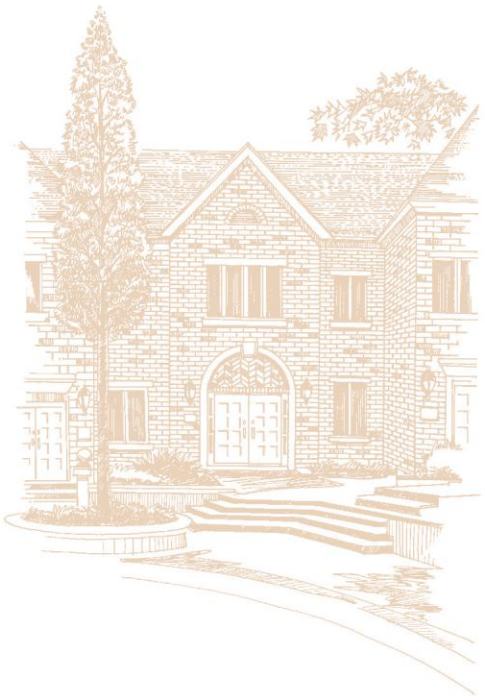
CITY OF LONDON

ECONOMIC ANALYSIS OF McCORMICK AREA STUDY LANDS

Final

(Revised)

APRIL 25, 2012



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Planning for growth

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Watson & Associates Economists Ltd. (Watson & Associates) was retained by the City of London in December, 2011 to prepare an economic analysis of the McCormick area lands, hereafter referred to as the subject area. The study was undertaken to determine the general economic viability of industrial, commercial, residential and mixed-use land uses for the subject area and identify the recommended land use option. The study identifies the key factors that may slow or prevent the desired land use plan for the McCormick area lands and examines economic incentives that could be utilized to promote redevelopment of the subject area.

The McCormick area lands encompass an area of approximately 35 hectares (87 acres) of land located within the urban growth boundary of the City of London. The lands are bounded by the Canadian Pacific Railway to the north, Quebec Street and Burbrook Place to the west, Dundas Street to the south and Asland Avenue and McCormick Boulevard to the east. The subject area is located approximately three km east of downtown London, within the East London Planning District. The subject lands are designated General Industrial in the City of London's Official Plan and the area forms part of one of London's oldest industrial areas. The McCormick area lands currently have approximately 600 jobs, of which the majority are in the industrial sector. The businesses located within the study area are predominantly small to medium sized.

Within the broader London market, the industrial sector has faced many challenges in the past few years. The recent economic recession and the resultant decline in manufacturing activity has had a significant negative impact on the market for industrial space in London, particularly in the City's older industrial areas. This is characterized by high vacancy rates and low net market rents. While London has experienced some new industrial development activity over the period, it has been concentrated in the City's greenfield areas with limited development in the older industrial areas located within the built boundary.

The McCormick area lands, consistent with trends within London, has witnessed a decline in manufacturing industrial activity in recent years, observed through business closures and downsizing. This decline in economic activity has largely been confined to the south half of the subject area and resulted in a significant number of vacant/underutilized industrial buildings. While the south half of the subject area is largely derelict, the north half of the subject area retains a relatively stable industrial base.

In contrast to the industrial sector, the commercial and residential sectors have demonstrated growth potential within the East London neighbourhood and within London as a whole. Commercial employment growth, led by "knowledge-based" sectors, has experienced relatively strong growth within London and the East London neighbourhood. Further, residential development within Central London has been quite strong, with indications that opportunities for residential development are increasing in the East London neighbourhood.

To encourage redevelopment of the subject area, the City of London identified four land use options for the McCormick area lands in Phase 2 of the McCormick Area Study, which provide for a range of future land uses that can accommodate a mix of residential and non-residential uses. For each land use scenario, an assessment of housing, population and direct/indirect and temporary employment yield has been determined. Options 1a and 1b, which encompass predominantly residential land uses, offer the greatest potential to accommodate housing and population. In comparison, Options 2 and 3, which encompass a Light Industrial component in the north half of the subject area and residential uses in the south half, offer the greatest potential to accommodate direct employment, both in absolute terms and mix of employment sectors. Options 2 and 3 also have the greatest potential for indirect employment growth and induced employment impacts. All four options also include the provision of mixed-use development along Dundas Street, comprised of commercial (largely retail and services) and residential.

The financial feasibility analysis suggests that, based on current market prices and costs of development, the market potential for the subject area is strongest for medium density residential development comprised of townhouse development. Further, the market potential for mixed-use development and low density residential is marginal. The prospect for mid-rise high density residential and industrial and office development is weak. The market viability of all land uses would be undermined if potential site contamination costs (which are currently unknown) are reflected in the analysis.

Based on the economic analysis presented herein, the marketability and general future viability of the McCormick area lands under the existing general industrial use designation is not favourable. The marketability of the subject lands for alternative development forms such as residential, retail, prestige industrial/office and mixed-use development, as presented in Options 1 through 4, is clearly more attractive than the status quo.

The local market trends and pro forma analysis suggests that the McCormick area is marketable for medium density residential development (townhouses). Further, the redevelopment of the subject area to accommodate residential development would be supportive of the City's planning objectives, including intensification targets, and would be highly compatible with surrounding land uses. As such, it is recommended that the City incorporate a residential component into the future land use plan for the subject area, consistent with that identified in Options 2 and 3. Further, the market potential for mixed-use development along the Dundas Street corridor is favourable and should be pursued.

Continued growth in the non-residential, non-retail development is vital to building and maintaining a balanced, fiscally sustainable community. Based on this and the employment growth potential for "knowledge-based" sectors, it is recommended that the subject area include

the provision for Light Industrial lands in the north half of the subject area, as presented in Options 2 and 3. Though it recognized that the financial viability of new industrial or office development within the subject area is currently not favourable, maintaining the existing employment base within the north half of the subject area, while promoting and facilitating further development of the area over the longer term, is recommended. Meanwhile, the viability of the studio (live/work) designation and the commercial urban agricultural, as presented in Option 2, is unknown but likely not feasible from a market perspective.

Based on the recommended land uses identified herein, it is recommended that the City pursue Option 3 for the McCormick area. With the development of the McCormick area lands under this scenario, the City will be better positioned over the long term to build a balanced and complete community, increase its non-residential and residential tax assessment base, reduce commuting dependency and traffic congestion and generally improve environmental, health and socio-economic conditions.

It is recognized that in order to achieve the desired outcome for the subject area, market forces alone are not anticipated to provide sufficient opportunities for redevelopment. Generally, redevelopment projects are often difficult and more costly than greenfield projects. Potential site contamination mitigation costs and higher costs of construction, typically observed for adaptive reuse projects, could further exacerbate the challenges for development projects within the subject area. Financial incentives offer the potential to bridge this financial gap, promoting and fostering private sector remediation of subject lands and development of new built form or adaptive reuse (where applicable).

Under the current legislative framework, a range of financial incentive tools/programs could be used as a means to facilitate and encourage development of the subject area, such as development charge exemptions, redevelopment/rehabilitation grant programs, redevelopment loan programs and waiving or refunding building application fees. Many of them could be implemented through a Brownfield Community Improvement Programs (CIP) where a range of grants, loans and other incentives could be made available. The City of London has a strong tradition of utilizing financial incentives/tools to foster development in areas with marginal development potential and the City could expand its current programs to include the McCormick area lands.

However, in doing so, it is important to ensure that the public expenditure or foregone revenue produces a community benefit of a greater magnitude. Ideally, such funding would be "gap funding," which serves to move an opportunity which is at the margin or just below it, from an investor's perspective, into an acceptable business case. Given the range in financial feasibility, financial incentives need to be focused in areas where market demand potential or development interest has been identified and the “funding gap” can be reasonably overcome through financial

incentives and municipal obligations. Further, the City needs to ensure that on-going financial incentive programs are fiscally sustainable.

To facilitate the assessment for redevelopment potential of the area from a soil contamination and adaptive reuse perspective, it is recommended that the City consider a study grant program for the subject area. Given the complexities of developing a financial incentives program, at this stage in the study it is considered premature to recommend which other financial incentives the City should pursue. Once a preferred land use option is finalized and more detailed costs of redevelopment are determined, a more informed decision can be made regarding the optimal financial incentives to be utilized to foster and promote redevelopment of the subject area.

1. INTRODUCTION

1. INTRODUCTION

1.1 Terms of Reference

Watson & Associates Economists Ltd. (Watson & Associates) was retained by the City of London in December 2011 to prepare an economic analysis of the McCormick area lands, hereafter referred to as the subject area.

The objectives of this study are as follows:

1. Establish and justify the general economic viability of industrial, commercial, residential and mixed-use land uses for this area;
2. Identify the recommended land use option for the McCormick area based on economic and market evaluation;
3. Identify the key factors that may slow or prevent the desired land use plan for the McCormick area lands; and
4. Propose economic incentives that could be utilized to promote redevelopment of the subject area.

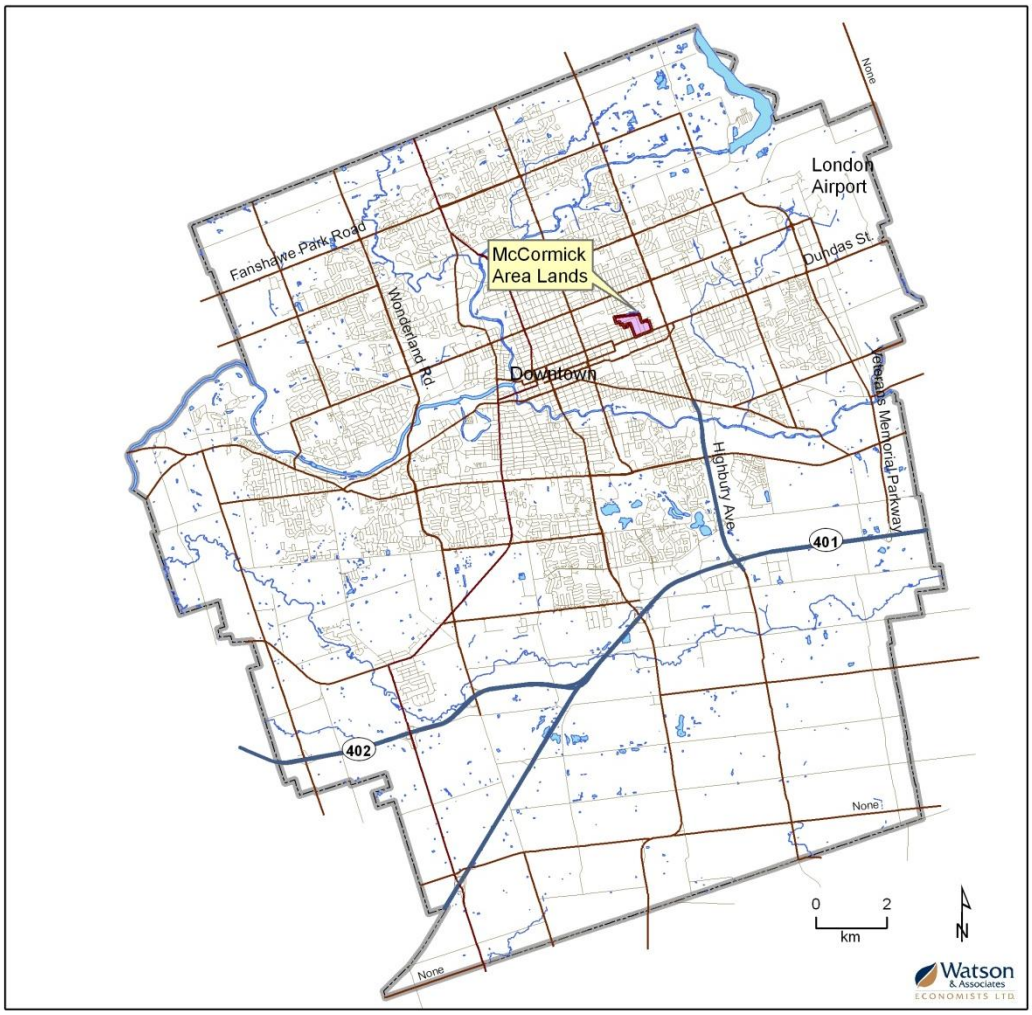
1.2 Background

The subject area encompasses approximately 35 hectares (87 acres) of land located within the urban growth boundary of the City of London. The lands are bounded by the Canadian Pacific Railway to the north, Quebec Street and Burbrook Place to the west, Dundas Street to the south and Asland Avenue and McCormick Boulevard to the east. Map 1-1 identifies the location of the subject area within the City of London.

The lands are currently designated General Industrial in the City of London Official Plan (Map 2). General industrial lands are intended for a broad range of industrial uses, including activities that could have a detrimental impact on adjacent residential or other uses. For this reason, the General Industrial designation is, for the most part, intended to apply to areas which are appropriately separated from residential land uses. In this case, however, the designation has been applied in recognition of the existing industrial area which pre-dates the Official Plan and has historically been adjacent to residential uses.

In accordance with the PPS, the McCormick area lands are employment lands, which are defined as "…those areas designated in an official plan for clusters of businesses and economic activities including, but not limited to, manufacturing, warehousing, offices, and associated retail and ancillary facilities."

Map 1-1
McCormick Area Lands Location



1.3 Report Structure

The McCormick Area Economic Analysis Study is structured into the following chapters:

1. Introduction;
2. Review of Existing Conditions;
3. Economic Evaluation of Proposed Land Use Options for the Study Area;
4. Recommended Land Use Options;
5. Potential Financial Incentives/Tools to Encourage Redevelopment of Subject Area.

2. REVIEW OF EXISTING CONDITIONS

2. REVIEW OF EXISTING CONDITIONS

This Chapter builds on the work previously carried out as part of the 2010 Phase 1 Background Information Report, prepared by the City of London. Specific attention is given to economic, employment and development trends within the broader London economy and the East London Planning District, as well as the subject site.

2.1 London CMA Economic and Employment Trends

The following provides a review of recent economic and employment trends within the London CMA (Census Metropolitan Area).

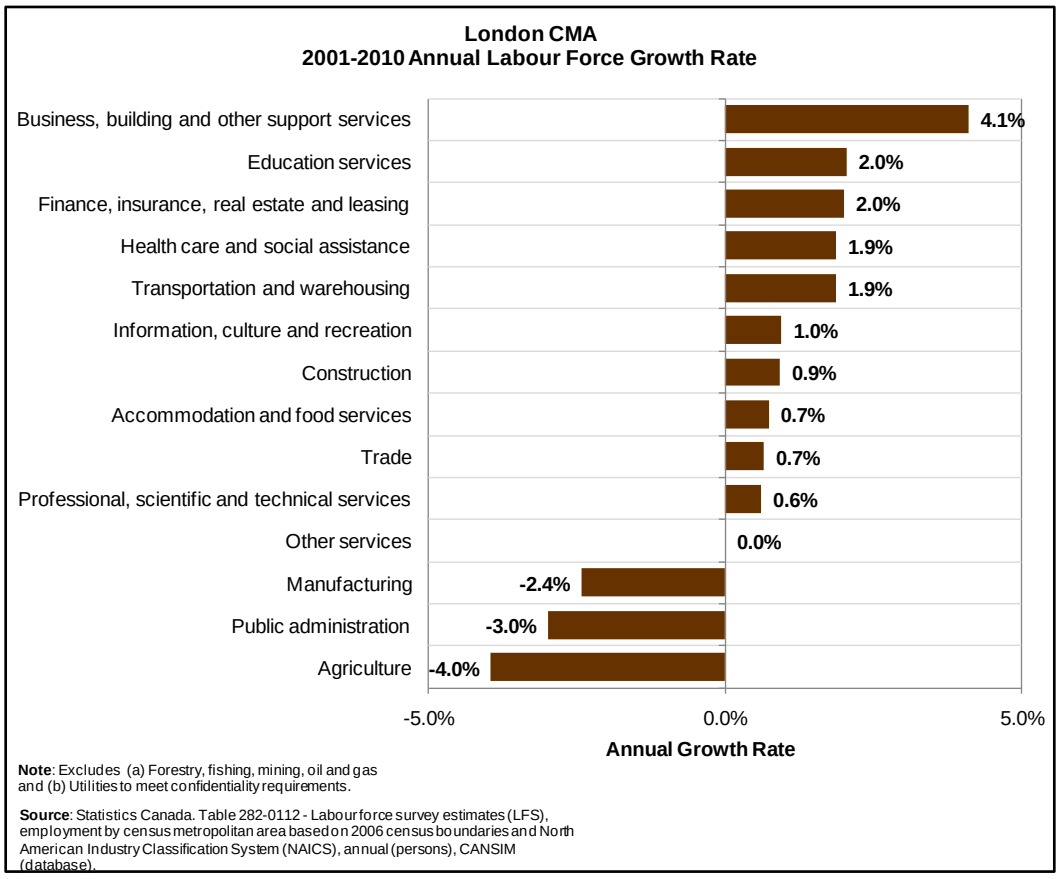
2.1.1 Employment Growth by Sector, 2001-2010

Similar to the provincial economy as a whole, the nature of the London CMA economy is changing. Over the past decade, the composition of the London CMA employed labour force has gradually shifted from the goods-producing sector to the service sector. More importantly, the rate at which this shift is occurring has accelerated significantly since 2006, with a significant decline in the goods-producing sector.

The majority of the decline in the labour force growth rate in the goods-producing sector during the past five years is the result of significant contraction in the manufacturing sector, which declined by an average of 2.4% annually over the period, as illustrated in Figure 2-1. In contrast, other industrial sectors, including transportation and warehousing and construction, showed moderately strong employment growth over the period. On the other hand, business services, education services, financial services, and information and cultural industries have shown moderate to strong growth. Collectively, these sectors comprise a large portion of the "knowledge-based" or "creative class" economy.

While manufacturing will continue to represent an important sector in the London CMA economy, it is anticipated that its share of total employment will continue to gradually decline over the next 20 years.

Figure 2-1



2.1.2 London CMA Industry Clusters

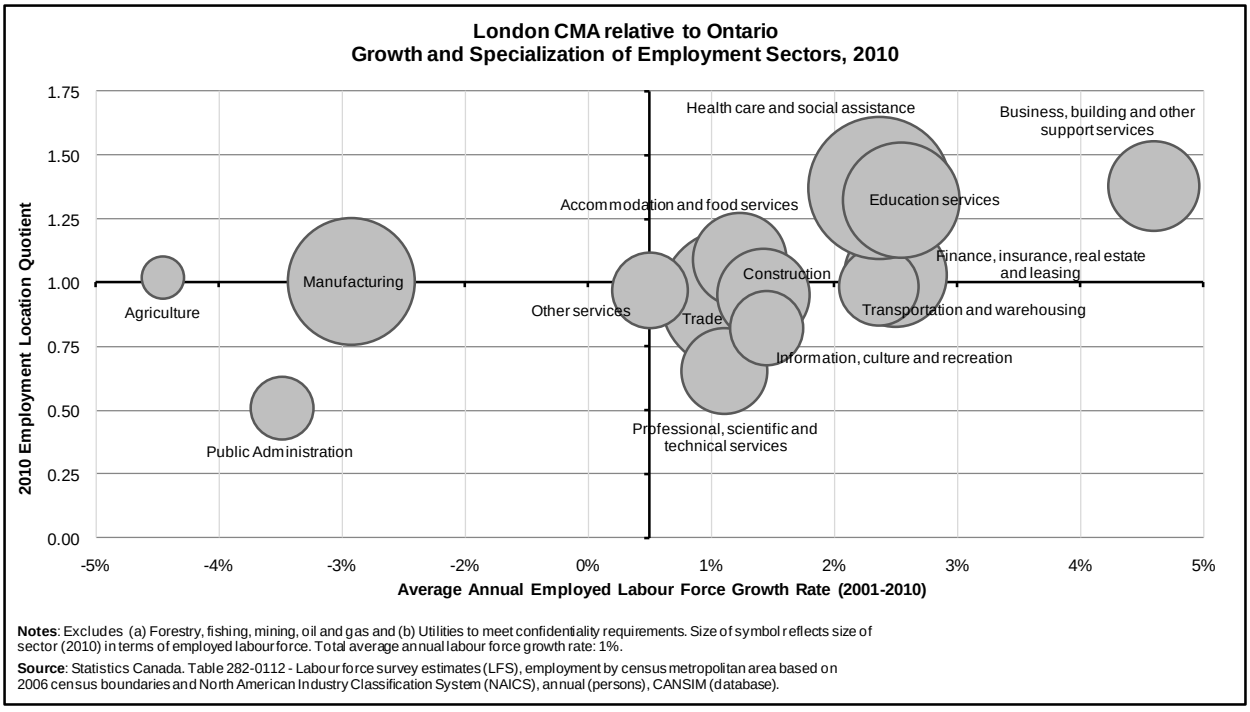
Ultimately, the aggregate indicators of the London CMA's economic performance are determined in large measure by the competitiveness of its industry clusters. A cluster is a set of inter-linked private sector industries and public sector institutions, whose final production reaches markets outside of local market. An expanding export base – or competitive clusters – is a key component to the economic prosperity of the local economy in the surrounding area because exports bring money into the local market to be circulated among local-serving enterprises and their employees.

Location Quotients (LQ's) are a commonly used tool in regional economic analysis to identify and assess the relative strength of industry clusters. They assess the concentration of economic activities within a smaller area relative to the overarching region in which it resides. The LQ for a given municipality or local geographic area is calculated by dividing the percentage of total local employment represented by a sector, with the percentage of the total broader employment base (typically based on provincial, national levels) represented by the sector. An LQ of 100% identifies that the concentration of employment by sector is consistent with the

broader employment base average. An LQ of greater than 100% identifies that the concentration of employment in a given employment sector is higher than the broader base average, which suggests a relatively high concentration of a particular employment sector or "cluster." Employment sectors with a relatively high LQ generally serve both the local population base as well as employment markets which extend beyond the boundaries of the municipality. On the other hand, employment sectors with an LQ of less than 100% identify particular employment sectors which have relatively lower concentrations (as compared with the broader market average) and are generally under-servicing the needs of the local market.

As illustrated in Figure 2-2, the most dominant industry clusters for the London CMA, based on a Location Quotient, are business services, financial services, education services, health care and social assistance, manufacturing and accommodation and food services. Dominant sectors which have seen strong employment growth over the past decade include many "knowledge-based" sectors, including financial services, business services and education services. More mature sectors, such as manufacturing, though an important cluster, have experienced job losses.

Figure 2-2



Notes: Excludes (a) Forestry, fishing, mining, oil and gas and (b) Utilities to meet confidentiality requirements. Size of symbol reflects size of sector (2010) in terms of employed labour force. Total average annual labour force growth rate: 1%.

Source: Statistics Canada. Table 282-0112 - Labour force survey estimates (LFS), employment by census metropolitan area based on 2006 census boundaries and North American Industry Classification System (NAICS), annual (persons), CANSIM (database).

2.1.3 Recent Trends in the Non-Residential Market

Industrial Market

The recent economic recession and the decline in manufacturing activity within London has had a significant negative impact on the local industrial market. As of the second quarter 2011, the industrial vacancy rate in London was 11.6% and net market rents averaged $4.21 per square foot.[1] The City's industrial vacancy rate has increased significantly since 2006, when it was 7.4%.[2] This suggests that the demand for industrial space within the City has weakened in the past five years and is reflected in the relatively low net market rents, particularly in the City's older industrial areas.

Despite the challenges in the industrial sector, the City has seen new industrial development. Map 2-1 illustrates industrial development activity within the City of London over the past decade (2001-2010). As illustrated, the majority of new industrial development activity over the period has occurred in the City's greenfield areas. This has been concentrated in the eastern edge of London, along the Veteran's Memorial Parkway corridor and along the Highway 401 corridor in the City's south end. Recent activity has been focused in the City's newer industrial/business parks, including the London Innovation Park, Forest City Industrial Park and Skyway Industrial Park. In contrast, limited new industrial development has occurred within the City's older industrial areas located in the central part of London.

Office Market

London's office market also remains relatively weak, characterized by high vacancy rates. City-wide, the vacancy rate for office space is 14.2%, with vacancy rates highest in the central part of the City and lowest in the suburban areas.[3] However, unlike the industrial market, vacancy rates in the office sector have remained relatively stable since 2006. Lease rates are averaging around $10 per sq.ft.[4]

Retail Market

The retail market in London is relatively strong, characterized by a low vacancy rate of 5% and average net market rent of $10 per sq.ft.[5] A significant share of new retail development in the past decade has been in large-format retail, located in suburban locations such as Wonderland Road at Southdale Road and Fanshawe Road West at Hyde Park Road. However, there has

[1] CB Richard Ellis, London Industrial MarketView, Second Quarter 2011.
[2] Colliers International, Southwestern Ontario Industrial Market, 2006.
[3] CB Richard Ellis, London Office MarketView, First Quarter 2011.
[4] CB Richard Ellis, London Office MarketView, First Quarter 2011.
[5] CB Richard Ellis, London Retail MarketView, Fourth Quarter 2011

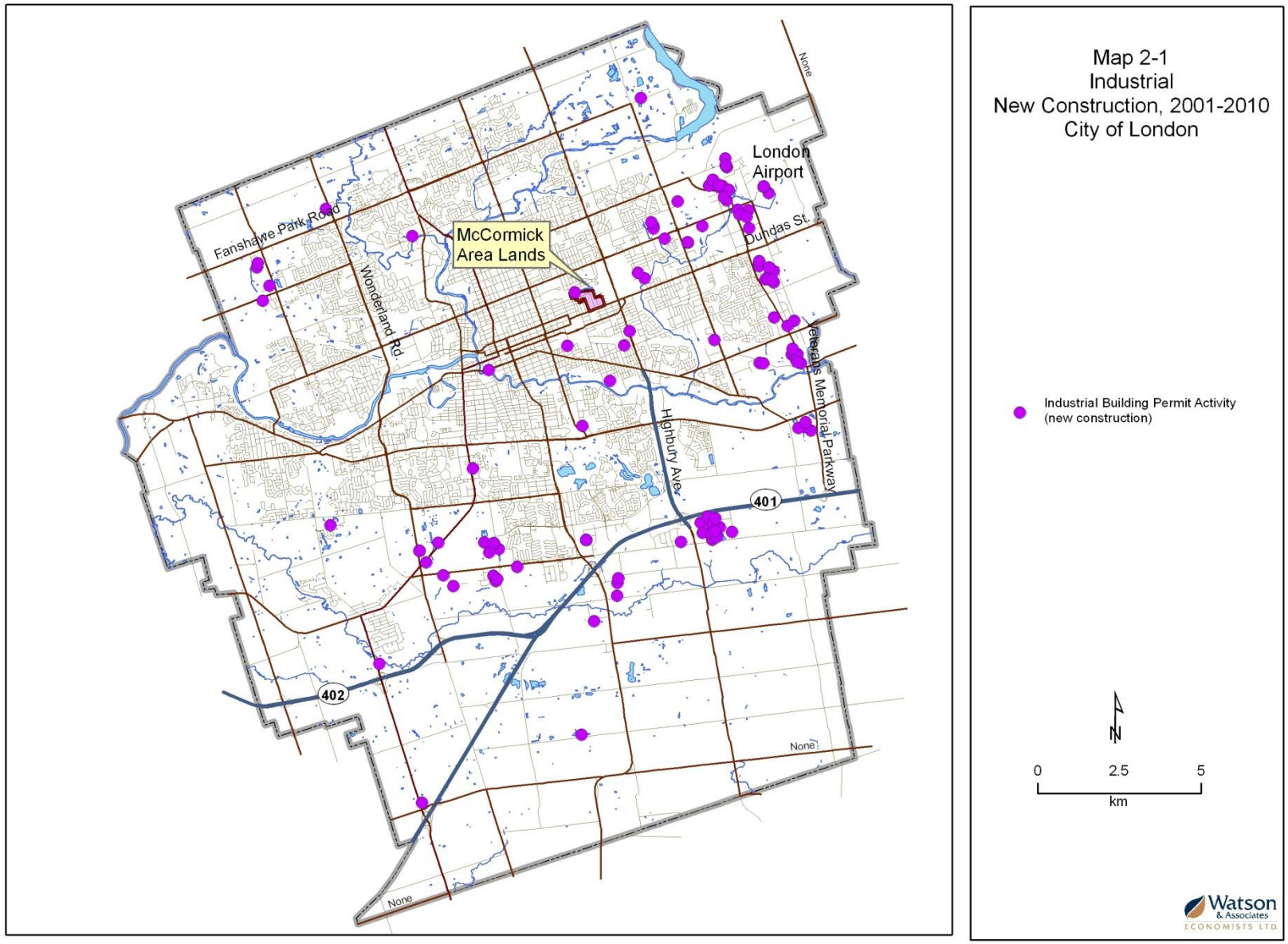
also been a notable amount of smaller-scale development along the City's commercial corridors, such as Dundas Street.

2.1.3 Recent Trends in the Residential Market

The City of London has a robust residential market, with new residential construction averaging approximately 2,300 units per year over the past decade, with low density housing (i.e. single family, semi-detached) accounting for half of the total units.[1] The majority of new residential development over the period has been concentrated within the City's greenfield areas, located in the north, west and southern parts of the City.

Though low density housing remains the dominant new housing form in London, over the past decade, the housing mix of new residential construction has shifted marginally from low density (single/semi-detached) to a higher share of high density dwellings. The increase in high density residential development over the past five years has largely been attributed to mid- and high-rise condominium projects into Central London (downtown core).

[1] Based on residential building permit data for the City of London, 2001-2010, from Statistics Canada Publication, 64-001XIB; derived by Watson & Associates Economists Ltd.


Map 2-1
Industrial
New Construction, 2001-2010
City of London
Industrial Building Permit Activity
(new construction)
McCormick
Area Lands
London
Airport
Fanshawe Park Road
Wonderland Rd.
Dundas St.
Veterans Memorial Parkway
Highbury Ave.
401
402
None
None
None
N
0
2.5
5
km
Watson
& Associates
ECONOMISTS LTD

2.2 East London Neighbourhood

The McCormick area lands are located within the East London Planning District neighbourhood. East London is a mature neighbourhood, bound by Adelaide Street (and Central London) to the west, the CP rail line to the north, Kiwanis Park in the east and a CN rail line to the south. The neighbourhood is comprised of a mix of general industrial land uses, mature residential areas and commercial uses along Dundas Street, including Old East Village.

2.2.1 Population and Employment Trends

Over the 2001-2006 period, the residential base within the neighbourhood has remained relatively stable, exhibiting minimal growth, as summarized in Figure 2-3. Over the period, the population grew by 0.5%, increasing from 10,355 to 10,405, while the number of occupied housing units increased from 5,020 to 5,070 (an increase of 1%). In comparison, employment within the neighbourhood increased from approximately 8,300 in 2001 to 8,700 in 2006, an increase of 4.3%.

Figure 2-3

East London Planning District
Population, Housing and Employment
2001-2006

	2001	2006	2001-2006 % Increase
Population[1]	10,355	10,405	0.5%
Occupied Dwelling Units[1]	5,020	5,070	1.0%
Employment[2]	8,320	8,675	4.3%

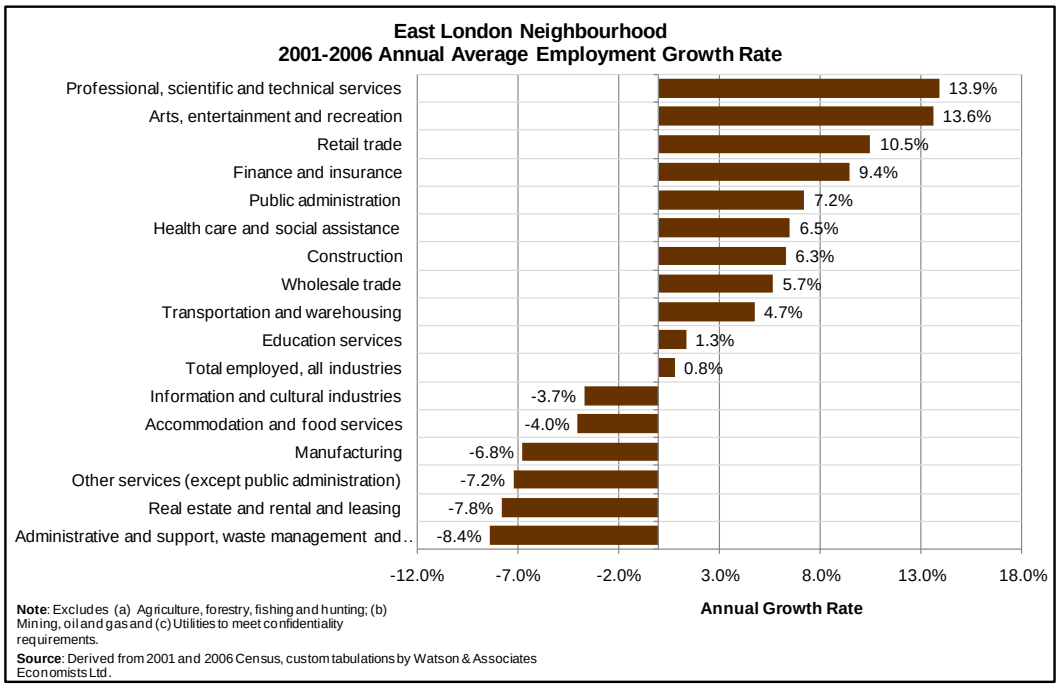
Source:

1. Derived from East London Planning District Profile. City of London by Watson & Associates Economists Ltd.

2. Adapted from 2001 and 2006 Census Dissemination Area place of work custom tabulation data by Watson & Asssociates Economists Ltd.

Over the 2001-2006 time period, the East London neighbourhood saw significant average annual employment growth in a number of service-producing sectors, as illustrated in Figure 2-4. This included professional, scientific and technical services (PSTS) (13.9%), arts, entertainment and recreation (13.6%), retail trade (10.5%) and finance and insurance (9.4%). In contrast, employment in the manufacturing sector declined by an average of 6.8% annually over the period. Other service-producing sectors, including information and cultural industries, accommodation and food services, real estate and rental and leasing, also experienced declines during the period.

Figure 2-4



2.2.2 Development Activity Trends, 2001-2010

This section provides a review of recent development trends in the residential and non-residential (i.e. industrial, commercial, institutional) markets within the East London neighbourhood, including the McCormick area lands and surrounding area.

Residential

Within the East London neighbourhood and the immediate surrounding area, residential development activity over the past decade has been relatively limited compared to that of Central London (located west of Adelaide Street), as illustrated in Map 2-2. Recent residential projects in the neighbourhood suggest that this may be changing, as developers look for opportunities for development outside of the Central Area. This includes a 12-unit, 3-storey affordable housing project at 753 Dundas Street, which was developed in 2010 and a 600-unit, 24-storey high-rise apartment project known as Crown on King, located at 700 King Street, which is currently under construction. The Crown on King project is a redevelopment of a derelict industrial building site. The East London neighbourhood has also had a handful of small-scale projects, including a four-plex on 628 Dufferin Street and various single/semi detached homes on infill lots.

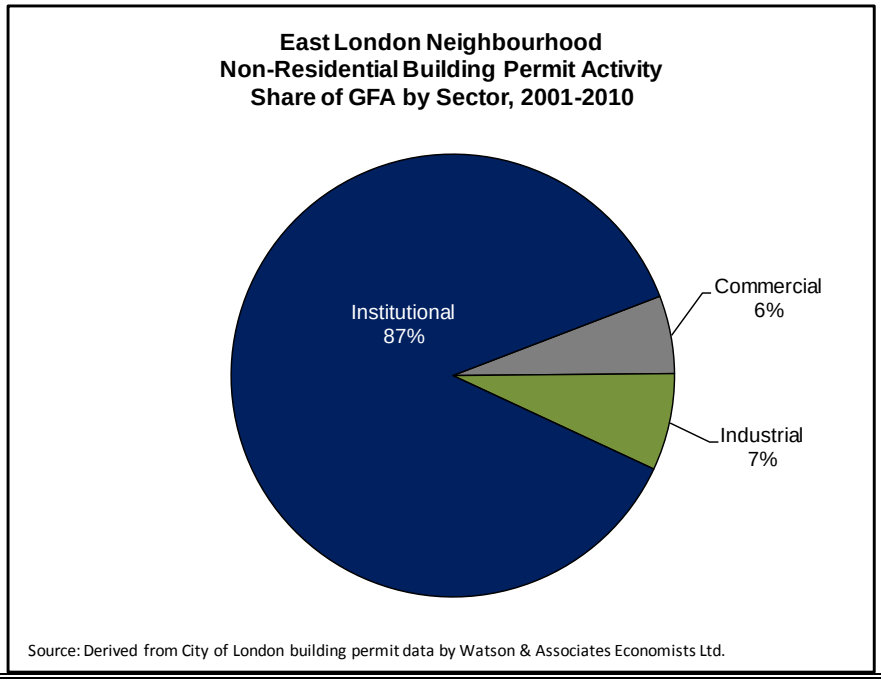
Immediately outside the East London neighbourhood and in proximity to the McCormick area lands, the Carling Village development by Rembrandt Homes has been a significant residential

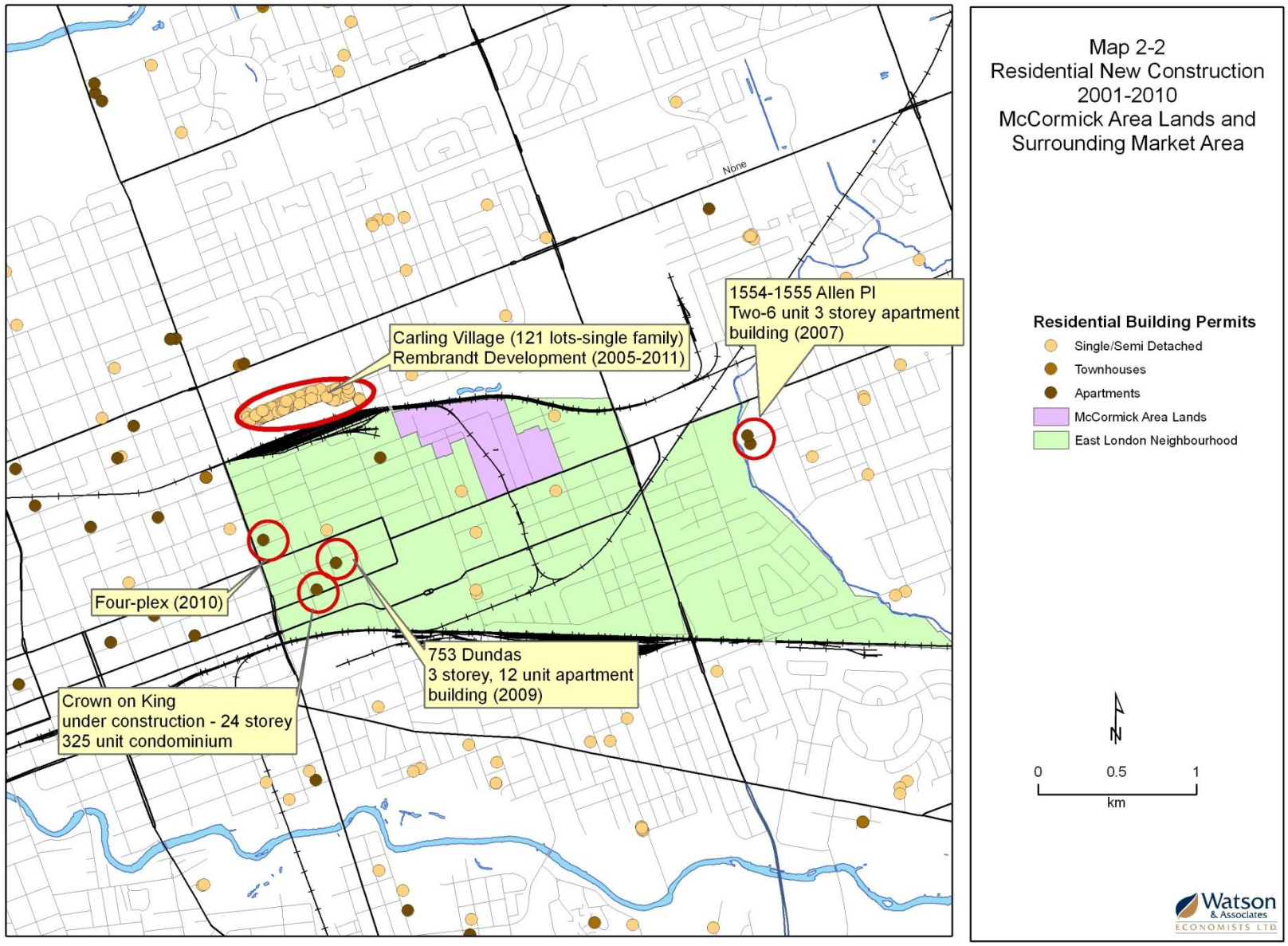
development in the area. Located on McMahen Street, the project, which consists of 121 single family lots, began in 2005 and is now built out. The development consists of single family detached homes on 30-40' lots, ranging in price from $256,000 to $280,000. The project has been widely successful, catering to move-up buyers, many of whom already live in the central part of London. The area is attractive due to its proximity to downtown London and corresponding amenities. The developer is interested in pursuing further developments of a similar nature in central London if land opportunities become available.

Non-Residential

Within the East London neighbourhood, approximately 465,000 sq.ft. of non-residential GFA (new construction) has been built over the 2001-2010 period, as illustrated in Map 2-3. Of this, 87% has been in the institutional sector, largely comprised of municipal recreational projects including a new arena, as summarized in Figure 2-5. In contrast, the share of industrial and commercial development has been limited, comprising 8% and 7% of the total non-residential activity, respectively. The industrial development, totalling 33,000 sq.ft., has largely been comprised of accessory buildings for existing industrial businesses, of which one was constructed within the McCormick area lands. The commercial development, totalling 26,000 sq.ft., has encompassed mainly small-scale commercial establishments on Dundas Street, including a restaurant (Tim Hortons) and a retail store (PartsSource). The limited commercial development activity compared to the relatively strong growth observed in commercial employment, as discussed in Section 2.2.1 suggests that the majority of employment growth in the sector has been accommodated within existing building stock.

Figure 2-5




Map 2-2
Residential New Construction
2001-2010
McCormick Area Lands and
Surrounding Market Area
1554-1555 Allen Pl
Two-6 unit 3 storey apartment
building (2007)
Carling Village (121 lots-single family)
Rembrandt Development (2005-2011)
Four-plex (2010)
753 Dundas
3 storey, 12 unit apartment
building (2009)
Crown on King
under construction - 24 storey
325 unit condominium
Residential Building Permits
Single/Semi Detached
Townhouses
Apartments
McCormick Area Lands
East London Neighbourhood
N
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1
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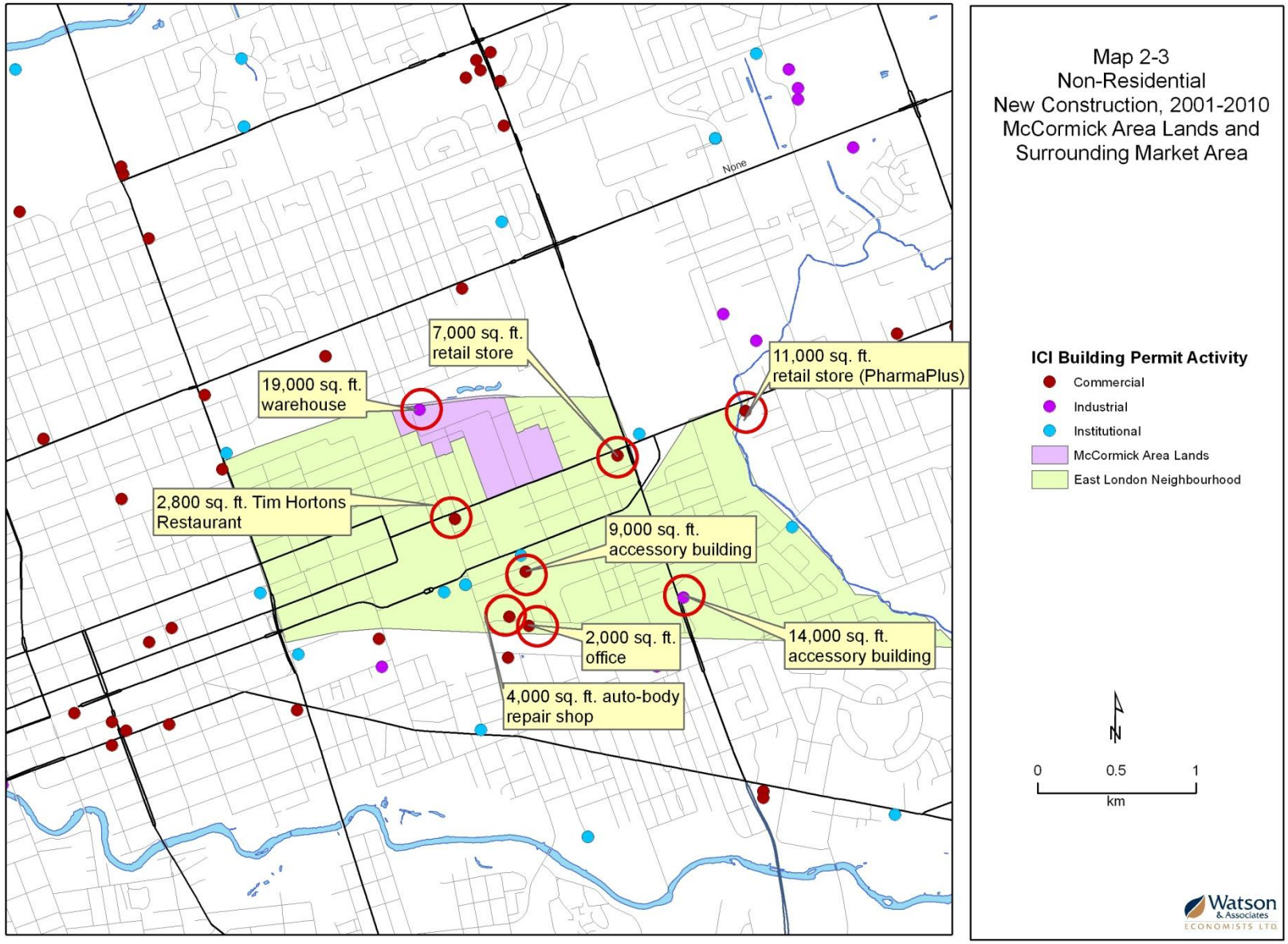
7,000 sq. ft.
retail store
19,000 sq. ft.
warehouse
11,000 sq. ft.
retail store (PharmaPlus)
2,800 sq. ft. Tim Hortons
Restaurant
9,000 sq. ft.
accessory building
2,000 sq. ft.
office
14,000 sq. ft.
accessory building
4,000 sq. ft. auto-body
repair shop
None
Map 2-3
Non-Residential
New Construction, 2001-2010
McCormick Area Lands and
Surrounding Market Area
ICI Building Permit Activity
Commercial
Industrial
Institutional
McCormick Area Lands
East London Neighbourhood
N
0
0.5
1
km
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& Associates
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2.3 The McCormick Area Lands

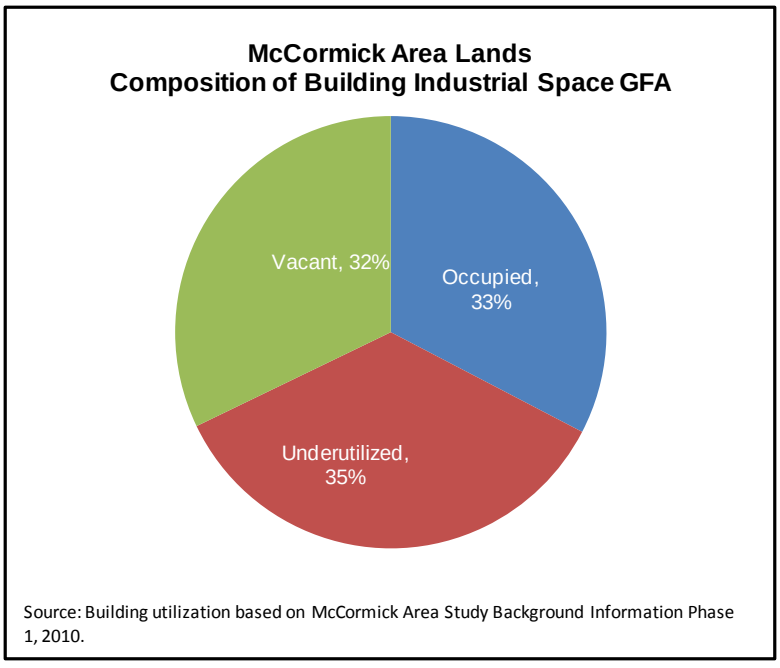
The McCormick area lands are located approximately 3 km east of downtown London, within the East London Planning District. The subject lands are designated General Industrial in the City of London's Official Plan and the area forms part of one of London's oldest industrial areas. All industrial lands within the subject area are held in private ownership.

The subject area is bordered by a mature industrial area to the south (largely occupied by Kellogg's), a low density residential area to the west and east, and green space (McCormick Park) to the north. The area to the west of the McCormick area lands is known as Old East Village, which has been the subject of revitalization efforts through a Community Improvement Plan (CIP) for the commercial corridor along Dundas Street for nearly a decade.

2.3.1 Physical Site Characteristics

The McCormick area lands have 27.8 net ha of general industrial designated land that is developed and 1.7 net ha of land which is vacant, as illustrated in Map 2-4. Many of the developed lots contain vacant or underutilized buildings. The subject area has a total of 1.7 million square feet[1] of industrial GFA, of which 33% is occupied, 35% is underutilized and 32% is vacant, as summarized in Figure 2-6 and illustrated in Map 2-4.

Figure 2-6



[1] GFA estimated by Watson & Associates Economists Ltd. using GIS building footprint data provided by the City of London and observed building heights (number of storeys).

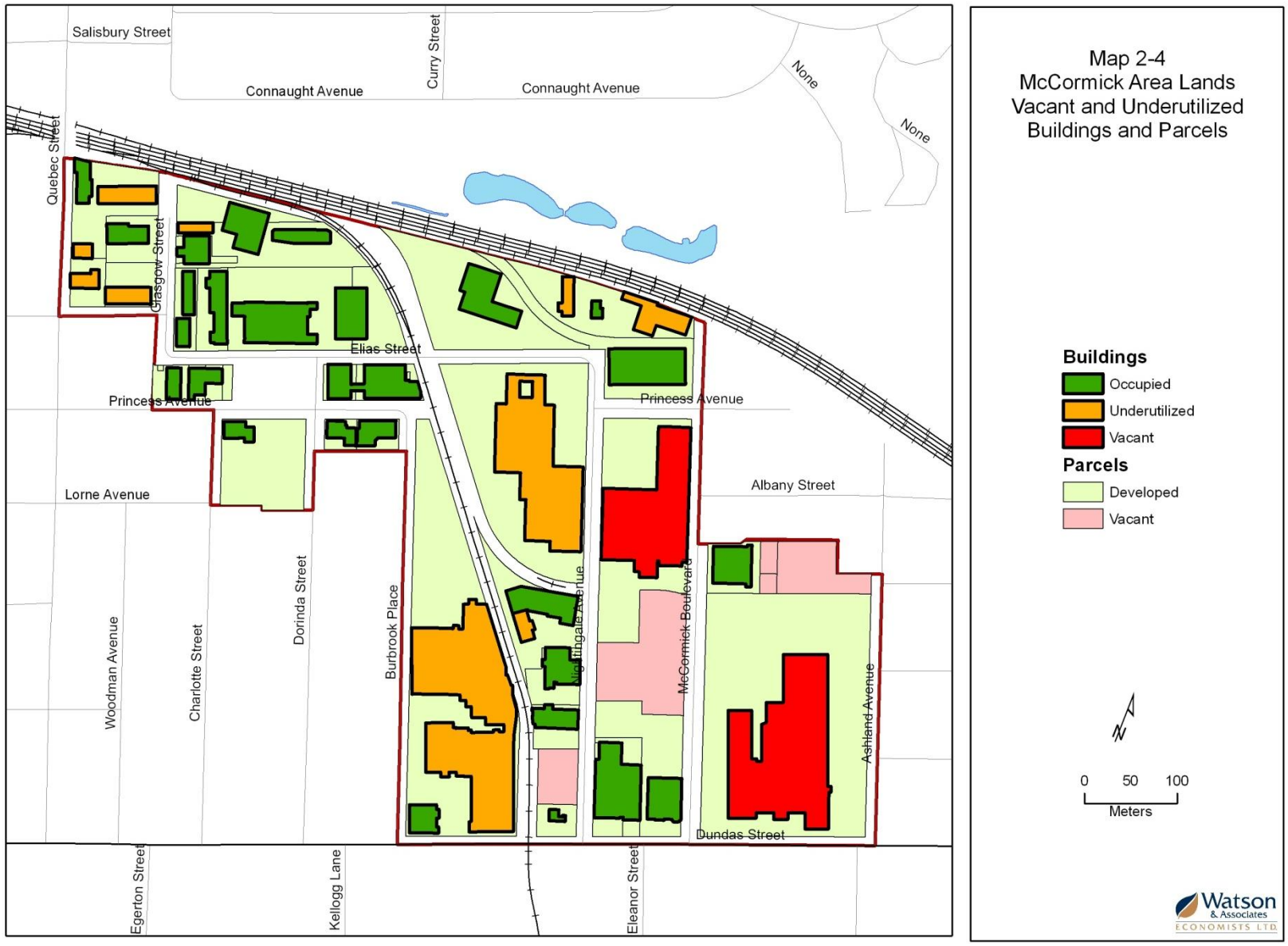
Derelict buildings and lots are largely confined to the south half of the subject area (south of Princess Avenue/Elias Street east of Burbrook Place), and the character of the south half of the subject lands is significantly different than that of the north half, as discussed below.

South Part of the Subject Area

The south half is the oldest part of the subject area, with industrial activity in the area dating back a century. The area is largely derelict and in relatively poor condition. The area's building stock is comprised largely of older large factory buildings which are vacant or underutilized, as illustrated in Map 2-4. This includes buildings that once housed major industrial employers, including McCormick Manufacturing Company (more recently Beta Brands) and London Machinery. A number of buildings in the area, including the McCormick site, have heritage significance. The area has good access and exposure to Dundas Street, a major east-west arterial road.

McCormick Building has heritage significance

Subject area has many derelict properties


Salisbury Street
Curry Street
Connaught Avenue
Connaught Avenue
None
None
Quebec Street
Glasgow Street
Elias Street
Princess Avenue
Princess Avenue
Lorne Avenue
Albany Street
Woodman Avenue
Charlotte Street
Dorinda Street
Burbrook Place
Nightingale Avenue
McCormick Boulevard
Ashland Avenue
Dundas Street
Egerton Street
Kellogg Lane
Eleanor Street
Map 2-4
McCormick Area Lands
Vacant and Underutilized
Buildings and Parcels
Buildings
Occupied
Underutilized
Vacant
Parcels
Developed
Vacant
0
50
100
Meters
Watson & Associates ECONOMISTS LTD.

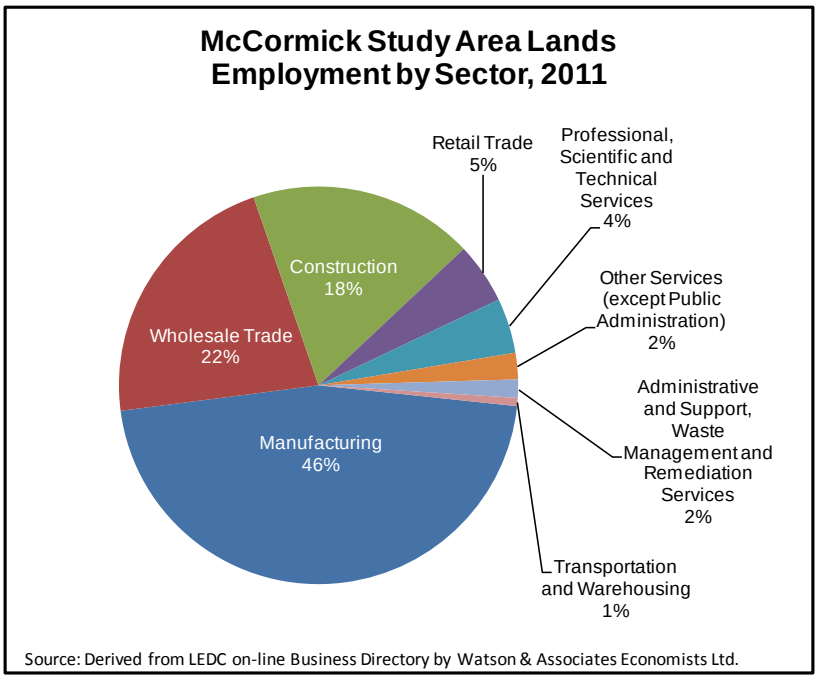
North Half of the Subject Area

The north half of the subject area is more "healthy" in terms of economic activity than the south half. The area's building stock dates primarily from the post-war period and consists of smaller, more versatile structures capable of accommodating a broader range of industrial uses than most buildings in the south half. The area has no vacant buildings but has some underutilized buildings. The area is home to a number of small- to medium-sized firms involved in manufacturing, wholesale trade and construction.

2.3.2 Economic and Employment Structure

The McCormick area lands currently have approximately 600 jobs,[1] of which 86% are in the industrial sector. As illustrated in Figure 2-7, about 46% of jobs are in manufacturing, followed by 22% in wholesale trade, 18% in construction, 5% in retail trade, 4% in professional, scientific and technical services (PSTS), 2% in other services (except public administration), 2% in administrative and support, waste management and remediation services and 1% in transportation and warehousing.

Figure 2-7



The businesses located within the study area are predominantly small to medium sized. As shown in Figure 2-8, 57% of businesses within the subject area have less than 10 employees, 35% have 10 to 50 employees, while 8% have 50 to 100 employees. No firms in the study area

[1] Derived from LEDC on-line business directory by Watson & Associates Economists Ltd.

have more than 100 employees. Larger employers in the area include Emco Corporation, Lordon Ltd. AIRIA and Attica Manufacturing.

Figure 2-8

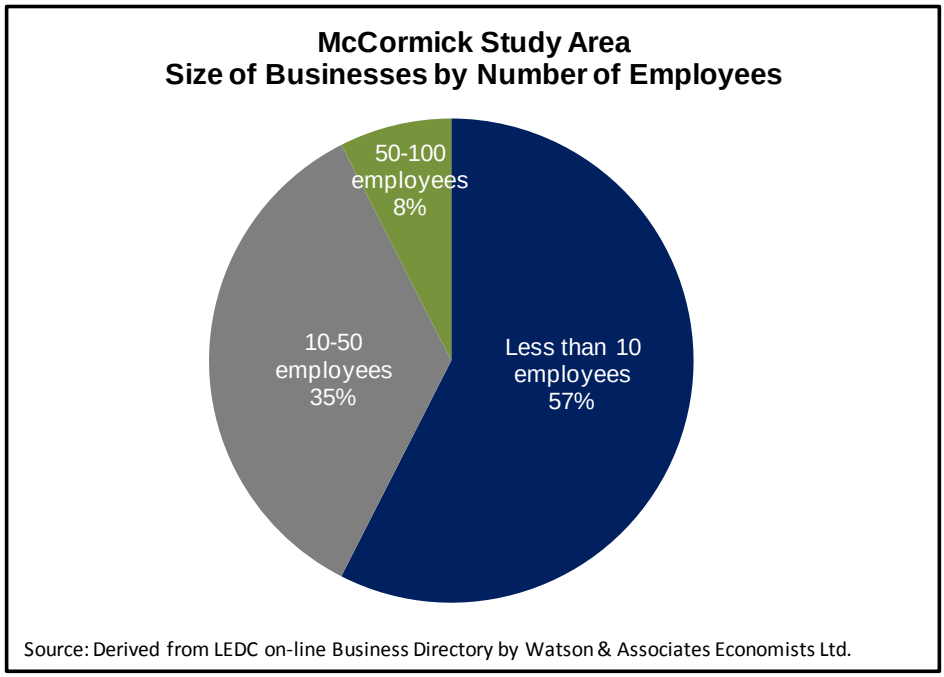
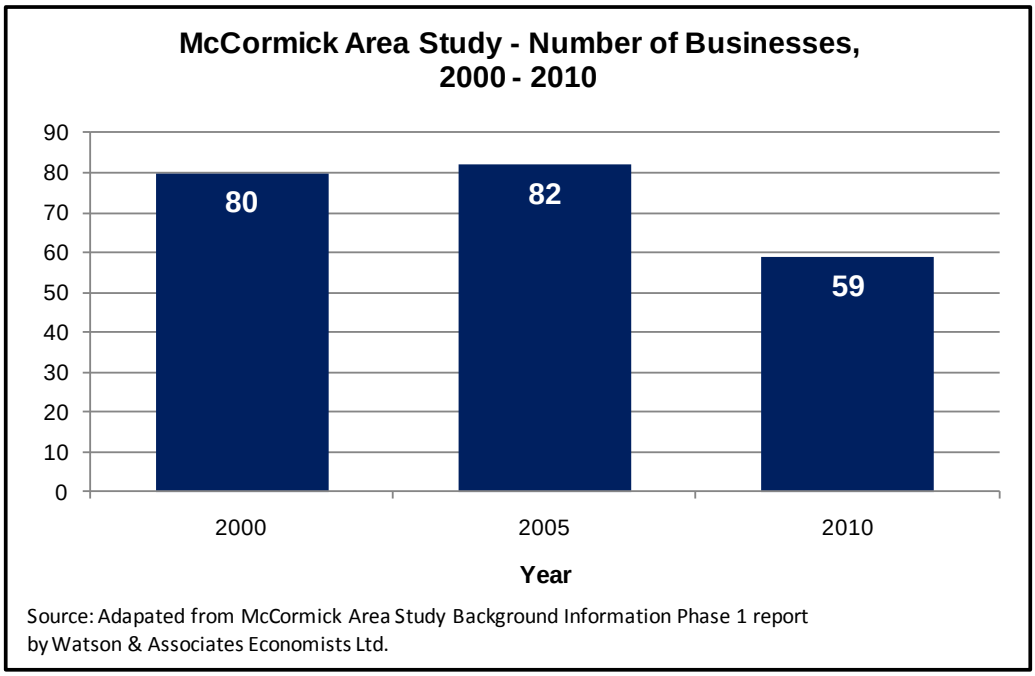


Figure 2-9 illustrates the number of businesses operating within the study area over the 2000 through 2010 time period. As shown, from 2000 through 2005, the number of businesses remained relatively stable, ranging between 80 and 82. By 2010, the number of businesses operating in the study area had declined to 59, a 28% decline since 2005. This is contrast to the City of London as a whole, where the number of businesses has remained relatively stable over the same time period.[1]

[1] Based on analysis of Canadian Business Patterns data.

Figure 2-9



Since 2008, the subject area has lost a number of major manufacturing employers. This includes Masco Canada (220 jobs), London Machinery (140 jobs), Beta Brands (100 jobs) and Rich-wood Kitchens (28 jobs). Masco Canada consolidated operations and moved their London operations to St. Thomas while London Machinery and Rich-wood Kitchens relocated within London. Beta Brands, which operated a confectionery and baked good products manufacturing operations in the McCormick building, closed down in 2008. Collectively, the job losses within the study area from these four site closures total 488. Further, one of the subject area's larger companies, Emco Corporation, has also seen its operations downsized, with a decline in employment. The impacted businesses were all located in the south half of the subject area.

2.4 Observations

The McCormick area lands, consistent with trends in the East London neighbourhood and more broadly in London, has witnessed a decline in manufacturing industrial activity in recent years, observed through business closures and downsizing. This decline in economic activity has largely been confined to the south half of the subject area and resulted in a significant number of vacant/underutilized industrial buildings. While the south half of the subject area is largely derelict, the north half of the subject area retains a relatively stable industrial base, comprised of small to medium sized firms.

Despite the challenges in the industrial sector, the commercial and residential sectors have demonstrated growth potential. Commercial employment growth, led by “knowledge-based” sectors has experienced relatively strong growth within London and the East London neighbourhood. Further, residential development within central London has been quite strong, with indications that opportunities for residential development are increasing in the East London neighbourhood.

3. ECONOMIC EVALUATION OF PROPOSED LAND USE OPTIONS FOR THE STUDY AREA

3. ECONOMIC EVALUATION OF PROPOSED LAND USE OPTIONS FOR THE STUDY AREA

The City of London identified four land use options for the McCormick area lands in Phase 2 of the McCormick Area Study. Within this Chapter, each of the proposed land use options has been reviewed and evaluated in terms of market feasibility. For each land use scenario, an assessment of housing, population and direct/indirect and temporary employment yield has also been determined.

3.1 Review of Four Land Use Options

Phase 2 of the McCormick Area Study identified four land use options for the study area. The following provides a summary of the four land use options in terms of developable land area by land use and anticipated built form, density and employment mix.

3.1.1 Land Use and Developable Land Areas

The four land use options and their respective developable land areas are summarized in Figure 3-1 and discussed below.

- The developable land areas between the four options are comparable, ranging between 19.4 net ha and 22.5 net ha, with the developable share of total land area ranging between 55% and 64%;
- All four options feature a mixed-use corridor located along the north side of Dundas Street, consisting of a commercial and residential component. Collectively, these parcels have a land area of 3.4 net ha;[1]
- Apart from the mixed-use corridor component, the developable component of Options 1a and 1b is exclusively residential, consisting largely of medium density (i.e. townhouses, low-rise apartments) with some low density (i.e. single/semi detached) and one parcel designated for high density (i.e. mid-rise apartment). The two options are comparable with a slight variation in the configuration of the residential lands within the northern half of the subject area;
- In comparison, Options 2 and 3 feature light industrial lands within the northern part of the subject area with remaining lands (located between the industrial and the mix-use corridor), intended for residential uses (with a similar configuration as in Options 1a and 1b);

[1] Mixed-Use corridor is estimated to accommodate 366,000 sq.ft., of which 138,000 sq.ft. (the ground floor) would be utilized for commercial uses such as retail and services, and the upper floor(s), totalling 228,000 sq.ft., would be for high density residential.

- Option 2 and Option 3 are quite comparable, except that the former offers a studio designation (which would allow for live/work loft-style development), which under Options 3 is designated for residential. Option 2 also has offers an urban agriculture designation which under Option 3 is open space.

Figure 1-1

McCormick Area Lands
Land Use Options, Land Composition

	Option 1a		Option 1b		Option 2		Option 3	
	ha	%	ha	%	ha	%	ha	%
Residential	16.2	46%	16.0	46%	7.7	22%	9.0	26%
Low Density	2.3	7%	2.8	8%	1.3	4%	2.6	7%
Medium Density	13.4	38%	12.7	36%	5.8	17%	5.9	17%
High Density	0.5	1%	0.5	1%	0.5	1%	0.5	1%
Mixed Use	3.4	10%	3.4	10%	3.4	10%	3.4	10%
Light Industrial	0.0	0%	0.0	0%	8.5	24%	8.5	24%
Studio	0.0	0%	0.0	0%	1.5	4%	0.0	0%
Urban Agriculture	0.0	0%	0.0	0%	1.5	4%	0.0	0%
Developable Subtotal	**19.6**	**56%**	**19.4**	**55%**	**22.5**	**64%**	**20.8**	**59%**
Non Developable Features (i.e. Open Space/ Roads)	**15.6**	**44%**	**15.8**	**45%**	**12.7**	**36%**	**14.4**	**41%**
Total	**35.2**	**100%**	**35.2**	**100%**	**35.2**	**100%**	**35.2**	**100%**

Source: Adapted from McCormick Area Study Phase Two Land Options by Watson & Associates Economists Ltd.

3.1.2 Anticipated Built Form, Density and Employment Mix

For the purposes of generating potential housing, population, employment and economic impacts under each land use option, a number of assumptions regarding built form, density and employment sector mix are made herein. These assumptions were informed by the Official Plan land use designations and market trends and are discussed below:

Residential Development

It is assumed that the built form to be accommodated within the proposed residential designations in the land use options would be consistent with the land use designations identified in the City of London Official Plan. This would include:

- Low density residential development would consist of single/semi-detached homes and duplexes and would have a maximum density of 30 units per net ha;
- Medium density would be comprised of townhouses and low-rise apartments, with a maximum density of 75 units per net ha;
- High density residential development would be intended for mid-rise apartments/ condominiums, with a maximum density of 150 units per net ha.

The mixed-use corridor residential component and studio (live-work) component (as identified in Option 2) would consist of medium density development. It is assumed that the built form for the mixed-use component and the studio (live-work) development would consist of low-rise buildings (3-4 storeys).

Non-Residential Development

Consistent with permitted uses under the light industrial land use designation and the development and employment growth trends identified in Chapter 2, it is anticipated that the light industrial lands would accommodate largely professional, scientific and technical services, along with business services and financial services, which would be accommodated in small-scale office buildings. The area would also attract some traditional industrial uses such as construction, service trade and small scale manufacturing. Under this employment sector mix and corresponding built form, it is estimated that the average employment density within the light industrial lands would be approximately 40 jobs per net ha.

Within the mixed-use corridor, the commercial component would likely accommodate retail and services. The studio component (featured in Option 2), would likely yield one job per residential unit and would likely be oriented to the professional, scientific and technical services sector. The employment potential from the urban agriculture land use component in Option 2 is considered negligible.

3.2 Housing and Population Potential

Based on net developable land area and the assumed residential densities by land use identified in Section 3.1 and corresponding persons per unit (PPU)[1] assumptions, potential housing and population at build-out under all four land use options is summarized in Table 3-2. Key observations include:

- As illustrated, Options 1a and 1b, could accommodate the largest number of housing units, totalling 1,435 units and 1,400 units, respectively. Option 1a could potentially accommodate a population of approximately 3,100, while Option 1b would accommodate a population of approximately 3,000;
- In comparison, Options 2 and 3 offer more limited residential unit potential, totalling 910 and 880 units, respectively. This translates into a population potential of approximately 1,900 under Options 2 and 3;

[1] PPUs based on new residential units within the City of London, derived from 2006 Census custom tabulations by Watson & Associates Economists Ltd.

- The majority of housing under all options would be in the form of medium density units with some high density and a relatively small provision for low density units.

Figure 3-2

McCormick Area Lands
Potential Residential Unit and Population Yield

Land Use Designation	Residential Density (Units/ net ha)[1]	Option 1a			Option 1b			Option 2			Option 3		
		Land Area (ha)	Yield (Units)	Population[2]	Land Area (ha)	Yield (Units)	Population[2]	Land Area (ha)	Yield (Units)	Population[2]	Land Area (ha)	Yield (Units)	Population[2]
Low Density	30	2.3	70	220	2.8	85	260	1.3	40	120	2.6	75	230
Medium Density	75	13.4	1,005	2,260	12.7	955	2,140	5.8	435	980	5.9	445	1,000
High Density	150	0.5	75	130	0.5	75	130	0.5	75	130	0.5	75	130
Studio	50	-	-	-	-	-	-	1.5	75	130	-	-	-
Mixed Use[3]			285	500		285	500		285	500		285	500
Total			1,435	3,110		1,400	3,030		910	1,860		880	1,860

Source: Watson & Associates Economists Ltd.
1. Residential density assumptions for low, medium and high density based on maximum allowable as per London Official Plan. Density assumption for studio based on estimate for typical built form.
2. Population based on persons per unit (PPU) of 3.10 for low density, 2.24 for medium density and 1.74 for high density, studio (live/work) and mixed use (residential component).
3. Unit yield based on 228,000 sq.ft. of residential GFA at 800 sq.ft. per unit.

3.3 Economic Impact of Potential Development

The following section provides an assessment of economic benefits associated with potential residential and non-residential development under the four land use options identified for the McCormick area lands.

3.3.1 Direct Employment

Based on the net development, non-residential land uses identified and appropriate employment density assumptions, the total potential employment to be accommodated within the subject area at build out, under each land use option, is presented in Figure 3-3. These figures reflect any existing employment within the subject area that may remain at build out. Key findings include:

- Options 1a and 1b would each generate an estimated 345 jobs, based exclusively on the mixed-use non-residential component;
- In contrast, Option 2, with the provision for light industrial and the studio component, along with the mixed-use designation, would accommodate an estimated 760 jobs;
- Option 3, with both the mixed-use component and light industrial lands, would accommodate an estimated 685 jobs;
- Under Options 2 and 3, the potential employment within the subject area would be slightly higher than the 600 existing jobs within the subject area. In comparison, under Options 1a and 1b, the number of jobs would be moderately lower than the existing employment base.

As previously discussed, the employment potential under Option 1a and 1b would be largely limited to retail and services (accommodated within the mixed-use designation). In contrast, Option 2 and Option 3, with light industrial designated lands and, in the case of Option 2, the potential for the studio (live/work) component, would accommodate a broader range of employment sectors, including "knowledge-based" sectors and traditional industrial uses.

Figure 3-3

McCormick Area Lands
Potential Employment Yield

	Density (Jobs/net ha)	Option 1a		Option 1b		Option 2		Option 3	
		Land Area (ha)	Yield (Jobs)	Land Area (ha)	Yield (Jobs)	Land Area (ha)	Yield (Jobs)	Land Area (ha)	Yield (Jobs)
Light Industrial[1]	40	-	-	-	-	8.5	340	8.5	340
Studio[2]	50	-	-	-	-	1.5	75	-	-
Mixed Use[3]			345		345		345		345
Total			**345**		**345**		**760**		**685**

Source: Watson & Associates Economists Ltd.

1. Employment density based on anticipated employment sector mix and corresponding density trends within southern Ontario.
2. Assumes one job per residential unit.
3. Job yield assumption is based on 138,000 sq.ft. of commercial GFA at 400 employees per sq.ft.

3.3.2 Employment Multipliers or "Spin-Off" Employment Potential

Employment multipliers provide a summary of the indirect economic effect or "shock" from income and/or employment generated by a particular employment sector. The economic (employment) multipliers by sector and the potential "spin-off" employment under the four land use options are discussed below.

Economic Multipliers

"Export-based" and/or non-retail employment, typically accommodated on employment lands, provides a higher potential of indirect or "spin-off" effects than retail/service sector employment. Economic multipliers identify the indirect economic effect or "shock" from income generated by a particular employment sector. The economic multiplier normally expresses the ratio of direct plus indirect income to direct income.

Figure 3-4 illustrates the typically higher economic multipliers which are calculated from "export-based" and/or non-retail sectors than from retail/service sectors. For example, the employment multiplier for the finance, insurance, real estate, and rental and leasing sector is 2.22. This means that for every $1.00 of GDP (Gross Domestic Product) generated directly within this sector, an additional $1.22 in GDP is normally created based on several rounds of impacts

down the supplier chain. When comparing "export-based" and/or non-retail vs. retail/service jobs:

- "export-based" and/or non-retail employment sectors tend to have the highest economic multipliers;
- Of the "export-based" and/or non-retail employment sectors, finance, insurance, real estate and financing utilities and manufacturing have the strongest economic multipliers, followed by information and cultural industries and construction;
- Non-Retail utilities and construction sectors, while not predominately "export based" have high multipliers, in part because of their services to "export based" companies;
- Most retail/service employment sectors have relatively low economic multipliers.

Figure 3-4

Province of Ontario
Economic Multipliers by Sector, 2007

Predominantly Export-based and/or Non-Retail	Economic Multiplier
Finance, Insurance, Real Estate and Rental and Leasing	2.22
Utilities	2.13
Manufacturing	2.06
Information and Cultural Industries	1.75
Construction	1.53
Wholesale Trade	1.53
Transportation and warehousing	1.52
Professional, scientific and technical services	1.38
Administrative and support, Waste management and remediation services	1.17
Predominantly Retail/Service Sector	**Economic Multiplier**
Arts, Entertainment and Recreation	1.35
Retail Trade	1.18
Accommodation and food services	1.16
Health Care and Social Assistance	1.14
Other services (except Public Administration)	1.09
Educational Services	1.08

Source: Statistics Canada Provincial Input-Output Multipliers, 2007

Indirect Employment Growth Potential

As previously identified, the McCormick area lands are estimated to accommodate an estimated 345 jobs under Option 1a and Option 1b, 760 jobs under Option 2 and 685 jobs under Option 3. Figure 3-5 summarizes the potential "spin-off" employment using a weighted average of employment multiplier data based on the sectors anticipated to be accommodated on the corresponding lands. This analysis has been based on 2007 Provincial Multipliers available in

the Statistics Canada Input/Output model, which provides a comprehensive accounting model of the inter-industrial structure of the Ontario economy.

The results of this analysis identify that the McCormick lands could potentially yield up to an additional 60 indirect jobs distributed on a broad regional basis under Option 1a and Option 1b. Under Options 2 and 3, the potential number of indirect jobs generated is 325 and 295, respectively. The indirect jobs generated may be local in nature (i.e. within City of London) or located more broadly (i.e. provincial, national and international).

Collectively, the total number of jobs (direct and indirect) generated under Options 1a and 1b totals 405. Under Options 2 and 3 the total number of potential jobs generated (direct and indirect) totals 1,085 and 980, respectively.

The strongest economic spin-offs are anticipated in the employment uses such as those in the "knowledge-based" sectors that are anticipated to be accommodated within the light industrial land use. This highlights the importance of attracting and retaining local employment growth in these sectors.

Figure 3-5

McCormick Area Lands
Potential "Spin-off" Employment Opportunities Associated with Direct Employment based on 2007 Multiplier

Land Use Option	Direct Employment by Sector	2007 Multiplier[1]	Additional Employment (Indirect Employment)	Total Employment (Direct and Indirect)
Option 1a				
Light Industrial	-	1.69	-	-
Mix-Use Corridor	345	1.17	60	405
Option 1a Total Employment	**345**		**60**	**405**
Option 1b			-	
Light Industrial	-	1.69	-	-
Mix-Use Corridor	345	1.17	60	405
Option 1b Total Employment	**345**		**60**	**405**
Option 2			-	
Light Industrial	340	1.69	235	575
Mix-Use Corridor	345	1.17	60	405
Studio (live-work)	75	1.38	30	105
Option 2 Total Employment	**760**		**325**	**1,085**
Option 3				
Light Industrial	340	1.69	235	575
Mix-Use Corridor	345	1.17	60	405
Option 3 Total Employment	**685**		**295**	**980**

Source: Watson & Associates Economists Ltd.

1. Weighted average of Statistics Canada Provincial Input-Output Multipliers, 2007 based on mix of anticipated employment sectors to be accomodated on lands

3.3.3 Induced Effect of Employment

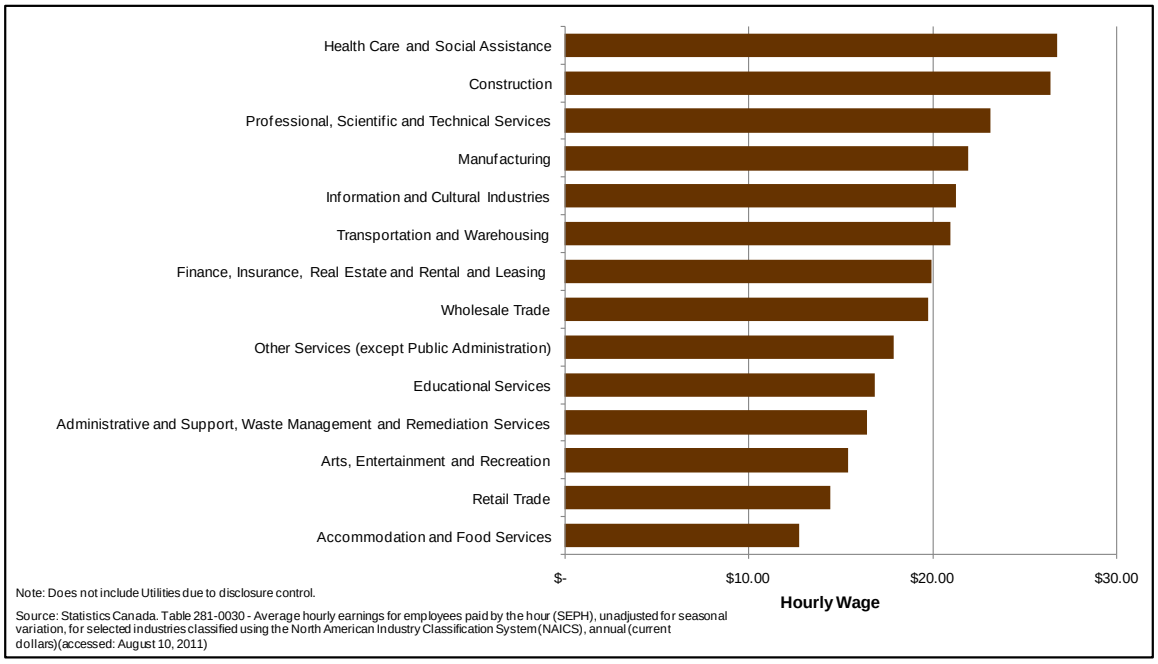
Employment also generates positive "induced" effects which are derived from the spending of labour income on the consumption of goods and services which drive "non-basic" employment growth. This effect is not captured in the economic multipliers, but it is significant nonetheless. The strength of the "induced" effect is largely related to average household income. Higher income opportunities permit families and individuals to enjoy a higher standard of living with more disposable income. In turn, this generates growth in household savings, taxation, and consumption of goods and services within the local economy. This increase in demand results in further expansion on the local and regional employment market, largely in the retail and business services sector.

Figure 3-6 illustrates average hourly wage rates in Ontario for major "export-based" and/or non-retail sectors and retail/service sectors. Key observations are as follows:

- The highest paid job sectors tend to be "export-based" and/or non-retail employment. This includes construction, professional, scientific and technical services, financial services, and manufacturing and;
- The lowest paid jobs are dominated by retail/service-based employment, including retail trade and accommodation and food services;
- Transportation and warehousing and wholesale trades have wage rates in the mid-range, higher than most retail/service sectors; and
- In most cases, contributions to the local economy from "export-based" and/or non-retail sectors are greater than those provided from retail/service development, in terms of hourly wage rates.

Figure 3-6

Ontario Wage Rates by Sector



3.3.4 Quality of Employment

In addition to providing higher average hourly wage rates, "export based" and/or non-retail employment typically offers better employee benefits, increased full-time employment opportunities and a greater range of skilled jobs than retail/service employment. This serves to better the quality of life for the households and individuals involved (i.e. family sustaining) and makes for a stronger and more balanced community.

3.3.5 Temporary (Construction) Employment Growth

Anticipated residential and non-residential development will also influence growth within temporary employment sectors such as the construction industry. During the construction phase, expenditures will be made for the construction of buildings and infrastructure. This investment will create employment associated with construction, as well as generate spending on materials and services required. Additional benefits (multipliers) will be derived as employees spend income earned in the local economy.

Figure 3-7 provides an estimate of direct and indirect temporary employment generated (in person years) for every $1,000 spent on non-residential construction, as well as the purchase

materials, equipment and services by the commercial operations, using employment multiplier data available from the Statistics Canada Input-Output model.[1]

As illustrated, the construction of new residential and non-residential development would generate a total of 2,010 person years of (temporary construction) employment under Option 1a, while Option 1b would generate 1,970 person years. In comparison, Options 2 and 3 would generate 1,575 and 1,520 person years of employment, respectively. Based on an average of 20 years of work per employee, this would generate the demand for approximately 100 construction employees for London and the surrounding area under Options 1a and 1b and approximately 80 jobs under Options 2 and 3. Given the established industrial base in the northern half of the subject area, it is anticipated that the development activity in this part of the subject area under Options 2 and 3 would occur gradually over the longer term. Further, additional employment generated from the construction of infrastructure associated with new development has been excluded from this analysis. Increased non-residential construction is also anticipated to generate economic job opportunities for individuals in London related to real estate, property maintenance, landscaping and other construction-related trades.

Figure 3-7

McCormick Area
Employment Impacts of Growth on Temporary Employment (Construction)

				Employment Multipliers[1]			Person Years of Employment		
Sector	Total Sq. Ft.	Value of Construction 000's 2011$	Value of Construction 000's 2007$	Direct	Indirect	Total	Direct	Indirect	Total
Option 1a									
Non-Residential[2]	128,000	$ 14,080	$ 13,253	0.00699	0.00296	0.00995	95	40	135
Residential[3]	1,608,880	$ 225,243	$ 212,014	0.00573	0.00310	0.00884	1,215	660	1,875
Option 1a Total	**1,736,880**	**$ 239,323**	**$ 225,267**				**1,310**	**700**	**2,010**
Option 1b									
Non-Residential[2]	128,000	$ 14,080	$ 13,253	0.00699	0.00296	0.00995	95	40	135
Residential[3]	1,572,880	$ 220,203	$ 207,270	0.00573	0.00310	0.00884	1,190	645	1,835
Option 1a Total	**1,700,880**	**$ 234,283**	**$ 220,523**				**1,285**	**685**	**1,970**
Option 2									
Non-Residential[2]	399,200	$ 43,912	$ 41,333	0.00699	0.00296	0.00995	290	120	410
Residential[3]	998,880	$ 139,843	$ 131,630	0.00573	0.00310	0.00884	755	410	1,165
Option 2 Total	**1,398,080**	**$ 183,755**	**$ 172,963**				**1,045**	**530**	**1,575**
Option 3									
Non-Residential[2]	399,200	$ 43,912	$ 41,333	0.00699	0.00296	0.00995	290	120	410
Residential[3]	950,880	$ 133,123	$ 125,304	0.00573	0.00310	0.00884	720	390	1,110
Option 3 Total	**1,350,080**	**$ 177,035**	**$ 166,637**				**1,010**	**510**	**1,520**

Source: Watson & Associates Economists Ltd.

1. Additional Employment calculated from Statistics Canada Provincial Input-Output Multipliers, 2007.

2. Reflects 128,000 sq. ft. of commercial space within Mixed-use designation and GFA within light industrial lands (based on employment x 800 sq. ft. per job)

3. Reflects 228,000 sq. ft. associated with mixed-use development; Number of residential units by density converted to GFA based on: 1,600 sq. ft. per low density unit, 1,200 sq. ft. per medium density unit and 800 sq. ft. per high density unit

[1] For the purposes of this exercise, it was necessary to estimate construction costs in 2007 $ in order to use available Statistics Canada I/O multiplier data to calculate employment generated. The cost of constructing residential and non-residential development has been based on industry averages for 2007 using the Reed Construction Cost Index.

3.4 Fiscal Impacts of Development

This section broadly discusses the fiscal implications for the City of London regarding the type of development accommodated within the McCormick area lands. This is discussed in the context of municipal expenditures (per residential and non-residential land uses) such as EMS, roads, community services, etc., in comparison to revenue generated from property taxes. The difference in expenditures and revenues provides estimates of anticipated average annual tax surpluses or deficits.

Based on fiscal impact studies completed across Ontario, on average, industrial development generates the greatest net positive fiscal impact on the property tax base for a municipality. The commercial/retail and office sectors also typically produce small surpluses.

On the other hand, residential development typically does not pay for itself (i.e. generates deficits), while the cumulative total of commercial, retail and office generates a small surplus. Accordingly, achieving a healthy balance between residential and non-residential development is critical to maintaining competitive residential and non-residential tax rates in London.

3.5 Market Feasibility of Proposed Development

This section provides a high-level examination of the potential market feasibility (based on typical development costs and revenues) associated with new industrial, office, retail and residential development within the subject area, as identified in the four land use options.

The financial viability and investment potential within the study area is examined through a series of residual land value analyses. This is presented through the assessment of the feasibility of constructing various prototypical developments in relation to revenue potential. Utilizing appropriate capital costs along with potential revenue streams determined by average net rents (per square foot) or sales revenue, residual land value analyses were prepared for residential, non-residential and mixed-use development scenarios. These are summarized below.

3.5.1 Residential Development

Figure 3-8 summarizes the residual land value (on a per acre basis) for typical low, medium and high density development envisioned for the subject area.

As illustrated, the residual land value analysis reflects the average asking price (A) (per sq.ft.) less the building construction cost (B), the development charges (C) and the profit provision per

sq.ft. (D). The residual (E), when multiplied by the floor area of the building and expressed on a per acre basis, generates (F), which is the value associated with the investment in the land.

Key observations include:

- Medium density residential development, comprised of townhouses, is the most financially viable of the three housing forms, with a residual land value per acre of approximately $240,000. This suggests that a development project of this type would be financially viable if the cost of land was $240,000 or less per acre;
- In contrast, the residual land value for low density residential development is less favourable, at $80,000. This suggests that the cost of land for such developments would have to be below market levels in order to make these developments financially attractive;
- The market for mid-rise high density development is weak, with a residual land value of negative $35,000, suggesting that even if the land had no cost, the project would not be financially viable.

Figure 3-8

McCormick Area Lands
Residual Land Value Analysis
Residential Development

	Low Density Single Family[1]	Medium Density Townhouse[2]	High Density Mid-Rise Condominiums[3]
REVENUE			
Sales Revenue (per sq. ft.)[4] (A)	$170	$160	$250
COSTS (per sq. ft.)			
Construction Cost[5] (B)	$143	$129	$223
Development Charges[6] (C)	$14	$14	$15
Developer Profit[7] (D)	$9	$8	$13
Residual Land Value (per sq. ft.) E=(A-B-C-D)	$4	$9	-$1
Residual Land Value (per acre) F = (E x GFA/lot size)	**$80,108**	**$239,233**	**-$35,905**

Source: Watson & Associates Economists Ltd.

1. Depicts average 2 storey, 1,600 sq. ft. single family home with attached garage on 32'x100' (0.07 acre) lot
2. Depicts average 2 storey, 1,200 sq. ft. townhouse with attached garage on 20'x100' (0.05 acre) lot
3. 76 unit condominium complex (4-7 storeys), average unit size of 800 sq. ft., total building gross GFA of 70,000 sq. ft.
4. Based on approximate typical new home prices in central London. Actual selling price may vary
5. Derived from 2012 RSMeans
6. Reflects City of London development charges
7. Profit provision of 5% of sales revenue

3.5.2 Non-Residential Development

The financial feasibility of non-residential development on light industrial lands, comprised of traditional industrial development and office development, is illustrated in Figure 3-9. The residual land value analysis capitalizes the rental revenue stream per sq.ft. (applying an annualization factor of 6.5%) to generate a present value of future cash flows (A). The project revenue (A), less the sum of the building construction cost (B), the development charges (C) and profit provision per sq.ft. (D), results in a residual land value (E). The residual (when multiplied by the floor area of the building and expressed on a per acre basis) is the value associated with the investment in the land, as presented in (F). Key observations include:

- Given the relatively weak industrial market in central London, market rents for industrial space are relatively low, resulting in a negative residual land value for a typical 50,000 sq.ft. industrial building of -$861,000. This strongly suggests that the potential for industrial development within the subject area is weak and the financial viability of an industrial development is unfavourable;
- For typical small-scale office buildings (20,000 sq.ft. of GFA), the prospects from a financial perspective is also negative (-$654,000), suggesting that, even without an associated land cost, an office project in the area would not be financially viable under the presented cost structure.

Figure 3-9

McCormick Area Lands
Residual Land Value Analysis
Non-Residential Development

	Industrial[1]	Office[2]
REVENUE		
Annual Rental Revenue (per sq. ft.)[3]	$4	$10
Present Value of Future Cash Flows (per sq. ft.)[4] (A)	$62	$154
COSTS (per sq. ft.)		
Construction Cost[5] (B)	$80	$168
Development Charges[6] (C)	$0	$16
Developer Profit[7] (D)	$3	$8
Residual Land Value (per sq. ft.) E=(A-B-C-D)	-$79	-$38
Residual Land Value (per acre) F =(E x GFA/lot size)	**-$861,148**	**-$653,549**

Source: Watson & Associates Economists Ltd.

1. Depicts typical 50,000 sq. ft., industrial building conducive for wholesale trade, transportation/warehousing, service trade, construction on 4.6 acre parcel

2. Depicts typical small-scale (20,000 sq. ft.) multi-tenant office building on 1.1 acre parcel

3. Based on approximate net market rents in central London. Actual rental rates may vary

4.Present value of future cash flows = Annual Rental Revenue / annualization factor of 6.5%

5. Derived from Toronto Real Estate Board Rough Construction costs data

6. Reflects City of London development charges

7. Profit provision of 5% of sales revenue

3.5.3 Mixed-Use Development

Figure 3-10 summarizes the financial viability of a typical mixed-use development, consisting of ground floor retail and residential accommodated through a low-rise building (3 storeys). Key observations:

- The retail component generates a relatively strong positive residual land value, whereas the residential component generates a negative residual land value;
- Collectively, the project generates a positive residual land value of $98,000 per net acre, suggesting that the project could be economically viable if land cost per acre is $98,000 or less.

Figure 3-10

McCormick Area Lands
Residual Land Value Analysis
Typical Mixed-Use Development[1]

	Mixed-Use Development		
	High Density Low-Rise Residential[2]	Retail[3]	Total
REVENUE			
Sales Revenue (per sq. ft.)[4] (A)	$225	N/A	
Annual Rental Revenue (per sq. ft.)[5]	N/A	$10	
Present Value of Future Cash Flows (per sq. ft.)[6] (A)	N/A	$154	
COSTS (per sq. ft.)			
Construction Cost[7] (B)	$206	$110	
Development Charges[8] (C)	$15	$16	
Developer Profit[9] (D)	$11	$8	
Residual Land Value (per sq. ft.) E=(A-B-C-D)	-$7	$20	
Residual Land Value (E x GFA)	-$450,314	$676,218	$225,904
Residual Land Value (per acre)			**$98,219**

Source: Watson & Associates Economists Ltd.

1. Depicts 100,000 sq. ft., 3 storey building on 2.3 acre parcel, comprised of residential and retail component
2. Low-rise apartment building - 2nd and 3rd floors of building - residential component represents 67% of total mixed use development GFA
3. Ground floor retail - retail component represents 33% of total mixed use development GFA
4. Based on approximate typical new home prices in central London. Actual selling price may vary
5. Based on approximate net market rents in central London. Actual rental rates may vary
6. Present value of future cash flows = Annual Rental Revenue / annualization factor of 6.5%
7. Derived from 2012 RSMeans
8. City of London development charges
9. Profit provision of 5% of sales revenue

3.6 Observations

Based on the economic analysis and evaluation completed in this Chapter, the following can be concluded:

- The City has identified four land use options for the McCormick area lands which provide for a range of future land uses that can accommodate a mix of residential and non-residential uses;
- Options 1a and 1b offer the greatest potential to accommodate housing and population;
- Options 2 and 3 offer the greatest potential to accommodate direct employment, both in absolute terms and mix of employment sectors, and also have the greatest potential for indirect employment growth and induced employment impacts;
- All four options have comparable potential to generate temporary (construction related) employment;
- The residual land value analysis suggests the market potential is strongest for medium density residential development, consisting of townhouse development. Further, the market potential for mixed-use development and low density residential is marginal;
- In contrast, the prospect for mid-rise high density residential and industrial and office development is weak

4. RECOMMENDED LAND USE OPTIONS

4. RECOMMENDED LAND USE OPTIONS

Based on the extensive economic analysis provided in Chapter 1 and the evaluation of the four land use options presented in Chapter 2, this chapter provides recommendations on the direction that the City should take regarding the future land use of the McCormick area lands.

4.1 Potential to Retain Employment Lands Designation

Employment lands, such as the General Industrial designated lands within the subject area, are an integral part of London's economic development potential, because they accommodate the majority of the City's non-residential, non-retail development and provide competitive local "basic" employment opportunities. As such, the retention of the subject area for employment lands, if justified from an economic and planning perspective, is preferred.

Potential for Traditional Industrial Uses under Existing Land Use Designation

Despite the strong interest to maintain the area for employment lands, it is recognized that the subject area has limited potential under the General Industrial land designation to attract traditional industrial uses. As previously discussed, during the past five years the traditional industrial sector has faced challenges and manufacturing, which has been the subject area's historical economic base, is in decline in the City's older industrial lands and the long-term outlook remains unfavourable.

Industrial uses which have growth potential, such as advanced manufacturing, warehousing/logistics and transportation, require the following attributes in their development sites:

- Access/proximity to 400 series/limited access highways;
- Efficient and effective vehicular access/circulation;
- Extensive buffering from neighbouring non-industrial uses;
- Large size to provide availability/choice/flexibility of land.

Access to 400 series/limited access highways is critical for Employment Areas catering to manufacturing, warehousing, distribution and logistics to be successful. The Employment Areas do not necessarily have to be adjacent to a 400 series/limited access highway, but must be in proximity and easily accessible via major arterials that pass through limited residential or mixed-use commercial area(s). Further, the location must provide efficient and effective vehicular access and circulation, particularly for heavy truck traffic.

The McCormick site is not conducive for traditional industrial employment from a transportation/access perspective. The site is located seven km from Highway 401. This distance significantly limits the market potential of the study area for most industries in the manufacturing, transportation/warehousing and logistics sector which rely on easy highway access for "just in time delivery." Though the subject area is accessible via Highbury Avenue (a limited access highway south of Hamilton Road), the section of roadway between Hamilton Road and Dundas Street is a high-volume arterial roadway which passes through a predominately residential neighbourhood and is not favourable for heavy truck traffic.

Extensive buffering is most critical for more traditional industrial uses in order to minimize noise and air pollution to neighbouring residential and other non-residential areas. The subject area is bordered by residential uses on two sides, to the west and east, which makes the area unfavourable for traditional industrial development, particularly in the south half.

Today's larger-scale manufacturing facilities, warehousing/logistics and transportation uses tend to require large tracts of land (i.e. 5 ha or greater). Within the subject area, parcels are relatively small and the existing infrastructure (roadways, rail line) offers limited site amalgamation potential.

Finally, the large scale industrial buildings, which were quite specific to the former uses, are not marketable in their current form for modern industrial uses.

Based on this assessment, there is little economic justification to maintain the McCormick area lands under the General Industrial designation.

Potential for Light Industrial Designated Land

The potential to maintain an employment lands component within the subject area through the redesignation of the north half of the subject area from General Industrial to Light Industrial, as proposed under Options 2 and 3, has strong potential. The redesignation would create the opportunity to accommodate a greater share of non-industrial uses within the area, including "knowledge-based" sectors such as professional, scientific and technical services, business services and financial services, which have demonstrated relatively strong employment growth within the City of London and the East London neighbourhood over the past decade. "Knowledge-based" sectors typically do not require the key attributes that traditional industrial uses do. For example, access/proximity to 400 series highways, buffers from neighbouring uses and large parcels are not requirements for "knowledge-based" sectors. As such, the McCormick area lands' attributes are viewed more favourably for "knowledge-based" sectors than for traditional industrial uses.

The existing industrial base within the north half of the subject area already generally conforms to the permissible uses under the light industrial designation and maintaining the area in its

current state for the short term, given that it currently generates a moderate level of economic activity, is advantageous. Over the medium and longer term, the land redesignation provides the area with the potential to transition to a more prestige Employment Area, accommodating a broader range of sectors, at a higher utilization than currently exists.

As discussed in Chapter 3, non-residential, non-retail development is highly important to the City of London. This, combined with the growth potential of "knowledge-based" sectors in the local market and the importance of preserving and enhancing the existing industrial base in the north half of the subject area, warrants the conversion of the north half of the subject area from General Industrial to Light Industrial, as depicted in Options 2 and 3.

4.2 Potential for Non-Employment Uses within the McCormick Area Lands

Mixed-Use Development Potential

The potential for mixed-use development along Dundas Street, as proposed under all four options, offers strong potential over the medium and long term. As previously identified, Dundas Street is a major commercial corridor and the market for small-scale retail development along this street, which would be local population serving, is favourable from a market perspective and desirable from a planning perspective. When combined with a retail component, a mixed-use project of this nature is likely more financially viable than a standalone residential project. Further, the potential for adaptive reuse of the McCormick building, for example, is more likely with a strong retail component, to offset anticipated higher costs of development. With a sufficient mix of ground-floor retail/services and residential development, there is potential to create an attractive streetscape that strengthens the Dundas Street corridor. The conversion of the lands abutting Dundas Street from General Industrial to Mixed-Use is recommended.

Residential Development Potential

The McCormick area lands face opportunities and challenges for residential development potential. The area is not in immediate proximity to the degree of amenities and services such as retail shops, personal services and entertainment which exist in the Central London. This detracts from its potential for residential development. However, recent development trends suggest that some residential activity is occurring in the area (e.g. Carling Village) and as opportunities for medium and higher density development are absorbed in Central London, development is expected to extend eastward along Dundas Street. The King on Crown condominium project is evidence of this. These recent local trends suggest that the local market

is evolving to include more opportunities for medium and high density residential development within the London's older neighbourhoods.

Housing location options within the City which offer proximity to the downtown core, employment, transit and amenities, are anticipated to show increasing market demand. There are a number of factors driving this trend including the aging of the population, which is anticipated to gradually increase the demand for medium and high density development over the next 20 years.

The pro forma analysis suggests that medium density housing may be financially feasible within the subject area. However, its viability will depend largely on potential site contamination which could escalate the cost of development beyond what is profitable. Given the existing neighbouring residential uses to the east and west, the conversion of the south half lands, located north of the mixed-use corridor, would be highly complementary with the surrounding area. The area's redevelopment potential to residential uses over the longer term remains favourable and for this reason it is recommended.

Studio (Live/Work) Potential

The potential for studio (live/work) development is less clear. Though an innovative concept, it is unclear whether there would be a sufficient market in London, particularly outside of the downtown core, for such a development. Any potential for such a development would likely materialize over the longer term, once the mixed-use development was completed and much of the redevelopment materialized.

Urban Agriculture

Option 2 has a provision for urban agriculture which is intended to be established for commercial purposes. The economic viability of such an initiative is unknown.

4.3 Potential Conversion of Employment Lands

Though it is recognized that there is a need to preserve London's employment lands for employment uses, it is also recognized that under some circumstances a conversion may be justified for planning and economic reasons.

The potential conversion of the south half of the McCormick area lands, from employment lands (General Industrial) to residential and mixed-use, needs to be reviewed in the context of the Provincial Policy Statement (PPS) Section 1.3.2 and the City of London employment land needs.

Provincial Policy Context

All of the lands within the study area are considered "employment lands" as they are designated and zoned for land uses providing industrial employment, rather than housing, free-standing retail or open space. As such, any proposed changes to the current General Industrial land designation and zoning would be considered an "employment conversion" under the policy framework of the 2005 Provincial Policy Statement (PPS). A proposed conversion would require an amendment to the current Official Plan and possibly to the zoning by-law, depending on the recommended land use plan.

Section 1.3.2 of the PPS identifies that:

> "Planning authorities may permit conversion of lands within employment areas to non-employment uses through a comprehensive review, only where it has been demonstrated that the land is not required for employment purposes over the long term and that there is a need for the conversion."

Based on a review of London's current and future supply of vacant employment lands, the City has sufficient opportunities to accommodate industrial development and the McCormick area lands (or portion thereof) are not required for employment purposes. As part of the City's 2006 Official Plan Review, the City undertook a land needs background study to identify the supply of industrial land and the forecast demand for industrial land supply over the 2006-2026 period. The study concluded that the City has sufficient industrial land available to accommodate growth over the forecast period. In addition, the City is currently in the process of evaluating and implementing an urban boundary expansion, to acquire additional greenfield lands to accommodate future industrial development in strategic locations along the Highway 401 corridor. Such an initiative would expand the industrial City-wide land supply opportunities further.

In addition, the proposed conversion would permit the area to accommodate a significant amount of new housing development which would support the City's intensification efforts. The City's Official Plan has identified that of future residential development, a minimum of 5% low density, 25% medium density and 75% high density residential development will be met through intensification. The 2006 Land Needs Analysis identified that, to meet this target, 222 ha of residential development over the 2006-2026 period will need to occur within the City's built boundary.[1] Though the study identified that there are likely sufficient residential supply opportunities within the built boundary to accommodate this growth, the McCormick area lands is one of a handful of sites , along with the nearby London Psychiatric Hospital (LPH) lands,

[1] City's 2006 Official Plan Review Land Needs Background Study

which offer relatively large tracts of land to potentially accommodate residential development in proximity to the downtown core. Based on this assessment, the proposed conversion is needed to help ensure that London can meet its residential intensification targets through the provision of residential supply opportunities.

4.4 Conclusions

Based on the economic analysis presented herein, the marketability and general future viability of the McCormick area lands under the existing general industrial use designation is not favourable. The marketability of the subject lands for alternative development forms such as residential, retail, prestige industrial/office and mixed-use development, as presented in Options 1 through 4, is clearly more attractive than the status quo. However, understanding the market feasibility and economic and fiscal implications related to residential and non-residential development identified in the land use options is a critical element of this assignment.

The local market trends and pro forma analysis suggests that the McCormick area is marketable for medium density residential development (townhouses). Further, the redevelopment of the subject area to accommodate residential development would be supportive of the City's planning objectives, including intensification targets, and would be highly compatible with surrounding land uses. As such, it is recommended that the City incorporate a residential component into the future land use plan for the subject area, consist with that identified in Options 2 and 3. Further, the market potential for mixed-use development along the Dundas Street corridor is favourable and should be pursued.

Continued growth in the non-residential, non-retail development is vital to building and maintaining a balanced, fiscally sustainable community. Based on this and the employment growth potential for "knowledge-based" sectors, it is recommended that the subject area include the provision for Light Industrial lands in the north half of the subject area, as presented in Options 2 and 3. Though it recognized that the financial viability of new industrial or office development within the subject area is currently not favourable, maintaining the existing employment base within the north half of the subject area while promoting and facilitating further development in the area over the longer term is recommended. Meanwhile, the viability of the studio (live/work) designation and the commercial urban agriculture component, as presented in Option 2, is unknown.

Based on the recommended land uses identified herein, it is recommended that the City pursue Option 3 for the McCormick area. With the development of the McCormick area lands under this scenario, the City will be better positioned over the long term to build a balanced and complete community, increase its non-residential and residential tax assessment base, reduce commuting dependency and traffic congestion and generally improve environmental, health and socio-economic conditions.

It is recognized that in order to achieve the desired outcome for the subject area, market forces alone are not anticipated to provide sufficient opportunities for development. The following Chapter explores possible incentives to encourage and facilitate residential and non-residential development within the McCormick area lands.

5. POTENTIAL FINANCIAL INCENTIVES/TOOLS TO ENCOURAGE REDEVELOPMENT OF SUBJECT AREA

5. POTENTIAL FINANCIAL INCENTIVES/TOOLS TO ENCOURAGE REDEVELOPMENT OF SUBJECT AREA

Based on the economic and market analysis carried out herein, this Chapter explores potential financial/fiscal incentives and tools which could be utilized to encourage and foster redevelopment of the McCormick area lands in a manner which offers the greatest success for the study area.

5.1 Market Challenges to Redevelopment of Subject Area

Generally, redevelopment projects are often difficult and more costly than greenfield projects. Given the generally higher return on investment associated with low density development in greenfield areas, challenges often exist to pursue residential projects oriented to higher density housing within the built boundary, such as with the McCormick area lands. Further, the market for non-residential development within older mature industrial areas is also less attractive than in suburban areas due to generally lower market rents. The pro forma analysis completed in Chapter 3 suggests that the economic viability of residential and non-residential development within the McCormick area is marginal at best for medium density housing and retail development, and non-economic for other housing forms and industrial/office development. Potential site contamination mitigation costs and higher costs of construction typically observed for adaptive reuse projects further exacerbate the challenges for development projects within the subject area. Financial incentives offer the potential to bridge this financial gap, promoting and fostering private sector remediation of subject lands and development of new built form or adaptive reuse (where applicable).

5.2 Financial Incentives

Under the current legislative framework, a range of financial incentive tools/programs could be used as a means to facilitate and encourage development of the subject area, such as development charge exemptions, redevelopment/rehabilitation grant programs, redevelopment loan programs and waiving or refunding building application fees. Many of them could be implemented through a Brownfield Community Improvement Programs (CIP) where a range of grants, loans and other incentives could be made available.

The following presents a range of financial incentive tools/programs which are potentially available and could be used as a means to facilitate and encourage residential and non-residential development within the McCormick area lands.

Study Grant Programs

A major challenge moving forward with the redevelopment of the McCormick area lands is the unknown nature of potential site contamination and the potential for adaptive reuse of existing industrial buildings. To address this would require further study to more clearly understand the possible impediments for redevelopment and the associated costs. Potential programs that the City could establish to encourage the private sector to pursue such studies include feasibility grant programs and environmental site assessment grant programs.

Development Charge Exemptions

Development charges add to the cost of development. For developments that are marginally viable, the development charge could make the difference between the project being financially viable or not.

Potential means to alleviate development charges include full or partial exemption from the London Development Charges By-law for residential and commercial developments located within the McCormick area lands.[1] Another approach includes the potential to stage the DC exemption level based on the degree to which the development meets location and/or density criteria, which has been conducted in some Greater Golden Horseshoe (GGH) communities. In some cases, municipalities provide for equivalent grants to eligible developments under their CIP programs.

Brownfield Redevelopment/Rehabilitation Grant Programs

Brownfield redevelopment/rehabilitation grant programs encourage private sector redevelopment and investment by providing funds equivalent to (or a portion thereof) the incremental tax revenues derived from the redevelopment of the site. From a financial perspective, the principal benefit to the municipality is the gain in tax revenues from the redevelopment activity. Moreover, the redevelopment activity is funded through incremental taxes arising from the redevelopment activity and not from existing revenues. The timing of the grant occurs once the property has been redeveloped, reassessed and taxes are paid, thus requiring the financing of the redevelopment by the private sector initially. The financial cost to the municipality is the opportunity cost related to the reduction in tax revenues during the grant term. The grant is typically restricted to a period of time or the cost of the redevelopment. The grant is typically set at a proportion of the incremental taxes associated with the redevelopment and the grant term is generally 10 years. These are typically utilized through Community Improvement Programs.

[1] City of London currently exempts industrial development from development charges.

Redevelopment Loan Programs

Loan programs provide incentives for redevelopment within the designated area. Under these programs, the municipality provides no-interest loans to applicants based on the costs of the redevelopment or value per square foot of habitable floor area. These programs provide the financial benefits to the municipality of increased tax revenues; however, in the case of these programs, the loan is provided from existing revenues (if not used in conjunction with other programs), has to be administered annually by the municipality, and precedes the completion of the project and reassessment of the property. Moreover, these programs are less attractive to applicants when compared with similar grant programs, because the funds are ultimately repaid to the municipality.

Tax Assistance Programs

The City could also explore the potential for tax assistance programs for brownfield redevelopments. Potential measures include implementing a tax freeze/cancellation of all or part of the taxes levied on the subject properties that are being redeveloped. The tax assistance programs are similar to the redevelopment/rehabilitation grant programs with the distinction that under these programs the taxes are not collected and remitted through a grant program, but that the incremental taxes are cancelled for a period of time. As such, the benefits and costs of the programs are similar; however, the tax assistance programs lessen the municipal burden of having to administer the grant process.

Further, for properties designated under the *Ontario Heritage Act*, such as the McCormick building, municipalities may also provide a 10% to 40% reduction in property taxes in accordance with the Province's heritage property tax relief measure.

Other Incentives

Other financial incentives include:

- Waiving or refunding building application fees; and
- Parking Requirement Reduction Programs.

5.3 Evaluation of Financial Incentives

The City of London has a strong tradition of utilizing financial incentives/tools to foster development in areas with marginal development potential. Since the late 1990's, the City of London has used a number of financial incentive programs to promote redevelopment within the downtown and Old East Village. This municipal commitment is reflected in the City's Official Plan which states that "Council promote opportunities for redevelopment and intensification

through the provision of adequate infrastructure and community facilities and through incentives for the reuse of brownfield sites." The potential exists for the City to build on and expand its existing incentive programs to include the McCormick area lands.

Though the potential redevelopment of the McCormick area lands has many financial benefits for a community, including increased taxation revenue, the costs related to potential financial incentives can be sizeable. The potential benefits of financial incentives (in terms of actually encouraging development that otherwise would not have occurred) must be carefully weighed against the potential impacts on DC and other municipal revenues, as well as the impact on the municipal tax levy or user rates.

Though it is understood that the aim of financial incentives (e.g. development charge exemption) is to redistribute development within the City towards the built up area, the actual impact needs to be evaluated. Developments in greenfield and built-up areas compete directly for finite municipal resources. Growth-related revenues generated from greenfield developments are not intended to subsidize development within the built-up area and any funding required for intensification would need to be raised through general taxation revenues.

As with any government subsidy or program which is designed to influence private sector investment decisions, it is important to ensure that the public expenditure or foregone revenue produces a community benefit of a greater magnitude. Ideally, such funding would be "gap funding," which serves to move an opportunity which is at the margin or just below it, from an investor's perspective, into an acceptable business case. Given the range in financial feasibility, financial incentives need to be focused in areas where:

- market demand potential or development interest has been identified;
- the "funding gap" can be reasonably overcome through financial incentives; and
- municipal obligations to ensure on-going financial incentive programs are fiscally sustainable.

Finally, when a municipality offers to exempt, reduce or waive development fees or taxes in order to attract development, it may create a culture of expectation which is maintained over time and is difficult to alter.

Furthermore, municipalities need to monitor the impact of proposed financial incentives over time against market trends and ultimate planning goals to determine what incentives are effective vs. others which may be impeding development objectives. Based on the results of such monitoring efforts municipalities need to effectively communicate with the development community to ensure a transparent planning process which minimizes uncertainty.

Meeting intensification and redevelopment objectives set out in the recommended land use option for the McCormick area lands may require significant investment in municipal infrastructure and services by the City. Accordingly, potential capital expenditures associated with the proposed redevelopment of the McCormick area lands and any potential financial incentives need to be assessed within the context of broader City-wide municipal financial obligations, to ensure that the redevelopment efforts are fiscally sustainable.

To facilitate the assessment for redevelopment potential of the area from a soil contamination and adaptive reuse perspective, it is recommended that the City consider a study grant program for the subject area. Given the complexities of developing a financial incentives program, at this stage in the study, it is considered premature to recommend which other financial incentives the City should pursue. Once a preferred land use option is finalized and more detailed costs of redevelopment are determined, a more informed decision can be made regarding the optimal financial incentives to be utilized to foster and promote redevelopment of the subject area.