planning for people and business at sheppard and victoria park

consumersnext

ConsumersNext Economic Potential Study

Phase 2: Final Analysis and Recommendations

January 6, 2017

Prepared by:

MALONE GIVEN PARSONS LTD.

Prepared for:

TORONTO

ConsumersNext Economic Potential Study

Phase 2: Final Analysis and Recommendations

Prepared By:

Malone Given Parsons Ltd.

140 Renfrew Drive
Suite 201
Markham, Ontario
L3R 6B3
www.mgp.ca
mchemij@mgp.ca

January 6, 2017

Prepared For:

City of Toronto

TORONTO

TABLE OF CONTENTS

APPENDICIES

LIST OF FIGURES

LIST OF TABLES

This page has been left blank intentionally

EXECUTIVE SUMMARY

Study Background and Overview

Recent changes to the land use designations within the Consumers Road Business Park (referred to as "the Business Park" or "Consumers Road") introduced through Official Plan Amendment 231 signal the potential for an increase in development, including significant new residential and employment intensification. To manage the growth, support employment uses, and direct investments into broader community improvements, the City of Toronto is undertaking a study of the area called *ConsumersNext*.

ConsumersNext will set out a new planning framework to support continued employment investment and intensification in the Business Park, as well as residential uses, community facilities, a streets and blocks plan, and public realm improvements to serve local resident and working populations.

ConsumersNext is informed by three studies that are being conducted concurrently:

- *ConsumersNext Planning Study*
- *ConsumersNext Community Services and Facilities Study*
- *ConsumersNext Economic Potential Study*

Malone Given Parsons Ltd. (MGP) was retained by the City of Toronto to complete the *ConsumersNext Economic Potential Study*. The goals and objectives of the study are:

- To undertake a study of the opportunities to support sustained employment and non-residential investment within the Business Park;
- To assess the current building stock and employment in the Study Area to recommend strategies, tactics, incentives and amenities to retain existing and attract new businesses and tenants; and,
- To identify actions and policies recommended for the Consumers Road Business Park that can be transferred to other office-based Employment Districts in Toronto.

The *ConsumersNext Economic Potential Study* has been undertaken in two phases: Phase 1: Background Analysis and Phase 2: Final Analysis and Recommendations. This report presents the Phase 2 findings and recommendations.

Investment and Development in Consumers Road Business Park

Consumers Road is an important and successful business park with a central GTA location and great visibility and accessibility from Highways 401 and 404. Its strength as an Employment Area has attracted a diverse range of office based uses and there is substantial opportunity to accommodate continued employment growth. Consumers Road contains the highest concentration of Class 'B' and 'C' buildings in the City. These buildings provide affordable rents and serve an important role in a balanced office market. No new office development has occurred in the Business Park since the early 1990s, but significant employment growth and investment has occurred, largely through alterations to existing buildings.

The economic viability and investment potential of office development in Consumers Road has been tested through a series of pro forma analyses. The analysis demonstrates the limited potential for new office development within Consumers Road in the near term. The low rents currently experienced in Consumers Road do not support new office development, but they are part of the value proposition of the Business Park.

The opportunity to support employment growth in the near term is through retrofits and upgrades of existing buildings. Over the medium and long term, the potential exists for office development in Consumers Road as market conditions improve, higher order transit is provided, and as targeted public sector investments are made that enhance the Business Park.

Recommendations to Enhance Business Opportunities and Support Employment Growth

The City does not have the ability to control market forces, but it can make targeted policy changes and investments to ensure that Consumers Road and other outer-core employment districts in the City remain competitive. The City can support upward growth in rents by supporting the evolution of the Business Park to be amenity rich, have an attractive public realm, offer state-of-the-art infrastructure, and offers a variety of convenient transportation choices. The following recommendations are ways in which the City can most effectively attract tenants and development:

- Promote amenitization of the Business Park. This can be done by exploring: greater zoning flexibility/permissions for amenities within office buildings, provide free public WiFi in conjunction with amenity space; reduction or rebates of City fees for works which substantially upgrade existing or provide for new amenity space; and, provide a low interest loan or grant retrofitting program for new or expanded amenities.

- Implement a Development Permit System (DPS) which combines rezoning, minor variance and site plan approvals into one application and approval. A DPS allows for a more streamlined, expedited and certain approvals process.

- Establish an office tenancy incentive program that provides financial support in the form of a grant or low interest loan for new companies and tenants who are establishing a new office location in the City and tenants who are substantially expanding. The financial support would be an incentive for the upgrade or retrofits of existing office stock.

- Make the necessary capital investments for:

  - Transit improvements and transit stop amenities;
  - Provision of new roads and complete streets;
  - Pedestrian and cycling infrastructure (including an improved connection over Highways 404 and 401);
  - New green spaces and parks; and
  - Streetscaping/street beautification.

- Address the commercial tax rate differential between Toronto and other GTA municipalities. This can be done by expanding the existing Imagination, Manufacturing, Innovation, Technology (IMIT) program so that it can be applied to renovations or building retrofits as opposed to only new development or major renovations. The City should remain committed to reducing the commercial tax rate to 2.5 times by 2020 to be competitive with other GTA municipalities.

- Establish a business association or BIA for Consumers Road to undertake recommended initiatives such as: promoting Smart Commute; coordination of private shuttle services; preparing and implementing branding and marketing of Consumers Road; establishing wayfinding and signage; contribute to beautification efforts; creation of a local business directory; and organizing and coordinating events in the Business Park (farmers' markets, food fairs, outdoor concerts/event screenings, etc.).

Although similarities exist amongst outer core office districts across the City, each will have unique characteristics as well as different opportunities and challenges which will need to be considered. The recommendations for Consumers Road presented in this report can be applied city-wide, but in some instances it is advisable to undertake additional studies for each employment district prior to implementation. A prudent approach to implementation will ensure any changes to policy or regulations, new incentives, and any investments will be effective and an efficient use of resources.

The Business Park must be able to adapt to the changing needs and preferences of the evolving workforce and office tenants who prefer more amenity-rich, urban, mixed use environments with access to a variety of transportation choices. Addressing the issues identified in *ConsumersNext* in a timely manner will ensure Consumers Road increases its attractiveness and enhances its advantage in a region which is competing for employment growth and investment.

1.0

INTRODUCTION

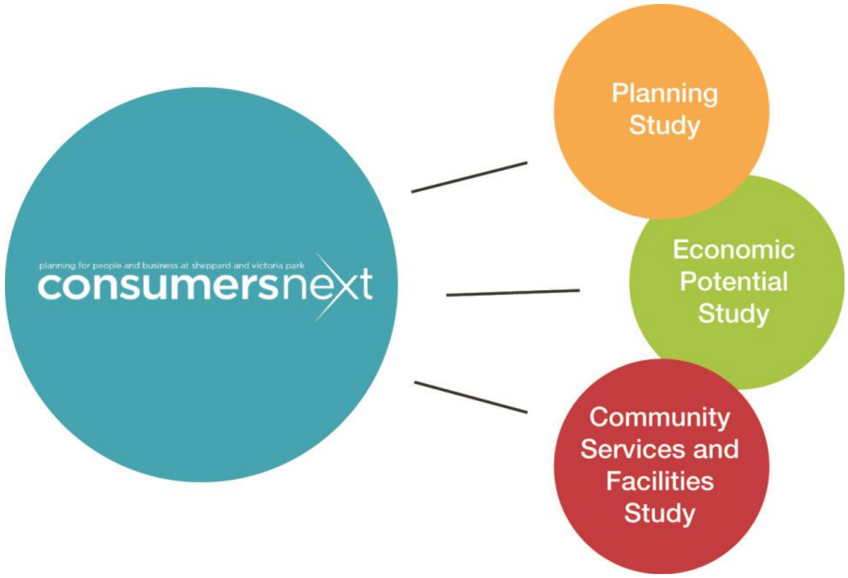
Recent changes to the land use designations within the Consumers Road Business Park (referred to as "the Business Park" or "Consumers Road" throughout this report) introduced through Official Plan Amendment 231 signal the potential for an increase in development, including significant new residential and employment intensification. To manage the growth, support employment uses, and direct investments into broader community improvements, the City of Toronto is undertaking a study of the area called *ConsumersNext*.

ConsumersNext will set out a new planning framework to support continued employment investment and intensification in the Business Park, as well as residential uses, community facilities, a streets and blocks plan, and public realm improvements to serve local resident and working populations.

ConsumersNext is informed by three studies that are being conducted concurrently (Figure 1.1):

- *ConsumersNext Planning Study*
- *ConsumersNext Community Services and Facilities Study*
- *ConsumersNext Economic Potential Study*

Figure 1.1: ConsumersNext is Comprised of Three Studies



Source: City of Toronto

Malone Given Parsons Ltd. (MGP) was retained by the City of Toronto in May 2015 to complete the *ConsumersNext Economic Potential Study*. The goals and objectives of the study are:

- To undertake a study of the opportunities to support sustained employment and non-residential investment within the Business Park;
- To assess the current building stock and employment in the Study Area to recommend strategies, tactics, incentives and amenities to retain existing and attract new businesses and tenants; and,
- To identify actions and policies recommended for the Consumers Road Business Park that can be transferred to other office-based Employment Districts in Toronto.

The *ConsumersNext Economic Potential Study* has been undertaken in two phases:

- Phase 1: Background Analysis
- Phase 2: Final Analysis and Recommendations

This Phase 2 report is informed by the analysis presented in Phase 1 and includes a market review, real estate analysis and policy recommendations to stimulate growth, new investment, and employment intensification in the Business Park. It is informed by:

- City of Toronto employment survey data, travel survey data, assessment data and other information;
- Building leasing and land sales data from various real estate companies and Teranet;
- *ConsumersNext* Business Forum held on January 21, 2016;
- *ConsumersNext* Community Meeting No. 3 held on April 25, 2016; and,
- *ConsumersNext* Community Meeting No. 4 held on November 2, 2016.

We note that this *Economic Potential Study* is concerned with the area bound by Highway 401, Highway 404, Sheppard Avenue East and Victoria Park Avenue (Figure 1.2). The *ConsumersNext Planning Study* boundary extends beyond the boundary of the Consumers Road Business Park to include surrounding areas.

Figure 1.2: ConsumersNext Economic Potential Study Area Boundaries

Source: Malone Given Parsons Ltd.

This page has been left blank intentionally

2.0 PLANNING AND TRANSPORTATION GOALS AND STRATEGIES

The multi-phased *ConsumersNext* Planning Study has provided a vision of how the Business Park could develop and identifies opportunities to enhance it. Significant work has been completed as part of the Planning Study including the preparation of an emerging urban structure, mixed use built form scenarios and job growth scenarios for the employment areas. The next phases of the Planning Study – Finalize Design and Development Plan and Implementation, will be informed by this report and will form the basis for a Secondary Plan and Urban Design Guidelines for the Study Area. A Transportation Master Plan (TMP) is also being undertaken as part of the Planning Study. The TMP Phase 1 report ("TMP report") identified issues and opportunities within the Business Park and subsequent phases will identify and evaluate alternative solutions.

These studies will provide for recommendations to allow for a comprehensive approach to manage and support residential and economic growth in the Study Area. The key principles of the Planning Study and the TMP report have been reviewed to ensure they contribute to the growth and enhancement of business opportunities in the Business Park and do not have any unintended consequences which may potentially have a negative impact on businesses or employees. The comments provided on the Planning Study and TMP report are based on initial phases of these studies and are subject to change and may not be applicable once the studies are finalized.

2.1 Emerging Urban Structure

The Planning Study proposes various changes to the structure of the Business Park directed by the guiding principles of: defining and enhancing places and liveability; connecting and moving; and, supporting and promoting business. These guiding principles are supported through a comprehensive range of inter-related objectives comprised of:

- Public spaces;
- Transportation choices;
- Opportunities for business;
- Built form;
- Water infrastructure; and,
- Community services and facilities.

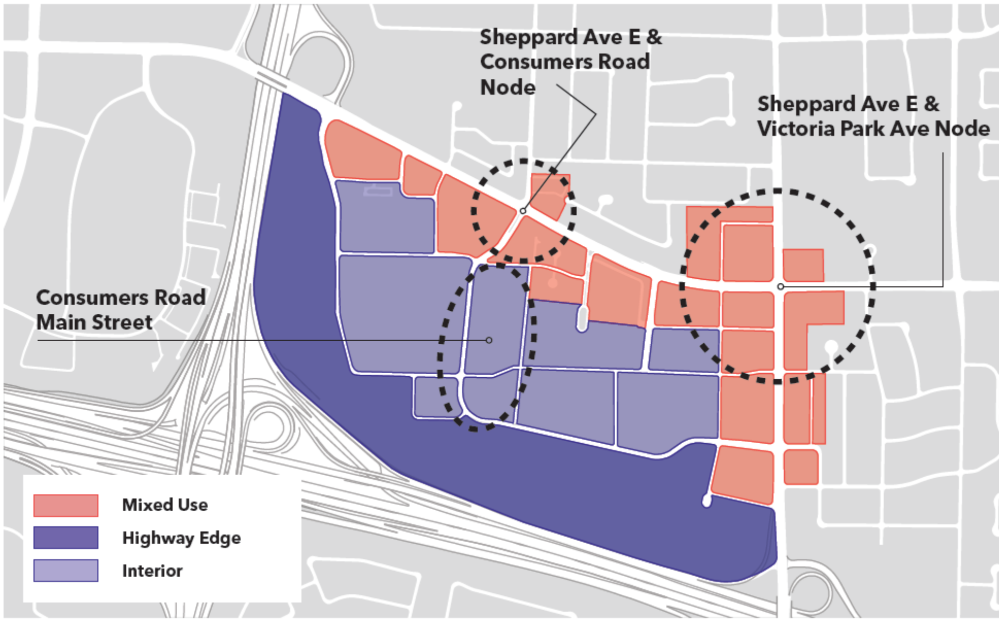
Based on the above, the Planning Study is advancing a new urban structure for the Study Area comprised of streets and open spaces, putting in place a strategy to leverage mixed use development along the Sheppard Avenue East and Victoria Park Avenue frontages to create additional access points and open spaces. In turn, a vision of possible redevelopment options is provided within the Business Park with a toolkit of urban design components providing guidance for the Highway Edge and Interior districts. Particular focus is paid to nodes at major intersections where specific uses and activities are concentrated around future transit stops. The development of a 'main street' along the north-south portion of Consumers Road would cluster amenities and other important complementary functions for the Business Park.

The main components of the planning strategy include:

- Districts: Mixed Use, Highway Edge and Business Park Interior;
- Nodes: Consumers Road Main Street within the interior of the Business Park and nodes at Sheppard Avenue East and Victoria Park Avenue and Sheppard Avenue East and Consumers Road;
- Built form direction is provided for the Mixed Use Area Districts; and,
- A 'kit-of-parts': toolkit of urban design components intended to provide guidance for specific site typologies within the Highway Edge and Business Park Interior districts.

Many of the planning strategies relate to specific areas of the Business Park which are shown in Figure 2.1.

Figure 2.1: Planning Study Districts and Nodes



Source: R.E. Millward & Associates

Street and Blocks Strategy/Mobility: Vehicles, Pedestrians and Cyclists

Severe congestion continues to be a threat to the success of the Business Park. To increase the connectivity for vehicles, pedestrians and cyclists, new streets and blocks have been proposed to improve access to the existing street network and maximize the capacity of the transportation network for all mode users. The creation of new streets and blocks would directly address issues raised by the business community and identified in the TMP report such as vehicular congestion during peak travel times and a poor pedestrian environment. A priority from an employment potential perspective should be an increase to the number of entry and exit points on both Sheppard Avenue East and Victoria Park Avenue. There are several considerations when implementing the proposals so that they do not have any unintended negative impacts.

Finding sufficiently large parcels for certain kinds of development within existing business parks in an urban environment in Toronto can be challenging. The Business Park offers this opportunity with a number of large parcels with significant surface parking which represent development opportunities. Land assembly is one of the greatest challenges to development and it can be a deterrent to redevelopment as the process can be time consuming and expensive. Large parcels also allow for greater design flexibility, provide for future expansion potential and are relatively rare compared to other employment areas such as downtown Toronto. As the City has a finite amount of land available for redevelopment, these large parcels become ever more valuable development opportunities and should be preserved wherever possible. It is expected that some division or disruption to certain blocks and properties is necessary to create new roads. The vision for the Business Park proposed in the Planning Study should minimize to the extent possible, the interruption to large parcels or contiguous parcels under common ownership to balance the provision of new connections and maintaining development opportunities.

Careful consideration should also be made whether new connections are provided as right of ways over private property or built by the private sector as part of redevelopment projects and conveyed to the City. Providing roads as right of ways or conveyance to the City has financial implications borne by developers. Constructing and conveying roads to a municipality is generally more expensive than providing a right of way, however to improve the Business Park it must be better connected and the benefits of connecting streets in Consumers Road may outweigh the cost of implementation. The City should advise developers as early as possible in the planning process whether the provision of any new roads are required and whether the new connections will be through conveyance or through a right of way.

Additional opportunities are presented in the Planning Study to enhance the walkability through potential mid-block connections, pedestrian routes, and greenways. The provision of new connections and enhanced pedestrian environment similar to the one shown in Figure 2.2 would allow employees and visitors to the Business Park to access transit and local amenities. Newer developments should enhance the pedestrian environment with buildings that frame the public realm. The siting and design of future developments will be a key strategy for improving the walkability of the Business Park. The City can also play a key role in improving the existing pedestrian environment through streetscaping improvements, the addition of street furniture, and improved amenities at transit stops and stations. The City has limited land ownership within the Business Park but it can make a significant impact by improving the infrastructure as a signal to the business community that it is making the necessary investments to adapt the Business Park to meet the needs of today's businesses and employees.

Figure 2.2: Example of a Pedestrian Friendly Street at Don Mills

Source: www.cfshops.com

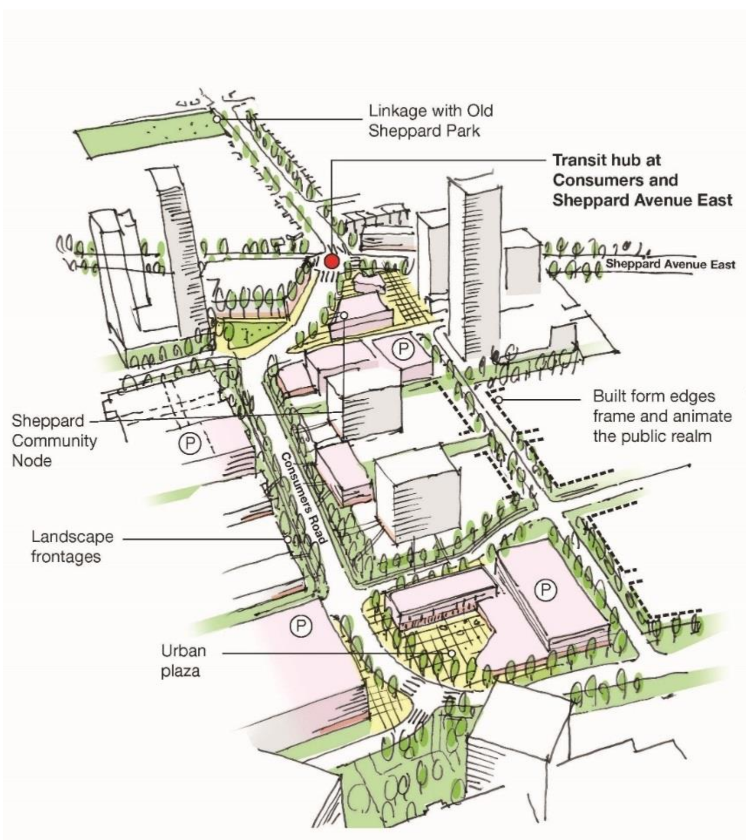
A key proposal within the Planning Study is the utilization of the edge of Highway 401 and Highway 404 for cycling and walking paths. This strategy makes use of Ministry of Transportation (MTO) land, takes advantage of setback requirements from the highways, and utilizes existing green space in sections of the corridors. This proposal would have minimal disruption and impact on existing developments, although there may be engineering and other constraints requiring coordination with the MTO and existing land owners. This coordination should be facilitated by the City, MTO, potential BIA integration, or not-for-profit agencies like Smart Commute.

The proposal to improve mobility for vehicles, cyclists and pedestrians through new streets and blocks as well as new pedestrian connections is supportable from an employment perspective as it directly addresses congestion issues. As outlined above, there are several considerations that need to be made when implementing these initiatives to ensure they do not have any unintended consequences.

Consumers Road Main Street

A 'Consumers Road Main Street' is proposed for the north-south portion of Consumers Road which would enhance the interior of the Business Park and integrate the Mixed Use areas and the interior of the Business Park. The Consumers Road Main Street, located in the centre of the Business Park builds upon this area's emerging role as a destination for retail, restaurant and entertainment uses. The proposal includes the enhancement of existing green spaces and bringing more active uses along this strip. As shown in Figure 2.3, the Consumers Road Main Street includes existing development as well as envisioned elements such as an urban plaza, community node and transit hub. As the Business Park currently lacks any substantial public gathering place or parks, the identification of a defined area for this initiative can help spur other such development in the area. This transformative proposal is supportable from an economic perspective as it has the potential to be an impetus for future employment growth and provide the type of amenities employers and employees are seeking.

Figure 2.3 Planning Study Proposed Consumers Road Main Street



Source: R.E. Millward & Associates & DTAH

The City can facilitate the creation of this proposal through street beautification and improvements to the public realm. This strategy can be used to concentrate restaurants, cafes, retail, and service uses, thereby providing a critical mass of amenities and creating a vibrant destination within the Business Park. The Consumers Road Main Street concept also builds upon a recent planning approval for a parking structure with ground floor retail and restaurants on Consumers Road. A potential challenge to its implementation is that the strategy relies upon redevelopment occurring among many private land owners within this specific stretch of Consumers Road.

As the redevelopment will be undertaken by the private sector, it is recognized that the development of specific nodes will likely occur over the long term. A more flexible and responsive development system is recommended to allow for a greater concentration of amenities and to encourage more pedestrian friendly and transit oriented development. Specifically, the maximum amount of retail and personal service areas currently permitted within some of the zones should be increased. A Development Permit System (DPS) could also be implemented here, which would provide certainty upfront in the process about the permitted uses and can also be used to set out discretionary uses. Discretionary uses are those which may be permitted if the criteria prescribed in the development permit by-law are met. The planning system must be able to respond to the changing needs of the business community and local residents, be more permissive of desired amenities and build on public realm improvements.

The Consumers Road Main Street concept also provides an interface between the Mixed Use area located around the edges of the Business Park and the General Employment area located towards the interior. It would facilitate pedestrian infiltration from the current and future residents along Sheppard Avenue East and Victoria Park Avenue. This draw would encourage residents to patronize businesses within the interior of the Business Park, creating a more vibrant environment outside of “9 to 5” business hours and more viable businesses to serve the daytime population.

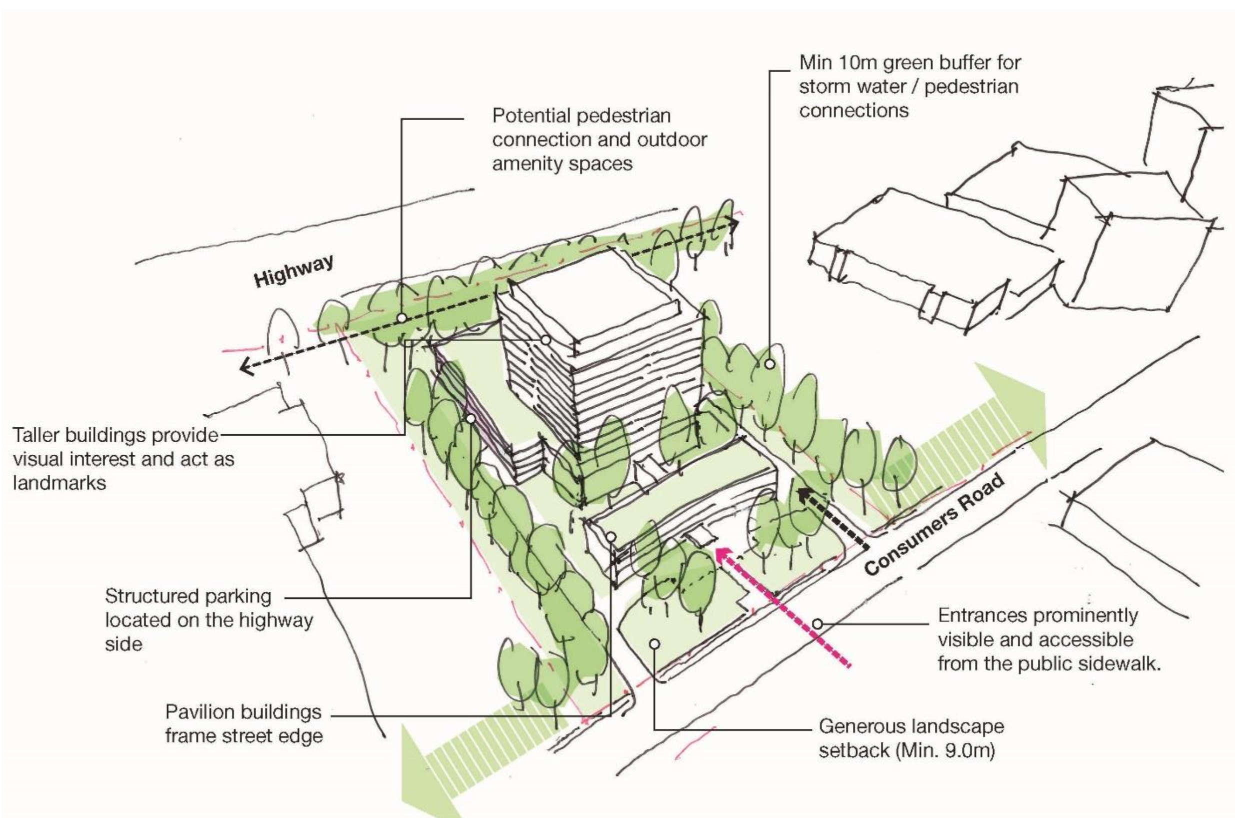
Urban Design – ‘Kit of Parts’

An urban design framework characterized as a ‘kit-of-parts’ provides guidance on specific site conditions and lot sizes found within the Business Park (highway edge, business park interior, narrow deep sites, large sites, etc.) (Figure 2.4). Providing guidance to the development community is a supportable direction from an economic perspective as it provides more certainty to developers about the type of development that would be supported by the City. Greater certainty could also be provided through a DPS as it provides the opportunity to incorporate urban design elements into an application review process and the kit-of-parts can provide a useful starting point for the DPS consultation.

The urban design recommendations included in the kit-of-parts are based on existing development examples in Consumers Road as they demonstrate what development has occurred in the past and can likely be achieved in the future. All of the scenarios include guidelines for the development of structured parking. The kit-of-parts should be expanded to provide urban design guidelines for sites that will only provide surface parking.

The kit-of-parts includes a target of approximately 30% of the site area allocated for green space. The provision of 30% landscaped area is very high compared to zoning requirements for commercial and industrial sites and may be a barrier to some commercial office redevelopment scenarios with respect to the provision of space and maintenance costs.

Figure 2.4 Planning Study Highway Edge Kit-of-Parts



Source: R.E. Millward & Associates & DTAH

2.2 Transportation Master Plan

Initial phases of the TMP provides an in-depth analysis of the transportation issues and also identifies many opportunities. As many transportation issues are interrelated with those identified in the Planning Study they can be addressed through comprehensive and coordinated solutions and strategies.

Consumers Road was developed primarily as an automobile oriented business park and the streets currently lack accommodation for other modes. To increase the use of alternative modes of transportation, they must be made more viable and convenient. The lack of viable alternatives to the automobile and vehicular congestion were common concerns raised consistently in *ConsumersNext* background studies, consultation events, and stakeholder interviews. Traffic congestion affects businesses in terms of lost productivity and increased costs, and discourages future investment. Part of the success of Consumers Road can be attributed to its accessibility by automobile and the supply of surface parking, however a balance must be struck in reducing congestion while supporting businesses, employers and customers who rely on automobiles.

The guiding principle of the TMP study is to "create balanced transportation options to get to and move through the Business Park and surrounding area, improving connections for pedestrians, cyclists and transit riders". This principle is addressed by a set of strategic actions to achieve specific goals and opportunities which include: increase internal trips; increase transit share; increase walk share; increase cycle share; address parking supply; and, coordination of Transportation Demand Management (TDM) Strategies. From an economic potential perspective, all of the TDM goals are supportable as they address congestion, which is a threat to the success of Consumers Road. Careful consideration of some of the strategic actions and recommendations is required to ensure they do not have any negative unintended consequences to the success of the Business Park. These implementation considerations have been identified in this Chapter.

The TMP report provided the results from the Transportation Tomorrow Survey (TTS) and the Employee Travel Survey (ETS). Both surveys indicated a trend towards lower dependence on automobiles but highlighted that significant opportunity still exists to improve the modal split. Substantial improvements in the modal split cannot be expected under a 'do nothing' approach as other modes of transportation are not viable or sufficiently convenient compared to driving.

Innovative Mobility Plan: Smart Commute

The TMP report indicated that the Smart Commute initiative is successful in lowering auto mode-share by 13% among employees of participating companies compared to companies not participating in the program. The report also identified that 61% of Business Park employees were not aware of the Smart Commute Transportation Management Association and the programs that it offers. The City could work in conjunction with Metrolinx to help promote and expand the initiative and educate employers with a goal to apply the innovative mobility plan with Smart Commute to the entire Business Park. If a local business association or BIA is established within Consumers Road, they could also have a role in promoting the Smart Commute initiative. This represents "low hanging fruit" – an opportunity to reduce the auto mode-share within an existing program.

Local Transit Provision

By improving the accessibility of the Business Park by transit, it improves its marketability and helps to attract and retain tenants and employees and is therefore supportable from an employment perspective. The ETS identified that of all trips to Consumers Road from within Toronto, the largest portion (33%) of trips is from Scarborough. Yet those travelling from Scarborough have higher auto dependency and lower transit use than other Toronto residents. This suggests the need for additional east-west transit provision, specifically to Scarborough.

Although the Sheppard East LRT will likely support increased transit use, it will not be developed in the near term (expected development is post 2021). Coordination with the TTC can help determine if any interim transit solutions can be implemented to increase the level of transit service between the Business Park and Scarborough as well as other underserved areas until the Sheppard East LRT is constructed.

The TMP report recommended an interim High Occupancy Vehicle (HOV) - Transit lane on Sheppard Avenue East between Victoria Park and Don Mills station prior to the provision of the Sheppard East LRT. An HOV lane would need to be implemented in such a way that it reduces and does not exacerbate congestion when entering or exiting the Business Park at peak times.

The implementation of the Sheppard East LRT is key to sustaining employment growth of the Business Park as congestion in the GTA continues to increase. In order to maximize the economic benefits expected from the Sheppard East LRT, a key priority will be to increase the permeability between Sheppard Avenue East and the interior of the Business Park so that a greater portion of buildings are within walking distance to transit stations. The provision of an LRT will improve the viability and economic potential of the Business Park by providing for greater transit options.

The Mixed Use areas along Sheppard Avenue East are already being transformed through high-density residential development before construction of the Sheppard East LRT has commenced. The Sheppard East LRT will have a positive impact on demand and performance of office space within walking distance of a transit stop. It is difficult to precisely predict how much of an impact the Sheppard East LRT will have on the non-residential development and when that development will occur. Evidence is provided in a 2016 study by JLL in the City of Vancouver that over the past ten years, there has been an increasing amount of office developments constructed within 500 metres of rapid transit stations[1].

There is also supporting evidence of increased demand and willingness to pay a premium for office space within walking distance of rapid public transit. A Colliers International SPARK Report entitled "Toronto Rapid Transit" indicates that GTA markets (Downtown, Midtown and Central North), with more than 60% of their office space within walking distance[2] to public transit performed better and had higher average rental rates and lower average vacancy rates than the rest of the GTA[3]. Specific key findings include:

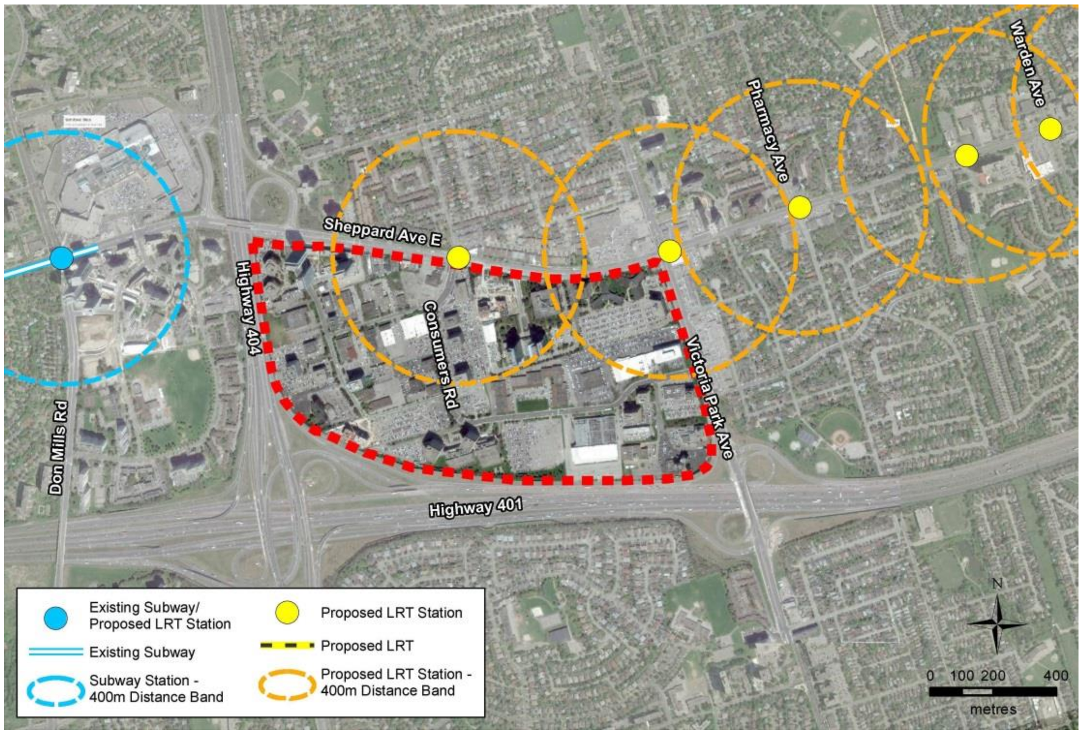
- In most GTA markets in which rapid public transit is available, office space that is within walking distance to rapid transit has a very low average vacancy rate and higher average rents across all building classes.
- In the GTA, the average rent for buildings that are within walking distance of rapid transit is about $7.00 more per square foot than buildings that are not within walking distance.
- Access to transit supports higher densities.
- The average sale price per square foot for all GTA office buildings of all building classes that are walking distance to transit were sold at a premium over those not within walking distance.

Approximately 40% of the Business Park will be within walking distance (400 m distance band) of a Sheppard East LRT station as shown in Figure 2.5. The additional street network and pedestrian connections proposed through the Planning Study will further improve the walking shed distance and increase the additional

[1] JLL (2016) *Rapid Transit Office Index: Vancouver 2016 Outlook*
[2] Walking distance defined as being within 400 metre radius of a major transit station.
[3] Colliers International (2015) *Toronto Rapid Transit*

catchment area, thereby maximizing the potential impact of the LRT on the Business Park. Figure 2.6 illustrates how the proposed new street network will increase the potential catchment area within 400 m of an LRT station.

Figure 2.5: Existing and Approved Higher Order Transit



Source: Malone Given Parsons Ltd.

Figure 2.6: Walk-sheds to Future LRT Stations

Source: HDR Inc.

Regional Transit Provision

Increased regional transit connections can leverage the central GTA location of the Business Park and its accessibility to major highways. The TMP report indicated that improved connections to regional transit can have a major impact on the quality of transit service to the Study Area and increase transit ridership. The ETS survey indicated that 51% of commuters are from outside the City of Toronto and the majority of them access the Business Park by automobile.

Major regional connections are within the vicinity of the Business Park but regional transit services do not directly serve it. Don Mills Subway Station is a major transit hub with multiple transit service connections but there is potential demand for greater regional transit service that directly serves the Business Park. The focus of regional transit should be connecting people with jobs, and the highest concentration of jobs in the vicinity is the Business Park. Therefore, any future regional transit connections should directly serve the Business Park.

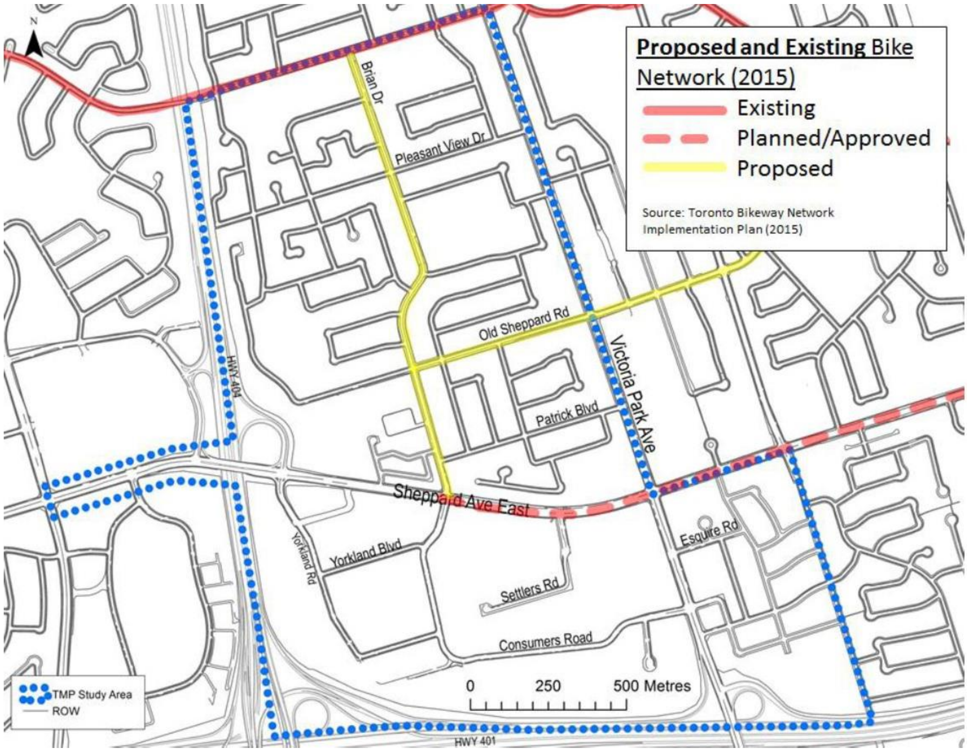
Cycling

The TMP report identified that there are no cycling facilities within the Business Park. The lack of separation from traffic creates an unappealing cycling environment and is a deterrent to cycling within the Study Area. The ETS identified that 61% of trips that are less than 1 km long are made by automobile, even though bicycle ownership among current employees is high. This is an opportunity for the City to increase cycling in the Business Park by providing improved bicycle infrastructure. Providing additional cycling infrastructure is supportable from an employment perspective as it will support a greater modal split which will help reduce congestion in the Business Park. The initial cost of cycling infrastructure as well as its ongoing maintenance will outweigh the benefits from an employment perspective as increased modal split will reduce traffic congestion. Cycling infrastructure also needs to be closely linked with cycling amenities. For example, the provision of bike share spaces within the Business Park can also be used to encourage employees who drive or take transit to work to forgo the use of their cars to run errands during the workday via bicycle.

The TMP report indicated that the existing right of ways and existing/future developments can include retrofits to better accommodate pedestrians and cyclists in the Business Park. This key implementation consideration allows for the provision of cycling infrastructure with minimal disruption to vehicular traffic flow. As zoning regulations require some new developments to include cycling infrastructure such as bicycle storage lockers, change rooms and shower facilities, the City should ensure the necessary cycling infrastructure is in place within the Business Park to complement public and private investments in cycling amenities. Any capital works proposed for the streets in the Study Area should include cycling infrastructure and improvements.

In order to make cycling a more viable mode of transit for employees, improvements to the cycling conditions within Consumers Road will need to occur in conjunction with improvements to the broader cycling network including the provision of additional connections to the surrounding area. Figure 2.7 shows the City's new 10-year plan to expand its cycling network, illustrated in the TMP report.

Figure 2.7: Proposed and Existing Bike Network (2015)



Source: Toronto Bikeway Network Implementation Plan (2015); HDR Phase1 Report

Walking

Although there are sidewalks in some locations within the Business Park, the pedestrian environment is unattractive and lacks amenities, giving limited reasons to walk within the area during the day. A walkable environment is supportable from an employment perspective as Millennials who are entering the workforce in vast numbers, prefer to work in more urban amenity-rich environments. Several approaches are required to improve the walkability of the Business Park and this issue is addressed by both the Planning Study and TMP. Given that the walking radius is typically less than 1 km, the greatest opportunity to increase the walk-share of the Business Park will largely be the residents in the Mixed Use Corridor who work in Consumers Road. Walking within the park can also be increased for the portion of the Business Park that is within walking distance of the proposed LRT stations.

The ETS identified that employees make multiple personal trips such as appointments, errands, shopping and dining during the day and a majority of these trips during the day are by automobile. These automobile trips can be reduced by providing greater amenities within the area and making them more accessible through new pedestrian improvements.

Fairview Mall was identified during stakeholder interviews and during the *ConsumersNext* Business Forum as an attractive amenity for the Business Park (Figure 2.8). However, the pedestrian environment between Consumers Road and the mall is unpleasant as no buffer exists between vehicular traffic and the sidewalk provided. In order to leverage this important amenity in proximity to the Business Park, the pedestrian connection crossing Highway 404 should be improved which would also benefit those who rely on the public transit at Don Mills Station and those who live in the surrounding neighbourhoods.

Figure 2.8: Fairview Mall is an Important Amenity for the Business Park

Source: Malone Given Parsons Ltd.

Vehicular Parking Demand and Supply

The TMP report identified that parking supply be addressed by limiting the number of parking spaces and charging for parking. Although the goal of addressing parking supply is well founded from an employment perspective and parking regulation is necessary and enforceable as part of the by-law regulation it is recommended that the focus should be on reducing the demand for parking rather than attempting to reduce the supply in the near term. It is also noted within the TMP report that employers in the area require sufficient provision of parking that is inexpensive and that parking may be correlated with the success of the Business Park. The ETS also identified that a majority of respondents value the availability of parking. Parking can be addressed by reducing the demand prior to reducing supply through achieving the other TDM goals such as increasing transit, walking and cycling share, etc. The abundant supply of parking in the Business Park is used, supports, and is a necessary amenity for existing tenants and businesses. Until such time that more viable options become available, careful consideration must be given to any measures by the City to limit parking supply.

Innovative Mobility Plan: Ecomobility Hubs

The TMP aims to create more transportation choices including an innovative mobility network based on existing and proposed transit. The network provides conceptual locations for transit interchange ecomobility hubs. Elements would include on-street car sharing stations, bike sharing at internal bus stops, and car-sharing and ride-sharing parking (Figures 2.9 and 2.10). They are located at strategic locations to maximize the transit network capacity and provide mobility options to enter and exit the Business Park for all transit trips. Ecomobility hubs are supportable from an employment perspective as they will allow for greater access to alternative means of transit other than the automobile and provide greater transportation options. The ecomobility hubs can be utilized by employees who require the use of a vehicle for employment purposes without the need drive to work and can take transit, cycle or walk instead.

Figure 2.9: Ecomobility Hub with Bike Sharing at Integrated Bus Stop

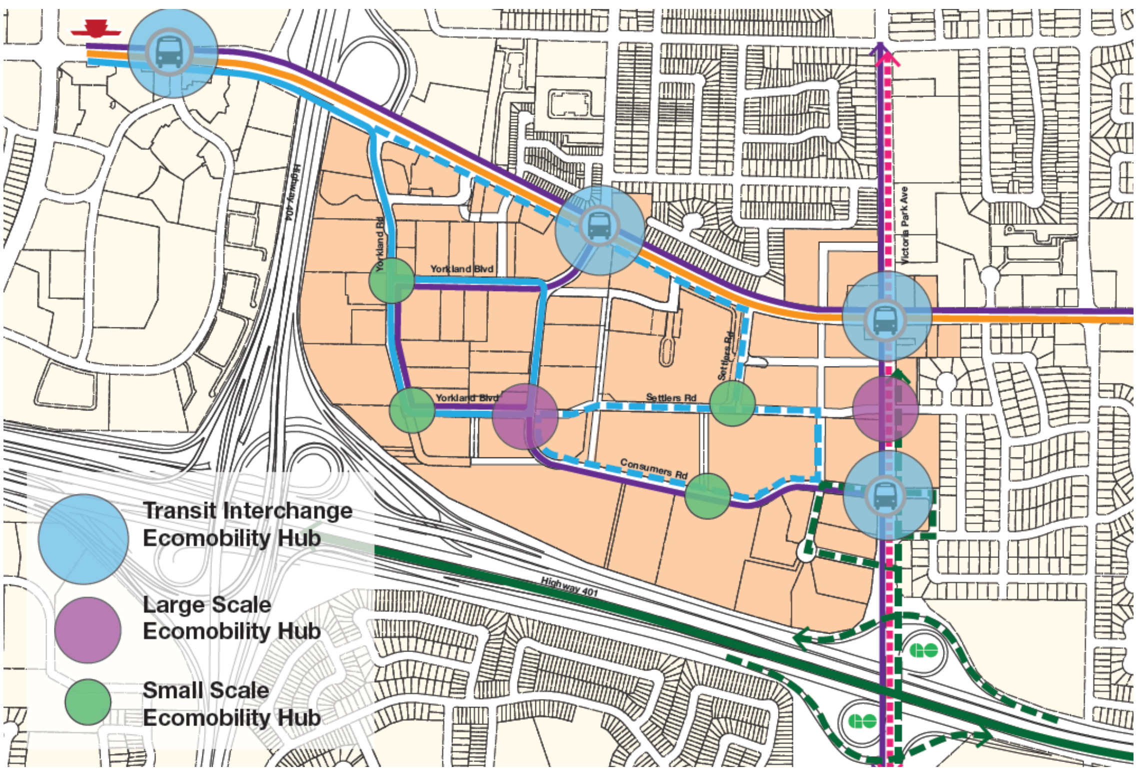
Source: Ecomobility Hub, Image: Multi-mobility, Sophia Von Berg, 2014

Figure 2.10: Potential Transit Interchange Mobility Hub

Source: Ecomobility Hub, Image: Multi-mobility, Sophia Von Berg, 2014

The ecomobility hubs are proposed at key intersections along Sheppard Avenue East, Victoria Park Avenue and at future LRT stations as shown in Figure 2.11. Large scale and small scale hubs are also proposed within the interior of the Business Park. A large scale mobility hub location is identified at the intersection of Yorkland Boulevard and Consumers Road. This is an ideal location for such a use as it is co-located within the interior of the Business Park and the Consumers Main Street node proposed in the Planning Study. Large transit ecomobility hubs should also include regional transit and local transit interchanges. If land from private landowners is required, details should be provided on how such space will be secured to determine if the provision of ecomobility hubs can have economic impacts on private land owners. The City should also ensure there is a plan to finance maintenance of these hubs.

Figure 2.11: Conceptual Mobility Hub Network



Source: HDR Inc.

2.3 Summary of Planning Study and Transportation Master Plan

Part of the success of Consumers Road Business Park can be attributed to its accessibility by automobile and supply of surface parking. The presence of large parcels represents valuable redevelopment opportunities which can facilitate future employment growth. When implementing the Planning Study and TMP strategies, a balance must be struck in reducing congestion and improving the public realm while supporting businesses, employers and customers who rely on automobiles.

As many transportation and planning issues are interrelated, they can be addressed through comprehensive and coordinated solutions and strategies. The Planning Study and TMP propose solutions that will enhance and improve the Business Park from an economic and employment perspective. Implementing a new urban structure comprised of new streets, mid-block connections, walkways and open spaces will improve connectivity for pedestrians, cyclists and vehicles which will reduce congestion and enhance the environment of the Business Park. Improvements to local and regional transit and the provision of the Sheppard East LRT, will make transit more accessible and a more viable alternative to the automobile. Improving the public realm, providing greater provision of desirable amenities and providing greater transit options will support employment growth and improve redevelopment potential within the Business Park.

3.0 INVESTMENT AND DEVELOPMENT IN CONSUMERS ROAD

Consumers Road Business Park is an important Employment Area that contains the highest concentration of Class 'B' and 'C' buildings in the City. No new office development has occurred in Consumers Road Business Park since the early 1990s, but significant employment growth and investment has occurred through alterations to existing buildings and there are reasons to be optimistic about long term development potential.

3.1 Pro forma Analysis

Cost competitiveness can vary based on a number of factors including land prices, development charges, property tax rates, etc. These factors can influence the cost component of business location decisions for new development and expansions. However, cost and efficiency are not the only factors to consider as demonstrated by the concentration of office development primarily in downtown Toronto, which has the highest land prices in the GTA and is expensive to develop.

The economic viability and investment potential of office development in Consumers Road has been tested through a series of pro forma analyses including a comparison of the feasibility of development projects with two other GTA locations. The analysis identifies the economic advantages and disadvantages within Consumers Road. The analysis is based on three representative development scenarios in the Business Park. Two types of pro formas for each development scenario were prepared:

1) Development and Sale – a residual land valuation method evaluates the financial viability of redeveloping a site and selling the project immediately after completion.

2) Income Stream – an income approach evaluates the financial viability of a development investment project over a specific period of time.

Both approaches highlight various elements impacting the viability of developing commercial office space. The first approach compares the cost of development in relation to the revenue that can be achieved by the sale of the property. The second approach compares the cost of development in relation to the potential rental revenue stream that can be achieved over a specific time period.

3.2 Representative Office Developments

Three representative office developments included in the analysis are shown in Table 3.1. The sites used in the pro forma are representative of a range of redevelopment soft sites that can be found within the Business Park. Other than site areas, the main difference between the scenarios is that Site 2 represents a vacant development opportunity while Sites 1 and 3 include existing low-density buildings requiring demolition to allow for redevelopment. The development scenarios are representative of the type of development potential that exists within the constraints of the in-force zoning by-law. The full list of assumptions are included in Appendix A.

Table 3.1: Development Details of Representative Development Sites

	Site 1	Site 2	Site 3
Site Area (ha)	0.8	1.5	4.0
Existing Building Area to be Demolished (sq.m.)	5,500	0	18,000
New Building Coverage	35%	22%	13%
New Building GFA (sq.m.)	12,000	22,500	60,000
Total Leasable Area (sq.m.) - 85% of GFA	10,200	19,125	51,000
Office (sq.m.) - 95% of Leasable Area	9,690	18,169	48,450
Retail (sq.m.) - 5% of Leasable Area	510	956	2,550
Parking Spaces Provided (1.5 per 100 sq.m.)	153	287	765
Landscaped Area (sq.m.) - 15% of Site Area	1,200	2,250	6,000

The following assumptions were used across all three scenarios:

- Class 'A' office building reflected in development cost and rent potential;
- Developed to a maximum permitted density under current zoning permission of 1.5 FSI;
- 95% office space provided and 5% retail space provided at-grade;
- Minimum parking standards for office and retail use under Zoning By-law 569-2013 (1.5 spaces per 100 sq.m.);

- Surface parking provided;
- Landscaped area 15%;
- Sites are fully serviced by roads and other municipal services therefore no provision of new road or other infrastructure;
- No site remediation is required[6]; and,
- Tenants responsible for the cost of interior fit-out.

3.3 Development and Sale Analysis

The residual approach to valuation includes a calculation of the cost of development (including profit as a cost), and a calculation of the value of the development with the difference (the residual) being what is available for the land purchase. If the residual land value is equal to or greater than actual market land prices, this represents a viable development opportunity. If the residual land value is below the market price for land, the development is not financially feasible. The development and sale pro formas for the three sites are included in Appendix B. The results of the analysis are summarized in Table 3.2.

Table 3.2: Summary of Development and Sale Residual Land Value Analysis for Consumers Road

	Site 1	Site 2	Site 3
Construction Costs	$30,473,585	$56,190,293	$150,474,006
Financing Costs (6%)	$1,828,415	$3,371,418	$9,028,440
Developer Profit (10%)	$3,047,359	$5,619,029	$15,047,401
Total Costs	$35,349,359	$65,180,740	$174,549,847
Sale Price[1] ($205/sq.ft.)	$26,479,194	$49,648,489	$132,395,970
Residual Land Value	($8,870,165)	($15,532,251)	($42,153,877)
Actual Land Cost[2]	$6,496,800	$6,390,000	$32,484,000

Note: 1. Sale Price based on recent comparable sales of office buildings in Consumers Road Business Park and adjusted to reflect a new building.
Note 2. Actual Land Value based on recent property sale data from Consumers Road Business Park.

All three development scenarios result in a negative residual land value. A negative value suggests that the project would not currently return targeted profits even if land cost is zero. Recent sales prices experienced in Consumers Road are generally below $200 per square foot which would not support the cost of office development in the near term. Sales prices would need to be approximately $270 per square foot

[6] Contamination issues are outside the scope of this study; although they may exist within the Business Park none were assumed for the pro forma analysis as costs can vary greatly based on the level, source and extent of contamination. Financial incentives are available to help offset the cost of site remediation.

for residual land values to be positive and approximately $300 per square foot for the residual land values to exceed current market value for land. Future sales prices are expected to be bolstered by the provision of higher order transit, higher-quality amenities and other improvements to the Business Park. These uplifts coupled with increased market demand could make office development more feasible in the long term.

City fees form a relatively small proportion of the overall development costs. The analysis in Appendix B parses the costs as a percentage of the overall development costs. The fees that the City can influence are as follows:

- City Development Charges (ground floor only) – between 0.6% and 1.4% of total costs;
- Building Permit Fees – 0.8% of total costs;
- Planning Application Fees (site plan application only) – 0.1% of total costs; and,
- Cash in Lieu of Parkland – 0.2% – 0.4% of total costs.

Revenue collected through the fees by the City are necessary for the processing of development applications and other costs associated with development. Any rebates in terms of planning fees, building permit fees have potential financial impacts on the City. The City of Toronto currently provides an exemption of all non-residential development located above or below the ground floor from City development charges so that only the ground floor GFA is subject to the fees.

Incentives in the form of fee exemptions or reductions can still be a strong a signal to the development sector that the City is supportive of redevelopment. It is not expected that under current market conditions any fee reduction or exemption would make an unprofitable project viable. In the long term, fee reductions or exemptions may be more effective at incenting new development as local market conditions improve.

The Toronto Catholic District School Board (TCDSB) development charge is a small overall cost of development (approximately 0.4% of total development costs), but is comparable to parkland dedication, building permit and City development charge costs. Non-residential development does not impose any additional burden on school enrollment and is an unnecessary cost burden for redevelopment. The TCDSB education development charge (EDC) can be a potential disincentive to the development community. It is recommended that the City request the Provincial government to discontinue or substantially reduce the TCDSB EDCs for non-residential development.

3.4 Income Stream Analysis

A cash flow analysis was prepared for each of the three representative development sites over a 10 year holding period. The cash flow analysis incorporates land cost, development costs, rental revenues, property expenses, financing costs and the sale of the asset at the end of the holding period. The cash flow will show what, if any, profit is made once the asset is sold. The net present value (NPV) is also used to evaluate whether the project is worth pursuing. When discounted at the target rate of return the NPV of the cash flow generated by an investment is positive, the project is acceptable. A project is not viable if the NPV is negative.

The same development costs were used for the residual land value method and the income approach. Additional assumptions used for the income approach include:

- 2 year approval and development period;
- Rental appreciation of 3% based on historic growth rates in Consumers Road;
- Rent increases occur at the start of year 6 assuming 5 year lease periods;
- 25% vacancy rate in the first year of occupancy (year 2);
- Vacancy rate stabilizes in year 3 at 5%;
- Net office rent of $15.00/sq.ft. per annum;
- Net retail rent of $10.00/sq.ft. per annum;
- Annual rent of $75 per annum per parking space;
- 25% owner equity and 75% debt;
- Financing rate of 6% over a 25 year amortization period;
- Asset is sold at the end of year 10;
- Capitalization rate of 7% used to determine market value.

The income pro formas are contained in Appendix C. The results of the income valuation approach shown in Table 3.3 indicate a negative profit and a negative NPV for each of the three development scenarios. This affirms that investment in a Class ‘A’ office building in Consumers Road Business Park is not economically viable under current market conditions. The up-front development costs for a new office building are too high when compared with the potential revenue generated. The cash flows are such that they will not be corrected within a reasonable timeframe. A significant increase in market rents in Consumers Road is required to make office development feasible.

Table 3.3: Summary of Income Stream Analysis for Consumers Road

	Site 1	Site 2	Site 3
Profit	($41,165,507)	($64,352,598)	($199,518,440)
Net Present Value at 15%	($12,966,036)	($20,482,039)	($62,927,264)

A sensitivity analysis was undertaken using the assumption that office development located within walking distance of rapid transit would result in an increase in rent by $7.00 more per square foot as has been demonstrated in the GTA. The result of this analysis is shown in Table 3.4 below. Higher order transit uplift will make a substantial improvement to development feasibility, although transit uplift alone will not make the development projects profitable in the current market.

Table 3.4: Summary of Income Stream Analysis for Consumers Road including Uplift in Rental Rates from Provision of Higher Order Transit

	Site 1	Site 2	Site 3
Profit	($23,439,108)	($31,115,599)	($110,886,444)
Net Present Value at 15%	($8,076,063)	($11,313,340)	($38,477,401)

Development of a Class 'A' office building in Consumers Road is not currently viable with surface parking, therefore, the inclusion of structured parking in a development scenario would also not be feasible. The recently completed Audi dealership in the Business Park and the Porsche dealership under construction accommodate parking and vehicle storage requirements through a combination of surface parking, below grade parking, and structured parking/vehicle storage. These developments represent the evolving form of automobile dealerships in urban locations which require alternatives to surface parking for storage of their products.

3.5 Development Viability Comparison with other Municipalities

Office development scenarios have been prepared for Airport Corporate Centre in the City of Mississauga and Markham Town Centre in the City of Markham to compare the economic feasibility of development in those districts with Consumers Road. In addition to the City of Mississauga and City of Markham sharing borders with the City of Toronto, these office nodes have locational attributes including highway and transit access that are similar to Consumers Road. Airport Corporate Centre has frontage on Highway 401 and is proximate to Highway 427 and Highway 403. It will also be serviced by higher order transit investment, specifically the Eglinton Crosstown and the possible implementation of the SmartTrack plan. Markham Town Centre has excellent access and visibility via

Highway 407, includes a mix of land uses and is serviced by VIVA Rapidway. Both a residual land value analysis and income analysis have been completed for Airport Corporate Centre and Markham Town Centre.

Development and Sale Comparison

The Site 2 development parameters have been used as the basis for the comparison analysis even though development regulations (setbacks, landscaping, parking etc.) differ in each municipality. Using the same development parameters allows for a more useful comparison of the various inputs and their impacts. The pro forma analysis for Airport Corporate Centre and Markham Town Centre are contained in Appendix D and a summary of the analysis is shown in Table 3.5.

Table 3.5: Summary of Development and Sale Residual Land Value Comparison Analysis

	Consumers Road, Toronto	Airport Corporate Centre, Mississauga	Markham Town Centre, Markham
Construction Costs (hard)	$48,093,323	$48,093,323	$48,093,323
Construction Costs (soft)	$8,096,969	$14,189,232	$15,942,913
Total Construction Costs	$56,190,293	$62,282,556	$64,036,236
Financing Costs (6%)	$3,371,418	$3,736,953	$3,842,174
Developer Profit (10%)	$5,619,029	$6,228,256	$6,403,624
Total Costs	$65,180,740	$72,247,765	$74,282,034
Sale Price[1]	$49,648,489	$58,125,116	$60,546,996
Residual Land Value	($15,532,251)	($14,122,648)	($13,735,038)
Actual Land Cost[2]	$6,390,000	$7,800,000	$6,912,000

Note: 1. Sale Price based on recent comparable sales of office buildings within each office district: Consumers Road $205/sq.ft., Airport Corporate District $240/ sq.ft.,Markham Town Centre $250/sq.ft.
Note 2. Actual Land Value based on recent property sale data from each office district.

The negative residual land value for all three scenarios demonstrates that Consumers Road is not unique as the other office parks face similar economic challenges at this time. If sales of office buildings in Consumers Road were able to obtain sales figures similar to Airport Corporate Centre and Markham Town Centre at $240 per square foot and $250 per square foot respectively, the residual land values would still be negative, albeit much closer to a positive value.

Despite the negative residual land values, additional information is gained through the analysis. There is a significant differential in the soft costs between the three scenarios. The soft costs are higher in Mississauga and Markham Town Centre due to the significantly higher development charges (DCs) in those municipalities. The combined City of Toronto DCs and the TCDSB EDCs account for 1.4% of total development costs. By comparison, the DCs for Mississauga and Markham are 9.8% and 10.1% of total development costs respectively. This cost differential is diminished in the residual land value as recent sales data indicates that office buildings in Airport Corporate Centre and Markham Town Centre have been able to achieve higher sales per square foot compared to Consumers Road, although these market conditions change through business cycles. Nonetheless, the City of Toronto has an advantage over the selected municipalities with respect to minimizing the initial costs of development by maintaining low DCs.

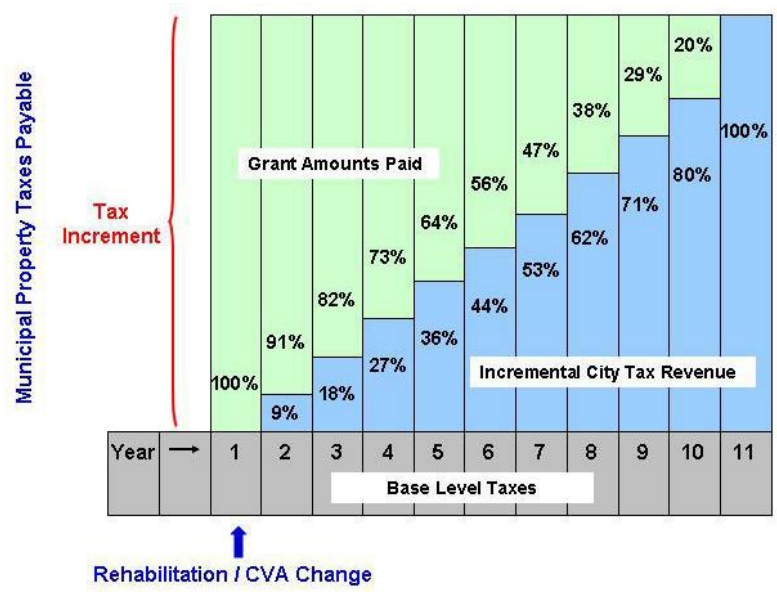
Income Stream Comparison

The income stream comparison provides additional insight into the economic competitiveness of Consumers Road (Appendix E). The Site 2 development scenario is again used for the comparison analysis. Current market rents for Class 'A' office and retail uses within each office district are incorporated into the pro forma with a uniform rental growth rate assumed for the three scenarios.

The City of Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT) incentive is a program that provides grants equal to a portion of the property's municipal taxes for targeted sectors and uses. It encourages renovation or construction of buildings by way of development grants or property tax cancellation. Targeted sectors include office, information technology, creative industries, manufacturing, biomedical, food processing, among others.

The IMIT grant is a percentage of the increase in municipal property taxes directly related to the new construction. IMIT provides an annual grant to the property owner over a ten year period on a decreasing scale. The grants are 60% of the increased municipal tax revenue over 10 years (Figure 3.1) and 70% in designated Employment Areas in the Official Plan.

Figure 3.1: TIEG Grants to Achieve 60% Incremental Tax Grant



Source: City of Toronto

The interior of Consumers Road is designated Employment Area allowing for a 70% grant over 10 years for qualifying IMIT development. An income stream analysis was undertaken applying the IMIT incentive to the Site 2 Scenario in Consumers Road to determine the impact of the IMIT incentive on the feasibility of an office development in the Business Park. The IMIT incentive also exempts the development from City DCs reducing soft costs. The IMIT pro forma is contained in Appendix F and the comparison with the base scenario and with Airport Corporate Centre and Markham Town Centre is shown in Table 3.6.

Table 3.6: Summary of Income Stream Comparison Analysis

	Consumers Road, Toronto (IMIT)	Airport Corporate Centre, Mississauga	Markham Town Centre, Markham
Profit	($55,431,828)	($47,671,288)	($46,442,644)
Net Present Value at 15%	($16,809,949)	($15,878,651)	($15,439,034)

The income approach illustrates that development scenarios in all three office districts show negative profits and NPVs. The development cost advantage demonstrated in the scenario within the City of Toronto is eroded over time due to higher market rents that are currently achieved in the Airport Corporate Centre and Markham Town Centre and the lower commercial property tax rates in these municipalities. The IMIT program provides a significant improvement to the Consumers Road Site 2 development scenario shown in Table 3.3. By applying the

IMIT incentive to the Site 2 Scenario in Consumers Road, the IMIT grant would be approximately $5.9 million over a 10 year period. Although the IMIT incentive will not result in a positive NPV for the development scenario, it does put development in Consumers Road on a similar level as the development scenarios in Airport Corporate Centre and Markham Town Centre as demonstrated by the similar NPVs. The IMIT program diminishes the competitive disadvantage of locating in Toronto from a taxation perspective.

The IMIT analysis examined a specific office development scenario within one particular office sub-market. The IMIT incentive is available for a wide range of uses across multiple market environments within Toronto. Even if the IMIT grant was 100% of the increased municipal tax revenue over a 10 year period, the development scenario would not be profitable in Consumers Road under current market conditions. While an increase in the IMIT grant amount from 60% or 70% to 100% over a 10 year period would not make office developments viable within Consumers Road at this time, it may have a greater impact for other types of development in other sub-markets within the City.

3.6 Consumers Road Will Continue to be a Desirable Location for Office Sector Employment

In 2014, the Business Park accommodated approximately 630 businesses that provided an estimated 18,000 jobs. The office sector has been the dominant activity sector in Consumers Road for the past two decades. Between 1996 and 2014, the Business Park has experienced the majority of its gains in the Office category of the City's Employment Survey. The greatest gains were in the Finance, Insurance, and Real Estate activity sub-sector. Other notable increases included: Business Services (Management Consultants, Advertising Services, Accountants, Law Firms, Computer Services), Technical Services (Engineering Consultants) and Trade and Personal Services (Retail Trade Administration i.e. Sales, head office). The detailed Employment Survey analysis prepared as part of Phase 1 is included in Appendix G. This analysis provides an indication of the type of industries which are likely to be attracted to the Business Park.

The City's policy of 'no net loss' of employment space within Mixed Use areas ensures that existing employment floor space is not displaced by residential development. The Mixed Use area is highly desirable from an employment perspective as it provides good visibility and accessibility by automobile and transit. The access to and concentration of amenities that are expected in the Mixed Use area is another attractive feature for businesses.

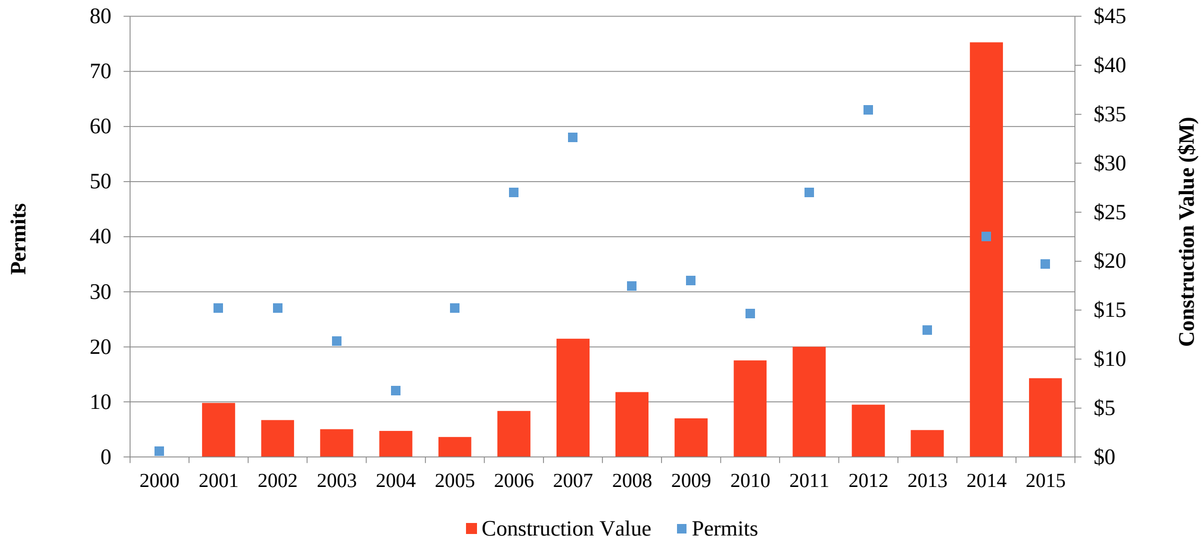
Office sector uses such as those listed above are expected throughout the Business Park, including the designated Mixed Use area. Additional sectors expected to locate within this designation include Personal Services and Health Services Offices, which are often found within the podium portion of residential buildings as they can service local residents and attract customers from passing vehicular traffic and pedestrian.

The building form within the Mixed Use area will also influence the size of tenants that can be attracted. Assuming that the podium portion of a mixed use building will be developed for employment uses, it must be of sufficient size to meet the needs of businesses. The trend in office buildings is for floor plates of a sufficient size that allow for flexible office utilisation and open concept offices. Floor plates with rentable space of 25,000 square feet to 28,000 square feet are average for office buildings. Smaller floor plates are likely to attract smaller offices and retailers which can be accommodated in smaller work spaces.

3.7 Recent Development in Consumers Road

Tenants' changing needs for space have occurred primarily through alterations to existing buildings rather than the construction of new space. Since 2000, twelve building permits issued for Consumers Road resulted in the addition of built space. Eleven of these permits added almost 20,000 square metres of non-residential inventory, the construction value of which was about $34.5 million. Figure 3.2 shows all permits issued from 2000 to 2015.

Figure 3.2: Office Sector Interior Alteration Investment, 2000 to 2015



Source: City of Toronto, Building Permit Data

Almost three quarters (71%) of this additional non-residential space was concentrated in the 7-storey Audi car dealership recently completed at the southwest corner of the Business Park. Other developments under construction include a new Porsche dealership and a parking structure with grade related retail and restaurants. The three developments are located on parcels which are part of a larger landholding collectively referred to as Parkway Place. The extensive land holding of several lots under single ownership allowed for greater flexibility with respect to the provision of parking spaces by allowing for a parking structure to be utilized amongst several buildings.

Commercial office development requires major tenant commitment to secure financing and proceed with development. Developers must be able to respond to tenant demands within a reasonable time. Both these developments were design-build projects for single occupants. The Audi and Porsche dealerships are not office buildings such as those analyzed in the pro forma analysis. The dealerships contain automobile showrooms, service centres and ancillary office space. As previously mentioned, the grade related retail and restaurants provided in the parking structure also provides much needed amenity to the area. Together the developments represent the most significant private sector investment in Consumers Road in the past two decades and may signal that additional non-residential investment is forthcoming.

3.8 Consumers Road Provides an Important Concentration of Class 'B' and 'C' Office Space

Almost three-quarters (73%) of the buildings in the Consumers Road Submarket were classified as Class 'B' or Class 'C', representing about 60% of the Consumers Road Submarket's office space. Although Class 'B' or 'C' buildings do not receive the highest rents, they serve an important role in a balanced office market. Older buildings with more economic rents remain competitive and attractive to companies of all sizes. There will always be a market share for value-priced properties, several of which are located in the Business Park. New companies with limited capital also rely on economic rents in the initial years of operation.

In the near term, the opportunity to support employment growth is through retrofits and upgrades of existing buildings. A notable example is the relocation of American Express in 2015 (approximately 2,000 jobs) into an existing office building in the Business Park from another GTA municipality. However, several renovations and upgrades were required at the building owner's expense in order to secure American Express including additional parking and a renovated cafeteria. This is an example of how provision of parking and modern amenities helped secure a new major tenant that brought job growth to Consumers Road. The City can provide incentives to upgrade office space and provide modern amenities to attract new and retain existing tenants to Consumers Road and other Employment Areas in the City.

3.9 Summary of Pro Forma Analysis

The pro forma analysis demonstrates the limited potential for new office development within Consumers Road in the near term. The short term opportunity to support employment growth is through retrofits and upgrading of existing buildings. As Consumers Road provides a range of Class 'B' and Class 'C' office buildings it serves an important role in the City's office market. Even if market rents remain static or increase marginally, the Business Park provides a supply of affordable office space which is in demand.

An advantage of undertaking new office development in the City of Toronto is the low development charges which helps reduce development costs. The City of Toronto has a higher commercial tax rate than most other municipalities in the GTA, but the IMIT program can help reduce the higher tax differential.

The potential exists for office development in Consumers Road over the medium and long term as market conditions improve. As transportation issues are addressed, transit investments are made and the amenitization of the Business Park occurs, Consumers Road will be a more attractive place for businesses to locate. The City can provide incentives to upgrade and modernize existing office space, provide modern amenities and transit options in order to attract new and retain existing tenants to Consumers Road. These initiatives would help improve market demand and thereby increase rent potential which would support new office development over the long term.

4.0 ENHANCING BUSINESS OPPORTUNITIES AND SUPPORTING EMPLOYMENT GROWTH

Consumers Road Business Park is in a state of transition. High density residential development occurring in the Mixed Use area and limited, yet significant, development is occurring in the interior General Employment area, most of which is occurring within existing buildings. Higher densities and a mix of land uses coupled with the planned transit investment will help create a more urban environment in the Business Park that is more walkable and attractive to businesses and their employees.

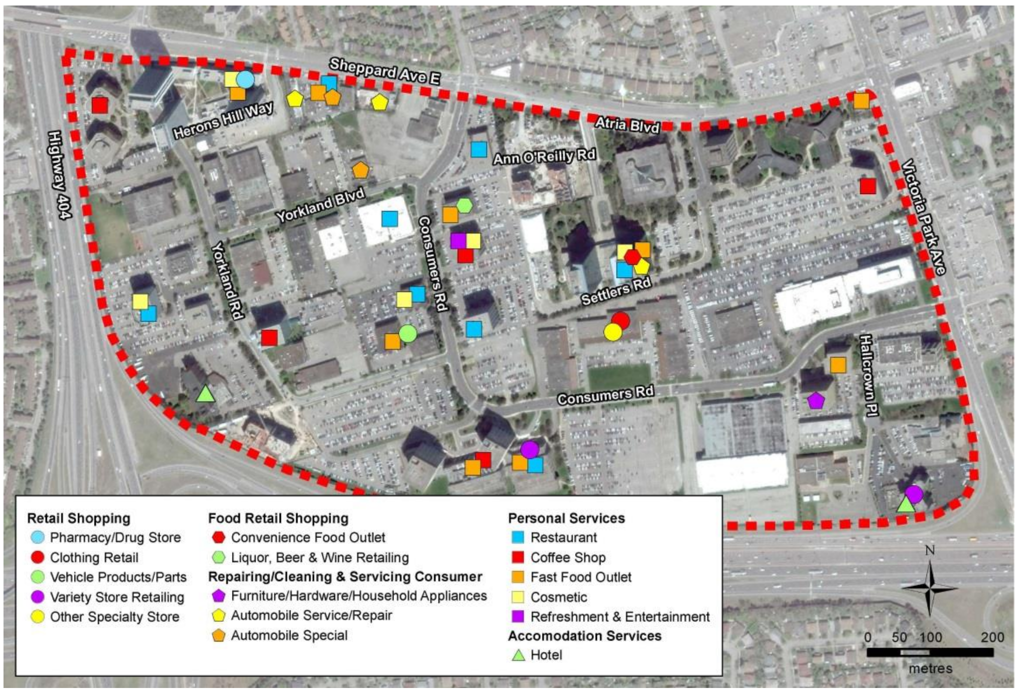
The low rents currently experienced in Consumers Road do not support new office development, but they are part of the value proposition of the Business Park. The focus in the near term should be on attracting investment through continued retrofits and enhancements of existing buildings. In the long term, the City needs to undertake the necessary actions to create favourable conditions for expanded employment, that may include new buildings.

The City can make targeted policy changes to improve the development and investment potential of the Business Park. The City can support upward growth in rents by supporting the evolution of the Business Park to be amenity rich, with an attractive public realm, state of the art infrastructure, and contains a variety of convenient transportation choices. This can entice new developments to come sooner. This Chapter includes policy recommendations and actions for the City in order to support employment growth in Consumers Road and other outer core office based employment districts.

4.1 Promote Amenitization

The ability to offer the right mix of amenities will give Consumers Road a competitive advantage over other business parks. The lack of amenities within Consumers Road is an issue that has been identified by various stakeholders throughout the *ConsumersNext* consultation process. This issue is not unique to Consumers Road and is the experience in many office parks outside the downtown core. A key strategy to improve the Business Park, and other employment areas in the City is through amenitization. Existing amenities in Consumers Road are shown in Figure 4.1.

Figure 4.1: Existing Amenities in Consumers Road Business Park



Source: Malone Given Parsons Ltd.

Not included in the figure is the parking structure containing a variety of retail and restaurant uses which is under construction at the bend in Consumers Road towards the southern portion of the Business Park. This development will help fill the gap in the current absence of food options within this area. It is also expected to provide a destination within the area for employees both during and after working hours and will act as a draw for residents and visitors to the area after business hours and on weekends.

The expanses of surface parking between buildings and between the buildings and the street reduces the ability to capture pedestrian traffic. Retail or service uses benefit from sufficient pedestrian traffic for patronage. This is being considered as part of the Planning Study by recommending more active street frontages and reduced building setbacks from the street. An attractive public realm, convenient pedestrian and cycling access, higher densities and a mix of uses attract restaurants, retail uses and other urban amenities which in turn attract people to the area.

The provision of additional amenities within buildings and within walking distance of office buildings supports increases in rental rates. Amenities are also key in attracting and retaining talent, particularly amongst Millennials who represent a growing proportion of the workforce. Having the right mix of amenities and creating a sense of place is a means of creating a successful image with potential new employees and investors. Some of the key amenities that would increase demand for rentable space or support growth of rental rates include:

- Restaurants, cafes and cafeterias;
- Child care services;
- Fitness facilities;
- Retail and personal services;
- Parks and outdoor space;
- Banks and financial services;
- Recreation uses;
- Hotel/Conference centre; and
- Free public WiFi.

Provision of additional amenity space should be a priority and several approaches should be utilized. In order for the City to encourage the provision of amenities, the following incentives are recommended to be explored:

- Provide for greater flexibility with respect to the zoning requirements for amenities within office buildings.
- Implement free public WiFi, ideally co-located with public or private amenity space.
- Reduction or rebate of building permit fees and/or planning approval fees for works which substantially upgrade existing amenities or to provide for new amenity space.
- Provide a low interest loan or grant retrofitting program for new or expanded amenities.

Figure 4.2 Examples of Amenities that would Enhance Consumers Road Business Park

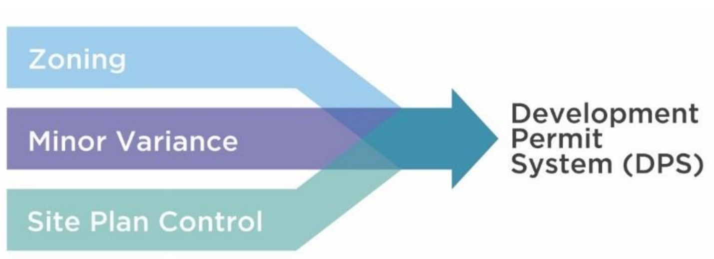
Source: Lightfield (top left), Shops at Don Mills (top right), and Spectrum Square (bottom)

4.2 Implement an Expedient, Flexible and Certain Development Review Process

A major risk in the feasibility and approval stages of development is the uncertainty of receiving planning approval. When a site is purchased for redevelopment, significant capital is required and the uplift in property value is not realized until planning approval is secured. An issue raised by the development industry as part of the *ConsumersNext* consultations was that City approval timeframes are too long. Commercial office development is not speculative in nature and requires major tenant commitment before proceeding with development. Developers must be able to respond to tenant demands in a timely manner. Any barrier to bringing development to completion within a reasonable timeframe is an impediment to growth. The City's GoldStar program is intended to expedite the development process. Anecdotal evidence provided suggests that the GoldStar program is useful and effective when used by those who are unfamiliar with the City's development process before but it does not always significantly shorten timelines for those who are familiar with navigating the City's approvals processes. Although data related to GoldStar processing times have not been reviewed as part of this study, a review of the initiative could help determine its effectiveness and how it can be improved.

Planning tools offer potential to create an environment that is more conducive to development. The Development Permit System (DPS) is a tool available under the Planning Act that combines rezoning, minor variance and site plan approvals into one process essentially creating a "one-stop" application and approval. It is intended to allow for a more streamlined and flexible approach to dealing with development for a specific area or neighbourhood. The DPS is more flexible as it allows for discretionary uses and it may also establish a specified range of possible variations from the established minimum and maximum standards for development. It provides more certainty upfront in the process about the requirement for development and thereby reduces risk for developers.

Figure 4.3 DPS Incorporates Three Processes Into One



Source: Malone Given Parsons Ltd.

Another significant benefit of the DPS is that it establishes faster timelines for decision-making. The DPS provides a condensed timeline for the consideration of rezoning applications from 120 days to 45 days[7]. The ability to approve development applications within the condensed timeframes will be a major competitive advantage compared to other municipalities in the GTA, most of which have not implemented a DPS at this time.

A DPS is a tool to that can be used to support the growth of the Business Park. The overall intent of this DPS approach is to shorten approval timelines, and provide more predictability and flexibility. Implementing a DPS requires some substantial upfront work including the approval of an Official Plan amendment and a Secondary Plan. Given the significant amount of consultation, visioning, planning, and urban design that has been completed for Consumers Road, these concepts can be used as a basis for the required community consultation program to implement a DPS for the area.

4.3 Maintain and Attract Employment within Existing Office Buildings

An advantage of Consumers Road is that it provides a concentration of buildings with economical rents compared to other locations in Toronto. Yet low rental rates provide little incentive for smaller building owners to reinvest in ageing buildings as they are not likely to see a return on their capital investments. The City can support employment growth by providing financial support for retrofits of existing office space. An office tenancy program can support employment growth by increasing the attractiveness and marketability of existing office stock. It is recommended that the City of Toronto explore how it could implement such a program.

The office tenancy program would provide financial support in the form of a grant or low interest loan to either building owners for:

- New companies, tenants establishing a new office location in the City;
- Tenants who are expanding; and/or
- Tenants who are relocating from another location from within the City of Toronto but are substantially increasing their current leasehold area.

[7] Ontario Regulation 608/06.

The eligible improvements would cover alterations or improvements to the building which cannot be removed upon termination of the lease. Any items that can be moved or taken out of the building would be ineligible for the leasehold improvements. Capital improvements to a property are also not eligible as they are the responsibility of the building owner.

Specific criteria could be required if such a program were to be implemented:

- The eligibility requirements (minimum floor space or minimum company size) of new companies;
- The minimum expansion area required if a tenant is expanding or relocating from a location already within the City;
- The maximum loan amount per application; and,
- The minimum term of the lease.

If an older building has positive qualities such as good transit or highway access or a strong amenity base, building upgrades are the next major threshold for achieving market competitive rents. Although a tenant incentive program is available in the City of Hamilton, one does not exist within the GTA.

The City of Hamilton acts as a lender and provides financial support in the form of a low interest loan for building owners or building tenants in specific areas of the city (Downtown, BIAs or certain commercial corridors). Leasehold improvements made for a tenant establishing a new office location with at least 1,000 square feet of gross leasable office space are eligible. A tenant expansion/relocation from another location within the City of Hamilton that is increasing their current leasehold areas by a minimum of 1,000 square feet of gross leasable office space is also eligible. In the case of tenant expansions/relocations, the total eligible leasehold improvement costs will account for the expansion area only.

In the City of Hamilton, the current maximum loan amount is $450,000 per application. The annual interest rate on the loan is 1% below the primate rate. The maximum loan term is the term of the lease but not more than five years. The City of Hamilton requires that applicants submit financial statements, a business plan and any other documentation or evidence required by the City to evaluate the loan application. The loan may be advanced upon completion of portions of the leasehold improvements based on work completed.

4.4 Required Public Sector Capital Investment

The City can have a significant role in supporting and promoting employment growth in Consumers Road by making the necessary capital investments. This will provide a strong signal that the City is investing first in Consumers Road in anticipation that private sector investment will follow. As described in the *ConsumersNext* background studies, the City should explore how it could make the following capital investments in the Study Area:

- Transit improvements and transit stop amenities;
- Provision of new roads and complete streets;
- Pedestrian and cycling infrastructure (including an improved connection over Highways 404 and 401);
- New green spaces and parks; and
- Streetscaping/street beautification.

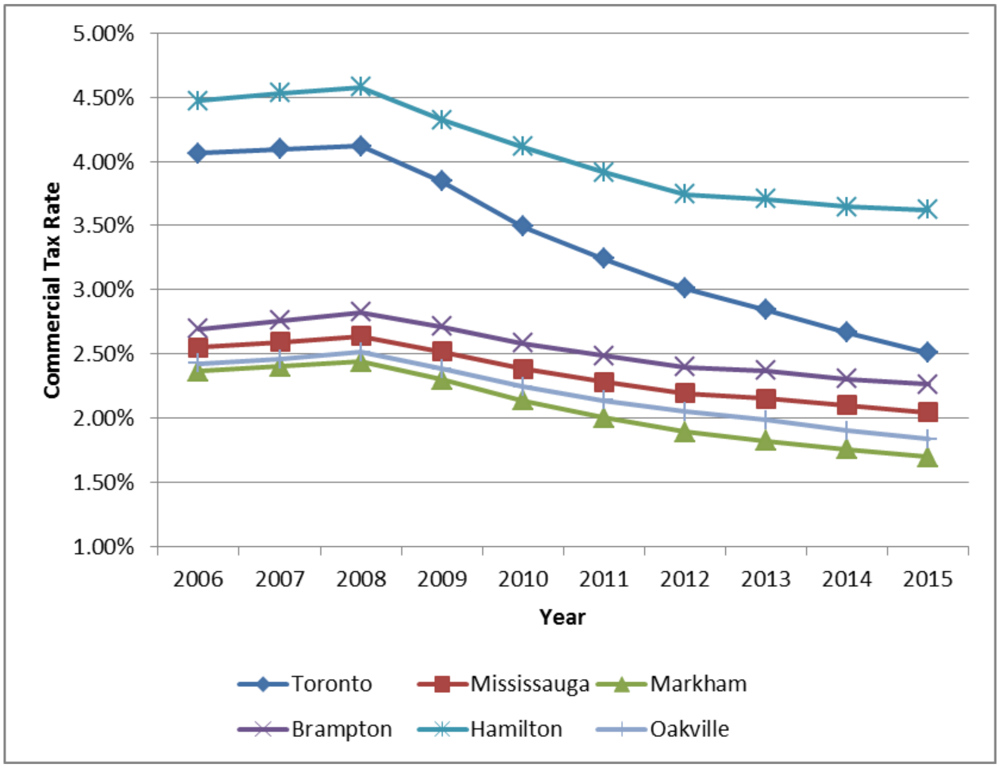
The frequency of power disruptions in the area was identified during *ConsumersNext* consultations as a serious threat to the success and viability of Consumers Road. Of particular concern was that this issue was raised when real estate brokers showed listings to potential tenants looking for space. Toronto Hydro has advised City staff that they have begun the necessary upgrades to the capital infrastructure to bring it in line with current and future needs. Toronto Hydro also advised that the upgrades should be complete by the end of 2016.

Economic growth is driven by innovation and technology. Businesses require high-quality and reliable high-speed broadband. Although it has not been identified as an issue within Consumers Road, the City should ensure that state-of-the-art digital connectivity is available within the Business Park.

4.5 Address the Commercial Tax Rate Differential

Realty taxes are not the only cost driver, but are an important consideration for businesses when deciding where to locate or when deciding whether to relocate to another municipality. Higher commercial taxes can be a deterrent for tenants. The City of Toronto continues to reduce its commercial tax rate to 2.5 times the residential rate by 2020 and other municipalities have also taken measures to reduce their commercial tax rates (Figure 4.4).

Figure 4.4: Selected Ontario Municipal Commercial Tax Rates, 2006-2015



Source: BMA Municipal Reports, 2006-2015

The commercial office rate has not deterred significant office development in downtown Toronto which benefits from various public transit options (subways, street cars, GO Trains etc.) and a wide variety of amenities including the extensive PATH system. Office properties in outer core office locations such as Consumers Road pay the same tax rate as downtown offices but do not receive the same transit or amenity benefits. Further, downtown Toronto offices benefit from higher development densities and significantly higher rents than anywhere else in the City, which helps to offset the high real estate taxes. During the *ConsumersNext* consultation process representatives of the development industry and landowners suggested that the City address the issue of the tax differential between Toronto and surrounding GTA municipalities.

The Imagination, Manufacturing, Innovation, Technology (IMIT) incentive program is intended to reduce business costs by reducing the tax burden for certain sectors and uses. The City of Toronto is undertaking a review of the program to determine its impact to date and assess opportunities to make changes. The IMIT has been successful in certain areas of the City with 28 IMIT agreements entered into since 2008 and eight other applications under consideration. However, no

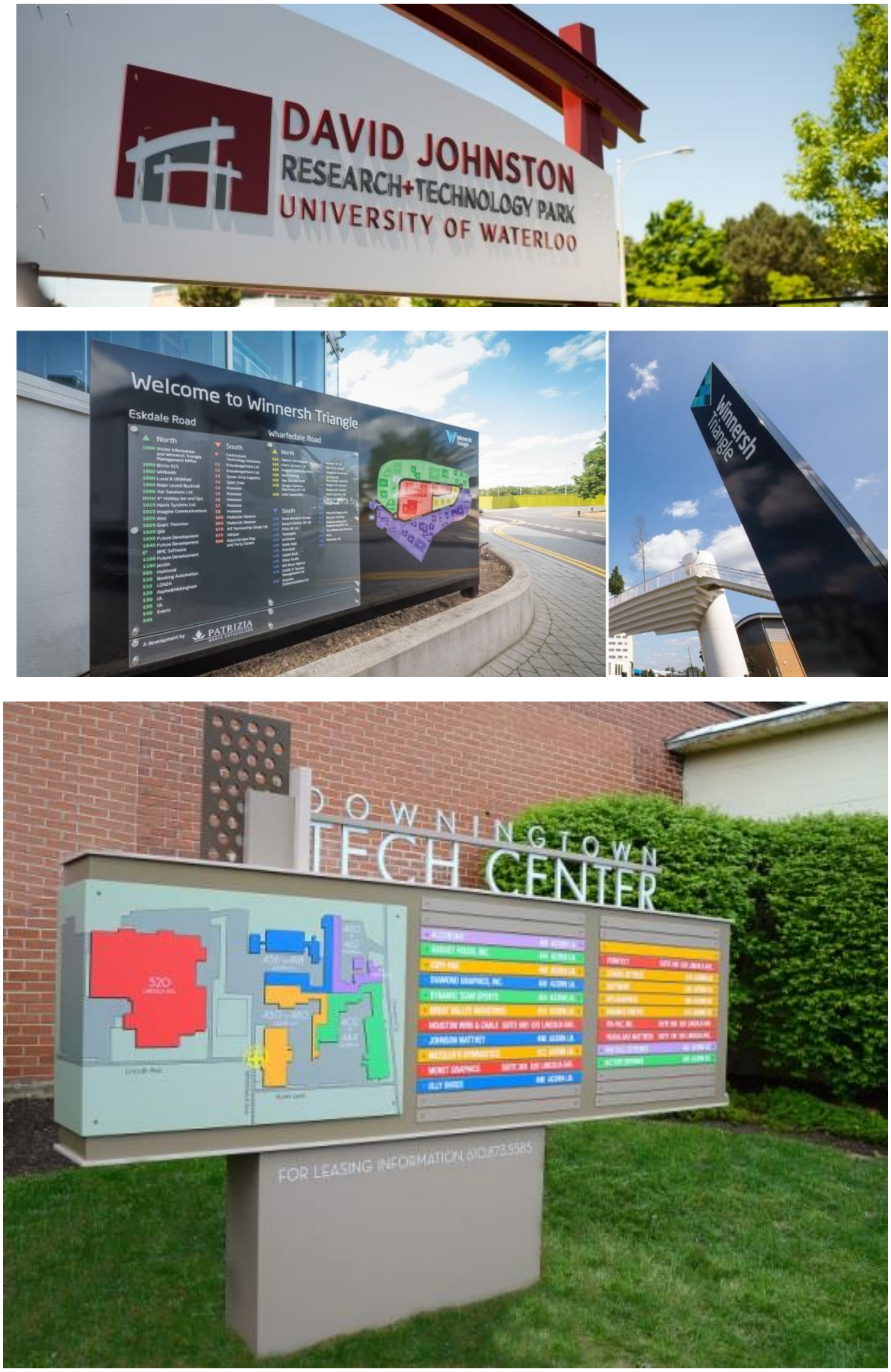
IMIT applications have come forward for properties within Consumers Road. The IMIT program should be continued as a means of offsetting the tax differential. In areas such as Consumers Road which have not experienced new construction, it does not provide any assistance to the retention of tenants (who may contemplate relocating to another municipality) or to new tenants who relocate from another municipality and relocate within an existing building (i.e. American Express). The City should consider expanding the IMIT program so that it can be applied to more modest renovations or building retrofits rather than only an incentive for new development or major renovations.

4.6 Establish a Business Association or BIA

It was suggested during the *ConsumersNext* consultation process that a business association or BIA be established to strengthen cooperation and promote interaction amongst businesses. A local business association could be well positioned to undertake recommended initiatives such as: promoting Smart Commute; coordination of private shuttle services; preparing and implementing branding and marketing of Consumers Road; establishing wayfinding and signage; contribute to beautification efforts; creation of a local business directory; and organizing and coordinating events in the Business Park (farmers' markets, food fairs, outdoor concerts/event screenings, etc.). These initiatives can also be undertaken through informal or temporary business associations or committees.

In order to establish a BIA, some preliminary work and additional consultation would be required to get buy-in from businesses and land owners. Some stakeholders involved in the *ConsumersNext* Business Forum did not see the value in creating a BIA at this time. Retail stores and personal services generally have more to gain from a BIA than office tenants or manufacturing tenants in a business park. As more retail businesses are established in the Business Park, both along Sheppard Avenue East and Victoria Park Avenue as well as in the General Employment areas, the new businesses may benefit from a BIA.

Figure 4.5 Examples of Signage and Wayfinding that can be Utilized in Consumers Road



4.7 Applicability to Outer Core Office-Based Employment Districts Across Toronto

Many of the issues experienced in Consumers Road are common amongst outer-core office based employment districts in Toronto and office parks in the GTA. Comprehensive detailed studies and consultations undertaken as part of *ConsumersNext* informed the recommendations presented in this report. Although similarities exist amongst outer core office districts across the City, each will have unique characteristics as well as different opportunities and challenges which will need to be considered. The recommendations presented in this report can be applied city-wide, but in some instances, it is advisable to undertake additional studies for each employment district prior to implementation. The following sections summarizes an approach to how each recommended strategy can be applied to other office districts across the City.

Amenitization

The lack of amenities is not unique to Consumers Road and other outer core office-based employment districts would likely benefit from further amenitization. However, before widespread implementation, additional data and evidence should be collected by the City to determine the needs of each employment district. These studies may include the preparation of high level inventory of amenities within employment districts as well as surveys/interviews of employers and employees within various employment districts. The City may also want to undertake market studies or community facility studies for specific amenities (hotels, conference centres, retail/service uses, child care facilities, etc.) to determine supply, demand or feasibility within specific sub-markets.

Development Permit System

Implementing a DPS requires some substantial upfront work including the approval of an Official Plan amendment and a Secondary Plan. Therefore, a DPS would need to be implemented incrementally. It is recommended that the DPS be implemented as a pilot for Consumers Road to determine if it results in additional development and investment by the private sector before a decision is made to implement a DPS in other outer-core employment districts. A DPS in place in different locations across the City would be a significant competitive advantage for the City.

Office Tenancy Incentive Program

It is recommended that an office tenancy program be implemented in Consumers Road and other office based Employment Areas across the City. The incentive should be available to tenants who wish to locate in Toronto, but may have locational requirements or preferences that Consumers Road does not provide. If such a program is implemented, the City may want to consider if tenant relocations from within the City that include substantial expansions will be eligible for the grant program as this may result in competition between employment districts within the City for tenants.

Targeted Public Sector Capital Investment

The recommended public sector capital investments were identified through the detailed background studies prepared as part of *ConsumersNext*. The areas requiring public sector investment in Consumers Road were identified as priorities to address specific issues and support employment growth. Each employment district may require similar investments but additional studies are suggested so that the needs and priorities for each outer core office-based employment district can be determined. Consumers Road can also be used as a pilot to determine if investments made by the public sector result in increased rents, decreased vacancy rates or help incentivize new office development. This data could be used to inform cost-benefit analysis for other capital investments being considered for other employment districts.

Commercial Tax Rate Differential

Pending the outcome of the detailed IMIT review, the City should consider expanding the IMIT program so that it can be applied to more modest renovations or building retrofits rather than only an incentive for new development or major renovations. As the IMIT incentive is an existing program and applies to designated Employment Districts and Employment Areas, any changes can easily be applied to other outer core employment districts.

Business Association or BIA

Other outer-core office based employment districts may benefit from the establishment of a business association or BIA. The City may undertake surveys or consultations within other office districts that could help determine whether sufficient support exists to establish a BIA and if landowners and business would be amenable to be part of a BIA if established.

4.8 Conclusions

Consumers Road is a successful business park that has a unique value proposition with great visibility and accessibility from Highways 401 and 404 in a central GTA location with affordable rents. Its strength as an employment area has attracted a diverse range of office based uses and there is substantial opportunity to accommodate continued employment growth. The Business Park must be able to adapt to the changing needs and preferences of the evolving workforce and office tenants who prefer more amenity-rich, urban, mixed use environments with access to higher order transit.

In the near term the focus of employment growth should be on attracting and retaining tenants within existing buildings until such time that market conditions for redevelopment of office space is viable. As redevelopment occurs, the City will play an important role to ensure the desired vision for Consumers Road is achieved by working as partners with the public and the development community to realize these goals.

Addressing the issues identified in *ConsumersNext* in a timely manner will ensure Consumers Road maintains and enhances its competitive advantage in a region which is competing for employment growth and investment. The City does not have the ability to control market forces, but it can make targeted policy changes and investments to ensure that Consumers Road increases its attractiveness and remains competitive.

A

PRO FORMA ASSUMPTIONS & INPUTS

A.1 Development Cost Assumptions/Inputs

	Costs	sq.ft.	sq.m.	Source
Hard Costs				
Demolition		$4.00	$43.06	Building Journal
Office Construction		$181.50	$1,953.65	RSMeans 2016
Site Servicing (per acre)	$175,000			Altus Group Canadian Cost Guide 2016
Surface Parking		$5.00	$53.82	MGP
Landscaping		$50.00	$538.20	MGP
Contingencies	5% of hard costs			MGP
Soft Costs				
Consultants	10% of Hard Construction Costs			MGP
Contingency	5% of Consultants and Marketing			MGP
Marketing		$7.00	$75.35	MGP
Development Charges				
Toronto (ground floor only)		$18.87	$203.07	City of Toronto
TCDSB		$1.07	$11.52	City of Toronto
Property Taxes	2.7665397%			City of Toronto
Cash in Lieu of Parkland	2% of Land Value			
Building Permit Fees				
Office			$22.12	City of Toronto
Retail			$18.78	City of Toronto
Planning (site plan)	Base fee $5,113.59	$0.28	$2.99	City of Toronto
Developers Profit	10% of Land and Development Costs		10%	MGP

A.2 Financing and Development Assumptions/Inputs

Financing	
Rate	6%
Owner Equity	25%
Debt	75%
Term	25 years
Development	
Floor Space Index	150%
Landscaped Area	15%
Parking Rate (minimum)	retail: 1.5 space per 100 sq.m.
	office: 1.5 space per 100 sq.m.

A.3 Income Stream Assumptions/Inputs

Vacancy Rates		
Office	25%	year 2
	5%	stabilized
Retail	0%	
Annual Rental Appreciation	3.0%	
Management Expense	3.0%	of Gross Revenue
Vacancy Operating Cost	$10.00	sq.ft.
Net Office Rent (annual)	$15.00	sq.ft.
Net Rental Rents (annual)	$10.00	sq.ft.
Parking Space Rent (annual)	$75.00	per spot
Sale price per sq.ft.	$205.00	
Structural Reserve	1.0%	of Gross Revenue
Capitalization Rate	7.0%	
NPV discount rate	15.0%	

A.4 Airport Corporate Centre- City of Mississauga & Markham Town Centre – City of Markham
Assumptions & Inputs

City of Mississauga		
Site Plan Application fee	$55,670	(max)
Development Charges (City, Region, School Boards)	310	per sq.m.
Stormwater Management Development Charge	92,315	per ha
Building Permit Fees	$16.75	per sq.m.
Commercial Tax Rate	2.025024%	
Sales price	$240.00	per sq.ft.
Net Office Rents	$18.50	per sq.ft.
Net Retail Rents	$15.00	per sq.ft.
Vacant Land Cost	$5,200,000	per ha
City of Markham		
Site Plan Application	$7,430.00	plus
Planning	$3.19	per sq.m.
Urban Design	$3,040.00	plus
	8.40%	of landscape construction costs, plus
	$3.19	per sq.m.
Engineering	$5,000	plus
	8.40%	internal and external work costs
Development Charges	$228,496	per ha
	$232.42	per sq.m.
Markham Centre South of HWY 7	$1,299,919	per ha
Building Permit fees	$65.62	per sq.m.
Commercial Tax Rate	1.673350%	
Sales price per sq.ft.	$250.00	
Net Rent Office	$17.50	per sq.ft.
Net Rent Retail	$20.00	per sq.ft.
Vacant Land Cost	$4,608,000	per ha

B

DEVELOPMENT AND SALE PRO FORMA ANALYSIS

B.1 Site 1 Consumers Road Development and Sale Pro Forma

SITE 1 - CONSUMERS ROAD - TORONTO

Site Area	0.8	ha
Existing Building Area	5,500	sq.m
New Building Area	12,000	sq.m
Total Leasable Area	10,200	sq.m
Office Leasable Area	9,690	sq.m.
Retail Leasable Area	510	sq.m.
Parking Spaces	153	
Landscaped Area	1,200	sq.m

	COST	COST %
LAND COSTS	$6,496,800	18.4%
CONSTRUCTION COSTS		
Hard Costs		
Demolition	$236,806	0.7%
Site Servicing	$140,000	0.4%
Construction	$23,443,774	66.3%
Surface Parking	$229,501	0.6%
Contingencies	$1,190,664	3.4%
Landscaping	$645,834	1.8%
Hard Cost Sub-total	$25,886,578	73.2%
Soft Costs		
Consultants	$2,588,658	7.3%
Marketing	$768,543	2.2%
Contingencies	$167,860	0.5%
City of Toronto DCs	$487,368	1.4%
TCDSB DCs	$138,208	0.4%
Building Permit Fees	$265,440	0.8%
Planning Fees	$40,994	0.1%
Cash in Lieu of Parkland	$129,936	0.4%
Soft Subtotal	$4,587,007	13.0%
TOTAL CONSTRUCTION COSTS	$30,473,585	86.2%
FINANCING	$1,828,415	5.2%
DEVELOPER'S PROFIT	$3,047,359	8.6%
TOTAL COSTS (no land)	$35,349,359	
SALE PRICE	$26,479,194	
Residual Land Value	($8,870,165)	

B.2 Site 2 Consumers Road Development and Sale Pro Forma

SITE 2 CONSUMERS ROAD - TORONTO

Site Area	1.5	ha
Existing Building Area	0	sq.m
New Building Area	22,500	sq.m
Total Leasable Area	19,125	sq.m.
Office Leasable Area	18,169	sq.m
Retail Leasable Area	956	sq.m
Parking Spaces	287	
Landscaped Area	2,250	sq.m

	COST	COST %
LAND COST	$6,390,000	9.8%
CONSTRUCTION COSTS		
Hard Costs		
Demolition	$0	
Site Servicing	$262,500	0.4%
Construction	$43,957,077	67.4%
Surface Parking	$430,313	0.7%
Landscaping	$1,210,939	1.9%
Contingencies	$2,232,495	3.4%
Hard Cost Sub-total	$48,093,323	73.8%
Soft Costs		
Consultants	$4,809,332	7.4%
Marketing	$1,368,968	2.1%
Contingencies	$308,915	0.5%
City of Toronto DCs	$652,725	1.0%
TCDSB DCs	$259,141	0.4%
Building Permit Fees	$497,700	0.8%
Planning Fees	$72,389	0.1%
Cash in Lieu of Parkland	$127,800	0.2%
Soft Costs Subtotal	$8,096,969	12.4%
TOTAL CONSTRUCTION COSTS	$56,190,293	86.2%
FINANCING	$3,371,418	5.2%
DEVELOPER'S PROFIT	$5,619,029	8.6%
TOTAL COSTS (no land)	$65,180,740	
SALE PRICE	$49,648,489	
Residual Land Value	($15,532,251)	

B.3 Site 3 Consumers Road Development and Sale Pro Forma

SITE 3 CONSUMERS ROAD - TORONTO

Site Area	4	ha
Existing Building Area	18,000	sq.m
New Building Area	60,000	sq.m
Total Leasable Area	51,000	sq.m
Office Leasable Area	48,450	sq.m
Retail Leasable Area	2,550	sq.m
Parking Spaces	765	
Landscaped Area	6,000	sq.m

	COSTS	COST %
LAND COSTS	$32,484,000	18.6%
CONSTRUCTION COSTS		
Hard Costs		
Demolition	$775,001	0.4%
Site Servicing	$700,000	0.4%
Construction	$117,218,871	67.2%
Surface Parking	$1,147,503	0.7%
Landscaping	$3,229,170	1.8%
Contingencies	$5,953,319	3.4%
Hard Cost Sub-total	$129,023,863	73.9%
Soft Costs		
Consultants	$12,902,386	7.4%
Marketing	$3,842,716	2.2%
Contingencies	$837,255	0.5%
City of Toronto DCs	$1,015,350	0.6%
TCDSB DCs	$691,042	0.4%
Building Permit Fees	$1,327,200	0.8%
Planning Fees	$184,514	0.1%
Cash in Lieu of Parkland	$649,680	0.4%
Soft Costs Subtotal	$21,450,143	12.3%
TOTAL CONSTRUCTION COSTS	$150,474,006	86.2%
FINANCING	$9,028,440	5.2%
DEVELOPER'S PROFIT	$15,047,401	8.6%
TOTAL COSTS (no land)	$174,549,847	
SALE PRICE	$132,395,970	
Residual Land Value	($42,153,877)	

C

INCOME STREAM PRO FORMA ANALYSIS

C.1 Site 1 Consumers Road Income Stream Pro Forma

SITE 1 CONSUMERS ROAD - TORONTO														
Date				2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Year				0	1	2	3	4	5	6	7	8	9	10
Revenues														
Rental Appreciation Index						1.00	1.00	1.00	1.00	1.00	1.19	1.19	1.19	1.19
Gross Office Revenue Potential (100% Occupancy)	$15.00	per sq.ft.		-	-	$1,564,417	$1,564,417	$1,564,417	$1,564,417	$1,564,417	$1,867,996	$1,867,996	$1,867,996	$1,867,996
Net Office Revenue (Less Vacancy - Year 2: 25%, Year 3+: 5%)				-	-	$1,173,313	$1,486,196	$1,486,196	$1,486,196	$1,486,196	$1,774,596	$1,774,596	$1,774,596	$1,774,596
Gross Retail Revenue (100% Occupancy)	$10.00	per sq.ft.		-	-	$54,892	$54,892	$54,892	$54,892	$54,892	$65,544	$65,544	$65,544	$65,544
Parking Revenue	$75.00	per stall		-	-	$8,606	$10,901	$10,901	$10,901	$10,901	$10,901	$10,901	$10,901	$10,901
Total Revenues				$0	$0	$1,236,811	$1,551,989	$1,551,989	$1,551,989	$1,551,989	$1,851,041	$1,851,041	$1,851,041	$1,851,041
Property Expenses														
Management	3%			-	-	($37,104)	($46,560)	($46,560)	($46,560)	($46,560)	($55,531)	($55,531)	($55,531)	($55,531)
Vacancy Operating Costs	$10.00	per sq.ft.		-	-	($260,736)	($52,147)	($52,147)	($52,147)	($52,147)	($52,147)	($52,147)	($52,147)	($52,147)
Structural Reserve	1%			-	-	($12,368)	($15,520)	($15,520)	($15,520)	($15,520)	($18,510)	($18,510)	($18,510)	($18,510)
Property Taxes	2.767%			($113,428)	($933,620)	($945,056)	($956,492)	($986,504)	($1,016,516)	($1,046,528)	($1,076,540)	($1,110,319)	($1,144,098)	($1,177,877)
Tenant Upgrades (5 year lease intervals)				$0						($50,000)				
Total Expenditures				($113,428)	($933,620)	($1,255,265)	($1,070,719)	($1,100,731)	($1,130,743)	($1,210,755)	($1,202,729)	($1,236,508)	($1,270,287)	($1,304,065)
Net Operating Income				($113,428)	($933,620)	($18,454)	$481,271	$451,259	$421,247	$341,234	$648,312	$614,533	$580,754	$546,976
Other Revenue and Expenses														
Land Cost			$6,496,800											
Hard Costs			$25,886,578											
Soft Costs			$4,587,007											
Total Development Costs			$36,970,385											
Owner Equity	25%			($9,242,596)										
Sales Revenue	7%	Cap Rate												
														$7,813,937
Financing Expenses														
Debt Drawdown	75%	$	27,727,789											
Interest Paid Current	6%			$0	($1,663,667)	($1,633,344)	($1,601,202)	($1,567,130)	($1,531,015)	($1,492,733)	($1,452,153)	($1,409,139)	($1,363,544)	($1,315,214)
Repayment Principal				$0	($505,387)	($535,710)	($567,852)	($601,924)	($638,039)	($676,321)	($716,901)	($759,915)	($805,509)	($21,920,232)
Total Interest & Principal				$0	($2,169,054)	($2,169,054)	($2,169,054)	($2,169,054)	($2,169,054)	($2,169,054)	($2,169,054)	($2,169,054)	($2,169,054)	($23,235,446)
Net Cash Flow				($9,356,024)	($3,102,674)	($2,187,508)	($1,687,783)	($1,717,795)	($1,747,807)	($1,827,819)	($1,520,742)	($1,554,521)	($1,588,300)	($14,874,533)

Profit	($41,165,507)	
NPV	15.0%	($12,966,036)

C.2 Site 2 Consumers Road Income Stream Pro Forma

SITE 2 CONSUMERS ROAD - TORONTO														
Date				2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Year				0	1	2	3	4	5	6	7	8	9	10
Revenues														
Rental Appreciation Index						1.00	1.00	1.00	1.00	1.00	1.19	1.19	1.19	1.19
Gross Office Revenue Potential (100% Occupancy)	$15.00	per sq.ft.		-	-	$2,933,282	$2,933,282	$2,933,282	$2,933,282	$2,933,282	$3,502,492	$3,502,492	$3,502,492	$3,502,492
Net Office Revenue (Less Vacancy - Year 2: 25%, Year 3+: 5%)				-	-	$2,199,962	$2,786,618	$2,786,618	$2,786,618	$2,786,618	$3,327,368	$3,327,368	$3,327,368	$3,327,368
Gross Retail Revenue (100% Occupancy)	$10.00	per sq.ft.		-	-	$102,922	$102,922	$102,922	$102,922	$102,922	$122,894	$122,894	$122,894	$122,894
Parking Revenue	$75.00	per stall		-	-	$16,137	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440
Total Revenues				$0	$0	$2,319,021	$2,909,980	$2,909,980	$2,909,980	$2,909,980	$3,470,702	$3,470,702	$3,470,702	$3,470,702
Property Expenses														
Management	3%			-	-	($69,571)	($87,299)	($87,299)	($87,299)	($87,299)	($104,121)	($104,121)	($104,121)	($104,121)
Vacancy Operating Costs	$10.00	per sq.ft.		-	-	($488,880)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)
Structural Reserve	1%			-	-	($23,190)	($29,100)	($29,100)	($29,100)	($29,100)	($34,707)	($34,707)	($34,707)	($34,707)
Property Taxes	2.767%			($125,739)	($1,638,093)	($1,659,179)	($1,680,266)	($1,732,988)	($1,785,710)	($1,838,432)	($1,891,154)	($1,950,493)	($2,009,832)	($2,069,172)
Tenant Upgrades (5 year lease intervals)										($50,000)				
Total Expenditures				($125,739)	($1,638,093)	($2,240,821)	($1,894,441)	($1,947,163)	($1,999,885)	($2,102,607)	($2,127,758)	($2,187,097)	($2,246,437)	($2,305,776)
Net Operating Income				($125,739)	($1,638,093)	$78,200	$1,015,539	$962,817	$910,095	$807,373	$1,342,944	$1,283,605	$1,224,265	$1,164,926
Other Revenue and Expenses														
Land Cost			$6,390,000											
Hard Costs			$48,093,323											
Soft Costs			$8,096,969											
Total Development Costs			$62,580,293											
Owner Equity	25%			($15,645,073)										
Sales Revenue	7%	Cap Rate												
														$16,641,805
Financing Expenses														
Debt Drawdown	75%	$	46,935,220											
Interest Paid Current	6%			$0	($2,816,113)	($2,764,785)	($2,710,376)	($2,652,704)	($2,591,571)	($2,526,770)	($2,458,081)	($2,385,270)	($2,308,091)	($2,226,281)
Repayment Principal				$0	($855,475)	($906,804)	($961,212)	($1,018,884)	($1,080,018)	($1,144,819)	($1,213,508)	($1,286,318)	($1,363,497)	($37,104,686)
Total Interest & Principal				$0	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($39,330,967)
Net Cash Flow				($15,770,812)	($5,309,681)	($3,593,388)	($2,656,049)	($2,708,771)	($2,761,493)	($2,864,215)	($2,328,644)	($2,387,984)	($2,447,323)	($21,524,236)

Profit	($64,352,598)	
NPV	15.0%	($20,482,039)

C.3 Site 3 Consumers Road Income Stream Pro Forma

SITE 3 CONSUMERS ROAD - TORONTO														
Date				2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Year				0	1	2	3	4	5	6	7	8	9	10
Revenues														
Rental Appreciation Index						1.00	1.00	1.00	1.00	1.00	1.19	1.19	1.19	1.19
Gross Office Revenue Potential (100% Occupancy)	$15.00	per sq.ft.		-	-	$7,822,086	$7,822,086	$7,822,086	$7,822,086	$7,822,086	$9,339,980	$9,339,980	$9,339,980	$9,339,980
Net Office Revenue (Less Vacancy - Year 2: 25%, Year 3+: 5%)				-	-	$5,866,564	$7,430,982	$7,430,982	$7,430,982	$7,430,982	$8,872,981	$8,872,981	$8,872,981	$8,872,981
Gross Retail Revenue (100% Occupancy)	$10.00	per sq.ft.		-	-	$274,459	$274,459	$274,459	$274,459	$274,459	$327,719	$327,719	$327,719	$327,719
Parking Revenue	$75.00	per stall		-	-	$43,031	$54,506	$54,506	$54,506	$54,506	$54,506	$54,506	$54,506	$54,506
Gross Revenues				$0	$0	$6,184,055	$7,759,947	$7,759,947	$7,759,947	$7,759,947	$9,255,205	$9,255,205	$9,255,205	$9,255,205
Property Expenses														
Management	3%					($185,522)	($232,798)	($232,798)	($232,798)	($232,798)	($277,656)	($277,656)	($277,656)	($277,656)
Vacancy Operating Costs	$10.00	per sq.ft.				($1,303,681)	($260,736)	($260,736)	($260,736)	($260,736)	($260,736)	($260,736)	($260,736)	($260,736)
Structural Reserve	1%					($61,841)	($77,599)	($77,599)	($77,599)	($77,599)	($92,552)	($92,552)	($92,552)	($92,552)
Property Taxes	2.767%			($495,792)	($4,545,777)	($4,602,246)	($4,658,715)	($4,804,892)	($4,951,070)	($5,097,247)	($5,243,424)	($5,407,948)	($5,572,472)	($5,736,996)
Tenant Upgrades (5 year lease intervals)										($200,000)				
Total Expenditures				($495,792)	($4,545,777)	($6,153,289)	($5,229,849)	($5,376,026)	($5,522,204)	($5,868,381)	($5,874,369)	($6,038,893)	($6,203,417)	($6,367,941)
Net Operating Income				($495,792)	($4,545,777)	$30,766	$2,530,098	$2,383,921	$2,237,743	$1,891,566	$3,380,837	$3,216,313	$3,051,789	$2,887,265
Other Revenue and Expenses														
Land Cost			$32,484,000											
Hard Costs			$129,023,863											
Soft Costs			$21,450,143											
Total Development Costs			$182,958,006											
Owner Equity	25%			($45,739,502)										
Sales Revenue	7%	Cap Rate												$41,246,637
Financing Expenses														
Debt Drawdown	75%	$	137,218,505											
Interest Paid Current				$0	($8,233,110)	($8,083,048)	($7,923,981)	($7,755,371)	($7,576,644)	($7,387,194)	($7,186,376)	($6,973,509)	($6,747,871)	($6,508,694)
Repayment Principal				$0	($2,501,043)	($2,651,106)	($2,810,172)	($2,978,782)	($3,157,509)	($3,346,960)	($3,547,777)	($3,760,644)	($3,986,283)	($108,478,229)
Total Interest & Principal				$0	($10,734,153)	($10,734,153)	($10,734,153)	($10,734,153)	($10,734,153)	($10,734,153)	($10,734,153)	($10,734,153)	($10,734,153)	($114,986,923)
Net Cash Flow				($46,235,293)	($15,279,931)	($10,703,388)	($8,204,055)	($8,350,233)	($8,496,410)	($8,842,587)	($7,353,317)	($7,517,841)	($7,682,365)	($70,853,021)

Profit	($199,518,440)	
NPV	15%	($62,927,264)

D

DEVELOPMENT AND SALE PRO FORMA COMPARISON ANALYSIS

D.1 Airport Corporate Centre, Mississauga Development & Sale Pro Forma

AIRPORT CORPORATE CENTRE - MISSISSAUGA (BASED ON SITE 2)

Site Area	1.5	ha
Existing Building Area	0	sq.m
New Building Area	22,500	sq.m
Total Leasable Area	19,125	sq.m.
Office Leasable Area	18,169	sq.m
Retail Leasable Area	956	sq.m
Parking Spaces	287	
Landscaped Area	2,250	sq.m

	COSTS	COSTS %
LAND COSTS	$7,800,000	10.8%
CONSTRUCTION COSTS		
Hard Costs		
Demolition	$0	
Site Servicing	$262,500	0.4%
Construction	$43,957,077	60.8%
Surface Parking	$430,313	0.6%
Landscaping	$1,210,939	1.7%
Contingencies	$2,232,495	3.1%
Hard Cost Sub-total	$48,093,323	66.6%
Soft Costs		
Consultants	$4,809,332	6.7%
Marketing	$1,368,968	1.9%
Contingencies	$308,915	0.4%
Total Development Charges	$7,113,473	9.8%
Building Permit Fees	$376,875	0.5%
Planning Fees	$55,670	0.1%
Cash in Lieu of Parkland	$156,000	0.2%
Soft Costs Subtotal	$14,189,232	19.6%
TOTAL CONSTRUCTION COSTS	$62,282,556	86.2%
FINANCING	$3,736,953	5.2%
DEVELOPER'S PROFIT	$6,228,256	8.6%
TOTAL COSTS (no land)	$72,247,765	
SALE PRICE	$ 58,125,116	
Residual Land Value	($14,122,648)	

D.2. Markham Town Centre Development & Sale Pro Forma

MARKHAM TOWN CENTRE - MARKHAM (BASED ON SITE 2)

Site Area	1.5	ha
Existing Building Area	0	sq.m
New Building Area	22,500	sq.m
Total Leasable Area	19,125	sq.m.
Office Leasable Area	18,169	sq.m
Retail Leasable Area	956	sq.m
Parking Spaces	287	
Landscaped Area	2,250	sq.m

	COSTS	COSTS %
LAND COSTS	$6,912,000	9.3%
CONSTRUCTION COSTS		
Hard Costs		
Demolition	$0	
Site Servicing	$262,500	0.4%
Construction	$43,957,077	59.2%
Surface Parking	$430,313	0.6%
Landscaping	$1,210,939	1.6%
Contingencies	$2,232,495	3.0%
Hard Cost Sub-total	$48,093,323	64.7%
Soft Costs		
Consultants	$4,809,332	6.5%
Marketing	$1,368,968	1.8%
Contingencies	$308,915	0.4%
Total Development Charges	$7,522,073	10.1%
Building Permit Fees	$1,476,450	2.0%
Planning Fees	$318,935	0.4%
Cash in Lieu of Parkland	$138,240	0.2%
Soft Costs Subtotal	$15,942,913	21.5%
TOTAL CONSTRUCTION COSTS	$64,036,236	86.2%
FINANCING	$3,842,174	5.2%
DEVELOPER'S PROFIT	$6,403,624	8.6%
TOTAL COSTS (no land)	$74,282,034	
SALE PRICE	$ 60,546,996	
Residual Land Value	($13,735,038)	

E

INCOME STREAM PRO FORMA COMPARISON ANALYSIS

E.1 Airport Corporate Centre Income Stream Pro Forma

AIRPORT CORPORATE CENTE - MISSISSAUGA (BASED ON SITE 2)

Date				2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Year				0	1	2	3	4	5	6	7	8	9	10
Revenues														
Rental Appreciation Index						1.00	1.00	1.00	1.00	1.00	1.19	1.19	1.19	1.19
Gross Office Revenue Potential (100% Occupancy)	$18.50	per sq.ft.		-	-	$3,617,715	$3,617,715	$3,617,715	$3,617,715	$3,617,715	$4,319,741	$4,319,741	$4,319,741	$4,319,741
Net Office Revenue (Less Vacancy - Year 2: 25%, Year 3+: 5%)				-	-	$2,713,286	$3,436,829	$3,436,829	$3,436,829	$3,436,829	$4,103,754	$4,103,754	$4,103,754	$4,103,754
Gross Retail Revenue (100% Occupancy)	$15.00	per sq.ft.		-	-	$154,383	$154,383	$154,383	$154,383	$154,383	$184,342	$184,342	$184,342	$184,342
Parking Revenue	$75.00	per stall		-	-	$16,137	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440
Gross Revenues				$0	$0	$2,883,806	$3,611,652	$3,611,652	$3,611,652	$3,611,652	$4,308,535	$4,308,535	$4,308,535	$4,308,535
Property Expenses														
Management	3%					($86,514)	($108,350)	($108,350)	($108,350)	($108,350)	($129,256)	($129,256)	($129,256)	($129,256)
Vacancy Operating Costs	$10.00	per sq.ft.				($488,880)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)
Structural Reserve	1%					($28,838)	($36,117)	($36,117)	($36,117)	($36,117)	($43,085)	($43,085)	($43,085)	($43,085)
Property Taxes	2.025%			($92,037)	($1,319,058)	($1,336,166)	($1,353,274)	($1,395,736)	($1,438,198)	($1,480,660)	($1,523,122)	($1,570,913)	($1,618,704)	($1,666,496)
Tenant Upgrades (5 year lease intervals)										($100,000)				
Total Expenditures				($92,037)	($1,319,058)	($1,940,398)	($1,595,516)	($1,637,978)	($1,680,440)	($1,822,902)	($1,793,239)	($1,841,031)	($1,888,822)	($1,936,613)
Net Operating Income				($92,037)	($1,319,058)	$943,408	$2,016,136	$1,973,674	$1,931,212	$1,788,750	$2,515,296	$2,467,504	$2,419,713	$2,371,922
Other Revenue and Expenses														
Total Land Cost			$7,800,000											
Hard Costs			$48,093,323											
Soft Costs			$14,189,232											
Total Development Costs			$70,082,556											
Owner Equity	25%			($17,520,639)										
Sales Revenue	7%	Cap Rate												$33,884,597
Financing Expenses														
Debt Drawdown	75%	$	52,561,917											
Interest Paid Current				$0	($3,153,715)	($3,096,233)	($3,035,302)	($2,970,716)	($2,902,254)	($2,829,684)	($2,752,761)	($2,671,221)	($2,584,790)	($2,493,173)
Repayment Principal				$0	($958,031)	($1,015,513)	($1,076,444)	($1,141,031)	($1,209,492)	($1,282,062)	($1,358,986)	($1,440,525)	($1,526,956)	($41,552,877)
Total Interest & Principal				$0	($4,111,746)	($4,111,746)	($4,111,746)	($4,111,746)	($4,111,746)	($4,111,746)	($4,111,746)	($4,111,746)	($4,111,746)	($44,046,050)
Net Cash Flow				($17,612,676)	($5,430,804)	($3,168,339)	($2,095,610)	($2,138,072)	($2,180,534)	($2,322,996)	($1,596,451)	($1,644,242)	($1,692,033)	($7,789,530)

Profit	($47,671,288)	
NPV	15%	($15,878,651)

E.2 Markham Town Centre Income Stream Pro Forma

MARKHAM TOWN CENTRE - MARKHAM (BASED ON SITE 2)													
Date			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Year			0	1	2	3	4	5	6	7	8	9	10
Revenues													
Rental Appreciation Index					1.00	1.00	1.00	1.00	1.00	1.19	1.19	1.19	1.19
Gross Office Revenue Potential (100% Occupancy)	$17.50	per sq.ft.	-	-	$3,422,163	$3,422,163	$3,422,163	$3,422,163	$3,422,163	$4,086,241	$4,086,241	$4,086,241	$4,086,241
Net Office Revenue (Less Vacancy - Year 2: 25%, Year 3+: 5%)			-	-	$2,566,622	$3,251,054	$3,251,054	$3,251,054	$3,251,054	$3,881,929	$3,881,929	$3,881,929	$3,881,929
Gross Retail Revenue (100% Occupancy)	$20.00	per sq.ft.	-	-	$205,844	$205,844	$205,844	$205,844	$205,844	$245,789	$245,789	$245,789	$245,789
Parking Revenue	$75.00	per stall	-	-	$16,137	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440
Gross Revenues			$0	$0	$2,788,603	$3,477,339	$3,477,339	$3,477,339	$3,477,339	$4,148,158	$4,148,158	$4,148,158	$4,148,158
Property Expenses													
Management	3%				($83,658)	($104,320)	($104,320)	($104,320)	($104,320)	($124,445)	($124,445)	($124,445)	($124,445)
Vacancy Operating Costs	$10.00	per sq.ft.			($488,880)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)
Structural Reserve	1%				($27,886)	($34,773)	($34,773)	($34,773)	($34,773)	($41,482)	($41,482)	($41,482)	($41,482)
Property Taxes	1.673%		($76,054)	($1,118,534)	($1,133,069)	($1,147,604)	($1,183,613)	($1,219,621)	($1,255,630)	($1,291,639)	($1,332,167)	($1,372,695)	($1,413,223)
Tenant Upgrades (at 5 year lease intervals)									($100,000)				
Total Expenditures			($76,054)	($1,118,534)	($1,733,493)	($1,384,474)	($1,420,482)	($1,456,491)	($1,592,500)	($1,555,341)	($1,595,869)	($1,636,397)	($1,676,925)
Net Operating Income			($76,054)	($1,118,534)	$1,055,110	$2,092,865	$2,056,856	$2,020,848	$1,884,839	$2,592,817	$2,552,289	$2,511,761	$2,471,233
Other Revenue and Expenses													
Total Land Cost		$6,912,000											
Hard Costs		$48,093,323											
Soft Costs		$15,942,913											
Total Development Costs		$70,948,236											
Owner Equity	25%		($17,737,059)										
Sales Revenue	7%	Cap Rate											$35,303,326
Financing Expenses													
Debt Drawdown	75%	$ 53,211,177											
Interest Paid Current			$0	($3,192,671)	($3,134,479)	($3,072,795)	($3,007,411)	($2,938,103)	($2,864,637)	($2,786,764)	($2,704,217)	($2,616,718)	($2,523,969)
Repayment Principal			$0	($969,865)	($1,028,057)	($1,089,740)	($1,155,125)	($1,224,432)	($1,297,898)	($1,375,772)	($1,458,319)	($1,545,818)	($42,066,150)
Total Interest & Principal			$0	($4,162,536)	($4,162,536)	($4,162,536)	($4,162,536)	($4,162,536)	($4,162,536)	($4,162,536)	($4,162,536)	($4,162,536)	($44,590,119)
Net Cash Flow			($17,813,113)	($5,281,069)	($3,107,426)	($2,069,671)	($2,105,679)	($2,141,688)	($2,277,697)	($1,569,719)	($1,610,247)	($1,650,775)	($6,815,560)

Profit	($46,442,644)	
NPV	15%	($15,439,034)

F

SITE 2 IMIT INCOME STREAM PRO FORMA ANALYSIS

F.1 Consumers Road Site 2 Income Stream Pro Forma with IMIT Incentive

SITE 2 CONSUMERS ROAD - TORONTO IMIT													
Date			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Year			0	1	2	3	4	5	6	7	8	9	10
Revenues													
Rental Appreciation Index					1.00	1.00	1.00	1.00	1.00	1.19	1.19	1.19	1.19
Gross Office Revenue Potential (100% Occupancy)	$15.00	per sq.ft.	-	-	$2,933,282	$2,933,282	$2,933,282	$2,933,282	$2,933,282	$3,502,492	$3,502,492	$3,502,492	$3,502,492
Net Office Revenue (Less Vacancy - Year 2: 25%, Year 3+: 5%)			-	-	$2,199,962	$2,786,618	$2,786,618	$2,786,618	$2,786,618	$3,327,368	$3,327,368	$3,327,368	$3,327,368
Gross Retail Revenue (100% Occupancy)	$10.00	per sq.ft.	-	-	$102,922	$102,922	$102,922	$102,922	$102,922	$122,894	$122,894	$122,894	$122,894
Parking Revenue	$75.00	per stall	-	-	$16,137	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440	$20,440
Total Revenues			$0	$0	$2,319,021	$2,909,980	$2,909,980	$2,909,980	$2,909,980	$3,470,702	$3,470,702	$3,470,702	$3,470,702
Property Expenses													
Management	3%		-	-	($69,571)	($87,299)	($87,299)	($87,299)	($87,299)	($104,121)	($104,121)	($104,121)	($104,121)
Vacancy Operating Costs	$10.00	per sq.ft.	-	-	($488,880)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)	($97,776)
Structural Reserve	1%		-	-	($23,190)	($29,100)	($29,100)	($29,100)	($29,100)	($34,707)	($34,707)	($34,707)	($34,707)
Property Taxes Including IMIT Grant			($125,739)	($798,324)	($819,411)	($890,883)	($1,002,389)	($1,122,293)	($1,250,594)	($1,387,293)	($1,539,007)	($1,699,118)	($1,867,627)
Tenant Upgrades (5 year lease intervals)									($50,000)				
Total Expenditures			($125,739)	($798,324)	($1,401,052)	($1,105,059)	($1,216,564)	($1,336,468)	($1,514,769)	($1,623,897)	($1,775,611)	($1,935,722)	($2,104,231)
Net Operating Income			($125,739)	($798,324)	$917,969	$1,804,921	$1,693,416	$1,573,512	$1,395,211	$1,846,805	$1,695,091	$1,534,980	$1,366,471
Other Revenue and Expenses													
Land Cost		$6,390,000											
Hard Costs		$48,093,323											
Soft Costs		$7,444,244											
Total Development Costs		$61,927,568											
Owner Equity	25%		($15,481,892)										
Sales Revenue	7%	Cap Rate											$19,521,012
Financing Expenses													
Debt Drawdown	75%	$ 46,445,676											
Interest Paid Current	6%		$0	($2,816,113)	($2,764,785)	($2,710,376)	($2,652,704)	($2,591,571)	($2,526,770)	($2,458,081)	($2,385,270)	($2,308,091)	($2,226,281)
Repayment Principal			$0	($855,475)	($906,804)	($961,212)	($1,018,884)	($1,080,018)	($1,144,819)	($1,213,508)	($1,286,318)	($1,363,497)	($37,104,686)
Total Interest & Principal			$0	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($3,671,588)	($39,330,967)
Net Cash Flow			($15,607,631)	($4,469,912)	($2,753,619)	($1,866,667)	($1,978,173)	($2,098,076)	($2,276,377)	($1,824,783)	($1,976,497)	($2,136,608)	($18,443,484)

Profit	($55,431,828)	
NPV	15.0%	($16,809,949)

G

PHASE 1 EMPLOYMENT SURVEY ANALYSIS

G.1 Difference in the Number of Businesses and Jobs, 1996-2014

	No. of Businesses			No. of Jobs		
	2014	1996	Difference 1996 to 2014	2014	1996	Difference 1996 to 2014
Manufacturing	**8**	**11**	**-3**	**103**	**2,459**	**-2,356**
Printing, Reproduction, Data Processing and Storing	*4*	*9*	*-5*	*21*	*2,443*	*-2,422*
Other Manufacturing	4	2	2	82	16	125
Retail	**20**	**18**	**2**	**122**	**185**	**-63**
Retail and Food Retail Shopping	10	11	-1	31	96	-65
Wholesaling	10	7	3	91	89	2
Service	**42**	**39**	**3**	**294**	**485**	**-191**
Repairing, Cleaning and Servicing Consumer Commodities	6	7	-1	35	52	-17
Personal Services	28	21	7	161	106	55
Business Plant and Equipment Sales and Servicing	6	4	2	23	51	-28
Rental Services	0	5	-5	0	64	-64
Accommodation Services	2	2	0	75	212	-137
Office	**515**	**487**	**28**	**16,147**	**12,987**	**3,160**
Mining, Manufacturing, Transportation, Utilities, Construction, and Resource Production	*35*	*57*	*-22*	*2,433*	*4,109*	*-1,676*
Finance, Insurance and Real Estate	*131*	*104*	*27*	*4,483*	*2,935*	*1,548*
Business Services	*230*	*214*	*16*	*5,035*	*2,411*	*2,624*
Technical Services	*28*	*28*	*0*	*1,405*	*732*	*673*
Communication and Media	12	10	2	313	615	-302
Health Service Offices	26	17	9	196	412	-216
Government	3	5	-2	14	31	-17
Trade and Personal Services	*23*	*22*	*1*	*1,648*	*878*	*770*
Associations, Other and Ancillary Office Activities	27	30	-3	620	864	-244
Institutional	**36**	**13**	**23**	**599**	**176**	**423**
Public & Private Education	27	8	19	356	99	257
Health Service Institutions	4	5	-1	210	77	133
Places of Worship	5	0	5	33	0	33
Other	**8**	**6**	**2**	**811**	**26**	**785**
Indoor Sporting and Recreation (active)	4	5	-1	86	18	68
Other	4	1	3	725	8	717
Total	**629**	**574**	**55**	**18,076**	**16,318**	**1,758**

Source: City of Toronto, 2014 and 1996 Employment Survey

G.2 Change in Mining, Manufacturing, Transportation, Utilities, Construction and Resource Production, 1996 to 2014

	No. of Businesses			No. of Jobs		
	2014	1996	Difference	2014	1996	Difference
Mining/Mineral Exploration & Integrated Oil Companies	2	2	0	31	720	-689
Manufacturing	3	20	-17	15	852	-837
Travel Agencies, Airline Reservations	9	10	-1	142	123	19
Other Transportation	8	9	-1	66	70	-4
Utilities	9	10	-1	2,097	2,223	-126
Construction	4	6	-2	82	121	-39
Total	**35**	**57**	**-22**	**2,433**	**4,109**	**-1,676**

Source: City of Toronto, 2014 and 1996 Employment Survey

G.3 Change in Finance, Insurance and Real Estate, 1996 to 2014

	No. of Businesses			No. of Jobs		
	2014	1996	Difference	2014	1996	Difference
Bank and Trust Company Branches/Administrative Offices	2	5	-3	18	350	-332
Investment Services	20	14	6	375	192	183
Financing	44	15	29	1,631	273	1,358
Insurance Companies	29	26	3	1,007	1,216	-209
Other Insurance	10	27	-17	240	295	-55
Real Estate Developers	12	6	6	573	120	453
Real Estate Agents	11	8	3	634	483	151
Miscellaneous	3	3	0	5	6	-1
Total	**131**	**104**	**27**	**4,483**	**2,935**	**1,548**

Source: City of Toronto, 2014 and 1996 Employment Survey

G.4 Change in Business Services, 1996 to 2014

	No. of Businesses			No. of Jobs		
	2014	1996	Difference	2014	1996	Difference
Law Firms	28	8	20	120	34	86
Accountants	59	44	15	466	342	124
Management Consultants	33	38	-5	1,138	441	697
Advertising Services	15	8	7	245	48	197
Personal Services	14	7	7	154	36	118
Computer Services	43	43	0	1,267	1,082	185
Other (Investigation Services, Security, etc.)	38	66	-28	1,645	428	1,217
Total	**230**	**214**	**16**	**5,035**	**2,411**	**2,624**

Source: City of Toronto, 2014 and 1996 Employment Survey

G.5 Change in Technical Services, 1996 to 2014

	No. of Businesses			No. of Jobs		
	2014	1996	Difference	2014	1996	Difference
Engineering Consultants	21	18	3	1,307	640	667
Architects, Planners & Interior Decorators/Designers	2	6	-4	13	57	-44
Other	5	4	1	85	35	50
Total	**28**	**28**	**0**	**1,405**	**732**	**673**

Source: City of Toronto, 2014 and 1996 Employment Survey

G.6 Change in Trade and Personal Services, 1996 to 2014

	No. of Businesses			No. of Jobs		
	2014	1996	Difference	2014	1996	Difference
Retail Trade Admin (Sales, Head Office)	10	10	0	1,529	681	848
Wholesale Trade Administration	2	5	-3	26	11	15
Accommodation, Entertainment and Food	3	0	3	0	98	-98
Other Personal Services	7	4	3	20	88	-68
Other Trade (Contractor Offices)	0	4	-4	73	0	73
Total	**22**	**23**	**-1**	**1,648**	**878**	**770**

Source: City of Toronto, 2014 and 1996 Employment Survey

140 RENFREW DRIVE ▪ SUITE 201 ▪ MARKHAM ▪ ONTARIO ▪ CANADA ▪ L3R 6B3 ▪ 905-513-0170 ▪ WWW.MGP.CA