

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: Ward 2
COMMITTEE DATE: June 20, 2012	
SUBJECT/REPORT NO: Supermarket Development Incentives (PED12120) (Ward 2)	
SUBMITTED BY: Tim McCabe General Manager Planning and Economic Development Department	PREPARED BY: Alan Waterfield 905-546-2424 Ext. 1251 Hazel Milsome 906-546-2424 Ext. 2755
SIGNATURE:	

RECOMMENDATIONS:

- (a) That Urban Renewal staff be directed to prepare for Council's consideration an amendment to the Downtown and Community Renewal Community Improvement Plan, as per the Planning Act, for the purpose of implementing a Hamilton Downtown Supermarket Development Incentive.
- (b) That Appendix "A" attached to Report PED12120, respecting the draft Hamilton Downtown Supermarket Incentive program description and terms, be presented for public consultation to be conducted as part of the Community Improvement Plan amendment process, prior to scheduling it for consideration by Planning Committee and Council approval.

EXECUTIVE SUMMARY

The Hamilton Downtown Supermarket Incentive Program will offer a one-time only, forgivable loan to be issued to the successful proponent(s) of a Request for Proposal

Call relating to the development of a Downtown supermarket. It is felt that this will provide a necessary incentive to realize a full-service supermarket for a diverse range of Downtown residents in the shorter term. This strategic investment, along with other public and private rejuvenation initiatives, will assist in creating a Downtown that offers amenities that impact the quality of life of its residents.

Proposals will be evaluated against the criteria identified in Appendix "A" to Report PED12120. One of the mandatory requirements of this new incentive is that the supermarket must be located within the Downtown Urban Growth Centre to ensure a relatively centralized site within the broader Downtown context and, will assist in meeting growth targets for the area established in the new Urban Hamilton Official Plan: being 250 residents and jobs per hectare by 2031.

The financial incentive would be a one-time only forgivable loan to be used for capital works related to a property/building for the desired supermarket. The loan will be advanced at three (3) stages after the development is underway, at 60% completion, 80% completion and 100% upon occupancy. The loan amount would depend on the size of the proposed store provided at a rate of \$30 per square foot of gross leaseable floor area, to a maximum of \$650,000. The maximum loan term is five (5) years from the date of the final advance exclusive of holdback. Interest on the loan is 0% for the five (5) year period. The loan will be forgiven at a rate of 20% of the original amount per year, contingent that the borrower is not in default of the terms of the program or any security requirements. All taxes, as billed on the property, must be in good standing throughout the development process and the five (5) year forgivable loan term. City Council may reject any bid received from a proponent where, in the opinion of Council, the commercial relationship between the City and the proponent has been impaired by, but not limited to, the proponent being involved in litigation with the City.

Funding for the proposed incentive was included as a Downtown and Community Renewal capital block funded project in the 2012 approved budget. Depending upon the results of the evaluation, the incentive may be directed to one or more proponents and/or to one or more development sites. It should be noted that the RFP process would be cancelled if, prior to selection of the successful proponent(s) responding to the RFP, someone has demonstrated commitment to opening a Downtown supermarket without the incentive that would achieve the program goal.

An amendment to the Downtown and Community Renewal Community Improvement Plan (CIP) is required to introduce the new financial incentive program. The amendment, subject to a future report to Planning Committee and Council, would add a program summary to Section 8 of the CIP, and add the program description and terms of the supermarket development incentive, once finalized and approved, as an appendix to the CIP. Public consultation will be conducted as part of the Community Improvement Plan amendment process, in accordance with the Planning Act (Section 28) and the Public Participation and Notification Policies contained in the City's Official

Plan. Once the CIP has been amended, staff would issue a Request for Proposals to implement the program.

Alternatives for Consideration – See Page 15

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: Funding in the amount of \$650,000 for a Hamilton Downtown Grocery Store Financial Incentive (Project # 8201203510) was included as a Downtown and Community Renewal block funded project in the 2012 Tax Capital Budget and Financing Plan approved by Council on December 14, 2011.

Staffing: There are no additional staffing requirements. Staff in the Economic Development Division's Urban Renewal Section will prepare the Community Improvement Plan amendment required to implement the proposed program in consultation with Legal Services and will administer the program once it is in effect. It is anticipated that responses to the subsequent Request for Proposals would be evaluated by a multi-disciplinary team of staff comprising representatives from Economic Development, Community Planning and Design, Corporate Services, Public Health and Community Services.

Legal: An amendment to the Downtown and Community Renewal Community Improvement Plan (By-law 11-273) will be required to introduce a supermarket development incentive that would provide financial assistance for related capital works. The Planning Act (Section 28) permits a municipality, in conformity with a Community Improvement Plan, to make loans and grants which would otherwise be prohibited under the Municipal Act (Section 106(1)), to the registered/assessed owners or tenants of land and buildings, or their respective assignees, within a designated Community Improvement Project Area. As per the Planning Act (Section 28(7.1)), eligible costs for loans and grants must be related to environmental site assessment, environmental remediation, development, redevelopment, construction and reconstruction of lands and buildings for rehabilitation purposes or for the provision of energy efficient uses, buildings, structures, works, improvements or facilities.

HISTORICAL BACKGROUND (Chronology of events)

The desire and need for a supermarket in the Downtown area is often expressed by local residents and investors. A lack of basic amenities such as a full service supermarket can impact quality of life in a community, and can affect population growth required to help revitalize inner city neighbourhoods, in particular, which impacts the City's ability to meet growth targets established in the new Urban Hamilton Official Plan. These targets include a minimum gross density of 250 residents and jobs per hectare by 2031 in the Downtown Urban Growth Centre, and a City-wide residential

intensification target that requires a minimum of 40% of all residential development to occur annually within the built up area by 2015.

The need for a Downtown supermarket has been recognized in the 2010-2015 Economic Development Strategy and confirmed by consultants (e.g. the 2005 and 2011 Commercial Market Assessments conducted for the Downtown and International Village Business Improvement Areas). The evolution of grocery store development trends and the desire and need for a supermarket in Downtown Hamilton are discussed in more detail in the Analysis section of Report PED12120.

To accelerate the ongoing efforts to attract a supermarket to Downtown Hamilton, funding in the amount of \$650,000 for the proposed Hamilton Downtown Grocery Store Financial Incentive (Project # 8201203510) was included as a Downtown and Community Renewal block funded project in the 2012 Tax Capital Budget and Financing Plan, contained in Appendix "A" to Report FCS11111, approved by Council on December 14, 2011. As noted in the project detail sheet included in the 2012 Capital Budget Book 2, upon approval of the Capital Budget, staff would "report back to Council on the terms and conditions of the program and work towards meeting the legislative requirements in order to offer the financial assistance." The proposed program is provided in draft form in the attached Appendix "A" to Report PED12120.

POLICY IMPLICATIONS

Community Improvement Plan and Project Area

As per Section 10 of the Downtown and Community Renewal Community Improvement Plan (CIP), an amendment to the CIP (By-law 11-273) is required to introduce any new financial incentive program. The amendment, subject to a future report to Planning Committee and Council, would add a program summary to Section 8 of the CIP, and add the program description and terms for the supermarket development incentive, once finalized and approved, as an appendix to the CIP.

An amendment to the limits of the Downtown and Community Renewal Community Improvement Project Area (By-law 11-272) is not required as the area in which the program would apply (i.e. the Downtown Urban Growth Centre) is already contained within the Community Improvement Project Area.

Official Plan Land Use Policy and Zoning

The Hamilton Downtown Supermarket Incentive Program does not propose any changes to Council approved land use designations in the Official Plan/Secondary Plan on the Zoning By-Law. The incentive would be available only to properties where the Zoning By-law already permits supermarkets. Most of the zoning districts applicable to the Downtown Urban Growth Centre include supermarkets as a permitted retail use, as highlighted on the zoning map (Appendix "B" to Report PED12120). Development

applications (i.e. site plan and building permit) for a new supermarket in those zones would not be subject to a Commercial Needs and Impact Assessment, which is required in the case of Official Plan amendment applications for retail or service commercial development exceeding 5,000 square metres (53,280 square feet) of gross floor area.

Retail uses including supermarkets are encouraged to serve Downtown residents in the Urban Hamilton Official Plan (UHOP) and Downtown Hamilton Secondary Plan (DHSP).

- “The Downtown Urban Growth Centre shall serve a regional retail function by providing retail stores and services which appeal to a broad regional market and serve residents across the City and the surrounding area as well as providing day-to-day retail facilities and services to serve Downtown residents” (UHOP Policy E.2.3.1.5).
- “The range and breadth of commercial uses [in the Downtown Mixed Use designation] are intended to serve a broad regional market and also provide day-to-day retail goods and services to Downtown residents” (UHOP Policy E.4.4.1).
- The Downtown Hamilton Secondary Plan recognizes the relationship between residential development and retail uses that serve local residents, such as grocery stores. It states that “continued residential development within the Downtown shall create a new market for a variety of resident oriented goods and services” (DHSP Section 6.1.4.1(b)), and “[promotes] retail areas geared to the needs of residents in the Downtown and adjacent neighbourhoods” (DHSP Section 6.1.8.1(d)).

RELEVANT CONSULTATION

As previously noted, the desire for a supermarket in the Downtown area is often referenced by Downtown residents and investors, this includes focus group participants that provided input to the Downtown Community Engagement Plan (a component of the Economic Development Strategy’s Marketing Plan), the commercial market analyses conducted from the Downtown Hamilton and International Village BIAs, and the community liaison committee established for the current Downtown Hamilton Secondary Plan Review underway. The supermarket initiative was presented at the February 29, 2012 meeting of the Ward 2 Community Council, comprised of six (6) neighbourhood associations (i.e. Beasley, Central, Corktown, Durand, North End and Stinson).

The proposed Supermarket Incentive Program would help to improve access to a full service supermarket for a diverse range of Downtown residents. This was discussed at the April 4, 2012 meeting of the Community Food Security Stakeholder Committee where input to draft evaluation criteria was provided. The Committee was established in 2008 as an advisory sub-committee of the Board of Health, supported by the Public Health Services Department. Its mandate is to move Hamilton towards community food security, defined as being “a place where all community residents obtain a safe, culturally acceptable, nutritionally adequate diet through a sustainable food system that

maximizes self-reliance and social justice.”¹ The Committee provides advice on issues, policy development and strategic actions related to community food security, including food production and infrastructure, distribution and access. It is currently developing a Hamilton Food Charter.

Staff consulted on the need for a supermarket in the downtown with developers who have invested in residential development in Downtown Hamilton, including Silvestri Investments, Spallacci Contracting Inc., Urbancore Development, Core Urban Inc. and New Horizon Group of Companies. With approval from the developers, supporting documentation is attached as Appendix “F” to Report PED12120.

Staff also consulted with representatives of national and local supermarket chains, as well as proponents of a local grocery co-op initiative on the potential of operating a supermarket in Downtown Hamilton. While one operator indicated that Hamilton is not in its current scope of expansion, the others advised that while they have not recently looked at adding a store in Downtown Hamilton, their decision would be based on the quality of site specifications and grocery potential in the market. They also indicated that the incentive would be a positive in their decision making process to add another store, assuming the financial return on investment is satisfied in the long-term.

Feedback received to date, on a potential supermarket financial incentive, has been positive; not only from the aforementioned, but also from informal discussions with various individuals and organizations, including Friends of the Hamilton Farmers’ Market.

The draft Hamilton Downtown Supermarket Incentive Program terms and description and proposed RFP process were prepared in consultation with Legal Services and the Purchasing Division. Further public consultation will be in the form of a Public Information Centre as part of the Community Improvement Plan amendment process, in accordance with the Planning Act (Section 28) and the Public Participation and Notification Policies contained in the City’s Official Plan, including notice requirements for a statutory public meeting at Planning Committee.

<p>ANALYSIS / RATIONALE FOR RECOMMENDATION (include Performance Measurement/Benchmarking Data, if applicable)</p>
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The following discussion identifies the need and support for an incentive program by highlighting relevant grocery industry trends, local market characteristics, benefits and challenges associated with supermarket development. It then reviews specific details of the proposed program, currently in draft form in Appendix “A” to Report PED12120, which would be finalized through the Community Improvement Plan amendment process.

¹ Terms of Reference for the Community Food Security Stakeholder Committee, as amended, February 28, 2011

Grocery Industry Trends

The grocery industry has experienced divergent trends with respect to store size and location. Along with the development of large superstores, there is also a return to smaller, urban format supermarkets. In addition, many retailers now provide grocery items, although to varying levels of selection.

The industry is becoming fragmented into four main types of grocery retailers, according to the Centre of the Study of Commercial Activity (CSCA) at Ryerson University in Toronto:

- “Pure play” grocery stores (i.e. supermarkets that only offer groceries such as Metro);
- General merchandise stores² (e.g. Wal-mart, Zellers) and warehouse clubs³ (e.g. Costco) that offer food products;
- Grocery stores with added general merchandise⁴ (e.g. Loblaws’ Great Canadian Superstores);
- Other retailers that offer groceries (e.g. Shoppers Drug Mart).

The CSCA also “foresee an increase in mixed-use locations where grocery retail developments will be combined with condos, office buildings, and even other retailers in multi-level developments.” Historically, the industry has been influenced by a suburban development model. In the post-war era, supermarkets replaced the corner grocer, aided by the proliferation of the car and the refrigerator that enabled grocery shopping to shift from a daily to weekly activity that requires parking.⁵ Stores typically got larger and offered an increasing range of products and services to enhance convenience, depending on the store format.⁶

The urban format stores tend to be smaller “pure play” type of stores focused on grocery products. Examples include Rabba Fine Foods, the Kitchen Table, and Sobeys

² Department stores and general merchandisers have steadily been increasing the types of food products they sell. For example, the new Walmart Supercentres now contain full service grocery stores with produce, meat, dairy and frozen items in addition to dry packaged goods.

³ Warehouse clubs provide a wide selection of products with few choices in each product line. They sell many household goods including packaged foods, meats and some fresh vegetables, primarily in bulk quantities. A membership fee is required to shop at some (e.g. Costco), but not others (e.g. The Wholesale Club, which is part of Loblaws Inc.).

⁴ In addition to food, larger supermarkets and supercentres offer a variety of department store type merchandise and home and garden products, including pharmacy, electronics, books and toys, housewares, clothing (e.g. Loblaws’ Joe Fresh brand).

⁵ Hamilton Commercial Strategy Study Module 1: Trends Report, Sorensen Gravely Lowes, Feb. 2006, p22

⁶ Discount stores tend to be 25,000 to 40,000 sq. ft., focused on grocery items with limited services and amenities. Larger full-line supermarkets range from 35,000 to 60,000 sq. ft., providing more space for hot prepared food counters, wine shop, florist and dry cleaning service. Larger superstores can be over 100,000 sq. ft. with the traditional grocery component approximately 60,000 sq. ft., alongside the department store type merchandise; they may include rooms for cooking classes and community meeting space. (Ibid., p15)

Urban Fresh in the Greater Toronto Area. In the United States, Walmart has entered the urban market with the Walmart Market and Walmart Express store formats.

Independent supermarkets such as Highland Country Markets in upper Stoney Creek and Fiesta Farms in Toronto tend to provide more buy-local food options. Such stores are less bound by corporate policies that dictate what products may be sold.

Local Market Characteristics

There are currently 36 major supermarkets across the City of Hamilton, listed in Appendix “C” to Report PED12120. They represent the three (3) companies that dominate the Ontario market, each with a larger format and a smaller, discount-oriented format, including Fortinos/No Frills (Loblaws Inc.), Sobeys/Freshco/Foodland (Empire Co. Ltd.), and Metro/Food Basics (Metro Inc.).⁷ An additional Freshco supermarket is to be built in Binbrook at Highway 56 and Maggie Johnson Drive, and plans are underway to rebuild and expand the Fortinos store at Fiesta Mall in Stoney Creek.

In addition, there are four (4) independent supermarkets that offer a broad range of products including meats, produce and bakery, with a more limited selection of dry goods and toiletries. They feature specialty meats; for example, the Highland Country Market offers local meat sourced from the adjacent Highland Packers.

As previously noted, there are general merchandisers who now offer a broad range of food products. In Hamilton, there are five (5) Wal-mart Supercentres located throughout the City. An additional Wal-mart Supercentre is planned at Fifty Road in Winona. Warehouse clubs include the Costco store in the Ancaster Meadowlands and the Wholesale Club located at Barton Street East and Nash Road (former Commisso’s supermarket).

Food can also be purchased throughout the City at several different store types that provide a variety of products and service levels:

- Specialty food stores, including delis, bakeries, health foods, bulk foods, ethnic food stores (e.g. Denningers, Sweet Paradise, Goodness Me, Zarky’s, Bulk Barn);
- mini-marts, convenience/variety stores;
- department stores, dollar stores, some pharmacies;
- farmers markets (e.g. Downtown Hamilton, Ottawa Street, Ancaster Village, Concession Street, Locke Street);
- year round and seasonal outlets (e.g. Rockton Berry Farm, Carluke Orchards).

Downtown Urban Growth Centre

⁷ In 2011, these three (3) companies were reported to “control 60% of the Canadian grocery retail pie”, according to the Centre for the Study of Commercial Activity at Ryerson University.

None of the City supermarkets listed in Appendix “C” to Report PED12120 are located within the Downtown boundary as defined by either the Downtown Hamilton Secondary Plan or the Urban Growth Centre. Within the Downtown Hamilton Urban Growth Centre, the following food store options are available, listed in Appendix “D” to Report PED12120:

- The Hamilton Farmers Market features approximately 70 vendors offering produce, meats/cheese/eggs, fish and seafood, baked goods, and flowers. It has limited hours open Tuesdays, Thursday, Friday and Saturday from early morning to six (6) o'clock p.m.
- 24 specialty food stores such as Tan Thanh and B&T Food Centre (small Asian supermarkets) and Denningers;
- Eight (8) mini-marts such as Big Bee;
- 19 convenience/variety stores;
- Five (5) dollar/general merchandise stores, including Giant Tiger;
- Eight (8) pharmacies that have limited food items.

These retailers have a role to play but there remains an absence of certain items, particularly dry goods that are either not available or are provided in limited quantities and selection (e.g. cereals), or at a price higher than supermarkets. The three (3) major supermarkets oriented to a broader customer base and located closest to Downtown include:

- Fortinos at Dundurn Plaza (Ward 1),
- Food Basics at Barton Street and Mary (Ward 2), and
- No Frills at Main Street East and Tisdale (Ward 3).

Market Opportunity

Efforts to attract a Downtown supermarket are supported by the findings of the commercial market assessments completed in 2005 and 2011 for the Downtown Hamilton and International Village Business Improvement Areas. These reports were completed by the Urban Marketing Collaborative, a division of the J. C. Williams Group of retail consultants. They recommend that Downtown retailers, such as grocery stores, be recruited to provide an amenity for Downtown residents. Various stakeholder interview comments provided in each report expressed a desire for a larger Downtown grocery store. The reports identify a need for more neighbourhood-focused retail, noting the local Downtown neighbourhoods (i.e. Beasley, Central, Corktown and Durand) comprise a market that has not been well serviced.⁸

- The 2005 study for the Downtown Hamilton BIA specifically notes the lack of a Downtown grocery store, and determines that the 45,000 households then in the

⁸ Urban Marketing Collaborative, Commercial Market Analysis for Downtown Hamilton BIA, May 2011

Downtown's primary trade area (i.e. the lower city between Highway 403 and Ottawa Street) are underserved by some 70,000 square feet of supermarket space.⁹

- There is opportunity for an urban grocer of 8,000 to 15,000 sq. ft.¹⁰ to provide a broader range of goods and services that are not available at the Hamilton Farmers Market and specialty food retailers such as Denninger's.

Population Density

The number one criteria for grocery store location in urban neighbourhoods is population density within the trade area; a trade area is considered underserved when the grocery store space servicing one person is less than three (3) square feet¹¹ (i.e. <3:1). In the lower city from Highway 403 to Ottawa Street, the ratio of supermarket retail space per capita is 2.35:1; i.e., there is 2.35 square feet of supermarket space serving one person, based on the 2011 census population of 92,000 and 216,400 sq. ft. combined in the five (5) major supermarkets located within that area. The location of each Hamilton supermarket is identified on the map provided in Appendix "E" to Report PED12120. The map also displays the City's population density distribution which illustrates the absence of supermarkets in the area with the highest population density in the central core.

Population density supports more stores in closer proximity in core urban areas. "Inner city retailers often have smaller stores, multi-level stores, greater reliance on transit and substantially higher availability of household deliveries... characteristics that are almost unheard of in the suburbs."¹² To be walkable, a dense population within easy walking distance – generally 400 to 600 metres (a five (5) to eight (8) minute walk) – is needed.¹³ In this context, the mindset of the urban shopper is different: "People often shop daily at urban stores instead of weekly, and purchase less food per visit."¹⁴ As illustrated in the following chart, the proportion of residents that walk or use public transit to commute to and from work is much higher in Ward 2 than in other wards, reflecting a greater propensity for walking and a lower level of car ownership in the core.

⁹ Urban Marketing Collaborative, Commercial Market Analysis for Downtown Hamilton BIA, May 2005

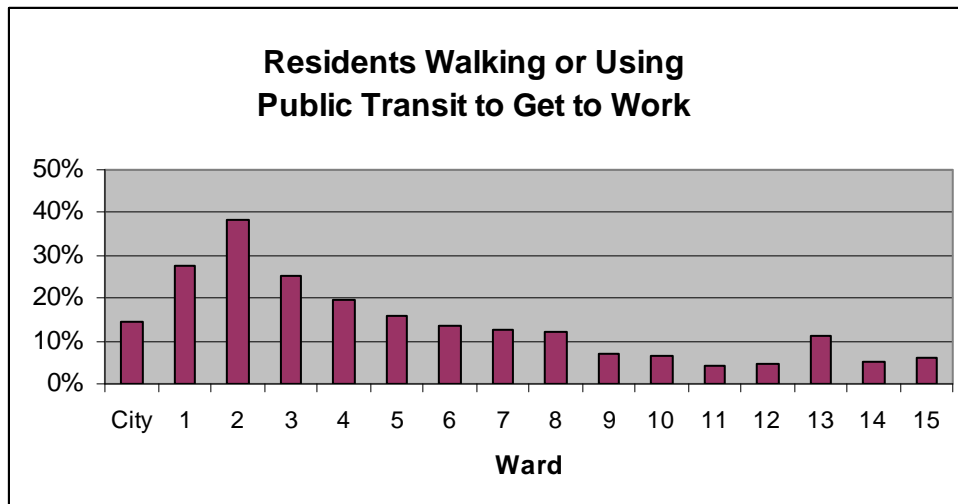
¹⁰ Urban Marketing Collaborative, Commercial Market Analysis for International Village BIA, May 2011

¹¹ Social Compact, Inside Site Selection: Retailers' search for strategic business locations, prepared for the International Council of Shopping Centres, May 2008

¹² Hamilton Commercial Strategy Study Module 1: Trends Report, Sorensen Gravely Lowes, Feb. 2006, p5

¹³ Hamilton Commercial Strategy Study Module 3: Planning Mechanisms, Sorensen Gravely Lowes, Dec. 2006, p16

¹⁴ *Urban grocers proliferate*, R. Steuteville, New Urban Network, Ithaca NY, Oct. 1, 2009



Source: *Employed Labour Force 15 Years and Over by Main Means of Travel Between Home and Work, Statistics Canada, Census 2006*

Benefits

A supermarket development incentive would address issues identified in the 2010-2015 Economic Development Strategy, which recognizes that not all neighbourhoods, especially in the Hamilton core, have access to basic amenities like grocery stores, which impacts quality of life. The Strategy specifically identifies the lack of basic services and amenities (i.e. grocery and hardware stores) as a threat to Downtown development.¹⁵ High environmental quality, culturally desirable working and living conditions and convenient local amenities are believed to be among the quality of life factors that are the most vital to retain local business and attract investment and families. Quality of life is, therefore, linked with community economic development. Part of the Strategy's quality of life agenda also includes supporting the City's developing Community Food Security Policy to ensure affordable safe food for all residents.¹⁶

Access to fresh food can be crucial to both the physical health of community residents and the economic health of the neighbourhood itself.¹⁷ Research measuring availability of food stores and the types of food sold within them finds that "residents with greater access to supermarkets or a greater abundance of healthy foods in neighbourhood food stores consume more fresh produce and other healthful items."¹⁸ It follows that "residents who live near supermarkets or in areas where food markets selling fresh produce (supermarkets, grocery stores, farmers' markets, etc.) outnumber food stores that generally do not (such as corner stores) have lower rates of diet-related diseases

¹⁵ City of Hamilton Economic Development Strategy 2010-2015, p62

¹⁶ City of Hamilton Economic Development Strategy 2010-2015, p108

¹⁷ Grocery Store Attraction Strategies, PolicyLink and Local Initiatives Support Corp., Oakland CA, 2nd Ed., 2008

¹⁸ The Grocery Gap – Who Has Access to Healthy Food and Why It Matters, PolicyLink and The Food Trust, Oakland CA, 2010, p8

[such as obesity and diabetes] than their counterparts in neighbourhoods lacking in food access.”¹⁹

The lack of an inner city, full service supermarket is not unique to Hamilton, and has been identified in other Canadian cities such as London, Kitchener, Saskatoon and Edmonton. Concern about the lack of access to food in inner city areas is most prevalent in the United States, where the issue of “food deserts”, where there is little or no access to healthy and affordable food, is more acute and has been studied more extensively. These studies find major discrepancies in food access by race and income and for low density rural areas.²⁰

Supermarkets are high volume anchors that generate customers and attract complementary stores and services such as banks. Analyses of stores supported by the Pennsylvania Fresh Food Financing Initiative find they lead to increased economic activity in surrounding communities.²¹ A new supermarket would, therefore, create jobs, although many may be part-time. In addition, a Downtown grocery store would contribute to the growth target density of 250 residents and jobs in the Downtown Urban Growth Centre and would support neighbourhood revitalization. There is potential for increased tax revenue depending on the store location or redevelopment site.

Challenges

Despite the opportunities, a grocery store is not present in the Downtown core. The challenges of developing a supermarket in an urban setting include:

- finding an appropriate site (land availability, size, access);
- evidence of market demand; and,
- development and operations costs.

Major grocery chain representatives report there are not enough people living downtown to make the investment and residential developers advise that people are complaining because there is no supermarket downtown. The proposed program is intended to break that logjam, and help the industry give Downtown greater consideration.

It requires creativity to work with different layouts and size configurations in urban areas rather than cookie-cutter suburban formats. Parking is an operational requirement for the grocery store industry that has been used to suburban formats where typically five (5) spaces per 1,000 sq. ft. of retail space are provided, although that is changing.²² There are now various examples where parking with lower ratios is provided.²³ There is no mandatory parking required by Zoning By-law 05-200 for retail development

¹⁹ The Grocery Gap – Who Has Access to Healthy Food and Why It Matters, PolicyLink and The Food Trust, Oakland CA, 2010, p8

²⁰ Ibid.

²¹ Ibid.

²² Grocery Store Attraction Strategies, PolicyLink and Local Initiatives Support Corp., Oakland CA, 2nd Ed., 2008, p. 17

²³ *Urban grocers proliferate*, R. Steuteville, New Urban Network, Ithaca NY, Oct. 1, 2009

permitted in the Downtown D1, D2, D3 and D4 zones, including supermarkets, which provides some flexibility to site design and locational opportunities.

Hamilton Downtown Supermarket Incentive Program

The proposed Hamilton Downtown Supermarket Incentive Program has been designed to attract a supermarket to Downtown Hamilton and/or to facilitate the expansion of existing food retailers in the area. It is intended to accelerate Downtown economic development and address quality of life issues for existing and future Downtown residents. The goal is a Downtown community that has improved convenient access to a wide range of high quality, healthy foods at competitive prices, affordable for the average Downtown consumer.

The draft program description and terms for the Hamilton Downtown Supermarket Incentive Program are provided in Appendix “A” to Report PED12120. Key elements are described below.

Process

The program would be administered through a Request for Proposals (RFP) process to be initiated following approval of the Community Improvement Plan amendment required to introduce the program. This process is recommended because the specific program goal can be achieved through a one-time only offering of the incentive. The RFP will outline how the following evaluation criteria would be used to assess and rank the ability of potential projects to meet the goal of the program. Depending on the results of the evaluation, the incentive may be directed to one or more proponents and/or to one or more development sites. It should be noted that the RFP process would be cancelled if, prior to the selection of the successful proponent(s) responding to the RFP, someone has demonstrated commitment to opening a Downtown supermarket without the incentive.

Evaluation Criteria

Location and Accessibility –

- The supermarket must be located within the Downtown Urban Growth Centre to ensure a relatively centralized site within the broader Downtown context.
- Consideration will be given to the store’s accessibility for deliveries and to shoppers (e.g. proximity to transit, on- and off-site parking, population within 800 m walking distance, distance to nearest other major supermarkets).
- Consideration will be given to stores open beyond a minimum hours of operation: twelve (12) hours per day, Monday to Saturday.
- The price point of the products and services offered should indicate how the store can serve the broad range of Downtown residents.

Products and Services –

- The store must offer a full range of everyday grocery items oriented to a broad customer base, including but not limited to fresh meats, fruit and vegetables, canned, frozen and dry goods, and other household goods (i.e. toiletries, cleaning products).
- Consideration will be given to the breadth and diversity of additional products and ancillary services to be offered, such as delicatessen, ethnic foods, special dietary needs, prepared food counter, delivery service.
- Consideration will be given to stores providing a venue for local products and/or other community benefits.
- The RFP will ask proponents to explain how the breadth of products and services they will provide is distinct from other food retailers in the area and addresses the Program's goal.

Development Concept and Readiness –

- The development concept must be in conformity with the design objectives of the Downtown Hamilton Secondary Plan. Consideration will be given to stores that are part of an overall mixed use development concept and/or complement existing built form as part of development of vacant sites or parking lots. The Program is not intended to support a typical suburban development model within Downtown.
- A supermarket must be a permitted use at the site as per the applicable zoning by-law.
- Consideration will be given to the project timeline for construction and occupancy.

Financial –

- The amount of financial assistance requested through the RFP submission may be less than the maximum of \$650,000.
- Consideration will be given to the experience and financial capacity of the Proponent and/or supermarket operator as part of the City's due diligence in reviewing loan applications.

Type of Financial Assistance

The financial incentive would be a one-time only, forgivable loan, to be used for capital works upon a property/building required to establish a supermarket. It will be advanced in three (3) stages after the development is underway, at 60% complete, 80% complete, and upon occupancy. The loan amount would depend on the size of the proposed store, provided at a rate of \$30 per square foot of gross leaseable floor area, to a maximum of \$650,000.

The loan would be forgiven at a rate of 20% of the original amount per year provided that the Borrower is not in default of the Program terms or any related security. The proponent must commit that the grocery store will be in operation for a minimum of five (5) years in order to earn and maintain forgivable status. In cases where the grocer is a tenant, the term of the lease must be a minimum of five (5) years.

The loan would be at 0% interest for a maximum term of five (5) years with any unearned balance payable upon default if the Borrower has not satisfied all the requirements of the Program. In that case, interest shall be payable on the principal outstanding at the then prevailing rate established by Council for interest on tax arrears. The principal and interest shall be repaid over no longer than a two (2) year period.

ALTERNATIVES FOR CONSIDERATION:

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Option # 1: Non-acceptance of the recommendations contained in Report PED12120 would slow downtown regeneration efforts in general. The lack of basic amenities such as a full service supermarket can affect population growth which impacts the City's ability to meet growth targets established in the new Urban Hamilton Official Plan. This alternative is not recommended.

Option # 2. Acceptance with a reduction of the amount of the forgivable loan would impact operators' financial return and their decision to invest in a supermarket in Downtown Hamilton. This alternative is not recommended.

Option # 3. American examples, such as the Philadelphia Fresh Food Financing Initiative, New Jersey Food Access Initiative and New York City's FRESH program provide zoning and financial incentives to promote grocery store development, upgrading and expansion in underserved areas. A recent survey of the following 13 Canadian municipalities was conducted to determine what financial incentive programs they offered: Barrie, Brantford, Burlington, Cambridge, Guelph, Hamilton, Kingston, Kitchener, London, Oakville, St. Catharines, Victoria and Waterloo. The only municipality of the 13 that offers assistance specifically targeted at supermarkets is the City of London through its Targeted Use Tax Holiday (which is/was in effect until 2012). The Program was developed to provide a financial incentive to property owners in identified community improvement project areas to lease ground floor space to targeted uses. Supermarkets are one of the targeted uses. The City of Hamilton presently offers the Hamilton Downtown Property Improvement Grant Program that offers a grant in the amount of the increase in the municipal portion of the tax increase attributable to a property's redevelopment. This alternative of a Target Use Tax Holiday would be redundant and is not recommended.

Option # 4. The City of Kitchener has identified the need to attract a major urban grocery store in its Downtown. The draft Downtown Kitchener Action Plan recommends exploring partnership opportunities for attracting a major urban format grocery store, possibly using city-owned lands. In Hamilton, there are no city-owned locations in the Downtown Urban Growth Centre that would be suitable. This alternative is not recommended.

Financial: A forgivable loan(s) in the maximum amount of \$650,000 would not be advanced.

Staffing: Not applicable

Legal: Not applicable

Report PED12120 does not recommend the option of introducing the proposed program to other community downtown areas at this time. The additional financial implications of doing so will be assessed through the consideration of community improvement initiatives in these community downtowns, which staff will report back on in September.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Healthy Community

- ◆ Plan and manage the built environment
- ◆ Adequate access to food, water, shelter and income, safety, work, recreation and support for all (Human Services)

APPENDICES / SCHEDULES

Appendix “A” to Report PED12120 – Draft Hamilton Downtown Supermarket Incentive Program Description and Terms

Appendix “B” to Report PED12120 – Downtown Urban Growth Centre Zoning Map

Appendix “C” to Report PED12120 – List of Major Supermarkets in the City of Hamilton

Appendix “D” to Report PED12120 – List of Food Retailers in the Downtown Urban Growth Centre.

Appendix “E” to Report PED12120 – City Population Density and Supermarket Location Map

Appendix “F” to Report PED12120 - Supporting Documentation from Developers

AW/HW/dw