



Date: October 24, 2017

Report to: Board of Directors
CityHousing Hamilton Corporation

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Chief Executive
Officer/Secretary

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Subject: Roxborough Park Development Opportunity - A (Report #17029A)

RECOMMENDATION:

That the Board of Directors approve the following resolution:

WHEREAS CityHousing Hamilton Corporation (CHH) and the Roxborough Park Inc. (RPI) have a signed Letter of Intent (LOI) for preliminary discussions on the redevelopment of the CHH Lang-Hayes-Reid site and the adjacent former school for a mixed income community that would be a catalyst for revitalization in the neighbourhood;

WHEREAS RPI's proposed project would combine the former Roxborough Park School with the area of CHH's 91 unit townhouse site on Lang and Hayes, redeveloping it into approximately 250 private market residential rental and 300 ownership units, and would redevelop the 16 unit low-rise site at 41 Reid Ave S with a new CHH 95 unit mid-rise building, consisting of 64 social housing units and 31 moderately affordable market rent units;

WHEREAS significant annual tax revenues in the range of \$2.2M may be added by the City of Hamilton as a result of the proposed development of approximately 550 private market residential rental and ownership units on the combined Roxborough Park School and CHH Lang and Hayes site;

WHEREAS City of Hamilton staff were directed to examine the feasibility of financial incentives for a demonstration project to stimulate neighbourhood renewal;

THEREFORE BE IT RESOLVED THAT:

- (i) The Board of Directors approve in principle the sale and purchase of the Lang-Hayes-Reid site to RPI, contingent on continued negotiations with RPI towards finalizing the proposed development opportunity as described in this Report, provided it is confirmed to be in alignment with the goals and mission of the organization and accompanied with detailed legal and financial commitments including but not limited to the following:
 - a. Companion agreements securing housing affordability is achieved throughout the balance of the site to the satisfaction of the CHH Board of Directors and the City of Hamilton;
 - b. That an independent appraisal, sourced and selected by the City of Hamilton, and paid for by RPI, is provided for the lands to be sold to ensure fair market value is received;
 - c. That a purchase and sale agreement be prepared, including, but not limited to construction costs and construction details regarding the 95-unit CHH building to be developed, all to the satisfaction of the CHH Board of Directors;
 - d. That a Transition Plan and Communication Plan be submitted and approved to ensure that all residents are appropriately engaged and provided with current information, to the satisfaction of CHH Board of Directors and the City of Hamilton; and,
 - e. That innovative design and construction measures are incorporated within the proposed 95-unit CHH building to ensure the ongoing commitment of CHH to secure economic and social sustainability;
- (ii) The Board of Directors approve CHH staff to request of Housing Services, that for any operational shortfall from negative cash flow of the proposed development over the 35 year financing term, additional annual subsidy be provided from the City of Hamilton to mitigate the financial impact to CHH;
- (iii) The Board of Directors approve CHH staff to request of Housing Services, permission for 27 of the existing 91 RGI units to be transferred to a market rate building or buildings within the CHH portfolio, and for 31 market rentals at 125% AMR to be created in

their place, and for the 16 market rentals at 80% AMR to be eliminated;

- (iv) The Board of Directors approve CHH staff to request of Housing Services and the City of Hamilton as Shareholder, provide consent to the sale of the Lang-Hayes-Reid site, the repurchase of 41 Reid Ave S, the taking on of debt to finance the construction of a new building at 41 Reid Ave S, the guarantee of such debt, and a 35 year amortization on the financing;
- (v) That the Board of Directors approve RPI to submit the requisite *Planning Act* applications concerning the zoning and subdivision of the CHH Lang-Hayes-Reid site;
- (vi) That Report #17029 - Roxborough Park Development Opportunity and its appendices remain confidential and not be released as a public document until final completion of the real estate transaction.



Tom Hunter
Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

CHH and City of Hamilton staff have been working with RPI on a mixed income, mixed tenure housing demonstration project in a portion of the McQuesten neighbourhood intended to stimulate neighbourhood renewal and revitalize a CHH site. The focus of collaboration and negotiation has been determining the number of social and affordable housing units that can be accommodated in the development while maintaining a viable operating budget for CHH. The following summarizes the key considerations in the proposed development:

- *Deal Structure* - The sale of the CHH Lang-Hayes-Reid site to RPI, who would develop social and affordable housing on 41 Reid Ave S and sell this back to CHH, while building out private market residential rental and ownership units on the Lang and Hayes portions and the adjoining former Roxborough Park School lands. Financing would be required to fund the new CHH building.
- *Community Revitalization* - Providing various types of housing forms, tenures and affordability that would satisfy a number of planning and

social policy objectives related to intensification, increasing housing supply and increasing housing options.

- *Affordability Impact* - Realigning and downsizing the CHH portfolio by converting 27 market rate units within the CHH portfolio to RGI, removing 16 affordable market units, and adding 31 moderately affordable market units. In addition, creating other levels of private market affordable rental and ownership options secured in the balance of the lands sold.
- *Financial Impact* - Rebuilding a CHH asset to provide a reset of capital deficit, reducing annual operational costs, providing a principal repayment on the project financing, and creating tax assessment growth. The project would create a net cash flow loss which would require an equal amount in increased subsidy from the City of Hamilton. Furthermore, for affordable options to be included on the developer owned portions of the site, the proponent would require a package of incentives from the City of Hamilton.
- *Resident Transition Plan* - Development of the 41 Reid Ave S portion of the site first would result in up to 16 households being temporarily relocated to another suitable CHH property or another housing provider (e.g. Effort Trust) during construction. Eligible residents among these, along with those at Lang and Hayes, would be relocated to the new building once complete, or otherwise to suitable CHH properties.

BACKGROUND:

At the CHH Portfolio Committee meeting on September 16, 2016 the development of the CHH Lang-Hayes-Reid property in conjunction with the former Roxborough Park School lands was discussed in detail. A motion was made by Councillor Jackson and unanimously approved: "That staff continue discussions with Roxborough Park Inc. representatives and report back to a future committee with the result of those conversations."

A report outlining details of the potential Roxborough development was brought to GIC on December 7, 2016 (Appendix A) and then an LOI between CHH and RPI was subsequently signed on December 12, 2016. CHH and City of Hamilton Planning and Housing Services staff have since worked together with the proponents to further delineate the conditions and outcomes necessary to facilitate the redevelopment of the CHH and RPI lands with the intent of creating an inclusive mixed income community. A brief update outlining this progress went to the CHH Board on July 18, 2017.

Updates were also provided to the community through consultation on the potential redevelopment on Oct 24, 2016 and May 25 2017, with an additional

session planned for October 24, 2017 to coincide with the release of a public version of the Report.

Through detailed discussions with RPI, CHH and City of Hamilton staff have confirmed the core elements of the proposal, which are detailed in this Report and include the areas of deal structure, community revitalization, affordability and financial impact, along with resident transition plans.

DISCUSSION:

Deal Structure

In the proposed development, CHH would sell the entire Lang-Hayes-Reid 3.3 ha (8.2 ac) site to RPI and buy back the 0.6 ha (1.4 ac) 41 Reid Ave S portion with a completed social and affordable housing building in a turn-key process. There would be a premium associated with outsourcing development, but also a reduction in administrative time by CHH during construction and a fixed price for the acquisition of the building.

The proposed development would consolidate 107 grade related units into one 95-unit mid-rise building on the 41 Reid Ave S portion of the site. The Lang and Hayes portions of the site and the former Roxborough Park School lands would be built out for private market residential rental and ownership options. Detailed design work has already been completed for the site, but there will be some opportunity for input from CHH and City of Hamilton staff, as well as existing and future residents.

Confirmation of the financing rate and amortization period will be examined prior to any purchase of sale and approved in accordance with the recommendation.

Community Revitalization

The redevelopment of the Lang-Hayes-Reid site with the former Roxborough Park School lands is an opportunity for significant community revitalization. This development represents an opportunity to improve the efficiency of service delivery and also the physical conditions of its aging stock, providing much improved building conditions for residents. In addition, the proposed project offers the opportunity for the redevelopment of the joint site for greater density and a broader spectrum of affordability, which could serve as a model of inner suburb revitalization.

RPI have committed to a mixed income, mixed tenure development should they purchase the CHH property. The development would provide a meaningful opportunity for existing Hamilton residents who are potentially being displaced as a result of the rising land values currently witnessed within downtown and

throughout Hamilton. This is proposed to include 250 rental units and 300 ownership units with a level of affordability embedded within each tenure. Currently the depth of affordability remains in discussion, dependant on market performance and ability for the proponent to access potential City of Hamilton incentives geared towards affordability and neighbourhood revitalization. As detailed within the recommendation, companion agreements would be required to secure the depth and breadth of affordability in the balance of the site.

The Lang-Hayes-Reid site would be an ideal location for a community renewal and mixed income demonstration project. The lands are serviced by existing and future transportation infrastructure and are also designated for residential development within the Urban Hamilton Official Plan. Planned co-ordinated park enhancements result in public realm improvements for the wider area and create more enhanced amenity space that could foster increased community interaction from the creation of high quality public space. Additionally, work is underway on the development of a Community Hub within the former St Helens School site also located within the McQueston neighbourhood. While this is a separate process and still in the development stage, future community hub uses may provide important community supports for the residents of the Lang-Hayes-Reid site, creating a more sustainable and complete community.

Affordability Impact

The proposed development could increase the spectrum of affordability on the Roxborough site through increased variety of rent and ownership profiles in a larger more dense development.

The CHH portion of the site currently has 107 units, 91 being RGI and 16 at 80% AMR. It would move to having 95 units, with 64 being RGI and 31 at 125% AMR. This ratio of approximately 70% RGI to 30% market creates a mixed income building, which would be more sustainable. The level of market rate rent is changed to moderately affordable at 125% AMR to improve the financial performance.

CHH is required to maintain current levels of RGI units, so the proposed development, which would reduce RGI units by 27, aims to seek approval from Housing Services to move these RGI units within CHH's portfolio of market unit properties.

Understanding that the existing stock represents mainly family sized units, the proposed new CHH building would be designed to provide a larger number of family sized units (3-4 bedrooms). The proposed breakdown is as follows:

<i>Unit Size</i>	<i>Unit Numbers</i>
1 Bedroom	24
2 Bedroom	31

3 Bedroom	16
4 Bedroom	24

In the balance of the site, on the Lang and Hayes portions, and on the former Roxborough School lands, 250 private market residential rental and 300 ownership units are proposed to be developed. Securing certain levels of affordability are built into these units is considered a key performance requirement for the development. The precise level of affordability to be considered would be contingent on market conditions and incentives being provided to the developer by the City of Hamilton, using existing available planning and financial tools, including but not limited to, reductions in Parkland and Development Charges applicable to affordable housing developments.

Financial Impact

The financial terms of the proposed development are detailed in the pro forma prepared on behalf of RPI by Darwood Jones Barkwell & Company LLP. CHH and City of Hamilton staff have negotiated extensively for affordability and financial benefit, and the pro forma represents the offer RPI is providing.

The proposed development would provide a new CHH building, resetting the capital deficit for the site. The reset of the capital deficit does not represent actual investment however, as the capital is pooled and expenditures prioritized across the entire portfolio by need since CHH does not have the resources to complete all identified work.

The consolidation of grade related units into a single multiple dwelling building provides maintenance savings.

The development would also provide the opportunity for significant tax assessment growth over the balance of lands to be developed. It is noted however, that depending on what financial incentives are offered to the development in exchange for securing housing affordability, this figure may be reduced.

Contributing factors to the development cost include: building related factors such as numbers of bedrooms and proportions of the spaces, as well as design factors including the design approach and goals, and the contextual factor of the selection process.

In conformity with purchase and sale policies of City of Hamilton assets, confirmation that the proposed land values represent fair market value will be verified through an independent appraisal, sourced and selected by the City of Hamilton, and paid for by RPI.

The pro forma prepared on behalf of RPI illustrates that the building would operate with a cash flow surplus. However, it is noted that this surplus is achieved by reducing expenses through adding back in the value of three items: principal payments, the reduced maintenance amount, and the average capital reinvestment. Although these are areas of value for the proposed development, they do not reduce cash flow requirements, so there remains an actual cash flow shortfall. CHH cannot absorb a loss in cash flow from this project and therefore an increase to annual subsidy equal to the cash flow shortfall would be required from the City of Hamilton.

It should also be noted that as there is currently no mortgage on the property, that the existing development was identified as a 'good performer' in CHH's operational review, and has positive cash flow, which is used to support other CHH sites as prioritized by need.

Resident Transition Plans

A transition plan, and the communication strategy for it, will be required as it is recognised that the replacement unit numbers, the replacement unit sizes, and the incorporation of moderately affordable market units may mean that additional residents require relocation. Any future condition of sale must be accompanied with an approved transition and communication plan to the satisfaction of the CHH Board and City of Hamilton.

The proposed CHH building is to accommodate approximately 30% or 31 moderately affordable market units. This results in the need for 27 RGI units to be redistributed within the existing CHH market portfolio, with these units being changed to RGI. It is noted that RPI have retained the services of Tim Welch Consulting, who have experience and expertise in formulating transition plans.

Logistically, for sequencing, residents currently at 41 Reid Ave S could be relocated first, either temporarily to another CHH property or another housing provider (e.g. Effort Trust), allowing for construction of the 95 unit mid-rise building on this location prior to any other development. This would allow less disruption to existing residents at Lang and Hayes, who the majority of will be rehoused in the new building without requiring intermediary housing. Eligible former residents of 41 Reid Ave S may then be relocated back, along with relocation of eligible Lang and Hayes residents. With respect to any residents not to be located within the new building, they will be offered opportunity within CHH's portfolio to meet individual needs and preferences.

RPI have also committed financial assistance for the relocation of residents into new accommodation to assist with any moving and living expenses incurred by existing residents. Following this transition, the demolition of buildings on Lang and Hayes can occur and allow for the next stage of development by RPI.

CONCLUSION:

The proposed development is intended to balance a number of competing, as well as, complimentary planning and housing policy and strategic goals. In particular, the development provides the potential to secure a comprehensive approach to residential intensification, achieving a mixed income, mixed tenure community, one that represents a significant section of the affordable and market housing spectrum, and which is ideally suited to take advantage of existing and future physical and social infrastructure.

The development would also provide for the opportunity to co-ordinate significant community revitalization. Understanding that this project will be respectful of our residents, every effort will be made to provide support and guidance. For many of our residents, they will be provided with the opportunity to be relocated into contemporary, well designed and socially integrated housing located within the same site.

The development would also assist in the modernization of the existing CHH portfolio, allowing the transition away from grade related units, and introducing moderately affordable market rate rents that would assist in delivering the economic sustainability of the proposed 95-unit building.

Financial impacts would be realised in order to achieve this, most notably in the identified cash flow implications. Although capital and maintenance savings are created for CHH, and tax assessment increased for the City of Hamilton, the cash flow shortfall would be required to be subsidized by the City of Hamilton through increased subsidy.

The proposal to date has been the result of direct collaboration and negotiation, and although refinements can still occur, it is not expected that fundamental or substantial changes are to be made to the proposed offering. On this basis, this particular opportunity for revitalization may set a precedent for future development opportunities and as such, careful consideration of all impacts have been considered and secured through the recommendation provided.

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.

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.

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