



STAFF REPORT ACTION REQUIRED

George Street Revitalization: Recommendations for Short-term Non-competitive Contracts

Date:	November 17, 2016
To:	Executive Committee
From:	Deputy City Manager, Cluster A Deputy City Manager & Chief Financial Officer
Wards:	All Wards
Reference Number:	P:\2016\Internal Services\FAC\Ec16023fac (AFS 23546)

SUMMARY

On July 12, 2016 City Council adopted "George Street Revitalization: Recommended Procurement and Delivery Strategy" (EX16.13). Through that report, Council authorized staff to proceed with an Alternative Financing and Procurement (AFP) model for the implementation of the George Street Revitalization (GSR) project using a Design-Build-Finance (DBF) approach. Council referred the project to the 2017 Capital Budget process. Council also authorized staff to initiate negotiations towards an agreement with Infrastructure Ontario (IO) as commercial procurement lead and directed staff to report back by December 2016 with a status update.

Staff propose that the GSR project proceed in two phases: (1) an initial 18-month period (January 1, 2017 to June 30, 2018) during which IO conducts a due diligence review of work completed to date and ensures that the project is AFP-ready, while the two current prime consultants develop the Project Specific Output Specifications (PSOS) with IO's support, and (2) a subsequent implementation and construction phase subject to Council approval of funding and successful negotiations with IO as the procurement lead. Negotiations with IO for phase two would occur during the first phase. Staff will report back to Council by the spring of 2018 with recommendations for the second phase.

This report addresses recommendations regarding the proposed first phase, seeking Council authority to enter into three short-term non-competitive agreements. The contracted firms would be: IO as AFP advisors, Prism Partners Inc. as Owner's Representative and Montgomery Sisam Architects Inc. as Planning, Design and Compliance (PDC) Consultants. Staff will continue to negotiate the three scopes of services outlined in this report. Funds for the three contracts total a maximum of

\$5,314,908 (net of HST Recoveries): \$3,543,272 required in 2017 and \$1,771,636 required in 2018. Funds are available in the Shelter, Support and Housing Administration (SSHA) Capital Budget. City Finance staff are reporting to the December 2016 meeting of City Council on the Interim Capital Estimates for 2017 and include the amount required for the three contracts.

RECOMMENDATIONS

The Deputy City Manager, Cluster A, and the Deputy City Manager & Chief Financial Officer recommend that:

1. City Council authorize the Chief Corporate Officer, in consultation with the City Solicitor, to negotiate a scope of work and enter into a non-competitive agreement with Ontario Infrastructure and Lands Corporation (IO), subject to the following conditions:
 - a. that the term of the agreement be from January 1, 2017 to June 30, 2018;
 - b. that the services as set out in Attachment 1 of this report be performed within the timeframe set out in 1a above;
 - c. that the total cost of the services from January 1, 2017 to June 30, 2018 not exceed \$1.65 million (net of HST Recoveries); and
 - d. that the agreement be on terms and conditions satisfactory to the Chief Corporate Officer and in a form satisfactory to the City Solicitor;
2. City Council authorize the Chief Corporate Officer, in consultation with the City Solicitor, to negotiate a scope of work and enter into a non-competitive agreement with Prism Partners Inc. as the Owner's Representative subject to the following conditions:
 - a. that the term of the agreement be from January 1, 2017 to June 30, 2018;
 - b. that the services as set out in Attachment 2 of this report be performed within the timeframe set out in 2a above;
 - c. that the total cost of the services from January 1, 2017 to June 30, 2018 not exceed \$561,600 (net of HST Recoveries); and
 - d. that the agreement be on terms and conditions satisfactory to the Chief Corporate Officer and in a form satisfactory to the City Solicitor;
3. City Council authorize the Chief Corporate Officer, in consultation with the City Solicitor, to negotiate a scope of work and enter into a non-competitive agreement

with Montgomery Sisam Architects Inc. as Planning, Design and Compliance (PDC) Consultants subject to the following conditions:

- a. that the term of the agreement be from January 1, 2017 to June 30, 2018;
 - b. that the services as set out in Attachment 3 of this report be performed within the timeframe indicated in 3a above;
 - c. that the total cost of the services from January 1, 2017 to June 30, 2018 not exceed \$3,103,308 (net of HST Recoveries); and
 - d. that the agreement be on terms and conditions satisfactory to the Chief Corporate Officer and in a form satisfactory to the City Solicitor; and
4. City Council direct the Deputy City Manager, Cluster A, and the Deputy City Manager & Chief Financial Officer to report back by Q2 of 2018 to Executive Committee and Council with a status update.

Financial Impact

The amount funded to date for GSR and included in the SSHA Approved 10-year Capital Plan is \$83.6 million. The total approved budget to date is \$23.73 million. As of October 31, 2016 \$15.77 million has been spent or committed on the project. The amount budgeted for 2016 was \$10.241 million. Underspensing of \$7.409 million is projected by the end of 2016, which will be carried forward and included in the 2017 Capital Budget and Plan.

The funds required for the three contracts recommended through this report total \$5,314,908 (net of HST Recoveries), \$3,543,272 required in 2017 and \$1,771,636 required in 2018. City Finance staff are reporting to the December 2016 meeting of City Council on the Interim Capital Estimates for 2017 and include the amount required for the three contracts.

The GSR project would proceed in two phases:

1. an initial 18-month period with IO and the GSR project's two current prime consultants to develop the PSOS while implementing a due diligence review of work completed to date and ensuring that the project is AFP-ready; and
2. thereafter, project implementation and construction subject to Council approval of funding and successful negotiations with IO as the procurement lead.

This report recommends that Council approve three non-competitive contracts to be executed between January 1, 2017 and June 30, 2018, considered phase one. The consultants and their roles are as follows:

- IO to conduct due diligence and support the development of the PSOS (refer to Attachment 1);
- Prism Partners Inc to be the Owner's Representative (refer to Attachment 2); and
- Montgomery Sisam Architects (MSA) Inc to be the PDC Consultants (refer to Attachment 3).

Table 1 below indicates the amount of funds approved to date, the maximum net cost for each 18-month contract (indicating funding required for each fiscal year) and the total values of all contracts for the three consultants, pending Council adoption of this report.

Table 1: Recommended consultants, amounts approved to date, funding required per fiscal year, maximum value of recommended agreements and total values (amounts are net of HST Recoveries)

Consultant	Approved to Date (Contract value to Dec. 31, 2016)	Funding Required Jan-Dec 2017	Funding Required Jan-Jun 2018	Maximum Value of 18-mo. Non-Competitive Agreement*	Total Value of all Contracts to June 30, 2018 (Pending)
IO	n/a	1,100,000	550,000	\$1,650,000	\$1,650,000
Prism	\$1,386,373	374,400	187,200	\$561,600	1,947,973
MSA	\$2,946,483	2,068,872	1,034,436	\$3,103,308	6,049,791
Total	\$4,332,856	3,543,272	1,771,636	\$5,314,908	\$9,647,764

* Subject to further negotiation with the City.

The amount shown for IO is for their fees only and does not include sub-consultants. Any sub-consultants required for phase one are included in the SSHA 2017 Capital Budget request and will be retained directly by the City through the standard procurement processes.

The report adopted by Council in July 2016 anticipated that further refined cost estimates for the project would be communicated through this report. Such an update will be deferred to a future report because IO has not conducted their due diligence on cost estimates and the fees for IO services beyond phase one have not been negotiated. Furthermore and as previously reported, any refined project cost estimate will still be subject to the actual cost of the successful bid.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Equity Impact

The emergency shelter, long-term care home and community support systems in Toronto serve equity-seeking groups including seniors, people with disabilities, individuals with mental health and/or substance use issues, the working poor and other vulnerable groups. Effective operation of the shelter system and provision of long-term care is important to ensuring that appropriate accommodation is available to a variety of equity-seeking groups and contributes to the City's Poverty Reduction Strategy.

The project will create a facility that assists shelter residents to stabilize their lives and move back into permanent housing as quickly as possible. It will provide a safe, healthy and comfortable environment that promotes independence, mobility, and individuality for long-term care and transitional living residents.

The service hub will serve people in the community in an environment where they are comfortable and safe. An open door policy will ensure all vulnerable populations and community members at large are welcomed as valued members in a mutually supportive environment.

DECISION HISTORY

At its meeting of July 12 to 15, 2016, City Council adopted the report *George Street Revitalization – Recommended Procurement and Delivery Strategy*. Council authorized staff to proceed with an AFP model for the implementation of the project using a DBF approach and referred the project to the 2017 Capital Budget process. Council authorized staff to initiate negotiations towards an agreement with IO as procurement lead. Council also authorized staff to begin implementing the Seaton House transition plan. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.13>

At its meeting of March 31 and April 1, 2016, City Council adopted the report *George Street Revitalization – Continuation of Consultant Services*. Council authorized staff to enter into an extension to December 31, 2016 to the amending agreements with two consultants (Prism Partners Inc. as project managers and Montgomery Sisam Architects Inc.). <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX13.11>

ISSUE BACKGROUND

In November 2015, City Council endorsed the project scope for the George Street Revitalization and the Seaton House transition plan. The scope includes a men's shelter with 100 beds, a transitional living program with 130 beds, a long-term care home with 378 beds, 21 units of affordable housing and a community hub.

In July 2016, Council authorized staff to initiate negotiations towards an agreement with IO to act as a commercial procurement lead for an AFP model for the implementation of the project using a DBF approach. Staff were directed to report back by December 2016 with a status update on negotiations with IO and recommendations, if any, on terms and estimated costs for professional services required to support the AFP model, further refined cost estimates, a governance structure, and an updated project schedule.

Further refined cost estimates cannot be determined until due diligence is conducted by IO. A governance structure will be developed during the due diligence period. An updated project schedule is dependent on Council approval of project funding. Therefore updates on these three items will be reported in the spring 2018 report.

This report describes the proposed two-phased approach to the GSR project. It also outlines the rationale for recommending three non-competitive contracts.

COMMENTS

Two presenting issues support the proposed two-phased approach:

1. As of the time of writing this report, the 2017-2026 Capital Budget and Plan has not been finalized. As well, Council still needs to review and consider upcoming reports on Asset Optimization and Revenue Tools. Accordingly, it is uncertain as to whether approved funding will be available for the GSR project in the upcoming City Budget; and
2. Based on authorities granted by Council in July 2016, negotiations with IO were initiated and may require a significant amount of time. A protracted negotiation process would impact negatively on the GSR project.

A two-phased approach will maintain the project momentum while addressing the two presenting issues noted above.

- Phase one, the focus of this staff report, would be an 18-month period to develop the PSOS and conduct the due diligence required for AFP-readiness.
- Phase two, to be addressed through a future report to Council, would be project implementation. Implementation would be subject to approval of project funding and successful negotiations with IO as procurement lead.

The PSOS is a narrative and illustrative documentation of the minimum compliance requirements for the building and site and is therefore the foundation for the issuance of a Request for Proposals (RFP). It translates the intent of the functional program and all related design requirements into written words. Development of a PSOS requires extensive user group meetings to ensure that the performance based requirements meet program, quality and reliability requirements. The PSOS becomes a source document for design evaluation and contractual compliance.

In order to successfully and efficiently implement phase one by building on the work and stakeholder engagement achieved to date and have the project AFP-ready, staff recommend three non-competitive contracts to take effect from January 1, 2017 to June 30, 2018 based on the City's standard consulting agreement. The three recommended consultants have complementary roles during the development of a PSOS to ensure the quality of the final result. The three proposed contracts are:

1. Infrastructure Ontario: to conduct due diligence and support the development of the PSOS;
2. Prism Partners Inc.: to be the Owner's Representative; and

3. Montgomery Sisam Architects Inc: to be the PDC Consultants and develop the PSOS.

Achieving AFP-readiness is a new experience for the City. During the contract negotiation process, staff are working with the three consultants to maximize the complementarity of their statements of work. The result will provide a cohesive and comprehensive plan for phase one. Any revisions to statements of work will be incorporated into the respective agreements and the fees may be adjusted accordingly, with a maximum amount as indicated in this report.

The rationale for each non-competitive contract is outlined below.

1. Infrastructure Ontario

In July 2016, Council approved its intention to contract IO as procurement lead for the GSR project. Negotiations are underway and are expected to continue into 2017. An 18-month non-competitive interim contract based on the City's standard consulting agreement and concurrent to the negotiation process could be executed fairly quickly based on specific achievable deliverables. The interim contract would be subject to IO's own internal approval process with the appropriate provincial ministries.

The maximum cost of the recommended 18-month agreement with IO is \$1.65 million net. IO's statement of work includes consulting oversight for the development of the PSOS and due diligence to ensure AFP-readiness. Refer to Attachment 1 for IO's scope of work.

A non-competitive agreement is recommended because IO has expertise in the implementation of AFP delivery models. Preparation of the PSOS is undertaken in accordance with IO template processes, standards and documents, thereby ensuring the credibility and success of the procurement. Staff recommend that Council approve the agreement subject to further negotiation to ensure that the City's interests are safeguarded.

2. Prism Partners Inc.

On August 25, 2014 Council adopted a report recommending a contract award to Prism Partners for project management services, resulting from a competitive bid. Council subsequently authorized two amending agreements for Prism and the contract expires on December 31, 2016.

The maximum cost of the recommended 18-month agreement with Prism is \$561,600 net. As Owner's Representative, Prism would work with the City, IO, the PDC consultant and stakeholders to ensure that the project achieves its goal of AFP-readiness and a completed PSOS. Refer to Attachment 2 for Prism's scope of work.

Prism has been involved in AFP projects with IO. These include: Owner's Representative for the Toronto Rehabilitation Institute, Hamilton General Hospital and the Markham Stouffville Hospital; Development Consultant for Seneca College; and Planning Consultant for Bridgepoint Health and Women's College Hospital, amongst other.

A non-competitive agreement is recommended because Prism has been working on this file for over two years and offers special knowledge, skills, expertise and experience which cannot be provided by any other supplier in such an immediate and brief time-frame for the desired results. Prism has an intimate knowledge of the project and its stakeholders and they are considered to be subject matter experts. If the City had opted to continue with the traditional procurement method instead of AFP, Prism would have been contracted as project manager based on the authority granted by Council in August 2014. Staff recommend that Council approve the agreement subject to further negotiation to ensure that the City's interests are safeguarded.

3. Montgomery Sisam Architects Inc.

At its meeting of February 11, 2015 Bid Committee awarded MSA the architectural design services for the initial stage of the GSR project. Council subsequently authorized two amending agreements for MSA and the contract expires on December 31, 2016.

The maximum cost of the recommended 18-month agreement with MSA is \$3,103,308 net. As PDC Consultants, MSA would complete the Rezoning/OPA and stage one Site Plan Control applications that they initiated. MSA would also develop the PSOS in collaboration with the City, IO, Prism and stakeholders. Refer to Attachment 3 for MSA's scope of work.

MSA has been involved in AFP projects with IO as the PDC Consultant. These include: CAMH, Peel Memorial Hospital, the Pan AM Village and Hamilton Health Sciences/McMaster University Children's Health Centre, amongst other.

A non-competitive agreement is recommended because MSA has been working on the project for over 18 months and offers special knowledge, skills, expertise and experience which cannot be provided by any other supplier in such an immediate and brief time-frame, for the desired results. MSA worked closely with the functional programmer to develop the design. MSA submitted the Rezoning/OPA application and is developing the first phase Site Plan Control application, both expected to be completed in 2017. Continuity of their services would ensure that stakeholder input to date is incorporated into a robust PSOS, resulting in a higher degree of risk mitigation and higher likelihood of a final product that meets the City's needs. Staff recommend that Council approve the agreement subject to further negotiation to ensure that the City's interests are safeguarded.

Reporting Back

Staff will report back to Council by Q2 of 2018 on the status of phase one, with recommendations for phase two (project implementation) subject to approval of project funding and successful negotiations with IO as the procurement lead.

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ATTACHMENTS

Attachment 1: Scope of Services for Infrastructure Ontario
Attachment 2: Scope of Services for Prism Partners Inc.
Attachment 3: Scope of Services for Montgomery Sisam Architects Inc.

Attachment 1

Scope of Services for Infrastructure Ontario: January 1, 2017 to June 30, 2018

The following draft scope of services is subject to further negotiation between the City and IO. Staff are working with all three consultants to maximize the complementarity of their scopes of service, resulting in a cohesive and comprehensive plan for phase one.

- Facilitate the development of the PSOS with significant input from the Owner's Engineer and City staff.
- Review current functional programming and design development documents to ensure innovation opportunities are maximized.
- Gap analysis on design development to confirm project requirements are captured.
- Manage the review of due diligence activities and reports, and engage consultants as necessary to supplement existing documents which are not in conformance with requirements for an AFP risk transfer delivery model. Due diligence includes, but is not limited to: environmental, geotechnical, archaeological, heritage, traffic loading, building condition assessments, and site servicing.
- Manage the peer review processes of design documentation to ensure constructability and adherence to risk transfer principles.
- Review property constraints and requirements; determine all required permits, licenses and approvals are considered in accordance with requirements of Authorities Having Jurisdiction.
- Review site investigations to determine any risks, constraints or requirements prior to commencement of construction.
- Explore value engineering opportunities.
- Ensure project costing follows the principles of an AFP Design Build Finance project.
- Evaluate and validate financial aspects of the transaction including an AFP Value for Money (VFM) analysis and project finance structuring to assist the City of Toronto with their report back to Council in 2018.
- Support as required to the City in preparation for their report back to City Council in 2018.
- IO will also make available its own communications resources, as may be required to support the project announcements and process milestones. The City will be responsible for all community and stakeholder engagement communications.

The IO deliverables noted above relate to work either directly performed by IO, or by sub-advisors, with City staff providing input and comment with respect to applicable City policies and processes.

Attachment 2

Scope of Services for Prism Partners Inc.: January 1, 2017 to June 30, 2018

The following draft scope of services is subject to further negotiation between the City and Prism Partners Inc. Staff are working with all three consultants to maximize the complementarity of their scopes of service, resulting in a cohesive and comprehensive plan for phase one.

As Owner's Representative (OR), Prism will work with the City's core team, stakeholders, IO and the PDC Consultant to ensure that the project achieves the goal of AFP readiness by June 2018.

Activities will range from arranging the structure, format and schedule for the PSOS to ensuring that the final required contractual documentation has been properly vetted, reviewed and approved by the Project Sponsors and the responsible City divisions. Prism will review the updated design to ensure all comments from various City divisions, focus groups and stakeholders are incorporated as required as these documents will form the backbone for PSOS development and discussion. During the PSOS process, Prism will oversee and support multiple user groups for the purposes of informing physical design, furniture and equipment and will be working with the PSOS committee and the PDC Consultant to ensure accurate input and information for the required documentation. Further, Prism will provide the necessary guidance to ensure the solicitation of input from City staff that will be operating and maintaining the facility. Prism will continually monitor the PSOS process to ensure the required approvals are in place within the designated timelines.

Prism will also be responsible for updating the functional program, which will be one of the key elements to inform the PSOS documentation. Other key elements for AFP readiness will be the Re-Zoning and Site Plan Control application processes with City Planning for which Prism will be tasked with monitoring the progress and ensuring proper approvals are in place. In order to strengthen the project's multi-divisional approach, including operational efficiencies, Prism will oversee and manage a Governance and Shared Services consultant who will provide a number of options for the Project Sponsors to review. Prism will then assist in incorporating the selected option within the PSOS documentation.

Assuming IO and MSA are engaged by February 2017, Prism proposes the following scope of work.

Engagement of IO

1. Work with City and IO to establish a scope of work for IO.
2. Assemble, catalogue and turn over all Due Diligence Stage documentation to IO.
3. Coordinate and document City and IO processes for procurement and reporting.
4. Update the project charter in collaboration with IO.

5. Review schedules and determine milestone dates as required.
6. Review and update budgets and cost reports.
7. Review and recommend payment of consultant billings.

Governance and Shared Services Consultant

1. Assist in evaluation of proposals for the engagement of the consultant.
2. Facilitate focus group meetings of project stakeholders and consultant.
3. Review and comment on the consultant's report recommendations.
4. Ensure that accepted recommendations are integrated within the PSOS process.
5. Review and recommend payment of consultant billings.

Preparation for PSOS Activities

1. Manage and monitor post-application activities in regard to the Re-Zoning and Stage One Site Plan Control applications.
2. Review and recommend required updates for the functional program to align with the latest working designs.
3. Detailed review of submitted Design Drawings and specifications to ensure incorporation of all comments from Planning division, focus groups and other stakeholders.
4. Work with City and IO to prepare the scope of work and schedule for MSA as PDC Consultant.
5. Work with the City, MSA and IO to establish scope and guidelines for the PSOS process (including the PSOS committee).
6. Prepare a reference catalogue of existing site conditions, building assessments, Designated Substance Survey reports, etc.
7. Highlight missing project background information and advise on documentation required to fill in the gaps.

PSOS Documentation

1. Work with MSA to develop and obtain approvals for Terms of Reference.
2. Prepare for and schedule workshops to produce the PSOS with the PSOS committee, MSA and IO.
3. Ensure proper communication regarding the submission of required information.
4. Attend and record all PSOS committee, stakeholder and user group meetings.
5. Oversee/support multiple user groups for the purposes of informing physical design, furniture and equipment.
6. Work with the PSOS committee and MSA to ensure accurate input and information for PSOS documentation.
7. Monitor processes to ensure proper approvals and stakeholders sign-offs are in place.
8. Ensure that City staff who will be operating and maintaining the facility are solicited for input and comments.
9. Review and recommend payment of consultant billings.

Attachment 3
Scope of Services for Montgomery Sisam Architects Inc.:
January 1, 2017 to June 30, 2018

The following draft scope of services is subject to further negotiation between the City and Montgomery Sisam Architects. Staff are working with all three consultants to maximize the complementarity of their scopes of service, resulting in a cohesive and comprehensive plan for phase one.

MSA will complete the Rezoning/OPA and stage one Site Plan Control application process that they initiated, as required for AFP-readiness.

MSA's consulting team will develop the PSOS within the overall DBF procurement model. The PSOS forms a key component of the Project Agreement, which establishes the legal framework for the project. The intent of the PSOS is to define the project requirements in written form to inform and direct the proponents who will be submitting designs and pricing during the RFP open process. These precisely detailed design specifications will be organized into several sections to establish the performance requirements for the GSR project. These sections will include overall design quality and standards, operational, clinical and technical sections.

All the major program elements will be described operationally in detail: long term care, shelter, transitional living, affordable housing, community hub and shared services.

In addition, all members of the consulting team will contribute to writing the PSOS including but not limited to: Architectural, Structural, Mechanical, Electrical, Civil, Landscape, Food service, Heritage, Planning, Security, and Accessibility.

Our work will also encompass the translation of the Functional Program into key programmatic performance requirements within the PSOS. This will include: room templates, room Data Sheets, adjacency diagrams, space tables, Functional Program narrative adapted to achieve appropriate PSOS language.

In addition to the written portions of the PSOS, a key element will be the illustrative or exemplar design, which will be developed by the consulting team. This work will be informed by the many user group sessions conducted to date with the City and by the consultation work with the Planning division, performed during the Rezoning application work. Continued sessions with users and with City staff during the upcoming PSOS period will be conducted to properly capture all required performance standards. The resulting documentation will create an integrated set of performance requirements for the project. We will also maintain engagement after the Ministry of Health and Long-Term Care's First Plan Submission and the Site Plan Application package is submitted to consolidate new requirements into the relevant documentation.