




**Appendix A to West Harbour
Development Sub-Committee
Report 19-002**

CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT
General Manager's Office

TO:	Chair and Members West Harbour Development Sub-Committee
COMMITTEE DATE:	September 9, 2019
SUBJECT/REPORT NO:	Pier 6 and 7 Commercial Village Activation Plan (PED19191) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Chris Phillips 905-546-2424 Ext. 5304
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That staff be directed to prepare and execute a procurement process to select an external entity for the purposes of building, operating, and programming temporary commercial and public uses within the Pier 6 and 7 lands and potentially adjacent city-owned lands as an interim use;
- (b) That the procurement process includes a short-term land lease of not more than three years with renewal options at the City's discretion, at nominal value for the development blocks within these lands;
- (c) That staff be authorized and directed to prepare the formal procurement process in a manner and on terms and conditions deemed appropriate by the General Manager of the Planning and Economic Development Department, and in a form acceptable to the City Solicitor;
- (d) That the retail study attached as Appendix "A", be received;

EXECUTIVE SUMMARY

On May 9, 2018, Council approved General Issues Committee (GIC) Report 18-010, which included the following motion from the West Harbour Development Sub-Committee Minutes 18-001:

"That staff be directed to prepare a property disposition strategy for the residential and commercial blocks at Piers 5-7 with options and alternatives that outline the process, timelines and anticipated resources associated with their sale."

Subsequently, on February 26, 2019, the West Harbour Development Sub-Committee received Report PED17181(a) entitled "Staff West Harbour Re-Development Plan Implementation (WHRDP) - Status Update", which provided the Sub-Committee an update on the non-Capital works projects and committed to reporting back to the Sub-Committee with the results of the on-going studies and disposition options for the identified private sector development blocks.

The Council approved West Harbour Waterfront Recreation Master Plan (WHWRMP), envisions the transformation of the Pier 6 and 7 lands with significant investments in infrastructure and public space, with the potential of creating a new destination for the City. A newly rehabilitated shoreline, a publicly accessible boardwalk along the water's edge, a continuation of the existing waterfront trail, and a pedestrianized open space complemented by an adjacent commercial village development, are all features that are prominent within the plan.

The site is only part of a larger initiative to establish the West Harbour waterfront as a destination for those who live within the area and for the broader community. Identified as a potential area for private sector investment, the WHWRMP envisioned four new development blocks to be created within the Pier 6 and 7 lands, along with the rehabilitation and/or replacement of the existing buildings that currently occupy the site. As part of the design and construction process, staff from the Waterfront Development Office (WDO) and the Hamilton Waterfront Trust (HWT) has identified more precisely the proposed location of the future development blocks.

West Harbour staff has undertaken an initial high-level review to determine the marketability, curation, valuation, and phasing plan for the proposed private sector development. This analysis included a review of past reports prepared by Deloitte, a review of the critical path for all outstanding work within the Piers 6 to 8 area, an internal financial assessment performed by City staff, and professional advice prepared by external consultants in the form of:

1. Retail and commercial uses study

Staff retained the firm Beauleigh, a Toronto-based retail consulting and brokerage firm, to conduct a Retail Analysis for the entire West Harbour area, but with specific attention to the proposed commercial village concept in the Piers 6 and 7 lands, which is included as Appendix "A" to Report PED19191; and,

2. Public-space animation and place-making study

Staff engaged the organization Project for Public Spaces (PPS) to lead a collaborative process to consult with the community and stakeholders on how institutional and commercial uses, both proposed and existing, can work to support the vibrant new public spaces.

At this stage, staff believes it is premature for the City to engage in a process to determine the long-term disposition of the Piers 6 and 7 development blocks, specifically in the form of a land sale and/or long-term land lease. This is based on:

- i. the on-going construction schedule of the Piers 6 and 7 lands;
- ii. the uncertainty of the long-term parking for the Piers 6 and 7 development blocks;
- iii. the uncertainty of the existing market demand for retail in the short-term;
- iv. the uncertainty of land value for the development blocks;
- v. the potential to build value in the land through the continued public and private development in Piers 5 to 8; and,
- vi. the importance of immediate placemaking activities.

The recommended approach would be to offer a short-term land lease (up to three years with renewal options) to an external entity, for the purposes of building, operating, and programming temporary commercial and public-uses, within the Pier 6 and 7 lands. The recommendation seeks approval to offer this land-lease at a nominal value with all upfront capital and on-going operational costs to be borne by the approved external entity. Staff would also ensure that the terms of reference clearly identify the types of uses that would be acceptable to the City including the commercial, recreational, and public uses, as well as key deliverables including specified programming hours and objectives. This would be informed by the public consultation process undertaken by PPS. Appendix "B" to Report PED19191 provides some examples of precedents that illustrate placemaking in other communities.

Through the process of conducting both the retail and placemaking studies, staff identified external entities that not only would be willing to invest in Piers 6 and 7 but would prefer a temporary location at the waterfront. The unpredictability of construction schedules, the lack of existing amenities in the area, and the phased plan for the Pier 8 residential development, are all factors that favour investments in short-term temporary facilities as opposed to permanent bricks-and-mortar development at this time.

Further, there is a limited financial business case to be made at present for the development blocks on Piers 6 and 7, based on any traditional metrics of the development industry for commercial/retail properties. This is mainly due to factors such as the limited floor space available within the existing planning regime, the upfront cost of construction, the lack of existing residential density at the site, and the limited

existing amenities. Staff has not completed a real estate financial appraisal of the individual Pier 6 and 7 development blocks. However, the internal assessment would be that the development blocks, at the present time, have a limited financial land-value, based on the factors identified above.

The expectation is that as the public-space amenities are constructed, become activated, and the area is enhanced by greater residential density on Pier 8, the value of the Pier 6 and 7 development blocks will increase and the marketability of the commercial and retail uses increases as well.

Alternatives for Consideration – See Page 11

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial:

There are no specific financial implications for the recommendations contained in Report PED19191. The recommendation would lead to a nominal value lease for up to three years with renewal options, and all costs to be borne by external entities.

Staffing:

It is anticipated that the recommendations will be implemented by existing West Harbour staff within the Planning and Economic Development Department and Procurement.

Legal:

Legal Services will support the Council directions arising from this Report.

HISTORICAL BACKGROUND

On May 9, 2018, Council approved GIC Report 18-010, which included the following motion from the West Harbour Development Sub-Committee Minutes 18-001:

“That staff be directed to prepare a property disposition strategy for the residential and commercial blocks at Piers 5 - 7 with options and alternatives that outline the process, timelines and anticipated resources associated with their sale.”

Subsequently, on February 26, 2019, the West Harbour Development Sub-Committee received Report PED17181(a) entitled “Staff West Harbour Re-Development Plan Implementation (WHRDP) - Status Update”, which provided the Sub-Committee an update on the non-Capital works projects and committed to reporting back to the Sub-Committee with the results of the on-going studies and disposition options for the identified private-sector development blocks.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

N/A

ANALYSIS AND RATIONALE FOR RECOMMENDATION

On October 11, 2016, the WHD Sub Committee received Appendix "A" to Report PED16215 - City of Hamilton West Harbour Strategic Properties Real Estate Development and Disposition Opportunities – Final Report. Acting on behalf of the City, Deloitte was retained to develop a real estate and disposition plan for the City, which included an analysis of several City-owned properties within the West Harbour area.

As part of this study dated April 2016, Deloitte suggested that the City should consider the retention of the Pier 6 and 7 sites, with the long-term vision of focusing public amenities on this site to help draw residents and visitors to the waterfront area. At that time, the basis of this conclusion was predicated on their financial analysis that showed the site having a limited financial feasibility for the proposed commercial and retail uses, as well as a limited land valuation for the City.

During the preparation of this Report, West Harbour staff has undertaken an initial high-level review to determine the marketability, curation, valuation, and phasing plan for the proposed private sector development. This analysis included a review of past reports prepared by Deloitte, a review of the critical path for all outstanding work within the Piers 6 to 8 area, an internal financial assessment performed by City staff, and professional advice prepared by external consultants.

At this stage, staff believes it is premature for the City to engage in a process to determine the long-term disposition of the Piers 6 and 7 development blocks, specifically in the form of a land sale and/or long-term land lease.

Uncertainty of Planning Approvals:

At the time of writing this Report, there remains uncertainty as to the approved land uses for the development blocks on the Piers 6 and 7 lands, primarily due to two outstanding appeals before the Local Planning Appeal Tribunal (LPAT) of the planning instruments for the Piers 6 and 7 lands (OPA 233 and By-law 14-042). The appellants are local citizens, Dave Stephens and Bryan Ritskes, both represented by Herman Turkstra, and there are no hearing dates scheduled for these appeals.

OPA 233 and By-law 14-042 were approved to fully implement the overall intent of the Council approved WHWRMP, by specifically revising some of the land uses within the Pier 6 and 7 lands for the proposed commercial village. Therefore, the commercial village as envisioned cannot be fully implemented until such time as the LPAT process is completed.

Site Servicing and Construction Schedule:

As part of the broader WHRDP, City Council has approved approximately \$100 million in capital investment since 2012 for asset and infrastructure rehabilitation, the construction of new parks and public space on Piers 5 to 8, as well as the construction of new and adequate municipal servicing infrastructure. Specific to the Pier 6 and 7 lands, in partnership with the Hamilton Waterfront Trust (HWT), the implementation of the WHWRMP projects are comprised of five major components:

- | | |
|---|------------------------|
| 1. Shorewall rehabilitation | (Phase 1 construction) |
| 2. New boardwalk and fish habitat | (Phase 1 construction) |
| 3. Waterfront trail / public spaces / bridges | (Phase 2 construction) |
| 4. Public Art installation at the foot of James | (Phase 2 construction) |
| 5. Multi-purpose public buildings (Artisan Village) | (Phase 3 construction) |

The municipal servicing of the Piers 6 and 7 lands will be completed as part of the Pier 8 servicing contract which is slated for completion by Q.3 2020. Phase 1 construction of the Pier 6 and 7 lands including shoreline reconstruction and boardwalk construction with fish habitat (Items 1 and 2 above) are planned to start in the latter part of 2019 with completion planned for May 2020, with Phase 2 construction completion planned by Q.3 2021.

Therefore, the Piers 6 and 7 lands will be constrained by construction throughout the 2019 - 2021 periods. Although adequate municipal services will be in place by the end of 2020 and the construction of the development block by a private sector firm could be coordinated with the planned construction schedule above, this would add to the complexity of the site, especially during the recreational boating season of May to September.

Long-Term Parking for Pier 6 and 7 Commercial Village & Marina:

As part of the WHRDP, existing public parking located on Piers 6 to 8, as well as the existing parking for the marina facilities, will be eliminated over time as development progresses. West Harbour staff have identified a long-term need to replace approximately 500 to 600 parking spaces over the life of the Piers 6 to 8 developments.

Although the WHWRMP identified the future need for a parking structure to address this concern, both the specific site and the funding options for this have not been finalized.

On February 26, 2019, the WHD Sub Committee received Report PW17075(b) entitled "Status of West Harbour Implementation", which highlighted the status of the Parking Garage Location Study. A Request for Proposal (RFP) is intended to be released in 2019 and when complete, the study will identify the preferred location for the structure as well as the development of a preliminary design, an implementation schedule, and financial model. The study is expected to take approximately one year to complete.

As the WHWRMP intends for the Pier 6 and 7 lands to be pedestrianized, the location, size, and timing of adequate required parking for the identified land uses within the commercial village is a significant factor in determining both the functional plan and the financial feasibility of the development blocks.

Land Value – Financial Feasibility:

For the purposes of this report, City staff did not complete a real estate financial appraisal of the individual Pier 6 and 7 development blocks. Staff believes a land appraisal would be a challenge at this time. Approved land-use, availability of adequate parking, timing of servicing, phasing and absorption of both the residential and proposed commercial developments on Pier 8, and the future of the City-owned HWT (Discovery) Centre building are all uncertain factors that would be key considerations in an appraisal.

However, previous staff reports have indicated the financial feasibility of the Pier 6 and 7 development blocks to be low, using traditional business-case metrics. As stated earlier, the Deloitte study dated April 2016 concluded the following:

- i. Piers 6 and 7 noted a negative financial Present Value (PV) limiting its financial feasibility in the short-term;
- ii. The land valuation of the Piers 6 and 7 commercial village will be sensitive to construction costs, commercial rental rates, and variations in market supply;
- iii. Financial feasibility is likely to be enhanced by the absorption of a significant number of residential units from Pier 8;
- iv. The financial feasibility of the Piers 6 and 7 development blocks will be highly sensitive to the ability to draw the public to the waterfront;
- v. The City should consider the retention of this site, with the long-term vision of focusing public amenities on this site to help draw residents and visitors to the waterfront area.

Retail and commercial uses study – Key Findings:

Staff retained the firm Beauleigh, a Toronto-based retail consulting and brokerage firm, to conduct a Retail Analysis for the entire West Harbour area, but with specific attention to the proposed commercial village concept in the Piers 6 and 7 lands. The study

incorporated background data analysis (e.g. demographic studies, market analysis and market trends), identified potential uses/concepts to create a viable merchandise mix and successful retail environment, and created a critical path by identifying key areas and features which would spell success for the project. The full report is included as Appendix "A" to Report PED19191.

Highlights of the report are as follows:

- The perception of Hamilton as a growing city with a quality of life, is appealing to a younger urban demographic, which sees Hamilton as a more vibrant than suburban community;
- Creating a vision for a vibrant waterfront with animated public spaces, connectivity to downtown and experiential retail and commercial uses, unlike anything that currently exists and one with its own unique identity, heritage and culture, could be the defining characteristic;
- The vision for West Harbour should include innovative design, community development, inclusiveness, environment awareness, health and wellness, culture and the arts and improving the quality of life for all Hamiltonians;
- West Harbour could have a distinct advantage over other neighbouring waterfront communities, particularly Oakville and Burlington, which lack the history, cultural vibrancy, generational and ethnic diversity of Hamilton;
- The West Harbour waterfront must be more than a residential and commercial development if it is to distinguish Hamilton from its neighbours. It needs to be a place for people. Bringing the community in is important. There must be a strategic approach to the growth and development of the waterfront, to create a visitor destination, through creative placemaking and community-building initiatives;
- The focus of West Harbour must be to create a multi-purpose destination. Without sufficient density on the site, it will be impossible to create a pure retail destination which would be economically viable, profitable and sustainable;
- The retail must be carefully curated with a focus on unique and flexible concepts and destination uses;
- A multi-pronged strategy must be adopted. One which includes retail but does not make retail or commercial the key driver of the site. Retail cannot thrive if it is dependent only on the on-site residents, as there will not be enough density on the site at the outset to support it;
- Permanent and temporary installations promoting arts, culture and community, along with family friendly programming, special concerts and events, must be a key priority for the area;
- Definitive steps must be taken to include placemaking initiatives, promoting a 24-hour destination with a focus on walkability, accessibility and connectivity to the City and between all components on the site.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Public Placemaking and Activation Plan – Initial Findings:

Staff identified a need to create a Placemaking and Activation Plan, to program the spaces within and between the public and private areas and look for ways to make this area a “people-place” in the immediate term during construction, as well as the eventual long-term. As part of this process, staff engaged the organization Project for Public Spaces (PPS) to lead a collaborative process to consult with the community and stakeholders on how institutional and commercial uses, both proposed and existing, can work to support the vibrant new public spaces proposed for the West Harbour area, by building on the well-established plans. PPS is a New York City based non-profit organization that has built a 40-year legacy on a placemaking approach that creates public spaces that engage people, foster a strong sense of place, and improve health and well-being. PPS has defined the term Placemaking as the following:

“Placemaking inspires people to collectively reimagine and reinvent public spaces as the heart of every community. Strengthening the connection between people and the places they share, placemaking refers to a collaborative process by which we can shape our public realm in order to maximize shared value. More than just promoting better urban design, placemaking facilitates creative patterns of use, paying particular attention to the physical, cultural, and social identities that define a place and support its ongoing evolution.”

As part of their work plan, PPS has completed a comprehensive environmental scan, has identified and researched relevant precedents that could be used in the West Harbour, has conducted a series of community and stakeholder sessions over two separate trips to Hamilton, has assisted in organizing a series of mini-activations on Piers 6 and 7, and will prepare a Placemaking and Activation Plan that includes:

- program matrix that lists proposed uses and activities;
- list of potential programming partners and associated programs;
- conceptual plan that illustrates the multiple sites and their key uses;
- preliminary overview of management implications;
- schematic plan with recommendations for amenities, physical interventions, and programming for the proposed “mini-activation”; and,
- Will participate in an on-site mini-activation session in 2020.

The City and PPS partnered in a Community Conversation meeting on August 22, 2019, PPS’s final report will be completed by the end of September 2019. Although the formal report is still in progress, some of the key observations include:

- The Placemaking and Activation Plan should incorporate the entire West Harbour Waterfront area, from Bayfront Park to the west and Eastwood Park to the east;

- There are significant placemaking and activation activities currently taking place in the area of Pier 8, primarily managed by the HWT, Pier 9, managed by Parks Canada with the HMCS Haida, on water activation by the various recreational boating clubs, marinas, and rowing clubs, in addition to the various public and private-led festivals and special event activities;
- As the various new public-space amenities are built over the course of the next few years (Pier 8 Promenade Park-Copps Pier, Gateway Park, and the main basin area - Pier 6 and 7 lands) a coordinated placemaking plan will be critical in creating a destination;
- Although important, commercial retail uses do not normally create a sense of place in and of themselves, rather retail usually requires complementary programming;
- The initial Placemaking programming should be centred around the areas of food and beverage, arts and culture, and health and well-being;
- Initial placemaking, especially during the interim construction period, should be viewed through the lense of creating impact as identified by PPS's "Lighter-Quicker-Cheaper" approach, which focuses on less expensive and labour-intensive initiatives, which are the most effective ways to bring energy and life into a community's public space; and,
- A long-term management plan is required to ensure the activation of the West Harbour as it develops over time.

Short-Term Lease and Animation Solution:

Staff's recommended approach is to offer a short-term land lease (up to 3 years with renewal options at the City's discretion) to an external entity, for the purposes of building, operating, and programming commercial and public-uses, within the Pier 6 and 7 lands. The recommendation seeks approval to offer this land-lease at a nominal value with all upfront capital and on-going operational costs to be borne by the approved external entity. Staff would also ensure that the terms of reference clearly identify the types of uses that would be acceptable to the City including the commercial, recreational, and public uses, as well as key deliverables including hours of service and programming objectives.

The recommended procurement process would establish minimum requirements and parameters that must be delivered by the external entity. These would address issues such as:

- Seasonality (i.e. activation in all seasons)
- Incorporation of art/culture component(s)
- Provision of a mix of program elements including food and recreation and elements that are attractive to a broad demographic
- Opportunities for vendors of varying scales
- Minimum requirements for delivering scheduled events / special events

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- Site design / architecture that contributes positively and seamlessly to the overall waterfront experience
- Option for the City to reserve and directly program a portion of some areas
- Option to integrate other city-owned waterfront lands
- Financial viability / business plan

Through the process of conducting both the retail and placemaking studies, staff has determined there are external entities that not only would be willing to invest in Piers 6 and 7 but would prefer a temporary location at the waterfront. The unpredictability of construction schedules, the lack of existing amenities in the area, and the phased plan for the Pier 8 residential development, are all factors that favour investments in short-term temporary facilities as opposed to permanent bricks-and-mortar development.

With that said, the expectation is that as the public-space amenities are constructed, become activated, and are enhanced by greater residential density on Pier 8, the value of the Pier 6 and 7 development blocks will increase and the marketability of the commercial and retail uses increases.

ALTERNATIVES FOR CONSIDERATION

Alternative #1: Land disposition of development-blocks through a land sale

This alternative would have the City immediately market the individual development blocks for sale to the private sector. This alternative could be implemented through a variety of measures from simply marketing the property and selling to the highest bidder, to a comprehensive solicitation process as was completed for the Pier 8 lands. The key element of this alternative is that the City will sell the property and transfer title to the property for a financial payment.

Alternative #2: Long-term land-leases (approx. 20-years) of the development-blocks

Similar to Option #1, this alternative would offer a long-term land-lease for the individual development blocks. This alternative would be consistent with the contractual arrangement in use with many of the boating clubs within the waterfront, including Macassa Bay Yacht Club, the Royal Hamilton Yacht Club, and the Leander Rowing Club. This alternative would reduce some of the risks identified with a full land-sale, however, the long-term contractual obligation would still be considered risky, given the factors identified.

Alternative #3 City funded capital for construction of development-blocks, with long-term tendency leases.

This alternative would have the City retain ownership of the development blocks and over time, develop, construct, operate, and lease the facilities within the development

blocks. This alternative would require the City to upfront the capital cost of construction and recoup this investment by way of leasing revenue over time.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.1 Continue to grow the non-residential tax base.
- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED19191 - West Harbour Retail Strategy & Recommendations Report

Appendix "B" to report PED19191 – Placemaking Along the West Harbourfront – A Community Conversation by Project for Public Places