

**B.C. HOUSING
SRO RENEWAL PROJECT**

FINAL REPORT OF THE FAIRNESS ADVISOR ON THE PROCUREMENT PROCESS: RFP STAGE

November 21, 2012

To: Project Board, SRO Renewal Initiative Project

This report covers the following issues:

1. The scope of the review;
2. The purpose of the review;
3. The framework for the review;
4. A statement that the review has been conducted in accordance with this framework;
5. Explanatory details regarding the variables which affect the review;
6. Project Background and Monitoring Activities by Fairness Advisor;
7. Recommendations to improve process for future procurements;
8. Any qualifications on the endorsement of the process;
9. A statement that the Fairness Advisor has fulfilled the terms of her engagement in order to express an opinion; and
10. Findings in the form of an opinion whether the process appears to have been undertaken in accordance with fairness principles expressed or implied in the procurement documents.

Respectfully submitted:



Joan M. Young, Fairness Advisor

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SCOPE OF REVIEW

I was retained on October 3, 2011 to act as the Fairness Advisor for the SRO Renewal Initiative Project. My role is to satisfy myself on the overall procedural fairness of the procurement process associated with the SRO Renewal Initiative Project. My engagement covers the procurement process from the issuance of the RFQ to the selection of the preferred proponent.

I have previously reported on the RFQ process. This Final Report covers the Request for Proposals ("RFP") stage of the procurement to selection of the preferred proponent.

BC Housing issued a Request for Qualifications ("RFQ") for the SRO Renewal Initiative Project on October 20, 2011. The opportunity was posted on the electronic bidding site BC Bid®. The RFQ stage was intended to set out information regarding the project to the private sector and to invite those parties both interested and qualified to participate in the procurement process. BC Housing selected three qualified Respondents who were invited to participate in the next stage of the procurement.

The Request for Proposals ("RFP") was issued on February 15, 2012 to three teams:

1. Habitat Housing Initiative
2. Integrated Team Solutions
3. Concert Partnership Works

The terms of engagement state that as Fairness Advisor I was asked to do the following:

1. The Fairness Advisor will report to the Chair of the Project Board, which is composed of senior officials within BC Housing Management Commission and Partnerships BC overseeing the Project.
2. The Fairness Advisor will act as an independent observer with respect to the fairness of the implementation of the Project's procurement processes.
3. The Fairness Advisor will provide advice to the Project team on matters of fairness.
4. The Fairness Advisor will be available to proponents to answer queries relating to fairness.
5. The Fairness Advisor will provide formal written reports at specific points during the Project competitive selection process.

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Access to Information

6. The Fairness Advisor will be provided full access to all of BC Housing's information related to the Project Competitive Selection Processes as the Fairness Advisor decides is required including documentation, personnel, premises, meetings, reports and minutes;
7. The Fairness Advisor will be permitted full access to any and all meetings, telephone conferences or other events as, in the discretion of the Fairness Advisor, are appropriate; and
8. The Fairness Advisor will be kept fully informed by the PBC Project Director of all documents and activities associated with the Project Request for Qualification and Request for Proposals processes.

Enquiries

9. The Project Team, through the PBC Project Director, may invite the Fairness Advisor to provide comment from time to time on issues related to the evaluation processes during the Project Competitive Selection Processes. The Fairness Advisor will not provide any comment or advice on any matter other than fairness of the procurement process.
10. During the Project Competitive Selection Processes, the Project Board may request comment on proposed action or circumstance related to the administration of the Project Request for Qualifications and the Project Request for Proposals.
11. The Fairness Advisor will be available to proponents to answer queries relating to fairness.

My role as the Fairness Advisor is not to validate the Evaluation Committee's recommendation of the Preferred Proponent; but rather is to provide oversight and assurances regarding the processes applied in making the recommendation. The Fairness Advisor may meet these responsibilities by undertaking the steps she feels are most appropriate to meet her mandate.

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PURPOSE OF REVIEW

The purpose of my review is to provide arm's length advice to the Project Board and independent assurance for the Project as to the fairness and appropriateness of project management activities related to the procurement process for the SRO Renewal Initiative Project transaction.

FRAMEWORK FOR REVIEW

At each stage of the procurement process covered by my engagement, I undertook the following review activities in order to meet the terms of my review:

- (a) Review standards for handling of documents, security of documents, procedures for clarifying or rectifying errors by the owner and/or proponents,
- (b) Conduct a review of all documentation issued by BC Housing and Partnerships BC to proponents including all procurement documents and addenda;
- (c) Ascertain whether each proponent was provided with access to the same information as other proponents for the purposes of responding to the various procurement stages;
- (d) Ascertain whether Evaluation Criteria were established in advance of evaluations being undertaken;
- (e) Ensure that adequate measures for avoidance of conflict of interest, unfair advantage and confidentiality were established in the procurement process as well as procedures for resolving issues which may arise during the procurement process;
- (f) Obtain information regarding rulings made by the Relationship Review Committee to ascertain whether the recommended course(s) of action have been fully implemented;
- (g) Review the Evaluation criteria proposed for the various stages of the procurement to determine that they were reasonably and rationally connected to the stated Project objectives;

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- (h) Review responses, as necessary, submitted by proponents to ensure an adequate familiarity with the terms of the responses in order to undertake the Fairness Review;
- (i) Ensure that appropriate records regarding verbal and written contact with proponents were prepared and retained; and
- (j) Attend select meetings of the Evaluation Committee and any subcommittees;

REVIEW CONDUCTED IN ACCORDANCE WITH THIS FRAMEWORK

My review was conducted within the framework for review set out above.

PROJECT BACKGROUND AND MONITORING ACTIVITIES OF FAIRNESS ADVISOR

The SRO Renewal Project is for the design and renovation of 13 single room occupancy buildings located primarily in the downtown east side of Vancouver, BC. The project sponsor is BC Housing. BC Housing's role is to assist British Columbians in greatest need of affordable and appropriate housing by providing options along the housing continuum. This continuum extends from emergency shelter and housing for the homeless through to affordable rental housing and homeownership. Where there are gaps in the housing continuum, they are addressed through the creation of new housing options or by adapting existing housing.

In its ongoing efforts to address homelessness, BC Housing began to acquire SRO buildings in 2007 and to date has invested more than \$65 million in improving the health and safety conditions for residents. However, many of the buildings are of advanced age (the average age is 99 years) and in significant need of renovation to extend their useful lifespan.

To address this need, BC Housing is proceeding with the SRO Renewal Initiative to deliver the design and implementation of major renovations for 13 SRO buildings that will provide a sustainable model for social housing.

In support of this initiative, BC Housing's goals for the Project are to:

- Provide satisfactory accommodation for 900 people;
- Provide flexibility to meet future demand and to reduce the number of people at risk of homeless in the DTES;
- Increase the useable life of the SROs by 25+ years;

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- Attain carbon neutrality, energy efficiency and reduced GHG emissions; and
- Support and facilitate revitalization of Vancouver's DTES through job creation, safer streets and improved living conditions

BC Housing seeks to enter into a contract (a Project Agreement) with a qualified proponent to design, build, finance and maintain the SRO Renewal Initiative Project. The Project will be procured using a partnership approach and will utilize a DBFM delivery model in order to optimize the potential for private sector innovation and expertise. BC Housing expects that a single private partner will provide these integrated services, according the terms set out in the Project Agreement.

A. Appointment of Fairness Advisor

The role of Fairness Advisor is to provide oversight on the procurement process to ensure that the process for selecting a preferred proponent is open, fair and equitable. A Fairness Advisor also provides advice on issues which may arise during the procurement process which could impact on the overall fairness of the process. Fairness Advisors are typically used in public-private partnerships and, to a lesser extent but with increasing frequency, in other public sector procurements such as design-build procurements where a standard tendering process is not being utilized.

A Fairness Review typically follows four phases of the procurement process:

1. Before closing of the procurement process;
2. After closing of the procurement process;
3. Procurement Evaluation Stage; and
4. Post Procurement Evaluation.

As stated above, the role of the Fairness Advisor is not to validate the Evaluation Committee's recommendation to the Project Board of the Preferred Proponent; rather, it is to provide oversight and assurances regarding the processes applied in making the recommendation.

B. Procurement Process for the SRO Renewal Initiative Project

This phase of the procurement process involved a Request for Proposals. The intention of BC Housing was to select one preferred proponent to undertake the entire project in accordance with the terms of a Project Agreement.

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C. Request for Proposals

The Request for Proposals (“RFP”) was issued to the three successful teams on February 15, 2012 with a closing date of June 15, 2012 for technical submissions and August 1, 2012 for financial submissions (later amended to July 20, 2012 for technical submissions and September 13, 2012 for financial submissions).

BC Housing and Partnerships BC held a series of collaborative sessions with each of the three proponent teams. Site visits and tours of the various building identified for renovation were held with each of the teams. As well, a virtual Data Room was established to allow proponents to equally access all documentation in connection with the project, once each had agreed to certain confidentiality provisions. The Fairness Advisor monitored select communications between the project team and the proponents during the course of the procurement. A protocol was established for communications between the proponents and the Project team, with all communications being handled through a single Contact Person at Partnerships BC.

The Fairness Advisor attended all of the collaborative sessions with the proponent teams and observed the proceedings. The purpose of these sessions was to allow each of the teams the opportunity to explore proposed solutions for the SRO Project with the owner and to obtain information and feedback to enable the team to prepare its respective proposal. The sessions also gave the owner the ability to discuss the technical, financial and legal requirements for the project. All of the meetings were informal, and if a proponent wished to rely on information from any such collaborative meeting, then it was required to submit a written request for information to the Contact Person for the project. Proponent teams had the ability to seek “commercial in confidence” answers to enquiries.

During the course of the Request for Proposals stage one proponent sought a meeting with Partnerships BC and the owner regarding its ability to continue to participate in the procurement. The Fairness Advisor was present for this meeting. The proponent subsequently advised Partnerships BC that it was withdrawing from the project, which was accepted by Partnerships BC. The procurement process continued with two proponents, as allowed by the RFP.

The RFP had various revisions during the RFP stage, including the change to the closing dates, as noted previously, which amendments were permitted by the terms of the RFP. I have no concerns with the changes made to the RFP during the procurement.

Prior to the closing there were a variety of matters for which I was informally consulted or my advice sought by the project team. All of the issues raised were addressed to my

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satisfaction. No proponent, or member of the public contacted me with any fairness issues.

Two technical proposals were received in order at the submission location on or before the deadline. Each of the proposals was subjected to a high level completeness review, and no deficiencies were noted. Several requests for clarifications were issued to proponents, which was permitted by the terms of the RFP. Security measures were established for the handling of all proposals. All of the Evaluation Team members and the Evaluation Committee had access to an Evaluation Manual and evaluators were required to review and attend evaluation training before the start of the evaluation process.

An Evaluation Committee was established in advance of the closing date. The Evaluation Committee had the responsibility to evaluate the two proposals based on their review of the proposals and to recommend to the Project Board the selection of one Preferred Proponent. Technical and Financial Evaluation Teams were also appointed to assist the Evaluation Committee in their work, although the ultimate responsibility of evaluation and recommending the Preferred Proponent was with the Evaluation Committee.

Each Evaluation Committee member and Evaluation Team member was required to execute a Relationship Disclosure declaration and Confidentiality Agreement in advance of access to any information or proposals received in response to the RFP. Evaluators were also advised of the appointment of the Fairness Advisor and of the Conflict of Interest Committee for the project. An internal review process was established for identifying potential conflict or similar issues upon submission of the required documents from the various Committee members. There were no conflicts identified which prevented any Committee or Team member from participating in the evaluation or review of the RFP proposals.

The Evaluation Committee met on several occasions, including to address preliminary issues as well as the full evaluations sessions, on August 2, 3, 8, 15, 16, and 17, 2012 and completed their evaluation of the technical submissions. Both proponents were invited to submit financial proposals. The Fairness Advisor was present for all of the evaluation meetings. Each team's proposal was thoroughly discussed, with presentations from the leads of the various Technical Evaluation Teams. The Evaluation Committee applied the methodology set out in the RFP to determine whether the proponent(s) would be invited to submit a financial proposal. Both were eventually advised that they were eligible to submit a financial proposal.

The two proponents submitted Financial Proposals on time on September 13, 2012 at the delivery location for financial submissions.

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The Evaluation Committee considered the two financial submissions with regard to the mandatory requirements of the RFP. Minor clarifications were sought from both teams. I attended several Evaluation Team and Evaluation Committee meetings in connection with the financial submissions.

One proponent team was identified as the Preferred Proponent based on the criteria set out in the RFP.

The overall process was one which appeared to follow the terms of the RFP, and to the extent that discretion or judgment calls were made, those decisions were fair and reasonable. All of the Evaluation Committee members were well briefed on the proposals and with the terms of the RFP, including the evaluation criteria. The Evaluation Committee conducted their deliberations with consideration and care.

A Due Diligence advisor was also appointed to monitor the proceedings and was present for various selected Evaluation Committee meetings. Legal Counsel to the Project was also present at various key points in the process.

The Evaluation Committee's reports to the Project Board reflect the decisions and ranking for both the Technical and Financial Evaluation. I observed the evaluation process throughout, and it appeared to fully adhere to the process set out in the RFP.

RECOMMENDATIONS TO IMPROVE THE PROCESS FOR FUTURE PROCUREMENTS

No recommendations are suggested.

ANY QUALIFICATIONS ON THE ENDORSEMENT OF THE PROCESS

My fairness review has been based on my own review of selected documentation and records; my discussions with the Evaluation Committee; my attendance during the activities of the Evaluation Committee; answers to questions posed by me and my observations of meetings. I have reviewed a sampling of project related documentation, but not all documents created by each and every staff member or advisor.

FINDINGS

The RFP procurement process associated with this stage of the SRO Renewal Initiative Project has been conducted in a fair manner in accordance with the procedures established in and pursuant to the Request for Proposals.

I am satisfied that:

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1. The SRO Renewal Initiative Project team members, and their advisors, followed the procedures and fairly applied the evaluation criteria specified in the procurement documents and subsequent documents;
2. Where judgment and interpretation was allowed or required, the project team exercised reasonable judgment and made interpretations in a fair and impartial manner; and
3. To the extent that amendments to the process were permissible, decisions with respect to amendments were made in a fair and impartial manner;

I am satisfied that I have been provided with the appropriate access and information to render this fairness opinion to the Project Board.

FULFILLMENT OF REVIEW TERMS

I confirm that I have fulfilled the terms of my engagement based on the activities described to you above.

Respectfully submitted,



**Joan M. Young,
Fairness Advisor**

Dated at Vancouver, BC this 21th day of November, 2012