

REQUEST FOR PROPOSALS
for
FORT ST. JOHN HOSPITAL

VOLUME 1

Executive Summary

REVISION 1

Closing Times:

Technical: 1:00 p.m. (local time in Vancouver)
February 16, 2009

Financial/Commercial: 1:00 p.m. (local time in Vancouver)
February 26, 2009

Delivery Address: 2320-1111 West Georgia Street
Vancouver BC V6E 4M3

Contact Person: Dawn Hart

E-mail address: dawn.hart@partnershipsbc.ca

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EXECUTIVE SUMMARY

A. Overview

(i) Purpose of Executive Summary

This Volume 1 of the RFP (the “**Executive Summary**”) is intended as a quick-reference summary and overview to the RFP, including the Project Agreement. This Executive Summary includes background information to the RFP and the Authority’s objectives for the Project.

This Executive Summary is provided for convenience. It is intentionally not complete and only refers to issues that the Authority believes might be helpful to persons who want a quick-reference view of the RFP, the Project and the Project Agreement. Proponents should ensure they read the entire RFP.

If any provision of this Executive Summary conflicts with a provision of Volumes 2, 3 or 4 of the RFP, the relevant provision in the other Volume prevails.

(ii) Definitions

Capitalized terms not defined in this Executive Summary have the definitions given in Volume 2.

(iii) Structure of the RFP

The RFP is structured as set out below, and for convenience has been published in four Volumes:

Volume 1	Executive Summary (of the RFP and the Project Agreement)
Volume 2	RFP (Instructions and Terms and Conditions) <ul style="list-style-type: none"> - Appendix A – Proposal Requirements, Pricing Schedules and Evaluation Criteria - Appendix B – Proposal Declaration Form - Appendix C – Relationship Disclosure Form - Appendix D – Proponent Comment Form - Appendix E – Participation Agreement - Appendix F – Commitment Letter Template - Appendix G – Form of Letter of Credit - Appendix H – Certificate of Acknowledgement of No Material Adverse Change Form
Volume 3	Draft Project Agreement, except Schedule 3 (Design and Construction Specifications)
Volume 4	Schedule 3 (Design and Construction Specifications) of Draft Project Agreement

(iv) Procurement

As of the date of issuance of the RFP:

- (a) the RFQ phase of the Competitive Selection Process is complete and a short-list of the two Proponents has been selected to participate in the RFP; and
- (b) the two short-listed Proponents are eligible to participate in the RFP.

(v) Anticipated Project Schedule

The following is the Authority’s estimated timeline for Project:

Activity	Timeline
Issue RFP and Initial Draft Project Agreement to Short-Listed Proponents	September 22, 2008
Collaborative Discussions between Proponents and Authority	September – December 2008
Issue Final Draft Project Agreement	December 22, 2008
Technical Closing Time	February 16, 2009
Financial/Commercial Closing Time	February 26, 2009
Selection of Preferred Proponent	March 2009
Early Works Agreement and Construction Commences	April 2009
Financial Close	Late Spring – Summer 2009
Construction completed	Late 2011

The above estimated timeline is subject to change in the sole discretion of the Authority.

(vi) Partial Compensation

The Authority will pay to a Proponent that is not awarded the Project Agreement an amount equal to the lesser of (i) \$500,000 (inclusive of any GST payable) or (ii) the substantiated out of pocket costs reasonably incurred by the Proponent in the preparation of a Proposal. See Volume 2 and the Participation Agreement for any conditions on the entitlement to the payment.

(vii) Transparency of the Selection Process

At the completion of the Competitive Selection Process, including after the Project Agreement is entered into, the Authority’s project team will prepare a Project Report that describes the outcome of the Competitive Procurement Process and identifies the value for money achieved through the public private partnership. In addition, the final Project Agreement will be made public, subject to the severing of

information that is commercially confidential and that would be withheld under the applicable FOIPPA requirements. Project Co will be consulted on appropriate severing prior to the release of the final Project Agreement. The Fairness Advisor will issue a report giving an unbiased opinion on the Competitive Selection Process. The Project Report and the Fairness Advisor's reports will be made public.

B. SUMMARY AND BACKGROUND TO PROJECT

(i) Background to the Project

Investment in the construction of a new acute care hospital (the "**Hospital**"), a services building, including, laundry and food services (the "**Services Building**") and a residential care replacement facility (the "**Residential Care Building**") in the City is urgently needed to replace the current aging facilities (collectively the Hospital, the Services Building and the Residential Care Building are the "**Facility**").

The current Fort St. John Hospital was built in 1961. A second floor was added in 1976 and further renovations took place in 1999-2000. The current hospital design reflects health care processes of the 1960's and lacks adequate space for updated diagnostic and ambulatory services and the application of advanced technologies.

The space constraints and design deficiencies of the current hospital present operational challenges in the delivery of health services and care, medical education and technology, and in recruiting and retaining experienced health professionals. The development and construction of the Facility will modernize the delivery of health care for the northeastern communities now and into the future and address the lack of space and capacity issues impacted by population change and growth.

Northeast BC residential care demand is currently served by three aging facilities. These remote centres require extensive investment and are no longer appropriate for expansion, or the residential care demands of the Authority.

The Project presents an opportunity to address both current and future needs. Health care is subject to significant and ongoing change in processes, equipment and information technology. There is a unique opportunity to design new facilities that meet best practices; provide care in an effective, efficient way; and attract the best health care professionals to care for patients.

The Authority has received provincial approval to build the Hospital, the Services Building and the Residential Care Building on a 40 acre greenfield site (the "**Site**") in the City between the East Bypass and 86th Street, south of the traffic circle on 86th street, which in the future will intersect with 112th Ave. The Project is the primary facility replacement project in Northern Health's 2007-2008 Strategic Plan.

The Facility is to include:

- the Hospital:
 - Total approximate building area – 15,000 square metres; and
 - ICU – 4 beds
 - Maternity
 - LDRP – 11 beds
 - Post Partum – 3 beds
 - Med-Surg – 40 beds

- the Services Building:
 - Total approximate building area – 5,000 square metres;
 - Laundry, soiled, contaminated holding;
 - Food preparation (for the Facility only) and dishwashing;
 - Authority-wide storage; and
 - Staging area for work on the Hospital and the Residential Care Building.

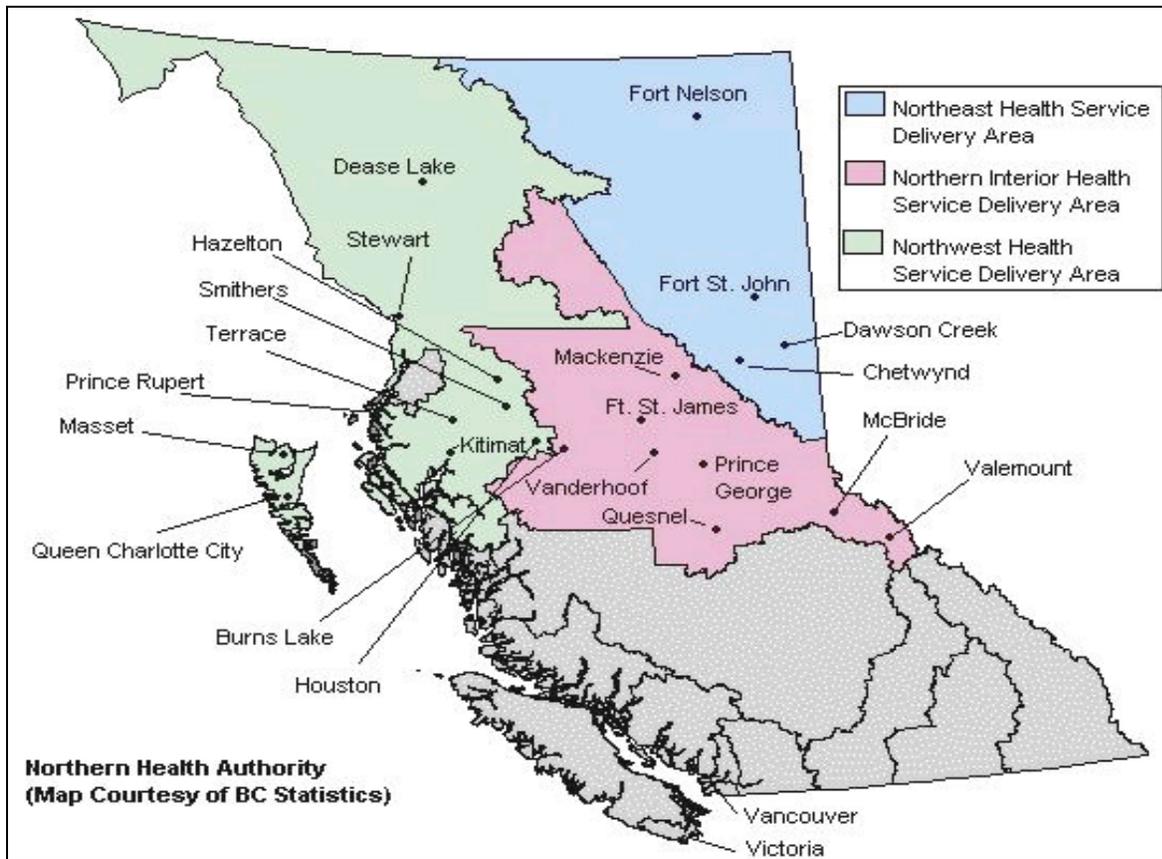
- the Residential Care Building:
 - Total building area – 7,500 square metres; and
 - The bed numbers per unit will be as follows:
 - 3 pods with 12 beds each (one pod for psycho-geriatric care)
 - 3 pods with 16 beds each (two special care units)
 - 2 pods with 20 beds each (one pod with two palliative care beds)

The Authority is seeking a long-term partner in Project Co to design, build, finance and maintain the Facility for a period of 30 years. The Authority expects that Project Co will provide these integrated services, share certain responsibilities and accept defined risks as set out in the Project Agreement.

(ii) Northern Health Authority

The Authority operates a network of three core acute facilities, with Prince George Regional Hospital as the main centre, and the current Fort St. John Hospital and Terrace Hospital as Health Service Delivery Area referral centres. Operating with an annual budget of more than \$521 million, the Authority employs and contracts approximately 7,000 health care professionals, including technicians and support staff, and 362 physicians. Serving more than 310,000 residents, the Authority has the highest projected growth rate of seniors within the province, with a 48 per cent projected increase by 2010 (Source: B.C. Statistics 2006).

The Authority is geographically comprised of three Health Service Delivery Areas. The map below illustrates the boundaries of the Authority and its Local Health Areas:



The Facility is to be located in the Northeast Health Service Delivery Area and is specifically responsible for the Northeast Local Health Area.

Additional information about the Authority is available at www.northernhealth.ca.

C. PROJECT VISION, OBJECTIVES AND GUIDING PRINCIPLES

The Authority has developed a vision, objectives and guiding principles for the Project. Refer to Volume 2 and Appendix A, including the Evaluation Criteria, for specific information regarding the evaluation of Proposals and the selection of the Preferred Proponent.

(i) Vision

The vision for the Project is:

To be a model of excellence in rural health care

(ii) Project Objectives

The Project objectives are:

- Position Northern Health to meet growth in demand for health care services;
- Provide adequate space to enable client focused care delivery and excellent outcomes for patients, clinicians and staff;
- Improve quality of care provided to patients of the Fort St. John region;
- Improve working conditions to improve safety, efficiency, and outcomes for patients, clinicians and staff;
- Provide a practice and learning environment that will attract and retain quality health care professionals; and
- In order to meet urgent health care need, complete the new hospital by 2011.
- Provincial objectives, including financial criteria, an environmentally friendly and sustainable design, and as high a wood content as is practical, consistent with the health care objectives.

(iii) Guiding Principles

The guiding principles are:

- **Responsiveness** – Northern Health will be responsive to the people and communities it serves and will seek partnerships with communities to achieve better health for northern people.
- **High Quality Health Services** – Residents and visitors to northern British Columbia will have access to high quality health services in an appropriate setting.
- **Integration** – Northern Health will create a single health care organization to better meet individual needs through integration of services and resources.
- **Work Life** – Northern Health staff and medical staff members will enjoy a high quality of work life, including significant opportunity for learning.
- **Academic Health Care** – Northern Health will work with partners to expand teaching of the health professions and support research within northern BC.
- **Sustainability** – Northern Health will operate within the public and private revenues available to it without depleting the financial, physical or human resources required for the future.

D. OVERVIEW OF THE PROJECT AGREEMENT

(i) Summary of Key Terms

The Project Agreement will be the instrument that will describe the long-term rights and obligations of Project Co and the Authority with respect to the Facility.

The following table summarizes key elements of the Project Agreement:

PROJECT ELEMENT	DESCRIPTION
General	Project Co will design, construct, finance and provide selected Services for the Facility.
Financing	Project Co will procure the financial resources required to fund the delivery of the Project beyond the funds provided by the public sector.
Payment	Monthly payments will commence at Service Commencement and will be linked to availability and performance as set out in Schedule 8 [Payments] to the Project Agreement.
Term	The term of the Agreement will be 30 years from the anticipated Service Commencement.
Lands	The Authority will own the Site and the Facility for the duration of the Project Agreement. The Site will be made available to Project Co during the term of the Project Agreement by way of licence.
Design and Construction	<p>Project Co will be responsible for all design, construction and commissioning for the entire Term, including:</p> <ul style="list-style-type: none"> • Design, construct and commission all space; • Obtaining all building permits; • Provision, maintenance, repair and, as appropriate, upgrading of all fixed equipment; • Provision, maintenance, repair and, as appropriate, upgrading of fibre optic backbone or wireless media, including all cabling and power points, for the information management and technology systems; • Management of the design development process; and • LEED® Gold Certification. <p>The City will be responsible for off-site municipal services. (sanitary sewer, storm sewer, 112th Ave, 79th Street road improvements)</p>
Services / Facility Management	<p>Project Co will be responsible for select Services for the Term including:</p> <ul style="list-style-type: none"> • Plant Services • Help Desk Services • Utility Management Services • Roads, Grounds and Landscape Maintenance Services • Security Services

PROJECT ELEMENT	DESCRIPTION
Maintenance and Handback	Project Co will maintain and return the Facility to the Authority in the specified condition at the end of the Term.
Healthcare and Ancillary Activities	All health care and ancillary activities will be performed by the Authority.
City Process	Project Co is responsible to design the Facility to comply with the requirements of the City of Fort St John.
Insurance	<p>During the Construction Period:</p> <ul style="list-style-type: none"> • The Authority will procure: <ul style="list-style-type: none"> ○ \$50 million Construction CGL Policy on a wrap-up basis ○ All Risks Construction Property Policy, including specified delay in start-up coverage • Project Co will procure: <ul style="list-style-type: none"> ○ automobile liability insurance ○ ocean marine cargo ○ all risks insurance of construction equipment ○ workers' compensation insurance <p>During the Operating Period:</p> <ul style="list-style-type: none"> • The Authority will procure through the Provincial Health Care Protection Program: <ul style="list-style-type: none"> ○ \$50 million comprehensive general liability insurance covering Project Co and its first level of facility maintenance Service Provider (but not any other subcontractors) ○ all risks property insurance ○ \$50 million boiler and machinery insurance ○ Specified business interruption insurance • Project Co will procure: <ul style="list-style-type: none"> ○ workers' compensation insurance ○ If the Authority gives the specified notice, then Project Co will procure the above Operating Period insurance instead of the Authority.

(ii) Equipment

The Authority has categorized the equipment for the Facility. Most of the clinical equipment will be provided by the Authority and some by Project Co, as described in Schedule 3 [Design and Construction Specifications].

(iii) Design and Construction

The Project Agreement provides:

- (a) **Design Responsibility** - Project Co will be responsible for the design of the Facility and for compliance with the requirements of the City.
- (b) **Site Preparation** - The site is a 40-acre greenfield site previously used for agricultural purposes. The site should have adequate staging area for construction activities.
- (c) **Services** - Project Co will be responsible for providing Plant Services as described in Schedule 4 [Services Protocols and Specifications] of the Project Agreement.

Project Co is not responsible for clinical operations or the maintenance of clinical equipment.

(iv) Parking

Parking will be evaluated and planned on Site within the City's zoning requirements in a manner consistent with best practices in parking design and development.

(v) Human Resource Issues

Potential impact on the Authority staff as a result of the proposed inclusion of any services as a component of the Project will be managed by the Authority. This will be done in a manner that is consistent with the applicable collective agreement provisions and with applicable legislation of the Province of British Columbia.

E. AFFORDABILITY

(i) Affordability Ceiling

The Authority has identified a mandatory Affordability Ceiling for the Project. The Affordability Ceiling is calculated as the net present cost of all Service Payments (inclusive of allowable escalations and all taxes except GST) discounted using the Maximum Project IRR. Based on the Reference Rate determined on November 7, 2008 and inclusive of allowable escalation and all taxes except GST, the Affordability Ceiling is \$203 million.

(ii) Affordability Threshold

The Authority has also identified an Affordability Threshold. Without limiting the requirement in respect of the Affordability Ceiling, Proponents are to calculate the Affordability Threshold in the same manner as the Affordability Ceiling, except that Proponents are to use their respective Expected Project IRR rather than the Maximum Project IRR. Based on the Reference Rate determined on November 7, 2008 and inclusive of allowable escalation and all taxes except GST, the Affordability Ceiling is \$203 million.

Refer to Volume 2 for more information regarding the Affordability Ceiling and the Affordability Threshold.

F. SUMMARY OF PAYMENT ISSUES

(i) Payment to Project Co

The Authority will make monthly Service Payments to Project Co during the Term as full payment for all services provided by Project Co under the Project Agreement commencing when Service Commencement is achieved.

(ii) Service Payment Adjustments

Service Payments are to be subject to adjustment in accordance with:

- (a) Facility availability requirements;
- (b) defined performance standards;
- (c) volume-based services, if applicable; and
- (d) other adjustments.

The criteria and standards of performance are as set out in Schedule 4 [Services Protocols and Specifications] and Schedule 8 [Payments] of the Project Agreement.

(iii) Regional Hospital District

The Authority will make available Regional Hospital District funding during construction up to \$95.66 million.

The funding will be payable monthly in an amount not to exceed the lesser of 40% of the total cost to date incurred by Project Co or the schedule of payments listed in Schedule 8 [Payments] of the Project Agreement. Refer to Schedule 8 [Payments] of the Project Agreement for conditions on payment.

(iv) Indexation

Proponents will be asked to propose a fixed proportion of the Service Payment to be indexed annually. Generally, portion that will be Index-linked will be only on those elements of the Service Payment where Project Co's costs are subject to inflation during the Term. The agreed proportion of the Service Payment will be Index-linked annually by the consumer price index as set out in the Project Agreement.

It is anticipated that the aspects of the Service Payment that would be subject to indexation will be the Services Costs, including:

- (a) lifecycle costs; and
- (b) the part of the Service Payment relating to Project Co's management and direct operating costs.

Note that where a sculpted payment is proposed to meet the lifecycle profile, it would be subject to the limits set out in Volume 2 of the RFP.

(v) Availability Deductions

Failure to meet the availability criteria will result in an Unavailability Event. Should Project Co rectify an Unavailability Event within the Rectification Period then no Deduction will be made from the Service Payment. Failure to rectify within the Rectification Period will result in an Unavailability Deduction.

Deductions for Unavailability Events will be Index-linked and are listed in Appendix 8A [Functional Units, Unit Deduction Amounts, Rectification Periods]. If a space in the Facility is Unavailable but the Authority continues to use it, the Deduction will be 50 per cent of the amount in Appendix 8A [Functional Units, Unit Deduction Amounts, Rectification Periods], index-linked.

(vi) Service Failure Deductions

Under the Project Agreement the performance standards are categorized into High, Medium and Low according to their level of importance to the Authority. Each category has a fixed Index-linked Service Failure Deduction applicable to each Service Failure.

The total deductions for unavailability and poor performance in any one month are capped at the amount of the Service Payment.

(vii) Energy

The RFP is designed to encourage competitive consideration of energy efficiency for the new Facility.

The Project Agreement includes provision for Design and Construction energy targets for energy efficiency. Please refer to Schedule 2 of the Project Agreement.

BC Hydro offers a Power Smart High Performance Building program that provides a range of financial incentives, tools and resources to help owners of new commercial and institutional buildings and their design teams to design and build high performance buildings. The Program offers financial incentives for design assistance, specifically for design charrettes and energy simulation modelling to assess design alternatives. Capital incentives are available to reduce incremental capital costs, if any, of the new energy efficient design, based on the total amount of electrical energy savings in the new design. Participating projects receive recognition from BC Hydro under the program. BC Hydro will make this program available to Project Co to assist in design development and detailed design on a voluntary basis. Direct capital incentives or funding for design assistance can be retained by Project Co, but BC Hydro and the Authority make no commitment to amounts, or if any subsidy may be available.

(viii) Payment Guarantee

The Project Agreement provides for a payment guarantee from the Provincial Government sufficient to support the Authority's payment obligations under the Project Agreement.

(ix) Tax Considerations

Each Proponent is responsible for obtaining and relying on tax advice from its own advisors and experts, including obtaining such of its own advance interpretations and rulings from the Canada Revenue Agency and the British Columbia Consumer Taxation Branch in relation to the Project (including in relation to the proposed structure and its tax consequences) as it considers appropriate or necessary.