

Report to Corporate Services Committee

**To: Chair and Members
Corporate Services Committee**

From: Anna Lisa Barbon, Deputy City Manager, Finance Supports

Subject: Industrial Land Development Strategy Annual Monitoring and Pricing Report - City Owned Industrial Land

Date: August 30, 2021

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, with concurrence of the Interim Director, Economic Services and Supports, on the advice of the Director, 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 proposed attached by-law (Appendix ") **BE INTRODUCED** at the Municipal Council meeting to be held on September 14, 2021 to amend By-law No. A.-6151-17, as amended, being "A by-law to establish policies for the sale and other disposition of land, hiring of employees, procurement of goods and services, public notice, accountability and transparency, and delegation of powers and duties, as required under section 270(1) of the *Municipal Act, 2001*" by deleting Attachment "B" to Schedule "A" – Sale and other Disposition of land Policy of the By-law and by replacing it with a new Attachment "B" to Schedule "A" to amend the current pricing for City-owned serviced industrial land in Innovation Park, Skyway Industrial Park, River Road Industrial Park, Cuddy Boulevard Parcels and Trafalgar Industrial Park as follows:

Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, and Huron Industrial Park, and Cuddy Blvd Parcels:

- Lots up to 4.99 acres from \$80,000 per acre to \$125,000 per acre
- 5.00 acres and up from \$70,000 per acre to \$115,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park:

- All lot sizes – from \$65,000 per acre to \$115,000.00 per acre;

- b) the staff report dated August 30th, 2021 entitled "Industrial Land Development Strategy Annual Monitoring and Pricing Report – City-Owned Industrial Land", **BE RECEIVED**.

Executive Summary

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.

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.

Linkage to the Corporate Strategic Plan

As part of Council's Strategic Plan 2019 to 2023, ILDS remains an important strategy in growing our economy and bringing more employment to the City.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

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

Corporate Services Committee – June 18, 2019 – Industrial Land Development Strategy, Annual Monitoring and Pricing Report – city owned industrial land

Corporate Services Committee – July 13, 2020 – Industrial Land Development Strategy, Annual Monitoring and Pricing Report – city-owned industrial land

2.0 Discussion and Considerations

2.1 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

Effective November 1, 2021, pricing for serviced industrial land in Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, Huron Industrial Park, and Cuddy Boulevard Parcels will be:

- Lots up to 4.99 acres - \$125,000.00 per acre
- 5.00 acres and up - \$115,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park will be:

- All lot sizes - \$115,000.00 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 services 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.

The recommendation for the price increase is based on several variables being increased market demand for industrial parcels, lag with current pricing, existing supply in City industrial parks, and maintaining regional and provincial competitiveness to attract new companies to London.

Industrial Land Pricing in Surrounding Municipalities in Southwestern Ontario

The Summary Table attached in Appendix B is a survey of the price levels of municipally owned industrial land in surrounding municipalities in Southwestern Ontario. In comparison, the municipalities of Middlesex Centre, Sarnia, Strathroy and Tillsonburg are offering municipal industrial land at lower prices than London. St. Thomas, Ingersoll, Stratford and Woodstock have higher asking prices for their industrial land than London. These higher prices may be due to lower inventory. Further factors in consideration of land pricing is outlined in Section 5.0 of this report.

2.2 Summary of Current Land Holdings

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

2.3 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.

	Net Acres Available	Net Hectares Available
Innovation Park:	172.2	69.8
Skyway Industrial Park	4.7	1.9
Forest City Industrial Park	3.2	1.3
Total	164.5	72.9

Note: Inventory levels shown above are reported on a year end basis and do not reflect current sales for 2021. The current sales and land activity for 2021 are detailed further in the report below.

For larger sized industrial parcels, several private parcels remain privately owned or are being marketed for sale or design build lease opportunities.

Under the City’s owned inventory, only one (1) parcel still remains with size greater than 50 acres which is located within Innovation Park Phase IV– Advanced Manufacturing Park (note: 25 acres of which are under contract currently). The ILDS implementation team is working to bring forward additional supply, including one 70+ acre parcel, as Huron Industrial Park becomes developed which is described later in the report.

Provided below is a summary of the of the various City Industrial Parks that were developed in recent years.

Innovation Park

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. Phase V will be the newest phase for development which is described later in the report.

In total, 653 acres was assembled and of which 477 acres was developed and prepared for the market. As of July 15th, 2021 a total of 252.6 acres have sold in the park, 39 acres are under contract, 39.7 acres were donated to Western and Fanshawe (as part of the original Phase IV Joint Venture development), and 34.1 acres remain under Option with various companies furthering their plans to expand. One parcel has been recently repurchased given the Purchaser was unable to meet their obligations as part of the sale. As a result and netting out all lands sold, optioned, or under contact, the City has approximately 111 acres available to the market. Since inception of Innovation Park, the average sale price is calculated to be approximately \$55,333 per acre and in total the City has sold approximately 19 parcels with the average size being just over 13 acres in size. Recent demand in our parks have created the need for small lots ranging in the size range of 3 to 5 acres. A map showing Innovation Park is attached in Appendix C.

Skyway Industrial Park

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.

Since the park was created, approximately 131 acres were developed and marketed for sale. Since the start of being offered to the market until now, the City has sold a total of 126.6 acres in the park. The average sale price was calculated to be \$51,131 per acre. One remaining parcel being 4.7 acres is under contract and in total 13 lots were sold, with an average parcel size being 9.7 acres. A map showing Innovation Park is attached in Appendix S.

Forest City Industrial Park

Forest City Industrial Park is located on 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.

Forest City Industrial Park represents one of the most successful industrial business parks developed by the City. In total 134 acres were developable acres and brought to the market. Since inception up to July 15th 2021, a total of 130 acres have sold. One parcel remains which is 3.2 acres which required additional environmental studies to determine how much of the lands can be developed. The average sale price for this park was \$51,064 per acre, 16 parcels have sold, and the average parcel size was 8.2 acres. A map of Forest City Industrial Park is shown in Appendix E.

River Road Industrial Park

River Road Industrial Park is a smaller industrial park 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.

46 developable acres were marketed for sale of which all of the parcels have now been sold. The average selling price per acre was \$54,664, with an average lot size of approximately 3.8 acres. A map showing the location of River Road Industrial Park is attached in Appendix F.

Trafalgar Industrial Park

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.

One of the oldest industrial parks created by the City, approximately 379 acres were developable and brought to market. Several acres were transferred to as part of the Sovereign Woods East park area while the remaining lands were sold to various companies. In total, 3 phases were created and Phase III being the final phase located north of Trafalgar Road. Since inception until now, the park has been nearly sold out with one remaining 3.5 acre parcel currently under contract. The average price per acre obtained for Phase III was approximately \$60,800. The final 3.5 acre parcel sale will mark the completion of selling out at Trafalgar. A location map is enclosed in Appendix G showing Trafalgar Industrial Park.

Cuddy Boulevard Industrial Lands

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 several years ago and all three of the lots have now been sold. The average selling price per acre achieved was approximately \$74,117 per acre. A map showing the Cuddy Boulevard Industrial Lands is available in Appendix H.

2.4 Unserviced Lands

In an effort to meet the rapidly increasing demand for the City’s industrial lands, there is approximately 422 acres under ownership and in various stages in getting the lands market and shovel ready. Provided below is a summary of the current unserviced land holdings.

Current Inventory – Serviceable Industrial Land

Park	Zoning	Inventory (Acres / Hectares)
Huron Industrial Park	Light/General Industrial	217.5 / 88
Innovation Park, Phase V	Light Industrial	200 / 80.9
Highbury & Hwy 401	Light Industrial	5.35 / 2.17
	Total	422.85 / 171.07

Huron Industrial Park

The Huron Industrial Park lands are located around the intersection of Huron Street and the extension of Veteran’s Memorial Parkway (VMP). The extension of VMP and upgrades to Huron Street were completed in late 2020 at a cost of approximately \$11.2 million. To date, approximately 139.4 acres (56.4 ha) is partially serviced and environmental and engineering studies are currently underway. Upon completion of the Huron Industrial Lands Storm Water Management Facility (SWMF) these lands will be fully serviced at a municipal level. The construction of the new SWMF, at a cost of

approximately \$5.3M began in late 2020 and is on target to become operational in Q3 2021 after a productive winter construction period. At this point the Huron Industrial Lands will be fully serviced at a municipal level and can be actively marketed. Several of the parcels are undergoing additional site preparation work, grading work and service extensions, to further enhance their marketability. The completion of Huron Industrial Park will bring to market approximately 168 acres of new industrial land supply ranging from small parcels (2 to 4 acres in size) to one large 70+ acre parcel. A location map of these lands is shown in Appendix I. The City has been able to reuse excess soil from the VMP and SWMF projects in order to reduce costs by not having to pay for fill to bring the grades up. 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;
- 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 early 2022. Soft marketing of these lands is already underway.

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 totalled approximately 45.9 acres (18.6ha). The transaction closed in March of 2019.

After several years of negotiating, the City reached an agreement with the property owners at 2497 Bradley Ave. On October 30th, 2019 the remaining land of approximately 70 acres (28.3ha) were acquired, which completed the land assembly required for Innovation Park Phase V.

The City has recently received archaeological clearance for 2555-2591 Bradley Ave. and the Stage 1 and 2 Archaeological work has also been completed for 2497 and 2531 Bradley Ave., additional Stage 3 Archaeological work is currently ongoing which is targeted to be completed by the end of the year.

The City has also received approval from Hydro One Networks Inc. and Infrastructure Ontario (IO) for a municipal road crossing upon receipt of an Order-In-Council (OIC) through the Province's Ministry of Government and Consumer Services, which is anticipated to be received in the next several months. Future work includes design, extension of municipal services to this phase, construction of SWMF and construction of new internal municipal services. A location map showing these lands is shown in Appendix J. Phase V will be the next lands to be developed once Huron Industrial Park is completed.

Highbury Avenue and Highway 401 Lands

Approximately 16.7 acres (6.75ha) of land were purchased from the Ministry of Transportation in 1993. This land is located on the west side of Highbury Avenue, south of Highbury 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 reconfiguration of the Highbury/Highway 401 interchange. There is approximately 5.35 acres (2.17ha) remaining that could be developed in the future for light industrial and commercial uses including a hotel, restaurant and gas station. The parcel will be developed and marketed for sale once the Ministry of Transportation completes the Highbury interchange improvements which is still several years out.

3.0 Financial Impact/Considerations

3.1 Sales Activity

Between 2001 and 2020, the City has sold approximately 720.2 acres (291.41 ha) of industrial land for a total of approximately \$38.1million. In 2020, the municipal portion of taxes earned was calculated to be \$10.4 million dollars. Based on the 2020 industrial building permit data, a total of 64 building permits were issued and of which 9 were issued at City industrial parks. A total construction value (building alone) for industrial uses (such as manufacturing and warehousing establishments) totaled in excess of \$63 million City wide.

In 2019, the City sold 25.1 acres representing six (6) transactions to smaller and medium sized business ranging in manufacturing, one new food processing company, and 2 relocations to London. Despite uncertainty faced with the unprecedented global COVID-19 pandemic, uncertainties faced with business closures and stay-at-home orders, the City's industrial land sales continued to gain strong momentum in 2020.

In 2020, the City experienced a very strong year for industrial land sales which totalled approximately 61 acres. In total there were eight (8) transactions for a variety of industries ranging from manufacturing, commercial scale laundry facility, one sale for an existing business expansion, alternative protein food processing, and pharmaceutical manufacturing which marks the first of this kind for the City's industrial parks.

As of July 15th 2021, the City has sold 11.5 acres in 2021 and approximately 47.2 acres are under contract with various companies completing their due diligence. Despite the effects of COVID-19 and recent lock downs, industrial interest and activity remains very strong as we continue forward in 2022. A chart illustrating the history of our land sales since 2001 is shown in Appendix K attached.

3.2 Investments Made in our Industrial Parks

A summary of investments in City industrial parks made is provided in the section below for the past several years. Such investments can vary due to a variety of things being the status of the local economy, global economic events, and most recently, impacts to industry related state of emergency closures mandated by the Municipal, Provincial and Federal government. As companies continue focus on adjusting operations and setting up processes to protect the health and safety of their employees, 2020 proved to be a resilient year in terms of industrial investments made in out parks. A summary is provided below for the past several years.

Industrial Investment City Wide

In consultation with the building division, industrial building permit construction values for the past four (4) years are shown below:

2017 - \$ 33.3 million in construction value
2018 - \$ 43.5 million in construction value
2019 - \$ 374.4 million in construction value*
2020 - \$ 62.8 million in construction value

**Note: 2019 was a record year in terms of construction value, largely attributed to the building permit value of Maple Leaf Foods which totaled approximately \$300 million in construction value.*

In total, 64 permits were issued and the combined construction value for alterations, additions, and new builds totaled approximately \$62.8 million in construction value.

4.0 Other Key Issues and Considerations

4.1 Employment Creation

Since 2001, sales of City owned industrial lands have created over 7,142 direct new jobs. An additional 5,500 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 as well as growth of existing London companies. A historical chart showing the job creation figures for the past 19 years is shown in Appendix L.

4.2 Industrial Land Sales in the Private Sector

For vacant private industrial land sales, 2020 had seen a considerable amount of market activity from years prior from years prior. In total, approximately 74 acres had sold representing a mix of primarily smaller parcels and two larger parcel size transactions being greater than 25 acres. Regionally, recent news was of the 622 acre land sale, by CBRE, of the former Ford Talbotville property. A chart has been included for the Privately-Owned Industrial Land Sales in Appendix M.

4.4 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.

Targeted Uses which qualify for the Industrial Development Charges Grant Program include:

- Advanced manufacturing including renewable and clean technology, automotive, agri-food/food processing, and defense and aerospace, as well as life and health sciences, information technology and digital media, and research and development.

Non-Targeted uses where a portion of the Grant Program applies (up to a max of \$250,000) include:

- Warehouses, distribution centres, transportation and logistics, businesses that store and process data for retrieval, and truck terminals.

Provided below is a cumulative city-wide summary of the Development Charge Exemptions for Industrial:

2017 - \$3,011,569
2018 - \$1,698,946
2019 - \$12,359,452
2020 - \$5,183,236

In 2020, approximately \$357,249 was attributed to the Development Charges Grant provided for non-targeted uses. The balance Grant amount of \$4,825,987 in 2020 was provided for targeted industries.

Local Market Conditions:

Despite the pandemic uncertainties, the city's industrial land development strategy has resulted in a steady stream of inquiries throughout the past year. Realty Services along with LEDC did receive some pushback on the Development Charges (DC) payable for non-targeted, although much less resistance than years prior as demand for warehousing/distribution continues to rise. Some prospective end-users also raised this however, they recognized that other regional municipalities also charged industrial DC's. For example Woodstock, which has traditionally not charged DC's for all industrial type uses, but is expected to implement full DC charges starting in 2022. Larger urban centers such as Kitchener/Waterloo and Hamilton have DC's in place already.

In 2021, the ILDS Implementation team was informed of only one (1) warehouse distribution company which has decided to locate in a nearby municipality as a result of having to pay DC's. Generally however, such users typically know that DC's are applicable. The ILDS team continues to field regular inquiries for large warehousing, distribution and logistics spaces as demand for such uses remains high.

4.5 ILDS Strategic Initiatives

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 London Plan. 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, new innovation and R&D investments made in the City, as well as other spin-off industry attraction.

Provided below are some of the Strategic Initiative achievements completed in 2020.

Active Role in Development and Selling Industrial Land:

- Realty Services secured necessary land rights for the City's Transportation Department so the Veteran's Memorial Parkway North Extension Project could get underway. This was the catalyst required to get Huron Industrial lands underway for development.
- Coinciding with the point above, the Storm Water Management (SWM) for Huron Industrial lands has been tendered and is currently under construction, which service approximately 168 acres of new industrial land to market in Q4 2021 and Q1 of 2022.
- Municipal Services design and grading plans finished and in Tender phase for the development of Huron Industrial Park bringing close to 168 acres of new supply to market (soft marketing underway).
- Worked with Enbridge Gas in selling lands and granting easements to bring new natural gas service for Huron Industrial Park.
- Realty Services Industrial Land Officer and London Economic Development Corporation (LEDC) routinely providing prospective clients information on City's industrial land.
- Maintaining City owned and private industrial land supply on our new revamped website.
- LEDC has successfully worked with several local companies with expansion plans to their existing locations as well as new foreign industries locating in London. Details are provided LEDC's website (www.ledc.com) and shared through social media, newsletters and activity reports.

Target and Understand our Target Sectors' Needs:

- Monthly teleconference video calls (MS Teams) scheduled with the ILDS implementation team and LEDC to discuss market activity, prospect client activity, development schedule for our industrial parks.

- Monitoring of industrial site plan applications submitted through Development Services Division and set up of SWAT internal review team for time sensitive and/or high profile accounts.
- Routine calls with members from the real estate brokerage community and design-build firms understanding up-to-date market conditions.
- Tracked data throughout the year from publications provided through the Conference Board of Canada, publications provided by local commercial real estate brokerages, and internal data tracking.

Ensure an adequate supply of land

- As mentioned earlier, the SWM system for Huron Industrial Lands will be completed in Q2 and will allow 168 acres of new industrial supply to come to market.
- Ongoing archaeological work underway and the purchase of a Hydro One right-of-way for access will allow development of Innovation Park Phase 5 in medium term.
- Recent conditional purchase of 1710 Wilton Grove totalling 64 acres which is currently in property due diligence stage.
- Other strategic acquisition efforts being made to ensure additional land is available for the longer-term horizon, given current absorption levels and market demand trends.
- Working with the brokerage community in offering City's industrial site to market private land listings.
- Have remained nimble by soft marketing some of the City's industrial lands on a no-grading but market ready condition to meet market demand needs or to qualify for Request for Proposals through the Province via LEDC.

Establish a plan to deliver investment-ready land

- Maintained monthly technical video call meetings to discuss industrial land status pertaining to studies, reports, construction tenders, review of capital work program budgets.
- Engaged routinely throughout the year communications with Enbridge, Bell, London Hydro and other external agencies to verify any servicing or environmental constraints (Example: 2 new regulating stations being constructed by Enbridge to improve natural gas supply for our industrial parks).
- Annual Industrial Land Monitoring report prepared to Council.
- Annual summary provided Civic Administrations Senior Leadership Team (SLT) on the land sales status and to be reported in the City's Strategic Objectives.

Market our land aggressively on international stage & making London attractive to investment

- New City industrial website along with new marketing brochures being developed.
- New signage coming to Huron Industrial Park.
- ILDS Implementation team participation with LEDC in Request for Information (RFI) packages from the Province and Federal government.
- Given attendance at foreign trade shows and industry events has been restricted for 2020/2021, LEDC has adapted its approach in reaching target market audiences for our industrial lands using their new website, dedicated mailing program, YouTube and other forms of social media to attract new investment to London. For instance, drone footage was developed to remotely market lands to foreign prospects. Several virtual tours were arranged with site selectors and corporate facilities managers.
- LEDC worked with our neighboring communities to market the region through the EDCO Investment Alliance.
- LEDC and maintained for 2020 the personalized concierge services to prospects in our targeted industry sectors to enhance London's attractiveness.

- LEDC and Realty Services recognize and capitalize on industrial clientele relationships and networks.
- LEDC advocating and marketing unique assets and resources available in London to manufacturing and other targeted industrial sectors.

London Transit Commission – Pilot Project Initiative

The ILDS team recognizes the value transit services would have within City owned industrial parks and as such continues to have discussions with LTC. As we understand it, 2021 service plan changes were approved by the Commission. Specific to Industrial areas, London Transit will be undertaking a review of Alternative Service Delivery models to provide service to Industrial areas in London in the coming months.

5.0 Update to Municipal Industrial Land Pricing:

The City's land prices have remained unchanged since October 2018 which was based on modest market conditions at that time and to help attract new investment to London while remaining competitive on a regional and North American wide basis.

Local Economic Data:

Unprecedented changes in 2020 were witnessed since the first case of COVID-19 reached Ontario in January of 2020. In March 2020, businesses shut down temporarily as the province declared a State of Emergency along with the city. Travel restrictions along with physical distancing measures were put in place to help reduce the spread of COVID-19. Unemployment levels hit a high of 9.9% in August 2020 in London (source: Stats Can) and Ontario's real Gross Domestic Product (GDP) was minus 12 percent in Q2 of 2020 (source: <https://www.ontario.ca/page/ontario-economic-accounts>).

Since the lows witnessed last year, Ontario's real GDP has increased steadily however still is 1.8% lower than the real GDP prior to the pandemic reported in Q4 of 2019. Most recent Statistics Canada data shows the unemployment rate for London increased upwards to 9.7% (for the month of May) whereas in April it was 8.2%. It has been reported that the increase can be attributed to a higher labour participation rate. London still sits higher than the national average for unemployment at 8.2 percent and Ontario at 9.3 percent. Momentum has however continued in terms of growth driven by higher investment in residential structures and more modest gains in non-residential construction and household spending (source: <https://www.ontario.ca/page/ontario-economic-accounts>).

Tied to some of the investment growth mentioned above, London has been on an upwards trend in terms of construction activity and permit data. In 2019, a total construction value of 1.37 billion dollars in construction permits were issued city wide. In 2020, it was marked by a record year of 1.62 billion dollars value in construction permits. As of April 30th 2021, a total construction value of \$593 million was reported for all construction building activity city wide. For industrial as of June 2021, 26 permits were issued totaling a value of nearly \$40 million dollars.

In terms of local industrial market data, CBRE's Industrial Market Outlook report for Q2 2021 has indicated six (6) consecutive quarters of positive absorption for industrial space. The report indicates strong demand for warehouse space which continues to grow in momentum. This trend is evident with the recent news that Amazon is suspected to be coming to the region with a large-scale warehouse facility with two smaller locations planned here in London. Other trends observed have been that companies and tenants are expanding their current locations to meet growing demand needs as fewer building options available. Original Cakerie, Nestle, amongst others are examples of such expansions occurring. On a national level, London is now reported to have lower industrial building availability (2.3%) compared to the national average being just over 3 percent (Source: CBRE Q2 Industrial Market Outlook).

The ILDS implementation team and LEDC have for the past year continued to see the trend of manufacturers and other industrial users looking at London primarily due to land availability, services available, proximity to a more expensive GTA market, U.S proximity, land cost, and available workforce. Demand for the City's industrial land continues as these indicators along with favourable low interest and borrowing rates and consumer demand are spurring new investment.

While taking a cautious approach in 2020 when the pandemic was first unfolding, 2020 proved to be a strong year for industrial land sales and 2021 is on the same momentum. To date, the City's industrial land supply is quickly being absorbed and the current pricing is not reflecting today's market conditions.

By comparison to the private land pricing and regional data collected from other municipalities, Civic Administration is recommending an overall increase to catch up for this lag while still remaining competitive to attract businesses to London and optimizing the City's revenue position on future land sales. Details on the pricing change is provided below.

Recommended Council Approved Pricing:

It is evident that across most real estate asset classes that prices have gone up significantly over the course of the past 18 months. By comparison to other regional municipalities, a similar trend has been observed where municipalities such as St. Thomas, Woodstock, and Chatham have also increased their pricing levels.

By factoring in these trends while observing what local private sales are achieving, it's important to distinguish that the City's ILDS Strategy is competing not only regionally but with other Provinces and with the U.S. market to attract businesses and industry to come to London. Furthermore, the City of London is striving to attract targeted industries such as advanced manufacturing, food processing, research & development etc.. Under the Industrial Land Policy, there are restrictions put in place for each sale to ensure conditions of the Purchase of Sale Agreement are fulfilled such as beginning construction within (1) year of time of sale, minimum 15% building to lot coverage, Purchaser's Declaration in terms of what is being constructed and what is the purpose, and a ten (10) year buy-back provision which is registered on title should these obligations by the Purchaser not be met. Given these restrictions, the City is unable to charge similar pricing to that achieved in the private marketplace.

In consultation with City appraisal staff and the ILDS Implementation Team, the new Council approved pricing is recommended to be:

Effective November 1, 2021, pricing for serviced industrial land in Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, Huron Industrial Park, and Cuddy Boulevard Parcels will be:

- Lots up to 4.99 acres - \$125,000.00 per acre
- 5.00 acres and up - \$115,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park will be:

- All lot sizes - \$115,000.00 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 services 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.

Further justification on the pricing recommendation above is based on the following:

- The increase is considerable from the existing land pricing - the main objective for the City is to attract industry and generate economic benefits such as employment and indirect employment, new construction, property taxes, and other economic benefits and spin offs.
- Provides a fair, consistent, and equitable pricing to the market when discussing with prospective clients and brokerages whereas other municipalities may be seeking to negotiate final sale prices based on each land transaction.
- The recommended pricing allows Civic Administration to re-assess next year if a further pricing adjustment is required based on future market and economic conditions.
- The pricing adjustment will help recover a good portion of the land acquisition costs, development costs (which vary based on the property) and improve the City's revenue position.
- The pricing remains competitive to attract targeted industry and companies to London.

Conclusion

As the City has seen new interest from the private sector to develop industrial land, the Industrial Land Development Strategy (ILDS) has worked well since its inception and continues to play an important role to help bring new manufacturing, expansion opportunities, and to attract targeted industries here to London. Huron Industrial Park will be ready at the end of 2021 which will bring much needed small parcels and flexibility in the larger parcel size ranges. The price adjustment will reflect today's market conditions while maintaining competitiveness and improve the City's overall revenue position.

Acknowledgement

This report has been prepared with the assistance from Stacy Badeen, Industrial Land Officer; Chris McIntosh, Manager Industrial Lands Engineering, Gregg Barrett, Director Planning and Development, Kapil Lakhotia, President and CEO, London Economic Development Corporation.

The proposed by-law is attached as (Appendix A)
The surrounding Municipalities Pricing Table is attached as Appendix B
The location map of Innovation Park is attached as Appendix C
The location map of Skyway Industrial Park is attached as Appendix D
The location map of Forest City Industrial Park is attached as Appendix E
The location map of River Road Industrial Park is attached as Appendix F
The location map of Trafalgar Industrial Park is attached as Appendix G
The location map of Cuddy Industrial lands is attached as Appendix H
The location map of Huron Industrial Lands is attached as Appendix I
The location map of Innovation Park Phase V is attached as Appendix J
The City's Land Sales History Chart is attached as Appendix K
The City's Employment Creation is attached as Appendix L
The Private Lands Sales Chart is attached as Appendix M

Prepared by: Adam Ostrowski, Manager II, Realty Services

Submitted by: Bill Warner, AACI, PApp, Director, Realty Services

Concurred by: Mark Henderson, Interim Director, Economic Services and Supports, Industrial Land Development Strategy, Planning and Economic Development

Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Appendix A

Bill No.

By-law No.

A by-law to authorize and approve to amend By-law No. A.-6151-17, as amended, being “A by-law to establish policies for the sale and other disposition of land, hiring of employees, procurement of goods and services, public notice, accountability and transparency, and delegation of powers and duties, as required under section 270(1) of the *Municipal Act, 2001*” by deleting Attachment “B” to Schedule “A” – Sale and other Disposition of land Policy of the By-law and by replacing it with a new Attachment “B” to Schedule “A” to amend the current pricing for City-owned serviced industrial land in Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, Huron Industrial Park, Cuddy Boulevard Parcels and Trafalgar Industrial Park as follows:

Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, and Huron Industrial Park, and Cuddy Blvd Parcels:

- Lots up to 4.99 acres from \$80,000 per acre to \$125,000 per acre
- 5.00 acres and up from \$70,000 per acre to \$115,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park:

- All lot sizes – from \$65,000 per acre to \$115,000.00 per acre;

WHEREAS section 5(3) of the *Municipal Act, 2001* S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. Attachment “B” to Appendix “A” of By-law No. A.-6151-17, as amended, is hereby deleted and replaced with a new attached Attachment “B” to Appendix “A”.
2. This by-law shall come into force and effect on November 1, 2021.

PASSED in Open Council on

Ed Holder
Mayor

Catharine Saunders
City Clerk

First Reading -
Second Reading -
Third Reading –

ATTACHMENT “B”

The current pricing levels of all other City industrial parks be established effective November 1, 2021, as follows:

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

Lots up to 3.99 acres	\$125,000
4.00 acres and up	\$115,000

Pricing for serviced industrial land in Trafalgar Industrial Park:

All lots sizes - \$115,000

Surcharges to be added as follows:

Highway 401 Exposure – 15%

Veteran’s Memorial Parkway Exposure – 5%; and

The cost of service connections from the main services to the property line being the responsibility of the purchase.

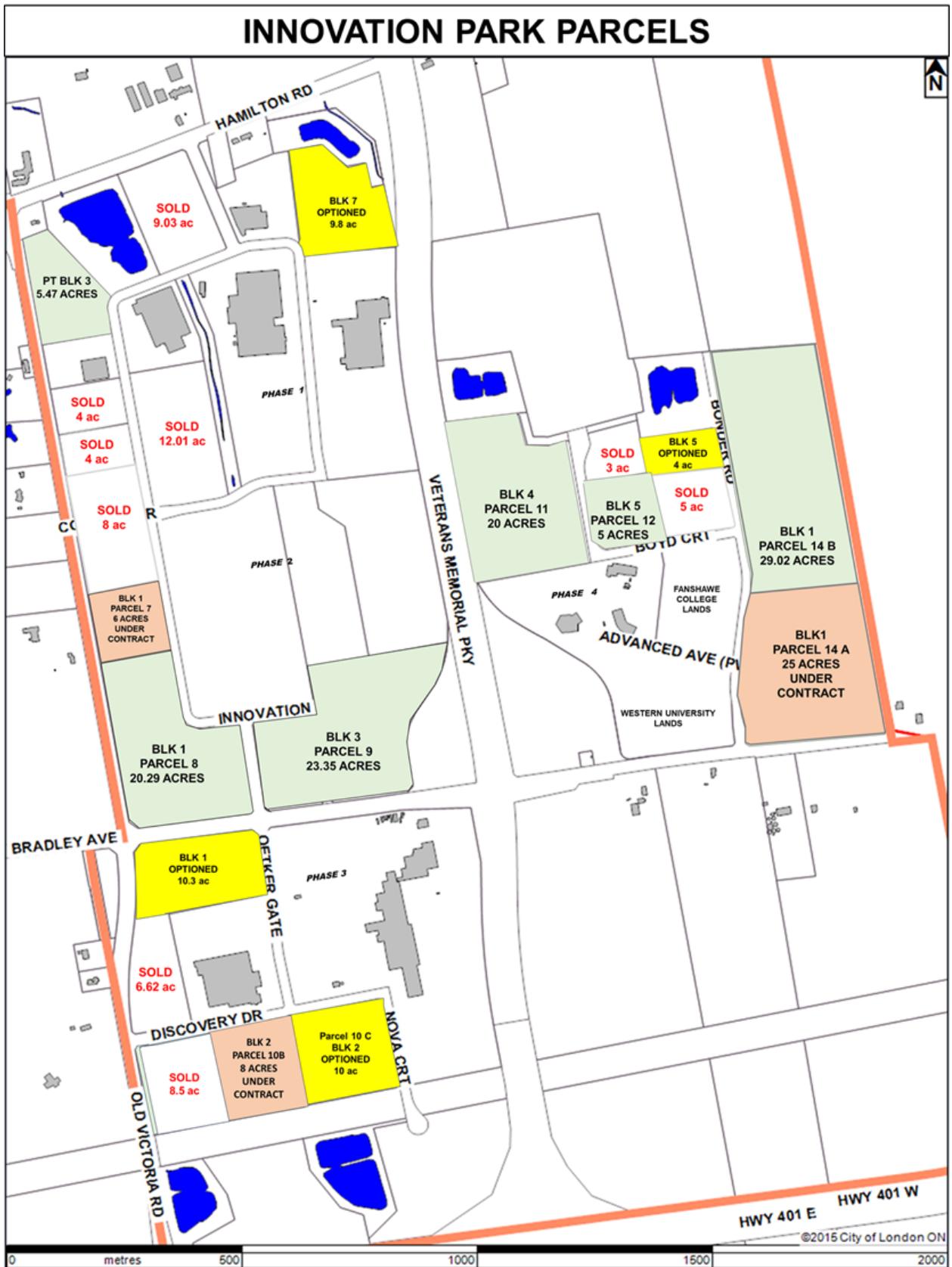
Industrial lots are sold on a where is, as is basis, with grading, stripping and removal of excess topsoil being the purchaser’s responsibility and cost. The City will strive to provide grading of the municipal industrial parks on a level-graded basis. Site specific final grading is the responsibility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

Appendix B – Pricing of Surrounding Municipalities Table

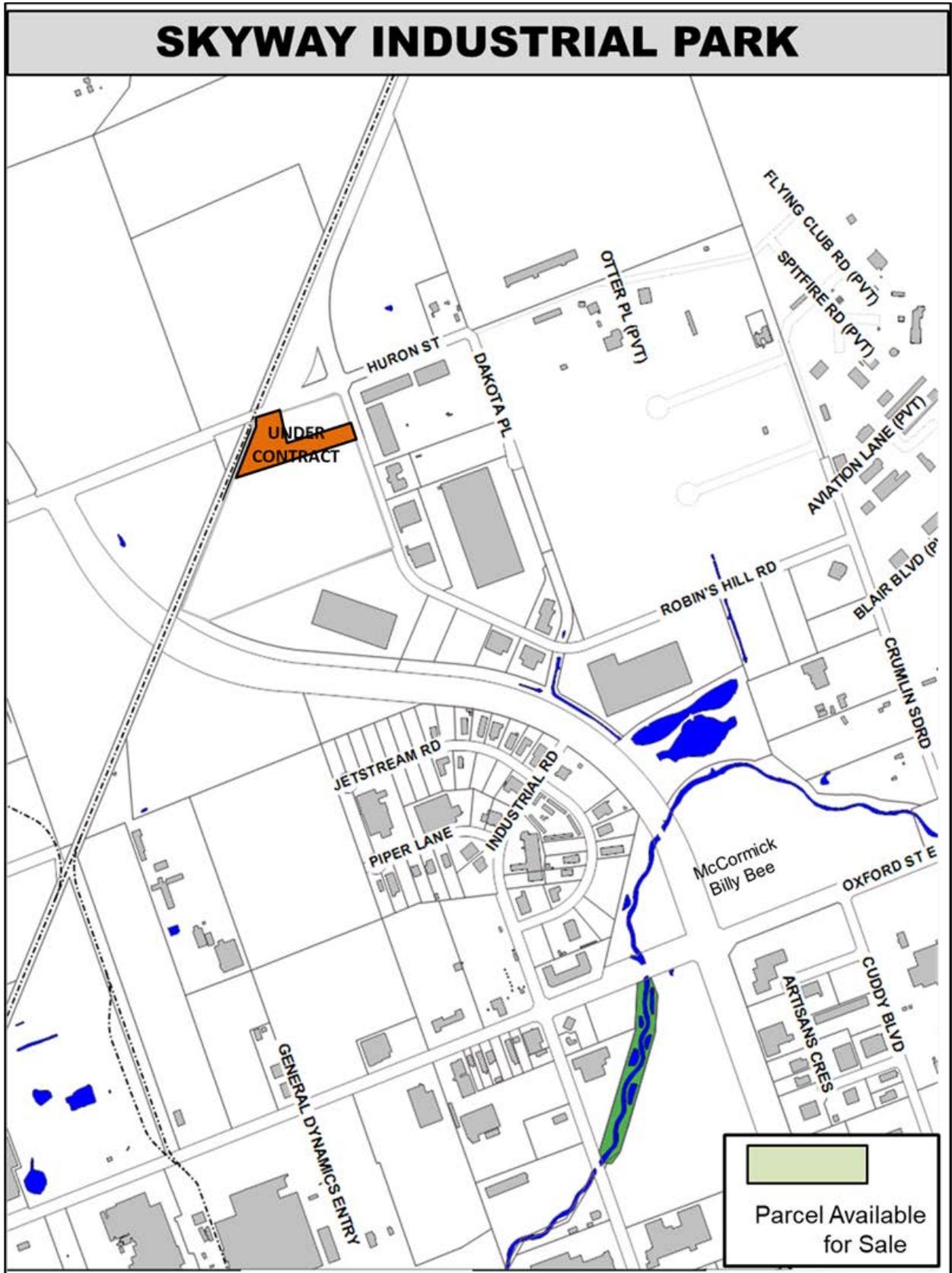
MUNICIPALITY	TOTAL ESTIMATED INDUSTRIAL LAND INVENTORY (AC)	PRICE PER ACRE	DEVELOPMENT CHARGES	DEVELOPED LANDS AVAILABLE YES/NO	ZONING	NOTES
BRANTFORD	n/a	\$75,000 - \$125,000 (2019)	\$7.41 /sq.ft.	n/a		NEW INDUSTRIAL DEVELOPMENTS- MAXIMUM CHARGE OF 25% LOT COVERAGE The charge for industrial developments will be calculated on the basis of gross floor area to a maximum of 25% building coverage multiplied by the non-residential development rate. For example, an application for 20% industrial lot coverage would be calculated based on 20% lot coverage. However, an application for 30% lot coverage would be charged based on the maximum charge of 25% lot coverage.
COUNTY OF BRANT	n/a	n/a	\$ 7.44 / sq. ft. with urban services	n/a		
CAMBRIDGE	n/a	\$350,000 (2019)	City - \$ 5.52 / sq. ft. Region - \$16.70 / sq. ft.	Yes		Four business parks located in Cambridge, none showing if land is available, must call to inquire.
CHA THAM/KENT	13ac + 16.5 ac available summer 2021	\$89,000 /ac	\$0.00	Yes	Light Industrial	New lots available The Property Tax Increment Equivalent Program provides a 100% tax rebate up to 10 years on newly developed, redeveloped or rehab properties.
GUELPH	30.8 ac	\$350,000 - \$425,000 /ac	\$13.15 / sq. ft.	Yes	B. 5, B. 5-2, B. 5-3, B. 5-5	Minimum building size requirements based on site purchased. Max heights of 8-20 metres, min 15% landscaping required, outdoor storage permitted, minimum lot frontage 30 metres.
HAMILTON	.74 ac	\$425,000 - \$450,000 (2019) \$425,000 - \$450,000 (2021)	Reduced Industrial Rates: \$11.44 / sq.ft. (combined sewer system) \$12.81 / sq. ft. (separated sewer system)	Yes	L1	Charges related to Stormwater services are differentiated within the geographic location of the development between Combined Sewer System Area and Separated Sewer System Area and shall be determined with regards to the Area Specific DC calculation for Stormwater services.
INGERSOLL	18 ac	\$150,000 /ac \$250,000 / ac (2021)	\$0.00 sq.ft.	Yes	MG-6	Servicing to be completed June 2021, Direct frontage on the 401
KITCHENER	n/a	n/a	CITY LAND - \$2.00 / sq. ft. SUBURBS - \$ 5.56/sq.ft.	n/a		Site has not changed from previous year
LONDON	128.6 ac	\$70,000 to \$80,000 /ac	Use Specific	Yes	L11, L12	
MIDDLESEX CENTRE	VARIOUS	\$25,000 to \$60,000 /ac	\$0.00 / sq.ft.	Yes	Various Uses	
WATERLOO	n/a	n/a	\$6.80 /sq. ft.	n/a	n/a	
SARNIA	245 ac	\$70,000 to \$85,000 /ac first 2 acres \$50,000 /ac for 5 + ac.	402 Business Park - \$0.00 /sq.ft. Sarnia Research & Business Park - \$0.00 / sq.ft.	Yes	Light Industrial	Industrial Development Charges in all other areas of city - Urban Area - \$6.27 /sq. ft., Dev. Area 2 - \$14.88 /sq. ft. Rural Area - \$3.76 /sq. ft.
STRATFORD	5.5 to 9 ac	\$100,000 to \$145,000 /ac	\$0.00 sq.ft.	Yes		
STRATHROY	99.7 ac	\$35,000 +/ac	\$10.18/sq. ft.	Yes	M2 (GENERAL INDUSTRIAL)	Available land is a certified site
ST. THOMAS	56 ac	\$90,000 to \$110,000 /ac \$45,000 - \$120,000 /ac (2021)	\$0.00 sq.ft.	Yes	EL (EMPLOYMENT LANDS)	
TILLSONBURG	37 ac	\$50,000 /ac	\$0.00 sq.ft.	Yes	MG	Town has acquired an additional 70 acres with rail access east of Innovation Park
WINDSOR	76.5 ac (Certified sites)	n/a	\$0.00 sq.ft.	Yes		
WOODS TOCK	8ac-75ac	\$185,000 to \$225,000 /ac \$275,000-\$350,000 /ac (2021)	\$0.00 sq.ft.	Yes	M3, M-23	It is expected there will be DCs as of September 2022

**NOTE: The Data above was obtained through various Municipal, Economic Development, and Commercial Realtor Web Pages. Municipal news stories and other industry resources including, industry reports, Geowarehouse and LSTAR.

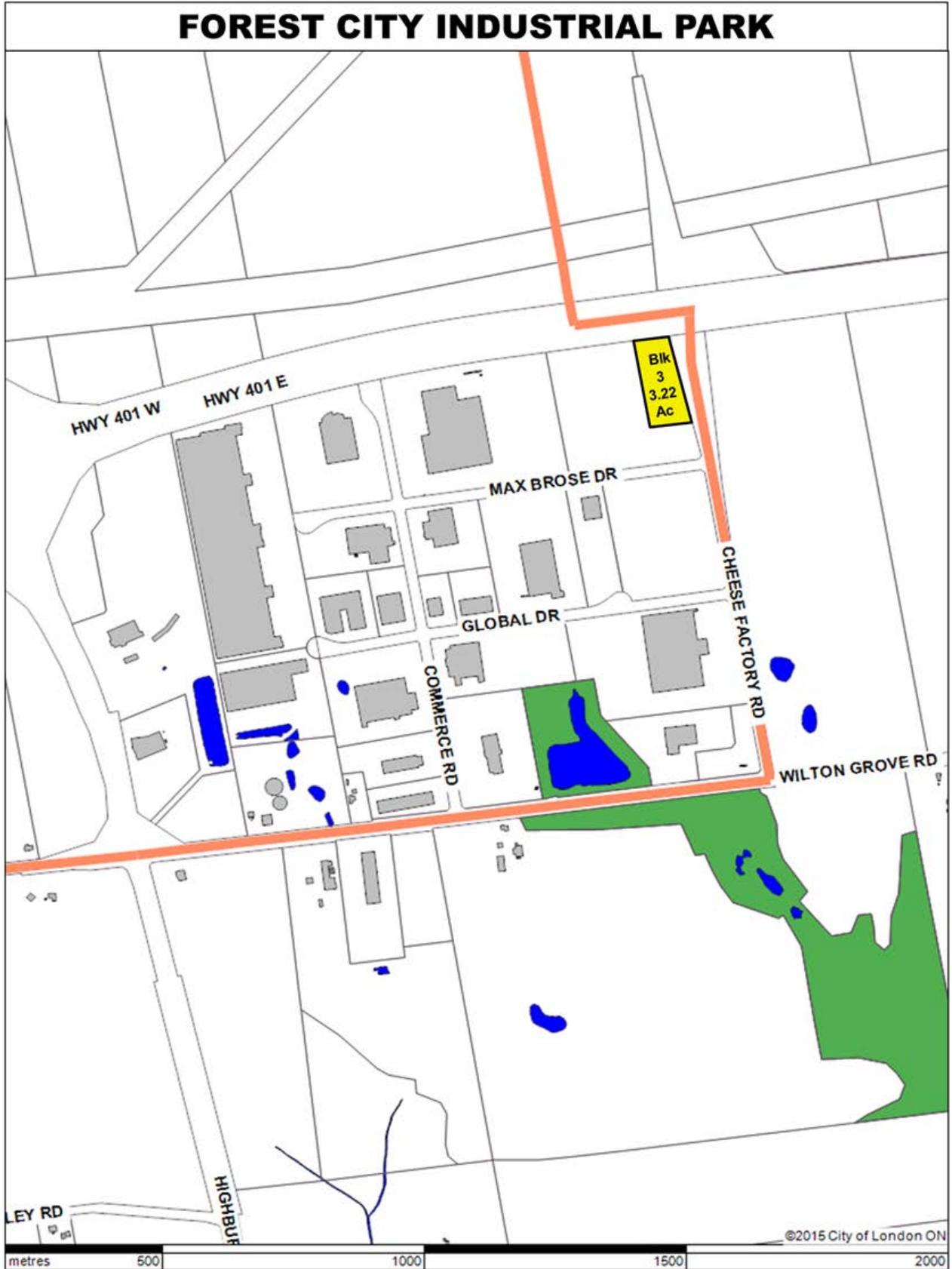
Appendix C – Innovation Park Location Map



Appendix D – Skyway Industrial Park Location Map



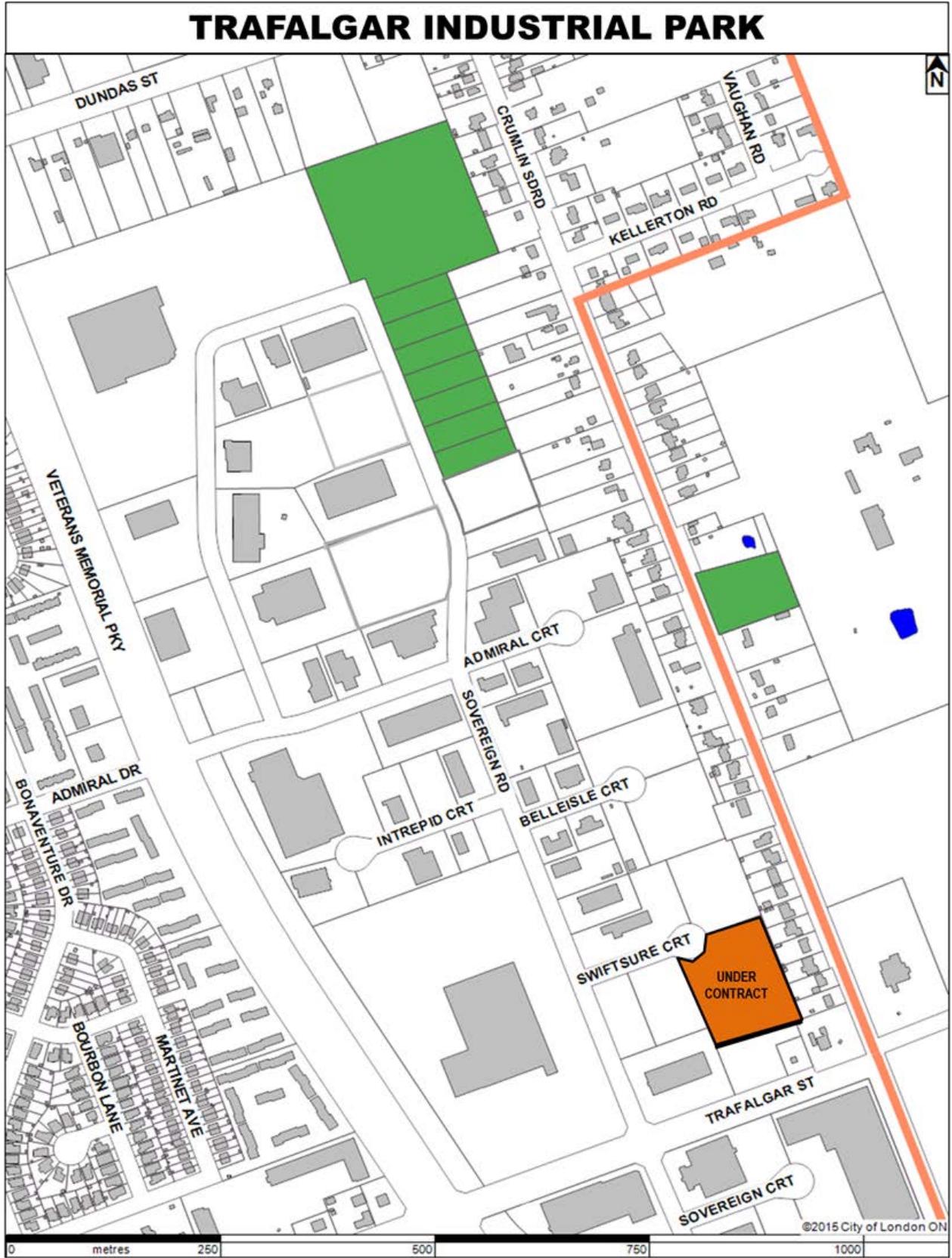
Appendix E – Forest City Industrial Park Location Map



Appendix F – River Road Industrial Park Location Map



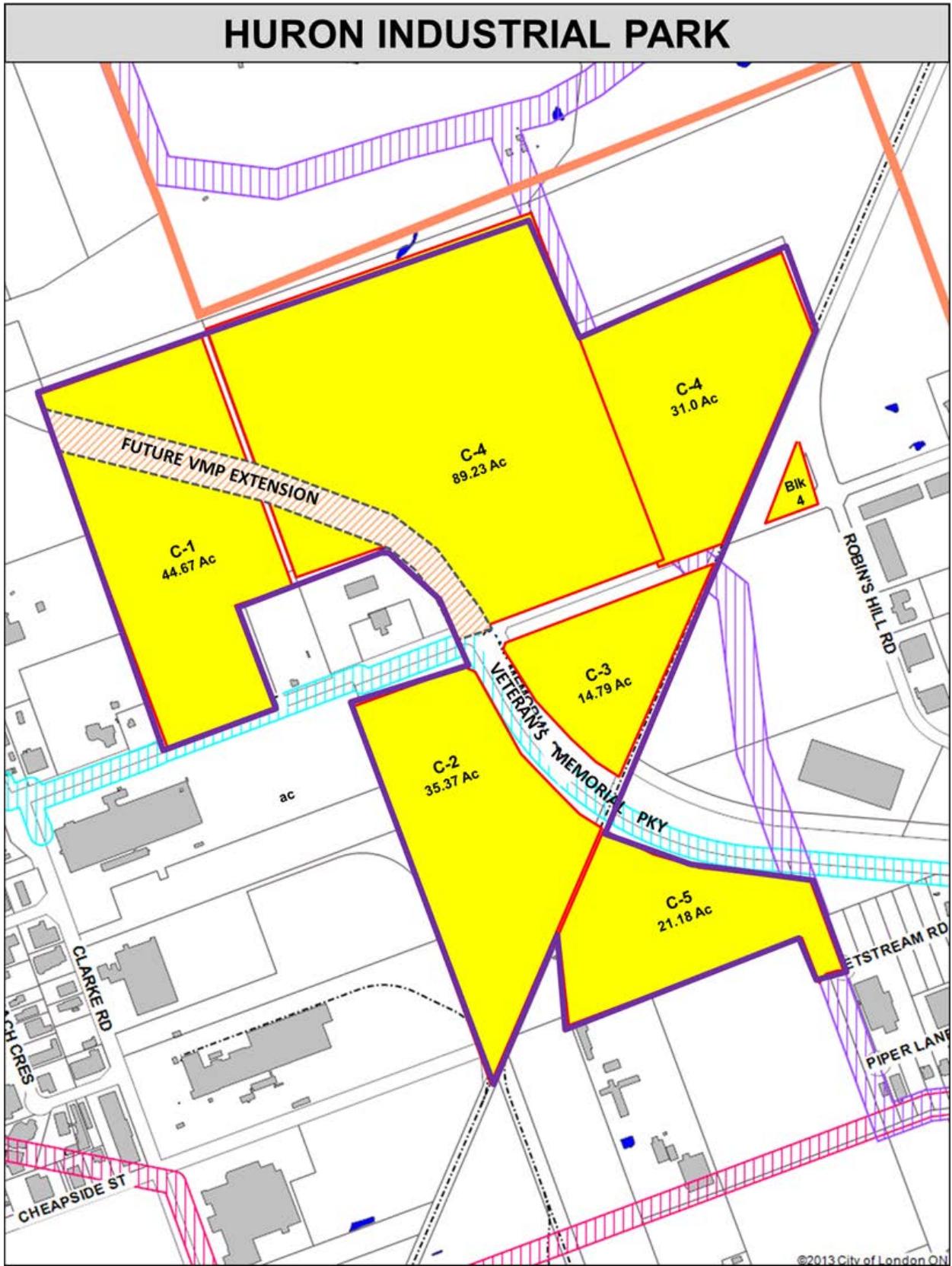
Appendix G – Trafalgar Industrial Park Location Map



Appendix H – Cuddy Industrial Lands



Appendix I – Huron Industrial Park Lands Map

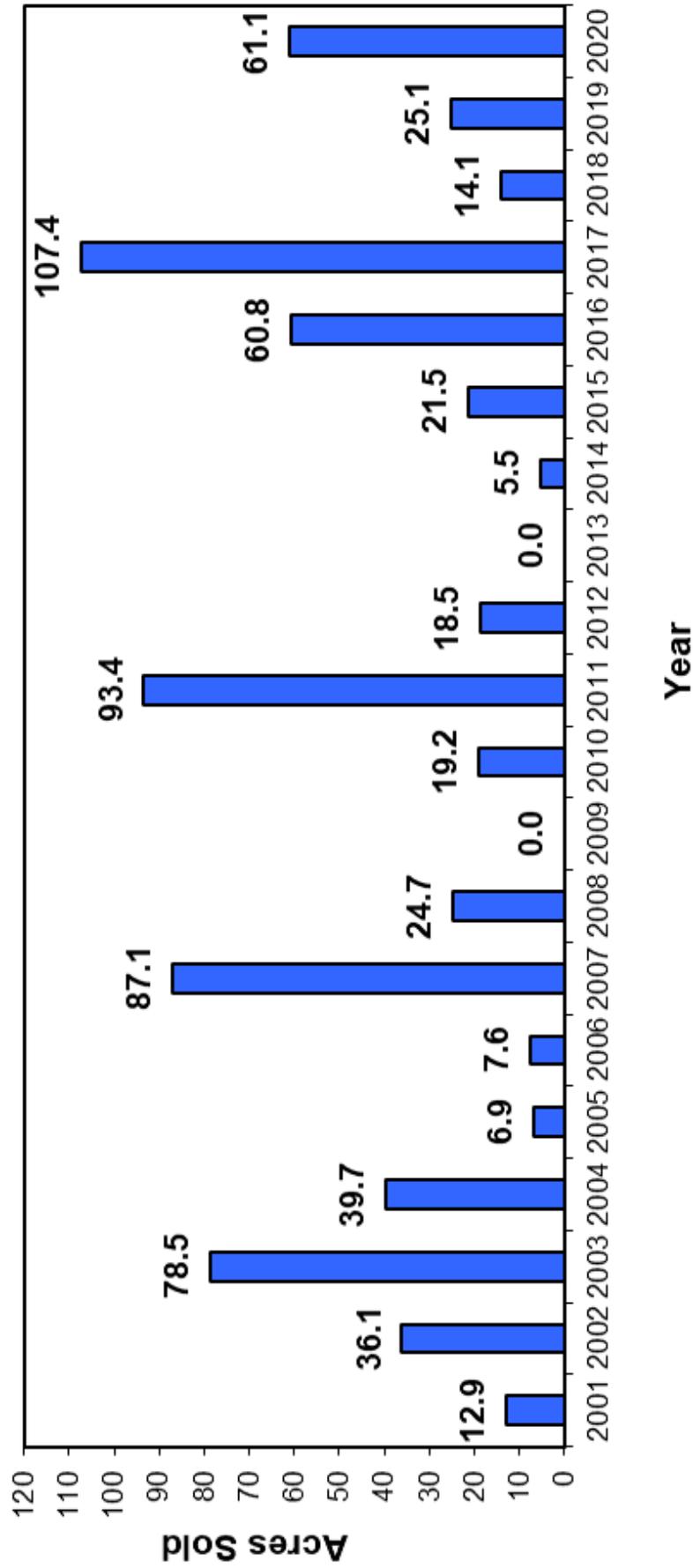


For Illustration Purposes Only
(Note: final road widenings & Storm Water Management Facility not shown in sketch)

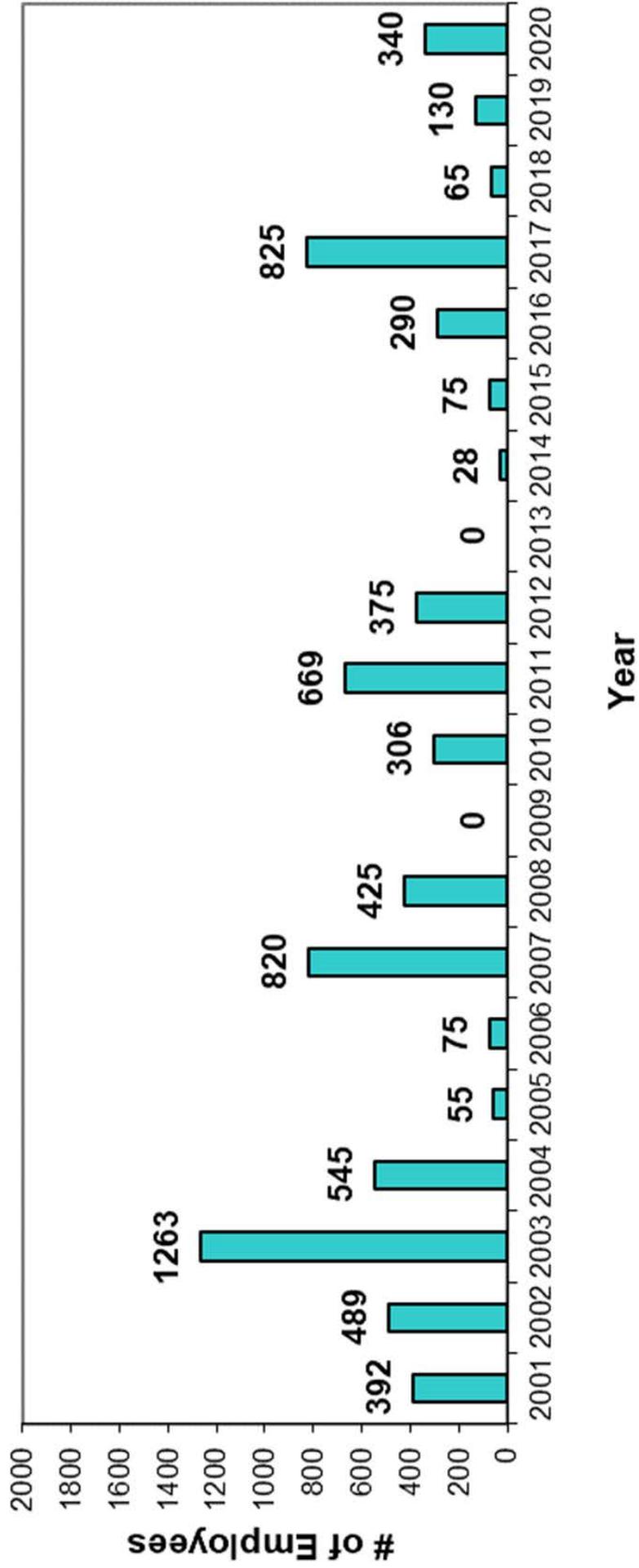
Appendix J – Innovation Park Phase 5 Location Map



Land Sales in City-Owned Industrial Parks 2001 to Present



**Employment Creation *
(City-Owned Industrial Parks)**



Appendix M – Private Industrial Land Sale Chart

2001 - 2020 Privately-Owned Industrial Land Sales

