



Report to: General Committee

Date Report Authored: March 03, 2014

SUBJECT: Award of Contract 186-R-13 Real Estate Brokerage Services

PREPARED BY: David Pearce, Manager Real Property, Ext. 5988
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RECOMMENDATION:

- 1) THAT the report entitled "Award of Contract 186-R-13 Real Estate Brokerage Services" be received;
- 2) THAT the contract for Real Estate Brokerage Services be awarded to the highest ranked/lowest priced bidder, Cushman & Wakefield Ltd. ;
- 3) AND THAT Contract 186-R-13 for Real Estate Brokerage Services be awarded to the highest ranked bidder, Cushman & Wakefield Ltd., for a one (1) year term with the City having an option to renew for four (4) additional years, with the following commission rates payable to them upon closing of the sales transaction for five years (exclusive of HST);

Year	2014	2015	2016	2017	2018
Sale of property	2.00%	2.00%	1.75%	1.75%	1.75%
Purchase of property*	1.50%	1.50%	1.50%	1.50%	1.50%
Lease of property					
a) Residential (% of 1-month rent)	50.00%	50.00%	50.00%	50.00%	50.00%
b) Industrial (% of 1-month net rent)	2.00%	2.00%	2.00%	2.00%	2.00%
c) Office (\$ per square foot)	\$0.20	\$0.30	\$0.40	\$0.50	\$0.60

*If the property is not actively listed for sale and the seller refuses to pay a commission to the broker, the City, as purchaser, would be responsible to pay commission at the rate as outlined on the above chart.

- 4) AND THAT bidder Cushman & Wakefield Ltd. be designated as the preferred vendor of the City's Real Estate Brokerage Services needs for a one year term with the City Solicitor having the authority to renew successive one year terms to a maximum of five years;
- 5) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to obtain Council approval to award the contract for real estate brokerage services.

BACKGROUND:

The City has been active in the Markham real estate market over the past few years, acquiring a variety of transactions ranging from acquisitions of large vacant land holdings to leasing of industrial properties. These larger “one-off” transactions are becoming more common as the City acquires land parcels to support future municipal purposes. The City has also been proactive in acquiring surplus school sites for parkland purposes. It is anticipated that the City will continue to play an active role in the Markham real estate market over the foreseeable future.

In addition to the recent expansion of its real property base, a detailed overview of the City’s existing real property portfolio has identified a number of “underutilized” properties that the City may consider either selling or leasing, depending on the results of a “business case” that demonstrates financial viability for a sale or other disposition.

These new activities put an additional strain on the City’s current Real Property Division resources. As the number and scope of real property transactions increases and the market becomes more sophisticated and specialized, the need for the services of a prominent, corporate real estate firm to assist staff in marketing and leasing properties, purchasing properties and providing general support, including market data and research has grown.

Accordingly, staff released a Request for Proposals to secure the services of a Real Estate Brokerage firm.

The successful proponent will assist the City’s Real Property Manager by providing recent market information, trends and forecasts. Core responsibilities include but are not limited to the following;

- represent the City’s interests in the purchase or sale of any property, or interest in any property;
- represent the City as landlord or tenant in the leasing of real property;
- provide advice and guidance on various real estate opportunities and trends (i.e., market data, competitive properties, reported sales, leases, annual reports etc.);
- provide marketing strategies that would achieve the greatest exposure and net gain in any sale of property

OPTIONS/ DISCUSSION:**Bid Information**

Advertised, Place and Date	ETN
Bids closed on	September 12, 2013
Number of Bidders picking up bid document	21
Number of Bidders responding to Bid	5*

One Bidder was disqualified according to the General Terms and Conditions Item 7 “Bid Submission”, Section 7.7: *“Bids shall be in the possession of the City, date and time stamped no later than the Closing Time. Bids received by the City after the Closing Time shall NOT be accepted and shall be returned unopened to the Bidder.”*

PROPOSAL EVALUATION

This Request for Proposal (“RFP”) was released using a two-stage approach whereby the Bidders provided a technical proposal in envelope 1 and a price proposal in envelope 2. The technical proposal (Stage 1) was evaluated with 70 points and 30 points assigned for price in stage two (2) with an option for 10 additional points for an interview/presentation and demonstration assessment.

The Evaluation Team for this RFP was comprised of the Manager of Real Property, the Appraiser Negotiator, and an Assistant City Solicitor, with purchasing staff acting as the facilitator.

Stage (1) – Technical Evaluation (Envelope 1):

Under Stage 1 – Technical Evaluation, Bidders were assessed against pre-determined criteria as outlined in the RFP; 20 points for Bidder experience and qualifications, 20 points for Principal real estate broker experience and 30 points marketing approach and methodology totaling 70 points. Bidders that did not achieve a technical score of 75% (or 52.5 points out of 70) did not proceed any further.

Stage (1) – Technical Scoring

Bidders	Score (out of 70)	Rank Results
CBRE	62.40	1
Cushman & Wakefield Ltd.	57.40	2
DTZ., a UGL Company	57.20	3
Ashlar Crosby Cairo Reality	49.30	4
Trustwell Reality Inc.	36.40	5

Stage (2) – Price Evaluation (Envelope 2)

Upon completion of Stage 1 for all proponents, ONLY the sealed pricing envelope provided by the selected proponents from Stage 1 who scored >75% (or >52.5 points out of 70) was opened and assessed out of 30 points. The evaluation of the Bid prices was based on the five (5) Year Bid Price (exclusive of HST) total calculations for: Part A (Purchase of Property) + Part B (Lease of Property; Residential and Industrial) + Part C (Lease of Property, Office (\$ per square foot)). From the pricing score, 15 points were assigned to Part A out of the 30 points; and 15 points were assigned to the combination of Part B and Part C out of the 30 points.

Stage (2) – Price Scoring

Bidders	Score (out of 30)	Rank Results
Cushman & Wakefield Ltd.	22.50	1
DTZ., a UGL Company	13.66	2
CBRE	7.50	3

Three Bidders progressed to Stage 2- Cushman & Wakefield Ltd., DTZ., and CBRE. The price calculation was reflective of the various low Bids for each respective part, with total scores for Part A, Part B and Part C being tallied for an overall score out of 30 points. For this reason, no single Bidder received a perfect score of 30 points as lowest bid. Bid ranges, are as follows:

Overall Scoring (Combined Stage 1 & II)

Firms*	Score (out of 100)
Cushman & Wakefield Ltd.	79.90
DTZ., a UGL Company	70.86
CBRE	69.90

*Of the five (5) submissions, three (3) met the evaluation criteria scoring threshold and qualified to move forward to Stage two (2).

Cushman & Wakefield Ltd. (“C&W”), scored second highest on the technical submission demonstrating a thorough understanding of the scope of work.

Founded in 1917 in New York City, C&W is the largest privately held real estate services firm in the world, with approximately 13,000 employees operating from 253 offices in 60 countries on six continents. Their wide presence gives them a deep understanding of real estate markets throughout the world, and it enables them to provide the same high-quality service globally with sensitivity to local market conditions and customs. C&W can serve clients with real estate needs in a single market as well as those with expansive national or international real estate portfolios.

C&W has a significant presence within Ontario and is strategically positioned to service all major markets and submarkets therein. Within the Greater Toronto Area, C&W has three offices (including a Markham location) with 300 professionals specialized based on asset class and geographic territory. C&W also has offices in Waterloo, London and Ottawa, which allows them to draw upon those users / investors for properties being marketed on behalf of the City of Markham. The key personnel for the City of Markham assignment are based out of the Markham office.

The proposed project team have completed transactions spanning every type of real estate, including investment (includes all income producing properties), office, industrial, retail, institutional (school, hospital or other public buildings, or institutionally zoned land), mixed use and vacant land / redevelopment land and infill sites. As a full service organization, C&W have the ability to draw upon a range of professional services within their firm, including leasing, valuation, analytics and consulting professionals. To carry out any potential residential assignments, C&W has partnered with Royal LePage Your Community Realty, Unionville. Both the commercial and residential agents included have significant experience in the City of Markham as well as within the York Region.

C&W is a full service real estate firm and has extensive experience in assisting public sector, not-for-profit and other community based groups achieve their objectives. On a corporate level, C&W has forged many working relationships with public and institutional owners of real estate. Through this work, they have gained experience in adhering to specific guidelines mandated by these types of organizations, including: public accessibility and transparency; fiscal sustainability and accounting; and reporting requirements and consultation. This experience allows C&W to work effectively within the municipal context.

FINANCIAL CONSIDERATIONS AND TEMPLATE:

The following outlines the commission rates payable to Cushman & Wakefield Ltd. Upon closing of a sale, purchase and/or lease of property transactions, for a one (1) year term with an option to renew for four (4) additional years:

Year	2014	2015	2016	2017	2018
Sale of property	2.00%	2.00%	1.75%	1.75%	1.75%
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c) Office (\$ per square foot)	\$0.20	\$0.30	\$0.40	\$0.50	\$0.60

*If the property is not actively listed for sale and the seller refuses to pay a commission to the broker, the City, as purchaser, would be responsible to pay commission at the rate as outlined on the above chart.

The financial implications upon closing of a sale, purchase, lease of property and/or office are as follows:

1. Sale of property
The commission payable to the vendor will be considered as part of the closing costs and will be netted against the sale proceeds.
2. Purchase of Property
In the event the City purchases a property, the associated commission will be payable by the seller; hence the City will not incur any commission costs. However, if the City purchases a property that is not actively listed for sale, the City may be responsible for the commission, and if so, it will be incorporated into the purchase price.
3. Lease of the Property (Residential/Industrial)
The associated commission will be charged against the respective operating budget.
4. Office
The associated commission will be charged against the respective operating budget.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not applicable

RECOMMENDED BY:

28/02/2014

28/02/2014

X *Catherine Conrad*

Catherine Conrad
City Solicitor

X *Andy Taylor*

Andy Taylor
Chief Administrative Officer