

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON MAY 5, 2014
FROM:	ART ZUIDEMA CITY MANAGER
SUBJECT:	INDUSTRIAL LAND DEVELOPMENT STRATEGY IMPLEMENTATION OPTIONS

RECOMMENDATION

That, on the recommendation of the City Manager, with respect to options for implementing the 2014 Industrial Land Development Strategy, the following actions **BE TAKEN**:

- a) As an interim step, the City Manager **BE DIRECTED** to identify an internal lead and supporting team of staff resources responsible for the immediate actions associated with implementing the Industrial Land Development Strategy (ILDS);
- b) The City Manager, in collaboration with the identified internal lead and staff team, **BE DIRECTED** to develop a business case for an Industrial Land Development Corporation, which would be responsible for long-term implementation of the Industrial Land Development Strategy (ILDS), and report back to Strategic Priorities and Policy Committee by September 2014; it being noted that this direction reflects Council's support in principle for an *external* model for implementing the ILDS.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
--

- March 17, 2014 – Strategic Priorities and Policy Committee
- November 18, 2013 – Strategic Priorities and Policy Committee

BACKGROUND

City Council has identified industrial land development as a top priority. This supports Council's efforts to build 'A Strong Economy', one of the five results identified in Council's 2011-2014 Strategic Plan. Approximately 30% of employment in London is on lands zoned as industrial. Investing in a supply of serviced, 'shovel-ready' industrial land enables London to compete for industrial firms, investment and jobs.

On March 18 2014, Council approved the 2014 Industrial Land Development Strategy (ILDS). The ILDS is built around a goal to develop and maintain a supply of 200 hectares of strategically located, fully serviced industrial land. The priority is for large parcels of land with close proximity to the 401/402 corridors. The City of London has approached the federal and provincial governments to each contribute \$40 million to support this plan. London City Council committed to its share of the ILDS through the 2014 budget process.

The ILDS is a bold strategy that, if fully funded, would represent the most significant investment in industrial lands in the City of London's history. It is estimated that the ILDS, once

implemented, will generate more than 8000 jobs¹ and have an economic impact for Southwestern Ontario of \$400 million per year.²

On March 18, Council directed Administration to report back on options for implementing the ILDS: *the Civic Administration BE DIRECTED to explore and report back on different models for actively and effectively implementing industrial land development*. This report fulfils this resolution, providing further information on two models and a recommendation for next steps on how to proceed.

Industrial Land Development – Current Practice

Industrial land development is a complex enterprise. It involves a lengthy process of selecting, acquiring, servicing and marketing parcels of industrial land for the private market. It is entrepreneurial in nature, involving speculation and risk. The City of London has been in the industrial land development business for decades, with a successful track record of bringing lands to market and attracting investment. However, in the past, industrial land development has occurred incrementally as resources allowed. The 2014 ILDS, if fully funded, would involve much more significant and immediate investments. Therefore, it is prudent that Council consider models for implementation at this time.

The City of London's current industrial land development model is best described as decentralized. No single individual or service area has sole responsibility and accountability. Rather, multiple service areas take the lead on various parts of the process and work collaboratively to deliver results. Many of the City's services are currently involved in industrial land: Planning is involved in developing the strategy identifying target areas for industrial land; Realty Services is responsible for acquiring land; Engineering delivers servicing; Development and Compliance is involved in site preparation and approvals; the London Economic Development Corporation (LEDC) is responsible for marketing the land. Internal functions such as Finance and Legal are involved throughout the process as required.

Although the various areas continue to work together collaboratively, this model has not been without its challenges. Acquiring and servicing industrial land requires close coordination between multiple service areas, some having to maintain a distinction between being the developer and the approval agency. Although this has been successfully accomplished in the past, it creates challenges with respect to competing roles, workload management, and accountability. Additionally, the current model for delivering on industrial land separates the customer-facing component (marketing, client support) from the service-delivery component (acquisition and servicing). This model differs from how a private developer would function, where these two components would be tightly knit together. Having a single point of accountability responsible for the entire transaction from acquisition to sale may be advantageous. Finally, making decisions around acquisition and development in a public, political forum can be difficult and have the effect of raising prices and delaying action.

Options to Consider

The primary responsibilities associated with implementing the ILDS are as follows:

- Selecting sites for immediate and future industrial land development;
- Negotiating with owners and acquiring or optioning desired sites (may engage external professional support as needed);

¹ Note: this figure includes 4000 new, temporary construction jobs associated with developing the land, and 4600 new permanent industrial jobs once the land is occupied by an industrial firm.

² Note: this estimate is based on a 10-year outlook once the sites are fully built out.

- Servicing sites (may engage external professional support as needed);
- Marketing the inventory of available sites, working with the LEDC but with an increased role for engaging directly with prospective investors;
- Assisting investors to navigate approvals and site preparation process;
- Sale of sites, including re-investing proceeds from sales into funding back into industrial land development;
- Working with an cross-service team to ensure coordination with internal services such as Legal and Finance; and
- Reporting annually to Council on the status of all industrial land development activities, including a monitoring report on the supply of lands, updates on sales to date, and a financial update.

The March 18 Strategic Priorities and Policy Committee report identified two primary models of implementation: (1) an internal ‘action team’ model of dedicated resources to support ILDS implementation; and (2) an external development corporation model which would involve the creation of a new entity responsible for implementation of the ILDS. The following provides a brief overview of each model, and the associated pros and cons.

Option #1 – Internal ‘Action Team’ Model

This model involves creating an internal team responsible for implementing the 2014 ILDS, which would be established as a ‘new’ service. Importantly, this means that from a budget perspective it would account for all of the expenses and revenues associated with industrial land development in one budget. This would likely entail seconding existing staff members as well as external recruiting.

The pros of this model include: introducing a single leadership and decision-making structure; ensuring that dedicated resources are available and committed to ILDS implementation; and, removing the challenges that arise from having the same staff engaged in regulatory and developer roles concurrently. The cons of this model include not addressing the challenges of making development decisions in a public, political environment.

Option #2 – External Development Corporation Model

This model involves creating an external, arms-length entity responsible for implementing the 2014 ILDS. This would likely entail establishing a municipal service corporation, wholly accountable to City Council. The City’s existing industrial land assets and committed funding would be transferred to this corporation.

The pros of this model include: clarity of role and mandate as a single-focus organization; dedicated resources with expertise in industrial land development; enhanced ability to make business decisions akin to in a private development environment. The cons of this model include less operational control by the City for industrial land development.

Recommended Next Steps

Administration has reviewed the two options identified above. Based on the high priority of the ILDS to City Council, and the complex and unique requirements of development work, Administration is recommending a two-staged approach that moves towards an external development corporation (Option #2). In the short term, the City Manager will identify a dedicated lead and internal team responsible for the immediate next steps of the ILDS. One of

the initial tasks of this team will be to build a business case for an industrial land development corporation, to be reported to Strategic Priorities and Policy Committee by September 2014. This will include a defined governance model, operating structure, and financial plan.

A part of this work will be considering how the development corporation will work with other stakeholders, including the LEDC and internal areas. It will also involve building on the learnings from the process to develop a housing development corporation business case. The housing development corporation has a different mandate and purpose than would the industrial land development corporation, and so will be a separate entity, but some of the governance and other components provide a useful example to consider. The team will also review best practices and examples from other jurisdictions to prepare the business case.

CONCLUSION

Council's 2011-2014 Strategic Plan identifies 'A Strong Economy' as a key priority for this term of Council, and specifically recognizes the importance of industrial land to London's prosperity.

The 2014 ILDS represents the most aggressive plan in the City's history to leverage our key locational and other assets by attracting new industry and investment. Examining options for implementation is a prudent step to ensure optimal implementation of the 2014 ILDS. The recommended next steps aim to achieve maximum results for Council's investment in industrial land. This work remains a top priority for Administration, and regular updates will be provided to Council as this work proceeds.

This report was prepared in consultation with Jennifer Smout, and with input from several internal areas including Planning, Realty Services, Engineering, Development and Compliance, and Finance.

PREPARED BY:	RECOMMENDED BY:
KATE GRAHAM MANAGER, CORPORATE INITIATIVES	ART ZUIDEMA CITY MANAGER

cc. Senior Leadership Team