

PLANNING DOWNTOWN

The Outlook for
Office & Institutional
Employment to 2041

Executive Summary

Planning Downtown: The Outlook for Office and Institutional Employment, prepared by Hemson and SvN as part of the TOcore initiative, looks at the long-term prospects for employment growth in Toronto's Downtown. It examines office and institutional employment, the space requirements to accommodate this type of employment growth, and the resulting land use policy implications. It contains recommendations designed to ensure that future development Downtown protects and encourages ongoing economic growth.

Downtown Toronto is the economic hub of Canada's global urban region. Head offices for major national and international firms are found here, and the largest stock exchange in Canada is the focal point for investment. Business activities that take place in Downtown Toronto have ripple effects throughout the economy and across the nation. The Financial District and nearby areas represent the third-largest concentration of downtown commercial office space in North America, after New York and Chicago. While in recent years a number of large office buildings have been completed within Downtown, opportunities to expand the supply of office space are increasingly constrained as residential development competes for prime sites.

Key economic sectors concentrated Downtown include:

- The financial services and business services, which represent 90% of all jobs in the Financial District, with a secondary cluster for both sectors focused at Bloor and Bay.
- The health sciences jobs, which are found in and around the hospital complex centered on University Avenue, as well as around St. Michael's Hospital and Toronto Western Hospital.
- Media, publishing and other creative economy firms, which are clustered west and east of the Financial District in the King-Spadina and King-Parliament areas (The Kings), which are also desirable locations for technology companies.
- Provincial and municipal legislative, administrative and judicial functions, centred on Queen's Park, City Hall and the courts, respectively.

With approximately 600,000 people working in the study area today¹ and a density of almost 24,000 jobs per km², Downtown is the largest, most transit-accessible employment and institutional

¹Footnote: The study area includes the employment areas of South of Eastern, to the east of Downtown, and Liberty Village, to the west. These employment areas could play a role serving elements of the Downtown market.

cluster in the Greater Toronto and Hamilton Area (GTHA). Total employment Downtown grew by almost 162,000 jobs between 1986 and 2016, with over 118,000 of these jobs located in large office buildings. The pace of job growth increased markedly between 2011 and 2016, when over 16,000 jobs were added per year. As a result, the supply of major office space Downtown has grown considerably in the past few years to accommodate the job growth. This growth in economic activity was facilitated by the decision 20 years ago to open up the King-Spadina and King-Parliament areas to an infusion of investment. These former industrial areas have transformed into dynamic mixed-use communities that have proven to be an attractive location for new and established businesses.

While the resurgence in business interests in key Downtown locations is a positive trend, it now risks being curtailed by a significant increase in residential development throughout Downtown. Residential development has taken up some signature sites in the vicinity of the Financial District, notably in The Kings, raising concerns that continued residential development will limit growth prospects for commercial office uses. Office and institutional development outside of the Financial District are increasingly competing with residential development interests. The economic health of the city could be compromised if residential development interests continue to outbid commercial development in the core of the city. It is critically important, therefore, to support the growth in commercial office space over the long term. This involves protecting land uses to accommodate job growth in the financial services and business services sectors, as well as preserving non-residential development space for the healthcare, post-secondary campuses and government sectors.

These trends have given rise to the challenge of ensuring that there remains capacity to expand the office and institutional employment sectors in Downtown; a challenge that was unforeseen during past Official Plan reviews. The TOcore initiative presents an opportunity to document the successes of past policies and to consider adjustments to

ensure that residential and commercial development is balanced in a way that provides for continued economic growth. Moreover, this current review of land use policy is taking place in a new context of provincial policy leadership as expressed through the *Growth Plan for the Greater Golden Horseshoe, 2017* (Growth Plan). Growth Plan policy 2.2.5.2 calls for the location of major office and major institutional development to be directed to urban growth centres (UGCs), including Downtown Toronto, as well as ensuring that employment is concentrated in locations well-served by transit. Additionally, provincial and municipal transit plans are focused on bringing more workers into the core of the city in a more efficient manner.

The sheer size of the employment base in Downtown provides a benefit to the wider region as the high degree of transit accessibility broadens employment choices for the regional labour force. Furthermore, the clustering of specific employment sectors such as finance, business services, computer services, healthcare and creative sectors within Downtown can lead to agglomeration economies, where a high density of workers within these sectors in close proximity facilitates the exchange of new ideas, which then fosters innovation and economic growth. This creative synergy results in the development and enhancement of goods and services, providing benefits across the national economy.

Thus it makes sense to encourage job growth in the Downtown core, now and for the foreseeable future. Union Station anchors the GO rail and bus network as well as the subway system's Line 1. Moreover, future transit priorities such as the Relief Line, SmartTrack, and GO Regional Express Rail are also intended to move more people into the core and will significantly enhance accessibility for the regional labour force.

This study examined the long-term prospects for employment growth in Downtown, the space requirements to accommodate this growth, and presents land-use policy implications and recommendations to ensure the city's future prosperity². Notable findings through the study

determined that having a central location with easy access to Union Station and the PATH system continues to be of importance to firms in financial services and business services. The study also found that there are growing concerns about the ability of major institutions to continue to expand to service the growing population of the Downtown and rest of the city.

The preparation of employment forecasts for Downtown Toronto recognize the Growth Plan forecast for the GTHA as a starting point, but also reflect and incorporate recent trends. While total GTHA employment is generally on track to meet the total forecast of 4.8 million jobs by 2041, the pattern of growth within the GTHA is turning out to be more centralized than expected. The rapid employment growth in Major Office in Toronto and the stabilization of Employment Land Employment is reflected in Toronto's recent employment survey results (2016) putting Toronto ahead of its 2031 official plan employment target, and nearly reaching its Growth Plan 2041 forecast. It is likely that the city will reach this 2041 forecast figure within the next few years. Forecasts for Downtown in the TOcore process are being prepared in a significantly different environment than the one that existed at the start of the economic recovery following the 2009 recession. It is expected that these changed conditions will be reflected when the Growth Plan forecasts are updated.

The outlook for employment growth in Downtown Toronto is robust. This study presents three alternative scenarios that forecast job growth out to 2041. The resulting outlook for growth ranges from a low of 193,000 to a high of 316,000 jobs to be added Downtown from 2016 to 2041. The mid-range scenario is suggested as the basis for preparing the Downtown Plan. This scenario anticipates 254,000 new jobs requiring 31.6 million ft² (2.9 million m²) of additional office space by 2041³.

There is still a significant market for the traditional office tower, notably in and near the Financial District, where there are a number of new office buildings recently completed, under construction and in the development pipeline. From an economic perspective, a key goal of planning policy is to protect employment lands. While such protection is essential as it maintains economic activity throughout the city, the activity that takes place in commercial offices is increasingly driving job growth, especially as more traditional industrial activity becomes less labour intensive. The office replacement and enhancement policy (part of OPA 231) applies throughout Downtown to ensure that the current supply of office space is not diminished as redevelopment occurs. This policy is necessary to protect the cluster of employment activity around Yonge and Bloor, for example. However, it does not provide sufficient direction to ensure that there is capacity to expand the office market to accommodate the employment forecast for areas south of Queen Street where considerable demand is anticipated. Throughout Downtown and notably in King-Spadina and King-Parliament, some commercial space is being created together with residential development in mixed-use settings on a single site. To make a serious contribution to the commercial office market, however, the non-residential component needs to be more significant. Currently, the majority of mixed-use projects in the development pipeline offer relatively small, but increasing amounts of office space.

² Footnote: The institutional sector examined includes the broader healthcare sector, the seats of government and related administrative jobs, and post-secondary education. Policies focused on broader arts and cultural activities have been the focus of a separate background study that is also part of the TOcore initiative. "King-Spadina Cultural Spaces Retention Study" by R. E. Millward and Associates, Ltd. January 2017.

/ Recommendations

To sustain the competitive edge of Downtown Toronto, the study recommends that:

1. The Downtown Plan include an Urban Structure Map delineating the Financial District, a new Health Sciences District, a Courts and Civic Precinct and a Capital Precinct.
2. The boundaries of the Financial District be expanded and official plan policy be amended to indicate a preference for non-residential development;
3. A new Health Sciences District be designated centred on University Avenue north of Dundas Street
4. The policy framework in the King-Spadina Secondary Plan area be adjusted to ensure that anticipated demand for new office space can be met.
5. The policy framework in the King-Parliament Secondary Plan area be adjusted to ensure that anticipated demand for new office space can be met.

1. Support Economic Growth with a Downtown Urban Structure Map

The Financial District and the Central Waterfront are currently the only structural elements designated in the Toronto Official Plan within Downtown. Mapping clusters of activity, as well as considering insights into locational preferences on the part of key employment sectors, reveals an urban structure that can be an organizing principle for policies addressing long-term economic growth. Given current development trends and future opportunities, this study concludes that it is important to designate an urban structure, as illustrated in Map A, to bring an economic lens to land use policy as the city grows.

In addition to delineating an expanded Financial District, the urban structure should include the institutional core of the city by defining a Health

Sciences District with a similar policy framework to that of the Financial District. This structure should also recognize the Queen's Park complex and the cluster of functions related to the courts and civic administration, as well as key business corridors with high transit accessibility.

Recommendation to designate Urban Structure Elements:

Map A should be included in the planning framework for Downtown to provide a structure for employment growth and economic development planning. These structural elements reflect concentrations of firms and institutions as well as their associated agglomeration effects in a large dynamic Downtown. Incorporating these structural elements in the Official Plan will support economic growth and will ensure that development supports key employment sectors in these areas.

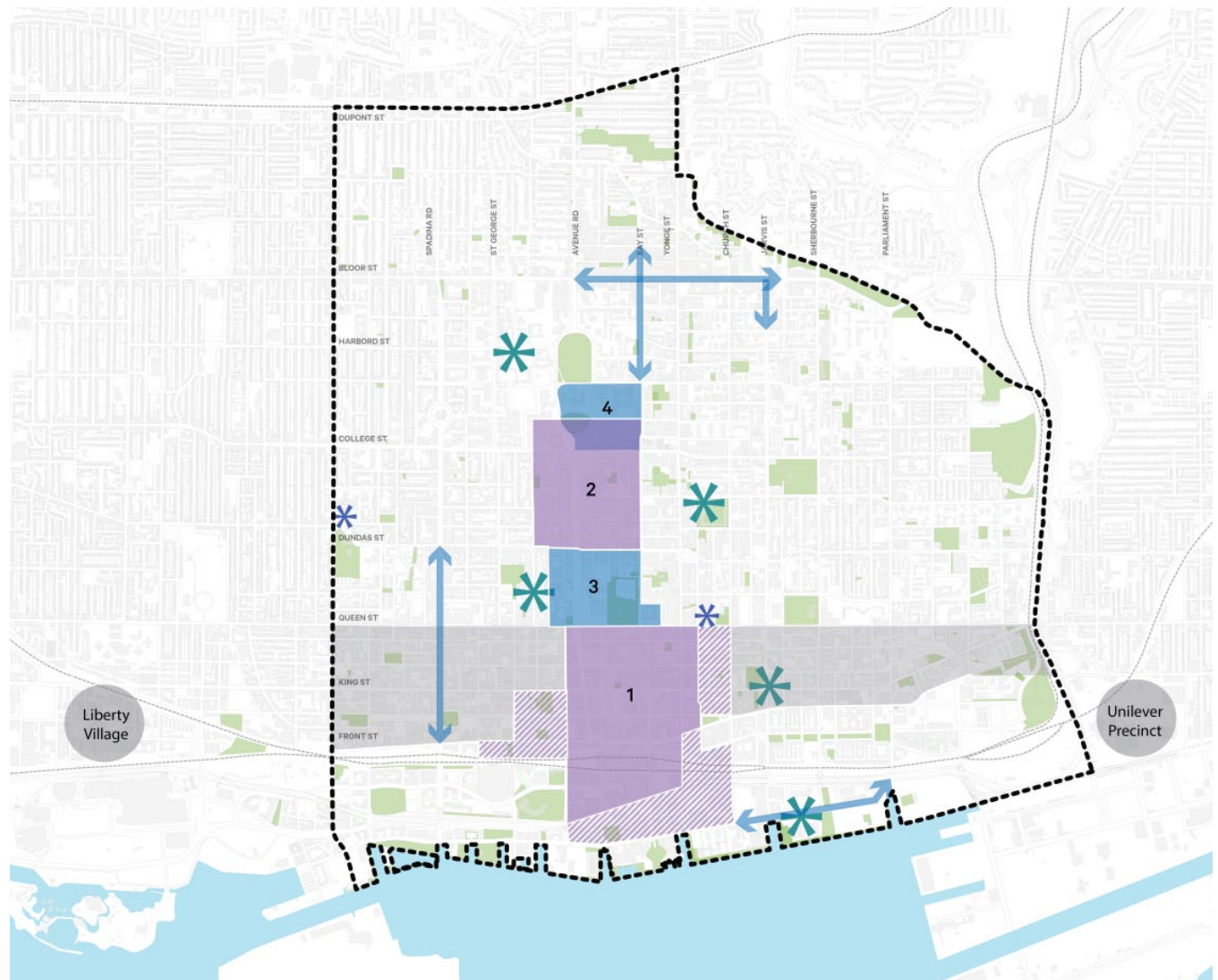
2. Ensure the Financial District Continues to Grow.

Toronto's commercial activity is most intense in the Financial District, Canada's premier business centre. We anticipate that the Financial Services sector will continue to grow Downtown, and the Financial District will continue to be its epicentre. The demand for new commercial office space is driven by the Financial Services and Business Services sectors, and the new towers both south and north of Union Station reflect this demand. Within the Downtown, these two employment sectors are highly concentrated in the Financial District where, combined, they represent 90% of all jobs; although the locus of this activity stretches far beyond the current boundaries of the Financial District, particularly for business services.

³Footnote: The forecasts and policy recommendations for the commercial office and institutional sectors in Downtown are being crafted in the context of a 25-year outlook to 2041. However, the policies that emerge from the new planning framework for Downtown may ultimately apply over a far longer lifespan and will certainly affect the employment structure of Downtown well beyond 2041. Employment forecasts in this study should not be narrowly interpreted as the precise quantity of development that needs to be planned for within a fixed timeframe.

Map A

Proposed Downtown Urban Structure Elements



- 1 Financial District
- 2 Proposed Health Sciences District
- 3 Proposed Courts and Civic Precinct
- 4 Proposed Capital Precinct
- Proposed Financial District Expansion
- King Street Mixed-Use Areas
- Employment Corridors
- ✱ Post-Secondary Institutions
- ✱ Hospitals Outside Health Sciences District
- TCore Study Area

/ Recommendations

Perhaps the most significant direction to emerge from this study and analysis is the need to enlarge the geographic extent of the Financial District, and to restrict future development there to non-residential activity supporting economic growth. This is not an indictment of the mixed-use policy which has prevailed throughout the Downtown for the past 40 years. Indeed, one might argue that the robust employment situation Downtown is a result of the successful pursuit of the broad objective of promoting mixed use. Rather, this study's conclusion is based on a recognition of the influence that the economic activity in the Financial District has on the daily lives of Canadians and the importance of allowing that activity to continue to grow.

With extensions to the PATH system expanding the climate-controlled reach of pedestrian access to Union Station, further expanding the boundaries to the south and west bring more potential development sites within the Financial District. Extending the eastern boundary to Church Street incorporates additional potential, but retains a fairly compact Financial District where business locations are within walking distance of Union Station and subway stations. These boundary adjustments increase the competitiveness of the Financial District to national and international players in financial services as well as in the business services sectors such as law, accounting and computer services.

While OPA 231 (currently under appeal), which requires that office space be replaced when a site is redeveloped, can be helpful throughout the rest of the Downtown, there are relatively few opportunities to develop new office complexes to accommodate significant employment growth within the Financial District over the long term. The economy will continue to grow after 2041. It is important to provide for office growth opportunities beyond the 25-year planning horizon and preserving opportunities for non-residential growth allows this.

Official Plan policies should recognize non-residential development as a priority within the expanded Financial District, and therefore should limit residential permissions to currently approved

projects and those permitted as-of-right. The precious and diminishing resource of development sites near the regional transportation hub at Union Station should be conserved for concentrated employment uses.

Recommendations to ensure economic growth in the expanded Financial District:

- Priority be given to the development of prestige commercial office buildings.
- Residential permissions be limited to those already approved or permitted as-of-right.
- All additional density approved above the existing as-of-right should be non-residential uses, which includes commercial office and hotels.

Facilitate Growth in the Health Sciences District

There is a clear concentration of healthcare treatment, education, research and related commercial functions in the vicinity of University Avenue, between Dundas Street West and Queen's Park. In addition to providing primary healthcare for the growing Downtown residential population, the teaching hospitals and research facilities concentrated in this area provide critical health services to the regional population. They are also engaging in leading-edge research that will shape the future of healthcare and create economic activity through the commercialization of new discoveries. As well, much of the space in commercial office buildings in this area is occupied by offices of the institutions themselves and related services and businesses.

There is a need for increased patient-care space to accommodate the growth of the Downtown population and fulfill the broader region's growing

/ Recommendations

service needs in areas such as specialized surgery and treatment. There is also a growing need for space to accommodate new research and administrative activities. Opportunity sites within close proximity to the major hospitals are limited, and competition from residential development interests constrains the major institutions when they plan for expansion.

This study recommends designating a Health Sciences District, as shown on Map A, as an overlay in the Official Plan and giving it the same status as the Financial District to recognize the primary importance of medical science, treatment and related uses in this area.

Recommendations to ensure growth in the Health Sciences District:

- Priority be given to the development of non-residential uses that contribute to the ability of these institutions to grow in their service function as well as create important space for research and related support.
- Residential permissions be limited to those already approved or permitted as-of-right.
- All additional density approved above the existing as-of-right should be non-residential uses, which include commercial offices, hospitals, education, research facilities and hotels.

4. Ensure Employment Growth Balances Residential Growth in King-Spadina

King-Spadina will continue to play an important role in accommodating economic activity that is oriented toward Downtown, in a mixed-use setting. Spadina Avenue from Front Street to Queen Street West is an important corridor of economic activity. The King-Spadina Secondary Plan is currently under review. However, it is important that the secondary plan, as revised, include policies designed to retain a

high ratio of non-residential floor space to residential floor space.

Maintaining a significant proportion of non-residential space can be addressed, in part, by recognizing the central Spadina corridor as an area for employment focus; one that can take advantage of the high degree of transit accessibility. In the central Spadina corridor, as in the Financial and Health Sciences Districts, the City should limit development that exceeds the as-of-right permission to non-residential uses. Throughout the remainder of King-Spadina, the balance of residential and non-residential space should be addressed by ensuring that new development adds significant non-residential floor space along with new residential units. Within a project configuration based on height limits, the effective as-of-right potential should allow for a mix of all permitted uses, including 100% residential. Additional density approved above this as-of-right potential should be split 50/50 between residential and non-residential uses. In typical projects, such a split would result in a contribution of non-residential floor space for employment purposes of about 30% of the total project mix.

Recommendations to ensure that King-Spadina continues to attract employment growth:

- Development in the central Spadina precinct should be exclusively for non-residential purposes with residential permissions limited to those already approved or permitted as-of-right.
- Elsewhere in King-Spadina, new development should contribute to retaining or increasing the amount of non-residential space in the area to accommodate economic growth and growth in the creative and cultural industries, by including the greater of either:
 - the full replacement of the non-residential space that is currently on site, or
 - ensuring 50% of the total proposed floor space above that currently permitted is dedicated for

non-residential purposes.

- Where site conditions warrant, the non-residential requirement may be provided in a new development on another site within King-Spadina, provided the non-residential requirement is developed prior to the residential component.

5. Review the King-Parliament Secondary Plan to Ensure Employment Growth Balances Residential Growth

The King-Parliament area offers opportunities for significant non-residential development to accommodate employment growth over the long term, particularly for creative and cultural industries, as well as institutional expansion. The King-Parliament Secondary Plan was originally adopted in 1996 and is due for a review in the same manner as King-Spadina. It is time to revisit important economic and cultural functions within the mixed-use vision. The review should also examine the relevancy of the existing secondary plan boundaries. In particular, this study recommends that the western boundary of King-Parliament be expanded to abut the new Financial District boundary.

In advance of a comprehensive review, the King-Parliament Secondary Plan should be amended to incorporate a non-residential share requirement that mirrors that recommended for the King-Spadina area. Within a project configuration based on height limits, the effective as-of-right potential should allow for a mix of all permitted uses, including 100% residential. Additional density approved above this as-of-right potential should be split 50/50 between residential and non-residential uses. In typical projects, such a split would result in a contribution of non-residential floor space for employment purposes of about 25% of the total project mix.

Recommendations to ensure King-Parliament continue to attract employment growth:

- A review of the King-Parliament Secondary Plan and long-term vision for King-Parliament.
- An expansion of the boundary of the secondary plan area westwards to abut the new eastern boundary of the Financial District at Church Street.
- A requirement that new development contribute to retaining, or increasing, the amount of non-residential space in the area to accommodate economic growth and growth in the creative and cultural industries, by including the greater of either:
 - the full replacement of the non-residential space that is currently on the site, or
 - ensuring 50% of the total proposed floor space above that currently permitted is dedicated for non-residential purposes.
- Where site conditions warrant, the non-residential requirement may be provided in a new development on another site within King-Parliament, provided the commercial requirement is developed prior to the residential component.
- Consideration of the important role played by George Brown College and protection of opportunities for the college to grow.
- Support of niche opportunities for growing the creative economy.

6. Other Recommendations:

Additional recommendations arising from this study point to the need to recognize the provincial and municipal centres of government as important locations for civic functions as well as locations of employment. This study also recognizes the importance of the post-secondary campuses Downtown. Additionally, the nearby employment areas of Liberty Village and South of Eastern could play roles in addressing the demand for office space

as growth continues beyond the 2041 planning horizon, or sooner, should the economy grow at a faster pace.

Government functions and civic spaces

As indicated on Map A, to the north of College Street is the Capital Precinct. This includes the legislature buildings of Queen’s Park and the nearby provincially owned buildings, including the Frost Building, Whitney Block and the Macdonald Block complex. While this area should be recognized as an important urban structure element, it is identified as a precinct, not a district, since no specific additional policy provisions are proposed.

This study also recommends that a Courts and Civic Precinct be delineated. This includes the York County Court House, the courts in Old City Hall, the Federal Court at Simcoe and Queen, Osgoode Hall and the new courthouse under construction on Armoury Street. These legal institutions have important links to the many law firms and other related legal services located in offices in the Financial District and elsewhere in Downtown. Government functions in this precinct include City Hall’s administrative and public functions and a number of consulates, while Nathan Phillips Square is the focal point for public celebrations and festivals. This area is also identified as a precinct, and no specific additional policy provisions are proposed.

Post-Secondary Campuses

In recognition of their importance, the post-secondary campuses are indicated as nodes on the proposed urban structure map, Map A.

The University of Toronto, Ryerson University, OCAD University and George Brown College have managed to expand in distinct ways to accommodate their growth. The expansions have taken different forms depending on the institution, its physical requirements and its financial capability.

Delivering additional space within close proximity to existing facilities will become increasingly difficult as suitable affordable sites become scarcer. However, no additional policy direction is proposed here, so long as the primary land holdings are designated “Institutional” in the official plan and that designation allows for these facilities to expand to fulfill their important role in Downtown and the metropolitan area.

South of Eastern and Liberty Village

Beyond the Downtown boundaries there are significant opportunities for office growth in two shoulder areas. To the west, the Liberty Village area, designated as an Employment Area in the official plan, has potential to house additional economic activity in new and renovated spaces. This area is attractive to some of the same creative business types that currently favour King-Spadina.

To the east, across the Don River, the South of Eastern Employment Area is beginning to transform from traditional manufacturing and related uses to an area that holds significant potential to attract office development and jobs. An example of this is the recent proposal for the East Harbour office and retail development on the Unilever site on the east side of the Don River. Significant infrastructure investment is required for this site to become a major hub for office development and employment growth, as envisioned by the developer. Evaluating long-term office supply potential against the employment forecast scenarios results in a residual unmet demand that East Harbour could serve without undermining the Financial District and the rest of Downtown. The City will consider plans for the area through the ongoing Planning Study for the South of Eastern Development Portal.

It is important to note that future office development in the Liberty Village and South of Eastern Employment Areas is anticipated to complement, but not replace demand for office space Downtown.