



# Project Report: Achieving Value for Money

Charles Jago  
Northern Sport Centre



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# Table of Contents

Purpose of this Document .....	i
Executive Summary .....	1
1. Project Background, Rationale and Objectives .....	3
2. Competitive Selection Process .....	4
3. Final Agreement .....	7
4. Achieving Value for Money .....	9

## Purpose of this Document

Partnerships BC works with its clients to undertake an analysis of the value for money expected over the life of the project. Value for money is a broad term that captures both quantitative factors, such as costs, and qualitative factors, such as service quality and public interest.

Value for money is one of six key principles guiding public sector capital asset management in British Columbia. The others are:

- sound fiscal and risk management;
- strong accountability in a flexible and streamlined process;
- emphasis on service delivery;
- serving the public interest; and
- competition and transparency.

Since 2002, these principles have guided the B.C. public sector's approach to acquiring and managing assets such as roads and health care facilities.

Under the *Capital Asset Management Framework*, ministries and other public bodies are encouraged to consider all available options for meeting their service objectives. They analyze the options and, after considering the qualitative and quantitative advantages and disadvantages of each, choose the one that overall best meets service delivery needs and makes the best use of taxpayers' dollars.

In some cases, the best option may be traditional procurement – where assets are purchased entirely with taxpayer supported debt and operated exclusively by the public sector. In other cases, agencies may find innovative ways to meet their service needs without acquiring capital assets. In all cases, agencies are publicly accountable through regular budgeting, auditing and reporting processes.

In all of its procurement processes, the Province is committed to a high standard of public disclosure to ensure accountability. This report describes the rationale, objectives and processes that led to the use of an early partnering process for the Charles Jago Northern Sport Centre project, giving the public a clear sense of how and why the decision was reached to proceed with that option. It explains how value for money was achieved in the context of this unique project.

For more on the Province's Capital Asset Management Framework, please go to <http://www.fin.gov.bc.ca/tbs/camf.htm>

For more on public private partnerships in B.C., please go to [www.partnershipsbc.ca](http://www.partnershipsbc.ca)

## Executive Summary

### Project Background

In an effort to realize the full potential of Northern B.C. arising from the 2010 Olympic and Paralympic Winter Games, community leaders from the City of Prince George (the City), the University of Northern British Columbia (UNBC), the Spirit of BC Prince George Community Committee and PacificSport came together to develop a plan to create a regional centre of excellence in sport. The resulting concept, the Charles Jago Northern Sport Centre (the Centre), is a facility that will bring athletes, coaches and communities together to foster a distinctive culture of excellence by integrating sport and education. The Centre is designed to be a Nordic Centre of Excellence and provide elite training opportunities in northern B.C. for winter and summer sports.

The Centre will be located at the entrance to the UNBC campus, and includes a gym, indoor track, and multi-use indoor field. The Centre will be a facility that complements the existing amenities in Prince George such as the Northern Medical Program, high-performance sport and coaching, and educational opportunities available at UNBC. The Centre will also have the capacity to support high-performance athletes and coaches, particularly in Nordic skiing. The guaranteed maximum price for the facility is \$30.75 million. The B.C. government is contributing up to \$20.5 million in provincial funding for the Centre.

UNBC and the City created a corporation, Northern Sport Centre Limited (NSCL), to oversee the development of the new Centre. This partnership reflects both the commitment to and the importance of the project for the City, UNBC and the Province. Partnerships BC was retained by NSCL to provide business and procurement advisory services for the project.

### Competitive Selection Process

There are a number of procurement models to consider when evaluating which model will have the potential to deliver best value for money. Value for money is defined as meeting or exceeding project objectives for the best cost. One of the most important determinants of value for money is the ability to transfer project risks, such as construction schedule and budget, to the party best able to manage those risks.

Three possible procurement options include:

- Traditional delivery – this option involves separate procurements for the design phase and the build phase in a linear process, often called Design-Bid-Build (DBB).
- Design-Build (DB) – this option involves developing one procurement process for both the design and build portion of the project.
- Design-Build-Finance-Operate (DBFO) – this option involves one overall procurement process for the design, building, operation and financing of the project.

Initially, the procurement process selected for this project was the DBFO model. A market sounding process was undertaken to ask market participants their views and assess responsiveness towards a flexible approach to consider different options for the project. As the procurement process unfolded,



*Artist rendering of the gymnasium*

it was determined that a DB model was more appropriate for this particular project.

The DB partnership agreement was achieved through an early partnering process that enabled the project and proponent teams to work collaboratively to determine the final scope and design of the project, programming options, variations and cost implications, output based specifications and the performance requirements. This process provided for maximum flexibility and innovation, while maintaining strong competitive tension and transparency throughout.

There are a number of features unique to this project that supports the DB model versus the DBFO model. For example, the Centre will operate as an elite, Nordic sports training centre and it would have been difficult to find experienced operators due to the unique nature of the facility. In addition, the market sounding process suggested that although the DBFO model was favoured, the potential for additional revenue sources from programming opportunities at the Centre was considered a risk and therefore less attractive from an operator's perspective.

## **Final Agreement**

The final DB partnership agreement between UNBC and Giffels Design Build Inc. is an agreement for the design and construction of the Centre at a guaranteed maximum price of \$29 million (capital cost). The facility is expected to open in September 2007.

Giffels Design Build Inc. is leading a consortium of private companies that have partnered with UNBC and the City on the project. The Northern Sport Centre Consortium (NSCC) is comprised of the following companies: Giffels Design Build Inc., NORR Ltd., Chernoff Thompson Architects and Western Industrial Contractors of Prince George.

## **Benefits to Taxpayers**

The DB partnership agreement between NSCL and NSCC achieves a number of benefits for taxpayers, including:

- A guaranteed maximum price of \$30.75 million for design and construction of the facility, procurement and project management costs.
- Through design innovation and the early partnering process, an increase in scope from the original concept of the facility at no extra capital cost.
- A long-term community commitment to the operation of the Centre.

# 1. Project Background, Rationale and Objectives

## Charles Jago

### Northern Sport Centre: Background

Community leaders and sport user groups from the City of Prince George (the City), Northern B.C., and the University of Northern British Columbia (UNBC) developed a plan on how Prince George and the North could realize their full potential arising from the 2010 Olympic and Paralympic Winter Games in British Columbia. The resulting concept, the Charles Jago Northern Sport Centre (the Centre), is a facility that will bring together athletes, coaches, and communities to foster a distinctive culture of excellence by integrating sport and education.

The key objectives of the Centre are to:

- Establish a regional centre that will attract and assist in retaining students and athletes in the North.
- Provide a significant economic stimulus for the City and Northern B.C. through future sport hosting opportunities.

It is expected that the Centre, through its location on the UNBC campus and planned programming, will strengthen Prince George's role as a post-secondary education centre and provide opportunities for citizens of the North to pursue sport and education in their home region. The Centre is expected to contribute to the growth and development of Prince George and the surrounding region by supporting sport tourism and providing a lasting legacy to the 2010 Olympic and Paralympic Winter Games.

The initial phase of the Centre will encompass approximately 12,500 square metres of indoor space that includes:

- A three-court gymnasium with seating for 2,000.
- Two indoor fields.
- An elevated 280-metre indoor track.
- An expanded fitness centre.
- Two squash courts.
- Ten offices for coaches.
- A seminar room for coaching clinics.

- Physiotherapy and strength training facilities.
- Connection to the trail network on Cranbrook Hill.
- Additional exterior space for a sports field and parking.

UNBC and the City created a corporation, Northern Sport Centre Limited (NSCL), to oversee the development of the new Centre.

### Project Objectives

The vision of the project is a facility that improves the regional and community (including UNBC) sport and recreation delivery system. It is expected that the project will:

- Provide a sport and recreational facility for the City and UNBC that provides equivalent athletic and recreational opportunities to those offered in other communities.
- Develop into a regional centre of sports excellence that will attract and assist in retaining students and athletes in the North.
- Promote the integration of education, health, sport and wellness for the North.
- Enhance existing competitive and recreational sport facilities in the City.

In fulfilling this vision, the Centre will meet the following objectives:

- Address regional and university needs for competitive sport, recreational and wellness programs through the provision of a broad range of opportunities, programs, and services.
- Provide a focal point for the growth and development of local and regional sports communities, including athletes, parents, coaches, and officials.
- Support the ongoing development of Nordic sports through the development of a Nordic Sports Centre of Excellence.

## 2. Competitive Selection Process

*The procurement process for the Charles Jago Northern Sport Centre evolved from Design-Build-Finance-Operate to a Design-Build partnership agreement based on the unique features and requirements of the facility.*

### Competitive Selection Process Objectives

The project team was guided by the following objectives throughout the competitive selection process:

- Design and construct the project effectively within the affordability cap identified by the feasibility study.
- Provide UNBC and the City with price certainty during the design and construction phase of the project.
- Optimize the risk allocation between the parties in order to provide value for money.
- Ensure access to innovation and flexibility.
- Optimize functional programming.
- Deliver customer service.
- Enable flexibility for expansion.
- Ensure a fair, open and transparent procurement process.

### Initial Approach

A two-stage procurement process was initially chosen to select a private sector partner to design, build, finance, and operate the new facility. This process includes a Request for Qualifications (RFQ), to allow all interested respondent teams to submit their qualifications and experience for evaluation, and a Request for Proposal (RFP), in which the proponents submit detailed technical and financial proposals. Following an evaluation of the proposals and the selection of a single preferred proponent, final negotiations commence to reach a final agreement.

### Market Sounding Process

A market sounding process was undertaken to test the market and assess responsiveness towards a flexible approach to consider different options for the project. After receiving approval from NSCL, Partnerships BC conducted a market sounding on the Centre business structure and procurement model.

The market sounding process was conducted in a fair and transparent manner. This included the public availability of materials, local advertising within Prince George, as well as direct communication with known market participants in this type of project.

### Market Sounding Responses

The following responses were identified regarding which approach would be best suited to this project:

- The market sounding indicated a preference for a DBFO approach, but concerns were raised about the allocation of some key risks.
- The operating risks related to generating revenue and programming to the private sector were fundamental to the success of the project.
- Concern was expressed by some companies that it could be difficult to find experienced operators due to the unique nature of the proposed facility.
- All companies had concerns related to the schedule, particularly the ability to get community consensus on the design.
- Concerns were raised regarding the current state of the B.C. construction market which was experiencing rapidly increasing cost pressures creating a great deal of uncertainty.

The following specific issues were identified related to the unique nature of this project:

- The revenue risk was significant and it was not clear what the additional programming opportunities and sources of revenue might be.
- The scope of the project would have been difficult to define during the procurement process, particularly with regards to programming and revenue responsibilities, and the technical specifications. This would pose difficulties in defining performance specifications in an RFP format.
- There was a significant need for input from stakeholders during the project scoping and development of proposals for the project. Again, this would pose challenges for the RFP approach.
- The City and UNBC were willing to accept two-thirds of the programming risk and wished to transfer one-third to the private sector operator. The response from the market indicated that although it was feasible to transfer that risk, it would be a challenge.

The market sounding process confirmed that the DBFO model was the favoured approach and the procurement process should proceed with a RFQ. This would allow flexibility for the market to respond with its qualifications to implement a DBFO model. However, it was also recommended that an early partnering or strategic partnering procurement model should be considered as an alternative to the RFP stage, depending on the assessment of the responses to the RFQ. Both strategic and early partnering are competitive processes designed to solicit high quality partners who can provide innovative solutions for achieving desired objectives, rather than collecting proposals to provide a specified solution or outcome. This approach is particularly useful where the public sector is seeking innovative solutions from the private sector and the process better enables the opportunity to leverage private sector expertise earlier in the process.

## **RFQ Process and Evaluation**

### ***A Fairness Auditor and Conflict of Interest Adjudicator were engaged to ensure a fair, open and transparent procurement process.***

On July 13, 2005 the project team hosted an information meeting at UNBC for the prospective respondents. Respondents were advised that two options would be considered to replace the standard RFP phase of the project. These options were: proceed to negotiate with two potential partners (strategic partnering); proceed to negotiate with one partner (early partnering).

On August 5, 2005, four submissions were received in response to the RFQ. A number of internal staff and external expert advisors were assembled for the purpose of evaluating the submissions. An executive committee, comprised of senior officials from the City, UNBC and Pacific Sport, was responsible for evaluating and scoring the various proposals.

A Fairness Auditor, Joan M. Young, and Conflict of Interest Adjudicator, Leslie Peterson, Q.C., were engaged to ensure a fair, open and transparent process. The Fairness Auditor provided an independent opinion as to the fairness of the procedures that were followed and as to whether the requirements of the process as defined in the RFQ were met. In her report, the Fairness Auditor reported the following:

*“The overall procurement process associated with the RFQ for the Northern Sport Centre Project has been conducted in a fair manner and in accordance with the procedures established in the Request for Qualifications stage.”*

After a complete and thorough evaluation of all respondents, including presentations from the two leading respondents, it became clear that a single respondent – the Northern Sport Centre Consortium (NSCC) – was significantly superior to the other three respondents, particularly with respect to: local knowledge, experience of the team, understanding of the project challenges, and the overall quality of the submission.



Consequently, the executive committee recommended to the NSCL Board of Directors that NSCC be chosen as the preferred proponent, and to proceed with an early partnering approach.

## Rationale for Choosing Early Partnering

NSCL made the decision to replace the standard RFP phase of the project with early partnering based on the following considerations:

- Responses from market sounding indicated that without clearly defined programming requirements it would be difficult to run an RFP process.
- Early partnering would allow an interactive process where owners, designers, builders and operators define programming needs within a budgetary cap.
- NSCL consulted with proponents and received unanimous support to proceed with early partnering.
- The decision to proceed with early partnering was supported by the Fairness Auditor.

## Results of Early Partnering

The early partnering process allowed the NSCL project team to enter into negotiations with the proponent. NSCL and the proponent were then able to work together to determine the final scope and design of the project, programming options, variations and cost implications, output based specifications and the performance requirements. In addition, they were also able to negotiate a project agreement satisfactory to both parties.

Throughout this process it became clear that this particular project would more appropriately be delivered through a DB partnership agreement. Following discussions with the operations team from the proponent, it was agreed that the operations should be undertaken by NSCL, due to the unique nature of the facility.

## Procurement Timetable

Procurement Milestone	Date
Issue Request for Qualification (RFQ)	June 29, 2005
Information Meeting and Site Visit	July 13, 2005
Closing Date for Submissions	August 5, 2005 (revised date)
Notice of Short-Listed Proponents	September 2005
Signing of Agreement	April 2006
Facility Operational	Summer 2007

## Contract Finalization

Following the selection of NSCC as the preferred proponent in September 2005, the project team undertook intensive negotiations to finalize contract details and finalized a contract in April 2006.

## Competitive Selection Costs

The total procurement costs incurred by NSCL from the date of issuance of the RFQ until financial close are approximately \$850,000. This represents approximately three per cent of the total construction cost for the Centre.

### 3. Final Agreement

***The DB partnership agreement between the University of Northern BC and Giffels Design Build Inc. is a legal agreement for the construction of the Charles Jago Northern Sport Centre at a guaranteed maximum price of \$29,000,000.***

UNBC and Giffels Design Build Inc. have agreed that the design-builder will design, construct and commission the project for the owner in accordance with the terms and conditions of the agreement. Giffels Design Build Inc. will perform and provide all design, labour, services and other acts, and provide all supplies, materials, construction equipment and machinery required for performance of the work.

UNBC will pay a guaranteed maximum price of \$29 million to Giffels Design Build Inc., as the complete and total payment for satisfactory performance of the work.

Giffels Design Build Inc. is leading a consortium of private companies that have partnered with UNBC and the City on the project. The NSCC is comprised of the following companies:

- Giffels Design Build Inc. is the largest turnkey provider of sporting facilities in Canada.
- NORR Ltd. is a well-established architectural and engineering firm that has designed or reconfigured more than 25 sporting facilities across Canada.
- Chernoff Thompson Architects is a B.C.-based architecture firm with an office in Prince George. It has extensive experience with UNBC, including serving as the architect for the Teaching Laboratory and the Bentley Centre.
- Western Industrial Contractors of Prince George is one of the largest general contractors in British Columbia and is based in Prince George.

UNBC, on behalf of NSCL, will monitor the contract during the construction phase.

#### Financing

The financing for the project is provided by the Province of B.C., UNBC and the City.

On April 14, 2005, the B.C. Ministry of Small Business and Economic Development announced that the Province would provide a grant of up to \$20.5 million to UNBC for the Centre. Both UNBC and the City committed to contribute \$5.125 million each to the design and construction of the Centre. Both UNBC and the City will be jointly responsible for the costs associated with operating and maintaining the Centre.

#### Risk Allocation Summary

***Project risks were negotiated and allocated to the party best able to cost-effectively manage those risks.***

Giffels Design Build Inc. assumes the majority of the risks relating to construction cost overruns in this project, protecting B.C. taxpayers from these potential costs. The early partnering process proved effective in transferring risk to the private partner in this agreement. Under the contract, Giffels Design Build Inc. is primarily responsible for the risks associated with the following:

- Construction costs, including any cost overruns, and labour.
- Geotechnical conditions and site clearing.
- Commissioning.
- Development and design.
- Quality assurance and quality control.

The table below shows which risks rest with which party. Shared risks are indicated by check marks under both parties.

Risk	UNBC	Giffels
<b>Site and Land Risks</b>		
Site Availability at UNBC Campus	✓	
Acquisition of Site	✓	
Cleanup of existing environmental contamination of Site	✓	
Site Geotechnical Conditions		✓
Demolition, site clearing, and diversion / relocation / extension of Utilities		✓
<b>Development Design</b>		
Planning and Development of Site		✓
Design of Charles Jago Northern Sport Centre		✓
Design Error		✓
Changed Conditions		✓
Patent Infringement		✓
<b>Development Construction</b>		
Building Permits		✓
Construction of Facilities		✓
Commissioning of Facilities		✓
Occupancy Permissions		✓
Quality Management		✓
Construction Cost Overruns		✓
Insurance		✓
Bonding by Developer		✓
Financing During Construction, as needed	✓	
Quality Monitoring and Audit	✓	✓

Risk	UNBC	Giffels
<b>Administrative or Miscellaneous</b>		
Feasibility of Project, physical and financial		✓
Developer insolvency		✓
UNBC-initiated Change Orders	✓	
Labour		✓
Delays by UNBC	✓	
Force Majeure	✓	✓
Development and Implementation of Public Communication Strategy	✓	✓
<b>Site / Construction</b>		
Weather		✓
Fire		✓
Vandalism		✓
Damage to Works		✓
Damage / Injury to Third Party		✓
Defective Works / Materials		✓
Quality Assurance / Quality Control		✓
Workers' Safety Insurance Board		✓
Fair Wage Compliance		✓
Site Monitoring and Inspections	✓	✓

## 4. Achieving Value for Money

The procurement process for the Centre can best be described as an evolution from the DBFO model to the DB model based on the unique features and requirements of the facility. The early partnering process provided for maximum flexibility and innovation, while maintaining a strong competitive tension and transparency throughout. The ability for experts on both the proponent and project teams to interact and create synergies allowed for the optimal solution to emerge while staying within the stated capital budget.

The final DB partnership agreement provides taxpayers with the following benefits:

- **Protected from cost overruns:** the final agreement achieves an allocation of project risks that is expected to protect taxpayers from cost overruns or schedule delays. Within the context of a provincial construction market characterized by increasing cost pressures, the Centre will be constructed for a guaranteed maximum price as stipulated at the outset of the process.
- **Expanded facility:** design innovation and significant interactions between the project and proponent teams through the early partnering process resulted in an increase in scope from the original concept of the facility at no extra capital cost. Moreover, the facility will be constructed with a commitment to high performance sport specifications and standards.
- **Long term relationships:** this project brought together two public agencies, UNBC and the City, and strengthened their relationship through the formation of the NSCL to protect the interests of the citizens of Prince George and area over the long term.

The Centre will benefit the whole community of Prince George and area by creating new opportunities for local athletes as well as attracting top-tier athletes and students from around the world.



*Computer generated rendering of the sport medicine facility.*



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