



Date: September 24, 2019

Report to: Board of Directors
CityHousing Hamilton Corporation

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Subject: Jamesville Redevelopment Report #17007(c)

RECOMMENDATION:

NOTE: Report #17007(c) is a public document, with the exception of Appendix "A" to that report.

Discussion of Appendix "A" to this Report #17007(c), 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 by CityHousing Hamilton.**

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 redevelopment, 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;

WHEREAS the Preferred Proponent for the Jamesville redevelopment was secured through a competitive process and has been vetted through the Due Diligence process, which is now complete;

THEREFORE BE IT RESOLVED THAT:

- (i) The Board of Directors approve the Preferred Proponent to become the Qualified Preferred Proponent, as defined in City of Hamilton RFP C18-07-19, and authorize staff to negotiate the Contract Documents; and
- (ii) Staff shall report back to the Board following the completion of the Negotiation stage with a recommendation regarding execution of the Contract Documents with the Qualified Preferred Proponent.



Tom Hunter
Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

The Jamesville redevelopment represents an opportunity for CityHousing Hamilton (CHH) to renew and expand affordable housing in the North End of the city through a partnership for socially focused development that allows for increased density, an expanded spectrum of affordability, and diversity of tenures and incomes on this underutilized but valuable public site.

A Request for Proposals (RFP) was issued that created a competition for a proponent to maximize both the social benefit and financial sustainability of the Jamesville site. The public offering process resulted in the formation of consortia teams to respond, and after one disqualification, three proposals were evaluated on financial, affordability, and city-building criteria, as well as relevant qualifications, that together sought to ensure the best social and financial outcomes.

Through the competition, CHH identified a Preferred Proponent with which to collaborate. The Preferred Proponent team consists of Indwell and West Harbour Development Limited Partnership, which include: Fram + Slokker, Melrose Investments Inc., Marz Developments Inc., and Homes by Desantis. This collective team is highly experienced in designing and operating units at below-market rent, building at volume, financing, and have specialities in high-performance construction.

The RFP was successful in creating a competition that resulted in a leading proposal which aims to achieve favourable outcomes for the social housing sector and the city overall, including: affordability beyond the mandated minimum throughout the site; density that intensifies in a contextually appropriate way; a CHH building delivered at no cost, and surplus land sale proceeds that can be deployed at CHH's discretion.

The project team has now completed Due Diligence on the Preferred Proponent and is seeking approval from the Board of Directors by way of this Report to approve the Preferred Proponent to become the Qualified Preferred Proponent and authorize staff to negotiate the Contract Documents, following which staff will conclude the Negotiation phase by returning to the Board with a recommendation on the agreement.

BACKGROUND:

CHH owns 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. The redevelopment aligns with the City of Hamilton's long-term policy plan to further intensify land uses on the Site given its location adjacent to the West Harbour GO station, 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.

A summary of the timeline of direction, approvals and milestones for the Jamesville redevelopment follows:

- 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 the intention to redevelop and intensify the Site confirmed.
- 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.
- At the CHH Board of Directors meeting on April 1, 2017 (Report #17007) an RFEOI (Appendix "A" of Report #17007) was presented, and on July 28, 2017 responses were received which would be used to inform a future RFP.
- 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, and it was determined that dividing the deeply affordable housing at the Site and the newly acquired and nearby Bay-Cannon site would be advantages from a systems perspective.
- On May 4, 2018 the land development consultant N. Barry Lyon Consultants Limited (NBLC) was retained to prepare a redevelopment feasibility analysis (Appendix "B" of Report #17007(a)) of the Site to evaluate intrinsic value and how this 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.
- In January 2018 CHH engaged the West Harbour team to assist in developing a custom offering strategy for Jamesville, leveraging their successful experience with land disposition.
- At the CHH Board of Directors meeting on September 22, 2018, Report #17007(a) was presented and the Board of Directors approved recommendations on project objectives and the offering process.

- At the CHH Board of Directors meeting on December 20, 2018, Report #17007(b) was presented and the Board of Directors authorized staff to commence the public offering in accordance with the Evaluation Criteria and Scoring Framework for the RFP.

In accordance with Board direction, Staff engaged the City's Procurement Section to advise and administer the RFP process in a manner consistent with the City's Procurement Policy By-law.

The redevelopment offering was comprised of two key components: the sale of the Site to the Successful Proponent; and the effective use of those sale proceeds as equity towards the purchase of 46, newly-constructed apartment units for CHH's exclusive ownership and use as RGI rental units, to be built by the Successful Proponent.

The RFP was issued on April 8, 2019 and closed on June 6, 2019. Four Proposals were received of which one was disqualified for non-compliance and the remaining three Proposals proceeded to be evaluated. Proposal evaluations were conducted between June 7, 2019 and concluded on July 18, 2019 when the project steering committee endorsed the evaluation team's identification of the Preferred Proponent. A limited public disclosure of the Preferred Proponent's identity, by way of notice posted on the procurement website to indicate the submitting proponent, Marz, was the Preferred Proponent, was made on July 23, 2019.

Due Diligence has been underway since the conclusion of evaluations and has now been completed. With an approval of the recommendation to the CHH Board of Directors in this report on the Preferred Proponent becoming the Qualified Preferred Proponent, the Negotiation phase will commence and proceed towards finalizing the Contract Documents.

DISCUSSION:

Opportunity and Offering

The offering was arranged to create competition for affordability beyond mandated minimums. CHH invited private sector developer-builders, or consortia teams of building disciplines, to propose redevelopment concept plans for Jamesville.

Minimums included two buildings, a 46-unit building for CHH in precise accordance with its functional specification program, and an additional 45-unit affordable rental building, where rents must average not more than 125% of Median Market Rent. The RFP evaluation approach included a further incentive for proposals to offer an overall proportion of affordable units within the project, of greater than 15%.

These parameters ensured that, at a minimum, the original count of 91 affordable housing units was maintained, while promoting a diverse, inclusive, mixed income community.

Proposal

The Preferred Proponent provided several wins for affordable housing and the city, including:

- **A 46-unit replacement CHH building at a fixed cost of \$0:** for which any cost escalations are carried by the proponent, so that irrespective of cost increases CHH will receive a building at no cost;
- **Affordable units beyond the 45-unit minimum:** this may broaden the spectrum of affordability or provide additional depth, and at a quantity that exceeds the minimum requirement;
- **An injection of cash for CHH:** the proceeds of the land exceed the cost of both the new CHH building and the additional affordable housing, resulting in more funds for housing in the CHH portfolio.

Confidential details of proposed affordability quantities and total financial contribution beyond the cost of the CHH building are included in the confidential Appendix "A," CHH Summary of Preferred Proponent Submission.

Preferred Proponent

Indwell and the West Harbour Development Limited Partnership, also known as the Jamesville Redevelopment Corporation, or "The Partnership," are a Joint Venture Partnership. Indwell will be providing the affordable rental housing component while The Partnership, formed by equal equity partners Fram Building Group Ltd. & Slokker Canada Corp. ("FS"), Marz Developments Inc. ("Marz"), Melrose Investments Inc. ("Melrose") and Homes by DeSantis ("DeSantis"), is responsible for the private market units, as well as the below grade construction, and all site plans, zoning approvals, and infrastructure works. Each member of the Preferred Proponent has an extensive track record in development and members of The Partnership have had prior experience working together.

Procurement Summary

The RFP submission requirements and evaluation criteria were guided by principles established by the CHH Board through its approval of staff recommendations contained in Report #17007(a) and Report #17007(b). Staff worked closely with City Procurement and relied on the advice of its corporate legal counsel, Ross & McBride LLP, to develop the proposed deal structure, solicitation process strategy, and the RFP call document.

Four proposals were received, with one being disqualified for being incomplete to the point where its evaluation could not be conclusive. Evaluations were conducted

by a team comprised of senior-level CHH and City staff with areas of expertise ranging from planning, finance, sustainability, and brownfield redevelopment, all within the observation and administration of procurement staff. Oversight of the entire process was governed by a steering committee comprised of the CHH's Chief Executive Officer, the City's General Manager of Healthy and Safe Communities, and the Senior Advisor to the General Manager of Planning and Economic Development. The steering committee was also given the final authority to endorse the evaluation results of all proposals and the selection of the Preferred Proponent.

Due diligence has included a thorough vetting of the Preferred Proponent's qualifications, including their claims of project team expertise, track record of accomplishments, financial good standing, financing capabilities and capacity, and civic contribution. Having completed these steps, CHH is satisfied that the Preferred Proponent is appropriately qualified and has demonstrated intent to carry through in accordance with its proposal, and therefore a recommendation is being made to the Board of Directors to accept the result of the RFP and authorize CHH to carry out final negotiations to establish legally-binding agreements to effect the sale of the lands and the design-build procurement of the CHH units.

Staff also concluded debriefs with requesting unsuccessful proponents during the week of July 22, 2019, and can report that the window of opportunity for any to file grievances in accordance with the City's Procurement Policy By-law has expired, leaving the CHH Board of Directors free to consider the recommendations herein with the confidence that the process was conducted in a fair, open, and transparent manner.

Negotiations

As part of the negotiations, there are several interrelated planning, financial, and logistical items to be investigated, resolved and agreed upon by all parties. These include the eligibility for Development Charge Waivers; applicability of Demolition Credits; qualifying calculations for the ERASE Redevelopment Grant Program, sequencing and approval; and applicable planning approvals through the City of Hamilton.

The proposal provided by the Preferred Proponent is based on several assumptions regarding the items to be negotiated and therefore is subject to change if eligibility, applicability, qualifying calculations, sequencing, and approvals differ from the baseline anticipated.

Negotiations will conclude with a recommendation on the Contract Documents, which are envisioned to be a suite of agreements that will govern the transaction and commercial relationship between CHH and the Qualified Preferred Proponent, and at a minimum will be comprised of a Conditional Agreement of Purchase and

Sale and a Design-Build Contract to deliver CHH's building (or a binding Letter of Intent to that effect).

With approval of the Contract Documents by the CHH Board of Directors and their execution, the presence of legally binding agreements with the Successful Proponent will mark the formal conclusion of the procurement process. However, it must be noted that in the event CHH and the Preferred Proponent fail to come to mutually agreeable terms based on any changes to the deal, then Negotiation may end with a recommendation to the Board that any terms changed from the original proposed deal not be accepted, thus ending the relationship with the Preferred Proponent.

The RFP indicated a target date of May 1, 2020 to complete Negotiations and staff continue to support this estimate.

Communications Plan

Upon approval of the recommendations before the CHH Board of Directors herein, this Report, without the confidential appendix, will then be posted publicly immediately following the Board meeting, and a joint media release developed between the newly Qualified Preferred Proponent and CHH will be released.

CONCLUSION:

The RFP process seeks to maximize affordable housing on the site and capital capacity to invest in the CHH portfolio, both of which the Preferred Proponent has successfully demonstrated will occur through their proposal and the Due Diligence vetting process.

The Jamesville redevelopment will result in 100% of the value extracted from the Site invested in affordable housing in Hamilton. It will create a complete community, comprised of mixed uses, a diverse and inclusive resident base, and a full spectrum of affordability reflected in housing choices, while providing significant benefit to the City of Hamilton through contributions of a public building and a financial allocation for CHH.

By implementing the recommendations contained herein, the Preferred Proponent will become the Qualified Preferred Proponent and negotiations begin towards finalizing the Contract Documents that would take full advantage of the Site's intrinsic value for the benefit of the entire city.

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.

APPENDICES:

Appendix "A" (CONFIDENTIAL) CHH Summary of Preferred Proponent Submission

Discussion of Appendix "A" to this Report #17007(c), 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 by CityHousing Hamilton.

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.