

Question and Answer Document (Long Version)

CHOICE OF OPTIONS SHORTLISTED BY BOARD FOR MRC PROJECT

Maison de Radio-Canada Modernization

1. What proposals were shortlisted by the Board of Directors?

The Board of Directors shortlisted two proposals for the final phase of the process aimed at providing the public broadcaster with a new Maison de Radio-Canada on the current site, at the corner of René-Lévesque Blvd and Papineau St. The Board chose proposals from two groups – one led by Broccolini, the other by Busac and Pomerleau.

2. Does this mean that CBC/Radio-Canada won't be moving downtown (the entertainment district)?

The two proposals shortlisted for the final phase of the process call for a new Maison de Radio-Canada on the current site, at the corner of René-Lévesque Blvd and Papineau St.

3. Why didn't you shortlist the proposals for a new MRC in downtown Montreal (

- All of the proposals were evaluated according to a large number of qualitative and quantitative criteria. Compared to the other proposals, the options for an MRC off the current site fell short of our operational requirements. They also performed more poorly on the quantitative criteria.
- We are confident that the shortlisted proposals present the most compelling scenario for MRC and that both have the required potential to adequately fulfill Radio-Canada's vision and needs.

4. Why select two proposals instead of one?

We are confident that the shortlisted proposals, while maintaining a certain level of competition in the market, both have the required potential to adequately fulfill CBC/Radio-Canada's vision and needs for MRC. We want to ensure that the final option selected at the end of the process is the optimal, most viable solution for the public broadcaster.

5. What scenarios were analyzed and submitted to the Board for MRC?

Five scenarios were studied (eight proposals received):

- Renovating the existing facility to address the maintenance deficit.
- Partially renovating the existing facility,

(equivalent to about 400,000 sq. ft.) in fully renovated collaborative spaces.

- Scenarios for a new building constructed on the current site.

- Scenarios for a new building constructed off the current site.
- Scenarios for an existing building off the current site.

6. Why didn't you opt to renovate the tower?

- Even though, from a quantitative perspective, the option of renovating the tower compared well with the other proposals, the scenario performed poorly on the qualitative criteria.
- Renovating the tower neither was the most functional option for supporting Radio-Canada's digital shift, nor did it fit with the vision of a modern, 21st-century public broadcaster.
- It should also be recalled that the current facility is outdated, costs over \$20 million a year in maintenance and operating costs, and has a \$170 million cumulative maintenance deficit; that is, an amount equivalent to the cost of renovating and upgrading the existing facility.
- The option of renovating the existing facility is not compatible with the Corporation's infrastructure strategy, while also representing a high, ongoing risk for the public broadcaster.
- Managing real estate assets is not a core activity for the Corporation, which prefers to devote its resources to fulfilling its mandate as public broadcaster.

7. What criteria did you use to evaluate the proposals?

The evaluation grid contained about a hundred quantitative and qualitative criteria, including the financial aspect, ability to meet the technical and functional requirements, adherence to the timeline, compliance with corporate image and brand visibility requirements, public access to the facility, proximity to public transit, and operational impact during construction, to name but a few.

8. What surface area will the new MRC have, based on the shortlisted proposals?

The surface area is about 400,000 square feet of leasable space.

9. Who were the in-house and external consultants who evaluated the various scenarios?

The real estate brokerage firm Avison Young is responsible for the entire process in the market, including evaluating the submitted proposals. Representatives from a variety of CBC/Radio-Canada departments, all experts in their respective fields and involved throughout the process, supported Avison Young in this effort.

External consultants were also involved for various aspects, including Raymond Chabot Grant Thornton for the financial analysis, as well as outside engineers and architects for the qualitative analysis.

10. Did the pressures exerted by the various branches of government (or the unions, or community groups) influence your decision to remain on the current site?

Even though we are sensitive to the concerns expressed by the various stakeholders, the decision to shortlist the proposals for a new MRC on the current site is the product of an analysis of all scenarios based on highly specific, detailed qualitative and quantitative criteria.

11. What proponents were shortlisted?

The shortlisted proponents were made up of two groups of companies: one led by Broccolini, the other by Busac and Pomerleau.

12. Basically, you're saying the shortlisted proposals are from the same consortia involved in the previous RFP process? Didn't you waste a lot of time and money just to get to the same point?

- In fact, it's important to understand that the current process is very different from the 2013 RFP process. That one required the bidders to propose a comprehensive solution covering both the purchase of the property and the construction of a new Maison de Radio-Canada.
- The current process is divided into two components, thereby reducing the risks associated with the project for proponents, who can submit a solution for either one or both of the components:
 - Component 1: Proposal to modernize Maison de Radio-Canada.
 - Component 2: Proposal to purchase the current facilities (building and land)

13. Why did you split the process into two components?

We believe splitting the process into two components allowed for a larger number of companies to express interest and promoted the competitive environment required for this type of project. That said, the two components must align to allow the project to go forward.

14. What do you mean by the two components must align?

Selling the current facilities is part of the financial model required for the public broadcaster to be able to cover the costs of modernizing (relocating) MRC. What's more, given that the process underway now involves two proposals for a new MRC on the current site, the two components will need to align for the project to go ahead.

15. If it didn't work out before with Broccolini and Busac, what makes you think it will work this time around?

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16. What will you do if one of the shortlisted groups withdraws from the current process (as was the case last time)?

The risk is there. However, there's no reason to believe that this would happen. Our efforts are currently focused on moving ahead with the process.

17. Based on the shortlisted proposals, will CBC/Radio-Canada be an owner or tenant in the new MRC?

CBC/Radio-Canada will be a tenant in its new facility. Our strategy hasn't changed. *Under the A Space for Us All* plan, we are cutting our real-estate footprint in half by 2020. The MRC project is part of that vision.

18. Why pay rent in a new facility (in addition to the leasehold improvements required to move in) when CBC/Radio-Canada owns its current facility?

- Leasing allows us to offload the financial risk of building ownership (including maintenance requirements) to third parties. This has also been the strategy of choice for other CBC/Radio-Canada projects across the country.
- Managing real estate assets is not a core activity for the Corporation, which prefers to devote its resources to fulfilling its mandate as public broadcaster.

19. Do we know what it would cost to fully renovate the existing facility? And what are the costs of the other scenarios?

- From a quantitative perspective, the option of renovating the tower compares fairly well with the scenarios for relocating on the existing site. However, it performs poorly on the qualitative criteria. Furthermore, we would have had hundreds of square feet of unused space.
- We cannot say more at this time. It's a little like asking someone who's selling their home to discuss how much they expect to be offered, with potential buyers listening in.

20. How much is the Corporation planning to invest in its new facility? What is the projected budget?

We cannot make any announcement about how much the project will cost until we've completed the process and chosen a proposal. That said, the choice will be based on the solution that best meets CBC/Radio-Canada's requirements in light of the many qualitative and quantitative evaluation criteria.

21. What will happen to the existing facilities?

It's too soon to say. We cannot anticipate what development will be proposed by each of the potential buyers shortlisted at this stage. However, it should be noted that the Development Agreement signed in 2009 with the City of Montreal is still in effect and the proponents must factor it into their proposals. Not to mention the Ville-Marie borough's urban planning by-laws, which stipulate that the site should be developed with an appropriate mix of space usage.

22. Will the tower be torn down?

It's too soon to say. We cannot anticipate what development will be proposed by each of the potential buyers shortlisted at this stage.

23. Is there a daycare in the shortlisted proposals?

The daycare is part of the requirements identified by CBC/Radio-Canada for the new MRC.

24. What will happen to the parking lots?

- The plans for the new MRC call for some public parking spaces being available at market prices, as is currently the case. There will continue to be reserved parking for the CBC/Radio-Canada vehicle fleet.
- When a potential buyer develops the site, there will surely be other opportunities to add parking.

25. What fees will you have to pay to the Avison Young brokerage firm?

Brokers usually receive a commission if and when a transaction is completed and the commission depends on the transaction type. Because the process still hasn't been completed, it would be premature at this point to provide a figure.

26. Was the Heritage Minister informed of the results of your analyses and the shortlisted proposals?

We always maintain a line of communication with the relevant government agencies and authorities, as is appropriate for all Crown corporations.

27. Will employees be consulted in the decision and the choice of final proposal?

The final decision is up to the Board of Directors and ultimately must be approved by the Treasury Board of Canada. That said, we would like to work with the unions and employees in implementing the project.

28. What will the new Montreal MRC look like?

- The new MRC will be first and foremost a dynamic, creatively stimulating environment that fuels the passion, innovation and collaborative spirit of the employees who work there and are the essence of CBC/Radio-Canada.
- With its collaborative workspaces, news production spaces, multipurpose sets, radio studios and large multiplatform studio, the new Maison de Radio-Canada will provide content creators and programmers with modern, state-of-the-art digital facilities.
- It will be a creative media hub. Close to the local community, the new MRC will embody the public broadcaster's modernization in line with the *A Space for Us All* strategic plan.

29. What are the next steps in the project? When will you be making a final decision?

Over the next few months, the shortlisted proponents will have to develop their proposals based on CBC/Radio-Canada's Functional and Technical Program. CBC/Radio-Canada's Board of Directors is expected to make a final decision in fall 2016 as to which option is deemed optimal. The decision will ultimately be submitted to the Treasury Board of Canada for approval before the project can go ahead.

30. It was recently reported in the media that the documentation required for your process was available in English only. Why is that?

- It is important to understand that the initial RFP for the sale of the existing facilities was issued internationally. It's therefore customary in this type of process to use the common business language, enabling the largest possible number of proponents to respond.
- It is common practice in Quebec to obtain the parties' consent when a document is written in English. This consent was obtained in a letter of intent signed by the proponents.
- That said, the documentation for the MRC modernization component was produced entirely in French and will continue to be so until the end of the process.

Sale of Existing Facilities

31. Of the dozen or so proposals you said you received, you only shortlisted four. What criteria did you base your choice on?

The evaluation was based on a grid containing a number of primarily financial criteria. Compliance with the 2009 Development Agreement between CBC/Radio-Canada and the City of Montreal, the proponents' experience with this type of project, and the ability of potential buyers to adhere to the timeline were also part of the criteria.

32. Why keep four proponents?

We want to maintain a level of competition in the market to ensure that the final proposal selected at the end of the process is the optimal solution for CBC/Radio-Canada.

33. So you're confirming that the site's potential buyer will comply with the 2009 Development Agreement?

The Development Agreement is still in effect and is part of the requirements that CBC/Radio-Canada specified to potential buyers. In the event that the buyer whose proposal is selected wants to make changes, these will have to be submitted to the City for approval before they can be implemented.

34. What are the next steps now for potential buyers of the existing facilities?

The shortlisted potential buyers must now move on to the due diligence phase. Once due diligence has been performed, the proponents will submit new offers in light of their results. CBC/Radio-Canada will then choose a finalist, with whom it will negotiate the terms of the purchase and sale agreement (contract).

35. Who are the promoters for the proposals received?

The process for selling the existing facilities isn't far enough along for us to disclose the shortlisted proponents without compromising the integrity and competitiveness of the process. So we prefer not to answer at this time.

Project Process and Governance

36. Many critics have accused CBC/Radio-Canada of lacking transparency in this project and acting secretly. Do you have a comment?

From the outset of the MRC project, CBC/Radio-Canada has informed the various project development stakeholders at every step of the way. Whether we're talking about residents, neighbourhood groups, elected officials from the various branches of government, CBC/Radio-Canada employees or union representatives, every effort has been made to share whatever information could be disclosed without violating confidentiality agreements or compromising the competitive process inherent to the project.

37. How can you guarantee the integrity of your process?

CBC/Radio-Canada engaged the real estate brokerage firm Avison Young as an outside consultant and to oversee the entire process. For the facilities sale component, Avison Young retained the services of Brookfield Financial.

CBC/Radio-Canada takes great care to comply with all of the governance rules applicable to this type of project for a Crown corporation like ours.

For the real estate aspect, CBC/Radio-Canada is managing the project diligently and transparently, as advised by the consulting firm hired for this purpose.