

PED 14002(c): West Harbour Real Estate Solicitation Process for Pier 8 Lands

Presented to:
General Issues Committee of Council

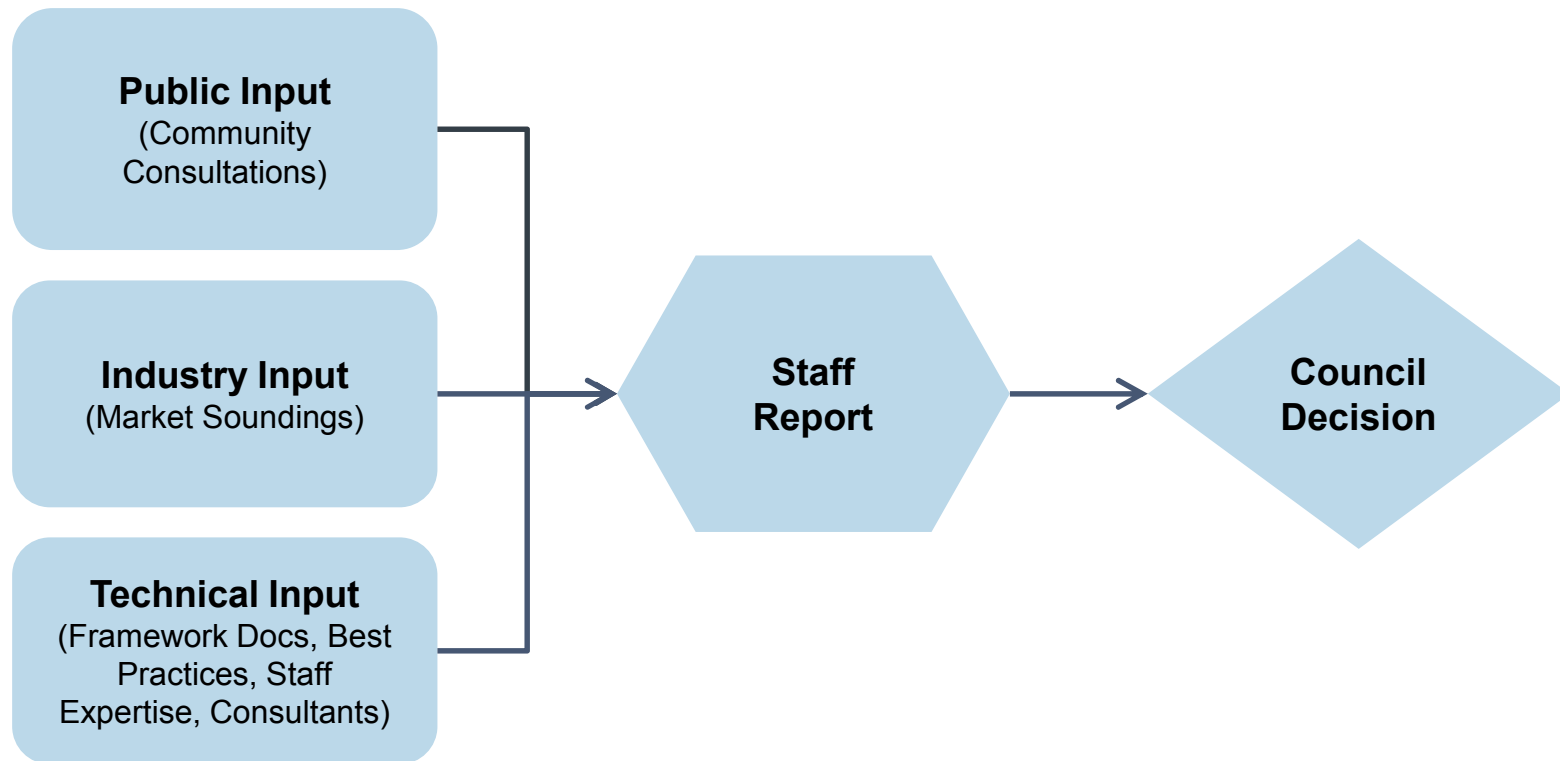
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Recommendations and Approval Requests

- Solicitation Process
 - Engage Fairness Monitor
 - Select Evaluation Committee
 - Launch Request for Qualifications process
 - Advance through to Shortlist Proponents
- Early-stage Offering Strategy
 - Bidding framework
 - Site attributes
- Return to Council with final RFP evaluation criteria recommendations (April 2017)

Balanced Recommendation



Best Practices

- Peers reviewed:
 - **City of Victoria:** Dockside Lands
 - **City of Vancouver:** SE False Creek Olympic Village
 - **TCHC:** Lawrence Heights Phase 1
 - **Waterfront Toronto:** Bayside
 - **NCC (Ottawa):** Lebreton Flats
 - Also Metrolinx Port Credit GO and other TCHC & Waterfront Toronto projects

Best Practices

- Prominent messages:
 - Partnership, not just a transaction multi-stage solicitation process
 - Articulate City's desired outcomes as clearly as possible
 - Fairness Monitor is good governance
 - Confidential commercial meetings help manage complexity
 - RFPs and evaluation criteria are highly customized
 - Transaction negotiation and relationship governance model determine long-term success

Public Consultation

- Multiple formats, multiple opportunities for input
 - 46 touchpoints since May 2015
 - Monthly meetings, Conversation Couches, PICs
 - Awareness & engagement booths at community events
 - Survey workshops
- Workshops to inform Solicitation Strategy
 - Articulating desired outcomes, ranking priorities
 - Broad range of opinions to inform singular direction
 - 37 participants from across the City

Public Consultation

- Prominent messages:
 - City should aim for a balance between land sale price and community benefits
 - Prioritize affordability, environmental sustainability, family-friendly options, and appropriate commercial uses
 - Affordability can be delivered through different business models and tenures – a mix is preferred

Market Sounding

- Altus Group led in-depth interview format – better focused than an “open call for ideas”
- Senior personnel at experienced developers, interested in Hamilton opportunities
 - REITs – Real estate Investment Trusts
 - REOCs – Real Estate Operating Companies
 - Investors – pension funds, financial institutions, etc.
 - Private developers & other interested development parties
- Wide range of opinions on most topics

Market Sounding

- Prominent messages:
 - City's vision is attractive, but limited comparables for market feasibility
 - City's commitment to public realm and infrastructure is primary value driver
 - Pre-zoning reduces creativity but de-risking has value
 - Support for environmental sustainability outcomes
 - Limited experience with district energy in multi-family market
 - Advance Record of Site condition is a valuable de-risking activity although may be constraint on concept
 - City should be open to different deal/partnering structures
 - Rather than being prescriptive, let bidders offer creative solutions

Guiding Principles

- Partnership
 - Does the process help us find the “best fit” partner(s)?
- Transparency
 - Will the process be perceived as fair, open, and competitive by both the public and private industry?
- Innovation
 - Does the process promote creativity and innovation?
- City-building
 - Can we leverage lands for more than just sale price (e.g., community benefits, control over outcomes, long-term value capture)?

Proposed Solicitation Process



- Key team members
- Track record
- Financial capacity
- How do values align with the City's?

- Detailed concept
- Visuals and drawings that reflect concept
- Financial business plan and pricing
- Demonstrate innovation and value-add that addresses City's priorities
- Presentations to Council and public

- Final sales details
- Ground rules for relationship with City
- What-if scenarios

Request for Qualifications

- Pier 8 is a long term “partnership” RFQ focuses on who, not concept or price
 - **Corporate Profile** – history, values, ownership
 - **Team Composition** – key personnel, partners, designers
 - **Alignment of Vision** – upholding City’s values
 - **Areas of Expertise** – quantitative metrics
 - **Financial Capacity** – pass/fail basis, equity, creditworthiness, solvency
 - **Competitive Advantages** – distinction from competitors
 - **Record of Experience** – comparability to Pier 8
- Seeking approval to start this stage

Request for Proposals

- Shortlisted Proponents invite-only
- Complete Proposal
 - Concept & Vision Alignment
 - Financial Bid & Value Add
 - Financing & Project Delivery
 - Comment on Draft Master Development Agreement
- Evaluation Criteria
 - Core principles from Setting Sail will be woven in
 - Scorecard elements and relative weightings reflect City's priorities
 - **Will not start RFP until Evaluation Criteria recommendation approved by Council (targeting April 2017)**

Transaction Negotiation

- Council to approve strategy in Q1 2018
 - Financial payments structure
 - Relationship governance
 - Control / ownership rights / options
 - Contractual obligations
 - Incentives / penalties
 - Long-term value-capture
 - Contractual termination rights

Other Considerations

- Fairness Monitor, Evaluation Committee
- Timing:
 - Release RFQ – Q1 2017
 - Evaluation Criteria recommendation – Q2 2017
 - Shortlist announced – Q2 2017
 - Release RFP – Q3 2017
 - Finalist(s) announced – Q1 2018
 - Contracts entered – Q2/Q3 2018
- “Decision Off Ramps” vs. “Contractual Termination Rights”
- More competition = better outcomes for City

Offering Strategy

- Parameters, constraints, mandated features that define the development's risk-reward profile
- Need to set direction early in the process so interested developers are aware of expectations
- **Bidding Framework:** Block offering, phasing, policy integrity, price discovery
- **Site Attributes:** Sustainability, environmental condition, affordability

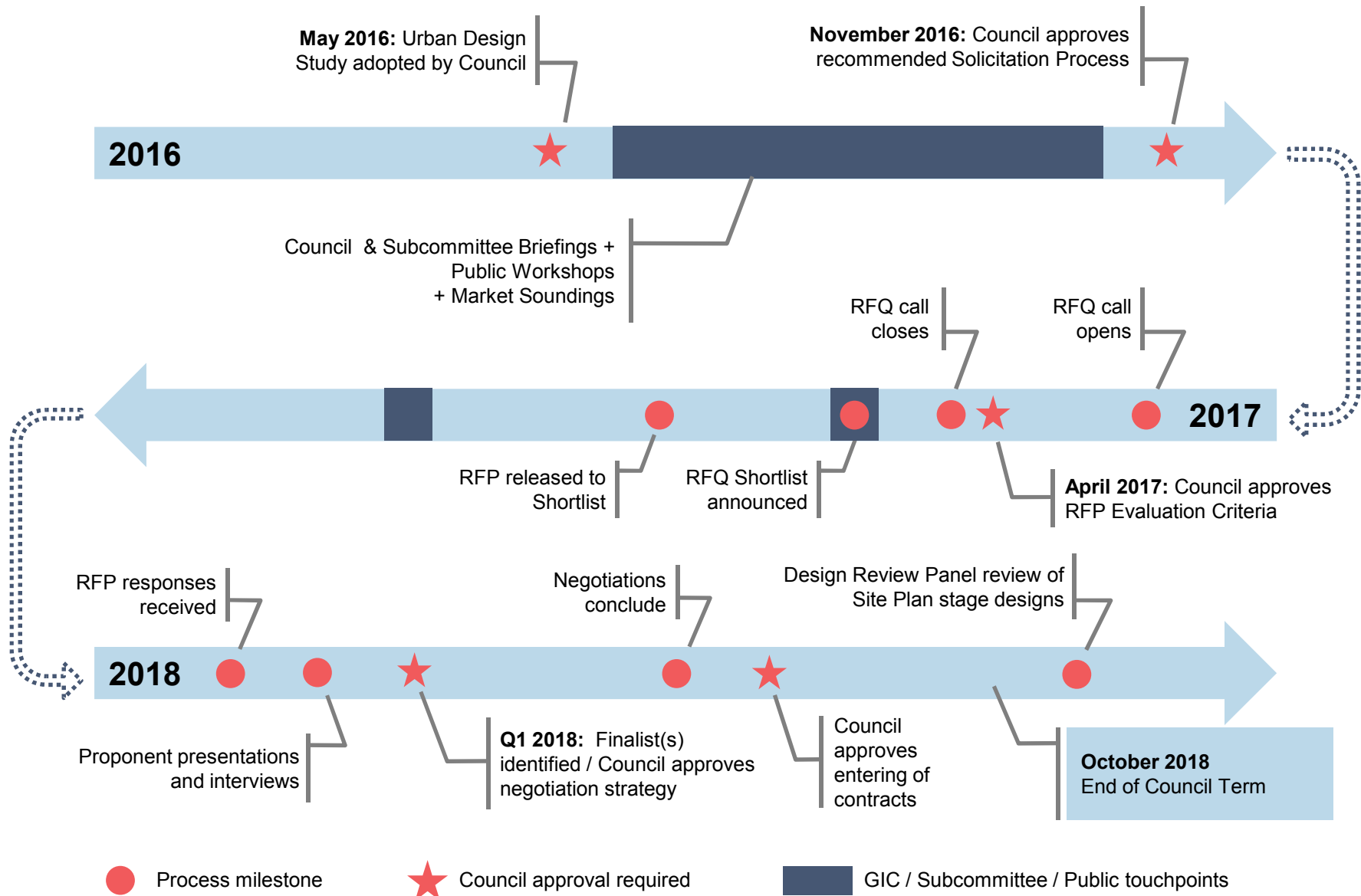
Offering Strategy

- Block offering Entire site in single process
 - Allows City to leverage greater overall value from site
- Phasing Not pre-determined
 - Innovative concepts may require different configurations
- Policy integrity Concept bids not conforming to Setting Sail to be disqualified (i.e., as-of-right proposals only)
 - Identifies prospective partners who are most aligned with City
- Price discovery Price is part of overall evaluation score
 - Promotes best balance between financial benefits and community benefits

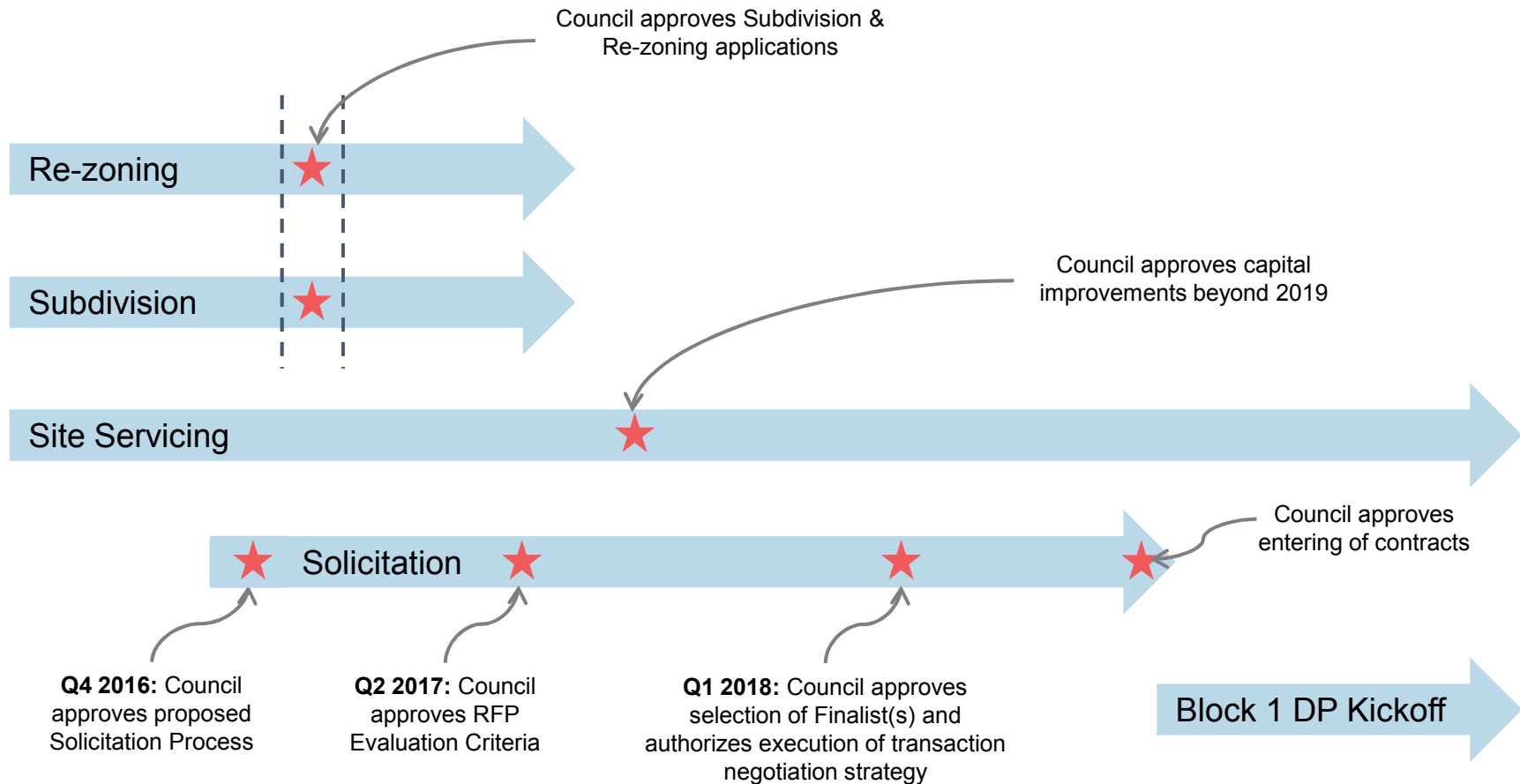
Offering Strategy

- Affordability Possible recommendation coming April 2017 to mandate threshold for affordable ownership units
 - Options for middle-income Hamilton households
- Sustainability No mandate for district energy
 - HCE to rationalize strategy, engineering, feasibility, and financing plans
 - Sustainability will likely focus on performance standards
- Environmental condition Record of Site Condition
 - Reduces timing and regulatory risk for developer
 - Results in higher land price and/or closer alignment to City's vision

Sequence of Events & Approvals



Concurrent Processes



Measures of Success

Winning proponent brings a best-in-class concept plan that is innovative and reflects City's values

City raises funds from sale of lands while also retaining some control over the long-term development of the site

The waterfront is further enhanced as a desirable place for visitors and local residents – profile of the City is elevated

Hamilton is regarded by development industry and public sector peers as a leader in partnered city-building projects