 416-392-7202
Fax: 416-392-1880

Michael Pacholok, Director
Purchasing & Materials Management Division
Tel: 416-392-7312
Fax: 416-392-1262

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

SIGNATURE

Roberto Rossini
Deputy City Manager and
Chief Financial Officer

Josie Scioli
Chief Corporate Officer

ATTACHMENTS

Appendix A – Project Financial Report
Appendix B – Forecast Summary of Project Cost Changes
Appendix C & C1 – Union Station Cash Flow Forecast