

## **Final Report**

Prepared by Hemson for the City of Toronto

# **Future of Toronto Employment Areas and the Office Market**

## **Final Report for the Employment Study**

April 7<sup>th</sup> 2022



In association with:



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# Executive Summary

In 2019, prior to the onset of the COVID-19 pandemic, Toronto's economy was firing on all cylinders.

- 9 million square feet of new office space was under construction in the Downtown;
- Industrial market vacancy rates were at historic lows;
- Commercial and Industrial permit activity and value was robust; and
- Employment was on a healthy 10-year rise, having grown by 2.0% per annum, and 3.1% between 2018 and 2019.<sup>1</sup>

As with most of the world, the COVID-19 global pandemic had a significant impact on Toronto's economic and employment activity, from which the effects are still being felt. In March 2020 the office sector essentially shut down and is only now, in the spring of 2022, beginning a slow pace of return to the office. Yet, while vacancy rates rose sharply during the past two years, leasing and development of new office projects in the Downtown has continued, demonstrating industry confidence in the long-term future for the central office market.

With much of this new space already leased out, the fate of the City's older office buildings is less certain. As office users assess their post-pandemic space needs, there continues to be much speculation about how the past two years of work-from-home will affect occupancy rates going forward. In our opinion, it is too early to determine what permanent effects may manifest in office working practices. However, given other macro trends related to employment growth in Toronto's office-based sectors, we are

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<sup>1</sup> Toronto Employment Survey, 2019

reasonably assured that the Downtown office market will have a vigorous recovery over time.

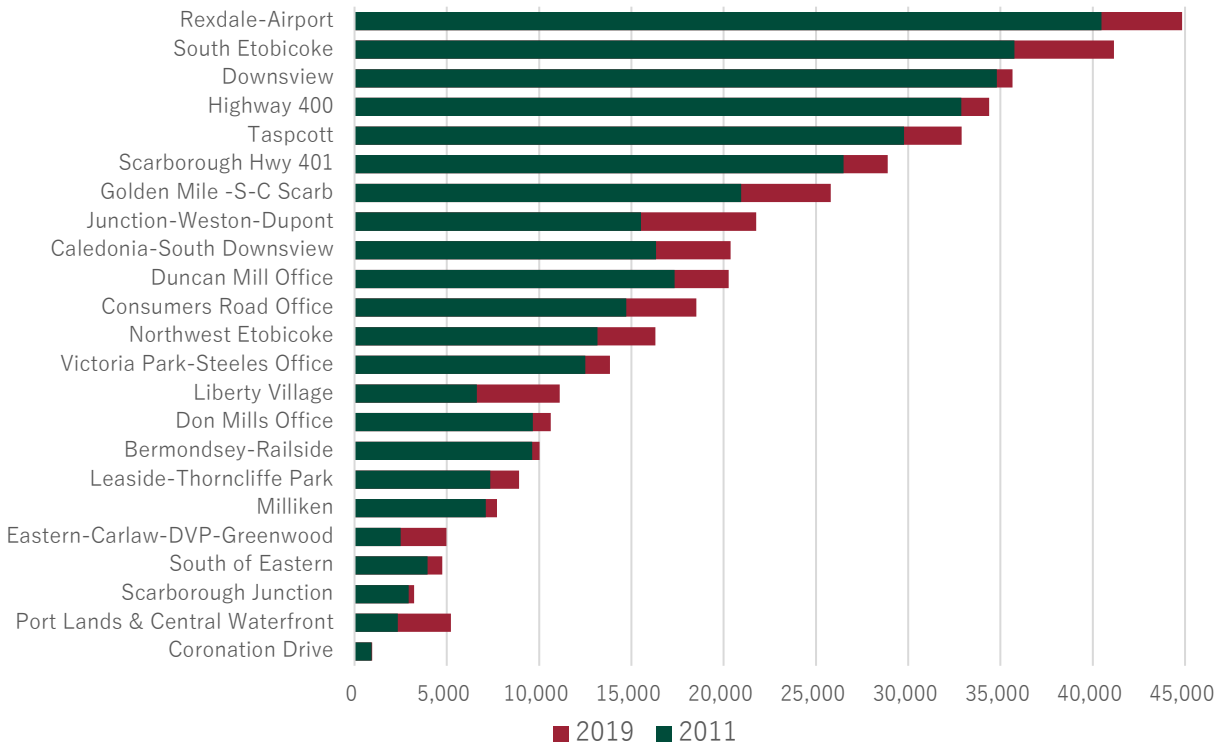
The employment land sector has weathered the pandemic rather well, with building vacancy remaining at historically low levels and with rental rates reaching historic highs. With the pandemic accelerating demand for transportation and distribution related spaces in the 416, the outlook for economic growth in Toronto's employment lands is positive. Protecting Employment Areas from land use conversions is more critical than ever.

This report has been prepared in support of the Municipal Comprehensive Review (MCR) of Toronto's Official Plan. A key element of the MCR is that the process opens the door for consideration of the conversion and removal of Employment Areas for non-employment (often residential) uses. History has shown that, once converted to non-employment uses, reversion to employment activity rarely, if ever happens. The previous MCR that culminated in Official Plan Amendment No. 231 (OPA 231) resulted in considerable policy changes to the process of planning for employment. While adopted by Council in 2013, the new planning framework introduced through OPA 231 only came into full force in late 2019, due to appeals to city-wide policies and how they affect individual properties.

The Official Plan distinguishes between two Employment Area designations, Core Employment Areas and General Employment Areas; where total Employment Area jobs are split roughly two-thirds in Core Employment Areas and one-third in General Employment Areas. Core Employment Areas cover approximately 60 square kilometers in Toronto, and are typified by Manufacturing, Warehousing, and Transportation sectors. There are about 20 square kilometers of land designated General Employment Areas, which are home to a more permissive mix of employment uses, including more Retail uses along with a higher share of Professional, Scientific & Technical jobs, as well as Finance.

For the purpose of this study, lands designated Employment Areas have been grouped geographically into 23 clusters for the purposes of profiling business activity and trends and to measure broadly the health of Toronto’s economy. With almost 420,000 jobs in 22,500 business establishments in 2019, all 23 Areas of Employment (AOE) witnessed growth in jobs between 2011 and 2019 as total employment in AOE’s grew by 15% in the lead-up to the pandemic. Manufacturing is still the dominant sector in many of these areas, along with Transportation & Warehousing.

***Change in Employment by Area of Employment, 2011 – 2019***



Source: City of Toronto Employment Survey

As part of the MCR, the City is considering requests to convert lands designated Core Employment Areas or General Employment Areas. This includes requests received as either a complete application for an Official Plan Amendment or a written request with supporting material and payment of the conversion request fee established by Council. Other sites being considered for conversion have been incorporated into area studies currently

underway including in the Keele-St. Clair Local Area Study Area, Picture Mount Dennis Planning Framework Study, at Finch Ave. West and Tangiers, and at Geary Works. The conversion requests constitute about 685 hectares (1,700 acres) of land, or 8.5% of all lands designated Employment Areas.

The analysis in this report demonstrates the important role that Core and General Employment Areas play, and should continue to play, in accommodating a diverse and resilient local economy. These lands are distributed across the city, providing economic opportunities for Toronto residents and for the creation and growth of business activity. What was recently the little remaining vacant land supply designated as Employment Area at the outer edges of Toronto now are effectively built out. At the same time, there has been a surge of reinvestment in older buildings converted from traditional industrial uses to house new economic activity, from financial services to video game development.

Until recently, the redevelopment of obsolete industrial buildings with new modern industrial buildings has been exceedingly rare. Large parts of the early suburban industrial building stock are now 60 to 70 years old. That aging building stock, combined with high space demand and rising industrial lease rates is now making the economics of industrial redevelopment increasingly attractive, with a few recent projects completed or underway and a number of current applications and pre-application inquiries in various parts of the city.

Significant reinvestment and, now, redevelopment in Toronto's Employment Areas are extensions of the much longer-term viability of these areas in supporting Toronto's economy as the local and national economies evolved. During three decades from 1980 to 2010 the manufacturing economy experienced several episodes of contraction: jobs in the Employment Areas declined and much land was converted to other uses, all before experiencing significant job growth through the past decade, prior to the pandemic. Throughout this entire four decades of decline and growth in employment,

the building stock remained in use with very high occupancy of the building space and little persistent long-term land vacancy. This cycle of use, re-use and reinvestment in the building stock demonstrates its continued attractiveness to accommodate economic uses in constantly evolving economy, albeit often in lower value or lower employment uses than what went before. Toronto's Employment Areas are not the "rust belt."

The importance of employment lands in advancing the quality of life for Torontonians is evident by the significant share of jobs in these areas held by city residents. The accessibility of many of these areas by transit is a core strength, particularly as the city moves forward in adapting to climate change. Providing for economic growth in these areas supports important equity objectives. For example, many of the daily work trips to Areas of Employment originate in Neighbourhood Improvement Areas. This is enhanced by the extensive TTC and GO Transit networks that enable employees who do not have access to a car to get to work relatively easily. While growth in Toronto's employment lands have the potential to advance principles of access, equity, and inclusion, the loss of Employment Areas and associated job opportunities through conversion most certainly acts against these principles.

Protecting these areas from the incursion of non-residential development should be a priority for Council. The following directions flow from this analysis and consultation with industry experts. These directions are broadly addressed as inclusions for the Official Plan, be that as formal policy or as explanatory text. They are all important elements for Council consideration.

## **DIRECTIONS**

### **Protect Employment Areas over the Long Term**

Given the steady activity in new building permits and permits for additions/renovations and alterations or other building modifications in Employment Areas, it is clear that economic growth is not necessarily tied



directly to job growth. Businesses need to expand and improve profitability. Strategic economic clusters need to be protected and nurtured. The City should continue to protect and preserve all Employment Areas, for ongoing industrial and other adaptive employment uses.

**Direction 1:**

The City should continue to protect and preserve all Employment Areas for ongoing industrial and other adaptive employment uses.

**Strategic Use of Employment Areas to Promote Economic Development and Competitiveness**

As part of the MCR, it is imperative to retain all lands designated as Core and General Employment Areas to accommodate and support future economic growth. However, unique opportunities may arise where important city-building objectives cannot be achieved within the Employment Area designation, and may warrant a conversion to permit a broader mix of uses. These types of conversions should be limited to City-initiated official plan amendments, only for Employment Areas with excellent access to higher order transit, and the conversion direction should be to re-designate the site as Regeneration Area. The requisite planning study should secure a minimum amount of gross floor area (GFA) for employment uses, and ensure the continuation of the economic function of the lands and broader area, while at the same time achieving other city building objectives.

**Direction 2:**

City-initiated official plan amendments to convert strategically located Employment Areas should apply the Regeneration Areas land use designation, securing a minimum threshold of gross floor area for employment and ensure the continued economic function of the site and broader area.

It is important to provide for a range of economic activity across the city's Employment Areas. Even though, on occasion, considerable investment in physical space may not result in substantially more jobs, such investment is needed to expand Toronto's economic base, support strategic economic clusters and facilitate all of the spinoffs of economic development. This is all to say that job creation is but one key objective behind protecting employment lands for the future.

**Direction 3:**

The City should reinforce either in policy or non-policy text that neither the Official Plan Employment Areas designation nor the Zoning By-law zone category infer a hierarchy of importance or priority regardless of intensity of use. Similarly, the relative location of lands within an Area of Employment does not infer importance or priority.

**Promoting Transit Supportive Employment Uses in Strategic Growth Areas**

A key structural element to accommodating growth and realizing important city-building objectives is the planning for Major Transit Station Areas (MTSA). *A Place to Grow: Growth Plan for the Greater Golden Horseshoe* (the Growth Plan) directs municipalities to encourage the location of major office and institutional development in order to achieve the density targets for MTSA's. For Toronto, with a considerable transit network serving Areas of Employment, planning for MTSA's may necessitate changes to land use designations.

**Direction 4:**

When planning for Major Transit Station Areas (MTSA's), the City should consider new policies that encourage the development of major offices in these areas, recognizing that land use permissions may need to be modified.

## **Preserve Lands near Major Goods Movement Facilities and Corridors**

The Transportation & Warehousing industry has grown considerably in recent years, partly owing to the growth of e-commerce. The pandemic placed added emphasis on the ability to deliver goods quickly. To overcome potential challenges in timely delivery within Toronto's dense neighbourhoods, new logistics facilities have been built on the remaining vacant employment land in northeast Scarborough and north Etobicoke. Industry trends suggest potential growth in compact distribution facilities within dense urban centres to facilitate quick "last-mile" demands. The City should conduct research into the potential for establishing multi-level warehousing and distribution facilities in particular, and protect sites where appropriate. As e-commerce continues to grow, new mixed-use development should be encouraged to address emerging needs for appropriate parking, loading and short-term parcel pickup. Research in this area would align with the City's Freight and Goods Movement Strategy (Sept. 2020).

### **Direction 5:**

The City should protect for centrally situated distribution facilities featuring good highway access to accommodate new multi-level industrial development, such as last-mile fulfilment centres that are optimally situated to deliver goods to the urban market, and review parking, loading and short-term parcel pickup needs to support e-commerce.

## **Prohibit Residential Uses in Employment Areas**

Policy language in the Official Plan is generally permissive, discussing which uses are permitted in different land use designations. The Growth Plan specifically directs municipalities to prohibit residential uses in Employment Areas.

**Direction 6:**

The City should add policy language to expressly prohibit residential uses in Employment Areas.

**Direction 7:**

The City should consider adding non-policy language, or a definition, to aid in the interpretation of "residential" prohibitions in Employment Areas such that it includes dwellings, live/work units, retirement homes and long-term care facilities.

**Direction 8:**

The City should review and reconcile policies in Site and Area Specific Policies (SASPs) and Secondary Plans that permit residential on lands designated Core or General Employment Areas.

**Limit Conflict between Sensitive Uses that are Not Ancillary to the Primary Employment Use**

The Growth Plan directs municipalities to prohibit or limit sensitive uses that are not ancillary to the economic function of Employment Areas. The city-wide Official Plan policies of OPA 231 regarding land use permissions on land designated Core and General Employment Areas were only brought into effect in 2019 through an Order of the Ontario Land Tribunal. To provide land use certainty, the City should not re-introduce non-residential sensitive uses that were removed as part of OPA 231 in Employment Areas on a city-wide basis, specifically day cares, places of worship, hotels, places of assembly, recreation and entertainment.

**Direction 9:**

The City should not expand the list of permitted uses in Core Employment Areas and General Employment Areas.

Also with regards to the recent OLT Order regarding Core and General Employment Area permissions, the *Planning Act* allows municipalities three-years (per S26.9 of the *Act*) to update its zoning by-by-laws after amendments to the Official Plan are made.

**Direction 10:**

The City should continue and complete its exercise to bring the Zoning By-law into conformity with the Official Plan permissions following the approval of OPA 231 by the Ontario Land Tribunal.

Official Plan Policy 4.6.3 establishes a size threshold of 6,000 square metres for new large format retail, subject to certain conditions. The Ontario Land Tribunal brought these policies into effect in 2021 and they should remain unchanged and reviewed during the next MCR.

**Direction 11:**

The City should continue to enforce the revised threshold for large format retail policy in General Employment Areas, and monitor and track the application of this policy until the next municipal comprehensive review.

The City's compatibility and mitigation policies came into effect in 2018 through an Ontario Land Tribunal Order. This MCR is the first major opportunity for both the City and proponents to operationalize these policies.

**Direction 12:**

The City should continue to enforce the compatibility and mitigation policies in all Employment Areas, and monitor and track the application of these policies until the next municipal comprehensive review.

When development of sensitive uses, major retail or major office occurs in Employment Areas, the Growth Plan calls for the minimization or mitigation of any adverse impacts on existing industrial activity.

**Direction 13:**

While there is strong policy alignment, the City could review the zoning for lands designated Core and General Employment Areas to create a separation of specific uses in order to avoid employment-to-employment conflicts.

**Maintain Conversion Request Criteria**

OPA 231 amended the Official Plan to bring it into conformity with the Growth Plan, 2006, including incorporating policies to guide decision making on conversion applications. These policies only came into force in 2020 through an Ontario Land Tribunal Order. The MCR exercise is the first such review undertaken by the City under these new policies. The degree to which some adjustment may be warranted cannot be determined until there is more experience with completing this process, and taking decisions on specific conversion applications.

**Direction 14:**

The conversion policies brought into effect as a result of OPA 231 should not be revisited until the next Municipal Comprehensive Review.

**Direction 15:**

Notwithstanding direction 14, the City should consider whether the in-effect conversion policies would require any adjustments in order to conform to the Growth Plan for conversions considered under policy 2.2.5.10.

## **Advocate for Additional Provincially Significant Employment Zones**

The Minister of Municipal Affairs and Housing has delineated Provincially Significant Employment Zones (PSEZ) throughout the Greater Golden Horseshoe. A number of these zones are either wholly or partly within the City of Toronto. This designation confers additional protections for the lands within a PSEZ. The findings of research conducted by City staff reinforce the relevance and importance of identifying as much as 95% of the city's Employment Areas as PSEZ.

### **Direction 16:**

The City should re-engage with the Minister to recognize additional lands as provincially significant employment zones (PSEZ) within Toronto.

## **Establish Minimum Employment Densities for Employment Areas**

The Growth Plan calls for the establishment of a density target for Employment Areas. The purpose of the target is to bring awareness to intensification opportunities in Employment Areas and signal support for compact built form with the goal of influencing development patterns. In our opinion, one overall target should be set to cover all of the Employment Areas in Toronto. Exceptions would be for lands within MTSA boundaries that may have a Core or General Employment Area designation. The planning for these lands and the establishment of a density target is part of planning for an MTSA. The research presented in this report on existing employment densities could provide direction to the MTSA planning.

A single target of 50 jobs per hectare measured across all of the city's lands designated Employment Areas is somewhat ambitious but achievable and takes into consideration growth forecasts while reflecting the market for land expansive employment development. This provides a quantifiable benchmark against which to measure the progress towards greater land use efficiency while recognizing that the city's diverse Areas of Employment

must continue to provide for a range and mix of businesses and economic activities that operate at varying densities.

**Direction 17:**

The City should use the employment density research provided in this report as input into the ongoing delineation and preparation of density targets for MTSAs.

**Direction 18:**

The City should establish one Employment Area density target of 50 jobs per hectare calculated across all land designated Employment Areas city-wide.

**Direction 19:**

The City should establish a monitoring program to assess achievements against this city-wide density target in the context of changing conditions amongst different employment uses, specifically the manufacturing and transportation / warehousing industries.

**Support Office-Focused Employment Areas**

OPA 231 introduced a policy of replacing office space in certain locations when new residential development is proposed outside of Employment Areas (subject to decision by the Ontario Lands Tribunal). It is too early to determine if this policy should be reviewed. Given the uncertain return-to-work that is just getting underway (March 2022), the City would be wise to monitor the health of the office market outside of the Downtown on an annual basis.

**Direction 20:**

The City should consider monitoring return-to-work trends in addition to other key office market indicators, particularly with a view to better understand the requirements for healthy office-focused Employment Areas.



# 1. Introduction

The Employment Study provides economic analysis related to the City of Toronto's Employment Areas and office market in support of the City's Municipal Comprehensive Review (MCR). The MCR is the portion of the regular review of the City of Toronto Official Plan (the Official Plan) that brings the Official Plan into conformity with A Place to Grow: Growth Plan for the Greater Golden Horseshoe (the Growth Plan). For this MCR, the relevant plan is the Growth Plan, 2019, as amended in 2020. The Province requires the completion of the MCR official plan amendments by July 1, 2022.

A significant part of the MCR is consideration of the future of employment in the context of many policies generally encouraging planning for economic and employment growth. Specific policies address Employment Areas and the potential conversion of some Employment Area lands to permit non-employment uses. As well, policies related to new office development recognize this use as a key element of higher density mixed-use communities planned for the Downtown, Centres, Major Transit Station Areas (MTSA) and intensification corridors. The Employment Areas and office market accommodate the bulk of Toronto's employment base and are the focus of this Study.

This Report serves to outline the relevant and applicable policy and economic context at a macro-level as a foundation for considering what potential changes in policies are necessary or advisable to complete the MCR conformity process currently underway. In addition to discussing longer-term changes in the regional economy, consideration is also given to the implications of the economic downturn and adjustments to work patterns that arose from the COVID-19 pandemic. More directly relevant to the policy review initiative of the MCR, lands designated in the Official Plan as Core or General Employment Areas are identified and grouped spatially to facilitate an analysis of 23 Areas of Employment (AOE).

The current Employment Area land-use planning framework was largely established through the City of Toronto's MCR that resulted in Official Plan Amendment 231 (OPA 231). OPA 231, adopted by Council in December of 2013, was to bring the employment sections of the Official Plan into conformity with the Growth Plan, 2006. OPA 231 has gradually come into force following decisions related to numerous Ontario Lands Tribunal (OLT) (previously known as Local Planning Appeals Tribunal, or LPAT, and Ontario Municipal Board, or OMB, prior to that) appeals through 2019. About 70 site-specific appeals to OPA 231 remain active before the OLT. Because many city-wide policies of OPA 231 were appealed and only brought into force relatively recently, there is little established history of working with many of the policies as the City embarks on a process to review them.

There was significant change in Toronto's employment base and the employment outlook over the past decade compared to prior decades. These prior decades were the known history, as OPA 231 was prepared. This recent decade of growth and development in Toronto's economic base drew to a quick close with onset of the COVID-19 pandemic. This event has, in itself, resulted in significant short-term impacts on where and how people work, with major implications possible for the trajectory of growth moving forward.

In support of the MCR, this report addresses the following key questions:

- What are the city's economic trends, both past and future, within Employment Areas, how are they influenced by surrounding lands and by the broader regional context of the Greater Toronto Area and beyond?
- What is the impact of the global COVID-19 pandemic on Toronto's employment picture; how, and where, we use land and built space; and, what are the implications moving forward?
- What are the implications for equity deserving groups and how can we incorporate a lens towards equitable outcomes as we consider policy options?

- What are the relevant and applicable provincial and municipal policies? How do City policies need to change, or be enhanced, to remain in conformity with the Growth Plan?

These questions largely define the organization of the report:

**Section 2** sets the context of Toronto's Employment Areas. It includes the role Toronto's employment lands play in the broader economic region, identification of the relevant municipal and provincial policies, and a discussion on the initial impacts of the pandemic on the regional economy.

**Section 3** provides a macro-level overview of Toronto's employment profile. This includes the general allocation of employment by type and how it is distributed across the municipality, a summary of how employment across different sectors has changed over time, and the pressures facing Toronto's remaining Employment Areas. Included here is an overview assessment of the 23 Areas of Employment for which detailed profiles are found in Appendix 2. This includes a consideration of equitable outcomes, particularly the implications for equity deserving groups of land use planning and economic development decisions.

**Section 4** discusses the local impacts of pandemic and its implications for the employment outlook moving forward. It discusses how COVID-19 has affected where and how people work in Toronto in terms of short-term impacts versus long-term post-pandemic trends.

**Section 5** takes a closer look at the outlook for employment across the city, providing a summary of localized analysis undertaken with regards to the 23 identified AOE's.

These findings provide the basis for the overview of the future of employment in Toronto, contained in **Section 6**. This section discusses the current trajectory of growth and change, and the opportunities, challenges and potential policy responses that this direction may warrant. Included here is a

detailed assessment of the concordance between directions found in the Growth Plan for the planning of Employment Areas, and current City Official Plan policy.

**Section 7** concludes the report, summarizing the findings, and providing a list of 20 directions for the City to consider as part of the Municipal Comprehensive Review and future policy work.

## Distinguishing between Key Terms for Employment Planning

A number of similar sounding terms are used in planning for employment and this report, which may refer to different concepts or policy items. For clarity:

- **Employment Lands:** the term used generally to refer to lands that primarily accommodate employment uses and activities.
- **Employment Areas:** refers to employment lands that specifically meet the definition in the Growth Plan and *Provincial Policy Statement* (PPS): Areas designated in an official plan for clusters of business and economic activities including, but not limited to, manufacturing, warehousing, offices, and associated retail and ancillary facilities. These lands are distinct in that they are subject to the policies for Employment Areas as set forth under the Growth Plan and PPS.
- **Areas of Employment:** Land designated Employment Areas in the City of Toronto Official Plan that have been grouped together based on similarities in geography and development history for the purposes of analysis in this Study.
- **Employment Land Employment (ELE):** the broad mix of jobs and employment uses that are typically found within Employment Areas, including, but not limited to, manufacturing, warehousing, offices, and associated retail and ancillary facilities.

### **Distinguishing between Key Terms for Employment Planning (continued)**

- **Core Employment Areas:** A land use designation that applies to a portion of the City's Employment Areas as identified in the City of Toronto Official Plan following the adoption of OPA 231. Core Employment Areas are, for the most part, geographically located within the interior of Employment Areas. Uses that would attract the general public into the interior of employment lands and possibly disrupt industrial operations are not generally permitted in Core Employment Areas.
- **General Employment Areas:** A land use designation that applies to a portion of the City's Employment Areas as identified in the City of Toronto Official Plan following the adoption of OPA 231. General Employment Areas are generally located on the periphery of Employment Areas on major roads, and permit a broader mix of uses than Core Employment Areas. They are intended to serve as a buffer between industries in the interior of Employment Areas and nearby residential areas.

## 2. Context of Toronto's Employment Areas

There has been significant employment growth in Toronto over the past two decades, particularly in the period between 2011 and the onset of the global COVID-19 pandemic. This section begins by describing the policy framework for employment land use planning as it applies to Toronto, starting with overarching Provincial policy down to more specific official plan Employment Areas policies approved as Official Plan Amendment 231 (OPA 231). This is followed by a summary of the general economic climate for the broader region and how these economic trends are manifested in Toronto. This concludes with a discussion on the relationship between employment and land, which contextualizes the broader policy and economic trends against the local utilization of these lands and how these factors must all be considered for economic and employment planning.

### A. Policy Context for Employment Area Planning In Toronto

The context for planning for employment uses in the City of Toronto is defined by the *Planning Act* (R.S.O. 1990, as amended), the *Provincial Policy Statement* (2020) ("PPS"), *A Place to Grow: Growth Plan for the Greater Golden Horseshoe* (2019) as amended in 2020 (the Growth Plan), and directions set by the Ontario Land Tribunal. Key elements of these policies are summarized as follows:

#### i. Growth Forecasts and the Growth Plan

The introduction of the *Places to Grow Act* (2005) and the first iteration of the Growth Plan in 2006 defined a new context for planning to accommodate growth. In addition to policies requiring intensification and the achievement of specified density targets, Schedule 3 of the Growth Plan specifies population and employment forecasts for each single and upper tier municipality in the Greater Golden Horseshoe (GGH). These define the growth that each

municipality must plan to accommodate. OPA 231 and the in-force Official Plan use the Growth Plan Schedule 3 forecast prepared in 2005 with a 2031 time horizon. The Growth Plan's current Schedule 3 forecasts were prepared in 2020 and follow through to a 2051 time horizon. Toronto must now plan for at least a population of 3.65 million and 1.98 million jobs by 2051. While it remains somewhat uncertain where Toronto is in the post-pandemic economic recovery, it can be assumed that by early 2022, Toronto may well be back to pre-COVID-19 employment levels and housing occupancy. The forecast to 2051 equates to growth of roughly 700,000 to 750,000 people and about 225,000 to 250,000 jobs from today.

A fundamental point of distinction between Toronto and other municipalities in the GGH is that the city cannot extend its settlement boundaries to accommodate growth, nor does the city contain any rural or designated greenfield land, all of which are the subject of much of the policy direction of the Growth Plan. Given that its land base is largely built-out, accommodating the forecasted growth to 2051, and beyond, Toronto must find room via redevelopment of existing land and buildings. This fact heightens competition for preferred locations and increases price pressures on lands that might accommodate growth.

Urban Growth Centre (UGC) policies in the Growth Plan provide the framework for regional focal points that are to accommodate population and employment growth via infill development. UGCs are intended to “to serve as high-density major employment centres that will attract provincially, nationally, or internationally significant employment uses” and to “accommodate significant population and employment growth”, among other planning requirements. Toronto has five UGCs, in the Downtown core and in its Centres – North York, Yonge-Eglinton, Etobicoke, and Scarborough. Each is required to be planned to a minimum density of 400 people and jobs per hectare by 2031 or earlier.



The Growth Plan also directs “major office”<sup>2</sup> uses to UGCs, as well as Major Transit Station Areas (MTSAs) and other areas with frequent or higher order transit service. MTSAs have a much-in creased importance in the 2019 Growth Plan, which now requires single- and upper-tier municipalities to delineate boundaries and identify minimum density targets of:

- 200 residents and jobs per hectare for MTSAs served by subways;
- 160 residents and jobs per hectare for MTSAs served by light rail transit or bus rapid transit; and
- 150 residents and jobs per hectare for other MTSAs.

MTSAs are to be planned and designed in a transit-supportive manner that maximizes the size of the area and the number of potential users that are within walking distance of the station. Land uses and built forms that would adversely affect the achievement of the minimum density targets identified in the Growth Plan are to be prohibited. However, while municipalities are required to plan for these minimum densities, unlike UGCs, there is no specified time line for achieving the densities. Where it is demonstrated the density targets are not achievable due to conflict with other provincial policy, such as natural heritage systems or the *Greenbelt Plan*, the municipality may request the Minister of Municipal Affairs and Housing to allow for the application of a lower density target.

In order to meet the requirements of the Growth Plan, Toronto is reviewing and individually delineating the boundaries of over 180 locations within the city’s boundaries identified as MTSAs. Further study related to a subset of MTSAs known as Protected Major Transit Station Areas (PMTSAs) will

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<sup>2</sup> For the purpose of this policy, the Growth Plan now defines Major Office as freestanding office buildings of 4,000 m<sup>2</sup> of floor space or greater, or with approximately 200 jobs or more. Until 2017, Major Office was defined as buildings greater than 10,000 m<sup>2</sup> or more than 500 jobs. The definition only applies to this policy. The term Major Office in nearly all other planning contexts is a land-use-based employment category used for analysis and is based on free-standing office buildings of 20,000 sq. ft. (1,860 m<sup>2</sup>) or more.

include an assessment of population and employment targets, along with the application of an equity lens that identifies areas for the implementation of Inclusionary Zoning policies, since these are the only areas where inclusionary zoning is available to municipalities.

Of significance to this Study, the Centres and MTSA's are distinguished between those that are more oriented to employment, mainly office employment, and those more oriented to residential development and accommodating population growth. In Downtown Toronto there are more jobs than resident population; the significant growth occurring in both means the area will remain highly focussed on employment. Yonge–Eglinton and North York Centres once had significant parallel growth in population and employment, but over past 30 years the bulk of growth in both has been residential. Development in Scarborough and Etobicoke Centres has always been residentially oriented, a pattern set to continue, given planning applications currently under review. The many MTSA's reflect a full range of types. Many MTSA's include lands designated Employment Areas and they will accommodate mainly employment growth. This includes many of the GO Stations, and many stops along the Eglinton, Finch and Sheppard LRT routes.

## **ii. Provincial Direction for the Protection of Employment Areas**

The *Planning Act* clearly defines requirements for decision-making about economic and employment related matters. The first element listed in its statement of purpose is “To promote sustainable economic development.” Matters of provincial interest include “the adequate provision of employment opportunities”, “the protection of the financial and economic well-being of the province and its municipalities”, and “the appropriate location of growth and development”.

One of the more contentious planning issues over the past thirty years has been the conversion and removal of lands designated for employment to residential. In response, the *Planning Act*, PPS and Growth Plan define the

circumstances under which land use change affecting employment lands can occur. “Employment Areas” is a term with a common definition in each of these instruments, which is “areas designated in an official plan for clusters of businesses and economic activities including, but not limited to, manufacturing, warehousing, offices, and associated retail and ancillary facilities”. In order to convert these lands to permit the development of non-employment uses, planning authorities must assess the need for the conversion.

Prior to the passage of the current Growth Plan (2019, as amended) and PPS (2020), conversions could only be considered as part of a comprehensive review process undertaken by the municipality. Under this policy framework, conversion to permit non-employment uses may only be permitted where:

- It is demonstrated that there is a need for the conversion;
- That the lands would not be required to accommodate forecast employment growth over the horizon of the plan;
- The proposed uses would not adversely affect the overall viability of the Employment Area; and
- There are existing or planned infrastructure and public services to accommodate the proposed uses.

New policies introduced as part of the most recent update to the Growth Plan and PPS permit conversions until the next municipal comprehensive review, so long as the conversion is not located within a Provincially Significant Employment Zone (PSEZ), as designated by the Province. The only exception to this is for Employment Areas located within an MTSA. In order to be considered, these conversions are required to meet the same tests as those within an MCR excluding consideration for forecast employment land needs. Instead, the conversion is required to maintain a significant number of jobs on those lands through the establishment of development criteria.

### iii. **Municipal Policy for Differentiation of Employment Areas**

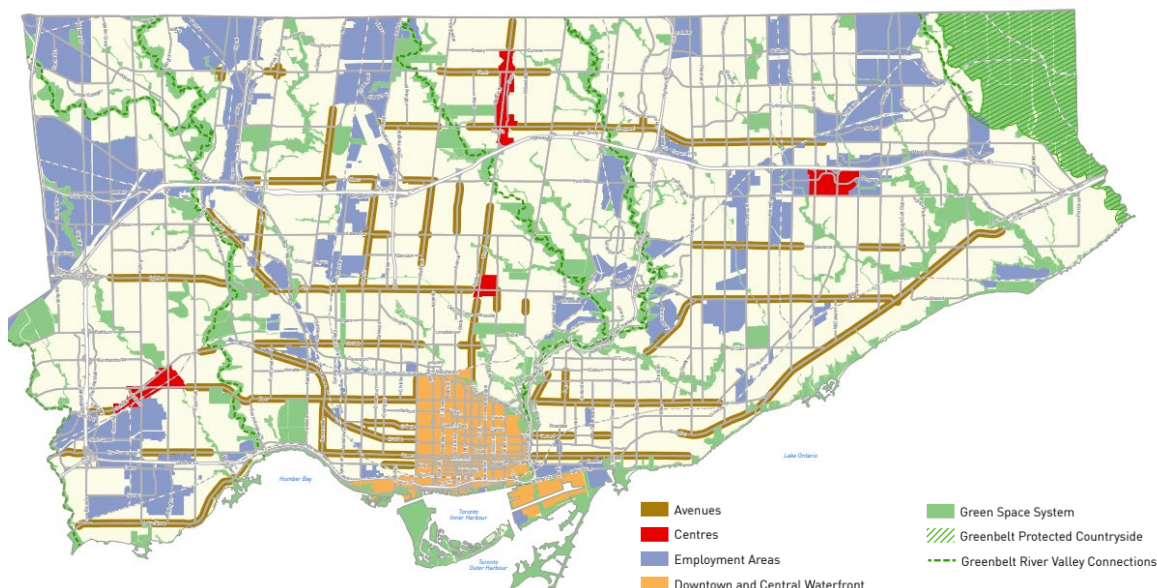
The City of Toronto Official Plan implements provincial policy through its policies that direct the review and approval of development applications. Lands designated Core Employment Areas and General Employment Areas represent the Employment Areas defined by the Growth Plan along with one addition.

In addition, the Port Lands plan was approved by the OLT in the spring of 2021. The plan designates large areas for employment uses and are Employment Areas under the Growth Plan, but with land use designations from the 2003 Central Waterfront Plan. While this may be somewhat confusing, it is important that the current conformity work provides clarity to the status of lands as Employment Areas.

One of the main elements of OPA 231 was that it modified the Toronto Official Plan Employment Areas designation into one that distinguishes Employment Areas as either Core Employment Areas or General Employment Areas. These two land use designations form an important component of Toronto's urban structure (recognizing that there are also Employment Areas with other land use designations within the Port Lands). The difference between the two designations is the locational and site characteristics and the planned type of employment uses.

- **Core Employment Areas** are planned to accommodate a range of uses including those that may require larger sites and/or separation from sensitive uses, such as residential.
- **General Employment Areas** are planned to accommodate uses permitted in Core Employment Areas as well as all types of retail and service uses (subject to some conditions for major retail), fitness centres and ice arenas (if existing as of March 28, 2018).

**Figure 1: City of Toronto Official Plan Urban Structure Map**



Source: City of Toronto, March 2022

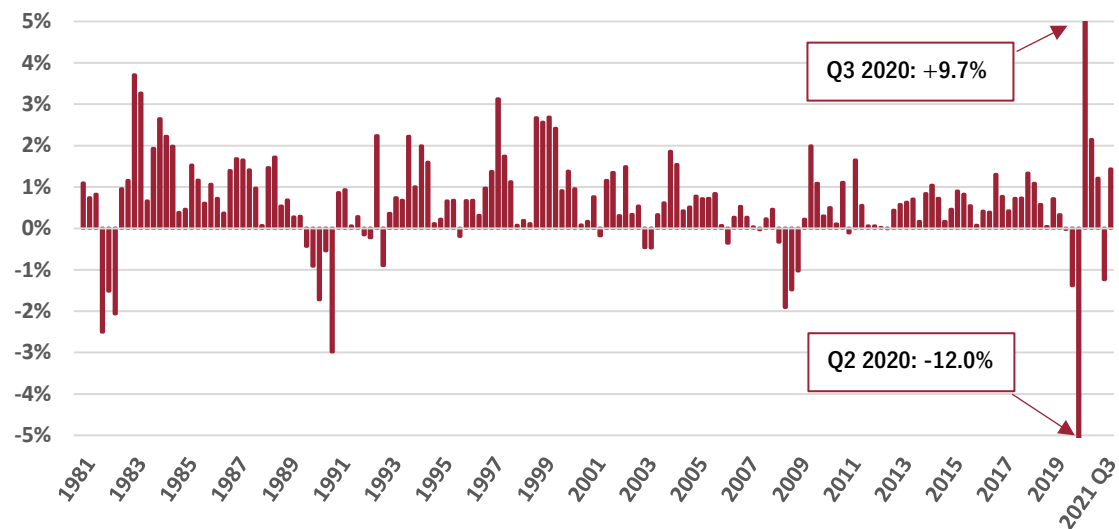
## **B. Understanding Toronto and the Broader Economic Region**

Understanding employment trends in Toronto requires an understanding of the economic shifts that have occurred in Toronto's national, provincial and regional economic context. As both the largest city and as the central city of the Greater Toronto and Hamilton Area (GTHA) and of the larger Greater Golden Horseshoe, employment trends in Toronto are part of the employment and economic trends of the broader metropolitan region. There are few economic factors or employment trends that are highly influenced by a municipal boundary (e.g. wage rates, labour law, energy pricing, judicial systems) though there are a few, such as property tax rates and transit services. Understanding the economy of the city requires understanding the metropolitan regional economy as well as what is occurring in Toronto.

## i. Employment in the Context of Historical Periods of Expansion and Recession

Prior to the global economic shutdown caused by the COVID-19 pandemic, the modern history of recessions and economic expansions in Ontario had been somewhat different from the experience of other parts of Canada, and very different from that of the United States and other industrialized countries. The history of the province's GDP growth from 1981 is shown in Figure 2.

**Figure 2: Ontario Real GDP Growth by Quarter, 1981 to 2021 (3<sup>rd</sup> Quarter)**



Source: Ontario Ministry of Finance, Ontario Economic Accounts

The sharp recession in the early 1980s was significant throughout Canada and the US. The oil crisis following the Iranian Revolution and mortgage rates in excess of 20% were memorable headlines from the time. More deeply, however, this marked the second of four major restructurings of the North American manufacturing economy in the past half century, the first one being the first oil crisis in 1974 coupled with entrenched high inflation. The 1981-82 recession was followed by a quick rebound in economic and employment growth that lasted through the remainder of the 1980s.

The 1990s told a different story in Ontario. The first recession was lengthy and severe, with five quarters of economic contraction resulting in a total

decline in real GDP of 6.4% from Q4 1989 through to Q4 1990. By comparison, the US experienced only three quarters of contraction in 1991, amounting to a small decline of 0.4% in total economic output. In the US, this was followed by a period of strong recovery and expansion. The severity of the Ontario experience can be attributed to a combination of factors, including a “normal” cyclical downturn and a real estate crash in both the residential and non-residential sectors, coupled with high interest rates and the adjustment to free trade with the United States, following the Canada-US Free Trade Agreement coming into force on January 1, 1989.

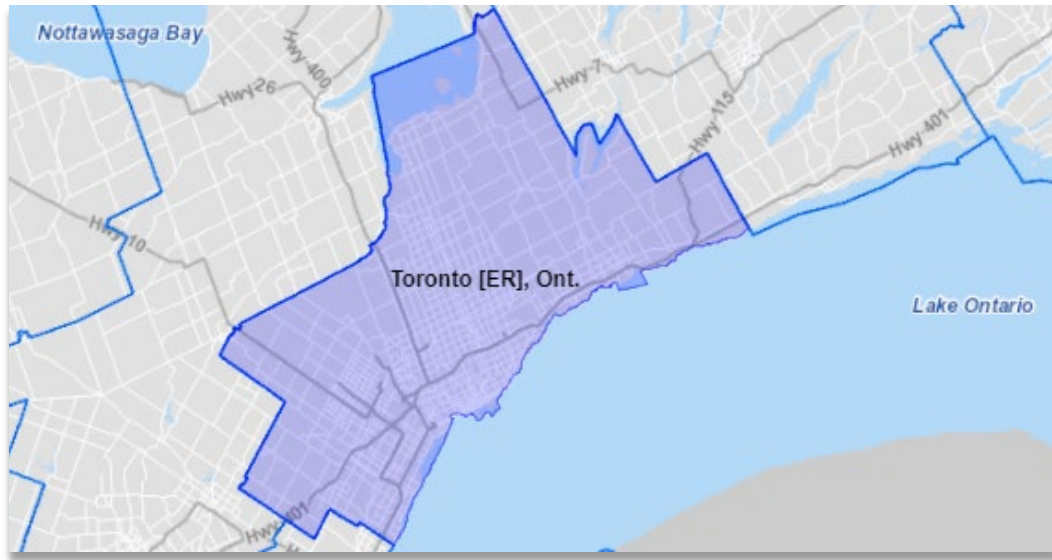
The recovery in the 1990s was slow, with a “double dip” recession in 1992-93. Employment in the Toronto Economic Region<sup>3</sup> (shown in Figure 3 on the following page) did not recover to the 1989 peak level until 1997, eight years in which the population also grew by nearly 600,000 people. By contrast, the more recent 2008-09 recession showed a Toronto area employment decline of only 3.4% in September 2009, down from the June 2008 peak. The early 1990s was a defining moment of economic change in Ontario; much the way the 2008-09 financial crisis and recession reshaped other North American markets.

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<sup>3</sup> The Statistics Canada defined Toronto Economic Region is the GTA, excluding the City of Burlington in Halton Region. This area is standard sub-provincial geography for the Monthly Labour Force Survey and is a closer approximation of the GTA. It is a standard reporting area for the Monthly Labour Force Survey. On a population basis, Statistics Canada’s Toronto Economic Region 3530 is equivalent to 99% of the combined Toronto and Oshawa CMAs, or about 90% of the GTAH.



**Figure 3: Toronto Economic Region 3530**

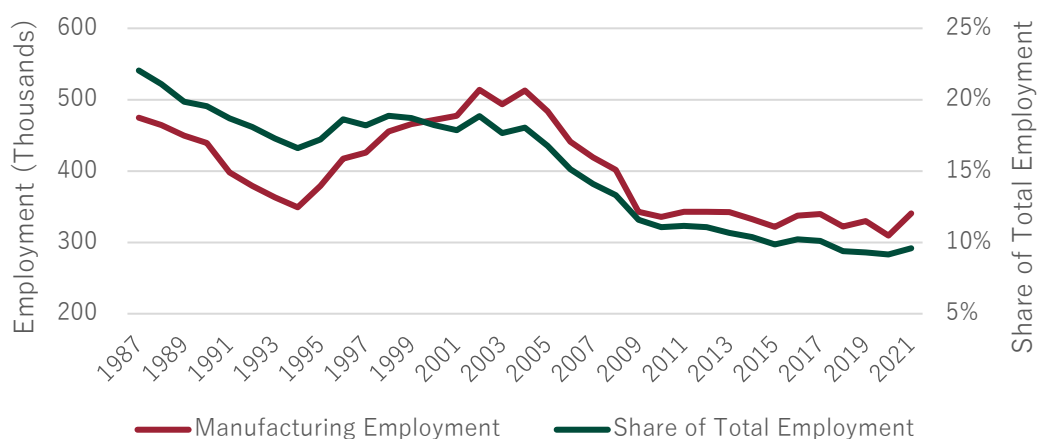


Source: Statistics Canada

Despite the effects of the recession in 2008-09 not being as dramatic in Ontario, as compared to the 1990s events, the effects varied by location and type of employment. Some sectors, mainly manufacturing, and especially automobile manufacturing, saw a significant employment decline, while others were less affected. Like most of North America, the overall picture of the GTHA through both recessions is characterized by a declining manufacturing sector. Total manufacturing jobs in the region dropped from almost 500,000 employees in the mid-1980s to a low of 310,000 in 2020, representing a drop in the proportional total regional employment from 22% to 9% over that period, before demonstrating signs of resurgence in 2021 as shown in Figure 4 on the following page.



**Figure 4: Manufacturing Employment in the Toronto Economic Region, 1987-2021**



Source: Hemson Consulting, based on Statistics Canada Monthly Labour Force Survey

The region's economy has increasingly shifted from goods-producing sectors (excluding construction) towards a services-producing focus. Employment in professional and technical services, and parts of finance and information services form much of the workforce in what are often considered knowledge-based industries, and have been the primary driver of economic growth in recent years. A recent much-publicized New York Times report declared Toronto to be North America's third largest tech centre after Silicon Valley and New York City<sup>4</sup>.

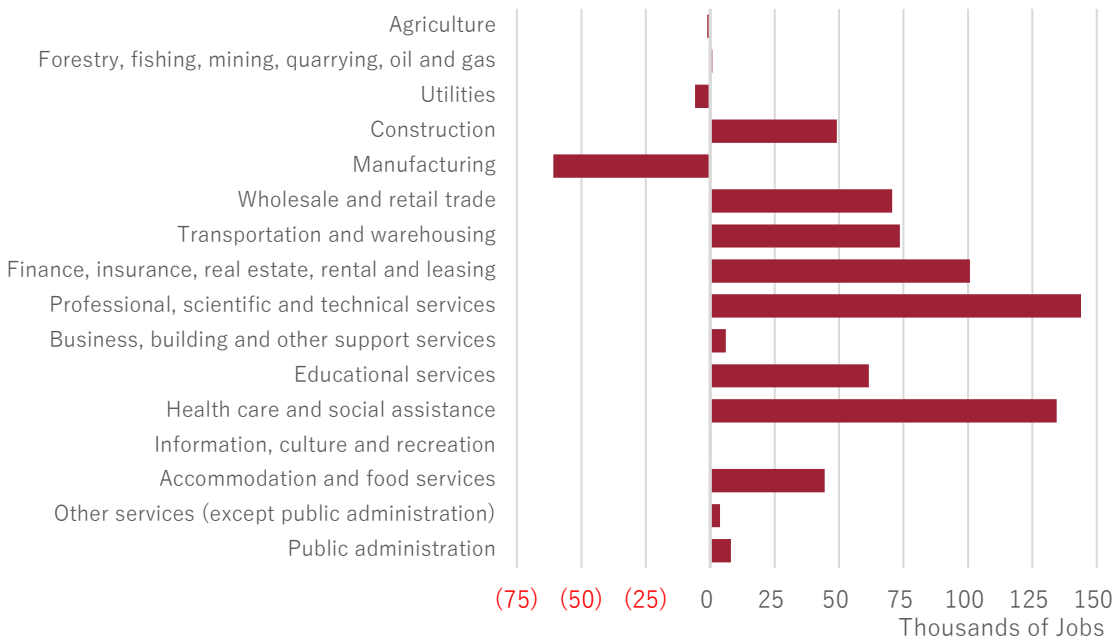
The broad service sector also includes a range of mainly population-serving functions, such as retail, health care, education and personal services – many of which also experienced significant growth. Figure 5 on the following page shows the change in employment by type from 2008 to 2019, which includes the 2008-09 recession job losses, the post-recession employment recovery and expansion, up to the pre-pandemic peak. Manufacturing demonstrated a

<sup>4</sup> The New York Times, *Toronto, the Quietly Booming Tech Town*, article by Cade Metz, 21 March 2022

significant decline and modest recovery, while most growth has occurred in many of the service sector and knowledge-based categories.

**Figure 5: Employment Change by Sector, Toronto Economic Region, 2008-2019**

(Representing pre-2009 recession peak to recovery peak pre-pandemic)



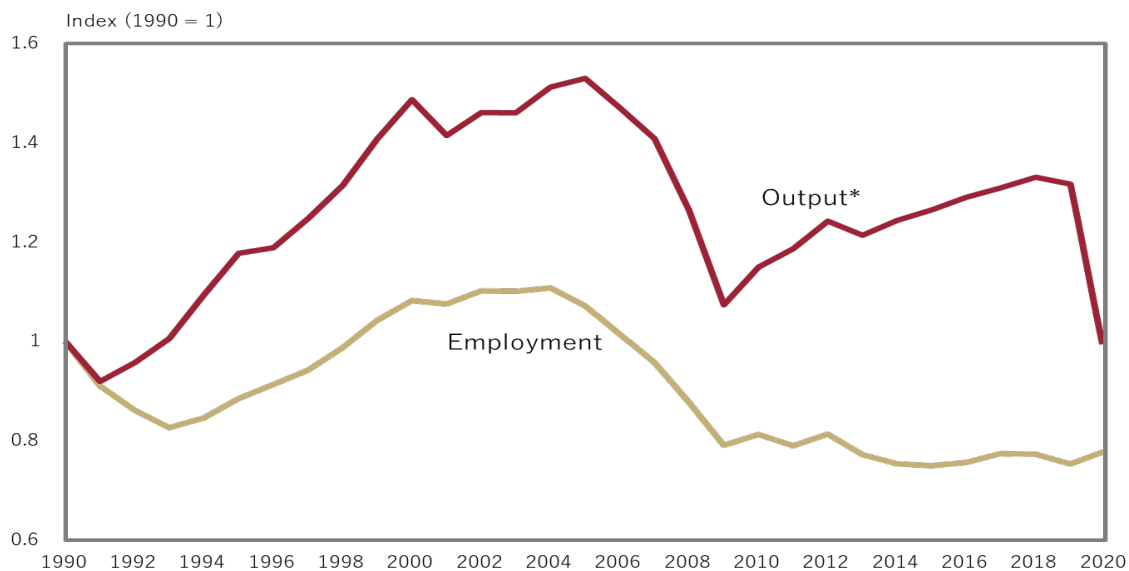
Source: Hemson Consulting, based on Statistics Canada Monthly Labour Force Survey

Notwithstanding the economic restructuring and the effects of the recession, industrial sectors such as manufacturing, goods movement, and logistics employment continue to play an important role in the GTHA economy. Statistics Canada’s Monthly Labour Force Survey reports that approximately 1 in 10 people employed in the Toronto Economic Region still work in manufacturing. As well, and increasingly importantly in the current context, many jobs in other sectors are directly and indirectly supported by the manufacturing sector.

While employment is a key measure of a sector’s importance, the economic contribution in terms of output is also very important. By this measure, the performance of the manufacturing sector has been much better. As shown in Figure 6 on the following page, Ontario’s manufacturing output grew at a

consistently faster rate than employment, suggesting that manufacturing as an economic activity has become more efficient and technologically advanced, notwithstanding the cyclical changes in both output and employment. Increases to manufacturing productivity can be measured as output per employee, and is represented in Figure 6 by the widening of the gap between the two lines for most of the period.

**Figure 6: Manufacturing Output & Employment, Ontario, 1990-2020**



Source: Hemson Consulting, based on Statistics Canada Labour Force Survey and Ministry of Finance – Ontario Economic Accounts.

Note: \* Output defined as Manufacturing GDP in 2007 dollars.

Important to Employment Area planning is the observation that building space and protecting land associated with manufacturing are generally understood to be more closely related to production than to employment levels, suggesting declining employment densities and a rising floor space per worker in these sectors.

As is visible in the tail end of most of these figures, the COVID-19 pandemic has had a significant impact on both GDP and employment within the region, impacts which are likewise being felt across most of the world's economies. Section 4 discusses this in greater detail in terms of the immediate impacts of

the pandemic on the local and regional economy, and the implications these shocks and shifts might have on future land use planning moving forward.

## ii. Toronto Employment within the Region

In the context of the economic change already described, the pattern of changes in employment within the City of Toronto relative to the broader economic region can be better understood. As shown in Figure 7, the City of Toronto's share of both total employment and industrial employment within the Toronto Economic Region gradually declined between 1987 and 2020. The general decline in share over this time is largely the result of a rapidly growing urban region where the central city is a smaller proportion of the overall region.

***Figure 7: City of Toronto's Historic Share of Toronto Economic Region Total Employment, Industrial Employment and Population, 1987-2020***



Source: Hemson Consulting, based on Statistics Canada Labour Force Survey and City of Toronto Employment Survey

Note: For the purposes of this figure, industrial employment in the Toronto Economic Region is NAICS categories Manufacturing and Transportation and Warehousing, and for the Toronto Employment Survey are the Manufacturing and Warehousing LUAC category.

The relative size of Toronto within the Economic Region can be measured more broadly by population. Over these 32 years, the city's share of population within the Toronto Economic Region fell from 60% to 43%, down 17%. However, the decline in share of total employment from a peak of 67% in 1990 to a low of 47% in 2013, is a 20% reduction indicating some shift in the role of Toronto within the region. A stronger indicator of Toronto's change in role in the Region is offered by the industrial employment share dropping nearly in half from a 1989 peak of 50% to a 2013 trough of 27%, before a small recovery to 2020.

Perhaps surprisingly, over the last three decades, Toronto's share of industrial employment in the region did not fall much faster than non-industrial employment. The change in Toronto's share of regional employment over the past three decades is just as closely related to Toronto's much lower share of the office market through the 1990s and 2000s, than to share shifts in other parts of the employment base. It is the strength of the industrial employment base in Toronto, combined with the "return" of the office market to Downtown Toronto during the most recent decade prior to the pandemic, that is largely responsible for the recent stabilization of Toronto's regional employment share.

The employment profile within the City of Toronto, including the changing nature and allocation of growth across the city's various employment land geographies, is expanded upon in the following section.

### 3. Toronto's Employment Profile

This section examines Toronto Employment Survey (TES)<sup>5</sup> results for the city as a whole and amongst employment categories. This includes an overview of employment changes over time, the geographic distribution of employment, and high-level summaries of key employment land uses and how they vary across the city. The section concludes with a discussion on the overall employment land supply and ongoing pressures to convert these lands to non-employment uses.

It is important to note that references to the TES dataset discussed in this section include a number of updates and refinements in both geography and classification between surveys. This means that there are small differences in the data presented here and those published for the same years and geographies in other reports. While recent iterations of the TES include detailed NAICS codes to classify employment uses, surveys conducted prior to 2011 relied only on Land Use Activity Codes (LUACs) grouped into six broad categories: Manufacturing and Warehousing, Retail, Service, Office, Institutional and Community and Entertainment. These six sectors comprise a wide range of economic activities, the largest of which are shown in Table 1 on the following page.

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<sup>5</sup> Toronto Employment Survey data is confidential and has been provided solely for the purpose of this Study. Aggregated information is available in the [TES Bulletin](#) or on request from City of Toronto Planning, Planning Research and Analytics.

**Table 1: Major Activities in the Six Categories by TES Land Use Activity Codes**

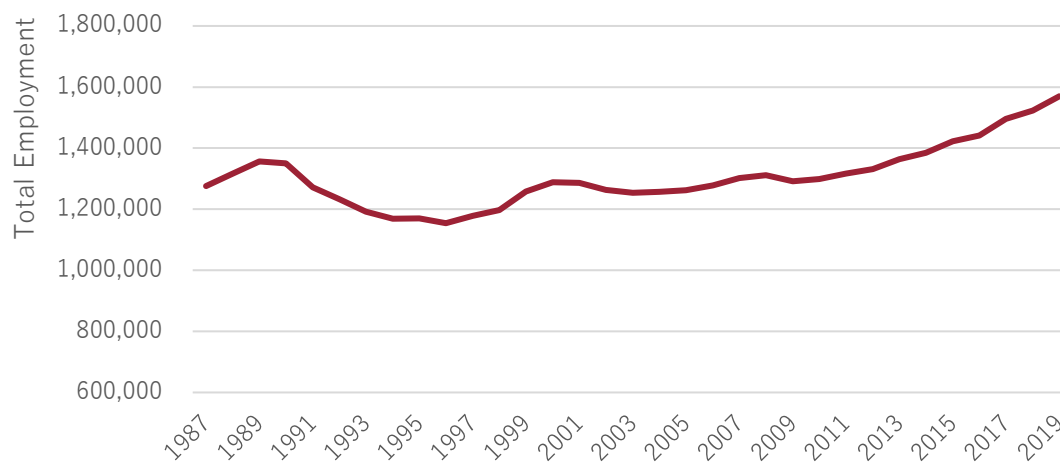
Manufacturing & Warehousing	Retail	Service	Office	Institutional	Community & Entertainment
Energy production or processing plants	Pharmacies & drugstores	Maintenance & equipment servicing	Manufacturing & other officers	Schools	Arenas, stadiums, pools & other
Water/sewage treatment plants	Lumber yards	Transit/truck terminals	Business services	Places of worship	Golf courses & entertainment
Printing, data processing, or warehousing	Food, clothing, hardware, & other retailing	Repairing & servicing shops	Technical & medical offices	Police, fire, hospitals	All other uses not captured by other sectors
Machinery & vehicular production	Retail wholesaling	Airports	Professional associations & government	Courts & legislative institutions	

Source: City of Toronto Employment Survey

## A. The Employment Situation before Disruption

Over the past three decades, Toronto experienced periods of transition and change, as demonstrated by the changing total employment within the city shown in Figure 8.

**Figure 8: Total Employment, City of Toronto, 1987-2019**



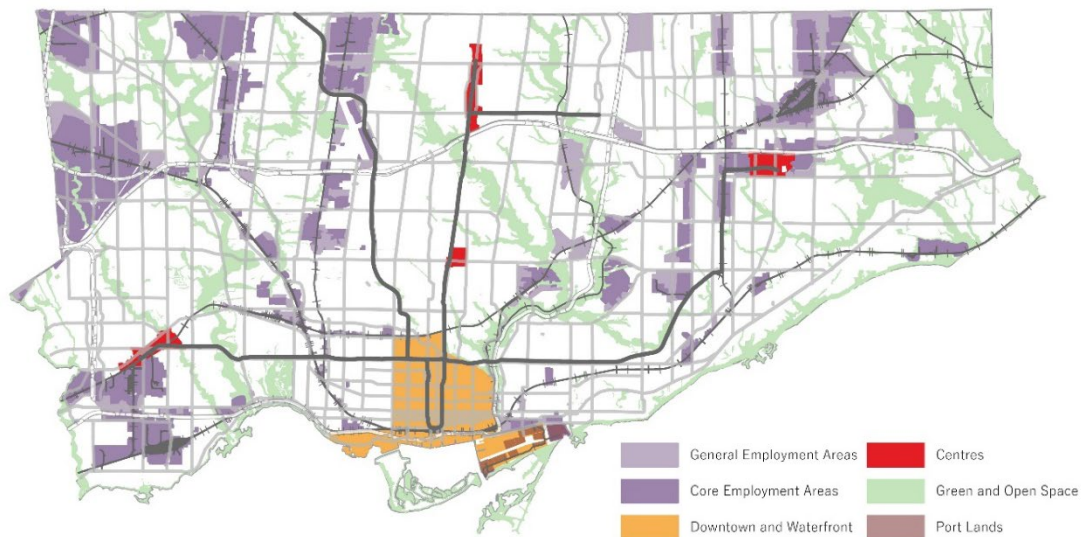
Source: City of Toronto Employment Survey

The early 1990s in Toronto were characterized by a decline in employment as the fallout of the 1990-94 recession worked its way through the local economy, coupled with a shift towards suburban employment options,

particularly suburban office development. Following a period of recovery in the late 1990s, Toronto's employment profile oscillated between periods of limited growth, combined with declines in certain sectors. This period was characterized by macro-level disruptions caused by, among other global forces, the effects of 9/11 and the burst of the dotcom bubble. In addition, Toronto did not escape the 2008-2009 recession without further disruption to local employment patterns – though the effects on employment were not as prolonged in Canada as they were elsewhere, and Toronto's overall experience showed remarkable resiliency in the face of these external pressures. Already noted is that Ontario did not recover employment back to its 1989 peak until 1997, but Toronto's Employment Survey did not show the city returning to its 1989 peak employment until 2013. At 24 years, this marked an exceedingly long recovery period.

The years following the 'Great Recession' marked a distinct shift towards a period of sustained employment growth, coupled with a new approach to employment land planning within the City of Toronto. The passage and implementation of employment land policies contained in OPA 231 introduced a new framework for Employment Area planning, including distinguishing between Core and General Employment Areas, as mapped in Figure 9.

***Figure 9: City of Toronto Employment Areas and Centres***

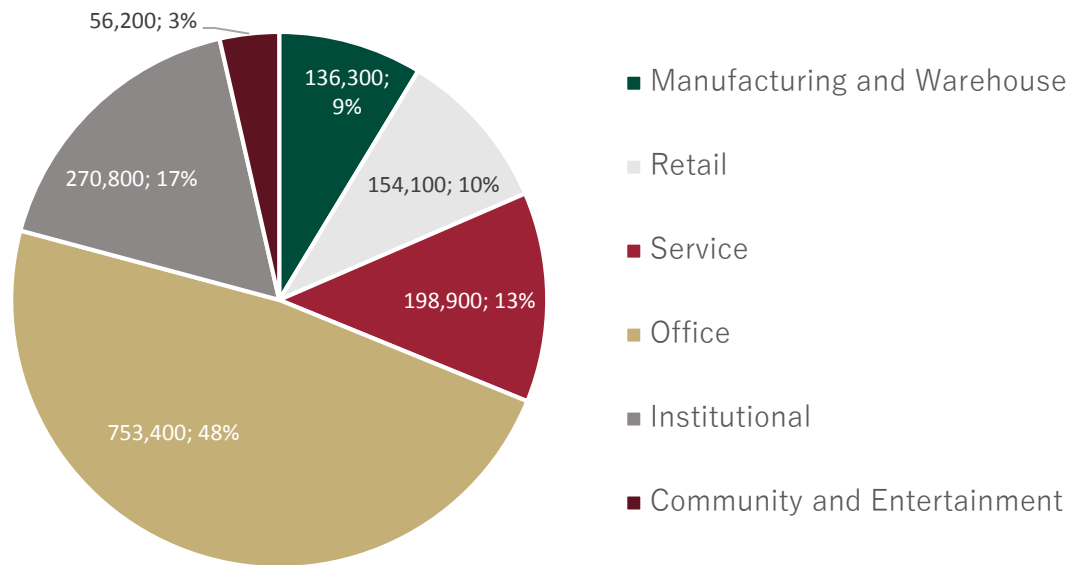


Source: Hemson Consulting, using data from the City of Toronto



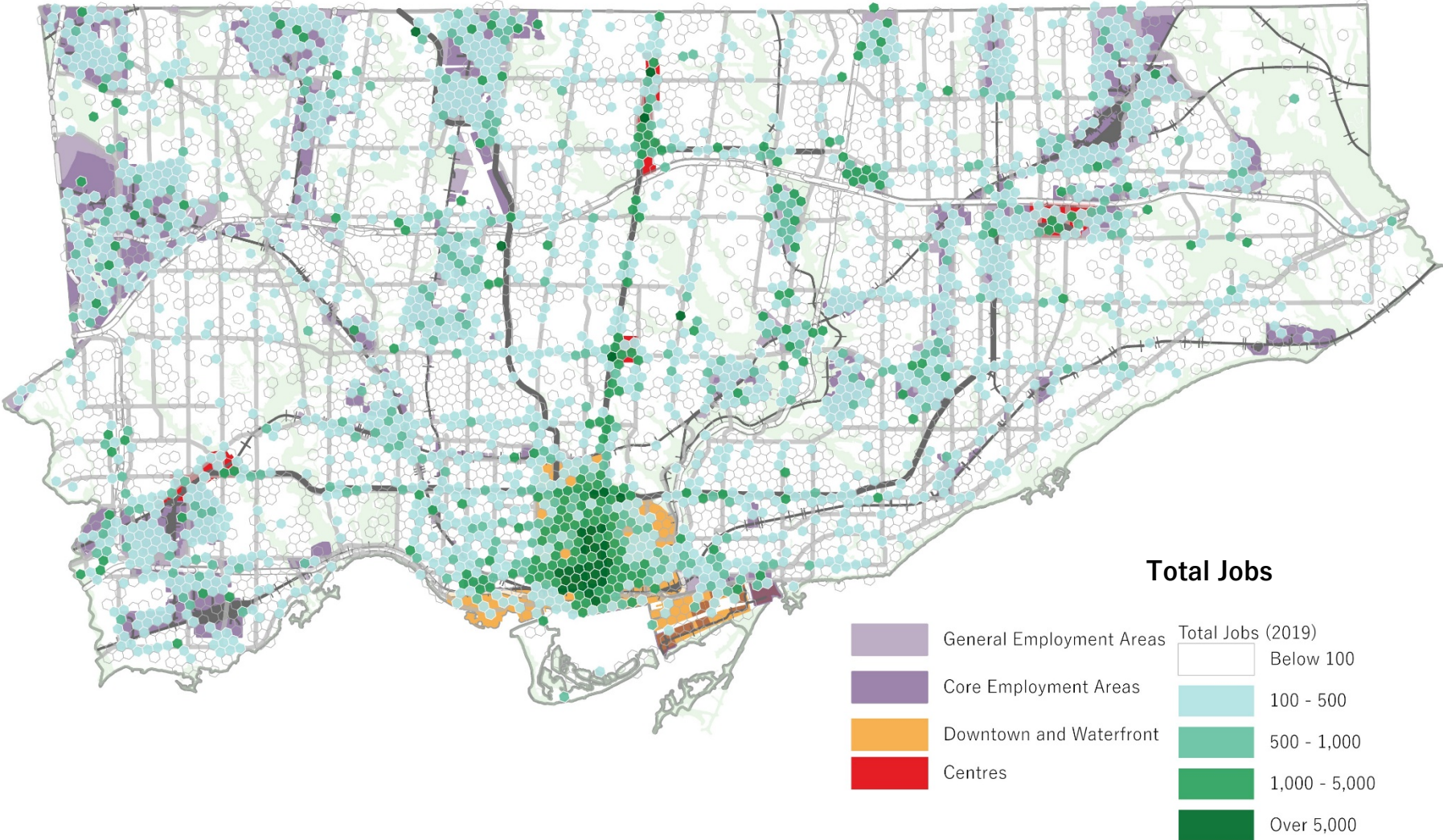
Employment growth, both city-wide and within Employment Areas, has been particularly robust in the decade between 2011 and the start of the pandemic. The largest net growth occurred in the Office category, with approximately 130,600 jobs added to the city-wide total between 2011 and 2019. All other employment categories also experienced very strong growth in the years since 2011, with the total city-wide employment climbing by 19.2% by 2019 to a total of 1,570,000 jobs. The overall mix of employment by land use category is shown in Figure 10. The allocation of employment across the city in 2019 is mapped in Figure 11 on the following page.

**Figure 10: City of Toronto Employment Mix by Land Use Category, 2019**



Source: City of Toronto Employment Survey

Figure 11: Employment in the City of Toronto, All Land Use Categories, 2019

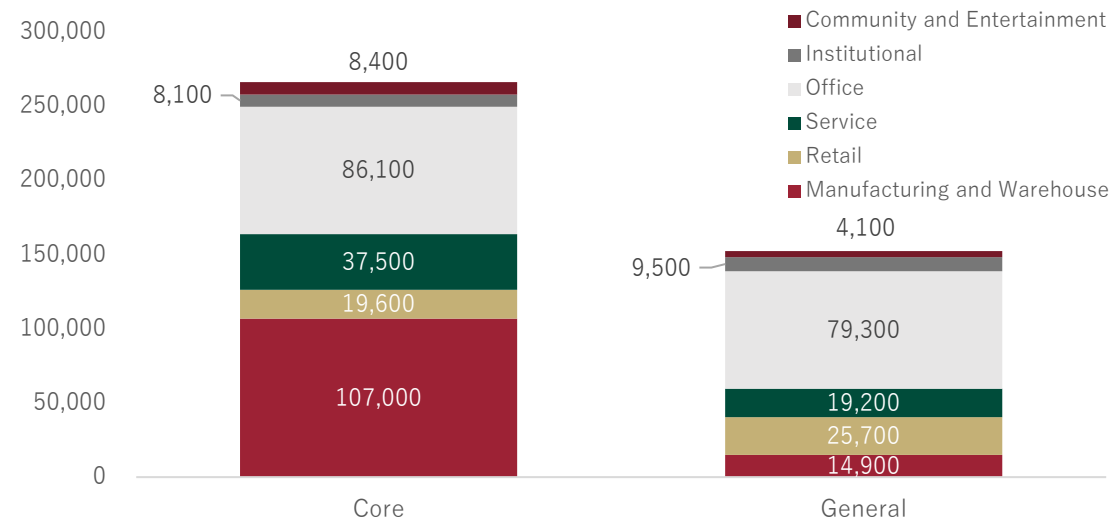


Source: Hemson Consulting, using data from City of Toronto Employment Survey

Note: Each hex represents 0.8 ha

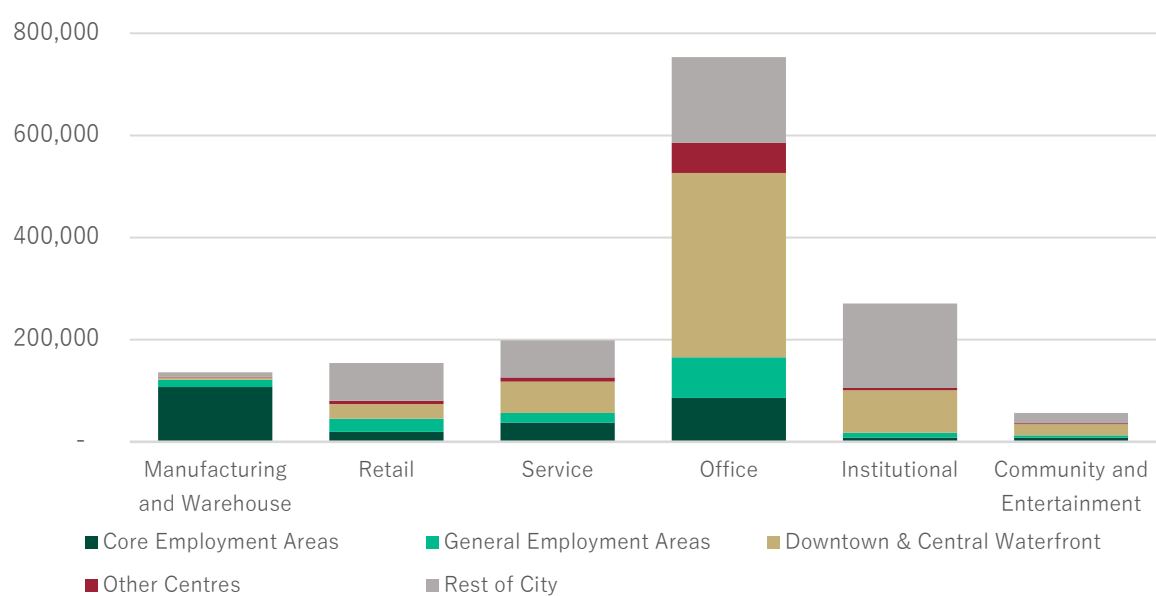
In Employment Areas specifically, the city added 54,700 jobs over the same time period, equivalent to 15% growth. The mix of employment by sector on lands designated Core and General Employment Areas is shown in Figure 12. Figure 13 provides the same information, but organized to show where different sectors are located between Core and General Employment Areas, Downtown, other Centres, and the rest of the city.

**Figure 12: Mix of Employment in Designated Employment Areas, 2019**



Source: City of Toronto Employment Survey

**Figure 13: Spatial Distribution of Employment by Category, 2019**



Source: City of Toronto Employment Survey

Total employment by land use activity code and growth area in the Toronto Official Plan is provided in Table 2, with a similar breakdown of the share of each employment sector distributed across each land use category in Table 3.

**Table 2: Distribution of Employment by Official Plan Geography and TES Land Use Category, 2019**

	Manufacturing & Warehouse	Retail	Service	Office	Institutional	Community & Entertainment	All Sectors
<b>Core Employment Areas</b>	107,000	19,600	37,500	86,100	8,100	8,400	266,700
<b>General Employment Areas</b>	14,900	25,700	19,200	79,300	9,500	4,100	152,700
<b>Downtown &amp; Central Waterfront</b>	4,400	28,700	61,300	361,000	83,700	21,800	560,800
<b>Other Centres</b>	700	6,600	8,000	58,800	4,300	1,900	80,300
<b>Rest of City</b>	9,300	73,600	73,000	168,200	165,300	20,000	509,400
<b>Total</b>	<b>136,300</b>	<b>154,100</b>	<b>198,900</b>	<b>753,400</b>	<b>270,800</b>	<b>56,200</b>	<b>1,569,800</b>

Source: City of Toronto Employment Survey

**Table 3: Share of Employment Sector by TES Land Use Category, 2019**

	Manufacturing & Warehouse	Retail	Service	Office	Institutional	Community & Entertainment	All Sectors
<b>Core Employment Areas</b>	79%	13%	19%	11%	3%	15%	17%
<b>General Employment Areas</b>	11%	17%	10%	11%	4%	7%	10%
<b>Downtown &amp; Central Waterfront</b>	3%	19%	31%	48%	31%	39%	36%
<b>Other Centres</b>	1%	4%	4%	8%	2%	3%	5%
<b>Rest of City</b>	7%	48%	37%	22%	61%	36%	32%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: City of Toronto Employment Survey

A summary of employment change over the past two decades for each of the geographies by employment sector is summarized in Table 4 through to Table 7.

Detailed maps of this employment distribution across the city, including change over time, are provided in Appendix A.

***Table 4: Employment Change - Core Employment Areas, 2001-2019***

Land Use Category	2001	2006	2011	2016	2019
Manufacturing & Warehouse	132,200	113,900	100,100	98,100	107,000
Retail	15,600	18,500	15,200	17,900	19,600
Service	29,600	28,300	31,500	34,100	37,500
Office	76,600	77,200	73,200	80,000	86,100
Institutional	4,200	5,300	5,600	8,000	8,100
Community & Entertainment	4,300	5,800	5,900	7,600	8,400
<b>Total</b>	<b>262,500</b>	<b>248,900</b>	<b>231,600</b>	<b>245,800</b>	<b>266,700</b>

Source: City of Toronto Employment Survey

***Table 5: Employment Change - General Employment Areas, 2001-2019***

Land Use Category	2001	2006	2011	2016	2019
Manufacturing & Warehouse	23,800	19,300	14,200	14,500	14,900
Retail	16,500	22,200	23,900	24,600	25,700
Service	13,700	14,400	14,700	17,400	19,200
Office	61,400	65,300	70,600	76,800	79,300
Institutional	4,600	6,800	7,300	9,700	9,500
Community & Entertainment	1,500	1,700	2,200	3,300	4,100
<b>Total</b>	<b>121,500</b>	<b>129,600</b>	<b>133,100</b>	<b>146,300</b>	<b>152,700</b>

Source: City of Toronto Employment Survey

***Table 6: Employment Change - Downtown and Central Waterfront, 2001-2019***

Land Use Category	2001	2006	2011	2016	2019
Manufacturing & Warehouse	7,200	5,400	4,200	4,300	4,400
Retail	23,900	24,900	24,900	27,300	28,700
Service	39,100	39,900	45,900	54,600	61,300
Office	258,300	247,400	274,400	314,500	361,000
Institutional	50,600	54,800	57,200	70,600	83,700
Community & Entertainment	11,200	14,000	16,500	17,800	21,800
<b>Total</b>	<b>390,300</b>	<b>386,300</b>	<b>423,000</b>	<b>489,200</b>	<b>560,800</b>

Source: City of Toronto Employment Survey

**Table 7: Employment Change - Other Centres, 2001-2019**

Land Use Category	2001	2006	2011	2016	2019
Manufacturing & Warehouse	1,900	800	1,000	800	700
Retail	6,400	7,000	6,500	6,500	6,600
Service	5,300	5,900	6,400	6,500	8,000
Office	56,700	52,400	56,800	57,200	58,800
Institutional	2,800	2,800	3,500	4,100	4,300
Community & Entertainment	1,100	1,700	1,700	1,500	1,900
<b>Total</b>	<b>74,200</b>	<b>70,500</b>	<b>75,900</b>	<b>76,700</b>	<b>80,300</b>

Source: City of Toronto Employment Survey

Key observations regarding Toronto's pre-pandemic employment profile are as follows:

- Office employment is the dominant category, accounting for 48% of all jobs, and reflective of Toronto's role as the central city in the broader economic region.
- A relatively even distribution of jobs in the non-office categories is evidence of the City's diverse employment mix.
- By contrast, two categories are dominant in the designated Employment Areas: Office and Manufacturing and Warehousing.
- Prominent employment activity within the Core and General Employment Areas reflects their intended purpose. Core Employment Areas accommodate land extensive uses that may require separation from sensitive uses as well as other business serving employment, primarily accommodating Manufacturing and Warehouse jobs (40%), while also accommodating Office jobs (32%), which also play a prominent role. General Employment Areas feature a more diverse share of Office and Retail jobs, which involve more frequent interface with the public.
- Job losses in Manufacturing and Warehousing were substantial between 2001 and 2011, resulting in a notable decrease in employment in what is now designated Core Employment Areas. These losses began to abate



between 2011 and 2016, coincidentally after Council approval of OPA 231, with the sector showing signs of considerable resurgence in the Core Employment Areas between 2016 and 2019, growing by nearly 8,900 jobs in that time.

- In line with its role as the central nexus of the regional economy, employment in the Downtown and Central Waterfront is primarily comprised of Office jobs (64%), followed by Institutional (15%) and Service (11%) category jobs. Starting in 2006, the area began to experience steadily increasing growth, led primarily by these three categories. Between 2006 and 2019, the Downtown and Central Waterfront added nearly 175,000 jobs, an increase of 45%.
- Employment in the other Centres also followed a pattern of growth post 2006, though the overall rate of growth has been more modest than that experienced in the Downtown and Central Waterfront. Like the Downtown, Office employment is the leading activity in the other Centres (73%), followed by Service (10%) and Retail (8%) employment. This pattern of employment growth was generally mirrored in each of the Centres, with the exception of Etobicoke Centre, which declined by 14% between 2006 and 2011, and only recently recovered those losses as of the 2019 TES.

**i. Measuring Toronto Employment for Comparison to Growth Plan Forecasts**

The employment observed in 2019, as measured by the TES, was 1,570,000 jobs at business establishments. This survey does not capture those who work from home, nor a portion of other workers who may be counted by the Census. On the other hand, the Census only counts one job per person working, so the Toronto Employment Survey may count those with multiple jobs more than once. In 2016, the TES count was 1,441,000 while the Census showed 1,608,000 jobs in Toronto by its more comprehensive measure. Applying the same differential to the 2019 Toronto survey result of

1,570,000 would yield an estimate of 1,750,000 for the city in 2019 by the Census definition.

According to Schedule 3 of the Growth Plan, which relies on the Census definition of employment, Toronto is required to plan to accommodate a forecast employment total of 1,980,000 by 2051. This would require Toronto to add 230,000 jobs over the 32 years between 2019 and the forecast horizon, or approximately 7,100 net additional jobs per year.

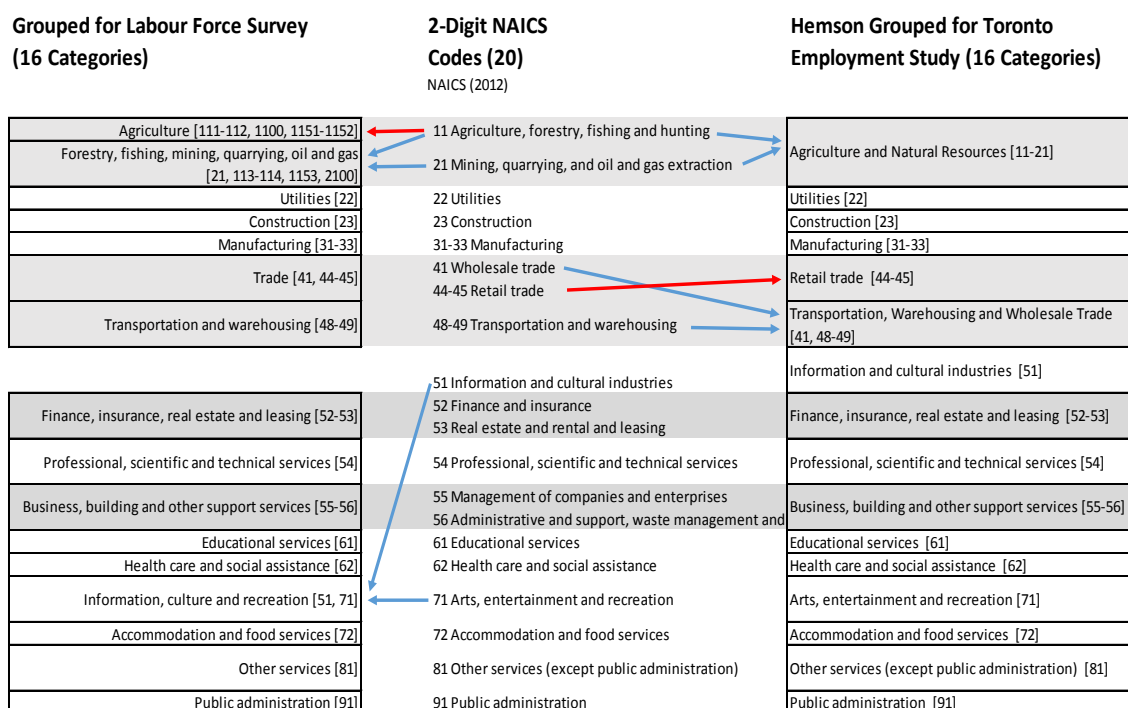
## **ii. A More Detailed Look at Employment by Industry Type**

There are 419,000 people working in buildings across Toronto's Employment Areas. Reporting on economic activity according to the Land Use Activity Code, as presented in the previous section, has been the mainstay since the inception of the Toronto Employment Survey in the mid-1980s. One drawback to the LUAC coding is that it reflects the type of building as the focus for analyzing economic activity, rather than the nature of the economic activity that happens within. Since 2011 Toronto staff has also been recording economic activity by NAICS code as part of the TES. The North American Industrial Classification System (NAICS) offers a classification of economic activity that is consistent with the Census and Labour Force Surveys, in Canada as well as the United States and Mexico. This section of the report presents an overview of trends by NAICS industries.

NAICS is quite a detailed method of classifying economic activity, with sub-classifications to six digits. Often summarized at the two-digit level, this system offers a detailed measure of jobs and businesses that allows for comparison with other jurisdictions. Figure 14 on the following page illustrates how these 20 classifications are grouped into 16 categories for the purposes of the Labour Force Survey.



**Figure 14: NAICS Groupings for Toronto Employment Study**



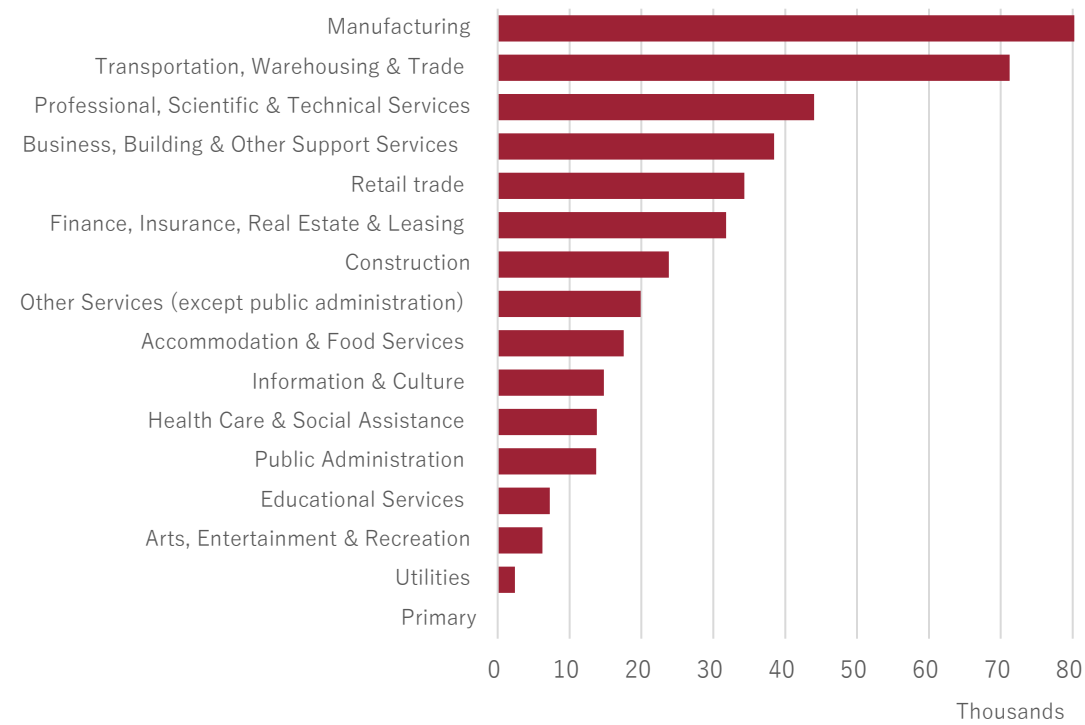
Source: Hemson Consulting, Statistics Canada Labour Force Survey

For the purposes of analyzing employment activity in the City of Toronto we have regrouped these 16 categories to better reflect activities and their land use needs specific to Toronto. For example, Agriculture is grouped with Forestry, Fishing and Mining into Agriculture and Natural Resources (sometimes referred to Primary economic activity). Notably, we have isolated Information and Culture from Recreation so as to track this important segment of Toronto's economy. Additionally, we have removed Wholesale Trade from the broader Trade category to better track population-serving Retail activity, as well as the more industrial wholesaling sector where many distribution and logistics firms are categorised.

The resulting 16 categories provide more insight into economic activity, and change over time, in our evaluation of the health of Toronto's Employment Areas. This is important as so many older industrial buildings in Toronto, originally built for manufacturing, are now occupied by a wide range of firms.

Looked at this way, the dynamics of activity in Employment Areas is evident. As Figure 15 reveals, Manufacturing is still the largest category of activity across Toronto’s Employment Areas with close to 20% of all jobs, followed closely by Transportation, Warehousing and Trade.

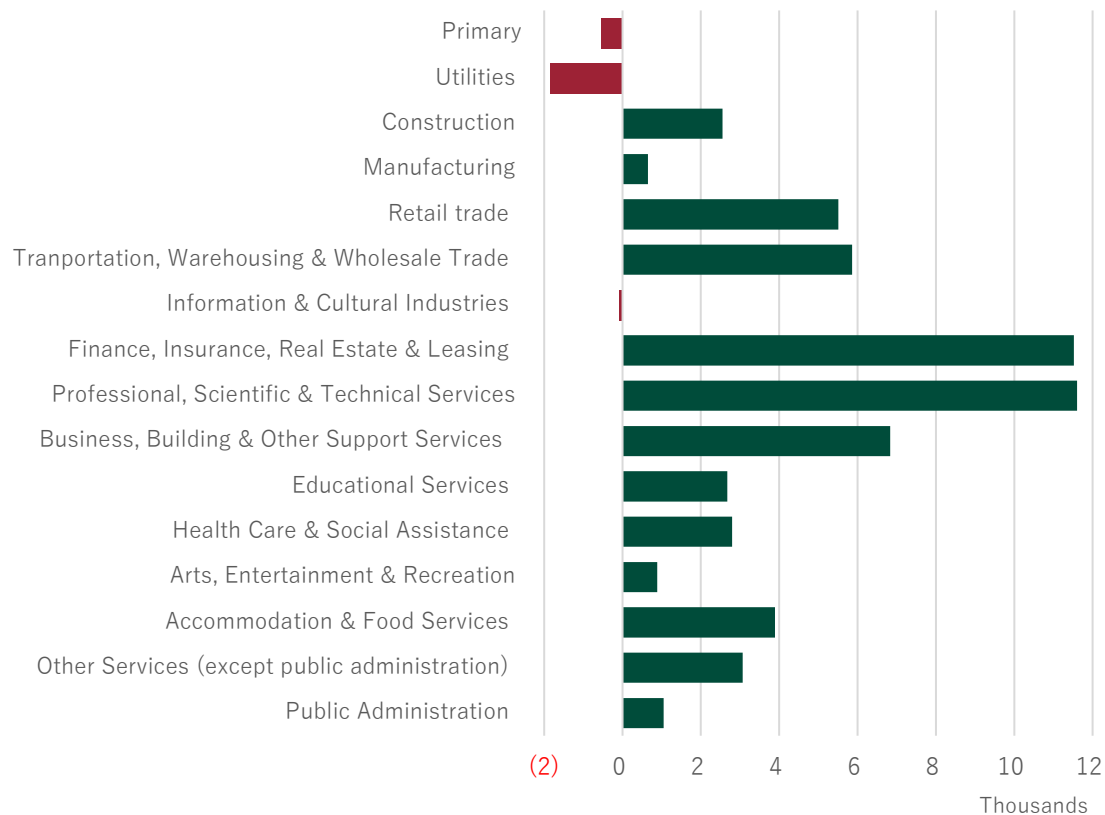
**Figure 15: Total Employment in Employment Areas by Industry (NAICS), 2019**



Source: Toronto Employment Survey

Toronto’s Employment Areas have experienced strong job growth since the end of the Great Recession through to the start of the COVID-19 pandemic. Figure 16 on the following page illustrates the change by NAICS industry from 2011 to 2019.

**Figure 16: Change in Total Employment in Employment Areas by Industry (NAICS) 2011 – 2019**



Source: Toronto Employment Survey

The largest gains were in sectors that typically occupy office-type space, be that in a traditional office building, an industrial multiple or in a refurbished 19<sup>th</sup> or early 20<sup>th</sup> century factory building. As highlighted by other studies, and the City's own broad-based economic analysis, growth has been focused in Finance, Professional and Business Support functions. Retail also experienced significant growth within the Employment Areas of the city as significant retail development was building out in the General Employment Areas.

Still, there was considerable growth in Transportation and Warehousing as the effects of e-retailing have stimulated the need for distribution centres in the heart of the economic region. Growth in Manufacturing was modest, but has shown signs of resurgence after an extended period of decline in the years before the Great Recession. A key strength of the Employment Areas across Toronto is the ability to accommodate a wide range of activities in the broader manufacturing sector.

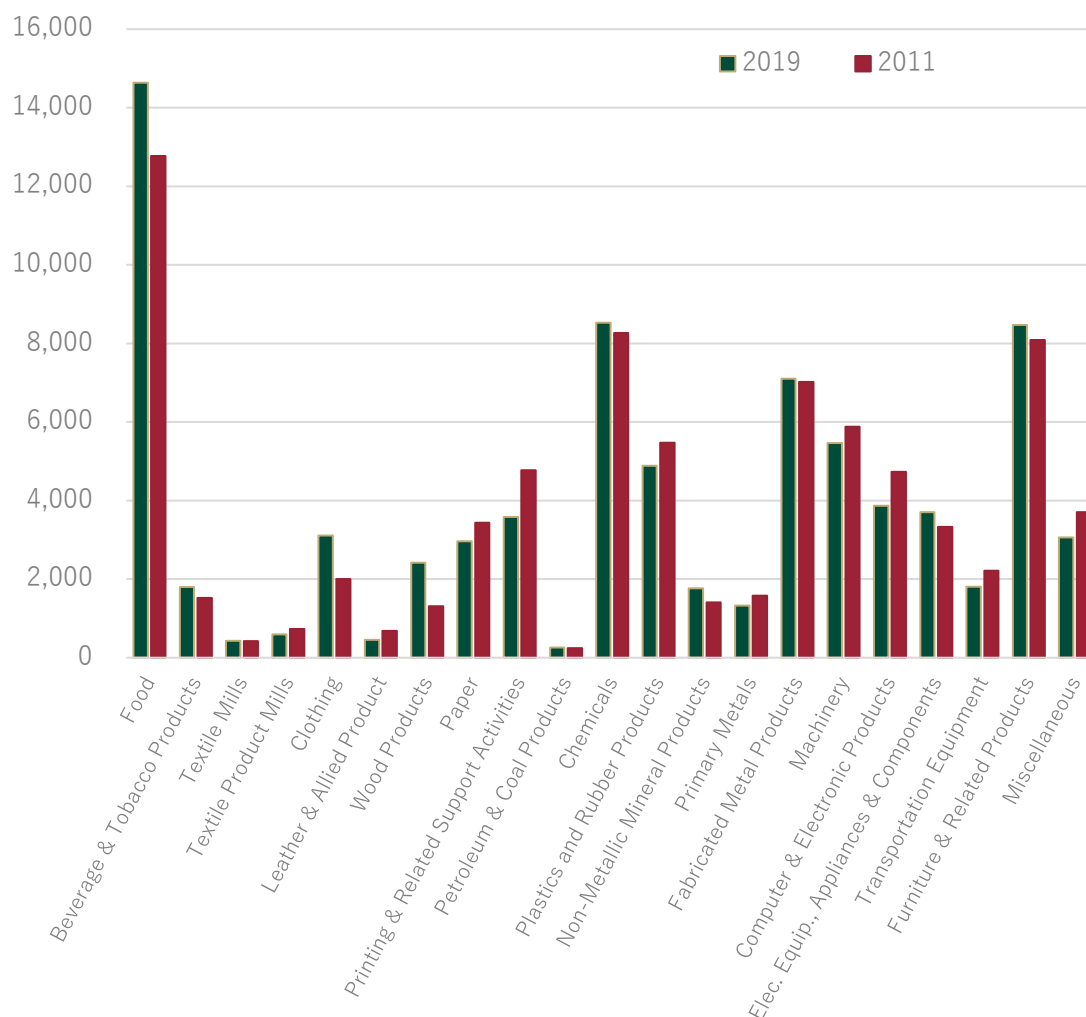
Figure 17 on the following page illustrates the dynamic within Manufacturing that has continued since 2011 by plotting the change in jobs for 21 sub-sectors within Manufacturing. Losses in some traditional manufacturing activities have been offset by gains in others. Significant gains were made in Food and Beverage Manufacturing, where employment grew by 15% despite this being a period where large plants such as Christie's and Campbell Soup closed. The GTA Food and Beverage cluster is one of the largest in North America, and is second only to automotive manufacturing. The sector employs about 65,000 people across the Census Metropolitan Area and over half of all food and beverage products made in Ontario are produced within the GTA<sup>6</sup>.

The 16-way breakdown of NAICS industries has been employed to paint a picture of concentrations and trends within each of the 23 Areas of Employment profiled in Appendix 2.

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<sup>6</sup> *Toronto Food and Beverage Manufacturing Sector Road Map 2020 – 2030*, Toronto Economic Development and Culture

**Figure 17: Total Employment in Manufacturing by Sub-Sector, 2011 and 2019**



Source: Toronto Employment Survey

## B. The Relationship between Employment and Land

Before moving on to discuss the allocation of specific employment sub-sectors across the City of Toronto, it is important to understand the relationship between employment and land in Employment Areas. As shown previously in Table 2 and Table 3, these Employment Areas accommodate a broad range of employment uses.

In particular, the 121,900 Manufacturing and Warehouse employees represent just over 29% of all jobs in the Employment Areas, but nearly 90% of all jobs in this category across the city. These jobs tend to be at a lower employment density, (measured as employees per hectare), than other sectors. Based on current land utilization trends, these jobs average approximately 30 to 35 employees per hectare. At this density range, the 30% of employees in Manufacturing and Warehousing implicitly occupy around half of all lands in the Employment Areas.

Office uses, on the other hand, are likely to exceed 150 employees per hectare when located in a former industrial building. However, they would be in the vicinity of 250 employees per hectare if located in freestanding multi-storey office buildings with surface parking. The approximate 40% of employees in office uses in Employment Areas likely occupy just over 10% of the land area. The different uses and densities (and changing densities over time) can make up for a somewhat complex relationship between employment growth and land occupancy.

This relationship becomes more challenging as it relates to policies for transit-oriented planning in existing Employment Areas. The minimum density targets of 150 to 200 persons and jobs per hectare as prescribed by the Growth Plan for MTSA sets a very high bar for employment uses in the vicinity of these stations. While these targets are to be averages across the individual MTSA, and while most office employment uses should have little problem achieving this planned level of density given current land occupancy patterns, land extensive uses such as warehousing, distribution and logistics may be unable to achieve these minimum densities on their own.

Even with the prospect of increased intensification and optimization of Manufacturing and Warehouse uses in an urban infill context, these minimum MTSA targets are significantly different from current industrial land occupancy and utilization patterns. While not one of the Growth Plan conversion criteria, proponents may use this gap as a rationale for

converting these Employment Areas to non-employment uses in order to achieve other provincial policy objectives.

It may also not be enough to expect Office employment to increase existing densities. Consultation with business operators located in Employment Areas indicates an increasing sense of friction between traditional industrial activities and office developments, specifically in terms of competition for limited available land. This relationship between office and industry is discussed later in this section.

## **C. Overview of Toronto's Industrial Market**

The Greater Toronto Area industrial market, as tracked by Cushman & Wakefield, includes an inventory of some 799 million square feet of industrial space, making it Canada's largest industrial market by far – and one of the five largest in North America. With its proximity to major US markets and access to a diverse and skilled labour force, the GTA has historically been home to major manufacturing operations and suppliers, with warehousing and distribution facilities becoming an increasingly large component of the industrial inventory over the past decade or so.

### **i. Key Industrial Market Indicators**

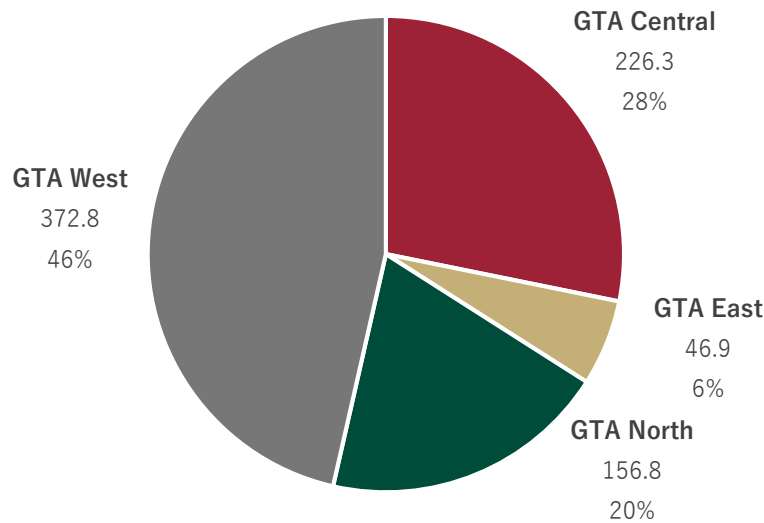
Cushman & Wakefield tracks the GTA's industrial inventory in four submarkets: Central, West, North and East. The Central submarket is comprised of the City of Toronto in its entirety. Key indicators for the submarket include floor space inventory, vacancy rates, new supply, and average rental rates. Key findings related to each of these factors include:

#### **a) GTA Industrial Inventory Concentrated in Toronto**

The industrial inventory of Toronto is approximately 226 million square feet, accounting for 28% of the total GTA market. This makes Toronto the largest individual municipality in the GTA in terms of total industrial inventory,

followed by Mississauga and Brampton in the GTA West submarket, and Vaughan and Markham in GTA North Submarket. A breakdown of regional inventory by submarket is provided in Figure 18.

**Figure 18: Industrial Floor Space Inventory in Millions of Square Feet, GTA, Q4 2021**



Source: Cushman & Wakefield

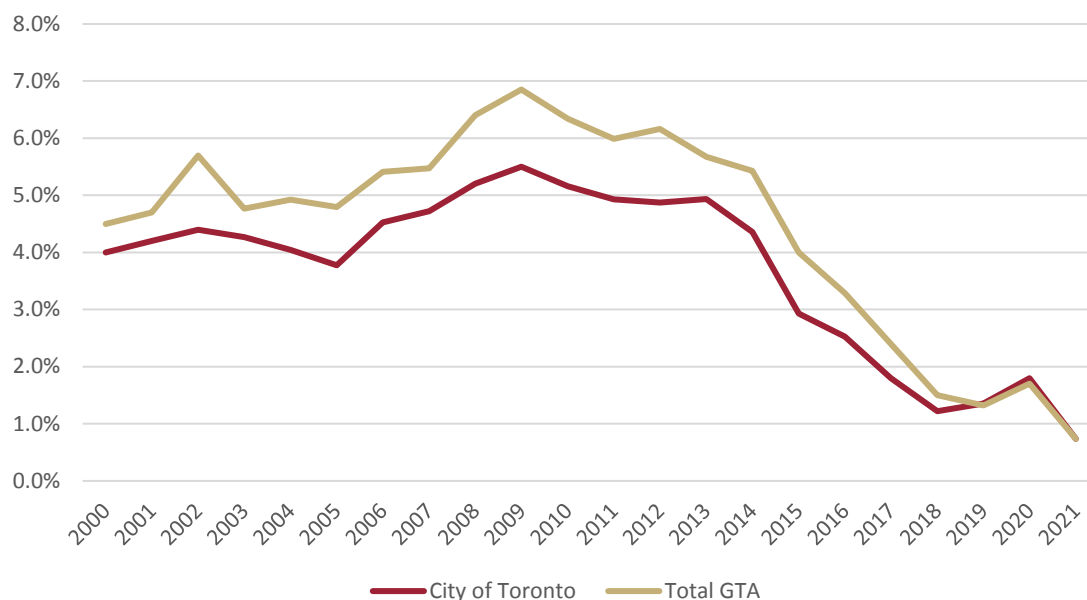
#### **b) Vacancy Rates Have Hit Record Lows in Toronto and the GTA**

Vacancy in the GTA industrial market reached a new record low at year-end 2021, at just 0.7%. For comparison, vacancy averaged around 4% over the past decade, and remained in a range of 5% to 7% from 2005-2015. The strong downward vacancy rate trajectory has coincided with strong levels of absorption that have outpaced new supply activity.

Vacancy rates within the City of Toronto have remained at or near historic lows for the past five years, also currently sitting at 0.7%. As shown in Figure 19 on the following page, vacancies in the City of Toronto have historically been lower than the overall GTA average since 2000, averaging approximately 100 basis points below since the previous recession. It is only recently that this gap has narrowed and effectively disappeared, as demand has been absorbed faster than new space can be added across the entire GTA.



**Figure 19: Industrial Building Vacancy Rates, City of Toronto and Total Greater Toronto Area, 2000-2021**



Source: Cushman & Wakefield

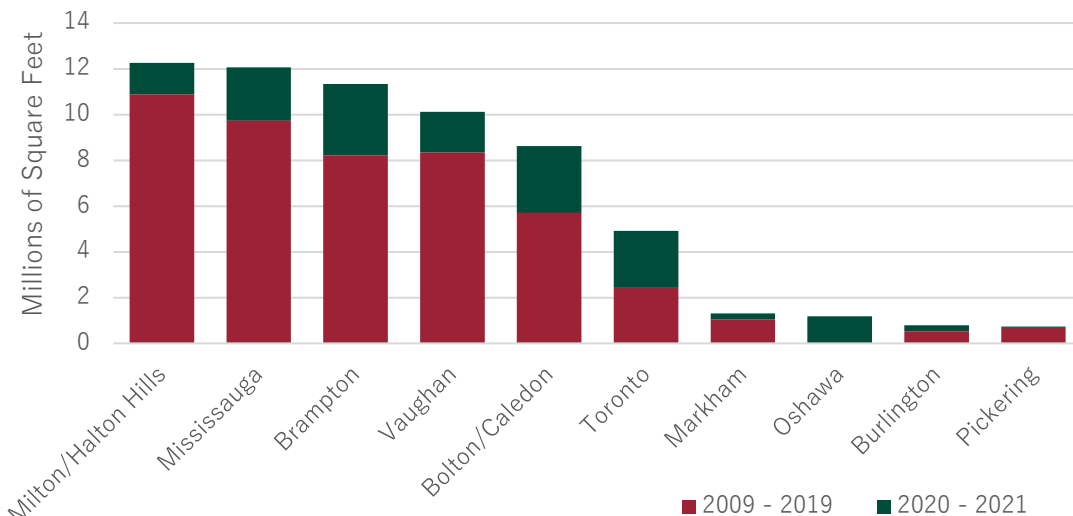
### c) **New Supply has Been Limited in the City of Toronto**

Prior to the Great Recession in 2009, the GTA industrial market added an average of 8.0 million square feet of new space annually. This dropped sharply in the year immediately following the recession, with the market only adding 1.1 million square feet of supply. The annual amount has risen since then, averaging 4.2 million square feet of new space annually between 2009 and 2019. 2020 marked the first time the provision of new space surpassed pre-Great Recession construction activity with over 11.5 million square feet of space under construction as of Q1 2021.

As shown in Figure 20 on the following page, most of this additional inventory has been concentrated in municipalities to the west and north of Toronto, such as Milton/Halton Hills, Mississauga, Brampton and Vaughan. While the City of Toronto has lagged behind these more greenfield-oriented communities in terms of net new industrial supply, the city has accounted for approximately 3% of the GTA's new supply since 2009. It is notable that,

since the onset of the pandemic, Toronto has added about as much new industrial supply as was added during the prior decade.

**Figure 20: New Supply (millions square feet), Top 10 GTA Municipalities, 2009-2021**



Source: Cushman & Wakefield

As of Q2 2021, close to 4.5 million square feet of new industrial space has been added across the GTA. GTA West has accounted for one-half of this new construction, while GTA East (24% share) and GTA Central (19% share) have also been active submarkets. There is presently almost 9.6 million square feet under construction market-wide. The current development cycle represents developer confidence in persisting demand from occupiers. New supply is now averaging 7.5 million square feet annually during the past five years. The 12.6 million square feet added in 2020 represented the largest annual new supply completed since 1999 (14.5 million sf).

#### **d) Rental Rates have Spiked with the Pandemic**

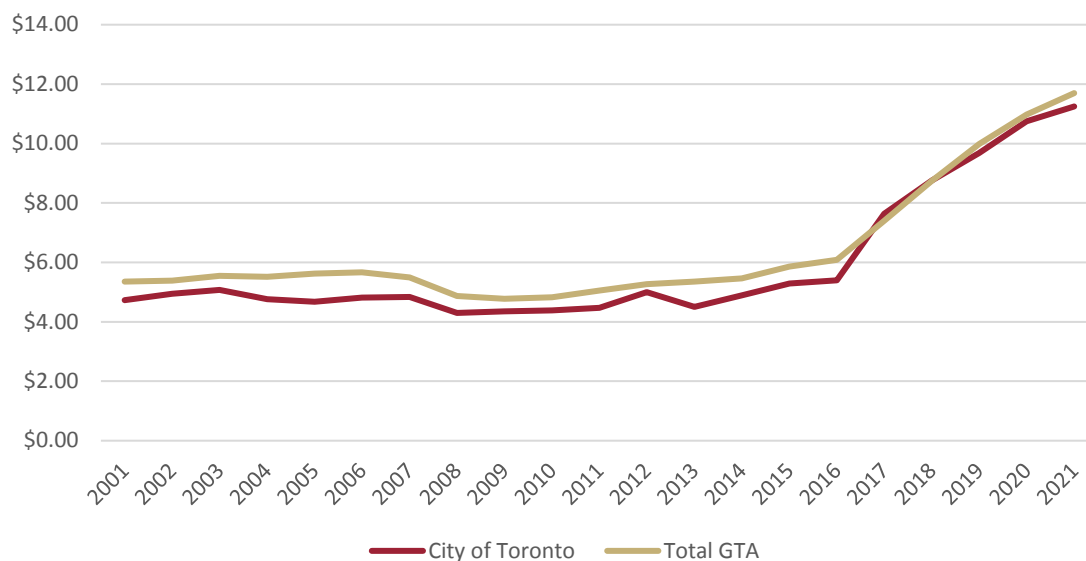
Years of increasing demand and limited new supply have resulted in rapidly rising rents in recent years. From 2000 through to 2015, asking net rental rates for industrial space in the GTA had remained in a relatively narrow range from roughly \$4.75 to \$5.50 per square foot. Starting in 2015, the average asking net rental rate began increasing sharply year-over-year, up

some 12.2% on average as compared to a post-recession annual rate increase average of only 2.7%.

By 2018, the average asking net rental rate for the GTA began to rise rapidly, surpassing \$8 per square foot. As vacancies continued to decline and demand continued throughout the pandemic, average asking rent has surged up to \$11.70 per square foot net by year end 2021. This represents a doubling of rents since 2015. Given the acute supply-demand imbalance in the region, rent is expected to remain on an upward trajectory for the foreseeable future with further demand anticipated as the region emerges from the pandemic and businesses move towards a new normal.

As shown in Figure 21, rental rates in the City of Toronto have historically been slightly below the GTA average by around \$0.60 per square foot, or roughly 10%. This is attributable to the much higher rate of new construction activity in the suburban markets, and the premium pricing associated with new product having an overall upward effect on asking rents. However, this gap has closed in recent years, with rents in Toronto (\$11.25 per square foot net) nearly on par with the regional average.

**Figure 21: Average Asking Net Rental Rates, Toronto and GTA, 2002–2021**



Source: Cushman & Wakefield

## **ii. Industrial Building Permit Activity Has Remained Steady**

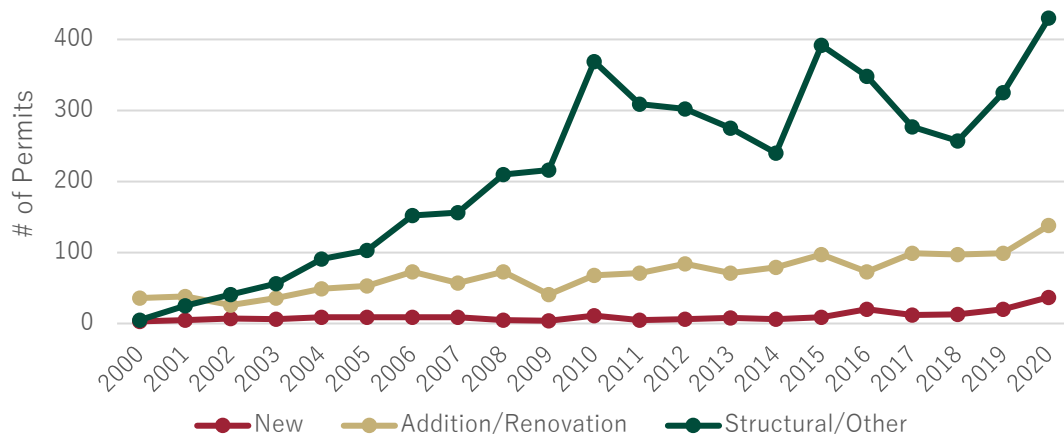
While a number of greenfield municipalities have outpaced the City of Toronto in terms of industrial construction in recent years, an analysis of building permits issued by the City indicates ongoing reinvestment by property owners within the existing stock of industrial space. Steady activity new building permits and permits for additions/renovations and alterations or other modifications, maintenance and safety upgrades demonstrate the importance of preserving existing Employment Areas for ongoing industrial and other adaptive employment uses.

Using data provided by the City of Toronto, Cushman & Wakefield classified industrial building permits into three categories: New, Addition/Renovation, and Structural/Other. Cushman & Wakefield then assessed permit activity between 2000 and the end of 2020 in terms of the number, value, and floor space associated with each permit category.

### **a) Permit Activity Shows Pattern of Reinvestment in Current Stock**

The number of industrial building permits associated with new buildings has remained relatively constant since 2000, averaging approximately 10 permits per year, with a slight uptick in activity in the past five years. Permits for Addition/Renovation work are somewhat more common within the existing building stock, and averaged around 70 permits annually, which also have increased since 2015. Structural/Other permits, which are primarily associated with mechanical and plumbing work, have also trended upward, averaging 218 permits annually since 2010. The change in the number of Structural/Other permits from 2010 onward is related to a change in how multiple permits for individual projects are treated in the data (Figure 22 on the following page).

**Figure 22: Count of Industrial Building Permits, City of Toronto, 2000-2020**

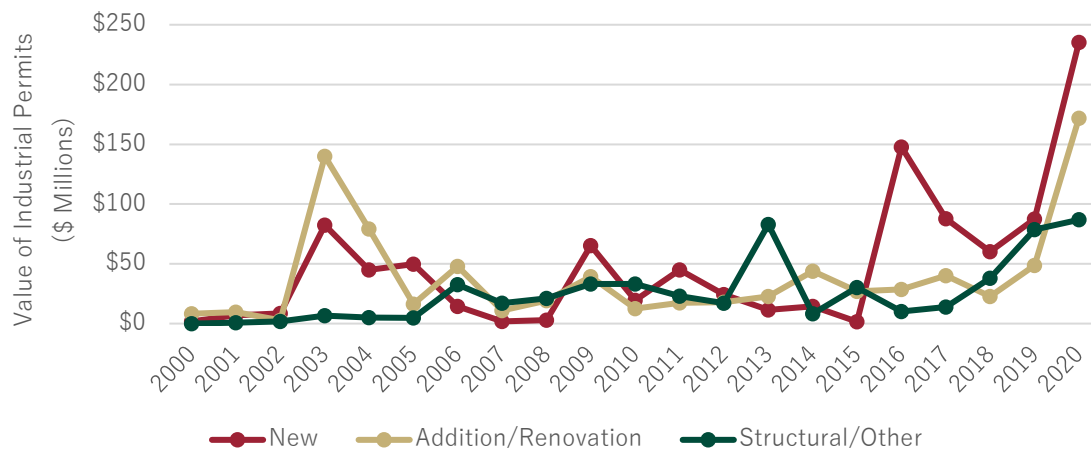


Source: Cushman & Wakefield

#### b) Value of New Permits Have Risen in Recent Years

The value of construction by type of permit has fluctuated significantly over time with certain spikes in 2003, 2016 and 2020, indicating changing investment/reinvestment activity within Toronto's Employment Areas. The value of New industrial building permits averaged over \$48 million annually since 2000, with Addition/Renovation permits averaging approximately \$39 million and Structural/Other permits averaging just under \$26 million annually during this period. (Figure 23)

**Figure 23: Value of Industrial Building Permits by Year, City of Toronto, 2000-2020**

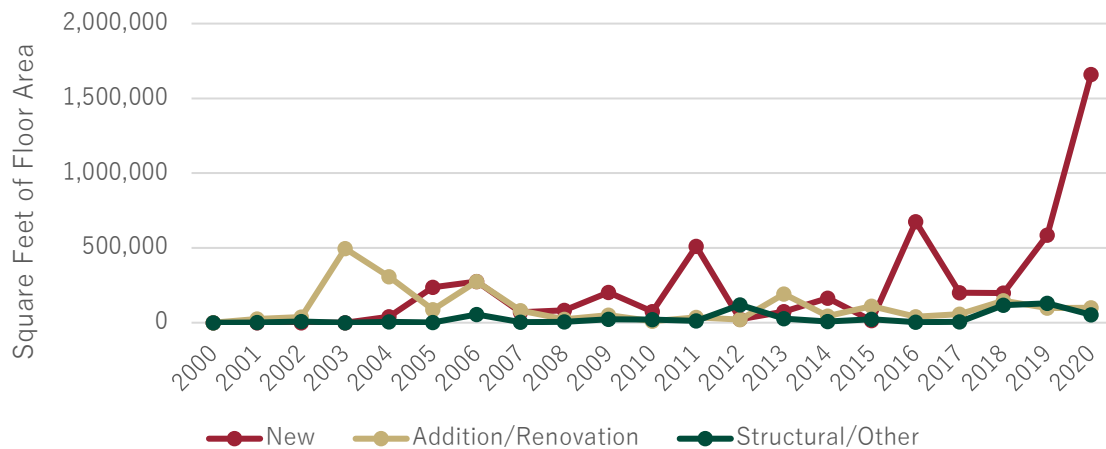


Source: Cushman & Wakefield

### c) Just Under 380,000 Square Feet Added Annually on Average

While the count of permits by type has remained relatively constant over time for the New and Addition/Renovation permit categories, the floor area has remained more stable. Annually, New industrial building permits across the City of Toronto have averaged roughly 242,000 square feet. per year, for a cumulative total of some 5.2 million square feet. of space between 2000 and 2020, along with a cumulative total of around 2.3 million square feet. of Addition/Renovation activity, averaging roughly 107,000 square feet. per year (Figure 24).

**Figure 24: Industrial Building Permits by Floor Area (square feet), City of Toronto, 2000-2020**



Source: Cushman & Wakefield

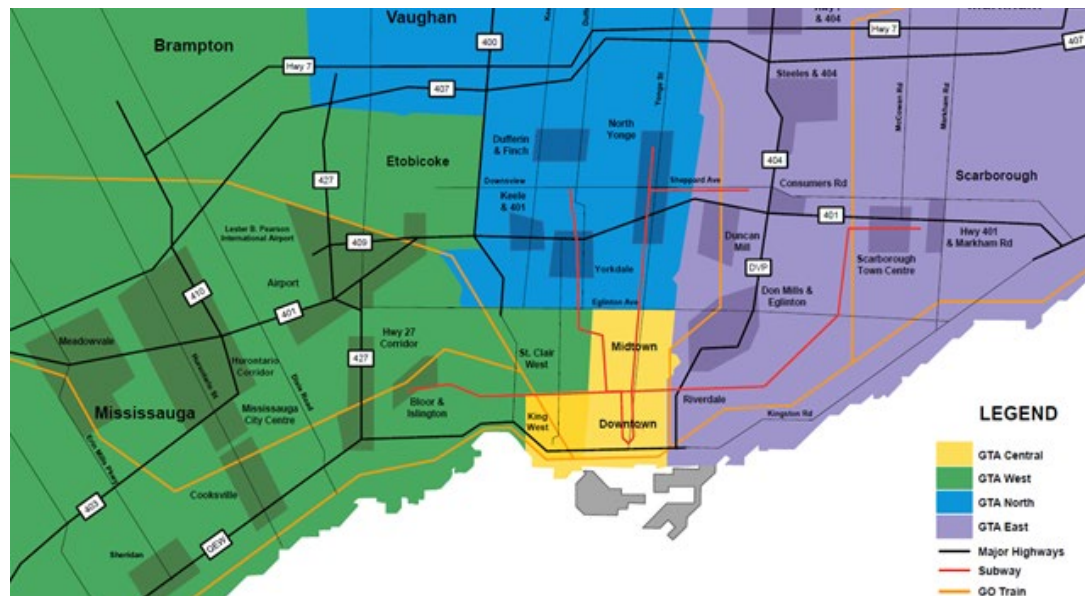
## D. Overview of Toronto's Office Market

### i. Key Market Indicators

Cushman & Wakefield tracks the GTA's office inventory in the following submarkets: Downtown (consisting of the Financial Core and Downtown Fringe), Midtown, and the suburban submarkets of GTA East, GTA North and GTA West. Unlike the industrial market, which Cushman & Wakefield tracks at the municipal level, the office submarkets are tracked as nodes/concentrations. Accordingly, there is some overlap from the City of

Toronto to an adjacent municipality for a few submarkets (such as Airport – with Mississauga, and Steeles & Highway 404 – with Markham), as shown in Figure 25.

**Figure 25: Cushman & Wakefield Office Submarket Boundaries**



Source: Cushman & Wakefield

Key indicators for the submarket include floor space inventory, vacancy rates, new supply, and average rental rates. Key findings related to each of these factors include:

#### a) **GTA Office Inventory Concentrated in Downtown Toronto**

Cushman & Wakefield tracks an office inventory of nearly 184 million square feet GTA-wide, which is evenly divided between the Central Area and the Suburbs. The Central Area is home to the Downtown and Midtown submarkets; the Suburbs are comprised of GTA West, GTA North, and GTA East.

The following describes the characteristics of each GTA submarket:

- Downtown is the largest GTA submarket in terms of office inventory. It is bounded by Bloor Street to the north, Lake Ontario to the south, the Don River to the east, and Bathurst Street to the west. Downtown Toronto is

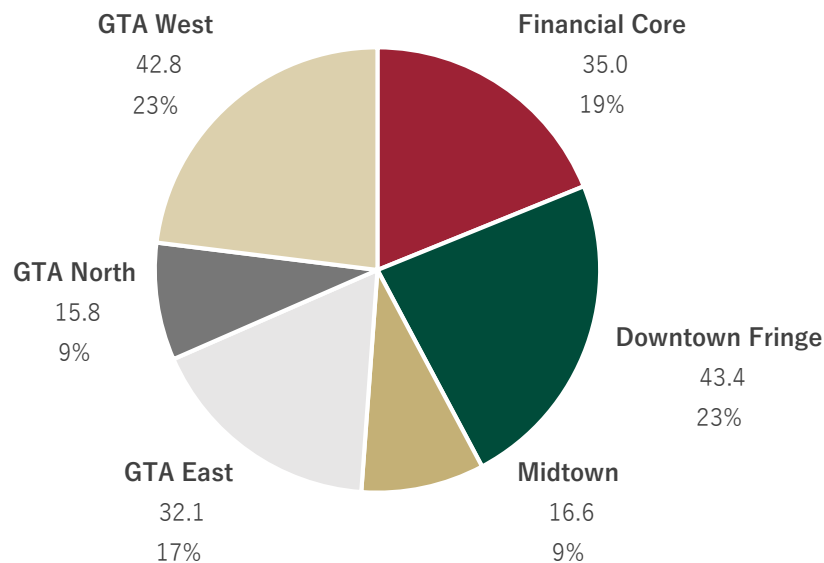
home to the Central Business District, which includes the Financial Core and Downtown Fringe areas. The Financial Core is centered on the intersection of Bay Street and King Street, and contains headquarters of the five largest Canadian banks, as well as the Toronto Stock Exchange. The office submarkets surrounding the Core are known as the Downtown Fringe, and contain a range of building forms, including office towers, and converted “brick and beam” industrial properties.

- The Midtown market is bounded by Bloor Street to the south, Eglinton Avenue to the north, Bayview Avenue to the east, and Marlee Avenue / Oakwood Avenue / Ossington Avenue to the west. The nodes at Yonge & Bloor, Yonge & St. Clair, and Yonge & Eglinton, are the focus of office activity in this submarket, along with properties along St. Clair West. These sites offer proximity to the Downtown market, and TTC subway accessibility, at a lower cost of occupancy.
- The GTA East market includes business parks along the Don Valley Parkway, as well as offices located throughout Scarborough and Markham, plus Consumers Road in North York.
- The GTA North market includes the Yonge Street nodes at Sheppard Avenue and Finch Avenue, as well as other smaller office concentrations in North York, and other suburban areas to the north of the City of Toronto.
- The GTA West market includes Etobicoke, Mississauga, Brampton, Oakville, and other dispersed offices to the west of the City of Toronto.

Overall, the Central Area has an inventory of 95 million square feet, as shown in Figure 26 on the following page. The Downtown submarket accounts for 78.4 million square feet (roughly 83% share) of this office space, while the Midtown market is home to 16.6 million square feet (roughly 17% share). The Suburbs have an inventory of nearly 91 million square feet, spread across other parts of Toronto and neighbouring municipalities.



**Figure 26: Office Floor Space Inventory in Millions of Square Feet, GTA, Q4 2021**



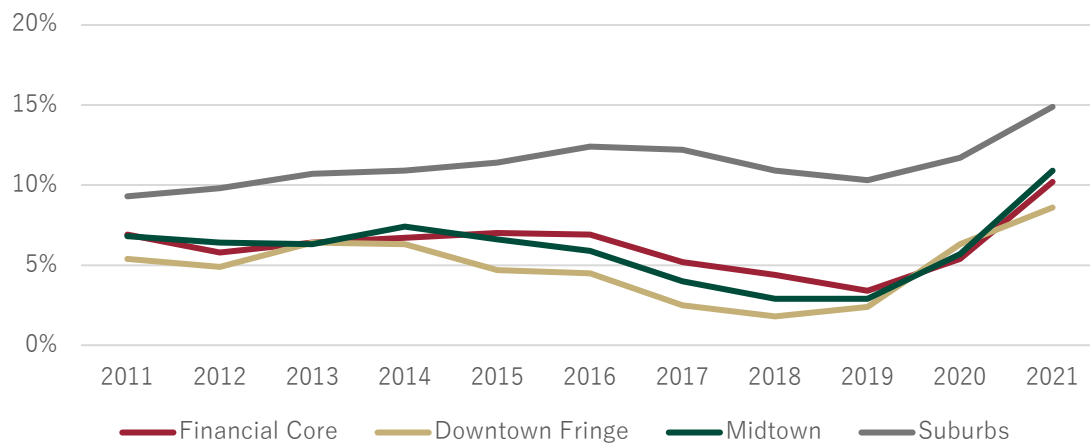
Source: Cushman & Wakefield

#### **b) Sustained Periods of Limited Vacancy Prior to the Pandemic**

The vacancy rate in the Central Area reached 10% at year-end 2021. This is up from a level of less than 3% pre-pandemic (year-end 2019), and is the highest the vacancy rate has been since 2005. Pre-COVID-19 vacancy in the Central Area had declined each year since 2013, as illustrated in Figure 27 on the following page. In the fourth quarter of 2021 the Downtown Fringe submarket had an overall vacancy rate of 8.6%, while the much smaller Midtown submarket had a vacancy rate of 10.9%. Sublease space currently accounts for approximately 42% of total vacant space; this compares to a figure of 23% at year-end 2019, and an average of 20% in the five years pre-pandemic.

The current overall vacancy rate is 14.9% across the GTA Suburbs. This is the highest rate recorded by Cushman & Wakefield since 1995, and is up from a pre-pandemic level of 9.4% (year-end 2019). Vacancy is lowest in GTA North (11.8%); it is notably higher in GTA East (14.9%) and GTA West (16.0%).

**Figure 27: Office Market Vacancy Rate, Toronto Central and Suburban Sub-Markets, 2011-2021**

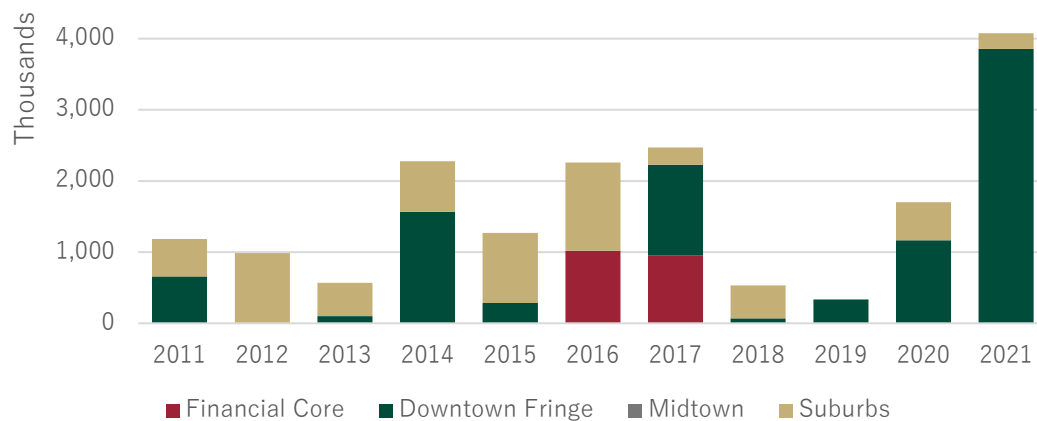


Source: Cushman & Wakefield

### c) Significant New Supply Has Been Added in Toronto/GTA

2021 saw a considerable uptick in the delivery of new space to the Central markets — most notably, CIBC Square (Phase I) at 81 Bay Street. Over the past decade, over 11 million square feet of new office space has been added in the Central markets. As shown in Figure 28, the bulk of this new supply has been delivered in the Downtown Fringe, with no major additions in the Midtown areas. In addition to this recently completed supply, there is nearly 6 million square feet of new supply currently in the development pipeline across the Downtown submarkets.

**Figure 28: New Office Supply, City of Toronto Central and Suburban Sub-Markets, 2011-2021**



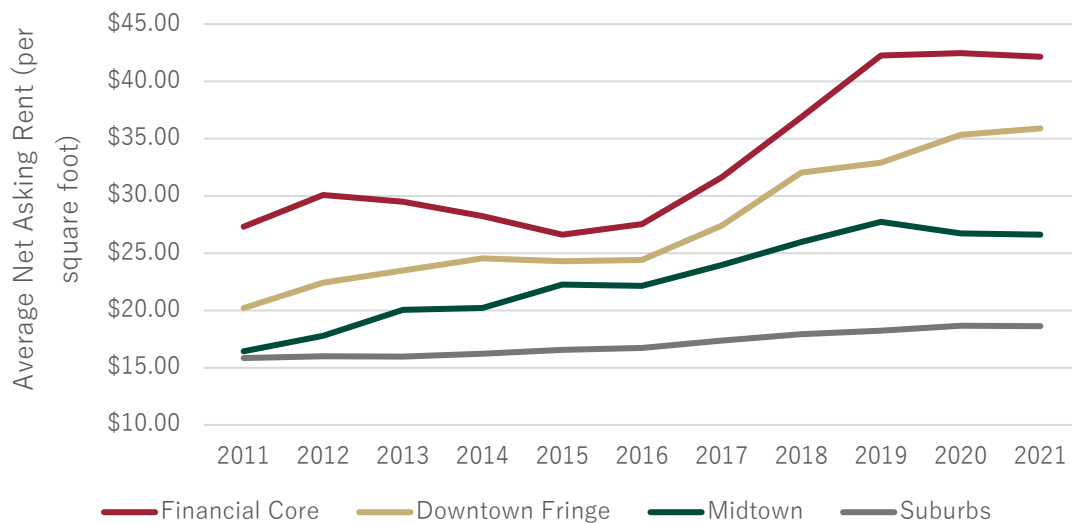
Source: Cushman & Wakefield

Over 223,000 square feet of new office space was added to the Suburbs in 2021 — all in the GTA West submarket. The Suburbs have averaged approximately 580,000 square feet of new construction annually over the past ten years.

**d) Average Asking Rents Significantly Higher in Downtown, Reflecting Primacy of Market**

The average asking Class A net rental rate for the Central Area rose slightly to \$38.40 per square foot in 2021 although off from the \$38.75 per square foot figure seen at year-end 2020, which had represented the highest rental rate ever recorded by Cushman & Wakefield. Average asking rents by market area over the past decade are illustrated in Figure 29. Asking rents have held in a range of approximately \$37.00-\$39.00 per square foot during the past 18 months, and do not yet reflect the rising level of vacancy in the market.

**Figure 29: Average Asking Class A Net Rental Rate Per Square Foot, Toronto Central and Suburban Sub-Markets, 2011-2021**



Source: Cushman & Wakefield

Net rents for Class A Suburban office space averaged \$18.62 per square foot at year-end 2021, which is just off the all-time high of \$18.70 per square foot recorded at year-end 2020. Rents have remained in a tight range from around \$18.00-\$18.70 per square foot since 2018.

## 4. COVID-19 and the Impacts of the Global Pandemic

This section discusses the effects of the COVID-19 pandemic on the employment land and office sectors in Toronto. It starts with a short overview of market trends in the years prior to the first “lockdown” in March 2020. Next, the effects of the pandemic are considered from a variety of perspectives followed by an assessment of the post-pandemic outlook.

### A. Trends Prior to the Pandemic

In the 2018-2020 period prior to the first nation-wide shutdown, Canada’s economic performance was relatively strong with GDP growth in the 2.0% range, albeit on a declining trend. Both Toronto’s office and employment land employment sectors were performing well with space demand in both sectors outpacing supply.

#### i. Office Sector

##### a) Sustained Growth Was Driving Downtown-Focussed Space Demand

Reflecting the positive general growth in the economy and especially in the technology sector, Toronto’s office market was long into a period of sustained growth. The Downtown was the beneficiary of the large majority of the growth driven in part by:

- The response of organizations to the preference of younger employees to live and work in the city’s urban centre;
- The advantage of the core in relation to accessibility; and

- A competitive property tax environment (declining property tax ratios and development incentives, such as IMIT<sup>7</sup>)

Of particular note, organizations in the rapidly growing technology sector were increasingly favouring Downtown Toronto in order to attract talent (e.g., Google and Shopify). Organizations within the financial services and services-to-business sectors were also growing and restructuring. This process had significant space implications both in terms of floor space per worker (FSW) and space designs. In order to control space costs, FSWs were being reduced by lowering the size of and number of private offices, and shifting to open-plan desk configurations. As well, organizations were adopting the hotelling approach to providing desks to those who need to be accommodated taking account of staff absences due to work-from-home, client visits, vacations, medical appointments, etc.

#### **b) Office Space Supply Had Not Kept Pace with Demand**

In the period prior to the lockdown, office vacancy levels in Downtown Toronto were steadily declining to the point that some organizations reported being unable to meet their needs. In Q1 2020, the vacancy level was 1.5% in the downtown market, the lowest in North America. Rental rates were rising faster than inflation, reflecting the “landlord’s market”. Vacancy rates elsewhere in Toronto were in the 4-6% range. Given the shortage of space in the central area, some space users were beginning to consider more suburban locations where space supply was better and rents were lower.

Reflecting the strong market conditions, large office developments were underway in the Financial District and along King Street. At its peak, the development pipeline had over 10.6 million square feet of active projects in

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<sup>7</sup> The City of Toronto offers an ‘Imagination, Manufacturing, Innovation and Technology’ (IMIT) tax increment incentive grant equivalent to 60 percent of the increase in municipal taxes attributable to eligible development over a 10-year period. Eligible development must promote local employment across a range of employment sectors and uses.

Downtown Toronto. There is currently (2021 Q4) still 5.9 million square feet under construction or in committed developments in 21 projects, according to Cushman & Wakefield.

## **ii. Employment Land Sector**

### **a) Employment Land Employment Has Continued to Grow and Evolve**

As discussed in the previous section, Toronto's employment land market has been changing for many years in response to the evolving structure of Canada and Toronto's economy. The key change has been the decline of the manufacturing sector. At the same time, much of the growing demand for goods was being met through imports; China being a prime source leading to a growing need for warehousing and distribution space. This trend has been augmented by the growth in e-commerce. In order to increase the ease of shopping on-line, suppliers (notably Amazon) have gone to great lengths to shorten delivery times. Because of the growing size of Toronto and the relatively slow average speed of travel, small distribution facilities to address "last-mile" fulfillment needs have been set up.

The changing structure of the economy coupled with needs of organizations serving Toronto's growing population were having a major influence on employment land employment. The pattern of change had affected the nature, pay and stability of jobs with the decline in the manufacturing sector being mirrored by a decline in well paid, often unionized, jobs for skilled labour. This segment of the labour force had difficulty finding equivalent replacement jobs. Of the new jobs being created, a significant proportion only required unskilled or semi-skilled labour with pay levels at or close to the minimum wage rate. While jobs of this type are of help to those with few skills or who had limited or no work experience in Canada, they barely provide sufficient income to pay market apartment rents and certainly not enough to support a mortgage given current housing market trends.

## **b) Employment Land Supply is Under Pressure**

Toronto's employment lands are extremely important to Toronto's economy. The combination of the range and quantity of space they provide, and the availability of labour is a strong advantage for the city. This is enhanced by the extensive TTC network and GO Transit network which enables employees who do not have access to a car to get to work relatively easily.

However, the supply of employment land has been steadily diminishing for many years. The closure of some of the city's manufacturing plants coupled with the demand for sites for residential and retail uses is the principal reason for this situation. Because employment land is worth substantially less than its value for other uses, there is a strong financial incentive for owners and speculators to pursue Official Plan amendments and/or re-zonings. Since the supply of land is fixed, once changed, significant employment uses are unlikely ever to return; the conversion process is a "one-way valve." Recognizing this situation, the City has a long history of resisting employment land conversions, at least since amalgamation.

In the period leading up to the COVID-19 shutdown in March 2020, Toronto's industrial vacancy rate was around 1% and, given the strong demand, rents were rising. The remaining supply of large vacant employment land parcels, mainly in North East Scarborough, was being rapidly being absorbed, with Amazon's 1 million square foot fulfillment centre being the most notable new facility. While distribution and logistics facilities are a valuable source of new jobs, the number of jobs per hectare associated with the (highly automated) new distribution and logistics facilities is lower than would have been the case with manufacturing plants. However, there are exceptions to this pattern. For example, some of Amazon's "pick and pack" facilities are quite labour intensive and operate with multiple shifts, but are also generally land consumptive – requiring large sites to facilitate vehicle movement.

## **B. Observable Impacts of the Pandemic**

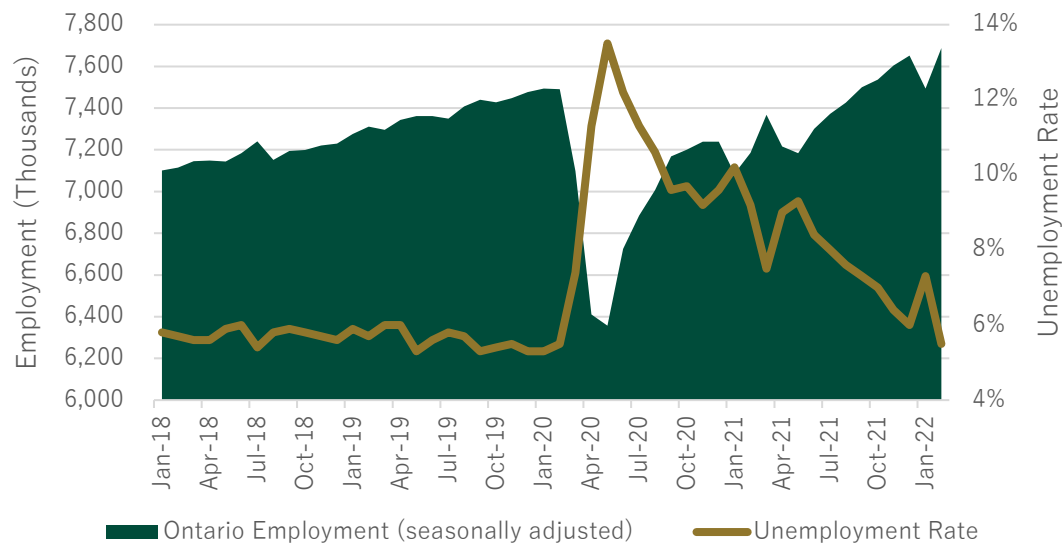
In 2020, the rapid, unexpected emergence of the COVID-19 pandemic completely altered the economic situation. When the Ontario Government declared a state of emergency, many businesses closed down beginning on March 16<sup>th</sup> and then with the full lockdown on March 23<sup>rd</sup>, 2020. The rest of Canada and most parts of the industrialized world took similar steps over a two-week period. The immediate impacts of this unprecedented economic disruption were significant countrywide, with dramatic shocks to employment across most sectors locally and at the regional and provincial level.

### **i. Regional and Provincial Impacts**

As shown previously in Figure 2, the first wave of lockdowns and public health measures had a dramatic impact on GDP in the first half of 2020. At its worst in May of 2020, employment was down over 15% from the pre-pandemic peak in January. This was followed by a significant ‘bounce-back’ starting in Q3 of 2020, though subsequent waves of the virus and responding public health measures slowed Ontario from achieving pre-pandemic levels of activity until September of 2021. Employment growth continued at a steady pace in the months that followed, before the impacts of the Omicron variant of the pandemic briefly reversed those gains, as demonstrated in Figure 30 on the following page.



**Figure 30: Total Employment and Unemployment Rate in Ontario, January 2018 – February 2022**

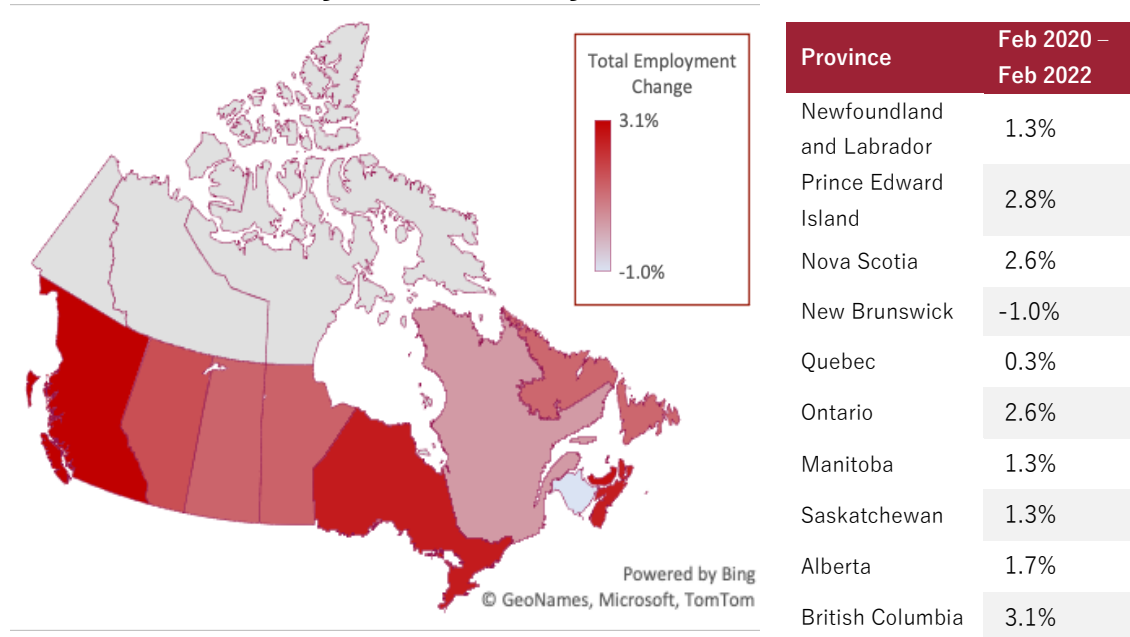


Source: Hemson Consulting, based on Statistics Canada Monthly Labour Force Survey

For context, a typical recession usually results in declines of between 3% to 5%, a mark Ontario only recovered to at the beginning of 2021. As of July 2021, Ontario employment was only down 1.6% from the pre-COVID-19 peak in January of 2020. By December, total job numbers had increased to over 2.1% above pre-pandemic figures. After a brief January Omicron pause, the February 2022 Labour Force Survey indicated Ontario employment 2.6% above the pre-pandemic peak.

While Ontario's recovery had somewhat lagged other parts of the country, recent growth now shows employment growth from February 2020 to February 2022, second highest in the country, also with Prince Edward Island, both second only to the rapid employment growth occurring in British Columbia, as shown in Figure 31 on the following page.

**Figure 31: Employment Change by Province, Seasonally Adjusted, February 2020 –February 2022**



Source: Statistics Canada Monthly Labour Force Survey

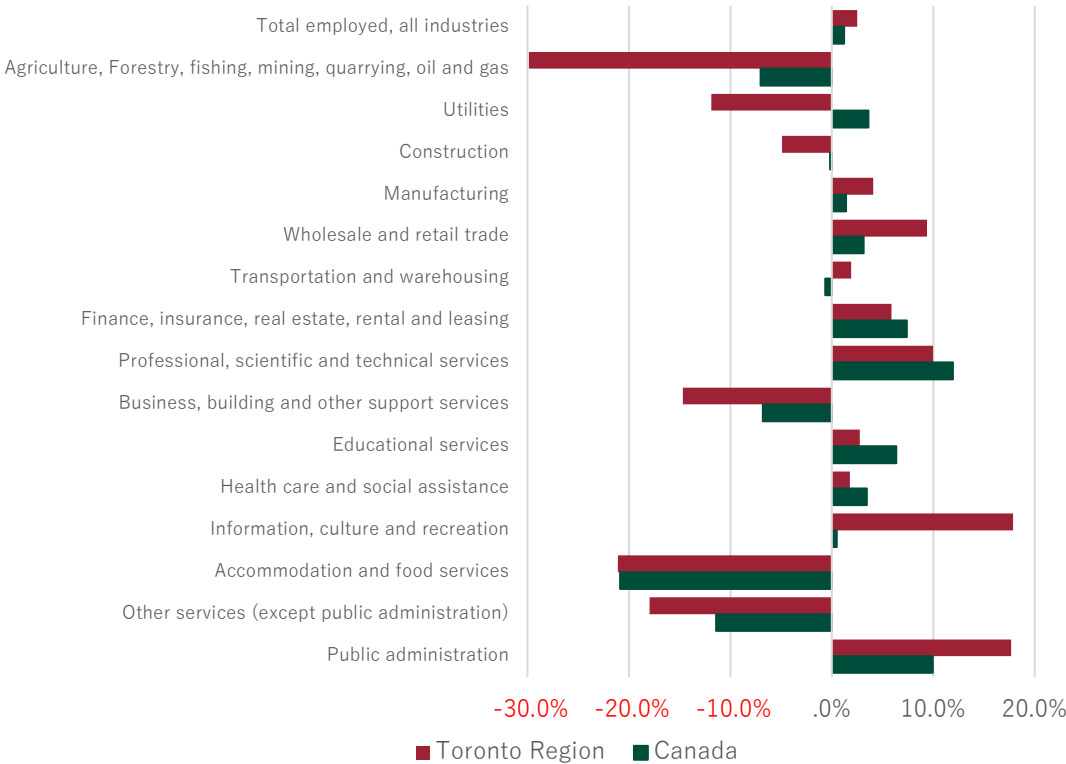
Within the Toronto economic region, the immediate impacts of the pandemic resulted in job losses across most sectors, followed by a rebound. While total employment is now higher than before the pandemic, the pattern does hold for all sectors of the economy, as shown in Figure 32 on the following page.

While certain knowledge-based sectors, particularly those able to transition quickly to remote work-from-home or other alternative arrangements (such as Finance, Insurance and Real Estate; Professional, Scientific and Technical Services, Public Administration, and even Information, Cultural and Recreation<sup>8</sup>) showed significant growth through the pandemic, many sectors saw significant declines and have only partly recovered. These

<sup>8</sup> The high growth in Information, Culture and Recreation in Toronto compared to the rest of Canada is somewhat surprising, given many activities under this umbrella are less amenable to working from home. This category certainly includes growing industries in the Toronto area such as film production, broadcasting and data services, but it also includes recreation, culture, performance and sports, all subsectors hard hit through the pandemic.

losses tended to follow similar patterns to the economic impacts seen Canada-wide, with the most significant losses occurring in the Accommodation and Food Services sector. Businesses in this sector were most severely affected by the lockdowns as a result of their in-person nature and the reliance on tourism, which has only just begun to open up again.

**Figure 32: Employment Change by NAICS Sector, Toronto Economic Region and Canada, February 2020 to February 2022**



Source: Hemson Consulting, based on Statistics Canada Monthly Labour Force Survey

As the economy continues to adapt to and eventually emerge from the pandemic, many of these job losses will reverse over time. However, there is still uncertainty as to how and when this recovery will occur across different employment activities, with varying outlooks for different sectors and employment land uses. Many knowledge-based jobs have already recovered to and surpassed pre-pandemic levels, while others, such as accommodation and food services are taking longer to return to business as

usual. Part of the reason for the slow recovery is the shortage of labour. Rather than waiting for businesses to reopen, many former employees have left the sector.

The impacts within the City of Toronto were likewise significant. In the early days, many businesses were required to close. Hardest hit were the hospitality industry, culture and entertainment facilities and retailers. The impact on the office and Employment Areas sector differed sharply.

## **ii. Office Sector**

### **a) The Pandemic Caused Users to Rethink Their Operating Model**

Immediately after the lockdown occurred, office-based organizations sent all but the most essential staff home and began to operate remotely, enabled by technology. This also led to low wage cleaning staff and employees in the food courts to being either furloughed or laid off. For the TTC, the effect was equally dramatic as system-wide ridership dropped by to approximately 27% of pre-COVID levels, with more significant ridership impacts for streetcar and subway service, and shown in Table 8. Although as yet no formal studies have been undertaken of the organizational impacts of this sudden and dramatic change, anecdotally, it appears that most adapted fairly well. This was made possible in large part because of the widespread availability of the internet and the rapid growth in teleconferencing services.

**Table 8: TTC Weekday Average Boardings for the Week Ending April 24, 2021**

Customer Boardings per Day	Week Ending April 24	Pre-Covid-19 Boardings	% of Pre Covid-19
Bus	502,000	1,381,000	36%
Streetcar	81,000	350,000	23%
Subway	286,000	1,492,000	19%
Total	869,000	3,223,000	27%

Source: Toronto Transit Commission, City of Toronto COVID-19 Response and Recovery Update

As would be expected, the pandemic had a significant impact on the demand for office space. Layoffs, hiring freezes and changes in operating models halted lease deals that were being negotiated and brought existing space onto the sub-let market. While there was a short period in Fall 2020 when some people returned to the office, this was reversed by the “second wave” and office occupancy is reportedly still only running at about 15%. With the level of vaccination in the community surpassing 80% and the impact of Omicron waning, many landlords and tenants are suggesting that staff will begin to return to the office in Spring 2022. The extent to which work-from-home will continue to play a role is not yet clear, as many companies are still developing their policies – although a “hybrid” approach appears to be the preferred model, combining in-office work, work-from-home, and other remote work locations.

**b) Construction of New Office Buildings Continued through the Pandemic**

Prior to the pandemic, the supply of vacant office space in Toronto was very limited, especially in the Downtown where low rates of availability made it increasingly expensive to lease space. This situation reversed during the pandemic period as demand for new space declined, sub-let space came onto the market and newly constructed buildings were being completed.

In the latter half of 2021 there were signs that rising vacancy rates were levelling off and leasing activity made a comeback. As a result, by Q4 2021, the vacancy rate Downtown stood at 9.3%. In the North Yonge corridor, it held steady at 11% from a level of 8.1% in 2019. During the fourth quarter of 2021, new leasing activity Downtown exceeded 1 million square feet for the second consecutive quarter.

Notwithstanding the immediate situation, a significant number of large organizations continued to make long-term space plans, and have been making commitments to lease space in buildings that are under construction. Notable is the 3.0 million square foot CIBC Square which had

already leased 2.2 million square feet before breaking ground on the second phase of the project.

As of December 2021, some 5.9 million square feet were under construction and will be completed in the next two years or so. While leasing activity is reportedly on the increase, the pandemic wrong-footed the market and resulted in the vacancy level reaching the low double-digits in late 2020. However, this is a far cry from the 20% vacancy level reached during the early 1990s real estate catastrophe, featuring a 5-storey elevator core stump that stood for over 10 years when construction on the partially built Bay-Adelaide Centre was halted. Long-term confidence of the development industry in the office market is evident by the fact that several new downtown office projects are already under construction or are about start.

### **iii. Employment Land Sector**

#### **a) Employment Land Employment Has Been Affected in Different Ways by the Pandemic**

In the early stages of the pandemic, Canada's economy experienced a dramatic contraction. The impact on the manufacturing sector was significant with auto and auto parts among the industries particularly hard hit. Sectors deemed non-essential (e.g., hospitality and retail) were required to shut down while others, particularly those considered essential, were permitted to continue operating. Firms located in Employment Areas continued in operation but, like all other businesses, were to a greater or lesser degree affected by the contraction in the economy and labour availability.

Statistics indicate that the jobs most affected by closures and layoffs were those of low wage earners, women and visible minorities. The nature of most employment land related jobs is such that teleworking was not an option; employees had to be physically present. As not all work space was easily adaptable to accommodate social distancing, employees had to be exceptionally vigilant in order to limit the risk of contracting the virus.

One of the more evident effects of the pandemic has been the increase in e-commerce. As most retailers were forced to close, or endure restricted operations, many consumers shifted to shopping on-line. This, in turn, increased the volume of goods passing through distribution centres and onto delivery trucks. For these organizations and the jobs that they provide, the pandemic has been a boon.

In short, the pandemic has had a mixed effect on employment land employment. Some jobs have been lost because of the disruption in the economy while new jobs have been added in response pandemic driven changes.

#### **b) Demand For Space in Employment Land Areas Increased**

Because Toronto has very limited amounts of vacant employment land there is little ability to add new space. Unlike the office market where some organizations paused expansion plans or downsized, leading to an increase in the vacancy level, demand for space in Employment Areas has grown during the pandemic. Among the drivers for this growth are the increasing demand for “last-mile” distribution space and a reduced reliance on “just-in time” inventory management practices that have been affected by supply chain disruptions. As a consequence, the vacancy level has remained around 1% and rents have continued to increase.

### **C. Short-Term Shocks versus Long-Term Shifts**

The COVID-19 pandemic has been the largest global health related shock since the 1918 Spanish flu epidemic. The effects of the pandemic have been blunted, at least in the highly developed economies, by the swift development and deployment of effective vaccines. Initially, government deficit-financed programmes enabled the economy to continue operating despite the broad shutdown and, since vaccines have blunted the effect of the pandemic, many sectors of the economy have recovered. However, because of the challenges and opportunities that the pandemic revealed there are questions as to whether there will be a return to “business as usual”.

For Toronto's office sector, the general success of the work-from-home model may lead to a permanent change in working arrangements. For the employment land sector, the pandemic highlighted the important role that these areas have in accommodating the jobs that are vital to the Access, Equity and Inclusion objectives of the City.

**i. Office Sector**

**a) Growing Consensus that the Pandemic May Accelerate Changes That Were Already Underway**

In the early days of the pandemic, there was a widespread view that a paradigm shift had occurred in the way office-based organizations would operate. While there were certainly drawbacks to telecommuting, being able to avoid close contact on transit and in the office, together with the savings in commuting time and cost were broadly, though not universally, popular. Some organizations with global operations were already used to working with a distributed workforce. Telecommunications have been steadily improving and will become even better as 5G networks come on-line. Senior executives in a number of large organizations announced that, in future, all their employees would be allowed to work from home. The potential savings in space costs could be substantial. For some employees, this opportunity was sufficient incentive for them to move out of the city to communities where homes were more affordable. Others were pleased with the change because of ongoing safety concerns, including if they had to take transit to work.

Some however, see considerable disadvantages in the new work arrangements. For organizations, although reliable results have yet to be shown, there is a concern about the productivity of employees working with limited supervision. Maintaining effective teams and integrating new employees is a major challenge. In organizations that rely on creative interaction, being online rather than in the office is a significant disadvantage. For younger employees for whom mentoring by experienced colleagues is very important, remote working offers only limited informal

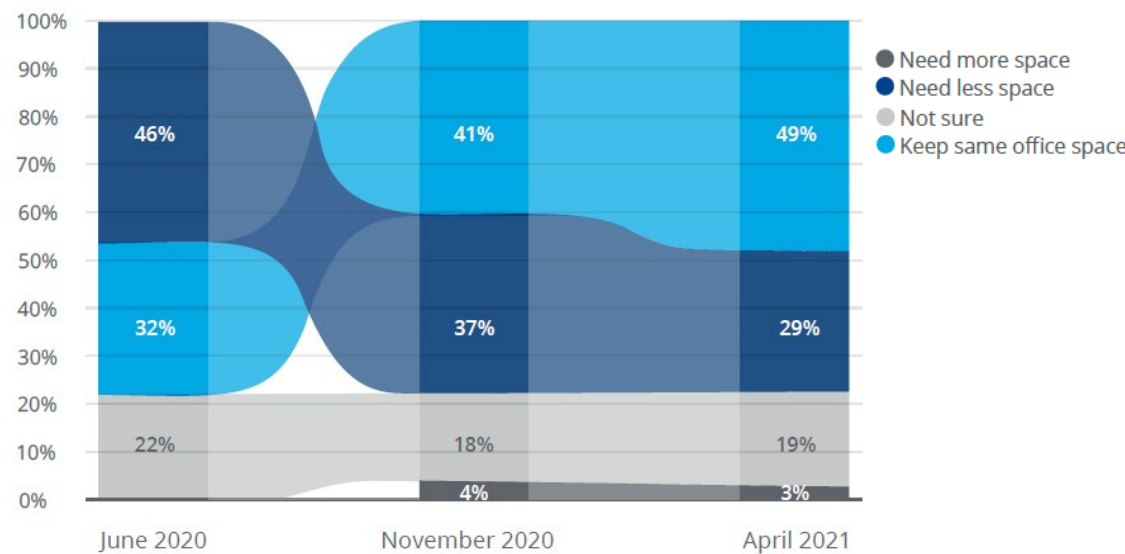


opportunities. The social aspect of work is also very important to many younger employees and a return to the office cannot come too soon.

Now, as most people are fully vaccinated and the impact of the Omicron variant declines, most organizations are expected, to a greater or lesser extent, to require employees to return to the office at least some of the time likely starting in Spring 2022. Many large organizations have announced an intention to adopt a “hybrid model” with employees being required to be in the office at least two to three days a week.

The overall impacts of such a shift are difficult to discern at this point, as expectations for future space needs are still changing. Early in the pandemic, nearly half (46%) of surveyed office tenants expected that they would require less space than what they had prior to the pandemic, as shown in Figure 33 on the following page. As time went on and many office-based businesses began seriously reviewing their operational needs in a post-pandemic world, this share has declined to less than one-third (29%), with some users even indicating they may need more space due to company growth and the need for additional amenity space to attract talent.

**Figure 33: Office Tenant Analysis on Future Space Needs**



Source: Colliers International, Spring 2021

For the purposes of this Employment Study, it is considered prudent to expect that office sector employment will grow in keeping with current forecasts, but that office occupancy will only slowly move towards pre-pandemic levels. It is also not unreasonable to anticipate that working-from-home some of the time will become common practice. In large organizations where it is possible to accurately estimate the number of staff that will be in the office from day-to-day, space requirements will be planned accordingly. This will lead to more “hotelling” where few staff will have a permanent desk. It is also possible that some organizations will provide employees access to remote shared office workspace (along the lines of the Regus or WeWork model). Satellite facilities would be more prevalent in suburban locations but some may be provided in downtown buildings for employees of organizations based in suburban locations.

**b) Office Buildings Are Becoming More Technologically Advanced**

Toronto’s office building market experienced a significant shock from the COVID-19 pandemic. Fortunately, going into the pandemic vacancy levels were extremely low especially in the Downtown. Currently there is a considerable amount of new space under construction in the Downtown with much of it reportedly pre-leased (roughly two-thirds). These new buildings will be technologically advanced enabling care to be taken to address heightened concerns about health arising from the pandemic. They will also be advanced in terms of “green” considerations. Many older buildings especially those losing tenants to new buildings, are likely to undergo retrofits in order to remain competitive.

Based on the view being expressed by senior executives, there seems little likelihood of many organizations relocating to either Toronto’s suburban centres or further afield. Indeed, the prelease activity for new buildings appears to reinforce the strong appeal of the Downtown for tenants. For this reason, forecast office sector growth is likely to encourage office developers to undertake additional projects once the current office new supply pipeline is substantially absorbed, and vacancy and rental rate levels revert to

historic baseline conditions. Nevertheless, until there is clear evidence that office workers are fully prepared to return to the office and, in the case of the Downtown, willing to resume taking transit, developers are likely to be somewhat cautious about committing to new projects

## **ii. Employment Land Sector**

### **a) Employment Area Building Stock Likely to Remain Fully Utilized**

As discussed above, Toronto's Employment Areas remained fully occupied during the pandemic and a number of trends suggest that, space permitting, additional employment opportunities will be created. This is important because, as the pandemic has highlighted, Employment Areas provide locations for jobs that support the City's Access, Equity, and Inclusion objectives.

Historically, manufacturers occupied a significant amount of the city's employment land but this has steadily declined over a long period as companies moved to new facilities out of the city and as overseas manufacturers became dominant. The pandemic highlighted the fact that for a variety of important products, such as protective equipment, Canada does not have the capacity to meet its own needs and is dependent on offshore suppliers. Supply chain disruptions have led some to suggest that there is the potential for the manufacturing sector to expand by "re-shoring" production from overseas. While there is little evidence that this is occurring to any appreciable degree either in Canada or the US, there is very likely to be less reliance on "just in time" supply chains. This will create additional demand for local-based warehousing and the jobs that come with it.

A second contributor to space and employment growth is the growth in business for the many large and small firms that serve the complex needs of the city's increasing population. Finally, the continuing shift in the retailing industry away from stores to on-line retailing will likely continue, further increasing the need for more space, and in particular for last-mile depots. The pandemic provided a massive boost to e-commerce and it is widely

anticipated that, while consumers will return to shopping in person, an increasing share of purchase will be made on-line.

As with other sources of growth, many of the new jobs will be for unskilled or semi-skilled individuals with pay rates at or close to the minimum wage. While for the many employees who cannot drive or do not own a car, the TTC is a clear advantage that Toronto offers. At the same time, the shortage of affordable housing continues to be a major drawback.

**b) Limited Supply of Vacant Employment Land to Accommodate New Employment Space**

Nearly all of the existing industrial building stock in Toronto was originally built on vacant greenfield land as development progressed from the port and railway-based central employment areas into larger suburban employment areas mainly developed from the 1950s through 1970s. Even recently, much of the new building activity in Employment Areas has been on the diminishing supply of vacant employment lands. Today, the future supply of vacant employment lands is nearly exhausted. Already, there are no remaining vacant large sites planned for industrial uses that are available for immediate development. Most new industrial or office development within employment areas occurs on sites that are larger than about 1.0 hectare, so this is the segment of vacant land supply of greatest interest for the current employment study.

For sites of less than 1.0 hectare, at the time that OPA 231 was prepared there was estimated to be about 550 parcels totalling 170 hectares, most of which are lands that together with an adjoining parcel are a single developed site or are remnant, odd shaped parcels from a historic land division or right-of-way. The supply was updated in 2018 when vacant parcels of less than 1.0 hectare were estimated at 520 parcels totalling 140 hectares. A brief sample of these parcels in 2022 suggest little change the small site supply. Little growth can be expected to be accommodated on these lands.

For the vacant employment land parcels of 1.0 hectare or more, there was a 2011 supply of about 180 parcels totalling 540 hectares. By the time of the 2018 update to the supply, new building had reduced the supply to 380 hectares. Since 2018, 15 parcels totalling 110 hectares have been absorbed with new buildings completed or currently under construction. A similar, 100 hectares was also added to the supply of vacant lands during this time resulting in an estimated current vacant supply of 150 parcels totalling 370 hectares.

Within this supply, there are a large number of parcels that are initially counted as vacant because there is not a built structure on the property. Many of the parcels are, in fact, part a larger building site along with adjoining parcels. There a many examples of office or industrial buildings where some of the parking area or outdoor storage happen to be on a separate parcel. In some cases, an entire operation (e.g. aggregates dealers) is outdoor with no building, but the land area is by no means vacant. We have tried to distinguish between lands that are part of a permanent operation versus a more temporary use for parking or vehicle storage, which may develop in the long term. As result, about 150 hectares of the vacant supply is should be considered occupied, leaving the effective available vacant land supply in Toronto at about 80 parcels totalling 220 hectares.

This limited supply means that the Toronto's Employment Areas are effectively built out. The 220 hectares is less than the 3% long-term land vacancy considered normal in a fully built community. Some of these parcels will develop over time, while others will become vacant. This conclusion means that overall employment growth must occur within the existing building stock or through redevelopment.

**c) Creating New Space on Toronto's Employment Lands Will Be a Growing Challenge with Little Future Supply of Vacant Land**

One of the lessons from the COVID-19 pandemic is the critical importance of Toronto's employment lands to the day-to-day functioning of the city. It has

also highlighted the fact that it will become increasingly difficult to create the additional space that economic growth and sectoral changes will drive because there is so little vacant land. For this reason, protecting the existing base from land use conversions is vitally important.

To date, few sites with obsolete industrial buildings have been redeveloped with modern replacements, but the shortage of land and increasing industrial rents are beginning to make such projects feasible. Examples include the redevelopment of the former Campbell Soup factory now under construction in South Etobicoke, with 400,000 square feet in three buildings, marketing its “last-mile advantage” to distribution tenants. Similarly, the former Kellogg’s plant in Northwest Etobicoke is home to Purolator’s recently completed National Super Hub, which can process up to 72,000 parcels per hour, demonstrating how e-commerce is fueling rapid growth in parcel delivery.

As well as providing modern space, redevelopments intensify the use of sites, as buildings of the past 10 to 20 years are much denser in terms of productive space than the buildings of the latter half of the 20th Century. A typical 1960s or 1970s industrial building (most of the building stock north Highway 401) might be built at about 0.35 times lot coverage, with ceiling clear heights mainly in the range of 12 to 20 feet and an average of about 16 feet. On a typical 5-hectare site, such a building might be 18,000 square metres of gross floor area, and, combined with the ceiling clear height, would have 88,000 cubic metres of productive space.

Automation and advanced racking systems have allowed ceiling heights to increase dramatically, such that today’s industry standard is 36 feet, with 40 becoming more common, along with a few examples up to 80 feet. At the same time, reduced parking needs and efficient site planning have allowed lot coverages to edge up toward (and occasionally exceed) 0.50. That same 5-hectare site, developed today could well have 0.45 time coverage with 23,000 square metres of gross floor area. With a 36-foot clear height ceiling,

the result is about 250,000 cubic metres of productive space; nearly triple that of the older building. These denser buildings represent significant building space intensification and much more efficient land use, even if the density of employment may not have changed significantly.

Given the growth outlook, the shortage of sites, rising industrial lease rates and the space that may be produced, redevelopments can be expected to grow in number.

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In summary, the COVID-19 pandemic delivered a dramatic shock to the economy. The office sector has essentially been shut down since March, 2020 and is not expected to see employees returning in large numbers until Spring, 2022. The development industry is indicating its confidence in the long-term future for the sector, especially in the Downtown, by continuing construction on existing projects and commencing new ones.

However, because few organizations are calling for a full return to the office and most are suggesting that work-from-home will continue to a greater or lesser degree, it is too early to tell whether the pandemic will result in a permanent change in office working practices. It is recommended the City continue to monitor office occupancy patterns in the coming years as we move forward from the shadow of the pandemic.

The employment land sector has weathered the pandemic well with building vacancy remaining at extremely low levels and with rental rates at historic highs. However, the pandemic has highlighted how difficult it has been for people working there in terms of both conditions and wage rates. The outlook for the sector is positive because of the shortage of space; rents and property values will likely rise creating challenges for occupiers. Protecting Employment Areas from land use conversions is therefore ever more critical.

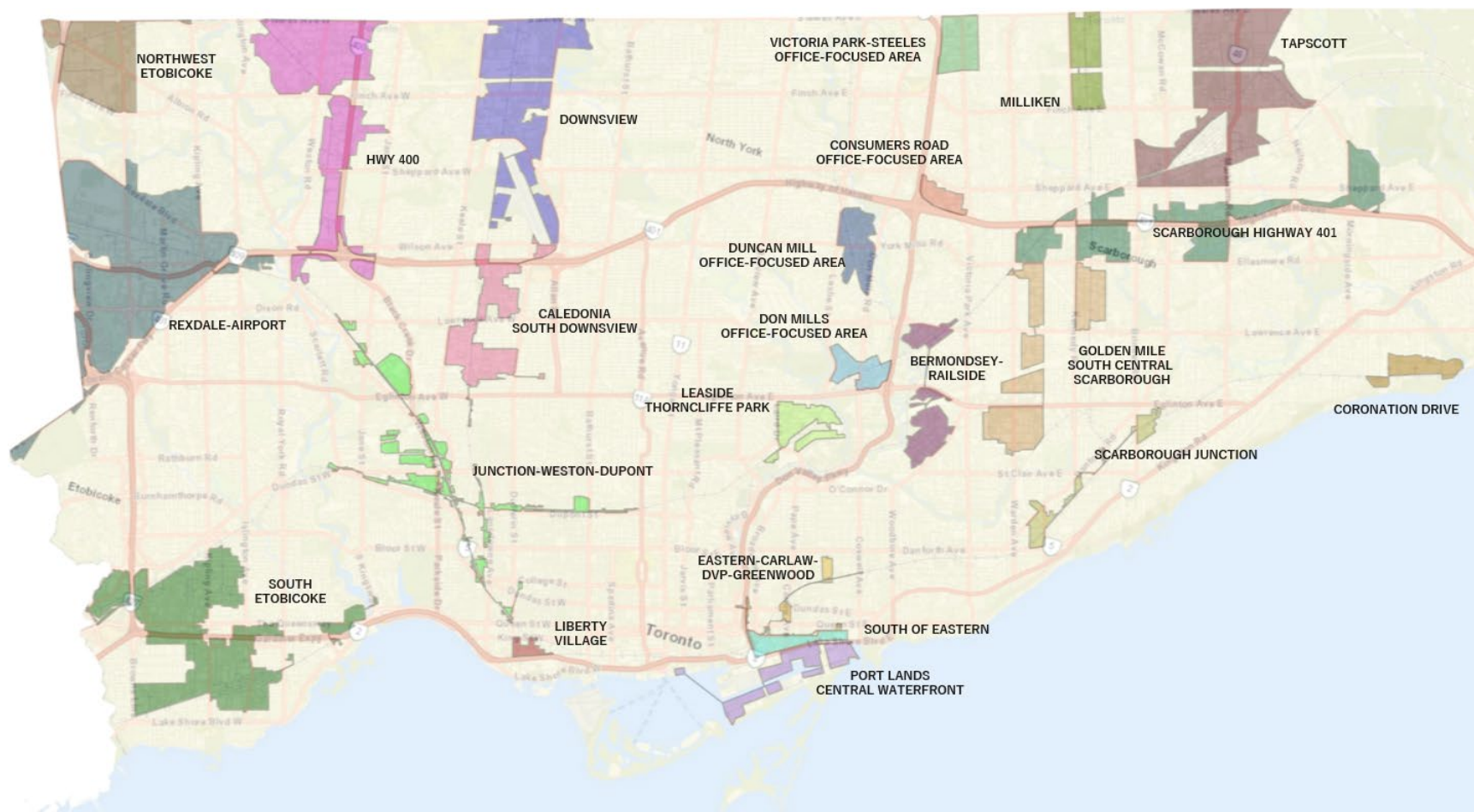
## 5. Areas of Employment – Location Specific Analysis

As part of this Employment Study, a detailed economic profile has been prepared for 23 geographic clusters of lands designated as either Core Employment or General Employment Areas in the Official Plan. These 23 ‘Areas of Employment’ (AOE) are illustrated on Figure 34 on the following page. Most are well known as Employment Areas owing to their original development as cohesive business districts, be that traditional industrial or office-focused.

Areas such as Rexdale, Tapscott, and Downsview are readily identifiable, as are the office-focused areas along the Don Valley / Highway 404 corridor such as Consumers Road, Don Mills and Duncan Mill. Other areas profiled are associated clusters of economic activity linked by their era of original development. Examples are the Junction-Weston-Dupont AOE; employment lands originally developed along the rail corridors. The profiles illustrate the geographic context along with statistical summaries of employment and development trends as well as an estimation of commuting patterns for that part of the local workforce who live within Toronto proper. These profiles are found in Appendix 2 to this report.



**Figure 34: Areas of Employment - Profile Map**

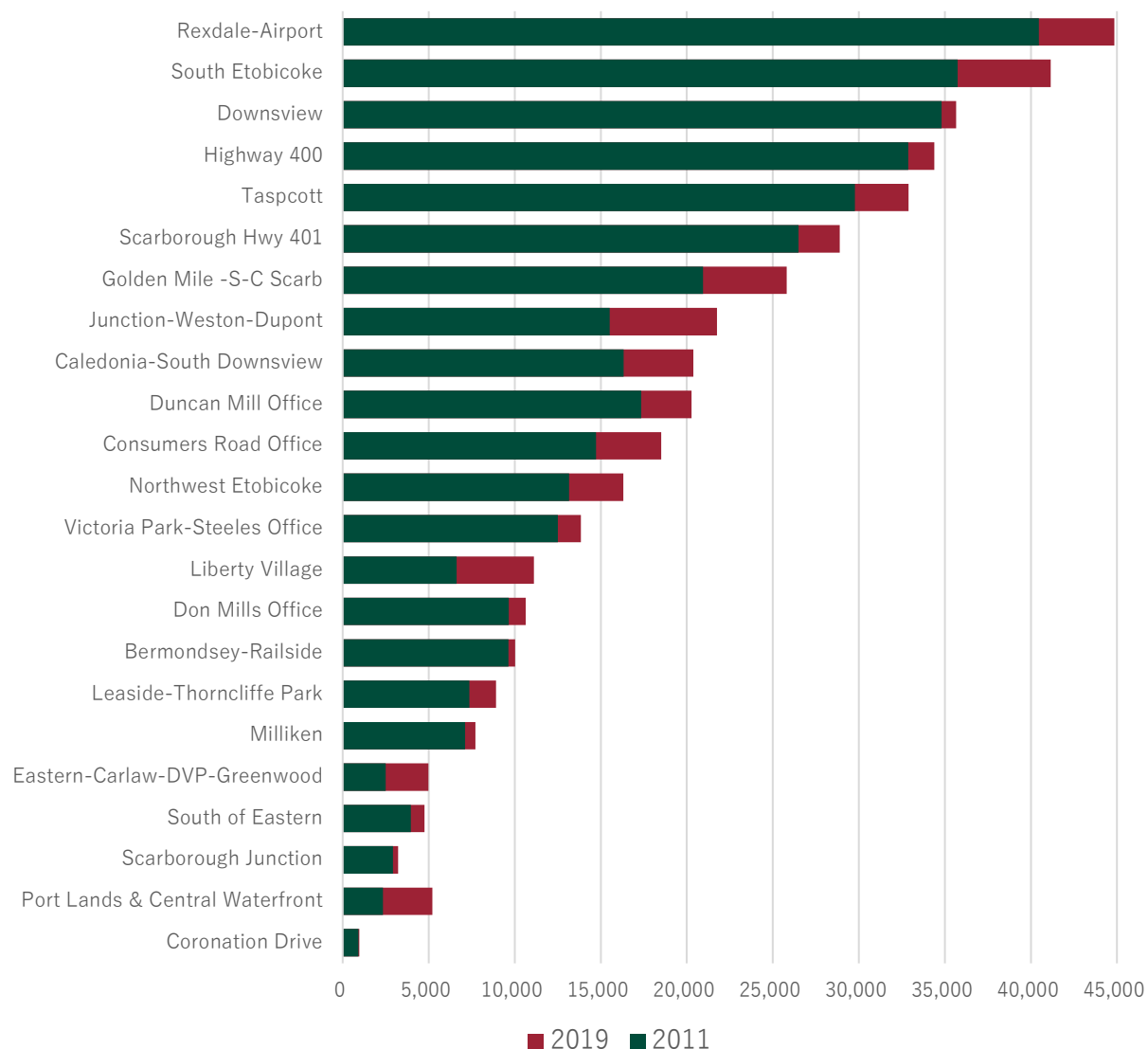


Source: Hemson Consulting

## A. Employment Growth Distributed Across the City

Together, these 23 AOE's accommodate 22,500 business establishments employing over 419,000 people. Interestingly, all AOE's witnessed growth in jobs between 2011 and 2019 as total employment grew by 15%. Figure 35 below ranks these areas by total employment and illustrates their growth over this period, revealing a broad distribution of the 55,000 additional jobs created during this period.

**Figure 35: Change in Employment by Area of Employment, 2011 – 2019**

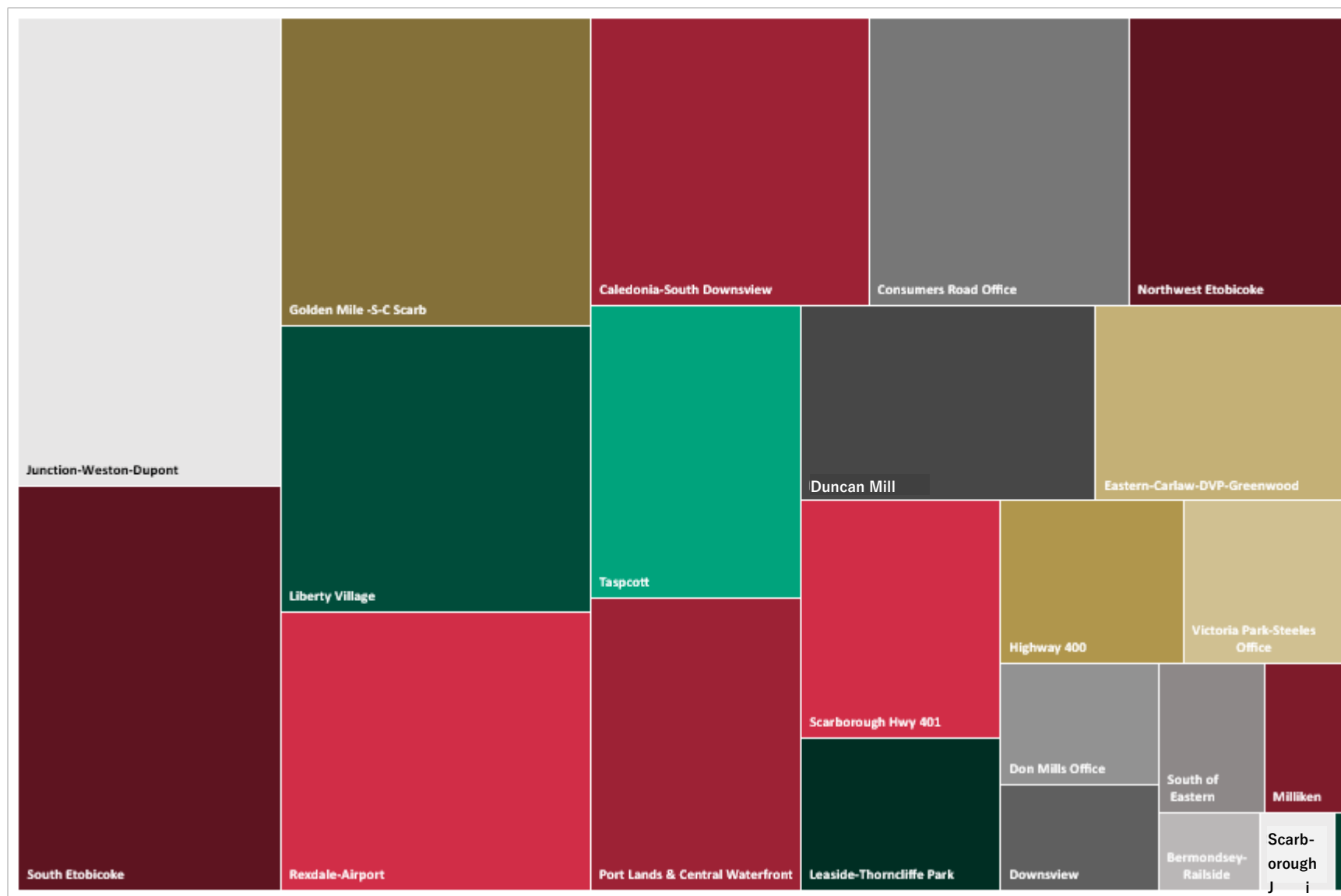


Source: City of Toronto Employment Survey

Across all Areas of Employment, \$4.8 billion has been invested in new buildings and alterations over the past five years and there is over 1 million square metres of non-residential floor space in the proposed development pipeline (2021 Q2).

While significant growth was experienced in areas with good highway access, such as Rexdale-Airport and South Etobicoke, the largest gain in jobs was realized in the Junction-Weston-Dupont AOE. Some of the growth here is undoubtedly a result of the retail development that has taken place in the Stockyards area in particular. However, the broader area also has a significant presence in the Food and Beverage industry, which experienced significant growth over this period. Employment growth by Area of Employment is also illustrated in Figure 36 on the following page.

**Figure 36: 2011 to 2019 Employment Growth for Areas of Employment**



Source: City of Toronto Employment Survey

## **B. Employment Areas Critical to Economic, Climate and Social Objectives**

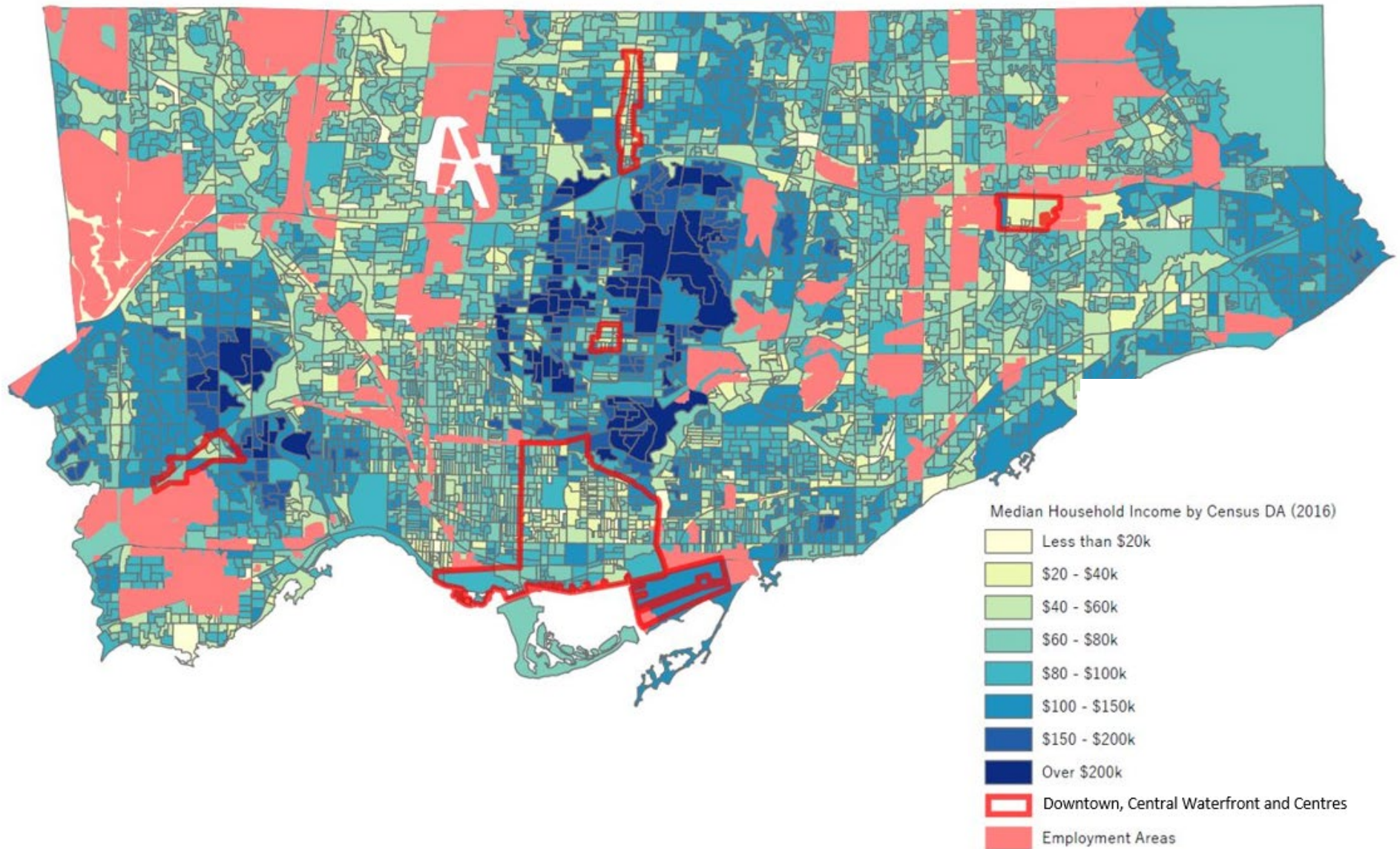
When considering the impacts of possible changes to land use policies in Toronto's Employment Areas, it is also imperative to include consideration for the socio-economic relationship these lands have with the surrounding community. Employment Areas have long served to accommodate a range of businesses which tend to offer attainable employment opportunities for people of various education levels and skill sets. In many cases, these jobs are filled by people that live in close proximity to the Employment Area due to issues of access.

This relationship is illustrated in Figure 37 on the following page, which shows median household incomes by Census Dissemination Area (DA) in relation to Toronto's Employment Areas. Communities in close proximity to designated EAs tend to support median household incomes towards the middle of the scale (\$60k to \$100k). This pattern appears to support common anecdotes regarding the link between Employment Areas and 'living wage' employment opportunities in the local community.

The relationship between Toronto's Employment Areas and economic opportunities for visible minority households is also supported in part by this spatial analysis. Jobs in manufacturing and other goods-producing sectors are commonly identified as low-barrier employment opportunities for recent immigrants and other individuals that may face challenges related to having their professional certifications recognized, along with those individuals where English is not their first-language. As shown in **Figure 38**, neighbourhoods with a high percentage of population that identifies as a visible minority tend to be near to Toronto's Employment Areas, particularly those in the north and eastern parts of the city.



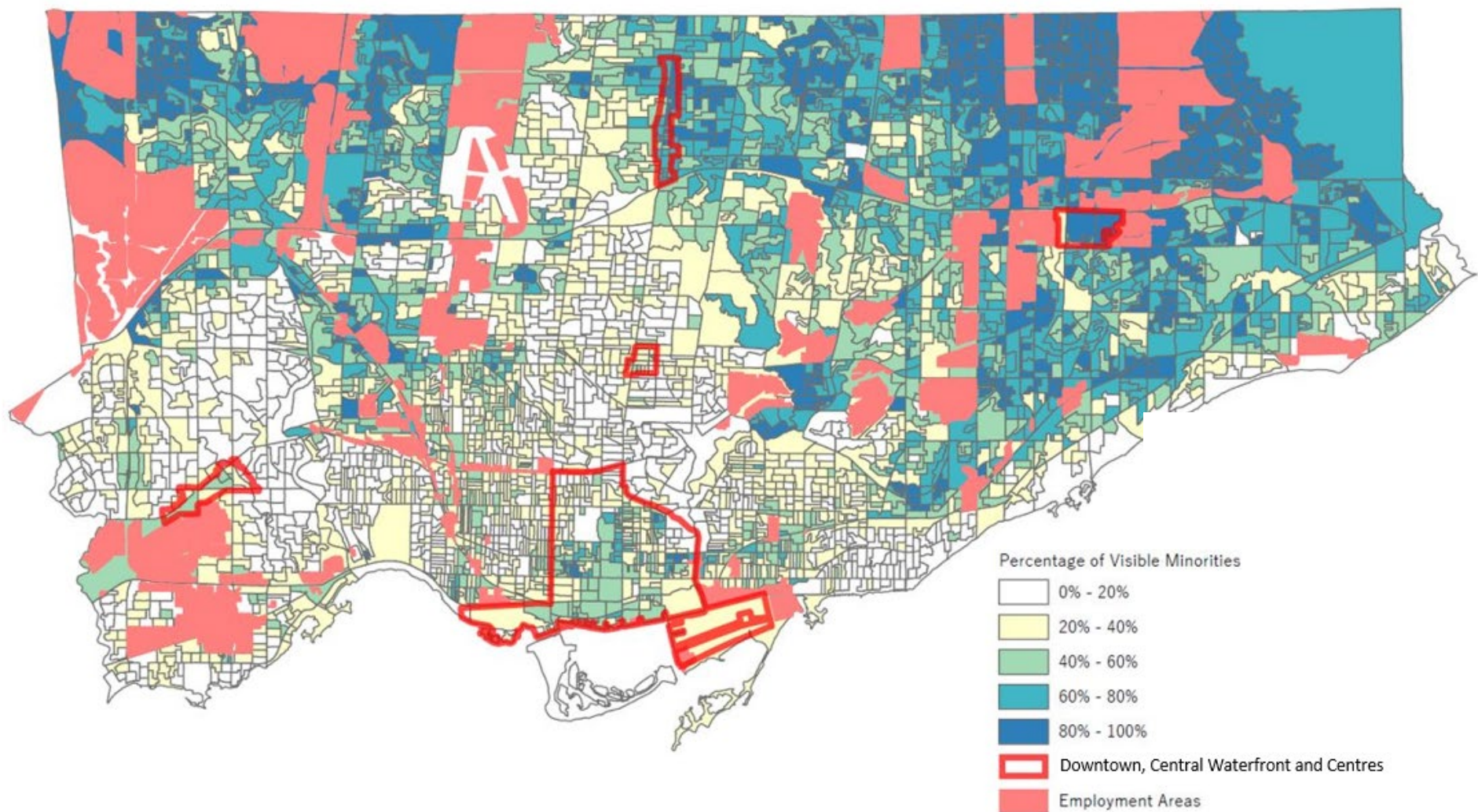
**Figure 37: Median Household Income by Residential Census Dissemination Area and Employment Areas, 2016**



Source: Hemson Consulting, using CensusMapper and data from City of Toronto and Statistics Canada



Figure 38: Percentage of Visible Minority Population by Residential Census Dissemination Area and Employment Areas, 2016



Source: Hemson Consulting, using CensusMapper and data from City of Toronto and Statistics Canada

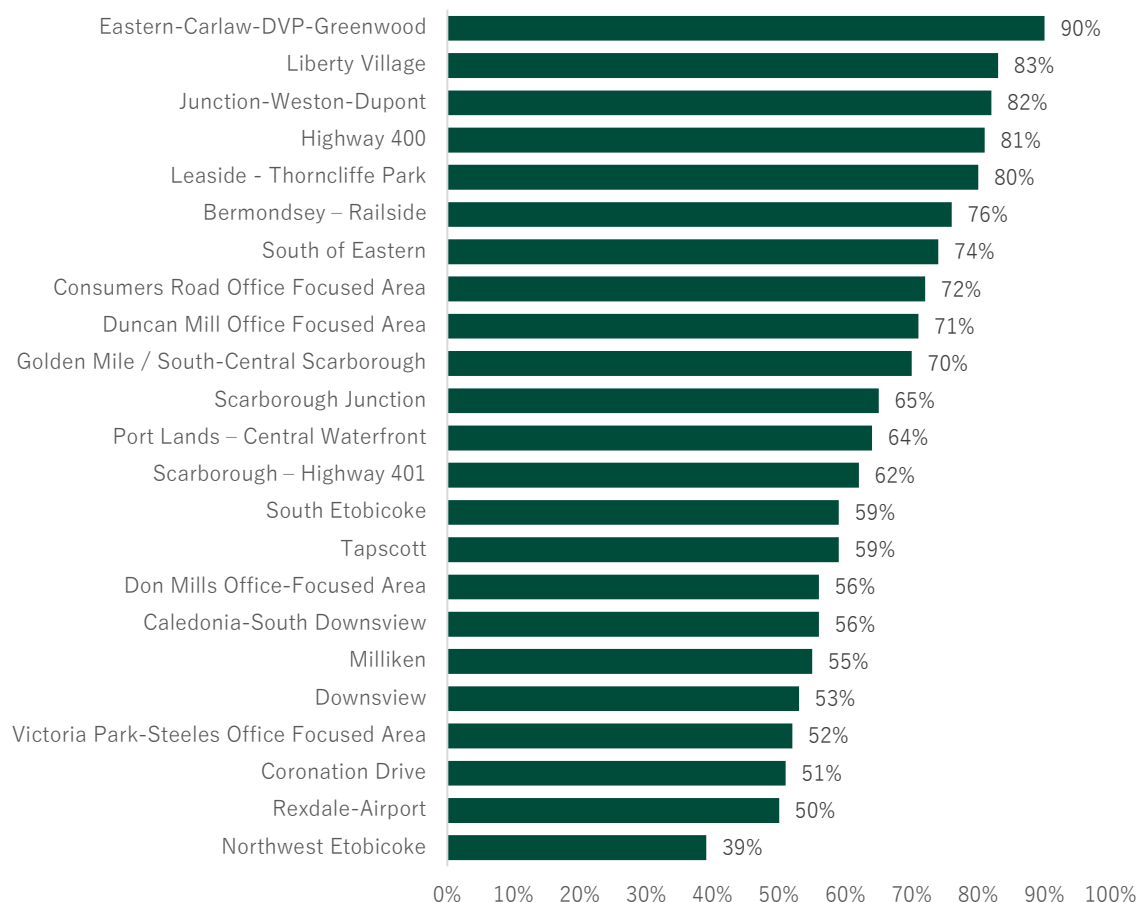
From an equity perspective, it is important that these factors be recognized when considering policy changes for land designated Employment Areas. To support this consideration further, a more fine-grained analysis of the commuting patterns between Place of Work and Place of Residence would be beneficial to better understand the link between individual employment lands and the economic opportunity created for local residents.

In order to gain an understanding of just how important the economic activity in these areas is to Toronto residents and to achieving Council-mandated objectives, data from the 2016 Census was explored. For respondents with a usual place of work at the time the Census is taken, their place of work is linked to their place of residence at the Census Tract level. Given the way the data is tabulated, the discussion in this section is based on the total number of people who usually made a work trip in 2016 from any Census Tract in the broader region to any Census Tract that overlaps in whole, or in part, one of the 23 Areas of Employment. While this means that the total number of commuters in 2016 is larger than the total number of jobs reported in the Toronto Employment Survey for the area, the shares and distribution are reasonable indicators for analysis.

On this basis, over 500,000 people made work trips in 2016 to a Census Tract overlapping with one of the 23 AOE's. Almost two-thirds (65%) of these jobs were held by residents of the City of Toronto, demonstrating the importance of these areas to city residents and the resulting economic spin-off impacts from these same local residents spending locally. The range of economic activity found in these areas is wide and varied, offering economic opportunities for skilled labour, unskilled labour and professionals of all types. The degree to which each AOE is the workplace for, and by extension, considered accessible to, Toronto residents is illustrated in Figure 39 on the following page.



**Figure 39: Percentage of Workers Residing in Toronto, by Area of Employment, 2016**



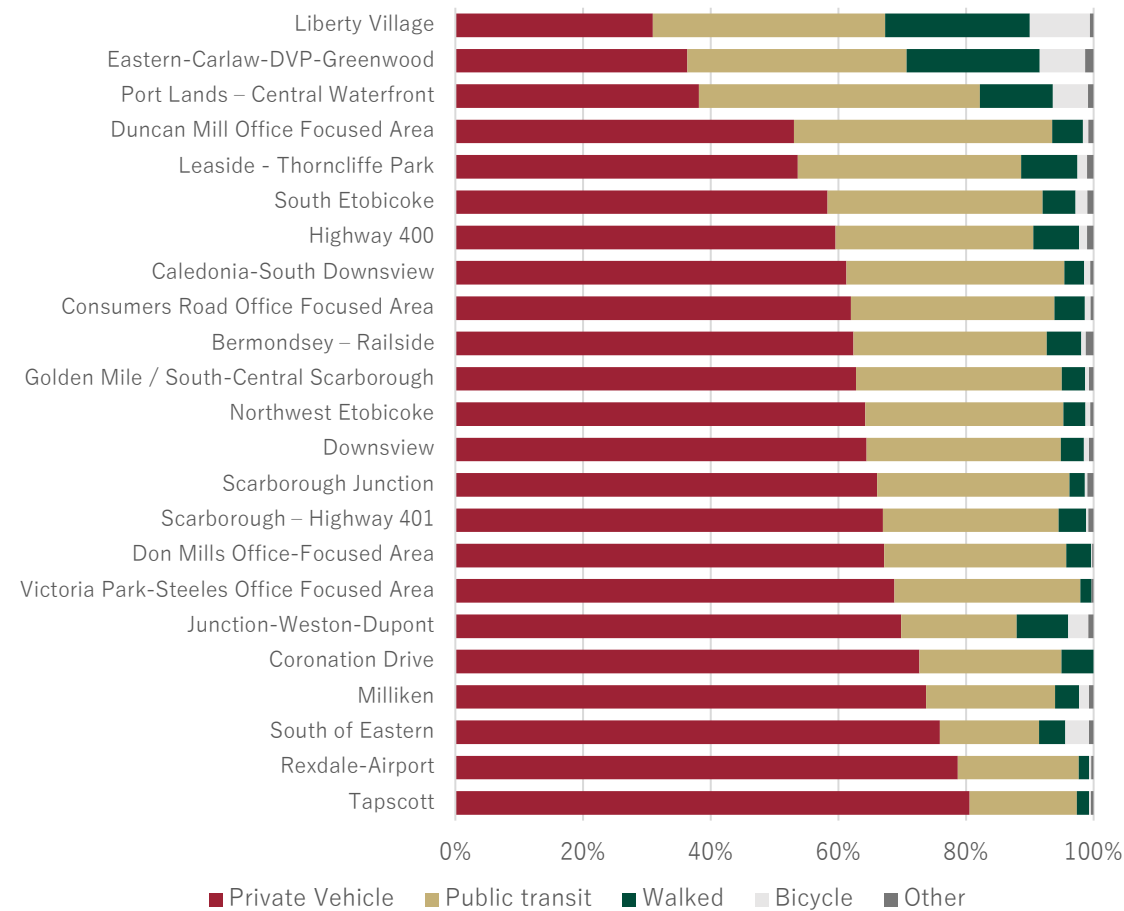
Source: Hemson Consulting based on Census of Canada, 2016

Not surprisingly, three of the AOE's with the highest share of resident-employed workforce are within the oldest parts of the city; the Eastern-Carlaw-DVP-Greenwood, Liberty Village and Junction-Weston-Dupont areas are in denser parts of the city with good transit service. On the other end of the spectrum, Northwest Etobicoke, Rexdale-Airport and the Coronation Drive areas employ a higher share of people from other municipalities given that they are located on the outer boundaries of Toronto. Still, they manage to attract between 40% and 50% of their workforce from within Toronto.

Access to employment opportunities for Toronto residents can lead to more sustainable choices when it comes to making a trip to work. Averaged across the city, 74% of Toronto residents employed in AOE's drive to work, while 20%

use transit, 4% walk, and 1% bike. These preferences vary considerably by AOE, as might be expected, as illustrated below in Figure 40.

**Figure 40: Commuting Mode Choice by Employment Area for Toronto-based Workforce**

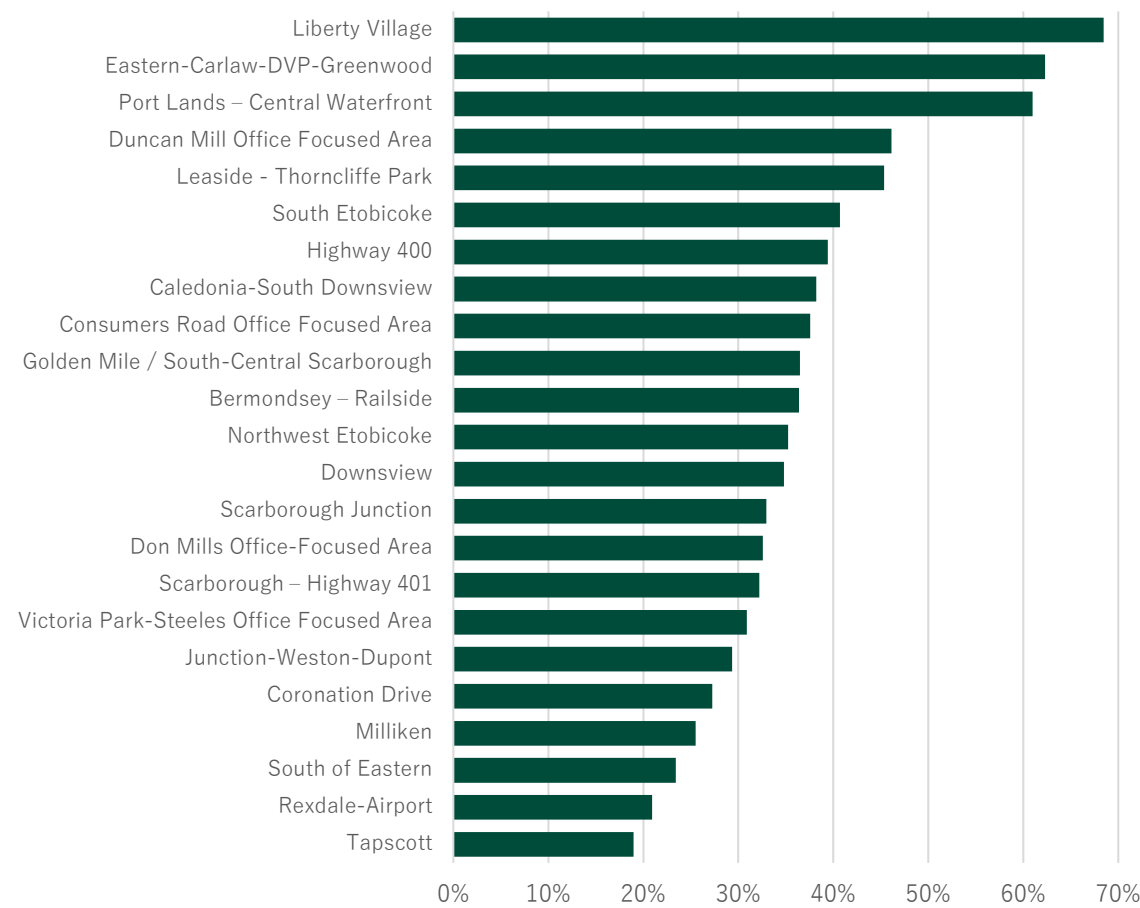


Source: Hemson Consulting based on Census of Canada, 2016

While one might expect transit to be a higher preference for workers in the older parts of the city, such as the Port Lands-Central Waterfront, and Liberty Village, some suburban employment lands see a significant share of workers travel by transit. This highlights the importance of accessibility for city residents to the job opportunities in places like Consumers Road, Duncan Mills, and Leaside-Thorncliffe Park, among others. Walking and cycling see considerable shares in the Liberty Village, Eastern-Carlaw-DVP-Greenwood and Junction-Weston-Dupont AOE, areas which are centrally located but also well supported by dedicated bike infrastructure.

This points to the imperative of protecting areas to grow jobs for city residents that can be reached by low-cost and low-carbon modes of commute; thereby addressing key Council objectives around climate change and social equity. As illustrated in Figure 41, transit, walking and cycling have been combined to represent a “low carbon” mode of commuting and the Employment Areas ranked according to the propensity for local workers to travel to work this way.

**Figure 41: Percentage “Low Carbon” Commute Mode Choice for Toronto-based Workforce, 2016**



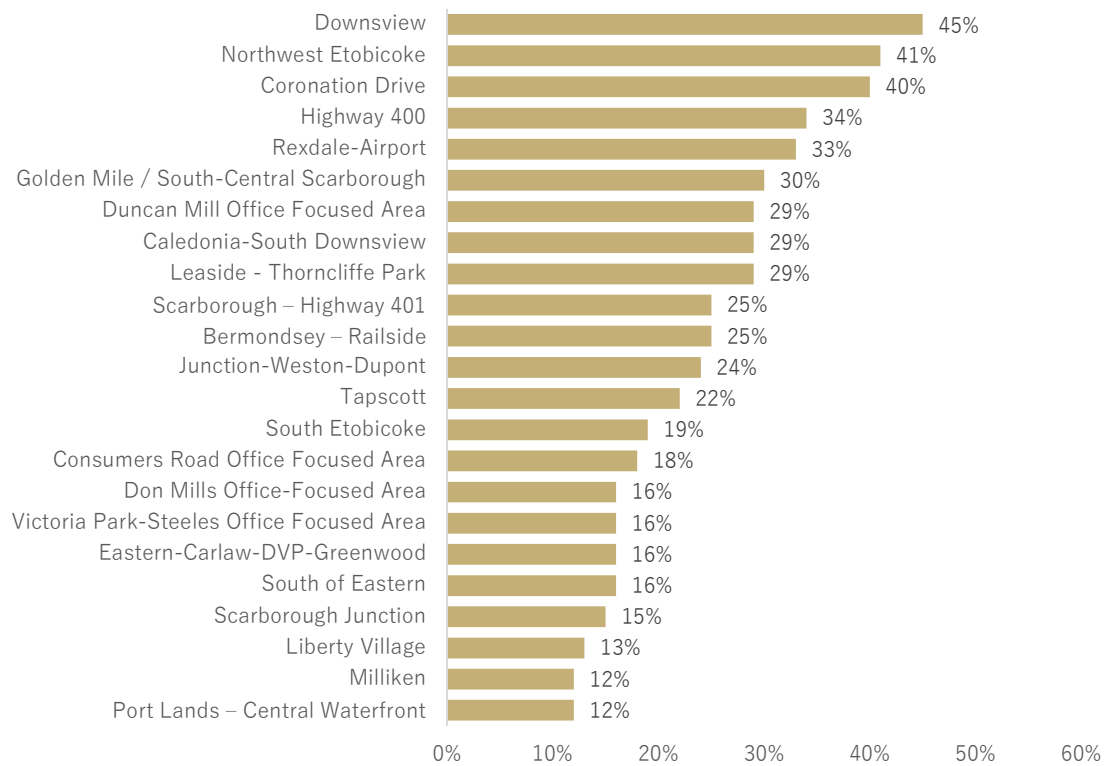
Source: Hemson Consulting based on Census of Canada, 2016

Toronto’s Employment Areas also have an important relationship with neighbourhoods in which equity considerations and improved access to opportunity are key concerns.

The City of Toronto has delineated 140 neighbourhoods across the city. This geographic breakdown of the city affords a reasonable level of coherence in terms of demographic and economic conditions, as well as municipal services. In 2014 the City established a partnership with the Centre for Research on Inner City Health at St. Michael's Hospital, the United Way and Woodgreen Community Services. Researchers assessed how these neighbourhoods fared across five different domains of well-being. This involved documenting inequities between neighbourhoods. The result was a finding that 31 neighbourhoods fell below the benchmark of a “strong neighbourhood”. Designated as Neighbourhood Improvement Areas, these 31 areas were identified as priority areas for investments in improving the general well-being of residents.

One priority should be improving the economic opportunities for residents of these 31 areas. One way of interpreting access to economic opportunity is to look at their proximity and linkages to the 23 AOE. The profiles prepared for this project have mapped the place of residence for Toronto residents who work in the 23 AOE. Figure 42 on the following page ranks the 23 AOE by the share of their Toronto-based workforce which reside in Neighbourhood Improvement Areas.

**Figure 42: Percentage of Toronto-based Workforce Residing in Neighbourhood Improvement Areas**



Source: Hemson Consulting based on Census of Canada, 2016 and Toronto Neighbourhood Improvement Areas, 2014

While caution should be used in the interpretation of precise correlations with these data, it does suggest the degree to which some Areas of Employment, and the jobs therein, provide access to economic opportunities for residents of neighbourhoods identified as a priority for municipal investment.

## **C. The Land Supply and Pressures to Convert to Non-Employment Uses**

Given that Toronto is largely built-out and there is fierce competition for land and space of all types, Toronto's employment lands face considerable pressure to convert to permit non-employment uses. Due to the operational needs of many businesses and differences in development economics between industrial and other land uses, once land designated Employment Areas is converted to permit non-employment uses, it is unlikely that these lands will be developed for significant future employment activity.

Furthermore, where conversions are permitted, they tend to create a precedent or land use uncertainty, signalling the potential for additional conversions at a later date. Such a trend could further erode the city's employment land base and its ability to accommodate the types of jobs and businesses that rely on the location and site-specific characteristics of lands located within the remaining Employment Areas. The prospect of potential conversion could lead to reduced short- and long-term investment business operations, undermining the viability of the Employment Area.

Based on an updated review of Toronto's employment land supply, there are only about 220 ha of land that is considered vacant and potentially available for development. This supply excludes parcels too small to develop for most employment uses and excludes lands being actively and permanently used for the storage of goods or vehicles or parking for adjacent buildings.

As part of the MCR, the City is considering requests to convert lands designated Core Employment Areas or General Employment Areas. This includes requests received as either a complete application for an Official Plan Amendment or a written request with supporting material and payment of the conversion request fee established by Council. Other sites are located in the Keele-St. Clair Local Area Study Area, Picture Mount Dennis Planning Framework Study, at Finch Ave West and Tangiers and Geary Works. As of

December 2021, conversion requests constituted about 685 hectares (1,700 acres) of land, or 8.5% of all lands designated Employment Areas.

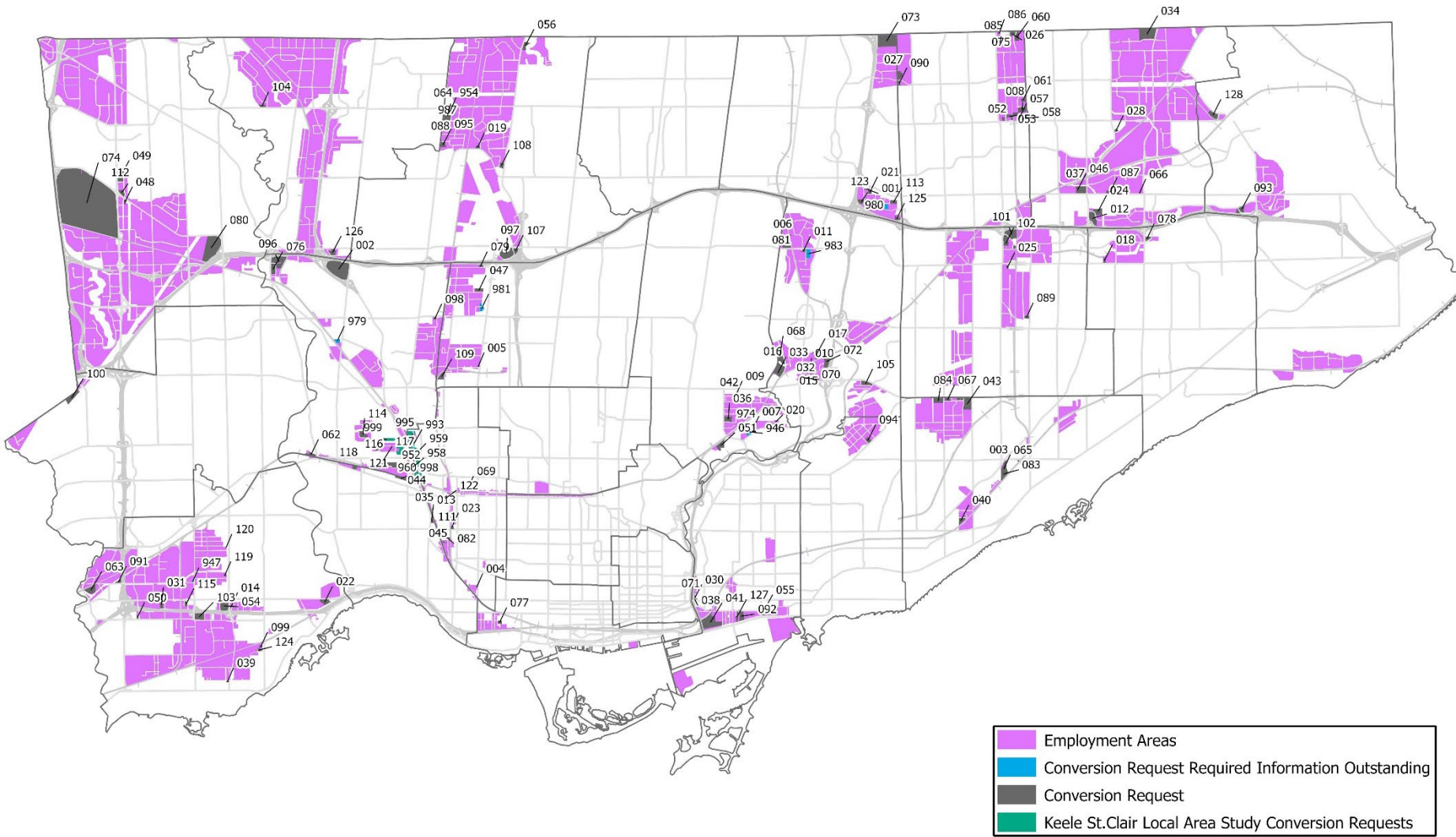
These requests are summarized in Table 9 below, and mapped in Figure 43 on the following page.

**Table 9: Land Area of Employment Land Supply and Conversion Requests, as of December, 2021**

	Number of Requests	Land Area	Percent of all Employment Areas - citywide
Conversion request or Official Plan Amendment application	106	685 hectares (or 1,700 acres)	8.5%
Conversion Request and OPA 231 appeal	22		
Keele-St. Clair	15		
Incomplete conversion requests	9		
Outstanding OPA 231 appeal (not a MCR conversion request)	n/a	275 hectares (or 680 acres)	3.5%
<b>Totals</b>		<b>960 hectares (or 2,370 acres)</b>	<b>12.0%</b>

Source: City of Toronto

Figure 43: Map of Employment Area Conversion Requests



Source: City of Toronto, City Planning, March 10, 2022



## **D. Outlook for Areas of Employment**

The overall picture the profiles paint is that Toronto is well situated with important employment lands strategically distributed across the city. They are important to providing economic opportunities for Toronto residents, and for the creation of important business linkages. Remaining vacant land in the outer reaches of Toronto has largely been built out. Reinvestment has seen older industrial buildings converted from their original traditional industrial intent to house new economic activity. Their importance to advancing the quality of life for Toronto residents is evident by the significant share of jobs in these areas held down by Toronto residents. Transit access to many of these areas is a core strength as the city moves forward in adapting to climate change. Additionally, important equity objectives can be seen to be coincident with creating economic opportunities in these strategically located Employment Areas. At this level of analysis one can only infer a relationship, however, with many work trips originating in Neighbourhood Improvement Areas, it is reasonable to assume that creating jobs in these areas is certainly preferable to forcing employers to move outside of the city or requiring residents to commute long distances for work.

With almost 15% of the city's land designated General Employment Areas, and 6% of Core Employment Areas land at risk of conversion to non-economic uses, it is clear that protecting these areas from the introduction of non-employment and sensitive development should be a priority for Council.

## 6. The Future of Employment in Toronto

Leading up to the pandemic, Toronto was facing a surge of economic growth across various sectors, driving demand for land designated Employment Areas as well as for new office development Downtown. Now, in the wake of the shocks of a global pandemic, some economic trends face serious disruption, while others have been significantly accelerated. At the same time, new provincial policy direction has created new expectations for how Toronto is to plan for and manage its employment lands, while a renewed call for fair and equitable outcomes in the land use planning process is shaping additional consideration for where and how economic decisions are being made.

### A. Trajectory of Growth and Change

Forecasting the future of employment in developed municipalities can be a challenging undertaking. The driving factors affecting economic conditions and timing are notoriously unpredictable, with many potential disruptors beyond the control of local or regional government. Other disruptors such as automation, artificial intelligence and technological innovations have significant influences on the economy and the types of employment that will be in demand, and not always in the ways that may be currently expected. The arrival of the pandemic and its impacts on global supply chains down to local employment and commuting patterns is a prescient reminder of this fact.

That said, as the sudden shocks of the pandemic subside and the local and global economy gradually return to a ‘new normal’, it is becoming clear that most of the changes that have occurred have generally followed trends that were already occurring prior to the arrival of the pandemic. Increased competition for industrial lands was driving up rents and spurring the push

towards automation, while the surge in e-commerce was likewise creating new demand for transportation and logistics uses in urban areas to accommodate order fulfillment.

At the same time, many office-based businesses were already looking to reduce their business costs related to floor space by experimenting with flexible work arrangements such as hotelling. In many ways, what we are seeing now is largely an acceleration of these trends as necessitated by the realities of the pandemic.

Many growth forecasts, including Schedule 3 of the Growth Plan (which was updated in the early days of the pandemic), already included assumptions and provisions for these changes in their future outlooks. These forecasts are also typically developed as a long-term extrapolation of trends, recognizing that while business cycles and recessions may slow — or even claw back — growth during specific periods, the overall pattern of growth and land needs will revert to within a range of the assumed mean over time.

Given the unprecedented nature and scope of the pandemic-induced recession, it still remains to be seen exactly how much of a lingering impact the virus will have on the trajectory of change, particularly as subsequent waves of infection may spur renewed public health measures. It will likely take a number of years before these impacts are fully understood, and will warrant revisiting and reassessing the forecasts once more structural changes have had a chance to work their way through the real estate market, including the rise of the hybrid office work model. However, given that much of this change was already occurring pre-pandemic, it is also not likely that the overall trajectory of growth has deviated fundamentally over the long term.

## **B. Market Outlook for Employment Land**

Even with uncertainty as to the broader trajectory for recovery in the short-term, the embedded market direction pre-pandemic, along with insights of current conditions, has informed the experts at Cushman & Wakefield in assessing the prospects for the 23 Areas of Employment. Notes regarding the prospects for each AOE are found in each of the 23 profiles in Appendix 2. The following section summarizes at a high level the overall outlook for these areas to assist in reviewing the adequacy of official plan policy.

### **i. Overall Industrial Market Perspective**

The outlook for the city's more traditional Employment Areas will be influenced by conditions under the following themes:

#### **a) Historically strong demand:**

The City of Toronto, and the broader Greater Toronto Area, has seen historically strong demand for industrial property drive down the amount of available space to a sub-1% vacancy rate (GTA-wide), which has placed significant upward pressure on rental rates. Rents have more than doubled over the past five years, and are at record-high levels. Demand for warehousing/distribution space linked to the expansion of e-commerce activity has been a driving force in recent years, which accelerated during the pandemic. The need for firms to address supply chain issues underpins the positive outlook for industrial space demand.

#### **b) Conversion pressure in some locations:**

Certain Employment Areas either face land use conversion pressure presently, or they are likely to in the coming years. Generally, this is a result of the encroachment of higher density residential demand on the edges of established Employment Areas – particularly those that are more linear/diffused geographically, as opposed to a mass of uses with a well-defined core and edge.

**c) Redevelopment opportunities across the older industrial stock:**

Across Toronto, in fact across the GTA, there are some recent examples of older (functionally obsolete) industrial facilities being demolished and replaced by modern facilities that are more productive, and which offer greater income potential. It is conceivable that escalating land values and achievable rents could result in interest in new multi-level facilities, such as last-mile fulfilment centres that are optimally situated to deliver goods to the urban market. While sprawling warehouses have a role in lower-cost outlying municipalities on the edge of the GTA, the City of Toronto should anticipate demand for centrally-situated distribution facilities with good highway access.

**ii. Overall Office Market Perspective**

The following themes/issues affect the outlook for the city's suburban office-focused Employment Areas:

**a) Increased traffic congestion:**

In Toronto and across the GTA, increased vehicular traffic is impacting commuting times, and extending the “rush hour”. Those office nodes that offer superior public transit accessibility are positioned to outperform the more auto-dependent business parks.

**b) “Flight to quality”:**

As rental rates soften in the current office market, some tenants are downsizing their leased premises in response to a hybrid office occupancy strategy while upgrading the quality of their workspace, and in some cases, migrating to more desirable office nodes, particularly those well served by amenities, services and access to transit.

**c) Conversion pressure:**

Market forces dictating higher land values for residential development, and the need to supply additional housing within the city, are generating pressure for land use conversion from office to residential or mixed use. In

some instances, the established older office supply generates lower achievable rental rates compared to a scenario whereby there is a demolition and redevelopment to modern industrial uses (this is only considered viable in select locations where land use compatibility with nearby uses exists).

**d) Evolving role of office space:**

The purpose of the office as a place to gather and work collectively is being challenged as the pandemic-induced work-from-home paradigm will influence not just the timing of a return to work, but, for many businesses, there may be permanent changes to working conditions. Offering an office environment in a node with access to amenities – and a sense of place/community – may take on increasing importance going forward. This means that some of the more marginal locations from a site selection perspective could face challenges.

## **C. Policy Must Conform to the Growth Plan**

Toronto's Employment Areas have proven adaptable as broader economic conditions have created new business opportunities and employment prospects for city residents.

Perhaps the most prominent example of adaptability has been the transition of Liberty Village from a traditional industrial area with a focus on furniture manufacturing to a dynamic office node for information and cultural, among other, professions.

In a similar vein, Caledonia – South Downsview has transitioned from a mid-century manufacturing area, with some emphasis on chemicals and machinery, to an area with a significant focus on design and décor, along with clothing manufacturing and warehousing.

City-wide, there has also been adjustments within sectors. One example is in food and beverage manufacturing. While some legacy large plants in the food and beverage industry have closed, the industry is still strong with the emergence of smaller, niche operations such as catering kitchens, craft breweries and distilleries, coffee roasters and specialty food activities catering to the ethnic diversity found across Toronto. This is evidenced by the fact that jobs in the Food and beverage sector increased by 15% from 2011 to 2019, maintaining a 4% share of all jobs across land designated Employment Areas.

This economic resilience is a testament to land use policies and economic development programs that have protected these areas from conversion to non-economic functions. Further evidence of this is our earlier observation that the trend of decline in Manufacturing and Warehousing jobs from 2001 to 2011 began to abate over the five following years, after implementation of OPA 231, and exhibited a considerable resurgence in the Core Employment Areas between 2016 and 2019. The current Municipal Comprehensive Review is an opportunity to review the continued adequacy of this policy framework, especially the degree to which the official plan aligns with the policy directions of the Growth Plan.

While some significant gaps have emerged based on newly introduced policy in the 2020 iteration of the Growth Plan, the policy regime on land use planning concerning employment in the Official Plan, as established through OPA 231, remains generally in strong conformity with Provincial policy.

This section summarizes the assessment of the conformity of Official Plan policies against Growth Plan Section 2.2.5. This analysis is also presented in Table 10, ranking the Official Plan's conformity as "strong," medium," or "policy needed".

**Table 10: Growth Plan Policy Conformity Assessment**

<b>GP Policy</b>	<b>Policy Summary</b>	<b>Applicable OP Policy</b>	<b>Conformity</b>
<b>2.2.5.1</b>	<ul style="list-style-type: none"> <li>▪ Promoting economic development and competitiveness by:               <ul style="list-style-type: none"> <li>a) connecting areas with high employment densities to transit; and</li> <li>b) ensuring sufficient supply, in appropriate locations for a variety of employment</li> </ul> </li> </ul>	<b>2.2.4.1~4, 3.5.1.2, 4.6.7~8</b> on promoting the economic development and transit connectivity of Employment Areas	Strong
<b>2.2.5.2</b>	<ul style="list-style-type: none"> <li>▪ Direction of Major Office development to Urban Growth Centres, Major Transit Stations Areas, or other strategic growth areas</li> </ul>	<b>2.1.1, 2.2.1.7, 2.2.2.2, 3.5.1.3, 3.5.1.6~7</b> on the planning of the Downtown, Centres, and Avenues for office development; and on the planning of office and general employment development (3.5.1.6~7 subject to OLT decision)	Strong
<b>2.2.5.3</b>	<ul style="list-style-type: none"> <li>▪ Direction of retail and office uses to locations that support active transportation or have existing or planned transit</li> </ul>	<b>2.2.1.7~8, 2.2.2.2, 2.2.2.6, 3.5.1.3, 3.5.1.6~7 and Secondary Plans</b> on the planning of the Downtown, Centres, and Avenues for office development; and on the planning of office and general employment development (3.5.1.6~7 subject to OLT decision)	Strong



<b>GP Policy</b>	<b>Policy Summary</b>	<b>Applicable OP Policy</b>	<b>Conformity</b>
<b>2.2.5.4</b>	<ul style="list-style-type: none"> <li>Minimization of surface parking and facilitation of active transportation and transit-supportive built form</li> </ul>	<b>2.2.4.13</b> on enhancing transit service to and from Employment Areas	Strong
<b>2.2.5.5</b>	<ul style="list-style-type: none"> <li>Direction to designate and preserve lands within settlement areas near major goods movement facilities and corridors as areas for manufacturing, warehousing and logistics, and appropriate associated uses</li> </ul>	<b>2.2.5.11~12</b> on Employment Areas and major transportation infrastructure	Strong
<b>2.2.5.6</b>	<ul style="list-style-type: none"> <li>Municipalities will designate all Employment Areas in official plans and protect them over the long term.</li> </ul>	<b>2.2.4.1~2, 3.5.1.2, 4.6.7</b> on designating and protecting Employment Areas	Strong
<b>2.2.5.7</b>	<ul style="list-style-type: none"> <li>Municipalities will plan for Employment Areas in settlement areas by: <ul style="list-style-type: none"> <li>a) prohibiting residential uses</li> </ul> </li> </ul>	<b>2.2.4.5~10</b> on sensitive land uses  City should consider reconciling Secondary Plans and SASPs which allow residential in Employment Areas.	Medium
	<ul style="list-style-type: none"> <li>b) prohibit or limit sensitive uses</li> </ul>	<b>4.6.1~7</b>	Strong

<b>GP Policy</b>	<b>Policy Summary</b>	<b>Applicable OP Policy</b>	<b>Conformity</b>
	c) prohibit or establish size threshold for major retail	<b>4.6.1~7</b> limits major retail to General Employment Areas by size threshold.	Strong
	d) appropriate interface to maintain compatibility	<b>4.6.8</b> and <b>2.2.4.5~18</b>	Strong
<b>2.2.5.8</b>	<ul style="list-style-type: none"> <li>The development of sensitive land uses, major retail uses or Major Office uses will avoid, minimize or mitigate adverse impacts on industrial, manufacturing or other uses vulnerable to encroachment</li> </ul>	<b>2.2.4.5~10</b> on sensitive land uses and <b>4.6.1~8</b>	Strong
<b>2.2.5.9</b>	<ul style="list-style-type: none"> <li>The conversion of lands within Employment Areas may be permitted only through a municipal comprehensive review and must follow stated criteria in this policy</li> </ul>	<b>2.2.4.14~18</b> on conversion and removal of Employment Areas	Strong

<b>GP Policy</b>	<b>Policy Summary</b>	<b>Applicable OP Policy</b>	<b>Conformity</b>
<b>2.2.5.10</b>	<ul style="list-style-type: none"> <li>Notwithstanding 2.2.5.9, lands within Employment Areas may be converted if they satisfy 2.2.5.9 requirements, maintain a significant number of jobs, and not include lands identified as a provincially significant employment zone unless located in a major transit station area</li> </ul>	<b>2.2.4.14~18</b> on conversion and removal of Employment Areas	Policy Needed
<b>2.2.5.11</b>	<ul style="list-style-type: none"> <li>Any change in an official plan to permit or expand major retail in an Employment Area may only occur in accordance with 2.2.5.9 and 2.2.5.10</li> </ul>	<b>2.2.4.14~18</b> on conversion and removal of Employment Areas	Strong
<b>2.2.5.12</b>	<ul style="list-style-type: none"> <li>The Minister may identify and provide specific direction for provincially significant employment zones</li> </ul>	N/A	N/A
<b>2.2.5.13</b>	<ul style="list-style-type: none"> <li>Municipalities will establish minimum density targets for all Employment Areas</li> </ul>	N/A	Policy Needed

<b>GP Policy</b>	<b>Policy Summary</b>	<b>Applicable OP Policy</b>	<b>Conformity</b>
<b>2.2.5.14</b>	<ul style="list-style-type: none"> <li>Criteria should be developed so employment land redevelopment outside of Employment Areas maintain a similar number of jobs</li> </ul>	<b>3.5.1.9</b> on non-residential replacement in mixed use areas and regeneration areas (subject to OLT decision) Reinforced in Secondary Plans	Medium
<b>2.2.5.15</b>	<ul style="list-style-type: none"> <li>The retail sector will be supported through compact built form, intensification, and land uses to support complete communities</li> </ul>	<b>3.5.3</b> Future of Retailing addresses protection / promotion of range of retailing including provision for community retail needs in new development and accessibility by transit and walking	Strong
<b>2.2.5.16</b>	<ul style="list-style-type: none"> <li>Planning direction to support office parks, including direction for transit connectivity, amenities, intensification, and limiting non-employment uses</li> </ul>	<b>2.2.4.4</b> on planning in Employment Areas  SASP 394 other SASPs for these areas  ConsumersNext Secondary Plan	Strong

GP Policy	Policy Summary	Applicable OP Policy	Conformity
2.2.5.17	<ul style="list-style-type: none"> <li>Direction for municipalities to, in consultation with the Province and stakeholders, undertake a co-ordinated approach to planning for large areas of employment and are major trip generators, on matters such as transportation demand management and economic development</li> </ul>	2.1.2 on the consultation with adjacent municipalities regarding matters of mutual interest, including shared transportation corridors and cross-boundary service provision	Strong

Key themes identified and assessed as part of the conformity review are summarized as follows:

#### i. General Employment Land Designation and Development

Policy 2.2.5.1 in the Growth Plan concerns the general promotion of economic development and employment in the Greater Golden Horseshoe, applying specifically to Employment Areas in Subsection 2.2.5.1.a. The Official Plan conforms strongly to this policy through a number of policy sections including Official Plan Section 2.2.4 policies 1 through 4 on various aspects of planning for Employment Areas; 3.5.1 policy 2 on the protection of Employment Areas, and 4.6 policies 7 and 8 on the “creation of competitive, attractive, highly functional Employment Areas.”

Expanding on the notion of designating Employment Areas, Growth Plan policy 2.2.5.6 requires municipalities to designate and protect all Employment Areas in the long-term. The Official Plan conforms with the Growth Plan in this matter through policies (2.2.4, 3.5.1, and 4.6).

## **ii. Land-Use Compatibility and Sensitive Uses**

Growth Plan policies 2.2.5.7 and 2.2.5.8 directs the City to protect Employment Areas from the encroachment of surrounding sensitive land uses and adverse impacts more generally. The City of Toronto's Official Plan policies 5 through 10 in Section 2.2.4 conform with this directive by ensuring the proper design and planning of sensitive land uses near Employment Areas, and requiring a Compatibility/Mitigation Study for the development of sensitive land uses in the applicable areas. However, there are some areas where the Official Plan could benefit from some clarity. Through permissions in some Secondary Plans or Site and Area Specific Policies (SASPs) residential uses are permitted in some areas broadly reserved for employment. These permissions and policies should be reconciled.

## **iii. Transportation**

The Growth Plan, in policies 2.2.5.4 and 5.5, direct the City to minimize surface level parking, promote active transportation and transit-supportive built-form, and designate lands near major goods movement facilities for employment uses relying on such infrastructure. These two policies are addressed directly in the Official Plan policies, indicating strong conformity. Section 2.2.5 policies 11 through 13 focus on these topics.

Similarly, Growth Plan policy 2.2.5.17 directs municipalities to coordinate with nearby municipalities and the Province on the transportation demand management of large-scale Employment Areas. The City's response is found in Official Plan Section 2.1, policy 2, stating that the City "will consult with adjacent municipalities" on issues related to shared transportation corridors and cross-boundary service provision. Cross-jurisdictional matters are also recognized in the conversion policies (2.24.17).

#### **iv. Employment Uses Outside Employment Areas**

Growth Plan policies 2.2.5.2, 2.2.5.3, 2.2.5.14 and 2.2.5.15 address employment lands outside of Employment Areas; 5.2, 5.3 and 5.15 provide direction for municipalities to develop and plan for major office, retail, and office employment uses. In addition, 2.2.5.14 recommends municipalities develop criteria for the replacement of jobs when employment lands are redeveloped. In the Official Plan, policies addressing these themes exist outside of Section 2.2.4 (Employment Areas) in Sections 2.1, 2.2.1 and 2.2.2 in policies related to Toronto’s urban structure, as well as in Section 3.5.1 on “creating a strong and diverse civic economy.”

The Official Plan is in strong conformity with these Growth Plan policies. Policy alignment here is currently best addressed through Official Plan policy 3.5.1.9 on non-residential replacement in mixed use areas and Regeneration Areas (subject to OLT decision), as well as the retail replacement policy, and replacement policies in specific Secondary Plans. We have, however, flagged alignment with 2.2.5.14 as medium, suggesting that the City monitor the post-COVID return to office settings with a view to tracking the health of the office-focused Employment Areas.

#### **v. Conversion of Employment Areas**

Growth Plan policies 2.2.5.9 and 2.2.5.10 are of particular note, as they concern the conversion of Employment Areas. 2.2.5.9 details criteria to be met for Employment Areas to be converted as part of an MCR. The Official Plan policies 14 through 18 in 2.2.4 follow closely with the Growth Plan’s language on this issue, and therefore conform strongly with 2.2.5.9. Clear direction is provided as to when and how the City will assess conversion requests under these policies, including distinguishing for conversions between Core and General Employment Area designations.

2.2.5.10 has been newly introduced to the Growth Plan, and provides a notwithstanding clause to policy 2.2.5.9 above. It states that until the next

MCR, Employment Areas may be converted to non-employment use outside of an MCR, so long as they are not located within a Provincially Significant Employment Zone (PSEZ), as identified by the Minister (see text box below), or they are located within an MTSA. The conformity to this new policy is categorized as “Policy Needed” as this new requirement may need to be recognized in the Official Plan, if only to recognize the discretionary nature of such a request, and how the City should deal with them.

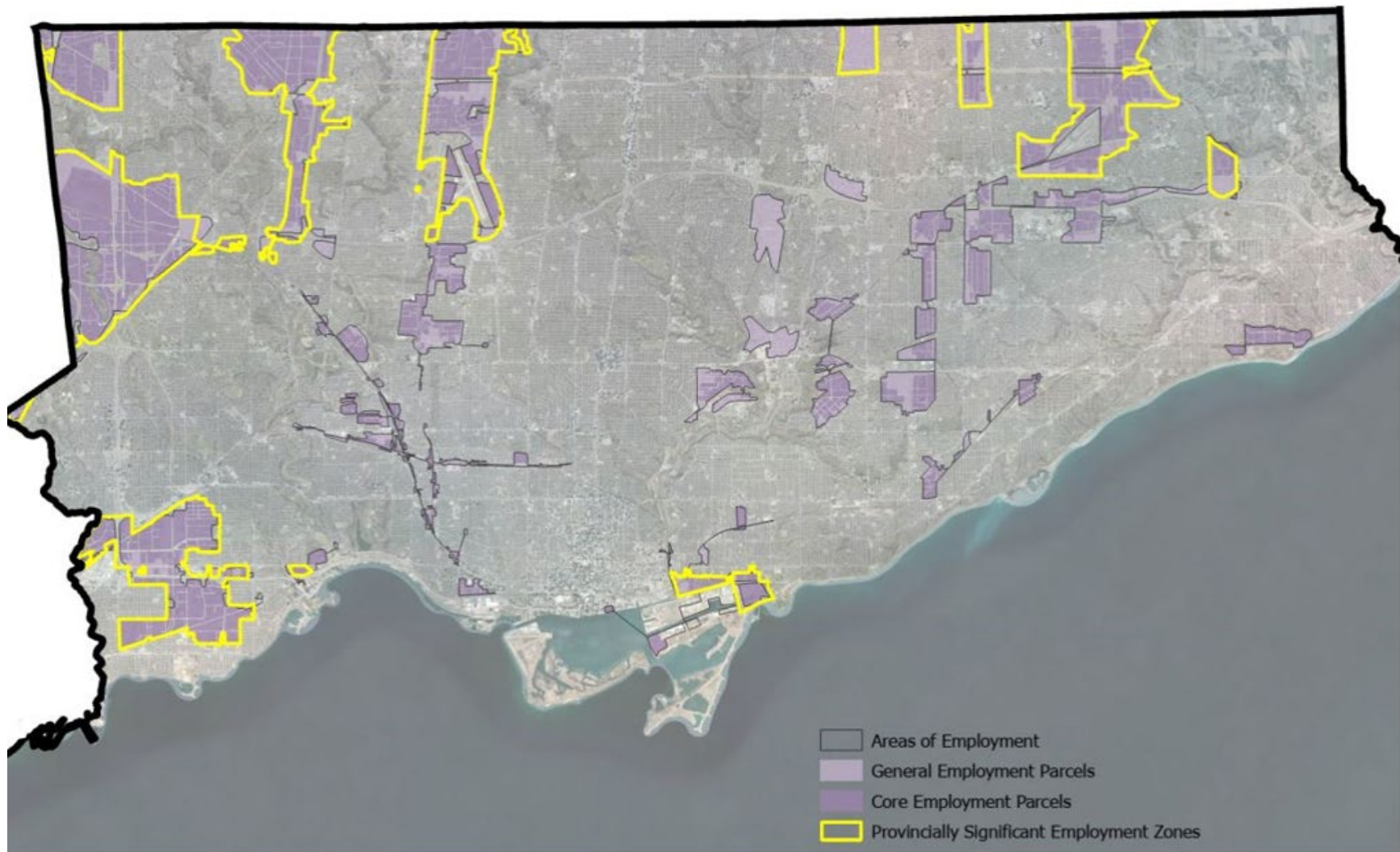
Along similar lines, Growth Plan policy 2.2.5.11 concerns the planning for new major retail uses within Employment Areas. Once again, this is addressed in the Employment Area conversion policies of the Official Plan (2.2.5, policies 14 through 18) and is in strong conformity with the Growth Plan.

### **Provincially Significant Employment Zones**

The Growth Plan authorizes the Minister to identify provincially significant employment zones (PSEZ) and provides specific direction for the planning of those lands that would be implemented by inclusion in municipal official plans. Some of the currently established PSEZs encompass, in whole or in part, lands within some of the 23 Areas of Employment; these are illustrated in Figure 44 on the following page. As these areas are defined by the Ministry and subject to change, it is not recommended a map of PSEZ’s be identified in Toronto’s Official Plan. Research conducted by City staff could support a request to the Ministry to include more of Toronto’s employment lands within the PSEZ delineation.



**Figure 44: Provincially Significant Employment Zones and Employment Areas**



Source: City of Toronto

## **vi. Density Targets**

The newly-introduced Growth Plan policy 2.2.5.13 requires municipalities to establish minimum density targets in all designated *Employment Areas*. The current Official Plan does not address this requirement, and a new policy speaking to this requirement would appear to be required in order for the Official Plan to conform with the Growth Plan. Consideration for such a policy is discussed further in the following section.

## **vii. Other**

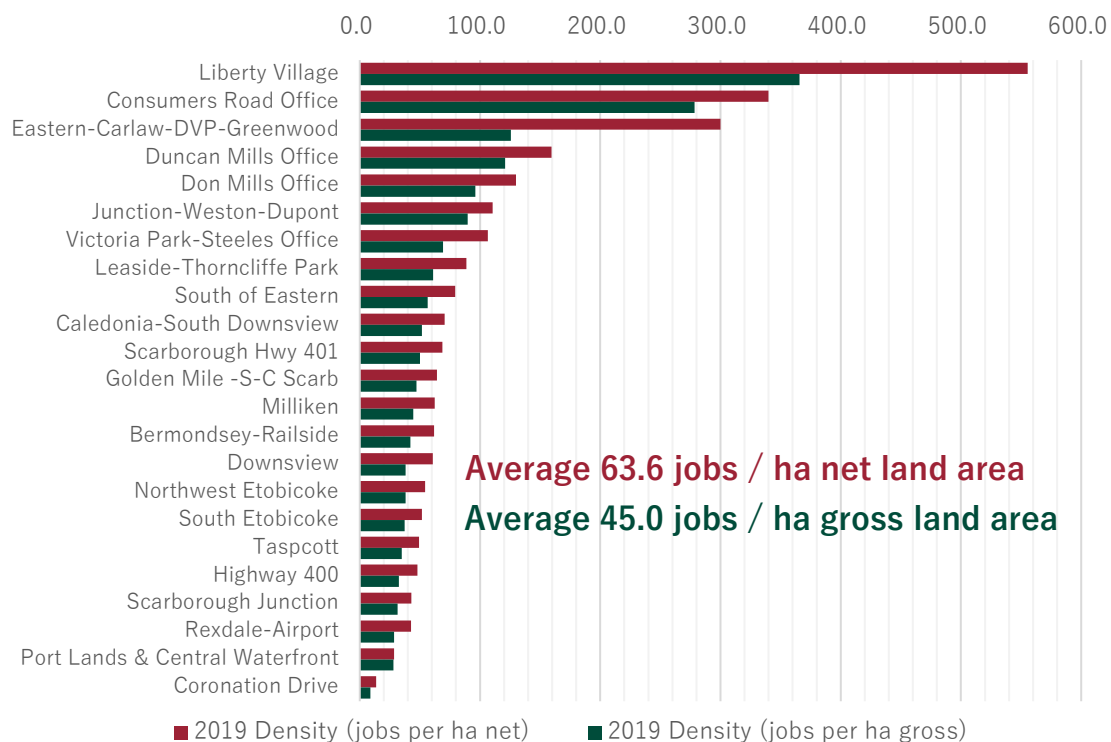
Finally, 2.2.5.16 in the Growth Plan identifies office parks directly, and provides planning directives for them, including transit connectivity and a limitation of non-employment uses. While the City's Official Plan does not mention office parks in policy, office parks are encompassed as part of Employment Areas designations and additional policy direction is provided through Secondary Plans and Site and Area Specific Policy where required. As the Official Plan policies on Employment Areas satisfy the recommendations in this Growth Plan policy concerning office parks, the Official Plan is in conformity in this regard.

## D. New Policy Requirements

### i. Establishing Density Targets for Employment Areas

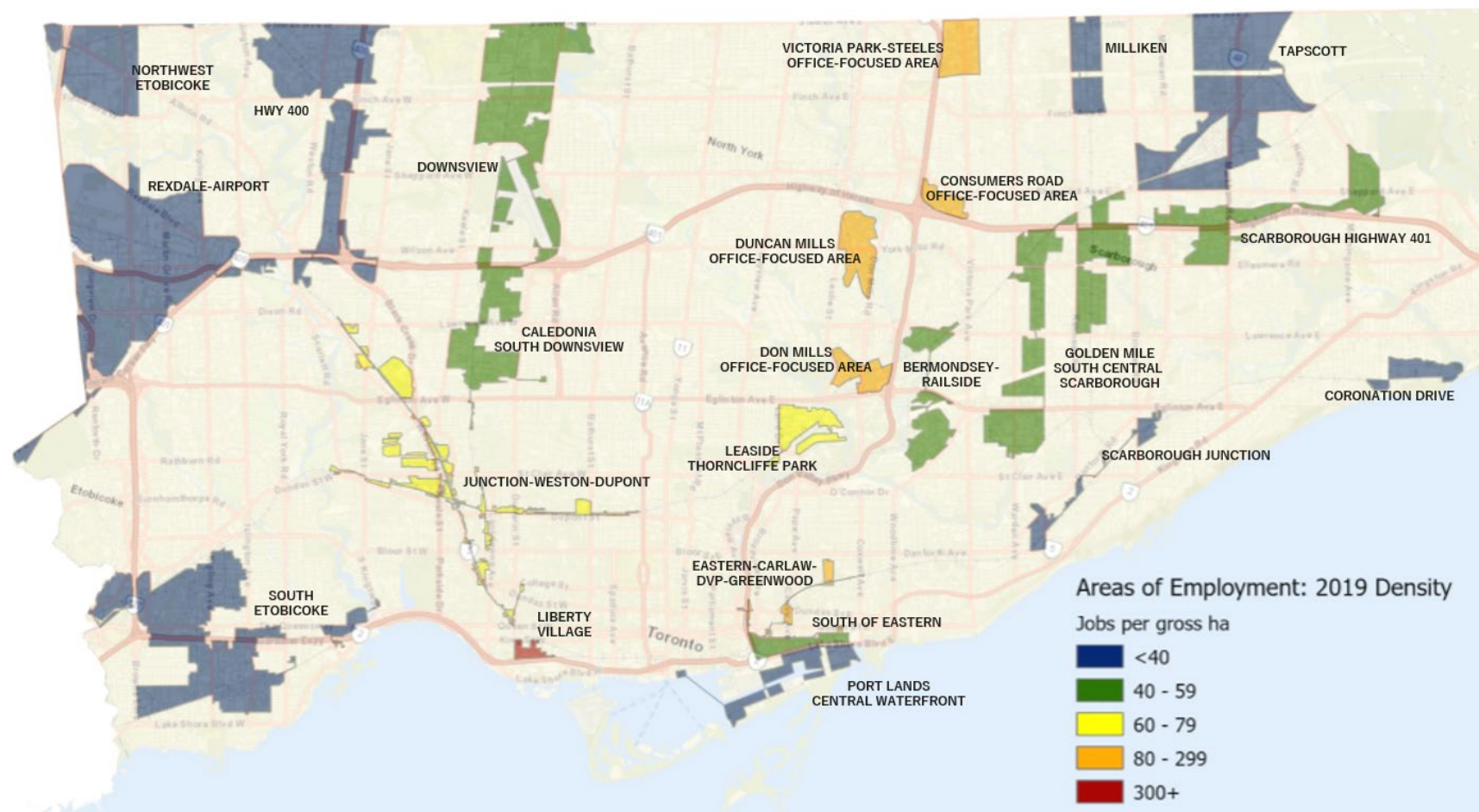
The Growth Plan now requires municipalities to establish an employment density target(s) for Employment Areas. Employment densities have been calculated for all 23 Areas of Employment that are profiled in Appendix 2. Figure 45 below, summarizes the gross and net densities for each of the Areas of Employment. Net density is calculated as the total number of jobs on very specific site areas of employment land parcels. Gross density, a more often used indicator, is calculated as the total number of jobs over the broader Area of Employment, including vacant parcels and municipal infrastructure. A map of the AOE's by gross density is provided in Figure 46 on the following page.

**Figure 45: Employment Densities by Area of Employment, 2019**



Source: Hemson Consulting, using data from City of Toronto Employment Survey

**Figure 46: Gross Employment Density by Area of Employment, 2019**



Source: Hemson Consulting, using data from City of Toronto Employment Survey

Assumptions regarding employees per hectare for the build out of the GGH's existing settlement areas and for new urban employment lands are necessary for the Land Needs Assessment work leading to settlement area boundary expansions in municipalities where such expansion is possible. The forecasts for these areas can be recast as targets for development and are typically expressed in gross terms.

In Toronto, however, there is little vacant employment land left and no boundary expansions are possible. As such, the real value of Employment Area density targets for Toronto is somewhat uncertain. The Schedule 3 forecasts in the Growth Plan are predicated on Toronto's employment lands remaining largely intact, and near full occupancy of land and buildings for some economic purpose, as they have been for decades.

While overall employment may shift between sectors and types, in totality Employment Areas should remain relatively stable. The purpose and value of the targets in the Toronto context is uncertain at best. If used to demonstrate that virtually all Employment Area land is needed to remain in employment use in order to achieve the forecasts in Schedule 3, it is, in effect just restating a premise of the forecast. The nature of the Provincial objective in directing, through the Growth Plan, a built-out city like Toronto to establish such targets is opaque.

Still, the employment density research presented here, however, could help inform the calculation of minimum density targets for Major Transit Station Areas (MTSAs) that include lands designated as Core or General Employment Areas within their individual delineations. These densities and the background work can also help inform local area studies that may result from the MCR outcomes.

Furthermore, should it be necessary to adopt a density target in order to be in conformity with the Growth Plan, adopting a single density target across all Employment Areas is advised. A city-wide target of 50 jobs per hectare



largely reflects current conditions, being slightly above the current average, while still positioning these lands for growth.

## **E. Forecast and Land Needs Assessment Policies Tied to Employment Outlook**

The Growth Plan contains policy 2.2.1.1 requiring the City to plan for at least the population and employment shown in Schedule 3 to the Growth Plan for 2051, that is, a population of 3,650,000 and employment count of 1,980,000. As already described, depending on where population is at today and where employment levels will be following the “return to the office,” this could mean growth of up to 750,000 population and up to 250,000 jobs by 2051<sup>9</sup>.

On the growth increment the 250,000 jobs and 750,000 people would amount to about 1 job added for every 3 people. In a balanced situation with no change in net in-commuting, a little more than 1 person with a job would be expected for every 2 additions to the population. The forecasts in Schedule 3 to the Growth Plan embed the notion of moving towards more complete communities, which means that the 5 other single and upper-tier municipalities in the GTAH would see a gradual decline in net out-commuting. The only reasonable way for a regional decline in net out-commuting to occur would be through reduced rates of commuting into Toronto. As a central city with the significant commuter draw of Downtown, Toronto has very high net in-commuting. The pre-pandemic commuting and

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<sup>9</sup> The reason for the uncertainty about current population and employment in Toronto is the highly volatile data through the pandemic. For example, 2020 was Canada’s lowest immigration year since 1988, followed immediately by 2021 with the highest year for immigrant arrivals ever, at 405,000 (just ahead of the 108-year record of 201,000 in 1913). With most of those arrivals in the latter half of the year, the surprisingly low May 2021 Census population count for Toronto may already be made up. Similarly, the 2021 Census employment and 2021 Toronto Employment Survey will still provide data from which it will be difficult to draw meaningful longer-term conclusions. Those conclusions may need to wait for the 2022 and 2023 municipal employment surveys and the 2026 Census.

job growth patterns coupled with the large forthcoming investments in the GO system for inter-regional commuters do not suggest that commuting patterns will be easy to shift. To recognize this, the City of Toronto may want to consider adopting a higher employment forecast for 2051 than that shown in Schedule 3. After all, Toronto did exceed the original Growth Plan's employment forecast of 1,640,000 at 2031 by 2017. The 2013 update to the Schedule 3 indicated Toronto employment of 1,720,000 by 2041, a level likely met in 2019 just prior to the pandemic.

The other policy where the Growth Plan forecast intersects with the employment policies addressed in this report is the requirement to prepare a Land Needs Assessment as part of the MCR. The Land Needs Assessment, as its name suggests, is specifically designed to analyze the need for any additional urban land through a settlement area boundary expansion to meet growth forecasts while meeting other policies such as rates of intensification, limiting rural development and achieving density targets in the Designated Greenfield Area. Toronto is the only single or upper-tier jurisdiction within the GGH that is all Built-Up Area with no rural land, no greenfield land and no possibility of expanding an urban boundary. While the exercise is of uncertain utility for the MCR, it remains a requirement of the Growth Plan.

To prepare the Land Needs Assessment, the City needs to consider the amount of employment in the city's Employment Area and the Community Area. The Community Area is all urban lands not within an Employment Area, which means that it is generally the residential areas and the mixed-use, commercial and institutional areas as well as lands in the Downtown and Central Waterfront that are not Employment Areas. The background work to Schedule 3 did include an employment forecast by four land-use-based employment categories, as shown in the excerpt from the 2020 report, *Greater Golden Horseshoe: Growth Forecasts to 2051* in Table 11 on the following page. Municipalities are only obliged to use figures in Schedule 3,

but these background details are explanatory interest for the origins of the Schedule 3 forecast.

**Table 11: Growth Plan Employment Forecasts for the City of Toronto**

Year	Employment			Employment By Type				
	Reference	High	Low	Major Office	Pop-Related	Emp. Land	Rural	Total
2011	1,529,000	1,529,000	1,529,000	592,000	594,000	343,000	-	1,529,000
2016	1,608,000	1,608,000	1,608,000	667,000	643,000	298,000	-	1,608,000
2021	1,697,000	1,697,000	1,697,000	714,000	677,000	306,000	-	1,697,000
2031	1,829,000	1,843,000	1,773,000	846,000	637,000	346,000	-	1,829,000
2041	1,895,000	1,931,000	1,800,000	935,000	635,000	325,000	-	1,895,000
2051	1,979,000	2,055,000	1,861,000	1,030,000	672,000	277,000	-	1,979,000
2016-51 Growth	371,000	447,000	253,000	363,000	30,000	(21,000)	-	371,000

Source: Greater Golden Horseshoe Growth Forecasts to 2051, August 26, 2020 Report

These categorizations of employment have evolved over time and through the 2020 background work to Schedule 3 were made more explicitly based on the geographic areas represented, rather than allocation by industry codes. Briefly, the four categories of employment are the following:

- Major Office Employment is all employment in free-standing office buildings of 20,000 square feet (1,860 m<sup>2</sup>) or more. The office buildings may be in Employment Areas or Community Areas.
- Employment Land Employment is all jobs within Employment Areas generally within industrial-type buildings. Employment Areas may also contain Major Office Employment and some Population-Related Employment. Where there are substantial pockets of industrial uses or single isolated industrial plants that are not within an Employment Area designation the jobs may be counted as Employment Land Employment.
- Population-related employment is all of the employment with the Community Area, except Major Office buildings and the noted pockets of Employment Land Employment. Population-Related Employment includes almost all retail and service commercial, institutional uses, public services and home-based employment. Where there are



substantial concentrations of retail or institutional uses in Employment Areas, they are counted as pockets of Population-Related Employment.

- While none exists in Toronto, Rural Employment is all jobs in rural areas.

The basis of the forecast for Toronto was that the vast bulk of job growth would be in Major Office Employment mainly in the Downtown and Centres, but with some growth in Employment Areas. The Employment Areas themselves were assumed to remain intact, have little land converted and the employment generally remaining stable. The small forecast decline in Employment Land Employment is the continuation, in a limited way, of the replacement of some jobs in Employment Areas by the growth in Major Office Employment and Population-Related Employment.

The categorization of employment undertaken for the Schedule 3 background work was, of necessity, done by a standard approach for all areas in the GGH. For this current work for the City, we undertook a much more detailed and exhaustive exercise to understand the Employment Areas in terms of the jobs by industry type and by the land-use based categories. Because Schedule 3 is based on the Census definition of employment this exercise involved allocating Census employment figures, rather than the TES figures discussed previously in this report, in order to be comparable to the Growth Plan forecast.

Available data included special run of 2016 Census place of work data by industry and Traffic Zone, total 2016 Census usual place of work employment and work at home employment by Census Dissemination Area, the 2016 Toronto Employment Survey (for reference), databases of office, retail and industrial buildings, and extensive use of Google Earth imagery. In small areas, there are occasionally coding issues some data either geographically or industry types. The boundaries of the Employment Areas rarely coincided with the other geographies. The results are provided on the following two pages, first by the land-use based categories for Employment

Areas in Table 12, Community Areas in Table 13 and the total for the city in Table 14.

These categorizations and associated industry codes provide a sound foundation for forecasting the location of future growth by the large geographies shown here, but also prepared by traffic zone and for the Areas of Employment.

**Table 12: Employment Area, Total Employment by NAICS and by Land Use Based Category, Toronto, 2016**

Industry — NAICS (2012)	Major Office	Population Related	Employment Land	Total
Total Employment	103,100	12,200	295,500	410,700
11 Agriculture, forestry, fishing & hunting	0	0	700	700
21 Mining, quarrying, & oil & gas extraction	0	0	400	400
22 Utilities	500	0	2,100	2,600
23 Construction	3,000	0	19,200	22,200
31-33 Manufacturing	5,500	0	80,400	85,900
41 Wholesale trade	2,200	0	27,800	30,000
44-45 Retail trade	3,600	9,200	26,700	39,600
48-49 Transportation & warehousing	2,900	0	33,700	36,600
51 Information & cultural industries	10,700	0	8,600	19,300
52 Finance & insurance	14,700	400	4,300	19,300
53 Real estate & rental & leasing	6,500	0	6,400	12,800
54 Professional, scientific & technical services	22,500	0	15,500	37,900
55 Management of companies & enterprises	300	0	900	1,100
56 Admin. & support, waste mngmnt. & remediation services	8,600	0	18,700	27,300
61 Educational services	1,900	0	4,800	6,800
62 Health care & social assistance	7,100	0	5,600	12,700
71 Arts, entertainment & recreation	1,100	100	5,900	7,100
72 Accommodation & food services	1,900	2,300	12,200	16,400
81 Other services (except public administration)	4,200	200	12,900	17,300
91 Public administration	5,900	0	8,600	14,500

Source: Hemson Consulting Ltd.

**Table 13: Community Area, Total Employment by NAICS and by Land Use Based Category, Toronto, 2016**

Industry — NAICS (2012)	Major Office	Population Related	Employment Land	Total
Total Employment	540,500	646,700	9,800	1,197,000
11 Agriculture, forestry, fishing & hunting	0	600	0	600
21 Mining, quarrying, & oil & gas extraction	1,700	200	0	1,900
22 Utilities	1,700	3,600	0	5,300
23 Construction	5,800	44,700	400	50,900
31-33 Manufacturing	2,800	11,100	2,400	16,200
41 Wholesale trade	3,000	13,300	600	17,000
44-45 Retail trade	12,700	90,900	300	103,900
48-49 Transportation & warehousing	5,200	8,500	1,800	15,600
51 Information & cultural industries	35,200	18,000	300	53,500
52 Finance & insurance	137,600	24,500	0	162,100
53 Real estate & rental & leasing	24,600	8,800	300	33,700
54 Professional, scientific & technical services	126,500	38,000	0	164,500
55 Management of companies & enterprises	3,000	1,200	0	4,300
56 Admin. & support, waste mngmnt. & remediation services	38,000	13,400	1,400	52,800
61 Educational services	15,700	102,600	0	118,300
62 Health care & social assistance	28,700	128,700	0	157,400
71 Arts, entertainment & recreation	4,300	22,800	300	27,400
72 Accommodation & food services	15,200	71,800	300	87,400
81 Other services (except public administration)	25,600	29,900	700	56,300
91 Public administration	53,200	14,000	700	68,000

Source: Hemson Consulting Ltd.

**Table 14: City of Toronto, Total Employment by NAICS and by Land Use Based Category, 2016**

Industry — NAICS (2012)	Major Office	Population Related	Employment Land	Total
Total Employment	643,600	658,900	305,300	1,607,800
11 Agriculture, forestry, fishing & hunting	0	600	700	1,400
21 Mining, quarrying, & oil & gas extraction	1,700	200	400	2,300
22 Utilities	2,200	3,600	2,200	8,000
23 Construction	8,800	44,700	19,600	73,100
31-33 Manufacturing	8,300	11,100	82,800	102,100
41 Wholesale trade	5,300	13,300	28,400	47,000
44-45 Retail trade	16,400	100,100	27,000	143,500
48-49 Transportation & warehousing	8,200	8,500	35,500	52,200
51 Information & cultural industries	45,900	18,000	8,900	72,800
52 Finance & insurance	152,300	24,900	4,300	181,400
53 Real estate & rental & leasing	31,100	8,800	6,700	46,600
54 Professional, scientific & technical services	148,900	38,000	15,500	202,400
55 Management of companies & enterprises	3,300	1,200	900	5,400
56 Admin. & support, waste mngmnt. & remediation services	46,600	13,400	20,100	80,100
61 Educational services	17,600	102,600	4,900	125,100
62 Health care & social assistance	35,900	128,700	5,600	170,200
71 Arts, entertainment & recreation	5,300	22,900	6,300	34,500
72 Accommodation & food services	17,100	74,200	12,600	103,800
81 Other services (except public administration)	29,800	30,100	13,600	73,600
91 Public administration	59,100	14,000	9,300	82,500

Source: Hemson Consulting Ltd.

## 7. Conclusion and Directions

When COVID-19 hit Toronto's economy was on a 10-year growth trajectory. New office buildings were under construction in the Downtown, international businesses were attracted by the highly educated workforce and film and television production companies were building new studio space.

An important element of that growth was the availability of land and buildings within areas designated for employment purposes. The 23 Areas of Employment, as geographic delineations of these lands, demonstrated employment growth from 2011 to 2019, including growth in somewhat traditional areas of Manufacturing and Transportation and Warehousing, but also in sectors such as Professional, Scientific & Technical jobs and Finance and Business Services.

The City launched its Municipal Comprehensive Review to ensure Official Plan policy is in conformity with new policies to plan for at least a population of 3.65 million and 1.98 million jobs by 2051. However, at this time, the new policy framework for planning for employment and protecting employment lands for economic growth had just come into effect. Official Plan Amendment 231 included a specification of permitted uses for Core and General Employment Areas and a process for managing requests to convert these lands to non-employment uses, in accordance with the earlier vintage of the Growth Plan. Additionally, the MCR has opened the door to the potential conversion of lands designated Employment Areas to non-economic uses.

As part of the MCR, the City is considering requests to convert lands designated Core Employment Areas or General Employment Areas. This includes requests received as either a complete application for an Official Plan Amendment or a written request with supporting material and payment

of the conversion request fee established by Council. Other sites are located in the Keele-St. Clair Local Area Study Area, Picture Mount Dennis Planning Framework Study, at Finch Ave West and Tangiers and Geary Works. The conversion requests constitute about 685 hectares (1,700 acres) of land, or 8.5% of all lands designated Employment Areas.

This report has demonstrated the importance of retaining all employment lands to accommodate economic growth, and provide unique economic opportunities for Toronto residents from all corners of the city. It is too early to assess the effectiveness of the policy framework of OPA 231, or to alter the range of permitted uses established by that policy, especially since there are still a number of outstanding site-specific appeals to this policy.

The analysis in this report demonstrates the important role that Core and General Employment lands play, and should continue to play, in accommodating a diverse and resilient local economy. These lands are distributed across the city, providing economic opportunities for Toronto residents and for the creation and growth of a wide range of business activity. The few remaining vacant employment lands in the outer reaches of Toronto are effectively built out. Important transportation and distribution centres have been built in recent years as an essential support for the growing e-commerce sector. At the same time, more traditional activities have continued to grow, such as food & beverage manufacturing, and there has been a surge of reinvestment in older industrial buildings converted to house new economic activity, from financial services to video game development.

The importance of employment lands in advancing the quality of life for Torontonians is evident by the significant share of jobs in these areas held by city residents. The accessibility of many of these areas to transit is a core strength as the city moves forward in adapting to climate change. Furthermore, providing for economic growth in these areas supports important equity objectives, as many of the daily work trips to Areas of

Employment originate in Neighbourhood Improvement Areas. This is enhanced by the extensive TTC and GO Transit network that enables employees who do not have access to a car to get to work relatively easily. Toronto's employment lands have the potential to advance principles of access, equity, and inclusion.

Protecting these areas from the incursion of non-residential development should continue to be a priority for Council. The following directions flow from this analysis and consultation with industry experts. These directions are broadly addressed as inclusions for the Official Plan, be that as formal policy or as explanatory text. Regardless, they are all important elements for Council consideration.

## **DIRECTIONS**

### **Protect Employment Areas over the Long Term**

Given the steady activity in new building permits and permits for additions/renovations and alterations or other building modifications in Employment Areas, it is clear that economic growth is not necessarily tied directly to job growth. Businesses need to expand and improve profitability. Strategic economic clusters need to be protected and nurtured. The City should continue to protect and preserve all Employment Areas, for ongoing industrial and other adaptive employment uses.

#### **Direction 1:**

The City should continue to protect and preserve all Employment Areas for ongoing industrial and other adaptive employment uses.

### **Strategic Use of Employment Areas to Promote Economic Development and Competitiveness**

As part of the MCR, it is imperative to retain all lands designated as Core and General Employment Areas to accommodate and support future

economic growth. However, unique opportunities may arise where important city-building objectives cannot be achieved within the Employment Area designation, and may warrant a conversion to permit a broader mix of uses. These types of conversions should be limited to City-initiated official plan amendments, only for Employment Areas with excellent access to higher order transit, and the conversion direction should be to re-designate the site as Regeneration Area. The requisite planning study should secure a minimum amount of gross floor area (GFA) for employment uses, and ensure the continuation of the economic function of the lands and broader area, while at the same time achieving other city building objectives.

**Direction 2:**

City-initiated official plan amendments to convert strategically located Employment Areas should apply the Regeneration Areas land use designation, securing a minimum threshold of gross floor area for employment and ensure the continued economic function of the site and broader area.

It is important to provide for a range of economic activity across the city's Employment Areas. Even though, on occasion, considerable investment in physical space may not result in substantially more jobs, such investment is needed to expand Toronto's economic base, support strategic economic clusters and facilitate all of the spinoffs of economic development. This is all to say that job creation is but one key objective behind protecting employment lands for the future.

**Direction 3:**

The City should reinforce either in policy or non-policy text that neither the Official Plan Employment Areas designation nor the Zoning By-law zone category infer a hierarchy of importance or priority regardless of intensity of use. Similarly, the relative location of lands within an Area of Employment does not infer importance or priority.

## **Promoting Transit Supportive Employment Uses in Strategic Growth Areas**

A key structural element to accommodating growth and realizing important city-building objectives is the planning for Major Transit Station Areas (MTSA). *A Place to Grow: Growth Plan for the Greater Golden Horseshoe* (the Growth Plan) directs municipalities to encourage the location of major office and institutional development in order to achieve the density targets for MTSA. For Toronto, with a considerable transit network serving Areas of Employment, planning for MTSA may necessitate changes to land use designations.

### **Direction 4:**

When planning for Major Transit Station Areas (MTSA), the City should consider new policies that encourage the development of major offices in these areas, recognizing that land use permissions may need to be modified.

## **Preserve Lands near Major Goods Movement Facilities and Corridors**

The Transportation & Warehousing industry has grown considerably in recent years, partly owing to the growth of e-commerce. The pandemic placed added emphasis on the ability to deliver goods quickly. To overcome potential challenges in timely delivery within Toronto's dense neighbourhoods, new logistics facilities have been built on the remaining vacant employment land in northeast Scarborough and north Etobicoke. Industry trends suggest potential growth in compact distribution facilities within dense urban centres to facilitate quick "last-mile" demands. The City should conduct research into the potential for establishing multi-level warehousing and distribution facilities in particular, and protect sites where appropriate. As e-commerce continues to grow, new mixed-use development should be encouraged to address emerging needs for appropriate parking, loading and short-term parcel pickup. Research in this



area would align with the City's Freight and Goods Movement Strategy (Sept. 2020).

**Direction 5:**

The City should protect for centrally situated distribution facilities featuring good highway access to accommodate new multi-level industrial development, such as last-mile fulfilment centres that are optimally situated to deliver goods to the urban market, and review parking, loading and short-term parcel pickup needs to support e-commerce.

**Prohibit Residential Uses in Employment Areas**

Policy language in the Official Plan is generally permissive, discussing which uses are permitted in different land use designations. The Growth Plan specifically directs municipalities to prohibit residential uses in Employment Areas.

**Direction 6:**

The City should add policy language to expressly prohibit residential uses in Employment Areas.

**Direction 7:**

The City should consider adding non-policy language, or a definition, to aid in the interpretation of "residential" prohibitions in Employment Areas such that it includes dwellings, live/work units, retirement homes and long-term care facilities.

**Direction 8:**

The City should review and reconcile policies in Site and Area Specific Policies (SASPs) and Secondary Plans that permit residential on lands designated Core or General Employment Areas.

## **Limit Conflict between Sensitive Uses that are Not Ancillary to the Primary Employment Use**

The Growth Plan directs municipalities to prohibit or limit sensitive uses that are not ancillary to the economic function of Employment Areas. The city-wide Official Plan policies of OPA 231 regarding land use permissions on land designated Core and General Employment Areas were only brought into effect in 2019 through an Order of the Ontario Land Tribunal. To provide land use certainty, the City should not re-introduce non-residential sensitive uses that were removed as part of OPA 231 in Employment Areas on a city-wide basis, specifically day cares, places of worship, hotels, places of assembly, recreation and entertainment.

### **Direction 9:**

The City should not expand the list of permitted uses in Core Employment Areas and General Employment Areas.

Also with regards to the recent OLT Order regarding Core and General Employment Area permissions, the *Planning Act* allows municipalities three-years (per S26.9 of the *Act*) to update its zoning by-by-laws after amendments to the Official Plan are made.

### **Direction 10:**

The City should continue and complete its exercise to bring the Zoning By-law into conformity with the Official Plan permissions following the approval of OPA 231 by the Ontario Land Tribunal.

Official Plan Policy 4.6.3 establishes a size threshold of 6,000 square metres for new large format retail, subject to certain conditions. The Ontario Land Tribunal brought these policies into effect in 2021 and they should remain unchanged and reviewed during the next MCR.

**Direction 11:**

The City should continue to enforce the revised threshold for large format retail policy in General Employment Areas, and monitor and track the application of this policy until the next municipal comprehensive review.

The City's compatibility and mitigation policies came into effect in 2018 through an Ontario Land Tribunal Order. This MCR is the first major opportunity for both the City and proponents to operationalize these policies.

**Direction 12:**

The City should continue to enforce the compatibility and mitigation policies in all Employment Areas, and monitor and track the application of these policies until the next municipal comprehensive review.

When development of sensitive uses, major retail or major office occurs in Employment Areas, the Growth Plan calls for the minimization or mitigation of any adverse impacts on existing industrial activity.

**Direction 13:**

While there is strong policy alignment, the City could review the zoning for lands designated Core and General Employment Areas to create a separation of specific uses in order to avoid employment-to-employment conflicts.

**Maintain Conversion Request Criteria**

OPA 231 amended the Official Plan to bring it into conformity with the Growth Plan, 2006, including incorporating policies to guide decision making on conversion applications. These policies only came into force in 2020 through an Ontario Land Tribunal Order. The MCR exercise is the first such review undertaken by the City under these new policies. The degree to

which some adjustment may be warranted cannot be determined until there is more experience with completing this process, and taking decisions on specific conversion applications.

**Direction 14:**

The conversion policies brought into effect as a result of OPA 231 should not be revisited until the next Municipal Comprehensive Review.

**Direction 15:**

Notwithstanding direction 14, the City should consider whether the in-effect conversion policies would require any adjustments in order to conform to the Growth Plan for conversions considered under policy 2.2.5.10.

**Advocate for Additional Provincially Significant Employment Zones**

The Minister of Municipal Affairs and Housing has delineated Provincially Significant Employment Zones (PSEZ) throughout the Greater Golden Horseshoe. A number of these zones are either wholly or partly within the City of Toronto. This designation confers additional protections for the lands within a PSEZ. The findings of research conducted by City staff reinforce the relevance and importance of identifying as much as 95% of the city's Employment Areas as PSEZ.

**Direction 16:**

The City should re-engage with the Minister to recognize additional lands as provincially significant employment zones (PSEZ) within Toronto.

## **Establish Minimum Employment Densities for Employment Areas**

The Growth Plan calls for the establishment of a density target for Employment Areas. The purpose of the target is to bring awareness to intensification opportunities in Employment Areas and signal support for compact built form with the goal of influencing development patterns. In our opinion, one overall target should be set to cover all of the Employment Areas in Toronto. Exceptions would be for lands within MTSA boundaries that may have a Core or General Employment Area designation. The planning for these lands and the establishment of a density target is part of planning for an MTSA. The research presented in this report on existing employment densities could provide direction to the MTSA planning.

A single target of 50 jobs per hectare measured across all of the city's lands designated Employment Areas is somewhat ambitious but achievable and takes into consideration growth forecasts while reflecting the market for land expansive employment development. This provides a quantifiable benchmark against which to measure the progress towards greater land use efficiency while recognizing that the city's diverse Areas of Employment must continue to provide for a range and mix of businesses and economic activities that operate at varying densities.

### **Direction 17:**

The City should use the employment density research provided in this report as input into the ongoing delineation and preparation of density targets for MTSAs.

### **Direction 18:**

The City should establish one Employment Area density target of 50 jobs per hectare calculated across all land designated Employment Areas city-wide.

**Direction 19:**

The City should establish a monitoring program to assess achievements against this city-wide density target in the context of changing conditions amongst different employment uses, specifically the manufacturing and transportation / warehousing industries.

**Support Office-Focused Employment Areas**

OPA 231 introduced a policy of replacing office space in certain locations when new residential development is proposed outside of Employment Areas (subject to decision by the Ontario Lands Tribunal). It is too early to determine if this policy should be reviewed. Given the uncertain return-to-work that is just getting underway (March 2022), the City would be wise to monitor the health of the office market outside of the Downtown on an annual basis.

**Direction 20:**

The City should consider monitoring return-to-work trends in addition to other key office market indicators, particularly with a view to better understand the requirements for healthy office-focused Employment Areas.