

State of Good Repair at Union Station

Facilities & Real Estate Division, Corporate Services Department

BRIEFING NOTE

Issue/Background:

Union Station requires significant attention to address urgent capital repairs in order to return the Station to a state of good repair and to avoid potentially hazardous situations. This note provides a further update on the capital maintenance requirements and status of funding sources related to Union Station, as reflected in the 2004 EMT Recommended Capital Budget and incorporating results of negotiations with Union Pearson Group.

In July 2003, City Council considered a report on the Union Station Request for Proposals and Negotiations with Union Pearson Group. As part of its decision on this matter, City Council adopted a motion directing the Commissioner of Corporate Services to:

“...commence a state of good repair program for Union Station and include the necessary capital budget requirements in the 2004 capital budget; and that any capital expenditures incurred by the City for emergency deferred health and safety capital maintenance items in 2003, prior to closing which represents a lasting improvement to the project be calculated in the cost adjustment provisions in the Master Agreement and the lease;”

Key Point(s):

- Since it acquired Union Station in August 2000, the City has taken a caretaker role in its operation of the station in anticipation of the successful proponent taking over the station. Toronto Terminals Railway Company Ltd. (TTR) has continued to manage the day-to-day operations on an interim basis. The City is responsible for any capital maintenance and repairs outside day-to-day operations.
- In 2003, the Facilities and Real Estate Division identified and undertook three emergency capital repairs funded out of station revenues. In anticipation of the 2004 budget submission cycle, it was considered prudent to undertake an updated review of the station in the event the lease transaction did not proceed or was further delayed and the station continued to remain in the City's building portfolio. This review identified approximately \$35 million of necessary capital repairs at Union Station over the next five years to bring it into a state of good repair.
- That review included the following state of good repair projects, including an emergency contingency, totalling approximately \$11.490 million initially identified as essential to complete in 2004. Details of each of these projects indicate that these projects are structurally necessary and are potential health and safety issues if not addressed.
 - Exterior façade repairs

- Repair/replace window on west wall of the Great Hall
- Replace York Street expansion joint *
- Repair/replace pedestrian bridges along Front Street
- Replace skylights on flat roofs and on roof above ground floor
- Install new roof anchors and repair built-up roof
- Various emergency repairs

**Note: The expansion joint repairs are to be co-ordinated with GO Transit repairs of the Train Shed roof, as these repairs require train track closures. It is expected that these repairs will commence within approximately 12 to 20 months.*

- The original request for 2004 capital funding was \$11.490 million. EMT subsequently recommended the deferral of the York Street expansion joint as it will not be carried out until 2005. As a result, EMT recommended the deferral of \$2.031 million to 2005, leaving \$9.459 million recommended cash flow for 2004, with estimated recoveries from Union Pearson of \$8.154 million and debt financing of \$1.305 million.
- The City is currently completing negotiations with Union Pearson. When and if the lease agreement is completed, Union Pearson will be responsible for future capital repairs. However, the status of these immediate repairs was an issue for negotiation within the context of the terms of the Master Agreement as amended by City Council.
- City staff will be reporting out on the negotiations shortly but as part of the proposal, Union Pearson and City staff will advise that the most urgent project (the West Wing Skylight) must proceed in 2004. If the transaction closes, Union Pearson would reimburse all the City's out of pocket costs. Union Pearson has requested that the remaining capital projects be deferred to Spring 2005 so that if the transaction closes Union Pearson can incorporate them into its work program. Funding in the existing amount of \$1.305 for pre-closing emergency repairs should remain available as part of the City's budget regardless.
- With respect to the remaining projects, the initial design work for the other projects will proceed so that construction could commence immediately in the Spring should the transaction not close. Union Pearson concurs. The City will commence the design for all the projects identified above. If the deal closes Union Pearson will take the projects over and reimburse all the City's out of pocket costs. Should the deal fall through, all costs will need to be funded by the City.
- Therefore, as a result of the negotiations with Union Pearson Group, \$8.154 million can be deferred to 2005 as well as the associated recovery (in addition to the \$2.031 million previously deferred). Staff are prepared to recommend the deferral of the \$8.154 million to 2005 on the basis of the negotiations to date. However, until the transaction actually closes, this amount cannot be removed from the 2005 budget plan. \$1.305 million should continue to be provided in the 2004 Capital Budget and debt financed to cover any pre-closing emergency repairs.

Date: March 23, 2004