



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	August 9, 2021
SUBJECT/REPORT NO:	Feasibility of Creating a Technology Hub on South City Hall Lands (PED21109) (Ward 2) (Outstanding Business List Item)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Chris Phillips (905) 546-2424 Ext. 5304 Joshua Van Kampen (905) 546-2424 Ext. 2725 Ray Kessler (905) 546-2424 Ext. 7019
SUBMITTED BY:	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That staff be directed to prepare a land disposition strategy, through either a land sale or long-term land lease, for the City Hall Precinct Lands;
- (b) That staff be directed to prepare all relevant technical due-diligence studies required for executing the land disposition strategy including the following;
 - i. Land-use, zoning, heritage planning, massing, parks and open space, environmental assessment, sustainable design, and functional servicing studies;
 - ii. Assessment of municipal corporate requirements, including capital and operational parking impact analysis;
 - iii. Highest and Best Use determination;
 - iv. Property appraisal based on highest and best use;
 - v. Review of municipal financial implications

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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.

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- (c) That staff be directed to prepare options for Committee's consideration on a process to facilitate the land disposition;
- (d) That Reserve Account #112221 entitled "Economic Development Investment Reserve" be approved for up to \$100,000, for any technical due diligence and expertise necessary to complete the approved direction; and establish a project ID;
- (e) That staff report back to the General Issues Committee with recommendations for consideration in first quarter of 2022.

EXECUTIVE SUMMARY

On February 5, 2020, representatives from Metro Partners made a public delegation to the General Issues Committee on developing and creating a Technology Hub on the existing City Hall Precinct lands (defined as the south facing lands, adjacent to Hunter Street as well as the former Football Hall of Fame lands). On February 12, 2020, Council approved GIC Report 20-004, including a motion for staff to report back to the General Issues Committee on the feasibility of creating a Technology Hub through a sale or lease of the City Hall precinct lands, and for staff to provide a defined process respecting options to pursue the development of these lands.

Although the Covid-19 pandemic shifted Economic Development priorities, staff continued to discuss both the Council approved direction and the concept of a Technology Hub with representatives from Metro Partners. Concluding these discussions, Metro Partners submitted a proposal to staff, which is attached as Appendix "A" to Report PED21109. It is noted that the Council direction did not specifically contemplate receiving a proposal from Metro Partners.

Although staff have reviewed the proposal, this report does not contain an analysis, evaluation, or conclusion about the Metro Partners proposal itself. This report PED21109 provides a preliminary assessment, further information, and seeks a proposed approach forward based on anticipated input from Committee.

When considering the feasibility of creating a Technology Hub, staff categorized its assessment into 2-separate parts; 1) conceptual feasibility and 2) development feasibility. From a conceptual standpoint, the research would indicate no standardized definition of what constitutes a Technology Hub. Based on existing examples however, the mandate of these types of facilities is to allow for the co-location of organizations to, interact, create, undertake, work, and innovate together. Generally, this is accommodated through a central geographic location, but the form of the development varies.

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Based on the preliminary research and combined with the information obtained through the Metro Partners discussions, staff have concluded that a Technology Hub appears to be conceptually feasible. The City of Hamilton is well positioned geographically, has an established reputation in innovation and research networks, has the general hard and social infrastructure necessary to support innovation and technology companies, and has land availability to support a variety of built-form development options.

From an economic development perspective, Hamilton is well positioned to take advantage of this concept. Looking specifically at an urban oriented hub built within the downtown, the creation of a new Class “A” office space building, the proposed companies who would occupy it, and the subsequent employee-base, would all add value both financially, as well as qualitatively to the City of Hamilton. Staff have not concluded however, whether the City Hall Precinct lands themselves have any specific benefit over other potential sites within either the downtown core or even elsewhere.

From a development feasibility perspective however, staff have concluded that additional studies and analysis would be required to make a firm determination. The recommendations of Report PED21109 include specific actions required to determine the full feasibility of creating a Technology Hub on the identified City Hall lands.

If approved, the recommendations would direct staff to prepare a land disposition strategy, through either a land sale or long-term land lease, for the City Hall Precinct lands. To be clear, this direction would approve staff to report back on the disposition of the City Hall Precinct lands, for Committee’s consideration. To inform this strategy, the recommendations also direct staff to prepare a series of relevant technical due-diligence studies listed below, as well as approve the identified funding sources to complete the plan:

- i. Land-use, zoning, heritage planning, massing, parks and open space, environmental assessment, sustainable design, and functional servicing studies;
- ii. Assessment of municipal corporate requirements, including capital and operational parking impact analysis;
- iii. Highest and Best Use determination;
- iv. Property appraisal based on highest and best use; and,
- v. Review of municipal financial implications.

Lastly, recognizing that there are a variety of processes the City could utilize to identify a potential developer, the recommendations also direct staff to prepare process options and to report back to the General Issues Committee with recommendations for consideration in the first quarter of 2022.

Alternatives for Consideration – See Page 13

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Approval of \$100,000 from reserve Account #112221 entitled “Economic Development Investment Reserve” to establish a project ID with budget of \$100,000 for any technical due diligence and expertise necessary to complete the direction in Report PED211109.

Staffing: There are no staffing implications associated to Report PED21109.

Legal: There are no legal implications associated to Report PED21109.

HISTORICAL BACKGROUND

On February 5, 2020, representatives from Metro Partners, made a public delegation to the General Issues Committee on developing and creating a Technology Hub on the existing City Hall Precinct lands (defined as the south facing lands, adjacent to Hunter Street as well as the former Football Hall of Fame lands). On February 12, 2020, Council approved GIC Report 20-004, including the following motion:

- (a) That staff be directed to report back to the General Issues Committee, by September 2020, on the feasibility of creating a Technology Hub, that may include the sale or lease of the City Hall precinct lands (south facing, adjacent to Hunter Street as well as the former Football Hall of Fame lands) for future office space development, all at fair market value, conditional on: ensuring complementarity with City Hall, parking, greenspace, accessibility, green building design, and amenity requirements are achieved; and,
- (b) That, as part of that report to the General Issues Committee, staff be directed to provide a defined process respecting options to pursue the development of the south facing lands of the City Hall precinct to include the lands adjacent to Hunter Street and including the former Football Hall of Fame lands.

For historical context, the future redevelopment of the City Hall Precinct lands has been the subject of several Council directions over the years.

As part of the City Hall renovation plans, Council approved Committee of the Whole Report 05-005 on May 5, 2005, including Report PD05088 / PW03010(c) / FCS03064(c)

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entitled “City Hall Renovation Plan and Downtown Accommodation Strategy Report”, in which recommendation (f) stated:

“That a long-term accommodation strategy be approved, in principle, providing for the construction of a second office tower of approximately 250,000 square feet, integrated with the existing renovated City Hall and including a new parking structure; this new facility to be targeted to start construction in 2018 and all subject to an acceptable capital financing plan”.

This direction, of utilizing the City Hall lands as part of the City’s long-term accommodation strategy, remains today.

Council has also explored options to redevelop a portion of the City Hall lands in the more recent past. On April 27, 2016, Council approved GIC Report 16-011 including the following direction:

- (a) That staff be directed to investigate the opportunities for the redevelopment of the underutilized City Hall lands, being the south parking lot and structure, and the lands and building of the former Football Hall of Fame and report to the General Issues Committee;
- (b) That staff be directed to include in the investigation into City Hall lands redevelopment opportunities, examination of the following:
 - I. Market potential for various commercial, entertainment, cultural and other events venues;
 - II. City staff office requirements – ownership vs. Leasing; and,
 - III. Concepts brought forward by private, not-for-profit and community organizations;
- (c) That staff be directed to seek expressions of interest for potential opportunities and partners that may be considered for incorporation into any redevelopment concept;
- (d) That staff be directed to ensure that any concepts identified for further investigation be subject to testing for market and financial viability; and,
- (e) That the investigation of opportunities for the redevelopment of the underutilized City Hall lands, being the south parking lot and structure, and the lands and building of the former Football Hall of Fame and related activities, be incorporated

as a priority item into the Land Development Task Force workplan to be presented to the General Issues Committee in June 2016.

Staff issued an Expression of Interest (EOI) to obtain input from prospective developers for potential re-development opportunities of the City Hall lands. The EOI concentrated on the following three ideas for re-development of those lands:

- (a) Market potential for various commercial, entertainment, hotel, not-for-profit, cultural community service and other event venues;
- (b) City of Hamilton office accommodation requirements, including lease vs. ownership analysis; and
- (c) Accommodation towards maintaining and preferable increasing parking capacity.

On February 22, 2017, Council approved GIC Report 17-004 including that Report CM17004, respecting the City Hall Precinct, be received, and no further action was directed or taken by Council.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Portfolio Management Strategy – Real Estate Management Plan

City Council, at its meeting of November 24, 2004, adopted the City's Portfolio Management Strategy Plan, which established a formalized process to be consistently applied across all areas of the City to guide the management of the City's real property.

RELEVANT CONSULTATION

- Corporate Real Estate Office was consulted and provided comment on this report.
- Corporate Services, Capital Budgets, has been consulted and provided comment on this report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Feasibility of a Technology Hub

The Council approved motion of February 12, 2020 directed staff to report back on the feasibility of creating a Technology Hub through a sale or lease of the City Hall precinct lands. When considering the feasibility of creating a Technology Hub, staff categorized its assessment into 2-separate parts; 1) conceptual feasibility and 2) development feasibility.

1. Conceptual Feasibility of a Technology Hub

From a conceptual standpoint, the research indicates no specific definition of what constitutes a Technology Hub. Based on existing examples however, most Tech Hubs (also branded as Innovation Hubs or Districts, Science or Research Parks, etc.) are aimed at generating business between startup and large companies, much like a meeting point for a community. These hubs allow for organizations within similar sectors to, interact, create, undertake, work, and innovate together. Generally, the “hub” concept is seen as facilitating the development of technology-based companies with high growth potential.

Primarily, these hubs combine traditional hard real estate, office building, and land development assets, with end-users, tenants or occupiers which have been professionally curated around a common theme. The ownership of these real estate assets can vary, and although some are privately owned, many are owned or affiliated with a local academic institution, non-profit group, or government agencies. Hubs are often perceived as contributing to economic development, creating new technologies, leading to the development of scientific and medical advancements, and promotion of foreign direct investment. Hubs also lead to fostering innovation and the development and commercialization of technology where governments, educational institutions, and private companies collaborate.

With no specific definition, comparing and contrasting is difficult, but the following is a brief description of several existing organizations that could be categorized hubs.

i. MaRS Discovery District

Located in downtown Toronto, MaRS was established in 2000 as a not-for-profit institution. The campus occupies over 1.5 million square feet of space over 4 traditional office towers, and features research and development labs, office space, collaborative working space, community space, food courts, and some commercial space. The mission of MaRS is to bring to market medical research, startup companies and other technologies with partnerships through public and private enterprises. MaRS helps businesses from various science, technology,

communication, engineering, and social innovation sectors. MaRS has over 120 tenants, which range from small startup companies within the medical and pharmaceutical industries, to Fortune 500 companies.

ii. McMaster Innovation Park (MIP)

McMaster Innovation Park (MIP) is in Hamilton and was established in 2005, through a partnership with McMaster University, with assistance from the municipal, provincial, and federal governments. The campus occupies over 37 acres of land and currently hosts over 115 tenants that range in size and industry including the biomedical research, advanced engineering, automotive information technology, life sciences, metal fabrication, research and development labs, as well as collaborative event and meeting space.

iii. Cummings Research Park

Cummings Research Park is in Huntsville, Alabama, and was established in 1961, through a partnership with the local university and the municipality. The campus occupies over 3,843 acres of land and is the 2nd largest research park in the United States. Cummings enables innovation and technological achievements for companies located within the Park, through fostering collaboration, innovated space for research, education, work, living, and other uses. Cummings Research Park has over 300 tenants ranging from Fortune 500 companies, local and international high-tech enterprises, US space and defense agencies, and a business incubator. The park also includes amenities such as recreation, food, retail, hotel, commercial, and residential uses.

iv. CATALYST137 – Hardware Innovation Centre

Catalyst137 is in the Region of Waterloo, near both the University of Waterloo and Google's headquarters. With over 2,000 tenants, Catalyst137 has 475,000 square feet

of space, purposely designed to foster and create innovation for hardware technology companies. Catalyst137 leases office spaces ranging from 3,000 to 50,000 square feet and allows communal access to loading bays and a shared manufacturing space featuring 3D printers, laser cutters, metalworking and other specialized equipment. This building also has amenities such as bike parking, over 1,100 parking spots, gym space, restaurants, microbrewery, and coffee shops.

Based on the preliminary research and combined with the information obtained through the Metro Partners discussions, staff have concluded that a Technology Hub appears to be conceptually feasible. Hamilton is well positioned geographically, has an established reputation in innovation and research networks, has the general hard and social infrastructure necessary to support innovation and technology companies, and has land availability to support a variety of built-form development options. From an economic development perspective, Hamilton is well positioned to take advantage of this concept.

Looking specifically at an urban oriented hub built within the downtown, the creation of a new Class “A” office space building, the proposed companies who would occupy it, and the subsequent employee-base, would all add-value both financially, as well as qualitatively to the City of Hamilton. Staff have not concluded however, whether the City Hall Precinct lands themselves have any specific benefit over other potential sites within either the downtown core or elsewhere.

2. Development Feasibility of a Technology Hub

For the purposes of this report, staff have broadly defined development feasibility as the identification and analysis of the issues involved in taking the hub idea from concept to a full shovel-ready development. Some of the issues would include statutory requirements such as planning and site servicing, some are short and long term financial implications, and others would entail qualitative aspects such as the overall vision for the site, public-space, sustainability, and the degree of overall control the City wishes to retain.

The Council approved direction of February 12, 2020 was in response to a public delegation made by representatives from Metro Partners and not in response to a staff report. Upon review, staff have identified several issues that will have an impact on the decision-making process for determining the development feasibility of a proposed development on the City Hall Precinct lands. The following are the general considerations that require further analysis and direction in determining the overall feasibility of any development.

i) Preference of a Land Sale or a City-Owned Long-Term Land Lease

The Council direction is not clear as to the City’s preference between selling the identified lands, either in-whole or in part, versus the alternative of the City continuing to own the lands and offer a long-term land-lease to facilitate development. The City has employed both options in the past; the Pier 8

development-blocks are being sold directly to the City's development partner, whereas the property of the privately-owned Jackson Square buildings are City-owned and managed through a long-term land lease, as are the recent decision by Council on the downtown entertainment district properties.

Initial analysis indicates both options could be feasible, achieve revenues by either the land sale or a land-lease, and increase the non-residential tax assessment of the site. Although the financial aspects can be compared to each other, the qualitative differences between the two-options are more difficult to evaluate.

Recommendations to Report PED21109 direct staff to determine a highest and best use assessment, prepare a property appraisal, and review all municipal financial implications. Although the recommendations in Report PED21109 direct staff to prepare a land disposition strategy for both options, the analysis would be focussed if Council indicated a preference between the two options.

ii) Land-Use Planning, Design, Functional Servicing, and Other Studies

Currently, the City Hall Precinct lands are subject to a variety of land-use planning regulations and policies and the planning approvals process. Although staff have not conducted a full assessment of the approvals required, the site is complicated by the existing zoning, which includes a variety of land-uses including parkland in the south-east corner of the property, as well as a municipal heritage designation. Similarly, as part of a typical due-diligence in any re-development, studies would be required to determine the site servicing and soil conditions, as well as other technical issues. Lastly, the Council direction also contained conditions on any proposed development including ensuring complementary uses with City Hall, the retention of parking and greenspace, as well as including specific requirements for accessibility, green building design, and amenities.

In order to determine the development feasibility, the recommendations to this report direct staff to prepare all relevant technical due-diligence studies including land-use, zoning, heritage planning, massing, parks and open space, environmental assessment, sustainable design, and functional servicing studies.

iii) Assessment of Municipal Requirements Including Capital and Operational Parking Impact

Currently, the City Hall Precinct lands are used substantially for surface parking servicing both City Hall, as well as the broader uses within the downtown core. Any development will have some impact on both the availability and operations of the existing City Hall parking. With that said however, a re-development plan could

lead to an opportunity to consolidate parking uses in an efficient manner and add amenities such as bike and electric vehicle parking and storage. Staff have identified that the City Hall parking facilities are unique to this site, and therefore a full analysis of both the capital and operational impacts should be conducted.

Establishing Process Options to Determine a Preferred Developer

Aside from determining feasibility of the project, the Council motion also directed staff to define a process respecting options to pursue the development of the City Hall Precinct lands. Meaning, to determine how the City would choose the organization to complete the development. Although the City has employed a variety of approaches in the past, the specific process is usually informed by the development goals and vision, as well as the development feasibility. The following is a high-level description of the specific disposition processes employed in the past. Staff believe further analysis of the various options is required.

(a) Direct Negotiation Process

The simplest option would be for the City to enter into a direct negotiation with a potential proponent. Once concluded, staff would report back to Committee on the results of the negotiation, an analysis of the potential offer, and a recommendation for Committee's consideration. Staff have listed the following pros and cons to this process:

Pros:

- Process is streamlined, allowing for a quick decision, which could accelerate the timeframe for commencing the development; and
- Fair Market Value of land would be realized on sale or lease of property.

Cons:

- Negotiation with a single proponent based on a singular vision could reduce both the available options of the development and limit the financial terms; and
- The lack of an open and competitive process eliminates other qualified proponents from the process.

(b) Request for Proposals (RFP) Process

A common practice employed by public bodies is a formal Request for Proposals (RFP) process. Highly formalized, standardized, and complex, the RFP process allows for potential proponents to submit a proposal for consideration, where each is evaluated against a set of evaluation criteria. Once the proposals are evaluated, scored, and

ranked, a preferred proponent is identified, and staff would report back to Committee on the results of the RFP and recommend a course of action for Committee's consideration. Staff have listed the following pros and cons to this process:

Pros:

- Formalized process with support from the City's Procurement section; and
- Gives equal opportunity to all interested parties to participate in the process and submit a proposal.

Cons:

- Requires significant staff resources and time to design, execute, and evaluate the process;
- The formalized and structured nature of an RFP process does not allow for easy application for a creative land-development proposal;
- Difficult to evaluate both qualitative and quantitative criteria; and
- Complexity of the process deters some quality proponents.

(c) Swiss Challenge Process

Mixing the Direct Negotiation and modified Procurement approaches, one could employ the Swiss Challenge methodology, whereby staff could negotiate the terms and conditions of the proposed development, and based on Council's approval, market the deal to the broader real estate and development community. Assuming a better offer is made, then the original proponent would have an opportunity to match that deal. Staff have listed the following pros and cons to this process:

Pros:

- Possibly more competitive and works, if the vision is well defined.

Cons:

- Procedural complexity, possibility of no one bidding;
- Process usually used for larger transactions

(d) Real Estate Offering and Development Agreement Process

The City could employ a typical real estate offering process. This method would entail the City marketing the development opportunity (including key desirable attributes and conditions) to the development and real estate industries, as well as the broader community, and solicit offers, bids, or proposals within a defined timeline. Once received and vetted, staff could either negotiate with the proponents of the best 2-3 offers to achieve their "best" offer and then, report back to the Committee on the results,

with a recommendation for the Committee's consideration. Staff have listed the following pros and cons to this process:

Pros:

- Formalized and open process allowing for customization;
- Limited use of City resources required to execute the process;
- Staff could be supplemented by external marketing expertise; and
- Real estate and development industry professionals are familiar with this type of process and are more likely to engage.

Cons:

- Focuses primarily on the real estate transaction, making qualitative aspects more difficult to define; and,
- To ensure aspects of control, the City would have to develop detailed terms and conditions to preserve vision alignment, requiring upfront staff resources and time.

Once the development feasibility has been determined, staff will prepare an analysis and report back to Committee with a recommended disposition process.

Next Steps and Timelines

The recommendations include specific actions staff have indicated are critical to determining the feasibility of a creating a Technology Hub on the identified City Hall lands, as well as determining potential options on pursuing any proposed re-development of the City Hall Precinct lands. Staff will report back to the General Issues Committee with recommendations for consideration in the first quarter of 2022.

ALTERNATIVES FOR CONSIDERATION

Staff prepared Report PED21109 to re-engage, provide further information, and seek clarity from Committee on the previous February 20, 2020 motion. As such, amendments to the staff recommendations could be made with little impact.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Built Environment and Infrastructure

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED21109 - Metro Partners Proposal

JVK, CP/jrb