



Project Report:
**Mills Memorial Hospital
Redevelopment**
February 2022



Purpose of this Report

The purpose of this report is to provide key information to the public regarding the Mills Memorial Hospital Redevelopment Project (the Project). This report describes the need for the Project, its features and benefits. It also provides an overview of the different procurement options analyzed, the procurement process, and a summary of the important aspects of the Design-Build Agreement (DBA).

The Government of British Columbia (Government) is committed to a high standard of disclosure as part of its accountability for the delivery of public projects. Ministries, Crown Corporations, and other government agencies are publicly accountable for projects through regular budgeting, auditing, and reporting processes.

The Ministry of Health (MoH), Northern Health Authority (Northern Health), and Infrastructure BC Inc. (Infrastructure BC) are accountable for the contents of this report.

Abbreviations

Abbreviations are defined in Table 1 below:

TABLE 1: ABBREVIATIONS

B.C.	British Columbia
CAMF	Capital Asset Management Framework
DB	Design-Build
DBA	Design-Build Agreement
DBB	Design-Bid-Build
DBF	Design-Build-Finance
PCL	PCL Constructors Westcoast Inc.
Government	Government of British Columbia
Infrastructure BC	Infrastructure BC Inc.
MoH	Ministry of Health
MMH	Mills Memorial Hospital
RFP	Request for Proposals
RFQ	Request for Qualifications

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1. Executive Summary

The Mills Memorial Hospital (MMH) is an integral part of British Columbia's (B.C.) healthcare system in northern B.C. MMH is the regional referral centre for the Northwest Health Service Delivery Area (Northwest HSDA) and delivers a range of healthcare services to Terrace, British Columbia and the surrounding rural communities and Indigenous partners including, acute medical and general surgical services, intensive care, diagnostics, emergency care, maternity services, ambulatory services, acute mental health services, and visiting specialist programs. The Seven Sisters Mental Health Facility, located on the MMH site, provides tertiary mental health services.

The redevelopment of MMH is required to meet the current and future demand for healthcare services in the Northwest HSDA. The Project comprises two phases to allow for continuity of hospital services throughout construction, demolition, and site redevelopment work.

The first phase (Phase 1) includes construction of the new MMH hospital building (New Hospital) and new Seven Sisters Mental Health Facility (New Seven Sisters) on the existing MMH site. The second phase (Phase 2) includes demolition of the existing MMH hospital building, Seven Sisters Mental Health Facility and Sleeping Beauty Clinic (Existing Hospital Facilities) followed by site redevelopment (i.e. landscaping, surface parking). The Project will provide:

- facilities that meet the current healthcare requirements, including current lessons learned from COVID-19 pandemic where possible;
- an improved model of care;
- better patient outcomes;
- the requirements of a Level 3 Trauma Centre;
- a healthier and safer work environment for staff; and
- a significant increase in total medical and mental health inpatient beds (78 new compared to the current 44).

Northern Health received business plan approval in June 2019 to procure and deliver the Project using a Design-Build (DB) procurement model. Selection of a DB procurement model was based on a thorough analysis of the following procurement options:

- Design-Bid-Build (DBB)
- Design-Build (DB); and
- Design-Build-Finance (DBF).

The analysis demonstrated that the DB procurement model provides the best opportunity to meet Northern Health's objectives and allows it to best manage and mitigate key Project risks and deliver the Project in a cost-effective and efficient manner.

The procurement process was launched in July 2019 with the release of the Request for Qualifications (RFQ). As only one response was received to the RFQ, the Request for Proposals (RFP) phase followed a modified RFP process with the RFP subsequently released in February 2020. Following the two-step RFQ and RFP procurement process, Northern Health entered into a performance-based, fixed price Design-Build Agreement (DBA) with PCL Constructors Westcoast Inc. (PCL)

The DBA includes a range of performance measures to help ensure the Project is delivered on budget and on schedule. Northern Health will pay PCL progress payments during design and construction, subject to holdbacks for non-performance as required by the DBA.

The total capital cost of the Project is approximately \$623 million and is being funded by the Government and Northwest Regional Hospital District (NWRHD), with Government providing majority of the funding.

The construction for Phase 1 is scheduled to complete in 2024 with completion of Phase 2 and Project expected in 2026. Northern Health will retain ownership of the MMH site including all buildings and structures. It will also retain responsibility for all healthcare delivery at MMH as well as providing maintenance and life cycle services to the buildings and structures during operations.

2. Project Background, Project Objectives and Scope

2.1 Background

MMH facilitates the delivery of the following healthcare services to the community of Terrace and the surrounding rural communities; medical and general surgical services, diagnostics, intensive care, emergency care, maternity services, ambulatory services, acute mental health services, and visiting specialist programs. Terrace has the largest concentration of physicians and services north of Prince George and is the largest diagnostic and specialist centre west of Prince George. MMH supports communities located on Haida Gwaii and others such as Stewart and Dease Lake that are approximately 370 km, 310 km, and 580 km away respectively. MMH is the northwestern education hub and satellite for the University of Northern B.C. Northern Medical Program and provides acute mental health services to the entire Northwest HSDA.

The existing hospital building was constructed in 1959. There are significant facility-related challenges that hamper the effective delivery of healthcare services to the entire northwest region of the province. These challenges range from capacity constraints to physical and functional issues. It is also difficult to coordinate certain key services necessary to provide healthcare services in an efficient manner.

2.2 Project Objectives

An objective of the Project is to improve operational efficiency and health outcomes through optimized delivery of services throughout the Northwest HSDA. It will also serve surrounding communities through the provision of services in Terrace where sufficient critical mass exists to support those specialist physician services and specialist outreach, both virtually and in person. Northern Health intends to continue providing a surgical program supporting the entire Northwest HSDA, with the New Hospital becoming the region's trauma centre.



Artistic rendering of the hospital entranceway.

The Project supports this objective through planning and implementation related to clinical capacity requirements, clinical service delivery planning, clinical redesign and change management, and facility design and development. The Project objectives include:

- a) creation of an exceptional hospital experience and support high levels of self-reported satisfaction for patients and families;
- b) incorporating evidence-based design features that improve the healing environment, enabling culturally safe care for Indigenous Peoples, and is welcoming to all communities served by the New Hospital;
- c) creation of a safe and healthy work environment that improves staff, physician, and volunteer engagement, recruitment and retention, and minimizes workplace injuries;
- d) maintaining full hospital operations during the design and construction of the New Hospital by minimizing disruptions caused by construction; and
- e) meeting the current best practices and standards in healthcare delivery to improve outcomes for patients.

Completion of the Project will have a positive impact on the patients and the communities served by MMH.

2.3 Scope

The scope of the Project includes construction of the New Hospital and New Seven Sisters, demolition of Existing Hospital Facilities, and site redevelopment in two phases.

2.3.1 Phase 1

The first phase is comprised of two key components including the construction of the New Hospital and New Seven Sisters.

2.3.1.1 New Hospital

The construction of the New Hospital will provide additional acute care beds, new clinical, administrative, and support spaces.

The major program components of the New Hospital are outlined in the table below:

TABLE 2: NEW HOSPITAL PROGRAM COMPONENTS

PROGRAM COMPONENTS	CURRENT HOSPITAL	NEW HOSPITAL
Acute Care Inpatient Beds		
Medial and Surgical	25	41
Gynecology and Obstetrical	6	9
Intensive Care	3	8
Acute Psychiatry	10	20
Total	44	78
Surgical Services Operating Rooms		
Orthopedics	0	1
General	2	2
Urology	1	1
Total	3	4
Diagnostic Imaging		
Magnetic Resonance Imaging (MRI)	1	1
Computerized Tomography (CT)	1	1
Single Photon Emission Computed Tomography (SPEC CT)	1	1
Total	3	3
Emergency Department Treatment Spaces		
Total	10	20

2.3.1.2 New Seven Sisters

Phase 1 scope also includes the construction of the New Seven Sisters with 25 beds to replace the current facility, which accommodates 20 beds.

2.3.2 Phase 2

Consists of both demolition of the existing structures on the MMH site, along with parking and site redevelopment.

2.3.2.1 Demolition

This scope of work will include hazardous material remediation and demolition of Existing Hospital Facilities.

2.3.2.2 Parking and Site Redevelopment

This scope of work will include construction of surface parking with 300 stalls, compared to the current 152 stalls, and general redevelopment and landscaping on the site.

3. Project Benefits and Key Features

The Project will result in the ability to deliver high quality health services, better patient outcomes, additional capacity to meet the growing needs of increasing demand at MMH, and a healthier and safer work environment for staff. Benefits and key features of the Project are summarized below.

3.1 High Quality Health Services

Providing high quality health services is a central focus for the Project with the creation of an exceptional hospital experience and supporting high levels of self-reported satisfaction for patients and families being a key Project objective.

The New Hospital and New Seven Sisters will be designed based on current healthcare standards in combination with evidence-based design features. These features will address the unique healthcare delivery challenges in northern B.C. to provide both a positive patient experience as well as a culturally safe care environment for all peoples.

3.2 Access to Natural Light

Natural light and green space have been proven to enhance healing and reduce patients' length of stay in the hospital. Natural and borrowed natural light will be optimized and incorporated throughout the New Hospital and New Seven Sisters.

3.3 Optimal Patient and Staff Safety

The New Hospital design will assist in reducing adverse surgical and medication events, hospital-acquired infections, patient falls, and workplace injuries. The design offers numerous features that have been empirically proven to enhance efficiencies and achieve optimal patient safety.



Artistic rendering of the hospital interior.

These include:

- enhanced security features including separation between patient and staff only areas;
- larger operating rooms to meet current clinical safety standards;
- single occupancy inpatient and outpatient treatment spaces with standardized layouts to reduce adverse events, improve clinical outcomes, increase patient satisfaction, and reduce lengths of patient stay; and
- improved key lines of sight from care stations to patient bays that allows staff to better monitor patients.

3.4 Healing Environment

Interior design features will provide natural and calming environments which improve patient, family, and staff well-being, and reduce the length of patient stay. These design features incorporate patient-friendly and elderly-friendly design concepts and provide a therapeutic environment with access to various gardens and natural environments while allowing for ease of wayfinding.

3.5 Meeting Future Demands

The New Hospital and New Seven Sisters will be built with the future in mind. Along with meeting the needs of a Level 3 Trauma Centre, the New Hospital will also be the focal point in the coordination of surgery and trauma services for the Northwest HSDA. Significant increases for all inpatient bed types will accommodate the forecasted future demands of the north.



Artistic rendering of the hospital room.

4. Project Procurement Options

In accordance with Government's Capital Asset Management Framework (CAMF), the Project team, including Northern Health and Infrastructure BC, undertook a procurement options analysis to determine an optimal procurement method for the Project. Procurement options were evaluated to identify a method of procurement that delivers value and reduces risks for the taxpayer while ensuring Project objectives are met. Project characteristics such as size, complexity, opportunity for innovation and the nature of project risks influence the selection of a procurement model.

4.1 Procurement Options Analyzed

The following three procurement options were considered in the procurement options analysis for the Project:

- **Design-Bid-Build:** Northern Health would engage an architect to develop a detailed design (working drawings) for the facility. Once the working drawings are complete, a tender call for a construction contract would be issued. The lowest qualified price would be selected and an industry standard fixed-price construction contract would be used. The construction contractor would take responsibility for constructing the building to the specifications detailed in the working drawings developed for Northern Health by the architect. Northern Health would remain responsible for errors and omissions and would make monthly progress payments to the contractor. Upon completion, Northern Health would take possession and maintain and operate the facility for its entire lifespan.

Northern Health would retain a significant portion of design and construction risks and all the risks associated with life cycle and maintenance. Because separate parties design, build and maintain the facility, collaboration between consultants and contractors is likely to be limited and the advantages of truly integrating design, construction and maintenance would not be realized.

- **Design-Build:** Northern Health would engage designers and engineers to develop a concept design for the Project, and then conduct a competition to select a DB team to undertake the detailed design and construction of the Project, based primarily upon the performance specifications prepared by Northern Health's technical team. The successful DB team would enter into a fixed price contract with full payments being made by Northern Health on a progress basis, subject to performance holdbacks as required by the DBA.

In this model, design and construction risk, including cost and schedule, is transferred to the design builder, while Northern Health retains life cycle and maintenance risks. The benefits of a DB procurement model include enhanced risk transfer, schedule and cost certainty, and innovation that comes from integrating design with construction.

- **Design-Build-Finance:** This is similar to the DB model, with the addition of private financing for a portion of the capital requirements during construction. The amount of private finance is typically repaid to the contractor at substantial completion.

The DBF option includes enhanced security for achieving the intended risk transfer related to cost and schedule. Performance measures can result in the contractor owing payments to Northern Health as a result of its non-conforming performance. Consequently, lenders would maintain a keen interest in the contractor's performance throughout the Project. Additional benefits of the DBF model include lender due diligence, enhanced enforceability of the contract terms and a lower likelihood of scope changes.

The DBB model involves a one-stage tender for a contractor to construct the project. The DB and DBF models would be undertaken in two stages, with the first stage being a RFQ where respondent teams submit qualifications for evaluation. Shortlisted teams from the RFQ stage are then invited to participate in a RFP stage. In both models, the successful proponent from the RFP stage is eligible to enter into a contract with Northern Health to design and construct the Project.

4.2 Results of the Procurement Options Analysis

Based on both quantitative and qualitative analyses, both the DB and DBF procurement options had significant advantages over that of the DBB.

When comparing against each other quantitatively, the DB and DBF options produced comparable results which were statistically insignificant. A Multiple Criterion Analysis was conducted to qualitatively assess the different procurement options, some sample criteria used are listed below:

- Schedule Certainty
- Cost Certainty
- Ease of Implementing Authority-Initiated Change Orders
- Opportunity for Innovation in Design during Construction
- Optimizing Risk Management and Allocation

Taking into account Northern Health's familiarity and experience with prior procurements, the DB procurement option was ultimately selected for the Project as it was expected to best meet Northern Health's objectives and allow Northern Health to best manage and mitigate key Project risks to deliver the Project in a cost effective and efficient manner.

5. Procurement Process

The timeline of the Project's two-stage RFQ and modified RFP procurement process is outlined in the table below.¹

TABLE 3: PROCUREMENT TIMELINE

PROCUREMENT STAGE	TIMING
Request for Qualifications	July to October 2019
Procurement Strategies Analysis	October to November 2019
Request for Proposals – First Gate	February to June 2020
Request for Proposals – Second Gate	June 2020 to March 2021
Contract Finalization including all required Government approvals	March to May 2021

5.1 The RFQ Process

An RFQ process took place between July and October 2019. Despite significant efforts made by Infrastructure BC to generate competition for the Project, only one response was received at the RFQ submission time. The primary reasons for lack of market interest for the Project included the following:

- the construction market was and continues to be very busy, particularly in the healthcare infrastructure sector;
- the relatively remote location of the Project in combination with the large LNG Canada project in nearby Kitimat made pursuing this Project unattractive for many contractors due to the competition for labour and trades; and
- the Project was too large for some interested firms to pursue on their own, and these firms preferred to pursue mid-sized projects rather than forming a joint venture for large projects.

Northern Health's Capital Project Board (Project Board) appointed an evaluation committee to evaluate the one submission received based on the criteria set out in the RFQ. Following the evaluation, it was determined that the respondent, PCL Constructors Westcoast Inc. (PCL), was qualified to proceed to the RFP phase.

5.2 Procurement Strategies Analysis

In light of the one respondent and in parallel with RFQ evaluation activities, the Project team explored and analyzed the following procurement strategies for the Project for Government review and approval:

- **Strategy 1:** Proceed with the one respondent (assuming it was qualified) through a modified RFP process using the DB model detailed below:
 - This option continues the existing procurement process using a modified RFP process as a framework to negotiate with the proponent with the goal of executing the DBA. This is generally consistent with the approved competitive selection process in the following manner:
 - > An RFP will be issued that requires the proponent to submit a series of proposals to demonstrate how they will substantially meet the requirements as stipulated under the Project's DBA.

¹ The RFQ and RFP procurement documents are publicly available at www.infrastructurebc.com.

- > A Design Early Works Agreement (DEWA) will first be executed to contract for the detailed design process. Although the scope would be for up to 100 per cent of the design work, the approach of using an early works agreement would be consistent with other projects. This strategy provides an opportunity for an off-ramp to exit negotiations where, if Northern Health is unable to enter into the DEWA at an acceptable price, it can terminate the process and acquire ownership of the design. In the event the DEWA process is terminated, Northern Health retains the ability to proceed with either strategy 2 or 3 referenced below or select other procurement options such as DBB or Construction Management as appropriate
- > After the execution of the DEWA, at specified points during the collaborative design development process, the proponent will have the opportunity to submit price proposals based on the current requirements under the DBA to execute the DBA subject to Northern Health's approval. The proponent will be incented to submit competitive pricing proposals as Northern Health has the ability to reject any proposals put forward it deems unacceptable, thus putting the proponent in jeopardy as it would be unable to execute the DBA if the project was unaffordable without additional approvals. Once executed, the DBA supersedes the DEWA including any remaining work left in that contract. In the event the DBA is unable to be executed, Northern Health again retains the same flexibility as in the DEWA phase to proceed with Strategy 2 or 3 and also other procurement options as appropriate.
- **Strategy 2:** Cancel the procurement process and re-procure under an alternative procurement model, the Progressive Design-Build (Progressive DB) described below; or
 - Progressive DB: This model is similar to the modified RFP process detailed above, both models first involve the execution of a DEWA such that the design could be developed up to 100 percent. At certain points during the design process as mandated by Northern Health, pricing proposals would be submitted by the design-builder based on the current design and the requirements under the DBA with the goal of executing the DBA at a fixed price which provides value to Northern Health. Northern Health also retains the ability to utilize the off-ramps at their discretion.

The main difference between the Progressive DB compared to the modified RFP is that under the Progressive DB model, the DEWA contract is competitively bid via a new RFQ process which could lead to favorable outcomes for certain cost items (e.g. design cost).

However, a new procurement would be required for this process resulting in schedule delays and associated increased construction cost escalation for the Project.

- **Strategy 3:** Cancel the procurement process and delay the Project until sufficient market capacity exists.

Based on the procurement strategies analysis, Government elected to pursue Strategy 1. This strategy has the following attributes:

- the process and objectives closely aligned with the DB approach as set out in the RFQ, which provided a high likelihood of Northern Health being able to enter into a DBA with the design-builder. This strategy would allow for the continuation of the existing DB procurement process, and use of the majority of the DB procurement documents and contracts;
- it offered potential for the shortest overall Project schedule, avoiding significant construction escalation compared to the other strategies;
- it provided for off-ramp options for Northern Health as described above; and
- upon successful execution of the DBA, the design-builder would proceed with the remaining design work along all construction and risk transfer obligations in the DBA and be responsible for all typical post construction obligations including commissioning, deficiency rectification and warranty.

5.3 The Modified RFP Process

Upon Government approval of the procurement strategy, the Project proceeded to the RFP phase with PCL. As mentioned in the previous section, the modified RFP process is aligned with the typical RFP process with amendments made to maintain negotiating tension to drive value for Northern Health.

The RFP required that PCL submit:

- a fixed price design development proposal to enter into the DEWA to provide up to 100 per cent of design services and preconstruction services; and
- subsequent technical and fixed price financial proposals set out for the Project to enter into the DBA to provide construction and all remaining design services.

The RFP included the following two gates through the evaluation process, to ensure value is achieved for Northern Health:

- **First Gate – Design Development Proposal and Design Early Works Agreement**

As per the RFP requirement, PCL submitted a fixed price design development proposal in April 2020. PCL had an incentive to provide a fixed fee that was reasonable and delivered value in order to have the best chance to move forward and eventually enter into the DBA.

Based on evaluation of the proposals and negotiations Northern Health entered into the DEWA with PCL in June 2020. The scope of the DEWA was primarily focused on design services. It also included additional services to be provided by PCL including design coordination, development of project management plans, cost control and compliance tracking and pre-construction services (e.g. permitting). Northern Health made progress payments to PCL for the services performed under the DEWA.

- **Second Gate – Design and Financial Proposals Evaluation**

After execution of the DEWA, PCL and Northern Health proceeded with design development. The RFP set out several defined dates at which PCL would make submissions to Northern Health that would be evaluated to assess whether the proposal provided value and would allow the DBA to be executed at an acceptable price with an acceptable design.

The Project adopted the following steps to ensure the evaluation at the Second Gate was robust:

- The Project Board appointed an evaluation committee to evaluate proposals submitted by PCL, based on the criteria set out in the RFP. For each proposal received, the evaluation committee made its recommendation to the Project Board based on a thorough evaluation and due diligence process as set out in the RFP and the associated evaluation manual;

- The Project team engaged a quantity surveyor to provide shadow pricing to compare with the prices submitted by PCL and assist with assessing the value of each proposal. The Project team and the quantity surveyor reviewed additional supporting information from PCL including sub-contractors' pricing and terms, a detailed breakdown of general expenses, unit prices and calculation of certain cost elements. A second independent quantity surveyor, reporting directly to the Project Board was also engaged to provide additional third-party due diligence; and
- Value engineering opportunities were provided by PCL and reviewed and assessed by the Project team. In addition, independent advisors were also engaged to:
 - > work with both PCL and the Project team in assessing and validating these value opportunities in an effort to reduce the overall project budget; and
 - > assist in the assessment of PCL's overall solution for the Project.

After evaluating the first design and financial proposal in November/December of 2020, Northern Health determined that while the design substantially met the requirements of the DBA, several areas required design changes in order to conform to specific user operating requirements.

The pricing provided by PCL in the proposal although exceeding the original budget, was within 4% of the shadow estimates provided independently by both quantity surveyors acting for Northern Health, and well within the +/- 15% cost estimating level of accuracy inherent in a Class C cost estimate. The Project team and PCL agreed on the next steps outlined below:

- PCL was to provide:
 - a revised design proposal to address the user requirements identified;
 - an amended financial proposal in early February 2021 reflecting the design changes requested by the users. This approach would allow sufficient time for additional negotiations and necessary government approvals thus allowing construction to commence prior to June 2021, the deadline for construction start in 2021 as indicated by PCL;
 - assessment of all viable value engineering opportunities would continue; and

- all aspects of the amended pricing proposal be valid to May 31, 2021.

After evaluating the amended design and financial proposal and engaging in further negotiations with PCL, Northern Health and its advisors determined that the proposed design and final negotiated price demonstrated value based on the following:

- the proposal design substantially met all the requirements under the DBA;
- the financial proposal reflected the work undertaken by both Northern Health and PCL in identifying and incorporating appropriate value engineering opportunities including alternative design solutions and areas for design optimization. This process was a collaborative effort undertaken by the Project team, its advisors and PCL;
- based on PCL's design, the financial proposal although exceeding the original budget was again within 4% of the shadow price prepared by both quantity surveyors; and
- members of the Project team engaged in further negotiations with PCL resulting in additional cost savings to the final executed DBA contract price compared to the amended financial proposal.

5.4 Fairness and Transparency

To ensure fairness and transparency of the procurement process, Owen D. Pawson of OWEN D. PAWSON LAW CORPORATION was engaged as a fairness reviewer during the RFQ process to monitor all evaluation activities and provide an opinion as to whether the selection process was fair and transparent. A fairness reviewer's report was provided at the end of the RFQ process and is publicly available at www.infrastructurebc.com, together with the RFQ and RFP documents and the final redacted DBA.

Based on discussions with the Project's fairness reviewer and legal advisor, a fairness reviewer was not required for the RFP process because there was only one proponent.

6. Design-Build Agreement

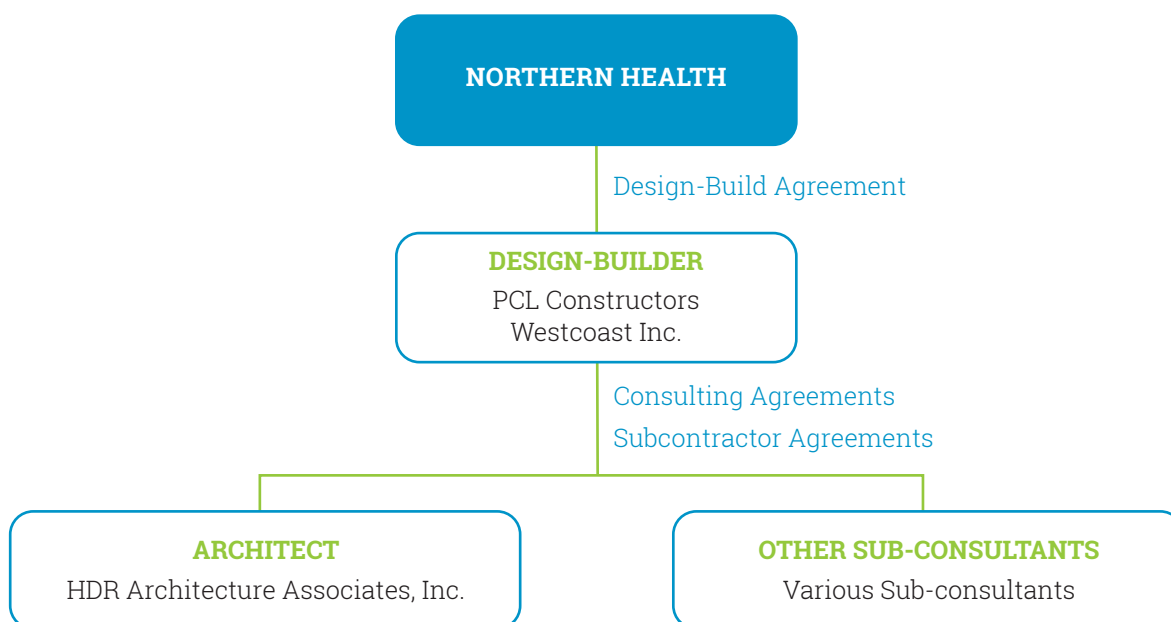
TABLE 4: PROJECT QUICK FACTS

QUICK FACTS	
Design-Builder	PCL Constructors Westcoast Inc.
Facility Owner	Northern Health Authority
Location	Terrace, B.C.
Substantial Completion of New Hospital and New Seven Sisters	2024
Substantial Completion of Project	2026
Term of the DBA	Construction period plus a 2-year warranty period with additional 12 month extended warranty on selected major mechanical systems.
DBA Contract Price (including amounts paid under the DEWA)	\$538.5 million
Overall Project budget (including owner's costs)	\$622.6 million

6.1 Profile of Design-Builder

PCL will deliver the Project using specialist providers and sub-contractors as well as self-performing certain aspects. The contractual structure is illustrated in the figure below.

FIGURE 1: CONTRACTUAL RELATIONSHIPS



6.2 Key Features of the Design-Build Agreement

The design-builder (PCL in this circumstance) has an obligation to design and construct the Project in accordance with the requirements set out in the DBA.

Key features of the DBA include:

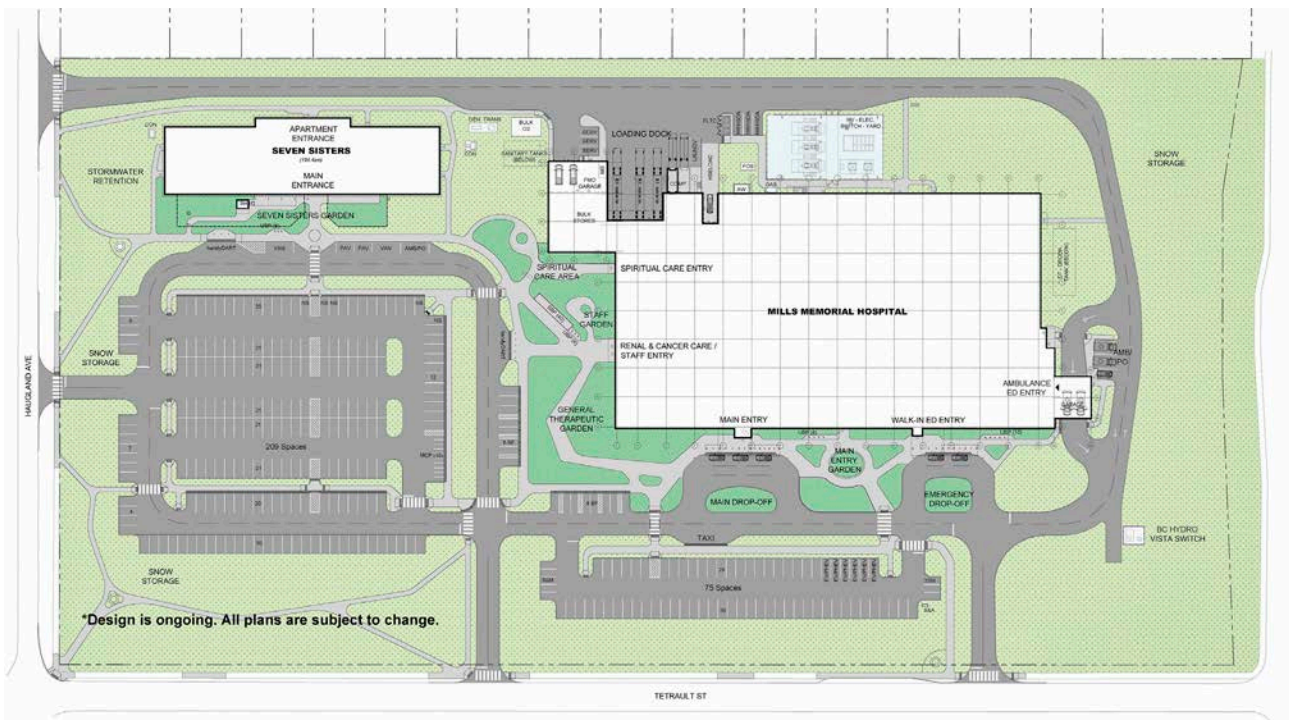
- design and construction of the New Hospital and New Seven Sisters;
- demolition of all Existing Hospital Facilities;
- site redevelopment (e.g. construction of surface parking and landscaping);
- progress payments from Northern Health during construction, subject to performance holdbacks;
- allocation of risks to the party best able to manage them. Risks allocated to the design-builder include design, construction schedule and cost; and
- a requirement for the design-builder to provide a two-year extended warranty for the Project with additional 12 months warranty on selected major mechanical systems.

6.3 Risk Allocation Summary

Key Project risks and their allocation under the DBA are summarized below.

TABLE 5: RISK ALLOCATION UNDER DBA

RISK	RETAINED BY NORTHERN HEALTH	TRANSFERRED TO PCL
Construction including cost and schedule		✓
Design including errors or omissions		✓
Geotechnical		✓
Life cycle	✓	
Maintenance	✓	
Escalation during construction		✓
Latent defects (risk is shared)	✓	✓
Undisclosed hazardous materials	✓	
Northern Health-supplied equipment	✓	
Northern Health-driven scope changes	✓	



Site plan. *Subject to change.

7. Ongoing Project Monitoring

The DBA includes specific provisions to ensure Project delivery, performance and quality standards are met. Monitoring spans every phase of the Project, from contract execution through design and construction to total completion.

7.1 Project Governance

A Project Board has been established to provide guidance and oversight for the implementation of Northern Health's major capital projects, including this Project. Members of the Project Board include representatives from Northern Health, MoH, Ministry of Transportation and Infrastructure, and Infrastructure BC.

Northern Health has assembled an integrated project management team responsible for implementing the Project through design, construction, and transition into the operations. This team reports through a project director to the Project Board.

7.2 Design and Construction Phase

The DBA stipulates that each of Northern Health and PCL must appoint their respective representatives. Northern Health's representative is supported by a team of professionals (e.g., architects, engineers, lawyers) who, together, will have full access to the construction site, drawings and specifications, and will report observations to the Project Board regularly through the project director. The PCL representative serves as a key point of contact for Northern Health during design and construction.

In support of the monitoring activities, Northern Health has appointed the Project team's quantity surveyor to be the payment certifier who will monitor and report on construction progress and provide certification that the conditions for payment have been achieved.

7.3 Quality Management

The DBA is structured to incentivize PCL to ensure delivery, performance, and a high-quality solution. PCL is required to implement a quality management plan that is acceptable to Northern Health. Northern Health has the ability to conduct quality audits as construction progresses to provide assurance that quality requirements are being met.

7.4 Local Labour Engagement

Under the executed DBA, PCL is required to work with Northern Health and develop a Strategic Communication Plan intended to address a wide variety of items ranging from community relations to emergency communications. Amongst the items included are plans for identifying employment and contracting opportunities on a competitive basis, in addition, PCL is required to consult with Northern Health in order to determine appropriate actions for PCL to undertake to identify and hire local available workers.

PCL along with its trade partners has and will continue to post contracting, supplier and job opportunities locally via, but not limited to the following platforms as required:

- Local union affiliations for various trades
- Terrace Standard newspaper
- local indigenous group employment and training offices where available
- Online advertising platforms (e.g. Indeed, Kijiji)

As of the publication of this report, there have been over 70 local worker hires and more than 15 local businesses contracted on the Project so far.

8. Glossary of Terms

Design Build Agreement: A contract that sets out the requirements for the delivery of a project under a partnership delivery model in terms of cost, schedule and performance that typically governs the performance-based payment to the design-builder.

Project: The Mills Memorial Hospital Redevelopment Project.

Project Board: The Northern Health Capital Project Board has been established to provide guidance and oversight for the implementation of Northern Health's major capital projects.

Request for Proposals (RFP): The document issued by a project owner as the second stage of the procurement process for qualified proponents to submit proposals to deliver a project.

Request for Qualifications (RFQ): The document issued by a project owner as the first stage of the procurement process inviting interested parties to submit their qualifications for delivering a project.

