



**Date:** September 25, 2018

**Report to:** Board of Directors  
CityHousing Hamilton Corporation

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Chief Executive  
Officer/Secretary

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**Subject:** Jamesville Redevelopment (Report #17007(a) 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 a Council motion was made on March 21, 2017 for the land at 38 Strachan St W / 344 Bay St N to be transferred to CHH for use as part of the Jamesville development, and now also is considered included in reference to 'Jamesville';

WHEREAS the redevelopment of Jamesville would transform the 91 townhouse site into a mixed-income community that includes a minimum of a 46 unit CHH building integrated within a mixed-use development that includes private market rental and/or ownership residential units built and marketed across the spectrum of affordability;

WHEREAS the 45 of 91 currently existing units that will not be replaced at the Jamesville site will be replaced elsewhere within the CHH portfolio;

THEREFORE BE IT RESOLVED THAT:

- (i) The Board of Directors approve the project objectives of density, 'complete community,' meaningful affordability, CHH-focused requirements, zero additional equity, low debt load, limiting exposure to development process risk, socially responsible development firm, neighbourhood connectivity, and community benefit, as described and prioritized in this Report.
- (ii) The Board of Directors approve the three-stage redevelopment opportunity offering process comprising Request for Proposals (RFP), Due Diligence, and Negotiation stages, as described in this Report;
- (iii) The Board of Directors approve the formation of both Steering and Evaluation Committees, as described in this Report;
- (iv) The Board of Directors approve the West Harbour team lead the execution of the offering process;
- (v) That Report #17007(a) – Jamesville Redevelopment and its appendices remain confidential and not be released as a public document until final completion of the real estate transaction, and in the interim, the pared down version of this Report be made publicly available.



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Tom Hunter  
Chief Executive Officer/Secretary

## **EXECUTIVE SUMMARY:**

CityHousing Hamilton's (CHH) seeks to collaborate with a private development firm (for profit or not-for-profit) to maximize both the social benefit and financial sustainability of the Jamesville redevelopment opportunity. The Report provides an update on the findings of both the Requests for Expressions of Interest (RFEOI), which were received in July, 2017, and the Redevelopment Feasibility Analysis, completed in September, 2018. It then lays out a strategy to develop and execute a process to solicit proposals from the private development industry, drawing on the expertise of the West Harbour team with its recent success achieved on the Pier 8 land solicitation process.

This Report presents a high level overview of the development process to date, and seeks to establish and confirm a recommended direction to proceed with the process to market the sale of the Jamesville site and concurrently procure new replacement units for CHH's exclusive use.

Key findings presented include the land value under two cases, Scenario 1 with 46 CHH and 329 market residential with three-storey stacked townhouses and four to five storey apartments and Scenario 2 with 46 CHH and 427 market residential with four-storey stacked townhouses and five, six and eight storey apartments. In either case, the present valued residual land value contributed as equity, along with the remainder in debt could fund the construction of an estimated 46 CHH replacement.

The strategic approach being recommended herein is essentially two concurrently running bid processes, conjoined: one for the sale of the Site, and one for the procurement of the replacement units, with both being customized to CHH specific project outcomes. A three-stage process comprising Request for Proposals ('RFP') stage, Due diligence stage, and Negotiation stage is presented. The West Harbour team of Chris Phillips and Philbert Kim are recommended to lead the execution of the entire process on CHH's behalf. In addition, a Steering Committee and an Evaluation Committee would be established to support the successful execution of the process.

Proposed within this Report is a custom strategic approach to the redevelopment of Jamesville, which includes recommendations on desired project outcomes and their prioritization, the offering approach, project governance and process execution leadership.

## **BACKGROUND:**

CHH owns, leases, and operates Jamesville, a community of 91, rent-geared-to-income ('RGI') rental, townhouse units situated on a 5.4-acre rectangular land parcel in the city's North End (the 'Site'). The buildings are approximately 48 years old and, while not functionally obsolete, the redevelopment of the Site provides opportunities to address deferred maintenance and contribute to the revitalization of the neighbourhood. In addition, the City of Hamilton's long-term policy plan is to further intensify land uses on the Site given its location adjacent to the West Harbour GO station, close proximity to both the downtown core and the redeveloping waterfront, and extended frontage along the James Street North corridor. These intentions are articulated in the City's West Harbour Secondary Plan (Setting Sail), June 2012 and the James Street North Mobility Hub Study, September 2014.

At the CHH Board of Directors meeting on September 20, 2016 (Report #16034) the redevelopment of the West Harbour properties of 500 MacNab, Jamesville and 10 Brock was discussed in detail and a direction determined for each site. For Jamesville the recommendation was as follows, that the Board of Directors approve:

"ii. Jamesville

That City Housing Hamilton confirm its intention to redevelop and intensify the site bounded by James St. N., Picton St. W., Ferrie St. W., MacNab St. N. and Strachan St. W. (known as 'Jamesville'), and

That staff be directed to prepare the criteria for an Expression of Interest (EOI) for the Jamesville property that includes, but is not limited to a medium density, mixed use, mixed income development, and

That the EOI be presented to the CHH Portfolio Sub-Committee for consideration, and

That a summary of the information and subsequent CHH board decisions be communicated to Jamesville tenants in addition to the broader North End neighbourhood through the North End Breezes and Councillors Neighbourhood Association contacts and all future West Harbour Public Engagement."

A Council motion was made on March 21, 2017 for the land at 38 Strachan St W / 344 Bay St N to be transferred to CHH for use as part of the Jamesville development. Then at the CHH Board of Directors meeting on April 1, 2017 (Report #17007) the RFEOI was presented and on July 28, 2017 responses were received. The RFEOI process allowed CHH to, gauge interest in the development site while gaining insight regarding possible concepts and palatable business models and deal structures. These insights would be used to inform

the development of a redevelopment opportunity offering process that could achieve a balance of both social and financial benefits for CHH.

At the CHH Board of Directors meeting on July 18, 2017 (Report #17021(a)) the redevelopment plans for five sites were outlined, including replacement impacts and financial modelling. Given the cost of new construction, the desire for mixed-income CHH communities, and the opportunity to acquire a nearby site from the City of Hamilton, it was determined that the concentration of social housing at Jamesville could be reduced by approximately half with the remaining units accommodated at the newly acquired Bay-Cannon site. This approach would contribute to CHH's goal to transition its portfolio towards smaller CHH buildings that are embedded within surrounding communities that reflect broader spectra of incomes, housing affordability, and diversity of residents.

CHH began a procurement process for a land and development consultant in February, 2018 and retained N. Barry Lyon Consultants Limited (NBLC) on May 4, 2018. NBLC's mandate was to prepare a redevelopment feasibility analysis of the site to inform the offering process strategy. The feasibility analysis evaluates the redevelopment potential of the site from both market feasibility and land use planning perspectives. The analysis also considers to what extent the redevelopment potential of the site's intrinsic value could offset the cost of procuring new CHH replacement units on a portion of the property as part of a broader mixed income neighbourhood revitalization program.

CHH engaged the West Harbour team to assist in developing a custom offering strategy for Jamesville. Their advisory work has taken into consideration the results from the RFEOI and feasibility analysis, and builds off of their recent experience with redevelopment opportunity offerings in the West Harbour precinct. It provides the basis for the recommendations found herein regarding desired project outcomes and their prioritization, the offering approach, governance, and project leadership.

## **DISCUSSION:**

### **Request for Expressions of Interest**

The Jamesville RFEOI was intended to establish proof that development concepts conforming to CHH's defined parameters are feasible and marketable. It sought expressions of interest while clearly articulating the objective of delivering a medium density, mixed-income development that maximizes both the social benefit of the site and its contribution towards the overall financial stability of CHH's operations. It also outlined the context of the West Harbour and the project scope, including guiding development principles, notable contextual elements, definitions, and innovative and aspirational reference developments.

While the RFEOI did not seek indications of pricing, it encouraged, although it did not require, respondents to indicate a range of unit counts that it believed could be feasible and marketable, including splits between affordable housing and private market units.

A secondary objective of the RFEOI was to identify the profiles of potential proponents that may be interested in participating in a more formal offering process.

RFEOI responses were received from seven development groups and several key findings were deduced from these responses:

1. There is robust interest in the Jamesville site from the private development community;
2. A broad spectrum of private developers including for-profit and not-for-profit firms believe they can address CHH's objectives through this project;
3. Proponent teams may comprise a wide variety of partners including design firms, community support organizations, engineering firms, developers, and builders;
4. Affordable housing can feasibly comprise a significant portion of the project's total unit count;
5. Developers may want to pursue an increase in entitlements in order to improve project feasibility and affordability targets.

These insights were used to inform the development of a proposal call strategy, as proposed herein, as well as the further development of its process and evaluation framework.

## **Redevelopment Feasibility Analysis**

NBLC's redevelopment feasibility analysis provided critical insight into the context and potential of the Jamesville site through the collection and evaluation of comprehensive data sets, review of land use requirements, and the running of an indicative private developer pro forma. NBLC worked closely with CHH staff to establish critical assumptions regarding CHH's programmatic needs including a minimum target number of replacement units (i.e., 46 units), precise unit mix by number of bedrooms and floor space allocations, parking requirements, operating performance standards (e.g. Passive House target), and debt capacity thresholds.

Key findings from this analysis include:

- Demand and growing confidence in the Hamilton high-density residential marketplace;
- Indications that the Site could accommodate medium and high-density residential forms in buildings;

- An optimal redevelopment program for the site would include variation in built form;
- The total cost to construct and deliver CHH's desired minimum replacement units;
- A Site redevelopment concept that generally follows the as-of-right site planning principles could yield 329 market residential units (i.e., not including CHH replacement units) and provide residual land value;
- A Site redevelopment concept that increases the development density to 427 market residential units would yield residual land value;
- Debt capacity could offset any financial shortfall in both development scenarios.

Further to its analysis, NBLC generated concept illustrations for the two scenarios, reflecting the land use planning principles and requirements articulated in The City of Hamilton Official Plan and Secondary Plan, City of Hamilton Zoning By-law no. 6593, Hamilton Community Improvement Plan (CIP), and the James Street North Mobility Hub Study:

Scenario 1 – 46 CHH and 329 market residential with three-storey stacked townhouses and four to five storey apartments.



Scenario 2 – 46 CHH and 427 market residential with four-storey stacked townhouses and five, six and eight storey apartments.



The renderings provide an overview of the potential site build out, revealing the form of differences in density, and showcasing the most economically appropriate forms. The design, density, setbacks, heights, generic massing for the area are approximate possibilities given the two design scenarios and adhere to the overall concepts and principles established to be of value in this report. It should be noted, however, that the eventual offering of the Site through the formal call process should not require proponents to adhere strictly to either of these concepts with respect to site configuration, massing and built forms. Proponents should be encouraged to pursue original, creative design solutions to deliver on all of CHH's desired project outcomes.

### **Recommended Offering and Award Strategy**

The strategic approach being recommended herein is essentially two concurrently running competitive processes, conjoined: one for the sale of the Site, and one for the procurement of the replacement units. CHH will effectively sell the entire Site and the proceeds from this sale will be used to cover as much as possible, the cost required to build the replacement units; the net difference between the two bids from each Proponent represents the amount of debt that CHH would need to shoulder in order to finance the delivery of the replacement units. Therefore, the financial goal of the call process can be described as follows: To identify the Proponent that can deliver the replacement units to CHH's specifications while minimizing the amount of debt that CHH will need to assume

to fully finance the construction. Staff foresee the potential that the range of bids for the lands could be quite varied, while the replacement unit cost estimates will fall within a much narrower band.

In addition to the financial objectives, there are other non-financial objectives that are consistent with CHH's vision and mission such that the overall outcome is not simply about high land valuation and low construction cost. While the overlaying of these social and corporate objectives provide meaningful operational and community benefit, it must also be recognized that prescriptive conditions may place limitations on the perceived value of the Site. As such, it is important that all of the desired outcomes of the project are clearly articulated and prioritized.

To assist in guiding key decision points, the following desired outcomes for the development at Jamesville have been identified and prioritized as follows:

1. Ensure that the timing of delivery, number, configuration, mix, quality, and performance standard of the replacement units adequately meet CHH's requirements including a minimum of 46 units to the Passive House standard, with configuration, mix and quality to be set through design specifications;
2. Any new development on the Site should seek to densify the Site from current levels and contribute to the revitalization of the James Street North commercial corridor;
3. Strive for a more 'complete community' at Jamesville, comprised of mixed uses and encouraging socio-economic diversity, inclusivity, and interactions amongst residents of the Site;
4. The funds from the sale of the Site (or equivalent as contributed value) shall be the limit of CHH's equity contribution towards procuring replacement units;
5. Mitigate additional debt load on CHH's balance sheet;
6. A meaningful proportion of all units built on the Site should be classifiable as affordable housing, but affordable units do not have to be exclusively owned and administered by CHH, or delivered through an RGI model – different affordability models, tenures, built forms, and operators are to be encouraged;
7. Limit CHH's exposure to typical development risks (e.g., delivery delays, fluctuating construction costs, entitlements process, marketability of private development);
8. Encourage site concepts that include publicly accessible spaces (outdoor or indoor) that invite the broader community to the Site and further integrate Jamesville within it;
9. Seek Proponents that have demonstrated social responsibility as a core corporate value;
10. Opportunities to encourage sustainable development practices, increase community support capacity, or provide other benefits to the City and

surrounding neighbourhood through this process should be explored and pursued.

This ranking of priorities provides a framework for the Jamesville development that considers the impacts of constraints placed on the Site balanced by the benefits of aligning financial goals with mission and vision. As the project team further develops the offering approach, proposal submission requirements, and evaluation criteria, the above priority order will be employed as a decision-making framework in situations where intentions may be in conflict with each other.

### **Multi-stage Process**

With respect to an approach for bringing the Jamesville opportunity to market, Staff recommends a three-stage offering and award process comprising:

1. *Request for Proposals ('RFP') stage:* The RFP would entail private sector developers and builders participating in a competitive process wherein the single Successful Proponent will both purchase the Site and be required to construct a new, standalone building, or contiguous premises, for CHH's exclusive use. Proposals and their evaluations would encompass team qualifications, overall Site re-development concept plans, a financial bid addressing both the value of the Site and the cost of constructing the replacement units, as well as a pledge to honour the prescribed elements of the deal. The RFP stage would end with the identification of a single Preferred Proponent.
2. *Due diligence stage:* This stage would provide a window of time during which CHH will carry out due diligence investigations on the Preferred Proponent's financial stability and financing capacity, while the Preferred Proponent will concurrently carry out due diligence investigations on the Site conditions. CHH would retain rights to repeal its selection of the Preferred Proponent if the due diligence stage reveals material concerns regarding the Preferred Proponent's capabilities or presumed good standing.
3. *Negotiation stage:* This stage will centre on negotiating any pricing adjustments, additional security, or modified payment structure in the event that due diligence by either party reveals any latent issues. The remaining focus of this stage will be to codify previously acknowledged and pledged terms and conditions of the bid into a Development Agreement and documenting the transaction via an Agreement of Purchase and Sale. Only upon execution of these documents would the Preferred Proponent be identified as the Successful Proponent to which CHH is contractually bound. CHH would retain rights to repeal its

selection of the Preferred Proponent if the negotiations become frustrated or unreasonably protracted.

## **Execution Leadership**

Staff recommends that the West Harbour team of Chris Phillips and Philbert Kim lead the execution of the entire offering and award process on CHH's behalf. Based on their successful outcomes at Pier 8, the team has proven its ability to manage complex real estate processes and navigate government clients through custom processes. They are uniquely suited to run this process that is a hybrid between a procurement process, real estate disposition, land development opportunity, and neighbourhood revitalization project. Furthermore, the physical location of Jamesville within the West Harbour portfolio aligns with the team's mandate to strategically leverage the intrinsic value of publicly-controlled sites within the West Harbour precinct to achieve higher-order city building objectives.

The West Harbour team will work cooperatively with, and be supported by, CHH staff including Finance, Procurement, and Management, as well as external legal counsel, as required. The West Harbour team and CHH are currently in discussions regarding possible overhead chargebacks related to this engagement.

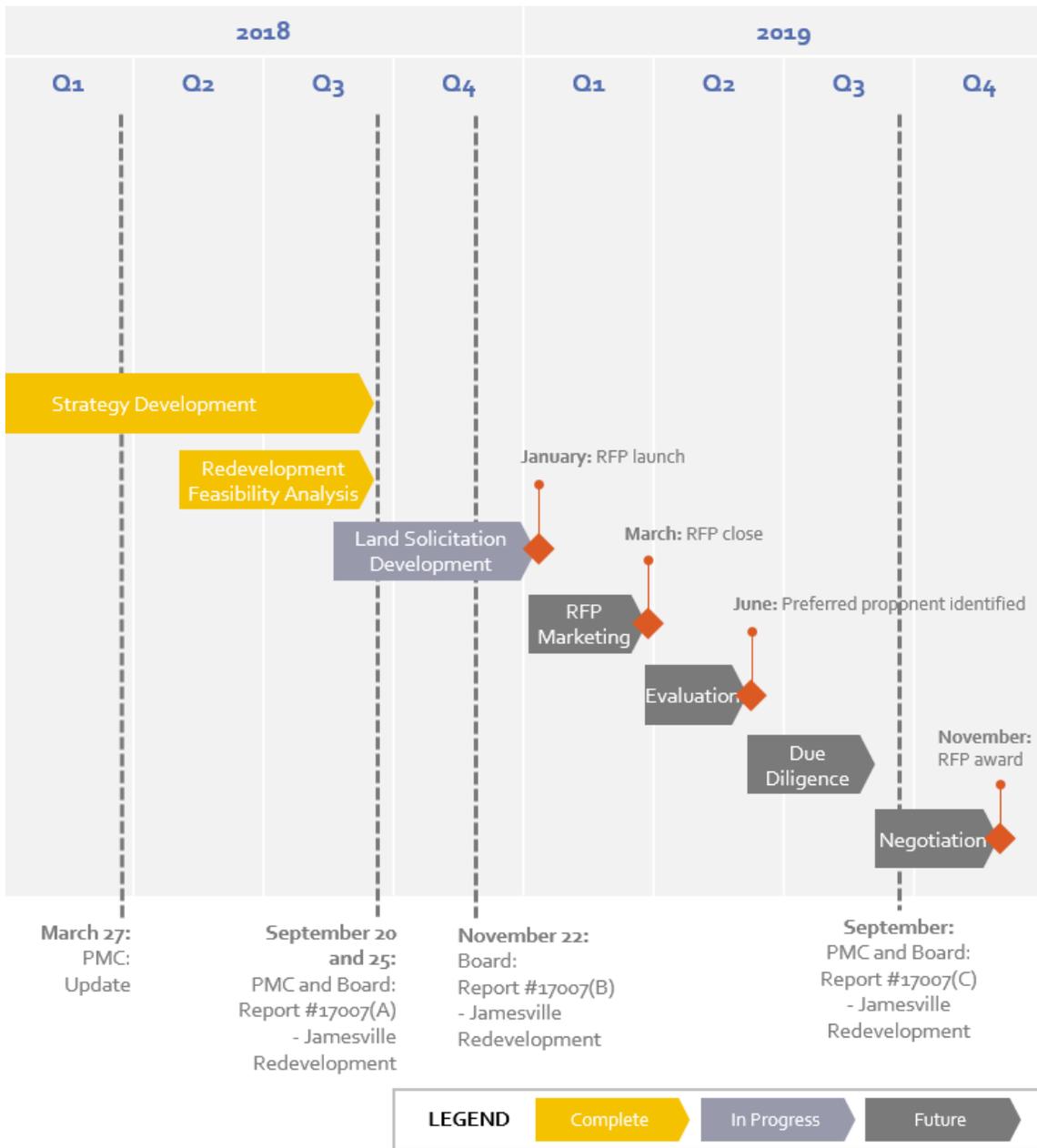
## **Governance Committees**

Staff recommends that a Steering Committee and an Evaluation Committee be established to support the successful execution of the offering and award process.

The primary role of the Steering Committee is to support the project execution team as it carries out the process: providing a strategy sounding board; guiding responses to unanticipated changes; resolving conflicts; ensuring procedural risks to CHH are minimized; promoting a fair and transparent process; and, vetting the final recommendations of the Evaluation Committee. The Steering Committee will be ultimately accountable to CHH's Board for the successful conclusion of the RFP and due diligence stages of the process. The Steering Committee's full composition and mandate will be established prior to launching the RFP.

The primary role of the Evaluation Committee will be to review and rate the content of RFP Proposals, resulting in the identification of the recommended Preferred Proponent. The Evaluation Committee may also be involved in any related Proponent interviews and/or in performing due diligence investigations into the Preferred Proponent. It is recommended that the Evaluation Committee comprise subject matter experts that may be employees of CHH, the City of Hamilton, or external consultants, as appropriate. The Evaluation Committee will be established prior to receiving proposals for evaluation.





Staff are currently in preliminary design of the submission framework and proposal call documents, and with the Board's approval will proceed to complete the next steps, which include:

- Investigating availability of appropriate financing options and estimating the maximum amount of debt that CHH could qualify for to finance the procurement of the replacement units;

- Engaging an architect and Passive House consultant to complete functional design work to the extent required to establish the technical specifications for the replacement units, to be included in the RFP;
- Finalizing the list of all development features and conditions, including minimum/maximum thresholds, that will be prescribed by CHH;
- Directing NBLC to confirm that the prescribed features and conditions will not render the desired outcomes unfeasible;
- Obtaining legal advice on the appropriate mechanisms to bind the Successful Proponent and the Site to certain restrictions/prescriptions so that it can be properly characterized in the RFP;
- Finalizing Proposal submission requirements, evaluation criteria, scoring framework to recommend to the Board; and
- Determining the final composition of the Steering Committee as well as the extent of its delegated authority to execute and conclude the process;
- Seeking input from City resources such as Legal, Procurement, Housing, Planning, and Growth Management, prior to launching the call process.

#### **CONCLUSION:**

The goal of this neighbourhood revitalization project is the enhancement of an already vibrant community through the contribution of a contemporary mixed-income development to the highest design and construction quality within the confines of a constrained capital budget.

The redevelopment will include a minimum of 46 social housing units and is envisioned to also be complemented by approximately 300-400 units of private market rental and/or ownership, with a spectrum of affordability provided in the site, as determined through a competitive process.

Staff is confident that the offering process outlined within this Report will position the Jamesville lands as a desirable opportunity for private developers to participate in a transformational neighbourhood revitalization project. Established principles to guide the redevelopment according to CHH mission and values, a well-planned and methodical approach, an appropriate governance model, execution expertise and a thoughtful resident transition strategy will result in social and financial benefits for CHH, its residents and the community through this development.

## **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/cp,pk,sb>

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