



## STAFF REPORT ACTION REQUIRED

### Long-Term Employment Land Strategy

<b>Date:</b>	April 16, 2007
<b>To:</b>	Economic Development Committee
<b>From:</b>	Donald G. Eastwood, General Manager, Economic Development Culture & Tourism; Ted Tyndorf, Chief Planner and Executive Director, City Planning; Jeffrey Steiner, Executive Director TEDCO
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2007\Cluster A\EDCT\ECON DEV\ed0705-014

### SUMMARY

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The Economic Development Culture and Tourism Division (EDCT), Toronto Economic Development Corporation (TEDCO) and City Planning Division are undertaking the development of a long term strategy for retaining employment lands in the City of Toronto. This report presents the findings from the Phase 2 report from the consulting team which outlines a range of actions to achieve long term employment growth in the Employment Districts consistent with the objectives of the Official Plan.

### RECOMMENDATIONS

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The General Manager, Economic Development, Culture & Tourism, the President and CEO, Toronto Economic Development Corporation and the Chief Planner and Executive Director, City Planning recommend that:

1. The General Manager of Economic Development Culture and Tourism, the Deputy City Manager and Chief Financial Officer, Chief Planner & Executive Director, City Planning Division and the President and CEO of Toronto Economic Development Corporation, develop a financial incentive program for all of the Employment Districts to stimulate new investment and job growth, ensure Toronto's competitive position within the region, encourage best environmental and green building practices;

2. Staff is requested to report back to the Economic Development Committee in September 2007 on the implementation of an incentive program;
3. The General Manager of Economic Development Culture and Tourism report back on options as part of a strategy to better direct capital improvement programs giving consideration to the needs of Employment Districts by improving their functionality, increasing their attractiveness for new investment and stimulating reinvestment by existing firms;
4. The Chief Planner & Executive Director, City Planning, in consultation with the General Manager of Economic Development, Culture & Tourism, explore the potential for requiring a “no net loss” policy for employment space when Secondary Plans are developed which involve the potential redesignation of Employment Area lands outside of Employment Districts;
5. The General Manager of Economic Development, Culture & Tourism and the Chief Planner & Executive Director, in consultation with the Chief Building Official, will examine the role of using demolition control for buildings in the Employment Districts as a means of supporting the City’s employment objectives and report back as needed;
6. City staff review an inventory of all municipal land holdings over one acre in size within the Employment Districts and use it as a basis for evaluating employment growth potential and/or further employment intensification with these areas; and
7. Toronto Economic Development Corporation identify opportunities to build new industrial/commercial space within the Employment Districts and the resources required to implement an annual development program.

#### Financial Impact

There is no financial impact anticipated resulting from the adoption of this report.

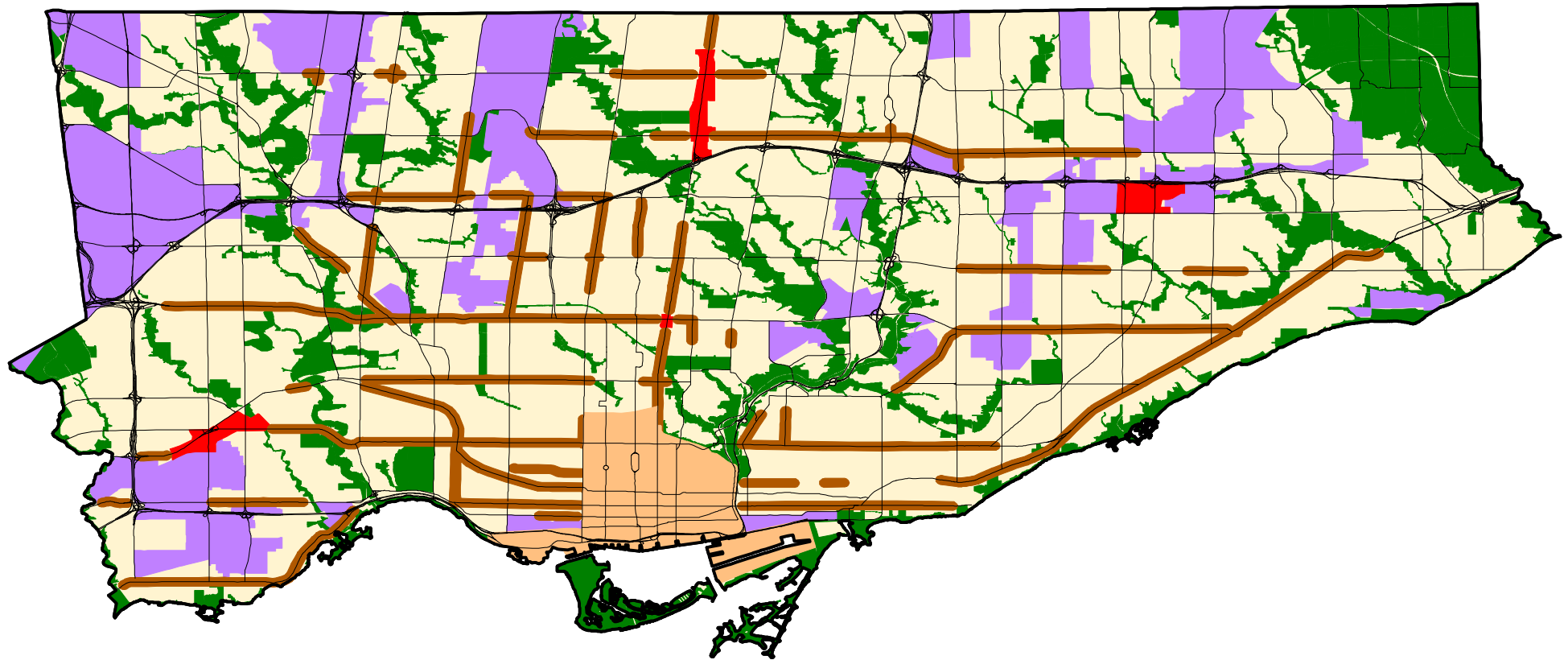
## ISSUE BACKGROUND

Map 2 of the Official Plan, in setting out the durable elements of the City’s urban structure to guide growth and development to 2031, protects lands in the Employment Districts exclusively for economic activity (see Map 1: Urban Structure of the Toronto Official Plan). Recognizing the need to preserve stable employment lands for job growth and enhance their competitive position in the broader regional context in the interests of fiscal sustainability, staff are working on a number of initiatives to realize the objectives of the Official Plan and the Economic Development Strategy. Uncertainty leading up to the approval of the Official Plan by the Ontario Municipal Board resulted in increasing interests on the part of the development industry to convert these lands to residential use. Hemson Consulting was retained to assist in the preparation of a long-term strategy to protect and stimulate new investment in these Employment

Districts. This study was jointly managed by Economic Development Culture and Tourism (EDCT), City Planning and the Toronto Economic Development Corporation (TEDCO).

This project will result in strategic initiatives to improve the competitiveness of Toronto's Employment Districts, including investment in key infrastructure or facilitating investment through special tools, programs or partnerships. As comprehensive background research into current conditions and analysis of future prospects, this study will be a resource for City Planning, Economic Development and TEDCO staff in the preparation of such strategies, as well as in the assessment of development applications.

The Long –Term Employment Strategy Phase 1 report was undertaken to better understand the pressures facing employment districts across the City of Toronto and document current conditions in these areas. The Phase 1 Study was adopted by Council in June 2006.  
<http://www.toronto.ca/legdocs/2006/agendas/committees/edp/edp060504/it010.pdf>



**Map 1: Urban Structure of the Toronto Official Plan**



Toronto City Planning, Research and Information - February 2007

- Avenues
- Centres
- Employment Districts
- Downtown and Central Waterfront
- Green Space System



With this report the consultant phase of the project concludes with the presentation of the Phase 2 report by staff from Hemson Consulting. The Phase 2 report is attached and is available on the City's website. Recommendations are presented to continue efforts among City divisions to:

- a) protect lands in the Employment Districts from speculative action premised on conversion to residential uses;
- b) enhance the attractiveness of these districts to business investment;
- c) create a positive climate for the emergence of creative partnerships for investment;
- d) improve the business cost climate for firms operating in these districts, especially with respect to competitive locations just outside Toronto's boundaries; and
- e) guide municipal infrastructure investment.

## COMMENTS

The Phase 2 report builds on the research of the Phase 1 report, documenting the healthy economic climate in the Employment Districts, raising a caution flag owing to the speculative interests that have had some impact on the business climate over the past few years, and recommending a set of initiatives the City can take to protect employment lands and stimulate new investment to create jobs for Toronto residents and assessment to support the City's fiscal situation.

Toronto has had success in maintaining employment levels in the Employment Districts over time, especially when compared to many other North American cities which have experienced considerable decline. Most of these jurisdictions have identified the problem of declining employment but have had little success in addressing the issue. However, in terms of the surrounding 905 employment areas which tend to be newer and more cost competitive in terms of development, Toronto is at a disadvantage.

The most recent Toronto Employment Survey (Figures 1 and 2) indicates that Toronto is maintaining employment and establishment levels unlike many North American jurisdictions such as Chicago, Boston, New York City, Baltimore, San Francisco and Detroit. Importantly, data from the most recent survey of the summer of 2006 show an impressive increase of 1400 new business establishments. In 2006 full-time employment in business establishments across Toronto exceeded 1 million for the first time since 2001.

*"Clearly, the City of Toronto's current policies to attract and retain economic activity in the Employment Districts have been implemented very effectively." (p.24)*

While conditions vary from one Employment District to another, there is relative stability in the number of jobs across all Districts with total employment ranging from 350,000 to 400,000 since 1983.

*"Not only has employment remained stable, core economic base activities have been healthy and growth is occurring in many other types of higher-value service activities." (p.22)*

Moreover, since Council adopted the Official Plan in 2002 we have seen development applications for 1.3 million m<sup>2</sup> of commercial and industrial space in these Districts. The Employment Districts are almost completely ‘built out’ with very few vacant sites, and few large vacant sites. There is a healthy demand for space in the Employment Districts with very low vacancy rates and competitive rents.

*“A common perception of Toronto’s Employment Districts is that they are obsolete, in decline and significantly vacant. Contrary to this perception, land in the City’s Employment Districts is close to being fully occupied, with very few Greenfield sites remaining to be developed.” (p.9)*

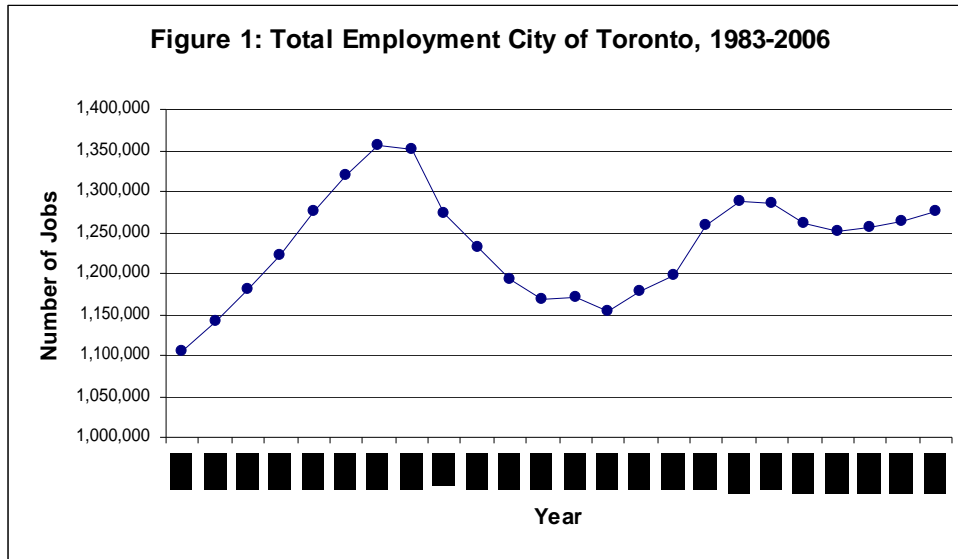
Figure 1

**Employed Persons**



Source: 2006 Employment Survey, City of Toronto.

Figure 2



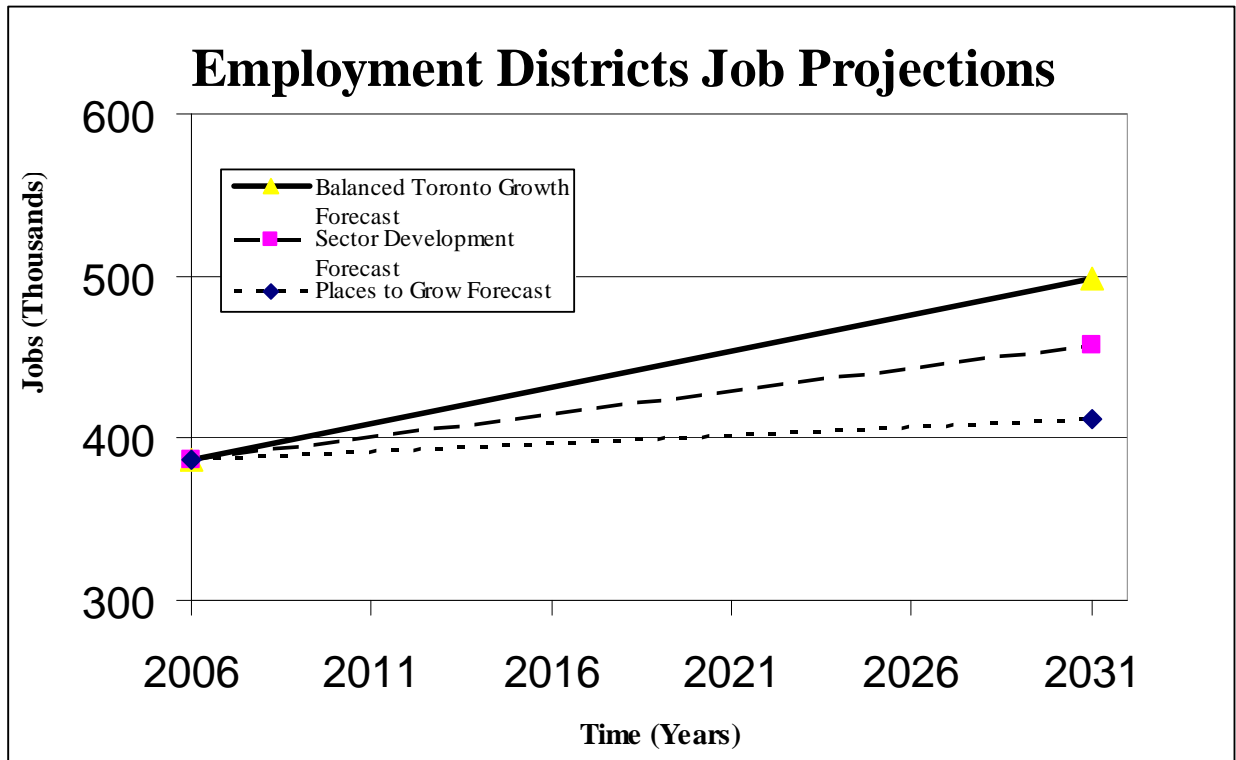
Source: 2006 Employment Survey, City of Toronto.

## Land Use Certainty

The study examined the prospects for accommodating a range of employment growth within the Employment Districts. The land needs associated with meeting the allocation found in the Province's new Growth Plan for the Greater Golden Horseshoe was contrasted with the capacity of these Districts to contribute to the more ambitious employment target found in the Official Plan. At a minimum, the report notes, the entire supply of land in the Employment Districts is required to accommodate economic growth. Protection of today's land supply is required just to meet the lower forecast found in the Province's Growth Plan. Moreover protection of existing building stock for employment reuse should be examined using tools such as demolition control.

Significant employment intensification will be required if even more jobs are to locate in these Districts over the planning period as envisioned by the Official Plan, an increase of about 112,000 jobs by 2031 or 6.7 million m<sup>2</sup> of new floor space (Figure 3.). The Districts provide roughly 30% of overall employment in the City. The objective of employment intensification and the numeric goals noted above should be followed when addressing minimum employment densities with regard to development in the Districts. Policy and program intervention will be required to improve the attractiveness of these districts and to improve their cost-competitive position with respect to alternative locations across the broader economic region.

Figure 3



Source: Long-Term Employment Land Strategy City of Toronto, March 2006

Success does not rest solely with the City. A successful Growth Plan, by limiting “job sprawl” at the edge of the urbanized region, will create a “push” dynamic for economic development in the City proper. Municipal actions are required to create a complementary “pull” dynamic. Certainty of land use patterns within the Employment Districts is one complementary action.

There are many benefits to the City to protect the positive live-work relationship currently experienced such as: shorter commute times; commuting by transit (and consequent environmental benefits); and contributing to the long-term fiscal sustainability of the City and the consequent benefits for a whole range of programs and services for residents that result.

The period of policy uncertainty that existed between Council’s adoption of the Official Plan in November 2002 and approval by the Ontario Municipal Board in July 2006 fuelled speculative interest in the redevelopment of important employment lands, often under the false pretence that conversion was needed to meet the residential intensification and population growth objectives of the Plan.

Since November 1, 2002, there have been 27 projects proposed for residential uses in the Employment Districts, totalling 7,619 units. If all proceed, these 27 projects will remove about 137 ha of employment land from the City’s supply of land for long term economic growth.



- 12 of these projects were approved by Council for 1889 units
- 11 projects are still pending for a total of 5249 units
- 4 projects were appealed to the OMB and 3 of these were approved.

Many of these applications pre-date the OMB's approval of the Official Plan which brought the Plan into force, as well as the Growth Plan for the Greater Golden Horseshoe (Places to Grow). With the introduction of changes to the Planning Act, effective January 1, 2007, only now is there a full suite of policy objectives and tools that effectively deal with improving Toronto's competitive position with respect to commercial and industrial development in the Employment Districts identified in the Official Plan. Council is well positioned now to ensure land use certainty.

In an effort to ensure that the long-term vision of the City's urban structure is achieved, applications to convert Employment District lands to non-employment uses are now heard at Planning and Growth Management Committee.

## **Toronto Business Costs**

A number of case studies were identified to better understand the financial environments in which Toronto employment lands operate with regards to other jurisdictions. The purpose of this exercise was to identify the cost of operating a business in Toronto and to determine the magnitude of financial incentives required to "level the playing field".

A number of scenarios were chosen to reflect different economic situations within the City. The scenarios chosen were:

1. Pure Office Development Scenarios in the City of Toronto and the City of Mississauga (Consumers Road compared to Airport Corporate Centre),
2. Prestige Industrial Scenarios in Keele-Sheppard and Weston Road/Junction areas,
3. Standard Industrial Development Scenario in the Highway 427 Area of the City of Vaughan.

Pro forma analyses were conducted on all 3 scenarios. Total costs in each case (land costs, construction costs both hard and soft and financing costs) were evaluated. Not surprisingly, the analysis showed that it is more expensive to develop ICI projects in the City of Toronto. Financial tools are therefore required to at least equalize the cost of doing business in Toronto's Employment Districts with the cost picture outside of Toronto. In order to be competitive, and attract new, higher employment density development; further incentives are required to create an investment environment to achieve these objectives. Toronto stands at the crossroads to not only maintain its employment base, but also intensify its Employment Districts, thus becoming a North American leader.

## **Competitiveness Initiatives**

It is clear from the Study that in order for Toronto to continue to offer attractive competitive employment lands it must engage in financial support programs. A Pilot project is already in effect in South Etobicoke. Tax Increment Equivalent Grants (TIEG's) have been utilized by more than half a dozen companies to re-energize a community that was historically underperforming and ripe for conversion. Other areas of the City are seeking similar programs to help revitalize areas such as Leaside and Rexdale.

Planning staff are currently creating Community Improvement Plan Areas (CIP) in all four Centres across the City with the intention of introducing incentives into these areas for office development. Expanding this framework of CIP's into the suburban ring in which a majority of the Employment Districts are located would also provide for the necessary statutes to be in place when the City chooses to introduce intervening financial tools in these areas.

In addition new legislation in the new City of Toronto Act provides expanded powers to provide further financial incentives, grants or loans in the CIP framework without Provincial approval. The City should expand programs like the current South Etobicoke program by providing direct financial assistance to new companies. This framework could also be used to set a new tax class that would be lower than current tax ratios for development within Employment Districts, or to provide larger tax rebates on vacant space in new non-residential buildings until fully occupied.

## **Infrastructure Investment**

Direct municipal investment in the Employment Districts is also a key recommendation from the Report. Not nearly enough investment has been made in hard services and infrastructure to Employment lands across the City. Although the City, through Public Works capital programs, do target areas on an annual basis for rehabilitation, it is often not enough. In order to fully capture the hard and soft reinvestment into employment districts other types of revenue streams need to be leveraged. Staff should undertake an analysis of alternative forms of revenue to assist in this effort.

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## **ATTACHMENT**

Long-Term Employment Land Strategy City of Toronto, Hemson Consulting Ltd.,  
- January 2007