


INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	May 15, 2024
SUBJECT/REPORT NO:	Feasibility Analysis of 171 Main Street East (PED23099(c)/HSC23028(c)) (Ward 2) (Outstanding Business List Item)
WARD(S) AFFECTED:	Ward 2
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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.

Discussion of Confidential Appendix “A” to Report PED23099(c)/HSC23028(c), this Report in closed session is subject to the following requirement(s) of the City of Hamilton’s Procedural By-law and the *Ontario Municipal Act, 2001*:

- **A proposed or pending acquisition or disposition of land for City or a local board purpose.**
- **A position, plan, procedure, criteria, or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.**

RATIONALE FOR CONFIDENTIALITY

Confidential Appendix “A” to report PED23099(c)/HSC23028(c) is being considered in Closed Session as it contains detailed financial information.

RATIONALE FOR MAINTAINING CONFIDENTIALITY

Staff are recommending that Appendix “A” to report PED23099(c)/HSC23028(c) remain confidential, as it involves the analysis, strategy, plan, and potential disposition of real property.

COUNCIL DIRECTION

In accordance with the December 13, 2023, Council direction, this Report provides information on the feasibility of utilizing 171 Main Street East as a site for an affordable housing development. This Report explores the merits of both the staff recommendation from Report PED23099(a)/HSC23028(a) of offering the site as a Market Sale with proceeds to support affordable housing development elsewhere in the city, as well as offering the site as a Nominal Sale to support an on-site affordable housing development.

INFORMATION

At the December 6, 2023, General Issues Committee, Report PED23099(a)/HSC23028(a) recommended that staff proceed with a market offering of 171 Main Street East with the net proceeds of the sale to be allocated to the affordable housing reserve. The affordable housing reserve is a key objective to supporting the four pillars identified in the Housing Sustainability and Investment Roadmap. At the Council meeting on December 13, 2023, staff were subsequently directed to complete a feasibility study to evaluate the costs and benefits of both the staff recommendation (market offering) and the potential to earmark the land for an affordable housing project.

Located at the corner of Main Street East and Ferguson Avenue South, the site is approximately 0.47 acres with direct access to transit and other amenities. The site is an existing municipal surface parking lot which is zoned Downtown Central Business District Zone. The site is within the Downtown Hamilton Secondary Plan. The current municipal surface parking lot contains approximately 60 parking stalls.

Staff conducted an analysis to review the feasibility of three disposition strategies:

- (a) The staff recommendation for market offering;
- (b) Nominal sale/lease of the property to be used entirely for an affordable housing project; and,
- (c) A covenant sale that would see a minimum proportion of units earmarked for affordable housing.

Additionally, consideration for how a degree of replacement public parking would factor into each alternative is discussed. In addition to the internal review, staff consulted with a member of the Hamilton is Home coalition. Each scenario was assessed based on its contribution to overall housing supply and particularly to affordable housing supply in Hamilton, as well as to the speed of implementation of these outcomes, and finally the difficulty in achieving the desired outcome both at the subject site and within the housing market.

The results of the analysis (see Confidential Appendix “A” to Report PED23099(c)/HSC23028(c)) supports the original, staff recommendation for the disposition of 171 Main Street East in the form of a market offering with the net proceeds of the sale to be used to support affordable housing. This would involve using the proceeds of the property disposition as a contribution to other more immediate affordable housing opportunities with greater impact.

The costs and benefits of each disposition strategy are herein discussed.

Market Offering

The objective of a market offering sale is to sell a valuable piece of city-owned land on the open-market. Proceeds from the sale would be placed in the Affordable Housing Reserve, which is dedicated to supporting affordable housing projects city-wide. Continuous and dedicated year-over-year funding for the affordable housing reserve is a critical part of the Housing and Sustainability Investment Roadmap, as the reserve will act as a supportive funding source toward the four pillars and the development and retention of affordable housing projects city-wide. Currently, the proposed goal is to achieve 900 affordable housing units per annum. It is anticipated that the contributions

of these sale proceeds to the reserve could assist in breaking ground on four-to-five projects over the next two-to-four years to realize the addition of over 350 units to the City's affordable housing inventory.

Based on the size, location, and an assessment of the land use planning permissions, the site can accommodate a high-density form of development to a maximum height of 30-storeys. Given the anticipated construction price to fully maximize the development potential of the site, a private developer with access to a range of capital funding/financing sources would be best positioned to leverage the site to support the City of Hamilton in meeting its housing targets within the urban boundary. In this scenario, the public parking would be eliminated unless negotiated through a parking agreement. The market offering sale would achieve 350 market rate units, and zero affordable housing units at the subject site. Together with the sale proceeds to support affordable housing, the overall impact would be an increase of approximately 700 units to the housing supply in Hamilton. The full development potential of the site has been analysed as summarized in Confidential Appendix "A" to Report PED23099(c)/HSC23028(c).

Downtown Hamilton is identified as an Urban Growth Centre in the Province's Growth Plan for the Greater Golden Horseshoe, which includes prioritizing intensification and higher densities in strategic growth areas. The Staging of Development Report brought to Planning Committee on December 5, 2023, identifies anticipated development in the next three years including short, medium, and long-term residential intensification developments. In the report, approximately 49,700 potential units have been identified in intensification projects across the city with 44% of units within Ward 2. Through market research, in the year 2023, five redevelopment sites sold within Ward 2. Currently (March 2024), there are two redevelopment property listings within Ward 2 for sale on the open market. In comparison, when analysing the demand for existing apartment buildings in the downtown area, one comparable sale which occurred in 2020 was identified and currently (March 2024) very few apartment buildings (mainly low rise) are listed for sale in Ward 2. The findings are showing a higher demand to develop/build in downtown Hamilton in comparison to the demand for purchasing existing apartment buildings.

Nominal Value

The objective of a nominal value sale or lease is to provide a parcel of city-owned land at nominal value to a non-profit housing provider for the purpose of developing an affordable housing project. The benefit of a nominal lease strategy would have the city operating as a land bank, securing a set affordability of the developed units over an identified period of time while retaining ownership of the land.

Based on high level cost analysis, achieving maximum density of the site would be financially challenging for an affordable housing development by a non-profit provider. Analysis of the feasibility of this scenario is included in Confidential Appendix “A” to Report PED23099(c)/HSC23028(c). This approach would deliver approximately 350 affordable housing units and would take a significantly longer time period to implement. It also reduces the opportunity to contribute to more immediate and shovel-ready affordable housing projects.

Covenant Sale

The objective of a covenant sale is to sell a valuable piece of city-owned land to a developer, with certain development performance obligations. In this case, the covenants could be for the development of affordable housing as a part of a mixed affordable/market project and securing replacement public parking. The sale would include a covenant to specify the number of affordable units, affordability period and depth of affordability. The lands would need to be sold at a discount to full market value to partially off-set the cost to develop the affordable units. Any proceeds of sale would be placed in the Affordable Housing Reserve to support affordable housing development citywide.

Staff analysed the feasibility of a covenant sale as attached in Confidential Appendix “A” to Report PED23099(c)/HSC23028(c), ensuring the delivery of a specified number of affordable units at a specified affordability depth and length of time. This option ensures that affordable housing is provided on site as 140 units (40% of total units) and 210 units at market rate (60% of total units), maximizing the development potential which supports the city in achieving its housing targets, and may provide funding to be used elsewhere to support other affordable housing projects. This ratio of units was identified based on requirements from Canada Mortgage and Housing Corporation to qualify for supportive funding. The analysis demonstrates that a covenant sale would allow the development of the site to maximize the development potential based on current land use planning permissions. The delivery of public parking to support the nearby Business Improvement Area, if desired, may be negotiated. Depending on the Covenant Sale scenario as described in Confidential Appendix “A” to Report PED23099(c)/HSC23028(c), a significantly reduced amount of funds (when compared to a Market Offering) or no funds are available for the Affordable Housing Reserve.

APPENDICES AND SCHEDULES ATTACHED

Confidential Appendix “A” to Report PED23099(c)/HSC23028(c) – Summary of
Disposition Strategy
Analysis