

TO:	CHAIR AND MEMBERS PLANNING AND ENVIRONMENT COMMITTEE
FROM:	JOHN M. FLEMING DIRECTOR OF LAND USE PLANNING AND CITY PLANNER
SUBJECT:	MCCORMICK AREA STUDY – ECONOMIC ANALYSIS MEETING ON MONDAY, MAY 7, 2012

RECOMMENDATION

That, on the recommendation of the Director of Land Use Planning and City Planner, the attached Economic Analysis for the McCormick Area Study **BE RECEIVED** for information purposes.

PURPOSE AND EFFECT OF RECOMMENDED ACTION

This recommendation is intended to present the completed Economic Analysis as background material to be applied to the completion of the McCormick Area Study, and provide it on the public record for Municipal Council and City departments, agencies, area landowners, community groups, key stakeholders and the general public.

The Economic Analysis of the McCormick Study is available on-line on the Planning Division Website at www.london.ca/mccormick

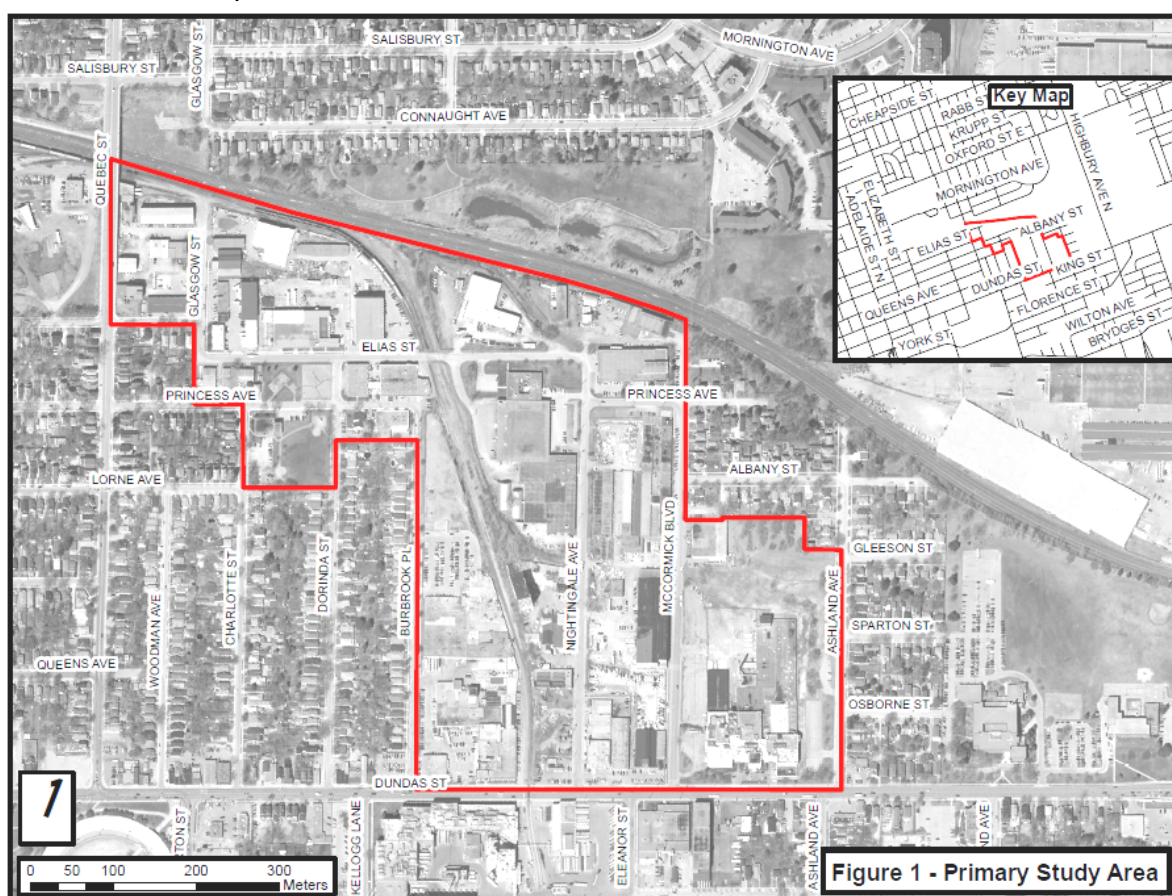
PRIMARY GOAL OF THE MCCORMICK AREA STUDY

The McCormick Area Study offers a unique opportunity for City Council, citizens, stakeholders and interested parties to set the framework and guidelines around redevelopment and adaptive reuse of a large parcel of land within the Urban Growth Boundary and near the core of the City.

BACKGROUND

This Area Study arose as a direction from Municipal Council in response to a zoning by-law amendment application, combined with various property inquiries and a rising number of vacancies in the area.

The subject lands include approximately 35 hectares (86 acres) of area within the boundaries illustrated in the map below.



The lands are all held in private ownership, with a substantial amount of vacant or underutilized land in the area.

The attached Economic Analysis report follows the framework presented in the “*McCormick Area Study*” Phase One previously approved by Council June 28, 2010 and as noted at a community meeting in January 2011.

ECONOMIC ANALYSIS RESULTS

CN Watson and Associates were hired by the Planning Division to conduct the Economic Analysis for the McCormick Area Study. The study was undertaken to determine the general economic viability of industrial, commercial, residential and mixed-use land uses for the study area and to help identify the preferred future land use scenario for the area. The study identifies key factors that may slow or prevent various land uses from emerging in the McCormick area, and examines incentives that could be utilized to promote redevelopment of the subject area. It is important to note that there were limitations to the analysis arising from the relatively brief time frame available to undertake the study, including no community review of draft findings or land use planning review of draft findings. Therefore, this analysis could be seen as being incomplete in some regard. It is very important to understand that this analysis is to provide background to assist the area study process. Below is a summary of findings in the analysis:

Existing Conditions

The economic analysis built on previous work conducted through the area planning study as part of its Phase One background report prepared by the Planning Division. Attention was given to economic, employment and development trends within London, with special emphasis given to the East London Planning District and the subject site.

The analysis determined that the McCormick Area lands were consistent with trends in the East London neighborhood and overall in London, noting this area has seen a decline in the manufacturing industrial activity in recent years, with business closing and/or downsizing. It is noted that this activity was largely confined to the south half of the study area where the results included a significant number of vacant and/or underutilized industrial buildings. The analysis also indicated that there are some relatively stable industrial base companies in the north half comprised of small to medium firms. Continuing further, the analysis indicates that the commercial employment growth sectors have experienced relatively strong growth within London and specifically East London. Also noted residential development opportunities are increasing in the East London neighbourhood.

Economic Evaluation of Proposed Land Use Options for the Study Area

The Planning Division, together with the community, created four land use options for the McCormick Area Study. The economic analysis reviewed each land use option and evaluated each one in terms of market feasibility. An assessment of housing, population and direct/indirect and temporary employment yield was determined.

The Economic Analysis concluded that the residual land values analysis suggests the market potential is strongest for medium residential development, consisting of townhouse development, with the market potential for mixed-use development and low density residential development being marginal.

This recommendations provided as to the direction that the City should take regarding the future land use of the McCormick Area Study are as follows:

- The marketability and general future viability of the McCormick Area lands under the general industrial designation of the Official Plan is not favourable. Alternative forms of development such as residential, retail, industrial/office and mixed-use are clearly more attractive.
- The local market trends and pro forma analysis suggest that the McCormick area is marketable for medium density residential development. As such, the City should incorporate a residential component into the future land use plan for the area consistent with Land Use option 2 or 3. Further to that, the market potential for mixed-use along the Dundas Corridor is favourable and should be pursued;

- Continued growth in non-residential, non-retail development is vital to building and maintaining a balanced, fiscally sustainable community. Therefore, the City should incorporate the provision for Light Industrial in the north half of the lands as presented in Land Use option 2 and 3.
- The City should pursue land use option 3 for the McCormick area. The City would 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.

Potential Financial Incentives/Tools to Encourage Redevelopment of the Subject Area

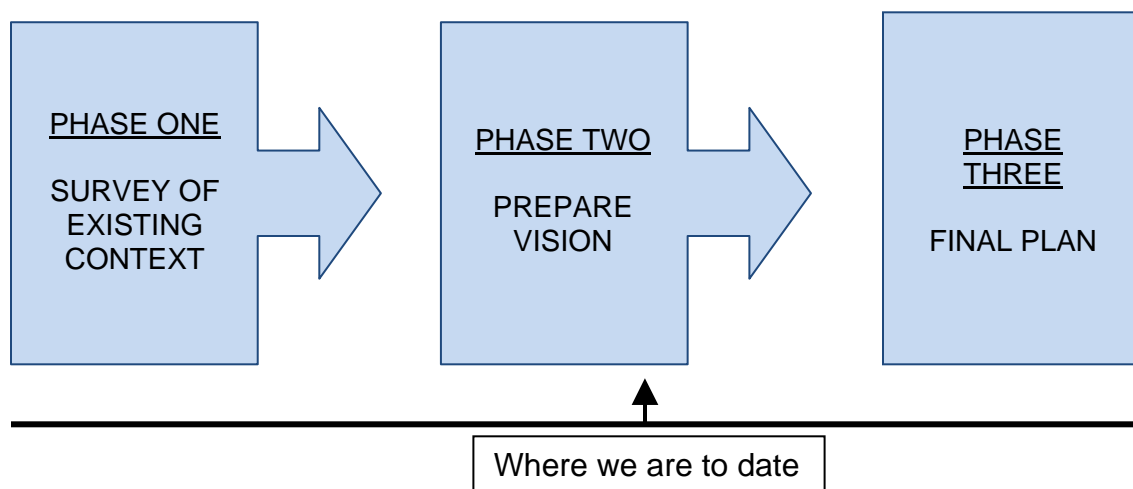
Market forces alone are not anticipated to provide sufficient opportunities for adequate return on investment in new and re-development. The analysis explores potential financial/fiscal incentives and tools which could be utilized to encourage and facilitate residential and non-residential development within the McCormick area lands.

Financial incentives offer the potential to bridge the 'gap' in investment return by promoting and fostering private sector remediation of subject lands and development of new built form or adaptive reuse. A range of financial incentive tools/programs could be used, such as development charge exemptions, redevelopment/rehabilitation grant programs, redevelopment loan programs and waiving or refunding building applications fees. Many of them could be implemented through a Brownfield Community Improvement Programs where a range of grants, loans and other incentives could be made available. However, 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.

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.

NEXT STEPS

There are three phases to the McCormick Area Study as outlined in the Terms of Reference



The Director of Land Use Planning and City Planner recommended the Study be suspended until July 2012, or until sufficient department resources become available to resume it. After 2011, a review of the division's work program was conducted. As shown above in the graphic, the study was put on hold approximately 75% through phase two.

It is anticipated that the McCormick Area study will be resumed and phase three is expected to be brought before Council for review and approval in the Fall of 2012.

OZ-7601
Alanna Riley

When the study re-starts, the first step is to re-establish the community consultation program to inform the remainder of the study. Through this community dialogue, the economic analysis will be used as background information to guide this process to lead to the preparation of a plan which truly reflects community values, and balances community aspirations and economic research to arrive at a recommended 'best use' scenario for this area. Council will be asked to verify the direction that is being taken throughout the process and the final plan will be approved by Council. Staff will provide guidance and recommendations throughout this process.

PREPARED BY:	SUBMITTED BY:
ALANNA RILEY, MCIP, RPP COMMUNITY PLANNING AND URBAN DESIGN SECTION	JIM YANCHULA, MCIP, RPP MANAGER OF COMMUNITY PLANNING AND URBAN DESIGN SECTION
RECOMMENDED BY:	
JOHN M. FLEMING, MCIP, RPP DIRECTOR, LAND USE PLANNING AND CITY PLANNER	

April 22, 2012

AR/ar

"Attach."

Y:\Shared\implemen\Area Plans\McCormick Area Study OZ-7601\Economic Analysis Material_2011\OZ-7601 PC Economic Analysis Cover Report.doc