



Ontario's Industrial Land Shortage: Why It's a Problem and What We Can Do About It

BRENDAN SWEENEY, PhD & MICHAEL COX

DECEMBER 2021

Introduction

There is a shortage of industrial land in Ontario. This is the subject of a series of media reports published throughout 2021, some of which cite the growing demand for warehouse space as a result of online shopping as one of the reasons for this shortage. While online shopping is certainly a factor, it is only one of several that have contributed to a decline in the amount of available industrial land that began several years ago.

The shortage of industrial land is occurring at a time of substantial interest in boosting Ontario's manufacturing sector as means to support post-pandemic economic recovery and re-establish national supply chain security. Suffice to say, the timing could not be worse. The shortage of industrial land is an impediment to the growth of manufacturing in Ontario.

This report examines the reasons for the shortage of industrial land and the challenges that it creates. The analysis within draws upon a sample of the eventual uses of 169 factories that closed in Ontario in the recent past. The report proposes several potential solutions to the shortage of industrial land. Some of these solutions are unconventional, but they are designed to elicit thought and conversation among policy-makers, economic development professionals, and other industry stakeholders.

The amount of available industrial land was already declining in Ontario prior to the COVID-19 pandemic. This was the result of several factors, including:

- Rising property values. The value of all types of property throughout Ontario increased substantially in the past decade. These increases have outpaced those in other jurisdictions with which Ontario competes for manufacturing investment (e.g. Michigan, Québec), causing investors to consider locations outside of Ontario.
- Demand for housing. This is especially the case in the most densely populated regions of the province (e.g. Toronto, Hamilton, Niagara, Waterloo). As a result, a significant amount of industrial, commercial, and agricultural land has been converted to residential use.
- The evolution of communities in or near industrial regions. Residential neighbourhoods in many regions have already encroached or are threatening to encroach on industrial land. In many cases, neighbourhood activists express concern regarding the presence of nearby factories. In some, however, residents have expressed concern about the potential transformation of industrial land to residential and commercial purposes (e.g. the Downsview Lands, which currently houses two aircraft manufacturing facilities, an

airport used for testing, and the Downsview Aerospace Innovation & Research Hub, which houses several facilities affiliated with Centennial College and Ryerson University).

- The insufficient modernization of industrial facilities and associated infrastructure. Factories and the associated infrastructure have a shelf life. In some cases, land or buildings that have been used for manufacturing over many decades are no longer suitable for these purposes, or require substantial investment to update them according to the needs of modern manufacturers.
- Restrictions on development on the urban fringe and ecologically-sensitive areas. Southern Ontario's Greenbelt is perhaps the best known example of this. These restrictions affect industrial, commercial, residential, and institutional users alike. Note: the purpose of this report is not to advocate for or against these restrictions.
- The growth of e-commerce. This growth existed prior to the pandemic but increased significantly during it. It has led to increased demand for warehousing and logistics facilities. These facilities are located in buildings or on land - including a former Ford assembly plant near St. Thomas - that could be used for manufacturing. Note: the purpose of this report is to advocate for more careful consideration of using land to facilitate e-commerce at the expense of manufacturing.

The above factors are generally well-documented. To these we add another factor:

- The transition of industrial land to other uses, most of which have lower economic value. Much of this began following the recession of 2008-09, as land and building owners sought alternative uses to factories and the land they occupy. Much of this was due to perceptions that Ontario's manufacturing sector was permanently in decline.

The shortage of industrial land is an impediment to the growth of manufacturing in Ontario.

The Fate of Closed Factories in Ontario

Hundreds of factories have closed in Ontario since the early 2000s. But there is little publicity about what happened to those sites after those companies left them. This report sheds light on that issue.

To do so, it draws on a sample of 169 factories that closed in Ontario since the mid-2000s. The sample includes factories from across the province, although the majority are concentrated in the Golden Horseshoe and Waterloo. The sample includes factories that manufactured a diversity of products - from medicine to clothing to cigarettes - although approximately 25 percent produced food and another 25 percent manufactured automotive parts. This is not surprising considering that food processing and automotive parts manufacturing are the two largest segments of Ontario manufacturing (as measured by the number of employees). The sample includes factories that closed as recently as this calendar year, although the majority closed between 2010 and 2014.

Most (57 percent) of the factories in our sample are no longer used for manufacturing. Of these former factories, those located within the boundaries of the City of Toronto are most likely to have been (or will soon be) converted into housing or multi-purpose developments that include housing. Those outside of Toronto are more likely to be used for commercial, warehousing, and logistics purposes.

Some (18 percent) of the factories in our sample are still used exclusively for manufacturing by companies that took over sites from other manufacturers that shut down. In most of these cases the current company employs fewer people and is engaged in lower value activities than the former company. A smaller proportion (7 percent) of the factories in our sample are used for multiple purposes and include some manufacturing. In these cases those manufacturing activities are relatively small in scale. The remainder were vacant (at the time of writing).

Most of the factories in our sample are no longer used for manufacturing.



A Toronto industrial landmark, the Lever Brothers Soap factory manufactured consumer goods for over a century.



The former Kellogg's plant in London closed in 2014 and reopened as a mixed-use facility in 2018.

The Fate of ‘Mega-Sites’

The Government of Ontario has prioritized the identification of ‘mega-sites’ across the province. These mega-sites would presumably help attract a large manufacturer looking to build a greenfield facility that would employ thousands of people.

Within our sample of closed factories are 14 former ‘mega-sites’. Each of these factories employed in excess of 1,000 people at some point in the 1990s or 2000s. They include General Motors’ Windsor Transmission and Ontario Street (St. Catharines) powertrain manufacturing facilities, Navistar’s truck assembly plant in Chatham, Ford’s Talbotville assembly plant near St. Thomas, Celestica’s electronics manufacturing facility in East York, and Kellogg’s cereal manufacturing plant in London.

Together, these mega-sites employed more than 20,000 people in manufacturing-related occupations as recently as 2000. Today, there are approximately 500 people employed in manufacturing-related occupations across those sites.

Only two of these sites are used exclusively for manufacturing: Masco in St. Thomas (the former Sterling Truck plant) and ASW Valbruna in Welland (the former Atlas Steel mill). The former Kellogg’s plant in London is used mostly for non-manufacturing purposes, but does house a craft brewery and distillery.

Three former mega-sites are or will be the location of large housing developments. They include the former General Motors Ontario Street plant, the former John Deere plant in Welland, and the Celestica plant in East York. The others are vacant or have been completely or partially torn down.

The former Ford Talbotville assembly plant near St. Thomas will host an Amazon distribution warehouse in the near future. It is concerning that a world-class vehicle assembly plant that was once the sole source of the Crown Victoria - ubiquitous among North America’s police departments - will become a distribution centre for imported products while manufacturers struggle to find suitable space.



Ford’s Talbotville Assembly plant near St. Thomas produced the Crown Victoria until 2011. The 622-acre parcel is expected to be the site of an Amazon fulfillment centre.

Together, these mega-sites employed more than 20,000 people in manufacturing-related occupations as recently as 2000. Today, there are approximately 500 people employed in manufacturing-related occupations across those sites.

Table 1: Current Use of (Select) Former Ontario Manufacturing Mega-Sites

Facility	Location	Industry	Current Use	Manufacturing
General Motors (Windsor Transmission)	Windsor	Automotive	Parking/Storage	No
Ford (Talbotville Assembly)	St. Thomas	Automotive	Warehousing/Logistics	No
John Deere	Welland	Agricultural	Housing	No
Sterling	St. Thomas	Automotive	Masco	Yes
Navistar	Chatham	Automotive	Mixed	TBD
Stelpipe/Energex	Welland	Steel	Vacant	No
General Motors (Ontario Street)	St. Catharines	Automotive	Housing	No
Kellogg’s	London	Food	Mixed	Some
Celestica	East York	Electronics	Housing	No
Schneiders	Kitchener	Food	Housing	No

The Problem

Manufacturing is vital to Ontario's economy. The products manufactured in Ontario factories are essential to our well-being in the best of times, and even more so during crises. Manufacturers pay well, foster innovation, and contribute an outsized proportion of direct and indirect revenues to municipal, provincial, and federal government coffers. In short, the economic benefits generated by manufacturers far exceed those generated by warehousing, logistics, retail, and other light commercial activities.

Manufacturers need land and buildings. Those sites are ideally located near transportation infrastructure and population centres. If suitable land and buildings are not available, prospective manufacturers will bypass Ontario and those already here will invest elsewhere.

As small and medium-sized manufacturers grow as a result of their success and innovation, they are often required to relocate to larger factories. Companies from outside the province may seek to invest in Ontario as a means to capitalize on our talent base, access to markets, and other locational advantages. Again, these companies will be limited in their ability to invest and grow if industrial land and buildings are not readily available or if the price is too high.

The products manufactured in Ontario factories are essential to our well-being in the best of times, and even more so during crises.



The former Lever Ponds 38-acre site in Toronto awaits development.

What Can We Do About It?

We offer four potential solutions to address the shortage of industrial land in Ontario.

Create, maintain, and publicize a centralized database of available industrial land and buildings. Similar initiatives are currently underway at the municipal level including InvestBrampton's site selection tool (<https://investbrampton.ca/locate-here/site-selection-tool/>). A similarly useful tool is available from Invest Ontario's Certified Site Program, although it currently lists only a small number of sites (<https://www.investontario.ca/CertifiedSite>). A comprehensive and up-to-date list of available industrial land and buildings is critical to the success of any such project.

Support upgrades and retrofitting where a return on investment from manufacturing is likely. In some cases, a suitable building or parcel of land exists, but upgrades to pipes, foundations, structure, or infrastructure are necessary. In the event that these are the most significant hurdles to an otherwise valuable manufacturing investment, governments at all levels may consider providing support for upgrades. In instances where the manufacturer does not own the building, repayable contributions provided to the building's owner that are tied to rent payments or property tax incentives over several years may be the most appropriate.



The iconic water tower is all that remains of the Christie cookie factory in Toronto.

If suitable land and buildings are not available, prospective manufacturers will bypass Ontario and those already here will invest elsewhere.

Protect industrial land and buildings in the same way that communities protect heritage properties. Communities across Ontario will rally to ensure historic properties receive a heritage designation. These properties may have aesthetic value, but their economic value is limited. Perhaps it would be appropriate to protect tracts of industrial land in a similar fashion? After all, this is the land that houses the manufacturers that generate tax revenues that fund the agencies that administer heritage properties. Some of those taxes could even be earmarked specifically for heritage committees.

Collaborate across different levels of government to adjust property taxes according to employment, tax contributions, and value-added. Manufacturers create more and better employment opportunities, purchase more goods and services, and ultimately generate more tax revenues directly and indirectly than other types of businesses. This is especially the case if you consider revenue generated relative to square footage. Yet manufacturers' property tax rates are often the same or higher than businesses that do not contribute as much to the economy. While the mechanics of this idea are tricky and involve intra-governmental collaboration, there may be value in an incentive program that rewards companies that generate higher-than-average tax revenues, employment, and other economic benefits relative to the amount of space they occupy.

Conclusion

The shortage of industrial land threatens a sector that is vital to Ontario's economic and social well-being. Ontario has long relied on manufacturing to create wealth, job opportunities, and prosperity. However, the increasing costs of and demand for land and factory space jeopardizes manufacturers' ability to do so. These challenges have increased recently as the sites of hundreds of closed factories have been converted into other, usually lower value, uses.

These challenges must be addressed if we are to sustain and grow Ontario's globally-competitive manufacturing sector. The report identifies four particular solutions. These include an industrial land database, supports for upgrades to existing sites, protecting industrial land through designations that recognize the outsized economic contributions of manufacturing, and adjusting property taxes according to the economic benefits generated by manufacturers. Some of these initiatives are currently being undertaken or considered by governments and industry stakeholders, and we are optimistic that they will support the growth of manufacturing in the near- and long-term.

The Trillium Network for Advanced Manufacturing is a provincially-funded non-profit organization that raises public and investment awareness of Ontario's advanced manufacturing ecosystem with the intention of supporting growth and competitiveness. Our offices are located on the campus of Western University in London.

For more information please visit: www.trilliummfg.ca

Endnotes

Davis, Brent 'Industrial space at all-time low in Waterloo Region' *The Record* 24 September 2021

Available here:

<https://www.therecord.com/business/real-estate/2021/09/24/industrial-space-at-all-time-low-in-waterloo-region.html>

Davis, Brent "We literally can't build the space fast enough': Demand surges for industrial space in Waterloo Region and beyond' *The Record* 09 April 2021

Available here:

<https://www.therecord.com/business/real-estate/2021/04/09/we-literally-cant-build-the-space-fast-enough-demand-surges-for-industrial-space-in-waterloo-region-and-beyond.html>

Bharti, Bianca "Getting creative': How the demand for warehouse space is pushing industrial real estate into new territory' *Financial Post* 25 March 2021

Available here:

<https://financialpost.com/real-estate/property-post/how-surging-demand-for-warehouse>

Deschamps, Tara 'Shrinking warehouse space in high demand due to pandemic-era online shopping' *The Canadian Press* 23 April 2021

Available here:

<https://www.cbc.ca/news/business/ecommerce-online-shopping-warehouse-space-1.6000038>

Resources

TrilliumGIS is an open-access asset and capability-mapping platform that provides information for over 8,000 manufacturing establishments that represent over 95% of Ontario manufacturing employment and output.

Visit us online:

<https://trilliummfg.ca/trilliumgis/>

Information on the Ontario Government's Investment Ready: Certified Site Program is accessible on their website.

Available here:

<https://www.investontario.ca/CertifiedSite>

An example of an industrial land directory from InvestBrampton, the City of Brampton's Economic Development website, can be found here:

<https://investbrampton.ca/locate-here/site-selection-tool/>

Trillium Network for Advanced Manufacturing

Room 6306
Social Science Centre
Western University
London, ON N6A 5C2

info@trilliummfg.ca

519 661 3351