

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON MARCH 17, 2014
FROM:	ART ZUIDEMA CITY MANAGER
SUBJECT:	INDUSTRIAL LAND DEVELOPMENT STRATEGY

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**:

- a) That the finalized Industrial Land Development Strategy, with an overview provided in Appendix A and the full Strategy attached as Appendix B, **BE ADOPTED** as City Council's strategy for developing municipally owned industrial land, noting that this Strategy is based on a goal to develop an ongoing supply of 200 hectares of strategically located serviced industrial land;
- b) That the Financial Plan **BE ENDORSED** as Municipal Council's plan to service the Industrial Land Development Strategy, noting that the Plan assumes \$40 million of support from each of the Federal and Provincial governments, and the targets within the Industrial Land Development Strategy will be scaled according to the level of senior government support received;
- c) That Civic Administration **BE DIRECTED** to continue discussions with federal and provincial partners regarding their support for the City of London's Industrial Land Development Strategy; and
- d) That Civic Administration **BE DIRECTED** to explore and report back on different models for the implementation of industrial land development.

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

BACKGROUND

On November 18, 2013, the Strategic Priorities and Policy Committee received a draft 2014 Industrial Land Development Strategy. Civic Administration was directed to report back with a supporting plan to acquire, service, and market industrial land, as well as a supporting financial and organizational plan.

That, on the recommendation of the Managing Director, Planning and City Planner, with the consensus of the Managing Director, Environmental and Engineering Services and City Engineer,

- a) The draft 2014 Industrial Land Development Strategy, appended to the staff report dated November 18, 2013, which is to serve as the basis to plan, acquire, service and market industrial land for the City of London over the next 10 years, BE RECEIVED; it being noted that the final 2014 Industrial Land Strategy will be brought forward to the Strategic Priorities and Policy Committee by March 1, 2014;*
- b) The Civic Administration BE DIRECTED to bring forward an acquisition and servicing plan to implement the 2014 Industrial Land Strategy, as well as the associated financial and organizational plan, for consideration by the Strategic Priorities and Policy Committee on or before March 1, 2014; and*
- c) The London Economic Development Corporate BE DIRECTED to create an aggressive marketing plan that implements the Industrial Land Development Strategy, focusing on London's target industrial sectors and taking advantage of past investments and existing supporting resources; it being noted that the General Manager of the London Economic Development Corporation has played a large role on the team that formulated this Draft Industrial Land Development Strategy.*

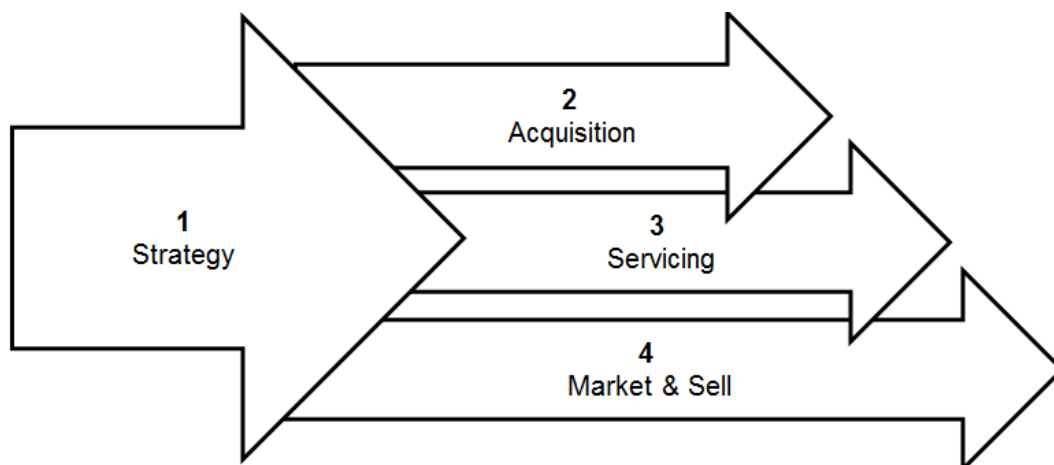
This report fulfils this resolution, and proceeds in seven substantive sections: (1) an overview of industrial land development; (2) a summary of the finalized Industrial Land Development Strategy, noting that an overview is provided in [Appendix A](#) and the full Strategy is attached as [Appendix B](#); (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.

1. Industrial Land Development Overview

For more than 40 years, the City of London has been engaged in developing industrial land. This work supports City Council's priority of 'A Strong Economy' in London by attracting investment and jobs to London. Council's 2011-2014 Strategic Plan specifically recognizes the importance of industrial land to London's prosperity.

The process of developing industrial land is a complex endeavour. 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 several years, and takes time provide a return. 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. For this reason, Council has identified industrial land development as a top priority going forward.

2. Industrial Land Development Strategy

Council directed Administration to develop a comprehensive strategy to guide our industrial land development efforts. In November 2013, Administration presented a draft Industrial Land Development Strategy (ILDS), which was endorsed by Council. This Strategy identified the City's role in industrial land development, including: target industrial sectors; strategic locational criteria; land needs; and site evaluation criteria. Administration was directed to report back with a final version of the Strategy, as well as various supporting components.

An overview of the revised Industrial Land Development Strategy is provided in [Appendix A](#) and the full Strategy attached as [Appendix B](#). The Strategy has been modified slightly to reflect updated calculations for land supply, and timeframes and costs associated with requests for funding and partnership with other levels of government.

The goal identified in this 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 does not have any large vacant lots within its current serviced inventory.

This report seeks final Council adoption of the ILDS. It is recommended that the ILDS be reviewed and updated every 5 years in addition to the review and approval by Council of the annual ILDS monitoring report.

3. Land Acquisition

Acquisition is one of the first stages in the industrial land development process. Once the City has acquired strategic lands, efforts to develop the site for market can begin. The City of London acquires real property in accordance with the Council approved *Real Property Acquisition Policy*. This policy ensures that real property rights are acquired in a transparent, fair and competitive process to ensure the best interest of the City are met. An accompanying confidential report provides additional details with respect to the acquisition strategy.

4. Servicing

Industrial companies seeking a new site or expansion opportunity are interested in “shovel ready” industrial land, meaning a site that is zoned, serviced and ready for the client. “Shovel ready” means municipal (water, sewers, stormwater management facilities, and roads) and private services (gas and communications) are available to each lot, and the site roughly graded and pre-zoned in anticipation of a purchaser’s Site Plan and subsequent Building Permit.

Municipal and private services are further classified as external or internal to an industrial subdivision. External servicing can bring utilities to the boundary of a subdivision, or involve needed service level improvements that are outside its boundaries. Internal servicing provides the pipes, roads and other infrastructure up to each lot. An accompanying confidential report provides additional details with respect to servicing.

5. Marketing

The London Economic Development Corporation (LEDC) is responsible for marketing the City of London’s industrial land supply. The Industrial Land Development Strategy identifies nine targeted sectors as potential customers for industrial land in the City of London:

- Advanced manufacturing
- Renewal and clean technology
- Automotive
- Agri-food and food processing
- Defence and aerospace
- Life and health sciences
- Information technology and digital media
- Enhanced transportation and logistics
- Research, development and commercialization

The LEDC actively promotes available industrial land locally, provincially, nationally and in key international markets. LEDC promotion of local industrial land reaches qualified business prospects through a wide array of channels, including: numerous foreign investment promotion and trade missions, hosting of site selector tours, paid advertising, social and web media promotion, and hundreds of direct-to-client proposals.

LEDC regularly hosts significant foreign direct investment prospects in London and works with local companies on expansions. While conducting these activities, LEDC promotes available industrial land options to suit client requirements. The LEDC sends hundreds of proposals to qualified prospects, detailing not only the availability of local industrial land, but placing it in context of competitive business costs, strategic location, local infrastructure, R&D opportunities and available labour force.

The LEDC also collaborates with numerous organizations to promote London's value proposition of industrial lands, including Federal Department of Foreign Affairs and International Trade, the Ontario Ministry of Agriculture Food and Rural Affairs, the Ontario Ministry of Economic Development and Trade, the regional branch of the Excellence in Manufacturing Consortium, local realtors, and numerous site selection consultants.

The industrial land website provides details on available parcels of land. This website is maintained by Realty Services. Civic Administration intends to upgrade this website to enhance its user friendliness and more effectively link it to the LEDC's website and CityMap.

6. Financial Plan

The estimated cost for land servicing in the first phase of the Industrial Land Development Strategy is \$120 million. The City of London will contribute \$40 million and is requesting \$40 million from each of the federal and provincial governments, a three-way split, to support this strategy. In addition, the City will also incur 100% of the costs for land acquisition. Senior government contributions cannot be used for purchasing land. The request for \$80 million in provincial and federal funding is currently being advanced through ongoing discussions with political and government partners.

Some of the City's contribution is already approved or included within the five year capital plan, while some will have to be financed by new debt and increased tax levy. Some projects are currently identified in the water and sewer rates as well as the upcoming development charges report. The new debt can be funded within the Council approved Financing Strategy for the Corporation. The tax levy contribution was supported by the approved 2014 budget through a tax levy increase of 0.9% (\$4.2 million) plus a one-time contribution of \$3.8 million to the Economic Development Reserve Fund.

7. Implementation Options

The Industrial Land Development Strategy represents the most aggressive approach and significant investment in industrial land in the City of London's history. Therefore, it is critical that appropriate structures are in place to deliver on the strategy, facilitating nimble, strategic and entrepreneurial decision making and execution.

From an implementation perspective, there are several options for Council consideration. 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. Coordination between various City services, LEDC, external consultants and other parties has been achieved in the past, but other models could be considered to better align various roles.

This report recommends directing Civic Administration to report back with different models for establishing a dedicated team to focus on industrial land development, including consideration of an Industrial Land Development Corporation.

Two primary models would be evaluated:

- a) Action Team Model - maintain current division of responsibilities between City services and LEDC, with a new cross-functional team and leadership structure dedicated exclusively to the implementation of the Industrial Land Development Strategy; and
- b) Development Corporation Model – creation of an arm’s length entity, wholly accountable to City Council, which would be responsible for implementation of the Industrial Land Development Strategy.

These models, and possible variants of them, would be evaluated on the basis of their ability to effectively deliver on the Industrial Land Development Strategy.

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 Industrial Land Development Strategy represents the most aggressive plan in the City’s history to leverage our key locational and other assets by attracting new industry and investment. This work remains a top priority for Administration, and regular updates will be provided to Council as this work proceeds.

This report was developed with input from several individuals to whom recognition and appreciation is extended: Kapil Lakhotia from the London Economic Development Corporation, Alan Dunbar, Kate Graham, Sherri Hanley, Mark Henderson, Grant Hopcroft, John Lucas, Travis Macbeth, Dave Mounteer, Britt O’Hagan, Rob Paynter, Robert Sutton, and Bill Warner.

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cc. Senior Leadership Team