

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: May 9, 2022

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, with concurrence of the 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 A) **BE INTRODUCED** at the Municipal Council meeting to be held on May 24, 2022 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 (all phases) and Cuddy Blvd Parcels:

- Lots up to 4.99 acres from \$125,000 per acre to \$175,000 per acre
- 5.00 acres and up from \$115,000 per acre to \$165,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park:

- All lot sizes – from \$115,000 per acre to \$165,000.00 per acre;

Pricing for serviced industrial land in Innovation Park Phase V:

- All lot sizes – \$250,000.00 per acre;

- b) the staff report dated May 9th, 2022 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

Corporate Services Committee – August 30, 2021 – 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 November 1, 2021, 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 4.99 acres \$125,000.00 per acre
- 5.00 acres and up \$115,000.00 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park is:

- All lot sizes - \$115,000.00 per acre.

Surcharges are as follows:

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

Effective July 1, 2022, pricing for serviced industrial land in Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, Huron Industrial Park (all phases), and Cuddy Boulevard Parcels is recommended to be:

- Lots up to 4.99 acres - \$175,000.00 per acre
- 5.00 acres and up - \$165,000 per acre

Pricing for serviced industrial land in Trafalgar Industrial Park will be:
- All lot sizes - \$165,000.00 per acre

Pricing for serviced industrial land in Innovation Park Phase V:
- All lot sizes – \$250,000.00 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. In the event an industrial lot has frontages on both Highway 401 and Veteran’s Memorial Parkway, the Highway 401 Exposure surcharge of 15% shall apply.

The recommendation for the price increase is based on several variables being; continued strong demand for industrial parcels, time adjustment to pricing, and recapturing increased servicing costs amongst other reasons referenced later in the report. The increase in pricing is required while still 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, smaller municipalities of Middlesex Centre, Sarnia, Strathroy and Tillsonburg are offering municipal industrial land at lower prices than London. St. Thomas, Ingersoll, and Brantford have comparable pricing. Guelph, Hamilton, Stratford, Waterloo Region, and Woodstock have historically had higher asking prices than London. Over the past year, available inventory from various surrounding municipalities has decreased based on recent absorption. 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:	164.76	66.68
Trafalgar Industrial Park	1.51	0.611
Forest City Industrial Park	3.2	1.3
Total	169.47	68.59

Note: Inventory levels shown above are reported on a year end basis, include optioned parcels, and do not reflect sales for 2022. The current sales and land activity for 2022 to date 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, three (3) existing parcels are available which are 20+ acres in size and both located in Innovation Park Phase IV. In addition, parcels ranging from 20 to 60+ acres are near completion at Huron Industrial Park and should be ready summer 2022. In addition, the ILDS implementation team is currently designing large block (50+ parcels) for Innovation Park Phase V to meet needs in today's marketplace.

Provided below is a summary 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 December 31, 2021, 281 acres have been sold in the park, 30 acres are under contract, 24 acres under Option agreements for future expansion needs, and 39.7 acres were previously donated to Western and Fanshawe (as part of the original Phase IV Joint Venture development). Unfortunately two (2) parcels were repurchased last year, totalling 9.5 acres, as Purchasers were unable to fulfill their obligations given impacts due to business disruptions caused by the pandemic. Excluding all lands sold, optioned lands, and those lands currently under contract, the total available net supply in Innovation Park is approximately 100 acres.

Since inception of Innovation Park, the cumulative historical average sale price is calculated to be approximately \$53,800 per acre and in total, the City has sold approximately 22 parcels with the average size being just over 12 acres in size.

Demand in the City's industrial parks tend to range in the smaller parcel sizes between 3 to 5 acres and larger blocks in-excess of 40+ 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 last remaining 4.7 acre parcel was sold in 2021 and no further lots remain. In total, 14 lots have been sold representing an average lot size being 9.3 acres. The cumulative average historical sale price was calculated to be \$51,800 per acre. A map showing Skyway Park is attached in Appendix D. The London International Airport continues to have some industrial lands available, however these are land lease opportunities provided by the airport authority.

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. Due to some environmental attributes of the property, the ILDS team is evaluating how these lands can be combined with a future development plan of lands recently acquired at 1710 Wilton Grove Road.

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 \$54,694, 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 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 the end of 2021, the park is nearly sold out with one (1) remaining parcel at 1.51 acres being available. The average price per acre obtained for Phase III was approximately \$61,200 and in total, 25 lots have sold. 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 486 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
Forest City Park East	AG2	64 / 25.8
		Total 486.85 / 196.87

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. With the completion of the Huron Industrial Lands Storm Water Management Facility (SWMF) in 2021, approximately 128 acres (51.8 ha) is fully serviced at a municipal level. Currently there is a construction project underway to provide the option to create smaller parcels, mostly in the 1.5 to 3 acre (0.6 to 1.2 ha) size to fill what is seen as a gap in the industrial market right now. Also under consideration is to take another parcel and see if it makes sense to create several 3 to 4 acre (1.2 to 1.6 ha) parcels. The completion of Huron Industrial Park will provide the market with approximately 168 acres (68 ha) of new industrial land supply ranging from small parcels (1.5 to 4 acres in size) to one large (60+ 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 in 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 Avenue for the future Phase V development of Innovation Park. In 2018, the abutting 2531 Bradley Avenue 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 Stages 1, 2, and 3 Archaeological work has also been completed for 2497 and 2531 Bradley Avenue. Recent vacant possession has also been obtained for the properties and demolition work is scheduled this summer.

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. Due to a delay with the issuance of the OIC, the ILDS implementation team anticipates approval for the corridor & road crossing by end of Q2 2022.

In Q4 of 2021, a design consultant has been hired with design and tendering of demolition, servicing and grading work. The regional storm water management facility is also underway in terms of preliminary design work. It's anticipated the grading for the site will commence in late Q4 or early Q1 2023.

Despite the lands not yet being shovel ready, Civic Administration is recommending to Council to approve pricing for Phase V as these lands are a perfect candidate for large mega site selection Request for Proposals (RFP's) through the Province and other agencies. It's important for the City to be ready to submit applications when these target sector RFP's come through the London Economic Development Corporation (LEDC) which includes pricing. The higher recommended pricing for Phase V in comparison to the other blocks reflects the premier location, large contiguous block size availability, new services being installed, proximity and exposure to the 401, and the ability to connect to the Hydro One Networks Inc. transmission line corridor for high energy use end-users/owner occupiers.

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 a couple years out.

Forest City Park East (1710 Wilton Grove)

As part of the ILDS strategy, Realty Services has been contacting property owners in select areas seeking if there is interest to sell to the City on a voluntary basis. The intent being to bring more land into the City's inventory to ensure adequate supply of industrial land for future development.

The former property owners of 1710 Wilton Grove agreed to discuss a possible sale to the City in the spring of 2021. Over the course of a few months, an agreement was reached and approved by Council. The transaction was finalized in Q1 of 2022.

Initial due diligence work is near completion which includes a final Phase I/II Environmental Report, Tree Inventory Study, and the Stage I and II Archaeological Assessment is currently underway. These lands will be developed upon completion of the Huron Industrial Park and Phase V Innovation Park lands.

3.0 Financial Impact/Considerations

3.1 Sales Activity

Between 2001 and 2021, the City has sold a net total of approximately 748 acres (303 ha) of industrial land for a total of approximately \$39.5 million. In 2021, the municipal portion of taxes earned was calculated to be \$10.3 million dollars. Based on the 2021 industrial building permit data, a total of 70 building permits were issued and of which 15 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 \$106 million City wide.

Despite uncertainties experienced with the pandemic, the last two (2) years have remained very strong in terms of land sales in the City's industrial parks. In 2020, approximately 61 acres were sold representing eight (8) transactions. The lands sold were for industries ranging from manufacturing, one large scale laundry facility, one sale to a business expansion company, an alternative food protein processing facility, and a pharmaceutical manufacturer which marks the first sale of its kind for the City's industrial parks.

For 2021, the City has sold approximately 43 acres. This total represented eight (transactions) for businesses ranging in industrial automation, baked goods manufacturer, pet biscuit food production, metal refrigeration panel manufacturer, HVAC support system manufacturer, and lands purchased for expansion by an existing food processing company.

As of April 15, 2022, 5.47 acres have been sold in this year and 25 acres remain under contract awaiting completion of purchaser conditions. Despite having a couple of parcels recently re-acquired due to unforeseen impacts resulted by the pandemic, the steady demand in the City's industrial lands remain, specifically in the smaller lot sizes and bigger block parcels. Notwithstanding some of the recent Bank of Canada interest rate hikes, Civic Administration anticipates continued strong demand in City industrial parcels for the remaining part of 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 is provided in the section below for the past several years. Both 2020 and 2021 was marked with strong demand for industrial land and construction activity despite ongoing challenges with the pandemic, emergency closures, and challenges with supply chain, material, and labour costs.

Industrial Investment City Wide

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

2018 - \$ 43.5 million in construction value
2019 - \$ 374.4 million in construction value*
2020 - \$ 62.8 million in construction value
2021 - \$ 106 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, 70 permits were issued and the combined construction value for alterations, additions, and new builds totaled approximately \$106 million in construction value for all City wide industrial. For the City's industrial parks, the construction value was approximately \$48 million.

4.0 Other Key Issues and Considerations

4.1 Employment Creation

Since 2001, sales of City owned industrial lands have created just over 8,500 direct new jobs. An additional 6,000 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 as well as growth of existing London companies. A historical chart showing the job creation figures for the past 20 years is shown in Appendix L.

4.2 Industrial Land Sales in the Private Sector

For vacant private industrial land sales, 2021 was marked by a record in terms of purchases within the City of London. Based on the data collected, a total of approximately 321 acres of land has been sold, which includes both greenfield (raw) and infill industrial parcels. The total represents seven (7) transactions that were under 10 acres, three (3) transactions under 50 acres and three (3) transactions over 50 acres. Based on the data collected, trends observed in 2021 include sales of parcels which have sat on the market for years, many purchases made by buyers outside of London, comparatively high purchase prices and price action, and some acquisitions made by non-targeted sectors such as transportation and logistics.

Based on further data analysis prepared by Realty Services, the average price of privately sold industrial land has increased by 140% in the past five (5) years.

For 2022, the overall availability for private industrial land remains low. A chart has been included for the Privately-Owned Industrial Land Sales in Appendix M.

4.3 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 for the past four (4) years:

2018 - \$1,698,946
2019 - \$12,359,452
2020 - \$5,183,236
2021 - \$1,756,966

In 2021, approximately \$329,821 was attributed to the Development Charges Grant provided for non-targeted uses. The balance Grant amount of \$1,417,145 in 2021 was provided for targeted industries.

Local Market Conditions:

Despite the Province issuing a State of Emergency in early January 2021, shutdowns and closures experienced throughout the first part of the year with re-openings commencing in June onwards, inquiries for industrial land continued to remain steady throughout the year as companies looked at the longer term horizon.

Development Charges (DC's) payable continued to be brought up by several commercial brokerages and developers for non-targeted uses such as warehouse and distribution operation businesses. However, based on the high volume of inbound inquiries received by LEDC and Realty Services, this seemed less of a concern by end-users/owners looking at setting up logistics/distribution type operations in London.

By comparison with other regional municipalities, the majority of municipalities charge Development Charges (DC's) for industrial use except for Woodstock, Strathroy, Stratford, St. Thomas, and Tillsonburg. To remain competitive with regional municipalities, the City of London continues to provide an exemption for targeted uses under the Industrial Development Charges Grant Program as mentioned above. A rebate is also provided up to a maximum of \$250,000 for non-targeted industries.

The 2021, the ILDS implementation team and LEDC are not aware of any non-targeted prospective companies which have located outside of London due to Development Charges payable. Furthermore, inquiries continue for large scale non-targeted uses, the bigger challenge being able to find available private land to meet this growing market segment need.

Despite the City's Development Charges, London remains competitive to attract end-users/owner occupants and targeted sectors given locational attributes, affordability in comparison to the markets closer to the GTA, proximity to the US market, and talent and workforce availability.

4.4 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 2021.

Active Role in Development and Selling Industrial Land:

- The successful tender and award of engineering contract in 2021 to commence design for the SWMF and grading work required for Innovation Park Phase V.
- Rights being secured with Hydro One Networks Inc. and Infrastructure Ontario (IO) for a municipal road crossing at Innovation Park Phase V, which will allow municipal road access and servicing for 66 acres.
- The successful completion of the Huron Industrial Lands Storm Water Management Facility (SWMF) in 2021 allowing for 168 acres of industrial land being brought to market.
- Grading work commencing in 2021 for several blocks at Huron which will be completed by end of Q2 2021.
- Working in co-operation with Enbridge in expansion of a regulating station In Innovation Park, which will allow increased supply and reliability of service for existing and future end-users in the industrial park.
- Applying for funding available through the Province's Certified Site Program.
- Realty Services Industrial Land Officer and London Economic Development Corporation (LEDC) routinely providing prospective clients information on City's industrial available land.

- Maintaining available land supply information on the City's recently updated 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 meetings between the ILDS implementation team and LEDC to discuss market activity, prospect client activity, development schedule for our industrial parks.
- Tracking trends and requirements through the Federal and Provincial governments along with other agencies, regarding upcoming investments being made in the region from targeted sectors.
- 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.
- Regular calls and attendance in presentations put on by the brokerage community and development firms to better understand current market conditions and challenges being faced.
- 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

- The recent completion of the SWMF at Huron and current grading work which will be completed end of Q2 of this year will allow 168 acres of new industrial supply which there is market demand for.
- Recent acquisition of a 64 acre industrial property located at 1710 Wilton Grove (Forest City Park East) which will add supply for the medium to longer term.
- Commencement of engineering and design work for 200 acres at Innovation Park Phase 5.
- Actively engaging with property owners on a voluntary basis to secure additional land in the longer term as part of ILDS.
- Enforcing the City's purchase option to re-purchase lands at 90% of it's original sale price, in the event Purchaser does not meet policy obligations.
- Recent changes to our Industrial Land Sale policies which includes a minimum build to lot requirement of 20% to align with better land use principles and maximize availability for targeted companies looking at London.
- Working with the brokerage community in offering City's industrial site to market private land listings or suitable design build options.
- Soft marketing taking place for larger blocks to meet strategic demand needs by targeted sectors in Request for Proposals through the Province via LEDC.

Establish a plan to deliver investment-ready land

- Working with the Manager, Strategic Land Development to assess policy and planning implications regarding greenfield or newly acquired parcels.
- Maintained monthly technical video call meetings to discuss industrial land status pertaining to studies, reports, construction tenders, review of capital work programs and budgets.
- Engaged routinely throughout the year communications with Enbridge, Bell, London Hydro and other external agencies such as the UTRCA to verify any servicing and/or environmental constraints.
- Annual Industrial Land Monitoring report prepared for 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

- ILDS Implementation team participation with LEDC in Request for Information (RFI) packages from the Province and Federal government.
- Marketing of the City's available parcels on both the City's Industrial website and LEDC's website.
- New temporary marketing signage installed for the Huron Industrial Park lands. Signage also updated for Innovation Park.
- 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 referral network, site selectors, website, dedicated mailing program, drone footage and other forms of social media to attract new investment to London. 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 and Ontario Manufacturing Communities Alliance.
- LEDC maintained for 2021 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

The ILDS team recognizes the value transit services would have within City owned industrial parks and as such continues to alert LTC of employer needs, new land sales and construction as well as anticipated demand from industrial growth. As we understand it, 2022 service plan changes were approved by the Commission. Specific to Industrial areas, London Transit has been undertaking a review of Alternative Service Delivery models to provide service to Industrial areas in London. This includes expansion of industrial service to the airport and industrial areas along Huron and Robin's Hill Road.

Data from new large employers such as Maple Leaf Foods and Amazon has been regularly shared with LTC to allow for route planning, demand forecasting and other modelling purposes. With employers facing significant challenges in attracting skilled talent, access to transit has been identified as a way to engage more workforce in seeking employment opportunities.

Update to the Industrial Land Development Strategy – ILDS “2.0”

The Industrial Land Development Strategy was last updated and approved by Council in 2014. Initiatives to maintain an adequate supply of land, focusing sales to targeted industries such as advanced manufacturing, food processing etc. has worked well benefitting the City.

Upcoming initiatives such as the broader comprehensive Official Plan (OP)/London Plan review, review of data from the Growth Management Implementation Study (GMIS) and reviewing recent market condition and trends will provide more details of how ILDS will be updated in the coming future. By gathering information from the various reviews underway or recently completed, the City will be in a better position to establish appropriate policies and strategy to ensure long term success for the City in terms of attracting more employment, new investment, property tax revenues, and other important economic benefits and spin offs.

5.0 Update to Municipal Industrial Land Pricing:

The City's industrial land prices have most recently changed on November 1, 2021. The last previous change was pre-pandemic being October 2018 which was based on modest market conditions at that time and to attract new investment here to London. Given the recent surge in demand over the past 12 months, accelerated price movement and high absorptions, lack of overall availability, and keeping up with land price increases across the region, a further price adjustment is warranted upwards. A deeper review into the economic conditions is provided below.

Local Economic Data for 2022:

Covid, Gross Domestic Product, Employment, Population Growth

2021 was a COVID-19 transition year. As we experienced third and fourth waves, and general lockdowns; the widespread vaccine immunization campaign took the public to the next level of protection against the virus, with easing of restrictions observed in the later half of the year. London's economy has been particularly resilient during the pandemic.

Unemployment levels wound down to 6.4% in November 2021 from a high of 9.1% in 2020, and it is projected to hold steady in 2022-23 in London. London sits equal to the national and provincial average for unemployment at 5.3 percent (March 2022) (source: Stats Can)

London's real Gross Domestic Product (GDP) rose to 6.7 per cent in 2021 and expected to rise again in 2022 and 2023. (source: The Conference Board of Canada). This year, London's economy is anticipated to expand 3.8 per cent, with another 1.8 per cent in real GDP forecasted for 2023. While Canada at large is projected to drop from 4.6 to 3.9 in 2022; on the other hand, Ontario is expected to maintain almost unchanged its GDP from 4.3 to 4.2 in 2022. (source: [https:// economics.td.com/ provincial-economic-forecast](https://economics.td.com/provincial-economic-forecast)).

In terms of population, London grew at the fastest rate in Ontario and the fourth fastest in the country. The increase has been mainly attributed to international migration and intra-provincial migration. The City's population has increased from 383,822, which was recorded in 2016, to 422,324 in 2021 based on the latest Statistics Canada information (source: CBC).

Construction and Real Estate Activity

London has been on an upwards trend in terms of construction activity and permit data. In 2020, it was marked as the second highest in terms of building construction value totalling \$1.62 billion in total building permits issued. 2021 proved to be a record year totalling \$1.63 billion in total construction value. It is further estimated that in Q1 of 2022, the total construction value for all permits issued is \$283 million.

In terms of the residential real estate sector, total number of homes sold in 2021 was 10,964 (source: London-St. Thomas Association of Realtors – LSTAR). The Aggregate Composite Benchmark Price for the entire London-St. Thomas area rose by 37.5% than in December 2020, while the overall LSTAR average price sat at \$707,219 which is up 27.6% from a year ago. In addition, a record year was recorded for transactions in the category of condos and apartment sales (source: London-St. Thomas Association of Realtors – LSTAR).

The Bank of Canada on March 2nd increased its lending rate from 0.25 percent to 0.5 percent, the first time since cutting interest rates at the start of the pandemic. A further rate hike of 0.5 percent was introduced on April 13th, the highest one time increase since 2000 to rein in high inflation (source: CBC). Currently the Bank of Canada's interest rate remains at 1 percent. The overall Bank of Canada increases will play out in

the coming year, in terms of effects to lowering inflation and impact to real estate market activity and construction activity.

Industrial Markets

In terms of local industrial market data, CBRE's Industrial Market Outlook report for Q1 2022 indicated an improved availability rate of industrial spaces of 10 basis points (bps) for London, however still well below the national available level (1.6 percent National versus 0.9 percent for London).

The average asking sale price for London industrial buildings increased by 114.5 percent year-over-year and represents the highest overall increase and outpacing all other markets in Canada. By comparison, the national average has increased by 39.9 percent (source: CBRE Industrial Market Outlook report for Q1 2022).

Other observations reported include that the entire Q1 supply of industrial buildings, totalling 603,350 square feet, are nearly all absorbed by existing tenants and end-users/owner occupants. Notable companies mentioned in the CBRE Q1 report include Drexel Industries, Quest Brands, Cardiff Products, and Progressive Industrial Fluids, among others. Several of which are located within the City's industrial parks.

Interest in the City industrial lands continue both from existing companies looking to expand and new businesses coming to London. The attraction to London is several including proximity to the US market and GTA market, available talent and workforce, more affordable pricing than Waterloo Region, Niagara, Hamilton, and the Greater Toronto Area, and overall land and real estate costs.

By reviewing the trends since the last ILDS monitoring report, specifically with private land transactions for both 2021 and 2022, regional data from surrounding municipalities, and continued strong demand for City industrial parcels, a further price increase is recommended.

Recommended Council Approved Pricing:

London continues to see strong demand in all real estate classes and industrial is no exception. A price increase to the City's industrial lands is recommended based on the following:

- The recommended price increase better aligns with the current pricing observed regionally while still maintaining competitiveness to attract new targeted industry to London and across Canada.
- The price increase will narrow the pricing gap between City pricing and private industrial land pricing which has grown considerably in the past six to twelve months.
- The previous increase in 2021 was to account for time lagged pricing and ongoing uncertainty with the pandemic.
- With the recommended price increase, the overall cost for land is still a small component to the overall cost required for a new build.
- Pricing accounts for overall increases to land acquisition, soft costs, and construction costs to develop industrial parks.
- Pricing will help the City recover the costs noted above and improve the overall revenue position.
- The recommended new pricing continues to remain an attractive option for end users/owner occupants and tenants to pricing levels observed in the GTA, Hamilton, and Waterloo Region.
- The recommended pricing accounts for the restrictive conditions in place where mandatory build is within one (1) year and a minimum building to lot coverage of 20% is required. A further 10 year buy-back provision is registered should the purchaser be unable to meet obligations as per the sale. These conditions are not present on private industrial land sales.

- The recommended pricing allows for a further adjustment in the future (if required based on market conditions).
- 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.
- In keeping with the principles to attract targeted industry and generate economic benefits such as employment and indirect employment, new construction, property taxes, and other economic benefits and spin offs.

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

Effective July 1, 2022, pricing for serviced industrial land in Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, Huron Industrial Park (all phases), and Cuddy Boulevard Parcels will be:

- Lots up to 4.99 acres - \$175,000.00 per acre
- 5.00 acres and up - \$165,000 per acre

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

- All lot sizes - \$165,000.00 per acre

Pricing for serviced industrial land in Innovation Park Phase V:

- All lot sizes – \$250,000.00 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. In the event an industrial lot has frontages on both Highway 401 and Veteran’s Memorial Parkway, the Highway 401 Exposure surcharge of 15% shall apply.

Conclusion

Since the original inception of the Industrial Land Development Strategy in 2001 and update in 2014 focusing on targeted sectors, the strategy has worked considerably well to attract and retain new manufacturing, expansions, and further investment to the City of London. Huron Industrial Park is near completion and Phase V Innovation Park design work has commenced to provide premier blocks to large scale targeted manufacturing looking at London. 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 Juan Cardona, Industrial Land Officer; Chris McIntosh, Manager Industrial Lands Engineering, Gregg Barrett, Director Planning and Development, Michael Tomazincic, Manager, Strategic Land Development, Stephen Thompson, Director, Economic Services and Supports and 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: Stephen Thompson, Director, Economic Services and Supports

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

May 2, 2022

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 serviced industrial land in Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, Huron Industrial Park (all phases), and Cuddy Boulevard Parcels as follows:

Pricing for serviced industrial land in Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, Huron Industrial Park (all phases), and Cuddy Boulevard Parcels will be:

- Lots up to 4.99 acres - \$175,000.00 per acre
- 5.00 acres and up - \$165,000 per acre

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

-All lot sizes - \$165,000.00 per acre

Pricing for serviced industrial land in Innovation Park Phase V:

All lot sizes – \$250,000.00 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. In the event an industrial lot has frontages on both Highway 401 and Veteran’s Memorial Parkway, the Highway 401 Exposure surcharge of 15% shall apply.

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 July 1, 2022.

PASSED in Open Council on

Ed Holder
Mayor

Michael Schulthess
City Clerk

First Reading -
Second Reading -
Third Reading -

ATTACHMENT "B"

The current pricing levels of all other City industrial parks be established effective July 1, 2022, as follows:

Pricing for serviced industrial land in Innovation Park (Phases 1 to 4), Skyway Industrial Park, River Road Industrial Park, Huron Industrial Park (all phases), and Cuddy Boulevard Parcels will be:

- Lots up to 4.99 acres - \$175,000.00 per acre
- 5.00 acres and up - \$165,000 per acre

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

- All lot sizes - \$165,000.00 per acre

Pricing for serviced industrial land in Innovation Park Phase V:

- All lot sizes – \$250,000.00 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. In the event an industrial lot has frontages on both Highway 401 and Veteran's Memorial Parkway, the Highway 401 Exposure surcharge of 15% shall apply.

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

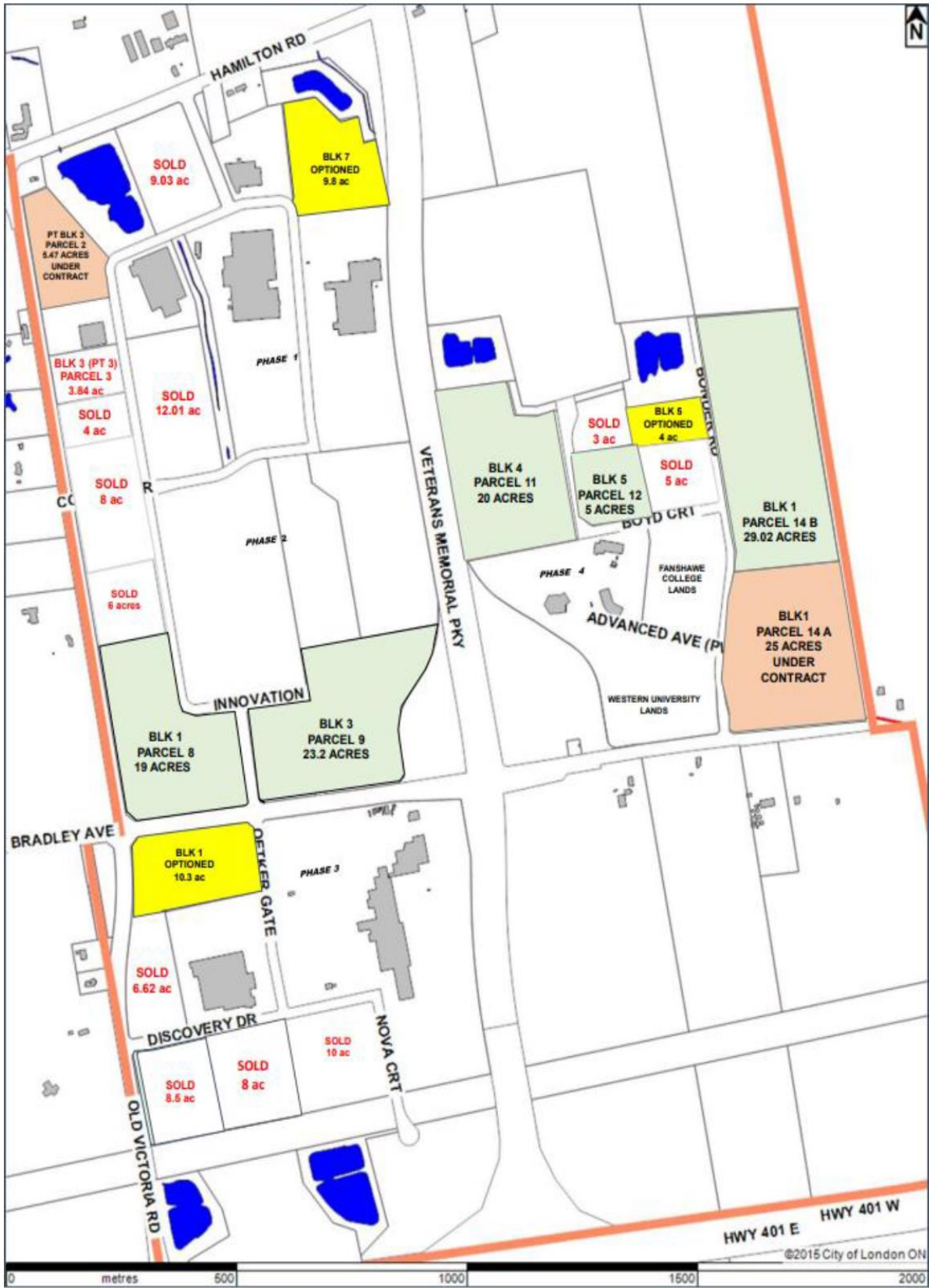
Industrial lots are sold on a where is, as is basis, with grading, stripping and removal of excess topsoil being the purchaser's responsibility and cost. The City will strive to provide grading of the municipal industrial parks on a level-graded basis. Site specific final grading is the responsibility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

Appendix B – Pricing of Surrounding Municipalities Table

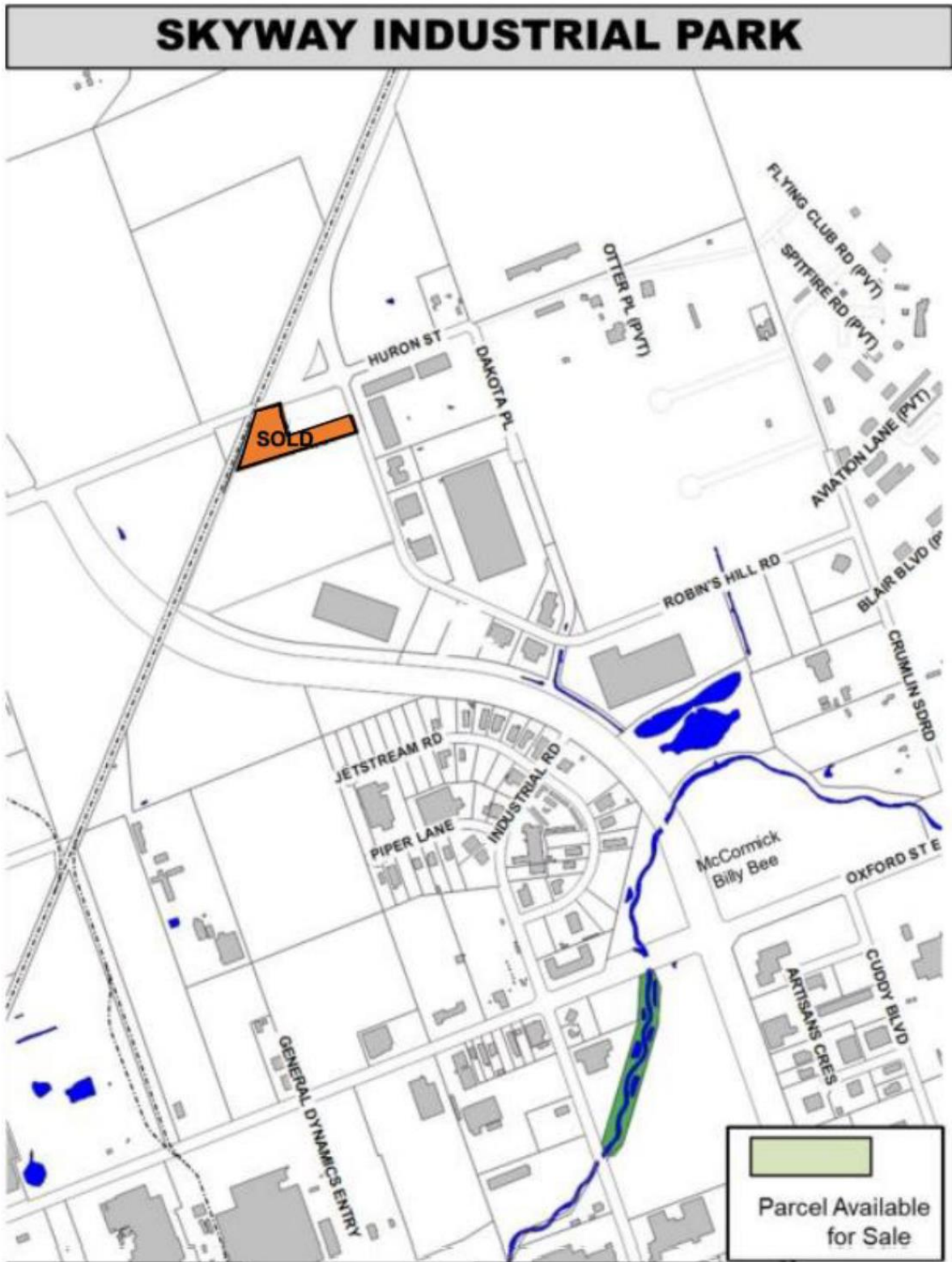
Municipality	Total Industrial Land Inventory Available (Acres)	Price Per Acre	Development Charges	Developed Land Available Yes/No	Zoning	Notes
Brantford	148.2 Acres	\$75,000 (M2), \$125,000 (M3).	\$7.01 per sq. ft.	Yes	M2, M3	The Hershey Company will utilize 20 hectares of this area.
County of Brant	10.8 Acres	Private. Not Municipally Owned	\$8.49 per sq.ft	Yes	M1-M4	260 Acre parcel features a stand alone building for lease
Cambridge	None currently available	\$350,000	Included in Municipal land price (\$2.98 psf), Regional DC is \$6.43psf, Educational DC is \$1.73psf	No	M	Cambridge, Kitchener and Waterloo seem to operate in connection with each other
County Chatham/Kent	20 acres, phase 3 of development will open up 17 acres (2023)	\$89,000	City Charge: \$1.87 per sq.ft	Yes	M1-M5	14 acre multiple use + 10 acres available
Guelph	380 Acres	\$425,000	City Charge: \$14.75 per sq.ft	Yes	B.1-B.4	Hanlon Creek Business Park ready for development
Hamilton	23.44 Acres	\$650,000 to \$750,000	City charge: \$13.14 per sq.ft.	Yes	LI	Prime industrial land and vacant industrial land
Ingersoll	<50 Acres (estimated)	Not published	\$36.83 per sq. metre	Yes	MG	Recent data obtained suggests pricing is at \$112,500 per acre
Kitchener	N/A	Not published	\$22 per sq ft.	Yes	M2	Cambridge, Kitchener and Waterloo seem to operate in connection with each other
London	169.4 Acres	\$115,000 to \$125,000	Targeted Sectors - Exempt Non-Targeted - \$21.38	Yes	L1 / G1 / H1 / L12(9)/L12(23)	Current Pricing
Middlesex Centre	166 Acres serviced, 300 Acres unserviced	\$40,000 per acre	Middlesex_Centre_Developm ent_Charges_DC_2022.pdf	Yes	M1-M4	EDO Ben Shantz noted that Middlesex Centre is looking to explore this more in the future
Waterloo	400 Acres	\$225,000 per acre	Region of Waterloo Development Charges.pdf	No	E3	Large tract of land located off Wilmot Line and Erb owned by the Municipality.
Sarnia	70 Acres	\$50,000 for 5 or more acres; for the first 2 acres \$70,000 to \$80,000	Sarnia Development-Charges- Pamphlet-2022-January.pdf	Yes	LI,HI	Sarnia 402 Businee Park: light industrial operations such as assembly, fabrication, manufacturing, warehousing, storage and distribution, freestanding offices, wholesaling, research and technology uses, laboratories, printing and publishing
Stratford	22.44 Acres - All reserved	\$145,000	None	Yes	M1	Craine West Business Park
Strathroy	100 Acres new + 150 acres (Molnar I.P.) + 150 Acres (High Street I. P.) = 400 Acres	\$35,000- \$50,000 per acre	Strathroy Development Charges.pdf	Yes	M2	The land is located along the east side of Adair Blvd. and borders Hwy. 402. It is the first piece of industrial land in Middlesex County to be considered for this program
St. Thomas	N/A	\$98,000 to \$125,000	None	Yes	EL	Pricing starting at \$98,000 per acre.
Tilsonburg	24 Acres + 70 Acres future	\$50,000 per acre	None	Yes	MG	Lots from 3 to 16 acres of land are still available
Windsor	40.70 Acres (estimated)	\$3.67/ sq.ft- \$4.50/ sq. ft (roughly \$400,000 per acre)	Exempt	No	M	City industrial lands being leased to EV Battery Plant.
Woodstock	<10 Acres	\$185,000 per acre	Exempt	Yes	M3	City of Woodstock is currently in the process of developing the former Patullo farm (93 acres) south of the 401.

Note: Data collected with assistance of LEDC, online searches, and Geowarehouse

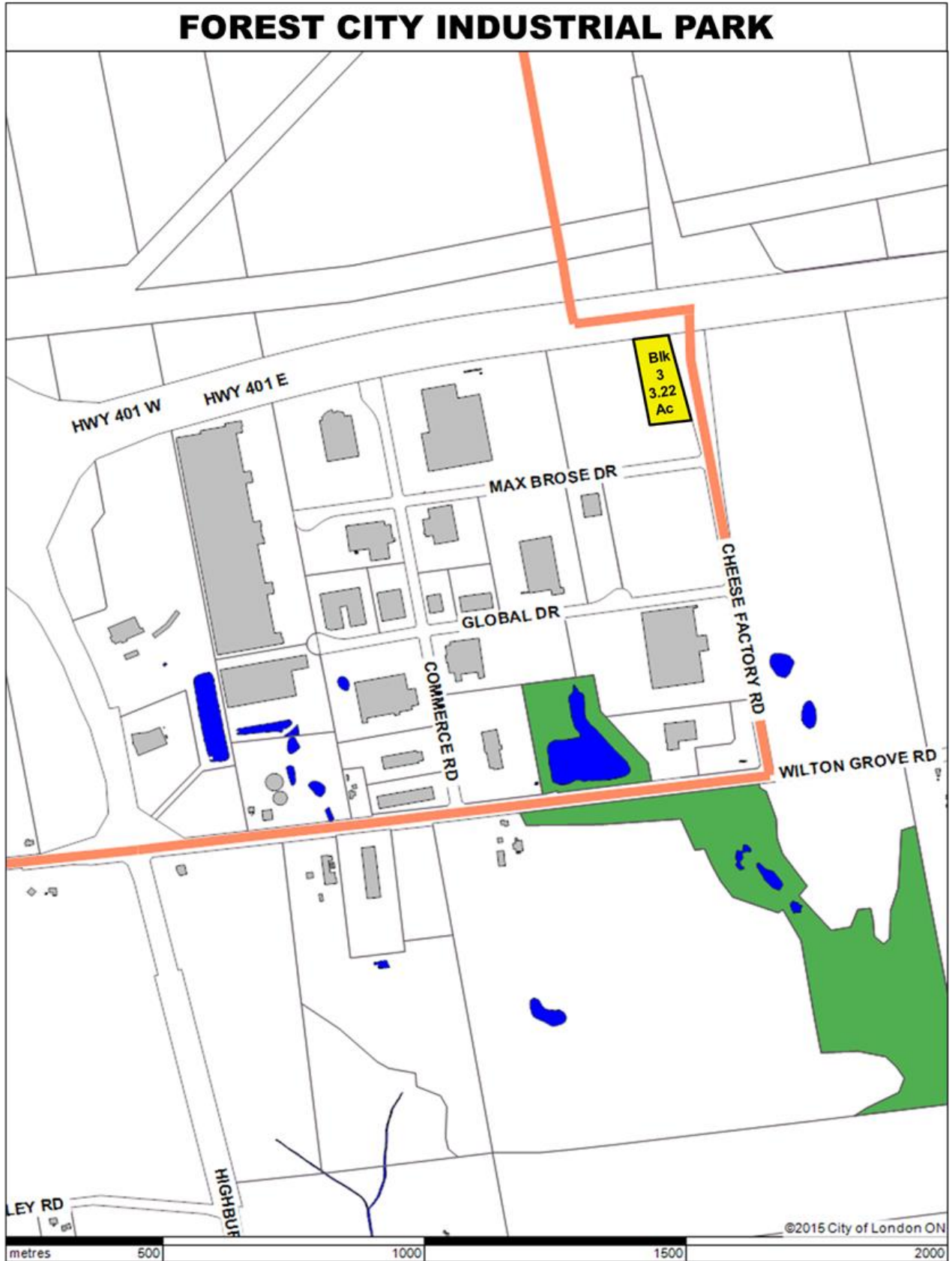
Appendix C – Innovation Park Location Map



Appendix D – Skyway Industrial Park Location Map



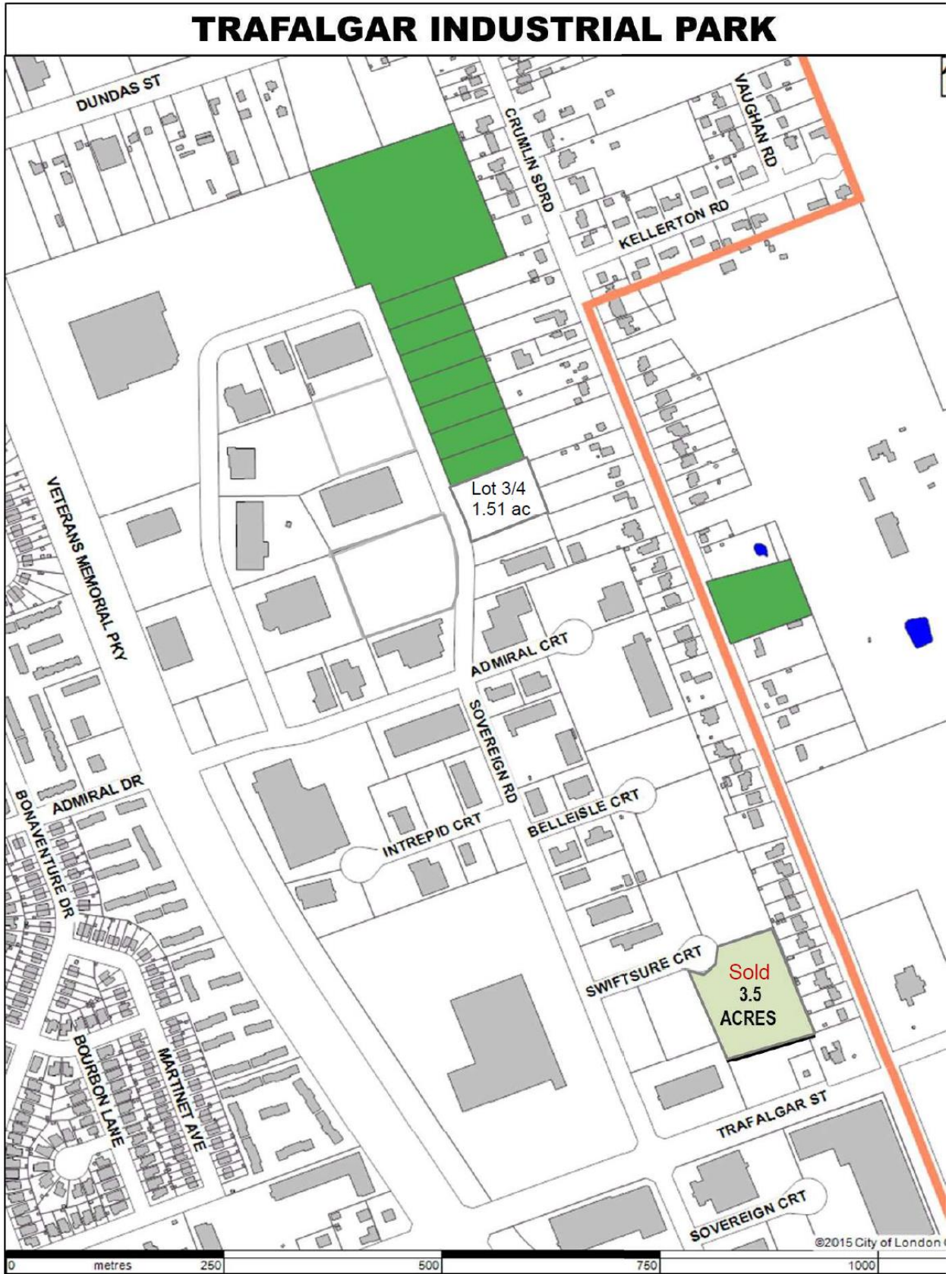
Appendix E – Forest City Industrial Park Location Map



Appendix F – River Road Industrial Park Location Map



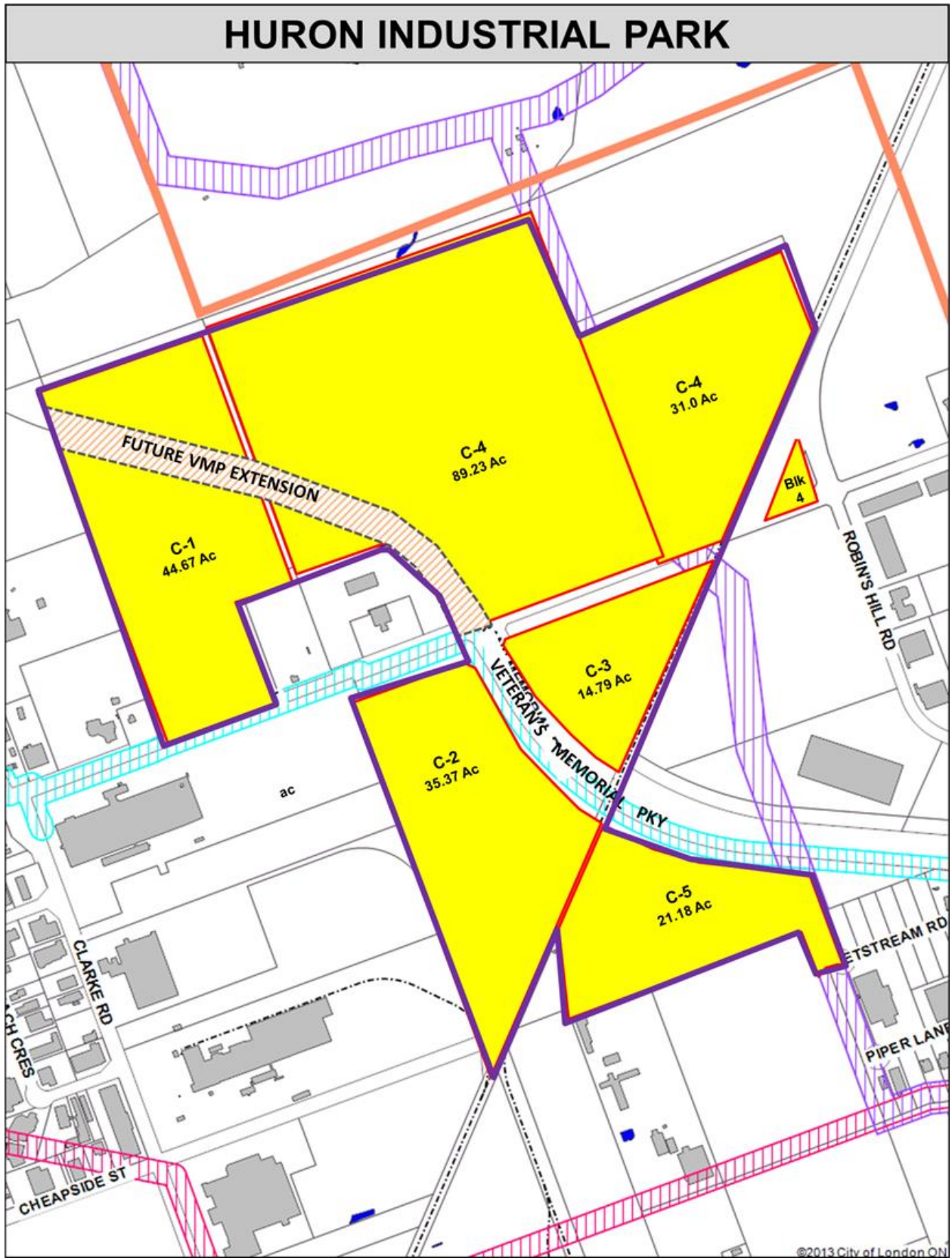
Appendix G – Trafalgar Industrial Park Location Map



Appendix H – Cuddy Industrial Lands



Appendix I – Huron Industrial Park Lands Map (All Phases)

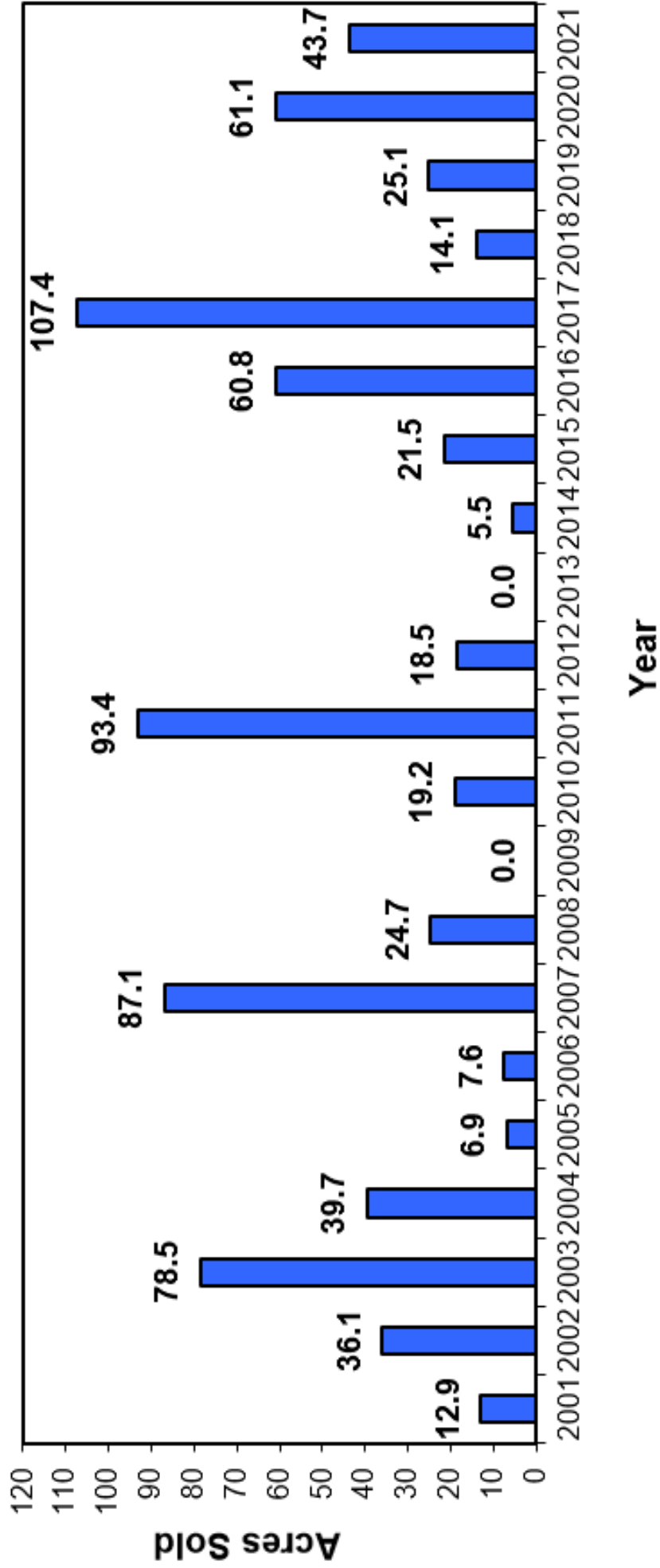


For Illustration Purposes Only
(Note: final road widenings & Storm Water Management Facility not shown in sketch)

Appendix J – Innovation Park Phase 5 Location Map

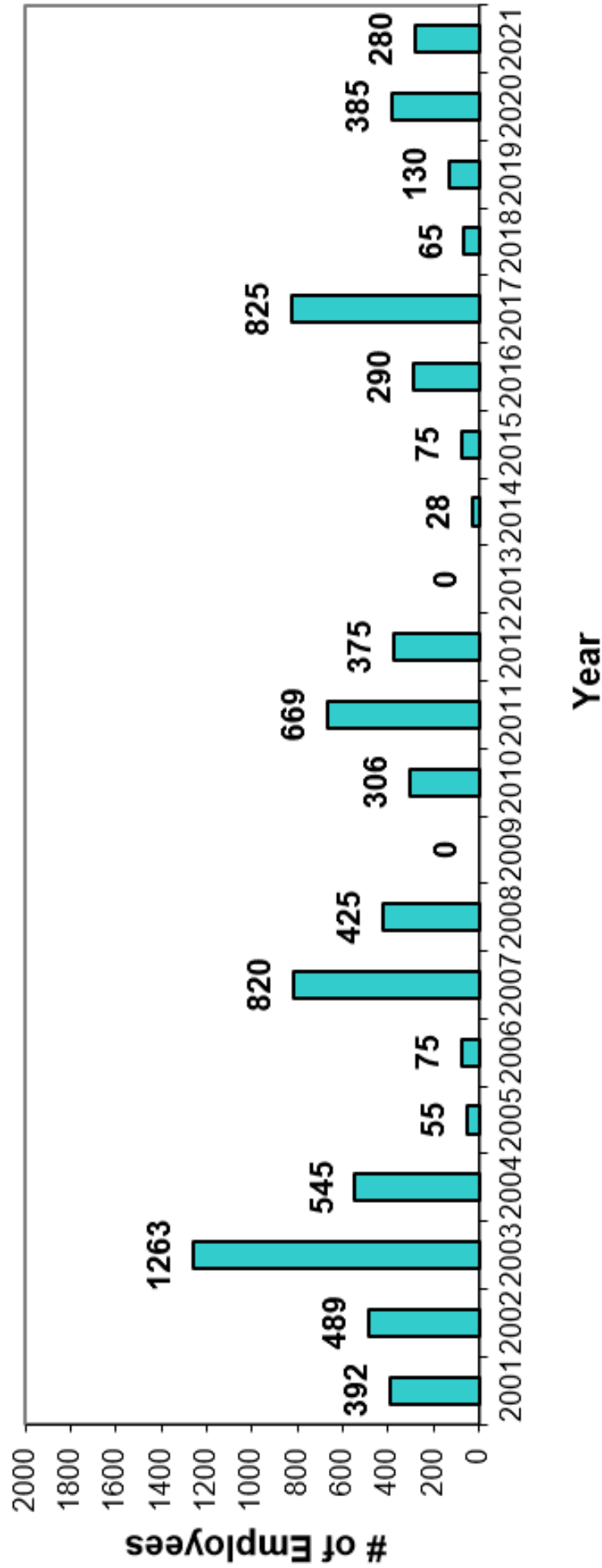


**Land Sales in City-Owned Industrial Parks
2001 to Present**



Appendix L – Employment Creation History Chart

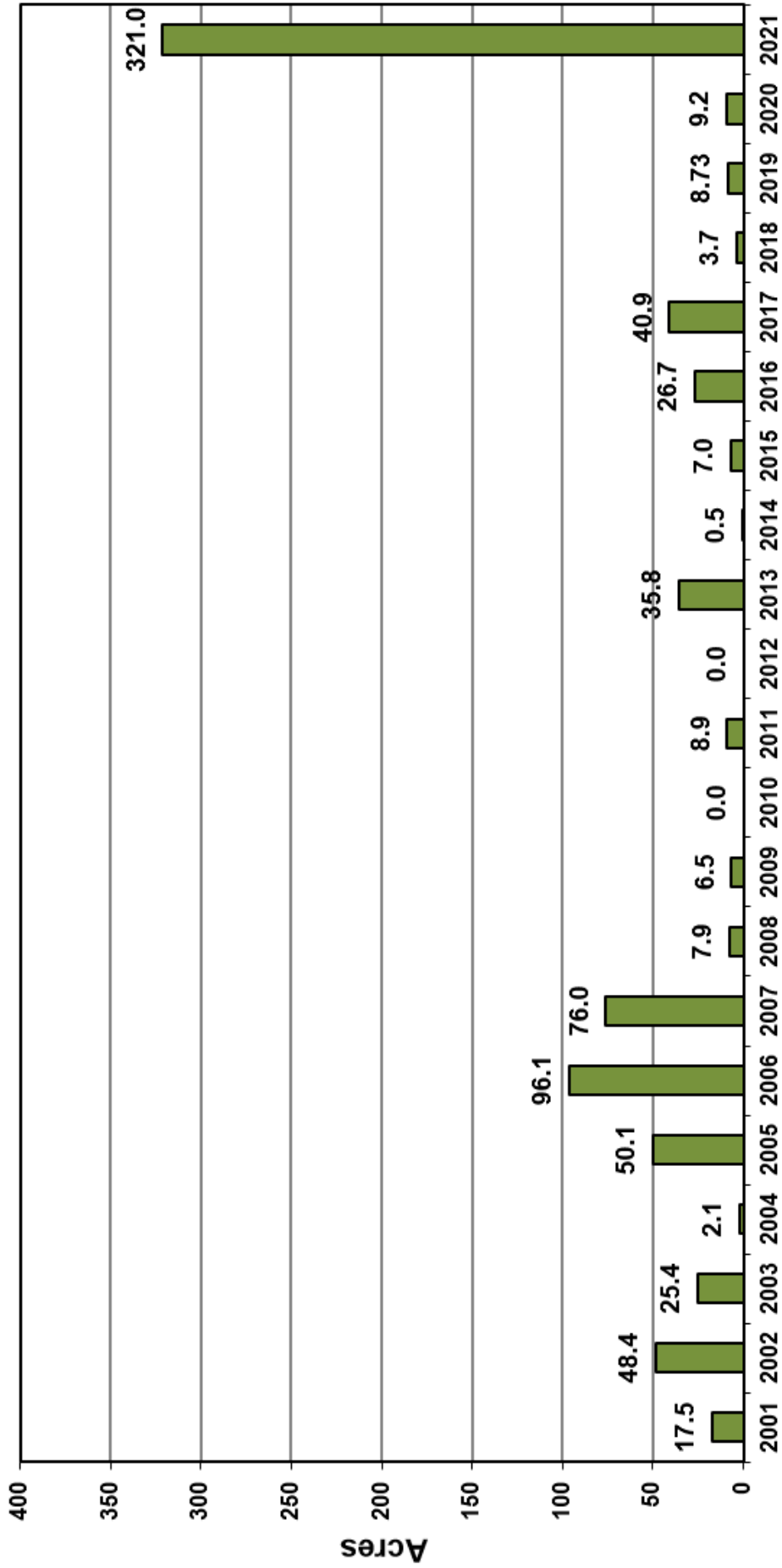
**Employment Creation *
(City-Owned Industrial Parks)**



**Note: Employment noted based on declaration made by Purchasers in the Agreement of Purchase and Sale. Time lag between land closing and when Purchasers are fully operational.*

Appendix M – Private Industrial Land Sale Chart

2001 - 2021 Privately-Owned Industrial Land Sales



Note: Data collected on land sales transactions using Geowarehouse and CityMaps information.