



VALUE FOR MONEY ASSESSMENT

**CENTRE FOR ADDICTION
AND MENTAL HEALTH**



Mr. Andres Duran
Legal Counsel
Infrastructure Ontario
777 Bay Street, 6th Floor
Toronto, ON M5G 2C8

Re: CAMH

Dear Andres,

This letter presents our findings and conclusions for Infrastructure Ontario's Centre for Addiction and Mental Health (CAMH) Alternative Financing and Procurement Redevelopment Project RFP process. This was a design, finance, build and maintain project issued by Infrastructure Ontario in conjunction with CAMH collectively known as the Sponsor. Only those parties that were successful in the preceding RFQ process were allowed to participate. Three firms were thus eligible and were sent the RFP for their consideration

Our role, as Fairness Monitor was to review IO's procurement process from the release of the RFP to the selection of the Preferred Proponent. This was done to ensure that the processes used were in accordance with the provisions of the RFP document. This monitoring was strictly limited to:

- Application of the evaluation criteria;
- Consistency of Proponent treatment;
- Adherence of IO staff and external advisors to conflict of interest and confidentiality requirement;
- Communications and information to Proponents and Proponent meetings;
- Security of proposals and evaluation documents;
- Qualifications of the evaluation team;
- Objectivity and diligence respecting the evaluation process;

The role of Fairness Monitor, as the title implies, focused strictly on a monitoring of practices to ensure consistency with the stipulations of the procurement document (RFP). This involved taking the stipulations of the RFP as a standard against which to audit process.

The report is based on our first hand observations of the process used, a review of the procurement documents and information provided by the procurement project team. It was prepared for the staff of Infrastructure Ontario. Any other person who wishes to review this report must first obtain the written permission of Infrastructure Ontario. Knowles, or the individual author of this report, bear no liability whatsoever for opinions that unauthorized persons may infer from this report.

As Fairness Monitor we can attest to the fact that;

- The evaluation process was consistent with that outlined in the RFP;
- The evaluation criteria and process used was applied in accordance with the stipulations of the RFP document;
- All bidders were treated consistently and in accordance with the stipulations of the RFP;
- IO and CAMH staff and external advisors adhered to conflict of interest and confidentiality requirement.

Proposals were received from the three pre-qualified Proponents for this competition.

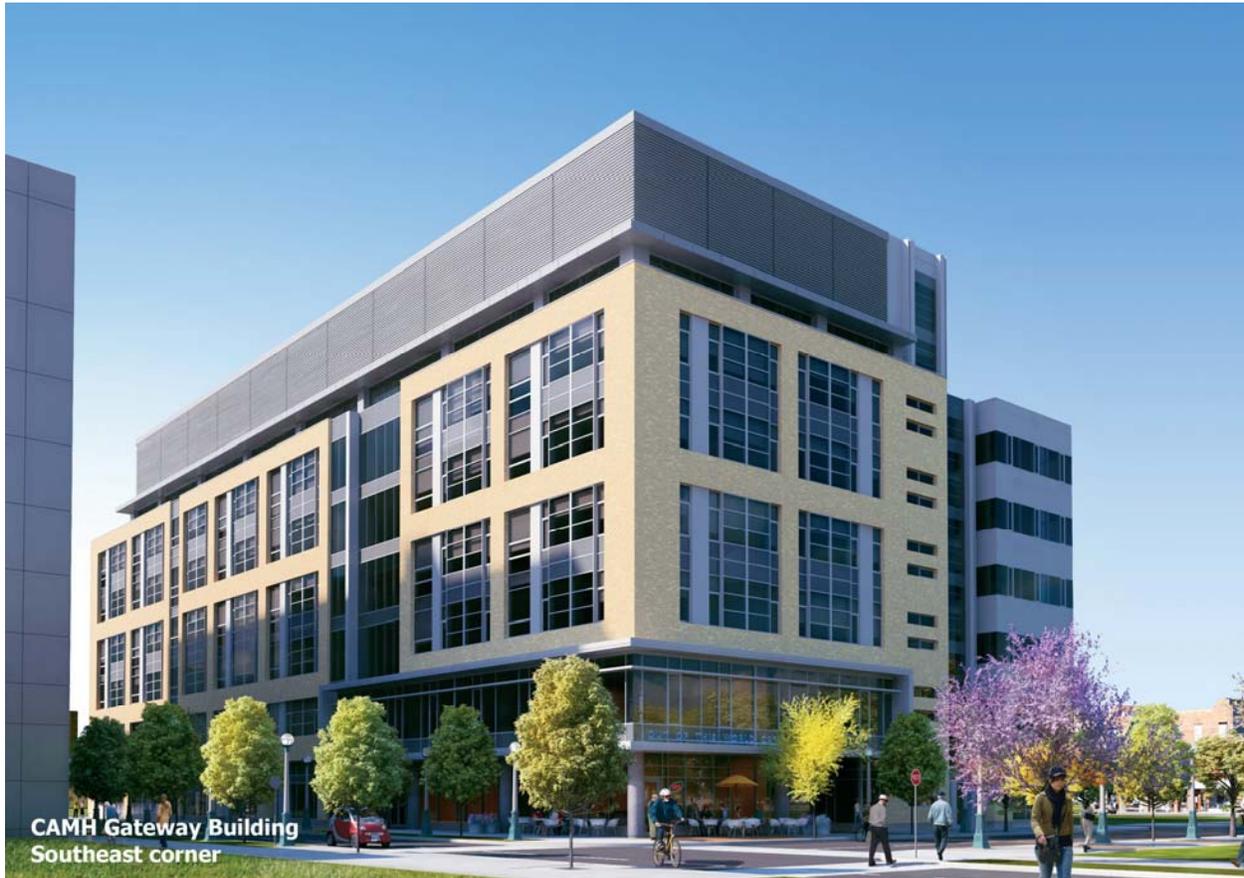
All three Proponents passed threshold scores and were considered for the financing portion of the evaluation.

As a result of the procurement process a Negotiation Proponent was selected based on the highest total score.

Yours truly,
Knowles Consultancy Services Inc.



John Campbell



Architectural rendering of CAMH Gateway Building
Courtesy of Carillion Health Solutions

Highlights of the Centre for Addiction and Mental Health Project

Phase 1B of the redevelopment will see the demolition of the existing Centre for Addiction and Mental Health (CAMH) administration building and construction of three new buildings:

- the Gateway Building, which will house outpatient programming, administration and facility support services, and a gymnasium;
- the Intergenerational Wellness Centre, a client care building for the centre's Child, Youth & Family and Geriatric Mental Health programs; and
- the Utilities and Parking Building, which will contain meeting rooms, client assessment space, a family support office, a new central plant and parking facilities.

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Summary

ReNew Ontario 2005-2010 is a \$30-billion-plus strategic infrastructure investment plan to modernize, upgrade and expand Ontario's public infrastructure.

Infrastructure Ontario is an essential component of the *ReNew Ontario* plan. The Crown Corporation delivers large infrastructure projects using alternative financing and procurement (AFP) and ensures that new infrastructure projects are delivered on time and on budget.

The redevelopment project at the Centre for Addiction and Mental Health (CAMH) is being delivered under the AFP model.

Phase 1B of the redevelopment will see the demolition of the existing administration building and construction of three new buildings:

- the Gateway Building, which will house outpatient programming, administration and facility support services, and a gymnasium;
- the Intergenerational Wellness Centre, a client care building for the centre's Child, Youth & Family and Geriatric Mental Health programs;
- the Utilities and Parking Building, which will contain meeting rooms, client assessment space, a family support office, a new central plant and parking facilities.

In total, over 450,000 square feet of new space will be created in this phase.

Once completed, the Centre for Addiction and Mental Health project will help to improve the quality of life of CAMH clients and contribute to revitalizing the neighbourhood. At the end of this phase of redevelopment, CAMH will have beds for youth experiencing both mental health and substance use problems — the first such dedicated beds of their kind in Canada — while CAMH's Addictions Program will be fully integrated at the Queen Street site. The co-location of addictions and mental health professionals will lead to increased collaboration between CAMH staff and

better results for clients, particularly the significant percentage that have both disorders concurrently.

In its new hub, CAMH will provide clinical training for physicians, nurses and allied health care workers. All of Ontario will benefit from the specialized care offered to clients.

The public sector retains ownership, control and accountability for the hospital, including the new facilities.

The purpose of this report is to provide a summary of the project scope, the procurement process and the project agreement, and to demonstrate how value for money was achieved by delivering the Centre for Addiction and Mental Health project through the AFP process.

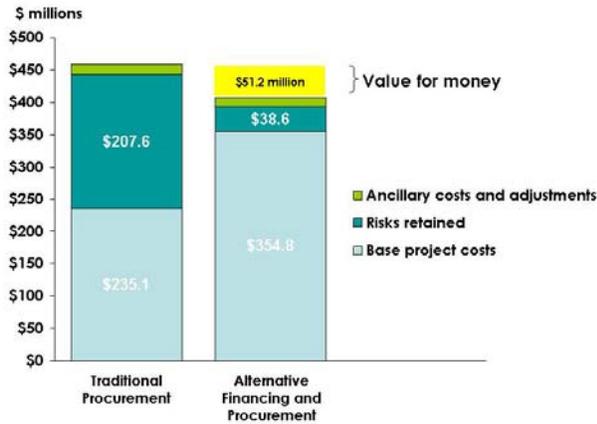
The value for money analysis refers to the process of developing and comparing the total project costs, expressed in dollars measured at the same point of time and related to two delivery models.

Value for money is determined by directly comparing the cost estimates for the following two delivery models:

Model #1 Traditional project delivery (Public sector comparator)	Model #2 Alternative financing and procurement
Total project costs that would have been incurred by the public sector to deliver an infrastructure project under traditional procurement processes.	Total project costs incurred by the public sector to deliver the same infrastructure project with identical specifications using the AFP approach.

The cost difference between model #1 and model #2 is the estimated value for money for this project.

The value for money assessment of the Centre for Addiction and Mental Health project indicates estimated cost savings of 11.16 per cent or \$51.2 million, by using the AFP approach in comparison to traditional delivery.



Ernst & Young Orenda Corporate Finance completed the value for money assessment of the Centre for Addiction and Mental Health project. Its assessment demonstrates projected cost savings of 11.16 per cent by delivering the project using the AFP model, versus what it would have cost to deliver the project using a traditional delivery model.

Knowles Consultancy Services acted as the Fairness Monitor for the project. It reviewed and monitored the communications, evaluations and decision-making processes associated with the Centre for Addiction and Mental Health project, ensuring the fairness, equity, objectivity, transparency and adequate documentation of the process. Knowles Consultancy Services certified that these principles were maintained throughout the procurement process (please see letter on page 1).

Infrastructure Ontario will work with the Centre for Addiction and Mental Health on the redevelopment of the hospital, which will remain publicly owned, publicly controlled and publicly accountable.

Project description

Background

ReNew Ontario 2005-2010 is a \$30-billion-plus strategic infrastructure investment plan to modernize, upgrade and expand Ontario's public infrastructure.

Infrastructure Ontario is an essential component of the *ReNew Ontario* plan. The Crown Corporation was created in 2005, to ensure that infrastructure projects are delivered on time and on budget.

Under the *ReNew Ontario* plan, projects are assigned to Infrastructure Ontario by the provincial government, which uses a made-in-Ontario project delivery model called Alternative Financing and Procurement (AFP). AFP brings private-sector expertise, ingenuity and rigour to the process of managing and renewing Ontario's public infrastructure while shifting risks associated with cost and schedule overruns away from the public sector.

Ontario's public infrastructure projects are guided by the five principles set out in the provincial government's *Building a Better Tomorrow Framework*, which include:

- public interest is paramount;
- value for money must be demonstrable;
- appropriate public control and ownership must be preserved;
- accountability must be maintained; and
- all processes must be fair, transparent and efficient.

Centre for Addiction and Mental Health

The Centre for Addiction and Mental Health (CAMH) is a teaching and research hospital, fully affiliated with the University of Toronto. CAMH uses the latest in scientific advances (i.e., integrated clinical practice, health promotion, education, policy and research) to transform the lives of people affected by addiction and mental illness.

Project Scope

The Centre for Addiction and Mental Health redevelopment project will dramatically transform the 27-acre site at 1001 Queen Street West in downtown Toronto, bringing CAMH one step closer to achieving its vision of providing high quality, integrated mental health and addiction care in a revitalized urban village. CAMH has a bold, transformational agenda: to change the face of treatment, integrate the hospital with the community and break down stigma.

Phase 1B is the next step in a multi-phased redevelopment of 1001 Queen Street West in downtown Toronto. The redevelopment project will transform an institutional campus into an urban village setting.

The redevelopment will also contribute to the revitalization of CAMH's Queen Street neighbourhood. CAMH's new Queen Street hub will be designed with a pattern of buildings, street, sidewalks, new shops and open spaces that will integrate with the surrounding neighbourhood and create an urban village. All the new buildings will be designed with environmentally responsible and sustainable features in order to achieve Leadership in Energy and Environmental Design (LEED) Gold certification. The new CAMH buildings will be the first hospital facilities in Ontario and only the third in Canada to achieve this standard.

Job Creation

The redevelopment and expansion project will create economic value as skilled tradespeople, subcontractors and their suppliers benefit from the capital investment. At the peak of construction approximately 350 workers will be on site daily.

Competitive selection process timeline

The Centre for Addiction and Mental Health has entered into a project agreement with Carillion Health Solutions to design, build, finance and maintain its redevelopment project. The procurement stages for the project were as follows:

June 27, 2008

Request for Qualifications

In 2008, the Centre for Addiction and Mental Health and Infrastructure Ontario issued a request for qualifications (RFQ) for the redevelopment project. Three proponents were qualified:

- **Carillion Health Solutions** – Carillion’s Construction and Facility Management Divisions; Stantec Architecture Ltd.; and Scotia Capital Inc.
- **Integrated Team Solutions** – EllisDon Corporation LPF Infrastructure Fund, Fengate Capital, Honeywell Limited – Facilities Management, RBC Capital Markets and Parkin Architects Limited and Architecture+ (joint venture)
- **Plenary Health** – PCL Constructors Canada Inc., Johnson Controls, Plenary Group, B+H Architects

January 15, 2009

Request for Proposals

A request for proposals (RFP) was issued to the pre-qualified proponents, setting out the bid process and proposed project agreements to design, build, finance and maintain the project.

Proposal submission

The RFP period closed on July 27, 2009. Three bids were received by Infrastructure Ontario and the Centre for Addiction and Mental Health. The bids were evaluated using the criteria set out in the RFP.

October 2009

Preferred proponent notification

Carillion Health Solutions was selected as the successful RFP proponent on the basis of its proposed price and project schedule, in accordance with the evaluation criteria set out in the RFP.

December 2009

Commercial and financial close

A project agreement was executed by Carillion Health Solutions and the Centre for Addiction and Mental Health.

Financing for Carillion Health Solutions was provided by Scotia Capital Inc., Dexia Credit Local S.A. (acting under the name Dexia Capital Markets), and Casgrain & Company Ltd. as long-term debt underwriters.

Construction financing was provided by Banco Espirito Santo de Investimento, S.A., New York branch; The Bank of Nova Scotia and Dexia Credit Local S.A. acting through its Canada branch. Equity was provided by Carillion Private Finance Ltd. and by Fengate Capital Management Ltd. on behalf of OE Infrastructure Fund.

January 2010

Construction

Construction began in January 2010. During the construction period, the builder’s construction costs will be funded through financing, which will be paid in monthly instalments based on the construction program set out by Carillion Health Solutions.

Construction will be carried out in accordance with the project agreement. The project will be overseen by a joint building committee made up of representatives from the Centre for Addiction and Mental Health and Infrastructure Ontario.

Completion and payment

Carillion Health Solutions will receive a payment from the government at substantial completion of the new Centre for Addiction and Mental Health health-care complex, which is expected in spring 2012. This payment will be followed by monthly service payments over a 30-year period for construction of the facility, building maintenance, life-cycle repair and renewal, and project financing.

Hospital Capital Funding

The local share is the portion of funding for which a hospital is responsible. Since the ministry's capital cost-sharing policy for hospital projects does not cover 100 per cent of all costs incurred, not all elements of a project are eligible for ministry cost-sharing.

The provincial portion of eligible construction costs is 90 per cent and 100 per cent of eligible costs for longer term mental health.

Hospitals are responsible for:

- 10 per cent of the eligible construction costs and associated ancillary costs;
- 100 per cent of components of the project that are ineligible for ministry cost-sharing;
- 100 per cent of the costs associated with the purchase of new and replacement furniture and equipment, excluding some radiation therapy equipment, longer-term mental health and chronic kidney disease equipment.

These costs for which the hospital is responsible are otherwise known as the local share. In the past, ministry capital cost share rates varied from 50 per cent to 70 per cent depending on the project.

Project agreement

Legal and commercial structure

The Centre for Addiction and Mental Health entered into a project agreement with Carillion Health Solutions to carry out the design, construction, financing and maintenance of the project, comprising approximately 44 months of construction and a 30-year maintenance time frame. Under the terms of the project agreement, Carillion Health Solutions will:

- design and build the Centre for Addiction and Mental Health project for completion in spring 2012;
- finance the construction and capital costs of the health-care complex over the term of the project;
- obtain a third-party independent certification that the new health-care complex is built;
- provide facility management and life-cycle maintenance for the new health-care complex for the 30-year service period under pre-established maintenance performance standards in the project agreement; and
- ensure that, at the end of the contract term, the building meets the conditions specified in the project agreement.

The Centre for Addiction and Mental Health will remain publicly owned, publicly controlled and publicly accountable, including the new facilities constructed as a result of the project.

Construction and completion risk

All construction projects have risks. Some project risks are retained in varying magnitude by the public sector. Examples of risks retained by the public sector under either the AFP or traditional model include planning, unknown site conditions, changes in law, public sector initiated scope change, and force majeure (shared risk).

Under the AFP model, some key risks that would have been retained by the public sector are contractually transferred to the private sector. These risks, such as design co-ordination and resource availability, could have led to cost

overruns and delays in traditional projects. Other examples of risks transferred to the private sector under the AFP project agreement include:

Construction price certainty

Carillion Health Solutions will construct the facilities at the Centre for Addiction and Mental Health for a guaranteed maximum price of \$293 million, including financing costs. The builder's guaranteed maximum price for the hospital may only be adjusted in very specific circumstances, agreed to in advance, in accordance with the change order procedures set out in the project agreement.

Scheduling, project completion and delays

At the Centre for Addiction and Mental Health, the builder has agreed to reach substantial completion by late April 2012. The construction schedule can only be modified in very limited circumstances, in accordance with the project agreement. Payment for the project will not commence until substantial completion in accordance with the project agreement.

Costs associated with delays that are the responsibility of the builder must be paid by the builder.

Design co-ordination

The project agreements provide that Carillion Health Solutions is responsible for all design coordination activities to ensure that the facilities are constructed in accordance with the design.

Costs associated with design coordination that are the responsibility of the builder must be paid by the builder.

Construction financing

Carillion Health Solutions is required to finance the construction of the project until the facility reaches substantial completion and is turned over to the Centre for Addiction and Mental Health. The project agreement provides that the builder will be responsible for all increased financing costs resulting from any builder delay in reaching substantial

completion. This shifts significant financial risk to the builder and is a strong incentive to prevent late delivery.

Schedule contingency

The project documents provide the hospital with a schedule contingency, also known as a schedule cushion, which shields the Centre for Addiction and Mental Health for delay costs for which the hospital is responsible. While delays caused by the hospital are expected to be minimal, the schedule cushion provides the Centre for Addiction and Mental Health with some protection from the risk of delay claims by the builder.

Commissioning and facility readiness

Carillion Health Solutions must achieve a prescribed level of commissioning of the new facility at substantial completion and must co-ordinate the commissioning activity within the agreed upon construction schedule. This ensures that the Centre for Addiction and Mental Health will receive a functional facility at the time payment is made.

Activity protocols

Carillion Health Solutions and the consultants from the Centre for Addiction and Mental Health have established a schedule for project submittals by the builder, taking into account the time for review needed by the hospital’s consultants.

This protocol mitigates against the builder alleging delay as a result of an inability to receive responses in a timely manner in the course of the work.

Change order protocol

In addition to the variation procedure set out in the project documents, Infrastructure Ontario’s change order protocol with the Centre for Addiction and Mental Health sets out the principles for any changes to the project work/scope during the construction period, including:

- requiring review and approval of change orders from the Centre for Addiction and Mental Health;
- specifying the limited criteria under which change orders will be processed and applied;

- timely notification of potential change orders to Infrastructure Ontario;
- timely review by Infrastructure Ontario for owner-initiated scope changes;
- approval by Infrastructure Ontario for any change orders that exceed pre-determined thresholds; and
- approval by Infrastructure Ontario when the cumulative impact of the change orders exceed a pre-determined threshold.

In addition to the above key risks being transferred to the builder under the project documents, the financing arrangement entered into between Carillion Health Solutions and its lenders ensures that the project is subject to additional oversight, which may include:

- an independent budget review by a third-party cost consultant;
- monthly reporting and project monitoring by a third-party cost consultant;
- the requirement that change orders must be within the project contingency or funded by the Centre for Addiction and Mental Health; and
- the requirement that prior approval be secured for any changes made to the project budget in excess of a pre-determined threshold.

Achieving value for money

For the Centre for Addiction and Mental Health, Ernst & Young Orenda Corporate Finance's value for money assessment demonstrates a projected cost savings of 11.16 per cent, or \$51.2 million, by using the alternative financing and procurement (AFP) approach, as compared to the traditional procurement approach.

Ernst & Young Orenda Corporate Finance was engaged by Infrastructure Ontario to independently assess whether – and, if so, the extent to which – value for money will be achieved by delivering this project using the AFP method. Its assessment was based on the value for money assessment methodology outlined in *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which can be found at www.infrastructureontario.ca. The approach was developed in accordance with best practices used internationally and in other Canadian provinces, and was designed to ensure a conservative, accurate and transparent assessment.

Value for money concept

The goal of the AFP approach is to deliver a project on time and on budget and to provide real cost savings for the public sector.

The value for money analysis compares the total estimated costs, expressed in future dollars and measured at the same point in time, of delivering the same infrastructure project under two delivery models: the traditional delivery model (public sector comparator or "PSC") and the AFP model.

Model #1 Traditional project delivery (Public sector comparator)	Model #2 Alternative financing and procurement
Total project costs that would have been incurred by the public sector to deliver an infrastructure project under traditional procurement processes.	Total project costs incurred by the public sector to deliver the same infrastructure project with identical specifications using the AFP approach.

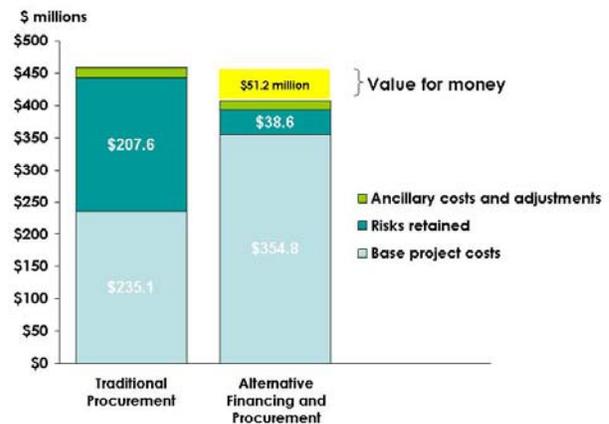
The cost difference between model #1 and model #2 is referred to as the value for money. If the total cost to deliver a project under the AFP approach (model #2) is less than the total cost to deliver a project under the traditional delivery approach (model #1), there is said to be positive value for money. The value for money assessment is completed to determine which project delivery method provides the greatest level of cost savings to the public sector.

The cost components in the VFM analysis include only the portions of the project costs that are being delivered using AFP. Project costs that would be the same under both models, such as land acquisition costs, furniture, fixtures and equipment, are excluded from this VFM calculation.

The value for money assessment is developed by obtaining detailed project information and input from multiple stakeholders, including internal and external experts in hospital project management and construction project management.

Components of the total project costs under each delivery model are illustrated below:

The value for money assessment of the Centre for Addiction and Mental Health project indicates estimated cost savings of 11.16 per cent or \$51.2 million, by using the AFP approach in comparison to traditional delivery.



It is important to keep in mind that Infrastructure Ontario's value for money calculation methodology does not attempt to quantify a broad range of qualitative benefits that may result from using the AFP delivery approach. For example, the use of the AFP approach will more likely result in a project being delivered on time and on budget. The benefits of having a project delivered on time cannot always be accurately quantified. For example, it would be difficult to put a dollar value on the people of Ontario gaining access to an expanded health care facility sooner than would be the case with a traditionally delivered project.

These qualitative benefits, while not expressly quantified in this value for money analysis, are additional benefits of the AFP approach that should be acknowledged.

Value for money analysis

For a fair and accurate comparison, the traditional delivery costs and AFP costs are future-valued to substantial completion to compare the two methods of delivering a Design-Build-Finance-Maintain project at the same point in time. It is Infrastructure Ontario's policy to use the current public sector rate of borrowing for this purpose to ensure a conservative and transparent analysis. For more information about assessing using future value and value for money methodology, please refer to *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which is available online at www.infrastructureontario.ca.

Base costs

Base project costs are taken from the price of the contract signed with Carillion Health Solutions, and include all construction and financing costs. The base costs between AFP and the traditional delivery model mainly differ as follows:

1. Under the AFP model, the private party charges an additional premium as compensation for the risks that the public sector transfers to them under the AFP project documents. In the case of traditional delivery, the private party risk premium is not included in the base costs as the public sector retains these risks.

2. The financing rate that the private sector is charged is higher than the financing rate of the public sector and not included in the traditional model delivery base costs.

In the case of the AFP model, the base costs are extracted from the price agreed among the parties under the project agreement. For the Centre for Addiction and Mental Health, this is \$354.8 million.

If the traditional model had been used for this project, base costs for the Centre for Addiction and Mental Health are estimated to have been \$235.1 million.

Risks retained

The public sector has always had to bear costs that go beyond a project's base costs. Total project costs exceed base costs in large part due to contingencies for the project risks.

Project risks are defined as potential adverse events that may have a direct impact on project costs. To the extent that the public sector retains these risks, they are included in the estimated project cost. The concept of risk transfer and mitigation is key to understanding the overall value for money assessment.

To estimate and compare the total cost of delivering a project under the traditional delivery versus the AFP method, the risks borne by the public sector (which are called "retained risks") should be identified and accurately quantified.

Comprehensive risk assessment not only allows for a fulsome value for money analysis, but also helps Infrastructure Ontario and the public sector sponsors ensure that the party best able to manage, mitigate and/or eliminate the project risks is allocated those risks under the project documents.

Under the traditional delivery method, the risks retained by the public sector are significant. As discussed on pages 10 to 11, the following are examples of risks retained by the public sector under the traditional delivery method that have

been transferred to the builder under the project agreement using the AFP model:

- design compliance with the output specifications;
- construction price certainty;
- scheduling, project completion and potential delays;
- design co-ordination;
- site conditions and contamination;
- development approvals;
- design and life-cycle responsibility;
- mechanical and electrical systems responsibility;
- construction financing;
- schedule contingency;
- coordination of equipment procurement installation;
- commissioning and facility readiness; and
- activity protocols.

Examples of these risks include:

- *Design coordination/completion:* Under the AFP approach the builder is responsible for design coordination activities to ensure that the facilities are constructed in full accordance with the design in the project agreement. The builder is responsible for inconsistencies, conflicts, interferences or gaps in the contract documents particularly in the plans, drawings and specifications; and for design completion issues that are specified in the contract documents but erroneously left out in the drawings and specifications.
- *Scheduling, project completion and delays:* Under the AFP approach, the builder has agreed that it will provide the facility for use by the Centre for Addiction and Mental Health by a fixed date and at a pre-determined price. Therefore, any extra cost (financing or otherwise) incurred as a result of a schedule overrun caused by the builder will not be paid by the public sector, thus providing the builder clear motivation to maintain the project's schedule. Further oversight includes increased upfront due diligence and project management controls imposed by the builder and the builder's lender.

Under a traditional approach, design coordination risks that materialize during construction would be managed through a series of change orders. Such change orders would, therefore, be issued in a non-competitive environment, and would typically result in a significant increase in overall project costs for the public sector. AFP reduces and transfers these risks and related costs, to the private sectors.

The added due diligence brought by the private party's lenders, together with the risk transfer provisions in the project documents result in overall cost savings as these transferred risks will either be better managed or completely mitigated by the private sector builder.

Infrastructure Ontario retained an experienced, third-party construction consulting firm, Altus Group Limited, to develop a template for assessing the project risks that the public sector assumes under AFP compared to the traditional approach. Using data from actual projects as well as its own knowledge base, the firm established a risk profile under both approaches for infrastructure facilities.

It is this generic risk matrix that has been used for validating the risk allocation for the specific conditions of the Centre for Addiction and Mental Health project.

A detailed risk analysis of the Centre for Addiction and Mental Health project concluded that the average value of project risks retained by the public sector under traditional delivery is \$207.6 million.

The analysis also concluded that the average value of project risks retained by the public sector under the AFP delivery model decreases to \$38.6 million.

For more information about the risk assessment methodology used by Infrastructure Ontario, please refer to Altus Group Limited's *Build-Finance Risk Analysis and Risk Matrix*, available at www.infrastructureontario.ca.

Ancillary costs and adjustments

There are significant ancillary costs associated with the planning and delivery of a large complex project that could vary depending on the project

delivery method. For example, there are costs related to each of the following:

- *Project management:* These are essentially fees to manage the entire project. Under the AFP approach, these fees will also include Infrastructure Ontario costs.
- *Transaction costs:* These are costs associated with delivering a project and consist of legal, fairness and transaction advisory fees. Architectural and engineering advisory fees are also incurred to ensure the facility is being built according to specifications.

The ancillary costs are quantified and added to both models for the value for money comparison assessment. Both project management and transaction costs are likely to be higher under AFP given the greater degree of up-front due diligence.

The ancillary costs for the Centre for Addiction and Mental Health project, under the traditional delivery method are estimated to be \$16.3 million as compared to \$14.3 million under the AFP approach.

For a detailed explanation on ancillary costs, please refer to *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which is available online at www.infrastructureontario.ca.

Calculating value for money

The analysis completed by KPMG concludes that the additional costs associated with the AFP model are more than offset by its benefits, which include: a much more rigorous upfront due diligence process, reduced risk to the public sector and more stringent controls imposed by both the lender's and Infrastructure Ontario's standardized AFP procurement process and oversight.

Once all the cost components and adjustments are determined, the aggregate costs associated with each delivery model (i.e., traditional delivery and AFP) are calculated, and expressed in Canadian dollars, as at substantial completion date.

In the case of the Centre for Addiction and Mental Health project, the estimated traditional delivery cost (i.e. PSC) is \$458.9 million as compared to \$407.7 million under the AFP delivery approach.

The positive difference of \$51.2 million or 11.16 per cent represents the estimated value for money by using the AFP delivery approach in comparison to the traditional delivery model.