Structuring RFP’s Using Public Lands to Achieve Public Objectives

Presentation
to:
National Executive Forum on Public Property

by:

Paul Smith
Del Management Solutions Inc.

May 12, 2005
Introduction to DMS

- Privately Owned - Toronto Based
- Areas of Expertise
  - Provincial Government Owned Land and Buildings
  - Public and Private Non Profit Housing
  - Privately Owned Real Estate (Residential, Commercial)
- Managed Portfolio
  - 11,000 Residential Units – Apartments, Townhouses, Houses
  - 14 Million Square Feet of Space
  - 65,000 Acres of Land
- 240 Staff in 50 Office Locations Across Ontario
- $100M/yr Managed Costs, $120M/yr Managed Revenue
Government Owned Real Estate Management Experience

- Canada Post
- Canadian Broadcasting Corporation
- Ontario Realty Corporation
- Metro Toronto Housing Authority (MTHA) & Toronto Community Housing Corporation (TCHC)
- University of Ottawa
- City of Toronto, Town of Cobourg, Township of Vaughan
Service Bundle

- Staffing
- Marketing, Leasing, Collection of Rent
- Building Operation and Maintenance Including Security, Cleaning, Landscaping, Snow Removal
- Procurement of all Supplies and Services
- Response to Resident Initiated Work Requests
- Capital Project Planning and Management
- Community Development
- Issues Management (Public, Political, Media)
- Property Information Management
Request For ....

☐ Information
☐ Expressions of Interest
☐ Qualifications
☐ Proposals
Typical Contract Elements

- Contract Security (Performance Bond, Letter of Credit)
- Insurance, Indemnity
- Performance Guarantee (Guaranteed Maximum Price)
- Performance Measurement Framework – KPI’s
- Stakeholder Satisfaction Measurement
- Remedies Based on Non Performance
- Operational Reporting
- Financial Reporting, Budgeting, 3rd Party Audit
Fee Structures

- Base Fee – Fixed or Formula Driven
- Shared Savings
- Capital Project Management Fee
- Revenue Enhancement Incentive
Ontario Realty Corporation
Land Management

- RFQ, RFP – 1999
- 65,000 Acres of Land, 3,000 Properties, 1,500 Leases
- 5 Year Contract plus two 2-year extensions
- $90M Managed Costs over Contract Term
- Contract Negotiation, Transition and “Grace” Periods
- Negotiation of Extensive KPI Framework
- Letter of Credit, Guaranteed Maximum Price
- Fee Structure
  - Formula-Driven Base Fee (Holdback Release Subject to KPI Score)
  - Shared Savings (Adjusted based on KPI Score)
  - Capital Project Management (% of Project Cost)
  - Transactions (% of Project Cost)
Ontario Realty Corporation
Land Management

- Significant Portfolio Changes
  - Take Over of Ontario Development Corp. Lands (Industrial Parks, Commercial Building, Vacant Land)
  - Sale of Picton Heights (> 200 homes)
  - Sale of Northam Industrial Park, Cobourg (1M sq ft)
  - Sale of Ottawa Life Sciences Building (40K sq ft)
  - Transfer of Rouge Park to Toronto Regional Conservation Authority
  - Tenant Purchase Programs
  - Seaton Land Swap (in progress)
Ontario Realty Corporation
Land Management

- DMS Issues and Objectives
  - Property Information and Data Management
  - Cost Management
  - Property Rationalization
  - Procurement Facilitation
  - Political Issues Management
  - Potential Liability Risk Mitigation
Toronto Community Housing Corporation
Property Management Services

- 4,500 Apartments and Townhouses in GTA
- $15M Managed Costs over Contract Term
- Performance Bond, Guaranteed Maximum Price
- Mature Non-Negotiable Contract
- Fee Structure
  - Fixed Base Fee
  - “Menu Services”
Toronto Community Housing Corporation
Property Management Services

- DMS Issues and Objectives
  - Cost Management
  - Protection of Assets
  - Potential Liability Mitigation
  - Benchmarking Against 2nd Property Management Company and TCHC In-House Operating Staff
  - Tenant Satisfaction
  - Procurement Facilitation
  - Issues Management (tenant, political, media)
University of Ottawa
Student Residence Management

- RFEOI, RFAI Steps
- 2,000 Beds in 5 Buildings on Campus
- Contract Negotiation, Transition Period, Grace Period
- Negotiation of KPI’s, Remedy Details etc.
- Performance Bond, Guaranteed Maximum Price
- Fee Structure
  - Fixed Base Fee
  - Shared Savings
  - Summer Conference Revenue Enhancement Incentive
  - Financial Remedies based on Tiered Occurrences
University of Ottawa
Student Residence Management

- DMS Issues and Objectives
  - Cost Management
  - Summer Revenue Enhancement
  - Operations Streamlining
  - Staff Development
Summary

- Risk Transfer from Client to DMS
- Potential for Substantial Reward to DMS
- Quality and Detail of Baseline Information Determines Degree of Negotiation Required
- Successful Contracts have Mutual Incentive to Overperform
- Taxpayers Save Money