DANCOR®
MORE PERFORMANCE PER SQUARE FOOT.™

LONDON
15825 Robin's Hill Road
Unit 1, London ON
N5V 0A5
(519) 457. 2339

BRAMPTON
16 Melanie Drive
Suite 101, Brampton ON
L6T 4K9
(905) 790. 2333

April 20, 2017

Chair Councillor Park
Councillor Cassidy
Councillor Helmer
Councillor Hopkins
Councillor Turner

RE: April 24th Agenda Item 13 – Industrial Development Charges - Rejection of Report Recommendations For Industrial DC's

Members of the Planning and Environment Committee,

Dancor wishes to provide our comments in writing, and appear before you on Monday April 24th, 2017, with the specific request to reject the recommendation of the London Economic Development Corporation and Planning Staff to institute and implement a program to charge Industrial Projects with Development Charges.

Rationale For Rejecting Report Recommendations

The implementation of any Development Charges for Industrial buildings, as recommended in the report and regardless of "targeted and non-targeted", will cause permanent and irreparable damage to the City of London and it's citizens.

Job losses in the construction sector will be immediate, the number of new jobs expected for the City will decrease dramatically, and these charges will have created a catastrophic, ripple effect for all sectors of the local economy including the Commercial, Office, and Residential sectors.

Outlined below is the rationale for the Committee to reject the recommendations and protect the Industrial Strategy that the City embarked on almost 2 decades ago.

In our opinion, which would certainly be supported and endorsed by any independent or consultant study, moving forward with these charges/taxes, without any doubt, would harm the City and it's residents and, yes, Dancor and any other Industrial builders/developers/landlords.

Reasons Why Not DC's

1. The DC' program would add \$1.00 to \$2.00 per square foot to any new Industrial Rental building. Current rates for old buildings are \$3.25 to \$5.50 per square foot. New buildings, due to construction and servicing costs, at \$6.00 to \$7.00 per square foot. For those industrial users the City likes (the targeted) they would stay in the current rates. For those industrial users the City dislikes (the untargeted) their rates would jump to \$8.00 to \$10.00 per square foot. These charges could also add, using the report math, \$20.00 per square foot (Only In London) to those planning to own a building. Why would the "unliked" choose to remain in London?

2. The Targeted and Untargeted unfairly single out industrial firms that perhaps create jobs, some more than others depending on the type of company. There is no magic data, LEDC's or anyones, that can predict what sector creates more jobs over the other as illustrated below. To penalize and tax companies based on the arbitrary number of jobs they say they will create is patently unfair. The report defines the "liked and disliked" as follows:

   The Non-Targeted Industrial Buildings will include, but may not be limited to: warehouses, transportation and logistics, businesses that store and process data for retrieval, and truck terminals. The Targeted Industrial Buildings will include, but may not be limited to: manufacturing, agri-food and beverage processing, defence and aerospace, and research, development and commercialization, consistent with the targeted uses identified in the City's Industrial Lands Development Strategy.

   For example, Dancor is will be building a truck terminal that will have, at the start, 120 jobs which will grow to 140 jobs. The building will only be 30,000 square feet. By the reports definition, they would be untargeted/unliked. The additional lease rate to cover the expected development charges would be \$70,000 per year. In the alternative, we would move this Tenant to any other location in 100 kilometers of London where we/they would not pay DC's.

   If this proposal were in place today, we would not be building this building in London and the City would loose 130 jobs. Do you want more jobs or very specific types of jobs per your definition? Why are you, at this time, deciding to reduce job growth in London?

   We have in our portfolio a manufacturer in 30,000 square feet that employs 36 staff. Under the outlined definition, this building would be exempt from the DC's.

3. The Definitions
   The issue with the definitions is two -fold. Firstly, the City has not consulted with Dancor, or other industrial developers or Landlords, who have first hand, field experience in what users bring to the "jobs" table. Why not? Why would you not talk to the experts in the field? Why would LEDC and the City take on such a critical and possibly devastating issue without consultation.

   Why has the City chosen these specific definitions for industry – agri-food, defence, aerospace and intentionaly and with purpose penalized every other industry. Is the City open for new business and jobs for all or does the City now have the luxury of being so picky, more than any other City in Canada, to exclude and punish other industries? On what legal basis does it implement such a policy? What legal authority allows this?

4. Speculative Buildings – Spec

Attached are two pictures. The first is the Skyway Industrial Park and the second is Forest City. They are included to illustrate the importance of Spec buildings in growing an industrial base.

Spec buildings are very risky, for the developer, as we build them and then wait for a tenant or purchaser. On the plus side for the City, when you have a new user coming to London or an existing user needing to grow, they are able to move into state of the art space without having to wait for a new building, which could take 6 to 12 months. The real estate community can better inform on the critical importance of Spec buildings to satisfying the needs of the tenant/owner groups.

Municipalities are normally appreciative of Spec builds so there is space inventory available. Dancor is normally thanked, not penalized, for building on Spec in our GTHA projects. The developer takes all the risk in getting these buildings to market. The property tax revenue is available to the Municipality immediately regardless of how long it takes to lease or sell.

The attached pictures show in red the Spec buildings built by Dancor. Had these buildings not existed, these users would not have located in London or those from London may have had to go elsewhere to accommodate growth.

The lands in yellow are those lands purchased from the City that Dancor will build out. If you proceed to implement any DC charges, these lands will take a decade or more to build out rather than a few years as the DC costs will make these buildings unaffordable.

The City Industrial Land strategy is to sell lands to Dancor and others with a view to getting buildings up and used as soon as possible. If this Spec activity creates or protects London jobs, which it has been proven to do, the DC plan certainly kills that current outcome.

At a minimum, Spec buildings should have been exempted from the DC charge but are not addressed at all in the report.

5. Further Study

Certainty of market was key in attracting Dancor to London. The compact, the agreement we understood explicitly from everyone we dealt with at the City and LEDC was that London's Industrial Land Strategy included serviced lands and no DC's. On that basis, we have been working away for 10 years, moving into year 11, trying our best to attract new users and build more buildings, at a time when LEDC has been struggling to attract users. Times have been slow in the last 3 years.

The City staff, in particular Site Plan and Building Permit, are the best in the province in meeting our schedule and timing needs which in turn helps tenants and owners get into buildings they need to be in on time. They are awesome and you should be very proud.

At a minimum, we need to know that there will be no DC's for at least a 5 year period. In the interim, we suggest that the City study the issue, confirm the job losses and effects on the Industrial Inventory and the other effects on the Commercial, Office and Residential sectors.

Adding in new charges, when the industrial market is not mature enough yet and has been struggling, will have dire consequences that you will not undo.

It is fatal to adjust these ingredients of the supply of industrial lands, no DC's, and good builders, which London has many, is key to our current and future success. Picking those Industrial types you like and penalizing those you don't does not help anyone. Any DC charge at all will be permanent damaging – not for a few years but a generation.

As part of an overall strategy, if you are determined to implement DC's, you should study the effects, using a Deloitte type firm, and then implement that decision, if recommended, 5 or more years out. It allows the development and construction industry to adapt and for the City to monitor what happens with the current industrial growth to ensure that this Council or a future Council does not irreparably damage a key community factor in producing long and sustainable employment and better communities.

It is, in many ways, it is like an eye surgeon trying to do micro surgery with their thumbs. Adjust the DC lever and you may get more money to improve old industrial buildings, improve buildings along the 401, nicer facades in the downtown core – all the while killing the very source of those funds and the jobs that go with it. The surgeon with thumbs causes blindness.

To fund programs from new industrial, and only the users you don't "like" or want in London, is to undo all the good work the Industrial Strategy has brought to the City. Without your serviced Land and no DC's, what we have built at Skyway or Forest City or elsewhere would not be here. Your recipe made that happen. The DC decision sets to undo all of that.

6. Economic Development

   What is vital to the ongoing development of industrial lands in London is to have a way to attract Industrial users to London. The City needs a method of getting companies to consider locating here. LEDC used to perform this service in the past. That was a great effort they used to perform.

   Unfortunately, they would also be involved in deciding who came here and who did not, with your blessing. Not helpful or transparent.

   Dancor lost out on a large industrial user, 500 jobs, because LEDC decided to pursue a pharma company that did not end up coming to London. They went to Indiana. Our client went to Woodstock where they were welcomed. They created the 500 jobs and 500,000 square feet. Dancor did not build that building due to the manner our client was treated in trying to locate here.

   With more users coming to London, the City will have more tax revenue in property taxes, no DC monies to be redistributed to other project types. You can use your tax revenue to fund the projects listed by staff in the Report. The DC is an extra tax supported, I assume, by LEDC.

The decision Council needs to make, what we are recommending, is simple:

A. No DC's for Industrial
B. Economic Developers to attract new users and retain existing
C. Stable and shovel ready lands to create New Industrial – City or Private.

This strategy has served other Ontario municipalities very well. Without it, we would not had the industrial growth in the GTHA nor would be as successful in our job creation efforts. The London market needs more time to grow and get on its feet. We would like to remain a partner with the City in that effort without clients we attract being shown the door out of the City. When we share private and proprietary information about a user, we need to do that trusting we are all on the same page. While we profit from what we do, we cannot do more without making a profit. Without more attraction and by threatening these DC charges, how can we operate in such quick sand.

Dancor Background

Our experience and expertise is in developing, building, leasing Industrial buildings in Ontario and Texas. We are experts in the market conditions that allow for successful developments that assist a community/municipality in creating property tax and employment bases.

Dancor began operations in London in 2007 when building the 300,000 sf CEVA facility, in a record 168 days, in the Skyway Industrial Park. It was the Park's first project.

Since that time, we have built a number of buildings, both as a General Contractor and as a Landlord. While Dancor owns and operates a large number of buildings in the GTA, Whitby and Texas, our largest portfolio is in London.

Our London Office and staff are committed to bringing more Tenants/Clients to London and in maintaining the Class A buildings for our current and future Tenants.

Our compact from 2007 with the City is based on available City Land and NO Development Charges in order to be able to attract new clients, service for retention existing London businesses, and grow the portfolio of industrial buildings.

The implementation of Development Charges would critically damage our business operations in London and will certainly delay any future buildings on our lands. Those lands where we can build out more, and have promised to build out more, would be delayed. This is a certainty.

Want To Help

We have always helped when asked, offered to promote London in everything we do. We have done a great job of putting London on the industrial map and have attracted clients directly. We have always been available to Council to help as well. By not asking us for our input it says a great deal in that Council is not interested in what we do or our expertise.

That conclusion is disappointing for a firm that has tried very hard to make your strategy work for the City and for ourselves. Why you have chosen to ignore us and our industry remains a serious concern.

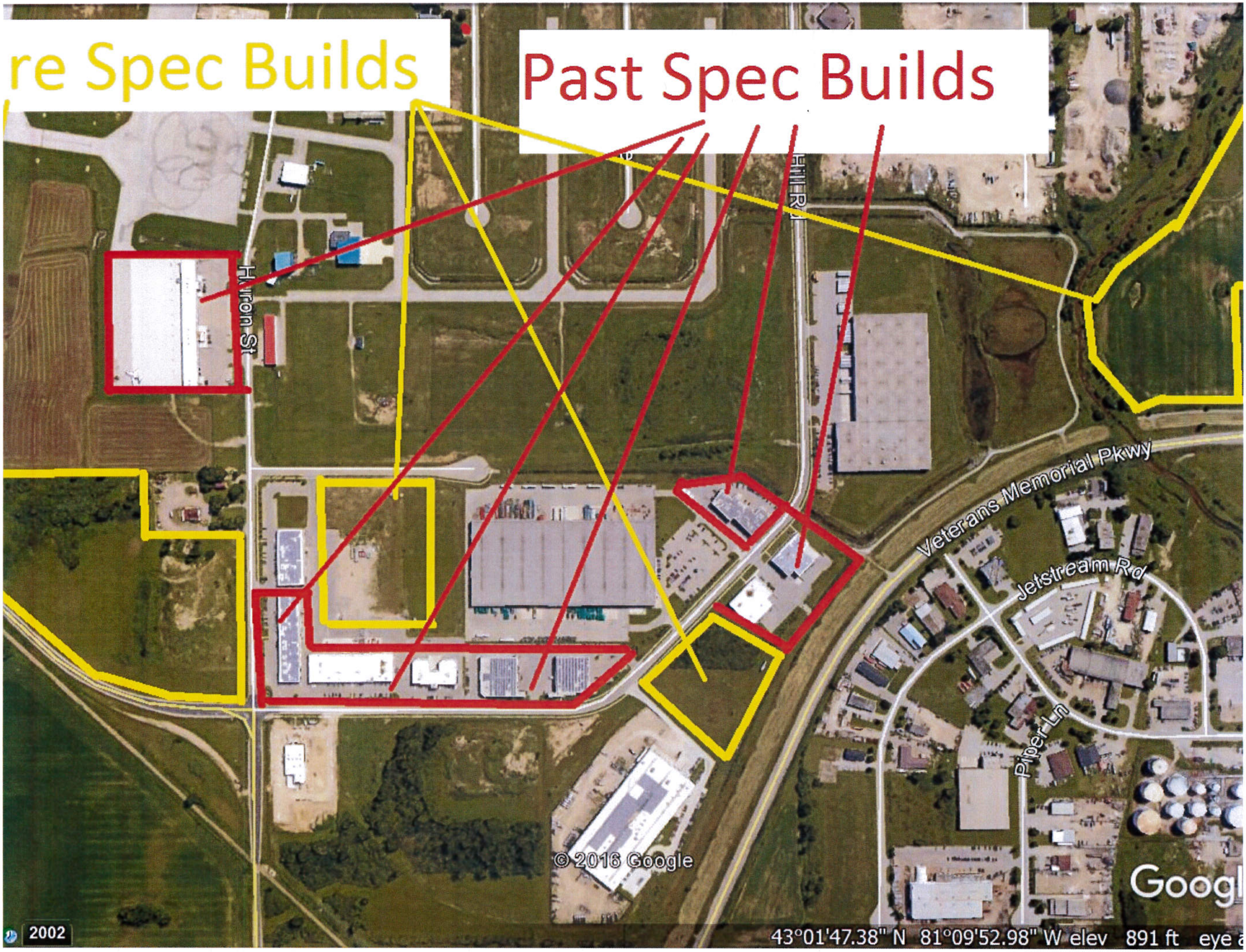
We hope you will reject the Development Charges for Industrial Users, all Industrial Users, and look to revisiting this issue in 2023.

Respectfully yours,

Dancor Construction Limited

Sean Ford

General Partner


re Spec Builds
Past Spec Builds
Huron St
Hill Rd
Veterans Memorial Pkwy
Jetstream Rd
Piper Ln
© 2016 Google
Googl
2002
43°01'47.38" N 81°09'52.98" W elev 891 ft eye a

Spec Build
Leased
Cheese Factory Rd
Max Brose Dr
MacDonald-Cartier Fwy
401
Commerce Rd
Global Dr
Wilton Grove Rd
Highbury
© 2016 Google
Google Earth
2006
42°55'54.40" N 81°09'59.65" W elev 915 ft eye alt 5756 ft