

## **Official Plan Review – Office Replacement Policies – Status Report**

Date: November 21, 2024

To: Planning and Housing Committee

From: Interim Chief Planner and Executive Director, City Planning

Ward: All

### **SUMMARY**

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Increasing office vacancies continue to impact large cities across North America as companies adjust to hybrid work following the COVID-19 Pandemic. To respond to the significant rise in office vacancies coming out of the COVID-19 Pandemic and to address development pressures on office buildings, the City initiated the Office Space Needs Study and retained consultants to conduct market and planning analysis and support public and stakeholder engagement.

This report follows on the Planning and Housing Committee's (PHC) endorsement of proposed policy directions (Attachment 1) resulting from the Office Space Needs Study (Office Study) and request for further analysis at its meeting on July 11, 2024 ([PH14.9](#)). In addition to endorsing the proposed policy directions, PHC adopted motions requesting City Planning to undertake additional economic and sensitivity analysis and to consult on additional policy direction for purpose built rental housing.

The City's land economic consultants concluded their analysis and provided the Office Space Needs Study: Needs Assessment & Policy Direction (Attachment 2), which includes analysis of office market projections, office conversion typologies, financial feasibility and sensitivity analysis. The consultants provided the following market-based directions:

- New office development will continue to be challenging and the inclusion of significant amounts of office space in new development represents a burden to feasibility that may lead to net-financial losses in many cases.
- The likelihood of large, high-performing, Class A office buildings being converted to residential uses is limited.
- There is an opportunity to provide a policy response to the major shift in office needs in Toronto to direct the appropriate amount/type of conversion activity.
- The City should clearly define and communicate the parameters of any conversion-related policy to avoid confusion among stakeholders.
- Consideration will need to be given to balancing current development pressures that predominantly focus on residential uses with longer-term goals relating to growth in office and other forms of employment.

- There will be an inherent need to regularly monitor and update the City's rationale for office conversion policies in response to ever-changing market conditions.

This report responds to the PHC direction by providing the additional analysis and engagement findings. The report also sets out next steps for bringing new office replacement policies into effect and concludes the Office Study.

## **RECOMMENDATIONS**

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The Interim Chief Planner and Executive Director, City Planning recommends that:

1. The Planning and Housing Committee request the City Solicitor to report back on implementation through OPA 231 in the first quarter of 2025.

## **FINANCIAL IMPACT**

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City Planning confirms that there are no financial implications resulting from the recommendations included in this report in the current budget year or in future years.

Over the long term, the conversion of office space to residential may have future financial implications for the City. Commercial uses are an important component of the City's property tax base and contribute a higher share of assessed value relative to residential uses. At the same time, these impacts may be offset by enabling the intensification of commercial properties with additional residential density.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the information as presented in the Financial Impact Section.

## **EQUITY IMPACT STATEMENT**

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Planning for employment space within complete communities is the first step in planning for future economic growth, job creation and inclusive prosperity for all Torontonians. Communities need to have adequate infrastructure, services, and amenities to support both current needs and future growth.

While industries that traditionally rely on office space have seen a fundamental shift in how employees work, there are numerous other industries which play vital roles in Toronto's economy which continue to rely on physical space. The Office Study takes these needs into consideration.

The City recognizes that housing is essential to the inherent dignity and well-being of the person and to building sustainable and inclusive communities. The need for additional and affordable housing is recognized by all levels of government, as a pressing necessity. The recently adopted Chapter 1 of the Official Plan identifies a

number of planning priorities including addressing housing demand and removing barriers that limit access to education, employment and essential amenities.

The City's Housing TO 2020-2030 Action Plan has a fundamental goal of providing opportunity to access safe, good quality and affordable housing as an important determinant of physical and mental health.

## **CLIMATE IMPACT**

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On October 2, 2019, City Council declared a climate emergency for the purpose of "naming, framing and deepening our commitment to protecting our economy, our ecosystems and our community from climate change" (Item MM10.3). This was followed up with the adoption of Transform TO Net Zero Strategy, which includes targets to achieve net-zero emissions in Toronto by 2040 (Item IE26.16).

The Provincial Planning Statement (PPS) 2024, supports building "compact and complete communities" as a strategy to help reduce greenhouse gas emissions and plan more adaptive communities that are resilient to the impacts of climate change.

The Office Study addresses the reduction of embodied carbon (the upfront energy and emissions of extraction, processing and transporting building materials embedded in an existing building) through the consideration of adaptively reusing existing buildings.

## **DECISION HISTORY**

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At its meeting on December 16, 2013, City Council adopted OPA 231, following the City's first Municipal Comprehensive Review (MCR) to conform to the 2006 Provincial Growth Plan. The Minister of Municipal Affairs and Housing approved OPA 231 in 2014 with the exception of certain lands within the Lower Don Special Policy Area. OPA 231 is largely in effect although some policies remain before the Ontario Land Tribunal ("Tribunal"). The Tribunal has approved significant portions of OPA 231, including a number of Council adopted site specific settlements. The Tribunal has not yet considered appeals to office replacement policies. An April 2021 consolidation of OPA 231 is available at this link: <https://www.toronto.ca/legdocs/refdocs/11463.pdf>

At its meeting on May 11, 2016, Planning and Growth Management Committee authorized City Planning, in consultation with Economic Development and Culture to consult with stakeholders and the public on incentives for the replacement/retention of existing office space near rapid transit. Incentives were proposed to be implemented through amendments to the Zoning By-laws and the Gold Star program and were part of the 2016 review of the Imagination, Manufacturing, Innovation, Technology (IMIT) Incentive Program. <https://secure.toronto.ca/council/agenda-item.do?item=2016.PG12.5>

At its meeting on July 23, 2018, City Council adopted the Community Improvement Plan to Implement Changes to the IMIT Program. Among the changes included in the CIP was expanded eligibility for office buildings subject to any office replacement policies as

set out in the Official Plan. This eligibility was not subject to a minimum size requirement. <https://secure.toronto.ca/council/agenda-item.do?item=2018.PG31.5>.

At its meeting on July 23, 2018, City Council adopted the Midtown Official Plan Amendment (OPA 405) pursuant to Section 26 of the Planning Act.  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PG31.7>

At its meeting on May 22, 2018, City Council adopted the Downtown Official Plan Amendment (OPA 406) pursuant to Section 26 of the Planning Act.  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PG29.4>

OPAs 405 and 406 were submitted to the Ministry of Municipal Affairs and Housing on August 9, 2018 for Ministerial review and approval. The Minister issued its Decision approving the OPAs on June 5, 2019.

- Midtown - <https://www.toronto.ca/legdocs/refdocs/11188.pdf>
- Downtown - <https://www.toronto.ca/legdocs/refdocs/11189.pdf>

At its meeting on November 8, 2023, City Council requested City Planning and Economic Development and Culture to study the potential conversion of office space across the City into new housing, consider what zoning and other regulatory or policy relief may be required to enable economically viable office conversions and evaluate the feasibility of requiring the provision of affordable housing in lieu of the replacement of office space. <https://secure.toronto.ca/council/agenda-item.do?item=2023.PH7.9>

At its meeting on February 6, 2024, City Council requested City Planning and Economic Development and Culture to explore opportunities to provide financial incentives, policies and other options to support the conversion or adaptation of vacant office space into other non-residential employment uses, including the potential to utilize as a funding source for such efforts and savings from lower than forecast Tax Increment Equivalent Grants payments to office developments covered by an Imagination, Manufacturing, Innovation and Technology (IMIT) Program Financial Incentive Agreement experiencing high vacancy rates.  
<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX11.6>

At its meeting on July 11, 2024, Planning and Housing Committee endorsed proposed policy directions for office replacement, requested City Planning to conduct economic and sensitivity analysis that tests various replacement rates, and requested City Planning to consult on the merits of policy direction related to waiving office replacement for projects that are 100 percent purpose-built-rental and include 20 percent affordable units. The staff report includes the full review of preliminary findings and summary of public and stakeholder engagement.  
<https://secure.toronto.ca/council/agenda-item.do?item=2024.PH14.9>

At its meeting on November 13, 2024, City Council considered a report to expand incentives for purpose built rental housing and recommended the establishment of a New Purpose-built Rental Homes Incentives Stream to support 20,000 rental homes through deferral of development charges and a property tax reduction. City Council recommended that projects under the new stream provide a minimum of 20% of homes

as affordable. City Council also recommended that the City provide additional benefits for 7,000 eligible rental homes, including 1,400 affordable rental homes.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX18.2>

## **BACKGROUND**

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### **Issue Context**

Increasing office vacancies continue to impact large cities across North America as companies adjust to hybrid work following the COVID-19 Pandemic. These challenges have prompted municipalities to introduce interventions, including financial support for businesses, cultural events, promotion and marketing, infrastructure investments, and enabling office-to-housing conversions.

Concurrently, Toronto is experiencing a prolonged housing crisis that has elevated pressures for residential intensification, including development applications that propose to add residential uses above existing office buildings, convert existing office to residential uses, or demolish office buildings entirely. The loss of office space is typically a permanent outcome that cannot be reversed later if market conditions change.

### **Development Applications**

Staff continue to track development applications, Pre-Application Consultation meeting requests and inquiries proposing to remove or demolish office space. Between Q3 2023 and Q4 2024 staff have and continue to track over 40 development proposals. These proposals include existing office space, and required office space secured through development permissions, but not yet built.

While the Office Study was underway and where in-effect office replacement policies exist in the Downtown Plan and Yonge-Eglinton Secondary Plan areas, staff have been negotiating with applicants seeking non-replacement of existing or approved office gross floor area using the policy directions endorsed by Planning and Housing Committee on July 11, 2024.

### **Office Space Needs Study in Three Phases**

To respond to the significant rise in office vacancies coming out of the COVID-19 Pandemic and to address development pressures on office buildings, the City initiated the Office Space Needs Study and retained consultants to conduct market and planning analysis and support public and stakeholder engagement. The Office Study was conducted in three phases. The first two phases of the study ended with staff's Proposal Report to the July 11, 2024 meeting of the Planning and Housing Committee which included preliminary findings on:

- Office market context;
- Office market projections;
- Policy considerations;

- Case study precedent research; and
- Financial feasibility analysis.

As part of phases one and two, staff undertook public and stakeholder engagement including research interviews, a stakeholder meeting and a virtual public consultation meeting.

Based on the preliminary findings and engagement from the first two phases, staff recommended and received endorsement of the Office Study proposed policy directions, included in this report as Attachment 1 – Proposed Policy Directions and summarized as follows:

- On/off Switch: the new replacement policy would be revisited every four years (with any new direction being brought forward during year four) or until, in Council's opinion, the supply and availability of office in the City has returned to a healthy state.
- Extent: the new replacement policy would vary by location and correspond to the geographies with existing replacement policies (Chapter 3 (3.5.1.9), Downtown Plan and Yonge-Eglinton Secondary Plan).
- Percentage Replacement: the new replacement policy would reduce office replacement from 100% to a minimum of 25% of existing office space and that such replacement may be replaced with other identified alternative uses.
- Alternative Uses: the new replacement policy would allow the replacement of office space with any non-residential use and a combination of affordable and/or supportive housing.
- Implementation: the new replacement policy would include wording that allows the temporary policy framework to prevail over existing Secondary Plans in the case of a conflict.

Phase three of the study was added to include an additional sensitivity and rental housing analysis as requested by Planning and Housing Committee and is discussed below.

## **POLICY CONSIDERATIONS**

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### **Planning Act**

The Planning Act is Provincial legislation that sets out the rules for land use decision making in the Province. It provides the basis for a policy-led planning system in Ontario. The Planning Act requires an Official Plan to contain goals, objectives and policies established primarily to manage and direct physical change and the effects on the social, economic, built and natural environment of the municipality or part of it (Section 16.1.a).

## **Provincial Planning Statement, 2024**

On October 20, 2024, the Provincial Planning Statement (PPS) (2024) came into effect and combined the PPS (2020) and the Growth Plan (2020) into a single policy document. As of October 20, 2024, all decisions of Council in respect of the exercise of any authority that affects a planning matter shall be consistent with the PPS (2024) and shall conform to provincial plans including the Greenbelt Plan (2017) and others.

The PPS 2024 directs planning authorities to support general intensification and redevelopment to support the achievement of complete communities, including by planning for a range and mix of housing options. Section 2.2 of the PPS 2024 speaks to facilitating residential intensification including the redevelopment of underutilized commercial and institutional sites.

The PPS 2024 also directs planning authorities to promote economic development and competitiveness by providing opportunities for a diversified economic base, including maintaining a range and choice of suitable sites for employment uses which support a wide range of economic activities and take into account the needs of existing and future businesses. Section 2.8 of the PPS 2024 directs major office development to major transit station areas where frequent transit service is available.

## **Official Plan**

The City's Official Plan is founded on a growth management strategy which steers growth and change to some parts of the city, while generally limiting significant change in other areas. The Downtown, including the Central Waterfront, and the Centres, are identified as areas that can best accommodate a vibrant mix of residential and employment growth.

Chapter 1 of the Official Plan identifies housing accessibility and affordability as a key priority for the City. Chapter 1 also identifies Toronto as a city of complete communities where residents can access the necessities of daily life including affordable housing and employment opportunities.

In December 2013, Council adopted OPA 231 which introduced office policies to Chapter 3 of the Official Plan, including Policy 3.5.1.9 which requires office replacement in the Downtown and Central Waterfront, Centres, and within 500 metres of an existing or an approved and funded subway, light rapid transit or GO train station. Policy 3.5.1.9 was appealed by a number of appellants, has not been heard by the Ontario Land Tribunal (OLT) and is not in-effect.

In 2018, Council adopted the Midtown Official Plan Amendment (OPA 405) and Downtown Official Plan Amendment (OPA 406) which introduced office and non-residential replacement policies to key areas in the Downtown and Midtown secondary plan areas. These policies are now in force.

A full summary of applicable Official Plan policies, and OPA 405 and OPA 406 office replacement policies can be found in staff's report to July 2024 Planning and Housing Committee (PH14.9).

<https://secure.toronto.ca/council/agenda-item.do?item=2024.PH14.9>.

## OFFICE SPACE NEEDS STUDY PHASE THREE

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In addition to the endorsed policy directions, Planning and Housing Committee requested that City Planning report back in the fourth quarter of 2024 with final policy recommendations. The Committee also adopted two motions to direct staff to further examine certain aspects of the policy directions.

- Requested the Chief Planner and Executive Director, City Planning to conduct an economic analysis and include results of a sensitivity analysis that tests various replacement rates and corroborates the final staff-proposed rate.
- Requested the Chief Planner and Executive Director, City Planning to consult on the merits of an additional policy direction to Attachment 1 to the report (June 25, 2024) from the Interim Chief Planner and Executive Director, City Planning as follows:
  - Purpose built rental housing – A revised replacement policy that waives office replacement provided that the proposed development consists of 100 percent purpose built rental housing and includes 20 percent affordable rental units.

In response to these adopted motions, the staff and consultant team conducted a sensitivity analysis for condominium and purpose-built-rental office conversions and undertook stakeholder interviews with rental housing providers.

### 1. Sensitivity Analysis

#### Phases 1 and 2

The first two phases of the Office Study included a financial feasibility analysis that modelled the feasibility of a stand-alone office building and typical conversion prototypes:

- conversion within the existing building envelope,
- overbuilding / additions to the existing structure, and
- demolition and redevelopment.

Each prototype was modelled in several different parts of the City and took into consideration the existing replacement policy as well as more flexible variations.

The financial analysis indicated that for areas with in-force 100% replacement policies, reducing the requirement to 25% and enabling the provision of alternative uses such as affordable housing or other non-residential uses is generally viable from a market perspective. This policy shift would meet city building objectives in light of existing and projected office demand.

The consultant's financial analysis looked at the viability of office conversion using a set of baseline assumptions around size of building and location.



### Phase 3

The phase 3 sensitivity analysis expands on the findings of the financial analysis by evaluating a range of office replacement rates across different geographic contexts (Downtown, Yonge-Eglinton and North York Centre), as well as for different sizes of existing office buildings. The goal of this additional analysis was to determine the likelihood of development going forward under current market conditions. This analysis determined that across all geographies:

- Small-sized office buildings have the potential to generate strong financial returns and accommodate up to 100% office replacement, provided redevelopment parameters are consistent with those analyzed in the consultant's report (e.g., significant residential density is added, lands were acquired at/near the submarket average price, among other conditions);
- Medium-sized office buildings show the potential to retain or rebuild some office space, with a declining amount further from the Downtown;
- Large-sized office buildings are particularly challenging to redevelop and in most cases are unlikely to generate sufficient financial returns to support any amount of office replacement. The likelihood of redevelopment for most larger office buildings in the Financial Core is also limited; and
- Location plays a significant role in the financial viability of office conversion, with the Downtown showing potential for highest replacement rates which decrease further away from the Downtown.

Staff note that the results of the sensitivity analysis reveal the wide range in size and extent of office conversions. While smaller office buildings could provide more than 25% replacement, large buildings would be challenged to provide up to 25%. The consultant's sensitivity analysis generally supports that 25% replacement strikes a balance between facilitating redevelopment and achieving key priorities such as affordable housing and non-residential gross floor area.

The endorsed policy directions include direction that the new replacement policy should vary based on location within the City with a focus on the geographies corresponding to existing replacement policies of Chapter 3 (3.5.1.9), Downtown Plan and Yonge-Eglinton Secondary Plan. The sensitivity analysis supports a direction to scope any new replacement policy to only those areas of the Downtown Plan and Yonge-Eglinton Secondary Plan with in-force office replacement policies, being the:

- Financial District in the Downtown Plan;
- Bloor-Bay Office Corridor in the Downtown Plan;
- Health Sciences District in the Downtown Plan;
- Mixed Use Areas 'A' in the Yonge-Eglinton Secondary Plan; and
- Mixed Use Areas 'B' in the Yonge-Eglinton Secondary Plan.

The sensitivity analysis has been incorporated into the consultant's Final Report, included in this report as Attachment 2 – Consultant's Final Report.

For demonstration purposes, the sensitivity analysis included a hypothetical (but plausible) scenario where 10% of small sized office buildings in the Downtown and

Midtown areas redeveloped as mixed-use buildings with greater residential density and included 25% replacement of existing office space as affordable housing or non-residential gross floor area. This scenario would result in:

- Between 27,000 to 35,000 new market-rate residential units;
- Between 313 to 901 affordable housing units OR 200,000 to 600,000 square feet of non-residential space;
- A reduction of up to 2.3 million square feet of office space (less than 1.3% of the City's total existing supply).

This hypothetical scenario illustrates the range of city-building objectives that could be achieved using the Committee endorsed policy directions.

## **2. Purpose-Built-Rental Housing Analysis**

Planning and Housing Committee directed staff to consult on a policy direction for purpose built rental housing that would waive office replacement provided that the proposed development consists of 100 percent purpose built rental housing and includes 20 percent affordable rental units.

### **Stakeholder Interviews**

In addition to including office conversions for purpose-built-rental in the sensitivity analysis, as part of phase 3, City staff conducted 8 interviews (13 total participants) with purpose-built-rental and affordable housing industry stakeholders. These interviews provided information on the challenges associated with office conversions to rental housing, the potential for affordable housing within purpose-built-rental development, and the set of incentives and funding options available for purpose-built-rental and affordable housing development.

The following is a summary of stakeholder feedback:

- Meeting residential policy requirements and design guidelines in office conversions are costly and limit opportunities to convert to other uses such as residential.
- High interest rates, escalating development costs, short supply of investors hinders potential for conversions.
- Under current market conditions, residential rents are challenged to capture cost associated with delivering and operating purpose-built rental.
- Planning approval process delays increase costs.
- Affordable housing targets should be determined on a case-by-case basis to align with sub-market conditions.
- It is easier to dispose of an affordable ownership unit then retain it as an affordable rental unit. In some cases rents are not high enough to capture cost of delivery.
- Flexibility in policy would help facilitate different types of conversions. If a 25% target is required, consider flexibility on the type of units permitted.
- Consider allowing office replacement as a range rather than fixed at 25%. Flexibility is important as each project is unique.

- CMHC funding, Open Doors Program (now Rental Housing Supply Program), property tax exemptions, and other subsidies are critical to delivering affordable housing.
- Flexible policies that respond to market conditions are needed to incentivise investors to the office conversion market.

Considered together with the results of the sensitivity analysis, a lower or more flexible percent of replacement could help facilitate purpose-built-rental development with an affordable housing component.

### **Potential for Affordable Housing in Purpose-Built-Rental Office Conversions**

Staff note that the ratio of affordable housing to market housing within an office conversion, using the 25% proposed policy direction, is dependent on:

1. The gross floor area (GFA) of the existing office building; and
2. The gross floor area (GFA) of the proposed development.

For example, a conversion entirely within an existing office building (existing office GFA is equal to proposed residential GFA), while rare in the current Toronto market context, would result in an affordable housing contribution of approximately 25% of the overall GFA in the development. On the other hand, the demolition of an 8-storey office building and redevelopment as a 40-storey residential building would result in an affordable housing contribution of approximately 5% of the overall GFA in the development.

The proposed policy direction (25% office replacement) contemplates and does not preclude the realization of an application proposing 100% purpose-built rental housing including 20% affordable rental units. Staff are supportive of additional affordable housing beyond the minimum requirements of the 25% replacement policy. This could also be supported by affordable housing incentives, where eligible, which would enhance project viability.

### **Affordable Housing Incentives**

In June 2024, City Council approved a new Rental Housing Supply Program to update the Open Door Affordable Rental Housing Program. The program supports affordable housing construction by providing City financial contributions, including capital funding, and development charges, planning fees and property tax relief. On November 13, 2024, City Council adopted a report on Expanding Incentives for Purpose Built Rental Housing, and approved the establishment of a New Purpose-built Rental Homes Incentives Stream to support the development of 20,000 rental homes through deferral of development charges and a property tax reduction. City Council also recommended that projects under the new stream provide a minimum of 20% of homes as affordable rental to qualify for incentives. This revision aligns the City's program with the CMHC funding criteria of 20% affordable housing units within a development.

As noted above, most office conversion development scenarios under the Office Study's proposed policy direction would result in less than 20% affordable housing units within a given development. However, the 20% threshold required by the Rental Housing Supply

Program may help encourage conversion applications to provide additional affordable housing to qualify for both the Rental Housing Supply Program and CMHC funding and/or financing.

Under the proposed Purpose-built Rental Housing Incentives Stream, developments that include affordable housing units to meet the proposed 25% office replacement requirement would be eligible to include the affordable units towards the minimum 20% requirement for the incentives. However, the affordable units *required* under the Official Plan policy would not be eligible for incentives unless they exceed the affordability requirements set out by the policy.

## **Non-Residential Incentives**

City Planning in partnership with Economic Development and Culture (EDC) has developed a new Community Improvement Plan (CIP) By-law / Program to replace the Imagination, Manufacturing, Innovation and Technology Program (IMIT). City Council requested additional work exploring opportunities to provide financial incentives for adapting vacant office space for other non-residential uses. Staff will bring forward a report on the new CIP to December 5, 2024 Planning and Housing Committee that will provide an update on the additional work. Further reporting from City Planning, in partnership with EDC, on findings of non-residential uses in vacant office space is anticipated in the first half of 2025.

## **Consultant's Final Report (Attachment 2)**

The consultant's final report, titled Office Space Needs Study: Needs Assessment & Policy Direction, includes analysis of office market projections, office conversion typologies, financial feasibility, and sensitivity analysis. Market-based directions are provided from a land economics perspective, summarized as follows:

- New office development will continue to be challenging and the inclusion of significant amounts of office space in new development represents a burden to feasibility that may lead to net-financial losses in many cases.
- The likelihood of large, high-performing, Class A office buildings being converted to residential uses is limited.
- There is an opportunity to provide a policy response to the major shift in office needs in Toronto to direct the appropriate amount/type of conversion activity.
- The City should clearly define and communicate the parameters of any conversion-related policy to avoid confusion among stakeholders.
- Consideration will need to be given to balancing current development pressures that predominantly focus on residential uses with longer-term goals relating to growth in office and other forms of employment.
- There will be an inherent need to regularly monitor and update the City's rationale for office conversion policies in response to ever-changing market conditions.

The findings of the consultant's report, insight gained from the sensitivity and purpose-built-rental housing analysis, and endorsed policy directions (Attachment 1) will provide the direction for staff's next steps in the path to implementation.

## **PROPOSED IMPLEMENTATION STRATEGY**

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Staff believe it is appropriate to implement any revisions to the Council adopted office replacement policies by way of resolving the outstanding appeals to OPA 231.

Since Planning and Housing Committee's endorsement of the policy directions in July 2024, City staff have contacted appellants to the City's OPA 231 office replacement policies notifying them of the endorsed policy directions and gauging interest in a mediated outcome on their outstanding appeals to Official Plan Chapter 3 Policy 3.5.1.9.

Mediation would begin in early 2025 and be based on the endorsed policy directions. Legal Services will report to City Council with an update on mediation or a settlement in Q1 2025. Any resolution with appellants would result in notice being provided to all affected landowners. It is staff's opinion that a mediated settlement on OPA 231 would be a streamlined method for bringing new Official Plan office replacement policies into effect that enables dialogue with stakeholders.

After new office replacement policies are in-effect, staff will continue to monitor the office market and uptake of office conversions. Staff will revisit the policy after three years to ensure that updated data and potential recommendations are brought forward during year four.

## **CONCLUSION**

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This report concludes the main work program of the Office Space Needs Study. Parallel initiatives related to non-residential incentives will continue. Staff will enter into discussions with OPA 231 appellants in order to reach a mediated outcome that will result in new office replacement policies. As recommended, Legal Services will report to City Council in Q1 2025.

## **CONTACT**

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Carola Perez-Book, Project Manager, Zoning, City Planning, 416-392-8788,  
[Carola.Perez-Book@toronto.ca](mailto:Carola.Perez-Book@toronto.ca)

Rory McNeil, Senior Planner, Strategic Initiatives, Policy & Analysis, City Planning, 416-394-5683, [Rory.McNeil@toronto.ca](mailto:Rory.McNeil@toronto.ca)

Adam Didycz, Policy Development Officer, Economic Development and Culture, 416-396-7663, [Adam.Didycz@toronto.ca](mailto:Adam.Didycz@toronto.ca)

## **SIGNATURE**

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Kyle Knoeck, MCIP, RPP  
Interim Chief Planner and Executive Director  
City Planning

## **ATTACHMENTS**

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Attachment 1: Proposed Policy Directions  
Attachment 2: Office Space Needs Study Parcel's Final Report

## **Attachment 1 - Proposed Policy Directions**

### **On/off Switch**

- A new replacement policy that directs staff to revisit the policy framework every four (4) years or until, in Council's opinion, the supply and availability of office in the City has returned to a healthy state, putting in place a temporary office replacement policy framework that is responsive to market conditions and Council priorities.

### **Extent**

- A new replacement policy that varies on location within the city, with a focus on the geographies corresponding to existing replacement policies of Chapter 3 (3.5.1.9), Downtown Plan and Yonge-Eglinton Secondary Plan.

### **Percentage Replacement**

- A revised replacement policy that reduces office replacement from 100% to a minimum of 25% of existing office space and that such replacement may be replaced with other identified alternative uses.

### **Alternative Uses**

- A new replacement policy that allows the replacement of office space with any other non-residential use and a combination of affordable and/or supportive housing.

### **Implementation**

- A new replacement policy that is based on the above and includes wording that allows the temporary policy framework to prevail over existing Secondary Plans contained in Chapter Six of the Official Plan in the case of a conflict.