



**Report:** COR-FFM-17-01

**Region of Waterloo**  
**Corporate Services**  
**Facilities & Fleet Management**

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**To:** Chair Tom Galloway and Members of the Planning & Works Committee

**Date:** February 14, 2017      **File Code:**

**Subject:** King-Victoria Transit Hub Project Update

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**Recommendation:**

For Information

**Summary:**

The King-Victoria Transit Hub (KVTH or the Transit Hub) site is a landmark development and train station connecting the Region to the Toronto-Waterloo Region Innovation Corridor. It will be a focal point for higher order transit service in Waterloo Region, connecting passengers seamlessly through the co-location of ION LRT, GO Transit (rail and bus service), VIA rail service, intercity bus and GRT. The Transit Hub is also expected to generate ION ridership as an anchor development along the Central Transit Corridor (CTC) with transit station functions integrated with a privately developed mixed-use destination.

The transaction structure for the project will be the Direct Disposition (fee simple sale) of the Transit Hub lands to a master developer, subject to specific design and construction obligations. The master developer would be responsible for the integrated design and delivery of the on-site transit infrastructure and mixed-use development. The transit-related components of the project are targeted to be complete by the end of 2021 with full build-out of the private mixed-use development expected by the end of 2027, subject to market demand.

In June 2016, the Province committed full funding of \$43 million for the transit-related components of the project as part of a broader transit announcement. Based on this commitment, the Region initiated the transaction period for the project. This report

provides an update on the project activity since that time and next steps moving forward. Specifically, project activity has been focused on governance, provincial funding agreements, advisor procurement as well as planning for the design and RFQ/RFP processes and further community consultation.

Currently the project is well into the transaction period which includes deal structuring, offering process and negotiations activities required to complete land disposition process and secure agreements for delivery of on-site transit-related components. In order to complete the transaction activity by mid-2018, the immediate next steps include:

- Negotiation and finalization of a funding agreement with the Province.
- Selection of a design advisor team.
- Issuance and management of the RFQ to short list potential developers.
- Development of a community consultation plan.

This activity will be quickly followed by the development of output specifications and RFP documents as well as ongoing community consultation activity.

Report:

## **1. Background**

The King-Victoria Transit Hub site is a landmark development and train station connecting the Region to the Toronto-Waterloo Region Innovation Corridor. It will be a focal point for higher order transit service in Waterloo Region, connecting passengers seamlessly through the co-location of ION LRT, GO Transit (rail and bus service), VIA rail service, intercity bus and GRT. The Transit Hub is also expected to generate ION ridership as an anchor development along the Central Transit Corridor (CTC) with transit station functions integrated with a privately developed mixed-use destination.

The Region has identified three primary goals for the Transit Hub:

1. Provide a centralized transportation facility with infrastructure that delivers seamless connections between walking, cycling, ION LRT, inter-city bus services, GO and VIA Rail service, as well as GRT buses;
2. Develop a high-density, transit-oriented development with residential, office and retail uses, fully integrated with the proposed transit-related infrastructure; and
3. Leverage the development of the entire Transit Hub site to reduce the Region's overall infrastructure costs.

The Region has developed conceptual site plans to demonstrate how the Transit Hub functions could be integrated with private mixed-use development. A conceptual overview of the key elements of the Transit Hub is provided in Appendix A.

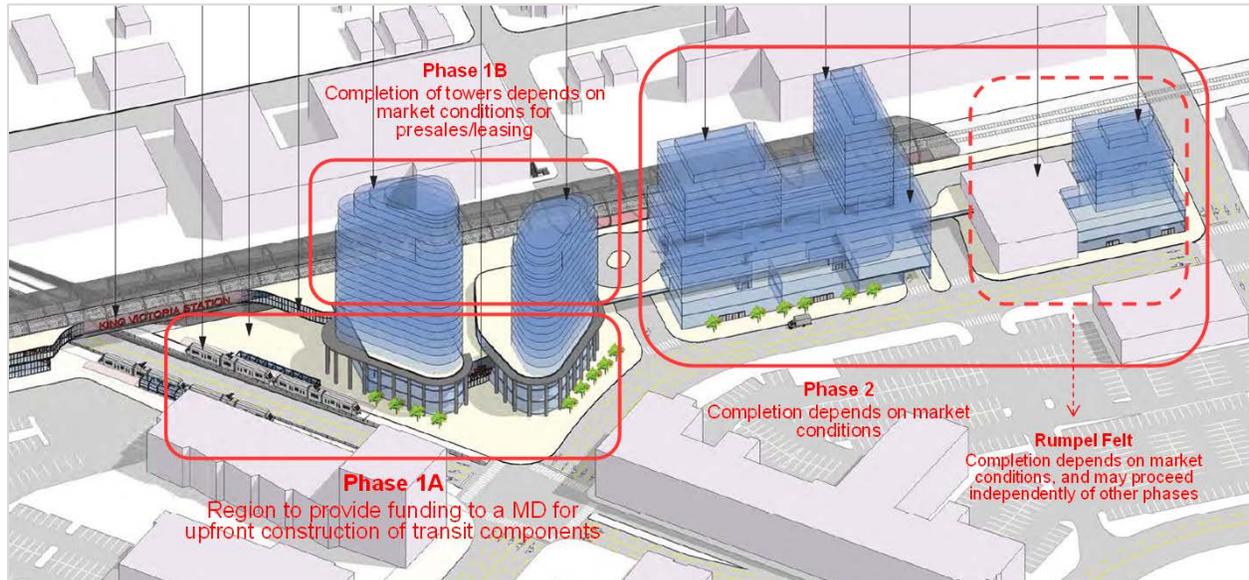
The City of Kitchener approved Official Plan and Zoning By-law applications made by the Region to permit a broad range of land uses at higher densities, with transit-supportive parking requirements. These zoning provisions will enable a future developer to adapt the site plan to respond to dynamic market conditions. Subject to available funding, the Region is also interested in working with the master developer to integrate affordable housing with any residential component of the mixed-use development.

### **1.1 Development Approach**

In February 2015, the Region retained Infrastructure Ontario (IO) and Deloitte as the procurement and financial advisors to help the Region determine the best approach for developing the Transit Hub lands. On February 23, 2016 (PDL-CPL-16-14), Council endorsed the following approach subject to available funding:

1. That the Transit Hub infrastructure be divided into two integrated delivery streams (on-site and off-site) and that development responsibility be allocated to the most appropriate parties. On-site infrastructure refers to Transit Hub components on the Regionally owned Transit Hub lands, while off-site infrastructure refers to those Transit Hub components in the Metrolinx rail corridor;
2. That the off-site transit infrastructure be delivered as part of a traditional Design/Bid/Build process in partnership with Metrolinx;
3. That the preferred real estate transaction structure is the Direct Disposition (fee simple sale) of the Transit Hub lands to a master developer, subject to specific design and construction obligations. The master developer would be responsible for the integrated design and delivery of the on-site transit infrastructure and mixed-use development;
4. That the Region consider advancing funding for the on-site transit infrastructure as a means to ensure the timing of construction; and
5. That, subject to securing adequate cost-shared funding, the Region proceed with a Request For Qualification and Request For Proposal process to select a master developer to construct the on-site Transit Hub infrastructure and mixed-use development.

The illustration below provides the concept plan for the approved procurement approach with the construction phases identified – Phase 1A and 1B outline the development of the on-site transit components and first phase of private real estate development respectively and Phase 2 illustrative future phase of private mixed use development with timing subject to market demand.



## 1.2 Project Timeline

The transaction period is estimated to take 2 to 2.5 years and will include activities such as deal structuring, offering process and negotiations activities required to complete the transaction process. Following the transaction period, the next period, comprising development of on-site transit-related components, will last approximately 4 years (Phase 1A). This will include the development of the Transit Hall, Site Work & Plazas, Transit Hall Parking and interim Victoria Street Bus Loop / Bus Bays and Passenger Pick Up and Drop Off lanes. Mixed use real estate development is expected to commence concurrently with the on-site transit component works in potentially two phases (Phase 1A and 2) in line with expected market demand for potential uses. For each phase of the real estate development, an approximate 3-year presale period is assumed to achieve minimum thresholds for construction financing followed by 1.5 to 2 year construction period.

Off-site transit components including the GO Platform, Multi-use Trail across King Street, and Pedestrian Underpass/Overpass will be developed over an approximately 4 to 5 year period in coordination with the development of on-site transit components. Relocation of the Via and GO train station functions will occur once the necessary transit-related components are complete.

The transit-related components of the project are targeted to be complete by the end of 2021 (Phase 1A) with full build-out of the private mixed-use development by the end of 2027, subject to market demand.

## **2. Project Update**

In June 2016, the Province committed full funding of \$43 million for the transit-related components of the project as part of broader transit announcement. Based on this commitment, the Region initiated the transaction period for the project. This report provides an update on the project activity since that time and next steps moving forward. Specifically project activity has been focused on governance, provincial funding agreements, advisor procurement as well as planning for the design and RFQ/RFP processes and further community consultation.

### **2.1. Project Governance**

In 2014, Council authorized the establishment of a Steering Committee to advise and provide direction to staff at key decision points in the process (Report P-14-061 dated May 27, 2014). The current members of the KVTH Steering Committee are:

Regional Councillors:

Ken Seiling

Tom Galloway

Geoff Lorentz

Sean Strickland

Berry Vrbanovic

City of Kitchener Councillor:

Sarah Marsh

Regional Staff:

Mike Murray, Chief Administrative Officer

Rod Regier, Commissioner Planning, Development & Legislative Services

Thomas Schmidt, Commissioner Transportation and Environmental Services

Craig Dyer, Commissioner, Corporate Services & Chief Financial Officer

Debra Arnold, Regional Solicitor & Director, Legal Services

Ellen McGaghey, Director, Facilities & Fleet Management & KVTH Project Director

The role of the Steering Committee is to advise and provide direction to staff at key decision points in the process by reviewing project-related reports and information; providing input and guidance to staff on significant issues and decisions; and reviewing and providing input to staff reports and recommendations.

At the same time, Council authorized the establishment of a Senior Management Team to oversee the implementation of the project. The KVTH Senior Management Team includes senior staff from relevant program areas including Planning, Development & Legislative Services, Corporate Services, Transportation & Environmental Services and the CAO's office. They oversee the day to day management of the project; the hiring of any external advisors; the preparation and issuance of the RFQ & RFP and related documents; the preparation of any associated legal agreements; and any required supervision related to the site development.

For the transaction period and subsequent construction phases, overall project responsibility has moved from Planning, Development & Legislative Services to Facilities Management. In recognition of the wide range of stakeholders involved in this project, Facilities staff is working closely with staff from Planning, Transportation, Transit, Finance, Legal and Corporate Communications as well as Infrastructure Ontario, City of Kitchener, Metrolinx and others to deliver the project. Three working groups have been established with representation from key stakeholders:

- Project Administration Team: Responsible for the overall delivery of the project including communication, procurement, design and construction oversight.
- Communications Team: Responsible for developing and implementing the communications strategy for the project.
- Design Project Team: Responsible for providing input on all design elements of the project.

## **2.2. Provincial Funding - Business Case**

The Province committed full funding of \$43 million for the transit-related components of the project as part of a larger transit announcement in June 2016. Following this announcement, staff has worked closely with the Province to move through the steps required to finalize a funding agreement. These include documentation of the project business case in the required format, followed by the negotiation of a project start date and funding agreement.

The required provincial business case format includes 5 key components: Project Overview; Strategic Case; Economic Case; Financial Case; and Operations and Deliverability Case. Much of the material for this document had been analyzed and prepared for earlier project stages and provided to the Province, however the Economic Case required specific transportation analysis which had not been completed previously.

This analysis looked at the key role the KVTH will play in the Region of Waterloo's transportation system through co-location of multiple modes of transit and mixed-use development. Various components of the Project will benefit transit users, local residents, and office and retail shop tenants by decreasing travel time for commuters, increasing levels of active transportation, increasing commuting and mobility options, generating greater recreational activity, and reducing auto use.

When quantified, the KVTH is expected to generate more than \$100 million in transportation related benefits over a 30 year period. These benefits are attributable primarily to travel time savings and active transportation savings. Active transportation savings includes consideration for health benefits, commuter mobility benefits, and other recreational benefits.

Monetized value of each benefit category is summarized below:

Benefit Category	Estimated Value (\$M)
Transportation Related	
Travel Time Savings	\$ 29.0
Environmental Emission Savings	\$ 1.1
Other Transportation User Savings	\$ 21.4
Active Transportation Savings	\$ 55.7
Total – Transportation Related Benefit	\$107.2
Safety Related Benefits - At-Grade Crossing Accident Reduction	\$ 0.2

Note: Figures estimated at 2016 constant dollars.

This analysis shows a sound business case for the \$43 million provincial investment in the project. Once the business case is accepted by the Province, they will establish a funding start date and finalize the funding agreement.

### 2.3. Transaction Period Activity

Currently the project is well into the transaction period which includes deal structuring, offering process and negotiations activities required to complete land disposition process and secure agreements for delivery of on-site transit-related components. This period can be expected to take between 2 and 2 ½ years and is targeted for completion by mid-2018. Key activities and deliverables during this period are:

- Procurement of external advisors (procurement, legal, fairness, design and finance) to support all aspects of the transaction period activity.

- Request for Qualification (RFQ) documentation, process management and evaluation to establish a short list of qualified developers.
- Output specification documents to define the Region's design requirements for the transit-related components of the project as well as any overall requirements for the development.
- Request for Proposal (RFP) documentation (including the output specifications above), process management and evaluation to select a master developer for the development.

While work is progressing concurrently in all of the above areas, the primary focus of activity to date has been on the procurement process for external advisors as well as the development of RFQ documentation. The following external advisors have been selected:

**Procurement Advisors** – Infrastructure Ontario is managing the preparation of the documents required for the offering process (RFQ/RFP) and assisting the Region in managing the offering process to commercial close (PDL-CPL-16-14 dated February 23, 2016).

**Financial Advisors** – Deloitte LLP is providing input and advice to the Region on financial elements of the transaction.

**Legal Advisors** – BLG Group will provide the highly specialized legal expertise required to develop, negotiate and finalize senior level government funding agreements, and the procurement documents including the RFQ, RFP, and Transaction Agreement(s) and to provide other legal opinions and services to ensure the successful completion of the project (COR-TRY-17-01 dated January 18, 2017).

**Fairness Advisors** – SEG. DIV. OF OPTIMUS SBR will provide Fairness Services through the Project RFQ and RFP procurement processes to ensure compliance with the relevant procurement documents.

The RFP for design advisors will be advertised shortly and is expected to be awarded by Spring 2017. The design advisor team will have a critical role in the development of the output specification documents which will define the Region's design requirements for the transit-related components as well as any overall requirements for the project as part of the RFP documentation.

The RFQ to shortlist potential developers is expected to be advertised by early Spring 2017 and the selection process will be completed within 4-5 months. The RFP will follow quickly after the RFQ process to ensure continuity and continued engagement from potential developers.

## 2.4. Community Consultation

The most recent public consultation on the project was held on May 19, 2016. Region and City of Kitchener staff jointly hosted a drop-in session in the main lobby at 150 Frederick Street. The Region's display boards included the conceptual drawings showing the planned transit infrastructure (Appendix A), project planning and benefits, conceptual drawings showing various development density illustrations as well as options for the proposed Waterloo Street connection. The City provided display boards and information on associated planning initiatives such as downtown station area planning (Planning Around Rapid Transit Stations [PARTS]) and Make-It Kitchener, their economic development plan for the next five years. The same information was also posted on the [engageregionofwaterloo](#) platform for greater exposure and engagement. This public consultation provided an opportunity to demonstrate to neighbours and other interested stakeholders how their input from earlier consultation in 2012 and 2013 had been incorporated into the project.

As with earlier public consultation on the project, the general response was very positive with constructive and actionable feedback. The information session was attended by 128 people and 175 people provided input, most of which was received through the [engageregionofwaterloo](#) platform. General themes included comments and questions on overall density, quality of design, parking, construction timing, heritage preservation, environmental sustainability, greenspace, accessibility, affordable housing, cycling, funding and the importance of transit infrastructure. Responses to the most commonly asked questions and feedback have been posted on the [engageregionofwaterloo](#) platform. This page will continue to be updated as the project progresses. A comprehensive community consultation plan is currently under development which will include a wide range of initiatives to build and maintain public support for the remaining phases of the project.

## 3. Next Steps

The transaction period is expected to last for the next 18 months with significant design and procurement activity during that time. In order to complete the transaction activity in that time frame, the immediate next steps include:

- Negotiation and finalization of a funding agreement with the Province.
- Selection of a design advisor team.
- Issuance and management of the RFQ to short list potential developers.
- Development of a community consultation plan.

This activity will be quickly followed by the development of the output specifications and RFP documents as well as ongoing community consultation activity.

**Corporate Strategic Plan:**

The implementation of the King-Victoria Transit Hub supports the Thriving Economy, Sustainable Transportation, and Environment and Sustainable Growth focus areas in the 2015-2018 Strategic Plan by attracting new employers and investments (Objective 1.1); planning for and providing the infrastructure and services necessary for economic success (Objective 1.2); enhancing arts and heritage opportunities for residents and visitors (Objective 1.3); creating an integrated, accessible, affordable and sustainable transportation network (Objective 2.1); improving inter-city rail transportation services (Objective 2.2); and improving environmental sustainability and livability in intensifying urban settlement areas (Objective 3.6).

**Financial Implications:**

The projected cost of the KVTH project is \$43 million (\$36.7 million in 2016 dollars), including the on- and off-site transit components, procurement costs, and 100 parking spaces for transit riders. The Province has committed full funding for the project, however the details of a funding agreement have not been finalized. The 2017 Capital Program includes \$340,000 funded from provincial grant for initial soft costs which are included in the total project budget of \$43 million.

**Other Department Consultations/Concurrence:**

Staff from Transportation and Environmental Services, Corporate Services, and Planning, Development & Legislative Services are directly involved in the project and have been consulted in the preparation of this report.

**Attachments:**

Appendix A – Overview of On-site and Off-site Transit Related Components

Appendix B– Indicative Development Timeline

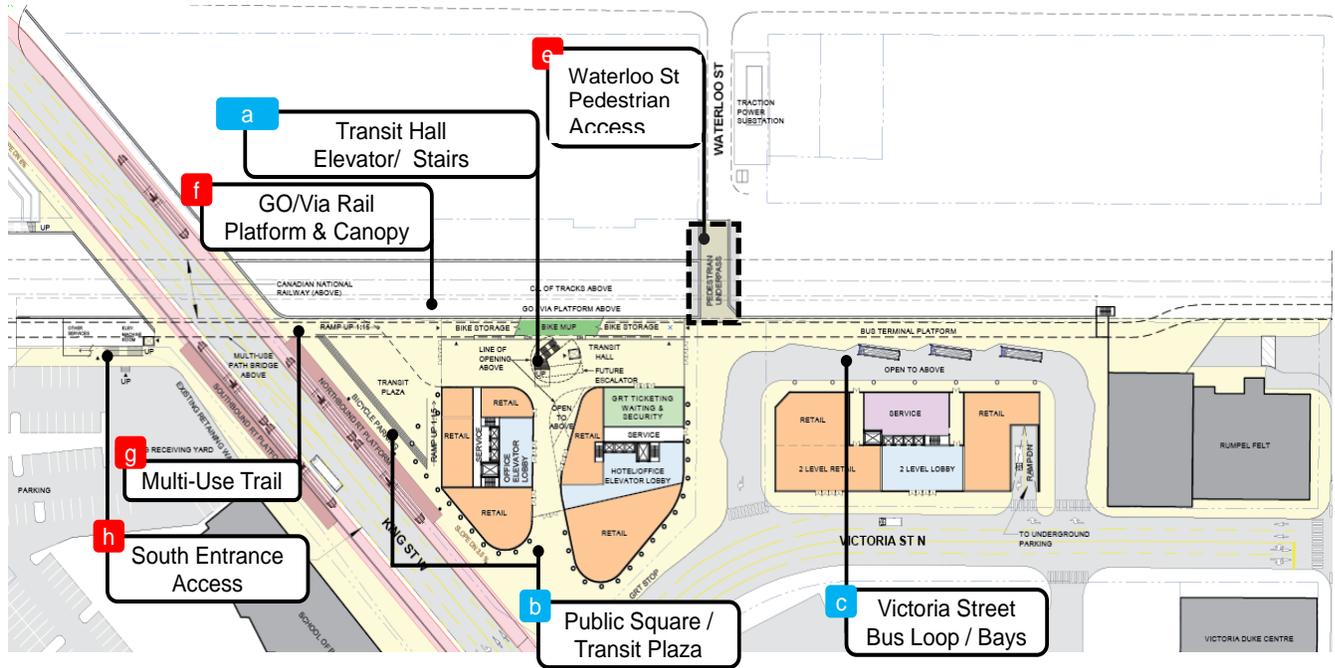
**Prepared By:** Ellen McGaghey, Director, Facilities & Fleet Management

**Approved By:** Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

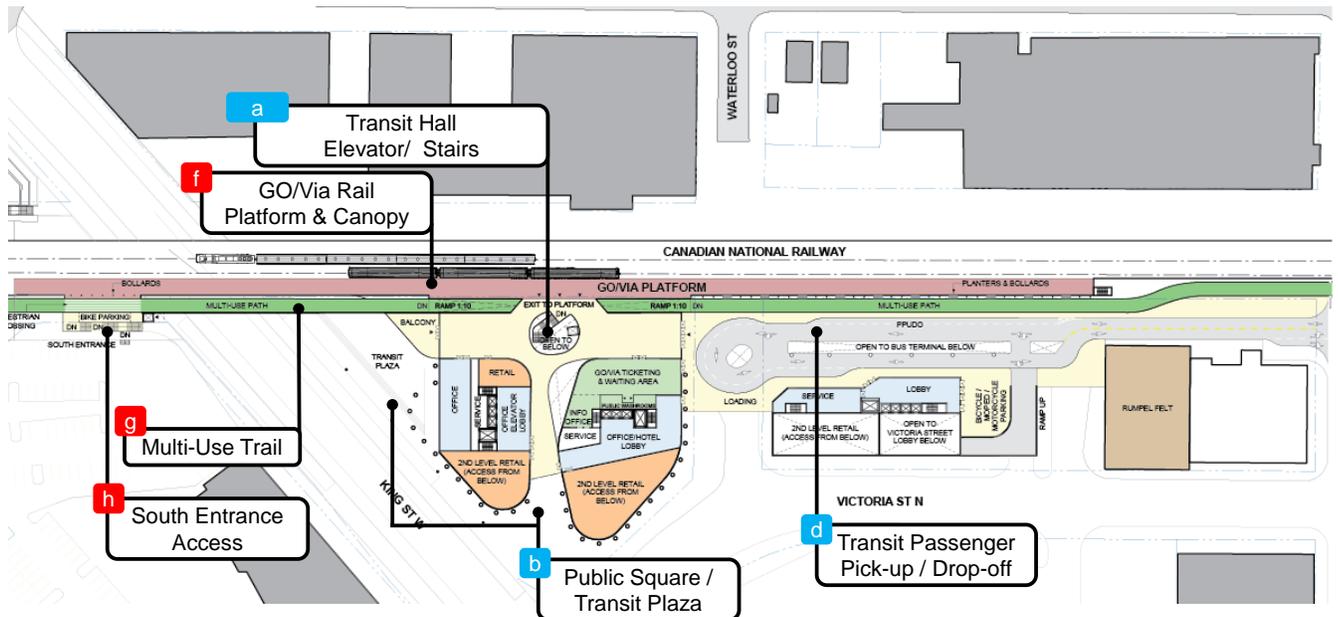
### Appendix A – Overview of On-site and Off-site Transit Related Components

<span style="color: blue;">■</span>	On-site Components
<span style="color: red;">■</span>	Off-site Components

Victoria Street Level (Concept Only)



Rail Platform Level (Concept Only)



### Appendix B– Indicative Development Timeline

