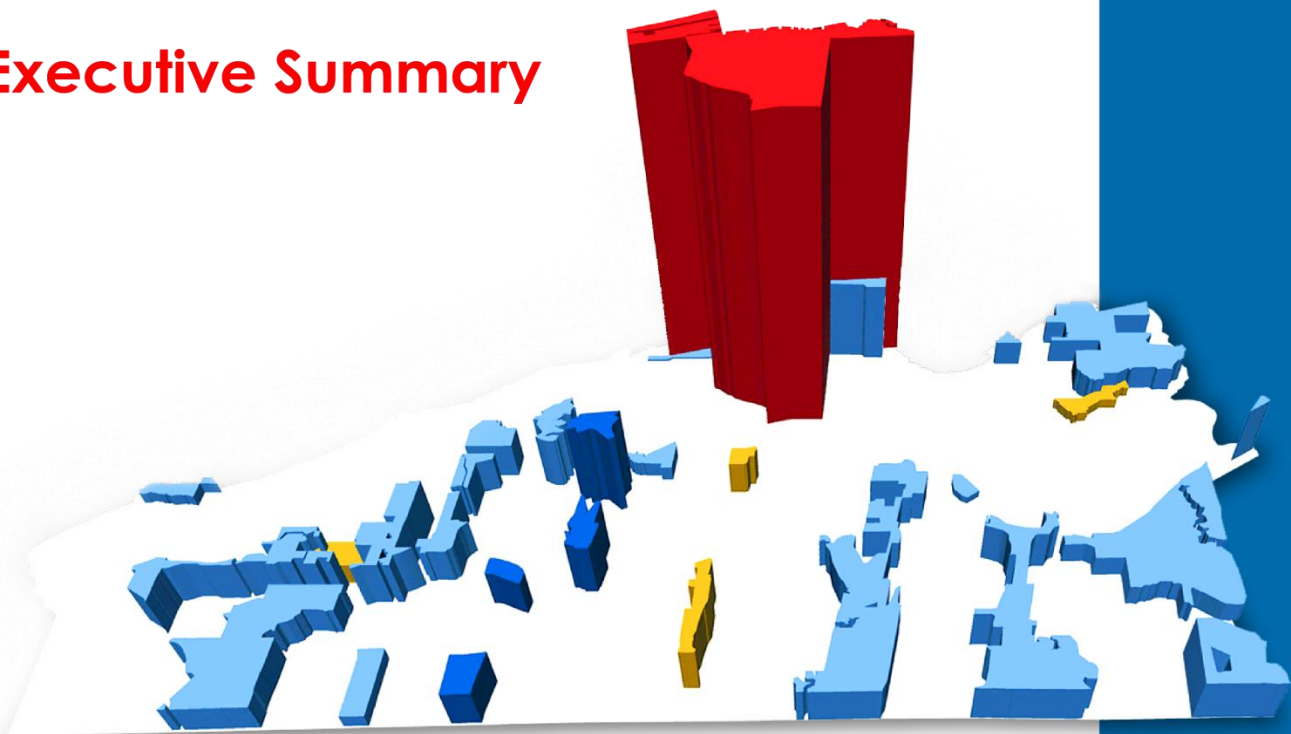


Sustainable Competitive Advantage and Prosperity – Planning for Employment Uses in the City of Toronto

Executive Summary



Prepared By:



In Association With:

Cushman & Wakefield
Real Estate Search Corporation
The Centre for Spatial Economics

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EXECUTIVE SUMMARY

This study's key conclusions are that sustaining Toronto's competitive advantage and prosperity will require:

- *Continued preservation of the industrial employment land base for its wealth generating capacity; and*
- *A new focus on targeting new office space construction to realize future growth potential.*

There is potential for Toronto to accommodate 200,000 more office jobs than indicated by a "business as usual" development path to 2041. Achieving this growth will depend on an integral alignment of planning, transit, and economic development initiatives. Success will bring balanced intensification and expanded tax revenues in addition to significant job growth and wealth generation.

This *Sustainable Competitive Advantage and Prosperity - Planning for Employment Uses in the City of Toronto* study report has been commissioned to inform the City's Five-Year Review of its 2006 Official Plan. It will also support the City's Municipal Comprehensive Review, a pre-requisite to making decisions about converting lands designated for employment to non-employment uses. The study provides policy recommendations with consideration of economic objectives and competitive strategy, all targeting continued prosperity and balanced employment and population growth.

CONTEXT – The planning context and its imperatives are shaped by policy, the geography of wealth creation and the need for balanced growth.

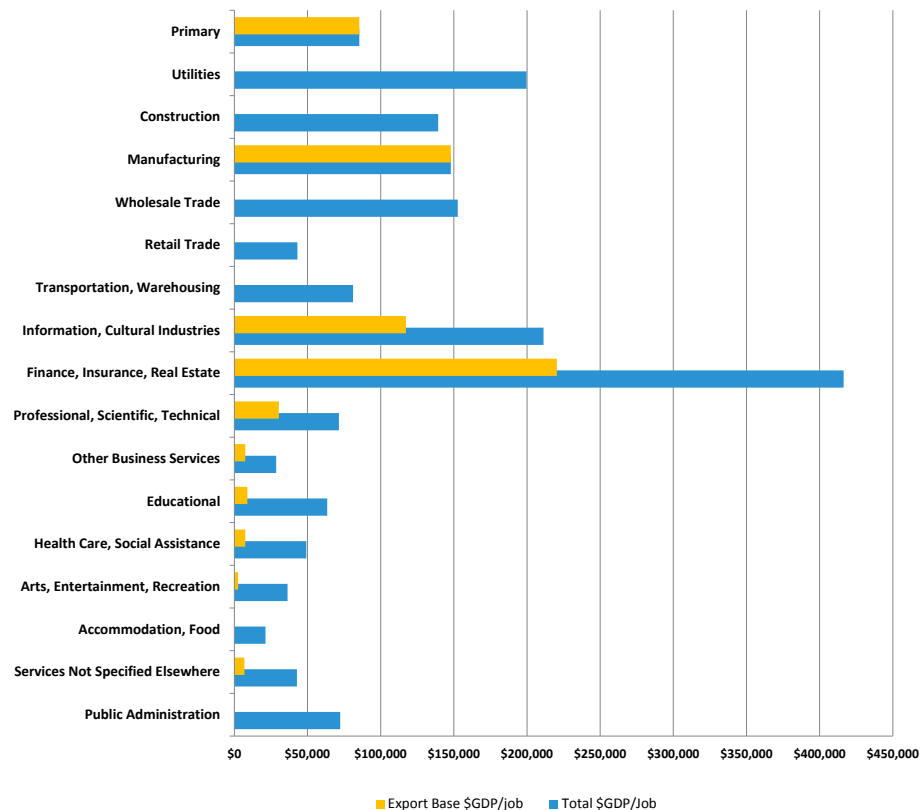
The context for planning for employment uses at 2012 has several elements shaping economic imperatives and strategic directions:

- A policy context focussed more on traditional "employment areas" than those expected to generate employment growth in the future – dense, mixed use areas served by higher order transit;
- A reality in which the city's export-based wealth is generated by jobs concentrated in its Downtown and Central Waterfront and its Employment Districts (see Figures A and B);
- A fiscal balance showing non-residential assessment to be slipping behind growth in residential assessment over the 2001 to 2011 period; and

- A prospect of significant downtown population growth not being balanced by parallel growth in employment space. Figure C highlights how almost 40% (58,000 units) of the city’s residential supply pipeline is targeting locations in the Downtown and Central Waterfront.

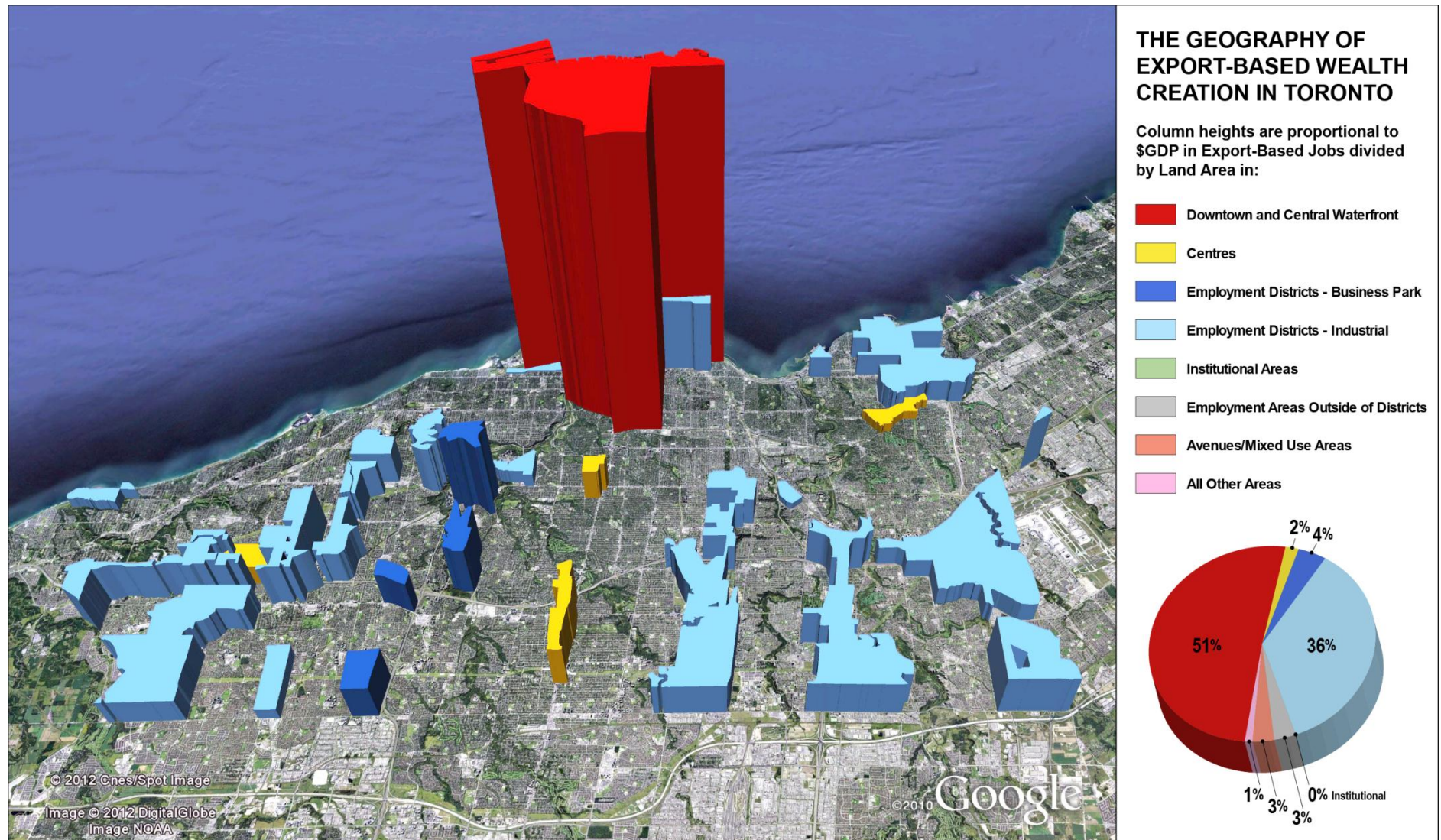
Figure A below illustrates both the economic productivity of jobs in different sectors, and the extent to which those jobs are “traded” or export-based (e.g., manufacturing, finance and insurance), or community-based (e.g., retail, government services). Export-based sectors are generally considered to be the drivers of wealth creation in an economy. High export-based jobs sectors are also high job multiplier sectors – manufacturing and finance and insurance leading among them. These are the highest leverage jobs in the city’s economy. Figure B shows how over 90% of Toronto’s wealth creation is concentrated in the Downtown and Central Waterfront area and the city’s Employment Districts. The former generates 51%, mostly in office buildings. The Districts generate 36% of the city’s wealth, mostly in industrial space but in office space as well.

Figure A: Total and Export-Based Wealth Generation (\$GDP) by NAICS Sector



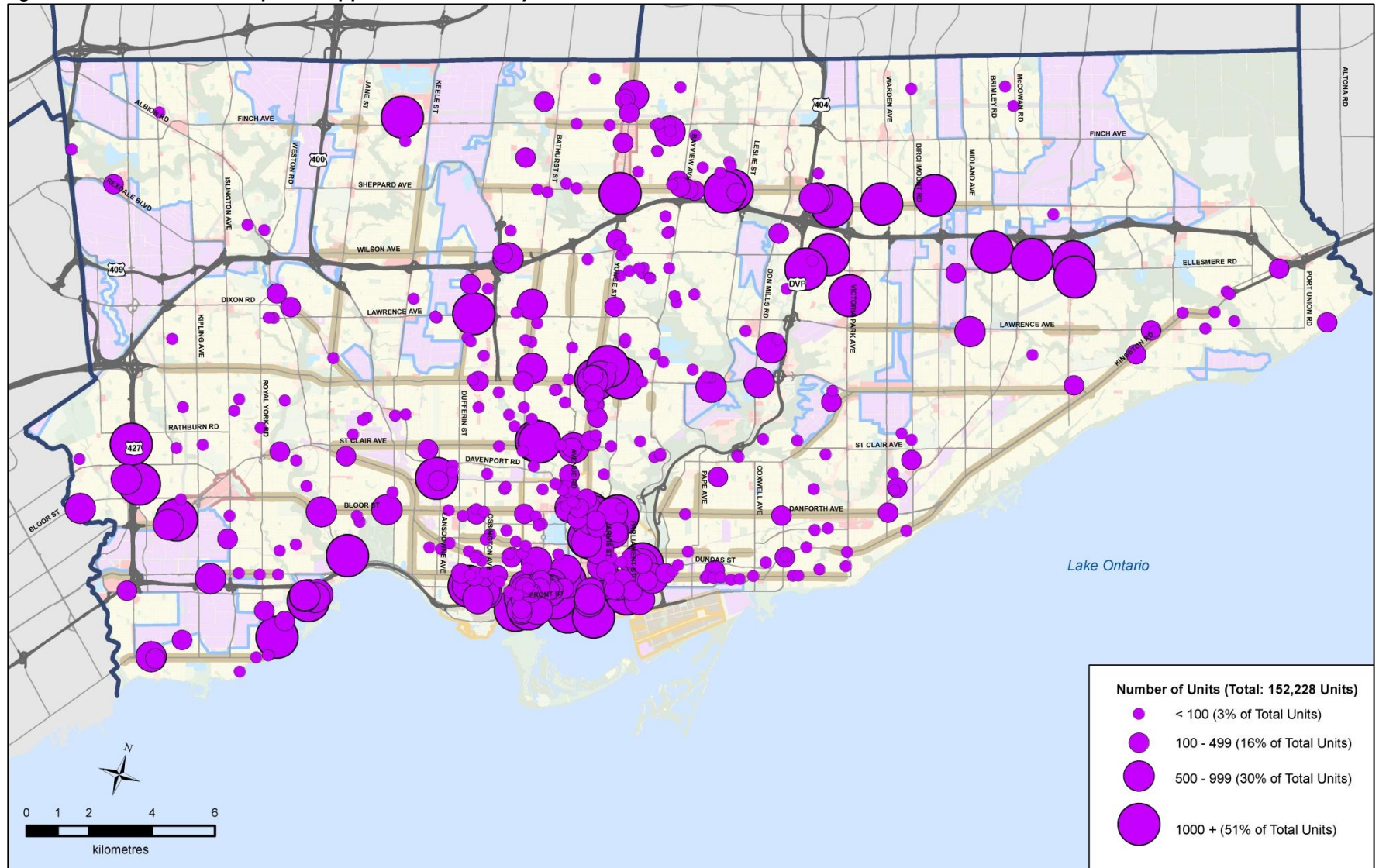
Source: C4SE-SPI.

Figure B: The Geography of Export-Based Wealth Creation in Toronto



Source: TES 2011, C4SE-SPI, Malone Given Parsons Ltd., from a graphic concept developed by the Canadian Urban institute and Real Estate Search Corporation.

Figure C: Residential Development Applications in the City of Toronto



Source: City of Toronto, Development Applications Pipeline, June 2006 – December 2011.

CURRENT SITUATION – The current picture highlights two themes: the importance of employment diversity and the need for new office space supply.

The study’s situation analysis reviews the current employment structure, growth trends, and key characteristics of Toronto’s current stock of employment space in the industrial, office building and retail & service sectors.

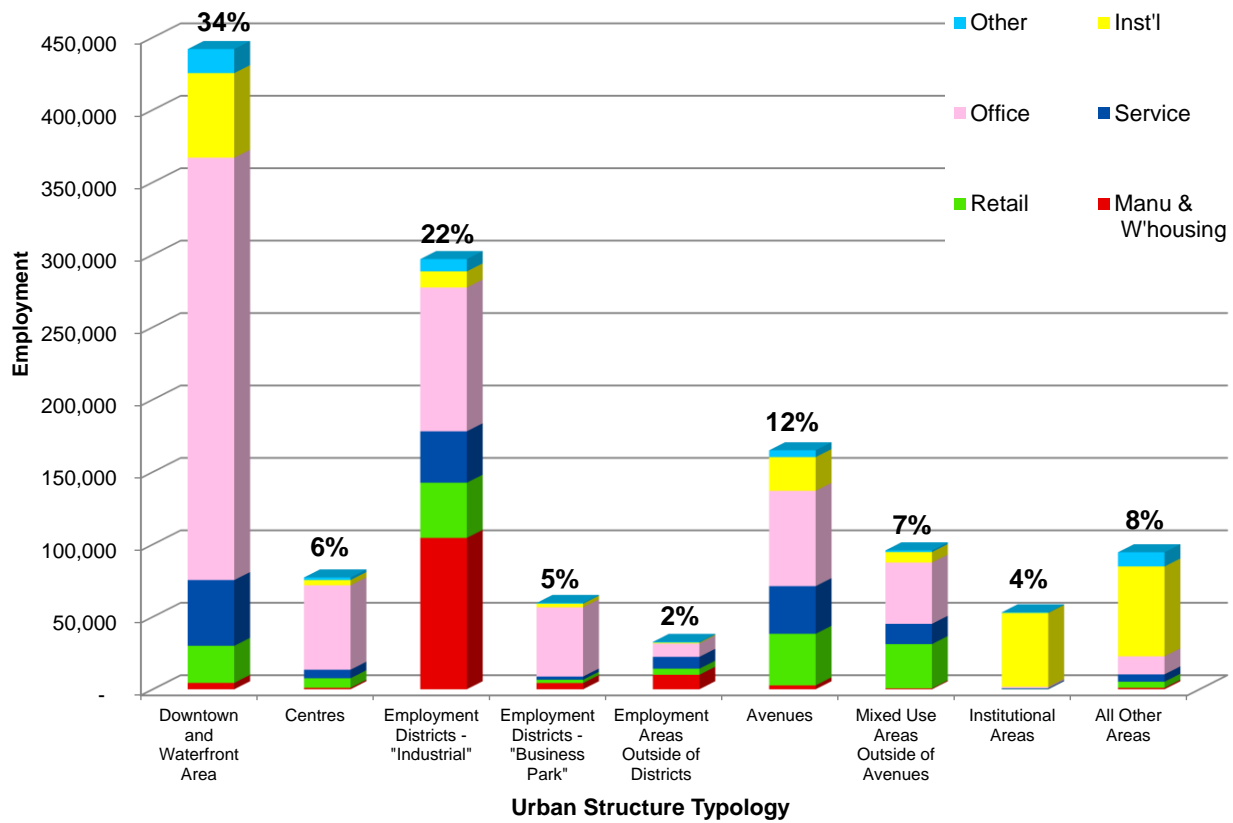
The geography of the city’s 1.3 million jobs (2011) is summarized in Figure D, organized in accordance with the Official Plan’s Map 2 urban structure typology. Key characteristics are:

- The city’s overall employment balance is quite diverse – while Office jobs¹ dominate with a 48% share in 2011, the remaining employment is fairly evenly spread among the other six major sectors;
- The Downtown & Central Waterfront area is home to roughly a third of the city’s jobs, followed by Employment Districts and Areas at 30%, and Avenues at 13%;
- Office jobs are the most concentrated, in the Downtown & Central Waterfront area;
- Over 90% of Manufacturing & Warehousing jobs are located in Employment Districts or Areas. Elsewhere, there is notable diversity of employment sectors particularly in the Districts and Areas;
- Retail and Service jobs show a strong presence in Employment Districts and Areas. Service jobs are more prevalent in the Downtown & Central Waterfront, less so in Mixed Use Areas outside Avenues;
- Institutional jobs are concentrated in the Downtown & Central Waterfront area and in their eponymous use-specific designation, with 28% distributed across the city in the All Other Areas land type. Most of these occur in neighbourhood schools, retirement homes and other institutions.

Employment growth trends over the 2001-2011 period are depicted in Figure E. They show how decline in manufacturing and warehousing employment - a loss of some 58,300 jobs, was offset by growth in all other sectors except retail. The ten year period saw a net increase of 30,700 jobs. Most of that occurred after 2006, in office jobs located in the Downtown & Central Waterfront and in the designated Institutional areas. This net growth outcome highlights the importance of the City’s diverse employment base and the role of office employment in sustaining wealth-creating growth.

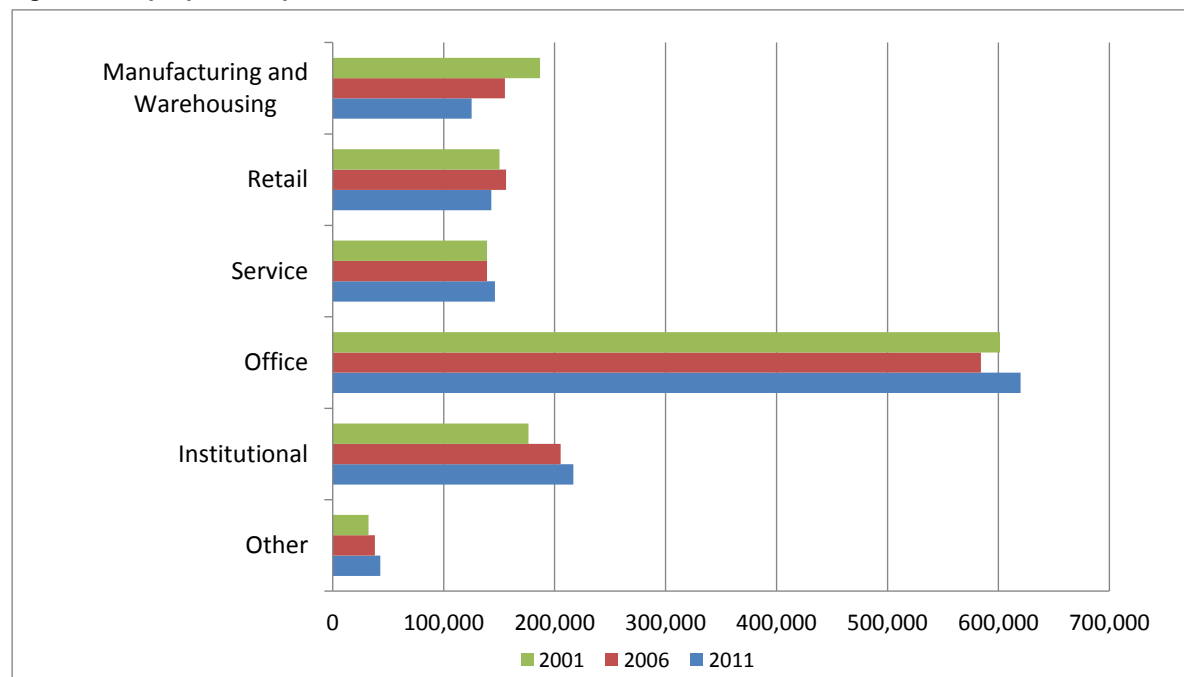
¹ As classified in the Toronto Employment Survey (TES), and as distinct from jobs situated in office buildings. Note also that the TES does not track work at home employment.

Figure D: Toronto's Employment Geography by Urban Structure Typology and Major Sector, 2011



Source: Toronto Employment Survey, 2011.

Figure E: Employment by Sector – 2001, 2006, 2011



Source: Toronto Employment Survey, 2001, 2006, 2011.

Key characteristics and trends for the city’s dominant forms of employment space are summarized as follows:

- **Toronto’s industrial space inventory and lands continue to show real strength:**

Toronto supported 34% of the GTA’s industrial space in 2011, but generated only 6% of the region’s new supply from 2000 to 2011. This evolution notwithstanding, several facts need highlighting:

- The city’s “employment lands²” are home to 31% of its jobs – 36% of all manufacturing jobs in the GTA, the third largest industrial hub in North America;
- These areas remain remarkably vital – 36% of the manufacturing and related establishments they supported had been at their respective locations for 5 years or less in 2011; over \$962 million in industrial building permit values were generated from 2006 to the end of 2010;
- The jobs these areas support are a critical source of employment to labour in the city’s Neighbourhood Improvement Areas (previously known as Priority Neighbourhoods);
- While manufacturing employment may be in decline for a number of structural reasons, manufacturing output continues to increase – that productivity continues to need industrial space; and
- These areas provide the only viable home in the city to employment activity requiring separation from noise, activity or odour-sensitive residential and other like uses. They are the only home to the uses that cannot thrive in a mixed use setting.

- **Toronto’s ability to sustain a continued supply of a mix of new office space is uncertain:**

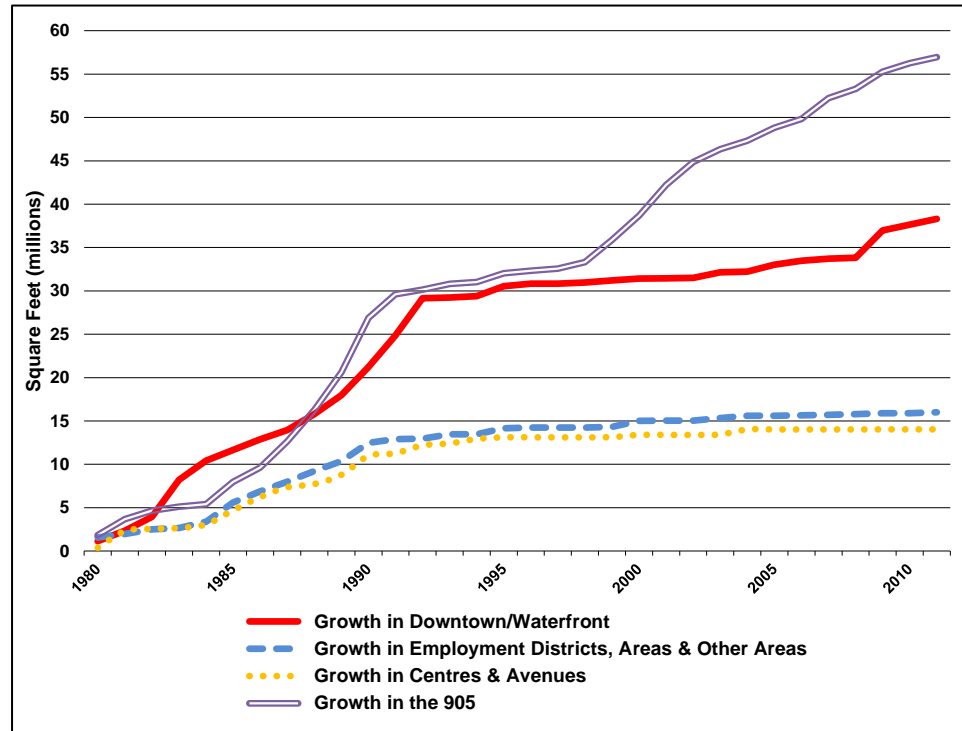
As demonstrated in Figure F, Toronto’s rate of new office space production began to dramatically lag that in the rest of the GTA (the “905”) from the 1990’s onwards. The 905 has generated over 200 new buildings between 20,000 - 250,000 sq. ft., located in office or industrial parks with next to no transit, retail, amenities or pedestrian-oriented street life from 1999 to 2011. Their primary attraction has been low cost space.

Employment growth in office space in the city has largely been enabled by conversion of some 12 million sq. ft. of “Brick and Beam” space in the King-Spadina and King-Parliament areas. This supply is largely consumed, and has been under increasing pressure from competing high rise residential development.

² Also here referred to as industrial employment areas – lands in Employment Districts (including Business Parks) and Employment Areas as identified in the Toronto Official Plan where industrial uses are permitted. “Business Parks” is the term used to distinguish the more office-oriented Employment Districts in the Don Valley Corridor.

Supply of new “tower” office space has only recently emerged. Current announcements indicate that this form of larger scale space will continue to come to market over the next ten to twenty years, but Toronto has lost the mid-scale modules to the 905.

Figure F: Growth of Office Space – Toronto vs. the 905



Source: Real Estate Search Corporation.

Office tenants needing new buildings in the size range plentiful in the 905 can still only find them there. The challenges created by residential price competition for land, high city taxes, construction cost frictions and over-long approvals timelines limit Toronto’s ability to attract new office growth outside the financial core.

Enabling such growth is seen as critical to supporting forecast and potential office employment growth, balancing population growth in the downtown and mitigating potential impacts from out-commuting from new units in the Downtown and Central Waterfront. As illustration, if the 58,000 units in the approvals pipeline described earlier generate say 93,000 people at the 2006 downtown apartment persons per unit factor and a labour force of about 70,800 people of whom 75% are employed in office buildings, it would take roughly 10.35 million sq. ft. of office space to balancing new residents with new jobs.

A similar balance concern arises with the city’s Centres. Notwithstanding different combinations of subway, SRT GO Rail and surface transit transfer nodes, each has failed to respond to planning permissions and fulfill office

employment growth expectations. The reasons for this are uncertain but include lack of tenant market interest and higher returns to residential development. These will challenge the search for effective solutions to balanced attainment of Growth Plan density targets for these designated Urban Growth Centres.

Toronto’s auto-oriented business parks in the Don Valley Parkway corridor are also challenged to attract larger tenants, or competitive rents.

- **Toronto’s growth in retail and service space has largely occurred on the edges of employment areas, but new more-mixed use models are emerging:**

Retail and service employment is an important component of the city’s employment base, representing almost a quarter of the city’s total employment. These jobs are distributed throughout the city with clusters in the Downtown, along Avenues, Mixed Use Areas, and at edges of Employment Districts. The largest portion (26%) of retail employment is located in the city’s Employment Districts - “Industrial” areas, followed by Avenues (24%), and Mixed Use Areas Outside Avenues (21%). The largest portion of service employment is located in the Downtown and Central Waterfront area (30%), followed by Employment Districts “Industrial” (24%), and the Avenues (22%).

Recent development trends in the Downtown include smaller sized and “urban format” supermarkets, and various stores, services, and restaurants that cater to the convenience and day-to-day needs of the residential population and office employment population in the Downtown. Development of open-air centres has characterized development trends of the last ten years, many of which are located at the edge of Employment Districts that front onto major streets.

Development applications illustrate the continuing interest for new retail and service commercial development in the Downtown and Central Waterfront area and Employment Districts “Industrial”, particularly for larger sites on arterial roads.

Toronto currently has less retail and service space per capita across the shopping centre, “big box” and power centre categories relative to other municipalities in the GTA. The city has a substantially greater portion of its retail and service space along commercial strips.

This suggests demand and opportunity for higher order comparison and shopping centre type retail and service uses to service Toronto today. Population growth will concomitantly increase the need and opportunity for additional retail and service space in the years ahead.

- **Toronto's Institutional Areas continue to grow jobs through intensification within their sites:**

Toronto's Institutional sector was the city's largest job growth engine over the 2001 to 2011 period, generating over 43,000 jobs. Roughly a third were added through intensification on existing designated Institutional sites. Hospital expansions outweighed college and university expansions by a factor of roughly 2:1. This performance highlights the importance of their respective land bases to these institutions and their future growth potential.

FUTURE GROWTH – Future employment growth potential is substantial, and will bring increasing competition for a finite land base.

The *Planning for Employment Uses in Toronto* study considered demand side forecasts and the supply side land inventory as input to the City's Municipal Comprehensive Review.

- **Employment forecasts show substantial office employment growth may be attainable – IF the right pieces are put in place:**

To understand the range of space and land needs to be accommodated or enabled by planning policy, the study undertook two sets of forecasts. The first generates population and employment growth estimates corresponding to the figures established in Schedule 3 of the Growth Plan (2006). The second aligns with June 2012 population forecasts prepared by the Ontario Ministry of Finance (MoF)³. The Growth Plan (GP) forecasts currently extend to 2031. They are under review, and will be extended to the 2036 if not 2041 horizon.

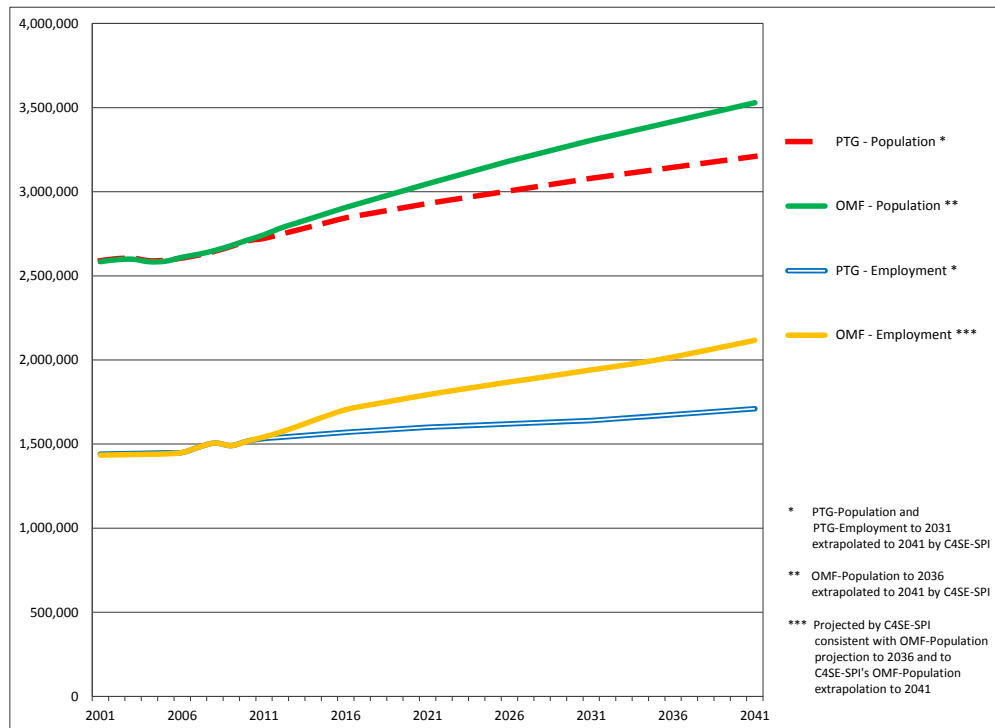
The population and employment growth arcs for each are shown in Figure G and summarized in Figure H. The High forecasts highlight a prospect for 300,000 more jobs than as described by the Growth Plan at 2031. This potential increases to growth of 477,000 jobs by 2041. It must be stressed that these larger growth increments represent potential. They can be met only if the larger economy performs at expected levels AND the City puts the requisite land use planning policy, transit investment and economic development pieces together.

Growth forecasts by sector for the Low and High forecasts are shown for the 2031 horizon in Figure I. They show a high expectation for job growth in the health care and social assistance sector, driven by the needs of an aging population. From a wealth generation perspective, it is clear that future growth will be concentrated in office space (in the finance, professional and other business

³ The MoF forecasts address population only, and stop at the 2036 horizon.

services sectors) and will require a supply stream of such space if the jobs are to land in the city. By their nature, most of these jobs would be seeking space in and near the Downtown and Central Waterfront, and in the Centres and Business Park clusters IF these latter areas can become more compelling to office tenants and developers. The importance of office sector jobs to employment

Figure G: Projected City of Toronto Population and Employment 2001 to 2041



Source: C4SE-SPI.

Figure H: Summary of Population, Employment and Job Space Growth Forecasts

	2011 (Estimate)	2031		2041	
		Low	High	Low	High
Population	2,722,100	3,080,000	3,305,500	3,210,000	3,528,900
Growth after 2011		357,900	583,400	487,900	806,800
Employment	1,532,700	1,640,000	1,941,000	1,710,000	2,116,800
Growth after 2011		107,300	408,300	177,300	584,100
Growth in Employment Space Requirements from 2011 (millions of sq. ft.)					
Office Space* - C4SE Projection		7	29	11	42
Office Jobs Growth		37,900	146,200	56,900	216,900
Office Space* - RESC Projection		21	44	31	71
Office Jobs Growth		105,100	225,600	158,500	364,600
Industrial Space*		11	31	18	44
Retail & Service Space*		11	23	15	32

* Job space is described as Net Rentable Area for office space (convertible to Gross Floor Area by dividing by 0.85), Gross Floor Area (GFA) for industrial space, and Gross Leasable Area (GLA) for retail and service space. Retail and service GLA/GFA ratios vary with form.

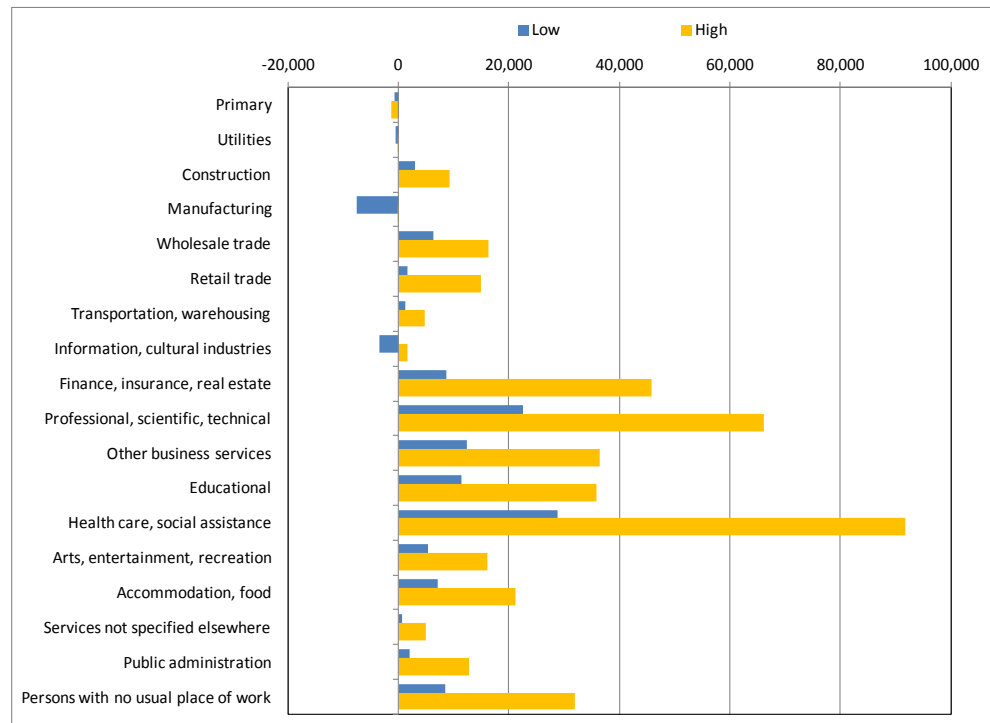
Source: Centre for Spatial Economics-Strategic Projections Inc., Real Estate Search Corporation, Cushman & Wakefield, Malone Given Parsons Ltd.

growth led the study team to consider both forecast (C4SE-SPI) and trends-based projections (RESC) of potential office space requirements (Figure H). The latter were adopted as providing a better indication of upside potential growth, transportation capacity permitting.

- **Translation of job growth potential to space and land needs highlights competition for a bounded and finite land base:**

The study converts employment forecasts to estimates of space and related land needs to accommodate it. These land area requirements are then allocated to different parts of the city’s employment-supporting land base, in accordance with their functional requirements and expected growth patterns to compare future demand to the current land supply.

Figure I: Projected City of Toronto Job Growth by Major Industry 2011 to 2031 (High and Low Alternatives)



Source: C4SE-SPI

Several qualifications about the process and its outcomes are necessary:

- The demand forecasts themselves and the resulting space and land estimates are based on a number of assumptions that may or may not be realized – the numbers they generate are inherently inexact. The supply side estimates of vacant land are also subject to their own measurement and stale-date errors. The results do however illustrate the magnitude and

implications of forecast growth potential, and provide a reasonable basis for comparison to what is known about the available land base for growth;

- Ultimately, the most fundamental characteristics of the city’s employment land base are that it is largely built-out, and distinctly finite. Toronto’s is a mature urban economy, in a municipality bounded by its borders with others and by Lake Ontario - there are essentially no opportunities to expand the land base;
- While some vacant green- and brownfield lands do remain (with varying requirements for services extensions), the city will soon be bumping up against the frictions that act to keep some proportion of the vacant land base off the market for the longer term – the effective vacant land inventory is smaller than suggested by the raw count.

Land needs for industrial, office, retail & service and “community at large” institutional uses are summarized in the top left portion of Figure J on the next page. The top right portion shows the vacant land inventory as estimated for 2011, by type and locality.

The middle portion of Figure J parses the city’s employment typology into three functional groupings, matched with their respective vacant lands inventories and the uses considered most likely to seek locations in those groupings. Land needs by major sector at 2031 and 2041 are then allocated to each of the A, B and C functional types in the bottom part of the figure.

The allocations should be interpreted as more illustrative than definitive – they are intended to generally outline the nature and magnitude of demand for a finite resource, as a starting point for decisions about how to best manage the employment supporting land base. The supply deficits in most scenarios lead to the following conclusions:

1. The city’s boundedness means it will run out of available vacant land for new industrial employment between 2031 and 2041, if not earlier given the frictional vacancy noted above. Past that effective build-out, new industrial development will require redevelopment of currently occupied lands;
2. Employment growth in the city will be accommodated through a combination of absorption of still vacant lands, and redevelopment of currently occupied lands, with substantial overlap and competition for the same lands. The vertical stacking of retail on itself or under residential and office uses will have to become more common;
3. In terms of wealth-generating employment, preservation of site opportunities for future office uses is the highest leverage strategy. It has

the smallest land area commitment, but will only work where conditions are appropriate - clusters with transit connectivity/proximity to others in amenity-rich mixed-use settings. Major office towers are not expected to seek locations outside the financial core;

Figure J: Land Needs and Supply by Functionality

Comparison of Land Needs vs. Vacant Lands Supply

Land Needs (ha): 2011 - 2031/41

	2031		2041	
	Low	High	Low	High
Industrial	260	709	424	1,021
Office	33	53	37	80
Retail & Service	290	430	380	590
Institutional	300	520	480	850
Total	883	1,712	1,321	2,541

Vacant Lands (ha) - 2011

	ha
Downtown & Central Waterfront	113
Downtown & Central Waterfront - Parking Lots	32
Centres	34
Employment District - "Industrial"	625
Employment District - "Business Park"	18
Employment Areas outside Districts	61
Avenues	69
Total	951

Land Needs & Supply Parsed by Functionalities

Place/Functionality Types

Potential Uses

A. Employment Districts - "Industrial", Employment Areas	686	Industrial + Mid-Size Office, Retail & Service, Limited Institutional
B. Downtown & Central Waterfront, Centres, Business Parks	196	Tower & Mid-Size Office + Retail & Service, Institutional
C. Avenues (+ Mixed Use Areas Outside of Avenues, and Other areas)	69	Mid-Size Office, Retail & Service, Institutional Potential
Total	951	

Land Needs vs. 'A' Lands Supply (hectares)	2031		2041	
	Low	High	Low	High
Supply	686	686	686	686
Needs				
Industrial @ 100%	(260)	(709)	(424)	(1,021)
Office @ 3%	(1)	(2)	(1)	(2)
Retail & Service @ 35%	(102)	(151)	(133)	(207)
Institutional @ 15%	(45)	(78)	(72)	(128)
Total	(408)	(940)	(630)	(1,358)
Surplus/(Deficit)	278	(254)	56	(672)

Land Needs vs. 'B' Lands Supply (hectares)	2031		2041	
	Low	High	Low	High
Supply	196	196	196	196
Needs				
Industrial @ 0%	0	0	0	0
Office @ 90%	(30)	(48)	(33)	(72)
Retail & Service @ 35%	(102)	(151)	(133)	(207)
Institutional @ 30%	(90)	(156)	(144)	(255)
Total	(222)	(355)	(310)	(534)
Surplus/(Deficit)	(26)	(159)	(114)	(338)

Land Needs vs. 'C' Lands Supply (hectares)	2031		2041	
	Low	High	Low	High
Supply	69	69	69	69
Needs				
Industrial @ 0%	0	0	0	0
Office @ 7%	(2)	(4)	(3)	(6)
Retail & Service @ 30%	(87)	(129)	(114)	(177)
Institutional @ 55%	(165)	(286)	(264)	(468)
Total	(254)	(419)	(381)	(651)
Surplus/(Deficit)	(185)	(350)	(312)	(582)

Source: Malone Given Parsons Ltd., Cushman & Wakefield, Real Estate Search Corporation, The Centre for Spatial Economics - Strategic Projections Inc.

4. High wealth and job-generating but much more land extensive industrial employment uses have the fewest options for finding acceptable sites – preserving existing employment sites needs to be an ongoing priority in planning for the city’s prosperity and competitiveness;
5. Given the pending build-out of its industrial employment lands, the City needs to manage core areas of that land base with a view to preserving its wealth creating functions for the long term. That said, outside of core areas, there will continue to be instances (e.g., orphaned parcels, surrounding land use change) where transition to an alternative use may be a reasonable planning decision, particularly where it might leverage more employment space. The key focus needs to be on preservation or enhancement of existing employment functionality and capacity.

POLICY RECOMMENDATIONS – focus on industrial land base preservation and targeting office growth. Success will require integration of planning policy, transit investment and economic development initiatives.

The study undertook five Case Studies to inform its analysis and policy recommendations. Key observations from those studies are a helpful segue to a summary statement of policy themes, and the recommendations themselves.

From *Employment Linkages*:

- Preservation of existing manufacturing employment and industrial employment lands and accommodating/attracting office sector employment are the highest leverage strategies the city can pursue for securing its ability to generate job growth and wealth.

From *Managing the Impacts of Land Value Differentials in Land Use Change*:

- Planning decisions need to be grounded in sustainable city-building and consideration of economic, fiscal, social and environmental objectives;
- Certainty about the rules and consistency in applying them are central to giving clear signals to the urban land market.

From *Maintaining Employment Opportunities in the Face of Land Use Change*:

- Preservation of industrial lands requires clear definition of intentions and boundaries;
- The need to specifically target a continued supply of well-located office space is being recognized in new planning directions in such other global cities as Vancouver, London and Sydney.

From *Amenitization and Multi-Functionality*:

- The mixed-use model integrating residential, retail and office if not industrial uses has become the “go to” ideal for urban redevelopment, particularly around transit stations;
- Enabling mixed uses along higher-order transit-served edges of business parks with office densities could re-vitalize their otherwise flagging market attractiveness.

From *Challenges to Vertical Stacking of Multiple Uses*:

- Differing structural requirements and market cycles heighten the potential risks to vertically mixed projects with more than two elements (e.g., residential above office above retail). While they can be encouraged, they should not be specifically required;
 - Policy for larger parcels in appropriate settings should consider requiring the horizontal integration of mixed uses.
- **The context, situation analyses and the growth forecasts identify five themes shaping directions for policy:**

The foundation analyses for the study lead to the following conclusions about the directions planning policy for employment uses need to pursue:

- **Planning policy for employment uses needs to change with the evolving economy;**
- **Employment policy needs to deliver office space production in dense mixed use areas with higher order transit service;**
- **Industrial activity and the land base upon which it depends continue to need to be nurtured;**
- **Retail, service and institutional uses will generate significant employment growth and will need to be accommodated in a variety of community-serving locations and forms;**
- **A new employment strategy is required to realize the potential to bring 200,000 + more office jobs to the city than indicated by a “business as usual” path over the period to 2041.**

A new policy direction, complementing that in place today, will secure the city’s competitive position in the GTA. Fulfilling office growth potential, in concert with other policy improvements, will secure significant job growth, enable balanced intensification, create additional wealth and expand top-line tax revenues – all to the benefit of Toronto’s prosperity.

- **Planning policy, transit investment and economic development strategies should be three pieces of an integrated whole:**
- **Economic Development strategies have to connect to the ground:**

Economic development thinking over the past 10 years plus has been paying increasing attention to the need for space to accommodate new growth in industrial, institutional and office based clusters. The barriers posed by such issues as the City’s tax rates, approvals timelines and land price competition from residential development have been recognized. The creation of new employment space is becoming an outcome targeted for its ability to house growing employment sectors and generate increased tax revenues.

The elements still missing though, and which may emerge from the City’s in-development *Economic Growth Plan, 2012 -2014*, are specific targets for job or space generation, and strategies and tactics to overcome barriers and enable the continued supply of job space, particularly new office job space. These are a necessary part of an integrated and aligned growth strategy, and are expected to be informed in part by the conclusions and recommendations of this study.

- **Transit planning needs better integration with employment growth needs:**

Current transit plans are largely focused on aligning transit implementation in accordance with the policies of the Growth Plan, to serve the Urban Growth Centres and feed the Yonge Street spine. There is a risk that this will not provide the connectivity to the employment spaces required to meet the growth projections of this report or the clustering requirements of the desired mix-use outcome.

Office clusters in intensified environments require higher order transit (“major transit” as defined in the Growth Plan) to facilitate the efficient movement of people to and from work. To achieve growth expectations or potentials over the next 30 years, a coordinated approach to the preservation of office employment land in transit friendly locations is paramount to success. Building transit without connection to these proven clusters will not create the necessary growth for the clusters or deliver adequate ridership for the transit. Planning for growth clusters without transit support is equally risky.

Planning for employment growth must be integrally linked with final definition of a transit plan for Toronto, and with current high order transit nodes and stops.

- **Planning policy for employment, transit planning and economic development strategies are three pieces of one puzzle:**

Strengthening integral linkages between planning policy, transit planning and economic development initiatives will be critical to the city's competitiveness. Attracting office employment needs to be positioned as a key economic development priority, with policy and programme support to ensure timely approvals processes in established clusters. Policy must level the economic playing field by balancing the apparent risks and rewards for office vs. residential uses through no net loss and leveraged employment space provisions, capacity targets, reduced parking standards and higher density permissions where higher order transit service is or will be available. Transit planning must serve existing concentrations and require the creation of new concentrations on new routes. Each piece of the puzzle is necessary to creating the employment growth engine.

Key Policy Directions

The study's policy recommendations articulate four over-arching themes:

1. **Integrate long range plans for transit, land use and economic policy to enable the city to develop intensified office employment clusters in mixed use environments, with capacity for up to 70 million new sq. ft. of office space by 2041;**
2. **Continue to protect industrial lands and existing industrial uses from uses that conflict with their functionality;**
3. **Continue to provide a variety of places for growth in the retail, service and institutional sectors;**
4. **Follow through on the Growth Plan direction targeting major transit station areas for intensification.**

The themes and their recommendations extend across several of the Toronto Official Plan's (OP) policy areas. The recommendations are outlined below:

- **Office space needs a better playing field and capacity targets:**

It appears likely that new office tower space development opportunities in and near the financial core are sufficient to sustain demand for the growth of the financial core's main business sector – Financial Services - as long as those sites remain available and economically viable. This sector has been growing at the rate of 650,000 sq. ft. per annum and represents the “business as usual” case.

New buildings in the 20,000 to 250,000 sq. ft. size range located in other proven office employment clusters is the market segment Toronto has been losing to the 905. Creating the conditions on the ground to facilitate change in this sector will enable the city to meet the growth potential and diversity of employment functionality projected in this report. As described in Figure H, the gap between potential and status quo office space and jobs growth amounts to roughly 22 million sq. ft./120,000 jobs at 2031, growing to as much as 40 million sq. ft./200,000 jobs by 2041. Bridging this gap at least in part will be necessary to balancing potential population growth with job space growth.

Businesses today plan their growth over shorter and shorter time periods. They must react quickly to global competition, product changes, technology shifts and other forces that require new or changed facilities.

Toronto, like other global cities, must recognize that competitive success requires enabling businesses to realize their real estate needs on much shorter decision cycles. The growth of business in isolated business parks in the suburban 905 areas allowed for rapid response to business needs when developed urban areas like the City of Toronto did not. The challenge for the city is to create the conditions where buildings can be built in mixed use clusters on competitive timelines. New policy should consider specific capacity targets vs. simple permissions, with allocations to those areas ultimately considered most optimal, as identified in concert with transit planning. Capacity targets should enable achieving the 40 million sq. ft. potential described above.

Recommendations:

For office uses generally across the city:

1. Create policy with supporting review and decision processes committing to a less than three year development cycle for all office development;
2. Consider reduced parking standards and higher density permissions for new office development along existing or new transit routes;
3. Ensure that new transit route planning is linked with established office clusters and potential new clusters with economic and planning conditions that meet the competitive demands of employers;
4. Consider identifying office clusters with minimum target densities and capacities along existing or new major transit routes proximate to but outside the Downtown and Central Waterfront area, and within 500 m of all major transit stations to generate mid-sized competitively priced office development.

5. Consider the role of Development Permit Systems in expediting development approvals;

In the Downtown & Central Waterfront area:

1. Add new policy providing that no net loss in employment space be permitted through site redevelopment;
2. Consider identification of an expected minimum jobs space component for development of parcels above a threshold footprint size;
3. Ensure an adequate allocation of office employment requirements to the Downtown and extended areas to achieve the goal of delivering 70 million sq. ft. of new office space by 2041.

- **Centres need broader solutions for balanced intensification:**

The city's Centres – Yonge-Eglinton, North York, Etobicoke and Scarborough – are all located on subway/SRT routes at multi-modal nodes. They have largely failed to fulfill employment growth expectations for 25 years, for reasons that remain uncertain – neither planning permissions nor transit (by and large) have been the constraint. Location, land economics and perhaps an absence of a more directive planning framework appear to be the contributing factors. The Centres are also subject to continued pressure for residential vs. office development.

Recommendations:

1. Consider specific study to better understand the reasons behind the lack of office investment in Centres, and the likely nature of more effective planning and stimulus/incentive programs;
2. If targeted programs make them appear achievable, allocate office space targets to the Centres in keeping with achievement of the 40 million sq. ft. target for the city by 2031.

- **Business Parks need to integrate transit and amenitization:**

Office concentrations in the city's business parks evolved in a car-oriented era. They lack pedestrian-oriented amenities, do not sustain strong rents, and are not attracting new office growth. Some have arterial edges that are slated to become higher order LRT transit routes.

It is thought that permissions for mixed use re-development, including residential on at least parts of those edges, may leverage new office development, bring walkable street-level vitality and elevate the market attractiveness of these areas.

Core industrial lands, where present, would have that function protected from change.

Recommendations:

1. Consider a new business park-specific designation that would permit conversions of parcels fronting higher order transit-served arterial edges to mixed use residential development with minimum office and street-oriented retail components;
2. Create policy with supporting review and decision processes committing to a less than three year development cycle for all office development;
3. Consider policy expressly lodging responsibility for costs for mitigating impacts of new non-industrial uses on existing uses with the redeveloper;
4. Consider the study of economic development stimulus/incentive programs (e.g., reduced parking standards, increased densities, bonusing, shorter approvals cycles, TEIG's) to enhance their attractiveness for office development when no conversion to residential is being proposed.

• **Industrial lands policy must continue to protect core areas:**

Toronto's Employment Areas will continue to be significant contributors to the city's wealth. Their core lands must continue to have certainty about being protected from the risk of conflict with residential and other sensitive uses. Existing permissions for retail uses on selected edge arterials implies competition for a land base with relatively little vacancy and no opportunities for further expansion. This reinforces the need to protect core areas to 2031 and beyond.

Many of the city's Employment Areas are arrayed along rail routes and major roads that may support new transit investment. It will be important to carefully consider how best to optimize transit and nodal development while preserving as much as possible of the affected industrial area's abilities to continue to generate wealth.

Recommendations:

1. Continue to preclude residential and other sensitive uses from locating in Employment Areas;
2. Restrict major retail and other non-industrial development permissions in Employment Areas to only the arterial edge locations to preserve core areas for industrial uses;
3. Consider policy expressly lodging responsibility for costs for mitigating impacts of new non-industrial uses on existing uses with the redeveloper;

4. Consider a special study program to define appropriate intensification areas within 500 m of major transit stations within or adjacent to Employment Areas.

- **“Employment Areas” have the same protection and mitigation requirements as Employment Districts:**

Lands with the Employment Areas designation and no overlying Employment District identification on the Official Plan’s Map 2 have been interpreted to be less protected from conversion pressures under the Growth Plan and related policies. There is no reason for this to continue past this OP review

Recommendations:

1. Remove any distinction between Employment Areas and Employment Districts in the updated OP, and treat all lands within the combined designation in the same manner as described above for Employment Areas.

- **Avenues and Mixed Use Areas need to accommodate continued intensification:**

Toronto’s Avenues are intended to support intensification balanced with the protection of adjoining neighbourhoods. Mixed Use Areas outside the Avenues fulfill similar functions, but are not specifically targeted for further study and redevelopment. This study’s growth forecasts make it clear that both areas will be subject of significant pressures to accommodate new residential and community-serving uses.

Recommendations:

1. Implement the Avenue and Mid-Rise Buildings Study as adopted by Council through a development permit approval system or new as-of-right zoning to enable intensification without individual applications;

2. Provide higher intensity permissions at major intersections in both Avenues and Mixed Use Areas; and

3. Integrate planning for employment uses, mobility hubs, intensification corridors and new higher order transit routes where the latter occur on or intersect Avenues.

- **Institutional uses need to maintain their land base and be accommodated in mixed use areas:**

Institutional uses, particularly health services for an aging population, are expected to experience very strong employment growth. Sites currently

designated for major academic and hospital uses need to maintain their capacity to intensify. New population-serving medical, seniors care and related uses will need to be accommodated in Avenues and mixed use areas.

Recommendations:

1. Amend policy to more strongly recognize the ongoing need to maintain a land base for expansion (largely through intensification) for the city's major institutional uses and to discourage conversion to permanent non-institutional uses;
2. Identify as an important economic development requirement the retention in public ownership of all lands presently owned by the public sector adjacent to or in proximity to institutional lands to maintain their expansion/intensification potentials.
3. Consider seeking amendments to the Provincial planning framework to ensure that major institutional areas are identifiable as "areas of employment", and deem them as such in OP policy; and
4. Amend policies to articulate the strong need for and encouragement of homes for the aged and nursing homes in all designations that permit them, at scales compatible with their built and planned context.