

Special City Council Meeting Agenda



Monday, July 16, 2018 – 6:00 p.m.

Council Chambers, Guelph City Hall, 1 Carden Street

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Open Meeting – 6:00 p.m.

Disclosure of Pecuniary Interest and General Nature Thereof

IDE-2018-106 Baker District Redevelopment – RFP Findings and Recommendations

Presentation:

Scott Stewart, Deputy CAO, Infrastructure, Development and Enterprise Services
Martin Jewitt, Project Manager, Portfolio Development

Recommendation:

1. That Staff be authorized to enter into a Letter of Intent with the preferred development partner as identified through the "10-094 Request for Proposals the Baker District Mixed-Use Development from the Pre-Qualified Development Teams" process.
2. That \$500,000 be approved for the 2018 capital budget in order to advance the Baker District Redevelopment planning and implementation processes, to be funded from debt previously allocated for land purchases within the Baker District.
3. That Staff report back to Council on progress by end of Q2 2019.

Adjournment

Staff Report



To **City Council**

Service Area Infrastructure, Development and Enterprise Services

Date Monday, July 16, 2018

Subject **Baker District Redevelopment – RFP Findings and Recommendations**

Report Number IDE-2018-106

Recommendation

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2. That \$500,000 be approved for the 2018 capital budget in order to advance the Baker District Redevelopment planning and implementation processes, to be funded from debt previously allocated for land purchases within the Baker District.
3. That Staff report back to Council on progress by end of Q2 2019.

Executive Summary

Purpose of Report

The purpose of this report is to provide Council with information regarding the current status of the Baker District Redevelopment and obtain the direction required to advance the planning and execution of the redevelopment in collaboration with the preferred development partner.

Key Findings

- In July of 2017, Council endorsed the Baker District Project as the Corporation’s priority program of work and directed Staff to implement a Request for Proposal (RFP) process for the Baker District Redevelopment.
- In August of 2017, Staff undertook the process to initiate a Request for Qualifications (RFQ) and an RFP, the implementation of which was completed in accordance with the City of Guelph’s Tier 1 Project Management Governance.

The expected outcome of the RFQ/RFP process was to identify a development partner with the experience, financial capability, master planning and design skills, and ambition to realize, in partnership with the City, a unique mixed-use development for the Baker District site;

- On November 30 2017, the RFQ was released to the marketplace in order to identify and shortlist qualified developers. In total, there were 47 registered plan takers from the City's Bids and Tenders page and 10 formal submissions were received when the RFQ closed on January 26, 2018. After a review of the RFQ submissions, four qualified development teams were shortlisted to proceed to the RFP stage;
- On February 13 2018, Council directed Staff to include 88,000ft² for the new central library in the RFP stage. At the same meeting, Council also approved \$1.9 million to allow for the establishment of preliminary design concepts and construction costs for the library component of the Baker District Development.
- On April 11 2018, the RFP was released to the shortlisted development teams and closed on June 8, 2018. Responses were received from all four shortlisted development teams. Proposals were evaluated in accordance with the procedures set forth in the Procurement By-law Number (2018) – 20259, and the recommendation of the preferred development partner has been endorsed by the Baker District Project Steering Committee.
- Due to timeline constraints in the preparation of reports, the preferred development partner will be identified by Staff in addenda to this report and prior to the July 16 2018 Council meeting.
- Subject to Council direction, the next step in the redevelopment process will be to enter into negotiations in which the City and the preferred development partner will identify the scope and business terms for the proposed development. The expected outcome of the negotiation phase is an executed commercial agreement between the City and the preferred development partner that will specify the conditions under which the property can be developed.

Financial Implications

- Since 2007 the City has invested approximately \$7.3 million in the redevelopment of the Baker District. Funding has been directed towards activities such as environmental assessments, archeological remediation and property acquisitions. Additionally, the City has invested in the planning, policy and regulatory framework necessary to realize the development; specifically the Downtown Secondary Plan and the Downtown Zoning By-law. Most recently the investments have been directed towards the identification of the Baker District as the priority program of work in, the subsequent implementation of the RFP process and the allocation of funding towards the design and construction costs for the library component of the development. In addition to the direct financial contributions to the Baker District, the City has also invested in the supporting infrastructure work required to facilitate the development, most notably the \$22 million invested in the Wilson Street Parkade. Collectively, the direct and indirect

investments made towards the Baker District Redevelopment total over \$29 million.

- Over the next 36-48 months it is estimated that an additional \$25 to \$30 million dollars will be necessary to fully unlock the site for development through the funding of the key activities including property acquisitions and demolitions, environmental investigations and rehabilitation, archeological remediation and site servicing and preparation. Ensuring that the costs for these activities are being allocated fairly and proportionally between the City and the preferred development partner is the purpose of the negotiations phase. The expected cost to complete the negotiations is approximately \$500,000 over the next 12 to 18 months.
- By investing the necessary resources during the planning and negotiations stage, the City expects to realize greater certainty on scope and costs for both the enabling works as well as the procurement costs for the public assets.
- While the actual Baker District Redevelopment costs (both City and developer) are yet to be determined, the overall direct capital investment is estimated at \$230 to \$265 million. When combined with the direct and indirect costs incurred to date, as well as the future indirect infrastructure renewal costs, the overall investment in the Baker District redevelopment will total approximately \$315 to \$360 million.
- Through the capital budget and forecast development currently on-going, City Staff are working to build in all known capital costs for Baker District and to assess various funding mechanisms and financing options available.

Report

Background

In July of 2016, Council directed Staff to embark upon a formal process to engage with the market and identify potential partners to assist in the redevelopment of Downtown City-owned real estate. The process that was endorsed by Council included the following four stages:

- **Stage 1: Expression of Interest (EOI)** – Intended to confirm market interest and feedback on Baker District and other downtown real estate, as well as the proposed Request for Proposal (RFP) structure.
- **Stage 2: Request for Qualifications (RFQ)** – Intended to identify qualified development teams and obtain early feedback on development interest.
- **Stage 3: Request for Proposal (RFP)** – Intended to identify a preferred partner.
- **Stage 4: Contractual Stage** – Intended to establish (through negotiations) the business terms, partnership obligations and various legal agreements relating to the development.

A full account of the Real Estate Partnership process and Staff recommendations can be found in [Report IDE-BDE-1611](#) (page 219) as presented to Council July 5, 2016.

Subsequent to Council's direction it was determined, through further consultation with Staff and the consultant's Projects and Economics team, to modify the Stage 1 - Expression of Interest to a Request for Information (RFI). An account of the change in the process can be found in [Information Report IDE 17-18](#). The RFI was released on December 21, 2016 and closed on February 2, 2017.

On July 17, 2017 the results of the RFI were presented to Council which concluded that the Baker District property would provide the best prospect for private investment interest and that the City should consider this property as the priority property to market. In addition to the RFI findings, Staff noted that they had received several serious and unsolicited developer inquiries regarding the potential redevelopment of the Baker District, further suggesting the need to advance the Baker District property to market.

In consideration of the RFI findings and Staff recommendations, Council endorsed the Baker District Project as the Corporation's priority program of work and directed Staff to implement a Request for Proposal (RFP) process for the Baker District Redevelopment. A full account of the results and recommendations of the July 17, 2017 Council meeting can be found in [Report IDE-17-71](#) (page 11).

Overall Redevelopment Process and Expected Outcomes

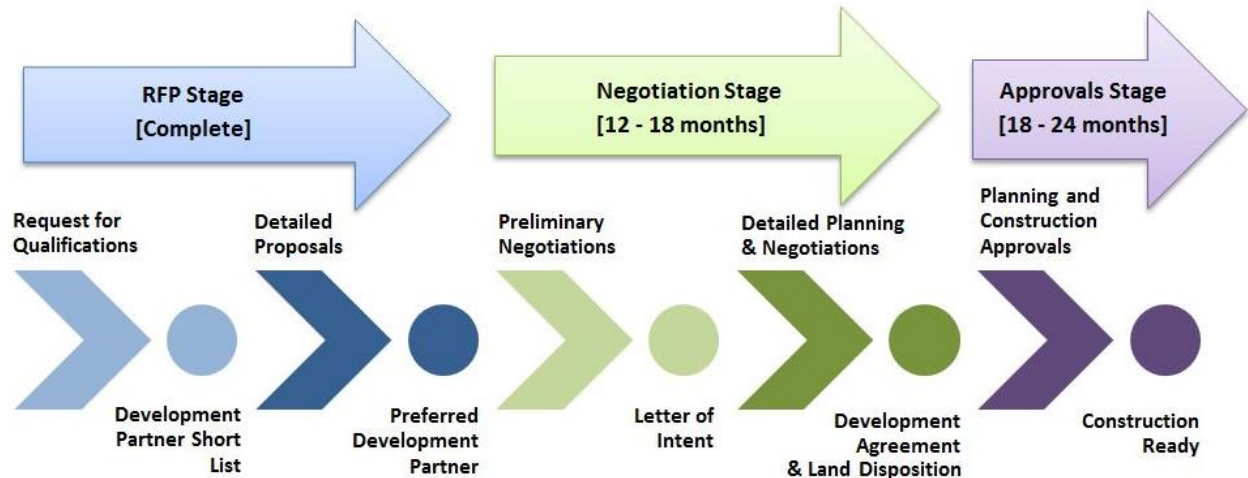
Subsequent to Council direction, in August of 2017, Staff undertook to initiate Stages 2 and 3 of the partnering process which consisted of a Request for Qualifications (RFQ) and a Request for Proposals (RFP), the implementation of which was completed in accordance with the City of Guelph's Tier 1 Project Management Governance.

The expected outcome of the RFQ/RFP process was to identify a development partner with the experience, financial capability, master planning and design skills, and ambition to realize, in partnership with the City, a unique mixed-use development for the Baker District site. This approach affords the City the unique opportunity to explore with the preferred development partner various design, procurement and ownership options for the public components of the development (such as the library and parking) in order to maximize the City's investments in the Baker District.

Subject to Council direction, the next step in the redevelopment process will be to enter into negotiations (Stage 4) in which the City and the preferred development partner will negotiate the scope and business terms for the proposed development. The expected outcome of the negotiation phase is an executed commercial agreement between the City and the preferred development partner that will specify the conditions under which the property can be developed.

A summary of the overall development process has been summarized in Figure 1 below:

Figure 1 – Baker District Redevelopment Process



Additional details on the completed and planned activities related to the overall redevelopment process are noted in later sections of the report.

Summary of Redevelopment Objectives

The foundation of the RFQ/RFP documents were the overarching planning and policy objectives for the Baker District Redevelopment set forth in the Downtown Secondary Plan as well as the previous development concepts endorsed by Council in 2009 ([Report – 09.02 – Baker Street Redevelopment Concept - February 2009 – Pg. 28](#)) and 2014 ([Staff Report – FIN-DR-14-05 – Downtown Renewal Projects Update: Baker District and Parking Master Plan- June 2014 – Pg.17](#)). These objectives can be summarized as follows:

- **Increase downtown visitation** through the development of a new central library, a high-quality public realm, and complementary commercial and institutional uses.
- **Increase the downtown residential population** by accommodating 500 or more residents in two distinct residential or mixed-use buildings in the Baker District.
- **Improve connectivity for pedestrians, cyclists and vehicles** with a mid-block street through the site, enhancements to the existing rear laneways and other public realm improvements.

- **Establish new architectural landmarks** with both the institutional and residential components of the district, designing them to high standards and of enduring quality.
- **Provide 500 public parking spaces** to support the parking objectives of the Parking Master Plan.
- **Incorporate best practices in environmental design** to support sustainability and the City's Community Energy Initiative.
- **Provide a diversity of housing options**, including affordable units, to meet the needs of singles, couples and families with children.

The illustrative examples of the development concepts that were included in the RFQ/RFP documents in order to provide the potential development partners with a detailed understanding of the programming requirements of the development are included in ATT-1 for reference purposes

RFP Phase I – Request for Qualifications (Stage 2)

On November 30, 2017, Phase I of the RFP process (the RFQ) was released to the marketplace in order to identify and shortlist qualified developers. The RFQ was marketed in Novae Res Urbis (both Toronto and Greater Toronto Area editions) as well as Canadian Real Estate Wealth. Additionally, the opportunity was directly provided to those that participated in the preceding Request for Information (RFI) stage. In total, there were 47 registered plan takers from the City's Bids and Tenders page and 10 formal submissions were received when the RFQ closed on January 26, 2018.

After a review of the RFQ submissions, four qualified development teams were shortlisted to proceed to the RFP stage:

- HOK Inc. (Baker District Landmark Alliance)
- Turner Fleischer Architects Inc.
- Windmill Development Group Inc.
- Triovest Realty Advisors Inc.

RFP Phase II – Request for Proposals (Stage 3)

The RFP was released on April 11, 2018, to the shortlisted development teams and closed on June 8, 2018. Responses were received from all four shortlisted development teams and were evaluated based on the following criteria:

- Alignment of the development concept with City objectives;
- Approach to the redevelopment including the partnering approach with the City and stakeholders;
- Proposed business terms;
- Economic impact.

Proposals were evaluated in accordance with the procedures set forth in the Procurement By-law by the following members of Staff and the Guelph Public Library:

- Scott Stewart - Deputy CAO, Infrastructure, Development and Enterprise
- Colleen Clack - Deputy CAO, Public Services
- Steve Kraft - CEO, Guelph Public Library
- Tara Baker - GM, Finance
- Todd Salter - GM, Planning, Urban Design and Building Services
- Martin Jewitt - Program Manager, Portfolio Development

It should be noted that the members of the review committee, based on independent evaluations of the proposals, arrived at a unanimous consensus on the selection of the preferred development partner.

Due to timeline constraints in the preparation of reports, and to allow for final due diligence related to the procurement process, the preferred development partner will be identified by Staff in addenda to this report and prior to the July 16 2018 Council meeting.

Next Steps - Negotiations (Stage 4)

Subject to Council direction, the first stage of the negotiations is for the City and the preferred development partner to enter into a Letter of Intent (LOI). The LOI establishes the objectives, roles, responsibilities and protocols between the City, and the preferred development partner that will govern subsequent negotiations.

After the LOI has been executed, the City and the preferred development partner will enter into detailed negotiations and planning in order to:

- Complete the master planning of the site in order to arrive at commercially viable and mutually beneficial development pro-forma;
- Establish the procurement opportunities / constraints for the public components of the development (*i.e.* Library, Public Parking);
- Confirm the financial commitments required of both parties to complete the development;
- Negotiate the terms for the transfer of ownership of the property.

It is expected that the negotiating period will require 12-18 months to complete. However, the negotiating process will happen in parallel with the following key activities:

- Programming, specifications, designing, budgeting and ownership structure for public components of the development;
- Property acquisitions;
- Enabling works (*i.e.* environmental remediation, servicing, etc.).

Any delay in executing the aforementioned activities or any ambiguity in the scope, schedule and financial commitments to the enabling works will have a material impact on the negotiations and the timelines.

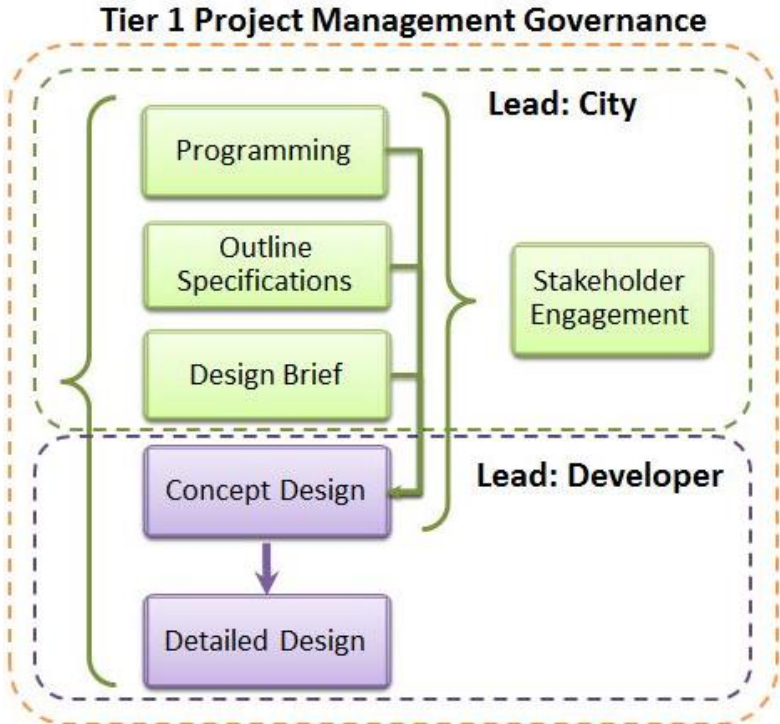
Staff will provide regular updates to Council during the negotiation phase in order to ensure Council is informed of all pertinent issues.

Next Steps – Design and Engagement

As noted above, and in parallel to the negotiations with the preferred development partner, the City will initiate the pre-design activities necessary to develop the functional program, output specifications and design basis for the public components of the development; specifically the Library and Urban Park. These documents will be used by the development partner to establish preliminary design concepts for the public components. As directed by Council at the February 13, 2018 Council Meeting, the pre-design activities and preliminary design concepts will be completed under the City of Guelph’s Tier 1 Project Management Governance and Community Engagement Framework.

Once the design and budget of the public components have been approved by Council, the development team will be responsible for design development and working drawings, with the City and project stakeholders reviewing and approving the deliverables at each stage. An illustrative summary of the overall design processes is shown in Figure 2 below.

Figure 2 – Baker District Redevelopment Design Process



Next Steps – Regulatory Approvals

Assuming that the City and the development partner are able to enter into commercial agreement for the development, the next step of the process will be for the developer to complete all of the planning and permitting applications necessary to undertake the development. At that point in the process the City’s primary role in the development will shift from co-developer to regulator. It is expected that this stage of the process will take 18-24 months to complete.

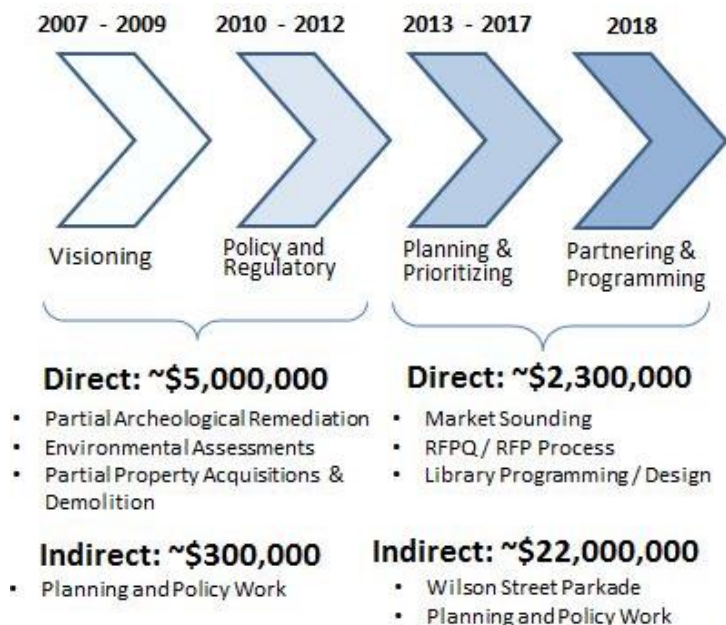
Financial Implications

From 2007 to 2015, the City has invested over \$5 million dollars in the redevelopment of the Baker District. Funding has been directed towards activities such as environmental assessments, archeological remediation and property acquisitions. Moreover, the City has also invested in the planning, policy and regulatory framework necessary to realize the development; specifically the Downtown Secondary Plan and the Downtown Zoning By-law. More recently, the investments made in the identification of the Baker District as the priority program of work in, the subsequent RFP process and the allocation of funding towards the design and construction costs for the library component of the development total an additional commitment of \$2.3 million.

In addition to the direct financial contributions to the Baker District, the City has also invested in the supporting infrastructure work required to facilitate the development, most notably the \$22 million invested in the Wilson Street Parkade; the construction of which will alleviate some of the parking burden on the downtown during the construction of the Baker District.

Collectively, the direct and indirect investments made towards the Baker District Redevelopment total \$29.6 million. A summary of these direct and indirect investments is shown in Figure 3 below:

Figure 3 – Baker District Redevelopment - Investments to Date



Over the next 36-48 months it is estimated that an additional \$25 to \$30 million are necessary to fully unlock the site for development through the funding of the following key activities:

- Property acquisitions and demolitions;
- Environmental investigations and rehabilitation;
- Archeological remediation;
- Site servicing and preparation.

Once the site has been prepared for construction, the overall capital costs to complete the redevelopment are estimated at \$230 to \$265 million dollars (refer to Figure 4); \$80 to \$90 million of which would be funded by the City to cover the costs of the library, urban park and public parking. When combined with the direct and indirect costs incurred to date, as well as the future indirect infrastructure renewal costs, the overall investment in the Baker District Redevelopment totals \$330 to \$365 million (refer to Figure 5).

Through the capital budget and forecast development currently on-going, City Staff are working to build in all known capital costs for the Baker District and to assess various funding mechanisms and financing options available.

Figure 4 – Baker District Redevelopment - Estimated Future Direct Costs



Figure 5 – Baker District Redevelopment - Estimated Direct and Indirect Costs



It is important to highlight that the City is embarking on a process that will result in a negotiated disposition of the property as well as a negotiated procurement contract for the public components of the development, specifically the library, urban park and public parking elements. As such, it is imperative that the upfront costs required to prepare the site for development are being allocated fairly and proportionally between the City and the preferred development partner. By investing the necessary resources during the the planning and negotiations stage, the City expects to realize greater certainty on scope and costs for both the enabling works as well as the procurement costs for the public assets. The expected cost to complete the negotiations is approximately \$500,000 over the next 12 to 18 months. The overarching goal of the negotiations phase is to establish a viable business case for development for both the City and the preferred development partner; the terms of which will be presented to Council for consideration and subsequent direction.

Consultations

- Baker District Redevelopment Project Steering Committee
- Guelph Public Library
- Finance Department

Corporate Administrative Plan

Overarching Goals

Innovation
 Financial Stability
 Service Excellence

Service Area Operational Work Plans

Our People - Building a great community together

Our Resources - A solid foundation for a growing city

Our Services - Municipal services that make lives better.

Attachments

ATT-1 Baker District Illustrative Development Concepts



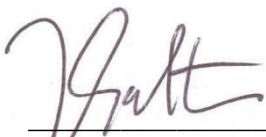
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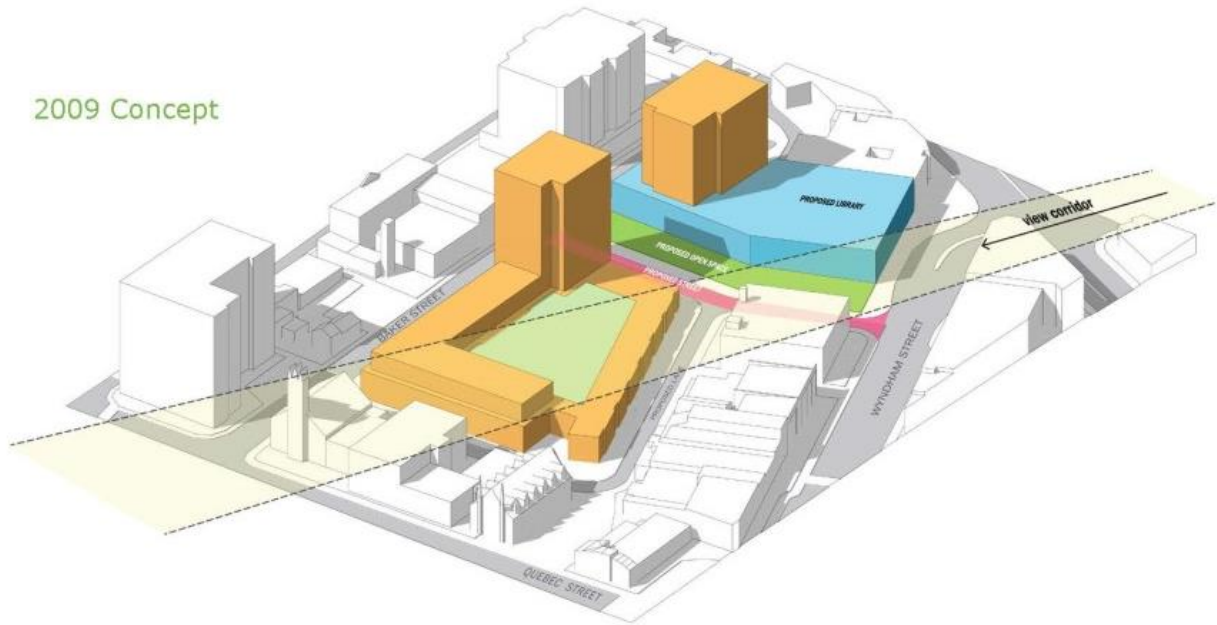


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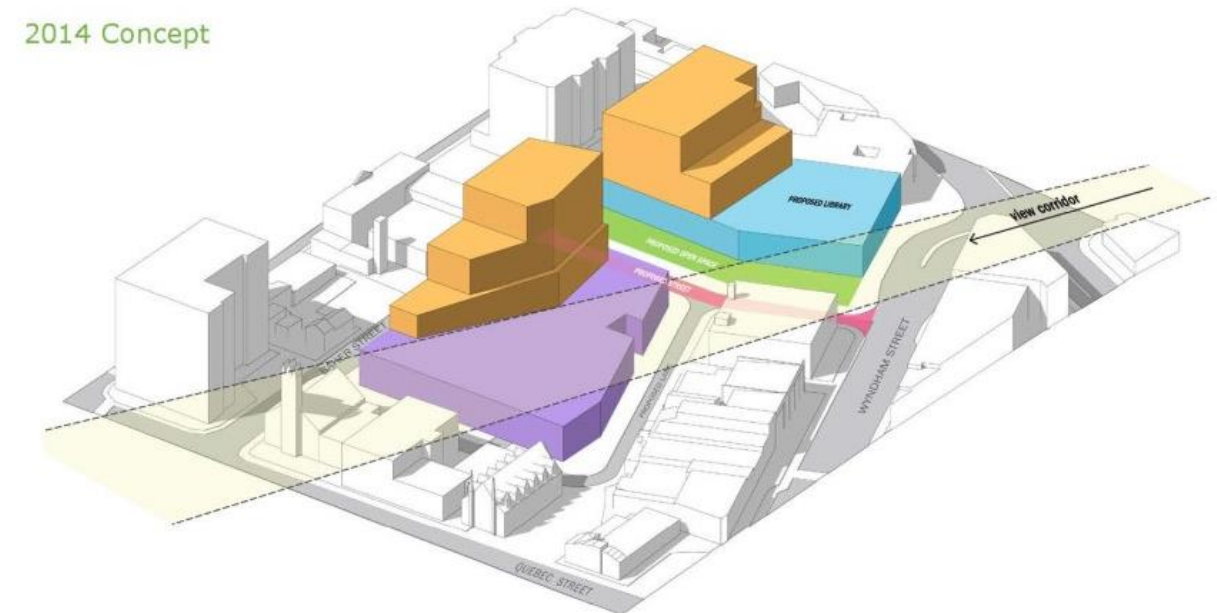
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Attachment 1 – Baker District Illustrative Development Concepts

2009 Baker District Redevelopment Concept:



2014 Baker District Redevelopment Concept:



2014 Baker District Redevelopment Concept – Exploded View:

