



PLANNING, HOUSING AND COMMUNITY SERVICES  
Community Planning

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**TO:** Chair Jim Wideman and Members of the Planning and Works Committee

**DATE:** June 19, 2012 **FILE CODE:** D10-20(A)

**SUBJECT: KING AND VICTORIA MULTIMODAL HUB – REAL PROPERTY MARKET SCOPE AND FEASIBILITY STUDY**

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**RECOMMENDATION:**

For information.

**SUMMARY:**

The new Region of Waterloo Multimodal Hub site, located on the north-east quadrant of the intersection of King and Victoria Streets, is a prominent property in downtown Kitchener. Presently, the Region is nearing completion of acquisition of all the component land parcels. The Hub site is being planned to simultaneously function as a focal transportation node that integrates various local and inter-regional transportation modes as well as an attractive higher-density, mixed-use land development.

The planning activities are progressing along two main themes, namely, the transportation infrastructure planning– which focuses on transportation connectivity– and land development planning– which focuses on identifying and enabling ways to leverage the land development potential. The latter ensures that the Hub site is developed in a manner that it becomes an iconic landmark and gateway to downtown Kitchener, acts as a catalyst for future developments in the area, and maximizes the equity and return on the Region’s investments.

In this context, staff has identified a need to hire external experts to undertake the Multimodal Hub Real Property Market Scope and Feasibility Study (or Market Scope Study).

The Market Scope Study consulting assignment will be executed through the following three phases.

1. *Phase 1* will assess the market demand for various land use types possible at the Hub site based on historical trends, nearby existing and planned inventories, and future projections for economic growth.
2. *Phase 2*, through a market sounding exercise, will consult with representative land developers, potential tenants and industry experts for acquiring market intelligence and their creative ideas and advice as well as for an early identification of issues and risks that could affect success.
3. *Phase 3* will evaluate and shortlist up to four to six number of, site-wide plus individual building asset-specific, most feasible site development options. Potential risk profiles and the suitability of various procurement methods will also be analyzed.

This consulting assignment is estimated to cost in the range of \$150,000 to \$200,000, plus taxes and disbursements.

Staff expects to initiate the consulting assignment by September 2012, and substantially complete it by early 2013. A risk remains in terms of the length of the Phase 2 (market sounding exercise) which is driven by the completeness and adequacy of the feedback response obtained from the market sounding clients. As a parallel endeavour and potentially a measure to mitigate this schedule risk, staff is also coordinating with the City of Kitchener's Economic Development team and the local business community with an objective to promote the site in order to attract new economic development opportunities to the region.

This Market Scope Study will enable the Region to understand and establish the most prudent set of premises, criteria, scope and procurement strategies for development of the Hub lands. It will thus provide the Region with the degree of due diligence and procedural rigour that could be generally expected of an entity undertaking commercial land developments.

The Market Scope Study will be followed by intensive business case analysis for the preferred investment option(s). Whereas the Market Scope Study assesses financial performance at a level that is sound enough to make comparisons between high-level candidate options, the business case will examine it at a level of detail that is appropriate for making investment decisions.

## **REPORT:**

### **Project Background and Context**

The new Region of Waterloo Multimodal Hub site is located on the north-east quadrant of the intersection of King Street and Victoria Street in downtown Kitchener. Following authorization by Regional Council in August 2007, the Region has acquired all component parcels of the subject 1.6 hectares (3.95 acres) lands bounded by King Street West, Victoria Street North, Duke Street West and the CN Railway corridor – except for the parcel at 520 King Street West, the acquisition of which is expected to be substantially completed by the end of 2012.

In its final built-out form, the Hub will be a combination of a central transportation facility seamlessly integrating various convergent local as well as inter-regional travel modes together with a higher density, mixed-use land development that will also serve as a catalyst for redevelopment in this part of the City of Kitchener known as the Innovation District.

As a transportation facility, the Hub will be a focal node on the new Regional Rapid Transit (RT) line. New intensive transportation infrastructure to be developed includes platforms and interface elements for the RT line; platforms to serve inter-city GO train and VIA Rail services; bus bays and loops to support the Grand River Transit (GRT) and intercity bus services operated by GO Bus, Greyhound, Coach Canada and other carriers; and underground and at-grade connections to and from the facilities enabling the modes of pedestrians, cyclists, taxis and the Grand River Car Share. Similarly, network improvement works including grade-separation (underpass) of the Weber Street and King Street road alignments have been planned to be completed in conjunction with the construction of the Hub site's transportation infrastructure.

In terms of land development and place-making, the Hub is expected to become an iconic catalyst to further attract high-quality, high-density, mixed-use development in the downtown Kitchener area. The Hub is poised to become a centre of activity in downtown Kitchener. It is within walking distance of existing commercial, retail and residential areas; and extensive opportunities for intensification have been identified in and around the area. Subsequently, a safe, comfortable and vibrant public realm will foster walking and cycling and will make transit more attractive to potential users. As such, the Hub will, both directly and inductively, support the growth management and reurbanization goals in the *Regional Official Plan*, the City of Kitchener's *Official Plan* as well as the Province's *Places to Grow: Growth Plan for the Greater Golden Horseshoe*.

To realize this vision of successful development of the Hub site, Regional staff is undertaking a number of planning projects. On the whole, the planning process is proceeding along two broad themes – (i) transportation infrastructure planning and (ii) land development planning.

As part of the land development planning, the Region is seeking to analyze potential real property development scenarios for the most appropriate mix and sizes of the various land use types and their respective phase-in timelines such that the value for money (VFM) and return on equity (ROE) of the Region and, by extension, the public are maximized.

In this context, Regional staff has identified a need to hire external experts to undertake the Multimodal Hub Real Property Market Scope and Feasibility Study (or Market Scope Study).

Further details on the structure and management of the Market Scope Study consulting assignment, including its statement of work, procurement, schedule, identified risks, stakeholder relationships, future value and impact, and concurrence with the Regional policies and departments, are presented below.

### **Statement of Work**

The Market Scope Study consulting assignment will be executed through the following three phases.

- *Phase 1: Market Demand and Development Concepts* – will assess the market demand for future land uses at the Hub site based on historical trends and future projections for economic growth and competition as well as existing inventories in the surrounding areas and communities. The outcome of this module will be a set of six to eight Development Concept options, each of which represents a combination of land-use/space types and sizes that could sustain commercially in the future.
- *Phase 2: Market Sounding* – will consult with the development industry to solicit their perspective upon viability of the candidate Development Concept options; and also serve to provide an early identification of issues and an early understanding of the risks that could affect success. The outcome of this module will be a refined set of six to eight Development Concept options with further qualifying information including architecture and constructability, development cost, return on investment, potential procurement options and associated risks.
- *Phase 3: Evaluation of Options* – will first develop the criteria and then evaluate the candidate Development Concept options based on their financial performance (return on investment, equity maximization etc.) as well as the Region's responsibilities for public policy and local government. The outcome of this module will be a shortlist consisting of four to six number of, site-wide plus individual building asset-specific, most feasible development options.

### **Cost**

The cost of the Market Scope Study consulting assignment is expected to be in the range of \$150,000 to 200,000, plus taxes and disbursements.

### **Procurement**

In accordance with the Region's *Purchasing Guidelines: Consultant Selection Process*, the procurement method leading to the selection of the consultant follows a Two-Stage Three Envelope format to evaluate their proposals received upon the Request for Proposal (RFP) issued by the Region.

Under Stage 1 submissions, interested proponents submit technical information describing their team's capacity, strength and approach to the work enclosed in Envelope No. 1 – Expression of Interest (EOI) Technical Proposal. Proponents will be shortlisted based on the merits presented in their EOI Technical Proposals against a pre-published evaluation scheme.

Next, under Stage 2 submissions, only the shortlisted proponents are then asked to submit a detailed work plan enclosed in a separate Envelope No. 2 – Work Plan Proposal, and the information regarding fees and cost estimates enclosed in a separate Envelope No. 3 – Cost Proposal. Stage 2 submissions are re-evaluated against the pre-published evaluation scheme. The Region will negotiate as necessary and enter into a contract agreement with the highest scoring proponent.

Key target dates in the RFP process this year are as follows.

Request For Proposal (RFP) issued	June 20
Bidder's questions due	July 6
Responses to bidder's questions published	July 10
Guided tour of the site (optional) and bidder's conference (optional)	July 11
Stage 1 submissions due (Expressions of Interest, Technical Proposal deadline)	July 27
Shortlisted bidders notified	August 3
Stage 2 submissions due (Work Plan Proposal and Cost Proposal deadline)	August 24
Presentations and interviews with shortlisted bidders	August 28
Result of consultant selection announced	August 31

### **Schedule**

The Market Scope Study is expected to commence by September 2012, and is to be substantially complete by early 2013.

A risk remains in terms of the length of the Phase 2 (market sounding exercise) which is driven by the completeness and adequacy of the feedback response obtained from the market sounding clients. More exact and detailed project schedule will be sought from the consultant in their proposal; however, the date of completion may need to be extended for another two to three months in order to achieve the best quality of the work and the products. This risk could impact the Study project schedule only and is not likely to impact the costs beyond the upset budget.

### **Post-completion Value, Impact, and Future Steps**

With an economic analysis of the local and neighbouring real-estate market, the Market Scope Study first compiles a rational proposition of viable real-estate development concepts (scenarios) at the Hub site. These development concepts are later vetted through the development industry practitioners that helps to further refine them on not only the objectives of economic performance but also on the issues of practicality. The result from this Study, therefore, is a set of ambitious but realistic site development options that best reflect the Region's vision for development of the Hub lands while having the best potential for maximum return on investment. In course of the market sounding exercise, this Study will also help provide an early promotion ("heads-up") of the Hub site to the prospective bidders.

As such, the Market Scope Study will enable the Region to understand and establish the most prudent set of premises, criteria, scope and procurement strategies. Given the development of the Hub lands and the ability to influence its contribution towards achieving the Region's growth management objectives is a one-time opportunity, the awareness and guidance to be acquired through the Market Scope Study will be quite valuable.

The Market Scope Study, thus, furnishes the degree of due diligence and procedural rigour that could be generally expected of a responsible entity undertaking commercial land developments of such a magnitude. The work activities accomplished during this Study will also satisfy, in general, the requirements of preparatory work expected by PPP Canada (P3 Canada) should the Region seek to pursue funding opportunities from them in the future. P3 Canada is a federal crown corporation which champions and facilitates the P3 mode in the delivery of public infrastructure projects through promoting best practices, providing expertise, and— often— partially funding the public infrastructure project.

In terms of next steps, the Market Scope Study will be followed through a separate consulting assignment to develop intensive business case analysis for the most promising and approved site development option(s). The business case analysis will focus in-depth on the financial/economic performance, associated risks and mitigation measures, as well as procurement modes and phase-in options. It will examine the financial performance at a level of precision that is appropriate for making investment decisions. Depending on the conclusions from the Market Scope Study, any or all of the individual building assets or the entire site build-out could make the subject of the business case analysis.

### **Area Municipal Consultation/Coordination**

As a parallel endeavour and as a measure to mitigate the schedule risks of the market sounding exercise, staff is coordinating with the City of Kitchener's Economic Development team and the local business community with an objective to promote the site in order to attract new external tenants to the effect of importing net new, additional jobs and economic development opportunities into the region.

The results of this initiative to jointly promote the site will also be used to compare to the real-estate economic/demand analysis.

### **CORPORATE STRATEGIC PLAN:**

The Market Scope Study will contribute, both directly and inductively, towards accomplishing the following Action Items of the *Region of Waterloo Strategic Focus 2011–2014*.

- 3.4.1 Implement the multimodal transportation hub at Victoria and King Streets.
- 2.3.2 Continue to identify and support partnership opportunities that foster innovation and economic development (e.g. post secondary institutions, technology, manufacturing, food processing, etc.).
- 2.1.2 Work with area municipalities to develop and implement a comprehensive strategy to promote intensification and reurbanization within existing urban areas.

### **FINANCIAL IMPLICATIONS:**

Funding for land acquisitions and project preparation costs for the King and Victoria Multimodal Hub was provided from the approved budget for property acquisitions and other project development expenditures for the RT project. Funding for this Multimodal Hub Market Scope Study consulting assignment is also provided in this project budget.

### **OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:**

Staff from the Rapid Transit, Transportation and Environmental Services was consulted during preparation of the RFP Terms of Reference for this Study. Membership of the Steering Committee for this Study draws participation of staff from Planning, Housing and Community Services and Transportation and Environmental Services. The procurement of the Study is being processed with assistance from Finance.

### **ATTACHMENTS:**

NIL

**PREPARED BY:** *Shiva Tiwari*, Transportation Planning Engineer

**APPROVED BY:** *Rob Horne*, Commissioner of Planning, Housing and Community Services