Fiera Milano
Milan, Italy

An Evaluation of Redevelopment Tender Documents

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An Advisory Services Programme Report

ULI—the Urban Land Institute
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The Institute maintains a membership representing a broad spectrum of interests and sponsors a wide variety of educational programmes and forums to encourage an open exchange of ideas and sharing of experience. ULI initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on that research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development.

Established in 1936, the Institute today has some 18,000 members and associates from 50 countries, representing the entire spectrum of the land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academicians, students, and librarians. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognised as one of America’s most respected and widely quoted sources of objective information on urban planning, growth, and development.

This Advisory Services Programme report is intended to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the field of urban land use.

Richard M. Rosan
President

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An Advisory Services Programme Report
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The Panel’s Assignment and the Process

In June 2003, Sviluppo Sistema Fiera S.p.A. (SSF) asked ULI to provide advice and feedback on its draft request for proposals for the redevelopment of Fiera Milano, the Milan Trade Fair Quarter.

Background

Built in 1922 in the centre of Milan, Fiera Milano has become a very active exposition centre that hosts many events, large and small, each year. Over the years, the growth of the city and increasing demands for exposition space resulted in several challenges at the site. Because of space limitations and increasing traffic impacts, decision makers decided to build a new exhibition complex outside of town. This decision presents a great redevelopment opportunity, not only for Milan, but for Italy and Europe as well.

While a portion of the site is to remain as an in-town complex for smaller expositions, the majority of the site is being offered for redevelopment. Approximately 255,000 square metres are to be redeveloped, of which half must remain as an urban park.

To attract world-class redevelopment proposals for the site, SSF issued a request for qualifications (RFQ) with an announcement of its intent to sell the land. Several applicants responded, and at the time of the ULI panel SSF was choosing from among these applicants the teams that it will invite to submit full proposals to purchase and redevelop the site. At the time of the panel, SSF also was in the process of developing the request for proposals (RFP) tender documents. It understands the importance of this site to Milan and all of Italy, and knows that in order to attract world-class development proposals, the tender documents must be clear and concise; they must leave no confusion in the minds of the applicants. To achieve this goal, SSF asked a ULI Advisory Services panel to review the documents objectively and, if necessary, provide recommendations on how to modify them.

The Panel Process

Four ULI members spent two and a half days in Milan meeting with representatives of SSF and its consultant, Lazard. The panel and SSF staff toured the site and the surrounding area, and discussed the history of the site, the status of the search for redevelopers, and the draft documents prepared to identify a world-class redevelopment
The Panel’s Goals

SSF sponsored the ULI Advisory Services panel with the hope of achieving the following goals:

- Obtain a reality check. SSF wanted an unbiased review of the draft tender documents, to ensure that when these documents are sent to the selected applicants they will be clear and easily understood, and will not cause confusion.

- Simulate responses to the RFP. The ULI panel members represent the types of firms that likely will respond to the tender: developers, architects, and investors. The panel therefore was able to review the documents as if it were responding to the RFP, and was able to identify the types of questions it would raise when developing a proposal.

- Optimise the quality and quantity of proposals. SSF also wanted to make sure that it would obtain as many responses as possible from the teams invited to submit a tender, and that each proposal would be of extremely high quality. To ensure this type of response, it is critical that the documents be clear and straightforward.

- Solicit proposals that will maximise the use of the site for an appropriate redevelopment project. SSF wants proposed projects to represent the highest and best use of the site, be compatible with surrounding land uses, and provide Milan and Italy with a world-class development programme.

- Set an example for the major project tender process. It also is important to SSF that the tender process be a transparent one that clearly defines SSF’s priorities and decision criteria, so that its final decision will not be contested. The tender process to select the appropriate developer for this site is a cutting-edge one for Milan, and SSF hopes that this process will set an example for how tenders for similar projects are conducted in the future.

In addition, the ULI panel identified several additional goals it wanted to meet as it prepared its recommendations for SSF:

- Provide unbiased advice. The panel wanted to make sure that its advice was unbiased and objective. Panel members had no goal other than to provide SSF with its best possible advice.

- Identify issues that SSF should address to meet its objectives. The panel recognised that it was reviewing draft documents. Keeping in mind SSF’s objectives, the panel identified questions and issues that SSF should address before the documents are finalised.

- Help solicit the best responses possible. The panel recognised that this project is like no other in Italy and, perhaps, all of Europe. The
site deserves the best possible development programme, and the panel prepared its recommendations in order to help SSF get the best possible results.

**Redevelopment Objectives for the Site**

When reviewing a tender such as this one, it is extremely important to keep in mind the objectives and interests of all parties involved, including SSF, the city, and the bidders. Doing so will require a continuing ‘balancing act,’ as illustrated on the preceding page. SSF wants to obtain maximum value for the site and maintain some control over what is developed there. The city desires a signature project that will be a landmark in Milan, but it also wants to have little or no capital funding responsibilities. The bidders—who will be making a significant investment, both in the bid preparation and, potentially, in developing the final project—want to be assured of a fair decision process, a maximum return on their investment, and the freedom to keep their development strategies flexible in order to minimise risk. SSF therefore needs to establish a balance among these potentially conflicting goals. Any contradiction in the submission process could lead to bidder confusion, which in turn could compromise project integrity. All of these issues need to be reconciled as much as possible.
Taking into consideration SSF's objectives, the panel first reviewed the draft Project Guidelines and developed the following recommendations.

**Defining the Vision**

While the panel appreciates that SSF is trying to solicit a range of creative proposals for the redevelopment of the Fiera Milano site, it also feels that SSF needs to establish an initial vision for the project. This vision should prescribe, in general, the type of development SSF desires on the site and inspire responders to provide their best programme for making that vision a reality. For example, if it is important to SSF that the development capture the history of the site as a grand fair, the guidelines must articulate that fact. The panel suggests that SSF define a vision for the site that is based on the meaning of ‘fiera’ throughout the history of Milan, Italy, and the world.

On the other hand, the panel feels that some parts of the draft Project Guidelines are too prescriptive. For example, the requirement that the project include moving water may not provide SSF with the best development programme that will meet its vision for the site. The panel believes that SSF needs to let bidders determine what is meaningful and how to realise the vision.

**Creating a New City Centre**

The project has no less ambitious a goal than to create a 'second centre' for Milan. This has significant implications for the existing historical city centre. The programme for the new centre should complement—not compete with—the existing centre. As the panel reviewed the documents, it saw no mention of a need to connect the proposed development and the existing city centre. In addition, a physical connection with the Duomo and the heart of the old city will be vital. The new city centre is not meant to replace the Duomo but to connect to it. The tender documents should ask bidders to discuss how this connection will be made. The panel believes that it is important to remember that great projects are first and foremost successful at a local level. In this case, that will require connecting the project to the Duomo.

**Excellence**

The guidelines contain references to developing the site as a 'centre of excellence'; however, it was unclear to the panel what this means. Being ‘distinct and original’ is not enough, and this requirement needs to be put in the context of how this ‘excellence’ will be unique to Milan.

**Old and New**

Although SSF’s intent is to redevelop the majority of the Fiera Milano site, some exhibition facilities for smaller events such as art shows will remain. It was unclear to the panel how the boundary—the transitional area—between the remaining exhibition facilities and new development would be treated. This transitional area creates a potential risk for developers, because any uses to be developed there will need to be compatible with the adjoining exhibition facilities. In the tender, SSF should make clear how it intends to use its property; it also should solicit nonbinding suggestions for how the transitional area within the new project will be addressed.

**A Landmark Destination**

While the project to be developed on the Fiera Milano site clearly has the potential to become a landmark destination, SSF needs to define a few key points. These include the following:

- Define for whom the project is to be built. It is important to define who the anticipated users of
the site will be. Will they be Italians? Europeans? International visitors?

- Define why the project is to be built. The project’s use is equally important. Will it be a tourist destination? Will people live there? Will they work there?

- Define the competition. Bidders need to know what other areas they should view as ‘competition’ for this project, so that they can respond in ways that demonstrate how their proposed programme for the site will be successful in light of that competition and can position themselves beyond the competition’s ability to respond.

An Urban Island

The draft documents propose redeveloping the site as an ‘urban island.’ The panel cautions against using that terminology, especially if SSF wants to attract bidders from around the world. The phrase ‘pedestrian island’ also is risky; the words ‘island’ and ‘citadel’ are similar in spirit; both connote isolation. Great urban places are about connections and diversity, and this site should connect to the rest of the city and exemplify the diversity of Milan.

Practical Concerns

The panel identified a few practical questions that may come to the minds of bidders as they prepare their responses. To avoid confusion on the part of the bidders, the following questions need to be addressed in the tender:

- Will the city deliver adequate services to the site in a timely fashion? This includes water, sewer-age, and any necessary road improvements. The delivery of these services will be critical to any development programme for the site. The bidders need to know when they can expect these services to come online.

- Will hazardous materials discovered during demolition compromise cost and timing? The bidders will want to know if SSF is aware of any hazardous materials, so that they can factor this potential risk into their planning. The tender must explain both the bidder’s responsibilities and SSF’s responsibilities in the event of the discovery of hazardous materials.

- How long can the developer wait before building the parks? The parks and open spaces are a key component of the project and are important to the city and the people of Milan. From a developer’s point of view, however, it may be best to build the parks last or close to the final phases of development. If this is not acceptable, the tender needs to clearly define SSF’s expectations for the timing of the public open-space development.
The second document the panel reviewed was the draft Terms and Conditions. The panel identified the following issues and ways to address them.

**Modification of Conditions**

According to the panel's interpretation of the document, SSF can modify or add to the Terms and Conditions at any time, until 20 days before submissions are due. The panel believes that this time frame will not give bidders enough time to react to any modifications or additions and still prepare top-quality proposals. It suggests that SSF limit the scope of any modifications or extend the notice period.

**Documentation Submittal**

The draft Terms and Conditions contain a detailed list of documents and materials to be submitted as part of the proposal. In order to be fair and ensure that all proposals are reviewed equally, technical bids should include only the requested information. Additional documentation and material should be disregarded in the qualification process.

**Payment Method**

The draft document contains no specific clause related to the method of payment for the property. This needs to be defined. If SSF is willing to allow delayed payments, it should define the guarantees it will request, and the document should contain the formula that will be used to compare prices among the bids, including a discount rate for delayed payments.

**Improvement of the Bid Price for the Property**

The panel learned that SSF would like to have a chance to improve the price after the technical selection of the bidders. If this is the case, the document should describe, in detail, the procedures that will be used for submitting the improved price. The panel suggests using an open auction or blind offer process.

**Performance Bond**

According to the draft documents, the winner will be asked for a performance bond. The conditions for the execution of the bond need to be established in detail. How and when SSF will return all or part of the bond also needs to be described.

**Sales and Transfer Rights**

The panel could find no provision in the draft Terms and Conditions for the transfer of building rights before complete buildout of the project. It is unclear if the winner will be allowed to resell specific plots after signing the definitive contract but before project completion. If it cannot, this needs to be specified in the Terms and Conditions. If it can, the conditions under which it will be allowed to do so need to be described. It also is unclear if the winner can forward sell the developments. If it can, this needs to be stated in the documents, along with the terms and conditions under which it will be allowed to do so.

**Additional Comments**

The panel identified two additional issues related to the draft Terms and Conditions:

- **Anti-Mafia Checks.** The panel understands that this provision is required under Italian law; however, non-Italian bidders may not understand just what this means. Alternative ways of stating this provision so that it will be understood universally should be explored.

- **Annex.** The annex contains ‘examples’ of documents, such as performance bonds; this should be restated as ‘samples.’
Implementation

The panel identified the following issues with regard to the implementation documents it reviewed. Since implementation is a key component of this process, the panel stressed that these documents need to be very clear.

**Identification of Standards**

As the panel reviewed the implementation documents, it found it difficult to understand how the ‘quality standards’ will be valued in the evaluation. If this is a local practice, it most likely will not be clear to nonlocal developers. This procedure should be described more clearly. The panel fully understands that, because of legal constraints, it is difficult to provide a simple description of the process, but every effort should be made to do so.

**City Procedure**

The panel was unclear about the involvement of the city in the approval process and the impact of the city’s master plan (IPP) on the project. It was not clear if the approval of the IPP might be delayed by the city council or if the city council can impose additional requests that may affect the economics of the project. The documents also should clarify what will happen if the IPP is not approved by the city council within a certain period of time and, if the delay in approvals causes a delay in the project, whether SSF will reimburse expenses incurred by the developer. In addition to written text, it would be helpful to present the procedure in a simple flow chart. Again, while the panel is aware that legal constraints might make this difficult to achieve, every effort should be made to describe the procedure as clearly as possible.

**Building Licences**

According to the draft documents, SSF guarantees zoning but does not guarantee building licences. If SSF intends to help the winner obtain building licences, the documents should define how it will provide assistance. This assistance may be attractive to potential bidders.

The documents also were unclear as to what would happen if building licences are not awarded by the city council in time to comply with the committed time schedule. This needs to be defined. In addition, the documents should clarify whether SSF will execute the performance bond in this situation. If SSF intends to assist in this process, the conditions under which it would do so—and the eventual commitment it would be able to make—should be made clear from the start.

**Land Delivery**

The documents contain no provisions about the delivery of land. It is unclear whether SSF will commit to a delivery schedule so the successful bidder will know from the very beginning which plots will be ready for development when. The documents also should state what will happen if SSF does not fulfill this commitment.

It is also unclear if the land will be delivered divided into cadastral entities or as a whole. If it will be divided, the documents should indicate if payment will be directly related to the delivery of the plots and, if so, how.

The panel also asked if the successful bidder will be able to mortgage the whole property without any restrictions. If not, the documents should clarify whether it would be able to mortgage the delivered plots.
The panel identified a number of other issues that were not specific to any one document but should be addressed in the tender. These include the following:

- Define context: Why Milan, why Fiera Milano? The project needs to be sold to prospective bidders. The tender must articulate why this project is such a great opportunity.

- Demonstrate confidence that the project is worthy of the best. Neither SSF nor the city want an average development team for this project. The project deserves a world-class development team, and the documents need to reflect that.

- Reinforce the commitment of the regional and municipal governments. The commitment of the city and the regional government will be crucial to the success of this project, and it will be critical to bringing in a world-class developer. Without assurances of that commitment, developers may be wary of the project.

- Strengthen the message of partnership. This project will be built as a partnership among the winning bidder, SSF, and the city. The potential benefits of this partnership could be better defined and exploited. The partnership will be attractive to developers, and the documents need to stress its importance.

- Add expertise to the review panel. A project of this magnitude warrants the highest level of review. In addition to SSF staff and its consultants, the panel strongly recommends creating a review panel of well-respected architects, developers, and investors who can objectively review the proposals.

- Invest in professional packaging and presentation for the tender. Top-quality developers will be more likely to respond to a tender that is well packaged and demonstrates SSF’s commitment to creating a world-class project. A professional team should be brought in to assist SSF staff in preparing world-class copy and graphics.
Conclusion

The panel enjoyed its brief stay in Milan and left feeling very excited about the possibilities for the redeveloped Fiera Milano. It believes that the project has enormous potential and should be highly attractive to international bidders. Convincing these bidders to invest in preparing a proposal—as well as in the project itself—will require a tender that is clear and concise, and an assurance that the project will be a high-profile one.

The panel looks forward to returning to Milan to see the progress made in the redevelopment of the Fiera and the world-class development that occurs there.
About the Panel

William P. Kistler
Panel Chair
London, United Kingdom


Kistler’s diverse, 24-year career in real estate has included key positions with corporations, development companies, and professional service providers. Prior to founding Equinox in 1995, he was general manager of the resort/community development division of the Disney Development Company that was responsible for the Disneyland Paris/Val d’Europe project. The 2,000-hectare programme incorporated hotels, retail, entertainment, convention facilities, and a residential and office development adjacent to the theme park.

Before joining Disney, Kistler was vice president of design and construction for JMB Properties in Chicago, where he led the redevelopment of office and retail assets throughout the United States. He came to JMB from Cushman & Wakefield, where he was vice president of corporate services. Kistler also spent 12 years in senior corporate real estate positions at IBM in the United States and Europe.

An architect and a graduate of the University of Southern California, Kistler is an active member of numerous professional organizations. He is a trustee of the Urban Land Institute and serves as vice chair of its European Council.

Alfredo Lafitte
Barcelona, Spain

Laffitte is the chief operating officer and a member of the board of directors of Layetana, a private real estate development company based in Barcelona, Spain, that focuses its activity in two business units, one serving private consumers and the other corporate customers. The private consumer division focuses on developing products aimed at individual consumers, such as independent living for seniors or apartments with services for young people, while the corporate customer division develops speculative office developments and turnkey projects on demand for corporate customers.

As Layetana’s COO, Laffitte is responsible for overseeing all company policy and procedures as well as day-to-day operations. He has been responsible for the acquisition of more than 500,000 square metres of space in the Spanish real estate market in the last three years. While in his previous position at Layetana—financial manager of the company and project manager—he was responsible for the implementation of two real estate projects: an 83.5-square-metre residential building for seniors in Barcelona and a 25-square-metre urban entertainment centre in Murcia, Spain. Laffitte received his bachelor of arts in economics and his master of business administration from the Escuela Superior de Administración y Dirección de Empresas (ESADE) in Barcelona. He is a member of the Real Estate Group at ESADE and a member of ULI’s Spanish Council.

Marc Reijnen
Paris, France

Reijnen is a senior asset manager at Grosvenor Continental Europe, where he is responsible for implementing the strategy for individual assets held by European Prime Property, S.A., and
GEPP’s acquisition programme in Italy, Greece, and Belgium.

Reijnen previously worked for Richard Ellis in London, Frankfurt, and Amsterdam. His positions at that firm dealt with property management, valuation and investment, establishing contacts, and acting for many private and institutional investors across Europe. Reijnen is a Dutch national and a chartered surveyor. He speaks Dutch, English, German, and French.

**William J. Sebring**

Amsterdam, the Netherlands

A partner with Altoon + Porter Architects, Sebring has 20 years of experience in providing project design leadership on a large portion of the firm’s master-planning and design efforts, including award-winning projects located in communities throughout the world. His leadership and his location in the firm’s European office underscores Altoon + Porter’s commitment to serve clients and projects from this office. Sebring brings comprehensive design experience to large-scale architectural, urban design, and master-planning efforts. The total value of the projects built under his design auspices exceeds US$2.5 billion.

Sebring is a member of the American Institute of Architects (AIA), ULI–Europe, the Dutch-American Chamber of Commerce, and the International Council of Shopping Centers (ICSC). Altoon + Porter is a founding member of Blue Sky Unlimited.