

# LATE DISTRIBUTION FOR COUNCIL - April 4, 2006



# A4

CITY OF VANCOUVER

## ADMINISTRATIVE REPORT

Report Date: April 3, 2006  
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Meeting Date: April 4, 2006

TO: Vancouver City Council

FROM: The Project Manager, Southeast False Creek and Olympic Village in consultation with the Director of Real Estate Services and the Director of Financial Planning and Treasury

SUBJECT: Selection of a Developer for Sub-Area 2A of Southeast False Creek Including the Olympic Village

### *RECOMMENDATION*

- A. THAT Millennium Properties Limited be selected to be the Developer for Sub-area 2A of Southeast False Creek, including the Olympic Village, subject to successful negotiation of the necessary legal agreements;
- B. THAT, should the negotiations contemplated in Recommendation A not succeed, staff be authorized to negotiate with either one or both of Concord Pacific Limited and Wall Financial Corporation to be the Developer for Sub-area 2A of Southeast False Creek, including the Olympic Village;
- C. THAT all such legal agreements be on terms and conditions satisfactory to the City Manager and the Director of Legal Services and THAT the Director of Legal Services be authorized to execute and deliver on behalf of the City, all legal documents required to implement Recommendations A or B;
- D. THAT no legal rights or obligations will be created or arise by Council's adoption of Recommendations A, B and C above unless and until such legal documents are executed and delivered by the Director of Legal Services;

AND

### *CONSIDERATION*

- E. THAT staff be instructed to pursue options for the Interfaith Spiritual Centre within the Southeast False Creek Official Development Plan area, including discussions with the Developer for Sub-area 2A as well as with private land

owners and developers, and report back to Council with an update on the options at the earliest possible opportunity.

### ***CITY MANAGER'S COMMENTS***

This report, to select a Developer for Sub-area 2A of Southeast False Creek, including the Olympic Village, is a significant milestone and concludes a selection process that began eight months ago, in August 2005, with the public issuance of the Request for Expressions of Interest. This has been a long, committed process for both staff and the developer teams, and it must be acknowledged that the three Short-listed Respondents (defined below) have provided high calibre, impressive proposals that meet or exceed the City's requirements.

Notwithstanding the high calibre of the three proposals, the findings of the Evaluation Committee are conclusive. The evaluation methodology and findings have been reviewed and it is recommended that Millennium Properties Limited be selected to be the Developer for Sub-area 2A including the Olympic Village, on the basis of best value to the City. Millennium Properties Limited has put forward a comprehensive proposal that meets or exceeds the City's requirements and offers the highest Purchase Price, without conditions.

This decision, like most decisions related to the Olympic Village, is of a time sensitive nature. Following Council's decision, staff will move quickly into negotiating the necessary legal agreements and working with the Developer to prepare the designs and a rezoning package which must be before a public hearing in early fall of 2006.

Finally, Consideration E acknowledges and builds on the progress made during the selection process by both the Interfaith Spiritual Centre proponents as well as the developer teams. If so directed by City Council, staff will pursue options with both the Developer of Sub-area 2A and the private land owners and developers for locating and building the Interfaith Spiritual Centre within the Southeast False Creek Official Development Plan area.

The City Manager therefore supports RECOMMENDATIONS A, B, C and D and advances CONSIDERATION E for Council's consideration.

### ***COUNCIL POLICY***

The Southeast False Creek ("SEFC") Official Development Plan ("ODP") Bylaw was enacted by City Council in July 2005 (a copy of the ODP is available at the City Clerk's office).

On January 20, 2006, City Council instructed staff to work with the city and private land developers in SEFC Sub-area 2A to achieve beneficial housing solutions targeted to modest market (middle income) consumers with an objective to achieve 33% such housing.

On March 7, 2006 City Council approved amendments to the SEFC ODP Bylaw, which were enacted on March 21, 2006 (a copy of the ODP amendment is available at the City Clerk's office).

On March 21, 2006, at an In-Camera meeting, City Council approved the transfer of the market development sites on the City-owned lands in SEFC Sub-area 2A, including the Olympic Village, to the Developer on a freehold basis.

### ***PURPOSE***

The purpose of this report is to present Council with the results and recommendations of the staff evaluation committee ("Evaluation Committee") with respect to the Request for Proposals for the developer of SEFC Sub-area 2A including the Olympic Village (the "RFP"), and to seek Council's approval of a Developer for SEFC Sub-area 2A, including the Olympic Village. This report and analysis contained herein is based on the housing mix set out in the amended ODP and on freehold land tenure for all market development sites.

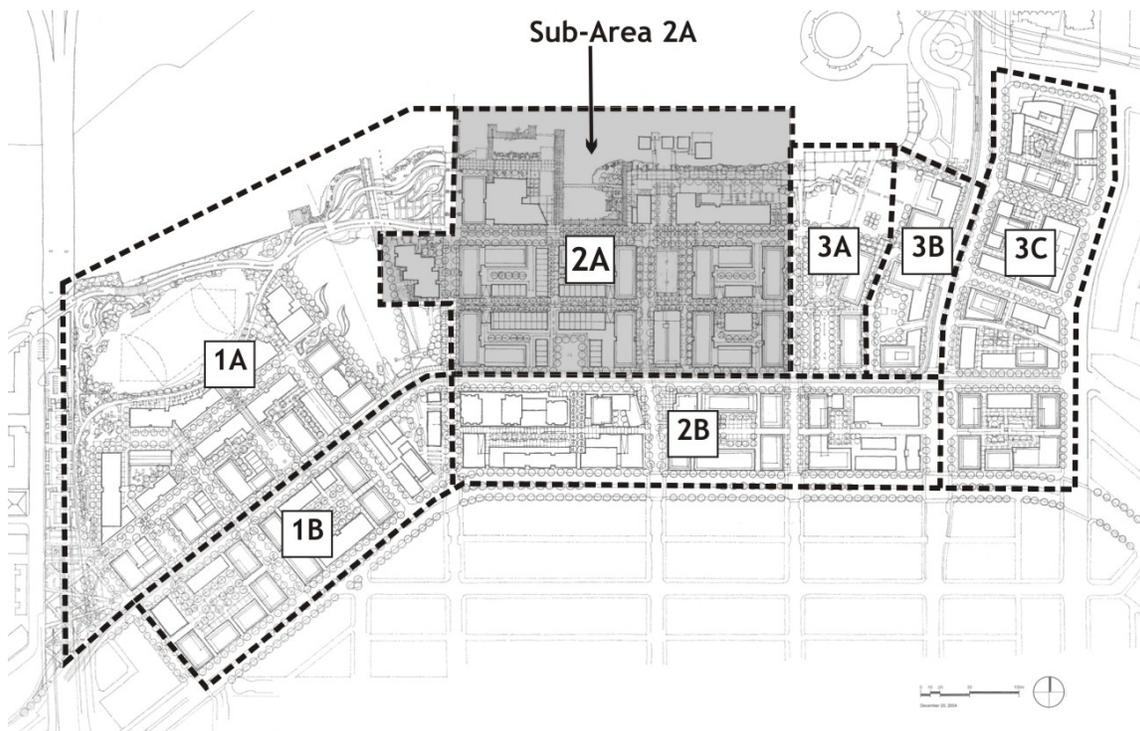
### ***BACKGROUND***

Following the selection in July 2003 of Vancouver as the Host City for the 2010 Winter Olympics, City Council established in early 2005 the SEFC and Olympic Village Project Office ("Project Office") to lead the development of the City-owned land in SEFC, which is approximately 50 of the 80 acres in the SEFC ODP area, as well as to develop the infrastructure for the entire ODP area. The Project Office's first priority is to build that portion of the SEFC community to be used as the Olympic Village in 2010.

The Project Office began site preparation for the Olympic Village in January 2006, and is currently constructing a cofferdam to facilitate site preparation work. Road excavation and construction and densification of the shoreline will begin in April 2006. The Project Office intends to have the site servicing substantially completed by spring 2007 and, subject to the selection of the Developer as set out in this report, to begin construction of the buildings to be used for the Olympic Village shortly thereafter.

Following the enactment of the SEFC ODP Bylaw in July 2005, the City began the process to select a Developer for the design and construction of the buildings for the Olympic Village in Sub-Area 2A, which is entirely City-owned but for a small parcel at Manitoba Street and First Avenue and a small parcel near Ontario Street and First Avenue.

Figure One: Illustration of Sub-area 2A of the ODP



In August 2005, a public Request for Expressions of Interest (RFEI) was issued to the development community. Five developer teams expressed interest in the project and submitted Expressions of Interest to the City:

- Concord Pacific Ltd (“Concord”);
- Concert Properties Ltd (“Concert”);
- Millennium Properties Ltd (“Millennium”);
- Wall Financial Corporation (“Wall”); and
- Windmill Developments Ltd (“Windmill”).

During the evaluation phase, Concert withdrew its Expression of Interest, leaving four developer teams in the process. Following an in-depth review, City staff concluded that all four remaining developer teams met the prequalification requirements for the project and, on October 18, 2005, City Council approved the short list of these four developer teams (the “Short-listed Respondents”) to be advanced to the more detailed RFP stage of the selection process.

On December 7, 2005, the RFP was issued to the four Short-listed Respondents, followed by 22 addenda (those portions of the RFP and addendum that can be released at this time are available at the City Clerk’s office). Only the four pre-qualified Short-listed Respondents were invited to respond to the RFP. Information sessions were held for Short-listed Respondents on December 21, 2005, January 26, 2006, and February 27, 2006. The RFP closing date was initially set as January 31, 2006 but was extended first to February 21, 2006 and then to March 3, 2006. Prior to the RFP closing date, Windmill withdrew from the

process. When the RFP closed on March 3, 2006, proposals were received from Concord, Millennium, and Wall (the "Respondents").

At Public Hearing on March 7, 2006, Council approved changes to the SEFC ODP Bylaw and enacted the amended ODP Bylaw on March 21, 2006. This amendment changed the housing mix and the number of childcare facilities to be funded by the City. The RFP requested proposals based on this possible outcome.

Further, on March 21, 2006, at an In-Camera meeting, City Council approved the transfer of the market development sites on the City-owned lands in SEFC Sub-area 2A, including the Olympic Village, to the Developer on a freehold basis (approximately 6.5 acres of the 50 acres owned by the City in SEFC). The RFP requested proposals based on this possible outcome.

### *DISCUSSION*

#### 1. The RFP

The RFP was structured to provide the framework and the details of the development for SEFC Sub-area 2A, including the Olympic Village, to enable the Short-listed Respondents to prepare proposals for the design and construction of the buildings and the lease or purchase of the development sites (the "Developable Parcels"), as shown below in Figure Two.

Figure Two illustrates the division of Sub-area 2A into parcels; the dark-numbered parcels 2, 3, 4, 5, 6, 9, 10, and 11 being the Developable Parcels that were included in the scope of the RFP.

Figure Two: Illustration of the Developable Parcels



As set out in the RFP, the Developer will:

- assemble a team with extensive experience in architecture, landscape architecture, engineering, sustainable practices, green building design, cost consulting/development economics, universal access, building code, Certified Professional (“CP”), Olympic Village development, and project management as a minimum;
- enter into a legal agreement with the City for the lease of some or all of the Developable Parcels, or portions thereof, until the end of the Exclusive Use Period (the “Ground Lease”);
- enter into a legal agreement that lays out the terms and conditions under which the Developer’s Parcels will be purchased and the Market Housing, Commercial space, and Choice of Use space will be developed pursuant to the Ground Lease, and stipulate a fee to be charged to the City by the Developer for the construction of the Affordable Housing, Community Centre, Child Care Facility and related underground parking facilities (the “Development Agreement”);
- source financing for the project, with the exception of the financing required for the construction of the Affordable Housing, Community Centre, Child Care Facility, and related underground parking facilities;
- address the requirements of the SEFC ODP and supporting Council policies and resolutions;
- obtain a rezoning for the Developable Parcels, which will determine the locations of the Affordable Housing, Market Housing, Commercial Space, Choice of Use space, and related underground parking facilities;
- obtain all necessary permits for the project, including development, building, and occupancy permits;
- design and construct all of the buildings on the Developable Parcels:
  - in accordance with the ODP and CD-1 zoning;
  - in conformance with the requirements of the International Olympic Committee (“IOC”) and Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (“VANOC”), as outlined in the VANOC Games Mode Specifications included in the RFP;
  - in conformance with the Services provided by the Project Office; and
- enter into a legal agreement to the satisfaction of the City that will give the City unrestricted use of the project between November 1, 2009 and April 7, 2010 (the “Exclusive Use Period”) including the ability to transfer those rights to VANOC for the Exclusive Use Period, and to ensure that all City-owned buildings and facilities are completed to finished condition following the Exclusive Use Period.

It is important to note that the RFP was not structured to be a design competition; rather it was set out as a performance-based evaluation that measured abilities, commitments, and deliverables. The SEFC ODP was developed through a public input process, and it provides a high degree of certainty to the urban form and design, sustainability, and public amenities for the project. Short-listed Respondents were clearly advised that the RFP process was not an architectural competition and, as such, were not required to submit architectural renderings or concepts as part of their proposals.

The fundamental principle of the RFP is that the development of Sub-area 2A including the Olympic Village is to meet or exceed all of the requirements in the SEFC ODP, while also meeting the City’s obligations to VANOC to provide accommodation and services for up to 2,800 athletes and officials during the Exclusive Use Period.

The RFP states that proposals would be evaluated on the basis of “best value” to the City. The evaluation criteria included, but were not limited to:

- the Purchase Price;
- the fees to be paid for the construction of the Affordable Housing, Community Centre, and Child Care Facility and related underground parking facilities;
- the fulfillment of the City’s social, economic, and environmental objectives;
- delivery of the Olympic Village by the start of the Exclusive Use Period; and
- completion of the project for its desired end use.

## 2. The Evaluation Committee

An Evaluation Committee comprised of eight senior staff was struck to undertake the evaluation of the Respondents’ proposals. An additional three non-voting staff members also provided support and resources, and a fourth non-voting committee member from VANOC provided technical advice and resources related to the VANOC Olympic Village requirements.

The Evaluation Committee reviewed each proposal in detail using the evaluation matrix (“Evaluation Matrix”) and methodology described below. Respondents were also invited to participate in formal interviews with the Evaluation Committee.

## 3. Evaluation Matrix and Methodology

A significant amount of preparatory work was spent on the development of the methodology and process to be used to evaluate the Respondents’ proposals. The draft Evaluation Matrix was reviewed with the SEFC Stewardship Group as well as with the Short-listed Respondents. The intention was to be transparent with the Short-listed Respondents as to which criteria their proposals would be evaluated upon, and to give Short-listed Respondents the opportunity to address those criteria in their proposals. With this in mind, the Evaluation Matrix was finalized in advance of the issuance of the RFP and was included in the RFP document.

To ensure that proposals complied with the SEFC ODP, including the significant social, economic, and environmental sustainability and urban design requirements, the City’s SEFC Technical Committee, an internal review group comprised of City technical and regulatory staff, was consulted extensively. The SEFC Technical Committee provided input into the development of the Evaluation Matrix through a series of meetings and workshops. The experience of other sustainable development projects was considered during the development of the Evaluation Matrix. Staff is confident that the resulting SEFC Evaluation Matrix sets a high standard for evaluating sustainable development proposals.

The Evaluation Matrix includes 57 individual evaluation criteria, grouped into three categories:

**PART ONE: Short-listed Respondent Evaluation** - considers the Short-Listed Respondent Team, and its ability to finance and construct the project. These evaluation criteria include:

- **team** (composition of team, conflict and/or collusion, previous experience, quality of the proposal, reference checks, interview);
- **ability to finance and construct** (timing and delivery strategy, full cost accounting, project financing, trades and construction, soil remediation); and
- **land ownership strategies** (holding costs, land ownership and tax strategy, leasehold versus freehold).

**PART TWO: ODP Requirements** - outlines the ODP requirements and measures the Short-listed Respondent's ability to comply with those requirements, and includes the Purchase Price. These evaluation criteria include:

- **urban structure and sustainable community** (integration with the site services plan, universal design, neighbourhood amenities, built form);
- **housing** (housing mix, families with children, affordable housing and families);
- **high performance/green buildings** (residential and commercial buildings, Community Centre and Childcare Facility, SEFC Green Building Strategy);
- **commercial strategy** (ground-oriented commercial);
- **parking and transportation** (parking strategy);
- **VANOC requirements** (Olympic Village gross accommodation requirements, Olympic Village space per athlete and athlete per bathroom ratios);
- **urban design principles** (12 major organizing principles in the ODP);
- **sustainability principles** (11 social, economic, and environmental sustainability principles in the ODP); and
- **Purchase Price offered** (dollar value).

**PART THREE: Developer's Choice** - outlines the flexible ODP requirements and measures the Short-listed Respondent's "Developer's Choice" package to complement or exceed the requirements of the ODP, and includes the Purchase Price. These evaluation criteria include:

- **urban structure and placement** (architectural variety, neighbourhood character, Interfaith Spiritual Centre);
- **housing** (housing mix, modest market housing, housing diversity);
- **high performance/green buildings** (additional LEED performance to Gold level, additional LEED performance to Platinum level, LEED registration and certification, building scale rainwater management, building scale energy efficiency, urban agriculture);
- **commercial strategies** (commercial strategy, "green" commercial strategies, choice of use, provision of a grocery store, plaza underground parking facility);
- **community economic development** (benefits agreements, employment creation);
- **alternative transportation** (alternative transportation priority, innovative Transportation Demand Management);
- **demonstration and education** (education, innovation and excellence);
- **VANOC options** (Games Mode specifications, optional work for VANOC); and
- **Purchase Price offered** (dollar value).

The point weightings for the Evaluation Matrix were not included in the RFP document and were not distributed to the Short-listed Respondents to eliminate any possible biases in proposals arising from “point chasing”.

While the Short-listed Respondents were preparing their proposals, the Project Office finalized the weightings through a process involving the direct input of the SEFC Technical Committee. The Evaluation Committee confirmed and documented the weightings prior to reviewing the Respondents’ proposals.

Each member of the Evaluation Committee reviewed each proposal and determined a raw score for each criterion using the descriptions in the Evaluation Matrix and the relevant sections in the ODP and RFP to guide their raw scores. The Evaluation Committee reviewed the members’ raw scores in group format and the weighting was then applied to the median of the voting members’ raw scores. The weighted scores were summed to determine the point score for each proposal for Parts One, Two, and Three.

The total proposal scores for Parts One, Two, and Three were compared to the Purchase Price offered for each proposal. Purchase Price was not assigned a fixed weight at the outset as the RFP was issued on the basis of “best value” to the City. In order to determine which of the proposals offered best value, a sensitivity analysis was performed to measure the impact of Purchase Price on the total points achieved for each proposal.

#### 4. Evaluation Results

All three proposals met the SEFC ODP requirements as set out in the RFP, and all three proposals were deemed compliant and were accepted.

The detailed evaluation of the three proposals, using the Evaluation Matrix, yielded a significant finding: that the three proposals were of a remarkably high calibre and were very close in terms of Evaluation Matrix points. All three Respondents showed a strong commitment to the project, assembled impressive teams, invested a significant amount of resources, and submitted comprehensive and well thought-out proposals that addressed all of the ODP and RFP requirements.

However, following the rigorous evaluation methodology set out in section 3 of this report, the voting Evaluation Committee members unanimously recommend Millennium to be selected as the Developer for Sub-area 2A, including the Olympic Village, on the basis that Millennium’s proposal offers best value to the City. The unanimity in the Evaluation Committee’s recommendation comes from three compelling factors:

- the Millennium proposal meets or exceeds all ODP requirements;
- Millennium has the experience, capacity and expertise to complete major projects and staff believes Millennium can complete the Olympic Village on time and meet or exceed VANOC’s needs; and
- Millennium’s Purchase Price is the highest and is unconditional in that it is guaranteed to the City with no risk sharing.

Staff recommends that Millennium be selected to be the Developer for SEFC Sub-area 2A, including the Olympic Village, subject to the successful negotiation of the necessary legal agreements. Given the short time line for the project, staff further recommend that, should the negotiations with Millennium not succeed, that staff be authorized to negotiate with either one or both of Concord Pacific Limited and Wall Financial Corporation to be the Developer for Sub-area 2A of Southeast False Creek, including the Olympic Village.

## 5. The Millennium Proposal

The Millennium team has 17 firms participating in its proposal. Millennium would lead key components of the project with its own in-house resources. The proposed architecture team is led by Merrick Architecture Borowski Lintott Sakumoto Fligg, with Gomberoff Bell Lyon, Thornly BKG, and Durante Kreuk. The Engineering team includes Glotman Simpson, Cobalt, Acumen, and Vector. The specialist team includes Pioneer Consultants, Graham Harmsworth Lai & Associates, Keystone Environmental, Aqua Tex Scientific, Morrison Hershfield, and Ward Consulting. The Construction team includes MetroCan, Norson, and Millennium Construction.

Highlights of the Millennium proposal include:

- meets or exceeds all of the SEFC ODP requirements;
- guaranteed, unconditional price of approximately \$193,000,000 that does not ask the City to assume any of the marketing or financing risk in the development;
- a strong in-house and consultant team;
- a project financing plan that is independent of pre-sales or market conditions;
- a modest market housing strategy including:
  - integration of modest market housing with the market housing;
  - rent-to-own programs to allow tenants to create financial equity;
  - live work units to allow for mortgage payments to be, in part, tax deductible;
  - investment rental program to encourage investors to place their units into a rental pool to offer rental rates within the modest market housing guidelines;
  - compact units which result in purchase prices within the modest market housing guidelines; and
  - a willingness to review with the City options to provide subsidized units in exchange for flexibility in the development (subject to review by the City);
- a sustainability strategy that includes reduction of potable water use and energy consumption and community goal monitoring to measure success;
- a green building strategy that commits to working with the City to try to achieve LEED Gold and LEED Platinum standards for the project rather than the LEED Silver requirements set out in the ODP;
- a timeline strategy that responds to the tight timeline required for rezoning and permitting by allocating more time up-front for these purposes;
- a strategy for meeting and exceeding VANOC Olympic Village requirements, coupled with a commitment to work with VANOC to assist for preparations during the Exclusive Use Period;
- an Affordable Housing strategy that delivers the Affordable Housing at the earliest possible date;
- a trades and construction strategy that includes Millennium's in-house forces as well as trades contractors, with acceleration and bonusing strategies;

- an urban design strategy that emphasizes several design approaches to the building of the community to create architectural variety, including at least three architectural teams; and
- employment opportunities strategies that include:
  - registration with the Building Opportunities with Business Inner City Society (“BOB”) to hire inner-city residents;
  - commitment to providing jobs and business opportunities for people in the Downtown Eastside and to giving business to businesses in the Downtown Eastside;
  - funding for training programs; and
  - working with the aboriginal community to create training and employment opportunities.

## 6. Interfaith Spiritual Centre

The Interfaith Spiritual Centre (the “Centre”) is an important element of the SEFC ODP. Although the ODP is not specific as to where the Centre will be located, the Project Office included the Centre as an option in the RFP to consider it for location in Sub-area 2A. No points were assigned to this category in the Evaluation Matrix: the Respondents were free to include it or exclude it from their proposals provided it did not negatively impact the project.

All three Respondents indicated support for the Centre and a willingness to work with and help the organizers locate the Centre within or immediately adjacent to Sub-area 2A, potentially in time for 2010, subject to working out the details. Specifically, Millennium states in its proposal:

*“We support incorporating the Interfaith Spiritual Centre as part of the Project and are committed to pursuing it in a manner which will be satisfactory to the City of Vancouver, the Spiritual Centre proponents and ourselves.”*

Noting the level of support for the Centre, but recognizing that the City will have to carefully consider urban design impacts, density issues, logistics, and timing, it is recommended that Council instruct staff to continue to explore all options for the Centre, including continuing discussions with the Developer, and report back to City Council with an update.

### **FINANCIAL IMPLICATIONS**

The Millennium proposal offers approximately \$193,000,000 to the City for the sale of the development sites to be used for Market Housing, Commercial space, Choice of Use space, and related underground parking facilities. The Millennium proposal offers to design and manage construction of the Affordable Housing, Child Care Facility, the Community Centre, and related underground parking facilities for the City at a fee of 8% in addition to the actual construction cost (the fee is roughly estimated to be \$5 million).

City Council has instructed staff to report back, prior to the rezoning of Sub-area 2A, with an update on the financial analysis for the SEFC development. The report back will present a revised pro-forma for the development including both updated revenues as well as updated expenditures, most of which are rising. In particular, preliminary estimates currently being compiled confirm that significant construction cost escalations are expected on the site servicing and public infrastructure work. Staff cautions Council not to draw any conclusions

about the revised revenue figures arising from the RFP with respect to their impact on the SEFC pro-forma until the revised expenditure information is included in the analysis.

***PERSONNEL IMPLICATIONS***

All of the Respondents noted that the timing of the rezoning, permitting and construction of the Olympic Village is challenging. It has been suggested that the City may wish to pursue a parallel, rather than sequential, rezoning and permitting process to help meet the tight timeline. City staff is pursuing options to streamline the City process, including considering the suggested parallel process.

Staff also notes that the high sustainability standards for the project will require a higher level of staff involvement in the design, development, permitting, and construction activities. This may require a review of existing City By-laws and equivalencies. In particular, the high green building design objectives will require a pro-active and resourced approach from the City in order to help drive the process and achieve the desired outcome.

Given the importance of meeting all milestones on this project, staff believes that a realignment of regulatory resources combined with some temporary staffing may be required, and that this matter may need to be reported back to City Council once a work program and schedule is finalized with the Developer.

***CONCLUSION***

Following a comprehensive evaluation of the three proposals received based on best value to the City, it is recommended that Millennium Properties Limited be selected as the Developer for Sub-area 2A of the SEFC City-owned lands, including the Olympic Village, subject to the successful negotiation of the necessary legal agreements to the satisfaction of the City. Council is also presented with a consideration to have staff pursue options regarding the Interfaith Spiritual Centre.

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