



CITY OF HAMILTON
 City Manager's Office

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 6, 2018
SUBJECT/REPORT NO:	Pier 8 Development Opportunity Request for Proposals Evaluation (PED14002(h)) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Chris Phillips (905) 546-2424 Ext. 5304 Philbert Kim (905) 546-2424 Ext. 3140 Mike Kyne (905) 546-2424 Ext. 4716 Carla Ippolito (905) 546-2424 Ext. 2448
SUBMITTED BY:	Chris Murray City Manager
SIGNATURE:	

Discussion of the matters outlined in Confidential Appendices “D” and “E” in closed session is permitted subject to the following requirements of the City of Hamilton’s Procedural By-law and the *Ontario Municipal Act, 2001*, as amended:

- a proposed or pending acquisition or disposition of land by the municipality or local board;
- advice that is subject to solicitor-client privilege, including communications necessary for that purpose;
- a trade secret or scientific, technical, commercial, financial or labour relations information supplied in confidence to the municipality or local board which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization; or,
- a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.

RECOMMENDATION

- (a) That the Proponent identified in Confidential Appendices “D” and “E” to Report PED14002(h) be approved as the Preferred Proponent for the Request for Proposal Contract Number C11-66-17 entitled “Pier 8 Development Opportunity for Prequalified Proponents”, and that following a final Council decision on the Proponent, Appendix “D” remain a Confidential document and Appendix “E” be available for release to the public;
- (b) That staff be authorized and directed to negotiate a Development Agreement between the City of Hamilton and the Preferred Proponent (identified in confidential Appendix “B” to Report PED14002(h)) required to give effect to Contract Number C11-66-17 for the Pier 8 Development Opportunity, with content satisfactory to the City Manager and in a form satisfactory to the City Solicitor;
- (c) That the Mayor and the City Clerk be authorized and directed to execute the Development Agreement and any ancillary agreements and documents required to give effect to Contract Number C11-66-17 for the Pier 8 Development Opportunity in a form satisfactory to the City Solicitor and report back for information;
- (d) That the Fairness Monitor’s Report, attached as Appendix “B” to Report PED14002(h), which certifies that RFP C11-66-17 was completed in a fair, open, and transparent manner, be received;
- (e) That the properties owned by the City of Hamilton identified as the “Subject Lands” in RFP C11-66-17, as shown in Appendix “C” attached to Report PED14002(h), be declared surplus to the requirements of the City of Hamilton, in accordance with the “Procedural By-law for the Sale of Land” being By-law No. 14-204, and made available for sale without the requirement for an appraisal.

EXECUTIVE SUMMARY

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.

On April 8, 2015, as part of General Issues Committee (GIC) Report 15-008, Council approved staff Report PED14002(b) entitled “West Harbour Waterfront Redevelopment Plan”, which outlined a series of actions required to bring the Pier 5 to 8 lands to “development-ready” by 2018. Since then, Council has approved clear and consistent actions to achieve this ambitious goal.

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Report PED14002(h) and its recommendation is the culmination of a process approved by Council and executed by City staff, with the participation from the broader community, that will allow the City to achieve its vision of re-developing the city-owned Pier 8 lands into a vibrant mixed-use community, surrounded by active public-spaces at the water's edge, while also leveraging significant private-sector investment.

On November 9, 2016, Council approved General Issues Committee (GIC) Report 16-028 (Report PED14002(c)) entitled "West Harbour Real Estate Solicitation Process for Pier 8 Lands", which established the framework for the City to bring the Pier 8 lands to market through an open, competitive and public solicitation process. The multi-staged process consisted of an initial Request for Qualifications (RFQ), followed by a Request for Proposals (RFP), and concludes with a negotiation stage, wherein a development agreement and contractual documents will be formalized to complete the final land transactions.

The City formally launched the RFQ process on April 18, 2017. It formally closed on July 10, 2017, and the five development teams proceeding to the RFP stage of the process were announced on October 6, 2017.

Recognizing Pier 8 and the West Harbour's importance to all Hamiltonians, staff designed the RFP with the objective of seeking to provide benefits to as many segments of people as possible. The goal was to ensure that, whether living at, working at, or visiting Pier 8, people of all ages, incomes, lifestyles and abilities could feel a sense of inclusiveness and pride. Similarly, it was also recognized that the re-development of Pier 8 will generate significant financial investment within the West Harbour area, and financially benefit the City through both the proceeds of land sales and future tax assessment growth.

One key objective of the RFP, therefore, was to leverage the competitive process to maximize the breadth and depth of aspirations received from the proposed development schemes, while simultaneously enticing Proponents to maximize their financial bids. In preparation for the RFP stage, staff prepared additional reports for Council's consideration. On July 14, 2017, Council approved GIC Report 17-015, including Report PED14002(e) entitled "Pier 8 Request for Proposal (RFP) Evaluation and Scoring Framework", which outlined and recommended a detailed methodology and evaluation scoring framework to be used in executing the RFP process. The framework broke the RFP scoring into two separate areas; a Technical Proposal (worth 60% of the total score) and a Financial Proposal (worth 40% of the total score).

On November 22, 2017, Council approved GIC Report 17-024, including Report PED14002(f), entitled "Pier 8 Request for Proposal (RFP) Financial Bid Structure", which outlined and recommended a financial structure which would govern both the RFP process and the ultimate real estate transaction. Financially, Proponents were instructed to submit Financial Proposals that feature a series of payments that may

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include a guaranteed amount paid upon execution of the initial contract, additional guaranteed minimum purchase amounts paid on the closing dates for each development Block, and additional amounts based on the increase in the value of the land and improvements as the project proceeds.

The RFP was issued on December 15, 2017 and required the Proponents to submit both a Technical Proposal (which formally closed on March 13, 2018) and a separate Financial Proposal (formally closed on April 4, 2018).

Fundamentally, the Pier 8 RFP process was designed, executed, and evaluated in a manner that ensured integrity of both the recommended outcome, and the process itself.

The RFP process was informed by community input, and features elements considered acceptable as industry best-practices. The process was executed professionally by a project team of City staff in a detailed and transparent manner. The Proposals were evaluated by two teams of City staff in accordance to the evaluation criteria, and supported by a series of Subject Matter Experts (SMEs) with a wide range of disciplines, perspectives, and interests represented. Lastly, the entire process was conducted with the support of City legal and procurement staff, was governed and overseen by an internal Steering Committee of senior administrators, as well as independently examined by P1 Consulting, which was retained as a third-party Fairness Monitor. Appendix "A" to Report PED14002(h), entitled "Pier 8 Development Opportunity RFP Process Strategy Review", provides a thorough review and description of the entire RFP process.

The Technical Proposal evaluation process for the RFP was rooted in two primary objectives to:

1. Identify a purchaser and developer of the lands whose capabilities and vision align with the City's desired outcomes for Pier 8; and,
2. Leverage the Pier 8 RFP to generate broad ranging benefits that extend beyond the development of the Subject Lands themselves for the benefit of all citizens.

The broad set of technical evaluation criteria only addressed the technical features of the development itself, but also considered the practicalities of implementation. The technical evaluation criteria were significantly grounded in the guiding principles found in the West Harbour Setting Sail Secondary Plan (Setting Sail), the Pier 7 and 8 Urban Design Study (UDS), and the adopted West Harbour community vision (Vision), with additional criteria assessing alignment with the City's interests.

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Technical Evaluations employed a consensus scoring methodology that subjected Proposals to each of the evaluation criteria through a holistic scoring framework. This highly flexible approach recognizes that not only will the recommended development proposal have intrinsic value that is much greater than the sum of its parts, but also that those parts can respond to multiple criteria at the same time. To ensure broad coverage of issues, two classes of criteria were established; one focused on the technical merits of the Proposals, and another related to higher-order, city-building objectives that the City wishes to achieve through the RFP process and eventual completion of the project itself.

The RFP also incorporated a mechanism for the public to be involved in the process. Report PED14002(g) entitled “Pier 8 Request for Proposals (RFP) Public Presentation Process” outlined the program to elicit comments from the public. Although the public did not get an actual vote on their preference, comments received from the on-line forum were then distributed to members of the RFP Technical Evaluation Team for consideration during their final evaluations. Based on available measures, the process garnered significant public engagement.

The Financial Evaluation employed the use of a proprietary computer-based financial model. Led by the RFP Project Team and developed with the assistance of Deloitte’s National Real Estate consulting team, this sophisticated model was designed to assign an objective notional numerical value to each Proposal, reflecting the projected financial value for the City over the duration of the development. Although the model was customized in each case to adjust for the specific variations presented in each of the respective proposed development plans of the four individual Proposals, the valuation model was based on a set of clear and market-based financial benchmarks, which were disclosed to Proponents in advance of the Proposal submission deadline. The model was applied consistently to all four Proposals, resulting in an objective evaluation that upheld the principle of fairness and reflects an acceptable methodology from a real estate and development industry perspective.

To ensure integrity of the evaluation process, the RFP employed a two-envelope, “blind” evaluation process. Technical Evaluation Team members reviewed and evaluated only the Technical Proposals. The members of the Financial Evaluation Team reviewed and evaluated only the Financial Proposals, and the evaluation results were not shared between these Teams.

Upon achieving consensus and establishing an evaluation score for each Proposal, the Technical and Financial Evaluation Teams formally presented the results separately and in confidence to the members of the RFP Steering Committee. Subsequently, the Steering Committee approved the results of the RFP and established the Preferred Proponent. The Fairness Monitor was present, active, and attests to the evaluation results, with the formal report attached as Appendix “B”.

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The body of Report PED14002(h) is focused on the RFP process itself, the evaluation methodology, and the evaluation process. Information pertaining to the evaluation results can be found in Confidential Appendices “D” and “E”.

If the recommendations of Report PED14002(h) are approved by Council, City staff will engage in contract negotiations with the Preferred Proponent dealing with issues related to the execution and fulfillment of their Proposal. In anticipation, the RFP included a draft Development Agreement which signalled to the Proponents what the City’s expectations were with respect to implementation, including prospective penalties for specific fulfillment failures. Proponents were asked to submit proposed changes that were not evaluated or scored as part of the RFP, but would serve as a starting place for the negotiation phase.

Finally, recommendation (e) of Report PED14002(h) seeks Council’s formal approval to declare the Pier 8 Subject Lands “surplus” as required by the City’s Sale of Land Policy By-law 14-204 before sale can be permitted. Given the multi-year and multi-block nature of this land disposition, staff also seeks Council’s authority to waive any requirement for an appraisal before sale.

Alternatives for Consideration – See Page 24

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial:

On November 22, 2017, Council approved GIC Report 17-024 including Report PED14002(f) entitled “Pier 8 Request for Proposal (RFP) Financial Bid Structure”. Consistent with the approved approach, the RFP was structured in a manner that required Proponents to submit both a Technical Proposal and a Financial Proposal. Proponents were instructed to submit Financial Proposals that feature a series of payments that may include a guaranteed amount paid upon execution of the initial contract, additional guaranteed minimum purchase amounts paid on the closing dates for each development block, and additional amounts based on the increase in the value of the land and improvements as the project proceeds.

The Financial Proposal evaluation process is detailed in the Analysis section of Report PED14002(h) and a summary of the results can be found in Confidential Appendix “D”.

Staffing:

Neither Report PED14002(h) nor its recommendations have any staffing impact. The negotiation stage 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 assistance from external consultants.

Legal:

Legal Services has been providing dedicated support to this RFP from its onset and advises that these recommendations are consistent with the City's requirements as outlined in the RFP and its legal obligations.

HISTORICAL BACKGROUND

The following is a list of Council-approved Motions and staff reports that form a chronological history regarding the City's West Harbour Re-Development Plans, specifically for the Piers 5 to 8 lands:

- September 25, 2009 – Staff Report PED09200/CM09011 entitled “Feasibility of Establishing a Waterfront Development Corporation”;
- October 11, 2011 - GIC approved Motion entitled “Hamilton Waterfront Priorities”;
- 2012-2015 Strategic Plan - Item 1.3 stated: “Promote economic opportunities with a focus on Hamilton’s downtown core, all downtown areas and waterfronts”;
- April 18, 2012 - Report PED09200(a) entitled “Waterfront Priorities – Development Corporation”;
- January 29, 2014; Council approved GIC Report 14-001 and staff Report PED14002 entitled "West Harbour Piers 5-8 Servicing Studies and Pro Forma Analysis";
- April 2, 2014 – GIC approved staff Report CM12015(b) entitled “Formal Marina Management Agreement (MMA) with the Hamilton Port Authority (HPA) Regarding Piers 7 and 8”;
- March 30, 2015 – GIC approved Report 15-008 and staff Report PED14002(b) entitled “West Harbour Waterfront Re-Development Plan”;
- November 20, 2015 - Information Update CASP1516 entitled “Status of West Harbour Capital Works”;
- On November 9, 2016, Council approved General Issues Committee (GIC) Report 16-028 (Report PED14002(c)) entitled “West Harbour Real Estate Solicitation Process for Pier 8 Lands”;
- May 24, 2017 – Council approved Planning Committee Report 17-009 and staff Report PED17074 entitled “Applications to Amend City of Hamilton Zoning By-law

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No. 05-200, Approval of a Draft Plan of Subdivision and Temporary Use By-law for lands located at Pier 8, 65 Guise Street East”;

- On July 14, 2017, Council approved GIC Report 17-015, including Report PED14002(e) entitled “Pier 8 Request for Proposal (RFP) Evaluation and Scoring Framework” outlining the RFP evaluation and scoring framework; and,
- On November 22, 2017, Council approved GIC Report 17-024 including Report PED14002(f) entitled “Pier 8 Request for Proposal (RFP) Financial Bid Structure”.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The Setting Sail Secondary Plan (Setting Sail) was approved by Council in March 2005 and subsequently appealed to the Ontario Municipal Board. 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. Under the current Setting Sail designations for the Piers 7 and 8 lands, a range of uses including retail, residential, open space and institutional are permitted.

From the outset of the solicitation process, including during the RFQ phase, the City has maintained a firm commitment to Setting Sail’s planning policy framework. The RFP accordingly precluded any Proposal elements that would entail an Official Plan Amendment (OPA) to enact. Furthermore, although the Draft Plan of Subdivision and associated Zoning By-law Amendment 17-095 are currently under appeal to the Ontario Municipal Board (OMB), Proponents were directed to assume that those policies would be effective on the Subject Lands as they are reflective of the City’s intent as approved by Council.

The approval of the recommendation in Report PED14002(h) does not either confer or presume any City development approvals for the Proponent or its proposed development and does not in any way fetter the City’s regulatory authorities. Despite having a fairly well-articulated Proposal, the Successful Proponent must still satisfy all necessary regulatory and permit application requirements, including but not limited to the site plan approval, design review, and building permitting processes.

On November 9, 2016, Council approved General Issues Committee (GIC) Report 16-028 (Report PED14002(c)) entitled “West Harbour Real Estate Solicitation Process for Pier 8 Lands” which described the Subject lands, the disposition strategy, and approved the Solicitation Process.

In accordance with By-law 14-204, being the “Procedural By-law for the Sale of Land”, property no longer required for municipal programs is first to be declared “surplus” by Council and disposed of, in accordance with the City’s Portfolio Management Strategy.

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That By-law also envisions the completion of a formal property appraisal in certain circumstances before the disposition of surplus land. However, given that this proposed transaction involves the disposition of nine separate Blocks over a number of years and a series of payments, staff has concluded that a traditional property appraisal would provide little additional value and, therefore, recommends that any requirement for an appraisal be waived.

RELEVANT CONSULTATION

The following is a list of relevant documents that have been presented and received by Council in the past to support of the Pier 8 Solicitation Process:

- November 2, 2016 - Appendix “B” to Report PED14002(c) - Pier 8 Solicitation Process, Public Real Estate Disposition Best Practices;
- November 2, 2016 - Appendix “C” to Report PED14002(c) - West Harbour Community Engagement Summary;
- November 2, 2016 - Appendix “D” to Report PED14002(c) - Pier 8 Solicitation Process, Public Consultation Summer Workshop Results;
- November 2, 2016 - Appendix “E” to Report PED14002(c) - Market Sound Report Hamilton West Pier 8 Disposition; and,
- July 10, 2017 - Appendix “A” to Report PED14002(e) – Pier 8 Solicitation Process, Public Consultation Summer Workshop Results (originally published November 2016 and appended to PED14002(c)).

When developing the Pier 8 RFP, City staff incorporated a mechanism for the public to be involved in the process. Report PED14002(g) entitled “Pier 8 Request for Proposals (RFP) Public Presentation Process” outlined the program details to elicit comments from the public. Utilizing the City’s West Harbour webpage, the public had on-line access to the materials related to the received Proposals, including videos, presentation panels, and user stories. In addition, the program also included a series of in-person open-houses convened in several locations throughout the City. Public commenting was open from April 6, 2018 to April 17, 2018.

To be clear, the public did not get an actual vote on their preference, rather the public’s comments only assisted in informing the evaluation process. Comments received from the on-line forum were collated into a briefing document, and disseminated to members of the RFP Technical Evaluation team for consideration in their evaluations.

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By all measures, the tracking results for the public participation portion of the process indicated significant engagement. Table 1 contains a summary of the Public Participation as created by our IT staff. The following is a sample of some of the results:

- Over 1,000 individual interactions during the in-person Open Houses;
- Videos were collectively watched over 18,000 times;
- Over 13,000 downloads of Presentation Panels and User Stories PDFs;
- Close to 400 written public comments received;
- 9 Tweets resulting in 62,582 Twitter impressions and 673 clicks;
- 1 Linked-In post generated 13,955 impressions and 591 clicks; and,
- 1 Instagram post generated 109 “likes”.

Proponent	# of Downloads Presentation Panels	# of Downloads User Stories	# of Views Videos	# of Public Comments Submitted
Gulf Dream	3,150	530	5,547	116
Tridel	2,266	447	4,188	70
Urban Core – Core Urban	2,529	293	3,623	79
Waterfront Shores	2,691	447	4,473	107
Total	10,636	1,717	17,831	372

Additional value generated by this public campaign included generating additional public awareness of all activities happening at the Waterfront and creating brand exposure for all Proponents regardless of the end result.

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ANALYSIS AND RATIONALE FOR RECOMMENDATION

Staff's recommendation of the Preferred Proponent is the culmination of a process that has followed a strategy and methodology that has received periodic Council endorsement throughout the course of development and execution. This section summarizes the fundamental philosophies and execution methodologies that project staff adhered to in carrying out the RFP. Appendix "A" provides a thorough review and description of the entire RFP process.

1. Strategizing the RFP Process

The Pier 8 RFP is rooted in two primary objectives to:

1. Identify a purchaser and developer of the lands whose capabilities and vision align with the City's desired outcomes for Pier 8; and,
2. Leverage the Pier 8 RFP to generate broad ranging benefits, financial and non-financial, that extend beyond the development of the Subject Lands themselves for the benefit of all citizens.

The first addresses the "on-the-ground" task of getting the Pier 8 lands developed. The second suggests a higher-order set of desired outcomes that considers a much broader scope of influence that this RFP could exert for the benefit of citizens beyond those directly connected to the development itself.

As a starting point, staff identified and directly acknowledged a number of compatibility challenges that would need to be addressed through the RFP process in order to achieve a balance of maximized outcomes:

- develop a fair and consistent evaluation approach that can accommodate high variability between proposals;
- encourage innovation while being practical about implementation;
- give credit for strategic, "big ideas" while tempering them against risk exposure for the City in the event that the concepts do not materialize as propositioned; and,
- acknowledge that focusing solely on the potential financial value of the development may directly conflict with city-building objectives.

1.1 Governance Structure

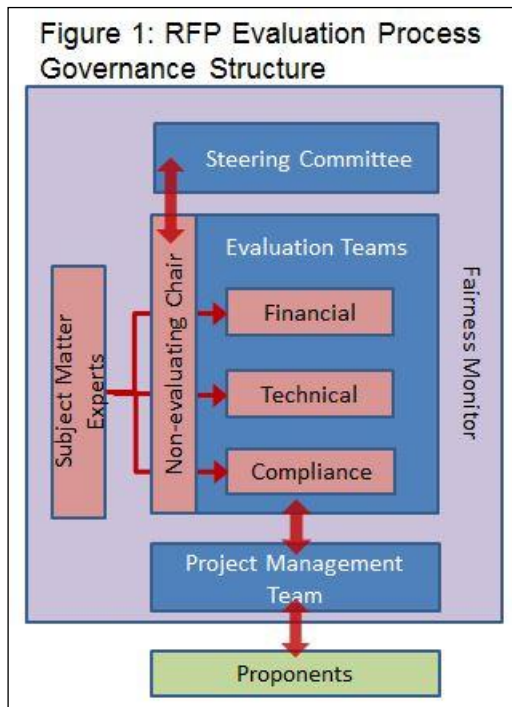
The Pier 8 RFP process was governed and executed by a select team of City staff and third party consultants who each played a contributory role in not only determining a Preferred Proponent but also in upholding the integrity of the process itself. Since the core goal of the RFP is to produce benefits for a wide

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range of people, it was important that a wide range of disciplines, perspectives, and interests be represented on the team. Figure 1 is an illustration of the governance structure employed. The structure is also detailed in Section 1.2 on Pages 4-6 of Appendix “A”.



Notable characteristics of the governance structure include:

The Steering Committee: Comprised of the City Manager, General Manager of Public Works, and General Manager of Finance and Corporate Services, the Committee’s mandate was to act as a senior-level oversight body to ensure that the City’s interests were upheld throughout the evaluation process.

The Evaluation Teams: Comprised of senior City staff drawn from the Planning and Growth Management Divisions in the Planning and Economic Development Department (PEDD), the General Manager’s Office and the Asset Management Operations Divisions in the Public Works Department (PWD), Finance and Procurement from the Finance and Corporate Services Department (FCSD).

The Fairness Monitor: Retained by the City pursuant to Council’s November 9, 2016 approval of Report PED14002(c), the Fairness Monitor has been active since

the beginning of the entire solicitation process. Its role was to monitor the execution of the RFP and provide an independent evaluation of the City's adherence to fairness and transparency principles as established in the RFP and other related policies of the City (e.g., Procurement Policy By-law).

The Fairness Monitor's oversight included advance review and advice regarding the RFP document and all issued Addenda, vetting of all correspondence with the Proponents, approval of the Evaluation Framework including application of criteria and scoresheets, fairness orientation and training of all participating personnel, and participation in all Commercially Confidential Meetings, evaluator consensus meetings, and the Steering Committee meetings.

A copy of the Fairness Monitor's fairness attestation report is included as Appendix "B".

1.2 Evaluation Process and Scoring Framework

On July 14, 2017, Council approved GIC Report 17-015, including Report PED14002(e) entitled "Pier 8 Request for Proposal (RFP) Evaluation and Scoring Framework" (see Table 2) which outlined the RFP evaluation and scoring framework to be used as follows:

- (a) Technical Proposal (worth 60% of the total score); and,
- (b) Financial Proposal (worth 40% of the total score).

Informing this recommended split was extensive public consultation that suggested a desire to maximize "city-building" and community benefits. The scoring split signalled to Proponents that the RFP would be more than just a financial bidding exercise, without downplaying the City's desire to raise capital revenues through the land sale. Likewise, the framework also established that all Technical Proposals must achieve a score of at least 50% (30 out of the 60 points) to warrant further consideration. This approach further ensured that a Proponent could not simply submit an excessively high financial bid without also submitting a reasonably agreeable Technical Proposal.

A number of technical compliance criteria were also set to ensure a minimum performance outcome of each proposed development plan. These technical specifications were evaluated on a "pass/fail" basis.

Table 2: RFP Evaluation Scorecard

	Score Allocation	Maximum Subsection Score	<div style="border: 1px solid red; padding: 5px; width: fit-content;"> Total Score = Technical Proposal Score + Financial Proposal Score </div>
A. Technical Proposal	60%		
A1. Development Plan		30%	
Plan Overview – Technical Specifications		Pass/Fail	
Plan Overview and Design Excellence			
Residential Program			
Place-making			
Environmental Sustainability			
Public Presentation Materials			
A2. Urban Innovation		15%	
A3. Project Implementation Plan		15%	
Ownership and Financing			
Project Delivery			
Stewardship & Change Management			
A. Financial Proposal	40%	40%	
Total Proposal Score	100%	100%	

Technical Proposals would be evaluated against the stated Technical Evaluation Criteria, and then allocated a score out of 60 potential points (as further described in Table 2).

The Financial Proposals, however, would be evaluated as a numerical exercise and then the score would be distributed on a relative basis. That is, being a much more objective evaluation exercise, the final indicative dollar values resulting from each Financial Proposal would be ranked, and the top value assigned the full 40 points available, with each successive Proposal receiving a proportion of the 40 points commensurate with its indicative financial value as a proportion of the top-ranking indicative value.

The RFP would also employ a two-envelope, “blind” evaluation process wherein the Technical Evaluation Team reviewed the Technical Proposal and the Financial Evaluation Team reviewed the Financial Proposal separately but concurrently, while being kept blind from the others’ results. Only after the Technical scores are deemed to have passed the minimum benchmark (30 out of 60), would the Technical and Financial scores be combined to reveal the top scoring Proposal presented to the Steering Committee for endorsement.

2. Establishing Evaluation Criteria and Submission Instructions

2.1 Core Principles

At the outset, staff established the principle of focusing on desired outcomes, not prescribed tactics. This was meant to be a reminder that the Pier 8 RFP is ultimately a land sale process, and not a procurement process. The City is not purchasing a specified technical solution but rather is seeking a purchaser of lands who can demonstrate alignment with the City's Vision. Instead of aiming to just comply with a set of prescribed specification requirements and competing on price, Proponents would need to be motivated to bring their best ideas, capabilities, and experience to the competition.

Extending beyond this core maxim, other key touchstones that helped shape the RFP approach included:

- (i) **Secondary Plan and Urban Design Study** – The two most important policy documents that shaped the RFP were the West Harbour Secondary Plan (Setting Sail) and the Pier 7 and 8 Urban Design Study (UDS). The evaluation criteria related to the physical development plans were effectively derived from the principles set out in these planning and building design frameworks. The RFP was also strict in specifically disallowing any deviation from Setting Sail.
- (ii) **Community Vision** – Through a comprehensive series of public consultations leading up to the proposed solicitation process being approved by Council, staff worked with the community to articulate a vision that reflected the desired outcomes from the public's perspective. In many regards, these desires reflected the core principles of Setting Sail, with expanded values emphasizing inclusivity.
- (iii) **Balanced Risk-Reward Profile** – While maximizing benefits for the City remains the focus of the RFP, the notion of "value" should focus not only on positive outcomes, but must also be tempered by an understanding of associated risk exposures. Decisions should ultimately be made on the basis of a balanced risk-reward profile.
- (iv) **Performance Targets** – In instances where a measurable performance target would be required, the RFP maintained flexibility to leave the setting of targets in the Proponents' control, and instead was clear about how achievement will be enforced (e.g., compliance test, penalties, etc.).
- (v) **Maximizing Both Public and Private Interests** – While the Pier 8 Subject Lands will ultimately emphasize private uses, it is recognized that the resulting development will be expected to significantly further Pier 8's identity as a public

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recreation and gathering place for visitors from near and far. To that end, the RFP was carefully crafted to ensure that the general public's interests were as centrally represented as those of prospective private residents.

2.2 Technical Proposal - Holistic Scoring and Evaluation

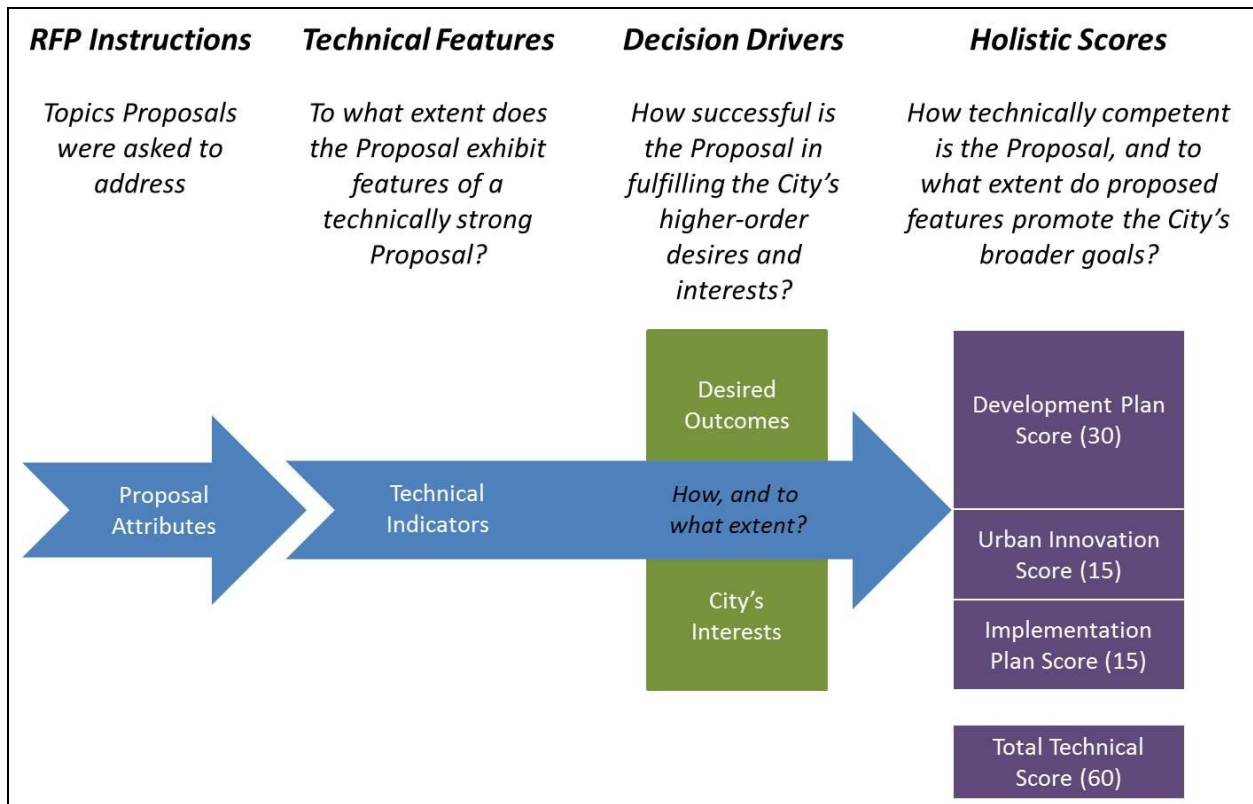
Reflecting the distinct differences in the Technical and Financial Proposals, the approach to evaluating each was also distinctly different. Evaluation of Financial Proposals, being a much more objective numerical exercise, does not require a wide range of evaluative criteria. By contrast, the Technical Proposal sought alignment with high-level policies such as the core principles of Setting Sail, the UDS, and the community vision, which required each Proponent to identify implementation strategies and tactics.

Technical Proposal evaluations were conducted using a scoring method, wherein team members were required to reach consensus to ascertain a singular evaluation score for each Proposal. This approach is considered a best practice for complex decision-making assignments as it allows for open dialogue and can address varying proposals.

Furthermore, Project Staff opted for a holistic scoring scheme (i.e., there was not a granular point allocation matrix) allowing the evaluation to consider how all elements presented in the Proposal contribute and fit together. This flexible approach recognizes that the recommended Proposal will have intrinsic value that is much greater than the sum of its parts. Evaluating Proposals in this context required a multi-dimensional approach to ensure that the criteria are comprehensive and address both site-specific and higher-order objectives. The following diagram and discussion illustrate the components and thought process behind the RFP's holistic scoring methodology.

Figure 2 illustrates the Pier 8 RFP Holistic Scoring Methodology and is detailed in Section 2.2 on Pages 12-13 of Appendix "A".

Figure 2: Pier 8 RFP Holistic Scoring Methodology



2.3 Technical Proposal Submissions

Within the Technical Proposal’s framework (i.e., Development Plan, Urban Innovation, Implementation Plan illustrated in Table 2), staff sought to identify features and qualities that would characterize a well-rounded response under each section. Incorporating input from subject matter experts, an extensive list of 100 individual attributes was assembled, that if adequately addressed in a Proposal, would present a comprehensive understanding of a Proposal’s intentions. These attributes formed the RFP submission instructions.

2.4 Technical Evaluation Criteria

As noted, the Pier 8 RFP was rooted in two primary objectives – one concerned with the specifics of the Pier 8 development, and one reflecting a higher-order set of desires and interests. A broad set of technical evaluation criteria, that not only addressed the technical features of the development itself but also considered the practicalities of implementation, was established. The Evaluation Criteria – Decision Drivers and Technical Indicators is detailed in Section 2.4 on Pages 14-16 of Appendix “A”.

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The technical evaluation criteria were significantly grounded in the guiding principles found in Setting Sail, the UDS, and the community Vision, with additional criteria assessing alignment, protecting and promoting the City's interests. From these foundational documents, Project Staff established and communicated the following "desired outcomes" criteria:

- (i) A vibrant, mixed-use community that enhances the area while respecting the existing neighbourhoods;
- (ii) An animated waterfront that offers a comprehensive cultural, recreational and retail experience for residents and visitors alike;
- (iii) Enhanced physical and visual connections to the harbour and increased public access to the water's edge;
- (iv) A community that is planned, designed, and built to support a multi-modal transportation system that integrates with the rest of the City's network;
- (v) A community that is inclusive of a diverse range of incomes, household configurations, and lifestyles; and,
- (vi) A community that stands as a model of excellence in the fields of design, sustainable living, accessibility, and environmental conservation.

While the desired outcomes identified above are fairly high-level, it was important that the Technical Proposals also pass through a rigorous process that assesses the details of the proposed solutions, implementation, and performance expectations. To that end, staff determined a set of key "technical indicators" that would be used to measure the extent to which the Proposals successfully addressed the instructed technical components of their plan. In particular, the depth and breadth to which each Proposal conveyed its attributes was an important contributing factor to the final scores. That is, higher scores were given to Proposals that exhibited well-articulated plan concepts, thoughtful execution tactics, a high degree of commitment with limited conditions, and demonstrated that addressing the City's decision drivers was an underlying priority.

Referring back to Figure 2, the RFP instructions directed each Proponent to address specific attributes within its plan. While the technical indicators were used to evaluate the Proposal's technical features, the decision driver criteria were used to assess how the proposed development could advance the City's higher-order desires and interests. Ultimately, the holistic score for each segment of the evaluation was determined through a critical assessment of both technical competency and alignment with the City's city-building objectives.

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3. Technical Proposal Evaluations

3.1 Technical Proposal Compliance Evaluation

Prior to subjecting Technical Proposals to full evaluations, they were each reviewed for compliance in accordance with specific minimum technical specification requirements mandated by the City. Each of the following compliance requirements was established to entrench certain technical performance objectives into the RFP process, ensuring that at least a minimum outcome would be reflected in all Proposals:

- (i) the Development Plan must not exceed allowable building heights for each Block, consistent with the site-specific Zoning By-law and Setting Sail;
- (ii) the Development Plan must not exceed allowable unit densities for residential properties, consistent with the site-specific Zoning By-law and Setting Sail;
- (iii) the Development Plan must not exceed allowable floor areas for various building use types, consistent with the site-specific Zoning By-law;
- (iv) the Development Plan must not require a Secondary Plan Amendment/ Official Plan Amendment in order to implement;
- (v) the Development Plan must meet the minimum parking requirements in accordance with the site-specific Zoning By-law;
- (vi) the Development Plan must meet the minimum affordability guideline (i.e., 5% of all residential units must meet City's definition of affordability for home-ownership units);
- (vii) a minimum targeted level of LEED (Leadership in Energy and Environmental Design) certification must be stated to ensure the employment of a standard performance framework, the certification for which will be verified by a qualified, third party; and,
- (viii) a low-energy performance target at or exceeding the directed industry benchmark must be stated to ensure low-energy consumption is a priority performance consideration, and can be measured in a standard manner.

Beyond these technical compliance requirements, no other restrictions applied. However, in the case of planning policies, Proponents were given latitude to identify instances where a minor variance or zoning amendment may be required

to implement their plan. Identified items were reviewed by the RFP project's Planning SME to confirm compliance, which was considered on a 'pass/fail' basis.

3.2 Evaluation, Scoring, and Consensus Meeting Protocols

The Technical Evaluation Team followed a three-step approach to measure each Proposal's performance against the technical indicators, make a judgment under the higher-order criteria, and articulate the rationale for the score given for each section (as identified in Table 2 - Development Plan, Urban Innovation, and Implementation Plan):

- (i) **Comprehensiveness Tests:** assessed the Proposal against each listed technical indicator in order to determine the extent to which the Proposal has satisfactorily addressed each issue (e.g., fully, partially, or missing). These tests provided an indication of the Proponent's holistic approach to developing its Technical Proposal;
- (ii) **Criteria Fulfillment:** evaluations rate the Proposal against each of the decision drivers criteria; and,
- (iii) **Summary of Strengths and Areas for Improvement:** provided free-form commentary to identify specific presented attributes that predominantly influenced the score. These comments will also be used to provide debriefs to Proponents.

It is important to note that the RFP Process mandated that the Proposals were evaluated and scored against the actual criteria, and not evaluated relative to each other. The Technical Evaluation Team strictly followed the established evaluation worksheets for each of the three scored sections (Development Plan, Urban Innovation, and Implementation Plan). The Team went through the worksheets line item by line item for each of the technical indicators and decision driver criteria.

The Fairness Monitor was present at all evaluator consensus meetings to ensure that the evaluation team's approach was consistently applied and fair to all Proponents.

A copy of the Technical Evaluation Team Worksheet can be found on Pages 29-38 of Appendix "A" to Report PED14002(h) and the Evaluation, Scoring, and Consensus Meeting Protocols is detailed in Section 3.2 on Pages 17-23 of Appendix "A".

4. Financial Proposal Evaluations

4.1 Structured Payment Process

On November 22, 2017, Council approved GIC Report 17-024 including Report PED14002(f) entitled “Pier 8 Request for Proposal (RFP) Financial Bid Structure”, which outlined and recommended a specified financial structure which would govern both the RFP process and the ultimate real estate transaction.

Consistent with the approved approach, the RFP was structured in a manner that required Financial Proposals to feature a series of payments that may include a guaranteed amount paid upon execution of the initial contract, additional guaranteed minimum purchase amounts paid on the closing dates for each development block, and additional amounts based on the increase in the value of the land and improvements as the project proceeds. Table 3 illustrates the Financial Proposal Submission Instructions, as per the RFP document.

The financial arrangement will be structured such that the City will receive a portion of the payment upfront and additional payments as the development evolves. The financial outcome for the City will be equal to the sum of all payments received over the horizon of the project. This is illustrated by the following calculation referring to Table 3 below:

- (a) the Upfront Payment (i.e., A); plus,
- (b) the sum of all Minimum Purchase Prices (MPP) (i.e., B1 + B2 + B3 + B4 + B5 + B6 + B7 + B8 + B9); plus,
- (c) the proposed Fair Market Value (FMV) Share, expressed as a percentage rate, of any positive difference between each Block’s FMV and MPP (i.e., $\text{FMV Share \%} \times ((C1-B1) + (C2-B2) + (C3-B3) + (C4-B4) + (C5-B5) + (C6-B6) + (C7-B7) + (C8-B8) + (C9-B9))$); and plus,
- (d) the Value Added Share Rate (VAS) applied to each building built (e.g. percentage of revenue or capital value of the building).

Table 3: Financial Proposal Submission Instructions

	(A) Upfront Payment	(B) Minimum Purchase Prices (MPP)		(C) Fair Market Value Share Payment	(D) Value-Add Share (VAS)
Block Number	\$ Amount	\$ Amount	Target Closing Date (dd/mm/yyyy)	% Share of FMV Spread Over MPP	% of Valuation Basis
1	Proposed one-time payment, not less than \$1 Million	Future Value (B1)	(dd/mm/yyyy)	Proposed share of the positive difference between the Fair Market Value and MPP for each Block payable to the City	Percentage of gross sales revenue and/or percentage of an income producing property stabilized value, for each building built
2		Future Value (B2)	(dd/mm/yyyy)		
3		Future Value (B3)	(dd/mm/yyyy)		
4		Future Value (B4)	(dd/mm/yyyy)		
5		Future Value (B5)	(dd/mm/yyyy)		
6		Future Value (B6)	(dd/mm/yyyy)		
7		Future Value (B7)	(dd/mm/yyyy)		
8		Future Value (B8)	(dd/mm/yyyy)		
16		Future Value (B9)	(dd/mm/yyyy)		

Given this payment structure, this total amount will not be definitively known until the project is complete and the final payment received. What we do know today, however, is that each Proponent’s guaranteed payment amounts (i.e., columns A and B of Table 3) and their respective anticipated dates, as well as each Proponent’s willingness to share variable outcomes with the City.

The last evaluative variable to consider is the impact of the “time value of money”, which postulates that a dollar guaranteed today is worth more than a dollar promised for the future. As such, payments proposed in each Proponent’s deal structure that are anticipated to be received earlier have greater value than those that are promised at a later date, even though later amounts may have a higher face value.

The Structured Payment Process is detailed in Section 4.1 on Pages 24-26 of Appendix “A”.

4.2 Financial Proposal Compliance Evaluation Methodology

The Financial evaluation employed a proprietary, computer-based financial model. Led by the RFP Project Team and developed with the assistance of Deloitte's National Real Estate consulting team, this sophisticated model was designed to assign an objective notional numerical value to each Proposal, illustrating the projected financial value for the City over the duration of the development.

Although the model was customized to reflect the specific development plans of the four individual Proposals, the valuation model was based on a set of clear and market-based financial benchmarks, which were disclosed to Proponents in advance of the Proposal submission deadline.

The model was applied consistently across all four Proposals, resulting in an objective evaluation that upheld the principle of fairness and reflects an acceptable methodology from a real estate and development industry perspective. The end-result was a single financial value that could be compared on a standardized basis across all proposals.

To ensure fairness and transparency, the City disclosed by way of written addendum, a detailed description of the evaluation model's underlying mechanics, as well as a significant portion of the underlying standard benchmark assumptions, including valuation metrics. These disclosures not only ensured that Proponents understood the influence of each assumed variable, but they could also make any necessary adjustments to their own proposed inputs in cases where their own assessment of property values might materially deviate from the assumptions applied during the City's evaluation.

The Compliance Checks and Evaluation Methodology is detailed in Section 4.2 on Pages 26-27 of Appendix "A". Pages 39-41 of Appendix "A" contain the Bid Form templates used for the RFP.

5. Next Steps – Development Agreement, Contractual Negotiation and Execution

Assuming that the recommendations of Report PED14002(h) are approved, under the direction of the City Manager, staff will formally notify the Preferred Proponent of Council's decision and will immediately commence to negotiate a formal Development Agreement related to the execution of the Proposal.

As part of the RFP, Proponents were provided with, and asked to comment on, a draft Development Agreement that incorporates all essential requirements to implement the Preferred Proponent's Proposal in a manner consistent with the City's objectives as outlined in the RFP. The draft Development Agreement is based on a precedent

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agreement provided by Waterfront Toronto that underpinned its successful “Bayside” development. The draft Agreement outlines, among other things, the dates each Block of land is to be transferred and developed, the type of development on each Block, the schedule for payments, affordable housing requirements, environmental responsibilities, LEED standards, indemnities and insurance obligations, the City’s responsibilities with respect to land delivery and infrastructure preparation as well as provisions dealing with contract performance and contingencies such as delays and major market disruptions that are beyond the control of either the City or the Preferred Proponent.

Staff has reviewed the comments provided by all Proponents and has concluded that, if and when any of these suggestions are incorporated into the final version of the Development Agreement, they would not constitute a marked departure from the draft Development Agreement or the principles outlined in the RFP.

On that basis, staff is confident that they can conclude a Development Agreement with the Preferred Proponent that will provide the contractual foundation for the Pier 8 Development and will incorporate all necessary provisions, sub-agreements and related documents including the Preferred Proponent’s Proposal, the Subdivision Agreement and the Agreements of Purchase and Sale for each Block.

On this basis, staff seeks Council’s authority to negotiate on behalf of the City the Development Agreement and all related agreements and documents, and have executed by the Mayor and City Clerk, in a form satisfactory to the City Solicitor. In addition, it should be recognized that the basic intent of the Development Agreement is to contractually obligate the Preferred Proponent to the material elements outlined in its Proposal. Based on the details contained with the Preferred Proponent’s Proposal, City staff expects an agreement could be negotiated and executed by the beginning of Q4 2018. The timely execution of the Development Agreement is important for both parties as the City receives its upfront payment upon execution of the Development Agreement and each Proponent anticipates starting its proposed developments no later than mid-2019.

ALTERNATIVES FOR CONSIDERATION

The primary alternatives available to Council include the following:

- (a) Council can approve the Recommendations in which case staff will proceed to negotiate and execute the Development Agreement with the Preferred Proponent as outlined above. This course of action is strongly supported by staff as being consistent with the RFP and Council’s previous instructions regarding the development of Pier 8. Should staff not be able to conclude a satisfactory Development Agreement with the Preferred Proponent, the City has reserved the right under the RFP to, in its sole discretion, select another Proponent as the Preferred Proponent and enter into negotiations to finalize

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and execute a Development Agreement with that other Proponent, or reject all Proposals, revise and reissue the RFP or cancel this RFP. In such a case, staff would anticipate returning to Council for further direction;

- (b) Council can reject the Recommendation. However, in view of the time and resources expended by both the City and each Proponent during this competitive process, the thorough and thoughtful Proposals of all Proponents and the objectively positive result, staff would not support this alternative as it would likely entail the initiation of another complicated competitive process that may not attract the same quality of respondent(s) and with no assurance of an equal or better result; and,
- (c) Council could, conceivably, instruct staff to commence negotiations with a Proponent other than the recommended Preferred Proponent. However, staff would strongly encourage Council not to pursue this approach as it would undermine the principles and commitments outlined in the RFP, adversely impact the City's reputation in the development community and elsewhere and could expose the City to litigation and potential damage awards.

Staff will be available to expand on any or all of these alternatives at Committee and Council in both public and closed session as circumstances warrant.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Strategic Priority #1

A Prosperous and Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.1 Continue to grow the non-residential tax base.
- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

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Strategic Priority #3

Leadership and Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

3.2 Build organizational capacity to ensure the City has a skilled workforce that is capable and enabled to deliver its business objectives.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A": Pier 8 Development Opportunity RFP Process Strategy Review

Appendix "B": Fairness Monitor's Report - Request for Proposal Contract Number C11-66-17 entitled "Pier 8 Development Opportunity for Prequalified Proponents"

Appendix "C": Map and Description of Pier 8 Subject Lands

Confidential Appendix "D": Summary of Evaluation Results - Request for Proposal Contract Number C11-66-17 entitled "Pier 8 Development Opportunity for Prequalified Proponents"

Confidential Appendix "E": Fairness Monitor's Report – Appendix 1