

# **Pier 8 Development Opportunity RFP Evaluation Process and Governance**

**Presented to General Issues Committee**

**Chris Phillips  
Sr. Advisor, West Harbour Re-Development Project**

**June 6, 2018**

# AGENDA

1. Recommendations and Alternatives for Consideration
2. Previous Council Approvals
  - What was approved?
  - What was the rationale?
  - Why is it important?
3. RFP Process
  - Governance Structure
  - Role of the Fairness Monitor
  - Scoring
  - Proponents
  - Workflow
  - Technical Evaluation Criteria & Evaluation
  - Financial Evaluation
  - Public Presentation Materials & Public Commentary
4. Next Steps

# Recommendations

## Report PED14002(h):

- 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.

# Primary Alternatives for Consideration

**Report PED14002(h): Page 24-25**

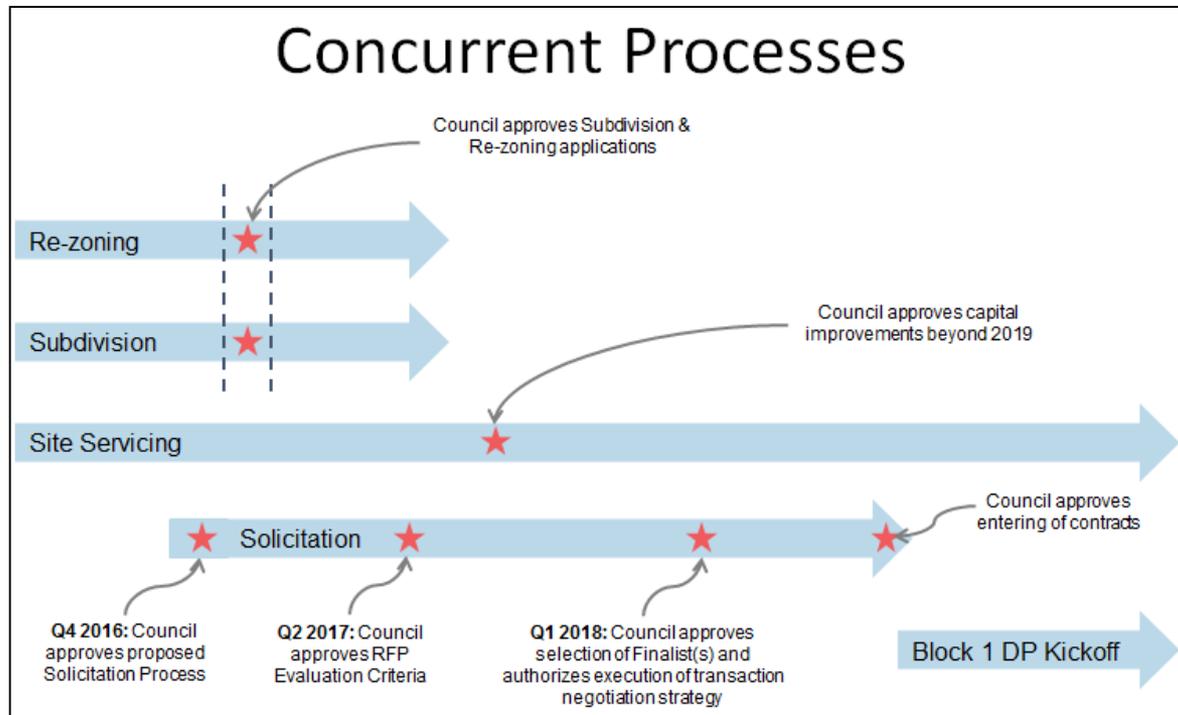
- a) Council can approve the Recommendations in which case staff will proceed to negotiate and finalize the Development Agreement with the Preferred Proponent
  
- b) Council can reject the Recommendation

# Council Approval

## April 8, 2015

Report PED14002(b) – GIC Report 15-008

**Bring the Pier 5-8 lands to “Development-Ready” by 2018**



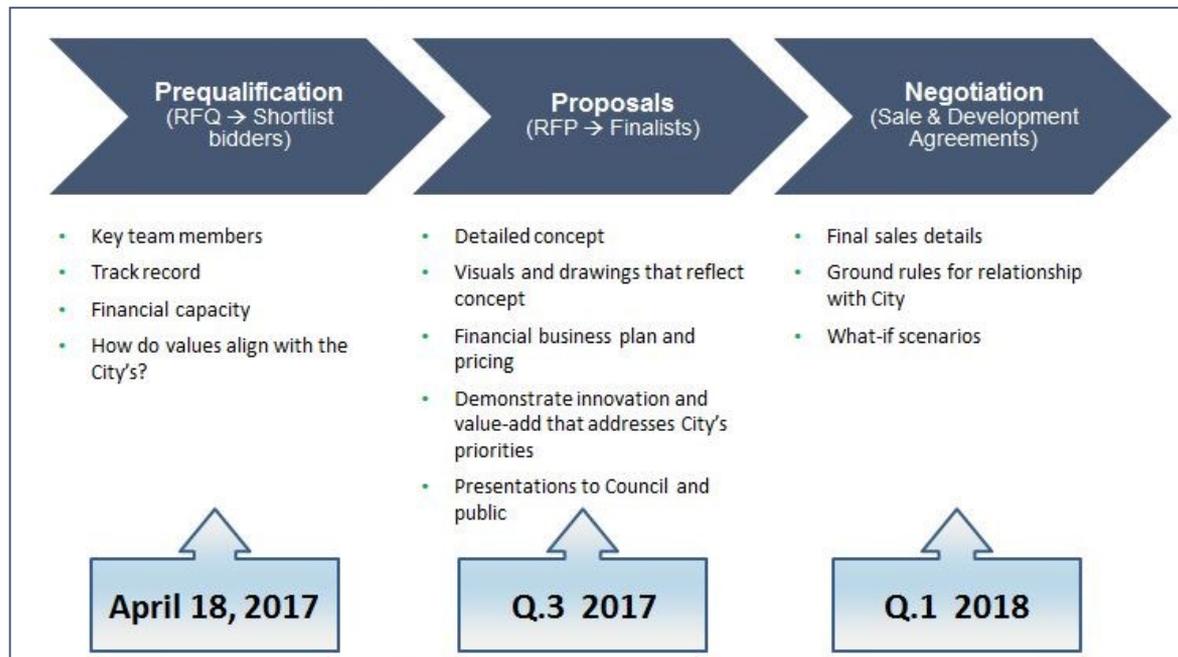
# Council Approval

## November 9, 2016

Report PED14002(c) – GIC Report 16-028

### West Harbour Real Estate Solicitation Process for Pier 8 Lands

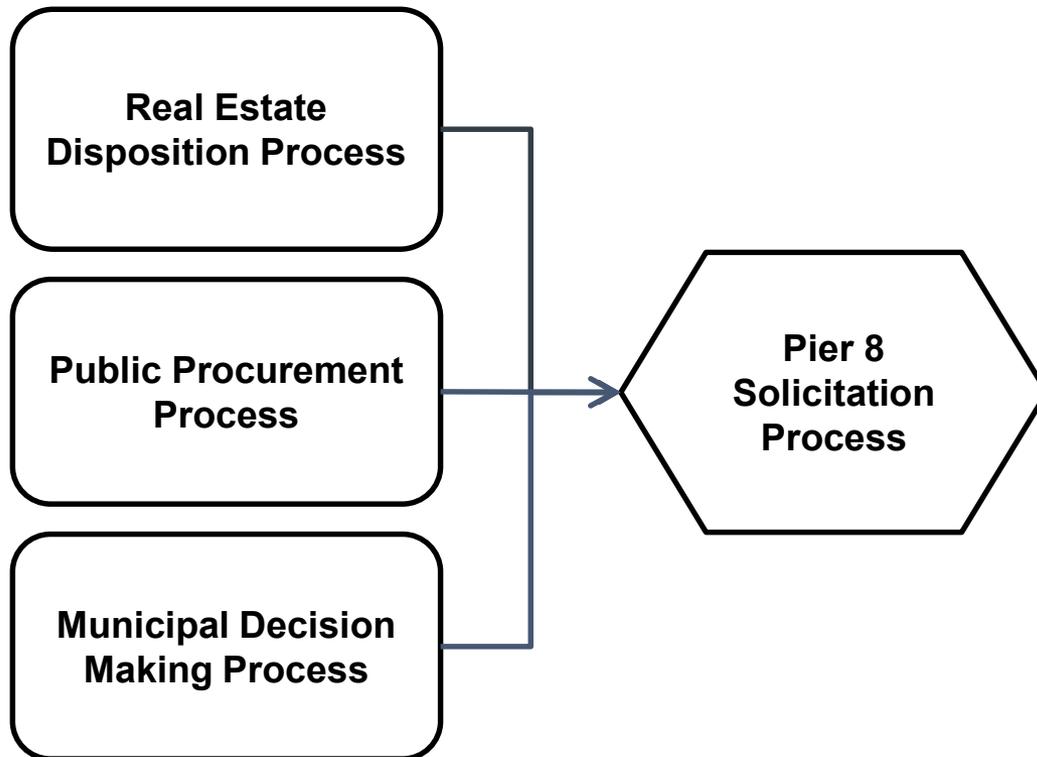
#### RFQ - RFP - Negotiation - Procurement Process



# Measures of Success

- ✓ Winning proponent brings a best-in-class concept plan that is innovative and reflects City's values
- ✓ City raises funds from sale of lands while also retaining some control over the long-term development of the site
- ✓ The waterfront is further enhanced as a desirable place for visitors and local residents – profile of the City is elevated
- ✓ Hamilton is regarded by development industry and public sector peers as a leader in partnered city-building projects

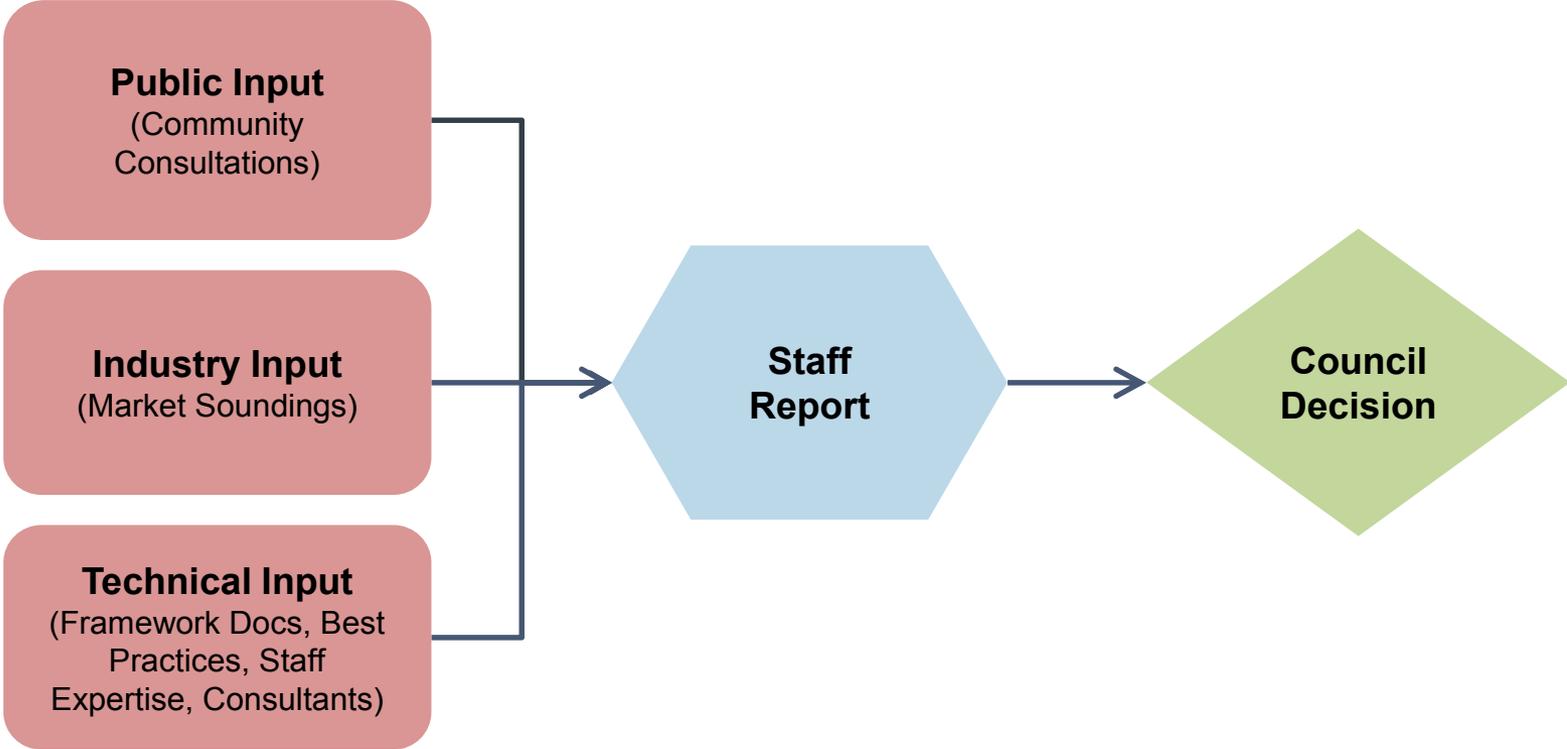
# Solicitation Process Recommendation: Balanced Inputs



## Principles:

- Open Process
- Fair Process
- Consistent Process
- Competitive Process
- Transparent Process
  - For Public
  - For Proponents
  - Clear Evaluation Criteria
  - Clear Evaluation Process
- Clear Oversight
  - Steering Comm.
  - Fairness Monitor
- Limitation on External Communications

# Solicitation Process Recommendation: Balanced Inputs



# Sequence of Events & Approvals: Original

**May 2016:** Urban Design Study adopted by Council

**November 2016:** Council approves recommended Solicitation Process

**2016**

Council & Subcommittee Briefings + Public Workshops + Market Soundings

**2017**

RFP released to Shortlist

RFQ Shortlist announced

**April 2017:** Council approves RFP Evaluation Criteria

RFP responses received

Negotiations conclude

Design Review Panel review of Site Plan stage designs

**2018**

Proponent presentations and interviews

**Q1 2018:** Finalist(s) identified / Council approves negotiation strategy

Council approves entering of contracts

**October 2018**  
End of Council Term

● Process milestone

★ Council approval required

■ GIC / Subcommittee / Public touchpoints

# Council Approval

## July 14, 2017

Report PED14002(e) – GIC Report 17-015

### Pier 8 RFP Evaluation & Scoring Framework

**Table 1: RFP Evaluation Scorecard**

	Score Allocation	Maximum Subsection Score
<b>A. Technical Proposal</b>	60%	
<b>A1. Development Plan</b>		30%
Plan Overview – Technical Specifications		Pass/Fail
Plan Overview and Design Excellence		
Residential Program		
Place-making		
Environmental Sustainability		
Public Presentation Materials		
<b>A2. Urban Innovation</b>		15%
<b>A3. Project Implementation Plan</b>		15%
Ownership and Financing		
Project Delivery		
Stewardship & Change Management		
<b>A. Financial Proposal</b>	40%	40%
<b>Total Proposal Score</b>	100%	100%

Total Score

=

Technical Proposal Score

+

Financial Proposal Score

# Evaluation Approach: Peer Review Research

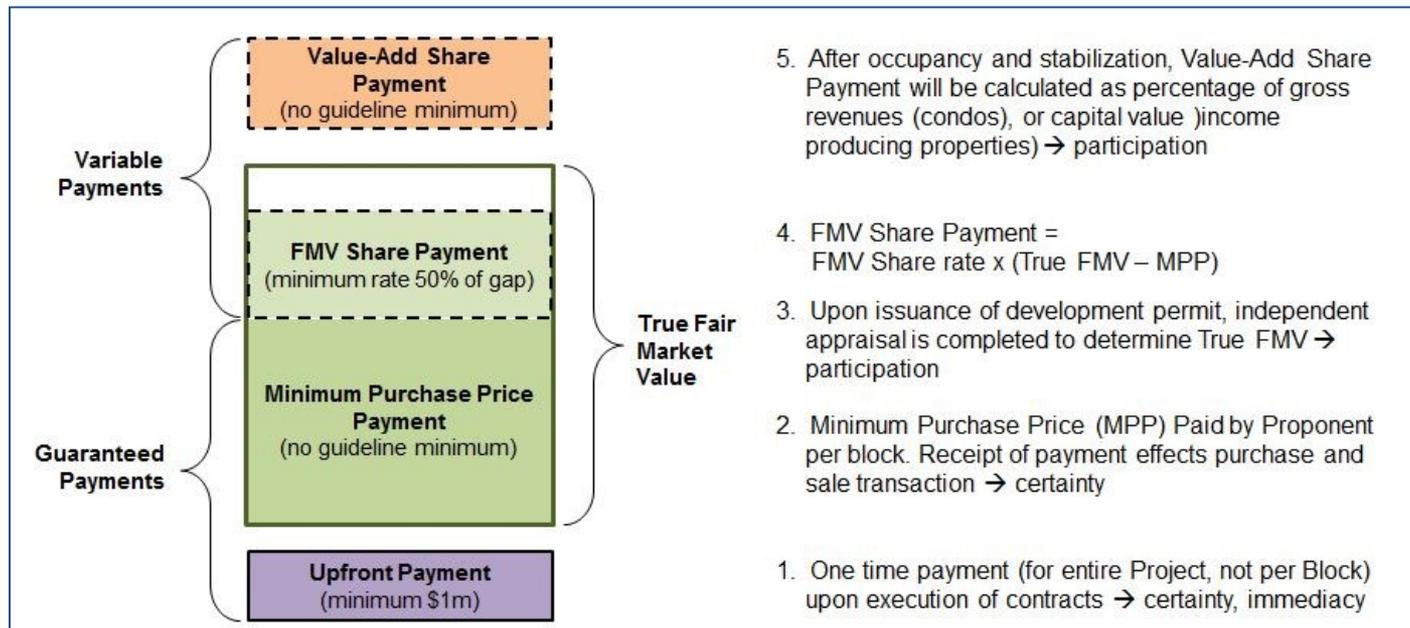
- Looked at same peer examples from PED 14002(c):
  - City of Victoria, Dockside Lands
  - City of Vancouver, Southeast False Creek
  - National Capital Commission, Lebreton Flats
  - Waterfront Toronto, Bayside
- Lessons learned:
  - Potential trade-off between technical elements and financial bids
  - Implementation is as important as conceptual plan and financial bid
  - Design against scenarios where outcome can be manipulated
  - Wide scope of objectives, means criteria and scoring gets complicated / diluted → Keep RFP scope narrower to allow focus on priority objectives

# Council Approval

## November 22, 2017

Report PED14002(f) – GIC Report 17-024

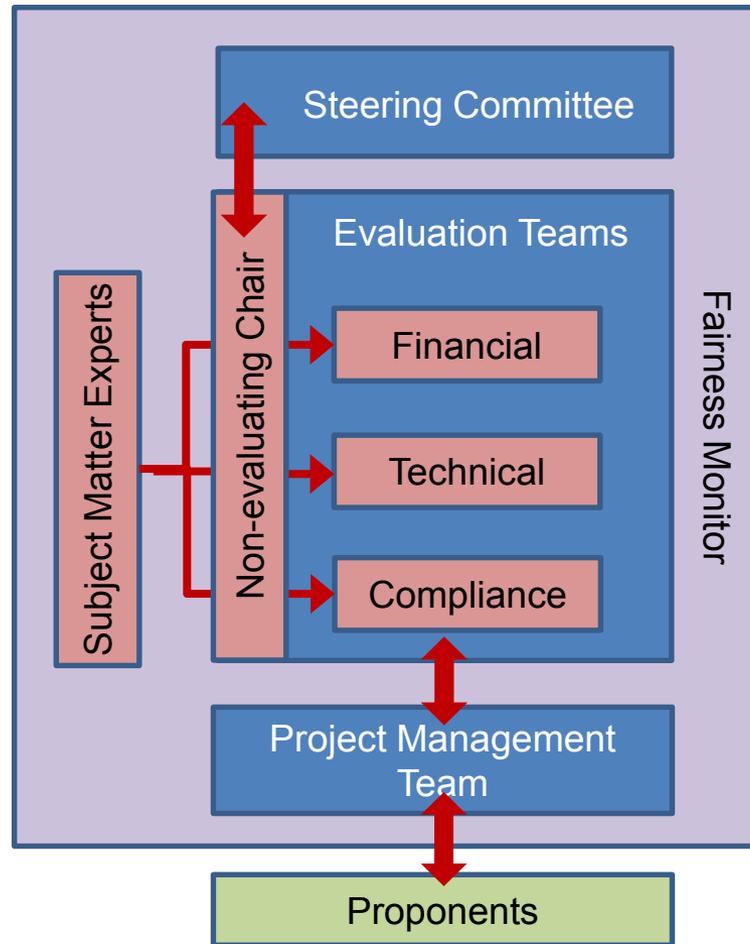
### Pier 8 RFP Financial Bid Structure



# Financial Proposals: Primary Objectives

Objective	Rationale
Retain Control of Lands	<ul style="list-style-type: none"> <li>• City retains leverage to ensure development occurs as agreed</li> <li>• Mitigates exposure to potential counterparty risks</li> <li>• City can continue to use owned lands as it wishes subject to mutual agreement</li> <li>• Potentially beneficial to developer as well – acquisition capital only needs to be deployed when closer to revenue-generating potential</li> </ul>
Certainty of Payments	<ul style="list-style-type: none"> <li>• Allows City to budget around timing and amount of revenues</li> <li>• Protects against future volatility in pricing</li> </ul>
Immediacy of Payments	<ul style="list-style-type: none"> <li>• Proceeds can be re-deployed to other priority areas at the City</li> </ul>
Participate in Value Increases	<ul style="list-style-type: none"> <li>• City makes some degree of “return” for de-risking the lands and promoting a marketable development vision</li> <li>• City is rewarded for selecting a talented developer that can create value</li> <li>• Objective appraisal, not the developer, determines the pricing the City receives</li> <li>• City benefits from future inflation and value appreciation</li> </ul>

# Evaluation Process Governance Structure



# Fairness Monitor Role & Deliverables

Fairness Monitor's role is designed to achieve several objectives:

- Confirm no barriers to open competition and that the requirements are clear to the Proponents— review procurement documents
- Confirm that all have access to the same information – attend all meetings with Proponents and review communication with the Proponents during the open period
- Confirm that appropriate measures are in place to address conflicts of interest and to ensure confidentiality
- Confirm that all submissions are treated fairly and consistently –review the evaluation process and criteria, including training materials, evaluation guides and attendance at consensus sessions
- Involved in any issues that relate to fairness throughout process

**Deliverable:** Prepare and submit a Fairness Report and Attestation that comments on the fairness of the procurement process

# Evaluation Process: Scoring

**Table 1: RFP Evaluation Scorecard**

	Score Allocation	Maximum Subsection Score
<b>A. Technical Proposal</b>	60%	
<b>A1. Development Plan</b>		30%
Plan Overview – Technical Specifications		Pass/Fail
Plan Overview and Design Excellence		
Residential Program		
Place-making		
Environmental Sustainability		
Public Presentation Materials		
<b>A2. Urban Innovation</b>		15%
<b>A3. Project Implementation Plan</b>		15%
Ownership and Financing		
Project Delivery		
Stewardship & Change Management		
<b>A. Financial Proposal</b>	40%	40%
<b>Total Proposal Score</b>	100%	100%

Total Score

=

Technical Proposal Score

+

Financial Proposal Score

# Submitting Proponent Teams

Proponent	Core Team Members	Lead Architect
GulfDream	<ul style="list-style-type: none"> <li>• Great Gulf</li> <li>• Dream Unlimited</li> </ul>	<ul style="list-style-type: none"> <li>• Hariri Pontarini Architects</li> </ul>
Tridel	<ul style="list-style-type: none"> <li>• Deltera Inc. o/a Tridel</li> </ul>	<ul style="list-style-type: none"> <li>• architectsAlliance</li> </ul>
Urban Capital / Core Urban	<ul style="list-style-type: none"> <li>• Urban Capital</li> <li>• Core Urban</li> <li>• Milborne Real Estate</li> </ul>	<ul style="list-style-type: none"> <li>• Saucier + Perrotte</li> <li>• RAW Design</li> </ul>
Waterfront Shores	<ul style="list-style-type: none"> <li>• Cityzen Development</li> <li>• Fernbrook Homes Group</li> <li>• GFL Environmental</li> <li>• Greybrook Realty Partners</li> </ul>	<ul style="list-style-type: none"> <li>• KPMB Architects</li> </ul>

# Evaluation Process: Workflow

## 1. Technical Proposal Compliance

- Land uses, height, density, parking, floor areas
- No OPA permitted – minor variance / re-zoning permitted
- Affordable housing guideline
- LEED / low-energy performance targets

## 2. Technical Proposal Evaluation

- Consistent approach to evaluate highly variable Proposals
- Technical features & higher-order city-building objectives
- Encourage innovation and “big ideas” while being pragmatic about implementation and risk exposure

# Evaluation Process: Workflow

## 3. Financial Proposal Compliance

- Land use / floor area allocations must be consistent with Technical Proposal Development Plan
- Upfront Payment not less than \$1 million
- FMV Share rate not less than 50%

## 4. Financial Proposal Evaluation

- Discounted cash flows based on Bid Form 2 inputs, summarized as a single notional Present Value to City
- Model mechanics and most base assumptions were disclosed in advance

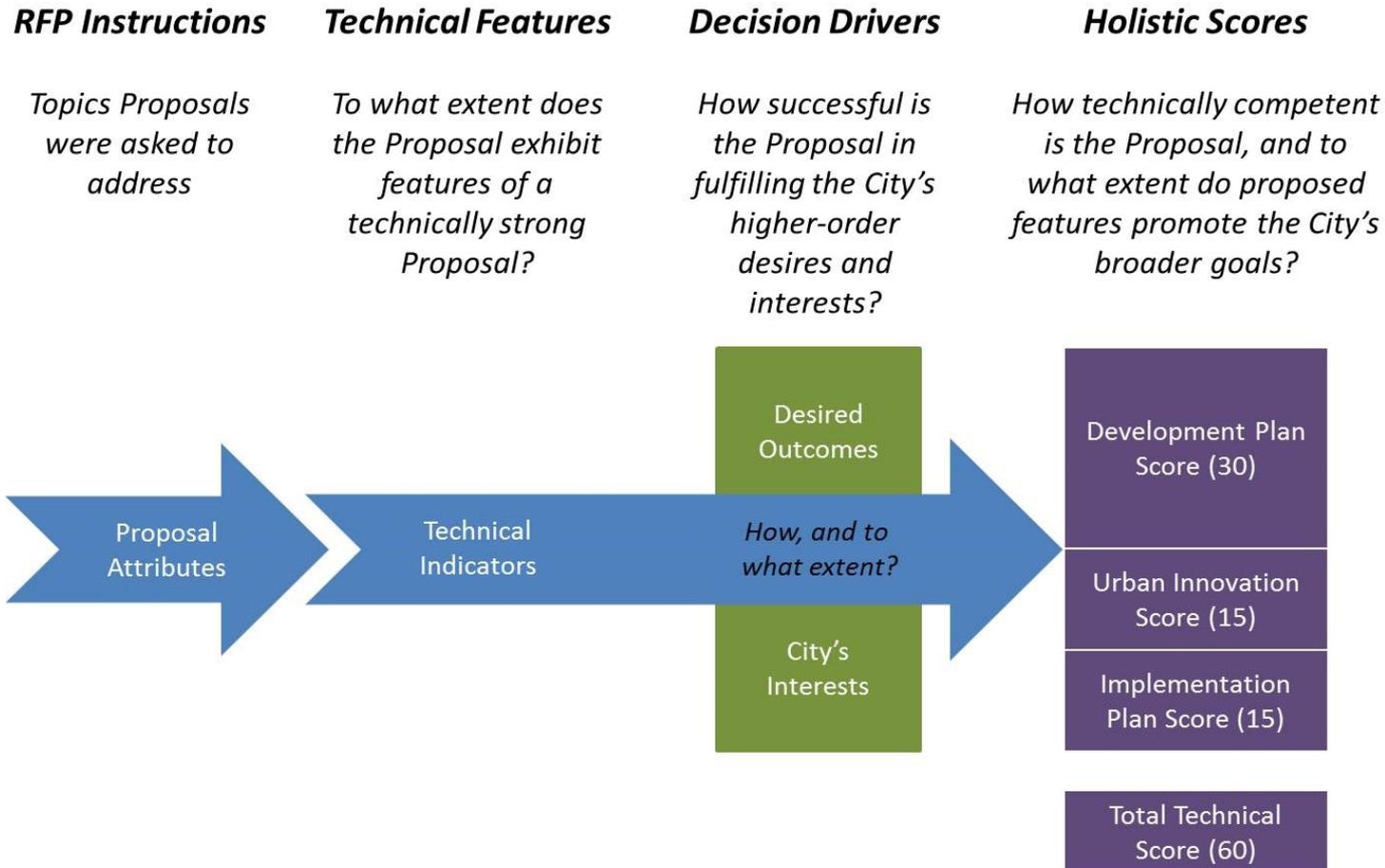
## 5. Steering Committee Meeting(s)

- Compliance, Financial, and Technical Teams presented their findings separately, confidentially to Steering Committee
- Recommendations of all three Evaluation Teams were combined to identify a final Preferred Proponent

# Technical Evaluations

- Consensus approach
  - Aligns with holistic scoring
  - Range of perspectives, open discussion
  - Score against criteria, not against each other
- Comprehensiveness of response
  - Specificity (e.g., quantifiable measures, locations, timing, etc.)
  - Execution plan/partners
  - Degree of commitment, limited conditions (especially when not in Proponent's control)
  - Risk/reward profile
- Full spectrum of scoring
  - 50<sup>th</sup> percentile is average

# Technical Evaluations



# Setting Sail & Community Vision

## 1. Setting Sail: Secondary Plan for West Harbour (adopted in 2005 and approved in 2012)

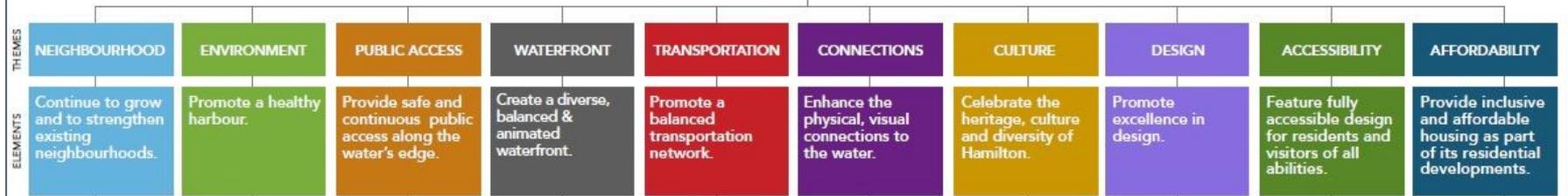
Setting Sail is a comprehensive plan for the West Harbour, including the entire Pier 7 + 8 Study Area. It identifies eight planning principles to guide development throughout the West Harbour:

- Promote a healthy harbour;
- Strengthen existing neighbourhoods;
- Provide safe, continuous public access along the water's edge;
- Create a diverse, balanced and animated waterfront;
- Enhance physical and visual connections;
- Promote a balanced transportation network;
- Celebrate the City's heritage; and,
- Promote excellence in design.

## WEST HARBOUR VISION DRAFT 1.0

Historic West Harbour has been the arrival point, the departure point, and a meeting place for generations of people. Many have made the West Harbour communities of Central, Beasley, the North End and Strathcona home for their families and their businesses. As an integral part of the residential, commercial, recreational, and creative heart of Hamilton, its residents have created a unique and dynamic culture that, together, are the West Harbour.

*The West Harbour will . . .*



# Evaluation Criteria

## *Setting Sail & Community Vision*

- Evaluation directly derived from Setting Sail & the Community Vision

To what extent does the Development Plan succeed in achieving the following project objectives and desirable outcomes?	Poor	Satisfactory	Very Good	Excellent	Not Applicable	Comments
A vibrant, mixed-use community that enhances the area while respecting the existing neighbourhoods						
An animated waterfront that offers a comprehensive cultural, recreational and retail experience for residents and visitors alike						
Enhanced physical and visual connections to the harbour and increased public access to the water's edge						
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						
A community that is inclusive of a diverse range of incomes, household configurations, and lifestyles						
A community that stands as a model of excellence in the fields of design, sustainable living, accessibility, and environmental conservation						
Consistency with established policies, vision, and Council directives						
Creative and strategic approach to all aspects of the Development Plan and delivery model						
Social, environmental and economic benefits for the City						
Balance between innovation and ease of execution						
Long-term commitment to the site and thoughtful approach to unanticipated changes (i.e., change management strategy)						
Cooperative / collaborative approach to relations with the City administration and the general public, including community and special interest groups						
Overall financial value for the City						
Fair and equitable risk-reward sharing model with the City						

# Evaluation Criteria

## *Setting Sail & Community Vision*

- Evaluation Criteria must go beyond high-level visionary statements
- Therefore the Evaluation Criteria was designed to force the Proponents to dive deeper and provide breadth and depth to its Proposal

**Residential Program**

Extent to which the proposed residential program exceeds the City's minimum affordability targets				
For the affordable housing units, creativity and practicality of solution to ensure the continuity of affordability beyond the initial homeowner				
Market rationale demonstrates a sound understanding of Hamilton's market dynamics				
Housing mix addresses the needs of a broad range of incomes, lifestyles, and household configurations				
Housing mix is family-friendly - notable percentage of larger units and features (storage, family amenities, additional bathroom)				
Building and unit typologies address issues such as accessibility and aging populations (including aging-in-place)				
Strategies to achieve diversity of target market segments is clearly foundational to the program				

# Financial Evaluation Model

- Model adjusted for each Proposal's specific allocations to land uses and suite mix, which affect:
  - Estimated FMV of Block
  - Value-Add Share payments
- Time Value of Money impacts:
  - Timing of payments dictated by Proponent – earlier is better
  - Lower discount rates applied to guaranteed payments
  - Higher discount rates applied to contingent payments

# Public Presentation Materials

- Public road show: Estimate 1,000 individual interactions
- Videos collectively watched over 18,000 times
- Over 13,000 downloads of Presentation Panels and User Stories PDFs
- Close to 400 written public comments received

**Table 1: Summary of Public Participation**  
(April 6, 2018 - April 18, 2018)

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
<b>Total</b>	<b>10,636</b>	<b>1,717</b>	<b>17,831</b>	<b>372</b>

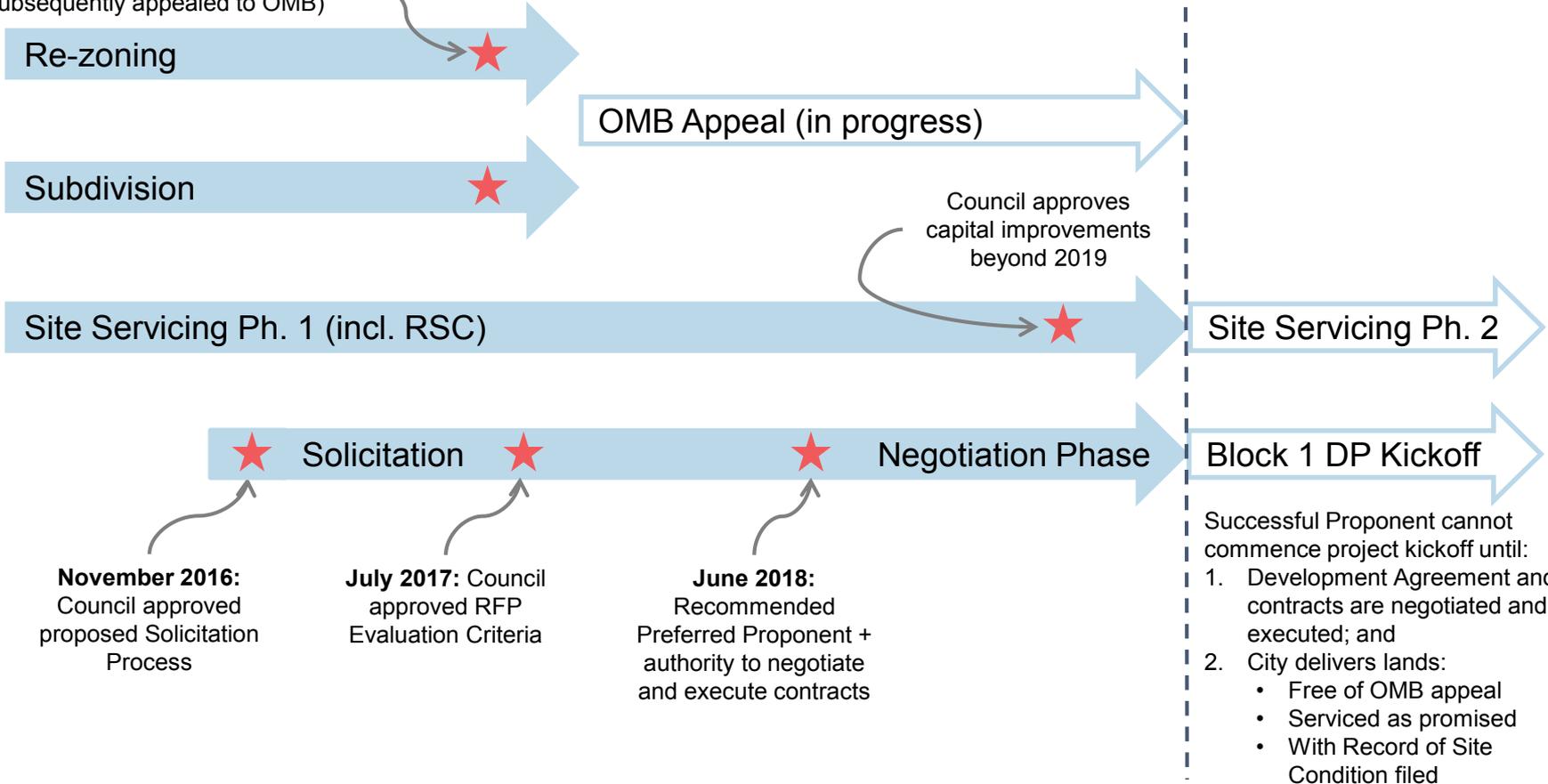
# Public Comments

## Excerpts from Public Comments Received

<b>Positive Impression</b>	<p>“...this plan would appeal to a broad population”</p> <p>“...this project team may be the most equipped with completing the project in a reasonable amount of time...”</p> <p>“...envisions multiple and not one singular neighbourhood...”</p> <p>“...this expands on the good things already happening here...”</p>
<b>Negative Impression</b>	<p>“...while this proposal appears to have more green-space, not particularly aesthetically pleasing...”</p> <p>“...don’t like that commercial space is separated from residential...”</p> <p>“...its lack of aesthetic design and failure to enhance the waterfront in a modern and useable way...”</p>
<b>Neutral Impression</b>	<p>“...there was mention of environmental design however no commitment or measurable environmental benefit such as LEED or Net Zero...”</p> <p>“...overall like this proposal and would like more details...”</p> <p>“...love the public gathering space/plaza...but too generic...”</p>
<b>Comments Not Applicable</b>	<p>“...this area should have been park lands for the benefit of everyone in the city.”</p> <p>“I’m worried that it will drive people out of the area and drive rent process up.”</p> <p>“...kind of sick of Toronto centric design firms...”</p> <p>“...wood at the water in winter?...”</p>

# Concurrent Processes – Next Steps

**May 2017:** Council approved subdivision & re-zoning applications (subsequently appealed to OMB)



- Successful Proponent cannot commence project kickoff until:
1. Development Agreement and contracts are negotiated and executed; and
  2. City delivers lands:
    - Free of OMB appeal
    - Serviced as promised
    - With Record of Site Condition filed

# Recommendations

## Report PED14002(h):

- 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.