

HALIFAX REGIONAL MUNICIPALITY

HALIFAX REGIONAL COUNCIL COMMITTEE OF THE WHOLE MINUTES DECEMBER 5, 2000

PRESENT: His Worship Mayor Peter J. Kelly
Deputy Mayor Blumenthal
Councillors: Stephen Streach
Gary Hines
Keith Colwell
Ron Cooper
Harry McInroy
Brian Warshick
Condo Sarto
Bruce Hetherington
Jim Smith
John Cunningham
Dawn M. Sloane
Sheila Fougere
Russell Walker
Diana Whalen
Brad Johns
Robert Harvey
Len Goucher
Reg Rankin
Gary G. Meade

ABSENT: Councillor Uteck
Councillor Mosher
Councillor Adams

STAFF MEMBERS: Mr. Ken Meech, CAO
Mr. Wayne Anstey, Municipal Solicitor
Ms. Vi Carmichael, Municipal Clerk
Ms. Lynne Le Boutillier, Assistant Municipal Clerk

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Mayor Kelly called the meeting to order at 1:15 p.m.

1.0 APPROVAL OF MINUTES

None.

2.0 APPROVAL OF THE ORDER OF BUSINESS AND APPROVAL OF ADDITIONS AND DELETIONS

With the agreement of Council, item 4, Pesticide Implementation Update - Stephen King was removed from the agenda.

Item 5, Present Practices and Standards - Traffic Authority would later be deferred due to time constraints.

3.0 RFP 00-058 TO DESIGN, BUILD AND OPERATE A PUBLIC PARKING FACILITY AT GRANVILLE, HOLLIS AND SALTER STREETS IN DOWNTOWN HALIFAX

C A staff report dated November 22, 2000, prepared by Simpson McLeod, Project Manager, regarding the above was before Council for consideration.

In his presentation of the report, Mr. McLeod dealt with the background of the project noting that the need for such a facility in the Downtown had been identified in 1994/95 and acquisition of lands commenced. Reference was made to the loss of parking on the Waterfront due to the Bishops Landing development and Texpark's lease ending in April 2002. Both developments will result in the loss of 780 parking spaces. It was noted that there had been, over the last three years, two previous attempts to attract development with a substantial parking component, but the HRM had not been satisfied with the responses, particularly for financial reasons.

Mr. McLeod indicated that the third attempt had resulted in an excellent response. He noted that Regional Council realized that public parking will not happen unless HRM takes initiatives and bears some of the cost. The resultant RFP was to design, build and operate a public parking facility on Lot 1A, in the block bounded by Granville, Hollis, Salter and Sackville Streets.

The RFP specified as much parking as possible was to be considered; view planes respected and compliance to policies within the MPS, with respect to activity along the street level. He noted that two financial models were proposed by HRM, i.e. HRM financed model and alternative finance options.

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Mr. McLeod noted that five submissions had been received, three of which provided an alternative finance option.

Reference was made to the evaluation process and the team. The role of Johanne DesRosiers, Financial Consultant and Anne Feist, Procurement Coordinator was highlighted.

Mr. McLeod explained the scoring system used and he elaborated on the five components. Referring to the "Quality of Proponent", it was noted that the firm's background and financial capability would be taken into consideration. The "Anticipated Benefits to Downtown Halifax" were defined as how the structure would relate to the rest of the Downtown. Similarly, the Financial Evaluation Summary methodology was reviewed. The results of the scoring of the financial proposals which could total 45 points maximum, placed MacDonnell with 41 points, followed by Hardman with 35 points. Reference was also made to the net annual income figures over the 25-year period having been converted to one Present Value figure for each proponent, with MacDonnell's surplus being \$6,927,000 and Hardman's \$4,370,000.

Of the three firms which submitted an alternative finance model, it was noted that Kimberly Lloyd's was not considered viable, with MacDonnell's Present Value Surplus being \$4,400,000 and Hardman's \$2,962,000.

When the quality of the financial proposals, both HRM Financed Model and Alternative Finance Model were combined with the Non-Financial Criteria, Hardman was ranked in first place followed by Hardman. The MacDonnell proposal had scored 32 points, versus the Hardman's 39 points in the Non-Financial Criteria. It was noted that the Hardman proposal had rated substantially higher than any of the others in relation to the benefits to Downtown Halifax. Mr. McLeod, referring to the site plan, noted that HRM has yet to acquire 1568 Hollis Street, but Hardman have an option on the property and if awarded the project, have indicated they would integrate this parcel of land. In the "Quality of the Proponent" category, Hardman had outscored MacDonnell, primarily because MacDonnell was proposing to use a new technology and there was concern that they might not be able to finish the project on schedule.

The table comparing the two financial models, with respect to present value of net income to HRM over 25 years, identified \$4.4 million for the HRM Financed Model and \$3.0 million for the Alternative Financed Model. The impacts of using the HRM Financed Model on the capital budget were addressed by Mr. McLellan, Deputy CAO. Before addressing this subject, Mr. McLellan thanked Mr. McLeod and his Committee for the work they did on evaluation of the submissions.

During his presentation, Mr. McLellan referred to a bar graph of the impact on the capital budget from the number of requests received to date, even without this project factored in, in the event the HRM Financed Model is selected based on the Net Present Value being better for the HRM if the property was owned by HRM. He outlined the pros and cons of owning and

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not owning. He illustrated the benefits of temporary borrowing from HRM versus longterm financing.

It was recommended by the Evaluation Committee, unanimously, that Council:

(a) appoint the Hardman Group Limited to design, build and operate the public parking structure on Lot 1A in accordance with their submission in response to HRM's Request for Proposals #00-058;

(b) authorize staff to negotiate the terms and conditions of an Agreement with the Hardman Group Limited based on their "HRM Financed Model," for execution by the Mayor and Municipal Clerk.

The second alternative being:

Council could choose not to adopt the above noted recommendation, and instead instruct staff to proceed with the Hardman Group's "Development Option Two." Staff did not support this alternative and recommended in the event Council chose the second alternative, clause (a) of the recommendation remain, but clause (b) would read:

"(b) authorize staff to negotiate the terms and conditions of an Agreement with the Hardman Group Limited based on their "Development Option Two," for execution by the Mayor and Municipal Clerk, under which:

(i) the Hardman Group would Lease Lot 1A from HRM for a term of sixty (60) years for a public parking facility to be built, owned and operated by the Hardman Group, for an annual ground rent of fifty percent (50%) of all annual gross parking revenues in excess of \$1,350,000;

(ii) HRM will pay to the Hardman Group an annual fee to operate the facility with the terms and conditions to be negotiated."

It would be later noted that even if the 547 parking spaces were rented out monthly for \$115 a month, revenues would not amount to \$1,350,000.

The benefits of having more parking spaces verses aesthetics was debated several times. Ms. Kate Carmichael, Executive Director, Downtown Halifax BIDC, stressed the BIDC was looking for a proposal that contained retail aspects and ambiance versus a few more parking spaces. They sought a development which would blend into the Downtown.

Councillor Blumenthal, referring to the description of the HRM Financed Model, quoted "any shortfall between income from rent and monies required to pay off capital debt and establish

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the reserve fund would be made up by the Municipality". Given the implications of having more parking space to rent on revenues, he wondered why more weight had not been given to the number of parking spaces proposed. Council was assured by Mr. McLeod that in fact this figure had been taken into account not once but twice, during the evaluation process, thus the points would have amounted to more than the 5 indicated in the Financial Evaluation Summary Methodology.

During the ensuing questions and answer session, the following subjects were raised with respect to the MacDonnell proposal versus the Hardman proposal:

Number of Parking spaces, the MacDonnell proposal was for 671 versus the Hardman proposal for 547. During a subsequent review of the two plans, it was identified that the MacDonnell proposal had not set aside any area for retail, while the Hardman proposal had. It was noted that the CitiGroup plan allowed for 716 parking spaces. It would later be noted that some of the proposals were up to a foot wider per space. The construction cost per vehicle space was lowest for the CitiGroup at \$12,889 versus \$17,929 for MacDonnell and \$18,554 for Hardman. It was pointed out by Mr. McLeod that some of the proposals related to the development of the whole Lot A area, while others were proposing to use only a portion at this time to allow more flexibility for future development, as is the case with the Hardman proposal.

Councillor Sloane requested that the drawings of the various proposals be viewed. While these were made ready, she submitted overheads illustrating requirements and requests for Downtown Parking. She wished considered matters of:

- C Safety and Security
- C Vanpool Parking
- C Aesthetics of the Building
- C Necessity

Copies of the overheads were left with the Clerk for the files.

Mr. McLeod assured the Councillor that the basic design requirements would allow for larger than average vehicles to park in the complex. Issues such as safety, locations for bikes would be included in the Operational Agreement.

When the concept drawings were reviewed, in addition to the facades being highlighted, retail space, either permanent or for future development was identified by Mr. Townsend, Capital Projects Coordinator. It was noted that there may not be demand for retail space along Hollis Street for sometime.

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Reflecting on the financial side of the proposals, Councillor Warshick felt the MacDonnell proposal to be much better than the Hardman proposal by 17%. In addition he calculated this proposal provided 23% more parking spaces. He felt this should be the primary factor in evaluating the submissions.

Councillor Goucher, after reviewing the plans, noted that 'apples' are being compared to 'oranges', given the permanent parking spaces identified in the Hardman proposal, versus optional spaces in the MacDonnell group. It was pointed out by Councillor Warshick that the Key Elements of the RFP refer to retail uses "may be a longer term objective", so MacDonnell's proposal should not be penalized for not including these. Given the small difference between the two proposals, given the better financial benefits projected for the HRM from the MacDonnell proposal, Councillor Warshick contended this would be the best option over staff's recommendation. He proposed the issue be referred back to staff for more information and clarification, particularly as it related to the retail component. Mayor Kelly reiterated the desire for some retail space in the development. Mr. McLellan noted that the subject of retail space had been introduced by some members of Council and that is why it was included in the process.

A further discussion of the criteria, including under "Quality of Proponent", scored at 15 points ensued. MacDonnell's proposal had been scored at 8 versus 11 for Hardman primarily because of concerns that they might not be able to complete the project on time given the use of a new technology. Reinforcing rods made of a plastic type substance which won't rust are proposed. It was felt that MacDonnell might be faced with a steep learning curve. Mayor Kelly suggested that this might be offset by the inclusion of a penalty clause if work is not completed in time. Mr. McLeod noted that such a penalty clause would be costly and reflected in the cost of construction increasing.

Support for Option 2 was expressed by Councillor Walker. He would prefer not to see capital funds, which could be used in the various districts, used for this purpose. Mr. McLellan reviewed with Council the impact Option 1 would have on the Capital Budget. Councillor Walker felt reaching a revenue figure of \$1,350,000 may be hard to achieve if only \$750,000 would be generated in the event that all parking was on a monthly basis. He also questioned if staff had an estimate for operating. Mr. McLeod estimated the annual fee for operating the facility, as proposed in Option 2, would be about \$500,000, with a 2% increase annually. The Management Fee associated with recommendation 1, would be in the order of \$69,000 and would likely increase by 2% a year also.

Councillor McInroy indicated it would be his preference that retail space was not optional as he felt the later conversion of parking spaces to retail outlets would be costly.

Councillor Hines, reflecting on his expertise in construction, noted that the new technology proposed by MacDonnell referred to as experimental, has been in use for at least four years.

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Mr. McLellan agreed, but felt staff's reservations related more to the experience of the contractor versus technology.

Staff was questioned as to whether they had been in touch with Professor Mufti, who is the leading authority in the world on this technology. He might be able to advise whether the project could be completed in time. Mr. McLeod will contact Professor Mufti.

Staff was asked whether it would be possible to have the two top contending firms attend Council to provide more information on their proposals. While this was possible, it was questioned if it would be wise, given Council's role is one of decision making not negotiating.

Councillor Hetherington was concerned with the delaying of projects which had been ongoing issues for the previous Council. He felt Council should either accept the Evaluation Committee's recommendation or the matter be sent back to them to make another decision based upon a different set of criteria. He noted that the RFP closed October 16 and it is now December 5th and no decision has yet been arrived at. A discussion followed on whether prices are subject to change given the delay. Mr. McLellan supported Councillor Hetherington's suggestion that if the Committee's recommendation is not adopted, the Committee should be directed to use a different approach in its evaluation.

Councillor Warshick reiterated his option that the financial benefits to the Municipality should be given priority. He noted that the 547 parking spaces proposed by the Hardman Group would result in a deficit of 133 spaces once Texpark is no longer open. The MacDonnell proposal is not only financially better for the HRM, but will improve the parking numbers. Nevertheless, Mr. McLeod cautioned that a Development Agreement application will have to be made and the proposal will have to comply with various elements of the Planning Act.

Councillor Walker indicated he was in favour of Option 2, but before any decision was made by Council, the financial aspects of this option be provided by staff and other issues raised this afternoon be addressed, with a report in a week's time.

Referring to the Alternative Financial Option proposed by the Hardman Group, particularly as it related to an option to purchase 1568 Hollis Street, staff was questioned on whether this would lock HRM to dealing with the Hardman Group for Lot B. Council was assured this would not be the case. Proposals could be called for Lot B. Councillor Walker felt this should be clearly spelled out.

Clarification of the process was sought by Councillor Smith. As a new Councillor he expressed concern that the new members of Council were being called upon to make a decision on an item of significant monetary value, when the information was only relayed to them last Friday. He felt he needed more time to digest the materials presented.

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It was generally felt that there was not enough information for Council to make an informed decision, thus the matter was referred back to staff for more information, particularly related to financial aspects of Option 2, which would involve ownership by the Hardman Group.

MOVED BY Councillor Walker and seconded by Councillor Streach that the item be referred to staff with recommendation to come back to Council in one week's time with more information on ownership versus non-ownership, particularly addressing questions of a financial nature.

Councillor Blumenthal questioned as to which approach would be best for saving residents' money.

Councillor Colwell indicated it was his desire to have the two proponents in to address Council before they make a decision. He proposed an amendment to the motion on the floor but it was not seconded.

MOTION PUT AND PASSED.

It was requested that in the next report both recommendations be contained on the first page for ease of comparison.

8.0 ADJOURNMENT

The meeting adjourned to meet in camera at approximately 3:40 p.m.

Vi Carmichael
Municipal Clerk