Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO: Mayor and Members
General Issues Committee
WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: December 12, 2011

SUBJECT: Property Acquisition for Economic Development Purposes (PED11222) (City Wide)

SUBMITTED BY:
Tim McCabe
General Manager
Planning and Economic Development Department

PREPARED BY:
Neil Everson 905-546-2424 Ext. 2359

SIGNATURE:

RECOMMENDATIONS

(a) That Report PED11222 respecting Property Acquisition for Economic Development Purposes be received;

(b) That staff be directed to institute a “Land Banking Program” in order to accommodate major business attraction and expansion opportunities in Hamilton;

(c) That the initial funding for the Land Banking Program, in the amount of $4,000,000 be drawn from the Industrial Park Reserve #110060;

(d) That consideration for additional funding for the Land Banking Program in the range of $6 - $8 million be referred to the 2013 Capital Budget;

(e) That all revenues derived from the sale of the property acquired through the Land Banking Program be first credited to a new Industrial Land Banking Program so as to maintain a minimum $4,000,000 balance;
(f) That any sales revenues in excess of the $4,000,000 Program balance be credited to the Industrial Park Reserve #110060 to reduce or eliminate any future Capital contributions;

(g) That all Offers to Purchase on all selected parcels be subject to Council approval; and,

(h) That Appendices A and B to Report PED11222 remain in-camera as they relate to potential land acquisitions.

EXECUTIVE SUMMARY

Over the last decade, the City of Hamilton has enjoyed the economic benefits of several large plant locations and company expansions. Many of these have occurred on former municipally owned employment lands within designated business parks, the most notable being; Canada Bread (388,000 s.f.); Stackpole Plants 1 & 2 (240,000 s.f.); Tim Hortons Coffee Roasting Facility (80,000 s.f.); Activation Labs (200,000 s.f.); AMTS (210,000 s.f.); SFS intech (50,000 s.f.); Bell Canada (40,000 s.f.); and, Brown Boggs now Cambridge Pro-Fab (55,000 s.f.). In total over 700 businesses, employing in excess of 10,000 people, have located on former City-owned land.

Recently, Hamilton secured the largest investment in the history of the Canadian Food Industry and the community with the announcement of the $400 million, 402,000 s.f. state-of-the-art manufacturing facility. However, this windfall was almost lost because of the absence of any 50 – 90 acre parcels of “shovel ready” land in Hamilton, and the company’s preference for City-owned property (after the very successful Canada Bread investment) which did not exist.

Today, major “Greenfield” manufacturing investments are based on the following four factors: access to transportation and markets, cost competitiveness, skilled labour supply, and the availability of large “shovel ready” parcels of employment lands. In the Greater Toronto Area, a number of private sector land development corporations establish the price and control the supply of employment lands. Whereas, outside of the GTA, municipalities have assumed the lead role of owner/developer and possess large inventories of both serviced and unserviced employment lands. Unfortunately, Hamilton suffers from its location between the GTA and neighbouring communities to the north and west. Hamilton does not have any large land development corporations that are active in the City nor does it have any municipally owned employment lands with the exception of a remaining 25 acre parcel. The consequences of this situation are that Planning and Economic Development Department staff will be significantly constrained in their ability to attract major employers and retain existing companies considering expansion in this community.
This Report outlines the Region’s/City’s history of acquiring, developing and selling large parcels of employment lands along with an analysis of the City’s competition for business investment opportunities. Staff are recommending that the City again commence the acquisition of strategically located employment lands upon approval of this report and the 2012 Capital Budget.

**Alternatives for Consideration – See Page 10**

### FINANCIAL / STAFFING / LEGAL IMPLICATIONS

**Financial:** Prior to amalgamation, the Regional Municipality of Hamilton-Wentworth had an active Land Banking Program which involved the acquisition, development and sale of properties in the Ancaster Industrial Business Park; Flamborough Technology Park; North Glanbrook Industrial Business Park (now the Red Hill Business Park); and the Mountain Industrial Business Park.

Currently, only two of the Industrial Business Parks have active Capital infrastructure servicing expenditures. Ancaster shows $11.7 million in servicing costs spent to date. Red Hill Business Park has $16.2 million in servicing costs to date. The other two business park accounts were closed by staff prior to amalgamation and net uncommitted revenues in the amount of $4 million remain in the Shared Land - Industrial Business Park Reserve, Account #110060. Staff is recommending that these uncommitted funds be used for the initial funding of the new Industrial Land Banking Program.

**Staffing:** None. All “Land Banking” related activities can be accommodated within the existing staff complement’s workload of the Economic Development Division.

**Legal:** Staff from Legal Services will be required to work closely with the City’s Real Estate staff on acquisition and subsequent disposition/sale of the subject lands on an on-going basis.

### HISTORICAL BACKGROUND

Land banking, by definition, is an economic development tool funded by local governments to acquire, develop and sell land for non-residential purposes. A land bank can be a powerful locational incentive, which encourages new development in Greenfield locations or redevelopment of older industrial areas where there are no available employment lands. While a land bank provides long-term economic benefits in terms of assessment and job creation, it can also act as a tool for planning long-term community development.
In the U.S., where local land banking is a common practice for municipalities, the Brookings Institute found that on average 15% of the land in major American cities is vacant and undeveloped. Abandoned and vacant land (with no willing sellers) does not produce sufficient property tax revenue for cities, which generally is their main revenue source. This lack of funds impedes a city’s ability to sustain its city-wide operations, programs, and services. Additionally, with the recent recession and the fragile economic recovery, those U.S. municipalities that owned “shovel ready” employment lands were better able to compete with neighbouring cities and states for the limited new industrial investment over the last three years.

In Canada, land banking by municipalities is primarily focused on the acquisition and development of Greenfield properties in or near designated employment areas. One of the most aggressive programs belongs to the City of Saskatoon which maintains a land bank of 7,500 acres of unserviced land purchased on a continuous re-supply basis for a projected 20-30 year supply. In 2010, the sale of industrial land parcels alone by the City of Saskatoon generated $18.2 million in sales. A significant amount, but compared with the recent Maple Leaf Foods $10 million acquisition of privately held property for its new 400,000 s.f. protein plant, the Saskatoon total is not completely unrealistic.

Prior to amalgamation, the Regional Municipality of Hamilton-Wentworth had an active Land Banking Program which involved the acquisition, development and sale of properties in the Ancaster Industrial Business Park; Flamborough Technology Park; North Glanbrook Industrial Business Park (now the Red Hill Business Park); and the Mountain Industrial Business Park. By far, the Ancaster Industrial Park represented the largest land banked parcel with five phases that were developed and sold out in less than 20 years. Estimates of the total acreage acquired in these four Business Parks is approximately 524 acres, containing approximately 746 businesses, employing 10,315 people, and with an estimated $429 million in annual gross payroll and municipal only annual taxes of $7.8 million. The economic development benefits of this land banking initiative are summarized in the following table:

<table>
<thead>
<tr>
<th>Park</th>
<th>Municipal Acres</th>
<th># of Businesses</th>
<th>Estimated Employment</th>
<th>Annual City Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ancaster Industrial Business Park</td>
<td>174</td>
<td>202</td>
<td>3,894</td>
<td>$2,819,063</td>
</tr>
<tr>
<td>Flamborough Technology Park</td>
<td>55</td>
<td>39</td>
<td>623</td>
<td>$618,215</td>
</tr>
<tr>
<td>Mountain Park</td>
<td>240</td>
<td>504</td>
<td>5,448</td>
<td>$2,754,716</td>
</tr>
</tbody>
</table>
In 2009, during one of the most severe economic downturns in Canadian history, the final 35 acre parcel (Phase 5) of City-owned land in the Ancaster Industrial Business Park was serviced and sold out in less than 9 months. The final result will be non-residential development in excess of 500,000 s.f. including: Tim Hortons 76,000 s.f. Coffee Roasting Facility; Activation Labs 200,000 s.f. laboratory/research centre; AMTS 210,000 s.f. manufacturing/commercial facility; and Everest Manufacturing 30,000 s.f. operation. Then, less than a year later in early 2010, the City of Hamilton sold another 25 acres or half of its remaining employment lands to Canada Bread for the location of their $100 million, 388,000 s.f. mega-bakery.

### POLICY IMPLICATIONS

**Planning and Legal:**

**TOWNSHIP OF GLANBROOK OFFICIAL PLAN:**

“G.14 Municipal Land Acquisitions – Council may acquire land from time to time and it may then hold, sell or lease the land for the purpose of developing any feature of implementing any policy of this Plan. In general, this will be done pursuant to the provisions of the Planning Act 1983 which permits acquisitions of land for this purpose, except where more specific legislation may also assist in this regard.

**ONTARIO MUNICIPAL ACT:**

**Acquisition of lands in accordance with provisions of an Official Plan:**

“25.(1) If there is an official plan in effect in a municipality that includes provisions relating to the acquisition of land, which provisions have come into effect after the 28th day of June, 1974, the council may, in accordance with such provisions, acquire and hold land within the municipality for the purpose of developing any feature of the official plan, and any land so acquired or held may be sold, leased or otherwise disposed of when no longer required. R.S.O. 1990, c. P.13, s. 25 (1); 1994, c. 23, s. 17; 1996, c. 4, s. 15."

**Contribution towards cost:**

“(2) Any municipality may contribute towards the cost of acquiring land under this section. R.S.O. 1990, c. P.13, s. 25 (2)."
RELEVANT CONSULTATION

- Senior Management Team
- Corporate Services Department (Finance)
- Legal Services Division
- Real Estate and Business Development Sections
- Strategic Planning and Growth Management Divisions of the Planning and Economic Development Department
- Economic Development organizations in other Ontario Municipalities
- International Economic Development Council

ANALYSIS / RATIONALE FOR RECOMMENDATION

In today’s highly competitive business environment, and with the U.S. dollar now at parity with the "loonie", Canadian companies are making significant investments in new plants that are capable of competing directly with larger American industry. As a result, the current trend in the site selection of both manufacturing and distribution operations is towards these larger facilities (with acreage for expansion) in a location that provides superior access to a transportation network for their goods movement purposes.

Manufacturing companies, in particular, are closing their smaller, antiquated plants and consolidating them into one or two large facilities that are capable of realizing the economies of scale benefits and the productivity gains from new processing technology. This all translates into a renewed demand for larger parcels of shovel ready land that are strategically located to both the companies’ markets and their supply chain. Recent Canadian examples include: Canada Bread (Hamilton); Maple Leaf Foods (Hamilton); Dr. Oetker (London); Toyota (Woodstock); Kellogg Canada Inc. (Quinte); Magna International (Brampton); etc.

In the GTA (Greater Toronto Area), there are few, if any, municipalities that have an active land banking program and this is due primarily for three reasons:

1) the Province’s Greenbelt legislation now virtually prohibits any urban boundary expansion which, in turn, has eliminated the acquisition of agriculturally zoned parcels for speculative purposes;

2) the limited supply of employment lands in the GTA has driven the market values of remaining undeveloped lands to prices that would be simply uncompetitive after making them shovel ready; and,

3) the majority of developable employment lands are controlled by large development corporations relegating municipalities to an insignificant role.
Outside the GTA, and particularly in South Western Ontario, it is the municipalities that are the dominant players in industrial development. The large development corporations that control the GTA employment lands market choose not to be active in these areas since the return on shovel ready land is simply too low, based on prevailing market values in these areas. On the other hand, municipalities acquire large tracts of local properties, rezone them to employment lands, and install servicing. This results in their ability to offer large parcels of “shovel ready” land at (or below) market values, since their return is measured in assessment and job creation, as opposed to profit per acre. The following three tables highlight the price per acre and inventories of serviced and unserviced \textit{municipally owned} lands in the South Western Ontario area:

\begin{table}[h]
\begin{center}
\begin{tabular}{|c|c|}
\hline
\textbf{Outside GTA, particularly in South Western Ontario, it is the municipalities that are the dominant players in industrial development. The large development corporations that control the GTA employment lands market choose not to be active in these areas since the return on shovel ready land is simply too low, based on prevailing market values in these areas. On the other hand, municipalities acquire large tracts of local properties, rezone them to employment lands, and install servicing. This results in their ability to offer large parcels of “shovel ready” land at (or below) market values, since their return is measured in assessment and job creation, as opposed to profit per acre. The following three tables highlight the price per acre and inventories of serviced and unserviced \textit{municipally owned} lands in the South Western Ontario area:}

\end{center}
\end{table}
In the context of economic development, Hamilton’s strategic location is one of this municipality’s greatest strengths. The City’s industrial heritage alone is solely attributable to the community’s geographic setting on Lake Ontario between Canada’s largest City and the U.S. border. However, in terms of Greenfield business attraction/expansion, Hamilton is literally “caught between a rock and hard place”. As described above, immediately to the east of Hamilton is the GTA with a privately controlled employment land supply where companies choose to locate because it is home to 20% of Canada’s population and the country’s largest economic engine. To
the west and north of Hamilton, yet still within two hours of the GTA, are 15 municipalities with a large inventory of developed and undeveloped industrial land available at a fraction of the cost of GTA market prices.

The dilemma that Hamilton continues to face is whether the municipality simply acquiesces and allows the private sector to control the “shovel ready” land supply in the municipality or does it assume responsibility for controlling economic development and engage in “land banking” to ensure an adequate, competitively priced land supply for current and future non-residential development? The advantages and disadvantages of land banking are highlighted in the following table:

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to respond quickly to plant location enquiries particularly those looking for large acreage</td>
<td>Cost per acre of acquisition and making property “shovel ready” (i.e. servicing, SWM, grading, etc.)</td>
</tr>
<tr>
<td>Ability to stimulate economic growth in a business park (i.e. City attraction of anchor tenant)</td>
<td>Carrying costs of land banking includes maintenance costs</td>
</tr>
<tr>
<td>Immediate return on sale of land parcels (i.e. City’s building covenants registered on title)</td>
<td>City must front end servicing to the park to City owned sites</td>
</tr>
<tr>
<td>Solves “land assembly” problem because Hamilton has too many landowners with small acreages</td>
<td>Willing seller?</td>
</tr>
<tr>
<td>Better ability to control the uses and the “integrity” of the Business park (i.e. Gateways and anchors )</td>
<td>Discourages private sector developers and landowners from developing (services)</td>
</tr>
<tr>
<td>Cost savings on real estate commissions and property acquisitions (City acts as its own agent)</td>
<td>Owner pays commission on sales – attracts more interest of SIOR realtors</td>
</tr>
<tr>
<td>More flexibility to install servicing and process rezoning</td>
<td>Land owners realize profit on price per acre. Hamilton may become uncompetitive to neighbours.</td>
</tr>
<tr>
<td>City’s presence could return prices per acre to market value levels</td>
<td>Funding source for acquisition costs</td>
</tr>
<tr>
<td>Long term planning for economic growth for Hamilton</td>
<td></td>
</tr>
</tbody>
</table>
Based on the near loss of the largest food industry investment in Canadian history and the competition from neighbouring non-GTA municipalities, staff are recommending that the City of Hamilton be authorized and directed to commence a Land Banking Program to acquire and assemble strategic parcels of unserviced employment lands to consist of the following components:

- That each and all property acquisitions be subject to Council approval and that the source of funding be from the Shovel Read Industrial Land Reserve Account #110060 (uncommitted balance as at November 30, 2011 of $4 million);
- That consideration for adding additional funds to the above-mentioned Reserve for this initiative in the amount of $2 - $4 million, bringing the total amount available in the range of $6 - $8 million be referred to future Capital Budgets;
- That all revenues derived from the sale of the properties acquired through this initiative be credited to the Shovel Ready Industrial Land Reserve #110060;
- That the goal for the City is to acquire a 10 year supply of industrial land. And that this amount be determined by the City’s annual absorption rate based on a 10 year trend;
- That the purpose of this reserve be amended to specifically reflect the industrial land acquisition and development strategies contained within this Report. This amendment will be contained within the 2011 City of Hamilton Reserve Report; and,
- That all revenues from the sales of City “land banked” parcels be credited to a dedicated industrial park reserve that will be used to offset or eliminate future Capital contributions by the City of Hamilton.

**ALTERNATIVES FOR CONSIDERATION**

That the City of Hamilton foregoes the acquisition of property for land banking and economic development purposes and leave this responsibility to the private sector.

That the City could continue its efforts on “front ending” the costs of installing servicing infrastructure to privately held properties in an effort to make them “shovel ready”. Unfortunately, this is an expensive and elongated process with little guarantee that the result will be a willing seller at a competitive price.

**CORPORATE STRATEGIC PLAN**


*Financial Sustainability*

- Financially Sustainable City by 2020
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork

• Effective and sustainable Growth Management
• Generate assessment growth/non-tax revenues

Growing Our Economy
• Newly created or revitalized employment sites
• Competitive business environment
• An improved customer service

Social Development
• Hamilton residents are optimally employed earning a living wage

Environmental Stewardship
• Aspiring to the highest environmental standards

APPENDICES / SCHEDULES

Appendices A & B – Confidential and not for public release.

NE/dkm