SUBJECT: Proposed Redevelopment of Surplus City-Owned Land By CityHousing Hamilton: 87-89 King Street East (SPH05062) (PED05210) (City Wide)

RECOMMENDATION:

(a) That Council endorse the development of a mixed residential/commercial development by CityHousing Hamilton (Hamilton Housing Corporation), comprised of two ground floor commercial units and sixteen rental residential units and registered as condominium by utilizing City-owned surplus lands at 87-89 King Street East.

(b) That the City-owned lands, municipally known as 87-89 King Street East, be declared surplus to the requirements of the City of Hamilton in accordance with the Procedural By-law for the Sale of Land, By-law No. 04-299, as shown on Appendix “A” to Report SPH05062/PED05210.

(c) That this project, with a total cost of $2.1 million, be forwarded to the 2006 Budget Process for Council’s consideration.
SUBJECT: Proposed Redevelopment of Surplus City-Owned Land By CityHousing Hamilton: 87-89 King Street East (SPH05062) (PED05210) (City Wide) - Page 2 of 9

(d) That the total cost of $2.1 million be funded from the Downtown Housing/Construction Reserve (Account #112249).

(e) That following Council’s consideration of the proposed development during the 2006 Budget Process, the City-owned lands at 87-89 King Street East be sold at a price of $50,000, with interest at a rate of 5% per annum, to CityHousing Hamilton (Hamilton Housing Corporation) with the monies being paid to the City of Hamilton upon the sale of the commercial condominium unit(s) or to be off-set from any rent monies received from rental of these units.

Joe-Anne Priel  
General Manager  
Public Health and Community Services Department

Lee Ann Coveyduck  
General Manager  
Planning and Economic Development Department

EXECUTIVE SUMMARY:

The Board of Directors of CityHousing Hamilton has identified the surplus City-owned lands at 87-89 King Street East as an opportunity to construct a mixed residential/commercial building comprised of two commercial units and sixteen rental residential units and registered as condominium. Attached is Appendix “A”, which is the location of the subject land, and Appendix “A-1”, which is an artist’s rendering of the proposed development. Housing Branch staff is confident this development can proceed in an expeditious and cost-effective manner utilizing $2.1 million in funds from the City’s Downtown Housing/Construction Reserve, which was established earlier this year. With a construction start in Spring, 2006, occupancy will occur in Fall, 2006.

The proposed project will replace a vacant, deteriorating building on the main thoroughfare of Downtown Hamilton, in a highly visible and strategic location. This project will act as a catalyst for other private sector developers and owners of surrounding buildings to improve their structures and is a clear commitment of the City of Hamilton and CityHousing Hamilton to contribute to the health and vibrancy of Downtown Hamilton. Further, this project will showcase the City’s urban design principles and the use of attractive building materials compatible with the surrounding streetscape and demonstrate the flexibility and appropriateness of the new Downtown Prime Retail Streets zone.
This capital funding request is to be considered through the 2006 Budget process. In addition, the lands will be transferred for $50,000, plus interest at a rate of 5% per annum, from the City of Hamilton to CityHousing Hamilton (Hamilton Housing Corporation) to facilitate the development of this project. However, the actual monies will not be transferred until the sale of the proposed ground floor commercial condominium units upon building completion and condominium registration.

BACKGROUND:

At the meeting of March 21, 2005, the Board of Directors of CityHousing Hamilton, which represents the three City-owned municipal housing corporations, approved the following recommendation:

“That staff come back to the Board of Directors with a detailed report on specific opportunities for new housing in Downtown, possibly focusing on the Gore, and the feasibility of this type of initiative including cost estimates and available funding.”

This recommendation was in follow-up to the discussion at the Council’s capital budget strategic priorities meeting in December 2004, where “Affordable Housing” and “Downtown Development/Revitalization” were two of the six strategic capital priorities identified by Council. The Board further noted that City Views and City Places in Downtown Hamilton, previously constructed by the City’s municipal housing corporations, was an impetus for other new residential developments and building conversions.

In April, 2005, through Report FCS05044, Council established a “Downtown Housing/Construction Reserve” to facilitate new residential development opportunities. The available funds in this reserve account amounts to $2,696,956.60, as of November 7, 2005.

In response to this Board recommendation, Housing Branch staff began to review a number of potential development opportunities. A staff committee was created to identify, assess and prioritize the opportunities. The committee was made up of representatives from Housing, Downtown Renewal, Heritage and Urban Design, Development Planning, Real Estate and Economic Development.

The staff committee recognized Council’s capital budget strategic priorities and focused exclusively on the Gore as that is where our City began over 150 years ago. There was recognition that it is the heart of Downtown Hamilton and continues to be the focal point of Hamilton. The staff committee also noted that the Gore’s rich building architecture and community history is a legacy to all citizens of Hamilton that has not been fully realized. As a result, the following properties/structures were identified for consideration:

- Treble Hall, 2-12 John Street North/85 King Street East
- 87-89 King Street East
- Foster/MacKay Building, 66-68 King Street East
- Mills China, 11 King Street East (Part of 13-15 King Street East)
As the various redevelopment options were discussed, there was recognition among staff that linking the redevelopment of the City-owned parcel at 87-89 King Street East with the potential acquisition of the adjacent Treble Hall building to the west would be desirable. To this end, staff from the Downtown Renewal Division of the Planning and Economic Development Department held preliminary and conceptual discussions with representatives for the owner of the Treble Hall building. However, there was no interest on behalf of the owner to consider these potential opportunities. As a result, there was recognition the most effective and timely development option was to utilize the existing City-owned property at 87-89 King Street East. The goal would be to create a landmark building that would trigger redevelopment and revitalization initiatives in the Gore as the City Views and City Places developments had accomplished several years earlier in the eastern area of Downtown Hamilton.

Housing Branch staff continued their due diligence and overall feasibility on specifically the 87-89 King Street East property examining the zoning, legal, urban design and dwelling unit design requirements and implications. Unlike residential construction in “greenfield” locations, constructing a new residential building as an infill structure in an older urban area does present many challenges. Based on productive discussions with various staff from the Planning and Economic Development Department, Housing Branch staff was able to move quickly to create a preferred development concept for these lands that could result in a construction start in early 2006, with occupancy by the Fall 2006.

Since this site is strategically located near Gore Park, the importance to develop a mixed use commercial retail/residential rental building in keeping with the overall streetscape, land use, urban design and architecture of the existing buildings around Gore Park was recognized. As well, the “Downtown Prime Retail Streets” zone and the City of Hamilton Official Plan strongly encourages ground floor commercial in this area of the City. Staff examined the feasibility to retain and incorporate the existing one-storey structure but it was determined this would be technically inefficient and not cost effective.

Accordingly, the preferred development scenario concept presented to the CityHousing Hamilton Board of Directors was to demolish the existing one-storey commercial building and construct a new five-storey building with two ground floor commercial units and sixteen units of rental residential on the four floors above (see Appendix “B” for the CityHousing Hamilton Board of Directors report). One potential target market for the rental units could be McMaster University students and would complement other post secondary facilities in Downtown Hamilton. The monthly market rents for the rental units will be in the $650-$700 a month range. The entire project will be registered as condominium, which will provide market flexibility to transition the units to ownership tenure at a future point in time.

At the CityHousing Hamilton Board of Directors meeting on September 26, 2005, the following recommendations were approved:
“That the Board of Directors endorse the development of a mixed residential/commercial development comprised of two ground floor commercial units and sixteen rental units utilizing City-owned surplus lands at 87-89 King Street East.

That the City of Hamilton be requested to transfer the City-owned lands at 87-89 King Street East to Hamilton Housing Corporation, at no charge, to facilitate the development of the mixed residential/commercial development.

That the City of Hamilton be requested to allocate $2.1 million from the Downtown Housing/Construction Reserve to Hamilton Housing Corporation to cover the anticipated capital construction costs of the project.

That upon transfer of the lands and capital funds from the City of Hamilton, Housing Branch staff be authorized to proceed with appropriate construction documents, planning approvals and tendering for a construction start in early 2006 with anticipated completion in Fall 2006.

That Hamilton Housing Corporation establish a pre-development expense fund, to a maximum of $15,000, to cover incidental pre-development activities and that any expenditures be recovered upon transfer of the City money from the Downtown Housing/Construction Reserve.”

**ANALYSIS/RATIONALE:**

The City of Hamilton is committed to the revitalization of Downtown Hamilton. Since the mid-1990’s, a series of programmatic and planning policy initiatives have been established to ensure Hamilton’s downtown is once again a desirable destination in our community to live, work and play.

The City of Hamilton, through the vehicle of its City-owned municipal housing corporations, has also played a significant role in the revitalization of Downtown Hamilton. The City previously provided capital funding to spearhead the development of City Places in 1998 (162 King William Street, 37 units) and City Views in 2001 (211 King Street East, 8 units). These developments demonstrated that there was indeed a demand for quality housing in Downtown Hamilton and that new residential development can sensitively integrate within the existing built urban form. The vacant City-owned lands at 87-89 King Street East provide another strategic opportunity for the City and CityHousing Hamilton to continue this important role.

The proposed five storey building, with two ground floor commercial units and sixteen units of rental residential on the four floors, has been designed to enhance and complement the existing streetscape and architectural history evident in other buildings in the Gore.

The proposal meets or exceeds all of the requirements of the Downtown Prime Retail Streets zone with the exception of parking requirements. Site Plan approval is required and preliminary discussions on these details have occurred. Due to the site logistics, it
is physically impossible to integrate either above grade or underground parking. The absence of parking is not considered to be a significant impediment in terms of marketability, nor will the absence of parking create parking pressures elsewhere in Downtown Hamilton. However, a minor variance through the Committee of Adjustment will be required or a rezoning application if the variance is not deemed “minor”. Delivery and loading will be provided off the alley way at the rear of the project upon the lands with joint ownership interest by adjacent owners and the City of Hamilton.

The estimated capital costs for developing the project is approximately $2.1 million (see attachments to the Appendix “B” CityHousing Hamilton Board of Directors report). It is important to note that there will be a high degree of architectural and aesthetic enhancements to this structure befitting its strategic location in Downtown Hamilton and to act as a catalyst for other private sector redevelopment initiatives in the years ahead. Operating costs and revenues have been extrapolated from current CityHousing Hamilton projects. The project will be self sustaining and includes an annual replacement reserve contribution equal to 2% of total capital cost, in the amount of $40,000. On an operating cost basis, this project is expected to break even or generate a modest surplus net of replacement reserve contributions.

As was noted previously, Hamilton City Council has established the Downtown Housing/Construction Reserve to promote and facilitate residential initiatives of this type. To minimize operating costs and ensure this residential project does not adversely affect the long-term financially sustainability of Hamilton Housing Corporation as the owner, a total of $2.1 million will be requested from this reserve to allow this development to proceed. Any additional capital costs above this amount would be covered through placing a mortgage on the property and this would not significantly affect the long-term financial viability from an operating cost perspective as the carrying costs would be minimal.

Consultation was undertaken with the Downtown Hamilton Business Improvement Area and the International Village Business Improvement Area. The comments from both organizations are attached as Appendix “C”. Both BIAs have indicated they support the initiative to redevelop the surplus City-owned lands to mixed commercial/residential, but have indicated a preference to transition the rental residential units to ownership as soon as possible which can be accomplished with the building registered as condominium.

As noted earlier, the cost of the project is estimated at approximately $2.1 million. Accessing the full amount for capital construction costs would enhance the long-term financial sustainability of the project through lower operating costs and would not adversely affect the financial position of CityHousing Hamilton (Hamilton Housing Corporation).
The proposed project will replace a vacant, deteriorating building on the main thoroughfare of Downtown Hamilton in a highly visible and strategic location. This project will act as a catalyst for other private sector developers and owners of surrounding buildings to improve their buildings, and is a clear commitment of the City of Hamilton and CityHousing Hamilton to the health and vibrancy of Downtown Hamilton. Further, this project will showcase the City’s urban design principles and the use of attractive building materials compatible with the surrounding buildings and demonstrate the flexibility and appropriateness of the new Downtown Prime Retail Streets zone.

**ALTERNATIVES FOR CONSIDERATION:**

The City has previously issued a Request for Proposals (RFP) for the lands at 87-89 King Street East in 2003. The rationale to dispose of the City-owned property through the RFP process was made on the basis that it would provide the greatest exposure for the asset and, thus, lead to a greater array of potential interest from the development industry. At the time, the City had received two proposals but each had been rejected in view of the variance between the proposed purchase price and the appraised value for the subject site. City Council, on April 23, 2003, adopted the Committee of the Whole Report, Item 17, that the sale and development of the subject property be rejected and the development proponents be appropriately notified.

Due to Council’s strategic initiative to stimulate redevelopment, revitalization and to ensure Hamilton’s downtown is once again a desirable destination in our community to live, work and play, the marketing of the City-owned asset has been withheld to facilitate the endeavours envisioned by CityHousing Hamilton (Hamilton Housing Corporation).

The alternative for the site, by not proceeding with the proposed development, is ongoing uncertainty in terms of the eventual use and architectural style of any future structure. Further, the City will be faced with the financial burden of maintaining the site and ongoing liability risks associated with continued ownership, until the asset is sold.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial:**
A total of $2,696,956 is in Reserve Account 112249 – Downtown Housing Construction Reserve. The proposal to utilize $2,100,000 for the construction of the new structure at 87-89 King Street East will require approval through the 2006 Budget process.

The project will be self sustaining and includes an annual replacement reserve contribution equal to 2% of total capital cost, in the amount of $40,000. This project is expected to break even or generate a modest surplus net of replacement reserve contributions.

**Staffing:**
The construction project management requirements can be accommodated within the existing staff complement of the Housing Branch.
Legal:
There are no legal implications. If Council approves the 2006 Capital Budget funding, Real Estate and Legal Services staff will proceed with the land transfer from the City of Hamilton to CityHousing Hamilton (Hamilton Housing Corporation).

POLICIES AFFECTING PROPOSAL:

City Council, at its meeting of November 24, 2004, adopted the City’s Portfolio Real Estate 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 owned, leased, to be sold and acquired.

Section 4.5, “Other than Market Value”, establishes criteria’s and principles surrounding real property at other than market value.

Council’s approved real estate management principles indicate that property must be leased or disposed of at fair market value, “even when the other party to the transaction is another level of government, public sector agency, or a non-profit organization providing services to City residents”.

The policy further states “a property may be leased or sold for other than market value if such an arrangement is deemed by Council to be in the public interest. However, a below-market value arrangement must first be subjected to a business case analysis that will clearly identify the loss of revenue resulting from such an arrangement, to indicate the impact of this use of property to the overall corporation”.

The proposed arrangement to defer payment of the fair market value, plus accrued interest, meets the intent of Council’s approved real estate principles. It is also noted that past and recent initiatives of CityHousing Hamilton (Hamilton Housing Corporation) involved the acquisition of other land holdings, at fair market value, in order to facilitate residential development within the City of Hamilton. The deferred payment and transfer will allow the project to move forward without causing any undue financial pressures to acquire the lands up front and maintains the management principles to dispose of City owned assets at fair market value. It is anticipated that through the sale or lease of the commercial condominium unit(s) that the potential revenues should exceed the acquisition cost for the subject property without jeopardizing the viability of the project.

RELEVANT CONSULTATION:

Staff representing Downtown Renewal, Development and Real Estate, Economic Development, Housing, Legal and Budgets and Finance were involved in the identification of the preferred location and have reviewed the recommendations of this report.

Consultation with the Downtown Hamilton Business Improvement Area and the International Village Business Improvement Area was also undertaken (see Appendix “C”).
CITY STRATEGIC COMMITMENT:

The construction of a mixed commercial/residential building at 87-89 King Street East supports the following goals of the City’s Strategic Plan:

1. **A City of Growth and Opportunity**
   
d) Attracting and Retaining Business
   
   “Council will explore the best methods and quantity of resources necessary to attract and retain business.”

2. **A Great City in Which to Live**
   
b) Supporting People in Need, with Care
   
   “Council will seek to work with other levels of Government and the community to ensure that people in need are supported and cared for.”

3. **A Healthy, Safe and Green City**
   
i) Municipal Housing Program
   
   “Develop and implement a municipal affordable housing program.”

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

- **Community Well-Being is enhanced.** ☑ Yes ☐ No
  
  Shelter, care and satisfying employment are accessible to all Hamiltonians.

- **Environmental Well-Being is enhanced.** ☑ Yes ☐ No
  
  Human health and safety are protected.

- **Economic Well-Being is enhanced.** ☑ Yes ☐ No
  
  Investment in Hamilton is enhanced and supported.

**Does the option you are recommending create value across all three bottom lines?**

- ☑ Yes ☐ No

**Do the options you are recommending make Hamilton a City of choice for high performance public servants?**

- ☑ Yes ☐ No

It demonstrates the creativity, forward thinking and commitment by staff and Council to implement real positive change in the Hamilton community.

:KE/VS/ BF/ke

Attaches. (3)
Date: September 26, 2005

Report to: Board of Directors
Hamilton Housing Corporation
Municipal Non-Profit (Hamilton) Housing Corporation
Dundas Valley Non-Profit Housing Corporation

Submitted by: Vicki Woodcox,
Chief Executive Officer/
Secretary

Prepared by: Vimal Sarin (Ext. 7412)
Keith Extance (Ext. 3745)

Subject: Proposed Residential/Commercial Development:
87-89 King Street East (Report #05037)

RECOMMENDATION:

(a) That the Board of Directors endorse the development of a mixed
residential/commercial development comprised of 2 ground floor
commercial units and 16 rental units utilizing City-owned surplus lands at
87-89 King Street East;

(b) That the City of Hamilton be requested to transfer the City-owned lands at
87-89 King Street East to Hamilton Housing Corporation at no charge to
facilitate the development of the mixed residential/commercial
development;

(c) That the City of Hamilton be requested to allocate $2.1 million from the
Downtown Housing/Construction Reserve to Hamilton Housing
Corporation to cover the anticipated capital construction costs of the
project;

(d) That upon transfer of the lands and capital funds from the City of
Hamilton, Housing Branch staff be authorized to proceed with appropriate
construction documents, planning approvals and tendering for a
construction start in early 2006 with anticipated completion in Fall 2006;
and,

(e) That Hamilton Housing Corporation establish a pre-development expense
fund to a maximum of $15,000 to cover incidental pre-development
activities and that any expenditures be recovered upon transfer of the City
money from the Downtown Housing/Construction Reserve.
At the meeting of March 21, 2005, the Board of Directors approved the following recommendation:

“That staff come back to the Board of Directors with a detailed report on specific opportunities for new housing in Downtown, possibly focusing on the Gore, and the feasibility of this type of initiative including cost estimates and available funding.”

As background to this recommendation at the Board, Councillor Chad Collins noted that at the City capital budget strategic priorities meeting in December 2004, housing and downtown revitalization were two priorities identified by Council. Councillor Collins further noted that City Views and City Places in downtown Hamilton provided a good impetus for other new residential developments and conversions in downtown. Demonstrating the commitment of the City to achieve these strategic priorities, Council established a “Downtown Housing/Construction Reserve” in April 2005 to facilitate new opportunities. The available funds in this reserve account amount to approximately $2.5 million.

In response to this Board recommendation, Housing Branch staff began to review a number of potential development opportunities. A staff committee was created to identify, assess and prioritize the opportunities. The committee was made up of representatives from various City of Hamilton areas including Housing, Downtown Renewal, Heritage and Urban Design, Real Estate and Economic Development.

At the outset, the staff committee focused exclusively on the Gore as that is where our City began over 150 years ago. There was recognition that it is the heart of Downtown Hamilton and continues to be the focal point of our community. The staff committee also noted that the Gore’s rich building architecture and community history is a legacy to all citizens of Hamilton that has not been fully realized. As a result, the following properties were identified for consideration:

**Treble Hall, 2-12 John Street North/85 King Street East** –
*Current Use:* Pizza Pizza on a portion of ground floor; upper second and third floors partially vacant along with Pagoda Chinese food restaurant.
Redevelopment Potential: Retain ground floor commercial; approximately 18-22 residential units on upper floors.
Other Factors: This property provides a strategic opportunity to visually link the Gore and King Street to King William Street.

87-89 King Street East -
Current Use: Vacant one-storey commercial building.
Redevelopment Potential: Demolish building and construct 4-5 storey structure.
Other Factors: Known as the “Kit Kat” building, this property is presently owned by the City and has been declared surplus to the City’s requirements. Real Estate staff has advised there has been minimal market interest.

Foster/MacKay Building, 66-68 King Street East -
Current Use: Vacant three- and six-storey commercial buildings.
Redevelopment Potential: Conversion of ground floor to commercial; redevelopment of upper floors to approximately 12-16 residential units.
Other Factors: These properties are highly exposed to passing traffic and their current physical look lends weight to the impression that downtown is in a distressed state. However, they are adjacent to the renovated court house building and their rehabilitation and reuse would improve the situation visually, offer companion compatible redevelopment adjacent to the courthouse and would improve the streetscape along the south leg of King Street.

Mills China, 11 King Street East (Part of 13-15 King Street East) -
Current Use: Occupied ground floor commercial; floors 2-5 vacant.
Redevelopment Potential: Maintain existing ground floor commercial; redevelopment of upper floors to approximately 12-16 residential units.
Other Factors: A classic example of underused upper floor space that easily can be reused productively.

As the various redevelopment options were discussed, there was recognition among staff committee members that linking the redevelopment of the City-owned parcel at 87-89 King Street East with the potential acquisition of the adjacent Treble Hall building to the west would be desirable. To this end, staff from the Downtown Renewal Division of the Planning and Economic Development Department held preliminary and conceptual discussions with representatives for the owner of the Treble Hall building. However, there was no interest on behalf of the owner to consider these potential opportunities. As a result, the most effective and expeditious development option was to utilize the existing City-owned property at 87-89 King Street East to create a landmark building that would trigger redevelopment and revitalization initiatives in the Gore as City Views and City Places had accomplished several years earlier elsewhere in Downtown Hamilton.
Housing Branch staff have been continuing their due diligence and overall feasibility on specifically the 87-89 King Street East property examining the zoning, legal, urban design and dwelling unit design requirements and implications. Unlike residential construction in “greenfield” locations, constructing a new residential building as an infill structure in an older urban area does present many challenges. Based on productive discussions with staff from the Planning and Economic Development Department, Housing Branch staff has been able to move quickly to create a preferred development concept for these lands that will result in a construction start in early 2006.

Since this site is strategically located near Gore Park it is important to develop a mixed use commercial retail/residential rental building which is in keeping with the overall streetscape, land use, urban design and architecture of the existing buildings around Gore Park. Staff has looked at ways to retain and incorporate the existing one-storey structure but it would be technically inefficient and not cost effective.

Accordingly, the preferred development scenario concept is to demolish the existing one-storey commercial building and construct a new 5-storey building with two ground floor commercial units and 16 units of rental residential on the 4 floors above (see Appendix “A”). A key target market for the rental units will be university students that will be attracted to “loft style” accommodations. This type of rental residential development targeting university students will complement other post secondary facilities in Downtown Hamilton.

To bring this project to reality, the City of Hamilton will be requested to transfer ownership of the lands to Hamilton Housing Corporation (HHC) and allocate sufficient capital monies from the Downtown Housing/Construction Reserve to allow this residential development to proceed. It is essential that the level of capital funding ensures the long-term financially sustainability of the project and does not adversely affect overall operating costs for HHC.

**DISCUSSION:**

The period of due diligence undertaken by Housing Branch staff has revealed a number of issues that would affect the timing of when construction could actually commence and overall development feasibility.

**Land Ownership -**
A recent legal property survey indicates the entire parcel has a width of 50.75 metres and a depth of 137.34 metres. However, the rear portion of the property (74.67 metres) has a joint ownership encumbrance on title from adjacent landlords with the front portion exclusively under City of Hamilton ownership. As well, one adjacent neighbour has built a one storey addition on the jointly owned land which is an encroachment.
Development and Real Estate Division staff is independently pursuing legal remedies for this matter including the possible use of a quit claim deed so the adjacent owner retains a clear title to this addition.

In an ideal situation, the preference would be to negotiate with the adjacent landowners and for one of the landowners allow them to retain the addition via a quit claim deed procedure in exchange for permitting development to occur on the jointly-owned lands. This would allow the proposed development to encompass another dwelling unit on each floor and having a total of 20 rental units (5 units per floor). However, these negotiations inevitably take considerable time to resolve and will very likely cause a construction start delay to late 2006 and possibly into 2007. Accordingly, Housing Branch staff believes the preferred option would be to build only to the extent on the land parcel that is exclusively owned by the City of Hamilton.

Parking –
Due to the site logistics, it is physically impossible to integrate either above grade or underground parking. In addition, as the intended target market for the rental residential units is university students, the absence of parking is not considered to be a significant impediment in terms of marketability nor will the absence of parking create parking pressures elsewhere in Downtown Hamilton. However, a minor variance through the Committee of Adjustment will be required. Delivery and loading will be provided off the alley way at the rear of the project upon the lands jointly owned by adjacent owners and the City of Hamilton.

Ground Floor Commercial -
The “Downtown Prime Retail Streets” zoning designation and the City of Hamilton Official Plan strongly encourages ground floor commercial in this area of the City. Based on discussions with Downtown Renewal Division staff, Housing Branch staff is confident that there is an untapped demand for new quality retail space in this part of downtown Hamilton. In order to minimize ongoing administration and commercial landlord concerns that have arisen in other CityHousing Hamilton development initiatives, the feasibility of creating a condominium where the commercial units could be sold is being explored further.

Land Use Planning Requirements -
The proposal meets or exceeds all of the requirements of the Downtown Prime Retail Streets zoning designation with the exception of parking requirements. Site Plan approval is not required.

Cost and Funding Sources -
Attached as Appendix “B” is the estimated capital costs for developing the project, approximately $2.1 million, along with an operating costs pro forma. It is important to note that there will be a high degree of architectural and aesthetic enhancements to this structure befitting its strategic location in Downtown Hamilton and to act as a catalyst for other private sector redevelopment initiatives in the years ahead. Operating costs and revenues have been
extrapolated from current Hamilton Housing Corporation projects and the project will be self sustaining and will achieve a very modest annual surplus in the $50,000 range.

The Federal and Provincial Governments have recently announced new expenditures to be made available under the Affordable Housing Program. However, the details of this program are not yet available and it is apparent that there will be much less flexibility from a housing provider’s perspective.

As was noted previously, Hamilton City Council has established the Downtown Housing/Construction Reserve to promote and facilitate residential initiatives of this type. To minimize operating costs and ensure this residential project does not adversely affect the long-term financially sustainability of Hamilton Housing Corporation as the owner, it would be appropriate to request $2.1 million from this reserve to allow this development to proceed. Any additional capital costs above this amount would be covered through placing a mortgage on the property and this would not significantly affect the long-term financial viability from an operating cost perspective. As well, this would allow other possible development proponents to access the remaining funds in the City’s Downtown Housing/Construction Reserve.

CONCLUSION:

The City of Hamilton is committed to the revitalization of Downtown Hamilton. Since the mid-1990’s, a series of programmatic and planning policy initiatives have been established to ensure Hamilton’s downtown is once again a desirable destination in our community to live, work and play.

The City of Hamilton through the vehicle of its City-owned housing corporations has also played a significant role in the revitalization of Downtown Hamilton. In 1998 and 1999 the City provided capital funding to kick-start the City Places and City Views rental housing developments on Walnut Street between King Street and King William Street. These developments demonstrated that there was indeed a demand for quality housing in Downtown Hamilton and that new residential development can sensitively integrate within the built urban form.

Housing Branch staff has identified the surplus City-owned lands at 87-89 King Street East as an opportunity to construct a mixed residential/commercial building comprised of two commercial units and 16 rental residential units targeting university students. After a period of extensive due diligence, staff are confident this development can proceed in an expeditious and cost-effective manner utilizing funds from the City’s recently established Downtown Housing/Construction Reserve.
The cost of the project is estimated at approximately $2.1 million. Accessing the full amount for capital construction costs would enhance the long-term financial sustainability of the project through lower operating costs and would not adversely affect the financial position of Hamilton Housing Corporation.

To bring this project to reality, a report will be prepared for the consideration of Hamilton City Council seeking transfer of the lands at no charge to Hamilton Housing Corporation and an allocation of $2.1 million from the Downtown Housing/Construction Reserve to Hamilton Housing Corporation.

The proposed project will replace a vacant, deteriorating building on the main thoroughfare of Downtown Hamilton in a highly visible and strategic location. This project will act as a catalyst for other private sector developers and owners of surrounding buildings to improve their buildings and a clear commitment of the City of Hamilton and CityHousing Hamilton to the health and vibrancy of Downtown Hamilton. Further, this project will showcase the City’s urban design principles and the use of attractive building materials compatible with the surrounding buildings and demonstrate the flexibility and appropriateness of the new Downtown Prime Retail Streets zoning designation.

**GOALS AND STRATEGIES 2005/2006:**

This report implements Goal 4: Reinvest in Communities and Increase Affordable Housing – *Expand the supply of affordable housing in Hamilton through new development, redevelopment and partnerships with the private sector and community housing stakeholders that will lever additional funding and resources.*

*Strategy 4.3: Investigate affordable housing development opportunities for unique community housing needs, e.g., single room occupancy (SRO), students.*

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