



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	November 25, 2016
SUBJECT/REPORT NO:	Increasing Employment Land Absorption Through Land Banking (PED16255) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brian Morris (905) 546-2424 Ext. 5602
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That a Line of Credit with an upset limit of \$30 M be approved for the acquisition and related costs of strategic employment land parcels with the borrowing terms and the .25% administration fee being subject to existing City Debt policies;
- (b) That the annual interest costs associated with the Line of Credit be funded by Reserve #110060 (Shared Land Industrial Park Reserve);
- (c) That all revenues derived from the subsequent re-sale of the property acquired, beyond that which is required to repay debt, be credited to the Reserve #110060 (Shared Land Industrial Park Reserve);
- (d) That staff be directed to bring forward all Offers to Purchase for strategic employment land parcels to the General Issues Committee for consideration.

EXECUTIVE SUMMARY

Hamilton has enjoyed renewed interest in employment opportunities throughout the City which has resulted in several corporate relocations and expansions over the last number of years. Many of these industrial projects have been developed on former municipally owned land in the City's Business Parks and Industrial areas. Today, the City has only one remaining parcel of approximately 25 acres that is shovel ready under its control. While there are other shovel ready lands available in the business parks and

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industrial areas, the City's influence on those parcels are limited as they are privately controlled.

This Report outlines the recent history of land banking strategies in Hamilton and the competitive landscape for business investment with our neighbouring municipalities in the Greater Toronto Area and South Western Ontario. Based on these considerations, and the desires to increase the rate of employment land absorption in our business parks and industrial areas, staff is recommending that the City again commence the acquisition of strategically located employment lands through approval of a Line of Credit with an upset limit of \$30 M to complete these activities.

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The \$30 M Line of Credit would be funded and administered internally. All terms would conform to City Loan / Debt policies. There is no request for net Capital Levy dollars as part of this Report. The Shared Land Industrial Park Reserve #110060, with an uncommitted balance of \$2.5 M as of October 31, 2016, has been identified as the source of funds to cover annual interest cost associated with the Line of Credit. The Reserve would be drawn upon, as needed, up to an amount of \$900,000 if the Line of Credit was extended to its full limit (at a 3% interest rate). Any revenues derived from the re-sale of strategic employment lands would be credited back into the Reserve to replenish the funds. Any funding consideration beyond the uncommitted balance in the reserve would come back to the General Issues Committee for consideration.

Staffing: There are no additional staff considerations to accompany the recommendations in this Report. Any initiative arising out of this Report can be accommodated within the existing staff complement. A "Land Credit Working Group" (or Land Banking Working Group) will be struck with existing staff at the Director level in Planning and Economic Development (Director of Economic Development, Director of Growth Planning and Manager of Real Estate), Corporate Services (Director of Financial Planning and Policy, City Solicitor) and Public Works (Director of Engineering Services), to vet opportunities as they become available and to make recommendation to Council on the acquisition of strategic employment land parcels for economic development purposes.

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 potential strategic employment lands on an on-going basis.

HISTORICAL BACKGROUND

Land Banking – a process where local governments acquire, assemble, service and sell land for future development – is an old but still relevant economic development tool. The merits and benefits of a land bank have been well documented but in general, can be summarized as providing long-term assessment and job creation, a means to achieve desired planning related objectives and for community development. While not common in Canada, the City of Hamilton (and its predecessors prior to amalgamation) has had an active land banking program for economic development purposes including the acquisition, development and sale of properties in the Flamborough Business Park, Red Hill Business Park and Ancaster Business Park. The Ancaster Business Park representing the largest and most successful land banked project with five phases that were developed and sold within a 20-year timeframe.

Report PED11222 summarized the history, pros, cons and merits of land banking in the Hamilton context. Through General Issues Committee Report 11-036, Council committed \$4 M of funding into a “Land Banking Program” for economic development purposes in 2011 through conversion of the Industrial Park Reserve Account (and its unused balance) to the Shovel Ready Industrial Reserve Account #110060 (now called the Shared Land Industrial Park Reserve Account).

Based on staff recommendations and Council direction since 2012, this Account has been drawn down for various projects including a cash contribution to McMaster University for the Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing (BEAM), and has been replenished with revenue from land transactions to assist with industrial capital infrastructure projects managed through Growth Management.

Recent conversations at various Committees and Council have focused the need to increase the City’s non-residential assessment and tax base. Most recently, Report CM16013 on Corporate Strategic Growth Initiatives identified the need for initiatives that speed up the rate of non-residential growth and Report PED16161 provided an update on the Employment Areas Inventory and Shovel Ready Employment Areas Initiative. Previous efforts towards land banking for economic development purposes have not come to fruition due to lack of required monies to create a strategic land bank. The request for approval of a Line of Credit with an upset limit of \$30 M as part of this Report and the direction to pursue the proactive acquisition and development of strategic employment land (land banking) is one of the ways in which staff proposes to help increase the rate of absorption in the business parks and industrial areas of the City of Hamilton.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Borrowing terms and the .25% administration fee for the Line of Credit will be subject to existing City Debt policies.

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RELEVANT CONSULTATION

Staff from Corporate Services Department (Finance), City Manager's Office (Legal Services) and Planning and Economic Development Department (Growth Management and Real Estate) were consulted in the preparation of this Report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Maintaining a relevant supply of shovel ready land in the City's business parks and industrial areas is imperative in order to capitalize on Greenfield investments, corporate relocation and local business expansions. This is especially true in a market where the industrial vacancy rate has hovered around the 2.5% mark over the past five years and the existing building stock provides little opportunities for medium to large users to expand. While Hamilton has a supply of vacant land in the business parks and industrial areas to help meet the need of employment growth forecasts, challenges exist that much of it is not "shovel ready", is shovel ready but are smaller parcel / lot configurations, and most of it is privately held.

Hamilton's shovel ready industrial land supply, like much of the Greater Toronto Area (GTA) is largely controlled by the private sector and thus the municipality is limited in its influence on things such as servicing, bringing lands to market, and ultimately, pricing. Contrast this to municipalities in South Western Ontario, where local governments play a more significant role by acquiring properties, rezoning them for industrial purposes and installing partial or full servicing. This can result in these municipalities being able to offer large parcels of "shovel ready" land at fair market values. Whereas a private owner or developer may be solely concerned with maximizing profit per acre, a municipality might consider their return in terms of assessment and job creation.

The most recent analysis available to staff of industrial land supply and pricing in 15 select municipalities in South Western Ontario (2013) shows that Hamilton has the third least amount of available municipally owned serviced industrial land (1 parcel - 25 acres). Most municipalities have between 50 to 200 acres of serviced municipal industrial land available with Woodstock and London having in excess of 200 acres each. Most municipalities also have an inventory of non-serviced industrial land.

In Southern Ontario's highly competitive business environment, Hamilton is not only competing with our neighbouring GTA municipalities for investment and jobs, but increasingly with municipalities to the west of the City. Hamilton's greatest economic development asset has been and continues to be its strategic location. This location also pits Hamilton in a precarious marketplace between an area with the largest consumer base in Canada where employment land supply is privately controlled and expensive to the east and municipalities with large quantities of shovel ready lands available at costs drastically lower than the GTA to the west.

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The City has the opportunity through land banking to ensure an adequate, competitively priced shovel ready land supply for current and future non-residential development that will take advantage of our location as the first stop west of the GTA. This opportunity window is diminishing, as industrial lands have not been immune to the recent real estate boom in Hamilton and as prices have increased. The cost per acre to acquire available serviced employment land, depending on variables such as size and location, averages out at approximately \$295,000 over the last three years in Hamilton. There however appears to be a few opportunities that remain where the City can create value and increase the speed at which land are brought to the market and ultimately take control of the process through land banking. In fact, this opportunity has existed now for the past decade, but the dilemma has been how to approach funding of a land bank.

Through Report PED11222, the Shovel Ready Industrial Reserve Capital Account (now the Shared Land Industrial Park Reserve Account #110060) was created, in part, to capitalize on opportunities for land banking. The funds available were never large enough to seriously consider a land banking play and other priorities have taken precedent for the account. In recent conversations with Finance staff, the idea of borrowing monies, through a Line of Credit, needed to acquire and service strategic employment land parcels has been discussed.

The recommendation in this Report is for the City to establish a Line of Credit with an upset limit of \$30 M to pursue land banking opportunities for Economic Development purposes. This amount is seen as an appropriate amount, large enough to consider land banking activities that the City has previously not been able to consider and provides flexibility to consider multiple opportunities and initiatives at one time. Parcels that would be considered for land banking purposes would likely be in excess of 10 acres so that the municipality is better prepared and has the available shovel ready supply to respond to larger investment inquiries. It is not anticipated that the municipality would acquire parcels to hold for the long-term. The land banking efforts contemplated in this Report will help expedite the speed to market and availability of strategically located employment lands under the control of the municipality. The acquisitions are intended to be a short to medium term (1-7 year) hold and sell endeavour.

The actual amount to be borrowed, by way of a Line of Credit, is subject to the opportunities and actual acquisition and related costs, which may include partial or full servicing. A "Land Credit Working Group" represented by a cross-departmental staff team, at the Director level, to vet and make recommendations for acquisition of parcel would be struck following approval of this Report. All offers of Purchase and Sale on strategic employment land parcels will be subject to Council approval and staff will report back to Council annually, through General Issues Committee on the progress of land banking efforts for economic development purposes.

There is no request for net Capital Levy dollars as part of this Report. Annual interest costs associated with the \$30 M Line of Credit in an amount not to exceed \$900,000

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(representing a full draw on the \$30 M at a 3% interest rate) would be funded from the Shared Land Industrial Park Reserve with an uncommitted balance as of October 31, 2016 of \$2.5 M.

There are of course more challenges and barriers beyond the lack of municipal owned shovel ready land in terms of speeding up the absorption of the City's employment lands. Land banking would be the first tool to consider in meeting these challenges. More actions and initiatives to help spur non-residential growth will be brought forward as part of the Economic Development Action Plan. Further infrastructure investment strategies and cost sharing policies including, but not limited to, Development Charges Background Study and Development Charges By-Law for July 2019, along with a coordinated Multi-Year Capital Budget submission process for all corporate strategic growth related projects will also be coming forward through the Corporate Strategic Growth Initiatives Team.

ALTERNATIVES FOR CONSIDERATION

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

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

N/A

BM/dt