

Report to Corporate Services Committee

**To: Chair and Members
Corporate Services Committee**

From: Anna Lisa Barbon, Deputy City Manager, Finance Supports

Subject: Industrial Land Development Strategy Annual Monitoring and Pricing Report - City Owned Industrial Land

Date: June 12, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, with concurrence of the Director, Economic Services and Supports, on the advice of the Director, Realty Services, with respect to the City of London's Industrial Land Development Strategy, the following actions **BE TAKEN** with respect to the annual monitoring and pricing of City owned industrial lands:

- a) the proposed attached by-law (Appendix A) **BE INTRODUCED** at the Municipal Council meeting to be held on June 27, 2023 to amend By-law No. A.-6151-17, as amended, being "A by-law to establish policies for the sale and other disposition of land, hiring of employees, procurement of goods and services, public notice, accountability and transparency, and delegation of powers and duties, as required under Section 270(1) of the *Municipal Act, 2001*" by deleting Attachment "B" to Schedule "A" – Sale and other Disposition of Land Policy of the By-law and by replacing it with a new Attachment "B" to Schedule "A" to amend the current pricing for City owned serviced industrial land as follows:

The current pricing levels of all City owned industrial parks, established effective September 1, 2023, are as follows:

Innovation Park (Phases 1 to 4) and Huron Industrial Park (all phases):

- Lots up to 4.99 acres – price change from \$175,000 per acre to \$225,000 per acre
- 5.00 acres and up – price change from \$165,000 per acre to \$200,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park:

- All lot sizes – price change from \$165,000 per acre to \$200,000 per acre

Pricing for serviced industrial land in Innovation Park Phase V

- All lot sizes – price change from \$250,000 to \$300,000.00 per acre

Surcharges are as follows:

- Highway 401 Exposure – 15%
- Veteran's Memorial Parkway Exposure – 5%; and

- b) the staff report dated June 12, 2023 entitled "Industrial Land Development Strategy Annual Monitoring and Pricing Report – City Owned Industrial Land", **BE RECEIVED**.

Executive Summary

The purpose of this report is to provide information to Council relative to the City's Industrial Land Development Activity, highlight strategic objectives, and review the current pricing and policy for City owned Industrial land.

This report is prepared in accordance with Council's resolution which directs that the Civic Administration prepare a monitoring report on the City's Industrial Land Development Strategy (ILDS), as well as a review of the pricing of City owned industrial land for Municipal Council's consideration.

The City of London owns several major industrial land holdings. Land for three of the most recent industrial parks was acquired in direct response to the Industrial Land Development Strategy and these three City owned industrial parks have been fully developed since Council endorsed the strategy in November of 2001.

Linkage to the Corporate Strategic Plan

As part of Council's Strategic Plan 2023 to 2027, ILDS remains an important strategy under "Economic Growth, Culture, and Prosperity" which is specifically tied to the update, support, and the implementation of the Industrial Land Development Strategy.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Board of Control Report – February 11, 2009 – Industrial Land Development Strategy Report

Strategic Priorities and Policy Committee – November 18, 2013 – Industrial Land Development Strategy 2013 – 2023

Corporate Services Committee – June 20, 2017 – Industrial Land Development Strategy Annual Monitoring & Pricing Report

Corporate Services Committee – July 17, 2018 - Industrial Land Development Strategy, Annual Monitoring and Pricing Report - City-owned industrial land

Corporate Services Committee – June 18, 2019 – Industrial Land Development Strategy, Annual Monitoring and Pricing Report – City owned industrial land

Corporate Services Committee – July 13, 2020 – Industrial Land Development Strategy, Annual Monitoring and Pricing Report – City-owned industrial land

Corporate Services Committee – August 30, 2021 – Industrial Land Development Strategy Annual Monitoring and Pricing Report - City Owned Industrial Land

Corporate Services Committee – May 9, 2022 - Industrial Land Development Strategy Annual Monitoring and Pricing Report - City Owned Industrial Land

Strategic Priorities and Policy Committee – May 9, 2023 – 2023 Industrial Land Development Strategy

2.0 Discussions and Considerations

2.1 City Owned Industrial Land Pricing in London, Ontario

The current pricing levels of all City owned industrial parks, established effective August 1, 2022, are as follows:

Pricing for serviced industrial land in Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, Huron Industrial Park (all phases), and Cuddy Boulevard Parcels is:

- Lots up to 4.99 acres - \$175,000 per acre

- 5.00 acres and up - \$165,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park will be:

- All lot sizes - \$165,000 per acre

Pricing for serviced industrial land in Innovation Park Phase V:

- All lot sizes – \$250,000 per acre;

Surcharges are as follows:

Highway 401 Exposure – 15%;

Veteran’s Memorial Parkway Exposure – 5%; and

The cost of service connections from the main services to the property line is the responsibility of the purchaser. Industrial lots are sold on a where is, as is basis, with grading, stripping and removal of excess topsoil being the purchaser’s responsibility and cost. The City will strive to provide grading of the municipal industrial parks on a level graded basis. Site specific final grading is the responsibility of a purchaser. In the event an industrial lot has frontages on both Highway 401 and Veteran’s Memorial Parkway, the Highway 401 Exposure surcharge of 15% shall apply.

Effective September 1, 2023, pricing for serviced industrial land for all City owned industrial parks is recommended to be:

Innovation Park (Phases 1 to 4) and Huron Industrial Park (all phases):

- Lots up to 4.99 acres - \$225,000 per acre
- 5.00 acres and up - \$200,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park will be:

- All lot sizes - \$200,000 per acre

Pricing for serviced industrial land in Innovation Park Phase V:

- All lot sizes – \$300,000 per acre;

Surcharges are as follows:

Highway 401 Exposure – 15%;

Veteran’s Memorial Parkway Exposure – 5%; and

The cost of service connections from the main services to the property line is the responsibility of the purchaser. Industrial lots are sold on a where is, as is basis, with grading, stripping and removal of excess topsoil being the purchaser’s responsibility and cost. The City will strive to provide grading of the municipal industrial parks on a level-graded basis. Site specific final grading is the responsibility of a purchaser. In the event an industrial lot has frontages on both Highway 401 and Veteran’s Memorial Parkway, the Highway 401 Exposure surcharge of 15% shall apply.

The recommendation for the price increase is based on several variables being; continued interest and demand for industrial parcels, limited availability of development ready/shovel ready industrial parcels, adjustment for time since last approved pricing, and recapturing grading and servicing costs amongst other reasons referenced later in the report. The increase in pricing is required while still maintaining regional and provincial competitiveness to attract new companies to London.

Industrial Land Pricing in Surrounding Municipalities in Southwestern Ontario

The Summary Table attached in Appendix B is a survey of the price levels of municipally owned industrial land in surrounding municipalities in Southwestern Ontario. In comparison, smaller municipalities surrounding London in Middlesex County, Sarnia, and Strathroy have offered lands at considerably lower prices than London. Costs to acquire land in rural areas, limited servicing capabilities (i.e. dry industries), and other

locational aspects have typically been considered to result in the lower pricing structure. As for medium sized municipalities such as St. Thomas, Ingersoll, and Woodstock, they have traditionally offered land pricing similar to London, however currently their pricing currently exceeds the City of London. Stratford currently has some remaining industrial land available at a price slightly more than the current list prices of industrial lands owned by the City of London. As for further away municipalities such as Guelph, Brantford, Hamilton, and municipalities in the Waterloo Region, these have remained at higher price levels given the proximity to the Greater Toronto Area (GTA).

What has been observed over the last couple of years is that municipalities are starting to put investment dollars towards new industrial land development. Woodstock, St. Thomas, Ingersoll, and Waterloo are all in the process of developing industrial parks to attract new industries as inventory for available industrial land has remained low or has been already absorbed. An adjustment to the current pricing is recommended and consideration factors for the land pricing is outlined in Section 5.0 of this report.

2.2 Summary of Current Land Holdings

A brief summary of the six major City owned Industrial Parks is outlined below and on the following pages:

2.3 Serviced Lands

Current Inventory – Serviced Industrial Land

City serviced industrial lands have access to full municipal servicing to the lot line, and in most cases, are shovel ready, being available for a client to purchase and develop.

	Net Acres Available	Net Hectares Available
Innovation Park:	129.40	52.3
Trafalgar Industrial Park	1.51	0.611
Forest City Industrial Park	3.2	1.3
Huron Industrial Park	178	72
Total	312.1	126.2

Note: Inventory levels shown above are reported on a year end basis, include optioned parcels, and do not reflect sales for 2023. The current sales and land activity for 2022 are detailed further in the report below.

For larger sized industrial parcels, several private parcels remain privately owned or are being marketed for sale or design build lease opportunities.

Under the City's owned inventory, seven (7) existing parcels are available which are 20+ acres in size, three are located in Innovation Park Phase IV and four are located at Huron Industrial Park. In addition, the ILDS implementation team is currently designing large block (50+ acre parcels) for Innovation Park Phase V to meet the needs in today's marketplace.

Provided below is a summary of the various City Industrial Parks that were developed in recent years.

Innovation Park

Innovation Park is located on both the west and east sides of Veteran's Memorial Parkway, north of Highway 401 and south of Hamilton Road.

598 acres of land were acquired between 2001 and 2003 for the development of all four phases of this park. An additional 55 acres were acquired in 2011; 43.5 acres were added to Innovation Park, Phase II, and approximately 12 acres set aside for a future interchange. Phase I was completed in 2005, Phase II in 2008, Phase IV in 2009 and

Phase III by the end of 2010. Phase V will be the newest phase for development which is described later in the report.

In total, 653 acres was assembled and of which 477 acres was developed and prepared for the market. As of December 31, 2022, approximately 306 acres have been sold in the park, 19.3 acres were under contract, and 13.7 acres under Option agreements for future expansion needs. 39.7 acres were previously donated to Western and Fanshawe as part of the original Phase IV Joint Venture development including 1.6 acres for a future Fire Station. Unfortunately one (1) parcel was repurchased last year, totalling 6.0 acres as the Purchaser was unable to fulfill their purchaser conditions given impacts resulting from high material and labour costs along with higher than anticipated borrowing costs.

Since inception of Innovation Park, the City has sold approximately 30 parcels with the average size being just under 13 acres in size.

Demand in the City's industrial parks tend to range in the smaller parcel sizes between 3 to 5 acres and larger blocks in-excess of 40+ acres.

A map showing Innovation Park is attached in Appendix C.

Skyway Industrial Park

Skyway Industrial Park is located on the east side of Veteran's Memorial Parkway, north of Oxford Street and south of Huron Street. 172 acres of land were purchased from 1992 to 2000 as part of a co-venture agreement with the London International Airport for the development of an industrial park. Phase I of City land was completed by the end of 2004 and Phase II by the end of 2010.

Since the park was created, approximately 131 acres were developed and marketed for sale. Since the start of being offered to the market until now, the City has sold a total of 126.6 acres in the park. The last remaining 4.7 acre parcel was sold in 2021 and no further lots remain. In total, 14 lots have been sold representing an average lot size being 9.3 acres.

A map showing Skyway Park is attached in Appendix D. The London International Airport continues to have some industrial lands available, however these are land lease opportunities provided by the airport authority.

Forest City Industrial Park

Forest City Industrial Park is located on the north side of Wilton Grove Road, east of Highbury Avenue, and south of Highway 401. 178 acres of land were acquired in 2001 for the development of a two-phase park. Servicing of Phase I was completed by the end of 2002, and Phase II by the end of 2003.

Forest City Industrial Park represents one of the most successful industrial business parks developed by the City. In total 134 acres were developable acres and brought to the market. Since inception up to July 15, 2021, a total of 130 acres have sold.

One parcel remains which is 3.2 acres. Due to some environmental attributes of the property, the ILDS team continues to evaluate how these lands can be combined with a future development plan of lands acquired at 1710 Wilton Grove Road.

In total, 16 parcels have been sold and the average parcel size was 8.2 acres. A map of Forest City Industrial Park is shown in Appendix E.

River Road Industrial Park

River Road Industrial Park is a smaller industrial park located on the west side of Veteran's Memorial Parkway, north of River Road. 52 acres of land were acquired from

1975 to 2001 for this industrial park, and development was completed by the end of 2001.

46 developable acres were marketed for sale of which all of the parcels are now sold. The average size of lot was considerably smaller by comparison to the other industrial parks at approximately 3.8 acres. A map showing the location of River Road Industrial Park is attached in Appendix F.

Trafalgar Industrial Park

Trafalgar Industrial Park is located on the east side of Veteran's Memorial Parkway, north of Gore road and south of Dundas Street. Approximately 428 acres of raw land were acquired from 1976 to 1984 for this park and development was phased from 1980 to 1985.

One of the oldest industrial parks created by the City, approximately 379 acres were developable and brought to market. Several acres were transferred as part of the Sovereign Woods East park area while the remaining lands were sold to various companies.

In total, 3 phases were created and Phase III being the final phase located north of Trafalgar Road. Since inception until the end of 2021, the park is nearly sold out with one (1) remaining parcel at 1.51 acres being available. In total, 25 lots have been sold. A location map is enclosed in Appendix G showing Trafalgar Industrial Park.

Cuddy Boulevard Industrial Lands

In 2010, the City obtained land on Cuddy Boulevard from the London Optimists in exchange for land on Rectory Street destined to house the London Optimist Sports Centre ("BMO Centre"), which is now in operation. These lands were 8.82 acres in size and zoned General Industrial. Environmental and geotechnical studies were previously completed and all parcels are now sold. A map showing the Cuddy Boulevard Industrial Lands is available in Appendix H.

Huron Industrial Park

The Huron Industrial Park lands were originally acquired between 1992 and 1997 for the future Veteran's Memorial Parkway extension and industrial park. Huron Industrial Park is located generally at the intersection of Huron Street and the extension of Veteran's Memorial Parkway (VMP). The extension of VMP and upgrades to Huron Street were completed in late 2020 at a cost of approximately \$11.2 million. With the completion of the Huron Industrial Lands Storm Water Management Facility (SWMF) in 2021, the lands are now fully serviced at a municipal level.

The total industrial land area available is approximately 178 acres with parcels ranging in size from approximately 1.5 acres to as large as 74 acres. Some final reference plans and rezoning was required in 2023 to bring a majority of the blocks to market. Some final rezoning work will still be required for the largest block given some further required environmental studies.

2.4 Unserviced Lands

In an effort to meet the rapidly increasing demand for the City's industrial lands, there is approximately 486 acres under ownership and in various stages in getting the lands market and shovel ready. Provided below is a summary of the current unserviced land holdings.

Current Inventory – Serviceable Industrial Land

Park	Zoning	Inventory (Acres / Hectares)
Innovation Park, Phase V	Light Industrial	200 / 80.9
Highbury & Hwy 401	Light Industrial	5.35 / 2.17
Forest City Park East	AG2	64 / 25.8
	Total	269.35 / 108.87

Innovation Park, Phase V

In 2013, the City acquired approximately 84 acres (34ha) of land 2555-2591 Bradley Avenue for the future Phase V development of Innovation Park. In 2018, the abutting 2531 Bradley Avenue was secured under contract which totalled approximately 45.9 acres (18.6ha). The transaction closed in March of 2019. The last remaining parcel totalling 70 acres (28.3 has) to complete the phase was acquired on October 30th 2019.

The City has undergone extensive work to bring these lands closer to development ready status. Full archaeological clearances have been obtained for the lands. In addition, geotechnical and environmental site assessment work has also been completed. A grading and regional stormwater is currently being designed for the lands with tendering for the construction to commence in Q4 2023. The City has also acquired lands from Infrastructure Ontario (IO) via Hydro One Networks Inc. to complete a service and access connection to the southerly blocks which cross an existing high voltage transmission line corridor. Demolition activities, with the exception of a heritage property, is also underway which is anticipated to be fully completed this summer.

As significant efforts have been made over the past year to bring the lands closer to shovel ready status, Civic Administration is recommending to Council to approve updated pricing for Phase V as these lands are a perfect candidate for large mega site selection Request for Proposal's (RFP's) through the Province and other agencies. It's important for the City to be ready to submit applications when these target sector RFP's come through the London Economic Development Corporation (LEDC) as pricing is an important detail to include. The adjusted higher pricing is recommended for Phase V in comparison to the other inventory that the City holds due to the premier location, large contiguous block size availability, new services being installed, excellent proximity and exposure to the 401, and the ability to connect to the Hydro One Networks Inc. transmission line corridor for high energy use end-users/owner occupiers, specifically as Electric Vehicle (EV) suppliers are anticipated to consider London given the recent announcement by Volkswagen.

Highbury Avenue and Highway 401 Lands

Approximately 16.7 acres (6.75ha) of land were purchased from the Ministry of Transportation in 1993. This land is located on the west side of Highbury Avenue, south of Highbury 401. At present, approximately 50% of this parcel is designated as a historical forest and zoned "Open Space", and approximately 3 acres will be utilized by the Ministry of Transportation for the reconfiguration of the Highbury/Highway 401 interchange. There is approximately 5.35 acres (2.17ha) remaining that could be developed in the future for light industrial and commercial uses including a hotel, restaurant and gas station.

Several development and/or sale options are currently being considered with these lands as the Ministry of Transportation is currently finalizing their requirement for additional widening, design and construction of the Highbury/Highway 401 overpass.

Forest City Park East (1710 Wilton Grove)

The industrial lands which will serve for the future Forest City Park East are the most recent lands acquired by the City in February 2022. The parcel is approximately 64

acres and abuts the City's Forest City Industrial Park to the west and Maple Leaf Foods to the south.

Under the Industrial Land Development Strategy implementation team, preliminary investigations have been conducted for environmental site assessment, geotechnical, and a tree inventory study. Archaeological Stage 2 work has also been recently completed with no further archaeological work required.

3.1 Sales Activity

Between 2001 and 2022, the City has sold a net total of approximately 772 acres (312 ha) of industrial land for a total of approximately \$41.4 million dollars. In 2022, the annual municipal portion of taxes earned was calculated to be \$10.7 million dollars. Based on the 2022 industrial building permit data, a total of 59 building permits were issued and of which 14 were issued at City industrial parks. A total construction value (building alone) for all industrial uses totaled in excess of \$131 million City wide.

Over the past two years, there has remained relatively strong demand for the City's industrial parks. In 2021, the City had sold approximately 43 acres (17.4 hectares) for companies in ranging in industrial automation, pet foods manufacturing, metal refrigeration panel manufacturer, and an HVAC support system manufacturing.

In 2022, the City had sold a total of 30.47 acres (12.3 acres) to two targeted industry companies located outside of London. The first sale was to medical equipment manufacturer which will construct a \$120 million dollar plant and employ approximately 140+ full time positions once fully operational. The second sale was for a manufacturer of windows and doors, insulated glass, and vinyl decking employing approximately 25 full time employees.

As of June 1st 2023, the City has sold approximately 10 acres to an existing targeted industry food processing company at Innovation Park and has under contract 5 acres to another food processing company which will be manufacturing gluten based pasta.

Despite the continued strong interest in the City industrial lands, it has been recently observed that with the current interest rate conditions, companies are taking a longer time to make decisions on constructing a new build or simply considering just expanding their existing facilities or extending existing leases, as opposed to building new.

Notwithstanding these observations mentioned above, the level of activity for City industrial land remains strong as companies are looking at longer term horizons, anticipating strong growth and require suitable land to accommodate current and future expansion needs.

A chart illustrating the history of our land sales since 2001 is shown in Appendix K attached.

3.2 Investments Made in our Industrial Parks

A summary of investments in City industrial parks is provided in the section below for the past several years. Both 2021 and 2022 was marked with strong demand for industrial land and construction activity despite ongoing challenges with rising costs, higher interest rates, and uncertainty with the market.

Industrial Investment City Wide

In consultation with the building division, industrial building permit construction values for the past four (4) years are shown below:

2019 - \$ 374.4 million in construction value*
2020 - \$ 62.8 million in construction value
2021 - \$ 106 million in construction value

2022 - \$131 million in construction value

**Note: 2019 was a record year in terms of construction value, largely attributed to the building permit value of Maple Leaf Foods which totaled approximately \$300 million in construction value.*

In total, 59 permits were issued and the combined construction value for alterations, additions, and new builds totaled approximately \$131 million in construction value for all City wide industrial. For the City's industrial parks, the construction value was approximately \$71 million.

4.0 Other Key Issues and Considerations

4.1 Employment Creation

Since 2001, sales of City owned industrial lands have created just over 8,600+ direct new jobs. An additional 6,000+ spinoff jobs are believed to have been created through construction, logistics, service providers and manufacturing related supply chains. These jobs have significantly contributed to the sustainability of advanced manufacturing in the London region through the attraction of new global manufacturing companies as well as growth of existing London companies. The success of ILDS has contributed to the low unemployment rates currently experienced in the region. A historical chart showing the job creation figures for the past 21 years is shown in Appendix L.

4.2 Industrial Land Sales in the Private Sector

2022 marked another record in terms of vacant industrial land sales. Realty Services was able to identify thirteen (13) transactions for the year which totalled approximately 429 acres. The total represents four (4) transactions under five acres, five (5) transactions between 5 and 50 acres, and four (4) transactions over 50+ acres. For the smaller industrial land transactions, buyers appeared to be end-user/owner-occupant based companies whereas larger block purchases were made by investors from outside of London for speculative purposes or for non-targeted users. One (1) medium size land sale was part of a new 550,000+ sq. ft industrial development in the River Road area for warehousing and distribution which is currently under development.

Based on further data assessed by Realty Services, the average price of privately sold industrial land has remained relatively steady over the past twelve (12) months.

For 2023, the overall availability for private industrial land for sale remains very low. A chart has been included for the Privately-Owned Industrial Land Sales in Appendix M.

4.3 Industrial Development Charge Grant Program

Background:

On May 2, 2017, Municipal Council approved changes to the City's Industrial Development Charges Grant Program. These changes, that came into effect on January 1, 2018, retain the current 100% development charge grant for targeted industrial uses, but decrease the value of the grant to 50% of the value of the development charges to a maximum grant of \$250,000 for non-targeted industrial uses. Targeted uses have been defined in the program to be consistent with the targeted uses of the Industrial Land Development Strategy. As part of the approved changes to the program, the program will expire on December 31, 2023. On May 23, 2023, staff presented a report to the Planning and Environment Committee which proposed to continue this program beyond December 31, 2023. This recommendation is being circulated for public review and is anticipated to return to Council for final approval in June 2023.

Targeted Uses which qualify for the Industrial Development Charges Grant Program include:

- Advanced manufacturing including renewable and clean technology, automotive, agri-food/food processing, and defense and aerospace, as well as life and health sciences, information technology and digital media, and research and development.

Non-Targeted uses where a portion of the Grant Program applies (up to a max of \$250,000) include:

- Warehouses, distribution centres, transportation and logistics, businesses that store and process data for retrieval, and truck terminals.

Provided below is a cumulative city-wide summary of the Development Charge Exemptions for Industrial for the past four (4) years:

2019 - \$12,359,452

2020 - \$5,183,236

2021 - \$1,756,966

2022- \$12,203,573

In 2022, approximately \$250,000 was attributed to the Development Charges Grant provided for non-targeted uses. The balance Grant amount of approximately \$11.9 million was provided for targeted industries.

4.4 Update to the Industrial Land Development Strategy (2023)

The Industrial Land Development Strategy (ILDS) has remained a very successful strategy for the City of London. Approximately 30% of all employment occurs on industrial land as per the City's London Plan. In addition, broader benefits are achieved for the City in terms of investments such as land sale value, tax revenue, employment creation, new innovation and R&D investments made in the City, as well as other spin-off industry attraction.

The City of London's first ILDS was prepared in 2001 and guided the City in its planning acquisitions, servicing, and marketing of industrial land. The successful sale of industrial land caused there to be an inadequate supply of appropriately sized, located, and service industrial land by 2014. Additionally, between 2001 and 2014 there were shifts in the City's targeted industrial sectors and their land, servicing, and design requirements. Therefore, it was necessary to re-evaluate and refresh the ILDS to meet the changing needs of prospective industries in strategically important target sectors, resulting in the adoption of a new ILDS in 2014.

Now, in 2023, the City had to re-evaluate and refresh the ILDS to ensure that it remains relevant and current in today's marketplace. Since 2014, there have been further shifts in the City's targeted industrial sectors based on a changing economy and review of emerging industries. The supply of appropriately sized, located, and service industrial land was also reassessed to ensure that London remains competitive able to capitalize on major employment growth opportunities and meet the needs of prospective industrial enterprises.

The 2023 Industrial Land Development Strategy is based on the premise that London needs to continue to compete aggressively and directly in the attraction of industrial growth. To accomplish this, renewed investment in planning, servicing, and municipal land development is required. For the City, the return on this investment can take many forms including indirect benefits related to job creation, assessment growth, and economic spin offs.

As part of the new 2023 ILDS, the main goals for the updated strategy include:

Goal 1: Invest in Developing Inventory of Shovel-Ready Sites

Goal 2: Attract Targeted Industries

Goal 3: Attract Talent

Goal 4: Continuous Support for Business Retention and Expansion

Goal 5: Framework for Partnerships

On May 16th, 2023, Municipal Council passed and adopted the 2023 Industrial Land Development Strategy, it being noted that the strategy is based on continuing the goal of developing and maintaining an ongoing supply of 200 hectares of strategically located serviced industrial land, which funding will be considered through the multi-year budget process.

Civic Administration was also directed to ensure that the inventory of municipally-owned industrial land are sold to targeted industries including: Advanced Manufacturing, Life and Health Sciences, Information and Digital Media, and Research and Development while prohibiting sales to non-targeted uses, including Warehouses, Transportation and Logistics, Truck Terminals, businesses that store and process data for retrieval, or speculative development to the private sector without verification that the end-user will be a targeted industry.

In connection with ILDS, a further Industrial Land Needs Assessment would be undertaken to include the Climate Emergency Screening Tool. Lastly, a communication will be sent to the London Transit Commission requesting information related to providing transit service to industrial areas following the completion of the first quarter pilot program currently servicing the area.

5.0 Update to Municipal Industrial Land Pricing:

The City's industrial land prices was last changed back on July 1st 2022. Realty Services along with LEDC which is part of the broader ILDS Implementation Team, routinely monitor economic and local market conditions along with trends observed regionally by nearby municipalities. A deeper review into the economic conditions is provided below.

5.1 Local Economic Data for 2023:

Employment, Gross Domestic Product, Population Growth

Based on the latest data available from Statistics Canada, London's unemployment rate is currently at 5 percent. By comparison to Toronto, their current rate is 5.6 percent (source: Stats Can). As for the Province, the unemployment rate fell from 5.1% in March to 4.9% in April, and it has steadily decreased since November 2022 (source: Job Market Snapshot – www.jobbank.gc.ca). Nationally, latest data provided showed the national unemployment average was sitting at 5.3% in April (source: Stats Canada).

In 2021, the London region employed 363,415 workers in 2021, a 42,205 increase from 2020, a report on regional labour statistics. That placed it second in a national ranking based on percentage of jobs recovered in 2021 (Source: London Free Press).

London's Gross Domestic Product (GDP) growth rate, as reported by the Conference Board of Canada, was 6.2% in 2022 and predicted to be 1.3% in 2023 (source: London Free Press). In Ontario, between 2018 and 2022, the average GDP was 5.9% and has come down to 3.6% between 2021 and 2022 (source: Stats Can). Overall wages rose by 5.8 percent in 2022 and household income rose by 6.4 percent in 2022, both predicted by the Conference Board of Canada to increase for this year although not 2022 levels (source: London Free Press). Manufacturing output grew by 4.2 percent in 2022 and is anticipated to increase by 1.7 percent in 2023 (source: London Free Press).

In terms of population growth for the City of London, it was the fastest growing city in the province for 2021 and strong population increase continued in 2022. The total population collected by Stats Can for London metropolitan area, including Strathroy, St. Thomas and parts of Elgin and Middlesex counties, was at 574,238 representing a 3 percent increase (source: London Free Press). The increase has been mainly attributed

by international migration and non-permanent residents. In Canada, the population grew by a record of approximately 1.05 million people (or 2.7 percent), the most in Canadian history and the fastest out of all G7 countries (source: CBC).

5.2 Construction and Real Estate Activity

The total construction value of all permits issued by the Building Division in 2022 amounted to \$1.6 billion. This marks the third highest in terms of total construction value since 2020. It is further estimated that in Q1 of 2023, the total construction value for all permits issued is \$280 million, slightly less than \$283 million observed for Q1 in 2022.

The London and St. Thomas Association of Realtors (LSTAR) reported in April 2023 that there has been a steady month over month increase in the number of home sales and prices. The overall sales to listing ratio climbed from 63.5% in March to 75% in April (source: LSTAR). A sales to listing ratio of 50% is considered a balanced market. Overall inventory also dropped from 2 months to 1.8 months in April resulting from growing demand and low inventory in the area. However, the overall average price for a single family is still down by 14.6 percent since April 2022 (source: LSTAR Home Price Index Report April 2023). The average home price for a single family is reported to be \$715,993 for the month of April (source: LSTAR). From an affordability standpoint, the London and St. Thomas area still ranks more affordable in the Southwestern region by comparison to Woodstock-Ingersoll, Kitchener-Waterloo, Cambridge, Guelph, and the Brantford Region.

2022 was marked as a year with high inflation and interest rate hikes that Canada has not seen since the 1980's. After eight consecutive rate hikes starting in March 2022, the Bank of Canada paused its monetary policy tightening in March of 2023 and again in April of this year. The next scheduled rate decision is on June 7th 2023. The Consumer Price Index (CPI) which is a measure of inflation hit a four-decade high of 8.1 percent in June 2021. With the tightening of rates last year, CPI has been trending down with the Bank of Canada expecting it to fall around 3 percent by the middle of this year (source: Globe and Mail). The current Bank of Canada lending rate sits at 4.5 percent. However CPI did rise by 0.1 percent between March and April of this year, this was the first increase since June 2022 largely attributed to higher rent prices and mortgage interest costs (source: StatsCan). Despite GDP growth stalling in Q4 of 2022, the labour market remains remarkably resilient (source: Globe & Mail). It remains somewhat unlikely that rates will decrease, at least in the near term as economic uncertainty remains.

5.3 Industrial Markets

Since 2021 until now, the overall industrial vacancy rate remains steady at 1.4% (source: Marketbeat Q1 report Cushman and Wakefield). Cushman and Wakefield has also noted that no new industrial space has been added in Q1 2023 although most notable current developments include a 558,000 square foot building at Gore Road for Old Navy, and two (2) developments at Innovation Park being Bosco and Roxy's totalling 80,000 square feet and Unifirst at 63,000 square feet.

The average net lease rate for industrial buildings trended upwards over the past year. The average lease rate for industrial ranges from \$9.25 per square foot (source: Marketbeat Q1 report Cushman and Wakefield) to \$9.67 per square foot (source: CBRE London Industrial Report Q1 2023).

In terms of industrial sales in the private sector, the average price for building decreased slightly in the first quarter of 2023. The average sale price for industrial ranged from \$179.76 per square foot (source: CBRE London Industrial Report Q1 2023) to \$225 per square foot (source: Marketbeat Q1 report Cushman and Wakefield).

The average private industrial land prices have remained relatively stable over the past year (source: Marketbeat Q1 report Cushman and Wakefield). CBRE has reported that

the average private industrial land price sits at \$450,000 per acre (source: CBRE London Industrial Report Q1 2023).

In terms of other notable trends, industrial investment across Canada outpaced residential land investment in 2022 (source: Altus presentation to LSTAR – April 18 2023). Locally, the largest investor in 2022 in Southwestern Ontario was private investors followed by developers. Availability rates for London have continued to fall over the past 3 years and it was noted that supply is not keeping up with demand (source: Altus presentation to LSTAR – April 18 2023).

By reviewing the trends since the last ILDS monitoring report by observing private land transactions for both 2021 and 2022, current regional data from surrounding municipalities, and noting demand for City industrial parcels, Civic Administration is recommending a further price increase to the current pricing levels.

Recommended Council Approved Pricing:

Despite the economic uncertainty being experienced, particularly around interest rates and inflation, London is well positioned to experience growth particularly with the recent announcement of the Volkswagen plant and further economic spin-offs anticipated to be generated from this investment. A price increase to the City's industrial lands is recommended based on the following:

- The recommended price increase more aligns pricing strategies by neighbouring municipalities while maintaining competitiveness to attract and retain targeted industries to London.
- The price increase will further narrow the pricing gap between City pricing and private industrial land pricing which has grown considerably since the last Council approved pricing. It should be noted that the recommended pricing accounts for the restrictive conditions the City puts in place where (a) mandatory build is within one (1) year and (b) a minimum building to lot coverage of 20% is required and (c) a further 10 year buy-back provision is registered should the purchaser be unable to meet obligations as per the sale. These conditions are not present on private industrial land sales.
- The price increase adjusts for the time lag in the market since the last pricing was established and approved in the spring/early summer of 2022.
- With the current recommended price increase, the overall cost for the land still represents a small cost to the overall total investment required for a new industrial build.
- The recommended pricing will reduce the difference between land acquisition, soft costs, and construction costs required to get industrial lands market / shovel-ready.
- The new pricing will lower future budget requests with the ILDS program as part of the multi-year budget.
- The recommended new pricing continues to remain an attractive option for end-users/owner-occupants and tenants in comparison to pricing levels observed in the GTA, Hamilton, Woodstock, and Waterloo Region.
- The recommended pricing allows for a further adjustment in the future (if required based on market conditions).
- Provides a fair, consistent, and equitable pricing to the market when discussing with prospective clients and brokerages whereas other municipalities may be seeking to negotiate final sale prices based on each land transaction.
- In keeping with the principles to attract targeted industry and generate economic benefits such as employment and indirect employment, new construction, property taxes, and other economic benefits and spin offs.

In consultation with City appraisal staff and the ILDS Implementation Team, the new Council approved pricing is recommended to be:

Effective September 1, 2023, pricing for serviced industrial land for all City owned industrial parks is recommended to be:

Innovation Park (Phases 1 to 4) and Huron Industrial Park (all phases):

- Lots up to 4.99 acres - \$225,000 per acre
- 5.00 acres and up - \$200,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park will be:

- All lot sizes - \$200,000 per acre

Pricing for serviced industrial land in Innovation Park Phase V:

- All lot sizes – \$300,000 per acre;

Surcharges are as follows:

Highway 401 Exposure – 15%;

Veteran’s Memorial Parkway Exposure – 5%; and

The cost of service connections from the main services to the property line is the responsibility of the purchaser. Industrial lots are sold on a where is, as is basis, with grading, stripping and removal of excess topsoil being the purchaser’s responsibility and cost. The City will strive to provide grading of the municipal industrial parks on a level-graded basis. Site specific final grading is the responsibility of a purchaser. In the event an industrial lot has frontages on both Highway 401 and Veteran’s Memorial Parkway, the Highway 401 Exposure surcharge of 15% shall apply.

Conclusion

Since the original inception of the Industrial Land Development Strategy in 2001, an update in 2014 and most recent update this year, the strategy continues to work well to attract and retain targeted industries, expansions, and further investment to the City of London. Huron Industrial Park is now completed, and Phase V Innovation Park is well underway to provide premier blocks to larger scale targeted industries. The price adjustment will reflect today’s market conditions while maintaining competitiveness and improve the City’s overall revenue position.

Acknowledgement

This report has been prepared with the assistance from Stacy Badeen, Industrial Land Officer; Chris McIntosh, Manager Strategic Lands Engineering, Michael Tomazincic, Manager, Strategic Land Development Acting Manager, Current Planning, Justin Adema, Manager Long Range Planning, Stephen Thompson, Director, Economic Services and Supports and Kapil Lakhotia, President and CEO, London Economic Development Corporation.

The proposed by-law is attached as Appendix A.

The surrounding Municipalities Pricing Table is attached as Appendix B.

The location map of Innovation Park is attached as Appendix C.

The location map of Skyway Industrial Park is attached as Appendix D.

The location map of Forest City Industrial Park is attached as Appendix E.

The location map of River Road Industrial Park is attached as Appendix F.

The location map of Trafalgar Industrial Park is attached as Appendix G.

The location map of Cuddy Industrial lands is attached as Appendix H.

The location map of Huron Industrial Lands is attached as Appendix I.

The location map of Innovation Park Phase V is attached as Appendix J.

The City’s Land Sales History Chart is attached as Appendix K.

The City’s Employment Creation is attached as Appendix L.

The Private Lands Sales Chart is attached as Appendix M.

Prepared by: Adam Ostrowski, Manager II, Realty Services

Submitted by: Bill Warner, AACI, PApp, Director, Realty Services

Concurred by: Stephen Thompson, Director, Economic Services and Supports

Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

June 5, 2023

Appendix A

Bill No.

By-law No.

A by-law to authorize and approve to amend By-law No. A.-6151-17, as amended, being “A by-law to establish policies for the sale and other disposition of land, hiring of employees, procurement of goods and services, public notice, accountability and transparency, and delegation of powers and duties, as required under section 270(1) of the *Municipal Act, 2001*” by deleting Attachment “B” to Schedule “A” – Sale and other Disposition of land Policy of the By-law and by replacing it with a new Attachment “B” to Schedule “A” to amend the current pricing for all City owned industrial parks as follows:

Effective September 1, 2023, pricing for serviced industrial land for all City owned industrial parks will be:

Innovation Park (Phases 1 to 4) and Huron Industrial Park (all phases):

- Lots up to 4.99 acres - \$225,000 per acre
- 5.00 acres and up - \$200,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park will be:

-All lot sizes - \$200,000 per acre

Pricing for serviced industrial land in Innovation Park Phase V:

All lot sizes – \$300,000 per acre;

Surcharges are as follows:

Highway 401 Exposure – 15%;

Veteran’s Memorial Parkway Exposure – 5%; and

The cost of service connections from the main services to the property line is the responsibility of the purchaser. Industrial lots are sold on a where is, as is basis, with grading, stripping and removal of excess topsoil being the purchaser’s responsibility and cost. The City will strive to provide grading of the municipal industrial parks on a level-graded basis. Site specific final grading is the responsibility of a purchaser. In the event an industrial lot has frontages on both Highway 401 and Veteran’s Memorial Parkway, the Highway 401 Exposure surcharge of 15% shall apply.

WHEREAS section 5(3) of the *Municipal Act, 2001* S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. Attachment “B” to Appendix “A” of By-law No. A.-6151-17, as amended, is hereby deleted and replaced with a new attached Attachment “B” to Appendix “A”.
2. This by-law shall come into force and effect on June 27, 2023.

PASSED in Open Council on

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First Reading -
Second Reading -
Third Reading -

ATTACHMENT "B"

The current pricing levels of all City owned industrial parks be established effective September 1, 2023, as follows:

Innovation Park (Phases 1 to 4) and Huron Industrial Park (all phases):

- Lots up to 4.99 acres - \$225,000 per acre
- 5.00 acres and up - \$200,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park will be:

- All lot sizes - \$200,000 per acre

Pricing for serviced industrial land in Innovation Park Phase V:

- All lot sizes – \$300,000 per acre;

Surcharges are as follows:

- Highway 401 Exposure – 15%;
- Veteran's Memorial Parkway Exposure – 5%; and

The cost of service connections from the main services to the property line is the responsibility of the purchaser. Industrial lots are sold on a where is, as is basis, with grading, stripping and removal of excess topsoil being the purchaser's responsibility and cost. The City will strive to provide grading of the municipal industrial parks on a level-graded basis. Site specific final grading is the responsibility of a purchaser. In the event an industrial lot has frontages on both Highway 401 and Veteran's Memorial Parkway, the Highway 401 Exposure surcharge of 15% shall apply.

The cost of service connections from the main services to the property line being the responsibility of the purchaser.

Industrial lots are sold on a where is, as is basis, with grading, stripping and removal of excess topsoil being the purchaser's responsibility and cost. The City will strive to provide grading of the municipal industrial parks on a level-graded basis. Site specific final grading is the responsibility of the purchaser.

Appendix B – Pricing of Surrounding Municipalities Table

Municipality	Estimated land available (acres)	Price / acre	Development Charges	Developed land available Yes/No	Zoning	Notes
Brantford	~3	\$850,000 to \$950,000	\$178.93/sq. m. \$16.62/sq. ft. Expansions to industrial building that are in excess of 50% of the original building floor area may be subject to DCs. There will be no charge for the portion of the industrial expansion that brings the building lot coverage on the property above 25%.	Yes	M2, M3	148.3 acres (60 hecs) will be available once development is completed, the Hershey Company will utilize 49 acres (20 hecs) of this area.
County of Brant	180 (private)	Private	\$106.88/sq.m. \$9.93/sq.ft	Yes	M1-M4	260 Acre parcel features a stand alone building for lease. No municipal lands identified.
Cambridge	Sold out	\$350,000	\$75.13/sq.m. \$6.98/sq. ft	No	M	Cambridge, Kitchener and Waterloo seem to operate in connection with each other. Cambridge has no lands identified.
Chatham/Kent	~44	\$45,000 to \$89,000	\$63.29/ sq. m \$5.88/ sq. ft.	Yes	M1-M5	14 acre multiple use + 10 acres available DC exemptions of industrial building additions of up to and including 50% of the existing GFA of the building; for industrial building additions that exceed 50% of the existing GFA on the portion of the addition in excess of 50% is subject to DCs. They offer as part of the CIP a property tax increment equivalent of major employment project which is 6-10 years, tax rebate of Regular 60%. 100% for a limited time; base rate taxes payable only available until September 2023.
Guelph	380	\$425,000	\$151.13/sq.m. \$14.04/sq.ft	Yes	B.1-B.4	Hanlon Creek Business Park ready for development
Hamilton	~8	\$1,400,000.00	\$138.42-\$154.89sq.m \$12.86-\$14.39/sq.ft.	Yes	LI	Prime industrial land and vacant industrial land. After July 5, 2023; DCs will be, \$14.92/\$16.70/ sq.ft.
Ingersoll	~82	~\$190,000	\$6.30 to 25.04/sq. m \$0.58 to 2.32/sq. ft.	N/A	MG	82 acres are being developed with 8 blocks of land, some of which have been sold already.
Kitchener	N/A	N/A	\$21.74 to \$65.76/sq.m. \$2.02 to \$6.11/sq ft.	Yes	M2	Cambridge, Kitchener and Waterloo seem to operate in connection with each other. No municipal owned lands identified.
London	~312	\$165,000-\$175,000	Exempt for Targeted	Yes	LI/GI	

Note: Data collected with assistance of LEDC, online searches, and Geowarehouse

Appendix B – Pricing of Surrounding Municipalities Table Cont'd

Municipality	Estimated land available (acres)	Price / acre	Development Charges	Developed land available Yes/No	Zoning	Notes
Middlesex Centre	~749 (private)	\$36,000 to \$85,000 (estimated)	Exempt	Yes	M1-M4	EDO Ben Shantz noted that Middlesex Centre is looking to explore this more in the future. Municipality developed new industrial strategy.
Waterloo	100	Pricing to be determined	\$83.08/sq.m \$7.72/sq.ft	Yes	E1-27	Generational Industrial Park to be soon released. Approximately 100 acres (40 ha). Parcels ranging in size 3.2 to 19.5 acres.
Sarnia	219	\$50,000 for 5 or more acres; for the first 5 acres \$80,000 per acre.	\$128.70/sq.m \$11.96/sq.ft.	Yes	LI,HI	Sarnia 402 Businee Park: light industrial operations such as assembly, fabrication, manufacturing, warehousing, storage and distribution, freestanding offices, wholesaling, research and technology uses, laboratories, printing and publishing
Stratford	~11	\$200,000	Exempt	Yes	M1	Lands available at the Craine West Business Park
Strathroy	~31	\$85,000 to \$125,000	\$109.32/sq.m \$10.16/sq.ft.	Yes	M2	The land is located along the east side of Adair Blvd. and borders Hwy. 402. It is the first piece of industrial land in Middlesex County to be considered for this program. Industrial Expansion Exemption where the expansion of an existing industrial use is proposed, the amount of the DCs payable shall be zero if the total expansion of GFA does not exceed 50% of the floor area as it existed as of the effective date of the current by-law, with the following conditions: a) where both the enlargement and existing industrial building are constructed on the lands owned by the same beneficial owner; and b) shall only apply to the enlargement of the existing buildings to a max of 50% of the GFA of the existing building. This exemption shall only apply fo those building that existed for longer than 5 years prior to the date that the application for a building permit for the enlargement is received.

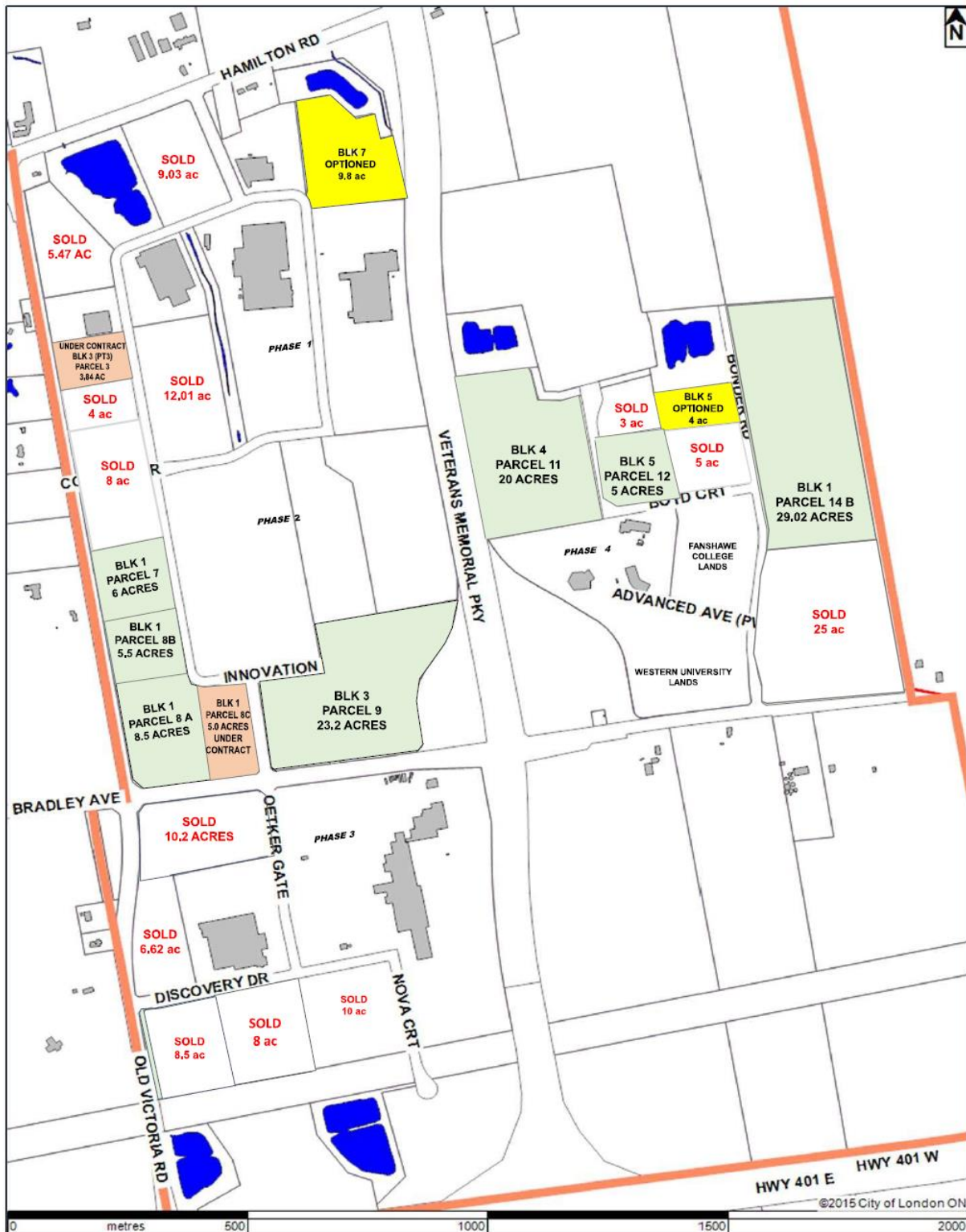
Note: Data collected with assistance of LEDC, online searches, and Geowarehouse

Appendix B – Pricing of Surrounding Municipalities Table Cont'd

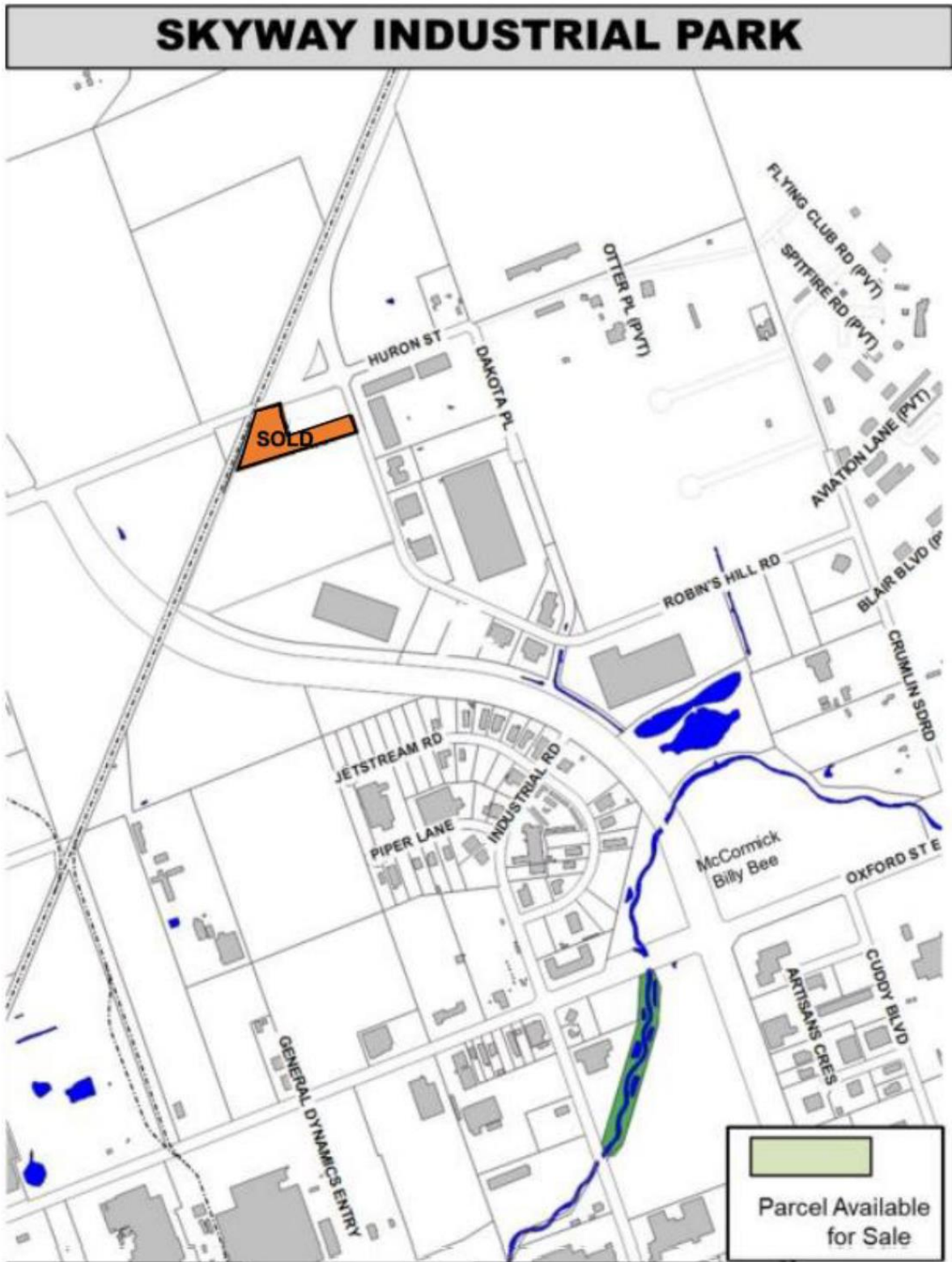
Municipality	Estimated land available (acres)	Price / acre	Development Charges	Developed land available Yes/No	Zoning	Notes
St. Thomas	~1500 acres	~\$200,000+	City wide \$59.58/sq. m \$5.53/sq.ft.	Yes	EL	St. Thomas recently acquired 1,500 acres for the new industrial and supplier park for Volkswagen & Powerco SE. Remaining lands to be made available.
Tilsonburg	sold out	Sold out	\$10.10 to \$30.42/ sq. m \$0.94 to \$2.83/sq.ft.	Yes	MG	Lots from 3 to 16 acres of land are still available
Windsor	N/A	N/A	Exempt	No	M	City of Windsor has over 200 acres (Twin Oaks Business Park) dedicated for the Stellantis/LG EV development) Windsor offers a economic Revitalisation Community Improvement Plan which contains four financial incentive programs to encourage new investment in targeted economic sectors. The 4 programs are Business development grant, business retention grant and expansion grant, small business investment grant and Development Charges Grant program, which is eligible to any business obtaining one or more of the aforementioned grants. Targeted industries are: Creative, Health and Life science, management companies, manufacturing, professional services, renewable/alternative energy, tourism, warehousing and logistics.
Woodstock	85+	(Previously \$185,000 per acre) Many industrial land prices starting at \$500,000/ac sites as large as 85 acres available	\$9.32 to \$16.33/sq. m \$0.87 to \$1.51/sq.ft No Development Charges in Downtown core	Yes	M3	City of Woodstock has shovel ready lands available this spring, approximately 85 acres facing Highway 401 & Patullo Road. Woodstock Value Proposition: reduced permitting fees on construction > 50,000 sq ft. Site plan and permit approval in 3 weeks, No annual storm water management fees on industrial land. Legal and survey costs included in municipally owned land. wide range of incentives for downtown development.

Note: Data collected with assistance of LEDC, online searches, and Geowarehouse

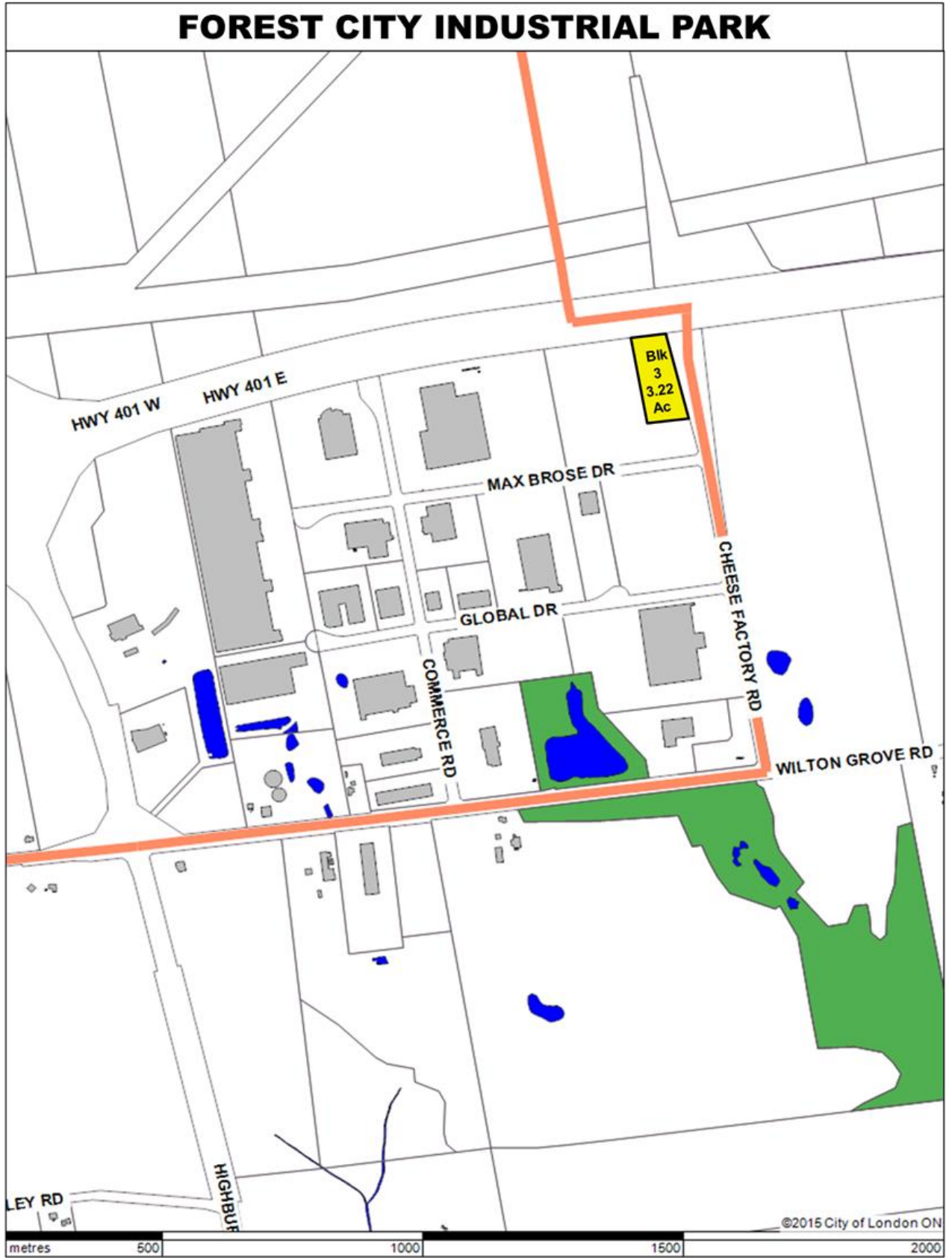
Appendix C – Innovation Park Location Map



Appendix D – Skyway Industrial Park Location Map



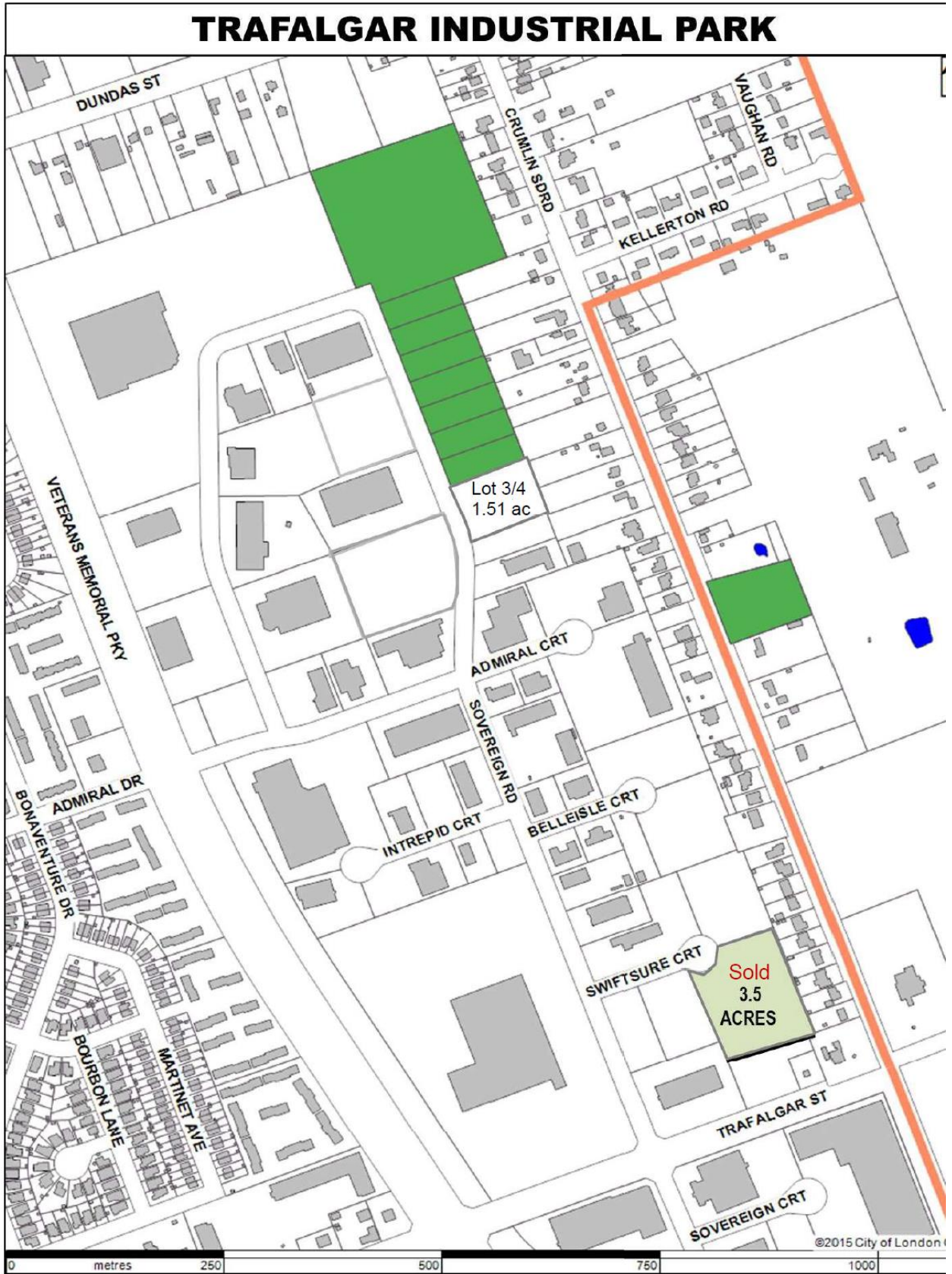
Appendix E – Forest City Industrial Park Location Map



Appendix F – River Road Industrial Park Location Map



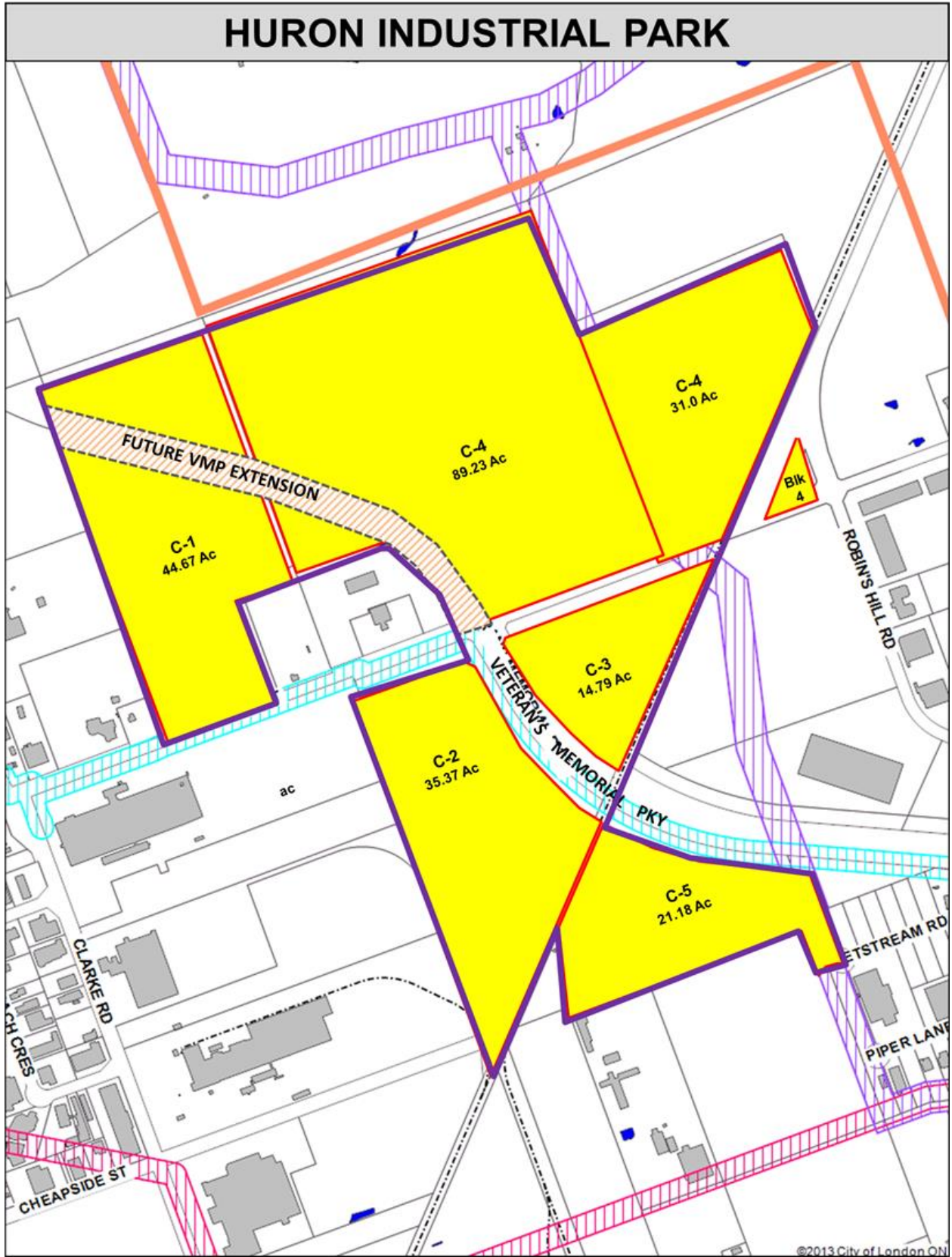
Appendix G – Trafalgar Industrial Park Location Map



Appendix H – Cuddy Industrial Lands



Appendix I – Huron Industrial Park Lands Map (All Phases)

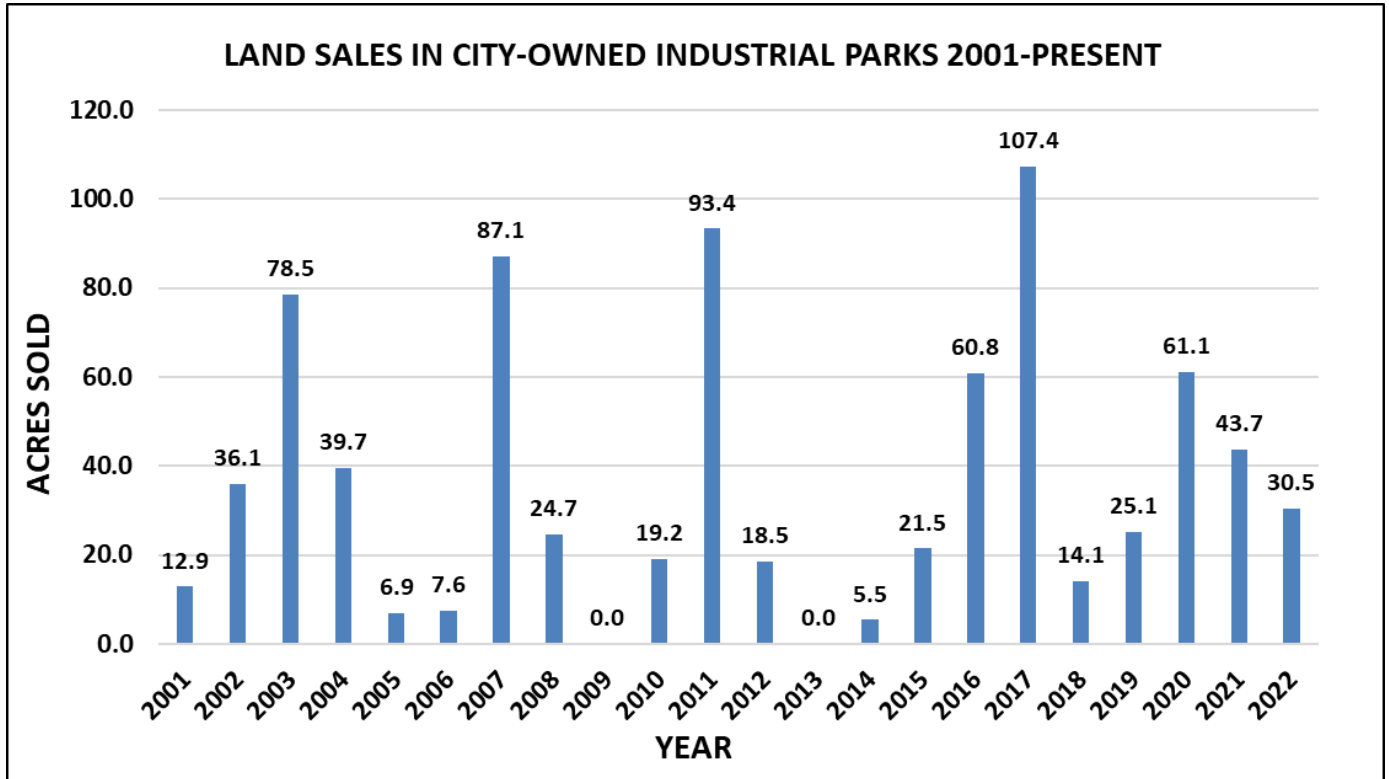


For Illustration Purposes Only
(Note: final road widenings, road dedications, & storm water management facility not shown in sketch)

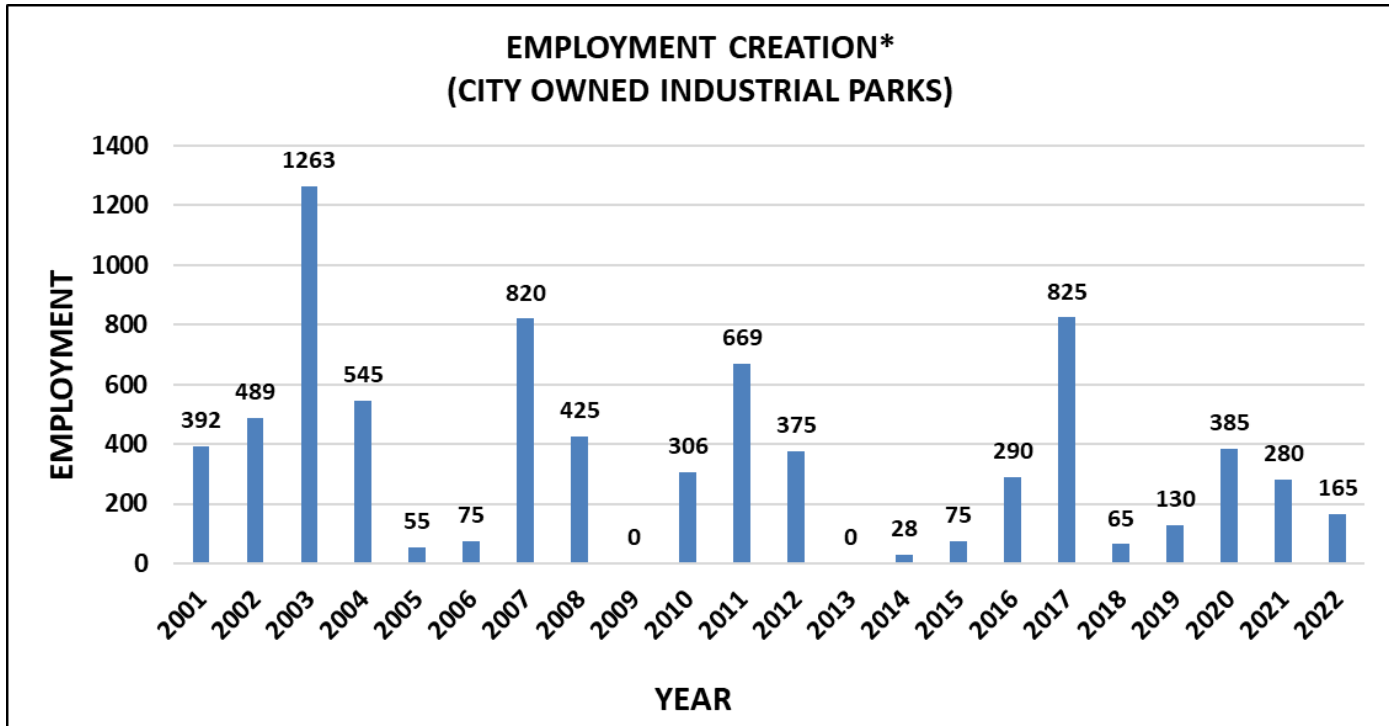
Appendix J – Innovation Park Phase 5 Location Map



Appendix K – City’s Industrial Land Sale History Chart

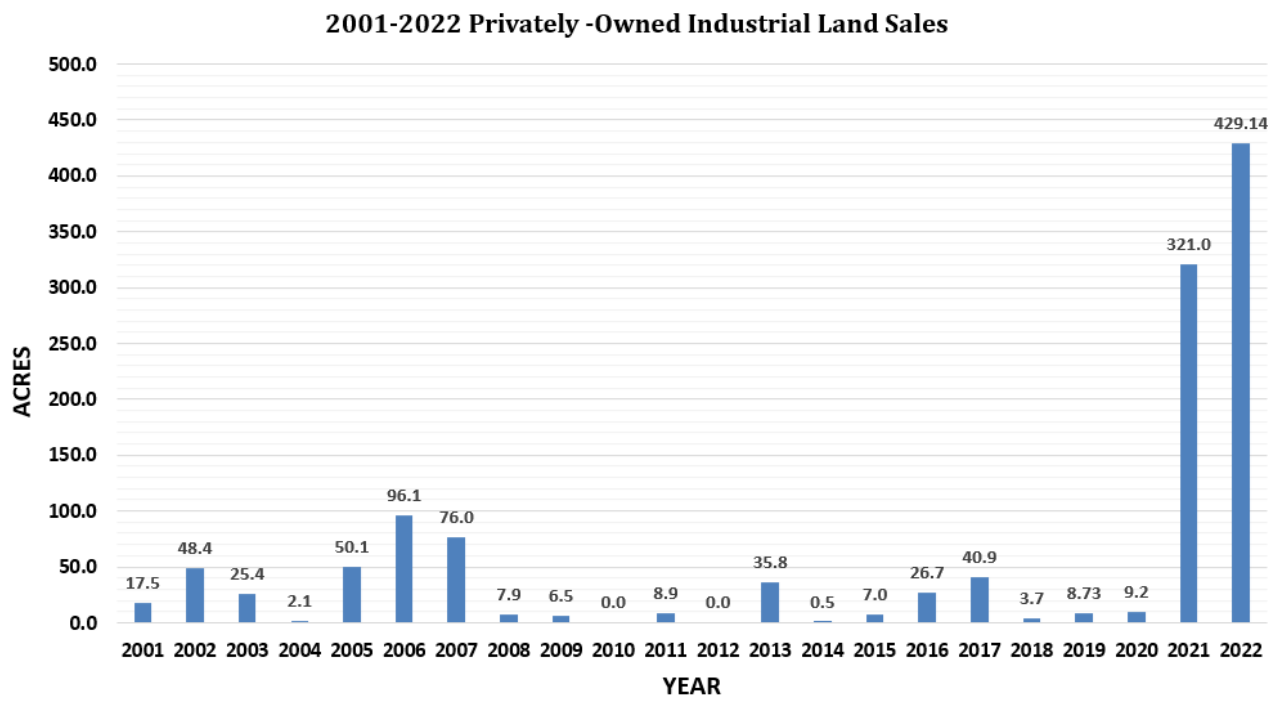


Appendix L – Employment Creation History Chart



**Note: Employment noted based on declaration made by Purchasers in the Agreement of Purchase and Sale. Time lag between land closing and when Purchasers are fully operational.*

Appendix M – Private Industrial Land Sale Chart



Note: Data collected on land sale transactions using Geowarehouse, City Maps, and other publications.