Update on the Redevelopment of the Sony Centre for the Performing Arts – Capital Projects

Date: July 23, 2014

To: Board of Directors of the Hummingbird (Sony) Centre for the Performing Arts

From: General Manager, Economic Development & Culture

Wards: Ward 28

Reference Number:

SUMMARY

The purpose of this report is to provide an update to the Sony Board on the outstanding capital projects that are part of the Sony Centre redevelopment plan. In particular, the report outlines work that remains to be completed in conjunction with the Castlepoint/Ferncastle development (L-Tower condominiums), the West Plaza, the sidewalk and pavers on the North side, and the East Plaza, including issues around the removal of the decommissioned trailers. The report provides an update on key issues identified by the senior management of the Sony Centre and City staff. It also provides a list of actions to be undertaken in order for work to be completed by July 2015.

RECOMMENDATIONS

The General Manager of Economic Development and Culture recommends that:

1. Staff from the appropriate City Divisions and the Sony Centre develop a work plan to complete outstanding capital work on the Sony Centre for the Performing Arts redevelopment, consistent with the Council Approved Capital Budget for the Sony Centre, and implement it as soon as possible in order to be cost effective; to minimize disruptions to the Sony Centre's operations; to minimize disruptions to the public realm and transportation routes; and to be ready for the Pan/Parapan American Games.
Implementation Points

City staff in the City Manager's Office, Legal Services, Financial Planning, Heritage Planning, Facilities and Real Estate, Design and Construction, Public Realm, and Economic Development & Culture have been assigned to work with and on behalf of the senior management of Sony Centre to complete the capital project.

Project management for the elements of the outside construction of the West side public plaza and the pavers, may be undertaken by the Developer for the L Tower condominiums as permitted by Council.

Financial Impact

Phase 1 of the redevelopment consisted of interior renovations to the theatre which was substantially complete in November 2010 and totalled $35.448 million. The renovation was funded from various sources including proceeds from the sale of the surplus land and development density, payments from the Developer, transfers from the Facility Fee Reserve Fund, and a long-term interest bearing loan from the City.

Phase 2 of the redevelopment project consisted of the replacement of the backstage facilities which was built and funded by the Developer. The Sony Centre incurred costs of approximately $0.616 million to re-establish the various connections to the existing facility and expects to incur an additional $0.083 million to complete the backstage facility work once the condominium development is done. Sony Centre's portion of the costs was funded by ticket surcharge contributions to the Facility Fee Reserve Fund.

Phase 3 of the redevelopment project (final phase) includes work on the public plaza, paver restoration, east side restoration and work to restore the limestone and granite cladding. The 2014 Council Approved Capital Budget for the Sony Centre includes funding of $2.205 million as detailed in the table below. An additional $0.785 million is planned for 2015 to complete the exterior limestone and granite upgrade work.

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Once an agreement is concluded with the Developer and a plan created, funding is available for the Phase 3 capital work foreseen in 2014 based on preliminary cost
estimates. In the event that the final design specifications and/or tender(s) to the suppliers result in higher costs, additional funding or re-scoping of the projects will be required.

Operationally, there is also the possibility of lost revenues and potential liabilities for any contracts that cannot be fulfilled should the capital work prevent or interfere with the normal use of the theatre.

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

**DECISION HISTORY**

City Council, in May 26, 2008 adopted the following report designating portions of the Sony Centre for the Performing Arts under Section 29 of the Ontario Heritage Act. Subsequently, 1 Front Street East was designated as a heritage property on October 30, 2008 under By-Law 1156-2008.


City Council on July 11, 12 and 13, 2012, adopted Member Motion MM25.43 directing staff to conduct and conclude an agreement for cash-in-lieu for park land for the L-Tower and enter into an agreement for the completion of the Sony Centre Public Plaza.


City Council at its meeting of October 2013, approved the addition of the Sony Centre West Public Plaza to the 2013 Capital Budget for the Sony Centre for $1 Million gross, to be funded by $700,000 from the Developer, now known as Ferncastle (Front Street) Inc.; and $300,000 from Development Charge funds designated for civic improvements. Any costs to complete the Plaza in excess of $1 million shall be the responsibility of the Developer.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX34.17

At its special meeting on May 23, 2014, the Board considered Agenda Item HB34.1 and requested that the Developer assume at his own expense, the cost of overseeing the construction of the public plaza, the oversight at no cost to the Sony Centre, and that he report back to the Board for its next meeting on June 9, 2014, on three quotes for the reconstruction.

City Council on June 10, 2014 adopted the Auditor General's report on the review of the redevelopment of the Sony Centre. The report identified that Phases 2 and 3 of the construction project remain to be completed. The AG report estimated that the total cost will be approximately $4 Million to complete the redevelopment. It further identified that the Sony Centre’s current 10-Year Capital Plan relies on the City to finance it through new debt (B.2. p.20).

At its meeting of July 2014, City Council adopted Member Motion MM54.40 authorizing the City to add the Heritage Easement Agreement upgrade to restore the sidewalk/pavers on the exterior of the Sony Centre in an amount not to exceed $0.740 million to the scope of work to be performed by the Developer on behalf of the City.


**ISSUE BACKGROUND**

Following the Auditor General's Report on the Sony Centre's redevelopment, City Council removed the then Members of the Board and appointed an interim Board to manage the Centre. It is essential for the new Board to be clearly informed about the current and future requirements to complete the renovations to the Sony Centre, including the exterior plazas on both the east and west sides of the theatre, the pavers on the north end of the site, and the completion of the backstage facilities and affected interior spaces. Work to be completed must comply with the building's heritage designation.

**COMMENTS**

**Background**

As noted in the Auditor General's report, the revised redevelopment project consisted of three phases:

- **Phase One (1):** Interior renovations to the theatre itself
- **Phase Two (2):** Construction of new backstage facilities
- **Phase Three (3):** Public plaza and exterior renovations

Phase 1 was substantially complete when the Sony Centre reopened on October 1, 2010. The outstanding capital work in this report refers to Phases 2 (Construction of new backstage facilities) and 3 (Public plaza and exterior renovations).

A Site Plan and Scope of Work has been prepared by Sony's Director, Facility Services, and is attached to this report as Appendix A.

**Actions required to complete Phase 2 and 3 Redevelopment**

1. Finalize appropriate arrangements with the Developer to complete the West side public plaza and exterior renovations.
2. Finalize sale and removal of decommissioned trailers on the east side of the building.
3. Establish and delegate authority to project management team with representatives from City, the Sony Centre and the Developer.
4. Establish the design and scope of all projects related to the exterior, plazas and pavers by working with representatives from the City, the Sony Centre and the Developer.
5. Establish the process for design approvals.
6. Establish financial controls for outstanding work.
7. Prepare cost estimates and a work plan for Sony Board approval.
8. Tender, award, and manage the preparation and construction work.

Sony Management has identified the work outstanding and has provided a high level summary for the Board’s information.

**Phase Two Work Outstanding – Backstage Facilities**

**Umbrella Agreement** - The “Umbrella Agreement” is the legal agreement that governs the relationship between the Developer (Castlepoint/Ferncastle), the Sony Centre and the City. The Umbrella Agreement covers Phase 2 Redevelopment.

There were capital expenditures that were solely Sony Centre’s costs in the completion of the Sony backstage facilities. These were incurred to connect the newly constructed space to the existing facility’s mechanical and electrical systems, and to fit out and furnish the new space. These expenses included mechanical and electrical interface connections between the new construction and the existing building; architectural lighting and IT infrastructure interface, servers & IT equipment, backstage communications systems (paging and program sound), security software; door locks; furnishings for dressing rooms, offices, backstage support facilities; and consulting fees (Sony’s mechanical and electrical engineers, Building Code consultant etc.).

**Delivery date of Phase Two: Completed Replacement Space (Backstage facilities)** - The delivery date of the Replacement Space to the Sony Centre in the Umbrella Agreement was May 31, 2011. The Sony Centre took occupancy of the space as of March 1, 2014.

a) **Outstanding Issues and Deficiencies**: There are a number of major outstanding issues and as is not unusual with a project this size, there are a number of small deficiencies which are being addressed. Sony Management has scheduled regular meetings with the Developer and their construction management personnel for the past several months to review progress on rectifying deficiencies.

b) **Hoist**: The condo construction hoist’s supports and electrical equipment obstructs rooms on all three levels of the Replacement Space and has necessitated temporary partitioning on the ground floor. When the construction hoist is removed, the Developer is responsible for finishing those rooms per the original drawings and specifications. Sony Centre Management has advised the Developer that this work must be scheduled so as not to interfere with the Centre’s use of these spaces or impact their clients. The Developer began removal of the hoist the week of July 14, 2014 and has advised Sony Management that removal will be complete by the end of July 2014.
c) **Crane**: The construction crane is located on the south side of the Sony Centre. When the crane is removed, the Developer is responsible for construction of the Centre’s Esplanade loading dock, exterior wall cladding and hard and soft landscaping, as specified in the original drawings and specifications. This work will also include removal of the temporary fire exit stair from the basement on the south side of the Centre required during the new West side construction. In addition to the exterior work, there is interior repair/restore required when this stairwell exit is decommissioned.

Crane dismantling and removal is estimated to take three to four weeks. While the Developer’s construction representative has indicated that the Centre’s south emergency exits will remain operational during the removal, Sony Management has sought advice from its Building Code consultant should those exits be inaccessible. The Developer’s construction manager has not confirmed a removal date for the crane.

**Phase Three Work Outstanding – Public Plazas and Exterior Renovations**

1. **West Plaza Completion**

   The West Plaza has yet to be completed. Included in the construction of the west public plaza is the west canopy that ran along the west side of the building that mirrors the east canopy. It was removed to facilitate construction and must be replaced with an exact replica. The bronze cladding for the canopy support columns is in storage. This work is to be completed by the Developer on behalf of the Sony Centre/City.

   Sony Centre has asked the Developer to address concerns that the integrity of the waterproofing membrane which forms the base “floor” of the Plaza. The membrane has been compromised by the failure of the Developer’s construction forces to take protective measures when working in this area.

2. **Paver Replacement/Restoration North and East Side**

   As noted above, work to be undertaken by the Developer on behalf of the City/Board includes the paver restoration/replacement including stair, curbs and other grade site elements on Sony Centre property on Front St. and on the east side of the building.

   E.R.A., the heritage architect with whom Sony Centre has previously worked, was preparing specifications and tender documents but has ceased work until it is determined who is managing the project.
3. **East Plaza completion and Sale of Temporary Backstage Facilities (“Trailers”):**

The paver work on the east side of the building cannot be done until the Trailers are removed and subsequently the fire walls between the Trailers and the east side of the theatre are removed.

The Centre had construction trailers customized for use as backstage support spaces (dressing rooms, wardrobe room, green room, production offices) and as the stage door entrance. Without them, the Centre would not have been able to operate as a theatre. Fire regulations necessitated the construction of fire separations on the upper and lower east terrace windows and installation of temporary fire doors on all exit doors located in the fire walls.

Until the Trailers are removed, the fire walls must remain in place. As a result, the brass restoration and re-installation of the heritage doors has been deferred. Further, the exterior restoration of the hard and soft east garden landscaping, replacement of the upper and lower east terrace pavers and soffit and eaves work cannot be undertaken.

**Financial Considerations**

In November 2010, Phase 1 of the redevelopment project was completed consisting of renovation work to the interior of the theatre which totalled $35.448 million. The renovation was funded from various sources including: $19 million in proceeds from the sale of the surplus land and development density, $11 million in negotiated payments from the Developer, $1.4 million in transfers from the capital reserve fund, as well as a $6.6 million long-term interest-bearing loan from the City.

Phase 2 of the redevelopment project included the replacement of the backstage facilities which was built and paid for by the Developer as per the Umbrella Agreement. The Sony Centre spent $0.616 million to re-connect the mechanical and electrical systems between the backstage and the existing facility. A further $0.083 million will be incurred to complete re-connection once the condominium is finished. These costs will be covered by draws from the Facility Fee Reserve Fund which receives ticket surcharge revenue contributions. The Auditor General's Report initially estimated this cost at $0.622 million.

Phase 3 of the redevelopment project includes the construction of the public plaza and renovations to the Centre's exterior. The 2014 Council Approved Capital Budget for the Sony Centre provides funding of $2.205 million for the public plaza, limestone and granite cladding, paver upgrades, as well as restoration work on the east side of the Centre. An additional $0.785 million is planned for 2015 and is included in the 2015 Capital Budget submission to complete the limestone and granite upgrades to the Centre's exterior. The funding for each sub-project is detailed as follows:
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These costs represent preliminary estimates for Phase 3 work that is still outstanding, as the design specifications for the capital work has yet to be finalized and could result in project costs that are greater than budget. There is currently no provision for cost over-runs.

As of May 31, 2014, Sony Centre did not incur any capital expenditures mainly because of delays in the completion of the condominium development.

**Timelines**

In the best-case scenario, the City will reach an agreement with the Developer (Ferncastle) in a timely manner to manage the construction of the West Plaza and pavers. This portion of the work can be completed in 2014 with the remainder of the exterior work (East Side plaza restoration and exterior cladding) to be completed in 2015 before the Pan/Parapan Am Games in July. The availability for delivery of the stone paving slabs at this time is unknown. During the period of late November 2014 to March 2015 little work can be completed other than demolition work and other preparatory work for the construction.

In the event that no agreement is reached with the Developer, the City must undertake all projects itself, including all the tendering of all the various contracts required. In this scenario, based on the City’s procurement process, the project will only advance to design and contract documents completion in the fall of 2014. No construction work will be performed in 2014, with the earliest start of construction being March of 2015. In this case, the completion of the project before July 2015 cannot be achieved and the work would be best performed after the Pan/Parapan Am Games.

**CONCLUSION**

The priority for the Sony Centre and the City is to work towards the completion of the West Public Plaza and north side pavers. It is in the best interests of both the Sony Centre and the City to finalize the arrangements with the Developer as soon as possible to undertake these portions of the capital work required in Phase 3 of the redevelopment.
Ideally, this work can be completed in 2014 while the construction for the L-Tower is still underway. Funding is available for this work in the 2014 Council Approved Capital Budget for the Sony Centre.

The remaining Phase 3 work on the East Side of the building is contingent on the sale and removal of the decommissioned trailers. The priority should be to finalize the arrangements required to sell and remove them. Renovations to the East Plaza and other remaining exterior work may be undertaken in the spring of 2015.

There is considerable work required to complete Phase 2 (replacement of backstage facilities) of the redevelopment, but it is covered by the Umbrella Agreement with the Developer.

Because the Sony Centre for the Performing Arts continues to operate while this construction is underway, capital work should be performed in a way which minimizes disruption to its operations and potential revenues. Every effort should be taken to complete the redevelopment as quickly and efficiently as possible given the impact on the Sony Centre's business.

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**SIGNATURE**

Michael H. Williams,
General Manager, Economic Development & Culture

**ATTACHMENTS**
Appendix A – Site Plan and Scope of Work prepared by Sony Centre's Director, Facility Services