



City of Hamilton Bayfront Industrial Area A Strategy for Renewal

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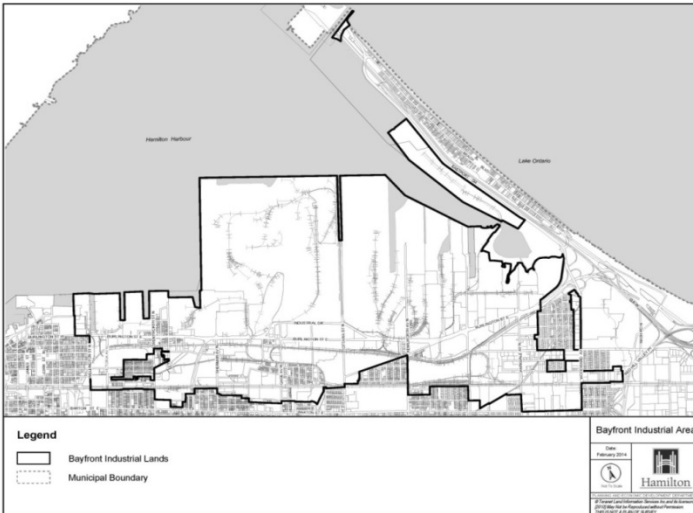




Deloitte's Assignment

First Step in a Comprehensive Study Process

The City of Hamilton has recently initiated a comprehensive review and **Strategy for the Bayfront Industrial Area**. Deloitte has been retained to undertake Phase 1 of the strategy: **the Market Opportunities Study**.



Our Role

The Phase 1 study is a **high-level assessment** of market opportunities. The assessment includes economic and market analysis, a review of brownfield success stories and an assessment of land development capacity.

Based on this analysis, **opportunities and challenges** are identified and **strategic directions recommended**. The results will then be used to guide Phase 2 of the Strategy, which includes a program of public and agency **consultation**, an infrastructure and financing **'gap' analysis**, and, ultimately, a planning and **land use review**.

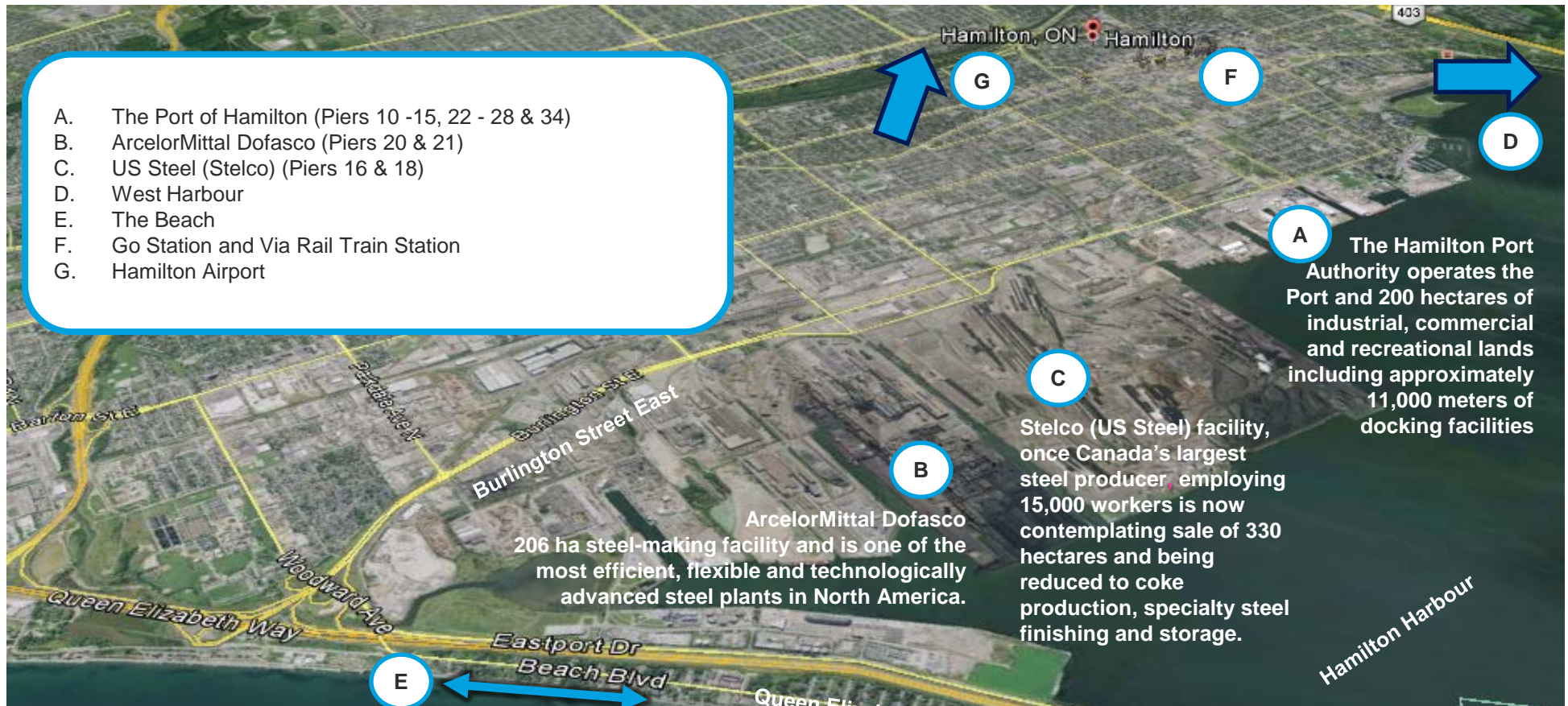


One of the most important elements of Phase 1 is a series of market soundings with key industry participants, including US Steel, Arcelor/Dofasco, as well as other stakeholders.

Bayfront Industrial Area

The Asset in Context

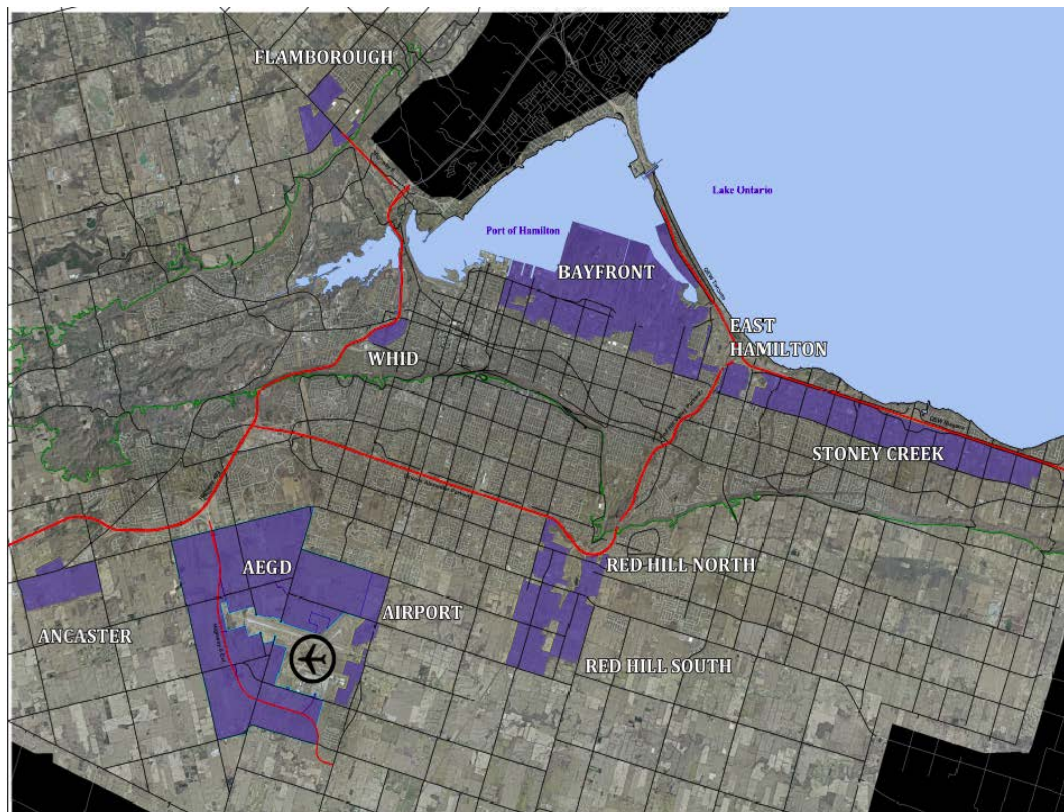
The Bayfront Industrial Area forms part of an **integrated north-Hamilton waterfront area** containing major industrial users, the Port of Hamilton, older residential communities and outdoor recreational uses. It is proximate to the soon-to-be completed **new GO Station along James Street North** and the West Harbour (**Setting Sail**) area: the future location of the City-planned mix of significant residential and commercial redevelopment.



Bayfront Industrial Area

Part of an Integrated System of Industrial and Business Park Lands

The Bayfront is **one of a number of employment areas**, including the largely developed industrial areas along the waterfront and vacant greenfield business parks. The developed industrial areas **play a major role in Hamilton's existing economic base**. The largely vacant greenfield locations will be the location of **most new development**, in particular clean industrial uses. Together, these **areas form part of an integrated system of industrial and business park lands**, each of which plays a distinct and important role in the City's economy.



Business Parks in Hamilton	Parcels	Total Area (ha)	Net Developable Area (ha)
Airport Business Park	116	201	137
Ancaster Business Park	148	231	109
East Hamilton Industrial Area	218	195	9
Flamborough Business Park	74	173	80
Red Hill North	262	257	71
Red Hill South	113	371	170
Stoney Creek Business Park	659	678	104
West Hamilton Innovation	30	46	9
Subtotal	1,620	2151	689
Bayfront	1,427	1449	48
Total	3,047	3600	737

Sources: Year End 2014 GIS Planning & Analysis Land Use, 2014 Building Permits, December 2014 MPAC, Ministry Approved Urban Hamilton Official Plan E-1 Schedule

The Changing Growth Context

The time for a new vision

For many years, there has been an interest in **reinvestment and redevelopment in the Bayfront**, but the economics and growth prospects were not favorable. Now things are evolving:

- A **large and competitive business park** is coming on stream around the Airport .
- There is a **growing interest in advanced industry** and Hamilton's vision for intensification and redevelopment in the downtown and on the **waterfront is gaining traction**.
- Cost of doing business and congestion elsewhere will make **Hamilton's value proposition** stronger over time.

A new vision is required to **strategically reposition** and encourage **new investment** in the Bayfront for the next generation.

The next 25 years are forecast to provide tremendous opportunity as employers and investors take advantage of Hamilton's strategic location and infrastructure to drive business opportunity.



McMaster Downtown Hamilton Health Campus



James Street North GO Station Under Construction

The Economic Outlook

External Conditions Set the Stage for Solid Short Term Performance

Cheap Oil



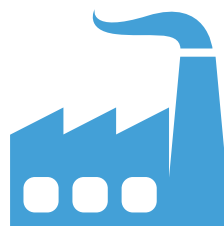
- The big economic story at the moment
- Drop in price = US\$40B in lost revenues
- Positive effect anticipated on consumer spending and non-energy-related trade

Low Dollar



- Bulk of exports continue to go to US
- Lower dollar makes products more competitive
- Loonie expected to remain under pressure for some time

US Economy



- US recovery looks to be on better footing
- Growth expected at between 2.5 and 3% to 2016
- Technological progress and productivity growth is the big long-term issue

The one area where many are expecting strong short-term growth is the trade sector and international exports.

Commercial Real Estate Markets

Development opportunities

Office market dominated by downtown Toronto and established suburban nodes

Approximately **3.5 million sf of new office** are forecast for the **Hamilton market**. Only a small proportion – between **90,000 to 190,000 sf** of new office supply – could potentially locate in the Bayfront area, comprised mainly of **brick and beam** and **owner-occupied buildings**.

Industrial market continues westward drift

Hamilton is anticipated to accommodate **significant new industrial space**, mostly for large warehouse and distribution on greenfield sites. The ability of the Bayfront Area to compete for these uses will depend heavily on the **future of the US Steel site**. There is the **potential to accommodate up to 10.5 million square feet** of new industrial space on the site.

Retail growth driven by population and City Planning vision

The outlook for retail is **driven primarily by the City's current policy direction** to encourage new retail to locate along the key nodes and corridors, as opposed to designated employment areas. In the Bayfront, **future retail is likely to be limited** to accessory or quasi-industrial development as opposed to traditional strip, shopping mall or 'large format' retail developments.



Market Soundings

Bayfront's future will be as an industrial employment area

The consensus view is that the Bayfront Area will stay in **employment use for the near future**, particularly with respect to steel and related uses. The potential for residential was generally seen as very limited, with uncertainty over the level of contamination identified as a significant risk and constraint to redevelopment. The need for targeted financial incentives and a catalyst to kick start development was identified as important.

Bayfront Re-development Opportunity	Steel	Automotive	Agency
Residential development opportunity	●	●	●
Industrial development opportunity	●	●	●
Office development opportunity	●	●	●
Waterfront Retail development opportunity	●	●	●
Provincial Employment Land Aspirations	●	●	●
Investment Appetite	●	●	●
Future of Steel Industry	●	●	●
Perception of level of contamination	●	●	●
Development Risk	●	●	●
Need for a catalyst to kick start re-development	●	●	●

The Steel Industry

The future of the US Steel Site is the Big Question Mark

Depending on the outcome of the current **creditor protection proceedings** there are many possibilities:

- Based on the market soundings, the coke and finishing operations remain valuable, with the result that these **operations could be sold** in whole or in part.
- Likewise, all or part of the **underutilized land and building supply** could be sold in whole or in part, either along with current operations or alone as individual assets
- Conversely, the **status quo will be maintained** and no significant change will occur on the site in the immediate future. There is also uncertainty over how the **Nanticoke** facility will be factored in to any potential sale or other solution to the current process.

Nevertheless, the site would still present **significant opportunities for intensification and redevelopment** over the years to come.



Case Studies

Common set of success factors for large scale urban renewal

- Major waterfront redevelopment **plans take time** if not decades to properly plan and implement.
- **Municipal ownership is effective.** Public control of key or strategic sites was central to the success of many waterfront redevelopment successes.
- **Financial incentives are required** to transform legacy properties and address brownfield issues.
- **Public participation and community engagement** are important to develop and communicate the vision and ensure that local residents understand the current conditions and embrace potential outcomes.
- Taking a **wider perspective to focus on off-site benefits** can have tremendous benefits, such as linking specific developments to local neighbourhoods, the downtown or planned intensification areas.
- **Partnerships with the development community** combined with financial incentives can be very effective. Often structured financial arrangements bringing together public and private sector can have positive outcomes with transformational development opportunities.



Context for the Strategic Directions

Opportunities are better now than they have been for decades

Hamilton's **strategic location**, **improving transportation access**, **economic infrastructure** and the **broader growth outlook** combine to create many market opportunities. With a **diminishing potential** for high quality new industrial sites in the GTA West, the Bayfront lands **are uniquely positioned to benefit** from Hamilton's growing cultural and economic role.

1	The broad growth outlook	The City is steadily becoming more attractive for investment .
2	Demand for real estate	Growth has already begun to create an overall 'energy' and momentum that bodes well for the Bayfront over time.
3	Location & pattern of development	Historic pattern of development creates an opportunity for intensification . The most significant by far relates to the US Steel site .
4	Hamilton Port	The Port supports a range of important economic sectors including Steel, food processing, the building and construction industry, municipal maintenance and others.
5	Steel & advanced manufacturing	The Steel sector is performing well and supports the Province's priorities to advance productivity, innovation and exports .

Recognizing the Challenge

A series of challenging constraints needs to be recognized

1	Market demand	The Bayfront will be competing for small share of the market .
2	Existing pattern of use	Bayfront currently functions as a specialized heavy industry area .
3	Perception	Perception of Bayfront as old industrial area a disincentive to cleaner more innovative industries.
4	Environmental contamination	Uncertainty over the level of contamination is a constraint to new investment and redevelopment.
5	Appearance	The current appearance of the Bayfront encourages the perception of the area as home to a base of declining older 'rustbelt' industry .

Challenge:
Certain industries just need greenfield sites: if unavailable will go elsewhere not to brownfields.

Challenge:
Uncertainty over remediation costs as a strong influence on development feasibility

Challenge:
Bayfront competes for a small part of the market. Limited market appeal for new investment

Strategic Directions

Gradual Change Over Time

The Bayfront will **remain an employment area** for at least the short to medium term. Significant change to other land uses is a very **long-term proposition**. The goal should be to **maintain the strength of existing clusters** while **growing and expanding** into new sectors.

1	Establish a vision for the Bayfront
2	Ensure AEGD and other greenfield supply comes to market soon
3	Encourage more efficient use of existing land and building supply
4	Consider targeted site acquisition to acquire an element of control
5	Establish a program to bring sites to market
6	Explore program management options



Strategic Directions

Transforming the Bayfront

Explore Options:

- Steering Committee
- Oversight and guidance
- Private sector experience
- Steel, Port, Rail, Political, brokerage community

Establish a Program:

- Focus on underutilized and vacant sites
- Provide mechanism for site 'Certification'
- Coordinate investment pursuits
- Work with Port Authority to ensure alignment
- Identify need for incentives
- Monitor and report on success

Shift the Perception :

- Recognize constraints
- Support legacy sectors
- Marketing and branding
- 'Sector-based' approach

See the "Big Picture":

- Expanded economic role
- Greenfield assets
- Economic vitality
- Demand in Bayfront

Improve Market Appeal:

- Infrastructure upgrades
- Grants or other incentives
- Targeted investment
- Select conversions

Acquire an Element of Control

- Shift the economics of redevelopment
- Municipal ownership a key success factor
- Partnerships with local developers effective



Deloitte.