

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JUNE 18, 2019
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	INDUSTRIAL LAND DEVELOPMENT STRATEGY ANNUAL MONITORING AND PRICING REPORT CITY OWNED INDUSTRIAL LAND

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, on the advice of the Manager of Realty Services with respect to the City of London’s Industrial Land Development Strategy, the following actions **BE TAKEN** with respect to the annual monitoring and pricing of City owned industrial lands:

- a) the staff report dated June 18, 2019 entitled “Industrial Land Development Strategy Annual Monitoring and Pricing Report – City Owned Industrial Land”, **BE RECEIVED** and;
- b) **NO ACTION BE TAKEN** at this time to adjust the current pricing of the City owned industrial land from the following prices that were established October 1, 2018:

Pricing for serviced industrial land in Innovation Park, Skyway Industrial Park, River Road Industrial Park, and Cuddy Blvd Parcels:

- Lots up to 3.99 acres \$80,000.00 per acre
- 4.00 acres and up \$70,000.00 per acre

Pricing for service industrial land in Trafalgar Industrial Park:

- All Lot sizes - \$ 65,000.00 per acre

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Board of Control Report – February 11, 2009 – Industrial Land Development Strategy Report

Strategic Priorities and Policy Committee – November 18, 2013 – Industrial Land Development Strategy 2013 – 2023

Corporate Services Committee – June 20, 2017 – Industrial Land Development Strategy Annual Monitoring & Pricing Report

Corporate Services Committee – July 17, 2018 - Industrial land development strategy, annual monitoring and pricing report - city-owned industrial land

BACKGROUND

Purpose

The purpose of this report is to provide information to Council relative to the City’s Industrial Land Development Activity, highlight strategic objectives, and review the current pricing and policy for City owned Industrial land.

Context

This report is prepared in accordance with Council's resolution which directs that the Civic Administration prepare a monitoring report on the City's Industrial Land Development Strategy (ILDS), as well as a review of the pricing of City owned industrial land for Municipal Council's consideration.

The City of London owns several major industrial land holdings. Land for three of the most recent industrial parks was acquired in direct response to the Industrial Land Development Strategy and these three City owned industrial parks have been fully developed since Council endorsed the strategy in November of 2001.

In the Strategic Plan for the City of London 2015 – 2019 and Council's Strategic Plan 2019 to 2023, ILDS remains an important strategy in growing our economy and bringing more employment to the City.

City Owned Industrial Land Pricing in London, Ontario

The current pricing levels of all City owned industrial parks, established effective October 1, 2018, are as follows:

Pricing for serviced industrial land in Innovation Park, Skyway Industrial Park, River Road Industrial Park, and Cuddy Blvd Parcels is:

- Lots up to 3.99 acres \$80,000.00 per acre
- 4.00 acres and up \$70,000.00 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park is:

- All lot sizes - \$65,000.00 per acre.

Surcharges are as follows:

- Highway 401 Exposure – 15%;
- Veteran's Memorial Parkway Exposure – 5%; and

The cost of service connections from the main to the property line is the responsibility of the purchaser. Industrial lots are sold on a where is, as is basis, with grading, stripping and removal of excess topsoil being the purchaser's responsibility and cost. The City will strive to provide grading of the municipal industrial parks on a level-graded basis. Site specific final grading is the responsibility of a purchaser.

Industrial Land Pricing in Surrounding Municipalities in Southwestern Ontario

The Chart attached to this report as Table 1 is a survey of the price levels of industrial land in surrounding municipalities in Southwestern Ontario.

SUMMARY OF CURRENT LAND HOLDINGS

A brief summary of the six major City owned Industrial Parks is outlined below and on the following pages:

SERVICED LANDS

Current Inventory – Serviced Industrial Land

City serviced industrial lands have access to full municipal servicing to the lot line, and in most cases, are shovel ready, being available for a client to purchase and develop.

PARK	Net Available (Acres)	Net Available (Hectares)
Innovation Park – Phases I to IV	235.8	95.42
Skyway Industrial Park	26.2	10.60
Forest City Industrial Park	3.2	1.3
TOTAL	265.2	107.32

Included within the approximate 265 acres of City owned industrial land currently available for sale are 47.34 acres under option in various City owned Industrial Parks.

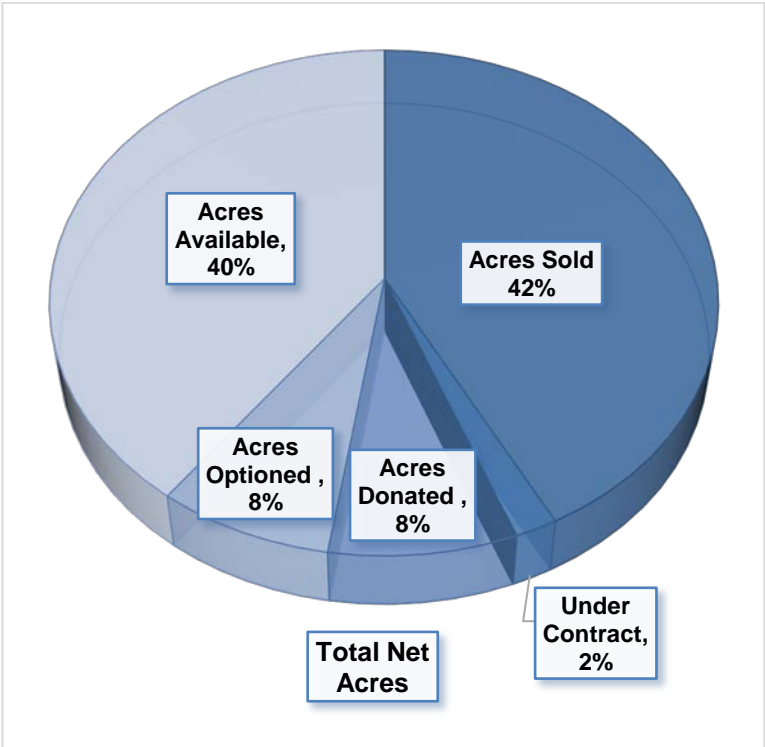
Recognizing that there are a couple of large privately owned industrial parcels for sale, the City only has one parcel of industrial land with size greater than 50 acres and this parcel is within the Advanced Manufacturing Innovation Park Phase 4. It is desirable to have more inventory of serviced larger block parcels to provide flexibility, enhanced competitiveness and to ensure there are no lost opportunities for future new light industrial plants looking to locate in London and Southwestern Ontario. Efforts to add new larger block parcels to the City’s supply is covered later in this report.

Innovation Park (for Map of Park refer to Schedule 1 attached)

Innovation Park is located on both the west and east sides of Veteran’s Memorial Parkway, north of Highway 401 and south of Hamilton Road.

598 acres of land were acquired between 2001 and 2003 for the development of all four phases of this park. An additional 55 acres were acquired in 2011; 43.5 acres were added to Innovation Park, Phase II, and approximately 12 acres set aside for a future interchange. Phase I was completed in 2005, Phase II in 2008, Phase IV in 2009 and Phase III by the end of 2010.

Total Gross Acres:	653 Acres
Total Developable Acres:	477 Acres
Total Acres Sold (to date):	201.5 Acres
Total Acres Under Contract:	9 Acres
Total Acres Donated to UWO/Fanshawe:	39.7 Acres
Total Acres Optioned (to date):	37.1 Acres
Total Net Acres (Available):	<u>189.6 Acres</u>
Average Selling Price Per Acre:	\$48,287 / acre
# of Parcels Sold:	10
Average Size of Parcel Sold:	20.2 Acres
Types of businesses in the Park:	Light/Advanced Manufacturing



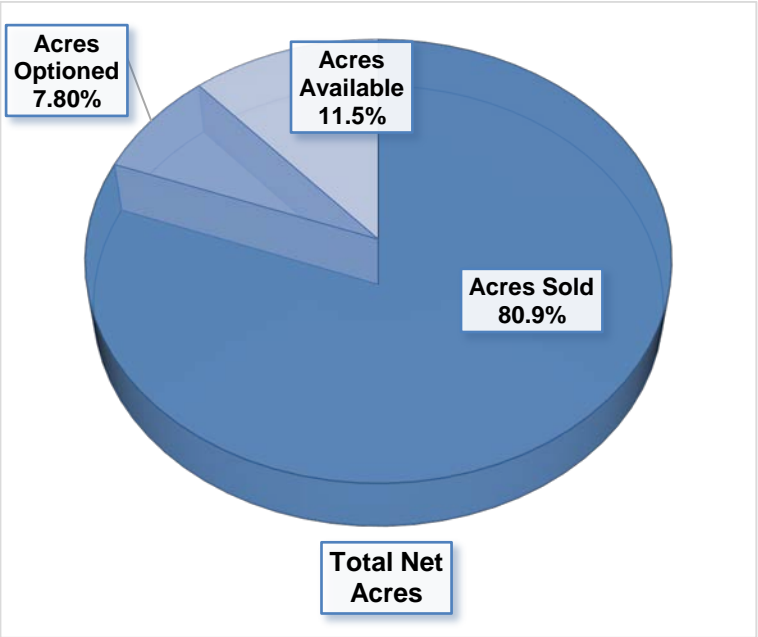
* Information updated As of June 1, 2019.

Skyway Industrial Park

(for Map of Park refer to Schedule 2 attached)

Skyway Industrial Park is located on the east side of Veteran’s Memorial Parkway, north of Oxford Street and south of Huron Street. 172 acres of land were purchased from 1992 to 2000 as part of a co-venture agreement with the London International Airport for the development of an industrial park. Phase I of City land was completed by the end of 2004 and Phase II by the end of 2010.

Total Gross Acres:	172 Acres
Total Developable Acres:	130 Acres
Total Acres Sold (to date):	105.2 Acres
Total Acres Optioned (to date):	10.15 Acre
Total Net Acres (Available)	16 Acres



Total # of Parcels Sold:	9
Average Size of Parcel Sold:	11.7 Acres
Average Sale Price	\$47,575
Types of businesses in the Park:	Manufacturing, Warehousing

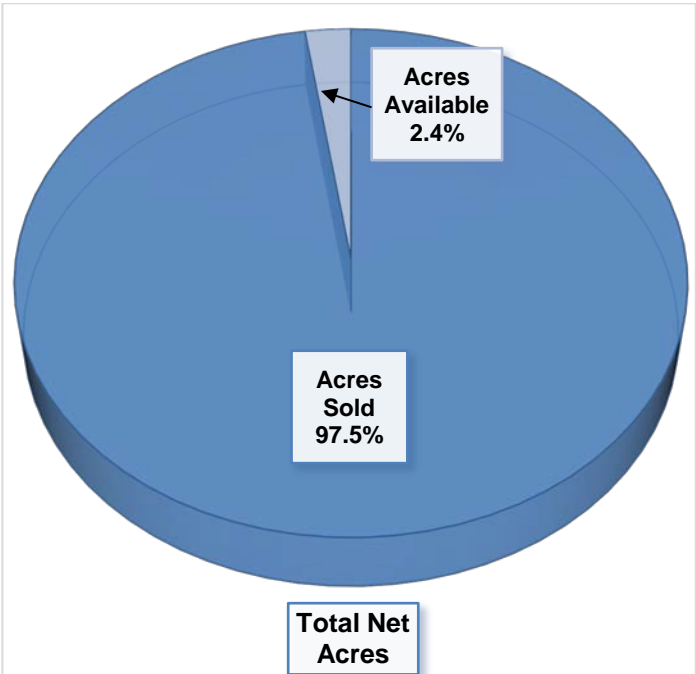
*Information update As of June 1, 2019.

Forest City Industrial Park

(for Map of Park refer to Schedule 3 attached)

Forest City Industrial Park is located the north side of Wilton Grove Road, east of Highbury Avenue, and south of Highway 401. 178 acres of land were acquired in 2001 for the development of a two-phase park. Servicing of Phase I was completed by the end of 2002, and Phase II by the end of 2003.

Total Gross Acres:	178 Acres
Total Developable Acres:	134 Acres
Total Acres Sold (to date):	130.06 Acres
Total Net Acres (Available):	<u>3.2 Acres*</u>
Average Selling Price/Acre:	\$51,064 / acre
# of Parcels Sold:	16
Average Size of Parcel Sold:	8.2 Acres



Types of
businesses
in the Park:

Manufacturing, Warehousing
& Logistics

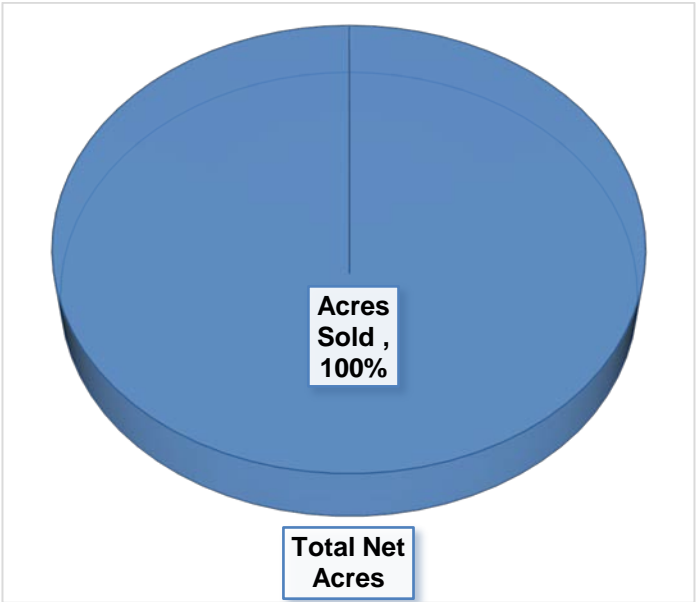
**3.2 Acres was optioned by Brose and was released in 2018. The ILDS Implementation team continues to complete a feasibility and environmental review to determine the net developable area for these land*

River Road Industrial Park

(for Map of Park refer to Schedule 4 attached)

River Road Industrial Park is located on the west side of Veteran’s Memorial Parkway, north of River Road. 52 acres of land were acquired from 1975 to 2001 for this industrial park, and development was completed by the end of 2001. There are no remaining parcels of land for sale in River Road Industrial Park which were previously developed by the City.

Total Gross Acres:	52 Acres
Total Developable Acres:	46 Acres
Total Acres Sold (to date):	46 Acres
Total Acres Under Contract:	0 Acres
Total Net Acres Available:	<u>0 Acres</u>
Average Selling Price Per Acre:	\$54,661 / acre
# of Parcels Sold:	12
Average Size of Parcel Sold:	3.83 Acres
Types of businesses in the Park:	Manufacturing, Warehousing



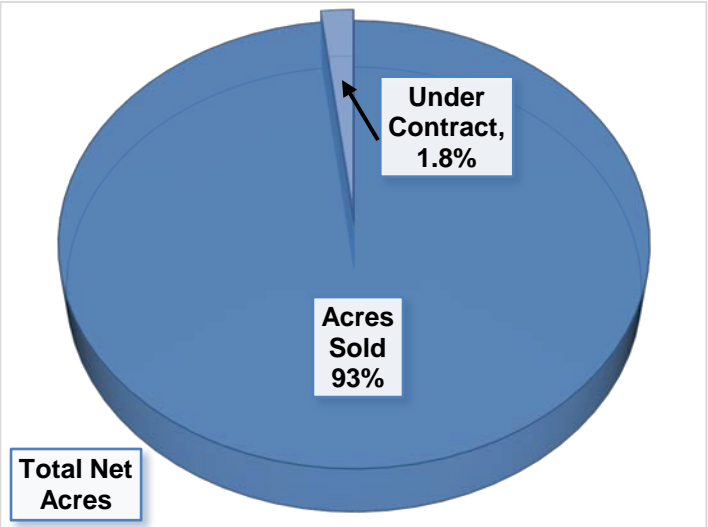
**Information update As of June 1, 2019.*

Trafalgar Industrial Park

(for Map of Park refer to Schedule 5 attached)

Trafalgar Industrial Park is located on the east side of Veteran’s Memorial Parkway, north of Gore Road and south of Dundas Street. Approximately 428 acres of raw land were acquired from 1976 to 1984 for this park, and development was phased from 1980 to 1985.

Total Gross Acres:	428 Acres
Total Developable Acres:	379 Acres
Total Acres Sold (to date):	352.97 Acres
Total Acres Under Contract:	6.9 Acres
Total Acres Optioned (to date):	0 Acres
Total Net Acres (Available)	<u>0 Acres</u>



Average Selling
Price / Acre: \$59,145 / acre
Types of businesses in the Park Manufacturing,
Warehousing

**Information updated As of June 1, 2019.*

Cuddy Boulevard Industrial Lands (for Map of Park refer to Schedule 6 attached)

In 2010, the City obtained land on Cuddy Boulevard from the London Optimists in exchange for land on Rectory Street destined to house the London Optimist Sports Centre (“BMO Centre”), which is now in operation. These lands are 8.82 acres in size, and zoned General Industrial. Environmental studies (SAR Report, Phase I ESA), were completed and the lands were made available to market in January, 2018.

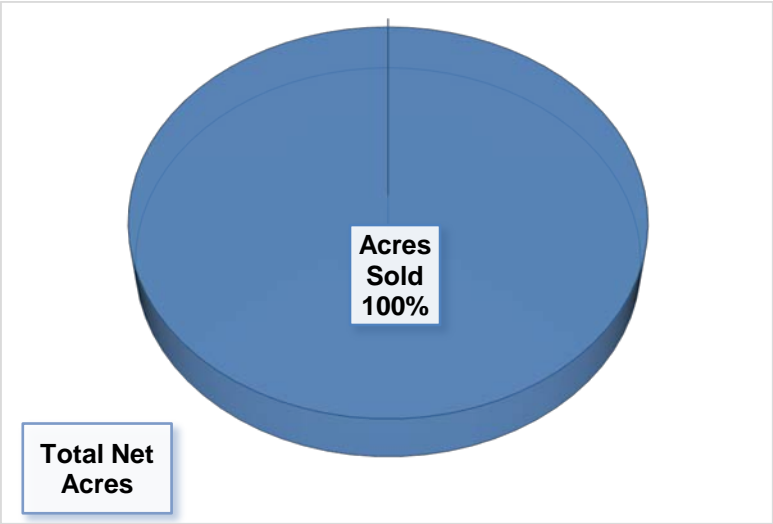
As of June 1, 2019, the Cuddy industrial lands are sold out.

Total Developable Acres: 8.82 Acres

Total Acres Sold: 8.82 Acres

Total Net Acres (Available): 0 Acres

Average Selling Price Per Acre: \$74,117/ Acre



**Information updated As of June 1, 2019.*

UNSERVICED LANDS

Current Inventory – Serviceable Industrial Land

PARK	Zoning	Inventory (Acres)	Inventory (Hectares)
Huron Industrial Park	Light Industrial & General Industrial	217.5*	88*
Innovation Park, Phase V	Light Industrial	130.6	52.9
Highbury & Highway 401 Lands	Light Industrial	5.35	2.17
	TOTAL	353.45	143.07

**Note: net acres shown of future Veteran’s Memorial Parkway requirement*

Huron Industrial Park

238.5 acres (96.5 ha) of raw land were purchased in 1992 for a future industrial park. These lands are located on the north side of Huron Street west of Robin’s Hill Road opposite the current northerly terminus of Veteran’s Memorial Parkway. To date, approximately 139.4 acres (56.4 ha) is partially serviced and environmental and engineering studies are currently underway. Parcels of land within Huron Industrial Park are currently not being offered for sale until engineering studies, the storm water management (SWM) Pond, the Environmental Assessment (EA), and the final design for the Veteran’s Memorial Parkway Extension are completed. Other characteristics to note with these lands are the following:

- Portions of the lands are subject to building height restrictions as related to the proximity of the London International Airport and Transport Canada regulations.

- The Sun Canadian high-pressure oil pipeline which runs in a north-south direction through a large portion of the site, and;
- The future Veteran’s Memorial Parkway extension dissects the land on the north side of Huron Street which is scheduled to commence construction in 2020.
- Access, grading, and a servicing solution is being finalized for southern blocks of Huron Industrial lands which is anticipated to be ready and would bring up to 65 acres to market by end of 2019. Soft marketing of these lands is already underway.

These lands are further described as part of the Strategic Objectives covered later in the report.

Innovation Park, Phase V

In 2013, the City acquired approximately 84 acres (34ha) of land 2555-2591 Bradley Ave. for the future Phase V development of Innovation Park. In 2018 the abutting 2531 Bradley Ave. was secured under contract which totaled approximately 44.07 acres (17.83 ha). The transaction closed in March of this year.

Most recently the City reached an agreement with the property owners at 2497 Bradley Ave. for the remaining lands to complete the land assembly for Phase V. This parcel is approximately 70 acres. The ILDS team is currently undergoing due diligence as part of the sale. Pending the results, the sale is anticipated to be completed on Q4 of 2019.

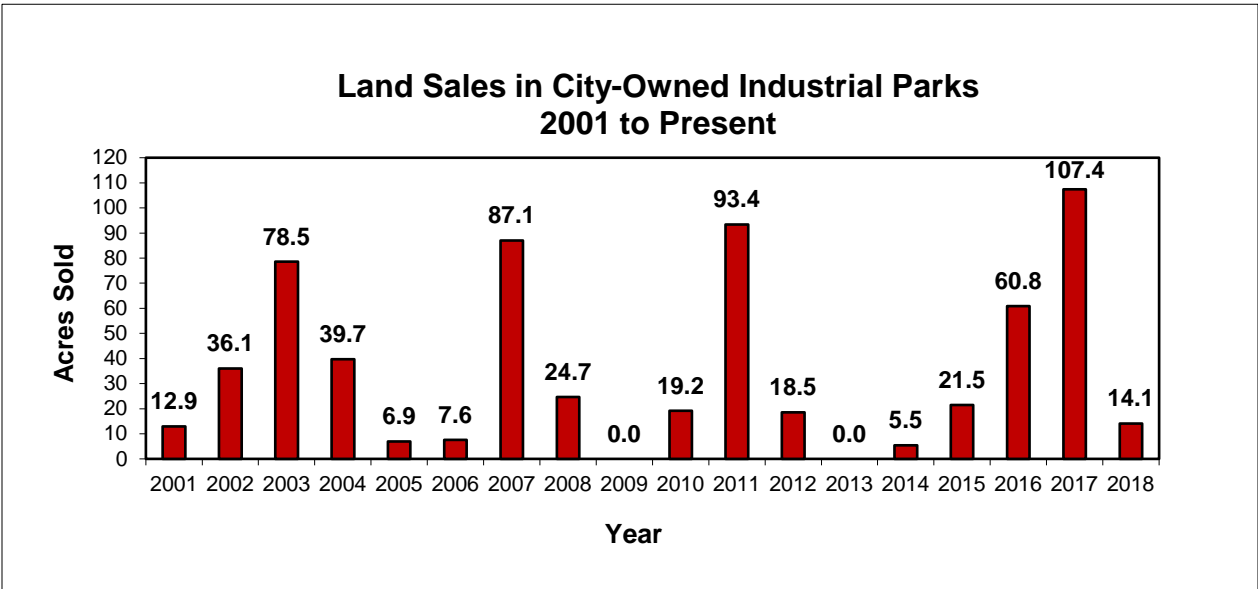
The ILDS team is also working with the City’s SWOT team to determine most preferred design service, and engineering options as Phase V is developed in the near future.

Highbury Avenue and Highway 401 Lands

Approximately 16.7 acres (6.75 ha) of land were purchased from the Ministry of Transportation in 1993. This land is located on the west side of Highbury Avenue, south of Highway 401. At present, approximately 50% of this parcel is designated as a historical forest and zoned “Open Space”, and approximately 3 acres will be utilized by the Ministry of Transportation for the re-configuration of the Highbury/Highway 401 interchange. There is approximately 5.35 acres (2.17 ha) remaining that could be developed in the future for light industrial and commercial uses including a hotel and service commercial.

SALES ACTIVITY

Between 2001 and 2018, the City has sold approximately 634 acres (256.6 ha) of industrial land for a total of \$32,498,766 The estimated municipal tax revenue since 2001 on these land sales totals more than \$10,710,957 per year. Based on historical building permit data, the construction value (building alone) for industrial uses such as manufacturing and warehousing establishments is in excess of \$291 million – noting that this figure does not include large industrial clients such as Maple Leaf Foods whose construction value will be in excess of \$340 million (building cost).



**Note: Includes firm land sales for 2018.*

The above Chart shows the absorption of City industrial land over the past 18 years. 2017 was a record year in terms of land sales, primarily flagged with the large land sale to Maple Leaf Foods.

As for 2018, it was considerably cooler with only about 14.1 acres sold for a total value of \$852,485.

Of the total acres sold, approximately 10.68 acres were two businesses expanding operations in London while the remaining 3.47 acres was for a new industry coming to London. For 2018, these sales represent small to medium sized investments to be made in London.

As of June 1st 2019, the City has also under contract 12.5 acres of land and approximately 47 acres Under Option to various businesses looking to potentially expand operations here in the City. Pending the successful completion of these transactions, the information for 2019 sales will be reported in the monitoring report for next year.

Investments Made in our Industrial Parks

A summary of investments in City industrial parks made for a record year for land sales in 2017, however actual investments made, in terms of new building construction or expansions, was lower in 2017 than in 2016. A summary of investments are shown below and fluctuate based on several factors such as the economy, trade deals (NAFTA), dollar value etc. As noted previously there is typically a two to three year lag from the date of purchase of City owned industrial land to building on the lands. It is anticipated the construction value in 2019 in London overall and within the City industrial parks will show an increase. It should be worth noting that minor or less noticeable expansion investments can still result in increased employment through the addition of another manufacturing line.

Industrial Investment City Wide

In consultation with building division, industrial building permit construction values for the past 3 years are shown below:

- 2016 - \$ 53.7 million in construction value
- 2017 - \$ 33.3 million in construction value
- 2018 - \$ 43.5 million in construction value

2017/2018 construction value within City owned industrial parks was approximately \$8,253,300.

Employment Creation

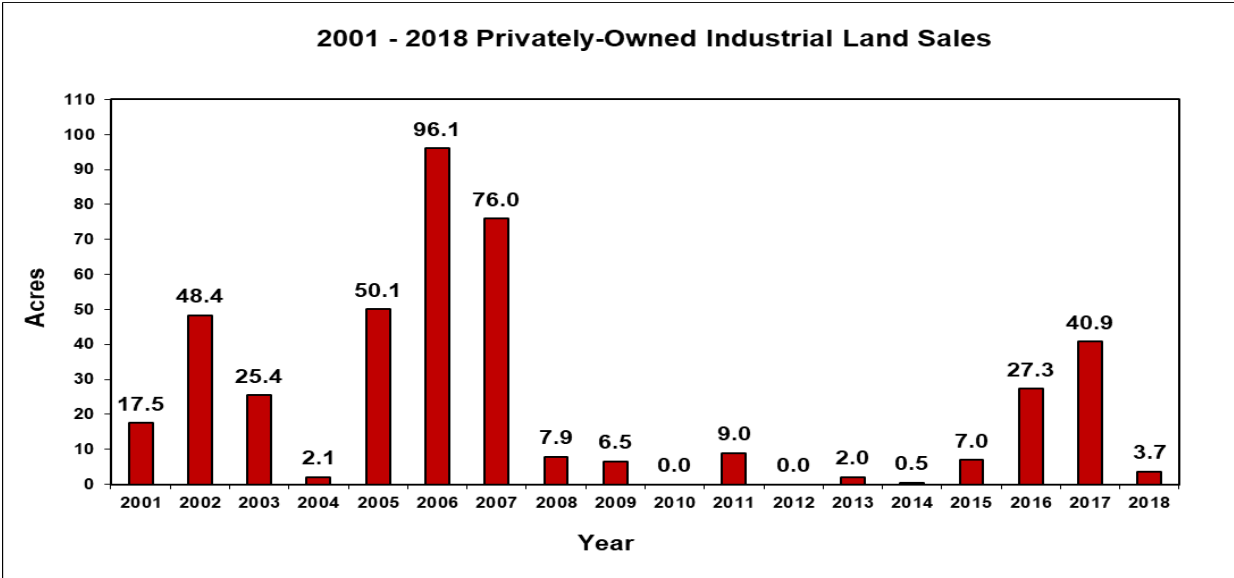
Since 2001, sales of City owned industrial lands have created over 6,697 direct new jobs. An additional 5,000+ spinoff jobs are believed to have been created through construction, logistics, service providers and manufacturing related supply chains. These jobs have significantly contributed to the sustainability of advanced manufacturing in the London region through the attraction of new global manufacturing companies.



*Employment Creation is based on the anticipated number of employees at the time when the facilities are fully operational

Industrial Land Sales in the Private Sector

For vacant private industrial land sales, 2018 was also marked less active then past years. Realty Services has tracked approximately 3.7 acres which have sold. In addition, Realty has also noted two contiguous parcels totaling approximately 59 acres which have also sold to a local developer, however this property was improved with an existing 50,000 sq. ft. building and lands will require a severance. For the purposes of this section, this sale has been excluded from the chart below.



Industrial Development Charge Grant Program

Background:

On May 2, 2017, Municipal Council approved changes to the City’s Industrial Development Charges Grant Program. These changes, that came into effect on January 1, 2018, retain the current 100% development charge grant for targeted industrial uses, but decrease the value of the grant to 50% of the value of the development charges to a maximum grant of \$250,000 for non-targeted industrial uses. Targeted uses have been defined in the program to be consistent with the targeted uses of the Industrial Land Development Strategy. As part of the approved changes to the program, the program will expire on December 31, 2023. There is, however, a requirement that Council be provided with a review of the program, and any recommendations to confirm the expiry of the program, its extension, or any program changes in advance of this so that funding is available for the program if it is extended beyond December 31, 2023.

Consistent with the current program, the DC grant will be provided at the time of building permit application so that the applicant would not pay the applicable DCs for targeted uses. For non-targeted uses, an applicant would pay any DCs greater than the \$250,000 grant at the time of building permit.

A cumulative city-wide summary of the Development Charge Exemptions for Industrial is provided below:

2016 - \$4,702,491
2017 - \$3,011,569
2018 - \$1,698,946

Market Observations:

For 2018, the ILDS implementation team and LEDC have received some push back from prospective purchasers and local developers on the revised Industrial Development Charges Grant Program. For developers working with “non-targeted” users, difficulty has been expressed to attract these businesses to London given other municipalities have 100% DC exemptions. Furthermore, Realty Services can also report that London has lost one - 55,000 sq. ft. opportunity with 80 to 120 full time jobs as a direct result to the DC Grant Program. The ILDS Implementation team will continue to monitor and report out in 2020 on any other missed opportunities.

Getting People to Work Using Public Transit: Challenges and Solutions

LEDC works closely with companies in our industrial corridor, where inadequate public transit services have been raised consistently. The London Transit Commission (LTC) in partnership with LEDC conducted surveys with industrial stakeholders to better understand their transit needs. Following the survey, a workshop was held to better understand the industry, its operational constraints and opportunities, to share perspectives and ideas relating to service models and partnerships that could be utilized to better serve the industrial areas of the city with public transit in the future. The results have been incorporated into the LTC Industrial Service Strategy update which is currently underway. The ILDS team recognizes the importance of transit to industrial areas and will continue to participate in discussions and work with LTC in an effort to bring transit to industrial parks. Municipal Council recently endorsed the South and East BRT routes which will benefit City owned and private industrial lands and industrial operations.

ILDS Strategic Initiatives: 2019-2023

The Industrial Land Development Strategy (ILDS) remains extremely important to the economy. Approximately 30% of all employment occurs on industrial land as per the City's Official Plan (OP). In addition, broader benefits are achieved for the City in terms of investments such as land sale value, tax revenue, direct and indirect job creation, spin-off industry attraction.

To help compete aggressively for industrial employment and economic prosperity, ILDS needs to be clear in terms of acquisition, servicing, and market and selling of these lands. A summary of the ILDS strategic initiatives for 2019-2023 along with the roles and functions are outlined below:

Implement the Industrial Land Development Strategy by Taking an Acting Role in Developing and Selling Industrial Land

- Maintaining the objective to have continuous supply of vacant, serviced industrial land in strategic locations.
- Continue to work closely with LEDC and its existing industrial clients to facilitate industrial growth and retention within our Industrial Parks and on private lands.
- LEDC continues to look for innovative ways to market industrial land, including participation in regional promotion initiatives as well as deploying a new location finder tool online.
- Continue to work with London International Airport (LIA) to ensure industrial lands in proximity to LIA are serviced and readily available along with enabling development on LIA lands. Promote lands to Aerospace and related industries.
- Continue to work with LEDC in support of their strategic initiatives for entrepreneurs, food processing, manufacturing and the digital industry.
- Continue to work with the private sector that has shown interest in 'non-targeted' industrial uses such as the industrial service industry, logistics, warehousing, transport industry, dry industrial etc.
- Continue to observe current market trends and adapt the regulatory environment accordingly (i.e. Artisanal zoning)

Target and Understand our Target Sectors' Needs

- Target industries in Advanced Manufacturing, Renewal and Clean Tech, Agri Food / Food processing, Automotive, Defence, and Aerospace, Life and Health Sciences, Information Technology, and Digital Media, Research and Development and Communications.
- London Economic Development Corporation (LEDC) provides the ILDS team with regular monthly updates and Council with annual updates.
- The Industrial Land Officer continues to field numerous industrial land inquiries on both City owned and privately owned industrial land/building.
- Periodic updates from the brokerage community and design build firms as it relates to current industrial needs and trends.
- Review of economic and market publications related to industrial updates for London and region.
- Analyze and gather current and emerging market trends and data from new industries (example; Emerging Cannabis Sector).
- Work closely with our Development Services Division on submitting any necessary rezoning or minor variance applications which support the ILDS Strategy.

Ensure an adequate supply of land

- Maintain acquisition objective which includes location, size, servicing costs, and environmental evaluation.
- One of the key goals of the strategy is to develop an ongoing supply of 200 hectares (494 acres) of strategically located and fully serviced and serviceable industrial land. To meet this target, considerable efforts have been made for past 2 years for the Huron Industrial Park in terms of finalizing the Environmental Assessment (EA) and the master servicing plan. The SWM Regional Pond is scheduled to be built in early 2020 with grading of industrial lands being completed shortly thereafter.
- To remain nimble and adjust plans to best suit the overall strategy, the marketing and disposition of un-serviced parcels has also been implemented to meet market demand.
- Other initiatives include active participation by Realty Services in acquiring new lands from willing sellers in strategic locations targeted by the strategy, recent example being the 44 acre purchase at 2531 Bradley Ave and securing under contract 2497 Bradley Ave. as part of the Phase V Innovation Park land assembly.

Establish a plan to deliver investment-ready land

- Maintain objective in good supply of large blocks, and a variety of lot sizes.
- The ILDS team meets each month to discuss industrial land status including acquisitions, sales, development related studies (i.e. Environmental Assessments), servicing, grading, capital projects etc.
- Engage external agencies such as UTRCA, London Hydro, Union Gas to ensure they are aware of the strategic growth and to address any servicing or environmental constraints.
- Meeting investment ready criteria for select parcel(s) through the Provincial Site Certification Program.
- Report to Council on an annual basis on the strategy and monitoring of our industrial lands.

Market our land aggressively on international stage

- Marketing actively through partnerships with the Ministry of Economic Development and Growth (MEDG) via the Site Certification Program.
- Industrial lands being showcased globally through events, trade shows, and conferences by the London Economic Development Corporation (LEDC), land tours, and other marketing campaigns, and regular updates of our marketing brochures.
- Dedicated City industrial website with creation of marketing brochures.
- Installation of new gateway signage for our lands at Innovation Park which has been completed in 2019.
- Make aware larger regional land listing to global companies considering London and surrounding area as a whole.

Enhance our industrial land offering by making London attractive to investment

- Continue to work with existing industrial land owners City wide to ensure their delivery of service meeting the need of their industrial clientele (i.e. Local Improvement for services with older industrial parks).
- LEDC and ILDS team recognize and capitalize on industrial clientele relationships and networks.
- LEDC regularly hosts international site selectors and asset management professionals for site visits/tours. Using a network of federal trade commissioners, provincial investment officers, regional associations and more, LEDC continues to build a pipeline of investment projects that are actively looking at green field sites in London's industrial parks.
- LEDC advocating and marketing unique assets and resources available in London to manufacturing and other targeted industrial sectors.
- Promoting both City owned and privately available lands in the marketplace.

Pricing of Municipal Industrial Land

Except for a change to the City's land prices last year, the City's industrial land pricing remained relatively unchanged for the past several years. The adjustment in price last year was to account for the lag between current market demand and the City's previous land pricing.

In terms of London's manufacturing sector, the Conference Board of Canada's Metropolitan Outlook 2 for London (Winter 2019), London's manufacturing saw an average output gains of 3.4 percent. In 2018, they reported that the industrial sector in London expanded by 2.8 percent. Moreover, they are forecasting a moderate gain of 2.4 percent for 2019 and 2 percent in 2020.

In the same report noted above, the non-automotive sector continues to show gains in London which includes recent investments made by Nestle, Dr. Oetker, and the opening of a 56,000 sq. ft. facility in the growing cannabis market. As well, Maple Leaf Foods is scheduled to break ground this summer on a new fresh poultry processing plant which will total 640,000 sq. ft. and expected to employ 1,450 people once construction is completed in 2021.

As for general industrial building availability, CBRE has reported in their London Q4 Quarterly Statistics report that industrial availability decreased by 50 bps and the market continues to tighten as quality buildings for space over 10,000 sq. ft. remains tight.

Despite the manufacturing gains reported above and lack of quality industrial space available in London, Civic Administration is recommending to keep the current pricing status quo, in order to attract new investment and expansions for the City's industrial parks while maintaining competitiveness with other regional municipalities. In addition, with the recent acquisition for 2531 Bradley Ave and focusing engineering efforts on the development of the Huron industrial lands (north of Huron Road and Veteran's Memorial Parkway) in the near term, the land inventory levels will remain adequate for the next several years.

Conclusion

The Industrial Land Development Strategy (ILDS) has worked well since inception and the objectives outlined for the next five years, along with recent purchase of 2497 Bradley and securing under contract 2497 Bradley, will ensure London will be well positioned for the next several years to attract new and expanding businesses here in London.

However some cautious optimism remains on the horizon given the Canadian economy is only expected to grow by 1.4% this year and the Bank of Canada will remain on the sidelines with rate hikes for this year (Source: Conference Board of Canada). Furthermore with the finalization of the Canada-United States-Mexico Agreement (CUSMA) last year, which is anticipated to be ratified later this year, along with new accounting measures introduced by the Federal government allowing some capital expenditures to be written off in a single fiscal year, business investments should increase in 2020.

Realty Services recommends the current price levels be maintained based on market data, market conditions, and to maintain competitiveness in Southwestern Ontario.

A copy of the current policy is attached for Council's information.

Acknowledgement

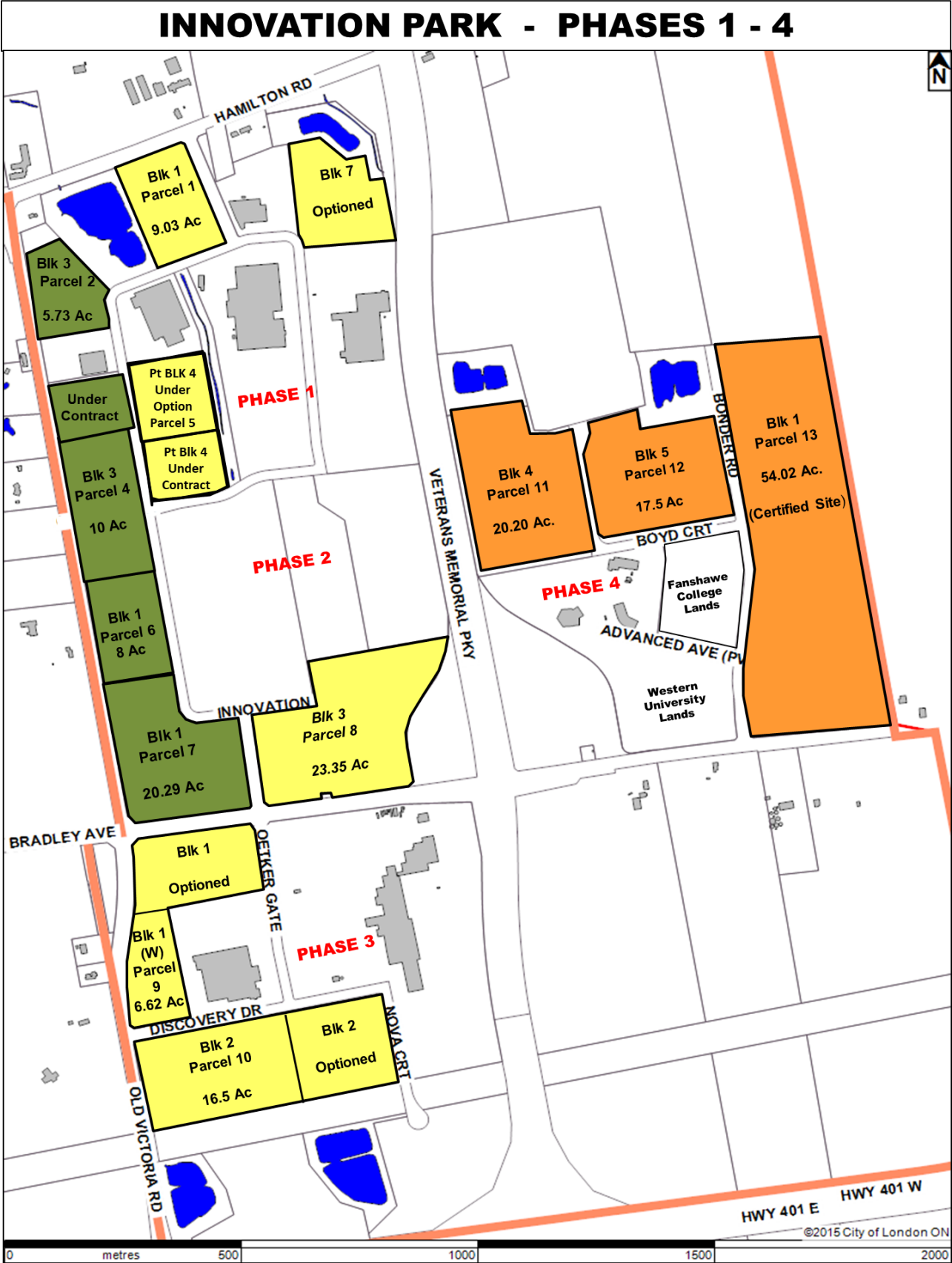
This report has been prepared with assistance from Stacy Badeen, Industrial Land Officer; Adam Ostrowski, Manager II, Realty Services; Chris McIntosh, Manager, Engineering Planning (Industrial Land); Gregg Barrett, Manager - Long Range Planning and Research; Mark Henderson, Director of Business Liaison and Kapil Lakhotia, President and CEO, London Economic Development Corporation.

PREPARED BY:	SUBMITTED BY :
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RECOMMENDED BY:	
ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	

June 3, 2019
Attach.

- cc: John M. Fleming, Managing Director, Planning and City Planner
 George Kotsifas, Director of Development and Compliance Services and Chief Building Official
 Mark Henderson, Director of Business ILDS Lead
 Kapil Lakhotia, President & CEO, London Economic Development Corporation
 David G. Mounteer, Assistant City Solicitor
 Kelly Scherr, Managing Director, Environmental & Engineering Services & City Engineer

SCHEDULE 1



SCHEDULE “1A”

INNOVATION PARK – PHASES I TO IV
Revenue and Expense Breakdown as of December 31, 2018

ACTUAL REVENUE AND PROJECTED REVENUE:

Land Sales

TOTAL LAND SALES REVENUE TO DATE (2006 – 2018)	\$9,731,337
Acreage Sold to Date	201.53 Acres
Average Price Per Acre (based on actual sales to date)	\$48,287 /ac
Estimated Sales Revenue on Balance of Park (235.8 Acres)	<u>\$16,102,767</u>
TOTAL ACTUAL AND ESTIMATED SALES REVENUE	\$25,834,104

Annual Municipal Taxes – On Land Sales to Date

ANNUAL MUNICIPAL TAXES (2018 Actual)	\$2,999,521
Annual Taxes Per Acre (2018 Actual)	\$14,883
Cumulative Taxes to Date (2006 – 2018)	\$13,944,594

Other Subsidies

Development Charge Exemptions (CIP)	\$20,914,709
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BUDGETED EXPENSES:

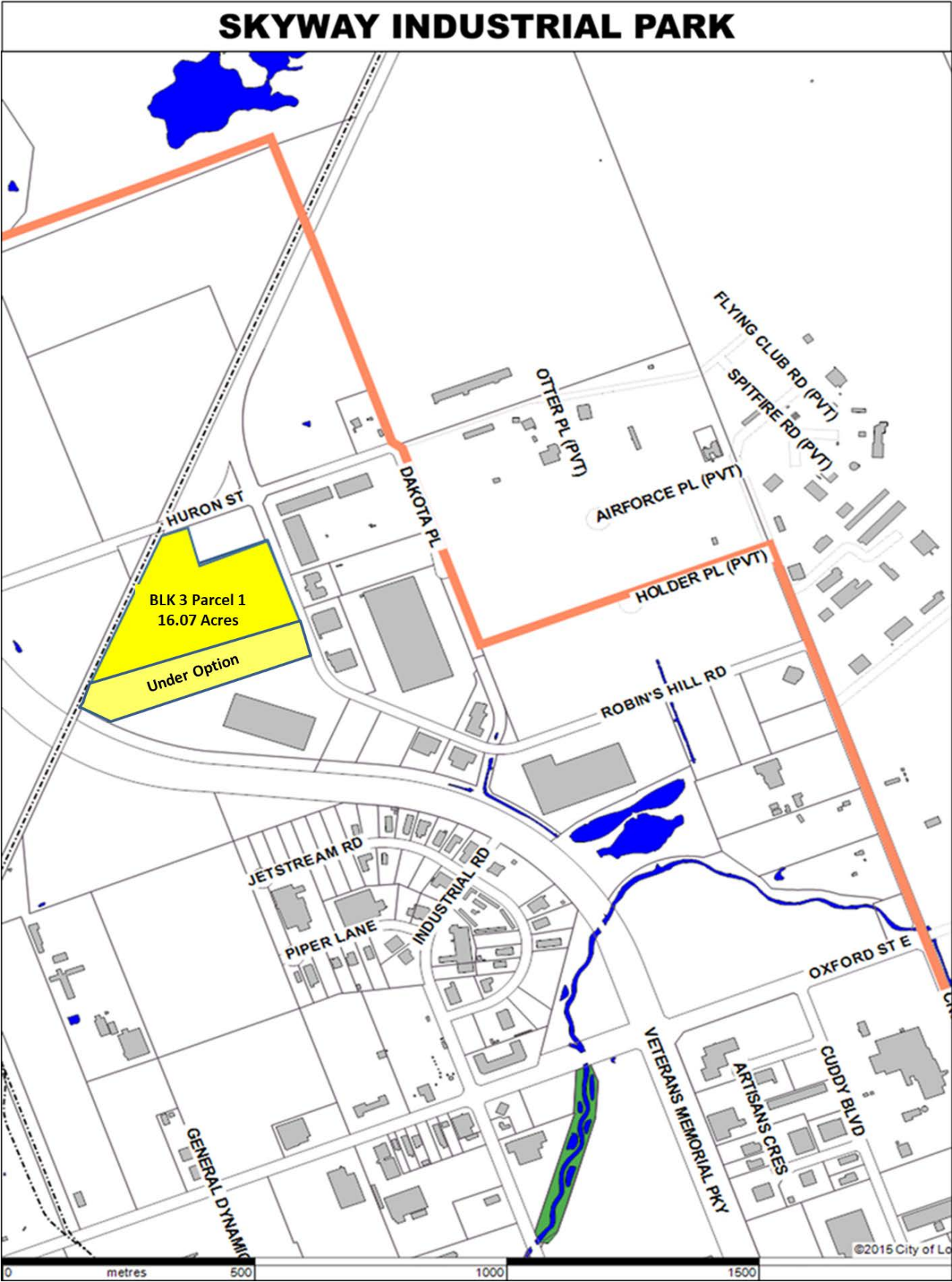
Budgeted Acquisition, Design & Construction Costs:

A) Land Costs: Total Land Acquisition Cost (477 net acres)	\$12,222,016
B) Servicing Costs: Design & Construction Costs	\$61,413,987
Less: Estimated Oversizing Component *	<u>- \$23,867,350</u>
TOTAL LOCAL SERVICES	\$37,546,637
Net Acreage of City owned Land	477 Acres
C) TOTAL COST (A + B) Land plus Local Servicing Cost	\$49,768,653
Average Expenditures Per Net Acre	\$104,337 /ac
D) SuperBuild Funding (Provincial) Senior Government Infrastructure Funding MIII Funding (Provincial)	<u>- \$17,448,457</u>
E) TOTAL COST (A + B) Land plus Local Servicing cost - Net of Superbuild, MIII & ISF Funding	\$32,320,196
Average Expenditures Per Net Acre (after deducting senior Government Funding)	\$67,757 /ac

* It should be noted that Oversizing costs are ultimately borne by the City.

Note: - Estimates are based on Current Approved Budget Allocation as reported in JD Edwards
- Lands “under contract” are not reflected in figures above.

SCHEDULE 2



SCHEDULE “2A”

SKYWAY INDUSTRIAL PARK
Revenue and Expense Breakdown as of April 2018

ACTUAL REVENUE AND PROJECTED REVENUE:

Land Sales

TOTAL LAND SALES REVENUE TO DATE	\$5,003,429
Acreage Sold to Date	105.17 Acres
Average Price Per Acre (based on actual sales to date)	\$47,575 /ac
Estimated Sales Revenue on Balance of Park (26.2 Acres)	<u>\$1,703,000</u>
TOTAL ACTUAL AND ESTIMATED SALES REVENUE	\$6,706,429

Annual Municipal Taxes – On Land Sales to Date

ANNUAL MUNICIPAL TAXES (2018 Actual)	\$1,983,336
Annual Taxes Per Acre (2018 Actual)	\$18,858
Cumulative Taxes to Date (2007 to 2018)	\$11,289,359

Other Subsidies

Development Charge Exemptions (CIP)	\$14,465,093
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BUDGETED EXPENSES:

Budgeted Acquisition, Design & Construction Costs:

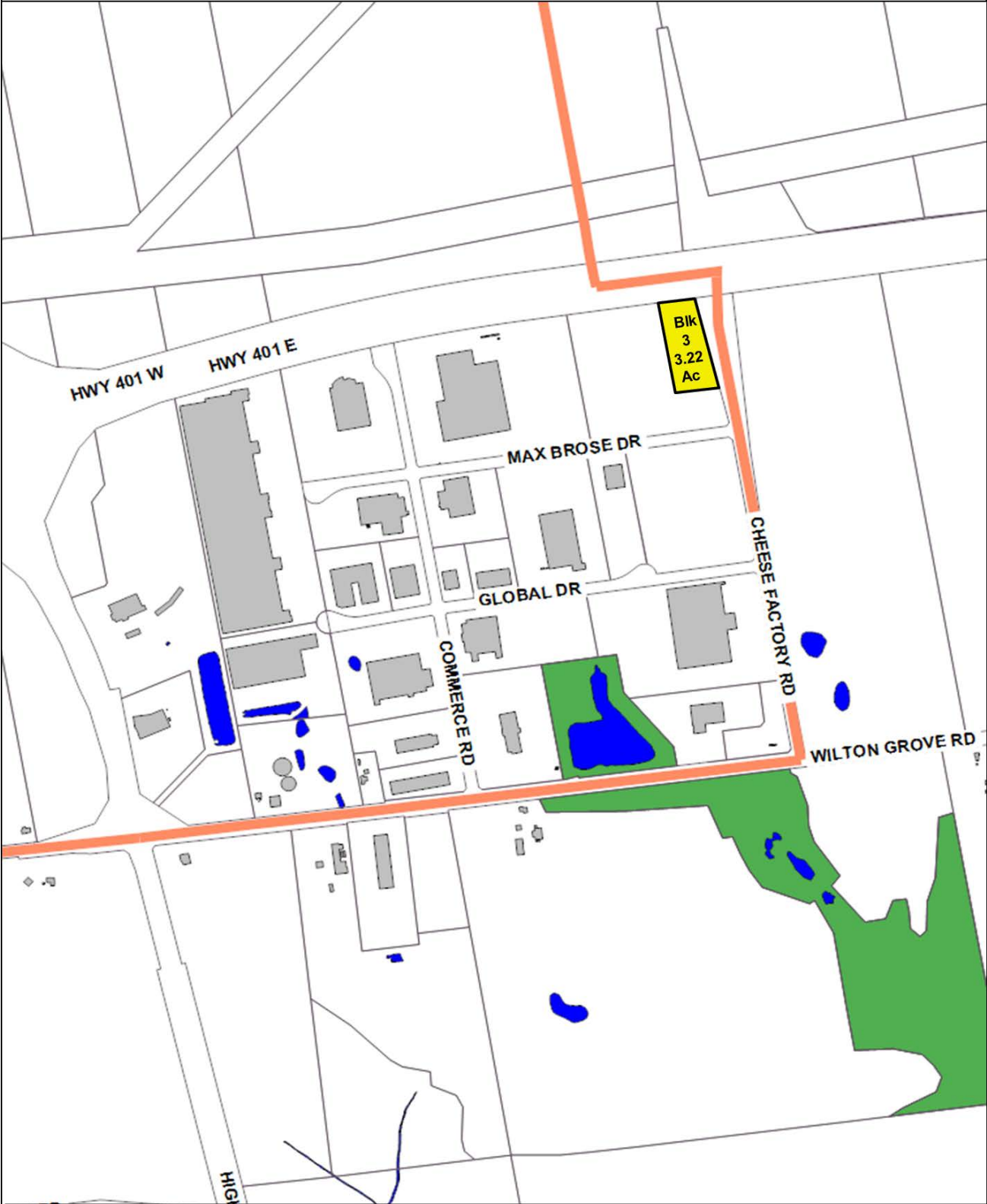
A) Land Costs: Total Land Acquisition Cost (130 net acres)	\$3,527,517
B) Servicing Costs: Design & Construction Costs	\$12,425,298
Less: Estimated Oversizing Component *	<u>- \$2,663,892</u>
TOTAL LOCAL SERVICES	\$9,761,406
Net Acreage of City owned Land	130 Acres
C) TOTAL COST (A + B) Land plus Local Servicing Cost	\$13,288,923
Average Expenditures Per Net Acre	\$102,222 /ac
D) SuperBuild Funding (Provincial) & ISF Funding (Federal)	<u>- \$4,531,616</u>
E) TOTAL COST (A + B) Land plus Local Servicing cost - Net of Superbuild & ISF Funding	\$8,757,307
Average Expenditures Per Net Acre (after deducting senior Government Funding)	\$67,364/ac

* It should be noted that Oversizing costs are ultimately borne by the City.

Note: Estimates are based on Current Approved Budget Allocation as reported in JD Edwards

SCHEDULE 3

FOREST CITY INDUSTRIAL PARK



** ILDS implementation team is currently assessing the feasibility of Blk 3 to determine the net developable area for this parcel.

SCHEDULE “3A”

FOREST CITY INDUSTRIAL PARK
Revenue and Expense Breakdown as of April 2018

ACTUAL REVENUE AND PROJECTED REVENUE:

Land Sales

TOTAL LAND SALES REVENUE TO DATE	\$6,641,405
Acreage Sold to Date	130.06 Acres
Average Price Per Acre (based on actual sales to date)	\$51,064 /ac
Estimated Sales Revenue on Balance of Park (3.2 acres @ \$80,000 per acre)	<u>\$256,000</u>
TOTAL ACTUAL AND ESTIMATED SALES REVENUE	\$6,897,405

Annual Municipal Taxes – On Land Sales to Date

ANNUAL MUNICIPAL TAXES (2018 Actual)	\$2,088,701
Annual Taxes Per Acre (2018 Actual)	\$16,059
Cumulative Taxes to Date (2003 to 2018)	\$17,980,937

Other Subsidies

Development Charge Exemptions (CIP)	\$9,737,359
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EXPENSES:

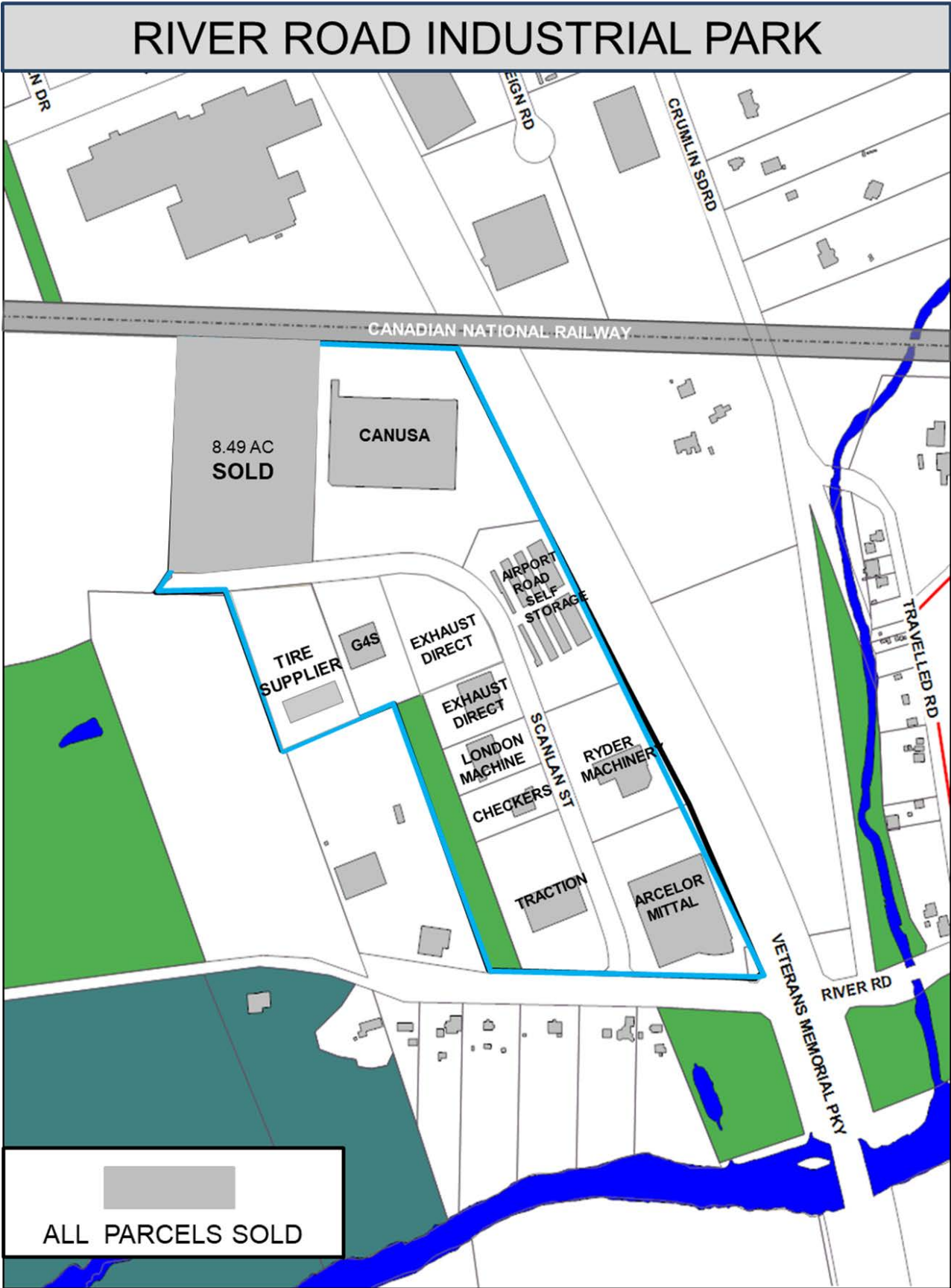
Budgeted Acquisition, Design & Construction Costs:

A) Land Costs: Total Land Acquisition Cost (134 net acres)	\$5,243,912
B) Servicing Costs: Design & Construction Costs	\$10,942,326
Less: Estimated Oversizing Component *	<u>- \$1,355,040</u>
TOTAL LOCAL SERVICES	\$9,587,286
Net Acreage of City owned Land	134 Acres
C) TOTAL COST (A + B) Land plus Local Servicing Cost	\$14,831,198
Average Expenditures Per Net Acre	\$110,681 /ac
D) SuperBuild Funding (Provincial)	<u>- \$2,503,501</u>
E) TOTAL COST (A + B) Land plus Local Servicing cost - Net of Superbuild	\$12,327,697
Average Expenditures Per Net Acre (after deducting senior Government Funding)	\$91,998

* It should be noted that Oversizing costs are ultimately borne by the City.

Note: Estimates are based on Current Approved Budget Allocation as reported in JD Edwards

SCHEDULE 4



****River Road Industrial Park is sold out**

SCHEDULE “4A”

RIVER ROAD INDUSTRIAL PARK
Revenue and Expense Breakdown as of December 31, 2018

REVENUE – ACTUAL AND ESTIMATED:

Land Sales

TOTAL LAND SALES REVENUE TO DATE	\$2,514,399
Acreage Sold to Date	45.97 Acres
Average Price Per Acre (based on actual sales to date)	\$54,696 /ac
TOTAL ACTUAL SALES REVENUE	\$2,514,399

Annual Municipal Taxes – On Land Sales to Date

ANNUAL MUNICIPAL TAXES (2018 Actual)	\$707,813
Annual Taxes Per Acre (2018 Actual)	\$15,397

EXPENSES:

Budgeted Acquisition, Design & Construction Costs:

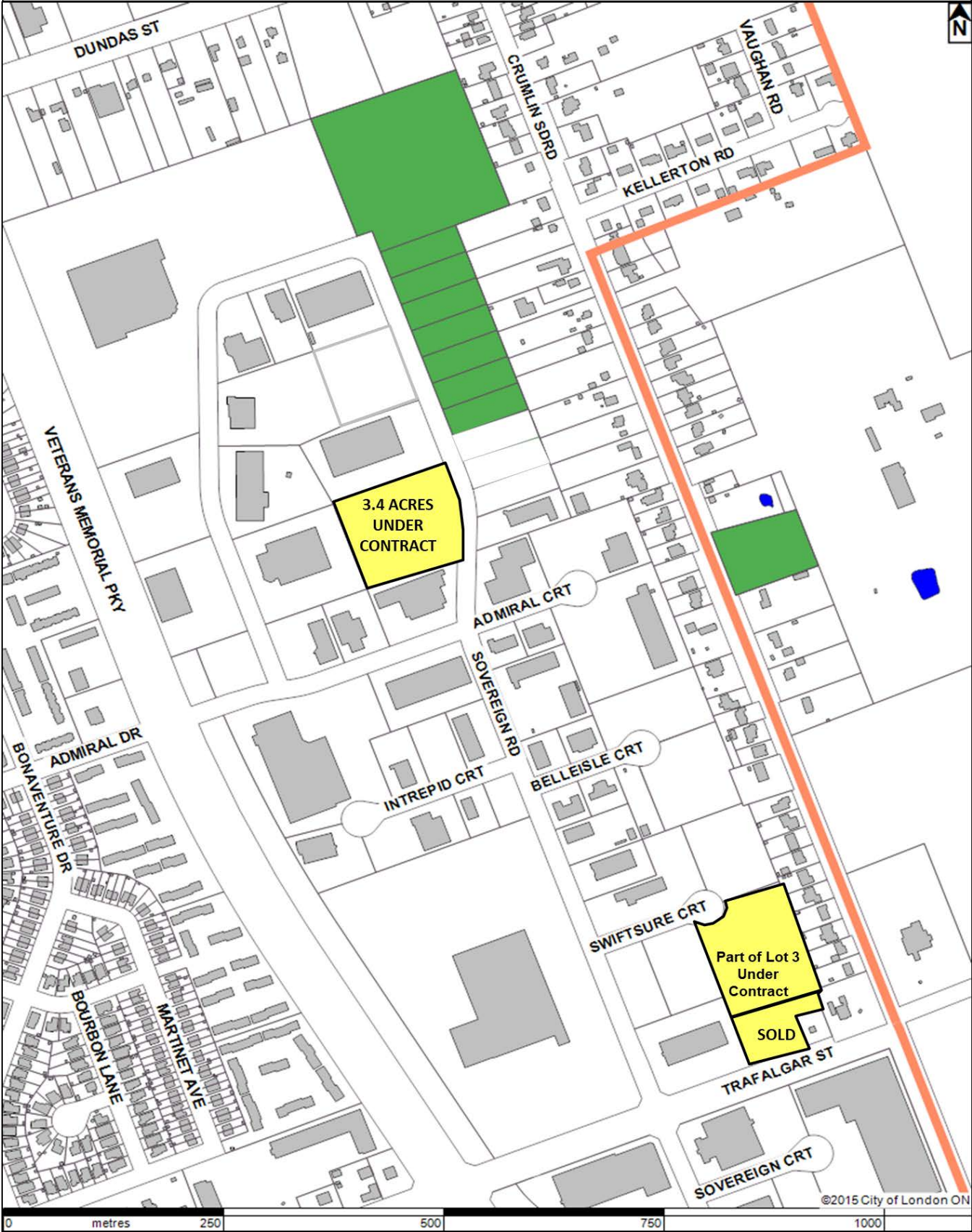
A) Land Costs: Total Land Acquisition Cost (46.2 net acres)	\$878,011
B) Servicing Costs: Design & Construction Costs	\$6,208,903
Less: Estimated Oversizing Component *	<u>- \$2,563,303</u>
TOTAL LOCAL SERVICES	\$3,645,600
Net Acreage of City owned Land	46.2 Acres
C) TOTAL COST (A + B) Land plus Local Servicing Cost	\$4,523,611
Average Expenditures Per Net Acre	\$97,914 /ac

* It should be noted that Oversizing costs are ultimately borne by the City.

Note: Estimates are based on Current Approved Budget Allocation as reported in JD Edwards

SCHEDULE 5

TRAFALGAR INDUSTRIAL PARK



SCHEDULE “5A”

TRAFALGAR INDUSTRIAL PARK
Revenue and Expense Breakdown as of December 31, 2018

REVENUE – ACTUAL AND ESTIMATED:

Land Sales

TOTAL LAND SALES REVENUE TO DATE	\$16,826,292
Acreage Sold to Date	350.82 Acres
Average Price Per Acre (based on actual sales to date)	\$47,962 /ac
Estimated Sales Revenue on Balance of Park (6.9 Acres)	<u>\$413,500</u>
TOTAL ACTUAL AND ESTIMATED SALES REVENUE	\$17,239,792

Annual Municipal Taxes – On Land Sales since 2001

ANNUAL MUNICIPAL TAXES (2018 Actual)	\$4,831,991
Annual Taxes Per Acre (2018 Actual)	\$13,773

Other Subsidies

2017 & 2018 Development Charge Exemptions (CIP)	\$464,527
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EXPENSES:

Budgeted Acquisition, Design & Construction Costs:

A) Land Costs: Total Land Acquisition Cost (428 net acres)	\$4,408,828
B) Servicing Costs: Design & Construction Costs	\$9,022,648
TOTAL LAND AND LOCAL SERVICES	\$13,431,476
Net Acreage of City owned Land	379 Acres
Average Expenditures Per Net Acre	\$35,439 /ac

Note: - Estimates are based on Current Approved Budget Allocation as reported in JD Edwards
- Lands “under contract” are not reflected in figures above.

TABLE 1

2018 Municipal Price Comparison						
Municipality	Land Price	City Development Charges	County Development Charges	Serviced Land	Non-Serviced Land	Total
	(Per Acre)	(Per Sq.Ft.)	(Per Sq.Ft.)	(Acreage)	(Acreage)	(Acreage)
St. Thomas	\$45,000	\$0	\$0	12	0	12
Chatham-Kent	\$15,000 - \$50,000	\$1.75	\$1.75	60	0	60
Windsor	\$99,000 - \$132,000	\$12.26	n/a	n/a	n/a	n/a
Woodstock	\$85,000	\$0	\$0	128	n/a	128
London	\$70,000 - \$80,000	\$17.02*	\$0	265	353	618
Stratford	\$100,000+	\$0	n/a	0	0	0
Strathroy-Caradoc	\$35,000	\$0	\$14.42	112	0	112
Sarnia/Lambton	\$30,000 - \$60,000	\$0	n/a	299	214	513
Ingersoll	\$90,000 - \$100,000	\$0	\$0	65-70	n/a	65-70
County of Brant	\$175,000 - \$200,000	\$2.77 (unserviced) \$6.74 (serviced)	\$2.77 (unserviced) \$6.74 (serviced)	83	5	88
Brantford	\$75,000 - \$125,000 (2018)	\$8.58	n/a	n/a	n/a	0
Hamilton	\$350,000 – \$400,000	\$9.41	n/a	36	44	80
Cambridge	\$315,000	\$2.98	n/a	29	n/a	29
Kitchener	\$300,000	\$1.67 - \$5.54 (\$0.80 until March 1, 2019)	n/a	n/a	n/a	n/a
Guelph	\$300,000 - \$325,000	\$9.97	n/a	34	85	119
Waterloo	n/a	\$5.11	\$5.11	n/a	n/a	n/a
Note: Table provided by Realty Services. Information provided herein was sourced through available online information via municipal websites and 2017 price comparison information provided through City of Cambridge Economic Development office. *Industrial development is not required to pay development charges as per the DC By-law and current Industrial Development Charges Grant Program. Note: On May 2, 2017 Municipal Council approved changes to the City's Industrial Development Charges Grant Program. On January 1, 2018, 100% development charge grant for targeted industrial uses. For non-targeted industrial uses a decrease in the value of the grant to 50% of the value of the development charges to a maximum grant of \$250,000.						

TABLE 2
ECONOMIC SPIN OFFS - INNOVATION PARK

The following analysis on job and tax generation resulting from the City's Industrial Land Development Strategy (ILDS) was prepared with input from the London Economic Development Commission (LEDC). This analysis has not been reviewed by Finance Staff.

Summary table to illustrate return on investment (ROI) on Innovation Park:

EXPENDITURES	INNOVATION PARK (For 201.53 Acres Sold from 2006 - 2018)	COST/BENEFIT PER ACRE (For 201.53 Acres Sold from 2006 - 2018)
Gross expenditure on land and local services	\$ 21.02 million	\$ 104,337
(Less) Government Grants	\$ 7.4 million (Superbuild, M-III & ISF)	\$ 36,580
NET expenditure on land and local services (A)	\$ 13.6 million	\$ 67,757
REVENUES		
Total Land sales over 13 years	\$ 9.7 million	\$ 48,287
Annual Municipal Industrial Taxes (2018)	\$ 2.9 million	\$ 14,885
Cumulative Industrial Taxes over 13 years	\$ 13.9 million	\$ 62,896
Building Permits	\$ 956,553	\$ 4,746
Total Cash Inflow over 13 years: (B)	\$ 24.5 million	\$ 121,569
Net Cash Position after 13 years (B – A)	\$ 10.9 million	\$ 54,086
OTHER SUBSIDIES		
Development Charge Exemptions (CIP)	\$20.9 million	\$103,780
ECONOMIC BENEFITS (Provided by LEDC) (over 12 years)		
Employment Created	1,430 Direct Jobs 1,258 Indirect Jobs	7.10 Direct Jobs 6.24 Indirect Jobs
Income Generated	\$129 million	\$645,000

Note: These estimates have been provided by the City of London and LEDC.

Additional Notes & Assumptions:

- The totals and Per Acre amounts for Gross and Net Expenditures above have been pro-rated for lands which have sold to date.
- Municipal Residential Taxes are defined as the estimated taxes generated from the housing impact of new direct and indirect employment created by the industrial park development.
- Net Cash Position above is based on lands which have currently sold to date.
- No expenditures shown for maintenance related costs for the industrial park.
- LEDC multiplier for indirect jobs is 88%.
- Indirect jobs are defined as employment created through construction, raw material providers, local supply chains, transportation, logistics, maintenance and other spin-off businesses that benefit from the industrial park development.
- Direct jobs are defined as employment created directly by the companies purchasing land within the industrial park.
- Information contained herein has not been verified by the Property Tax Department or Finance Department.
- Net Cash Position will continue to increase over time as industrial park sells out.
- Return is based on a building coverage ratio of 17 to 23 percent.
- Economic Benefits (LEDC Data) up to and including 2017.
- Building Permit Fees up to and including 2017.

TABLE 3
ECONOMIC SPIN OFFS - SKYWAY INDUSTRIAL PARK

The following analysis on job and tax generation resulting from the City’s Industrial Land Development Strategy (ILDS) was prepared with input from the London Economic Development Commission (LEDC). This analysis has not been reviewed by Finance Staff.

Summary table to illustrate return on investment (ROI) on Skyway Industrial Park:

EXPENDITURES	SKYWAY PARK: (For 105.17 Acres Sold from 2007 to 2018)	COST/BENEFIT PER ACRE (For 105.17 Acres Sold from 2007 to 2018)
Gross expenditure on land and local services	\$ 10.7 million	\$ 102,222
(Less) Government Grants	\$ 3.6 million (Superbuild)	\$ 34,859
NET expenditure on land and local services: (A)	\$ 7.1 million	\$ 67,364
REVENUES		
Total Land sales over 12 years (105.17 acres)	\$ 5.0 million	\$ 47,575
Annual Municipal Industrial Taxes (2018)	\$ 1.98 million	\$ 18,853
Cumulative Industrial Taxes over 12 years	\$ 11.2 million	\$ 107,339
Building Permits	\$ 829,571	\$ 7,888
Total Cash Inflow over 12 years: (B)	\$ 17 million	\$ 161,643
Net Cash Position after 12 years (B – A)	\$ 9.9 million	\$ 94,133
OTHER SUBSIDIES		
Development Charge Exemptions (CIP)	\$ 14.4 million	\$ 137,540
ECONOMIC BENEFITS (Provided by LEDC) (over 11 years)		
Employment Created	587 direct jobs 517 indirect jobs	5.6 direct jobs 4.9 indirect jobs
Income Generated	\$53 million	\$503,000

Note: These estimates have been provided by the City of London and LEDC.

Additional Notes & Assumptions:

- The totals and per acre amounts for Gross and Net expenditures above have been pro-rated for lands which have sold to date.
- Approximately 1 acre is under option and not included in above calculations.
- Municipal Residential Taxes are defined as the estimated taxes generated from the housing impact of new direct and indirect employment created by the industrial park development.
- Net Cash Position above is based on lands which have currently sold to date.
- No expenditures shown for maintenance related costs for the business park.
- LEDC multiplier for indirect jobs is 88%.
- Indirect jobs are defined as employment created through construction, raw material providers, local supply chains, transportation, logistics, maintenance and other spin-off businesses that benefit from the industrial park development.
- Direct jobs are defined as employment created directly by the companies purchasing land within the industrial park.
- Information contained herein has not been verified by the Property Tax Department or Finance Department.
- Return is based on a building coverage ratio of 17 to 23 percent.
- Economic Benefits (LEDC Data) up to and including 2017.
- Building Permit Fees up to and including 2017.

TABLE 4
ECONOMIC SPIN OFFS – FOREST CITY INDUSTRIAL PARK

The following analysis on job and tax generation resulting from the City’s Industrial Land Development Strategy (ILDS) was prepared with input from the London Economic Development Commission (LEDC). This analysis has not been reviewed by Finance Staff.

Summary table to illustrate return on investment (ROI) on Forest City Industrial Park:

EXPENDITURES	FOREST CITY PARK (For 130.06 Acres Sold from 2003 to 2018)	COST/BENEFIT PER ACRE (For 130.06 Acres Sold from 2003 to 2018)
Gross expenditure on land and local services	\$ 14.4 million	\$ 110,681
(Less) Government Grants	\$ 2.4 million (Superbuild)	\$ 18,683
NET expenditure on land and local services: (A)	\$ 12.0 million	\$ 91,998
REVENUES		
Total Land sales over 16 years	\$ 6.6 million (from 130.06 acres)	\$ 51,064
Annual Municipal Industrial Taxes (2018)	\$ 2 million	\$ 16,059
Cumulative Industrial Taxes over 16 years	\$ 17.9 million	\$ 138,251
Building Permits	\$ 540,170	\$ 4,153
Total Cash Inflow over 16 years: (B)	\$ 25 million	\$ 192,218
Net Cash Position after 16 years (B – A)	\$13 million	\$ 99,953
OTHER SUBSIDIES		
Development Charge Exemptions (CIP)	\$ 9,737,359	\$ 73,308
ECONOMIC BENEFITS (Provided by LEDC) (over 15 years)		
Employment Created	2,048 direct jobs 1,802 indirect jobs	15.75 direct jobs 13.86 indirect jobs
Income Generated	\$184 million	\$1.4 million

Note: These estimates have been provided by the City of London and LEDC.

Additional Notes & Assumptions:

- The totals and per acre amounts for Gross and Net expenditures above have been pro-rated for lands which have sold to date.
- Approximately 3.2 acres is under option and not included in above calculations.
- Municipal Residential Taxes are defined as the estimated taxes generated from the housing impact of new direct and indirect employment created by the industrial park development.
- Net Cash Position above is based on lands which have currently sold to date.
- No expenditures shown for maintenance related costs for the business park.
- LEDC multiplier for indirect jobs is 88%.
- Indirect jobs are defined as employment created through construction, raw material providers, local supply chains, transportation, logistics, maintenance and other spin-off businesses that benefit from the industrial park development.
- Direct jobs are defined as employment created directly by the companies purchasing land within the industrial park.
- Information contained herein has not been verified by the Property Tax Department or Finance Department.
- Return is based on a building coverage ratio of 17 to 23 percent.
- Economic Benefits (LEDC Data) up to and including 2017.
- Building Permit Fees up to and including 2017.