



Bayers Lake Community Outpatient Centre Project

Project Development Report

October 23, 2020



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EXECUTIVE SUMMARY

The Province of Nova Scotia (the “Province”) recently completed the procurement process to select a private sector partner to design, build, finance and maintain (“DBFM”) a new community outpatient centre at the Bayers Lake site. The Bayers Lake Community Outpatient Centre (“BL COC”) is a key component of the broader Queen Elizabeth II Health Sciences Centre New Generation Initiative, a multi-year phased project to redesign and build healthcare infrastructure to support the decommissioning and transfer of services from the Victoria and Centennial Buildings at the Victoria General site.

The procurement was undertaken using a two-stage process, modelled on Infrastructure Ontario (“IO”) processes and templates. The two-stage process consisted of a Request for Supplier Qualifications (“RFSQ”) stage followed by a Request for Proposals (“RFP”) stage. Six consortia participated in the initial RFSQ stage with three consortia proceeding to the RFP stage following an evaluation of RFSQ submissions. After careful evaluation of the three RFP submissions received, and in accordance with a pre-established evaluation framework, EllisDon Infrastructure Healthcare (“EDIH”) was selected on the basis that it had the highest-scoring proposal, based on a combination of technical and financial considerations.

Through a Project Agreement established between the Province and EDIH, EDIH will be responsible for designing, building and financing capital costs associated with the new facility. The design and construction phase will begin immediately and is expected to be complete by the summer of 2023. Upon completion of construction, EDIH will be responsible for maintaining the facility over a 30-year operating period. The Province will maintain ownership of the new facility throughout the project term and will assume responsibility for the maintenance of the facility at the end of the 30-year operating period. It is EDIH’s contractual obligation to ensure the facility is in good operating condition upon handover at the end of the 30-year operating period.

The Province will make a payment to EDIH to cover 50% of the associated capital costs excluding financing costs upon completion of construction. Over the operating period, the Province will make monthly payments for the maintenance services to be delivered as well as the remaining capital costs and EDIH’s required return on equity invested in the project. The total net present value (“NPV”) of the contract to design, build, finance and maintain the BL COC is \$169.5 million (excluding energy costs). This includes \$88.0 million for construction and \$44.5 million for 30 years of maintenance and lifecycle of the facility. It also includes other cost items such as an allowance to cover construction costs impacted by COVID-19 (the “COVID-19 Cash Allowance”), financing and EDIH ancillary costs during construction and operations, and insurance during operations.

As part of the business case analysis conducted in the development phase of the Halifax Infirmary Expansion project and the BL COC project (collectively, the “Projects”), a value for money (“VFM”) analysis was conducted which indicated a VFM of approximately 12%. Subsequent to the business case stage, the Province, supported by its advisors, updated the VFM analysis by de-coupling the BL COC project from the Halifax Infirmary Expansion project and updating the BL COC VFM analysis at key milestones in the BL COC procurement process. This allowed for progressive reconfirmation that the BL COC project, as structured, would deliver VFM. The final VFM analysis is based on the final project structure and actual contracted costs with EDIH.

The result of the VFM analysis is summarized in Figure 1 below.

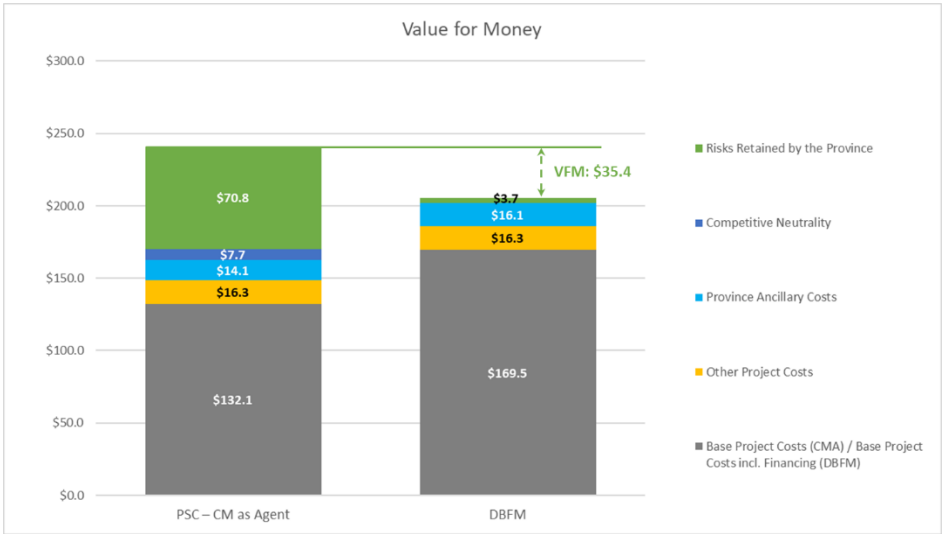


Figure 1 - VFM Analysis

The results confirm that the Province should expect overall lifetime risk adjusted costs of BL COC to be \$35.4 million (14.7%) less through the DBFM arrangement reflected in the Project Agreement than if BL COC was built, financed and operated using the traditional model (the Public Sector Comparator (“PSC”), Construction Management as Agent).

The project structure has allowed the Province to realize key advantages, including:

- **Expedited project completion** – delivery through a traditional approach typically results in longer timelines from procurement through to construction. Under this project structure, no payments will be made until construction is completed; EDIH is therefore incentivized to finish on time.
- **Cost certainty** – notwithstanding the COVID-19 Cash Allowance, the construction contract is a fixed-price, turnkey contract and Monthly Service Payments and Lifecycle Payments have been pre-established.
- **Clear accountability** – project roles and responsibilities are well defined, performance standards are clearly stipulated and enforceable financial deductions, coupled with escalating legal remedies, have been incorporated into the Project Agreement.

The project structure encourages performance and facilitates the realization of the maximum benefits for all Nova Scotians.

GLOSSARY

Alternative Procurement Option	Build-Finance, Build-Finance-Maintain, Design-Build-Finance, Design-Build-Finance-Maintain, Design-Build-Finance plus Maintain, Design-Build-Finance-Maintain-Operate
Ambulatory Care	Medical care performed on an outpatient basis
Asset Residual Value	The estimated value of an asset at the end of its useful life
Atlantic Canada	Four Provinces: New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland & Labrador
Bayers Lake Business Park	Business Park in the Halifax Regional Municipality
Bayers Lake Outpatient Centre	New healthcare infrastructure to be constructed at the Bayers Lake site within the scope of the Initiative
Bundled / Bundling	Procuring the Halifax Infirmity and Bayers Lake new construction projects together under an Alternative Procurement Option
Bundling Assessment	Chapter of the Business Case that assesses whether the procurement of the new construction on the Halifax Infirmity and Bayers Lake sites should be combined or separated under an Alternative Procurement Option
Business Case	An assessment of the different ways of delivering the Projects and recommendation of the most suitable Procurement Option based on a Qualitative Assessment and a Quantitative Assessment. In support of this objective, the Business Case also summarizes why the Projects required and what the Projects will deliver.
Business Case Working Group	Group of Provincial stakeholders established by the Province including representatives from the Province that participated in certain Business Case analyses.
Cash Allowance	An amount of money earmarked for a specific purpose
Dartmouth General Hospital	Hospital located in Dartmouth, Nova Scotia, included within the scope of the initiative with respect to renovations to increase the number of patient beds and operating rooms
De-bundled / De-bundling	Procuring the Halifax Infirmity and Bayers Lake new construction projects separately either under a Traditional Procurement Option or an Alternative Procurement Option

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Economies of Scale	The cost advantages that enterprises obtain due to their scale of operation, with cost per unit of output decreasing with increasing scale
Fairness Monitor	An independent third party whose role is to observe all or part of a procurement process, to provide related feedback on fairness issues to the project team, and to provide an unbiased and impartial opinion on the fairness of the observed procurement process
First Negotiations Proponent	The highest ranked Proponent following Evaluations
Functional Program	Multi-purpose document that describes the proposed services to be addressed in a capital project, specifying human, technical and building resources necessary to function as intended
Gating Criteria	Criteria of such fundamental importance to the delivery of healthcare infrastructure (as determined by the Province) that they are treated on a pass / fail basis
Halifax	Halifax Regional Municipality
Halifax Infirmary	One of two campuses of the Queen Elizabeth II Health Sciences Centre.
Hants Community Hospital	Hospital in Windsor, Nova Scotia included in the scope of the Initiative with respect to OR expansions and renovations
Hard FM	Facilities Management services related to the building structure (i.e. maintenance, repair and replacement of building infrastructure)
Highway 104 Sutherland River to Antigonish River to Antigonish Twinning Project	Project consisting of the construction, financing, operations, maintenance and rehabilitation of a four-lane divided highway corridor beginning at the end of the existing divided highway, east of New Glasgow near Exit 27 at Sutherlands River, and running for a distance of approximately 38 km to the existing divided highway just west of the Addington Forks Interchange (Exit 31) at Antigonish.
Honoraria	The Payment made by the Sponsor to each of the two eligible unsuccessful Proponents, otherwise referred to as a design bid fee
Independent Certifier	Person(s) appointed as the Independent Certifier pursuant to the Independent Certifier Agreement and as may be permitted pursuant to the Project Agreement
Infrastructure Ontario	The procurement and commercial lead for all major public infrastructure projects in the province of Ontario
Inpatient	Patient who stays in the hospital while under treatment
Lifecycle Payments	Payments in respect of the replacement, refreshment and/or refurbishment of parts of a facility

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Local Participants	Organizations who could perform one or more roles on the Projects, who have a local, but not national presence. Relevant to the Market Sounding section of the Business Case
Market Sounding	Interactions with potential investors or service providers to gauge interest in a transaction or project prior to formally launching a transaction or project
Master Plan	Planning study (Part II) that supports and demonstrates potential for developing sites and is a high-level design view of how sites could be developed to meet future needs
Master Planning	Process that evaluated the condition and potential use of existing buildings and systems and defined long-term developmental strategies for specific sites, campuses or communities to support the future delivery of health services as described in the Master Program
Master Program	Planning study (Part I) that reflects a healthcare facility's present and future service role within the community, and outlines current and projected future programs and services, workload, staffing and departmental space requirements by site.
Participants	Representatives of various organizations who could perform one or more roles on the Projects
Pre-COVID-19 basis	Not incorporating any of the known or anticipated impacts of COVID-19
Preferred Proponent	The entity that is selected by the Province to enter into the Project Agreement
Procurement Option	Refers to both Traditional Procurement Options and Alternative Procurement Options assessed as a potential delivery model for the Projects in the Business Case
Procurement Options Analysis	The Quantitative and Qualitative Assessments conducted as part of the Business Case
Projects	Collectively, the BL COC project and the Halifax Infirmary Expansion project
Project Agreement	The Contract entered into by the project owner and Project Co under an Alternative Procurement Option, setting out the scope of Project Co's responsibilities in terms of the project and the performance requirements and associated payments during construction and operations.
Project Co	A special purpose private sector company created solely for the purpose of delivering the BL COC
Proponents	The Prequalified Parties that submit documents in response to an RFP
Public Sector Comparator	The Procurement Option traditionally used by the Province

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Public-Private-Partnership	A long-term contract between a public party and a private party for the development and / or management of a public asset or service, in which the private party bears significant risk and management responsibility through the life of the contract, and remuneration depends on performance, and/or the demand or use of the asset or service.
Queen Elizabeth II Health Sciences Centre New Generation Initiative	Broad initiative to expand, renovate and upgrade the healthcare infrastructure facilities across Nova Scotia
Request for Proposals	A document that sets out the Province’s detailed requirements of Proponents and, ultimately, the Preferred Proponent, including the content and format of proposals. The RFP provides a basis on which to maintain consistency and compare proposals.
Request for Supplier Qualifications	A document that solicits qualifications, with the objective of developing a list of qualified suppliers that will be used for one or more future competitive solicitations (e.g. RFP) and/or awards amongst the qualified suppliers without a subsequent competition
Scored Criteria	Criteria used to evaluate Procurement Options
Soft FM	Non-building related Facilities Management services that support the delivery of clinical services to patients (e.g. catering, cleaning, laundry, portering)
Substantial Completion	The point at which construction of a project has been completed and all requirements, other than minor deficiencies, have been satisfied
Traditional Procurement Option	Construction Management as Agent, Construction Management at Risk, or Design-Bid-Build
Victoria General	One of two campuses of the Queen Elizabeth II Health Sciences Centre
World Health Organization	A specialized agency of the United Nations responsible for international public health

LIST OF ACRONYMS

BCSG	Business Case Steering Group
BCWG	Business Case Working Group
BF	Build-Finance
BFM	Build-Finance-Maintain
BL	Bayers Lake
CCM	Commercially Confidential Meetings
CMA	Construction Management as Agent
CMR	Construction Management at Risk
COC	Community Outpatient Centre
COVID-19	Novel coronavirus 2019
DBB	Design-Bid-Build
DBF	Design-Build-Finance
DBF+M	Design-Build-Finance + Maintain
DBFM	Design-Build-Finance-Maintain
DBFOM	Design-Build-Finance-Operate-Maintain
DGH	Dartmouth General Hospital
DHW	Department of Health and Wellness
EDIH	EllisDon Infrastructure Healthcare
FM	Facilities Management
FTB	Department of Finance and Treasury Board
HI	Halifax Infirmary
HRM	Halifax Regional Municipality
ICAT	Information, Communication and Automation Technologies
IO	Infrastructure Ontario
NPV	Net Present Value
NSHA	Nova Scotia Health Authority

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OR	Operating Room
PA	Project Agreement
PPP	Public-Private Partnership
PSC	Public Sector Comparator
QEII	Queen Elizabeth II Health Sciences Centre
RFP	Request for Proposals
RFSQ	Request for Supplier Qualifications
TIR	Department of Transportation and Infrastructure Renewal
VFM	Value for Money
VG	Victoria General

1 PROJECT OVERVIEW

1.1 THE QEII REDEVELOPMENT INITIATIVE

The Queen Elizabeth II Health Sciences Centre (“QEII”) New Generation Initiative (the “Initiative”) is a multi-year phased project to redesign and build healthcare infrastructure to support the decommissioning and transfer of services from the Victoria and Centennial Buildings at the Victoria General (“VG”) site. In addition to replacing aging infrastructure on the VG site, the Initiative provides an opportunity to plan a healthcare system for the future, taking into account new practices and technology that will improve the way healthcare is delivered to better meet the changing nature of healthcare and the needs of patients.

Officially launched in April 2016, the Initiative will include:

- operating room (“OR”) expansions and renovations at the Hants Community Hospital in Windsor;
- a new Community Outpatient Centre at the Bayers Lake site (“BL COC”);
- Dartmouth General Hospital (“DGH”) renovations and expansion;
- construction of a new residential Hospice in Halifax;
- renovations to the 3rd and 5th floors of the Halifax Infirmary (“HI”); and
- expansion of the Halifax Infirmary campus (“HI Expansion”) to include the construction of four (4) new buildings: Ambulatory Care, Inpatient / OR, Centre for Research and Innovation, and a new Nova Scotia Cancer Centre (“Cancer Care Centre”).

Two (2) of the aforementioned project components, namely (i) HI Expansion, and (ii) BL COC, were part of a Master Planning process (including a Master Program, Functional Program and a Master Plan) led by Kasian Architecture. A total of four (4) design concepts were developed for the HI Expansion as part of the master planning process (two (2) design concepts including the Cancer Care Centre and two (2) design concepts excluding the Cancer Care Centre). A design concept was also developed for the BL COC. The focus of this report is the BL COC.

1.2 THE BAYERS LAKE COMMUNITY OUTPATIENT CENTRE

The site for the BL COC is located at a new Bayers Lake Business Park lot on Susie Lake Crescent. The lot has been prepared for development and is considered pad-ready in the proposed building location.

Components within BL COC will include:

- Collaborative healthcare team;
- Diagnostic services;
- Dialysis / renal services;
- Geriatric services;

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- Interdisciplinary services;
- Mental health & wellness;
- Rehabilitation;
- Public space; and
- Administration & support services.

The site slopes to the southwest with a steep natural bank and overlooks the Black Duck Pond below. To the west is the Blue Mountain – Birch Cove Lake Wilderness Area and the municipal service boundary. The northeast is bordered by Susie Lake Crescent and new development is proposed to the southeast of the site.

The building design concept was based on a modular systems approach with a rationalized repetitive structural system to permit growth and change over time. The design concept allows a rational growth pattern to be created within the grid.

The building concept included multiple entry points which would allow patients to enter directly into the clinics they are going to. Clarity in wayfinding is provided in light filled circulation paths that are defined by the structural system and natural light. Clinic areas are located to maximize natural light and views, which is particularly important for patients who spend a lot of time at the BL COC for treatment, such as dialysis. Below grade parking is planned as part of the concept. Additional parking in a partly covered zone is also provided.

Figure 2 demonstrates the building concept developed as part of the Master Plan.



Figure 2 - QEII Redevelopment Master Plan Vol. 2

1.3 WHY THE INVESTMENT IS REQUIRED

In recent years, aging infrastructure at the VG site has posed a significant threat to the provision of safe and effective patient care services to Nova Scotians and Atlantic Canadians. As long ago as 2006, the Province determined that infrastructure and system deterioration at the Victoria and Centennial Buildings on the VG site had reached the point that it was impacting clinicians’ ability to provide care. Current projections show that the backlog of deferred maintenance in these buildings will soon be close to the cost of replacing them.

Many highly specialized services and procedures are delivered in the Victoria and Centennial Buildings, in challenging workplace environments. Certain services, such as thoracic surgery and organ and bone marrow transplant programs, are not available anywhere else in the Province. Despite significant staff efforts and provincial funds spent on trying to keep the failing infrastructure running day-to-day, without expectation of consistent operation, physicians and employees continue to struggle with building problems that divert attention away from the core focus of caring for people.

Over the past decade, more than 18 serious infrastructure-related disruptions have occurred at the VG site, primarily from water damage and flooding. These events often require medical units to shut down, cancellation of surgeries and patients and staff to be relocated, all at significant cost.

The BL COC is an important part of the Initiative. The location will increase Nova Scotian’s access to outpatient care, treatment and diagnosis; including primary care services, clinics, follow-up appointments, dialysis stations, diagnostic imaging and blood collection. The location allows for easy access off 100-series highways and will include 500 parking spaces, making it a convenient location for thousands of Nova Scotians who travel to the Halifax Regional Municipality (“HRM”) for said services.

1.4 THE BUSINESS CASE

1.4.1 Scope

The scope of the Business Case covered the HI Expansion project and the BL COC (collectively, the “Projects”). The Projects are part of the broader QEII Redevelopment Initiative (the “Initiative”). As shown in Figure 3 below, a number of components of the Initiative were excluded from the scope of the Business Case.

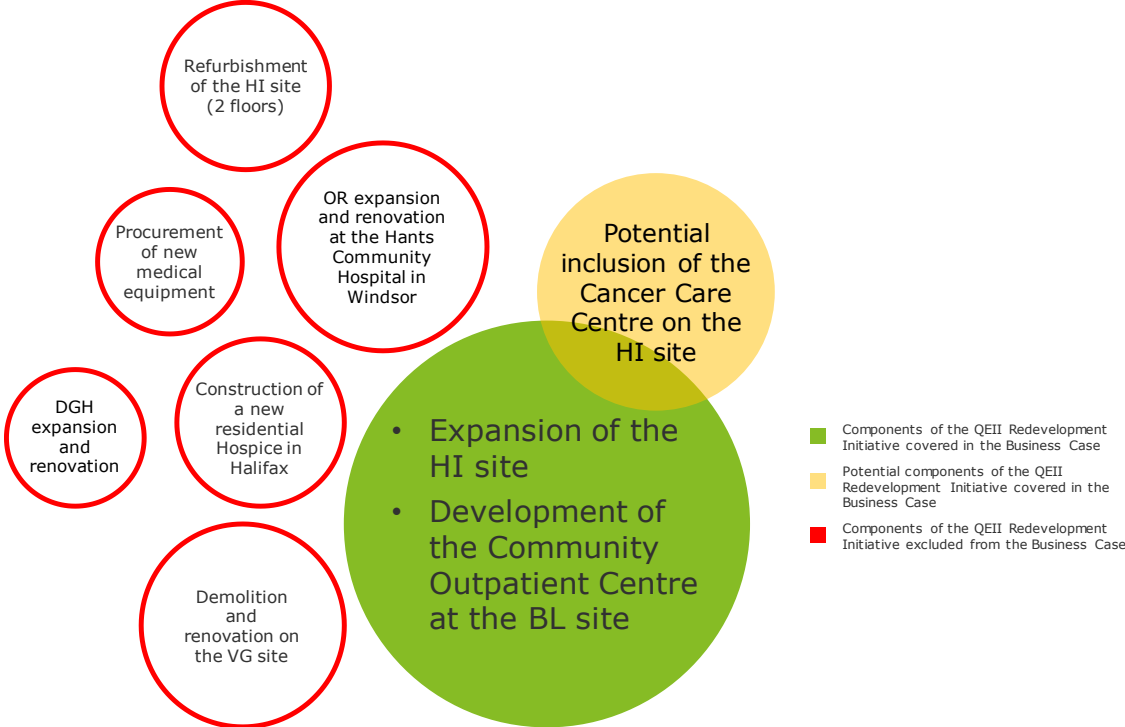


Figure 3 - Scope of the QEII Business Case

1.4.2 Bundling Assessment

If the Province procured the Projects using a Procurement Option it has traditionally used to deliver new hospitals (“Traditional Procurement Option”), it would separately procure (“De-bundle”) the new construction on the HI and BL sites. Under Procurement Options used elsewhere in Canada to deliver large new hospital projects, where a significant amount of construction risk and, in some instances, upkeep risk is transferred to a private sector partner (“Alternative Procurement Options”), it would be feasible to procure the Projects in a single (“Bundled”) procurement. A qualitative assessment (the “Bundling Assessment”) was performed to determine whether a Bundled or De-bundled approach made the most sense as a working assumption for the Alternative Procurement Options considered in the Procurement Options Analysis.

In an evaluation workshop, a working group of stakeholders established by the Province and comprising representatives from the Department of Transportation and Infrastructure Renewal (“TIR”), the Nova Scotia Health Authority (“NSHA”), the Department of Health and Wellness (“DHW”) and the Department of Finance and Treasury Board (“FTB”) (collectively, the “Business Case Working Group” or “BCWG”) scored the two (2) Procurement Options. The Bundled option received a slightly higher total weighted score than that the De-bundled option.

The Bundled option scored higher in various categories including Economies of Scale, Ease of Management, and Flexibility. The fact that a Bundled approach would only require one (1) procurement process was seen as a positive during the evaluation.

The De-bundled option also had merits, as the relatively close total scores confirmed. For example, De-bundling could decrease the overall complexity from a risk perspective and potentially lower private sector financing costs as the more straightforward and less risky BL COC project could be financed separately, potentially attracting a lower risk premium. Furthermore, two (2) procurements would allow for increased market participation and therefore competition, particularly for the smaller BL COC.

The Bundled option was retained as the working assumption for the Alternative Procurement Options to be evaluated in the Procurement Options Analysis. However, given the relatively close scoring, and the feedback of some Local Participants in the market sounding exercise (see below), it was recommended in the Business Case that the Province give further consideration to De-bundling, should an Alternative Procurement Option be selected.

1.4.3 Market Sounding

A market sounding was conducted to solicit market feedback on the following:

- Various Procurement Options and implementation approaches;
- Level of interest and capacity to deliver the Projects;
- Allocation of project responsibilities between the Province and private partners; and
- Key project issues, challenges and/or concerns and potential mitigation strategy.

Twenty (20) organizations, who could perform one (1) or more roles on the Projects, including the design, construction, financing and maintenance of the new hospital facilities, participated in the Market Sounding process (the “Participants”). The main feedback provided by Participants is summarized below.

Interest

All Participants expressed a strong interest in pursuing the Projects and all identified factors that would impact their interest in the Projects including the level of political commitment and the availability of Honoraria.

Procurement Options

Most Participants indicated that an Alternative Procurement Option (i.e. design-build-finance, design-build-finance-maintain or design-build-finance plus maintain) would be the more cost effective method to deliver the Projects given the size and complexity, rather than Traditional Procurement Options such as design-bid-build or construction management.

Capacity

Participants' opinions were divided as to whether market capacity would be an issue for the Projects. Participants that expected market capacity issues to arise were concerned that concurrent major projects in Eastern Canada would constrain labour resources, and listed potential issues regarding the local labour market including the fact that it is relatively small with an aging demographic. On the contrary, Participants that did not expect market capacity issues to arise were confident that local resources would be available at the time of launch, as current major construction projects in HRM would be close to completion and, where necessary, additional resources could be brought in from outside the region. Moreover, Facility Management ("FM") providers showed no concern about labour constraints.

Due to this mixed feedback, Deloitte conducted a review of available industry forecasts in order to provide an augmented view on market capacity for the Projects. Based on research conducted by BuildForce Canada, there will be a net reduction in available labour force in the construction sector in Nova Scotia over the next decade, however, this will be offset by an overall decline in labour force demand due to a slowdown in the residential construction market. As a result, market capacity did not appear to be a significant issue for the Projects.

Bundling

Local Participants (as opposed to national Participants with a local presence) were strongly in favour of De-bundling the BL COC component of the Projects, as this could generate greater competition for the former along with enhanced levels of involvement and leadership for Local Participants. Conversely, those Participants favoring Bundling indicated that this could generate potential savings to the Province through efficiencies during the design, construction and operational phases, and through streamlined project management.

Scope

A majority of Participants regarded inclusion of a managed medical equipment service within the Projects' scope as sub-optimal from a commercial perspective and preferred that NSHA make equipment selection choices with a design-builder taking on some degree of coordination / procurement process management / installation responsibility.

With respect to Procurement Options involving long-term FM services, most Participants expressed a preference for building related services only (“Hard FM”) rather than Hard FM plus other non-building related support services such as patient food, linen, cleaning and portering (“Soft FM”).

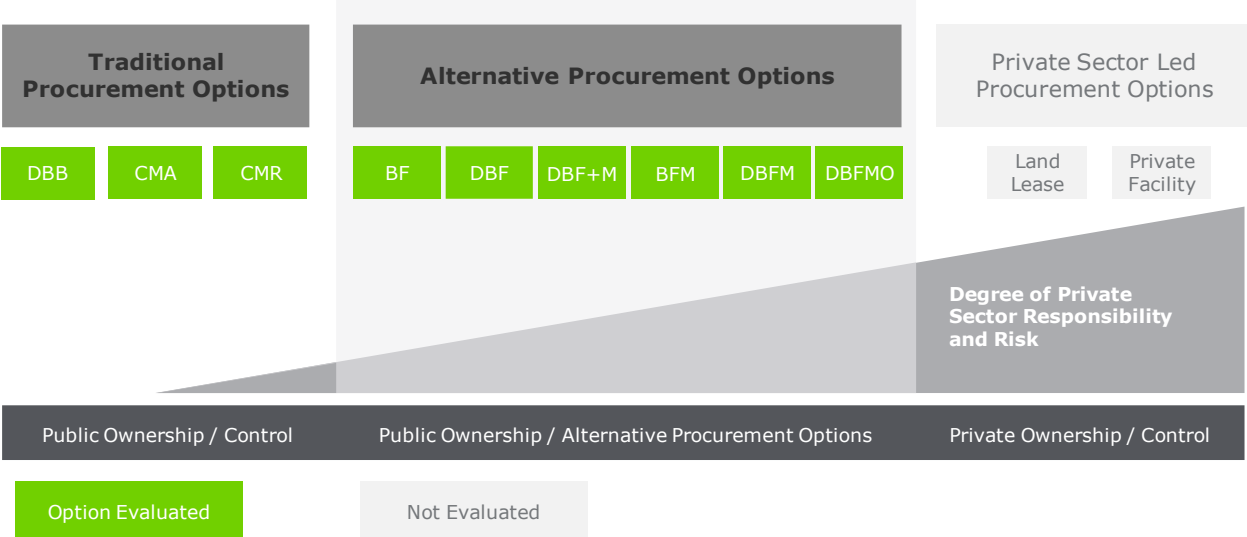
1.4.4 Qualitative Analysis

A qualitative assessment was conducted to determine a short-list of one (1) or more Procurement Options to be evaluated against the Procurement Option the Province would traditionally use to deliver healthcare projects (the “Public Sector Comparator” or “PSC”) in the Quantitative Assessment. The results of the Qualitative Assessment were considered alongside the results of the Quantitative Assessment in developing an Integrated Recommendation regarding the preferred Procurement Option.

In conjunction with the Province, nine (9) Procurement Options were identified to be assessed against 21 criteria (three (3) gating criteria (“Gating Criteria”) and 18 scored criteria (“Scored Criteria”). In collaboration with the Business Case Steering Group (“BCSG”), the Scored Criteria were assigned weights based on their relative importance to the Province and, in an evaluation workshop, the BCWG, with the assistance of Deloitte, scored the Procurement Options. The Procurement Options assessed included the following, which are also presented in the Figure 4 below:

- Design-Bid-Build (“DBB”)
- Construction Management as Agent (“CMA”)
- Construction Management at Risk (“CMR”)
- Build-Finance (“BF”)
- Build-Finance-Maintain (“BFM”)
- Design-Build-Finance (“DBF”)
- Design-Build-Finance-Maintain (“DBFM”)
- Design-Build-Finance + Maintain (“DBF+M”)
- Design-Build-Finance- Operate-Maintain (“DBFOM”)

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- DBB – Design-Bid-Build
- CMA – Construction Management as Agent
- CMR – Construction Management at Risk
- BF – Build-Finance
- DBF – Design-Build-Finance
- DBF+M – Design-Build-Finance + Maintain
- BFM – Build-Finance-Maintain
- DBFM – Design-Build-Finance-Maintain
- DBFMO – Design-Build-Finance-Maintain-Operate

Figure 4 - QEII Redevelopment Project Procurement Options Business Case

The assessment determined that while different models could be implemented with varying levels of success, two (2) Procurement Options were selected for inclusion in the Quantitative Assessment: DBFM and CMA. A more detailed description of the two (2) Procurement Options shortlisted for the Quantitative Assessment is provided below in Figure 5.

Construction Management as Agent (CMA)

Design & Construction

- The Province would contract separately with (i) a Prime Consultant who would develop design packages required by the Province to award discrete packages of the construction works to multiple Trade Contractors, (ii) a Construction Manager to provide advice during the pre-construction phase (e.g. participation in the design development process to ensure optimal economy and efficiency in the selection of materials, systems, construction methods, and scheduling), and to administer and oversee work performed by Trade Contractors that have been contracted by the Province, and (iii) Trade Contractors for various components of the construction works;
- This process allows construction to commence earlier, without having to wait for the complete design. Trade Contractors can perform certain construction work concurrently with the design work scheduled to be performed later; and
- The Province would essentially be acting as, and taking the risks of, a general contractor as all Trade Contractors for discrete components of the construction works would be contracted directly by the Province.

Financing / Payments

- The Province finances / pays for the construction through progress payments to multiple Trade Contractors during the construction period, commensurate with the value of work achieved. Due to this method of payment, Trade Contractors under the CMA Procurement Option do not have to obtain significant amounts of private financing in order to carry out their construction work packages. Holdbacks and extended warranties would typically cover only a 1-2 year period of the asset's useful life.

Operations & Maintenance

- Following construction completion, the Province operates and maintains the facilities. Components of operations and maintenance can either be done in-house or outsourced to service providers, as required. The method of budgeting and payment for operations and maintenance is carried out according to the Province's established practices.

Design-Build-Finance-Maintain (DBFM)

Design & Construction

- A private partner ("Project Co") develops the design based on issued design output specifications that are included in the tender call and is also responsible for construction. Project Co would propose the means and methods to address these performance specifications including choosing the construction methodology and developing the detailed design in partnership with the Province, to the satisfaction of the Output Specifications.

Financing / Payments

- Project Co finances the construction until completion when it receives a Substantial Completion payment from the Province which is typically used to pay back the short-term financing (typically about 50% of the cost of construction). Over the contract term, Project Co receives capital payments from the Province which are used to pay back the other remaining portion financed by long-term debt and equity; and
- Project Co has strong incentive through construction and the concession period to ensure that performance standards are met, given that payment is only made by the Province upon successful performance against output standards.

Operations & Maintenance

- Upon completion of construction and acceptance by the Province, Project Co is responsible for maintaining the facility over the contract term. The Province will retain responsibility for the ongoing operations. Under a DBFM Procurement Option, the Province would obtain the equivalent of a long-term (i.e. 30 year) warranty on the performance and handback condition of the facility instead of the traditional 1-2 year construction warranty.

Figure 5 - Comparison of CMA and DBFM Procurement Models

DBFM was selected because it received the highest score in the Qualitative Assessment. CMA was selected because it was previously determined that this was the PSC against which one (1) or more Procurement Options would be assessed in the Quantitative Assessment.

The DBFM model is an integrated approach that combines the design, construction, financing and maintenance of infrastructure into a single contract. Payments to the contractor are linked to performance measures stipulated in the contract, and the procuring authority maintains ownership of the asset.

The key factors driving the selection of the DBFM model were:

- The financing component, which drives rigour on the part of the private sector partner around cost and on-time delivery; and
- The transfer of the maintenance responsibilities for an extended contract term of 30 years, which was expected to incent the private sector partner to construct to high standards of quality, as it would have to maintain the project at a fixed cost over the long term.

1.4.5 Quantitative Analysis

A comprehensive risk assessment was undertaken to determine the value of relevant risk retained by the Province under the short-listed Procurement Options (CMA and DBFM). Deloitte worked with the Province to collect historical data on infrastructure projects led by the Province during the last 20 years. From a total of 80 construction projects initially identified, data was collected for 32 projects. The combined construction value (in 2018 dollars) for the 32 projects was similar to the estimated construction value for the Projects, confirming the unprecedented size of the Projects in Nova Scotia.

Two (2) risks accounted for the vast majority of the risk transfer (i.e. the difference between the value of relevant risk retained by the Province under CMA compared to DBFM), namely:

- **Construction Budget:** the risk that construction is not completed on-budget; and
- **Asset Residual Value:** the risk that in the long-term, due to insufficient maintenance and capital renewal (i.e. lifecycle) work, the value of the assets (i.e. the hospitals) is less than it would be if the assets had been well maintained/ life-cycled.

Both of the above risks are substantially transferred to the private sector under DBFM whereas, under CMA, the risks are retained by the Province. These two (2) risks are supported by data relating to performance of CMA in the Province (construction budget) and projections of deferred maintenance at the Halifax Infirmary (asset residual value).

The fact that these two (2) risks accounted for the “lion’s share” of the difference between the value of relevant risk retained by the Province under CMA compared to DBFM was not surprising. Traditionally procured public sector infrastructure projects are understood to have a track record of being over budget. This is one reason why many jurisdictions consider and use Alternative Procurement Options, where construction budget risk can be substantially transferred away from the public sector.

In terms of asset residual value, the value of publicly owned infrastructure can deteriorate over time, simply due to the fact that the public sector traditionally does not allocate sufficient funding to effectively maintain its buildings. Effective long-term maintenance and capital renewal is another reason why Alternative Procurement Options are adopted elsewhere in Canada, as the “M” (maintenance) component in a project’s scope gives the public sector significant confidence, through funding certainty, that the asset will be well maintained in the long-term.

The purpose of the Value-For-Money (“VFM”) Assessment is to compare the risk adjusted costs of the short-listed Procurement Options. The Procurement Option with the lowest risk adjusted cost represents VFM relative to the other Procurement Option for the purposes of the Business Case. The VFM assessment indicated that delivering the Projects using DBFM is estimated to provide a VFM saving of over 12% compared to delivering the Projects using CMA.

Sensitivity analyses were also conducted to provide an appreciation of how changes in key input variables impact the outcome of the VFM Assessment (if at all) and to determine the amount of change required in key input variables to switch the outcome of the VFM Assessment. The results of the sensitivity analyses indicated that DBFM continued to demonstrate a positive VFM, relative to CMA (i.e. the switch-points would be unlikely to occur) even if some of the key input assumptions fluctuate in an adverse way.

1.4.6 Integrated Recommendation

The purpose of the Integrated Recommendation is to consider the results of the Qualitative Assessment and the Quantitative Assessment (i.e. VFM Assessment) and recommend the most suitable Procurement Option to deliver the Projects. The theory is that the purpose of the VFM Assessment is not to serve as a stand-alone decision-making tool, but rather as an important test to validate a preferred Procurement Option through the Procurement Options Analysis process.

DBFM was established as the preferred Procurement Option when compared to CMA in terms of both the Qualitative Assessment and the Quantitative Assessment. Based on the results of these assessments, DBFM was recommended as the most suitable Procurement Option to deliver the Projects.

It was also decided that the procurement process would follow and build on best practice for PPP projects, particularly for healthcare infrastructure, already established in various jurisdictions across Canada. By following such precedent, it was expected that the Projects could be efficiently delivered, given that the procurement process would be tested and well understood by the market.

1.5 THE DE-BUNDLING OF THE BAYERS LAKE COC

As recommended in the Business Case, the Province gave further consideration to the De-bundling option once DBFM was selected as the preferred Procurement Option for the Projects.

In addition to the De-bundled benefits mentioned earlier, the Province determined that a De-Bundled BL COC project would proceed more quickly through the procurement process, allowing for the facility to be constructed, and therefore brought into service, at an earlier date, than would otherwise be the case under a Bundled approach.

Using new information that became available during the pre-procurement planning process, including an updated Class C costing estimate for the BL COC, Deloitte performed an update to the VFM Assessment considering a De-bundled BL COC DBFM procurement. This process included revisiting the Quantitative Analysis to remove specific costs and risks related to the HI Expansion portion of the Projects. The updated VFM Assessment indicated that delivering BL COC under a De-Bundled DBFM procurement did not materially impact the estimated VFM savings compared to delivering BL COC using CMA. Accordingly, the Province decided to proceed with a De-bundled DBFM procurement for BL COC.

2 PROJECT PROCUREMENT

2.1 PROCUREMENT PROCESS

The procurement of a private sector partner for the delivery of BL COC through a DBFM model was undertaken using a two-stage procurement process, modelled on Infrastructure Ontario (“IO”) processes and templates. The IO template was followed to be consistent with the procurement process used for the Highway 104 Sutherlands River to Antigonish Twinning Project and as it was considered to be well tested and understood.

The two-stage process consisted of a Request for Supplier Qualifications (“RFSQ”) stage followed by a Request for Proposals (“RFP”) stage. The procurement process was overseen by Optimus SBR who, in it’s role as Fairness Monitor, monitored the process for procedural fairness. The Fairness Monitor’s Summary Report And Opinion Of Assurance is provided in Appendix A.

The IO template was applied in the development of the RFSQ and RFP documentation as well as the Project Agreement. Where there were deviations from the template, these were primarily to allow for Project- or Province-specific features or requirements. The terms and conditions of the procurement documents and the Project Agreement were therefore largely consistent with Canadian best practices for the delivery of the projects through PPP arrangements.

2.1.1 Request for Supplier Qualifications

An RFSQ stage was undertaken in order to shortlist qualified bidders to advance to the RFP stage. The RFSQ document, which formally communicated project details, invited interested parties to respond by making submissions in accordance with the stipulated submission requirements. The submission requirements were developed to enable determination as to whether respondents had the experience and expertise, as well as the capacity to allow for successful financing and delivery of BL COC.

The release of the RFSQ on December 17, 2018 officially opened the procurement phase of BL COC. A strong level of market interest was confirmed as six consortia responded to the RFSQ, namely:

- Atlantic Health Partners
- Bayers Lake Community Health Partners
- Bayers Lake Wellness Consortium
- Bird Integrated Health Partners
- Community Health Partners
- EllisDon Infrastructure Healthcare

An evaluation process was established by the Province and reviewed by the Fairness Monitor. Submissions received were evaluated against the evaluation criteria, in accordance with established evaluation procedures. The top three respondents (the “Proponents”) shortlisted to advance to the RFP stage were:

- Bird Integrated Health Partners
- Community Health Partners
- EllisDon Infrastructure Healthcare

2.1.2 Request for Proposals

The RFP set out the Province's detailed requirements of Proponents and, ultimately, the Preferred Proponent, including the content and format of proposals. The RFP provided a basis on which to maintain consistency and compare proposals. It was accompanied by the full contractual terms proposed for the procurement and represented a starting position for negotiation with Proponents.

The RFP also set out the basis on which proposals would be evaluated. A detailed evaluation methodology was developed, which, along with an evaluation matrix consistent with this methodology, was incorporated into an evaluation manual that was reviewed by the Fairness Monitor.

The RFP was released to Proponents on July 15, 2019.

Throughout the RFP stage, the Province held rounds of Commercially Confidential Meetings ("CCMs") with Proponents. The CCMs allowed for discussion on, amongst other things, technical specifications as well as commercial aspects. They also allowed for clarification of terms of the RFP and draft Project Agreement while Proponents were under competitive tension. The CCMs had a positive impact on the quality and attractiveness of the proposals received and helped to mitigate the risk of receiving proposals that were either unfeasible or undesirable.

Technical Submissions were received on April 28, 2020 and Financial Submissions were received on May 27, 2020. This two-stage submission process was implemented to allow for a determination of technical compliance and the evaluation of the technical submissions in accordance with the technical evaluation criteria, independent of any consideration of the cost of the proposed technical solutions.

2.1.3 Impact of COVID-19

On March 11, 2020, prior to the receipt of either the Technical Submissions or the Financial Submissions, the World Health Organization declared the novel coronavirus 2019 ("COVID-19") a global pandemic. Facing significant turbulence in the financing markets and general uncertainty in the construction industry regarding the future impacts of COVID-19 on productivity and supply chains (for example), the Province held a series of meetings with each of the Proponents, monitored by the Fairness Monitor, to discuss the impact of COVID-19 on BL COC and to determine the best path forward. These discussions were guided by several principles which were referred to in making decisions and which included, among other things, that no party should profit or benefit from the impacts of COVID-19. The outcome of these discussions was as follows:

- Proponents were instructed to submit both their Technical Submissions and Financial Submissions on a "pre-COVID-19 basis" (i.e. not incorporating any of the known or anticipated impacts of COVID-19).
- A negotiation process was established, to occur following the selection of the highest ranked Proponent based on the evaluation process, to appropriately address both known and unknown impacts of COVID-19 and incorporate them into the Project Agreement.
- A Cash Allowance, an amount of money earmarked for a specific purpose, was created to fund the impacts of COVID-19.

On June 30, 2020, EllisDon Infrastructure Healthcare ("EDIH") was named as the First Negotiations Proponent. The consortium was selected given that it submitted the highest-scoring proposal, based on technical approach as well as financing and overall cost.

2.2 FIRST NEGOTIATIONS PROPONENT

Following the selection of EDIH as the First Negotiations Proponent, the Province and EDIH negotiated amendments to the Project Agreement and EDIH’s Proposal to address COVID-19. The COVID-19 focused discussions covered two topics:

1. The allocation of a portion of the Cash Allowance to address known and quantifiable impacts of COVID-19 such that EDIH could draw on funds from the Cash Allowance as required to address COVID-19; and
2. Amendments to the Project Agreement to provide for appropriate relief to Project Co in the event that the impacts of COVID-19 exceed the costs accounted for under the Cash Allowance.

On July 30, 2020, once the Province was satisfied with the progress made through the negotiations, EllisDon Infrastructure Healthcare was identified as the Preferred Proponent

2.3 PREFERRED PROPONENT

EllisDon Infrastructure BLC General Partnership (“Project Co”) is a general partnership formed under the laws of Ontario, as represented by its partners EllisDon BLC Inc. and ED BLC Holdings Limited Partnership. The partnership is further described in Table 1.

Table 1 - Project Co Equity Partners

Project Co Party	Description
EllisDon BLC Inc.	EllisDon BLC Inc. is a corporation formed and validly existing under the laws of Ontario and has all the requisite power and authority to own its properties and assets, to carry on its business as it is currently being conducted, and to enter into the Project Agreement and to perform its obligations in its capacity as a partner of Project Co.
ED BLC Holdings Limited Partnership	ED BLC Holdings Limited Partnership is a limited partnership formed and validly existing under the laws of Ontario and has all the requisite power and authority to own its properties and assets, to carry on its business as it is currently being conducted, and to enter into the Project Agreement and to perform its obligations in its capacity as a partner of Project Co.
EllisDon BLC Holdings Inc.	EllisDon BLC Holdings Inc., the sole general partner of ED BLC Holdings Limited Partnership, is a corporation formed and validly existing under the laws of Ontario and has all the requisite power and authority to own its properties and assets, to carry on its business as it is currently being conducted, and to enter into the Project Agreement and to perform its obligations in its capacity as the general partner of ED BLC Holdings Limited Partnership.

Aside from providing equity, Project Co will act as construction contractor and service provider for the BL COC. The team is supported by legal advisors, senior creditors and third-party advisors.

3 FINAL PROJECT STRUCTURE

The Project Agreement was executed by the Province and EllisDon Infrastructure BLC General Partnership on August 19, 2020. Figure 6 shows the key project parties and the primary contractual agreements governing their relationships.

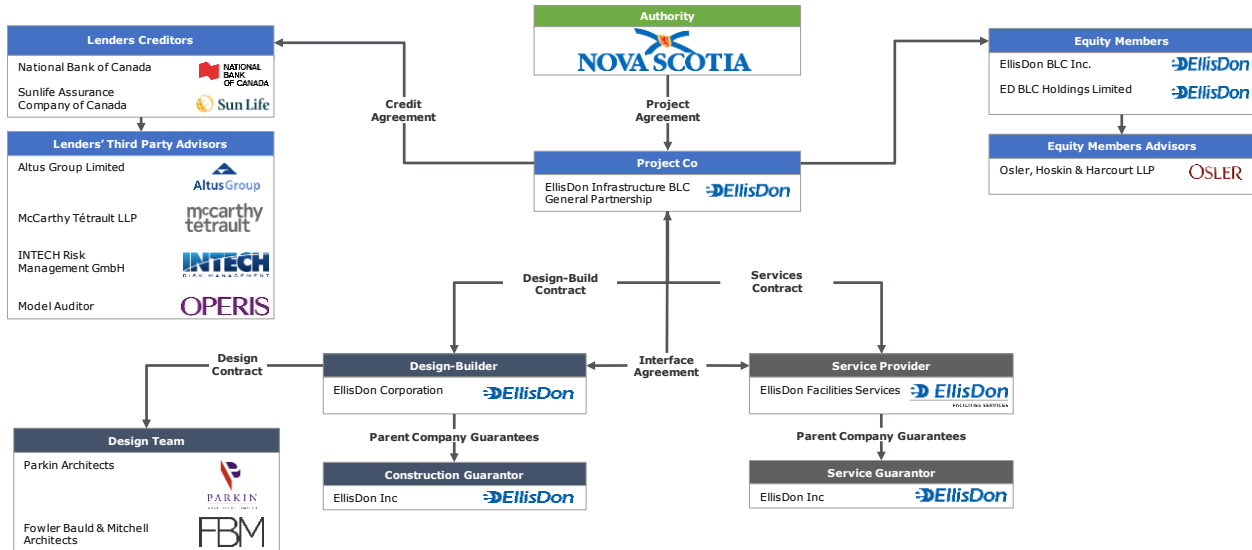


Figure 6 - Transaction Structure and Key Parties

3.1 KEY TERMS OF THE PROJECT AGREEMENT

The Project Agreement governs the relationship between the Province and Project Co, including roles and responsibilities of each party over the project term. The document describes, amongst other things, the project governance structure, scheduled substantial completion date, project risk allocation framework, project output specifications, performance management framework, payment mechanism and ownership and handback, as further described below.

3.1.1 Project Governance Structure

The Project Agreement sets out the framework for project governance. This includes requirements for the establishment of various committees to allow for oversight of project activities during construction and into operations. It also specifies requirements as it relates to communication between the Province and Project Co, as well as between Project Co and the general public, in relation to the construction and maintenance activities.

This governance framework allows the Province to monitor progress and compliance with the terms of the Project Agreement and requires Project Co to communicate with and remain accountable to the Province and the general public.

3.1.2 Scheduled Substantial Completion Date

Substantial completion is scheduled to be achieved on August 15, 2023. By this date, all requirements for substantial completion described in Project Agreement, other than minor deficiencies, are expected to have been satisfied.

The construction contract is a fixed-price turnkey contract. Outside of scope changes requested or explicitly approved by the Province, there are no provisions for payments in excess of the contracted price. There will be no payments made to Project Co until substantial completion is achieved. The deferred payment structure will incentivize Project Co to complete construction on time.

3.1.3 Project Risk Allocation Framework

The risk allocation framework, as reflected in the Project Agreement, is designed to allocate roject risks to the parties best suited to manage them. The key project risks and their allocation between the Province and Project Co are outlined in Table 2.

Table 2 - Key Project Risks

Key Project Risks	Responsible Party	
	Project Co	the Province
Design	✓	
Utilities relocation	✓	✓
Geotechnical	✓	
Site conditions	✓	✓
Contamination from construction & maintenance	✓	
Permitting	✓	✓
Construction	✓	
Financing	✓	
Operations		✓
Maintenance	✓	
Scope changes by the Province		✓
Force majeure	✓	✓
COVID-19 (and future epidemics/pandemics) *	✓	✓
Known and quantifiable impacts (at the time of Commercial Close)	✓	
Unknown or non-quantifiable impacts		✓

*The emergence of COVID-19 created a net new set of risks that had not been previously contemplated nor addressed in the Project Agreement. Given the timing of COVID-19, occurring as it did during the procurement process for BL COC, the Province was well positioned to engage with Proponents and determine the most appropriate risk allocation while maintaining the principal that risks should be allocated to the party best suited to manage them. Using the approach to COVID-19 as a basis, the Province was also able to incorporate an appropriate risk allocation for any future epidemics or pandemics that may occur into the Project Agreement.

3.1.4 Performance Requirements

Following substantial completion and throughout the 30-year operating period, Project Co will be required to satisfy the performance requirements outlined in the Project Agreement. Key performance elements are summarized in Table 3.

Table 3 - Key Performance Elements

Key Performance Elements	
Annual Service Plans, Five-Year Maintenance Plans, Life Cycle Plans and formal review process	Central Help Desk/Call Centre
Performance Monitoring Reports - Monthly	Environmental & Sustainability standards
Facility Availability Conditions	Energy consumption guarantees
Joint Technical Reviews (5-year cycles)	Asset integrity & performance
Incident Reporting & emergency response	Audit provisions
Quality Management System & reports	Handback standards and procedures

3.1.5 Performance Monitoring Framework

The Project Agreement sets out a framework for the monitoring of performance in accordance with the facility management output specifications. Where Project Co’s performance does not satisfy the performance requirements, the framework specifies the basis upon which remedies, including deductions from scheduled payments, may apply.

3.1.6 Payment Mechanism

Over the project term, payments to Project Co will comprise a substantial completion payment and monthly capital, FM and lifecycle payments during the operating term, as described in Table 4.

Table 4 - Payments to Project Co

Substantial Completion Payment	Set at 50% of capital costs excluding financing costs of the BL COC, representing a balanced approach to: <ul style="list-style-type: none"> • Incentivize Project Co’s performance, given capital at risk; and • Minimize project financing costs.
Monthly Service Payments and Lifecycle Payments	Based on an established schedule of payments to: <ul style="list-style-type: none"> • Repay the remaining capital costs over the 30-year operating period; and • Compensate Project Co for the delivery of FM services and lifecycle.

The payment mechanism establishes the structure by which monthly capital, FM and lifecycle payments will be paid and potentially adjusted to account for factors such as inflation and insurance costs. It also allows for the enforcement of financial deductions for failure to satisfy performance requirements by establishing a mechanism for deductions from monthly capital, FM and lifecycle payments.

The Project Agreement is structured such that Project Co has capital at risk over the project term. The ability to enforce contractual requirements by making deductions from monthly payments incentivizes Project Co to deliver at the required standard where there is non-compliance.

3.1.7 Ownership and Handback

BL COC will be a public facility, with ownership and control held and maintained by the Province. During the project term, the Province has granted Project Co certain non-exclusive licence rights of use and access to the facility and certain lands as required to allow Project Co to perform its obligations under the Project Agreement. Upon expiration of the project term, it is required that the facility be in good operating order, in accordance with the handback requirements as specified in the Project output specifications

3.2 CONTRACT COSTS

The total net present value (“NPV”) of the contract to design, build, finance and maintain BL COC is \$169.5 million (excluding energy costs). This includes \$88.0 million for construction and \$44.5 million for 30 years of maintenance and lifecycle of the facility. It also includes other cost items such as the COVID-19 Cash Allowance and FM mobilization during construction, financing and Project Co. ancillary costs during construction and operations, insurance during operations, etc.

The increase in the base construction cost estimate that occurred following the Business Case, during the project planning and procurement phases, reflects the refinements in the cost estimate, inflation and some additional scope elements and enhancements, including:

- Increased millwork / systems furniture requirements, ~ \$1 million;
- Increased mechanical & electrical requirements, ~ \$2 million; and
- Transfer of certain ICAT costs that are considered to be part of the building systems from out-of-contract allowance to in-contract cost estimate, ~ \$1.5 million.

3.3 FINAL VALUE FOR MONEY ASSESSMENT

Following on the business case analysis conducted during the planning phase of the Projects, the Province, supported by its advisors, regularly updated the BL COC VFM analysis throughout the procurement to financial close. This allowed for progressive reconfirmation that BL COC would deliver VFM.

The final VFM analysis is based on the final project structure and actual contract costs as agreed with Project Co. As necessary, other inputs and assumptions were updated to reflect:

- Revised project schedule;
- Changes in project risks due to COVID-19; and
- Updated O&M cost estimates under the traditional model, based on the consideration of a standalone Bayers Lake site, further defined project specific output specifications and updated market information.

The result of the VFM analysis is summarized in Figure 7.

**Project Development Report
Bayers Lake Community Outpatient Centre**

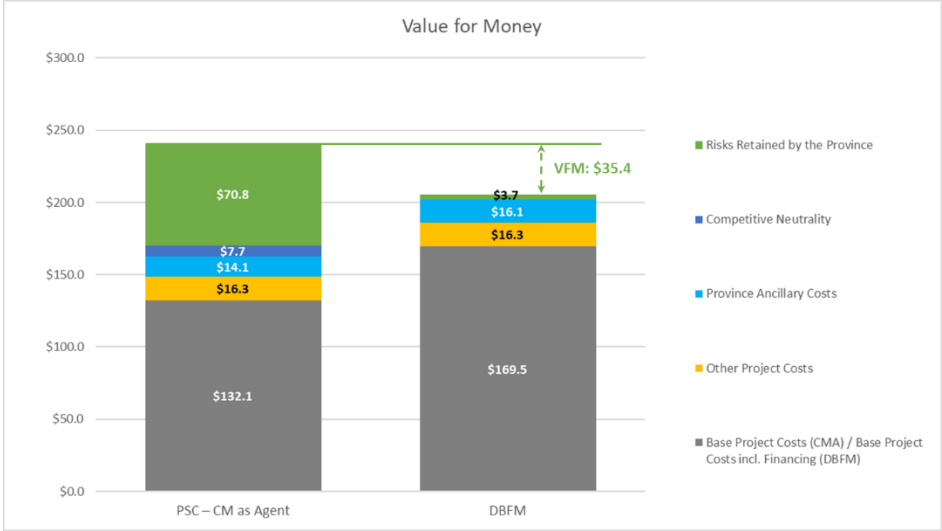


Figure 7 - VFM Analysis

The results confirm that the Province should expect overall lifetime risk adjusted costs of BL COC to be \$35.4 million (14.7%) less through the DBFM arrangement than if it were built, financed and operated using the traditional model. Refer to Appendix B (Financial Advisor’s Letter) for further detail.

3.4 KEY ADVANTAGES OF THE PROJECT APPROACH

The significant benefits the Province will realize from BL COC, include increased capacity of outpatient care, improved treatment and diagnosis and easy access for residents from inside and outside of Halifax. In addition to these benefits, relative to the traditional approach, the delivery of the BL COC through a DBFM arrangement offers several advantages, including:

- Schedule certainty
- Cost certainty
- Clear accountability

3.4.1 Schedule Certainty

The construction of the facility is expected to be completed in August 2023. Under the DBFM model, Project Co would start receiving payments only when the substantial completion of the BL COC is achieved. This deferred payment deal structure significantly incentivizes Project Co to leverage its extensive industry expertise and project management capacity to ensure an on schedule delivery of the BL COC. This approach is further enhanced by the comprehensive due diligence that both the Province and private sector lenders have performed on EDIH’s project solution.

3.4.2 Cost Certainty

Under the DBFM Project Agreement, the payment amounts to be made by the Province during the entire contract term is pre-determined. Release of the Province’s payments would be contingent on the achievement of the project substantial completion (for substantial completion payment) and the satisfactory performance of the facility and Project Co services (for monthly service payments throughout the 30-year operational period). Significant construction and operational risks are

transferred to Project Co. A comprehensive payment mechanism is established as part of the Project Agreement to ensure that the facility will be operated and maintained, and the Project Co services will be provided, in compliance with the performance requirements specified in the Project Agreement. This deal structure provides the Province with greater certainty on the whole-life cost of the BL COC, as well as the conditions and performance of the facility decades from now.

3.4.3 Clear Accountability

The roles and responsibilities of each project party are well defined and performance requirements are clearly stipulated in the Project Agreement. Strict and enforceable payment deductions, coupled with escalating legal remedies, will apply in the event of non-compliance. Since the capital repayment component of the monthly service payments is also subject to deductions and there is a potential of contract termination due to poor performance, strong oversight of equity investors and lenders will be put in place to ensure the proper performance of Project Co throughout the project implementation phase. This deal structure aligns the interests of all parties to the Project Agreement, encourages performance and facilitates the realization of the value for money for Nova Scotians.

APPENDICES

A. FAIRNESS MONITOR'S SUMMARY REPORT AND OPINION OF ASSURANCE

September 4, 2020

Department of Transportation & Infrastructure Renewal
Province of Nova Scotia
P.O. Box 186
Halifax, Nova Scotia
B3J 2N2

Attention: Gary S. Porter
Executive Director, Corporate Initiatives
Gary.S.Porter@novascotia.ca

Subject: Final Fairness Report for Queen Elizabeth II Health Sciences Centre Redevelopment – Bayers Lake Community Outpatient Centre Project

Introduction

The Province of Nova Scotia, Department of Transportation & Infrastructure Renewal (“Department”), engaged Optimus SBR Inc. (“Optimus”) as Fairness Monitor to act as an independent and impartial third party to observe, monitor, provide oversight and report on the procurement process for the Queen Elizabeth II Health Sciences Centre Redevelopment Project (“Project”).

Fairness Services

Our mandate was to:

- a) confirm that the procurement process undertaken by the Department demonstrated openness, transparency and impartiality throughout;
- b) confirm compliance with the Department’s policies and guidelines;
- c) the evaluation criteria and evaluation procedures for the Project were applied fairly, objectively and free of bias and in accordance with the criteria and procedures outlined in the procurement documents;
- d) all Proponents were treated consistently in the evaluation processes and in accordance with the procurement documents; and
- e) the Province’s personnel and all advisors (the “Project Team”) adhered to the Project’s conflict of interest and confidentiality requirements.

Optimus hereby presents its final procurement fairness attest report to the Department at the conclusion of the Request for Proposals (“RFP”) stage of the Bayers Lake Community Outpatient Centre Project (“BL Project”) procurement process, describing how the procurement process has complied with requirements noted in our mandate.

Optimus was engaged for the duration of the project, and therefore was able to observe and monitor the entire procurement process (from the preparation of the Request for Proposal to the final selection of the highest-ranked Proponent to confirm that the principles of fairness (open, fair, consistent and transparent) were maintained throughout.

Overview of the Procurement Process

This RFP stage was preceded by a Request for Supplier Qualifications to pre-qualify a short-list of Proponents who became eligible to participate in responding to the RFP. The Interim Fairness Report is attached for information.

The RFP was issued to the pre-qualified Proponents on July 15, 2019. All Proponents were given access to a cloud-based Virtual Data Room service as a secure means to facilitate the distribution of RFP Documents and Addenda, provision of various types of Background Information for the Proponents' review, the receipt of Requests for Information ("RFIs") from Proponents and the posting of responses to RFIs.

An Initial Proponents Meeting was held on July 25, 2019 to provide an overview of the Project and the procurement process. During the RFP Open Period, the Project Team, COC User Group representatives and Proponents met in a series of scheduled Commercially Confidential Meetings ("CCMs") intended to facilitate discussions around:

- a) Suggested amendments to the Project Agreement (PA CCMs);
- b) Project design issues and Proponents' proposed designs (Design Presentation Meetings);
- c) Project financing issues (Financial CCMs);
- d) Project issues related to Fixtures, Furniture, and Equipment, and/or ICAT (FFE / ICAT CCMs); and
- e) Project issues related to Facilities Management, Utilities and Energy Matters (FM CCMs and Energy Matters CCM).

Proponents were also given the opportunity to request CCMs to discuss specific concerns that they wished to raise with the Project Team. After the outbreak of COVID-19, a number of CCMs were held remotely via videoconference to discuss the impacts on the project schedule, costs and the Project Agreement.

The RFP and all associated procurement documents including Addenda, Requests for Information and all other communications with Proponents were reviewed by the Fairness Monitor prior to their issue. All CCMs and relevant Project Team discussions were attended by the Fairness Monitor to ensure that the meetings and dialogue between the Proponents and the Project Team were conducted in a manner that was fair to all Proponents.

The RFP closed on April 28, 2020. All Proponent Technical Submissions were received by the time and date of RFP Close. Financial Submissions were received by the deadline of May 27, 2020.

Evaluation of Submissions

Evaluation materials, including the Evaluation Manual to guide the implementation of the evaluation procedures as set out in the RFP, the individual Evaluator worksheets and Evaluator training deck were all reviewed by the Fairness Monitor in advance of the evaluation of the Submissions.

The evaluation process and criteria described in the RFP were applied consistently and equitably. Prior to the evaluation, all participants in the evaluation process completed Confidentiality Agreements and “Relationship Declarations” (declaring potential Conflicts of Interest) prior to distribution of the Submissions. In the consensus evaluation discussions, all of which were attended and monitored by the Fairness Monitor, the Evaluators demonstrated that they had been diligent in their responsibilities, were able to support their individual evaluation assessments and that they held no bias for or against any Proponent. Consensus scores were reached and confirmed by all Evaluators, rather than an averaging approach. An official record was produced to document the evaluation and scoring consensus decisions, including the supporting rationale.

The results of the consensus scoring of each of the Evaluation Teams (Design, Construction, Facilities Management and Financial), were presented to the Evaluation Steering Committee on June 15, 2020 by the respective Team Leads in sessions attended by the Fairness Monitor. The Evaluation Steering Committee endorsed the final consensus results of all the evaluation teams and agreed on the ranking of the Proponents based on a Final Proposal Score for the RFP.

There were no unresolved issues on completion of the evaluation stage of the procurement.

Results

Following completion of the evaluation process, the order of ranking of the Proponents is:

1. Ellis-Don Infrastructure Healthcare (Designated “First Negotiation Proponent”)
2. Bird Integrated Health Partners
3. Community Health Partners

Observations and Findings with respect to Fairness Principles

Procurement Principle	Measures Taken in this Procurement Initiative
Openness	<ul style="list-style-type: none"> • RFP documents contained no barriers to Proponents. • RFP and all associated procurement documents, background information and notifications were posted in common folders in the Data Room and made accessible to all Proponents • Response periods including Q&As and Addenda allowed sufficient preparation time for Proponents.

Procurement Principle	Measures Taken in this Procurement Initiative
Fairness	<ul style="list-style-type: none"> • Submission and technical requirements contained no bias to any prospective Proponents. • All Proponents were treated equitably with regard to access to information, communication and response to questions. • Protocols were in place to control access to information as appropriate, including protection of Commercially Confidential information. • Evaluation criteria and process matched the RFP requirements. • Evaluation team efforts were diligent and consistent for all Proponents and demonstrated no bias for or against any Proponent. • Consensus evaluation and scoring were based on the written submissions in accordance with the evaluation criteria outlined in the RFP documents. • Fairness Monitor attended all meetings with Proponents and the evaluation team consensus sessions.
Consistency	<ul style="list-style-type: none"> • Processes stated in RFP documents were followed throughout. • Evaluators were trained on the process, the criteria and their responsibilities. • Similar information in proposals was scored in a similar manner. • Proposals were scored consistently against pre-determined criteria and the evaluation teams reached a consensus score on for each criterion and for each Submission. • The selection of the “First Negotiation Proponent” was approved according to the RFP documents and Evaluation Framework
Transparency	<ul style="list-style-type: none"> • Evaluation criteria and process were documented clearly in the RFP. • All template contract documents and amendments including the Project Agreement were made available to all Proponents. • Proponents had direct access to submit questions related to the RFP – both administrative and technical. • Each evaluator involved in the evaluation process attended an orientation session and signed an agreement to preserve confidentiality and to identify any actual or potential conflicts of interest. • Fairness Monitor was involved in all decisions in concert with Project Team Legal with respect to confirmation and mitigation of declared conflicts of interest. • Consensus evaluations and scoring were documented in official records and signed-off by all evaluators. • Fairness Monitor attended all briefings and evaluation sessions to observe the procurement process, facilitate robust discussion and verify results.

Conclusion

As the Fairness Monitor for the Bayers Lake Community Outpatient Centre Project, we certify that the principles of openness, fairness, consistency and transparency have been, in our opinion, properly established and maintained throughout the procurement process and all Proponents treated consistently in the evaluation process and in accordance with the Project RFP. Furthermore, we were not aware of any issues that emerged during the process that would have impaired the fairness of this initiative.

Optimus SBR appreciates this opportunity to contribute to the work of the Province of Nova Scotia. We particularly appreciate the cooperation, diligence and professionalism of all the Provincial and Project staff involved in this procurement during the entire course of our engagement to date.

Optimus SBR Inc.



Greg Dadd
Fairness Monitor
Principal, Procurement and Fairness Advisory Services

Attachment:

Interim Fairness Report for Queen Elizabeth II Health Sciences Centre Redevelopment –
Bayers Lake Community Outpatient Centre Project

May 21, 2019

Department of Transportation & Infrastructure Renewal
Province of Nova Scotia
P.O. Box 186
Halifax, Nova Scotia
B3J 2N2

Attention: Gary S. Porter
Executive Director, Corporate Initiatives
Gary.S.Porter@novascotia.ca

**Subject: Interim Fairness Report for Queen Elizabeth II Health Sciences Centre Redevelopment Project
– Bayers Lake COC – RFSQ Stage**

The Province of Nova Scotia, Department of Transportation & Infrastructure Renewal (“Department”), engaged OPTIMUS | SBR (“OSBR”), as Fairness Monitor to act as an independent and impartial third party who will observe, monitor, provide oversight and report on the procurement process for the Queen Elizabeth II Health Sciences Centre Redevelopment Project. Our mandate is to confirm that the procurement process undertaken by the Department demonstrated openness, transparency and impartiality throughout. This interim report deals with the evaluation of the Request for Supplier Qualifications (“RFSQ”) stage of the Bayers Lake Community Outpatient Centre Project (“BL Project”) procurement process.

The RFSQ and all associated procurement documents including Addenda, Requests for Information and related Prequalification Submissions (“Submissions”) were reviewed by the Fairness Monitor prior to their issue. Evaluation materials, including the Evaluation Manual to guide the implementation of the evaluation procedures as set out in the RFSQ, the individual Evaluator worksheets and Evaluator training deck were all reviewed by the Fairness Monitor in advance of the evaluation of the Submissions.

Observations and Findings

The evaluation process and criteria described in the RFSQ were applied consistently and equitably. Prior to the evaluation, all participants in the evaluation process completed Confidentiality Agreements and “Relationship Declarations” (declaring potential Conflicts of Interest) prior to distribution of the Submissions. In the consensus evaluation discussions, all of which were attended and monitored by the Fairness Monitor, the Evaluators demonstrated that they had been diligent in their responsibilities, were able to support their individual evaluation assessments and that they held no bias for or against any Applicant. Consensus scores were reached and confirmed by all Evaluators, rather than an averaging approach. An official record was produced to document the evaluation and scoring consensus decisions, including the supporting rationale.

The results of the consensus scoring of each of the Evaluation Teams (Partnering, Design-Build, Facilities Management and Financial), were presented to the Evaluation Committee by the respective Team Leads in sessions attended by the Fairness Monitor. The recommendations of the Evaluation Teams and overall results were accepted by the Evaluation Steering Committee.

There were no unresolved issues on completion of the evaluation stage of the procurement.

Results

There were six (6) Submissions to the RFSQ. All Submissions passed the Completeness Review prior to distribution to the individual Evaluators. As a result of the Evaluation Team consensus process, a final ranking of the three Short-Listed Respondents (“Proponents”) was achieved. We confirm that the identified Proponents successfully satisfied the requirements of the RFSQ evaluation process. The order of ranking of the Proponents is:

1. Ellis-Don Infrastructure Healthcare
2. Bird Integrated Health Partners
3. Community Health Partners

Conclusion

As the Fairness Monitor for the BL Project, we certify that the principles of openness, fairness, consistency and transparency have been, in our opinion, properly established and maintained throughout the procurement process and all Applicants treated consistently in the evaluation process and in accordance with the BL Project RFSQ. Furthermore, we were not aware of any issues that emerged during the process that would have impaired the fairness of this initiative.

Optimus SBR Inc.



Greg Dadd
Fairness Monitor
Principal, Procurement and Fairness Advisory Services

B. FINANCIAL ADVISOR'S LETTER

September 14, 2020

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Value for money analysis – Bayers Lake Community Outpatient Centre Project

Dear Mr. Porter,

Deloitte LLP (“Deloitte”) has prepared the Value for Money (“VFM”) assessment for the Bayers Lake Community Outpatient Centre Project (the “Project”) at the Financial Close stage. The analysis was conducted in accordance with generally accepted Canadian and global practices.

The VFM assessment is based on a comparison of the total risk adjusted project costs of the Project, as reflected in the Financial Model at Financial Close, under:

1. A traditional delivery approach, as represented by a Construction Management as Agent (“CMA”) delivery model using estimated project costs
2. A public-private partnership (“PPP”) approach, as represented by a Design-Build-Finance- Maintain (DBFM) delivery model

The methodology applied involved establishing a period-by-period cash flow profile under each delivery model, assuming Project procurement on a “like for like” basis (i.e. consistent timeline, specifications, etc.). These cash flow profiles were risk-adjusted and brought to current dollars by applying an appropriate discount rate to provide a net present value (“NPV”) of costs for each delivery approach.

The cost information and underlying assumptions were not independently audited or verified for accuracy or completeness.

Based on the methodology applied, the results of the VFM assessment demonstrates an estimated VFM cost savings of 14.7% by using the DBFM approach to deliver the Project in comparison to using the traditional delivery approach.

Yours sincerely,



Deloitte LLP