



Date: September 25, 2018

Report to: Board of Directors
CityHousing Hamilton Corporation

Submitted by: Tom Hunter,
Chief Executive
Officer/Secretary

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Project Manager

Subject: **Bay-Cannon Development (Report #18014 Public Version)**

RECOMMENDATION:

That the Board of Directors approve the following resolution:

WHEREAS CityHousing Hamilton Corporation (CHH) confirmed its intention to redevelop and intensify the site bounded by James St. N., Ferrie St. W., MacNab St. N. and Strachan St. W. (known as 'Jamesville'), in a Resolution in Report #16034;

WHEREAS the redevelopment of Jamesville as proposed in Report #17007(a) would transform the 91 townhouse site into a mixed-income community with a 46 unit CHH building, approximately 329-427 units of private market rental and or ownership, with a spectrum of affordability, while transferring 45 CHH units within the CHH portfolio;

WHEREAS 106-104 Bay Street North (Bay-Cannon), was identified in Report 17021(b) for the relocation of 45 RGI units from Jamesville, as it is in proximity to Jamesville and ideally suited for a development that both incorporates this amount of RGI units as well as additional moderately affordable units;

THEREFORE BE IT RESOLVED THAT:

- (i) The Board of Directors approve the new development as proposed, authorizing procurement for design and construction of a targeted 55 unit building, as described in this Report;
- (ii) The Board of Directors approve CHH staff to request of Housing Services, permission for 45 of the existing 91 RGI units at Jamesville

to be transferred to Bay-Cannon, and for the creation of approximately 10 moderately affordable market rentals at 100% MMR, or the optimum number for financial and physical modelling as determined through the design process, be created in addition;

- (iii) The Board of Directors approve the exploration of further optimization of the site through coordinated approaches including a second phase, a severance and sale, and a joint venture partnership.



Tom Hunter
Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

CityHousing Hamilton's (CHH) is pursuing the development of the Bay-Cannon site for innovative downtown Hamilton infill, delivering deeply affordable, near-net zero, community-focused housing for families and singles/couples as a demonstration project for CHH.

The transfer of Bay-Cannon from the City of Hamilton to CHH is underway, and financial approvals for the development and Service Manger consents have already been received.

This Report provides recommendations for a refined development plan to be implemented which would target the design and construction of a 55 unit building of 35 1-bed and 20 3-bed units. These recommendations are informed by the findings of a market assessment along with a feasibility study and options studies.

Bay-Cannon is proposed to accommodate the transfer of 45 RGI units from the Jamesville site which is undergoing redevelopment, as well as include 10 additional moderately affordable market units for a spectrum of affordability.

In addition, with considerations affecting the size of the CHH building, and significant market value for the remained site, further exploration is needed for the best additional development opportunity.

BACKGROUND:

The Development Strategy Update Report # 17021(a) on July 18, 2017 first articulated the vision for the transfer of RGI units from Jamesville to Bay-Cannon, the City-owned property currently used as a commercial parking lot, as preliminary discussion of the transfer of this site from the City of Hamilton was underway.

Through Council support for new affordable housing development, the Bay-Cannon site was motioned for transfer to CityHousing Hamilton on February 28, 2018 at the Affordable Housing Site Selection Sub-Committee.

The approval of the financial structure for five development projects, including Bay-Cannon, was given by the CHH Board on March 27, 2018 (Report #17021(b)), with Shareholder consent then given along with the ratification of approvals by Council on April 11, 2018.

The Jamesville redevelopment, as detailed in Report #17007(a) on September 25, 2018, summarizes the research and rationale that has established importance of the Bay-Cannon site for relocation of 45 RGI units.

A Feasibility Study with Options Studies were underway from February 6, 2018. They provide physical and financial modelling that has informed the recommendations presented in this Report.

Predevelopment work, with a site survey and geotechnical studies and environmental site assessments are also underway to inform design and any remediation.

DISCUSSION:

Market Analysis

CHH retained N. Barry Lyon Consultants Limited (NBLC) to provide a Market Assessment with respect to Bay-Cannon that remains confidential.

The site is well positioned with proximity to a high concentration of employment opportunities, excellent transit accessibility and although frontage and immediate context is not highly attractive from an urban design/ public realm perspective, the immediate area is poised for redevelopment with the close of the existing secondary school and the momentum of downtown reinvestment.

Key findings from the market assessment include:

- Individual buildings on the subject site have a maximum unit count that should not be exceeded;
- It would be strategic to limit the risk of a prolonged market exposure by ensuring that the scale of project is modest or can be phased incrementally;
- While rental demand is strong, the achievable rental rates in the City are very likely to support a lower land value and attract fewer market participants than a condominium building if the land was sold to fund the development of affordable housing on Bay-Cannon or elsewhere.

This preliminary economic analysis of the opportunity for private sector partnership in optimizing the site reveals that the subject lands have considerable value for current or future private market development to fund affordable housing.

The potential approaches to optimizing the site through a future development on the unused portion of the site include a second phase CHH project, a sever and sell approach, as well as a joint venture partnership (JV) approach. Each of these approaches would require consideration of the main CHH development on the site so as not to sterilize future secondary options, and each opportunity has its own considerations summarized below:

- CHH Second Phase: another CHH development, limited by parking requirements and underground parking cost to a very small size and not utilizing the unique height allowances of the site
- Sever and Sell: an unrestricted sale of the lands, or a sale with the requirement for the integration of a limited number of new CHH units into a new private building
- JV: Investing the land value into a co-venture with a private sector partner, reducing the private sector partner's upfront equity requirements. In turn this would make CHH a partner in the project and would require the developer to pay out a portion of profit to CHH upon completion.

Given all the approaches would allow CHH to develop a building now, further development options can be continued to be explored, with the only caveat being the abovementioned factor of arranging the CHH building in a way that considers future use of the site.

Feasibility Study and Options Studies

CHH retained ERA Architects (ERA) to provide extensive studies on the feasibility of various built form options for the Bay-Cannon site.

The Feasibility Study included Schematic Design, planning roadmap and risk assessment, energy modelling, Class C costing, development and operating pro formas, community engagement, and social needs assessment. ERA also prepared a pitch document to assist CHH in applying to several grant programs

for new affordable housing. For the purposes of the feasibility study, two built-form options were evaluated:

- Scenario 1: Wood frame 5- and 6-storey mid-rise which maximizes the in-force zoning envelope
- Scenario 2: Concrete structure 8-storey mid-rise which is permitted as-of-right in the new zoning passed in April 2018 as part of the Downtown Hamilton Secondary Plan Amendment

The second portion of ERA's work was a series of Options Studies which studied various permutations of the original scenarios, through both physical massing and financial modelling using extrapolated construction costs from the core feasibility study.

The testing of various options for development included the following options/levers to modify the output:

- Parking: with requirements tied to unit size, bedroom count, as well as depth and location underground and at grade
- Units: number, bedroom types, sizes and features
- Financial: rent structure, soft costs, debt and equity constraints, OPA for units at grade
- Building: location, form, structure, service efficiency
- Amenities: type, location

The feasibility study formed the original and ideal optimizations of the site through two scenarios, while the options studies used the various considerations and limitations to refine and further optimize the development creating a base scenario and several options.

Following the feasibility study, which laid the groundwork for all subsequent work by having first included key features and design parameters for costing, three phases of options were studied:

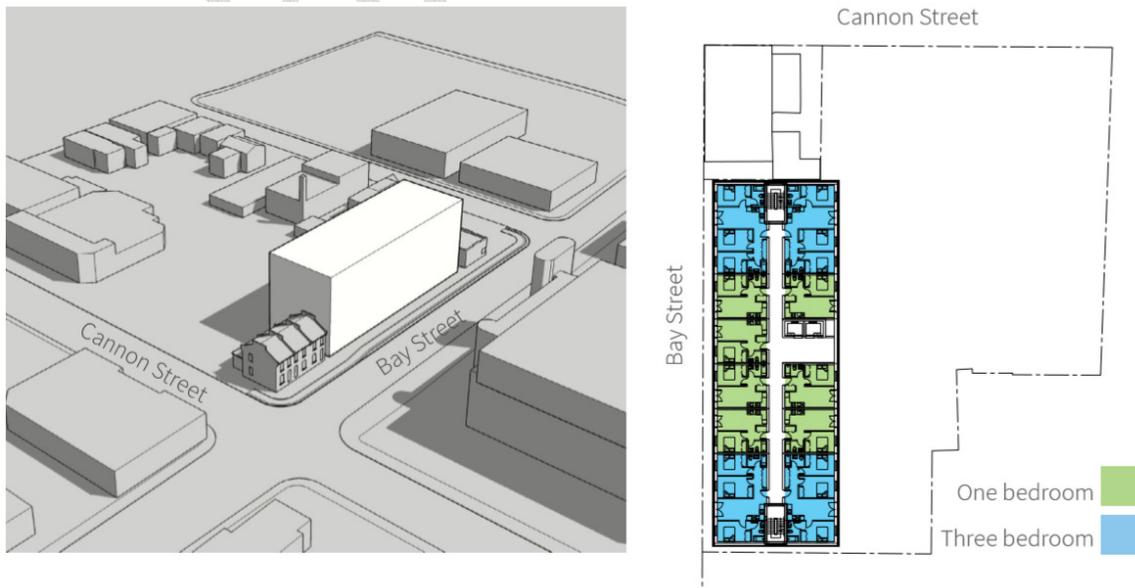
- Phase 01
Original Base Scenario: 65 Units with underground parking.
Original Preferred Scenario: 65 Units, no underground parking.
- Phase 02
Maximizing Units, Reduce Hard Costs: 90 units built out to a full six storeys. Maximum number of units determined by ability to accommodate all required parking above ground. Unit mix: 50 1-bed, 10 2-bed, 30 3-bed. 17 Parking spaces.
Maximizing Revenues and Reduce Soft Costs: Same as above, reduce soft costs by 15%, sub-metering unit utilities to reduce building operating expenses, increasing debt capacity.

- Phase 03
Global Budget Cap: 55 units. Shrink project size to global equity budget and finance budget.
Maximize Units based on Original Scheme: 95 units. Build out entire site.
Purchase Corner Lots and Maximize Units on 2/3 of Site: 75 units.
 Consider land sale on the south end of site.

Based on the feasibility study scenarios and the extensive modelling of the options studies based on conservative costing and recent market escalations and considering the approved \$17,066,000 development cost at a 50:50 debt to equity ratio (in Development Strategy Update Report 17021(b)) for 65 units, and given the future prospects for a secondary development that could include private market rental and/or ownership to offset social housing costs and create additional spectrum of affordability, the recommended option is the Phase 03 Global Budget Cap scenario.

This option is characterized by a six storey building that fronts Bay Street completing the street wall which utilizes the longer stretch of street frontage in a narrow form. This compact building has a gross floor area (GFA) of 56,725 square feet (sq ft) and features 35 1-beds at 385 sq ft each, and 20 3-beds at 770 sq ft. Surface parking is suggested for cost efficiency while a single building is situated on the site. The building itself is wood frame and utilizes the Passive House design approach for energy efficiency and improved resident comfort. The proposed building at a target of 55 units of this unit mix would accommodate 45 RGI units from Jamesville while adding 10 net new moderately affordable units. At this formation the estimated project cost is \$16.6M.

The following illustrates the massing and site placement:



From experience with the new National Housing Strategy, the project as positioned would be well positioned to compete for funding that could offset the development cost and discussions about this opportunity, along with modelling of various application options is underway.

CONCLUSION:

With extensive research, modelling and testing, the potential of the site and the constraints of construction cost have informed a refined development plan for a modestly sized 55 unit building on the Bay-Cannon site. This new social and affordable housing building would provide innovative downtown Hamilton infill, delivering deeply affordable, near-net zero, community-focused housing for families and singles/couples.

Building on a small parcel of the site would allow the current proposed building to stay within budget and add the possibility to phase an additional development in the future. This second phase could add additional social and affordable housing and/or provide a broader spectrum of housing through market rental and ownership, as the market assessment provides support for this potential. With demand expected to increase for downtown land, retaining all the land will allow CHH to remain in control of an increasingly valuable asset.

ALIGNMENT TO THE 2017-2021 STRATEGIC PLAN:

This report implements:

Healthy and Strong Communities

CityHousing Hamilton believes that housing is a key influential determinant of health and is strongly tied to the quality of life as it impacts the physical, social, emotional and mental health of all persons.

Clean and Green

CityHousing Hamilton strives to be an environmental steward by minimizing our environmental footprint through implementing sustainable water and energy efficiencies in our housing stock.

Built Environment and Social Infrastructure

CityHousing Hamilton is committed to finding new ways to be innovative that will contribute a dynamic City characterized by unique infrastructure, buildings, and public spaces. The maintenance, renewal and new development of our housing stock will ensure that the quality of life, well-being and enjoyment of our residents', influences the design and planning of our homes.

<TH/sb>

Mission: We provide affordable housing that is safe, well maintained and cost effective and that supports the diverse needs of our many communities.