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**RETHINK LONDON: GROWTH FORECASTS
P. YEOMAN**

	CHAIR AND MEMBERS - PLANNING & ENVIRONMENT COMMITTEE
FROM:	JOHN M. FLEMING MANAGING DIRECTOR, PLANNING & CITY PLANNER
SUBJECT:	CITY OF LONDON GROWTH PROJECTIONS: 2011-2041 MEETING ON OCTOBER 15, 2012

RECOMMENDATION

That, on the recommendation of the Managing Director, Planning & City Planner, the following actions **BE TAKEN** regarding the City of London Growth Projections:

- a) the attached final report prepared by Altus Group Economic Consulting entitled "Employment, Population, Housing and Non-Residential Construction Projections, City of London, Ontario, 2011 Update" **BE RECEIVED** for information; and,
- b) the baseline growth projections outlined in the report **BE ENDORSED** for use in the 2011 Official Plan Review and the 2014 Development Charges Study.

It being noted that City Council, through the Investment and Economic Prosperity Committee, is aggressively working to accelerate London's economy to reach a growth target of 2% per year. An average of more than 6100 net new jobs per year will be required to achieve this growth rate target.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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| June 18, 2012 | "City of London Growth Projections: 2011-2041." Planning and Environment Committee |
| October 16, 2006 | "Growth Forecasts to be used for Land Needs Background Study for the 2006 Official Plan Review." Planning Committee. |

BACKGROUND

On June 18, 2012, the Planning and Environment Committee received a staff report and draft growth forecasts prepared by Altus Group Economic Consulting. The growth forecasts have been prepared to support the 2011 Official Plan Review and the 2014 Development Charges Study.

City Council directed Planning Staff to circulate the draft Altus report to members of the public through communications channels available with the ReThink London process. Comments were received from the Urban League of London, the London Development Institute, and the London Police Service (attached as Appendix 1). No concerns were raised related to the draft report's methodology or findings; however, both the Urban League and the London Development Institute recognized the importance of the use of prepared forecasts for growth planning purposes.

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Changes Since the June 7, 2012 Draft Altus Report

Based on comments received, no fundamental changes have been made to the Altus projections for employment, population, housing and non-residential construction. Minor calculation errors were identified in the models used to determine household total and annual average household counts; however, these errors did not have implications on other projection components.

To improve the reader’s understanding of the tables in the report, additional commentary has been added to the final Altus report:

- recognition of the efforts by the City’s Investment and Economic Prosperity Committee to develop a 10 year economic action plan to further stimulate the city’s economy (pp. 17-18);
- additional examples of recent economic development successes and challenges in a variety of sectors (pp. 23-33);
- inclusion in population projection tables of average annual growth by number of persons and average annual growth rate for all three growth scenarios (pp. 54, 81 and 86);
- comparative information on housing propensity trends for several Greater Golden Horseshoe cities (pp. 57-58);
- detailed explanation of the components of the Altus housing construction projections model (pp. 62-63);
- a graph depicting increases in average annual youth net migration by 10 year periods from 2001-2031 (p. 73);
- recent trends in industrial, commercial and institutional construction for the City of London (pp. 74-75); and,
- new tables outlining projections for housing completions for both the high and low growth scenarios (pp. 83 and 88).

Planning Staff are satisfied that the final Altus Group report is comprehensive, reasonable and a reliable source document for future growth studies, including the Land Needs Study and Development Charges Study.

DISCUSSION

At the Planning and Environment Committee meeting on June 18, 2012, there was discussion by members of the Committee regarding the anticipated rate of growth for the City of London in future years. The following sections provide information in response to comments provided to Staff.

Baseline, High and Low Growth Scenarios

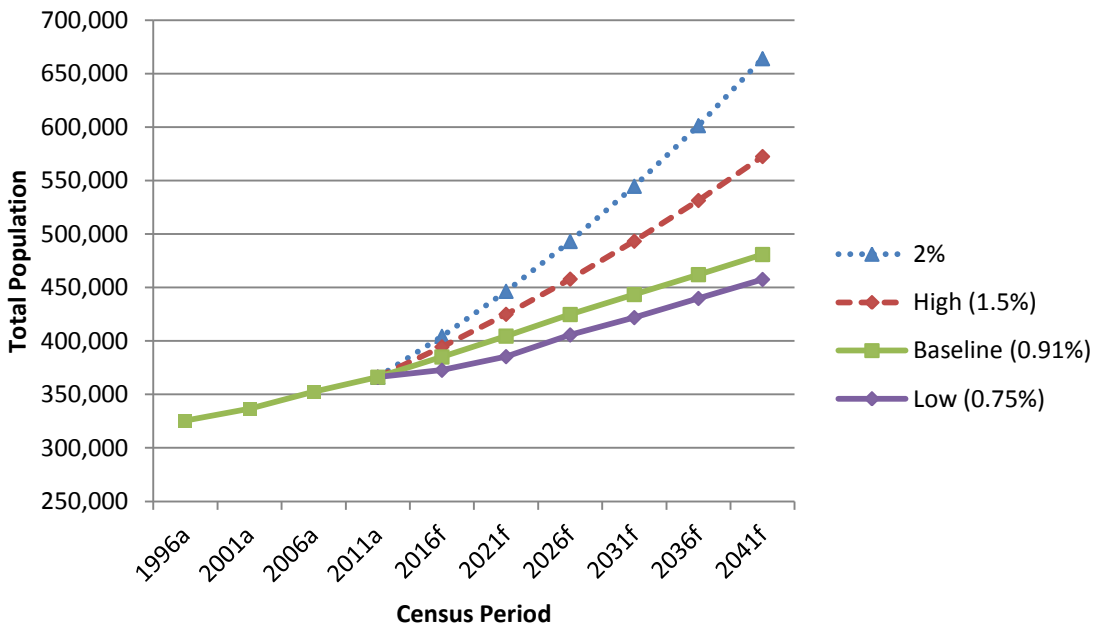
The primary aim in developing growth forecasts is to establish a baseline (also known as “reference”) scenario about the future long-term growth of a city’s employees and population in order to establish their associated housing and non-residential space needs. The baseline scenario is prepared using the knowledge of past conditions, trends and assumptions about anticipated future outcomes. Extensive research and analysis of statistical data is conducted to establish the baseline scenario in order to provide the greatest possible degree of accuracy. Given the challenges of making precise conclusions about the future, however, both high and low growth scenarios are frequently prepared as part of growth projection studies.

High and low scenarios adjust the baseline scenario with changes to assumptions. Generally, assumptions related to employment and net migration have the most impact upon levels of growth. These two variables can be challenging to predict; as a result, the preparation of high and low scenarios provides a range of future conditions that can be utilized for planning

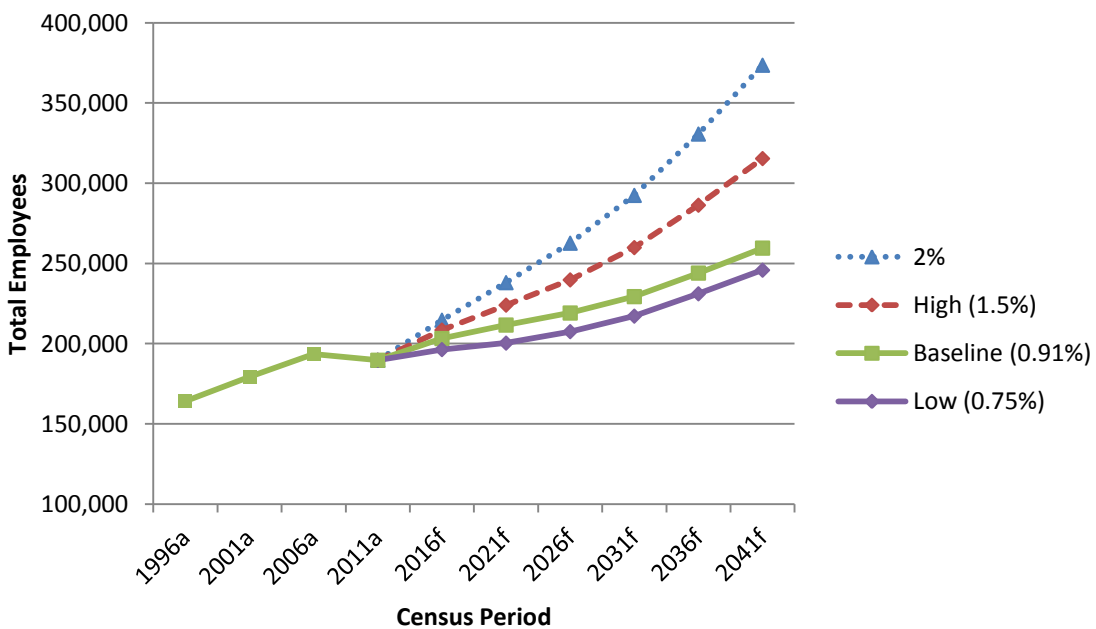
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purposes should conditions change significantly from the baseline scenario as the projection period advances. High and low growth scenarios also provide tools for testing alternative development concepts related to land needs and servicing requirements. Figures 1 and 2 provide population and employment growth for the three scenarios, as well as for a 2% growth scenario.

**FIGURE 1: CITY OF LONDON POPULATION GROWTH 1996-2041:
2%, HIGH, BASELINE AND LOW SCENARIOS**



**FIGURE 2: CITY OF LONDON EMPLOYMENT GROWTH 1996-2041:
2%, HIGH, BASELINE AND LOW SCENARIOS**



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What is Required to Achieve a Higher Growth Scenario?

As noted in the Altus forecasts, the high growth scenario is dependent on increased levels of net migration produced primarily by higher employment growth. The increase in employment has a ripple effect throughout the other projection models, resulting in higher population, housing completions and non-residential space requirements. While the baseline scenario anticipates 69,897 net new employees to join the city’s workforce over a 30 year period between 2011 and 2041 (an average of 2330 employees/year), the high growth scenario requires 125,722 net new employees to achieve the 1.5% population growth rate (an average of 4191 employees/year).

**FIGURE 3: COMPARISON OF 2011-2041 EMPLOYMENT PROJECTIONS
(BASELINE, HIGH and 2% SCENARIO)**

Period	Baseline Scenario (0.93%) Employment		High Scenario (1.5%) Employment		Council Population Growth Target (2%) Employment	
	Net New Employees	Average Annual New Employees	Net New Employees	Average Annual New Employees	Net New Employees	Average Annual Employees
2011-2021	21,955	2196	34,359	3436	48,371	4837
2021-2031	17,707	1771	35,858	3586	54,400	5440
2031-2041	30,234	3023	55,505	5550	81,147	8115
2011-2041	69,897	2330	125,722	4191	183,917	6131

Council has indicated that it seeks to achieve higher rates of growth for the City of London than the city has experienced in past years. With the creation of the Investment and Economic Prosperity Committee and the anticipated London Prosperity Plan, a strong commitment has been made to improving London’s economy and aiding in job creation. In addition to the 1.5% high growth scenario, Altus has also modelled a 2% population growth scenario. Since employment growth drive net migration to the City, an average of 6131 net new jobs would be required each year to attain 2% annual population growth (as noted in Table 1). The required number of net new jobs is 2.6 times the annual average for the baseline scenario.

In order to advance population growth to the 2% target, Council can direct its economic development efforts towards a target of 6131 new jobs/year.

Selecting a Growth Scenario for Growth Planning and Growth Financing Purposes

Growth forecasts are essential inputs for planning and development finance studies. The forecasts provide expected demand for housing and non-residential space to be used in calculating the amount of land required for development as well as the infrastructure required to service that demand. It is important to select growth forecasts that provide the most likely outcome for the future development of the city.

For planning and growth financing purposes, forecasts based on the baseline scenario are selected to model future land needs and infrastructure costs. Although high and low scenarios can provide beneficial ranges to test different development alternatives, the use of a baseline scenario is the preferred choice for assessing future demand.

Selecting a growth scenario that differs from the baseline can have significant planning and financial implications if demand is not realized:

- inflated growth expectations may result in inefficient use of capital resulting in inflated DC funded debt levels;
- potential difficulties of obtaining provincial government approval for expansions to the Urban Growth Boundary (if deemed warranted);

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- inflated infrastructure requirements, producing higher than necessary Development Charge rates;
- creates expectations as to the timing of extending services which can only be delivered if aggressive growth projections are achieved;
- challenges in establishing municipal financing plans where growth expectations are not met; and
- difficulties defending planning and growth financing decisions if challenged at the Ontario Municipal Board.

Over the past five years, Council has taken a more active role in the staging of growth infrastructure through the adoption of a Growth Management Implementation Strategy (GMIS). The GMIS provides an excellent tool to respond to increased growth should the city experience housing and non-residential demands that exceed the reference scenario. Infrastructure needed to support this demand can be quickly advanced through the GMIS process and the yearly capital budget in order to ensure that the city is well positioned to accommodate growth that exceeds the baseline scenario. Municipal Servicing and Financing Agreements (MSFAs) to advance infrastructure works also provide additional flexibility beyond the GMIS process, if required. Since Development Charge revenues would increase significantly with the resultant new growth, the City will be in a strong position to pay for the infrastructure required to support the increased amount of growth.

The City of London Official Plan also requires that growth forecasts be revised every five years in conjunction with an Official Plan review (Policy 2.6.6). Given the long-term nature of growth projections, the five year updates provide an opportunity to “course correct” forecasts should the City experience a rate of growth that differs from the baseline scenario.

It is therefore recommended that the baseline scenario be utilized for the 2011 Official Plan Review and the 2014 Development Charges Study, with the understanding that tools are in place to test the implications of higher rates of growth as well as to respond to increased growth requirements.

CONCLUSION

The Altus Group Economic Consulting employment, population, housing and non-residential space projections provide important information for future planning and development finance studies. The projections have utilized a methodology that is consistent with provincial guidelines and similar studies prepared for other municipalities across Ontario.

No significant concerns were raised by members of the public regarding the growth forecasts following the distribution of the draft report in July. Altus has, however, revised the report to include more commentary on various issues to improve the reader’s understanding of the information that was used to develop the forecasts, as well as to support the conclusions being made.

The employment information provided by Altus for a 2% growth scenario serves as a beneficial target for future City of London economic development initiatives. With the establishment of a target of 6131 new jobs/year, the city can realize a higher growth rate than outlined in the baseline scenario.

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For the purposes of determining land needs and infrastructure financing requirements, however, it is recommended that the baseline scenario be used as the basis for anticipated demand over the next 20 years. Utilization of the baseline scenario can avoid potential over statement of need, and challenges associated with provincial approval and appeals to the Ontario Municipal Board. The City has in place tools that can respond to increased growth, providing flexibility for a variety of future development scenarios.

PREPARED BY:	SUBMITTED BY:
PAUL YEOMAN PLANNER/RESEARCH ANALYST PLANNING DIVISION	GREGG BARRETT, AICP MANAGER, POLICY PLANNING & PROGRAMS, PLANNING DIVISION
RECOMMENDED BY:	
JOHN M. FLEMING, MCIP, RPP MANAGING DIRECTOR, PLANNING & CITY PLANNER	

October 1, 2012
PY/py

APPENDIX 1: Comments received from the Urban League of London, London Development Institute, and London Police Service

APPENDIX 2: Altus Economic Consulting (2012). "Employment, Population, Housing and Non-Residential Construction Projections, City of London, 2011 Update"

APPENDIX 3: Altus Economic Consulting (2012). "Growth Scenario Assuming 2% Population Growth"

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APPENDIX 1:

Comments Received through Public Circulation

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APPENDIX 2:

Altus Economic Consulting (2012). "Employment, Population, Housing and Non-Residential Construction Projections, City of London, 2011 Update"

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