Attachment 1 – Confidential Information – made public on December 11, 2009

Union Station Revitalization Implementation

Date:	May 28, 2009
To:	Executive Committee
From:	City Manager

CONFIDENTIAL INFORMATION

Financial Impact

Financial Plan:

Table 1 below presents the forecast cash flows during the revitalization period.

Table 1 - Estimated Capital Cash Flows During 2009-2015 Revitalization Period ($000's)

	2009	2010	2011	2012	2013	2014	2015	Totals
Expenditures								
Heritage, State of Good Repair, Security	(20,943)	(25,414)	(33,035)	(30,518)	(29,449)	(10,891)	-	(150,250)
Transportation (NW Path, concourses etc.)	(10,679)	(69,829)	(58,315)	(67,960)	(53,185)	(10,106)	(3,042)	(273,115)
Lower Level Retail Area, West Wing	(7,376)	(31,451)	(88,117)	(34,173)	(26,649)	(29,069)	-	(216,835)
Sub-Total:	(38,998)	(126,694)	(179,467)	(132,651)	(109,283)	(50,066)	(3,042)	(640,200)
Contributions								
GO/Province	808	53,582	55,644	31,914	17,714	12,337	-	172,000
VIA/Federal	12,346	22,757	46,413	46,289	50,227	14,698	2,857	195,587
City Capital Financing Reserve Fund Draws	2,303	5,590	6,497	5,908	4,334	-	-	24,631
Sub-Total:	15,457	81,929	108,554	84,111	72,275	27,035	2,857	392,218
Net Cash Flow:	(23,541)	(44,765)	(70,913)	(48,539)	(37,008)	(23,031)	(185)	(247,982)

The revitalization of the station is forecast to be carried out from 2009-2015 at a total nominal cost of $640 million. Based on discussions with representatives of the Federal government, the total Federal/VIA contribution towards the project may range from $161.6 to $195.6 million. Under the more optimistic contribution scenario set out in Table 1, contributions from the Federal government, GO Transit (funded by the Provincial government) and VIA Rail will fund 57% of the total project cost. Approximately 4% ($24.6 million) will be financed from the City's Capital Financing Reserve Fund.

The remainder ($248 million) is to be debt-financed by the City with recovery, following the revitalization, of a portion of this amount through revenues from the commercial space. Table 2 below presents the forecast cash flows for the first twenty years following revitalization.

As indicated in Table 2, it is forecast that approximately $97 million of the debt (39%) will be recoverable through commercial revenues during the 20-year debenture repayment period.

Table 2 - Union Station 20-Year Post Redevelopment Cash Flow ($000's)

	Present Value 2015	1 2016	2 2017	3 2018	4 2019	5 2020	Years 6-20 Total	20-Year Total
Debenture Payments (for repayment of $248 mil)	(247,982)	(20,751)	(20,751)	(20,751)	(20,751)	(20,751)	(311,264)	(415,019)
Forecast Retail Area Revenues (Recoverable Debt)	96,652	15,536	6,145	6,299	6,456	6,617	121,631	162,684
Net Cash Flow	(151,330)	(5,215)	(14,606)	(14,452)	(14,295)	(14,133)	(189,634)	(252,335)

All of the remaining debt, net of development charge funding, has already been provided for through the 2009-2018 Capital Plan and Estimates related to required State of Good Repair and Heritage plans.

As discussed above, the figures presented in Table 1 and Table 2 reflect the most optimistic scenario for contributions from the other funding partners. If it is assumed that the Federal/VIA government contribution will be at the lower end of the potential range ($161.6 million), annual debenture payments would increase by approximately $3 million.

Table 3 below reflects the impact on debt and net cash flow if the Federal contribution is $161.6 million rather than $195.6 million.

Table 3 - Union Station 20-Year Post Redevelopment Cash Flow - Reduced Contribution Amounts ($000's)

	Present Value 2015	1 2016	2 2017	3 2018	4 2019	5 2020	Years 6-20 Total	20-Year Total
Debenture Payments (for repayment of estimated $282 mil)	(281,982)	(23,596)	(23,596)	(23,596)	(23,596)	(23,596)	(353,941)	(471,921)
Forecast Retail Area Revenues (Recoverable Debt)	96,652	15,536	6,145	6,299	6,456	6,617	121,631	162,684
Net Cash Flow	(185,330)	(8,060)	(17,451)	(17,297)	(17,140)	(16,979)	(232,310)	(309,237)

The financial plan includes both the more optimistic scenario and the more conservative scenario, as reflected in Tables 1, 2 and 3.

Potential Risks

Contributions and Revenues

As discussed above, the largest cash inflow component for the project will be in the form of funding partner contributions. Staff have not yet received formal confirmation of the contribution amounts shown in Table 1. In order to mitigate any risk of a shortfall in partner contributions, this report recommends that approval to proceed with the project be subject to the completion of the necessary agreements to secure contributions within the range provided for under both scenarios of the financial plan.

The overall financial outcome will also depend on rental revenues from the commercial area within the station. A supplementary report submitted directly to the July 6 & 7, 2009 Council meeting will provide a financial assessment of a potential overall lease arrangement for the commercial areas within the station. This assessment will examine any uncertainty associated with the potential commercial revenues.

Costs

The overall financial outcome will depend on the accuracy of the current construction cost estimates. As discussed in greater detail in the public portion of this report, variances from the currently estimated costs may result from:

- unforeseen environmental factors
- scheduling difficulties arising from the need to carry out the work under “live” service conditions and the need to coordinate four large construction projects within the same overall building envelope (including the the TTC’s second platform project and the NW PATH)
- general escalation in the cost of construction labour and materials

Facilities and Real Estate staff have indicated that a construction management delivery method for construction will capitalize on the experience of a qualified construction manager to mitigate these risks and help control overall construction costs.

Changes to Terms and Conditions of Sale of Concourse Strata Property to GO Transit

The arrangement that was originally reported to Council was that GO Transit would pay an up-front capitalized payment of $92,000,000 as the purchase price for both GO Concourses and that the City would complete construction of the Concourses after the sale of the Concourse Strata Property to GO Transit. GO Transit has since advised that the $92,000,000 cannot be paid to the City as an up-front payment but that it must instead be paid as progress payments, as construction of the Concourses is carried out. The Concourses will be conveyed to GO Transit after they have been constructed, with the York Concourse to be built and conveyed first, followed by the Bay Concourse.