PED 14002(C): WEST HARBOUR REAL ESTATE SOLICITATION PROCESS FOR PIER 8 LANDS

Presented to:
General Issues Committee of Council

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RECOMMENDATIONS AND APPROVAL REQUESTS

• Solicitation Process
  – Engage Fairness Monitor
  – Select Evaluation Committee
  – Launch Request for Qualifications process
  – Advance through to Shortlist Proponents

• Early-stage Offering Strategy
  – Bidding framework
  – Site attributes

• Return to Council with final RFP evaluation criteria recommendations (April 2017)
BALANCED RECOMMENDATION

Public Input
(Community Consultations)

Industry Input
(Market Soundings)

Technical Input
/Framework Docs, Best Practices, Staff Expertise, Consultants/

Staff Report

Council Decision
BEST PRACTICES

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

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

• Multiple formats, multiple opportunities for input
  – 46 touchpoints since May 2015
  – Monthly meetings, Conversation Couches, PICs
  – Awareness & engagement booths at community events
  – Survey workshops

• Workshops to inform Solicitation Strategy
  – Articulating desired outcomes, ranking priorities
  – Broad range of opinions to inform singular direction
  – 37 participants from across the City
PUBLIC CONSULTATION

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

• Altus Group led in-depth interview format – better focused than an “open call for ideas”

• Senior personnel at experienced developers, interested in Hamilton opportunities
  – REITs – Real estate Investment Trusts
  – REOCs – Real Estate Operating Companies
  – Investors – pension funds, financial institutions, etc.
  – Private developers & other interested development parties

• Wide range of opinions on most topics
MARKET SOUNDING

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

• Partnership
  – Does the process help us find the “best fit” partner(s)?

• Transparency
  – Will the process be perceived as fair, open, and competitive by both the public and private industry?

• Innovation
  – Does the process promote creativity and innovation?

• City-building
  – Can we leverage lands for more than just sale price (e.g., community benefits, control over outcomes, long-term value capture)?
PROPOSED SOLICITATION PROCESS

Prequalification (RFQ → Shortlist bidders)

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

Proposals (RFP → Finalists)

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

Negotiation (Sale & Development Agreements)

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

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

• Seeking approval to start this stage
REQUEST FOR PROPOSALS

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

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

• Fairness Monitor, Evaluation Committee

• Timing:
  – Release RFQ – Q1 2017
  – Evaluation Criteria recommendation – Q2 2017
  – Shortlist announced – Q2 2017
  – Release RFP – Q3 2017
  – Finalist(s) announced – Q1 2018
  – Contracts entered – Q2/Q3 2018

• “Decision Off Ramps” vs. “Recourse/Termination Rights”

• More competition = better outcomes for City
OFFERING STRATEGY

• Parameters, constraints, mandated features that define the development’s risk-reward profile

• Need to set direction early in the process so interested developers are aware of expectations

• Bidding Framework: Block offering, phasing, policy integrity, price discovery

• Site Attributes: Sustainability, environmental condition, affordability
OFFERING STRATEGY

• Block offering → Entire site in single process
  – Allows City to leverage greater overall value from site

• Phasing → Not pre-determined
  – Innovative concepts may require different configurations

• Policy integrity → Concept bids not conforming to Setting Sail to be disqualified (i.e., as-of-right proposals only)
  – Identifies prospective partners who are most aligned with City

• Price discovery → Price is part of overall evaluation score
  – Promotes best balance between financial benefits and community benefits
OFFERING STRATEGY

• Affordability $\rightarrow$ Possible recommendation coming April 2017 to mandate threshold for affordable ownership units
  – Options for middle-income Hamilton households

• Sustainability $\rightarrow$ No mandate for district energy
  – HCE to rationalize strategy, engineering, feasibility, and financing plans
  – Sustainability will likely focus on performance standards

• Environmental condition $\rightarrow$ Record of Site Condition
  – Reduces timing and regulatory risk for developer
  – Results in higher land price and/or closer alignment to City’s vision
SEQUENCE OF EVENTS & APPROVALS

May 2016: Urban Design Study adopted by Council

November 2016: Council approves recommended Solicitation Process

2016

Council & Subcommittee Briefings + Public Workshops + Market Soundings

RFQ call closes

RFQ call opens

2017

RFP released to Shortlist

RFQ Shortlist announced

April 2017: Council approves RFP Evaluation Criteria

Negotiations conclude

Design Review Panel review of Site Plan stage designs

2018

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

Council approves entering of contracts

October 2018 End of Council Term

Proponent presentations and interviews

Process milestone

Council approval required

GIC / Subcommittee / Public touchpoints
CONCURRENT PROCESSES

- Re-zoning
- Subdivision
- Site Servicing
- Solicitation
- Block 1 DP Kickoff

Council approves Subdivision & Re-zoning applications

Council approves capital improvements beyond 2019

Q4 2016: Council approves proposed Solicitation Process

Q2 2017: Council approves RFP Evaluation Criteria

Q1 2018: Council approves selection of Finalist(s) and authorizes execution of transaction negotiation strategy

Council approves entering of contracts
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