



Committee of the Whole REPORT 08-010

**9:30 a.m.
February 26, 2008
Albion Rooms
Hamilton Convention Centre**

Present: Mayor F. Eisenberger
Councillors B. Bratina, B. Clark, C. Collins, S. Duvall,
L. Ferguson, T. Jackson, B. McHattie, M. McCarthy, D.
Mitchell, M. Pearson, S. Merulla, R. Pasuta, and R. Powers
and T. Whitehead

Absent with regrets: Councillor B. Morelli – Personal Business

Also Present: G. Peace, City Manager
J. Rinaldo, General Manager, Finance and Corporate
Services
T. McCabe, General Manager, Planning and Economic
Development
Dr. E. Richardson, Medical Officer of Health
M. Gallagher, Coordinator, COW

COMMITTEE OF THE WHOLE PRESENTS REPORT 08-010 AND RESPECTFULLY RECOMMENDS:

**1. Correspondence from Tyler MacLeod, President, Hamilton Chamber
of Commerce respecting Airport Implementation Task Force
Recommendations**

That the correspondence from Tyler MacLeod, President, Hamilton Chamber of
Commerce respecting Airport Implementation Task force Recommendations be
received.

2. Anti-Idling By-law – Enforcement

That staff be directed to enforce the Anti-Idling By-law on a complaint basis with
the current staffing complement.

**3. Business Case to Purchase Lands Along Airport Road Adjoining the John
C. Munro/Hamilton International Airport (PED07048(c)/FCS07042(c)) (City
Wide) (10.1)**

- (a) That all future land required for runway and Airport expansion approximately 149 acres be approved;
- (b) That the requisite funding in the amount of \$3 Million to acquire the subject lands be pre-approved for inclusion in the 2009 Capital Budget.
- (c) That Report PED07048©/FCS07042(c) remain a confidential document.

4. Update on Business Plan – Hamilton-Wentworth District School Board (10.2)

That the Education Square Business Plan as amended be approved and released as a public document following approval by City Council.

5. Veteran’s Parking Permit

That staff be directed to investigate, in consultation with the Veterans Advisory Committee on the implementation of a Veteran parking permit program whereby Veterans who honourably served in World War I, World War II, Korean War, or any Veteran who resides in the City of Hamilton may be issued an annual parking exemption permit at no charge, which provides for an exemption from the fee payment regulations at on-street parking meters and in municipal parking facilities and report back to the Economic Development and Planning Committee.

FOR THE INFORMATION OF COUNCIL:

(a) CHANGES TO THE AGENDA

The Clerk noted the following change to the agenda:

Added Private and Confidential Matter respecting proposed or pending acquisition of land for municipal or local board purposes to be added as Item 10.2 on today’s agenda.

The Agenda of February 26, 2008 was adopted as amended.

(b) DECLARATIONS OF INTEREST

None

(c) ADOPTION OF MINUTES

3.1 February 11, 2008

Council – February 27, 2008

The Minutes of February 11, 2008 were adopted as presented.

(d) PRESENTATIONS

(i) Presentation made at the February 12, 2008 Economic Development and Planning Committee -“Planning and Economic Development Parking and By-law Services – Potential Revenue Generators 2008 Budget” (Item 6.1)

Tim McCabe, General Manager of Planning and Economic Development provided an update on how the matter was brought before Committee of the Whole for consideration.

Marty Hazel provided an overview of the issues referred to committee.

Committee received the following for information purposes:

- (1) Motion approved by Hamilton City Council on February 13, 2008 respecting Rate Increases for fees/fines
- (2) Materials distributed at the January 22, 2008 Economic Development and Planning Committee respecting Summary of Potential Revenue Generators and Fees

A motion to Table the Potential Revenue Generators – Parking to the February 28th COW to allow for the public delegation meeting to be held and the scheduling of a special Council meeting to be held immediately following the Committee of the Whole meeting was approved.

A motion that the early payment for parking fines be eliminated was DEFEATED on a Recorded vote as follows:

Yeas: Clark, McCarthy, McHattie, Merulla, Pearson, Whitehead,
Eisenberger

Total: 7

Nays: Powers, Mitchell, Pasuta, Jackson, Ferguson, Duvall, Collins,
Bratina

Total: 8

(ii) Taxing Private Parking Lots

Councillor McHattie raised this issue and staff was directed to review this issue and report back to committee.

- (iii) The following motion was deferred pending the completion of the Operational Review:
 - (a) Anti-Idling Enforcement
 - (i) That one time funding, in the amount of \$76,000, for an Anti-Idling By-law Enforcement Officer be approved.
 - (ii) That staff be authorized and directed to lease a hybrid vehicle, for use by the Anti-Idling By-law Enforcement Officer, at a cost yet to be determined.

The motion directing staff to enforce the by-law on a complaint basis with current staffing complement CARRIED on the following Recorded vote:

Yeas: Eisenberger, Duvall, Ferguson, Jackson, McCarthy, McHattie,
Merulla, Powers, Collins
Total: 9
Nays: Bratina, Clark, Pasuta, Mitchell, Pearson, Whitehead
Total: 6

(e) PRIVATE AND CONFIDENTIAL

Committee moved into closed session further to Section 8.1 subsection (c) of the City's Procedural By-law as the subject matters pertained to proposed or pending acquisition of land for municipal board purposes and reconvened in Open Session.

- (i) Business Case to Purchase Lands Along Airport Road Adjoining the John C. Munro/Hamilton International Airport (PED07048(c)/FCS07042(c)) (City Wide) (Item 10.1)

The following amendment was DEFEATED on a Recorded Vote as follows:

That subsection (b) be amended to read as follows:

- (b) That all land purchased required for the development of Hamilton airport be funded from revenues of a passenger head tax.

Yeas: Powers, Merulla, McHattie, Bratina, Clark, Collins, Duvall
Total: 7
Nays: Eisenberger, Whitehead, Pearson, Mitchell, Pasuta, Jackson,
Eisenberger
Total: 7

Main Motion Carried on a Recorded Vote:

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Yeas: Whitehead, Powers, Pearson, Mitchell, Pasuta, Jackson, Ferguson,
Eisenberger

Total: 8

Nays: Merulla, McHattie, Duvall, Collins, Clark, Bratina

Total: 6

The following Motion was WITHDRAWN:

That the Mayor, Chair of the Economic Development and Planning
Committee and Councillor Collins with staff liaison on any future
negotiations involved with the Airport.

- (ii) Update on Business Plan – Hamilton-Wentworth District School
Board (Item 10.2)

Refer to Item 4 for disposition of this matter.

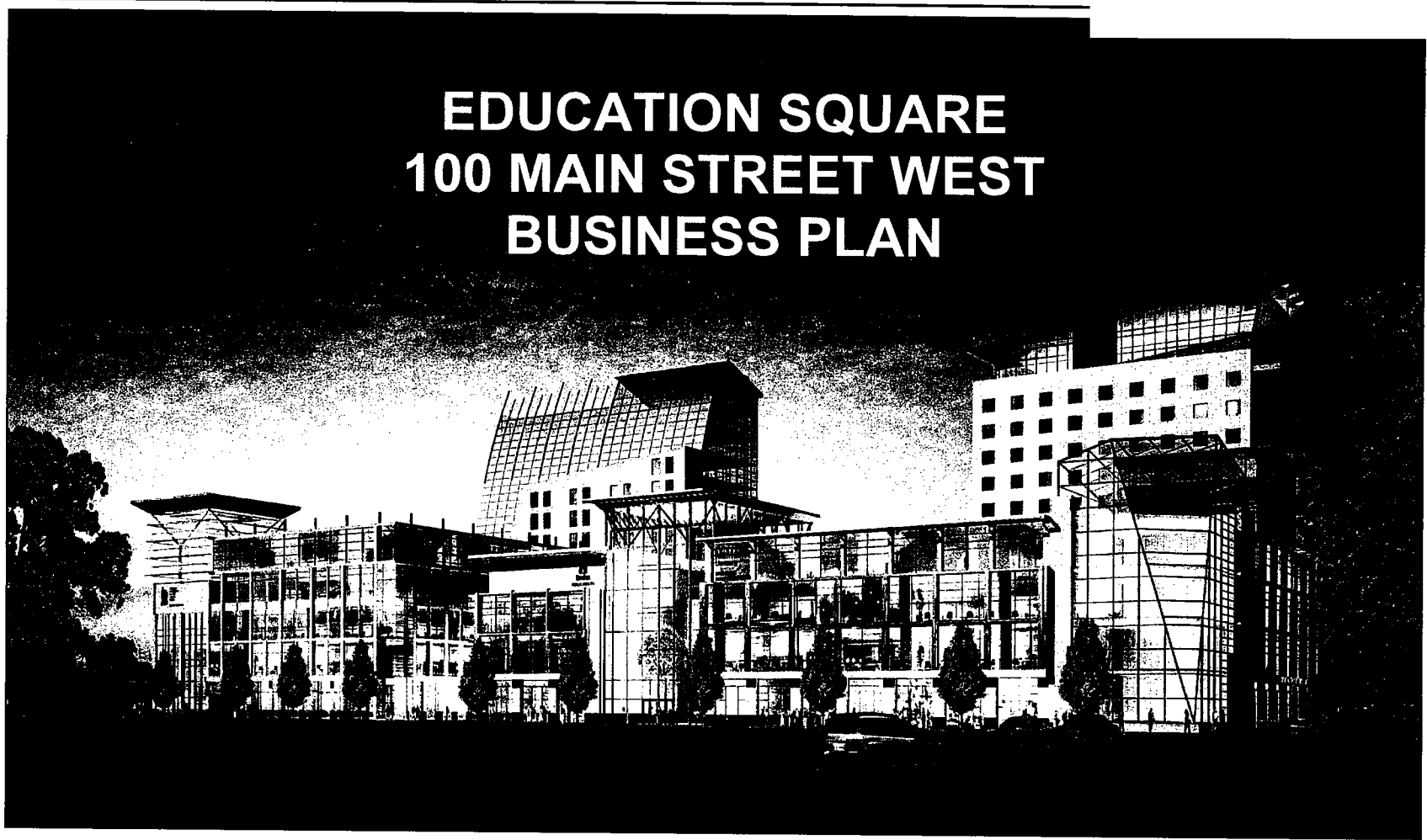
There being no further business the meeting adjourned at 2:50 p.m.

Respectfully submitted,

Mayor F. Eisenberger

M. Gallagher, Co-ordinator
Council, Committee of the Whole/Budgets
February 26, 2008

EDUCATION SQUARE 100 MAIN STREET WEST BUSINESS PLAN



EXECUTIVE SUMMARY:

In accordance with the decision of the Hamilton Wentworth District School Board (HWDSB) at its meeting held January 10, 2008, a business plan for the HWDSB site at King, Main and Bay Streets has been prepared and is hereby submitted in fulfillment of the HWDSB's request.

The business plan proposes that five (5) principal blocks of land be established from the HWDSB site after purchase of the site by the Hamilton Realty Capital Corporation (HRCC) based on fair market value. The 5 blocks would be for: HWDSB's administrative office; McMaster's School of Family Medicine or other users; the City of Hamilton's Public Health Department; and, two (2) private developed hotels.

Utilizing the City's Enterprise Zone Municipal Realty Tax Incentive Grant Program (EZ) in a unique way, the business plan demonstrates how the HWDSB may remain on a portion of its current holding, while at the same time, providing the opportunity for revenue that would make the construction of a new HWDSB administrative office feasible. It is proposed that the tax savings eligible for the hotel sites would be transferred by the private sector developer to the HWDSB during the duration of their eligibility for the tax grant. The sale of the property; the tax incentive contribution from the hotels; and, the Province granting the educational portion of the tax increase as well, demonstrates that the administrative office for the HWDSB could be built at a total cost of \$4,525,500. Failing the participation of the Province, the cost would be \$5,669,500.

The business plan further outlines the availability and costing of assumed rates of parking to support the various land uses, however the decision as to how many spaces would be leased by each proposed user of the site would be at their discretion.

Based on the preliminary assessment of this business plan, the HWDSB is respectfully requested to endorse this business plan and authorize and participate in moving the venture forward.

INTRODUCTION:

The City of Hamilton's Downtown and Community Renewal Division identified the Hamilton Wentworth District School Board (HWDSB) site at 100 Main Street West as an excellent opportunity for redevelopment a number of years ago. After discussion with staff from HWDSB, there was a level of interest in pursuing various options for the future of the site. Now that the HWDSB is considering it for options for accommodating their future needs, the City presented a significant development proposal to the Board at its meeting of January 10, 2008. As a consequence the Board asked that City staff develop a business plan for the site's development for consideration by the board and its staff. This business plan is submitted in fulfillment of the Board's request.

VALUABLE SITE AND EXCELLENT SIZE AND LOCATION:

The site is strategically located in the core of Downtown Hamilton and has excellent exposure fronting on Bay Street, Main Street and King Street. The size of the parcel of land is in excess of three (3) acres, which size is very unique in this central location.

UTILIZATION OF LAND TO ITS FULL POTENTIAL:

Original concepts contemplated by Downtown and Community Renewal staff included housing, retail and hotel space. However, the redevelopment potential was enhanced approximately one (1) year ago when representatives from McMaster University were interested in a central site with exposure for the School of Family Medicine. The Downtown and Community Renewal Division identified several sites in the Downtown that could facilitate this use. The corner of Main and Bay Streets was McMaster's site of choice for the School of Family Medicine. Through discussions with the representatives from McMaster the synergies between the new School of Family Medicine and the City of Hamilton's Public Health Department were emphasized. The concept plan sites both Public Health and McMaster, but other users could equally be accommodated on the site.

The City's Public Health Department identified a need to amalgamate their functions to a single site. Public Health also identified the synergies between Public Health and the HWDSB as the Public Health Department and the School Board work in collaboration in the areas of health promotions within schools, immunization and environmental health issues. Co-location enhances communication and provides increased collaboration.

In order to achieve full utilization of the property the Downtown and Community Renewal Division staff approached the private sector to gauge the development interest in the remaining lands fronting on Main and King Streets. The private sector showed a great interest for hotel use on both sites. All interested parties have expressed the main interest in development being by way of ownership of their particular land and buildings. The final piece of the development would be a particular body being the lead developer in purchasing the land and severing the parcels to the individual developers. The Hamilton Realty Capital Corporation (HRCC) an entity that is a private-for-profit corporation with City interest by way of a loan, as well as a unanimous stakeholders agreement which specifically and legally holds the HRCC to development endorsed by the City of Hamilton.

The resulting development on the lands would result in a dynamic partnership among the HWDSB, McMaster University's School of Family Medicine or other users, the City of Hamilton and the HRCC. All public uses complement one another in ways identified earlier in this business plan. A unique financing aspect identified in this business plan would see the private sector hotel development assisting the HWDSB in affordability. In this regard, the private hotel developers have agreed to assign the City of Hamilton's Enterprise Zone grant program to the HWDSB which would provide tax grants over a five (5) year period. Approximately 450 new hotel rooms to the Downtown are proposed thereby creating a new era in Hamilton for larger and more sustainable activities such as conferences.

This business plan will deal exclusively with the HWDSB and the affordability. The other users as well as the City of Hamilton will be separate entities. However the City will take the lead in the underground parking facility.

CITY OF HAMILTON'S POTENTIAL COMMITMENT:

The City of Hamilton's potential commitment to the proposal is tremendous, provided through various means as detailed below.

Through the City of Hamilton's Municipal Realty Tax Incentive Grant Program, the private hotel developers have agreed to assign their five (5) year grant under the program to the HWDSB to encourage the continued location of the Board's administrative offices in the Downtown. The grant is estimated at \$3,307,500 over the term of five years.

The City of Hamilton is considering the consolidation of the Public Health Department to this site. The City would lease 60,000 square feet over a 15 year period. The lease cost is preliminarily based on \$20 per square foot bringing the total cost over the 15 year term to \$18,000,000.

The site will require extensive parking facilities which will be accommodated underground. The City would be responsible for the construction of the parking facility at an estimated cost of \$17,820,000.

The lead developer as previously mentioned, would be the Hamilton Realty Capital Corporation which has City involvement by way of a \$2,000,000 non-interest bearing loan.

The following summarizes the City's potential commitment to the proposal:

Enterprise Zone Municipal Realty Tax Incentive Grant Program	\$ 3,307,500
Public Health Department's 15 Year Lease	\$18,000,000
Parking Structure Cost	\$17,820,000
Interest Free Loan to the HRCC	\$ 2,000,000
City's Total Potential Investment	\$41,127,500

FINANCIAL:

The elements that will be considered financially will be as follows:

- a) The land value consideration to the HWDSB;
- b) The construction cost to the HWDSB;
- c) The construction cost for the private hotels;
- d) The estimated taxes from the private hotel; and
- e) The net tax savings that will be assigned from the private sector to the HWDSB.

Within the financial analysis of this business plan there are assumptions that have to be made. The land value consideration to the HWDSB will be based on \$2.5 million per acre. It must be noted that a formal appraisal in agreement to all parties will be performed to determine the actual pricing. All construction costs will be estimated as well as the net tax savings.

Land Value:

Opening Statement

Based on \$2,500,000 per acre

3.3 acres @ \$2,500,000 per acre = \$8,250,000
approximately .60 of an acre is required = \$1,500,000

Net Proceeds Based on Sale
\$8,250,000
\$1,500,000 School Board Land Retention
\$6,750,000 Net Proceeds to HWDSB

Construction Cost for HWDSB

Administration Offices - 75,000 square feet
75,000 @ \$200 per square foot
Total Cost: \$15,000,000
Net Proceeds
Land Sale \$6,750,000
\$8,250,000

Construction Cost and Value of Hotels

Hotel 'A' Main Street frontage 150,000 square feet
Hotel 'B' King Street frontage 200,000 square feet
Total Square Footage 350,000 square feet

Typical four (4) star hotel hard construction costs have been estimated at \$185.00 per square foot. Creating approximately 450 new hotel units

Total construction cost

350,000 square feet @ \$185.00 per square feet = \$64,750,000

Based on Hamilton Downtown taxes for hotels, the most recent tax analysis was conducted at the Staybridge Suites Hotel based on the 2007 tax bill. Current tax rate is \$3,500 per unit.

Estimated annual tax rebate to School Board:

Full taxes 450 units @ \$3,500 per unit \$1,575,000 (rebate for first 5 years however declining by 20% each year after the first year).

Total Estimated Taxes Annually:

<u>Total</u>	<u>Municipal</u>	<u>Provincial</u>
\$1,575,000	\$1,102,500	\$472,500

Municipal Portion:

Year One 100%	\$1,102,500
Year Two 80%	\$ 882,000
Year Three 60%	\$ 661,500
Year Four 40%	\$ 441,000
Year Five 20%	\$ 220,500

Total Municipal Portion: \$3,307,500

Provincial Portion:

Year One 100%	\$ 472,500
Year Two 80%	\$ 378,000
Year Three 60%	\$ 283,500
Year Four 40%	\$ 189,000
Year Five 20%	\$ 94,500

Total Provincial Portion: \$1,417,000

The tax rebates reflected above are calculated based on the taxes not increasing over the rebate period.

Net Revenues to HWDSB:

Net Income Land Sale	\$ 5,750,000
Net Income Tax Rebate	\$ 4,724,500
Total Income to HWDSB	\$ 10,474,500
Total cost of Construction	\$ 15,000,000
Total Cost of HWDSB	\$ 4,525,500*

Note*: In the event the HWDSB is unsuccessful in obtaining Provincial approval for the Provincial tax portion to be rebated, \$1,417,000 of approximate tax rebates could not be achieved over the five year period bringing the total cost to the HWDSB to **\$5,669,500**.

Parking Cost of Construction:

The parking structure will be two levels of underground parking utilizing the entire site. Based on other Downtown parking facilities it is possible to accommodate approximately 120 parking spaces per acre which, based on two levels, the structure would accommodate 792 underground parking spaces.

Construction costs for underground parking spaces range from \$20,000 per space to \$25,000 per space. For the purpose of this business plan we will utilize the median being \$22,500 per parking space.

Construction Cost:

792 spaces @ \$22,500 per space

Total cost \$17,820,000

Parking Rates:

The parking rates for the proposed structure would be best estimates by comparability of utilizing the existing rates which are:

\$108 monthly
\$2.50 per hour
\$7.50 daily

The breakdown of how the parking would be utilized is based on 60% for monthly parking patrons, 20% for hourly patrons and 20% for daily patrons.

Total spaces	792
Monthly	475
Daily	158
Hourly	158

Monthly rates are estimated to be at 100% occupancy and the hourly and daily rates are estimated at 80% occupancy.

Monthly 475 @ \$108 monthly:	\$ 51,300
Daily 158 @ \$7.50 per day:	\$ 35,550
Hourly 158 @ \$2.50 per hour:	\$118,500
	\$205,350

Parking Expenses:

Expenses have been estimated based on other parking facilities in the City of Hamilton and run at 50% based on the net income the facility would be at a break-even scenario.

CONCLUSION:

The foregoing business plan illustrates how the partnership of the private sector through the HRCC can result in the redevelopment of a significant downtown site. The unique proposal to allocate tax savings under the EZ means that a fundamental direction of the Downtown Secondary Plan will be maintained, that is that the Downtown Core be the home of major government entities and this would include the HWDSB.

The business plan demonstrates the economics behind new hotel construction in the Core, much needed infrastructure to lever world conferences at adjacent City facilities i.e. Hamilton Convention Centre; Hamilton Place; Copps Coliseum.

The sale of the land provides the seed money for the HWDSB to remain on its Downtown site while at the same time affording the School of Family Medicine or other users to share the site and manage their own affairs.

While our business plan provides for parking to support the built space within our Downtown, payment for the parking, and the leasing of the individual spaces would be at the discretion of the individual partners in the development as to how many parking spaces they are willing to lease.

This business plan demonstrates that there is a sound basis to move the development venture forward. In order to move forward we require the HWDSB to endorse this business plan.