

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON MARCH 9, 2015
FROM:	ART ZUIDEMA CITY MANAGER
SUBJECT:	INDUSTRIAL LAND DEVELOPMENT STRATEGY UPDATE

RECOMMENDATION

That, on the recommendation of the City Manager, with the concurrence of the Managing Director of Planning and City Planner, the Managing Director Environmental and Engineering Services and City Engineer, and the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions **BE TAKEN** with respect to the Industrial Land Development Strategy:

- a) this report **BE RECEIVED** for information; and,
- b) Civic Administration **BE DIRECTED** to review upcoming Federal and Provincial Budgets, analyze impacts of these on the Industrial Land Development Strategy, and report back with recommendations.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- November 18, 2013 – Strategic Priorities and Policy Committee
- April 23, 2013 – Planning and Environment Committee
- December 18, 2012 – Strategic Priorities and Policy Committee
- September 25, 2012 – Investment and Economic Prosperity Committee
- March 5, 2012 – Strategic Priorities and Policy Committee
- September 20, 2011 – Committee of the Whole
- March 17, 2014 – Strategic Priorities and Policy Committee

BACKGROUND

Industrial land development is an important way that the City of London can support London's economy and job creation. 30% of jobs in London are on lands zoned as industrial. Council's draft 2015-2019 Strategic Plan, under "Growing our Economy", includes a strategy to "Buy and service industrial land to bring more jobs to London"

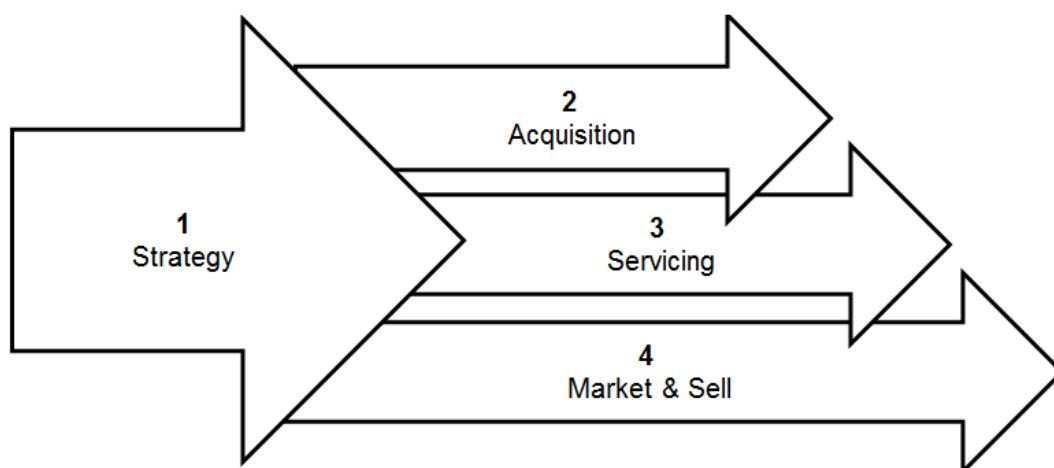
On March 17, 2014, the Strategic Planning and Policy Committee received a report and recommendations on seven ILDS topics: (1) an overview of industrial land development; (2) a summary of the finalized Industrial Land Development Strategy; (3) an acquisition plan; (4) a servicing plan; (5) a marketing plan; (6) a financial plan; and (7) an overview of potential options moving forward for the implementation of the Strategy and execution of industrial land development activities. The report provides valuable background for the Committee; it is attached as Appendix "A". The full [ILDS document](#) is available on line.

This update report provides the status of activities undertaken during 2014 and how the program continues into 2015.

Industrial Land Development Background

For more than 40 years, the City of London has been engaged in developing industrial land, attracting investment and jobs to London. The process of developing industrial land is a complex endeavor. It requires identifying target industries that may be interested in locating in London, acquiring parcels of land which would meet targeted industry needs, servicing that land, and selling it to an investor. By having an inventory of serviced industrial land available, London is ready for industries seeking to move or expand. The City of London, together with LEDC and other partners, has been successful in developing industrial land and attracting jobs. In fact, 30% of jobs in London are on lands zoned as industrial.

Industrial land development is an entrepreneurial activity which takes years to plan and implement, and takes time to provide a return on investment. The diagram below provides a general overview of the industrial land development process, noting that in practice the process varies depending on a variety of factors and can occur concurrently in several locations.



	1. STRATEGY	2. ACQUISITION	3. SERVICING	4. MARKET & SELL
What happens at this stage in the process?	The process begins with approval of the Industrial Land Development Strategy ("ILDS"). The Strategy sets development targets based on an analysis of industrial sectors that are likely to want to locate in London, and an allocation of resources to support implementation.	Once the ILDS is approved, and funding has been committed, Realty Services seeks to acquire targeted lands, based fair market value.	Engineering works with other internal service areas in order to develop the recommended servicing plans and coordinate construction activities.	Once servicing plan is in place, it is considered to be "market ready" for an industrial customer to move or expand in London. LEDC markets the City's inventory of serviced industrial land to potential customers from all around the world.
Who is the lead?	City Council	Realty Services	Engineering Services Development Services	LEDC / Realty Services

The City's industrial land development efforts have generated positive results for the London economy and community, including millions of dollars in investment and thousands of jobs.

Industrial Land Development Strategy Overview

The approved strategy identifies the City's role in industrial land development, including: target industrial sectors; strategic locational criteria; land needs; and site evaluation criteria. The goal identified in the approved strategy is to develop an ongoing supply of 200 hectares of

strategically located and fully serviced industrial land. Ideally this supply would include at least 180 hectares which are within proximity to the 401/402 corridors and south of the Thames River. The priority is on large parcels of land, as these tend to be desired by large industry and can be severed to meet the needs of smaller industrial clients. The City currently has one large vacant lot within its current serviced inventory; however, it is in a restricted area for Advanced Manufacturing. The creation of a ready supply of large lots in desirable areas is intended to support the opportunity for job creation.

Strategy Review

To prepare this 2015 Update to the Strategy, staff reviewed progress to-date on activities in 2014, and the present state of prevailing conditions important to the ILDS.

Economic Climate

Over the past 10 years, our unemployment has ranged between 5.9% (2004) and 9.9% (2009). In 2014, London CMA's unemployment ranged between 7.4% and 8.2%. The London regional economy has struggled over the past several years, coming out of its most severe recession since the early 1980s. Several high profile job losses in the manufacturing sector such as Electro-Motive Diesel, Kellogg's and Siemens, resulted in high unemployment rates as high as 9.9% in 2009.

London's economy has already seen significant positive activities in 2014 and is expected to recover gradually over the next several years. Several newly attracted facilities like Dr. Oetker, Hanwha, KL Products and Sodecia are creating employment. Rise in automotive production, recovery in the U.S economy as well as lower CDN \$ have all contributed to better employment conditions in the London region. According to a recent study, economic indicators paint a mixed picture but essentially one of a slow growing economy continuing to adjust to considerable challenges in its manufacturing base. The Conference Board of Canada projects London's GDP to grow by over 2% by 2017.

Sales Activity

Since 2001, the Realty Services Division has sold approximately 493.5 acres (199.7 ha) of industrial land for a total of \$24,908,398. The estimated municipal tax revenue on these land sales totals more than \$6,494,045. The cost to construct these new industrial manufacturing and warehousing establishments is approximately \$237,136,315. In 2013, 60 acres of land were sold or under contract for \$2,040,000, and in 2014, 5.45 acres were sold for \$354,250. A complete review of sales and pricing is included in a companion report included in this committee agenda: "*Industrial Land Development Strategy – Annual Monitoring and Pricing Report*".

Budget

The Industrial Land Development Strategy includes a \$120 million budget for servicing and development. \$40 million was to be provided by the City, with the remaining two-thirds to be provided by senior governments. The City's contribution included funding from the property tax supported budget, and the Water and Wastewater supported budgets. It includes some previously approved funding. Additional tax supported funding is also available for land acquisition. The approved 2015 property tax supported budget for industrial land acquisition,

servicing and development is \$68.8 million over the next ten years, including \$5.9 million in 2015. Much of the City's contribution comes through drawdowns from the Economic Development Reserve Fund. During budget deliberations, the contribution to the Economic Development Reserve Fund was reduced in 2015, but restored in future years resulting in the same contribution over time. There was no net reduction in funding to the Industrial Land Development Strategy. The impact was simply to stretch the funding over eight years instead of five.

Federal and Provincial Government Funding

A request has been made to the federal and provincial governments to support the City of London's Industrial Land Development Strategy. The business case has been branded as "Unlocking Prosperity – the key to creating jobs in London and Southwestern Ontario", which was included in the London's federal and provincial pre-budget submissions. Ongoing discussions continue at both the political and staff level with both orders of government, and we are awaiting the outcome as the federal and provincial budgets are introduced later this year. We also await announcement by the province of the intake process and eligible funding categories for large communities under the Provincial Territorial Infrastructure Component (PTIC) of the new Building Canada Plan. Administration will report back when more information becomes available.

Development Charges Grant Program

With the adoption of the new Development Charges By-law (effective August 1, 2014), the development charge exemption for industrial development that was previously provided was no longer available. In anticipation of this, Council directed that a new Community Improvement Plan (CIP) for Industrial Development be prepared, and that a Development Charge Grant Program be developed as part of that Community Improvement Plan.

On June 10, 2014, Municipal Council adopted the Industrial Lands Community Improvement Plan. As part of the CIP, two new programs to support industrial development were approved: the Development Charges Grant Program; and, the Industrial Corridor Enhancement Grant Program. It should be noted that there was no funding approved for the Industrial Corridor Enhancement Grant Program. The Industrial Lands Community Improvement Plan applies city-wide within the Urban Growth Boundary for industrial buildings and commercial truck service establishments. The incentive provided under the Development Charges Grant Program mirrors the previous DC By-law exemption, and provides a grant equivalent to 100% of the development charges due. Upon the issuance of a building permit for an eligible industrial building, a transfer to the Development Charges Reserve Fund is made.

Industrial Lands Urban Growth Boundary Expansion

A key component of the Industrial Land Development Strategy is that the City has an adequate supply of industrial land available. One of the findings of the Industrial Lands Review was that the supply of large parcels of land in strategic locations was severely constrained, and that this lack of supply could compromise the City's ability to attract large industrial development.

As part of the recent Southwest Area Secondary Plan, approximately 180 hectares of land that had been identified for future industrial development was designated for new, non-industrial land uses. As well, landowners in the White Oak Industrial Area south of Exeter Road and west

of Wellington Road asked the City to consider the re-designation of their lands currently designated and zoned for industrial development for other, non-industrial land uses. Approximately 120 hectares of currently designated industrial lands could be considered for other uses.

This request, in addition to the lands that were re-designated for non-industrial development could provide an opportunity for up to 300 hectares of strategically-located future industrial land to be identified as part of an Urban Growth Boundary expansion.

This matter was previously considered by Council in June, 2014, and referred back for additional consultation and information. It is intended to bring this back at a Public Participation Meeting on March 23, 2015 before the Planning and Environment Committee.

Synthesis

Taken together, the review of ILDS activities and related, prevailing conditions suggest:

Economic climate and sales

There continues to be steady interest in London's industrial lands. LEDC regularly arranges site selection tours for companies. Several local manufacturing companies are expanding due to better economic conditions. Many recent land purchases have been made by existing London companies. While it is difficult to predict land sales, there are no immediate signs of significant foreseeable demand for large parcels. London's Innovation Park site has been recognized by Ontario as Provincially Certified Investment Ready Land. This external validation of the quality of our lands will help market this site.

Budget

There is sufficient budget in the short term to fund land purchases; net revenues from land sales are funneled back into the account to fund future purchases. Tax, Water and Wastewater Budgets include funding on their capital forecasts consistent with the updated ILDS.

Land Use Planning

An Urban Growth Boundary expansion is under consideration. It is intended to make available the most desirable industrial land for future development.

Next Steps

This review suggests that the strategy basis and goals remain valid at this time. Therefore the City should continue to pursue the strategy goals, recognizing that key funding sources are critical to the overall schedule and land inventory goals. Specific activities of the strategy going forward are summarized below.

Land Acquisition

In order to fulfill the vision of *A Path to Prosperity*, the City requires a land acquisition strategy as one significant component of the Industrial Land Development Strategy. There are several methods for the acquisition of strategically-located lands available to the City of London, each with unique opportunities and challenges. The City of London acquires real property for municipal purposes pursuant to the *Real Property Acquisition Policy*. The general direction for this Policy is set out in Policy 19.11: Land Acquisition, City of London Official Plan (2006). The

City of London will acquire real property rights in a transparent, fair and competitive process to ensure the best interest of the City are met.

One of the pervading challenges of the development of a municipal industrial park is the assemblage of real estate. Where land values are escalating rapidly and economic growth is inevitable, many land owners will hold out for high price expectations. Land acquisition should be initiated quickly and discretely to reduce speculative competition and contain price expectations. An accompanying confidential report provides additional details with respect to the acquisition strategy.

Planning

Subject to Council's decision regarding the possible Urban Growth Boundary Expansion for industrial lands, new opportunities for strategic land assembly may be available.

Financial Plan / Budget Required

There have been no changes to availability of funds for the tasks at hand. Council's decision during 2015 budget deliberations to defer contributions to the Economic Development Reserve Fund contributions, and in turn to the Industrial Land Development Strategy, has no medium term impact on available funding. This is consistent with the present unknown potential for partnership funding with senior governments.

Land Development

Existing lands in the City inventory should continue to be developed as shovel ready parcels within existing inventory. Staff will prepare activity plans for anticipated near term opportunities.

Marketing

The LEDC conducts several site selector tours, investment missions and constantly seeks prospects for London's industrial parks. LEDC markets our industrial lands through its website, information seminars, traditional advertising and participation in government led land promotion initiatives.

Implementation Team

The Implementation Team is functioning appropriately at this time. There is not a need to consider any changes to the current approach. Existing Industrial Retention and Expansion files remain a high priority to LEDC and Civic Administration and our processes are adaptive to the needs of our industrial clients. The level of resourcing and management required to implement the ILDS is tied to future funding partnerships; the level of effort will depend on the level of funding. This will be reconsidered at a later date in conjunction with the recommended funding partnership update report later this year.

CONCLUSION

The 2014 Industrial Land Development Strategy represents a plan to leverage our key location and other assets by attracting new industry and investment. This Council's draft 2016-2019 Strategic Plan identifies 'Growing our Economy' as a key priority for this term of Council, and specifically recognizes the importance of making available industrial development opportunities through strategically located and sized, shovel-ready land parcels. There is a noted gap in large parcels at strategic locations that will limit the opportunity to attract large businesses.

Activities through the first year of the strategy implementation have included:

- Funding partnership proposals and submissions;
- Urban Growth Boundary expansion considerations;
- Budgets that include the ILDS;
- Ongoing land acquisition efforts; and,
- Ongoing development of the land inventory to make it shovel ready.

A review of the strategy early implementation stages suggests it remain a priority for Administration. Regular updates should be provided to Council at critical junctures.

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cc. Senior Leadership Team