



MRC PROJECT

TO:	Board of Directors
MEETING:	May 18, 2016
FROM:	Steven Guiton, Executive Vice-President, MTIS Louis Lalande, Executive Vice-President, French Services Judith Purves, Executive Vice-President and Chief Financial Officer Sylvie Gadoury, Vice-President and General Counsel
DECISION SOUGHT:	Approval to proceed to the next competitive phase of the MRC project process
NEXT STEPS:	Invite proponents to the next phase of the competitive process and roll out next phase of the communication plan
DATE:	May 17, 2016



MRC PROJECT – CONTEXT

- The current MRC building premises were built 40 years ago in a different broadcast era: they are too large, do not support our current operations efficiently, and they are in need of a major upgrade.
- CBC/Radio-Canada has an objective to reduce its real estate footprint by 50% between now and 2020, and to transfer ownership of its facilities to qualified landlords/owners whenever reasonable and possible.
- Leasing is now the favoured procurement method, where appropriate.



MRC PROJECT - OBJECTIVES

- Modernize our facilities: Obtain the best possible premises that we can afford based on a number of clearly defined qualitative criteria.
- Cost reduction: Achieve annual savings through the reduction of square footage currently occupied in a building that is too vast and in need of repair.
- Transfer risk: Favor leasing as a procurement method in order to transfer the risk associated with real estate ownership to a competent owner/builder/developer.
- Extract value: Obtain maximum value from the sale of all, or parts, of the existing site.
- Support the strategy established by CBC/Canada.
- Responsible management: Make smart decisions and choices that balance the needs of the public broadcaster with the expectations of its stakeholders.



MRC PROJECT – RECAP OF PARAMETERS

s.18(b)
s.21(1)(b)

- Management's governance structure
- Management's engagement of broker and expert consultants
- Management's evaluation framework
 - Financial AND qualitative
 - Financial components:
 - Qualitative components: Avison Young model
- Involvement of Infrastructure Committee and Board of Directors.



MRC PROJECT – RECAP OF PARAMETERS (CONT'D)

- Management has organised this project under two streams:
 - **STREAM 1: Building Solution**
 - 7 proposals were received by the Corporation on November 30, 2015;
 - Our evaluation process narrowed that number down to four finalists invited to participate in the next round of the competitive process; and
 - The last evaluation phase went out to market on February 4, 2016.
 - **STREAM 2: Site Sale**
 - Site put up for sale on via Avison Young/Brookfield Financial on February 10, 2016;
 - 12 bids were received by the Corporation; and
 - Evaluations have narrowed down that number to four finalists that will be invited to participate in the next round of the competitive process.



STREAM 1: BUILDING SOLUTION

THE FINALISTS – MARKET SOLUTIONS

From the original 7 proposals, four market proponents have been retained:

1- On-site options #1 and #2

Two proponents are in competition to provide CBC/Radio-Canada with an on-site, newly-built facility on the corner of René-Lévesque boulevard and Papineau street.

2- Off-site option #1 – New building

One developer has proposed a new building downtown that would be wholly occupied by CBC/Radio-Canada.

3- Off-site option #2 – Existing building

Another developer has proposed to accommodate our facilities in an existing, multi-tenant building downtown.



STREAM 1: BUILDING SOLUTION OWNERSHIP ALTERNATIVES

For completeness, CBC/Radio-Canada has also analysed two options involving continued ownership of its current facilities.

1. Renovation:

- **Consolidate operations** in a renovated portion of the lower floors with the reduced space requirements identified in the Functional and Technical Program (FTP).
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2. Status Quo:

- **Continued occupancy** of the current building and site. Invest in multi-year major repairs of the building: envelope, mechanical/electrical, interior finishes, etc.

NOTE: These ownership alternatives have been compared to the four market solutions using the same market-solutions evaluation model.



STREAM 1: BUILDING SOLUTION EVALUATION CRITERIA

s.18(b)
s.21(1)(b)

- All scenarios have been evaluated using the following criteria:





STREAM 1: BUILDING SOLUTION EVALUATION CRITERIA (CONT'D)

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-
-
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STREAM 1: BUILDING SOLUTION EVALUATION RESULTS

s.18(b)
s.21(1)(b)

Total Score / 100



STREAM 1: BUILDING SOLUTION MANAGEMENT RECOMMENDATIONS

s.18(a)
s.18(b)
s.21(1)(b)

Recommendation #1: Eliminate the two lowest scoring market proponents – i.e. the two off-site lease options – from the process

Rationale:



STREAM 1: BUILDING SOLUTION MANAGEMENT RECOMMENDATIONS

s.18(a)

s.18(b)
s.21(1)(b)

Recommendation #2: Invite the two top-scoring market proponents – i.e. the two on-site lease options – to the next round of the process*

Rationale:

* Governance Committee has established strict financial conditions to guide these negotiations. If they are not met, management will return to the Board.



STREAM 1: BUILDING SOLUTION

MANAGEMENT RECOMMENDATIONS

s.18(b)
s.21(1)(b)

Recommendation #3: Cease work on the ownership alternatives, and revive them only if required (i.e. should negotiations fail or financial conditions not be met)

Rationale:



STREAM 2: SITE SALE CONTEXT

- Multiple bidders have come forward with serious offers for the purchase of the existing site.
- Bidders have agreed to respect CBC/Radio-Canada's "*Accord de Développement*" with the City of Montréal's.
- Bidders are prepared to apportion part of the site to accommodate the construction of a new building for CBC/Radio-Canada.
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- All offers are subject to a 45-60 day due diligence process.



STREAM 2: SITE SALE EVALUATION RESULTS

s.18(a)

s.18(b)
s.21(1)(b)

	#1	#2	#3	#4
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Score of 1 (weak) to 5 (strong) are used to ranked each consideration

Considerations	Weight
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STREAM 2: SITE SALE

MANAGEMENT RECOMMENDATION

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s.21(1)(b)

Recommendation: Invite the top four bidders to the next round of the competitive process.

Rationale:



NEXT STEPS

With Board of Directors approval, the next steps in the process would be:

- Inform the two off-site solution proponents of their elimination from the competitive process.
- Invite the two on-site solution proponents to the next and final round of the competitive process that will occur during the summer of 2016.
- Pursue the site sale process with the four top-ranked purchasers with a view to selecting the best offer through commercial negotiations occurring during the summer 2016.
- Roll out a communication plan to inform stakeholders and employees of the Corporation's decision, being careful not to compromise the competitive negotiations that will be finalized over the course of the summer.
- Present a final solution to the Board of Directors in October/November for approval.



RESOLUTION

- That the Infrastructure Committee recommend to the Board of Directors approval of Management's proposals:
 - To inform the two off-site solution proponents of their elimination from the competitive process;
 - To invite the two on-site solution proponents to the next and final round of the competitive process that will occur during the summer of 2016;
 - To pursue the site sale process with the four top-ranked purchasers with a view to selecting the best offer through commercial negotiations occurring during the summer 2016; and
 - To implement a program of indemnification for the proponents participating into the next phase (except for the winning proponents) for both the lease and the sale processes.



B. APPENDICES

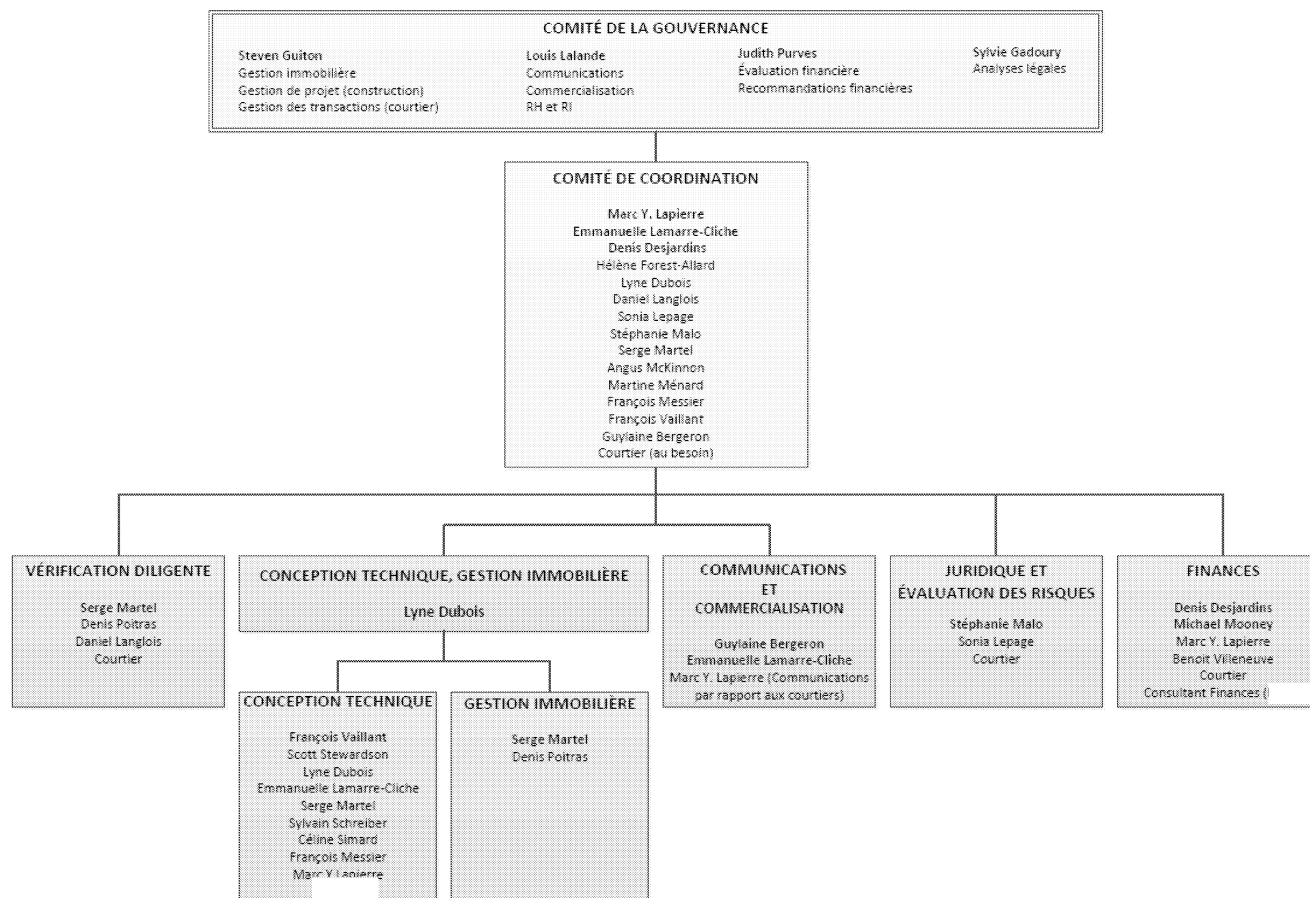
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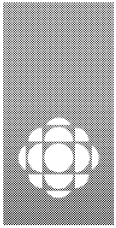
1. Management Governance Structure for MRC Project

2.



1. GOVERNANCE STRUCTURE





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A.

s.18(a)
s.18(b)
s.21(1)(b)



2.

B.

s.18(a)
s.18(b)
s.21(1)(b)