



## Union Station Revitalization Project (USRP) – Status Report and Contract Amendments

**Date:** May 6, 2019

**To:** General Government and Licensing Committee

**From:** Interim General Manager, Facilities Management and Chief Purchasing Officer

**Wards:** Ward 10 – Spadina-Fort York

### SUMMARY

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The purpose of the report is to advise on the status of the City of Toronto's Union Station Revitalization Project ("USRP"), including an update on the construction progress and project budget. The report also requests authority to amend three (3) existing contracts under the USRP, funded within the existing approved budget. These contract amendments are required to ensure continuity of professional services for the duration of the project.

The project remains within the current approved budget of \$823.9 million. Staff are working with the City's consultant, contractor, their bonding company and other stakeholders to complete the work as quickly and efficiently as possible.

### RECOMMENDATIONS

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The Interim General Manager, Facilities Management and the Chief Purchasing Officer, recommend that:

1. The General Government and Licensing Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code (Financial Control By-law), authorize the amendment of existing contracts in accordance with the details as specified below:
  - a. NORR Limited, Architects and Engineers, Purchase Order Number 6030175, in the additional amount of up to \$2,000,000, net of all taxes, revising the current contract authority from \$42,473,000, net of all taxes, up to a maximum value of \$44,473,000, net of all taxes, to provide required additional design and construction services.
  - b. WSP Canada Group Limited, Contract Number 47020883, in the additional amount of up to \$3,600,000, net of all taxes, revising the current contract authority from \$7,934,840, net of all taxes, up to a maximum value of \$11,534,840, net of all taxes, to

continue to provide contract administration services and expertise through the construction duration.

c. Osler, Hoskin & Harcourt, LLP, Purchase Order Number 6040342, in the additional amount of up to \$1,100,000, net of all taxes, revising the current contract authority from \$10,800,000, net of all taxes, up to a maximum value of \$11,900,000, net of all taxes, to continue to provide construction law support and litigation services and other related consulting expertise through the construction duration.

## FINANCIAL IMPACT

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### Contract Amendments:

The contract amendments will increase the total value of three contracts by up to \$6.7 million. Funding for the requested amendments is available in the 2019 - 2028 Council Approved Capital Budget and Plan for Facilities, Real Estate, Environment and Energy, under the Union Station Revitalization Project (Work Breakdown Structure Elements CCA 910-03 and CCA 911) and is within the approved total project costs of \$823.9 million.

### Total Project Cost and Current Estimates:

In the below table, the re-forecasted cash flows for the USRP are compared against the approved plan in the 2019-2028 Capital Budget and Plan for Facilities, Real Estate, Environment and Energy, with a total approved project costs of \$823.9 million.

<b>Table 1: Forecasted Cash Flows versus Current Approved Plan (\$ millions)</b>				
	Life to Date Spend as of Dec 31, 2018	2019 Plan	2020 Plan	Total Project Costs
2019-2028 Capital Budget and Plan	\$751.2	\$69.2	\$3.5	\$823.9
Projected Spending	\$751.2	\$33.6	\$39.1	\$823.9
Variance	-	(\$35.6)	\$35.6	-

Projections to year-end indicate that the USRP's capital expenditures are forecasted to be \$33.6 million or 48.5% of the 2019 approved cash flow of \$69.2 million. The construction forecast in 2019 is attributable in part to performance issues with the general contractor. The estimated expenditure for 2020 is \$39.1 million, representing 5% of the approved project budget.

Current forecasts continue to be within the approved budget of \$823.9 million. Issues that have impacted the project include site conditions found associated with Stage 2/3, performance issues with the general contractor, and project delivery and coordination of

work programs with other stakeholders. The project team is working to actively manage these challenges within the approved budget and will report back at the regularly scheduled status updates or through the capital budget process as the outcome and any associated financial impacts become known.

The City also continues to engage in discussions with external project stakeholders and other funding partners/sources to obtain reimbursement or fund components of the work being undertaken.

Lastly, the current approved budget and forecasted total project cost does not include any future cost of claims that are currently being actively managed by the project team, with support from City and external legal.

Financing Sources:

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

<b>Table 2: Union Station Revitalization Project Funding Sources</b>	<b>Approved Budget \$ millions</b>
Province (GO / Metrolinx)	191.8
Federal	139.5
VIA Rail	24.9
Other stakeholders	2.4
<b>Total External Funding Sources</b>	<b>358.6</b>
City Debt	180.5
Recoverable Debt	190.5
Reserves	83.6
Development Charges	7.9
Section 16 Agreements	2.8
<b>Total Internal Funding Sources</b>	<b>465.3</b>
<b>Total Project Funding Sources</b>	<b>823.9</b>

See Appendix A 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 Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

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At its meeting of July 3, 2018, Government Management Committee adopted GM29.22 "Union Station Revitalization Project (USRP) – Status Report," which noted that the project remained within the approved budget of \$823.9 million. The report is available online at:

<https://www.toronto.ca/legdocs/mmis/2018/gm/bgrd/backgroundfile-117090.pdf>

At its meeting of March 26, 2018, City Council adopted GM25.10 "Union Station Revitalization Project - Contract Amendments" and authorized amendments to existing contracts with NORR Limited, Architects and Engineers, WSP Canada Group Limited, Bondfield Construction Company Limited, and Osler, Hoskin & Harcourt, LLP. The report is available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.GM25.10>

At its meeting of February 12, 2018, City Council adopted 2018.EX31.2 "2018 Capital and Operating Budgets" and approved the 2018 Capital Budget and 2019-2027 Capital Plan for Union Station Revitalization Project, including an increase to the total project cost from \$800.7 million to \$823.5 million, requiring additional reserve funding and an increase to Facilities, Real Estate, and Environment & Energy (FREEE)'s 2018 – 2027 Preliminary Capital Budget and Plan for the Union Station Revitalization project in the amount of \$22.8 million in 2018, funded through the Capital Financing Reserve Fund. The report is available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX31.2>

At its meeting of January 31 and February 1, 2018, City Council adopted 2018.MM36.29 "Authorization to Release Section 37 Funds to Real Estate Services for Installation of Public Art at Union Station - by Councillor Lucy Troisi, seconded by Councillor Paul Ainslie" and increased the approved 2018 Capital Budget for Real Estate Services, on a onetime basis by \$0.385 million gross, \$0 net, from Section 37 from 15 York Street community benefits to be used for the installation of a public art piece at Union Station. The report is available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.MM36.29>

At its meeting of May 29, 2017, Government Management Committee adopted 2017.GM21.14 "Union Station Revitalization Project - Status Update" and approved an amendment to the retainer of Davies Ward Phillips and Vineberg LLP. The report is available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM21.14>

At its meeting on February 3, 2016, City Council adopted 2016.GM9.5 "Union Station Proposed Building Enhancements" and authorized an amendment to the Head Lease Agreement to implement the building enhancements for Union Station. The report is available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM9.5>

At its meeting of July 7, 8, and 9, 2015, City Council adopted 2015.GM5.19 "Union Station Revitalization Project - Status Update" approving a budget increase of \$4.3 million related to forecasted cost increases and awarding a contract for Tender Call No. 75-2015 for the Union Station Revitalization Project Stages 2 and 3 to Bondfield Construction Company Limited in the amount of \$178,542,180 net of HST, including all allowances, contingencies and charges. The report is available online at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM5.19>

## COMMENTS

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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 the life of this vital transportation hub for the next 50 to 100 years. To put the City's current investment in the station into context, Union Station has seen no significant capital investment by its owners for the past 90 years. As such, this project reflects a "once in a century" type of investment in city building.

Council's vision has three main objectives:

- 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. ("Osmington"). The agreement gives Osmington the exclusive right to carry out commercial uses in the Station, including leasing of the newly built retail spaces, advertising, commercial signage and special events, with the City and Osmington sharing equally in the profits that are generated from these commercial activities.

Furthermore, in 2009 the City executed agreements with Metrolinx to complete base building work and sell the new York Concourse, floors 2 to 4 of the West Wing and the renovated Bay Concourse to Metrolinx. Upon completion of this base building work Metrolinx would complete fit-out of these spaces and open them for internal and public access and use. To date, the City has completed its construction work and executed the sale of the new York Concourse and the West Wing, and these spaces are now open and active.

The Union Station Revitalization Project is now in its ninth year of construction 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 the major construction works beginning in 2011. At that time, a construction management contract was awarded to Carillion Canada Inc. for the full scope of work (Stages 1, 2, and 3). Subsequently, 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.

Overall, the achievements to date on the USRP has allowed for Union Station to act as more than a transportation hub for commuters to and from Toronto. The project has allowed for the following:

- Opening of retail space that has driven financial benefits for the City (at or above expectations) and that are servicing the new residential and commercial communities in the surrounding area,
- Partnerships to allow for programming in collaboration with key arts and cultural organizations across Toronto, generating an emotional and positive connection with people moving through the station, and
- Positive press and social media interest as a result of the programming, the engineering accomplishments from the USRP, and the restoration of this landmark heritage facility that preserves its historical significance and allows it to service the needs of both the community and commuters of today.

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 and commercial community. In conjunction with the transit infrastructure improvements current and planned in the future, the station will act as a gateway to the waterfront and surrounding community and will renew and revitalize a major centrepiece of the city.

### **Work Completed To Date**

Significant progress has been made on the Union Station Revitalization Project. Stage 1 is fundamentally complete but for minor deficiencies being rectified and closeout documentation. Key milestones reached and components completed include:

#### ***Stage 1 and the North West PATH:***

- 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 Scotiabank Arena, Maple Leaf Square and Telus building tunnels with York Concourse strata sold to and occupied by Metrolinx.
- 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 of the West, East Wings and Centre Block.
- NW Path Phase 1 complete and opened to the public.
- Stage 1 base building Retail Concourse beneath York and VIA Concourses is complete. Retail areas have been released to the Head Lessee for installation of fixtures and occupancy by tenants. Some retail operations are open and active.

### **Stage 2/3:**

- Exterior restoration of the East Wing is 99% complete.
- Great Hall Restoration: East and West arches, including windows, north wall, south wall and ceiling cleaning complete. The floor restoration remains outstanding.
- VIA Concourse restoration is 99% complete.
- Front Street West Moat: Moat cover installation is 100% complete.
- Front Street East Moat: Moat cover installation is 80% complete.
- East Wing ground floor is over 80% complete.
- Bay Concourse/Retail: Excavation, structural column replacements, and new Bay Concourse suspended slab and slab on grade completed.
- 50% of the Commercial Retail Units in the Front Street Promenade have been completed and are currently operating.
- Interior finishing work is 65% complete.

### **Schedule Update and Future Milestones**

Contractor performance issues that emerged in mid-2018 affected project progress over the past year. In mid-to-late 2018, the City worked with the contractor's surety company and third-party consultants to resolve these issues and bring the project back on track. The project incurred a delay as a result of these issues; consequently, the target completion milestone (first quarter of 2019) identified in the June 2018 update to Government Management Committee no longer applies. City staff continue to work diligently with the contractor's surety company and third-party consultants to manage the contractor and risks to project schedule.

The remaining work includes the completion of Stage 2/3, which includes the Bay Concourse, VIA Concourse, Great Hall, remaining retail areas, East Wing exterior façade, and the York and Bay Street moat covers. While significant progress is expected by the end of 2019, construction logistics require work on certain portions of the station to continue into 2020, including the Bay and Front Street moats. Total completion of the Stage 2/3 scope of work is anticipated by the end of the third quarter of 2020.

The USRP team has implemented a strategy to expedite ongoing construction and ensure that completed areas of the station open to the public as soon as possible. As sections of the Bay Concourse, Front Street Promenade, and remaining retail areas are

completed in the second and third quarters of 2019, they will be turned over to Metrolinx and Osmington for interior fit-out prior to public opening. This staged turnover will lead to new areas of the station opening up as they are ready, which will contribute to improved pedestrian flow through the station and enjoyment of the commercial and retail amenities. Metrolinx and Osmington will ultimately determine exactly when these areas of the station open to the public. Based on typical construction schedules it is anticipated that remaining retail units will open on a rolling basis throughout 2020. The Bay Concourse is expected to be available for public usage in the first quarter of 2020.

## **Contract Amendments**

Existing professional services contracts assumed that the project would be completed by early 2019. In light of delays attributable in part to contractor performance issues, amendments to the following contracts are recommended to ensure continuity of professional services for the duration of the project:

- Purchase Order No. 603017, issued to NORR Limited, Architects and Engineers for design and construction services. If approved, the requested additional contract value of \$2.0 million, net of all taxes will increase the total potential contract value to \$44.5 million, net of all taxes.
- Contract No. 47020883 with WSP Canada Group Limited for contract administration services and expertise. If approved, the requested additional contract value of \$3.6 million, net of all taxes, will increase the total potential contract value to \$11.5 million, net of all taxes.
- Purchase Order No. 6040342, issued to Osler, Hoskin & Harcourt, LLP for construction law support and litigation services and other related consulting expertise through the construction duration, including representing the City with respect to project claims. If approved, the requested additional contract value of \$1.1 million, net of all taxes, will increase the total potential contract value to \$11.9 million, net of all taxes.

The project team is managing the additional costs within the existing project budget. The rate of construction changes has declined and is expected to continue to decline as the project moves into the finishing stages; accordingly, funds earmarked to address construction changes can be redirected to address the additional professional services costs. Upon completion of the project, the City will seek reimbursement from the contractor's surety company for all costs that are attributable to delays and performance issues with the general contractor.

## **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 Chief Corporate Officer to administer and manage the Head Lease Agreement with the Head Lessee, Osmington. Since then, City staff have been working with Osmington to manage and maximize the value of the current and future retail spaces within the Station. In February 2016, the City and Osmington Inc. 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.

As noted in the project schedule update, once base building construction of retail areas is complete, the City turns over these "raw" retail spaces to Osmington for completion of the final construction work and tenant fit-up. The York Street Promenade, and the Front Street Promenade (West side only) opened for business in November 2017. The West Wing TD Credit Card Lounge was opened in the fall of 2018. The Food Court was opened in December of 2018.

### **Update on Auditor General Recommendations**

On June 27, 2017, the Auditor General presented to the Audit Committee the report entitled: "*Real Estate Services Division – Restore Focus on Union Station Leasing*", which contained 21 recommendations to improve timely collection of annual leasing revenues, contract compliance, internal controls, and ensure long-term financial stability of this asset. At its meeting on July 4, 2017, City Council adopted these recommendations, including a request to report back to Council on two of the recommendations in the report. Updates on these items are outlined below.

- Recommendation 9: City Council request the Chief Corporate Officer to report to City Council on the plans for the East Wing of Union Station. Such plans should include a complete financial analysis of the capital funding requirements and potential profits, costs, and opportunity costs of the available options for the space, such as City purposes, retail, office, or strata sale.
- Update: City staff continue to assess options for the future uses of the East Wing of Union Station. The City is assessing options for best use within its current contractual obligations and will be reporting back to Council in 2019 on proposed future uses of this space.
- Recommendation 10: City Council request the Chief Corporate Officer, in consultation with the Corporate Finance and Financial Planning Divisions, to validate assumptions underlying the existing financial forecasts for Union Station and report back to City Council with an up-to-date forecast of expected revenues and expenses.

Update: City staff continue to engage with the Head Lessee to review the forecasted leasing revenue and underlying assumptions for 2019 and future years. At the same time, City staff are also reviewing internally all costs associated with Union Station operations to develop an operational model on the future state of the Station (post revitalization). Operational requirements and future lease revenue will be analysed against the latest existing financial forecast for Union Station. As of the end of 2018, approximately 10% of the total future retail area (once the USRP is complete) is leased and open for business. As construction progresses, more space will be made available and leased out. The existing financial model for Union Station is currently being updated with the latest information. The results will be reflected in the Union Station reserve fund forecast and reported through the 2020 budget process.

## Conclusion

The Union Station Revitalization project continues to progress within the current approved budget, but with risk to the completion 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 the impacts to the project through implementation of the contractor's surety company management firm, active management of project costs, and re-sequencing of the Stage 2/3 work. 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.

## CONTACT

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## SIGNATURE

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## **ATTACHMENTS**

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