City of Hamilton and CityHousing Hamilton Presentation for Council

West Harbour affordable housing and transition strategy

Real estate framework summary

February 9, 2016
Hamilton West Harbour and affordable housing strategy

Agenda

1. Background to West Harbour
2. West Harbour markets and feasibility
3. West Harbour Affordable housing
4. Decision making framework
5. Implementation & transition plan

Appendix - Property Summaries
Background
Background

West Harbour in the broader waterfront context

Background: Context for Hamilton's Waterfront showing both Bayfront and West Harbour

The West Harbour area is one of the key areas targeted for regeneration and redevelopment by the City of Hamilton. It forms part of an integrated north-Hamilton area containing different land uses including the Bayfront Industrial Area, established recreational and boating related uses and some newer recreational and commercial activities that have helped to reinforce City's vision and West Harbour's identity as an important location for new development. The West Harbour area enjoys several competitive advantages, including a waterfront location and proximity to the soon-to-be completed GO Station at James Street North. Municipal ownership also puts the City in a unique position to represent the public interest and partner with the private sector to implement the vision.
Background (cont’d)

West Harbour properties deliver opportunity

Deloitte Real Estate was asked to develop a redevelopment and disposition strategy with a focus to affordable housing

While a number of recreational amenities have enhanced the West Harbour in recent years, the city has requested a development strategy to transform the waterfront. This strategy would ensure a consistent and aligned vision while capitalizing on any specific opportunities in a strategic and methodical fashion. This will serve as a catalyst for the area to initiate development and growth and become part of the “City building” opportunity for Hamilton.

Accordingly, Deloitte Real Estate has been retained to provide a redevelopment and disposition strategy, along with a focus on affordable housing for the portfolio of West Harbour lands and properties. The portfolio includes five significant properties including three parcels of development land adjacent the waterfront, and two residential buildings (further details regarding the five subject sites can be found to the right).

A market overview, market sounding and financial feasibility have been conducted in order to derive a holistic disposition strategy. This report describes each of the five assets, opportunities, constraints and values for consideration by the City of Hamilton.

<table>
<thead>
<tr>
<th>Index</th>
<th>Subject Property</th>
<th>Size Acres/hectares</th>
<th>Current Asset Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Barton – Tiffany</td>
<td>10.10/4.09</td>
<td>Mixed uses on the sites</td>
</tr>
<tr>
<td>2</td>
<td>Jamesville</td>
<td>5.41/2.19</td>
<td>The site consists of a 90 unit townhouse complex</td>
</tr>
<tr>
<td>3</td>
<td>500 MacNab Street</td>
<td>1.06/0.43</td>
<td>The property consists of a 17 storey, 146 unit apartment building</td>
</tr>
<tr>
<td>4</td>
<td>Pier 6 and 7</td>
<td>*12.55/5.08</td>
<td>The predominant uses include the marina and boat storage uses. The Hamilton Marine police are located on Pier 7</td>
</tr>
<tr>
<td>5</td>
<td>Pier 8</td>
<td>31.60/12.80</td>
<td>Commercial and recreational uses</td>
</tr>
</tbody>
</table>

* The West Harbour Study area comprises Piers 5-8;
City of Hamilton’s vision for the city

West Harbour - Setting Sail vision

Setting Sail secondary plan establishes the planning context

The City of Hamilton has a tremendous opportunity to use the West Harbour properties to facilitate the “City Building” activities to benefit the entire city. The overall atmosphere, environment and opportunity associated with West Harbour will guide the future of the city and help in the overall image and impression by both residents and visitors.

The planning context for West Harbour is found in the “Setting Sail” secondary plan. Setting Sail is a statutory plan which provides the land use structure for West Harbour, while the Waterfront Master Plan is a non-statutory physical plan for the area (not including Pier 8). The land use plan emphasizes three major areas of change – the Waterfront, the area south of the CN Rail Yard called Barton-Tiffany and the former industrial lands along Ferguson Avenue, referred to as the Ferguson-Wellington corridor, as well as strategic investment in commercial and mixed-use corridors. The plan is guided by eight core principles.

- Promote a healthy harbour
- Strengthen existing neighbourhoods
- Provide safe, continuous public access along the water’s edge
- Create a diverse, balanced and animated waterfront
- Enhance physical and visual connections
- Promote a Balanced Transportation Network
- Celebrate the City’s heritage
- Promote excellence in design

In addition there are general policies relating to land use, public realm, heritage and environment and specific policies relating to the three areas of major change identified above and the ‘corridors of gradual change’ including portions of York Boulevard, Cannon Street, portion of Barton Street with the intent of enhancing these corridors and reinforcing their mobility function.

The spirit of the policy framework is to create significant change by encouraging a transition in the area from current marine and light industrial uses to a mixed use neighbourhood of medium and high density residential buildings oriented to the water, along with supporting retail and service commercial uses.
West Harbour development feasibility work plan
Deloitte Real Estate’s process

Real Estate development and disposition strategy

The overall project work plan is shown the process chart below, and described in the pages that follow. As shown, a three-phase work plan was agreed to. In the first phase, a strategic asset and opportunity assessment was prepared, including property profiles, market reviews and determination of highest and best use. In the second phase, market value and feasibility were assessed and a disposition strategy recommended. In the final phase, implementation, a Request For Expressions of Interest (RFEOI) and Request for Proposals (RFP) process will be developed and led to bring the lands to market.

1. Phase 1
   Strategic Asset and Opportunity Assessment
   - Project Start-up and Document Review
   - Profile and Description of Key Assets
   - Assessment of Strategic Market Opportunity
   - Market Feasibility and Due Diligence Initiation

2. Phase 2
   Market feasibility and disposition strategy
   - Undertake Market Soundings
   - Assess Financial Feasibility and Value Range
   - Identify Priority Sites and Disposal Strategy
   - Prepare Draft and Final Report
   - Present Findings to Council

3. Phase 3
   Implementation
   - Phase 3 Launch
   - Compile/Refine Target list
   - Prepare Request for Qualifications (RFEOI document)
   - Solicit Interest From Real Estate Community
   - Collect and Assess RFEOI Documents
   - Issue RFP to Qualified Parties
   - Receive Bids
   - Provide Support in Negotiating Agreements
Affordable housing economics work plan

Deloitte Real Estate process

Project scope to analyze options for affordable housing at West Harbour in Hamilton

Deloitte’s scope and approach to this assignment contains two major phases as described below:

**Phase 1 Options Analysis:** we completed an analysis of the options for replacing the existing housing units including a review of financial implications, alternative locations within the West Harbour Area, potential funding mechanisms and development structures.

**Phase 2 Transition Strategy:** we will develop a transition framework consistent with the outcomes of phase 1 research. This includes an action plan that shows how the affordable housing requirements can be addressed within the West Harbour area.

**Work plan**

1. **Project Initiation:** Met with City of Hamilton project team to confirm work program and align project objectives and schedules.
2. **CHH Portfolio Review:** reviewed KPIs of land and housing assets currently under CHH ownership with a view toward the West Harbour assets.
3. **Strategic Opportunities Assessment:** Within the context of the above analysis, identified the main options for replacing the affordable housing units.
4. **Market Soundings:** completed selected market soundings with experienced developers, brokers and private equity firms to assess the level of interest in potential partnerships.
5. **Financial Summary and Potential Structures:** completed a detailed financial analysis of the real estate financial feasibility of the confirmed options. Identified potential funding/finance mechanisms.
6. **Decision Making Framework:** Based on the financial analysis, a decision-making framework was developed to assist the City and CHH in assessing the options in a way that balances their obligations with marketability to the private sector.
7. **Report and Presentation:** Finalized findings and presented the report to City Housing Hamilton.
West Harbour
Real estate markets & feasibility analytics
Residential Markets

Growth in the Greater Toronto and Hamilton (“GTAH”)”

Additional 3.3m people expected to move to the GTA by 2041 with 7.2% or 238,000 people choosing Hamilton.

Hamilton is expected to see an additional 238,000 people and 118,000 jobs by 2041.

Source: Greater Golden Horseshoe Growth Forecasts to 2041, Hemson Consulting Ltd. November 2012
Hamilton absorption figures up 6.7% in 2014

Apartment absorption showing significant growth over the past 5 years

Historical absorption of housing units in Hamilton has closely paralleled housing starts. While absorption was up by 6.7% in 2014, the 5 year average is slightly below 0. This can largely be attributed to soft absorption figures in 2011 and 2013. In fact, 2013 saw only 2,383 units taken up which represented the lowest figure over the last 15 years. That said, The REALTORS® Association of Hamilton-Burlington (RAHB) reported a record number of property sales processed through RAHB Multiple Listing Service® (MLS®) system in 2015.

While single units have been decreasing in popularity, there has been a noticeable uptick in the absorption of apartment units.

<table>
<thead>
<tr>
<th>Type</th>
<th>2014 Total</th>
<th>5 Year Average (units)</th>
<th>10 Year Average (units)</th>
<th>25 Year Average (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>1,113</td>
<td>1,339</td>
<td>1,462</td>
<td>1,581</td>
</tr>
<tr>
<td>Semi-Detached</td>
<td>99</td>
<td>119</td>
<td>122</td>
<td>115</td>
</tr>
<tr>
<td>Row</td>
<td>807</td>
<td>850</td>
<td>877</td>
<td>820</td>
</tr>
<tr>
<td>Apartment</td>
<td>524</td>
<td>297</td>
<td>272</td>
<td>270</td>
</tr>
<tr>
<td>Total</td>
<td>2,543</td>
<td>2,605</td>
<td>2,733</td>
<td>2,786</td>
</tr>
</tbody>
</table>

Source: CMHC 2015
High-rise supply

Nine projects with a total of 787 units ‘active’ in Hamilton

249 units are available for purchase summer 2015

As part of our analysis, we have also considered the ‘active’ high-rise projects in Hamilton marketplace.

According to Realnet’s New Homes Search, there are nine high-rise projects currently active as of May 2015. Seven of these projects are located in Hamilton proper while two are located in Ancaster and Waterdown respectively. These nine projects possess a total of 787 units with 249 units currently available for purchase.

Five of the developments are in downtown Hamilton including the two largest developments (150 Main and the Residences of Royal Connaught).

<table>
<thead>
<tr>
<th>Type</th>
<th>Builder</th>
<th>Total Units</th>
<th>Remaining Inventory</th>
<th>Average Price Per SF</th>
<th>Monthly Absorption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waterfront Trails – Southshore</td>
<td>New Horizon Development</td>
<td>129</td>
<td>0</td>
<td>$427</td>
<td>11.46</td>
</tr>
<tr>
<td>Kensington</td>
<td>Winzen</td>
<td>39</td>
<td>2</td>
<td>$414</td>
<td>2.31</td>
</tr>
<tr>
<td>Treviso</td>
<td>Augustine Group</td>
<td>55</td>
<td>10</td>
<td>$351</td>
<td>2.69</td>
</tr>
<tr>
<td>Stinson School Lofts</td>
<td>Stinson Realty</td>
<td>61</td>
<td>13</td>
<td>$326</td>
<td>3.00</td>
</tr>
<tr>
<td>170 Rockhaven Lane</td>
<td>Hawkridge Homes</td>
<td>41</td>
<td>3</td>
<td>$311</td>
<td>2.38</td>
</tr>
<tr>
<td>150 Main</td>
<td>Vrancor Group</td>
<td>150</td>
<td>76</td>
<td>$390</td>
<td>6.36</td>
</tr>
<tr>
<td>Residences of Royal Connaught</td>
<td>Spallaci Group and Valery Homes</td>
<td>137</td>
<td>38</td>
<td>$517</td>
<td>9.70</td>
</tr>
<tr>
<td>City Square – Tower Two</td>
<td>New Horizon Development</td>
<td>89</td>
<td>15</td>
<td>$454</td>
<td>4.56</td>
</tr>
<tr>
<td>Gibson Lofts</td>
<td>Stinson Realty</td>
<td>86</td>
<td>83</td>
<td>$278</td>
<td>1.50</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>787</td>
<td>249</td>
<td>$380</td>
<td>4.84</td>
</tr>
</tbody>
</table>

Source: Realnet New Homes Search, Summer 2015
Hamilton Residential Markets

Rental market

Record low 2.2% vacancy leads to a moratorium on apartment conversions in order to alleviate supply concerns.

Based upon available rental metrics, Hamilton’s rental market is extremely competitive. Rental rates themselves have been generally stable as there has been a minimal uptick of just 2.5% over the past year. This figure is consistent with the 2.36% annual rental increase the Hamilton market has seen over the past 5 years.

However, there has been a sharp decrease in vacancy over the past year. While vacancy rates have remained in the 4% vicinity since 2010, this past year saw vacancy rates drop to 2.5%. There has been tightening in the 2 bedroom market as vacancy rates dropped by 150 bps to 1.8%. The shift in 3+ bedroom apartments was more significant as vacancy rates dropped by 240bps to 3.3%. Accordingly, the city has enacted a two-year moratorium on apartment building conversions to condos in order to alleviate some of the pressure.

### Hamilton Rental Metrics

<table>
<thead>
<tr>
<th>Size</th>
<th>2010 Rent ($ / month)</th>
<th>2014 Rent ($ / month)</th>
<th>Avg. Annual Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor</td>
<td>$503</td>
<td>$573</td>
<td>+2.8%</td>
</tr>
<tr>
<td>1-bed</td>
<td>$653</td>
<td>$740</td>
<td>+2.6%</td>
</tr>
<tr>
<td>2-bed</td>
<td>$787</td>
<td>$885</td>
<td>+2.4%</td>
</tr>
<tr>
<td>3-Bed</td>
<td>$938</td>
<td>$1,009</td>
<td>+1.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Size</th>
<th>2010 Vacancy Rate</th>
<th>2014 Vacancy Rate</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor</td>
<td>7.10%</td>
<td>5.30%</td>
<td>-1.80%</td>
</tr>
<tr>
<td>1-bed</td>
<td>4.30%</td>
<td>2.80%</td>
<td>-1.50%</td>
</tr>
<tr>
<td>2-bed</td>
<td>3.90%</td>
<td>1.80%</td>
<td>-2.10%</td>
</tr>
<tr>
<td>3-Bed</td>
<td>4.10%</td>
<td>3.30%</td>
<td>-0.80%</td>
</tr>
</tbody>
</table>

Source: CMHC, Summer 2015

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**Historical Vacancy by Unit Type**

Source: CMHC Housing Portal, 2015
Commercial real estate implications for West Harbour

**Retail implications**

The retail vision set forth in Setting Sail is unlikely to materialize due to lack of feasibility. *Any retail / commercial space at West Harbour will tie to the pace of residential development* rather than stand-alone retail.

Retailers such as grocery stores, look for new mixed use locations where there are expected to be a minimum of 1200 units. Limited initial development should be adequate to support neighbourhood retail such as local grocery services and restaurants until the site is built out to full capacity.

With 1,509 units on Pier 8 and an average 2 persons per unit, the population would most likely be inadequate to support the much greater level of retail development called for under the Setting Sail plan and *would be dependent on the secondary market to remain sustainable.*

Piers 6 & 7 are intended to accommodate a range of “Waterfront Commercial” uses such as cafes, restaurant, destination retail. It is important to note this type of specialized waterfront retail typically does not make up a significant share of mainstream market demand. The phased densification of the lands to the south of West Harbour area will eventually support waterfront commercial destinations on Piers 7 and 8, however, this will take time in the broader context of retail development throughout the community. *The success of Pier 7 in particular, will be highly dependent on the ability to draw the public to the area.*

**Office implications**

Hamilton Waterfront not likely a viable office location for Class A office uses.

Properties adjacent or within Bayfront may develop office uses if completed by the business owners as part of an overall industrial and office strategy.

West Harbour may ultimately have ancillary office-type uses that align with residential development, including medical offices, personal services, etc.

Overall office uses are not deemed as viable for consideration for the West Harbour properties under review.
West Harbour Development Market soundings

Overall conclusions

Strong demand for residential housing and limited demand for commercial development

Arising out of the study were a number of key findings and themes. These are summarized below with the red, green and yellow “traffic lights” indicating the general level of optimism or concern with the key issues. The consensus view is that the West Harbour Area is primarily suited for residential development. The potential for commercial development was generally seen as limited in the short-medium term; with retail build-out dependent on the pace of residential development.

<table>
<thead>
<tr>
<th>West Harbour redevelopment opportunity</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential development opportunity</td>
<td>Green</td>
</tr>
<tr>
<td>Office development opportunity</td>
<td>Red</td>
</tr>
<tr>
<td>Waterfront Retail development opportunity</td>
<td>Red</td>
</tr>
</tbody>
</table>

- It was universally agreed that **residential prospects for the West Harbour were strong** although initial demand would be dependent on pricing and absorption. Medium density projects will likely be the most attractive to purchasers.
- **Limited interest in retail and office development** was expressed by private and publicly funded real estate investors and developers.
- **Retail will not be viable in short or medium term** until the residential is built out and proven. Furthermore, the development of a significant office project is not feasible given demand.
- **Partnerships** with the development community combined with financial incentives can be a very effective development mechanism.
- Participation and engagement amongst all stakeholders is important to develop and communicate the vision and outcomes.
Developers undertake a four-step process when assessing feasibility

Project feasibility analysis is a four step analytical exercise. As the analysis progresses, the developer will gradually acquire more information that will help determine whether or not to proceed further.

<table>
<thead>
<tr>
<th>Four Stages of Project feasibility analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Macroeconomic Market Analysis</td>
</tr>
<tr>
<td>2. Site Selection Analysis</td>
</tr>
<tr>
<td>3. Competitive Market Analysis</td>
</tr>
<tr>
<td>4. Financial Feasibility Analysis</td>
</tr>
</tbody>
</table>

Financial feasibility analysis

Financial feasibility analysis uses information from each of the previous steps to evaluate whether a project can be delivered within a price range the target market can afford over the period of time it will take to plan, develop, construct and fully occupy the building or sell off all of the units.

A pro forma is used to assemble all relevant financial information about a project. The two primary components of any development pro-forma are the expected revenue and the cost required to develop the project.

Source: CMHC

Principle of highest and best use

The principal of the “Highest and Best Use” of a property is fundamental to the concept of market value. Highest and best use is defined by the Appraisal Institute of Canada as:

“The reasonably probable and legal use of vacant land or improved property; which is physically possible, appropriately supported, financially feasible, and results in the highest value. The four criteria of highest and best use are legal permissibility, physical possibility, financial feasibility, and maximum profitability.”

Appraisal Institute of Canada, 2015
West Harbour Properties
Order of magnitude feasibility and recommendations

Summary
The City has previously commissioned an in-depth study of the viability of development at the subject properties in the West Harbour area. This assignment does not seek to comprehensively replicate that study, but to revisit the assumptions made and provide an order of magnitude assessment of the potential value of these lands, identify the key issues and suggest a potential disposition strategy to allow the City to move forward. Note – our findings indicate that if servicing costs are included this significantly wipes out any commercial value, therefore we have stated values assuming that the City bears all servicing costs to help establish a base value for the City.

<table>
<thead>
<tr>
<th>Barton-Tiffany Lands – City Owned - 10.10 Acres</th>
<th>Jamesville – CHH Owned - 5.41 acres</th>
<th>500 MacNab Street North – CHH Owned - 1.07 acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Build-Out: 200 / 400 units</td>
<td>Potential Build-Out: 330 units</td>
<td>Potential Build-Out: 146 units</td>
</tr>
<tr>
<td>Disposition Assessment: Dispose of property or use proceeds from other property sales to develop affordable housing units on the site.</td>
<td>Disposition Assessment: Continued affordable housing use or dispose of property and reallocate capital for affordable housing at Barton- Tiffany</td>
<td>Disposition Assessment: Continued affordable housing use or dispose of property and reallocate capital for affordable housing at Barton- Tiffany</td>
</tr>
</tbody>
</table>

The value for the portfolio ranges between $20 Million to $40 Million
West Harbour
Affordable housing alternatives & economics
City Housing Hamilton portfolio metrics

Portfolio investment

CHH’s inventory is dated, expensive and does not satisfy the needs of a changing demographic

An internal report addressed numerous issues presently facing CHH; included in the report were the following which are noteworthy given the context of our work:

• Ensure that CHH inventory matches the changing needs of the population
• Ensure that CHH is financially sustainable moving forward

Seniors are the largest users of CHH’s services thus an increased supply of bachelor and one bedroom units must be provided as seniors stay-in-place. Funding issues must also be addressed as capital is required to upkeep the portfolio. When the buildings were initially constructed very little concern was given towards long-term effects of life cycle, maintenance and replacement of the units.

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Number of Vacant Units</th>
<th>Approximate Cost to Repair</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apartments</td>
<td>66</td>
<td>$390,000</td>
</tr>
<tr>
<td>Townhouses</td>
<td>18</td>
<td>$340,000</td>
</tr>
<tr>
<td>Singles / Semi’s</td>
<td>10</td>
<td>$510,000</td>
</tr>
</tbody>
</table>

A high-level overview of CHH properties suggests that vacancy rates, arrears and maintenance costs are high and exceed Hamilton and other community housing averages. An implementable strategy is required to address these deficiencies.
West Harbour alternatives

Affordable housing alternatives for consideration

Five alternatives were identified to address CHH’s current challenges while achieving a net increase in units

In order to address the replacement of the 500 MacNab and Jamesville properties, the City and CHH want to replace existing units and achieve a net increase in housing units. This expansion could be achieved either on existing CHH sites or within other locations within the West Harbour. Within this section we have concentrated on scenarios that are within either the City or CHH’s control, however we understand consideration would be given to all scenarios, whether that was solely driven by CHH, or potentially through a partnership. In this respect, five main options for consideration are outlined below.

1. Conversion of single-family home plots
   This option has been explored by the market already, with developers purchasing single-family homes of sufficient scale, demolishing and rebuilding with low-density apartment properties following

2. Redevelopment of Jamesville
   This asset is developed out to substantially less than maximum capacity according to existing density restrictions. Excess space on-site could allow a phased demolition and redevelopment to achieve maximum density as per the plan.

3. Redevelopment of 500 MacNab Street North
   Subject to confirmation from the City, it is our understanding the site is currently developed out to it’s maximum capacity, therefore a comprehensive redevelopment for either affordable or market housing would be the most likely scenario.

4. Infill lot development
   There are various infill lots within the City – both City and privately owned – that could potentially be developed out to provide additional capacity of affordable housing.

5. Barton-Tiffany Lands
   Although subject to zoning restrictions requiring minimum provisions of commercial development, this is a prime opportunity for large-scale provision of new affordable housing stock
Feasibility analysis assessed through a two stage process

In assessing the feasibility of the identified options for the City and their viability as a practical potential solution to address affordable housing in Hamilton, we followed a two step process.

**Step 1:** Undertake development appraisals to assess potential scenarios on the identified alternatives, determining the level of profit in each case, that could potentially be leveraged to provide affordable housing in some mandated form to be defined.

**Step 2:** To identify an economic rent which illustrates the viability of these sites for rental at a high-level by comparing the rent required to make a development make sense, with the rents being achieved within any given market.

**Development scenarios**

Step 1 involved the financial modelling of the scenarios described – we identified the projected costs, including hard and soft construction costs and accounting for expected land values; the projected revenues resulting from the sales proceeds. From there we identified a likely approximation of the level of profit resulting in each case, a proportion of which could be utilized towards a mandated housing provision in some form.

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“Market Rent” – the average market rental rate within units of new construction. It differs from CMHC market rent that captures existing buildings.

“Affordable Rent” - the rent appointed by the service manager for affordable housing units

“Economic Rent” - the rent required for a development to break even, after all costs and requirements for profit are satisfied
City Housing Hamilton portfolio metrics

Baseline revenue assumptions

Research of Hamilton market showed average market rents between $1,050 - $2,050 across unit types

We have outlined the assumptions made during the construction of this analysis. Based on discussion with city officials, we have prioritized apartment units in an attempt to build-out to maximum density levels. We have utilized a blended unit size, allowing for a mix of unit sizes to be created. All sites are inherently restricted, not just by density by-laws in terms of total number of units, but also the total square footage of space that can be constructed without exceeding height restrictions – larger units obviously ‘use up’ more of the available total square footage, therefore reducing the number of units that can be built which impacts on the level of profit achievable by a developer, resulting in a corresponding drop in initial land value.

Redevelopment of Properties – Alternatives and Financial Implications

<table>
<thead>
<tr>
<th>Option</th>
<th>Location</th>
<th>Scenario</th>
<th>Blended SF (Net)</th>
<th>Range of Unit Sizes</th>
<th>#BR (range)</th>
<th>Average Market Rent*</th>
<th>Average Sales Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>268 Bay Street (Example)</td>
<td>Single-family dwelling conversion to multiplex</td>
<td>1,550 sf</td>
<td>1,100 sf – 2,000 sf</td>
<td>2-5</td>
<td>$2,000 / month</td>
<td>N/A</td>
</tr>
<tr>
<td>2</td>
<td>Jamesville (330 Units)</td>
<td>Develop out site under existing restrictions</td>
<td>900 sf</td>
<td>600 sf – 1,100 sf</td>
<td>1-3</td>
<td>$1,700 / month</td>
<td>$375,000 - $390,000</td>
</tr>
<tr>
<td>2</td>
<td>Jamesville (330 Units)</td>
<td>Assume extended height and ground floor retail</td>
<td>1,260 sf</td>
<td>600 sf – 1,800 sf</td>
<td>1-4</td>
<td>$2,200 / month</td>
<td>$490,000 - $510,000</td>
</tr>
<tr>
<td>3</td>
<td>500 MacNab (146 Units)</td>
<td>Site is developed under current as-is restrictions</td>
<td>650 sf</td>
<td>550 sf – 750 sf</td>
<td>1-2</td>
<td>$1,350 / month</td>
<td>$290,000 - $300,000</td>
</tr>
<tr>
<td>4</td>
<td>19 Clarence Street (Example)</td>
<td>Infill land used to construct affordable housing units</td>
<td>530 sf</td>
<td>475 sf – 600 sf</td>
<td>Studio – 1</td>
<td>$1,050 / month</td>
<td>N/A</td>
</tr>
<tr>
<td>5</td>
<td>Barton – Tiffany (200 units)</td>
<td>Site is developed to current maximum density; retail at grade</td>
<td>750 sf</td>
<td>600 sf – 1,000 sf</td>
<td>1-3</td>
<td>$1,500 / month</td>
<td>$290,000 - $310,000</td>
</tr>
<tr>
<td>5</td>
<td>Barton – Tiffany (400 units)</td>
<td>Site is developed to ‘stretch’ density; retail at grade</td>
<td>680 sf</td>
<td>575 sf – 900 sf</td>
<td>1-3</td>
<td>$1,400 / month</td>
<td>$280,000 - $300,000</td>
</tr>
</tbody>
</table>

* All revenue figures have been validated by research of new market developments within the Hamilton area.

The blended unit size, rental rates and sales prices adopted represent ‘blended’ values thus allowing for a mix of units and sizes and pricing.
## West Harbour affordable housing

### Summary of alternatives

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Description</th>
<th>Assessment</th>
<th>Opportunity</th>
<th>Financial Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Conversion of single-family dwellings (6 Units)</td>
<td>• Acquire single-family dwellings located on large enough lots to allow for the redevelopment to higher-density 4,6 or 8-plex apartments</td>
<td>• Suitable lots of sufficient size are available, however the value of the standing property usually precludes profitable redevelopment.</td>
<td>• Not applicable</td>
<td>?</td>
</tr>
<tr>
<td>2. Jamesville Redevelopment (329 Units)</td>
<td>• Current development underutilized. • Could convert wholesale to maximum residential density or include retail at grade with accompanying increase in height.</td>
<td>• Could use a mix of 'market' with affordable element, or more likely extract maximum payment from developer for use on a dedicated affordable scheme elsewhere.</td>
<td>• Zoning restrictions could be revisited to up-zoning density, increasing land value to City in a sale scenario.</td>
<td>✓</td>
</tr>
<tr>
<td>3. MacNab Street Redevelopment (146 Units)</td>
<td>• Demolish existing asset and sell for condominium development or rebuild to existing extent, for either private or affordable housing rental.</td>
<td>• Demolition and rebuild costs compared to renovation make affordable housing unviable. • Sale for ‘market’ development would likely work.</td>
<td>• Combine with adjacent site and up-zone development density to increase land value.</td>
<td>✓</td>
</tr>
<tr>
<td>4. Development of infill opportunities (20 Units)</td>
<td>• Infill sites – predominantly but not exclusively City-owned – could be used for development into affordable housing.</td>
<td>• Success of such schemes varies on a case-by-case basis, dependent on cost. Unlikely to provide solution of sufficient scale.</td>
<td>• Opportunity dependent</td>
<td>?</td>
</tr>
<tr>
<td>5. Development of Barton-Tiffany Lands (200 / 400 Units)</td>
<td>• Utilize Barton-Tiffany lands that is planned for residential use (including ancillary retail) for the purposes of provision of affordable housing, both at maximum density allowed and a “stretch goal” density</td>
<td>• Could use a mix of ‘market’ with affordable element, or more likely develop as dedicated affordable housing provision.</td>
<td>• Up-zone development density, increase land value. • Use profits from Jamesville sale to build affordable housing.</td>
<td>✓</td>
</tr>
</tbody>
</table>
Market soundings process

Operations and strategy

Market Sounding process identified key themes

The Deloitte Real Estate Team conducted seven interviews for the Market Sounding process to provide input for City Housing Hamilton considerations. Arising out of the market soundings and case studies are the following key themes and best practices with respect to the delivery of affordable housing:

• **Unit Type Matters**, in particular the difference between apartments and other unit types. Apartments are almost never viable to tear down, most tend to be structurally sound but require upgrades.

• **Density Increment Required** to generate market revenue. On tower sites look for infill potential to improve building rather than demolish. With older row house areas mid-rise can be feasible, working with City to secure approvals.

• **Understanding Costs is Critical**. Costs tend to be underestimated, particularly with respect to replace aging infrastructure on older sites.

• **Land Value is a Challenge**. Given relatively lower land values in Hamilton and consistent cost of construction, available profit is reduced.

• **Market needs to believe in the agency**. More risk may need to be taken on initially to establish a track record and build industry relationships. The more social housing added, the more difficult to capture market revenue.

• **Broad Housing Mix Required**. Social and economic cohesion more important than unit replacement, want the capacity to contribute to the economics of the neighbourhood

• **Physical and Social Change Needs to Come Together**. Best case scenario is when local residents advocate the change: community consultation, action plans, farmers markets, working groups, preferential hiring practices: part of a range of initiatives required to support the overall transition strategy.

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## Key Insights

Below, we have highlighted the key areas around which our discussions focused, together with the main outcomes of those discussions.

<table>
<thead>
<tr>
<th>Key Area</th>
<th>Insights</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Planning</td>
<td>Stakeholders highlighted the need for <strong>planning approvals to be in place</strong> for what the municipality was envisioning or the planning approvals to be facilitated. Deal structures were identified as almost secondary to the need for <strong>political consensus</strong> on the focus required on Affordable Housing</td>
</tr>
<tr>
<td>2. Incentives</td>
<td><strong>Adequate incentives</strong> need to be fully in place for affordable housing to make sense for the development industry. Hamilton being an emerging housing market with comparatively lower land values, may require <strong>additional equity investment or incentives</strong> to ensure Affordable Housing projects are actually feasible.</td>
</tr>
<tr>
<td>3. Co-ordination and Communication</td>
<td>The local municipality needs to assume a <strong>key leadership role</strong> for the project coordination and communication of the proposed affordable housing development within the immediate neighborhood. The City should <strong>identify change champions</strong> and help the industry and community learn by example</td>
</tr>
<tr>
<td>4. Partnerships</td>
<td><strong>Partnerships are crucial to the success</strong> of any affordable housing development. The private sector is assuming risk and, as a result, needs to ensure that any obstacles to the development process are removed or clearly understood and managed.</td>
</tr>
<tr>
<td>5. Implications for Hamilton</td>
<td>The <strong>planning framework</strong> should make it easier for the private sector to get involved. Furthermore, the city must provide <strong>sufficient incentives</strong> to entice developers to build. A good mix of affordable and market units will <strong>create a diverse community</strong> with increased return on investments in the longer term</td>
</tr>
</tbody>
</table>
West Harbour decision making process
The decision making framework balances CHH’s obligations and considers market implications

Based on the financial analysis and market soundings undertaken, a decision-making framework has been developed to assist the City and CHH in assessing the available options in way that that balances obligations for affordable housing with marketability to the private sector. The framework is meant to provide a transparent and logical assessment of the various options, while guiding a decision to the preferred path forward. There is an inherent complexity within this framework due to the numerous ‘moving parts’ with significant financial and social implications, many of which are outside the scope of this report. This engagement is part of a larger “City Building’ activity and the decision making framework presented within this section has taken these dynamics into consideration.

Deloitte’s Decision Making Framework

The five facets presented herein are intended to balance financial considerations with the social implications arising from affordable housing policy. The high-level options outlined on the following pages have been scrutinized and vetted using the decision making criterion.

1. Confirm alternatives that conform to planning standards but are viable given market demand
2. Identify demand & project specifications, including the mix of uses, scale and design criteria.
3. Target financial goals while maintaining social responsibilities and accountabilities
4. Evaluate options for a viable project, including ownership structure and approach to funding
5. Consider trade-offs required to move forward with the project

The City and CHH must decide whether to proceed with existing planning for subject properties to maintain the status quo OR dispose of assets and redeploy capital elsewhere
The City and CHH must decide whether to maintain the status quo or dispose of their assets and redeploy capital elsewhere.

The City and CHH must consider whether achieving a net increase in the number of affordable units outweighs the financial risks associated with a market transaction and the subsequent construction risks of a new development. Upon review, Deloitte recommends that the City and CHH should commence the disposition of 500 MacNab Street and ideally Jamesville while planning for the subsequent construction of affordable units at Barton-Tiffany.

The original intent of Deloitte’s assignment was to assist the City and CHH in achieving a net increase in housing units. While there are inherent challenges with the disposition of CHH sites, the marketability of the CHH sites must not be understated. The creation of a suitable transition plan will be challenging; however, the sale of these properties will allow CHH to rejuvenate the portfolio while still achieving the initial goal.

It is worth noting that there are other inherent risks that cannot be ignored. As an example, the disposition of 500 MacNab Street will have larger implications upon the supply and demand metrics for the build-out of Piers 6-8 as we identified in the separate West Harbour report.
Decision 1: sell current properties and invest capital in new affordable housing developments

Potential property values

The table below summarizes the order of magnitude value range for the properties owned by the City of Hamilton and/or City Housing Hamilton within the West Harbour community. It would be possible to sell all, or some of the properties below and use the proceeds to redeploy toward affordable housing – either within the West Harbour community or elsewhere.

We note that the true value of the portfolio will be determined when they’re taken to the marketplace and the market responds.

<table>
<thead>
<tr>
<th>Properties</th>
<th>Development Capacity</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 MacNab</td>
<td>146 units</td>
<td>1.00</td>
</tr>
<tr>
<td>Jamesville</td>
<td>329 units</td>
<td>5.50</td>
</tr>
<tr>
<td>CHH Owned Assets</td>
<td>475 Units</td>
<td>6.50</td>
</tr>
<tr>
<td>*Barton-Tiffany</td>
<td>200 / 400 units</td>
<td>10.00</td>
</tr>
<tr>
<td>Piers 7 &amp; 8</td>
<td>609 units</td>
<td>31.50</td>
</tr>
<tr>
<td>City Owned Assets</td>
<td>810 – 1210 units</td>
<td>41.50</td>
</tr>
<tr>
<td><strong>Total Value</strong></td>
<td>1285 - 1485 units</td>
<td>48.00</td>
</tr>
</tbody>
</table>

Order of magnitude property values if sold

The value for the portfolio is $20 Million to $40 Million

* Above values exclude any environmental remediation that may be required – full list of limiting conditions are listed within the appendix
**The value range above utilizes the current 150 unit / hectare density parameter while including the commercial component of the Barton-Tiffany development

Conclusion

From the list opposite, the highest value opportunities come from the disposition of:

- Jamesville
- Piers 7 & 8

Both 500 MacNab and Barton-Tiffany offer nominal value for the City and therefore must be examined in further detail. These properties could be readily deployed into affordable housing if the following background research is resolved:

- **500 MacNab** has a reported $6 million to improve the existing building condition to a “good” condition for residents. This assumption needs to be evaluated in detail to determine how realistic it is, and whether or not the building can be fully resuscitated for residential use.

- **Barton Tiffany** represents a viable alternative to deliver affordable housing, particularly larger size 1-3 BR units with medium density. Current property conditions need to be confirmed through Environmental Assessment reviews to ensure the property has no unforeseen obstacles toward residential development.
Decision 2: can developers be mandated to provide affordable housing?

Sensitivity analysis – Jamesville example

Sensitivity analysis highlights that developers can contribute a portion of profit to create affordable housing

The table below shows the sensitivity analysis and calculations to indicate that a developer could contribute the profits from a project toward the creation of affordable housing units at Jamesville. We assumed that the developer profits would reflect some 15% of the total project cost. In an attempt to quantify the financial impact, we have applied an affordable housing requirement to a percentage of that profit, in lieu of providing actual units. For example, for the Jamesville:

- **Option 1 development of 330 units** shows that the developer could potentially make some $15 - $20 million profit that could translate into a range of 17 to 83 new units; and
- **Option 2 development of some 330 units with ancillary retail** could provide the developer some $30 - $35 million profit that could translate into 17 to 83 units.

<table>
<thead>
<tr>
<th>Jamesville - Sensitivity Analysis for Affordable Housing Mandated Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="" alt="SensitivityAnalysisTable.png" /></td>
</tr>
</tbody>
</table>

*The high/low variables presented represent a 10% variance from the total project cost estimated within the proforma analysis

** The analysis assumes creation at Barton-Tiffany under the ‘as-is’ planning. Conventional hard and soft costs have been assumed; however, land cost, financing fees and development charges/building permit fees have been omitted from the calculation

Option 2 produces a larger blended unit size which leads to higher levels of profit. The commercial component also adds value to the profitability of the development.
Decision 3: How does the city want to accelerate the West Harbour opportunity for transformation?

Key issues and steps for Pier 8

Pier 8 delivers opportunity to ignite the West Harbour transformation

In our review of the West Harbour City and CityHousing owned properties, it was clear that the waterfront development, if properly planned and executed, could provide the catalyst to ignite the transformation of the West Harbour. Piers 6 & 7 represent opportunities as well in subsequent phases, once the Pier 8 development accelerates.

To this end, we recommend the following:

1. Immediately obtain an official site plan and property legal description that can be used to accurately calculate dimensions and development opportunities.

2. Immediately obtain a phase 1 environmental assessment to confirm clearance of any environmental issues, and/or remediate immediately.

3. Decide if the City wishes to include affordable housing in the development mix of Pier 8 and the scope/extent.

4. Enter the marketplace with an Request for Expressions of Interest to determine the extent of interest from the development community.

5. Proceed with an RFP to a shortlist of respondents to work alongside the city to transform the West Harbour.

6. Select a suitable developer, and structure a JV development agreement with terms and conditions specifying the scope and extent of development, number/type of units, inclusion of affordable housing/structure if desired, etc.
Implementation sequence for Barton Tiffany

The City of Hamilton and City Housing Hamilton can create a potential “win/win” solution with the disposition of Pier 8, MacNab and Jamesville to create the required capital for a Barton Tiffany development. In terms of process, key steps toward implementation include:

1. Confirm technical details, surveys, environmental etc. for all properties.
2. Confirm demand for affordable housing and identify objectives.
3. Establish that 500 MacNab does not meet the City’s requirements for affordable housing.
4. Complete an RFOI and RFP process to understand development appetite for Pier 8 & MacNab and later for Jamesville properties.
5. Complete an RFOI and RFP process to understand the requirements from the development community for a Barton Tiffany development that includes affordable housing.
6. Confirm arrangements from above, and enter into an agreement to develop the Barton Tiffany units for affordable housing and transition the Jamesville residents.

400 units at Barton – Tiffany replace the 236 units previously at 500 MacNab and Jamesville

Successful West Harbour transformation with range of housing alternatives. Develop range of new projects.

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Appendix 1
Property summaries
500 MacNab Street North

Summary

Asset description

The 17 storey, 146 unit apartment building sits on a 1.07 acre property at the NE corner of MacNab Street and Burlington Street, while also containing frontage on the south side of Guise Street. The property is in close proximity to Piers 6-8.

Proposed options
- Redevelopment to Condos with 17 stories
- Redevelopment to rental property with 17 stories
- City redevelops property for affordable housing
- City invests in current building for affordable housing

Required action items
A full property condition report needs to be completed for 500 MacNab to determine if it is feasible (or not) for affordable housing. This report is crucial potential outcomes

Key considerations
- Affordable housing policy
- Financial feasibility
- Locational considerations
- City building aspirations

Required action items
- Property Condition Report to determine feasibility

Potential outcomes
- Sell to a developer to redevelop to high rise apartment condominiums
- Redevelopment to rental property with 17 stories
- City redevelops property for affordable housing
- City invests in current building for affordable housing

Key considerations
Is there a policy desire to redevelop the property into an affordable housing project or is the property better served as part of the “city building” required for the advancement of the West Harbour neighborhood?
Jamesville

Summary

Asset description
The 90 townhouse property comprises an entire city block defined by Strachan Street West to the south, James Street North to the East, Ferrie Street to the north and MacNab Street to the west.

Proposed options
- Redevelopment to 330 units at 4 stories (100% residential)
- Redevelopment to 330 units at 6 stories (retail at grade)
- Invest in current townhomes and bring to good condition

Key considerations
- Affordable housing policy
- Financial feasibility
- Locational considerations
- City building aspirations

Required action items
- Full demand analysis required to confirm units required
- Property Condition report

Potential outcomes
- Sell property for land value and use funds to create affordable housing elsewhere
- Engage developer to redevelop Jamesville and require profits to be allocated toward new affordable housing
- Bring 90 CHH existing townhouses to ‘good conditions’

Required action items
A full demand analysis needs to be completed to confirm the number and type of new affordable housing units required. Understanding demand requirements will validate final conclusions.

Key considerations
Is there a policy desire to redevelop the property into an affordable housing project or is the property better served as part of the “city building” required for the advancement of the West Harbour neighborhood?
Barton – Tiffany

Summary

Asset description
The vacant Barton-Tiffany lands are situated in the north end of Hamilton, bounded by Stuart Street, Barton Street West, Tiffany Street and Hess Street. Approximately two thirds of the land are designated for commercial use, however the remaining area is designated for medium density residential, with the lands off Stuart street intended to provide retail and commercial uses to the immediate neighborhood.

Proposed options
• Development of 200 residential units with 36,900sf of retail space at grade
• Development of 400 residential units with 36,900sf of retail space at grade
• Property is sold to private sector for development

Key considerations
• Affordable housing policy
• Access to funding
• Environmental considerations
• City building aspirations

Required action items
A full environmental and property condition report for the Barton Tiffany lands needs to be completed to confirm viability of this property

Potential outcomes
• Development of 200 residential units with 36,900sf of retail space at grade
• Development of 400 residential units with 36,900sf of retail space at grade
• Property is sold to private sector for development

Key considerations
Is there a policy desire to redevelop the property into an affordable housing project or is the property better served as part of the “city building” required for the advancement of the West Harbour neighborhood?
Piers 6 and 7

Summary

Asset description

Piers 6 and 7 are situated north of downtown Hamilton, bound by Pier 5 to the west and Pier 8 to the east. Piers 6 and 7 are part of a 12.55 acre area represented by Piers 5-7, with the predominant uses comprising marina and boat storage use, with Hamilton Marine Police Station located on Pier 7.

Proposed options

• Retain Piers 6 and 7
• Sell Piers 6 and 7
• Retain Pier 6 and Sell Pier 7

Key considerations

• Financial feasibility
• City building aspirations
• Market demand and range of potential uses
• Infrastructure concerns

Required action items

• Prepare a Request for Expression of Interest (RFEOI) Document to identify potential partners / purchasers. This initiative will help to commence and shape the disposition process for the site.

Key considerations

Whether the development of the site(s) might increase the attractiveness/marketability of neighboring sites? Is there a long-term, city-building vision for the development of the area and how do Piers 6 and 7 contribute to that vision

Potential outcomes

• Retain Piers 6 and 7 for the purposes of generating a long term income stream to the City
• Sell Piers 6 and 7 for financial gain while undertaking controlled and measured approach to the area’s redevelopment
• Sell Pier 7 for financial gain and retain Pier 6 with the longer term vision of focusing public amenities on this site to help draw residents and visitors to the area to the waterfront
Pier 8

Summary

Asset description

Pier 8 is situated north of downtown Hamilton, at the eastern edge of West Harbour, and west of Pier 9 and the Bayfront lands. Some of the key users on the 31.60 acre site include the Hamilton Waterfront Trust, Ocean Ontario Towing, Brewers Marine Supplies, Harbour Marine Services and the Navy League.

Proposed options

- Retain Pier 8
- Sell the site on an ‘as-is’ basis, en bloc
- Service and sell the lands in a phased disposition
- Enter into a Joint venture or partnership with the private sector to develop the lands

Key considerations

- Disposition Strategy
- City building aspirations
- Market demand and range of potential uses
- Infrastructure concerns

Required action items

- Prepare an Request for Expression of Interest (RFEOI) Document to identify potential partners / purchasers.
- Environmental and Property Condition Survey

Potential outcomes

- Retain Pier 8
- Sell Pier 8 as-is, en bloc which would transfer of all risk to the market and result in quicker revenue from taxes and development charges
- Sell Pier 8 in phases which would allow for control over the phasing of development and the ability to adjust to market feedback

Key considerations

Which of the proposed disposition strategies will allow the City to maximize value while still maintaining a long-term, city-building vision for the development of the area? What level of servicing, if any, should be completed on the site?
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Where required, Deloitte incorporated in the analysis working assumptions based on its understanding of commercial practices as of the date of this report.

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3. This purpose of this presentation is solely to provide the City with strategic advice regarding a portfolio of sites, their possible disposition and the implications and considerations associated with such opportunities.

4. Responsible ownership and competent property management are assumed.

5. Information furnished by others, including the City of Hamilton and / or others, upon which all or portions of this presentation is based, are believed to be reliable, but have not been verified in all cases. No warranty is given as to the accuracy of such information.

6. Our report and work product cannot be included, or referred to, in any prospectus, securities and exchange commission filing or other public or investment document.

7. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the estimates provided in this report are based.

8. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances. The property is assumed to be free and clear of liens, easements, encroachments and other encumbrances unless otherwise stated.

9. Full compliance with all applicable federal, provincial and local zoning, use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.

10. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the effective date of this report.
10. The financial structure is predicated on the market conditions prevailing as of the date of this report.

11. Areas and dimensions of the property were obtained from sources believed to be reliable. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property and no responsibility is assumed for their accuracy. No independent surveys were conducted.

12. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that affect value. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

13. No soil analysis or geological studies were ordered or made in conjunction with this report, nor was an investigation made of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions.

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17. Any opinion on value referenced within this report makes no account for the availability or otherwise, of potential financial aid of any form, that may have a material impact upon value.

18. The stated values within this report reflect high-level order of magnitude estimates based on our assessment of the development potential and highest and best use of each site. They do not comprises a detailed appraisal and should not be considered in such context.

19. In assessing appropriate value ranges, we have assumed the sites have been developed to the greatest extent possible.

20. With respect to typical site coverage utilized in calculating what is physically possible, we have adopted industry standard ratios and have not confirmed whether this would be acceptable from a planning perspective and not accounted for current set-back provisions within existing by-laws.