



Subject: Development of 82, 86-90 Broadway

Department: Community Services

Division: Economic Development

Report #: CMS-2020-006

Meeting Date: 2020-11-09

Recommendations

That report CMS-EDC-2020-006 dated November 9, 2020 regarding Development of 82, 86-90 Broadway be received;

And that Council direct staff to commence preparations for the eventual sale of the properties for development through a Request for Proposal process as outlined under Scenario One within this report;

And that Planning Division staff be directed to move forward with steps required to rezone the site to establish built form requirements;

And that staff be directed to obtain Phase I and II Environmental Assessments of the property as required, and report to Council with results;

And that staff be directed to obtain a comprehensive parking strategy for the Downtown that considers paid parking recommendations;

And that staff be directed to obtain an Economic Impact Study as a result of the re-development of the property;

And that Council direct staff to make a 2021 capital budget submission of \$75,000 for the completion of a Phase I and II Environmental Assessment; a Parking Strategy for the Downtown; and an Economic Impact Study for the development.

Background and Analysis

At its May 11, 2020 meeting, Council received a report with respect to the potential development of the properties at 82, 86-90 Broadway. Staff were directed to retain the services of a consultant to review the feasibility of developing the site as a multi-use facility, inclusive of possible design concepts, financial considerations for each design, and potential ownership structures/agreements.

Following completion of a Request for Proposal (RFP) process, the firm N. Barry Lyon Consulting Ltd. (NBLC), in partnership with GSP Group, was procured to complete the project and work commenced in early July 2020.

The multi-faceted study utilized planning, market and financial analysis to estimate the value that could be attributed to three potential redevelopment design options within the context of three delivery approaches, including:

- A sale of the properties to a developer with agreements to build/guarantee specific design elements
- Partnering with a developer to guarantee specific design elements; and,
- Leasing the land to a developer who would guarantee specific design elements.

The re-development project was examined with the objectives of the Town, the Orangeville Business Improvement Area (OBIA), Heritage Orangeville, and local stakeholders and residents front of mind.

An in-depth review of existing property conditions, Official Plan policies and Zoning by-laws for the Central Business District, Heritage Conservation District guidelines, and the Recreation and Parks Master Plan was completed. Stakeholder and public input were also solicited as part of the project. In addition to an introductory meeting with Council (August 10), two meetings were held with the OBIA Board of Management (July 30/September 24), one meeting was delivered with Heritage Orangeville (Sept 16), and a Public/Stakeholder Open House was held (Sept 22). Feedback provided from all these interactions was considered as the consultants moved forward to create and evaluate various development scenarios.

Additionally, following a special meeting of the OBIA Board of Management on October 2, 2020, the following resolution was provided to the Economic Development & Culture office and provided to the consultant for incorporation:

Moved by Councillor Sherwood, T. Brett

That the Orangeville Business Improvement Area (OBIA) has a financial interest in any sale of 82 and/or 86-90 Broadway as per the Agreements dated the 25th of June, 2012 and the 13th of August, 2009 respectively;

And that the OBIA supports the Town of Orangeville in its exploration of sale/development options for 82 & 86-90 Broadway;

And that any sale/development must include:

- **The requisite number of private parking spaces as per the Town’s planning requirements for residential and commercial units in the Central Business District;**
- **A minimum of 150 and up to 180 public parking spaces if:**
 - **Any new parking study/strategy or Community Improvement Plan supports these public parking inventory targets;**
 - **The BIA’s direct contribution to the cost to purchase/develop these public parking spaces does not exceed its current debt service obligation for these properties, plus**
 - **A 15% increase in total debt obligation to achieve 150 public parking spaces up to a maximum of a 33% increase in total debt obligation to achieve 180 public parking spaces, providing:**
 - **Parking fees are set in consultation with the BIA and as part of a larger downtown parking strategy;**
 - **The OBIA shares in any revenue generated by paid parking; and**
 - **The OBIA’s portion of this parking revenue is sufficient to service this additional debt and can later support the development of future parking opportunities.**

And that:

- **The price associated with the purchase/development of the parking structure is established in advance of the sale of the properties;**
- **The BIA is consulted as part of the sale process;**
- **Access from Broadway to Armstrong Street along the east side of the lot is maintained;**

And that the OBIA reserves the right to change its position on any/all of above if there is a shift in the property market and/or if the OBIA Board of Management determines that a proposed sale/development of 82 & 86-90 Broadway is not in the best interest of its Members.

Carried Unanimously.

Having reviewed the opportunities and limitations of the properties, the Town’s various plans and by-laws, and the objectives of stakeholder groups, NBLC established three detailed development scenarios, inclusive of financial projections, along with recommendations around ownership structure and next steps.

Development Options

Features of the three development scenarios outlined within **Attachment 1** to this report include:

Scenario 1 – Broadway building – a 4 storey, 47,300 square foot (sf) building fronting on Broadway with 42,300 sf residential and 5,000 sf retail/commercial space at ground level. Parking for privately owned residential development would be within an underground garage. The Town-owned public parking of 150 spaces would be provided through a mix of surface and underground parking. Least complex and lowest cost scenario;

Scenario 2 – Armstrong building – 8 storey, 99,100 sf building with 94,100 sf residential, 5,000 sf retail/commercial space at north side of building, overlooking public surface parking lot that extends to Broadway. Parking for residential development would be within an underground garage and Town-owned public parking would be provided through a mix of surface and underground garage;

Scenario 3 – Broadway/Armstrong buildings – A combination of Scenarios 1 and 3. A 4 storey, 40,300 sf building on Broadway with 35,300 sf residential and 5,000 sf retail/commercial space at ground level; and an 8 storey, 84,600 sf building on Armstrong St., fully residential. Mix of surface and underground parking. Most complex option due to integration of structured parking between the residential buildings.

Scenarios 1 and 3 best achieve the objectives of the Town, OBIA, Heritage Orangeville, and stakeholders and best support the policies of the Official Plan, Urban Design Guidelines for the Central Business District, and the Downtown Orangeville Conservation District Guidelines.

Scenario 1 represents a more modest project that could be accomplished a year earlier than Scenario 3, requires the lowest amount of subsidy to achieve the goal of 150 public parking spaces, offers the greater proportion of surface parking spaces, and retains a greater proportion of the subject site under Town ownership, preserving future partnering and community building opportunities.

Scenario 3 is a more complex project that could offer greater economic impact to the downtown, requires fewer underground parking spaces, supports Official Plan intensification targets for the southern half of the site, and could provide public recreation/open space on top of the parking structure between the two buildings. This option would also require the greatest amount of subsidy to move forward.

Financial Analysis

To estimate the potential value of the site, an order-of-magnitude residual land value (RLV) analysis was performed on the three development scenarios. All three development options would require subsidization to move forward at the current time as the disposition proceeds achieved through the sale of the development would likely be insufficient to cover the public parking target of 150 spaces.

To eliminate any need for subsidization, the number of parking spaces would need to be reduced to 96 spaces in Scenario 1, 94 spaces in Scenario 2, and 83 spaces in Scenario 3.

Different ownership structures were also evaluated within the context of financial appeal. Partnering with a developer in a joint venture that would see the Town defer payment of its land value in exchange of a share of the overall project profit was considered. While this ownership option could reduce the amount of subsidization required, the share of profit and the related project management fees also result in weaker financial projections and would be unlikely to attract a joint venture partner.

The establishment of a long-term ground lease (land lease) with the Town retaining ownership of the property and leasing the land to a rental development developer for a term of up to 99 years was also reviewed. Based on calculated rates of return for the longer (50 year) investment horizon from the developer’s perspective, this option was deemed as unlikely to garner much interest from the rental apartment development community.

From a development perspective, a sale of the land, with agreements in place to provide specific design benefits, is more marketable, more likely to produce the desired outcomes, and offers less risk to the Town than any of the other options considered.

The following chart summarizes the capacity of each development scenario to satisfy project objectives. **Note:** Subsidy rates provided are based on outstanding debt owing on the two properties as of September 2020, per the Town Treasurer:

Scenario & Approach Comparison			
Ability to Satisfy Objectives			
	Scenario 1	Scenario 2	Scenario 3
Increase public parking spaces from 120 to 150	\$3.3M subsidy required	\$3.4M subsidy required	\$3.9M subsidy required
Can provide vehicular/ pedestrian access from Broadway to Armstrong/ rear parking access to 94 Broadway			
Can provide sufficient interim parking during project construction	± 40 spaces	± 50 spaces	± 20 spaces
Public parking design maximizes at-grade spaces/ minimizes UG spaces	66 surface/ 84 UG	49 surface/ 101 UG	48 at-grade/ 48 2nd storey/ 54 UG
Preserving/ Enhancing Continuity of Visual Landscape along Broadway	3-storey street wall	no street wall/ surface parking	3-storey street wall
Supports ideas put forward in Draft Recreation & Parks Master Plan, including those for outdoor farmers’ market (FM)	FM can be on-street or in Alexandra Park	FM can be on-site, on-street or Alexandra Park	FM can be on-street or in Alexandra Park
Can connect Broadway retail fabric/ provide active retail frontage		retail set back 35 m	
Supports Commercial Urban Design Study guidelines		prohibits front yard parking	
Supports sensitive infill/ Intensification Area policies of the Official Plan, including local retailers/ jobs through additional on-site residents	30 to 40 units	80 to 90 units	100 to 110 units
Supports a vibrant, mixed use downtown by establishing long-term community improvement/ supports employment, tax revenue			
Development Approach Feasibility			
	Scenario 1	Scenario 2	Scenario 3
Town Perspective	Subsidy required/ Some market risk/ likely to attract experienced		

Sale with Development Conditions		developers
	Developer Perspective	Opportunity would be attractive to developers
Ground Lease Feasibility	Town Perspective	Subsidy required/ Limited selection of rental developers
	Developer Perspective	IRR for rental developers too low
JV Feasibility	Town Perspective	Subsidy required/ Some market risk/ Limited selection of developers
	Developer Perspective	IRR for condo apartment developers too low

Conclusion

Re-development of the properties at 82,86-90 Broadway represents a significant opportunity for the Town and the OBIA to achieve public benefits. It’s re-development would enhance the downtown through an infusion of new residents and shoppers, complete the Broadway retail streetscape, increase public parking, provide property tax revenue, and create employment and business opportunities locally – through both the development process and upon building occupation.

Based on the analysis completed, moving forward with steps to prepare the site for future sale through a RFP process is recommended. The RFP for the eventual sale of the property would, among other items, outline conditions for the sale that included specific design/build guarantees. Further, it is recommended that the concept designs outlined within Scenario 1 (a 4 storey, 47,300 square foot (sf) building fronting on Broadway with 42,300 sf residential and 5,000 sf retail/commercial space) be selected as the design approach. This scenario requires the lowest level of subsidization, offers a greater proportion of at grade parking spaces and greatest number of interim parking spaces during construction. This option also retains a greater proportion of the site under Town ownership, which could result in additional development opportunities in the future (i.e. scenario 3).

The NBLC report acknowledges that while condominium apartment market conditions are improving, they do not yet result in land values that are sufficient to cover the anticipated costs of constructing 150 public parking spaces and paying down existing loans tied to the property. Therefore, they recommend a patient approach to allow market conditions to mature while also completing the actions necessary to enhance the value of the site and increase the appeal to prospective developers.

Initial preparatory steps that could be completed while waiting for land values to improve and prior to moving forward with the RFP process include:

- Complete steps required to rezone the site to establish built form requirements – internally through Planning division
- Secure Phase I and Phase II Environmental Assessments on the properties, including completion of a Record of Site Condition, to determine need for any remediation and requirement for a Phase III Environmental Assessment. Estimated costs, assuming no potential contaminants of concern identified, \$35,000;

- Complete a comprehensive parking strategy for the Downtown that considers options for paid public parking. This study would evaluate consumer willingness to pay, conduct a comparative review of paid public parking best practices, provide an analysis of financial impact, and create pricing recommendations. Parking revenues could help offset development funding shortfalls. The OBIA could be approached to help offset the anticipated \$20,000 costs associated with this task. As well, staff would examine other options for funding the study, including any Economic Development funding program offered by the County of Dufferin in 2021 to help offset costs to the Town;
- Complete an Economic Impact Study to demonstrate the economic impact of the development in the Downtown at an estimated cost of \$20,000. Again, staff would seek options to help offset costs associated with the study through any available partnership funding.

With these tasks completed within the next 12 -18 months pending budget approval, market circumstances can then again be reviewed and a more appealing RFP process launched to develop the property.

Strategic Alignment

Orangeville Forward – Strategic Plan

Priority Area: Sustainable Infrastructure/Economic Vitality

Objective: Plan for growth/Stimulate tourism and cultural development

Sustainable Neighbourhood Action Plan

Theme: Land use and planning

Strategy: Encourage mixed use development

Notice Provisions

N/A

Financial Impact

Should Council decide to move forward with preparation for development of the property, approximately \$75,000 would be required under the 2021 Capital budget. Funding opportunities to offset a portion of these costs would be pursued by staff.

Respectfully submitted

Raymond Osmond,
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Attachment(s): 1. Development Scenarios