

## STEP II- EVALUATION CRITERIA

### **Mandatory Requirements**

#### **1) Does the Project develop new incremental housing in Niagara?**

The purpose of this project is to create new incremental housing development in the Niagara Region. Additionally, the program's funding tools require the proposed projects to generate incremental property taxes. If a project does not establish new incremental housing units then project cannot be considered. Projects such as renovations or conversions that do not incrementally add new units to the market will not be considered.

#### **2) Meets the Partnership Housing Program Guidelines?**

Is the ask of the Region's participation within the Guidelines of the Pilot Project as outlined. Key Criteria include (i) the co-investment of equity cannot exceed 35%, (ii) maximum amount of equity for the Pilot project is \$1.75M, (iii) minimum rental unit development size is 20 units.

### **PART A: LOCATION AND ALIGNMENT**

#### **1. Project Location (10 Marks)**

Is the location consistent with Niagara Region's requirements? These projects should be located in areas in which tenants will be able to easily access key services such as shopping, medical and transportation.

Factors that will be evaluated:

- 1) Walk Score** – The walk score of the address of the proposed project will be evaluated. Niagara Region would prefer a walk score above 50. The Region will take into consideration unique Community factors with the walk score.
- 2) Distance to existing transit** – The Niagara Region would have a preference for the project to be located within 500 meters of existing transit services (if this is applicable in the Community in which the project is targeted).

#### **2. Project Development Alignment (10 Marks)**

Is the proposed project aligned with the existing or planned neighbourhood as well as existing zoning. The Niagara Region prefers projects that are aligned with good development planning methodology and will not face significant hurdles to development.

Factors to be evaluated:

- 1) Zoning and Official Plan Alignment** – Is the proposed project aligned with the existing zoning for the property.
- 2) Alignment with the Neighbourhood** – Is the project a fit to the property's surrounding uses.

#### **3. Proposed Building Product Alignment (10 Marks)**

Is the type and preliminary design of the building aligned with the needs of the Niagara Region. Factors to consider are:

- 1) Type of Unit** – Are the units bachelor, 1 bedroom, 2 bedroom, 3 bedroom or more, or accessible units.
- 2) Size of Unit** – The total size of the units

30

<p><b>3) Other Design Elements</b> – Are there integrated commercial components to the building, are Universal Design elements being utilized, the type of common area elements being proposed.</p>	
<p><b><u>PART B: BUSINESS PLAN REVIEW</u></b></p> <p><b><u>1. Governance plan (30 Marks)</u></b></p> <p>The proponent is required to outline how it and the Region will govern the project. The governance plan should cover a number of factors including:</p> <p><b>1) Design and Construction</b> – How will the Region participate in this phase of the Project.</p> <p><b>2) Operations</b> – How will the Region be involved in annual operations of the project? Reporting framework (type and frequency), budgeting process etc.</p> <p><b>3) Strategic Decisions</b> – How will the Region be involved in major decisions such as major capital investments, the sale of the building etc.</p> <p><b>4) Distribution of Profits</b> – How will the profits be distributed?</p> <p><b>5) Investment Structure</b> – Does the proposed governance and or investment structure provide the Region with any of the following:</p> <p>(i) <b>Decreased Capital Risk</b> – Are there any features (such as fixed cost construction pricing) that limits Niagara Region’s Capital Risk?</p> <p>(ii) <b>Decreased Operational Risk</b> – Are there any features that provide the Region with decreased risk associated with the operations (such as a preferred rate of return)?</p> <p><b><u>2. Financial Model (20 Marks)</u></b></p> <p><b>1) Construction Cost Forecast (10 marks)</b> – The Region will review the Construction Cost forecast for the following: The Region will review such KPI’s as the cost per unit, cost per square foot as well as the construction schedule.</p> <p><b>2) Operational Forecast (10 marks)</b> – The Region will review the operational forecast for the following:</p> <p>(i) <b>Project Based Criteria</b> - The Region will review the (i) utility cost per unit, (ii) total cost per unit, (iii) Net Income or EBITDA per unit, (iv) Niagara Region’s Return on Investment.</p> <p>(ii) <b>Niagara Region Controlled Unit Criteria</b> – The Region will evaluate its (i) Cost per unit (Equity per unit, average rent in comparison to market), (ii) The number of units that the project’s property taxes will fund (this will be calculated assuming the Region’s tenants will on average fund \$600 per month of the rental amount).</p>	<p><b>50</b></p>
<p><b><u>PART C: EXPERIENCE</u></b></p> <p><b>1) Development Experience (10 marks)</b> – The Region will review the proponents experience in developing similar projects (building type, complexity of construction, budget size, building size).</p> <p><b>2) Operational Experience (10 marks)</b> – The Region will review the proponents experience in managing rental properties and in undertaking partnerships.</p>	<p><b>20</b></p>

<b>Stage II - Total</b>	<b>100</b>
<b>Benchmark to Proceed to Stage III</b>	<b>70 out of 100</b>

### Stage III - Evaluation Criteria

The following categories, weightings and descriptions will be used in the initial evaluation of rated criteria during Stage III of the evaluation process (Evaluations). These criteria apply to additional information proposals received by proponents who passed the benchmark in Stage II. A more detailed Scoring matrix may be provided to proponents during stage III.

<b>STEP III- EVALUATION CRITERIA</b>	
<b><u>PART A: DETAILED BUSINESS CASE ANALYSIS</u></b> It is anticipated that the submissions may change between Stage II and Stage III as such the Region will undertake more detailed analysis on the submission to re-confirm the evaluation of Stage II as well as to undertake additional analysis: <b>1) Development and Product Unit Analysis (20 marks)</b> This will include a review of the factors assessed in Phase II as well as looking at the level of need in the Community for those units. <b>2) Financial Model Analysis (25 marks)</b> This will include a review of the revised financial forecasts. The Proponents for this stage will submit their financial models in their prescribed formats. The Region will review the submissions and will undertake a review on the revised forecast and critical financial indicators	<b>45</b>
<b><u>PART B: RISK ANALYSIS</u></b> The Region will undertake a risk analysis of the proposal based on the following items: <b>1) Construction Risk</b> – The risks associated with the on time and on budget construction. <b>2) Financial Risk</b> – The risks associated with the Region being exposed to equity losses or annual losses. <b>3) Operational Risk</b> – The risks that the property will not operate successfully this includes maintenance risk, management and business risk. <b>4) Market Risk</b> – The risk that the market will not support the rental rates or that the long term anticipated capital appreciation of the property might be at risk. <b>5) Counter Party or Partner Risk</b> – This relates to the Partner's ability to meet its operational and financial requirements. The Niagara Region will review the proponent's financial capacity as well as its operational capacity.	<b>25</b>
<b><u>PART C: GOVERNANCE AND INVESTMENT STRUCTURE</u></b> <b>1) Investment Structure, Governance Structure and Agreements</b> The proponent will submit draft share subscription, shareholder agreements, joint venture agreements and or other such agreements that will govern the project for the Region's review. The rights and obligations of the Region will be evaluated in	<b>30</b>

comparison to the Partnership Housing Program Guidelines and as well as the rights, obligations and rewards of the Proponent.	
<b>Stage III - Total</b>	<b>100</b>

<b>Scoring Category</b>	<b>Description</b>	<b>Numeric Score</b>
Fail	Requirement is not met or is not acceptable.	0
Poor	Minimally addresses the component, but one or more major considerations of the component are not addressed.	1 - 3
Fair	The response addresses some aspects of the component, but minor considerations may not be addressed.	4 - 6
Good	The response addresses the component and provides a reasonably good quality solution.	7
Very Good	There is a high degree of confidence in the proponent's response as a proposed solution to address the component.	8 - 9
Exceptional	The proposed solution goes above and beyond the requirements as well as provides a high degree of confidence in its effectiveness.	10