



2004

Economic Analysis

Update

Prepared by: The Corporation of the City of Cambridge
Planning Services Department

June 2004

Introduction

In February 1995 an Economic Analysis Report was prepared for the City of Cambridge by the Randolph Group and Larry Smith, Essential Economics Corporation. Updates of a number of indicators have been undertaken on an annual basis since that time. This 2004 update will be used as a source of valuable information pertaining to the Cambridge economy.

Analysis

The following sections provide an account of observations and a brief analysis of individual data. More detailed statistics are provided in the accompanying tables and figures.

Figures 1 and 2: Economic Output and Diversification

In 2003, the Cambridge economy accounted for 24% of Waterloo Region's economic output. Cambridge continues to have a healthy, diversified economy, with an emphasis on manufacturing relative to the rest of the Region. This distinction will likely to be maintained as a result of the continuing growth of the industrial sector in Cambridge.

Figure 3: Business Growth

As of December 2003, Cambridge was home to a total of 6,321 firms. In a period of 42 months (June 2000 - December 2003), the number of businesses in Cambridge increased by 1,153 from 5,168 to 6,321 with over half (570) starting up between 2002 and 2003. This represents a gain of 22% new business establishments between June 2000 and December 2003. The largest gain occurred in the Construction sector with a net gain of 299 businesses. The second largest increase occurred in the Business Services sector with a gain of 239 businesses. The only losses occurred in the Government Services Industries and Fishing and Trapping Industries with a loss of 2 establishments in the former and 1 in the latter.

Figure 4: Size of Businesses

Employment in small businesses continues to be central to the Cambridge economy. Approximately 50% (or 1,478 firms) had 1-4 employees in 2003. This shows an increase of 136 firms since 2000 with 1-4 employees.

The above calculations do not include firms with an indeterminate staff size. The number of firms reporting an indeterminate number of employees increased 41%

between 2000 and 2003 (2396 to 3370). Indeterminate staff size means staffing levels fluctuate on a regular basis due to seasonal variations or economic cycles. If this trend continues the value of examining staff size data will diminish as firms with indeterminate staff sizes are approaching half of the number of businesses in the city.

On the opposite end of the spectrum, firms with over 200 employees made up 1.2% of all businesses with known staff sizes in Cambridge in 2003, with 35 firms in this category. The percentage of large employers has hardly changed in more than a decade. In 1990, 1.7% or 37 firms had over 200 employees.

It should be noted that change in the number of businesses in a category is not only due to the arrival and departure of firms, but also due to the movement into another staff size category as a result of hiring or staff reductions.

Figure 5: Type of Business by Size and Number

The Cambridge economy is quite diversified by size and types of businesses. The Manufacturing Industries Category has the highest number of firms in every staff size category over 20 persons. But Business Service Industries and Construction Industries have the largest numbers of small firms and businesses with indeterminate staff sizes. The number of firms with an Indeterminate staff size increased by 974 establishments or 41% since 2000. Over half (53%) of firms now classify their staff size as Indeterminate. Almost all firms with Indeterminate staff sizes have less than 100 employees.

Figure 6: Employment Growth

Cambridge's workforce increased by 15% between 1995 and 2000 according to data from Statistics Canada. Only Mississauga outpaced Cambridge among the 9 municipalities surveyed. This data is updated every five years by Statistics Canada when national Census's are held. Workforce data will next be collected in 2005 and reported in the 2006 Census.

Figure 7: Business Bankruptcies

The number of business bankruptcies remained in the middle of the 10-year range at 31 with total net liabilities of \$6.4 million. The data indicate a comparable rate of bankruptcies with 37 last year and a 50% decline in net liabilities from \$12.8 million in 2002.

Figure 8: Housing Prices and Residential Taxes

The cost of resale housing in Cambridge remains competitive among Ontario cities with populations between 100,000 and 300,000. Cambridge housing prices remain lower than those of all municipalities in the Greater Toronto Area.

Property taxes are generally lower in comparison to other similar-sized Ontario cities. The combination of competitive housing prices and low property taxes continue to make Cambridge attractive to those moving from other communities.

Figure 9 & 10: Assessment Growth

In 2003, Cambridge reported a total assessment growth of 4.07% whereas the average for the sample group of cities is 2.29%. Total Assessment Value growth decreased by 1.26 percentage points between 2002 and 2003, but Cambridge continued to outperform all of the other surveyed municipalities in assessment growth. Residential Assessment continued to be the largest component of assessment growth in 2004.

Figures 11 & 12: Development Charges

Cambridge's development charges are generally competitive. Total residential development charges in Cambridge (\$10,970) are near the midway point between the lowest (Brantford \$4,763) and highest (Oshawa \$16,179) residential development charge reported.

Non-residential development charges are also near the group average except that there are no development charges on industrial lands purchased from the City of Cambridge. It should be noted that differing levels of service, rates of growth and financial arrangements may account in part for different development charge levels. It is also noted that many of the surveyed municipalities will be updating their Development Charges by-laws in mid 2004, as is the case in the City of Cambridge.

Figure 13: Journey to Work

The most recent data are from the 2001 Census and are based on 2000 Journey to Work travel patterns. Based on this information the number of Cambridge residents who commute has gradually increased, but 61.8% of the Cambridge workforce continues to be employed in Cambridge. Kitchener is the primary commuting destination followed by Metro/Peel and Wellington County. Kitchener, the rest of Waterloo Region and Wellington County are collectively the workplace for 24.9% of the Cambridge workforce which suggests that there are strong economic linkages between Cambridge and its immediate neighbouring communities.

The Journey to work data also reveal that the number of non-Cambridge residents travelling daily to work in Cambridge exceeds the number of Cambridge residents working daily outside of Cambridge. The majority of the 50,015 Cambridge residents who were considered to be in the employed workforce work in Cambridge (38,850) while 19,165 leave the City to work. Therefore, Cambridge is a net importer of employment with 21,645 workers from outside the City. Journey to work data are updated every five years as part of the Canadian Census. The next Census will be held in 2006.

Figure 14: Residential Housing Construction

The number of new residential units has increased considerably in recent years. A total of 1,136 housing units were constructed in 2003, rivalling the boom years of the late 1980's.

Figure 15 and 16: Value of Building Permits

The value of building permits reached a 19-year high of \$284.4 million in 2003. The value of construction is an estimate provided by applicants when they submit applications for building permits. Construction values have increased steadily since 1993 when the annual value of construction was \$71.9 million.

Construction values continue to remain balanced across all the sectors: residential, industrial, commercial and institutional. Over the past 19 years an average of 53% of the construction value in any year was allocated to residential projects. In 2003 the residential portion was 56%.

Figure 17: City-Owned Industrial Land Sales

City-owned industrial land sales have been strong since 1998. The year 2000 was the best year ever, with approximately 190 acres closing (including 90 acres to Loblaw's and 40 acres to the Seaforth Creamery). In 2003, 57 acres of industrial lands were sold by the City. An additional 136 acres were added to the city's industrial land inventory in 2003. Convenient access to highways and competitive industrial taxes make Cambridge an attractive area for businesses to locate.

Figure 18: Industrial Land Taxes

2004 data were not available at the time of printing. Based on 2003 data, Cambridge's industrial land taxes are in the mid-range of the municipalities that were compared. Tax rates and land prices were compared on the basis of a hypothetical 20,000 square foot

building with attached office on 2 acres of land at various municipalities. The construction cost for the building is typically in the area of \$50 per square foot (psf).

Summary and Conclusion

Building activity in both the residential and non-residential sectors continued to be robust, and sales of city-owned industrial land remain at an above average pace.

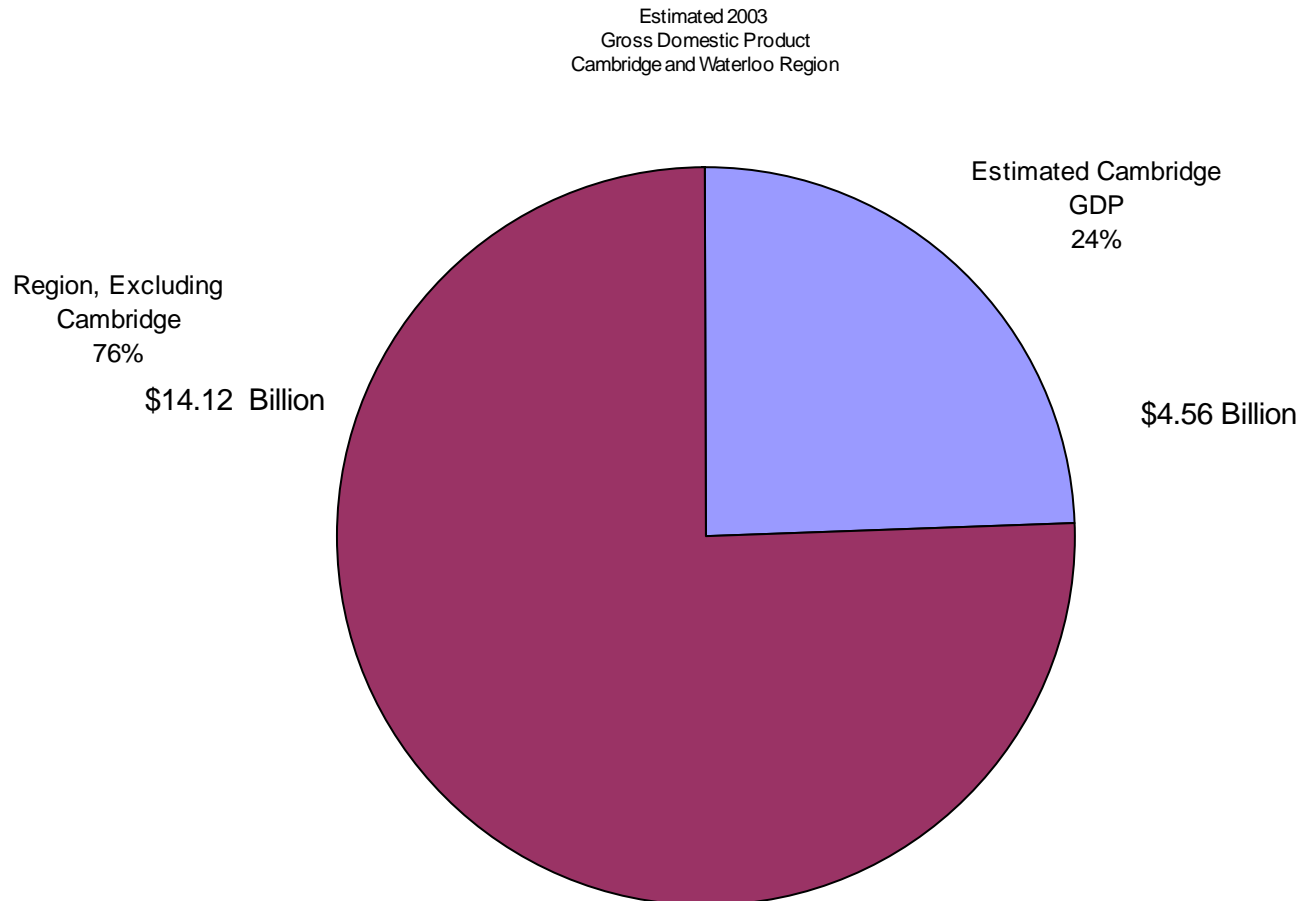
The City is generally competitive regarding development charges, housing prices and taxes as compared to other similar sized cities in Ontario.

The continued growth and diversification of the Cambridge economy is demonstrated by a number of factors examined in this report. The Canadian Business Pattern data reveal the addition of at least 1153 firms to the Cambridge economy since 2000. The diversification of the economy continued with the majority of the new firms being classified as Services Industries or Construction Trade. Cambridge continues to be home to a higher than average number of manufacturing industries but it appears that this trend is gradually changing, with a net gain of only 42 firms classified as Manufacturing Industries since June 2000.

Based on the findings in this report, Cambridge's economy is healthy and growing. The prosperity created by the city's economy is continuing to provide a positive environment for both residents and businesses.

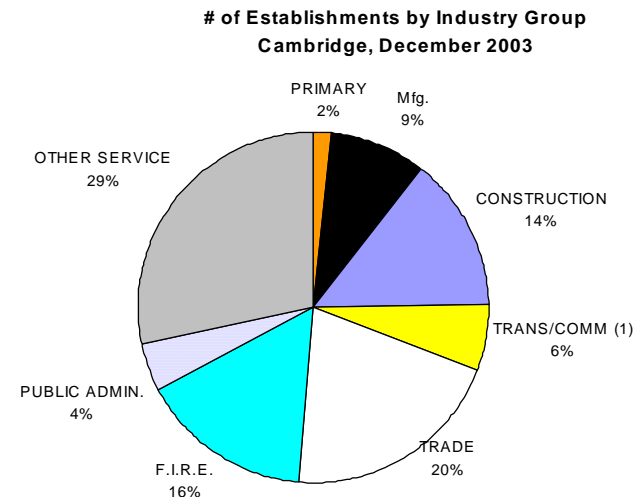
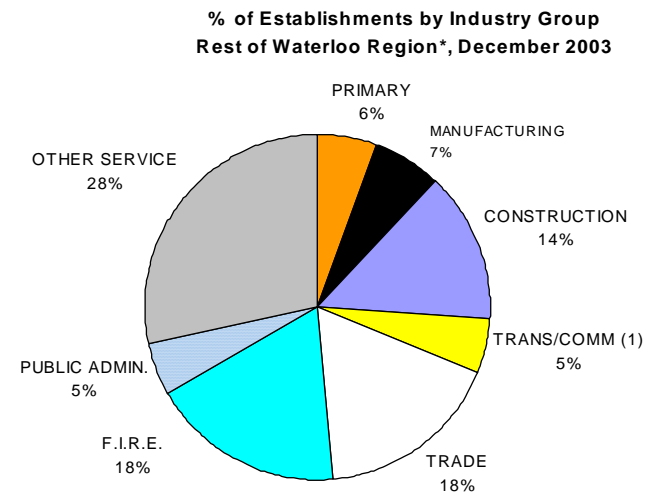
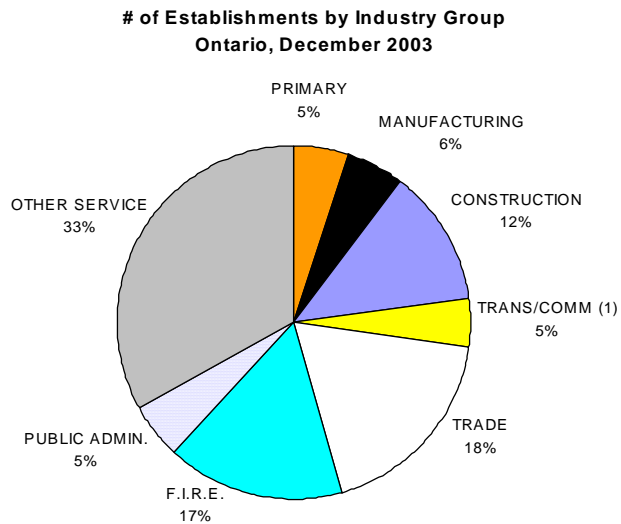
Figures

Figure 1: Cambridge accounts for one quarter of Waterloo Region's Economic output.



Note that the methodology used involves the assumption that that the productivity per worker is uniform throughout the Province of Ontario. Consequently the figures is more of an approximation based on the number of employed people. A figure based on the actual productivity of firms in the City and Region is not available.

Figure 2: Cambridge continues to have a diversified economy with particular emphasis on manufacturing relative to the rest of the Region and the Province.



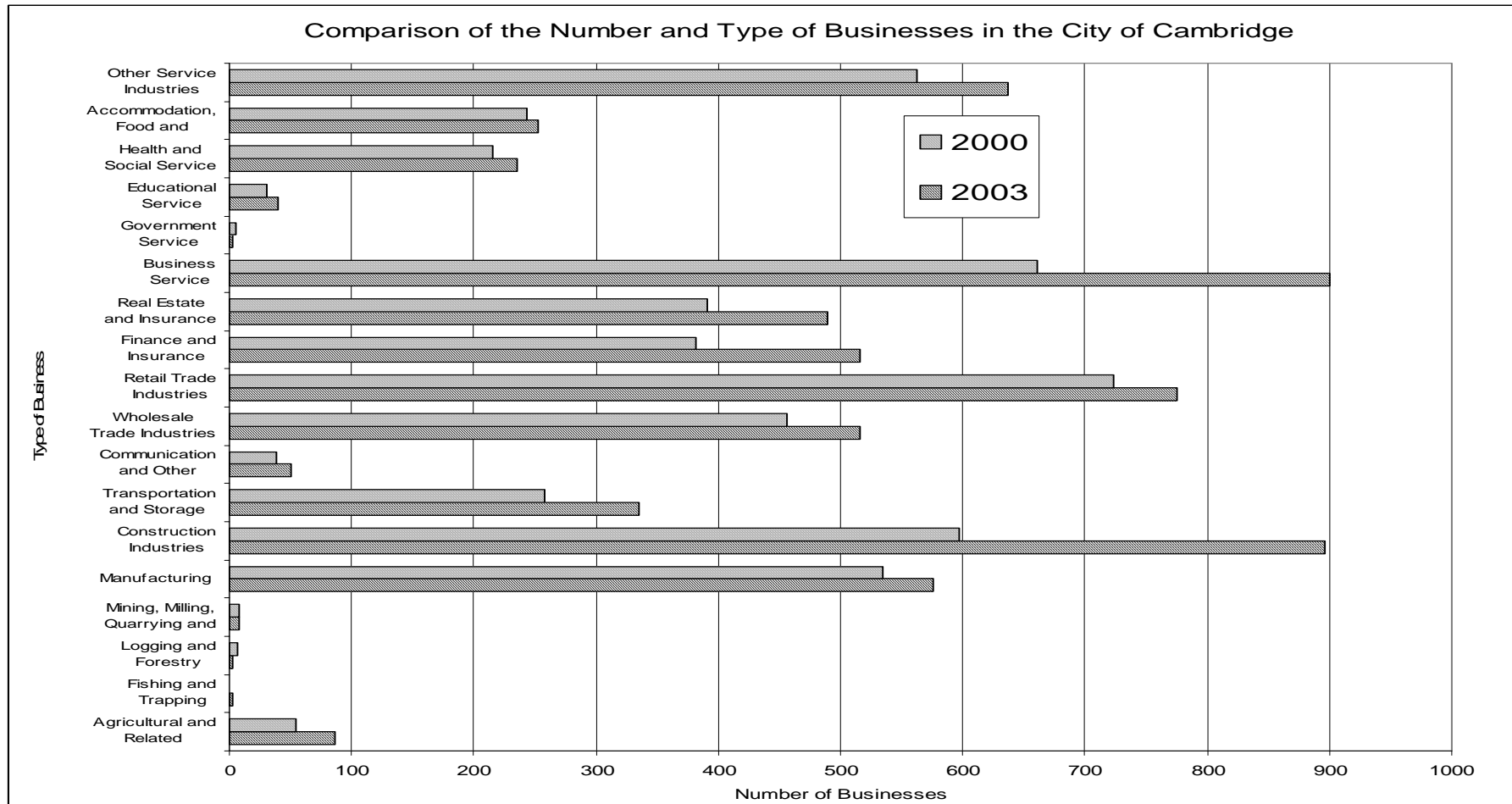
*Excludes Cambridge

1. Trans/Comm = Transportation,
Communication and Other Utilities

2. F.I.R.E. = Finance, Insurance and Real Estate

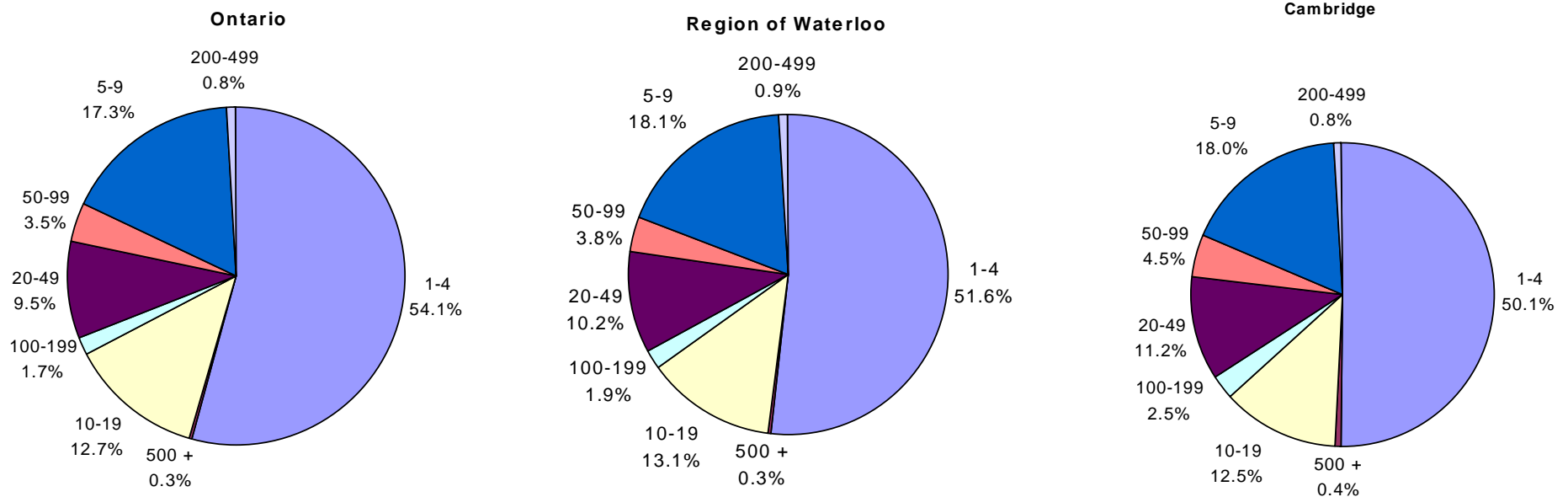
Source: Statistics Canada,
Canadian Business Patterns, December 2003

Figure 3: The Construction and Business Services sectors experienced the highest growth since 2000.



Source: Statistics Canada, Canadian Business Pattern Data from June 2000 and December 2003.

Figure 4: Half of the businesses* in Cambridge have 4 or fewer employees

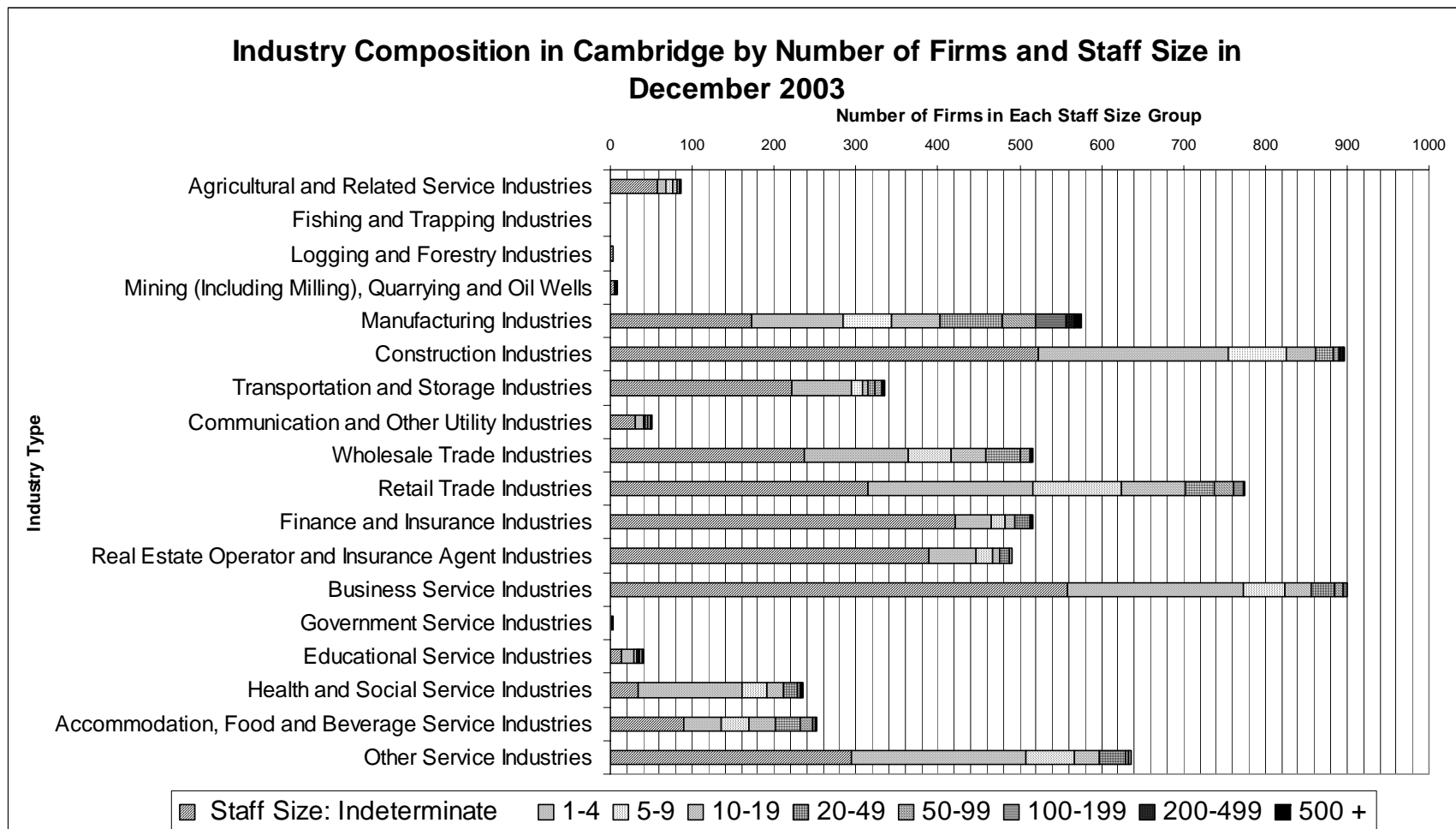


***Includes public sector employers.**

Source: Statistics Canada, Canadian Business Patterns, Dec.2003.

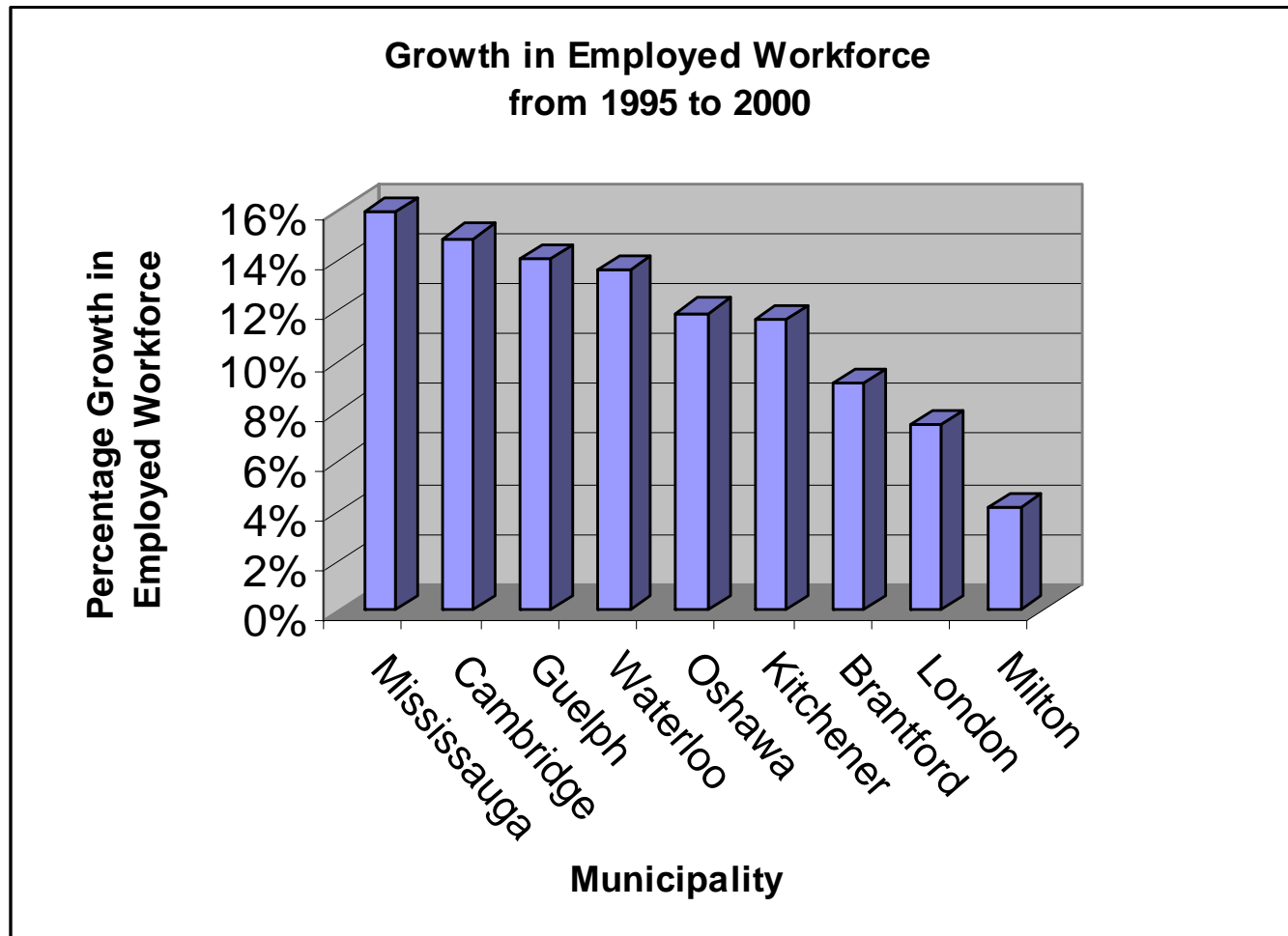
Note: Total number of establishments in Cambridge was 6,321. 3,370 reported having an Indeterminate Staff Size.

Figure 5: The Cambridge economy is quite diversified by size and type of firms.



Note that Statistics Canada data indicates that almost half the businesses in Cambridge have an indeterminate number of staff meaning that staff size is reported to fluctuate regularly. Source: Statistics Canada December 2003 Canadian Business Pattern Data

Figure 6: Employment Growth has been healthy in comparison to other municipalities.



Source: Statistics Canada, 1996 and 2001 Census.

Figure 7: The number of Bankruptcies remained in an established range in 2003, however the net liabilities have decreased.

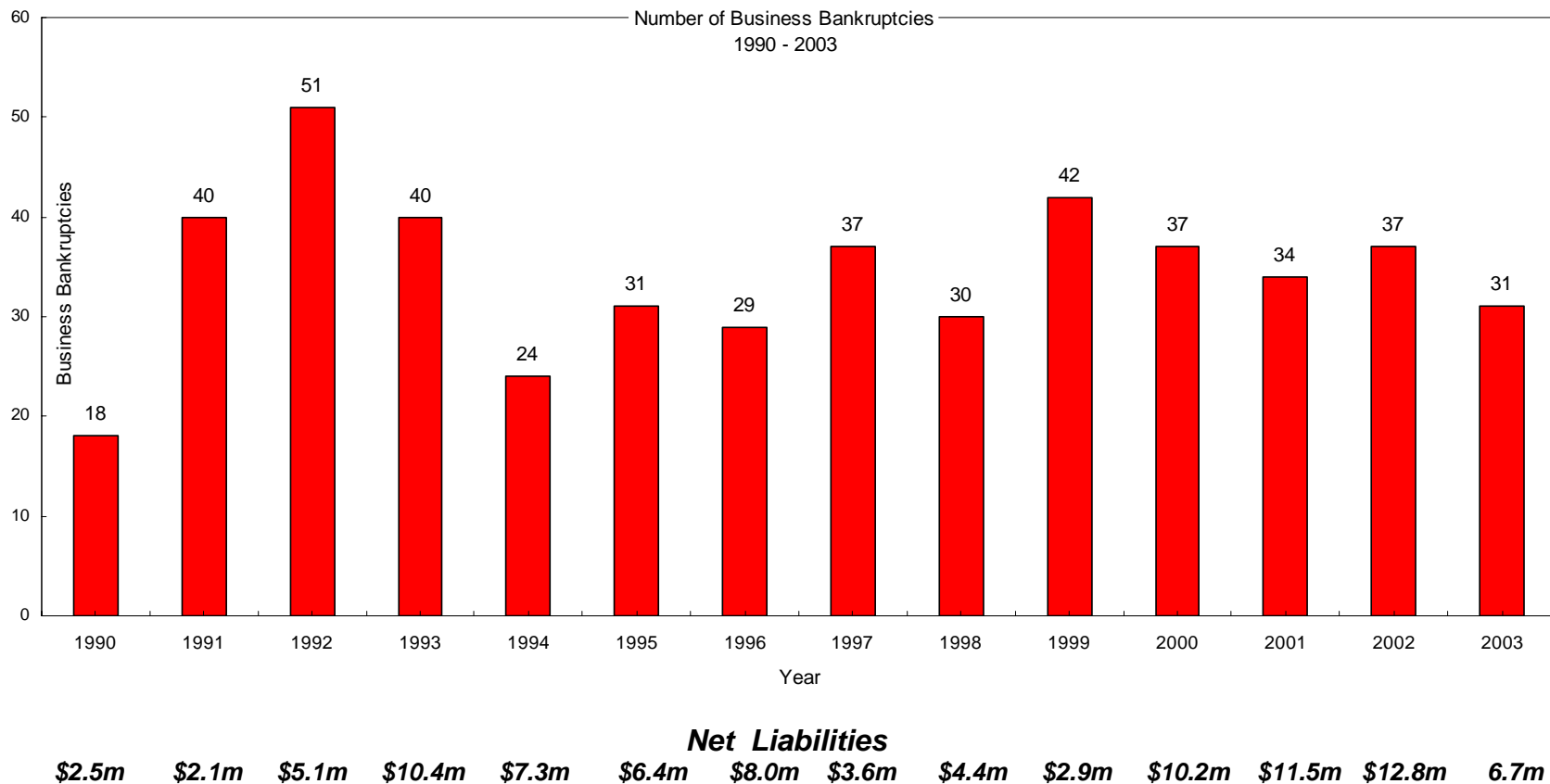


Figure 8: Cambridge Housing Prices have risen this year while taxes are on the lower side.

House Prices and Estimated Taxes
For Detached Bungalow, Fall 2003.
(ranked lowest price to highest price)

Location	Price	Estimated Taxes
Brantford	\$163,000	\$2,614
London	\$163,500	-
Oshawa(2)	\$164,000	\$2,414
Kitchener	\$176,300	\$2,700
Cambridge	\$180,000	\$2,500
Waterloo	\$186,000	\$2,750
Greater Toronto Area	\$230,000 to \$525,000	\$2,350 to \$3,900

House Prices and Estimated Taxes
For Senior Executive, Fall 2003
(ranked lowest price to highest price)

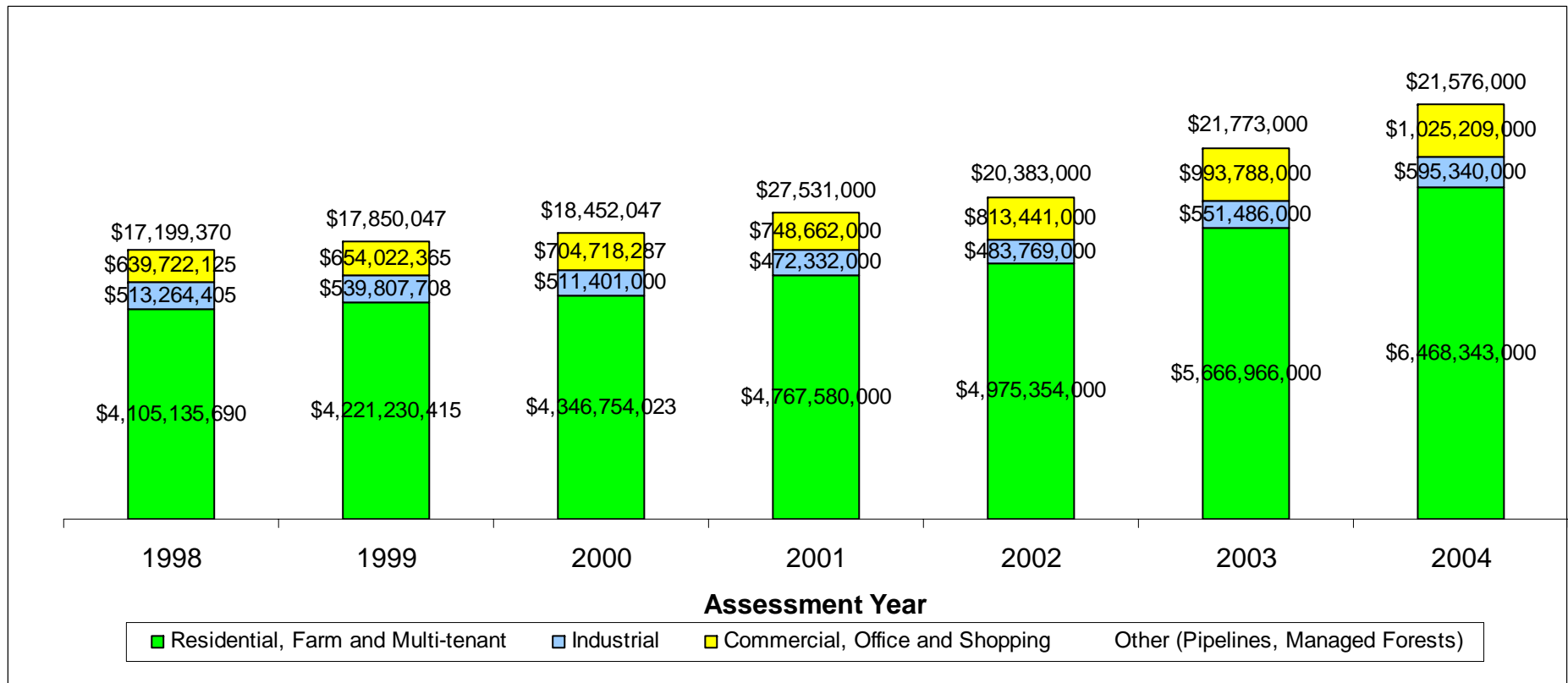
Location	Price	Estimated Taxes
Brantford	\$295,000	\$4,732
Oshawa(2)	\$304,000	\$3,600
London	\$329,000	-
Waterloo	\$335,000	\$4,300
Cambridge	\$343,000	\$4,200
Kitchener	\$409,000	\$6,500
Greater Toronto Area	\$385,000 to \$2.15 million	\$3800 to \$14,000

Source: Royal LePage Survey of Canadian House Prices, 4th Quarter 2003 except where otherwise noted by number in brackets.
Data for Oshawa only available from 2nd Quarter 2003. No Royal LePage data for Guelph in 2003. Tax data for London not provided.

Figure 9: Cambridge's assessment base has grown in recent years, primarily due to residential growth

Taxable Assessment
1998 – 2004

Totals: \$5,275,322,000 \$5,432,910,000 \$5,581,325,000 \$6,015,783,000 \$6,292,947,000 \$7,234,013,000 \$8,110,468,000



Source: City of Cambridge

Note: City was re-assessed in 1998 with Market Value Assessment; therefore the data from the previous years is not readily comparable.

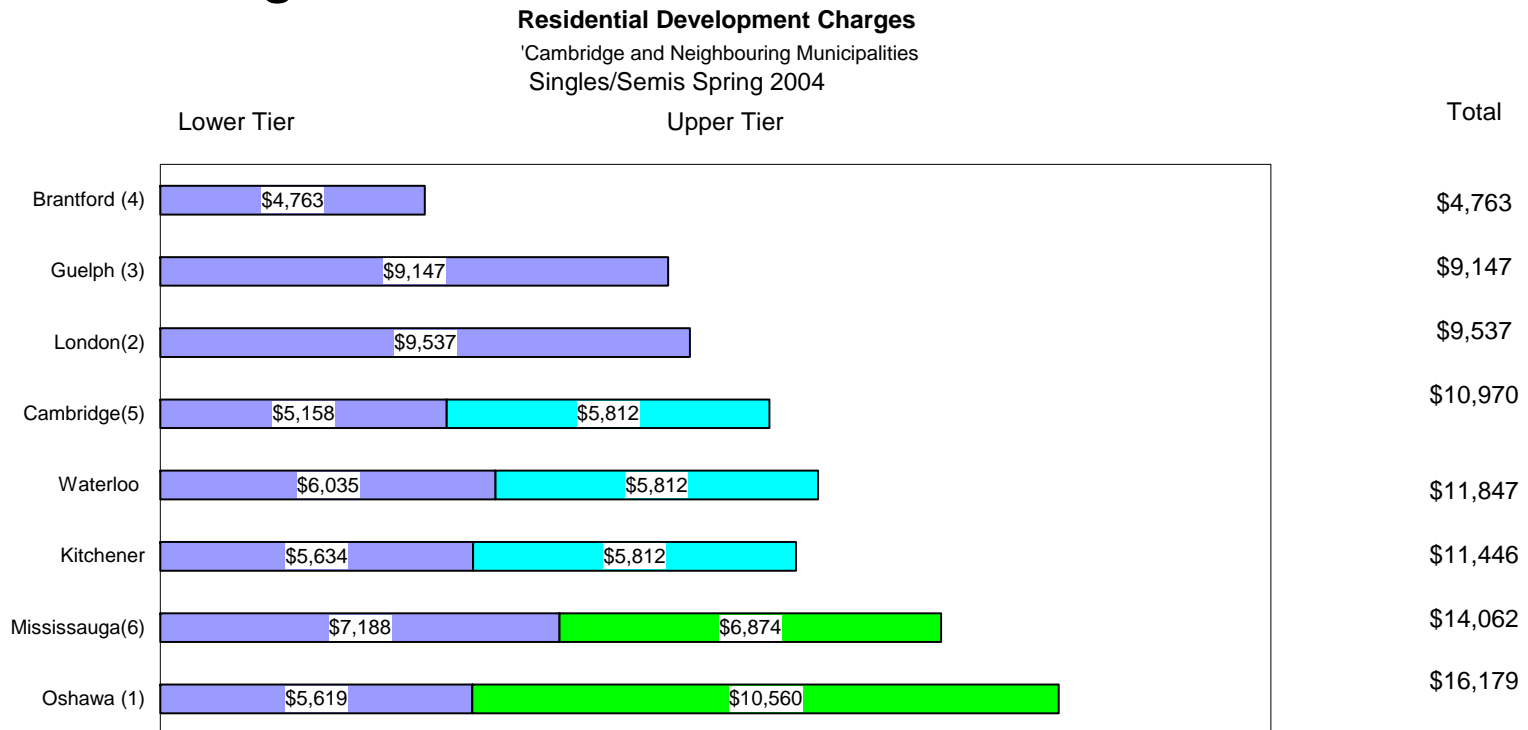
Figure 10: Cambridge continues to fare well in the growth of its assessment base.

Comparison of Assessment Growth - Total 1989-2003							
Year	Brantford	Guelph	Kitchener	Waterloo	Oshawa	Cambridge	Average Assessment Growth (All Cities)
1989	2.70%	4.00%	4.60%	6.00%	2.70%	8.80%	4.80%
1990	4.30%	4.90%	4.20%	7.40%	2.10%	6.87%	4.96%
1991	4.70%	2.40%	2.60%	5.00%	2.20%	4.50%	3.57%
1992	0.40%	3.10%	1.70%	1.60%	0.50%	3.61%	1.82%
1993	1.10%	2.80%	0.80%	0.15%	0.50%	1.16%	1.08%
1994	0.50%	1.70%	1.50%	1.05%	-0.90%	1.91%	0.96%
1995	-0.50%	2.13%	-1.00%	1.05%	0.14%	1.45%	0.54%
1996	0.42%	0.01%	0.05%	1.53%	0.04%	0.83%	0.48%
1997	0.52%	2.36%	1.12%	1.84%	0.45%	4.57%	1.81%
1998	1.10%	1.81%	0.63%	0.21%	0.00%	4.07%	1.30%
1999	0.65%	1.31%	2.09%	3.15%	0.40%	4.54%	2.02%
2000	0.81%	3.50%	1.50%	2.99%	2.81%	*1.71%	1.94%
2001	1.63%	7.65%	1.09%	2.68%	1.50%	1.74%	2.72%
2002	3.57%	3.09%	3.69%	4.25%	2.00%	5.33%	3.66%
2003	1.60%	2.20%	2.33%	n/a	1.25%	4.07%	2.29%

Source: Provincial Assessment Offices and Municipal Finance Departments

*Lower due to re-assessment of space being used at a major manufacturing facility resulting in an over-all decrease in assessment value.

Figure 11: Cambridge is in the middle for residential development charges.



(1) Oshawa: Upper tier Semi-detached charge is \$8,848. Additional charges for Go Transit, Public and Separate Schools and Cash-in-lieu of Parkland are also charged (totalling \$5,417 for single, \$4,947 for semi).

(2) London District Catholic School Board charges an additional \$755/unit. Charges shown are for inside the Urban Growth Area.

(3) Guelph: Education DCs are an additional \$1,158.

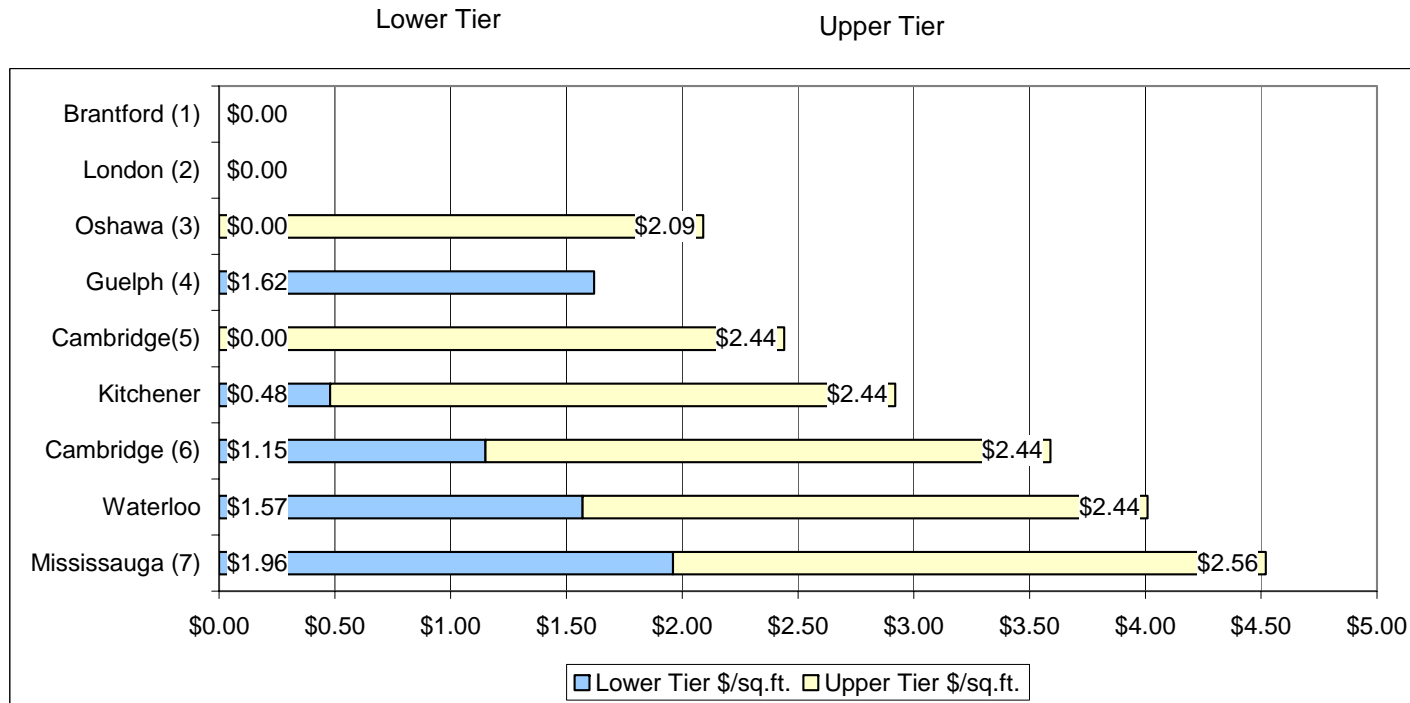
(4) Brantford: Education DCs are an additional \$264.

(5) Cambridge: Education DC's are an additional \$190.72 and \$102.04 for the Public and Separate Boards respectively.

(6) Mississauga: Additional \$329 for GO Transit, \$1,281 and \$855 for Public and Separate School Boards and \$36,781/ha for Storm Water Management.

Source: Contact with municipalities and/or their websites, Spring 2004

Figure 12: Cambridge is competitive regionally on non-residential development charges.



Rates are for Industrial Development except where noted otherwise.

(1) Brantford quoted their Development Charges at \$22.52/sq.m for commercial and institutional, nothing for industrial.

Also no DCs in core area. New bylaw coming which will possibly double rates and include industrial.

(2) London: No Non-residential DC's on industrial land but \$6.40/sq.ft. on commercial land, and \$4.55/ sq.ft. on institutional lands.

(3) Oshawa: No Non-residential DC's. In addition to upper tier charge (\$2.09/sq.ft), the Separate School Board charges \$0.18 of gross floor area of non-residential development.

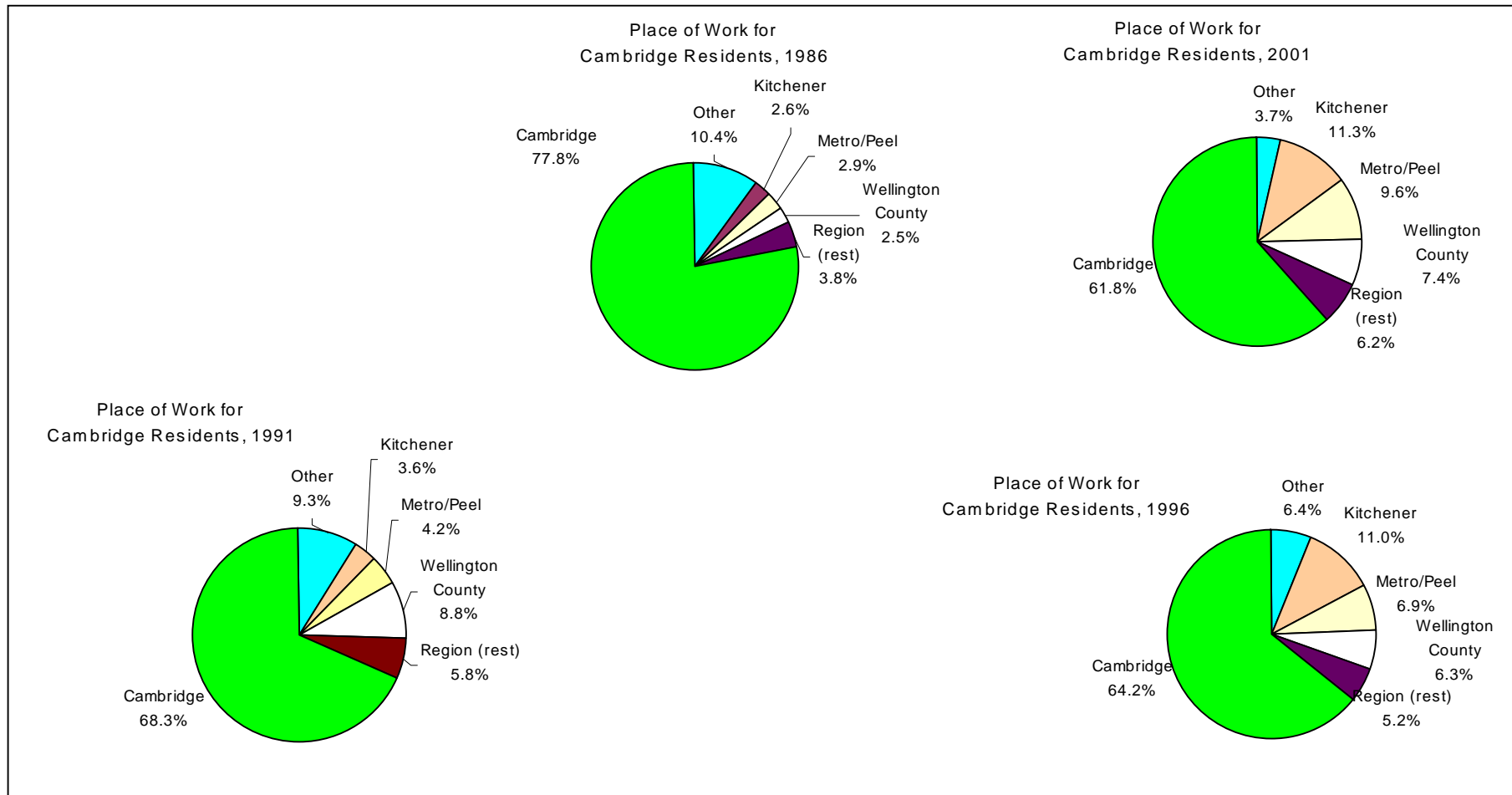
(4) Guelph: DC of \$5.82 charged on commercial and institutional land development. Slightly lower charges for "Downtown Area" .

(5) Cambridge: No city DC for city owned industrial lands.

(6) Cambridge: DC for privately owned non-residential land development (industrial, commercial, institutional)

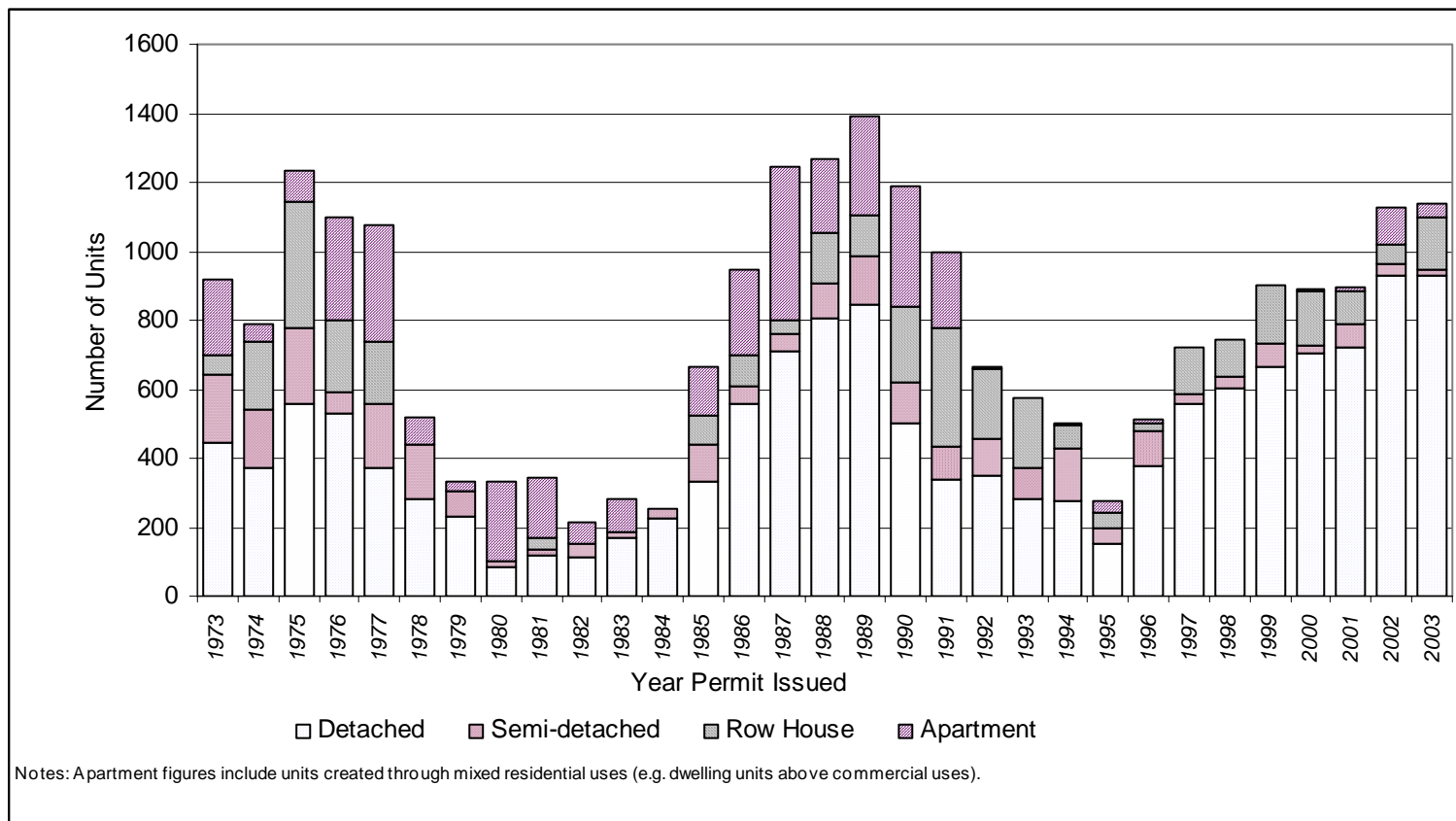
(7) Mississauga: DC's are \$2.41 (city) and \$3.55 (region) for non-industrial land. In addition \$0.16/sq.ft and \$0.32/sq.ft is charged by the Public and Separate Boards of Education as well as \$36,781/ha Storm Water Management.

Figure 13: The number of Cambridge residents who commute has increased slightly but most commuters travel to nearby communities.



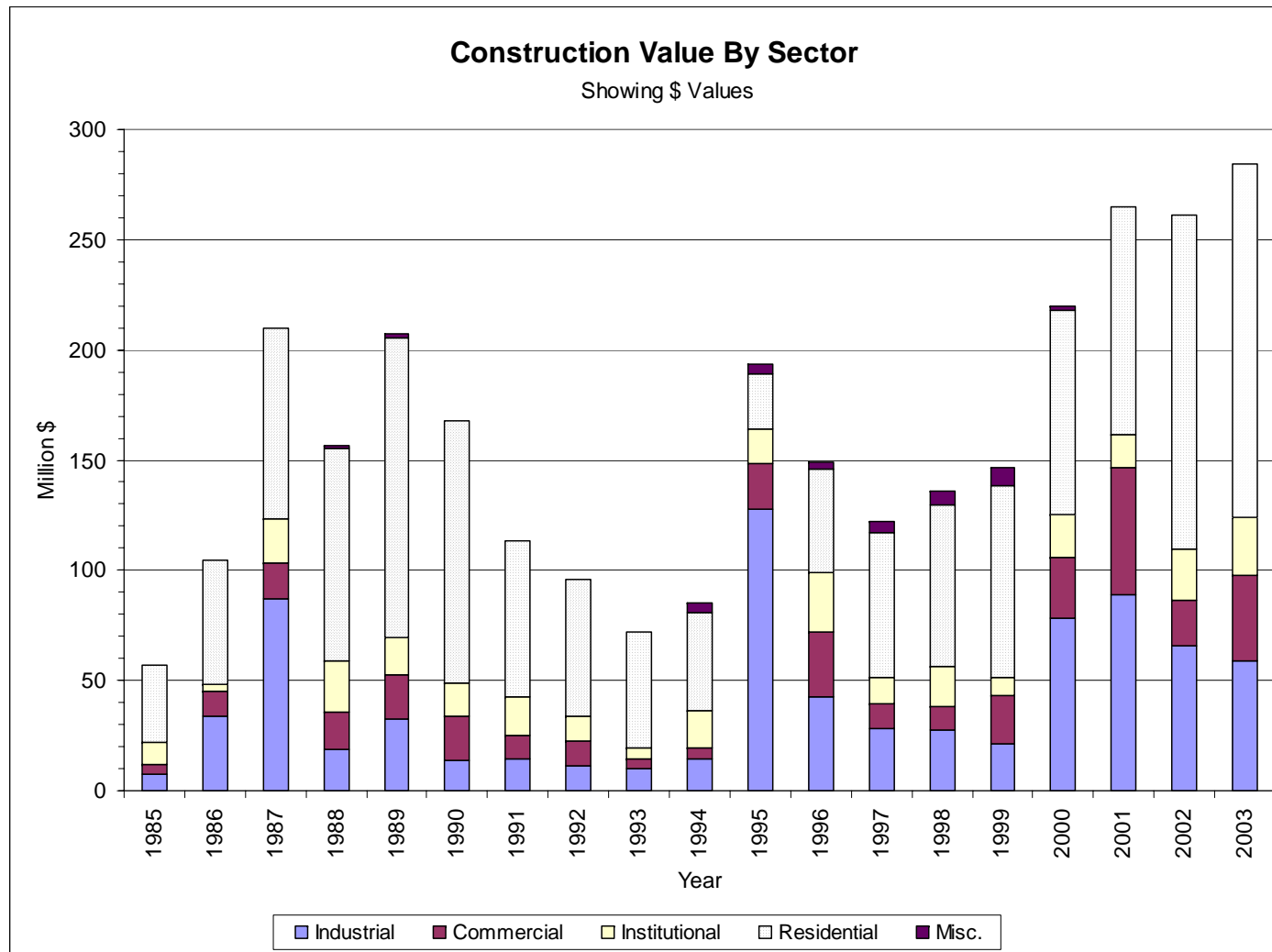
Source: 1986, 1991, 1996 and 2001 Data drawn from Statistics Canada Census Place of Work Data

Figure 14: Residential construction continued at last year's high level.



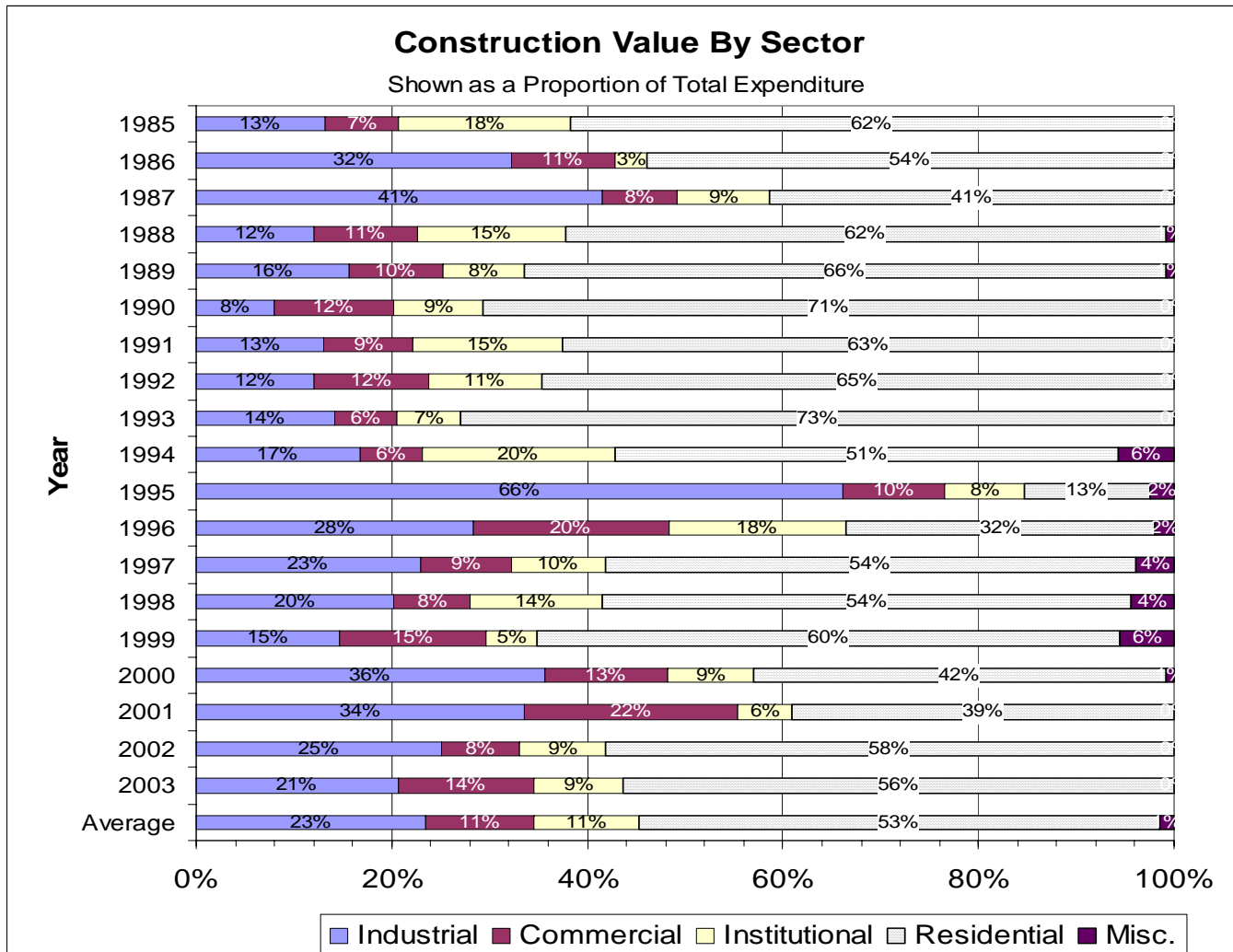
Source: City of Cambridge Planning Services Department

Figure 15: The value of building permits in 2004 set record levels.



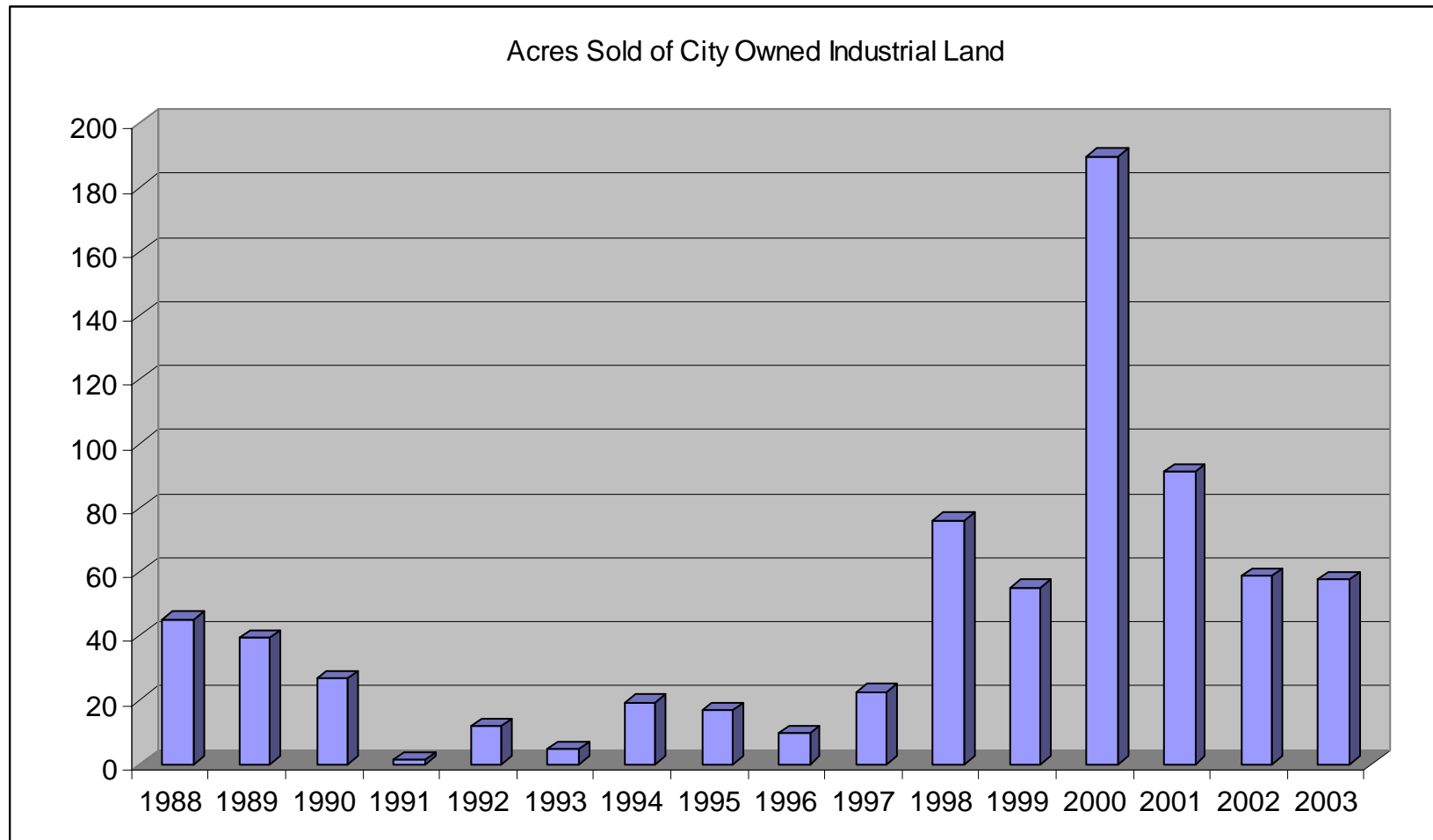
Source: City of Cambridge Planning Services Department

Figure 16: The distribution of Construction Values by sector in 2003 is comparable to the average distribution for the past 19 years.



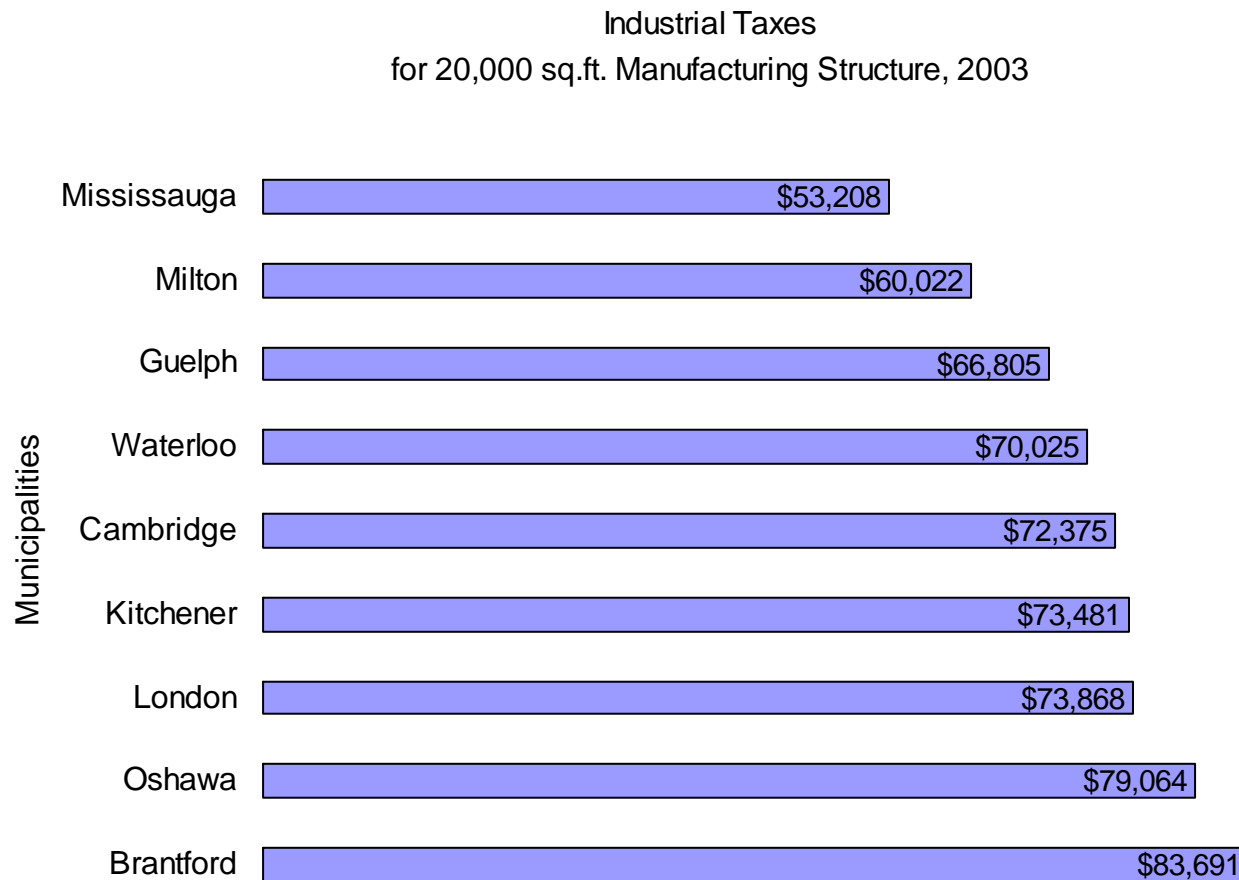
Source: City of Cambridge Planning Services Department

Figure 17: City owned industrial land sales in 2003 were in the top half of the time period tracked.



Source: City of Cambridge Economic Development Department

Figure 18: Cambridge industrial taxes are in the mid-range.



Above taxes are based on estimates of cost of land, tax rates provided by the municipalities as well as uniform construction cost of \$50 psf. The estimates are for a 20,000 sq.ft. industrial manufacturing structure with an attached office, located on 2.0 acres of land.

As of June 23, 2003

Glossary

Explanation of Terms and Concepts

In order for all users to benefit from this document, a brief glossary is provided to assist the reader with the analysis. Reading through this introductory section clarifies what methodology was used in order to produce an analysis on the Cambridge economy.

The following terms and concepts are not in alphabetical order. They appear in the same order as they do within this report.

Economic Output –

This economic indicator is summed up through the use of the gross domestic product (GDP) for Cambridge. The GDP is an estimate of the value of all goods and services produced by the citizens of Cambridge. This value is estimated (in dollars) using data provided by the Ministry of Finance for the Province of Ontario. Ontario's total GDP is divided by the total number of persons employed in the Province and results in an average amount an individual worker output. The City of Cambridge's GDP can be determined when this figure is multiplied by the number of persons employed in Cambridge.

Another factor used to describe economic output is economic diversity, which basically describes the various types of industries where employment is distributed. Industry groups for this section of the report are classified as follows: primary, manufacturing, construction, transportation/communication/other utilities, trade, finance/insurance/real estate, public administration, and other services.

Business Growth –

Patterns of business growth are a function of annual comparisons, and success is judged on how well the City is doing today compared with yesterday. The Canadian Business Pattern data from Statistics Canada uses the Standard Industrial Classification (SIC) system for categorizing. Individual business types are grouped into progressively broader categories. The SIC code consists of a string of characters, with the first character being a letter to describe the broadest category, the Industry Division. Each Division is further broken into Major Groups (represented by two digit numerical characters), and each Major Group is broken into Industry Groups (1 digit added), which can be further disaggregated into Industry Classes (a fourth digit is added). Statistics are released each year in June and December describing new counts for each industrial category. The data presented in this report reflects business sizes (employment created) as well as the frequency of the number of firms in a specific category. Past and current trends are also provided in order to interpret where growth and decline are occurring.

Employed Workforce

This is a Statistics Canada variable typically used in the Census. It describes people over the age of 15 years who were employed full time or part time in the year prior to the Census.

Business Bankruptcies –

This is the number of commercial firms who went bankrupt last year and their total net liabilities. A graph is provided comparing recent years of this data.

Housing Prices & Taxes –

Royal LePage publishes quarterly reports on housing prices in Canada. These reports contain data on various housing types, the average price a particular unit is sold, and the estimated property taxes for that unit. For the purposes of this report, similar sized cities were chosen in order to analyse how competitive Cambridge is in this market.

Assessment Growth –

Substantial assessment growth has continued throughout the 1990s. In 1998, the Province of Ontario adopted the "Market Value Assessment System". Assessment valuations in 1998, 1999 and 2000 used 1996 Market Values as their base in calculating value. The 1999 Market Values were first used for the 2001 Assessments. Assessment growth is measured by the increases or decreases from the previous year in the total assessment value, exclusive of tax increases or decreases. Assessment growth is based on projected tax revenues.

Development Charges –

Municipal Development Charges are imposed to offset the growth related net capital costs of development in the City of Cambridge. Again, similar sized cities were chosen in order to rate the competitiveness of Cambridge.

There are a few things to consider when reading this data:

- (a) Development charge rates differ for residential and non-residential development and this difference is indicated in this report;
- (b) Cambridge is a part of a two-tier system of government (meaning there are fees for the City of Cambridge as well as the Regional Municipality of Waterloo), some cities have a one-tier system; and
- (c) For the Core Areas within the City, the Development Charges By-law of the City and the Region exempt development charges.
- (d) The analysis excludes the Education Development Charges of the School Boards

Journey to Work –

This section is not about analyzing commuting distances to work, but illustrates the number of non-Cambridge residents travelling daily to work in Cambridge versus the number of Cambridge residents travelling to work outside of Cambridge. The data for this section was collected in 1995 and 2000 and reported in the 1996 and 2001 Censuses respectively.

Residential Housing Construction –

A comparison of the number of new residential units is provided in this section, dating back to 1973. The data includes the number of detached, semi-detached, row houses, and apartment complexes constructed. This enables a broad comparison of the total number of new residential units over the past 30 years as well as specific housing types.

Value of Building Permits –

To determine what specific sectors of the economy are growing, the estimated construction values for industrial, commercial, residential, institutional, and miscellaneous sectors are compared. A graph comparing these values over the past 19 years is provided. These values are estimates made by the municipal building department during the building permit stage and are not assessment values.

City-Owned Industrial Land Sales –

City-owned land sales are recorded by the Economic Development Division. Only closed sales are reported. This is an important indicator for the City when determining if more land should be re-zoned for industrial use or if the supply of industrial land is ample enough to support growth in this sector of Cambridge's economy.

Industrial Taxes

This figure illustrates the variation in municipal taxes paid in various cities in southern Ontario. The taxes are based on a combination of the value of the land and building multiplied by the tax or mill rate. The specified municipalities were contacted for the tax rates and land value (a typical 2 acre parcel of industrial land). A typical building value of \$50 per square foot (psf) was used for all cities.