



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
General Manager's Office

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	July 10, 2017
SUBJECT/REPORT NO:	Pier 8 Request For Proposal (RFP) Evaluation and Scoring Framework (PED14002(e)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Philbert Kim (905) 546-2424 Ext. 3140 Chris Phillips (905) 546-2424 Ext. 5304
SUBMITTED BY:	Mike Zegarac General Manager Finance and Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the Request for Proposals (RFP) Evaluation and Scoring Framework as outlined in Report PED14002(e) herein, be approved;
- (b) That staff be directed and authorized to prepare, issue, execute, and complete the Request for Proposals (RFP) process in accordance with the approved Evaluation and Scoring Framework and the City's Procurement Policy, on terms and conditions deemed appropriate by the General Manager, Finance and Corporate Services, and in a form acceptable to the City Solicitor's office.

EXECUTIVE SUMMARY

In accordance with paragraph 1 of GIC Report 16-028, as approved by Council on November 9, 2016, City Staff began the process of implementing a Real Estate Solicitation Process to identify a qualified purchaser and developer for the City-owned Pier 8 development lands (Subject Lands). Staff from the West Harbour Re-Development Project team, Procurement, Finance, and Legal Services, along with the City's consulting team from Deloitte, worked to establish the broad process, as well as the formal Request for Qualifications (RFQ) document that comprises the first phase of

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the solicitation process. As a key part of the approved process, P1 Consulting Inc. was retained as the Fairness Monitor for the overall process by way of a formal Request For Proposal (RFP).

On April 18, 2017, the City of Hamilton formally launched the RFQ process. With the RFQ presently scheduled to close on July 10, 2017, and the subsequent announcement of the pre-qualified proponents anticipated by September 1, 2017, City staff have been preparing for the second stage of the solicitation process, the RFP stage.

In addition to approving the recommended approach, Council also directed staff to return at a future date with a framework by which the RFP will be structured, evaluated, and scored. In accordance with paragraph 1, of GIC Report 16-028, this Report PED14002(e) seeks GIC/Council direction to continue preparing the RFP around a recommended evaluation and scoring framework as illustrated below:

Submission Requirements	Scoring (% of Total)	
Development Plan	30%	First Envelope Score (minimum benchmark applied)
Project Implementation	15%	
Urban Innovation	15%	
Financial Proposal	40%	Second Envelope Score

The key features of this framework include:

- (i) The RFP submission requirements and evaluation criteria shall be structured around the following primary categories:
 - Development Plan
 - Project Implementation
 - Urban Innovation
 - Financial Proposal
- (ii) The scoring that will determine the Preferred Proponent shall be comprised of the sum of a Financial Proposal score and a “technical submission” score that is the combined score for the Development Plan, Project Implementation, and Urban Innovation categories;
- (iii) The Financial Proposal score shall comprise 40% of the total, while the Technical Submission score will comprise 60% of the total; and,

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- (iv) The RFP shall include consideration for a structured transaction wherein the Subject Lands may be apportioned and transacted on a block-by-block basis over an extended period of time.

Alternatives for Consideration – See Page 22

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial:

The RFP will proactively solicit development proposals and financial bids for the Subject Lands. Once the entire solicitation process is complete, the City will benefit from a financial return based on the proceeds generated from the land sale transaction. Also, once completed, this new residential mixed-use development is projected to yield at least \$7 million in new annual property tax revenue per year.

While recommendations contained within this Report PED14002(e) will not have an immediate or direct financial implication, staff acknowledge that these recommended scoring allocations may have an indirect impact on the eventual determination of the Preferred Proponent whose respective Proposal may not necessarily represent the most financially lucrative for the City. It is staff's intent to return to GIC with a separate, future report outlining possible deal structures that would be most appropriate for this RFP.

Staffing:

Neither Report PED14002(e) nor its recommendations have any staffing impact. As with the in-progress RFQ process, the RFP process will continue to be project managed and implemented through the concerted efforts of existing Planning and Economic Development, Procurement, Legal Services, and Finance staff, as well as with the assistance from external consultants.

Legal:

Carrying out the recommendations contained in Report PED14002(e) anticipates the advice and, where appropriate, the approval of the City Solicitor.

HISTORICAL BACKGROUND

Over the course of successive terms of Council, the West Harbour waterfront has been identified as a key focus area, resulting in a series of plans and projects that, when implemented, will achieve long-established re-development, recreational, and “city-building” goals that will benefit Hamilton as a whole.

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Guided by Council approved policies, including the West Harbour Secondary Plan (Setting Sail), the West Harbour Waterfront Recreation Master Plan (WHWRMP), and the recently approved Pier 8 Urban Design Study (UDS), this focus on the West Harbour has led City staff to take action on a variety of strategic investments.

The West Harbour Re-Development Plan envisions the transformation of the Pier 5 – 8 lands to include a variety of linked open spaces – plazas, promenades, parkettes, trails, and boardwalks with a surrounding commercial village – that will fulfil long-standing goals of bringing the public directly to the water's edge, as well as establishing a new residential mixed-use community within the area.

On April 8, 2015, as part of GIC Report 15-008, Council approved staff Report PED14002(b)) entitled “*West Harbour Waterfront Re-Development Plan*”, which outlined a series of actions required to bring the Pier 5 – 8 lands to “development-ready” status by 2018. Subsequently, on March 9, 2016, Council approved the Minutes 16-001 of the West Harbour Development Sub-Committee with the following direction:

“That staff be directed to prepare a Request for Expressions of Interest to determine the extent of interest from the development community in the opportunities that exist for Pier 8 with a report back to the West Harbour Development Sub-Committee by the 4th Quarter of 2016.”

In June 2016, consistent with previous Council direction, the City's Waterfront Development Office submitted Zoning By-law Amendment Application ZAC-16-034 and Draft Plan of Subdivision Application 25T-201605, which combined, would subdivide Pier 8 to include public rights-of-way, public open space, and up to nine blocks of pre-zoned, mixed-use development lands that could be sold to private developers through a real estate solicitation process. On May 24, 2017, Council approved Planning Committee's Report 17-009 wherein the City's Planning and Economic Development staff recommended the approval of the above applications, subject to certain conditions. On November 2, 2016, City staff submitted Report PED14002(c) that recommended to GIC a strategy to bring the development blocks to market through an open, competitive and public solicitation process. The outlined “solicitation process” incorporated precedent approaches employed in complex City procurements (i.e., Biosolids Facility) as well as common best practices found in peer-reviewed public land transactions of a similar nature to Pier 8 (i.e., City of Victoria, City of Vancouver, National Capital Commission, etc.).

PED14002(c) recommended an approach comprising a multi-stage solicitation process commencing with a RFQ, followed by a RFP, and concluded by a negotiation stage wherein the contractual documents that govern the transaction shall be formalized. The end result of the RFQ will be a shortlist of Prequalified Proponents that are exclusively invited to the RFP stage. The RFP stage concludes with the identification of a Preferred

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Proponent with whom contracts may be negotiated. The Preferred Proponent that enters into final contracts with the City shall be known as the Successful Proponent.

In Report PED14002(c), staff acknowledged that additional time was needed to consider how certain criteria considerations would be incorporated into the RFP process. To that end, staff recommended that it report back to GIC with a subsequent approval request prior to finalizing the RFP, which would focus on the criteria weightings, including price. As quoted from PED14002(c):

“While staff is recommending a subsequent Council approval stage, it should be stressed that this future approval will be limited in scope to the evaluation criteria scorecard and relative weightings of each criterion only. As recommendations to Council and subsequent decisions are public record, the future approval request will not include any portions of the actual RFP call document, submission instructions, or depiction of the exercises, so as not to prejudice the RFP process.”

All of the following recommendations were contained in PED14002(c) outlined in paragraph 1 of GIC Report 16-028 and approved by Council on November 9, 2016:

- a) That the recommended Real Estate Solicitation Process for the development blocks within the City-owned Pier 8 lands, as outlined in Report PED14002(c), including authorization for staff to finalize and release to market the Request for Qualifications, to retain a Fairness Monitor, to establish an Evaluation Committee, and to select Shortlist Proponents, be approved;
- b) That staff be authorized and directed to prepare the formal Solicitation Process to include a RFQ, a RFP, and Transaction Negotiation phase, each conducted in a manner and on terms and conditions deemed appropriate by the General Manager of Planning and Economic Development, in consultation with the City’s Director of Financial Services and Corporate Controller, and in a form acceptable to the City Solicitor;
- c) That the Offering Strategy of all nine development blocks made through a single Solicitation Process, as described in Report PED14002(c), be approved;
- d) That staff be directed to prepare the formal RFP process, including RFP evaluation criteria, definitions, and respective weightings, and report back to General Issues Committee (GIC) for consideration by April 19, 2017;
- e) That the RFP evaluation criteria specifically includes, but not be limited to: Environmental Sustainability, Housing Affordability, Design Excellence, Price Discovery, and Urban Innovation; and,

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- f) That staff be directed to include as part of the RFP evaluation criteria recommendations that will be brought forward for consideration on April 19, 2017, proposed requirements and/or evaluation criteria that will ensure a diversity of market rate housing options on Pier 8, that shall include a defined target of not less than five percent (5%) of affordable home-ownership units as described in Report PED14002(c).

Following Council approval, City staff began the process of implementing the approved Real Estate Solicitation Process. Staff from the West Harbour Re-Development Project team, Procurement, Finance, and Legal Services, along with the City's consulting team from Deloitte, worked to prepare the broad process, as well as the formal RFQ document. As a key part of the approved process, on December 22, 2016, the project team retained P1 Consulting Inc. by way of an RFP, to act as the Fairness Monitor for the overall process.

On April 18, 2017, the City of Hamilton formally launched the RFQ process to identify qualified developers interested in purchasing the identified 13 acres of prime waterfront lands with the intent of developing a new mixed-use residential community at Pier 8. This new private-sector development will also be complemented by the City's \$140 million West Harbour Re-Development Plan to improve the adjacent public infrastructure, public space, and recreational facilities that will create a greater sense-of-place within the area.

With the RFQ presently scheduled to close on July 10, 2017, and the announcement of the pre-qualified proponents anticipated by September 1, 2017, City staff have been strategizing the second stage of the solicitation process, the RFP stage. In accordance with paragraph 1 of GIC Report 16-028, this Report 14002(e) is being submitted to seek GIC consent to continue preparing the RFP based on this recommended evaluation and scoring framework.

On June 5, 2017, staff presented to the West Harbour Development Subcommittee, a preliminary overview of the contents of this PED14002(e), in its report PED14002(d) and corresponding presentation. The Subcommittee subsequently moved to receive the report and presentation without revisions.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The Setting Sail Secondary Plan was approved by Council in March 2005 and subsequently appealed to the Ontario Municipal Board. A decision (By-law 12-163 and By-law 12-164) on the CN Rail Appeal was issued by the Ontario Municipal Board on June 26, 2012. The final decision on Setting Sail was issued by the Ontario Municipal Board on December 27, 2012. Setting Sail establishes the framework for future development, public improvements and private investment in the West Harbour. One of the goals of Setting Sail is to create a diverse, balanced and animated waterfront and

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therefore, the policies encourage a broad mix of uses for the waterfront, including cultural, commercial and recreational with the purpose of providing a greater range of attractions year-round. Under the current Setting Sail designations for Piers 7 and 8 lands, a range of uses including retail, residential, open space and institutional are permitted. Some of these lands are designated Medium Density Residential 2. This designation permits a density of 150-300 units per gross hectare and includes multiple dwellings, apartment buildings and townhouses. By its nature, Setting Sail establishes the general land use for the area, and would not be affected by the ownership structure of the lands themselves.

Acting on Council direction, City staff submitted Zoning By-law Amendment and Draft Plan of Subdivision applications seeking approval to subdivide the Pier 8 land to include public rights-of-way, public open space, and up to nine blocks of land (development-blocks) consistent with Setting Sail. These development blocks are the Subject Lands of that are being sold to private developers through the real estate solicitation process. These applications were presented to Planning Committee on May 16, 2017 and were subsequently approved by Council on May 24, 2017.

Furthermore, in its approval of GIC Report 16-028, Council made a policy directive with a motion that stated Staff be directed to include as part of the RFP evaluation criteria recommendations, proposed evaluation criteria that "...shall include a defined target of not less than five percent (5%) of affordable home-ownership units..."

As such, all Proposals in response to the Pier 8 RFP shall be required to conform to Setting Sail, proposed Zoning By-law Amendment, Draft Plan of Subdivision, and affordable housing mandate, and the Proposal submission instructions contained in the RFP call document prepared by the City will also conform accordingly.

RELEVANT CONSULTATION

The City acknowledges a long history of citizen engagement influencing the development plans for Pier 8 and the surrounding West Harbour precinct. At the foundation of Setting Sail are eight guiding principles that have been consistently upheld by the public as being the touchstones for all prospective development in West Harbour. These principles are: Neighbourhood, Environment, Waterfront, Public Access, Connections, Transportation, Culture, and Design. Through further consultation with the public, we heard that two additional principles are very important to the community – Affordability and Accessibility.

It is staff's intent to develop the RFP submission requirements and evaluation criteria around these ten core principles. In order to give meaningful applicability of these principles to the RFP evaluation process, a set of community consultations were held to process them in three distinct ways.

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- a) Firstly, judgements were made as to how a private development proposal could fulfill each principle in light of the fact that the City will be retaining certain elements of the Pier 8 lands (i.e., what key elements are within the developer's ability to physically deliver?);
- b) Secondly, attempts were made to determine a prioritized value system wherein the merits of each principle were compared relative to the merits of the others; and,
- c) Lastly, judgements were made for each criterion as to whether minimum criteria must be met in order to be a qualifying proposal.

The recommendations found in this Report PED14002(e) have been informed by public consultations that were conducted in 2016, prior to the issuance of Report PED14002(c), which carried out the three-step process described above. City staff had prepared a document entitled "*Pier 8 Solicitation Process, Public Consultation Summer Workshop Results*", which presents the results and interpretation of opinions garnered through these public consultations. This report is attached as Appendix "A" to this Report PED14002(e).

ANALYSIS AND RATIONALE FOR RECOMMENDATION

PeerReviews:

In preparation and support of Report PED 14002(c) staff had reviewed a number of other public real estate development land sales that had similarities to Pier 8 in terms of scale, development potential, strategic importance, and interaction with the private development community. In preparing a strategy for the Pier 8 RFP criteria as reported in PED14002(e) herein, staff once again referred to some of the same case studies. Although RFPs are highly customized to each respective project, some intelligence can be gained from observing the intentions and outcomes of similar projects of these peer public bodies.

1. Dockside Lands (City of Victoria)

Overview: Transferred to the City of Victoria from the Province in the late 1980's, Dockside Lands comprised a 14.6 acre site located in Victoria Harbour on the urban fringe of a transforming industrial district, yet still adjacent to operating industrial uses. The Dockside Lands project vision was initiated in 2001 and commenced a solicitation process in September 2004 to find a development proponent to convert these lands into a highly sustainable, mixed-use community comprising light industrial, live/work spaces, residential condos and commercial uses.

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RPF Submission Requirements, Evaluation Criteria, and Scoring Strategy:

The City of Victoria's primary objectives from the disposition of the Dockside Lands were to break even on the capital it had invested to-date into the site (\$6.7 million) while promoting a "triple bottom line" (TBL) approach to community development. The TBL approach meant that while proposals were submitted according to a defined category structure (i.e., land use, public realm, etc. as further described below), the actual scoring criteria were a set of overlays under the Social, Environmental, or Economic categories, with the 300 total attainable points being spread equally between these three categories.

Proponents were still instructed to respond to the RFP according to the following submission structure:

- Proposed site remediation
 - Remediation and risk management

- Proposed land use
 - Consistency with Development Concept with regard to mix of uses
 - Consistency with Development Concept with regard to density/FSR

- Urban design
 - Contextual response
 - Building massing, form, and character
 - Environmental considerations
 - Circulation
 - Public realm requirements
 - Negotiable/optional provisions

- Net Present Value of proposal

It should be noted that the land offering scheme did allow for deviation from the City's development concept with respect to Floor Space Ratio (density) and land uses as a means to give proponents the latitude to create additional financial value. Furthermore, as one of the City's objectives was to only break even on the capital it had invested to-date, the City effectively signaled to the proponents that the community benefits garnered through the TBL approach were more valuable than the prospect of maximizing the capitalized value extracted from the sale of the lands. Notwithstanding, however, the Net Present Value (NPV) of the offer did include an assessment of the estimated property tax revenue stream that would be earned by the City from the phased development.

Outcomes: By September 2005, the City entered into a Master Development Agreement with their winning proponent for a concept that envisioned approximately 1,000 residential units and 150,000 square feet of commercial

space spread across 26 different buildings and committed to targeting the highest Leadership in Energy and Environmental Design (LEED) point rating in the world, far exceeding the City's original goal of achieving LEED Silver. The winning proponent was a development partnership comprised of a financial institution and builder with a reputation for sustainable communities. By 2009, the development partnership was able to complete two buildings totaling 226 units that did in fact attain the highest ever LEED scores at the time. Unfortunately, the financial market downturn at the time caused the remaining phases of the project to stall while the development partnership was still obliged to continue building out sustainability features including a biomass heating plant, wastewater recycling facility, biodiesel facility as well as various neighbourhood amenities totaling a committed \$5 million. While only 22% of units have been built, over 75% of amenities have been completed to-date, which has created a financial burden on the overall viability of the project.

Further scrutiny of the RFP evaluation criteria suggests that while the TBL approach had virtuous goals to ensure that the received proposals would be reflective of social, environmental, and economic objectives, the submission requirements themselves fell short in asking for practical information on how the proponent would deliver the project. Coupled with the fact that a minimum financial bid threshold was set (pass/fail at break-even), proponents were motivated to over-promise on concept elements without being required to rationalize their implementation strategies.

2. Southeast False Creek Olympic Village (City of Vancouver)

Overview: In preparation for the 2010 Winter Olympics, the City required the assistance of the private development community to develop and construct short-term housing for up to 2,800 residents, dining facilities, an operations centre, and recreational facilities for athletes and team officials. As part of its Olympic host bid, the City had already identified a portion of the 80-acre Southeast False Creek ("SEFC") secondary plan district as the intended location for the Athlete's Village. Overlooking Downtown Vancouver, the 30-acre Athlete's Village lands were subdivided by the City into 13 parcels, of which 8 were offered for sale to the winning developer proponent; the remaining 5 parcels were held by the City for future public/institutional uses (i.e., school, community centre, social housing). The private industry opportunity was to purchase the lands and build all structures required by the Olympics administration in a manner that they could be converted to typical private uses following a temporary, exclusive use period for Olympics needs, as well as any other remaining lands to be developed for private market uses.

RPF Submission Requirements, Evaluation Criteria, and Scoring Strategy:

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The City of Vancouver's primary objectives from the disposition of the SEFC Lands were to extract financial capital value from the sale of the lands provided that the stringent specifications and tight timelines for the delivery of Olympics facilities could be met.

Given the rigidly prescribed Olympics requirements, proponents predominantly distinguished their proposals through a combination of price and value-add elements such as sustainability measures, an affordability strategy, a design strategy, and agreements to construct public use facilities for the City on City-retained sites. Notwithstanding the specified need for specific built elements, this RFP also offered developers a wide variety of choice and flexibility with respect to many other parts of the offering. In this regard, the evaluation criteria and scorecard was actually divided into two parts – the first pertaining to the minimum requirements prescribed in the Official Development Plan (ODP) policy, and a second pertaining to a wide variety of elements that developers were allowed to choose from through a "Developer's Choice" exercise in order to customize their proposal.

The resulting RFP included the following evaluation criteria – no point allocations were disclosed in advance:

- ODP Requirements:
 - VANOC requirements (i.e., Olympics requirements)
 - Urban structure and sustainable community
 - Housing
 - High performance / green buildings
 - Commercial strategies
 - Parking and transportation
 - Urban design principles
 - Sustainability principles

- Developer's Choice:
 - Urban structure and place-making
 - Housing
 - High performance / green buildings
 - Commercial strategies
 - Community economic development
 - Alternative transportation
 - Demonstration opportunities (i.e., to demonstrate an innovative project)
 - Education programs

- The Financial Proposal was comprised of various components:

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- Purchase price for freehold interest in the underlying property (scored in two parts, based on ODP Requirements and Developer's Choice elements)
- Exclusive use lease terms to VANOC during Olympic Games
- Cost to City for development and construction management of civic facilities (community centre, daycare, social housing)

Outcomes:The winning proponent brought forward a proposal that met the City's benchmark requirements and also offered the highest purchase price for the lands, without conditions. Shortly after a year of construction commencement, the developer became non-performing on its financial obligations and the City was forced to assume the loan from the lender as creditor, and terms were renegotiated. Subsequently, the developer defaulted on the renegotiated loan with the City. The holding company for the development was placed in receivership and the developer also transferred a number of other properties in its portfolio which were part of the loan guarantees to the City. In the end, through the receivership process, the City was able to recoup all of its original at-risk capital, anticipated sale profits, as well as an unplanned excess amount; however, City Hall's credibility was damaged in the process.

An independent audit revealed that at the RFP stage, the winning bidder had the lowest technical score but the highest financial bid by a large margin, and without conditions. As the evaluation matrix and methodology did not clearly explain how the proposed purchase price and associated conditions would be taken into consideration in the final assessment, the City merely applied a "sensitivity analysis" to the price portion of bids to determine if the highest bid's contribution was deemed "reasonable". This lack of transparency raised the possibility that the evaluators could manipulate the outcome of the evaluations to favour the highest bid price.

3. Ottawa Lebreton Flats (National Capital Commission)

Overview: Lebreton Flats is an 85 hectare site located along the banks of the Ottawa River, just 1.5 kms west of Parliament Hill, that has remained largely underdeveloped under the custodial care of the special-purpose government body, the National Capital Commission (NCC), since the 1960's. It is currently home to the Canadian War Museum, festival grounds, passive recreational uses, and is adjacent to the soon-to-be-completed Ottawa light rail train system. With a recent commitment to locate the new National Holocaust Monument on a portion of these lands, in 2015 the NCC decided to make up to 20 hectares of these lands available for redevelopment. The intent was to leverage the additional public lands to secure a key, non-residential anchor use (private, public/private, national or international-scale attraction or institution), but with a secondary opportunity for other synergistic commercial and/or recreational

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elements along with multi-residential uses that would support the financial viability of the overall project.

RPF Submission Requirements, Evaluation Criteria, and Scoring Strategy:

The NCC's primary objective, through its solicitation process, is to bring an exceptional public experience and benefits to the National Capital Region through newly developed anchor uses. In this regard, the submission requirements for the RFP were structured more as a business case, with a heavy score allocation placed on implementation and market rationale elements and, in fact, a major portion of the score was to be based on providing an in-depth consultant's report supporting the viability of the proposed public anchor uses, including demand and revenue analyses.

The submission requirements and evaluation criteria for the RFP were as follows (potential score in parentheses, out of 140 total points):

- Introduction (5 points)
- Market rationale (45 points, 60% benchmark required)
- Development plan (30 points, 60% benchmark required)
- Decommissioning and sustainability strategies (10 points)
- Transportation plan (5 points)
- Servicing plan (5 points)
- Delivery model (30 points, 60% benchmark required)
- Risk assessment and mitigation strategies (10 points)

Worth noting is the fact that the financial proposal portion of submissions did not include an actual pricing exercise, rather, within the Delivery Model section, proponents were asked to provide a model that identifies when and how the NCC is to be compensated for the fair market value of the lands. The issue of fair market valuation is to be addressed more fully at the transaction negotiation stage. The NCC is not providing the subject lands with any guarantees with respect to entitlements; therefore, the winning proponent is solely responsible for obtaining the required planning approvals and any policy amendments from the City of Ottawa, to deliver both the public and private facilities envisioned within their proposal.

Outcomes: The NCC initiated its solicitation process in late-2014 and by Spring 2016 had identified its preferred finalist proponent whose proposal includes a new primary arena for the Ottawa Senators NHL team, public plazas, and up to 4,000 residential units, with associated commercial opportunities. As of the writing of this report, the NCC continues to be engaged in transaction negotiations with its preferred finalist proponent. Negotiations are said to focus on: the fair market value of lands, remediation issues, further stakeholder

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engagement, public realm phasing and ownership, timing of land transfers and approvals, connectivity of pathway networks, and universal accessibility.

4. Bayside (Waterfront Toronto)

Overview: Bayside is a 13-acre development parcel that forms part of the larger 55-acre East Bayfront revitalization precinct, located 1.5 km east of Toronto's central business district with over 300 metres of frontage on Lake Ontario. Waterfront Toronto's mandate for East Bayfront is to deliver an urban waterfront destination based on a mixed-use neighbourhood plan supporting a full range of housing options, employment opportunities, cultural, hotel and retail uses, and dynamic public spaces. The solicitation process for Bayside was aimed at seeking an innovative and experienced private sector partner to design, build, manage and finance the development of 2 million square feet of gross floor area.

RFP Submission Requirements, Evaluation Criteria, and Scoring Strategy:

Waterfront Toronto's approach to this project was to provide as much certainty as possible for developers by taking responsibility for securing municipal zoning approvals, building public transit, parks and community services, and providing developers with well-defined sustainability standards. This is very similar to the City of Hamilton's offering approach at Pier 8. By narrowing the scope of variables that are to be addressed by the solicitation process, Waterfront Toronto was able to simplify the RFP evaluation process. The potential downside, however, is that a narrower scope creates conditions where proposals could end up being materially similar to each other, with limited opportunities to demonstrate distinction.

In the case of the Bayside RFP, Waterfront Toronto identified explicit policy areas that were of particular importance to the organization (i.e., affordable housing, sustainability), encouraging proponents to distinguish their proposals in the areas that matter most.

The submission requirements and evaluation criteria for the Bayside RFP were as follows (point allocation in parentheses)

- Vision (5%)
- Design and development concept (20%)
- Sustainability plan (10%)
- Affordable rental housing plan (5%)
- Implementation and marketing (10%)
- Business structure and project management (15%)
- Financial submission (35%)

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Outcomes:The Bayside solicitation process commenced in March 2008 and concluded with the announcement of a development agreement with the preferred proponent in August 2010. There were no extraordinary outcomes worth noting in relation to this report.

Table 1 (Page 16) provides a summary of the submission requirements, evaluation criteria, and scoring allocations of the above peer reviewed RFPs. It is not surprising that the criteria across all of the projects are quite different from each other, considering that each project held a unique set of objectives and evaluation approaches and it has been previously acknowledged that RFPs are highly customized tools. Notwithstanding the fact that other projects also provide valuable considerations in terms of both best practices and cautionary experience, given its commonalities with Pier 8's objectives, project parameters, and offering approach, staff suggest that Bayside's RFP approach provides the most applicable comparable model.

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TABLE 1 – Summary of Peer Reviewed RFP Criteria and Scoring Allocations

	<u>Dockside Lands</u>	<u>Southeast False Creek</u>	<u>Lebreton Flats</u>	<u>Bayside</u>
<i>Vision/Rationale</i>	TBL approach(overlay scores based on: Environmental, Economic, and Social criteria)	Allocation not disclosed	36%	5%
<i>Concept</i>	TBL approach	Allocation not disclosed	29%	20%
<i>Environmental Sustainability</i>	TBL approach	Allocation not disclosed	7%	10%
<i>Housing / Affordability</i>	TBL approach	Allocation not disclosed	0%	5%
<i>Implementation</i>	TBL approach	Allocation not disclosed	29%	25%
<i>Pricing</i>	TBL approach	Allocation not disclosed	To be considered at next stage	35%

Community Consultations:

As previously mentioned, staff relied on findings from past community consultations to inform its recommendations herein. Some specific findings from these consultations that staff considered in its preparation of PED14002(e) include:

- With respect to the concept of the potential trade-off between price and community benefits, 60% of participants wanted the City to tilt towards maximizing community benefits, 20% wanted a tilt towards maximizing financial return, while 20% wanted a split down the middle;
- Of all the potential desirable outcomes that could be gained through the solicitation process, having the Pier 8 development be used to promote environmental sustainability was the single most popular idea;
- Strong support also existed to have housing issues feature prominently in the solicitation process, particularly with respect to affordability and family friendly housing options; and,

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- While Setting Sail represents the culmination of many years' worth of community input, participants were willing to consider a deviation from certain aspects of the plan given the right circumstances (i.e., relax height limits if more affordable housing is provided).

Guiding Principles:

Combining the lessons learned from peer reviews with the input garnered from past community consultations, and applying staff's technical expertise, the following set of guiding principles was established to frame staff's decision-making process as it made determinations respecting the RFP evaluation criteria and score allocations.

- **Setting Sailprevails:** Throughout the entire capital planning, land development, and now solicitation process, Setting Sail has remained the cornerstone policy document guiding the City's activities at Pier 8. Proponents continue to be reminded that proposals will not be open to amending Setting Sail, ensuring a commitment to seeing the City's vision through. Furthermore, as noted, input from the highly-engaged public has resulted in a vision framework consisting of ten principles that builds on Setting Sail's core principles. The RFP development process will continue to reference and build around these ten principles, respecting the deep level of community input that went into establishing this foundation;
- **"Winning on the margins":** Given the expectation that the RFP instructions and Proposals will demand strict adherence to various legislation and policies (i.e., Setting Sail, Draft Plan of Subdivision, Zoning By-law Amendment, affordable housing direction), the expectation is that the core elements of different proposals may be very similar, resulting in evaluation scores being closely clustered. As such, the City will need to offer opportunities for Proponents to distinguish their proposal from the others' "on the margins" in order to validate a clear winner;
- **Process-driven approach:** This principle reminds us that the RFP stage represents only one part of the overall solicitation process approved by Council in November 2016. For example, the RFQ stage will have already dealt with certain issues related to the Proponents' financial capacity – it would be misguided, and possibly deemed unfair by our Fairness Monitor, to revisit these criteria in the RFP. Likewise, not all remaining issues need to be addressed at the RFP stage. As the Lebreton Flats example demonstrates, even elements as critical as pricing can be deferred to the negotiation phase; and
- **Longtermpositioning:** This principle reminds us that the development time horizon to full build out is expected to be relatively long (estimated at 10+ years), and that the overall impacts of the development itself will be measured over an even longer time horizon. During this time, changes in policy, public attitudes, technology, and macro conditions, are inevitable. As such, the RFP should not be motivated by

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securing commitments for elements that are aligned to a current standard or school of thought. Rather, the RFP should try to result in an agreeable framework by which the City retains a degree of control over the project, working collaboratively with the Successful Proponent to deliver best-in-class product at any given point in time throughout the time horizon.

Recommended Submission Requirements and Score Allocation Framework:

Staff recommend that the Pier 8 RFP submissions be structured according to the following framework and indicative evaluation criteria:

1. Development Plan

- Conceptual master plan and design excellence
 - Consistency with prescribed planning policies and principles
 - Built form, circulation, inclusive design
- Residential program
 - Product mix
 - Affordability (5% target set by Council)
- Place-making
 - Year-round animation
 - Commercial strategies
 - Interface with public realm
- Environmental sustainability
 - Environmental impact
 - Performance metrics

2. Project Implementation

- Phasing plan
 - Downtime between acquisition of sites and substantial completion
 - Milestones and pace of development to full build-out
- Financing plan
 - Sources of capital, equity capitalization
 - Potential risks to the City and/or the project
- Project delivery strategies
 - Intended ownership, management, and operating commitments
 - Securing construction trades
 - Governance model
 - Stakeholder engagement plan

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- Risk mitigation

3. Urban Innovation

- Demonstrating innovation in areas such as:
 - Community development
 - Connectivity
 - Technology
 - Project delivery

4. Financial Proposal

- Combination of upfront and long-term, deferred payments
- Land valuation framework

The indicative evaluation criteria above (in bullet points) are not a comprehensive, or finalized, set of criteria for the RFP, and are presented only to demonstrate the types of criteria that characterize each category. Staff will finalize the detailed criteria within the framework as approved by Council by way of this Report PED14002(e).

In alignment with this recommended RFP structure, staff recommend that the scoring allocation between the major categories be established as follows:

Submission Requirements	Scoring (% of Total)	
Development Plan	30%	First Envelope Score (minimum benchmark applied)
Project Implementation	15%	
Urban Innovation	15%	
Financial Proposal	40%	Second Envelope Score

Furthermore, staff recommend that the RFP requires each Proponent to deliver their proposal in two, separate envelopes, with the first containing its response to the Development Plan, Project Implementation, and Urban Innovation categories (Technical Proposal), and the second in response to the Financial Proposal requirements. The City’s evaluators will first open and score the Technical Proposal for each Proponent. Those achieving a minimum benchmark score will then have their Financial Proposal envelopes opened and scored relative to each other. The combination of the Technical and Financial Proposal scores will determine the final score rankings.

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Rationale:

At its foundation, the proposed RFP structure fulfills the guidance outlined in Council's motion "that the Request for Proposals (RFP) evaluation criteria specifically includes, but not be limited to: Environmental Sustainability, Housing Affordability, Design Excellence, Price Discovery, and Urban Innovation". Staff have taken these criteria and integrated them with a number of other criteria as informed by Setting Sail's core principles and peer reviews; the most notable addition being the Project Implementation criteria, which were informed by the Dockside Lands and Lebreton Flats experiences.

Staff submit that the 40/60 split between the Financial Proposal and the other technical criteria is supported by the following rationale:

1. The split represents a balanced approach between qualitative and quantitative criteria, and does not allow any one category to be worth half or more of the overall score;
2. In line with the findings from public consultations, the overall weightings tilt towards maximizing community benefits rather than towards maximizing the sale price;
3. Aligned with the notion of "winning on the margins" due to the prescriptive nature of the applicable planning legislation, offering a relatively heavy weighting on the Financial Proposal provides Proponents with a meaningful criteria under which to distinguish their proposals;and,
4. Notwithstanding #3 above, while still possessing the single largest score allocation, the Financial Proposal criteria is adequately counter-balanced by the technical criteria in a way that prevents a Proponent from "buying the deal" by presenting an excessively high financial bid without also presenting a reasonable technical submission. The two-envelope bid system with benchmarks, which are typical procurement practices, also help to guard against this situation.

In addition to the Financial Proposal presenting a significant opportunity for Proponents to "win on the margins", the Urban Innovation category plays a similar role with respect to the conceptual elements of a Proposal. This category is open to interpretation and motivates each Proponent to truly distinguish its proposal from others by presenting creative solutions to meet the City's desired outcomes.

With its approval of recommendation 1(c) in GIC Report 16-028, Council gave clear direction that the entirety of the Subject Lands are to be sold to one Successful Proponent identified through the RFQ/RFP process, rather than on a piecemeal basis to different parties. This approach facilitates an overarching commitment by the Successful Proponent to a master plan that is aligned with the City's vision. Despite committing the entire Subject Lands to one Successful Proponent, the City wishes to

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remain flexible in accommodating various deal structures that produce win-win situations for the City and the Successful Proponent. The three key variables in this regard are:

1. **Land ownership** –Staff suggest that the RFP incorporates mechanisms that would allow a degree of control over the lands, maximize long-term value capture, and provide predictability around revenue streams for fiscal planning purposes, per the “long-term positioning” guiding principle. To that end, staff envision that the finalized deal structure will be more likely to involve a draw-down of the Subject Lands on a block-by-block basis, rather than comprising the entire offering in a single transaction. Not only is this approach beneficial for the City, but it is perceived to also be beneficial for the Successful Proponent given that capital only needs to be deployed on an as-needed basis. Given that the Successful Proponent will be the only party with rights to the Subject Lands, a draw-down structure will likely be built around a series of purchase options;
2. **Pricing calculation methodology**–The pricing methodology to determine the financial payments to the City can be fixed, contingent, or a combination thereof. Fixed pricing assumes a set of variables and methodology that can be established today in order to predetermine the amount that is either paid upfront and/or payable in the future, to the City. Contingent pricing is calculated from the result of a future event (i.e., future sales revenues), and is therefore only quantifiable after the event has occurred. A combination of fixed and contingent could also include consideration for pre-payment deposits and/or premiums to control future land purchase options;
3. **Timing** – combining #1 and #2 above results in a price discovery methodology. The last variable to consider is the impact of the “time value of money”, which postulates that a dollar promised for the future is worth less than a dollar guaranteed today. As such, the timing of prospective payments outlined in each Proponent’s Financial Proposal will need to be normalized in order to be comparable to each other. To that end, the City will establish a standardized set of financial analysis assumptions that all Proponents will be required to adhere to and apply to their Financial Proposals.

How to incorporate these three features into the RFP submission requirements and evaluation criteria in a balanced manner will require further analysis and strategy. Staff, suggest a future report to inform GIC on how the RFP ultimately influenced the prospective deal structure. This report is intended to inform GIC in advance of staff bringing forward a recommended Preferred Proponent and Proposal.

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Next Steps:

Following resolution of the items in this Report PED14002(e), staff intend to continue developing the RFP document with appropriate input from Finance, Procurement, and Legal Services, as well as outside consultants as required. The target date to release the RFP to the Prequalified Proponents is November 1, 2017. In and around this date, the City would also hold a series of briefing meetings with the Prequalified Proponents to provide an update on City activities in the area (i.e., capital works, environmental condition, etc.) and to establish “ground rules” for RFP procedures (i.e., commercially confidential meetings, requests for clarification, etc.).

With respect to the Financial Proposal portion of the RFP, while a score allocation recommendation has been made herein, staff have not yet made a final determination as to how Proponents will be instructed to make a submission for this section and will be evaluated accordingly. It is staff’s intent to return to GIC with a report outlining possible deal structures that would be most appropriate for this RFP, accompanied by a comparative analysis of the alternatives, and a rationale supporting the final decision. This upcoming report is intended to inform GIC in advance of the subsequent approval stage, wherein staff shall report a summary of the RFP results, its rationale for the chosen Preferred Proponent(s), and shall seek GIC’s approval for the intended negotiation strategy with the Preferred Proponent(s).

ALTERNATIVES FOR CONSIDERATION

With respect to the recommended RFP Evaluation Criteria herein, given that the criteria are closely aligned with Council’s resolution as expressed in paragraph 1 of GIC Report 16-028, corroborated by experiences at peer public bodies, staff do not recommend considering alternatives or additions to the categories. Staff recognize that some may be inclined to consider different score allocations for these categories. However, staff caution that such a discussion can be highly subjective, politically charged, and is susceptible to chronic indecision given the infinite number of configurations that could be imagined. After extensive discussion and careful consideration, staff believe that its score allocation recommendation is grounded in sound rationale and is supported by public consultations, peer reviews, expert consultant advice and practical implementation considerations.

ALIGNMENT TO THE 2016-2025 STRATEGIC PLAN

Community Engagement & Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

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Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED14002(e) – Pier 8 Solicitation Process, Public Consultation Summer Workshop Results (originally published November 2016 and appended to PED14002(c))

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