Daniel B. Artenosi
Partner
Direct 416-730-0320
Cell 416-669-4366
dartenosi@overlandllp.ca

Overland LLP
5255 Yonge St, Suite 1101
Toronto, ON M2N 6P4
Tel 416-730-0337
overlandllp.ca

overland

February 3, 2023

VIA ENVIRONMENTAL REGISTRY OF ONTARIO

Hon. Steve Clark, MPP, Minister
Ministry of Municipal Affairs and Housing
Municipal Services Officer – Central Ontario
777 Bay Street – 13th Floor
Toronto, ON M7A 2J3

Attention: Alejandra Perdomo

Dear Minister Clark:

RE: Request to Modify City of Toronto OPA 591 Prior to Ministerial Approval
ERO File No. 019-5868
Ministry Reference No. 20-OP-222176
Pan Pacific Hotel, 900 York Mills Road

We are the lawyers for 2465855 Ontario Ltd., being the owner of the property municipally known as 900 York Mills Road (the "**Site**"). The Site is located on the north side of York Mills Road, east of Lesmill Road, and is currently occupied by the Westin Price Hotel.

Our client hereby requests that the Minister modify the version of Official Plan Amendment 591 ("**OPA 591**") adopted by City Council by redesignating the Site as "*Mixed Use Areas*" in accordance with the draft modifications enclosed herewith.

Background

The Site is currently improved with a 21-storey building operated as the Westin Prince Hotel. The building includes a podium ranging from 1 to 4-storeys that wraps around the ravine lands to the east. The hotel has a total of 395 hotel rooms, and an approximate gross floor area of 29,900 square metres. Parking is located at-grade (surface parking) and within a structured, 2-level above-grade parking garage. The remainder of the Site is comprised of surface parking, open space, and outdoor amenities associated with the hotel, presenting significant opportunities for intensification of these underutilized lands.

Under the in-force City of Toronto Official Plan, the Site is designated as *"Employment Areas"* and within an Employment District. Through OPA 231, the City proposed to redesignate the Site to "*General Employment*" subject to Site and Area Specific Policy 394, which generally prohibits major retail uses and limits the type and location of certain commercial uses. OPA 231 was appealed in respect of the Site (Appeal No. 178), and that appeal remains pending.

The Site <u>is not</u> located within a provincially significant employment zone.

In October 2017, our client filed site-specific applications to amend the City of Toronto Official Plan and Zoning By-law Nos. 569-2013 and 7625 (collectively, the "**Applications**"). A Notice of Complete Application was issued on November 29, 2017. A final decision on the Applications has not been made.

The proposed Official Plan Amendment generally seeks to redesignate the Site from *Employment Areas* (under the in-force Official Plan) and *General Employment Areas* (under the Official Plan as proposed to be amended by OPA 231) to *Mixed Use Areas*. As submitted, the proposed Zoning By-law Amendment seeks to permit the introduction of new employment and residential land uses and a new public park.

The Site is situated in an area that has interchangeably been referred to as the Wrentham Estates Business Park, the Lesmill Employment District, and the Duncan Mills Employment Area. This Area is well documented as an area with modest investment in new employment uses, including in the background studies leading to the City's adoption of OPA 231. Enclosed with this correspondence is a more recent *Employment Conversion Market Analysis* prepared by the land use economist firm NBLC Consultants Ltd. dated November 2022 in support of the proposed redesignation of the Site to *Mixed Use Areas* (the **"Market Study"**). As more fully discussed in the Market Study:

- The Area has not shown significant signs of growth in more recent times.
- Once an important location of major office and light industrial uses, the modern needs of employment investment have evolved to favour more vibrant mix-use centres.

- Office vacancy rates have continued to increase in this Area while rents have declined.
- Light industrial occupancies within existing buildings are stronger than office but there is no evidence to suggest they are making significant capital investments, compared to more successful *Employment Areas* in the City.
- The only growth trend observed for the Area is investment in private education facilities, which is a strong indicator of a weak employment land market.
- The current land use policy approach towards attracting employment in the Area does not align with the demand for modern investment.
- Current trends in Toronto and North America more generally demonstrate that the strongest office markets are those that also offer walkable opportunities to live and work.
- The current land use designation is unlikely to attract any significant office investment without a reconsideration of the land use policy that could attract a more diverse range of land uses, including residential development that offers the ability for people to both live and work in the same community.

The Market Study concludes that the introduction of new residential uses at a sufficient scale would allow for a permanent population that could support a broader range of retail and commercial services, as well as animate streets and open spaces. In doing so, the Area is better suited to transition into a walkable, live-work environment and more likely to attract employers and jobs.

It is noted that the Applications were submitted under previous versions of the Provincial Policy Statement (2014) and Growth Plan for the Greater Golden Horseshoe (2017). The current Provincial Policy Statement (2020) and Growth Plan (2019) further reinforce the key provincial policy directions of an intensification-first approach to growth management, where land use decisions are to support the optimization of land use and infrastructure, particularly transit infrastructure, on underutilized lands. Despite the current land use designation of the Site, the City's Official Plan also promotes these policy objectives.

In support of these key policy objectives, our client requests that the Minister modify OPA 591 to convert the Site to a *Mixed Use Areas* designation. The final form, composition and intensity of development would be determined through the rezoning process, based on the current Provincial Policy Statement, Growth Plan, and Official Plan policy directives for *Mixed Use Areas*.

The Site is strategically located at the edge of a business park, on a major arterial road. The long-term vision for the Site is retain and expand existing employment uses, which will be supported by the introduction of new residential uses. The requested policy modifications will result in a number of benefits, including:

- preserving the heritage-listed hotel building;
- providing a significantly improved entry driveway and plaza, and expanding the hotel with new suites, ballroom and amenity areas;
- making efficient use of an underutilized parcel, currently used primarily for surface parking, which is well-served by urban infrastructure;
- reurbanizing York Mills Road by introducing street-related buildings, improving the pedestrian environment, providing additional shopping opportunities and contributing to round-the-clock activity;
- providing transit ridership for the existing high-frequency bus service on York Mills Road and Don Mills Road, and for the planned Don Mills LRT;
- complementing the existing employment uses on the Site and in the surrounding Area by introducing reverse-direction peak hour trips;
- strengthening the attractiveness of the existing office uses in the Area by providing shops and services as part of the proposed commercial component on the Site and improving the look and the feel of the surrounding urban environment; and
- assisting in meeting the minimum population and employment forecasts in the Growth Plan and the Toronto Official Plan.

The proposed modification to OPA 591 will provide a basis to facilitate the intensification and revitalization of the Site, and it will further support revitalization of the Area. As noted above, please find enclosed herewith a proposed draft modification to OPA 591 for your consideration in support of this request.

We appreciate your consideration of this matter. If you have any questions or require any further information, please contact the undersigned or Michael Cara (at mcara@overlandllp.ca or 416-730-8844).

We hereby request notice of the Ministry's decision regarding OPA 591.

Yours truly,
Overland LLP

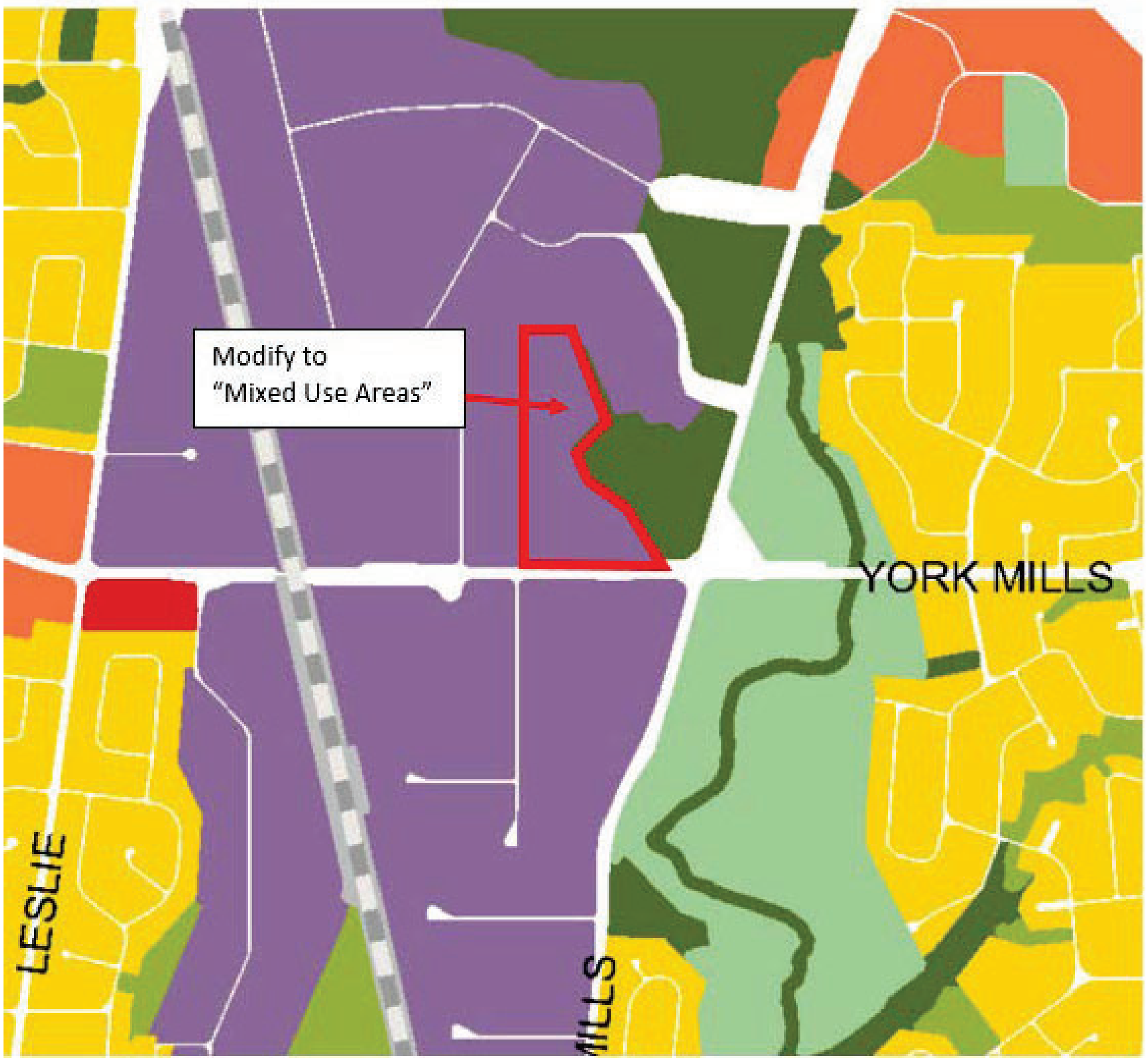
Per: Daniel B. Artenosi
Partner

Encl. (1)

Attachment A

Draft Modification to OPA 591

Amend Land Use Map 19 to redesignate the lands municipally known as 900 York Mills Road from *General Employment* to *Mixed Use Areas.*



n

Employment Conversion Market Analysis

Pan-Pacific Hotel, 900 York Mills Road

Toronto, Ontario

2465855 Ontario Ltd.

November 2022

nblc

Trusted advisors since 1976.

nblc

2465855 Ontario Ltd.

Employment Conversion Market Analysis

Pan-Pacific Hotel, 900 York Mills Road,
Toronto, Ontario

Table of Contents

The conclusions contained in this report have been prepared based on both primary and secondary data sources. NBLC makes every effort to ensure the data is correct but cannot guarantee its accuracy. It is also important to note that it is not possible to fully document all factors or account for all changes that may occur in the future and influence the viability of any development. NBLC, therefore, assumes no responsibly for losses sustained as a result of implementing any recommendation provided in this report.

This report has been prepared solely for the purposes outlined herein and is not to be relied upon, or used for any other purposes, or by any other party without the prior written authorization from N. Barry Lyon Consultants Limited.

Executive Summary

N. Barry Lyon Consultants has been retained by 2465855 Ontario Ltd. to provide an employment land conversion study for their property located at 900 York Mills Road in the City of Toronto. The subject site is part of the Duncan Mills Employment area and the lands currently designated *General Employment Area* in the City of Toronto's Official Plan. The purpose of this analysis is to assess the market and economic merit of amending the land use permissions of the site to allow for a broader range of uses including residential development. The data and analysis in this report demonstrate the following key findings:

- Despite the strong demand for employment land in the City, the Duncan Mills *Employment Area* has not shown significant signs of growth. Once an important location of major office and light industrial uses, the modern needs of employment investment have evolved to favour more vibrant mix-use centres.
- Duncan Mills office vacancy rates have continued to increase while rents have declined. In Toronto and across North America, the strongest office markets are those that also offer walkable opportunities to live and work. This has been the foundation of success in areas like Downtown Toronto, Liberty Village, King East/West, the emerging Vaughan Metropolitan Centre, and Downtown Markham.
- Light industrial occupancies within existing buildings are stronger than office but there is no evidence to suggest they are making significant capital investments – compared to more successful *Employment Areas* in the City. In fact, the only growth trend that we identified for the area is investment in private education facilities. This trend is a strong indicator of a weak employment land market.
- In short, the current land use policy approach towards attracting employment in Duncan Mills does not align with the demand for modern investment. The *General and Core Employment Area* designations are unlikely to attract any significant office investment without a reconsideration of the land use policy that could attract a more diverse range of land uses including residential development that offers the ability for people to both live and work in the same community.

In our opinion, the market appeal of the Duncan Mills *Employment Area* could be reinvigorated if it allowed for a more eclectic mix of residential, commercial, and employment uses. The introduction of residential uses, at a sufficient scale, on the subject lands would allow for a permanent population that could support a broader range of retail and commercial services, as well as animate streets and open spaces. In doing so, the area would become more appealing to employers that will be able to offer walkable, live-work environments that are better enabled to attract talent.

In the absence of a policy change, the trajectory of the weak market in Duncan Mills is likely to continue.

1.0 Introduction

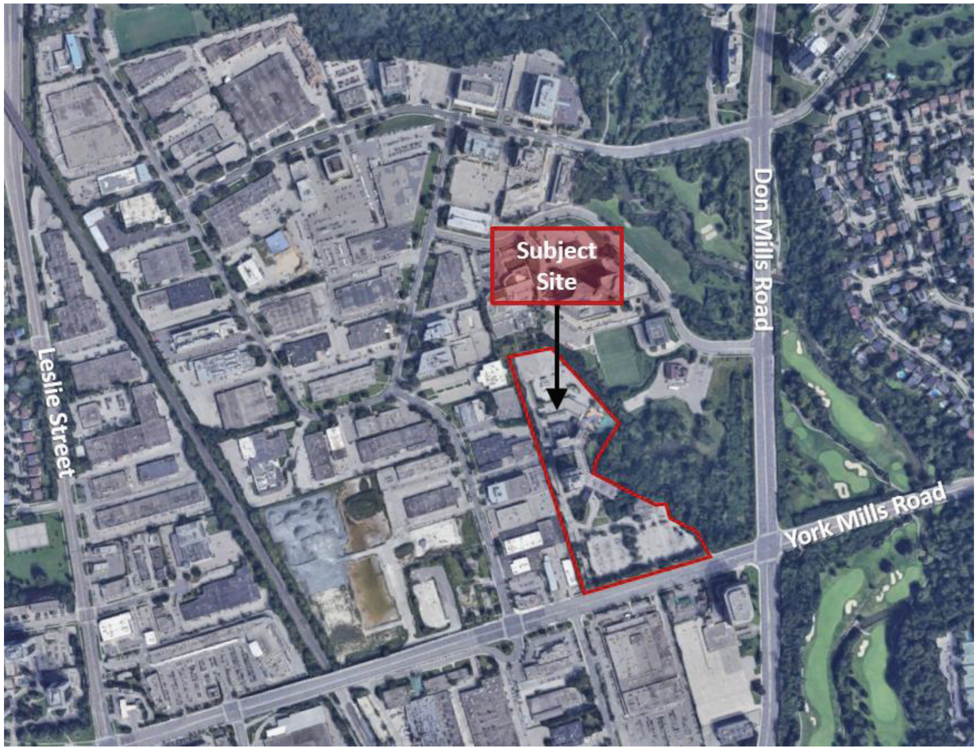
2465855 Ontario Ltd. (hereafter referred to as 'the property owners') is pursuing an employment land conversion for their property located at 900 York Mills Road in the City of Toronto ('the subject site').

The subject site is currently occupied by the Pan-Pacific Hotel and is located on the periphery of the Duncan Mills *Employment Area*, one of the City's smallest contiguous *Employment Areas*. The Duncan Mills *Employment Area* consists entirely of lands designated *General Employment Area* with a range of employment uses including offices, distribution and logistics, educational services, and light industrial.

Currently, the subject site is designated as *General Employment Areas,* with this designation not allowing for residential uses. The City's Official Plan, the Provincial Policy Statement, and the Growth Plan for the Greater Golden Horseshoe all have policies in place that seek to protect employment lands from being converted to other uses. The City has therefore actively sought to retain employment lands, as evidenced by the previous Municipal Comprehensive Review and implementing Official Plan Amendment 231 in 2013. Notwithstanding the above, there have been instances where conversions have been successfully secured and represent an appropriate economic and planning decision.

Drawing on a review of the city's broader employment land markets, this report provides an employment land conversion analysis that assesses the merits of converting the properties, given the prevailing Provincial and Municipal requirements for conversion.

Figure 1 – Subject Site



2.0 The Toronto Industrial and Non-Office Employment Market

The following chapter evaluates the industrial sector in the city of Toronto, which generally includes employment outside of the office and retail sectors. Relevant uses include industrial, light industrial, manufacturing, warehousing, logistics, storage, technology uses, engineering/mechanics, construction and infrastructure, aerospace activities, film and creative industries, and other related sectors.

2.1 The Employment Context Leading Up to OPA 231 (2013)

A comprehensive review conducted by The City of Toronto of the city's economic health and employment lands resulted in Official Plan Amendment 231 ('OPA 231'). OPA 231 was supported by the study *"Sustainable Competitive Advantage and Prosperity – Planning for Employment Uses in the City of Toronto (2013)"* authored by Malone Given Parsons. This document outlines the importance of employment lands to the city's overall economic health and prosperity. Some of the key findings of the study are summarized as follows:

- Toronto's employment lands accommodate 31% of the city's jobs and despite reduced employment levels, industrial/manufacturing productivity and capacity are expected to increase over the forecast period to 2041. Productivity growth, as opposed to employment growth, will drive expansion and reinvestment on employment lands.
- The city is projected to run out of available vacant land for new industrial employment uses between 2031 and 2041. This is due to Toronto's largely built-out urban fabric, continued physical growth in the employment sector, and the fact that landowners are unlikely to redesignate lands from *Neighbourhoods* or *Mixed-Use Areas* to *Employment Areas* given land value differentials.
- Manufacturing and related employment uses are an important component of the city's economic base. They are significant contributors of wealth generation and also contain high employment multipliers that aid in wealth and job creation in other sectors. The report notes that manufacturing uses create jobs on site and in other supportive industries such as raw and manufactured products as well as financial and other professional services.
- The employment multiplier for manufacturing is among the largest of all employment categories and can range from 1.0 to 3.0, meaning that for every job created in manufacturing, another 1 to 3 jobs are created in supportive industries.
- These high-wealth and job-generating industrial employment uses also have the fewest options for finding acceptable sites. They require separation from sensitive uses (e.g. residential) and also produce lower land values relative to other development types.
- Between 2006 and 2011, there was over $960 million in building permits for new buildings and renovations of existing buildings in spaces supporting industrial and related employment in the city, with most investment being concentrated in *Employment Areas*.
- The study also recognized the need for new office development in the city moving forward. At the time, Toronto's downtown office development boom had only just begun and competition with the "905 Region" was a primary concern, especially for areas outside of the Downtown and South Core neighbourhoods.

The primary conclusion of the study was that the long-term preservation of *Employment Areas* should be a priority for the City. In addition, to reduce speculation on the use of employment lands with higher valued residential uses, a strong land-use policy is equally important in protecting employment lands and encouraging investment and reinvestment in the industrial sector as well as emerging employment uses such as technology, media, health care, and other creative industries. As such, the report lists core reasons why *Employment Areas* should be protected:

- The industrial market for employment land is healthy and growing. The city's employment lands will likely be extinguished by 2041.
- Despite falling employment densities, site-specific conversions can undermine larger *Employment Areas* through the introduction of conflicting land uses.
- Site-specific conversions can also undermine larger *Employment Areas* by destabilizing an area due to speculation of future conversions to a higher land value supporting use (e.g. residential).
- However, the report acknowledges that there will continue to be instances (e.g., orphaned parcels, surrounding land-use change, transit, etc.) where transition to an alternative use may be a reasonable planning decision, particularly where it might leverage more employment space.

Through OPA 231 and the corresponding MCR, the City received many *Employment Area* conversion requests, of which the vast majority were recommended for refusal (many appealed to the OMB, with varying success). Some properties recommended for conversion were designated *Regeneration Areas* and recommended for further study. However, some site-specific properties were recommended for a new Official Plan designation (*Mixed-Use, Neighbourhoods, Apartment Neighbourhoods*). Large properties to successfully undergo this process include the Celestica site (844 Don Mills Road), Downsview, and the Mr. Christie lands (2150 Lake Shore Boulevard West).

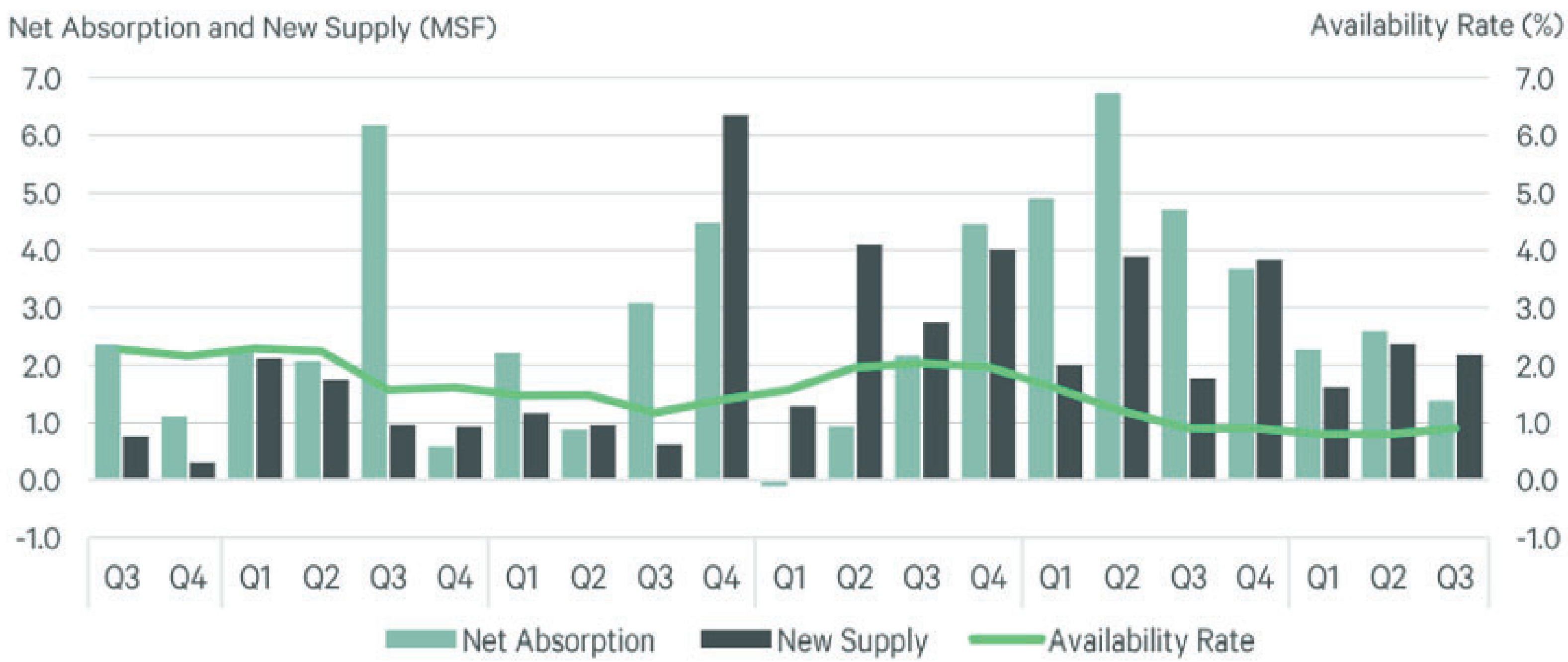
2.2 The Industrial and Employment Market Today

Businesses seeking traditional industrial land must typically look across the Greater Toronto Area for properties. The market is very dispersed as factors such as rail and road access for trucking, large sites, and the absence of sensitive land uses are more ubiquitous across the region. These, and other features, all influence a business' decision of where to locate, with Toronto competing directly for its share of this sector.

According to the City of Toronto Employment Surveys, employment in the manufacturing/warehousing sector bottomed out at 123,990 jobs in 2016, a substantial drop from as many as 180,000 jobs in 2002. However, notwithstanding the COVID-19 related job losses in 2020, this sector has seen a slight resurgence over the past five years, recording an average annual growth rate of 0.6% from 2016 to 2021. This growth has been heavily driven by the warehousing sub-category, which has seen steady growth since 2016.

Conversely, the manufacturing sub-category has had stagnant or declining job growth over the past thirty years, including significant declines in product assembly. However, it should be noted that most of these job losses occurred prior to 2010, with employment in the manufacturing sector being stagnant over the past decade. Similarly, Toronto's most recent Employment Survey notes that the food processing subsector saw the most significant declines in 2021, losing 1,060 jobs from the previous year (7.7%).

Figure 2 – GTA Industrial Absorption and Availability Rate



Source: CBRE Industrial Market Q3 2022

Demand for suitable employment land has been surging in the GTA due to growth in distributions, e-commerce, data centres, and other uses that are scrambling to address rapidly shifting marketplaces. This demand has kept industrial availability rates very low, even pushing them downwards over the past two years. As of Q3-2022, the GTA's industrial availability rate was only 0.9%, marking the fifth consecutive quarter below the 1.0% threshold. This also represents a substantial from as high as 4.8% in Q1-2015. The City of Toronto proper also had an availability rate of 0.9% as of Q3-2022.

As a result of these increasingly tight market conditions, net asking rents and average asking sale values for industrial properties in the City of Toronto have been increasing rapidly (**Table 1**). Net lease rates as of Q3-2022 are up 64% and the average asking sale price was up 60% over the past two years. Despite this rapid increase, CBRE noted that rental appreciation was beginning to show signs of softening in light of growing economic uncertainty as of Q3-2022, although demand will likely remain high for the foreseeable future.[1]

[1] CBRE. Toronto Industrial Mark – Q2 2022

Table 1

Industrial Market Summary Data City of Toronto				
	Q3-2020	Q3-2022	Change (2020 to 2022)	
Total Inventory (sf)	277,566,832	277,938,793	371,961	0.1%
Availability Rate	1.7%	0.9%	-	-
Net Asking Rent (psf)	$9.48	$15.51	$6.03	64%
Avg. Asking Sale Price (psf)	$229	$366	$137	60%
Source: CBRE Market Reports				

This rapidly surging level of demand for industrial space has been driven over the past five years by three key factors:

- **Population Growth** – While traditional industrial uses require adequate separation from sensitive land uses to minimize land-use conflicts, this is not the case for several emerging industrial uses such as 'last mile' logistics and soft technology. Instead, these growing uses value proximity to both markets and labour force.
- **E-Commerce Growth** – In recent years, the growth in e-commerce has markedly altered the retail landscape within Toronto. This trend only accelerated during the pandemic as large segments of the consumer market shifted to online retailers. This has driven demand for industrial land to be used for logistics and last-mile distribution centres, with tenants willing to pay a premium to be close to major population centres.
- **Shift in Food Sector –** Grocers are also driving demand for industrial land within the GTA, given the rise of online grocery retail. For these tenants, proximity to markets is critically important given the time-sensitive nature of groceries. Growth in specialty grocery delivery services (e.g. HelloFresh) has further increased this demand.

Despite these growing levels of industrial demand, the GTA and by extension the city of Toronto, are running into an increasingly restricted supply of suitable and available employment lands. Within the city of Toronto, nearly all new industrial development is restricted to smaller infill and redevelopment projects on parcels of land that are typically under 5-acres in size. Many industrial developers and tenants have had to look further afield in the GTA, despite the above-noted preference for locations near major population centres.

Across the entire GTA, CBRE reports there was 15.1 million square feet of new industrial space under construction as of Q3 2022, the most in three years. Further, CBRE forecasts that upwards of 17.0 million square feet of new industrial space could be brought to market in 2023. The city of Toronto only accounts for 13% (2.0 million square feet) of this under construction industrial space, with almost two-thirds of this being located in Etobicoke. GTA-wide, the largest share of under construction industrial space is in the Western GTA (9.5 million square feet), primarily Brampton, Milton, Caledon, Burlington, and Mississauga.

2.3 The City of Toronto's Employment Areas

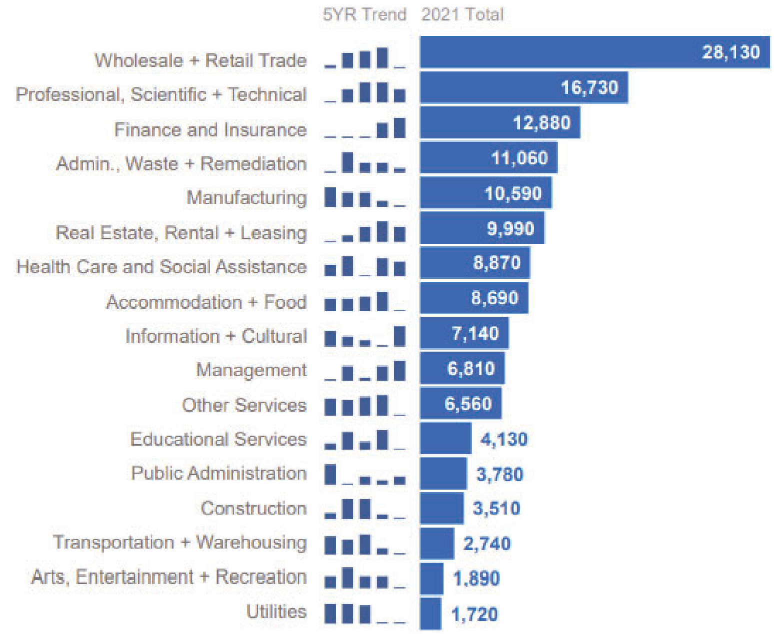
Industrial and other traditional employment uses in the city of Toronto are predictably attracted to the City's discretely defined *Employment Areas*. The City's 2021 employment survey notes that 25.0% of all jobs in the entire city are in the *Employment Areas*, although the number of jobs in *Employment Areas* has been on the decline, averaging an annual net job loss of 0.3% over the past five years, including a 2.6% net job loss in 2021 alone. Despite this decline in jobs, *Employment Areas* continue to attract new businesses, accounting for 22% of the City's new establishments in 2021. This suggests that despite being an important economic location, increased productivity has contributed to declining employment densities in the City's *Employment Areas*.

The City's 2021 Employment Survey further emphasizes the importance of *Employment Areas* to many industrial sectors. Specifically, it notes the important concentration of citywide jobs within *Employment Areas*. This includes transportation and warehousing (95.4%), wholesale and retail trade (91.0%), manufacturing (88.6%), utilities (82.7%), and other services not including public administration (75.6%).

General Employment Areas, which provide support activities for *Core Employment Areas* and help buffer heavier industrial uses from surrounding areas, account for 36.5% of the total *Employment Area* jobs. **Figure 3** illustrates the makeup of employment in the City's *General Employment Areas* with the largest number of jobs in the wholesale/retail trade industry. This is followed by scientific and technical services, and finance and insurance. While the five-year trends associated with each NAICS category vary, several categories have seen continued job growth over the past five years.

Many of these categories represent non-traditional industrial uses with higher-intensity employment. These categories include professional, scientific and technical services, which can include activities such as accounting and payroll services, technology manufacturing and design, engineering, computer activities, and many other office-type jobs. Typically, these jobs are higher skilled and specialized and are typically attracted to these areas due to the less expensive rents and land values relative to more mixed-use and urban locations.

Figure 3 – Employment by NAICS within General Employment Area, 2021



Source: City of Toronto Employment Survey

2.4 Industrial Investment Activity in the City of Toronto's Employment Areas

Figure 5 illustrates the location of the City's designated *Employment Areas*. To gauge the level of demand for these areas, NBLC collected non-residential building permit data between the City's two most recent municipal comprehensive reviews.[2] The permits were filtered to assess development permits for new buildings (over $100,000) and reinvestment in existing buildings (over $1.0 million). These filters focus on significant investment activity and exclude minor/modest investments.[3]

[2] January 2014 to February 2021

[3] City building data permit is self-report, as such, this analysis should be considered order of magnitude.

This analysis emphasizes the growing pressures on the City's *Employment Areas*. Specifically, the growing level of reinvestment suggests that in the absence of suitable land for new industrial construction, developers and tenants are instead turning toward reinvestment to gain or maintain their foothold within Toronto (**Figure 4**).

Reinvestment in Existing Buildings (Investment Over $1.0 Million)

Figure 6 illustrates building permit activity related to reinvestment in existing industrial buildings throughout the City's *Employment Areas*. Some key findings of this data are as follows:

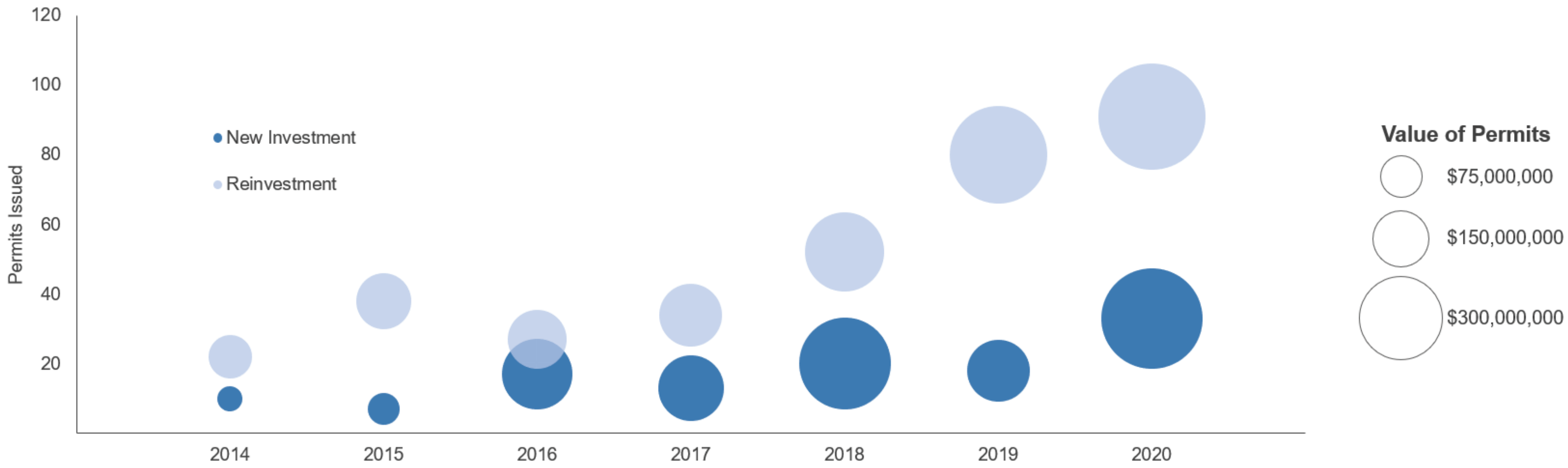
- Overall, there was approximately $1.44 billion in total permit value for reinvestment in Toronto's *Employment Areas* between January 2014 and February 2021. In 2020, there were over 91 permits issued with a total reinvestment value of $405.6 million.
- As illustrated by **Figure 6** and **Table 3**, most of the reinvestment in *Employment Areas* is concentrated on the outskirts of Toronto, with Etobicoke and North York experiencing the highest investment activity. These *Employment Areas* tend to be large and continuous with good highway access.
- Across all *Employment Areas*, the most common employment types experiencing reinvestment were light industrial uses such as manufacturing, distribution, and logistics.
- The subject site is in the Duncan Mills *Employment Area*. Between 2014 and 2021, this *Employment Area* saw 27 permits issued with a total value of $97 million, the sixth most of all *Employment Areas*. However, many of these were for private educational and religious institutions in Duncan Mills. For example, private educational institutions saw five permits for reinvestment issued during the survey period with a combined value of $29.8 million (31% of total investment. These types of reinvestment in Duncan Mills will be discussed in more detail in subsequent sections.

Construction of New Buildings (Investment Over $100,000)

There have been 123 permits issued for new buildings within Toronto's *Employment Areas* between January 2014 and February 2021 with a total value of $1.24 billion.

- Across the City of Toronto's *Employment Areas*, the most common uses experiencing new employment investment are generally light industrial uses including manufacturing, distribution/ warehousing, and self-storage buildings. This finding is unsurprising given the results of recent Toronto Employment Surveys.
- As illustrated by **Figure 7**, the majority of investment is located in *Employment Areas* with sizable parcels of land that are on the outskirts of the City of Toronto, including Dufferin Keele North, Highway 400 Corridor, South Etobicoke, Tapscott / Marshalling Yard, and Dufferin Keele South.
- The Duncan Mills *Employment Areas* has seen some of the lowest levels of new investment in the city with only two permits issued for new investment between 2014 and 2021. These two permits were for a new gas station and an accessory storage building. They had a combined value of only $1.9 million. If Duncan Mills had a strong market appeal for new employment uses, we would expect this value to be much higher.

Figure 4 – Investment and Reinvestment in the City of Toronto's Employment Areas, 2014 to 2021



Source: City of Toronto Open Data

Table 2

Reinvestment in Non-Residential Buildings in Toronto's Employment Area City of Toronto, January 2014 to February 2021						
Issue Year	New Investment			Reinvestment		
	Permits	Total Value	Average Value	Permits	Total Value	Average Value
2014	10	$22,390,768	$2,239,077	22	$65,980,400	$2,999,109
2015	7	$36,259,500	$5,179,929	38	$110,363,000	$2,904,289
2016	17	$178,982,339	$10,528,373	27	$124,125,220	$4,597,230
2017	13	$152,885,100	$11,760,392	34	$140,200,000	$4,123,529
2018	20	$300,479,550	$15,023,977	52	$224,088,396	$4,309,392
2019	18	$139,208,000	$7,733,778	80	$341,127,365	$4,264,092
2020	33	$362,977,000	$10,999,303	91	$405,637,043	$4,457,550
2021	5	$49,480,000	$9,896,000	14	$32,114,339	$2,293,881

Note: New Investment only includes permits valued over $100,000 and reinvestment only includes permits valued over $1,000,000

Source: City of Toronto Open Data; NBLC

Figure 5 – City of Toronto Employment Areas

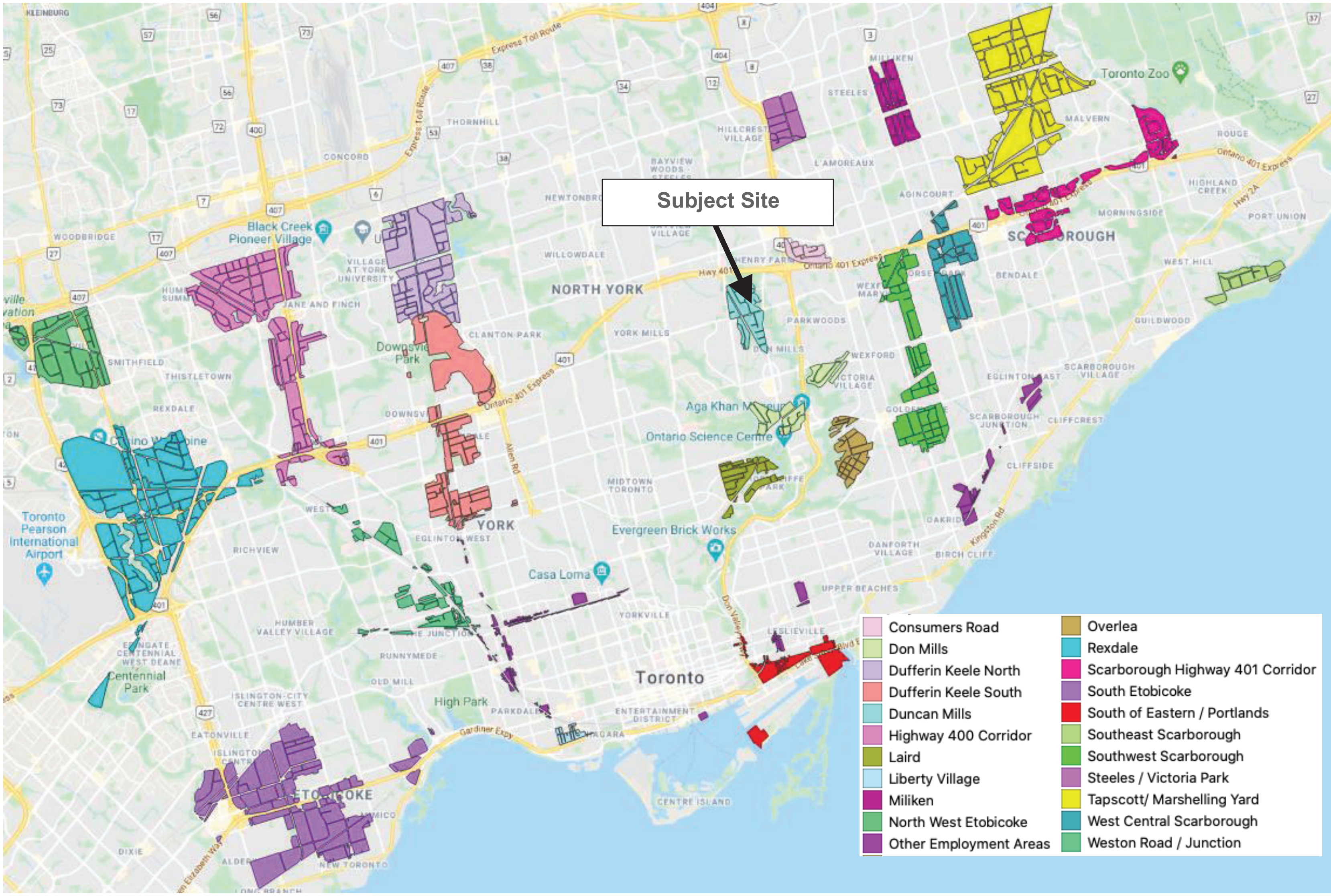
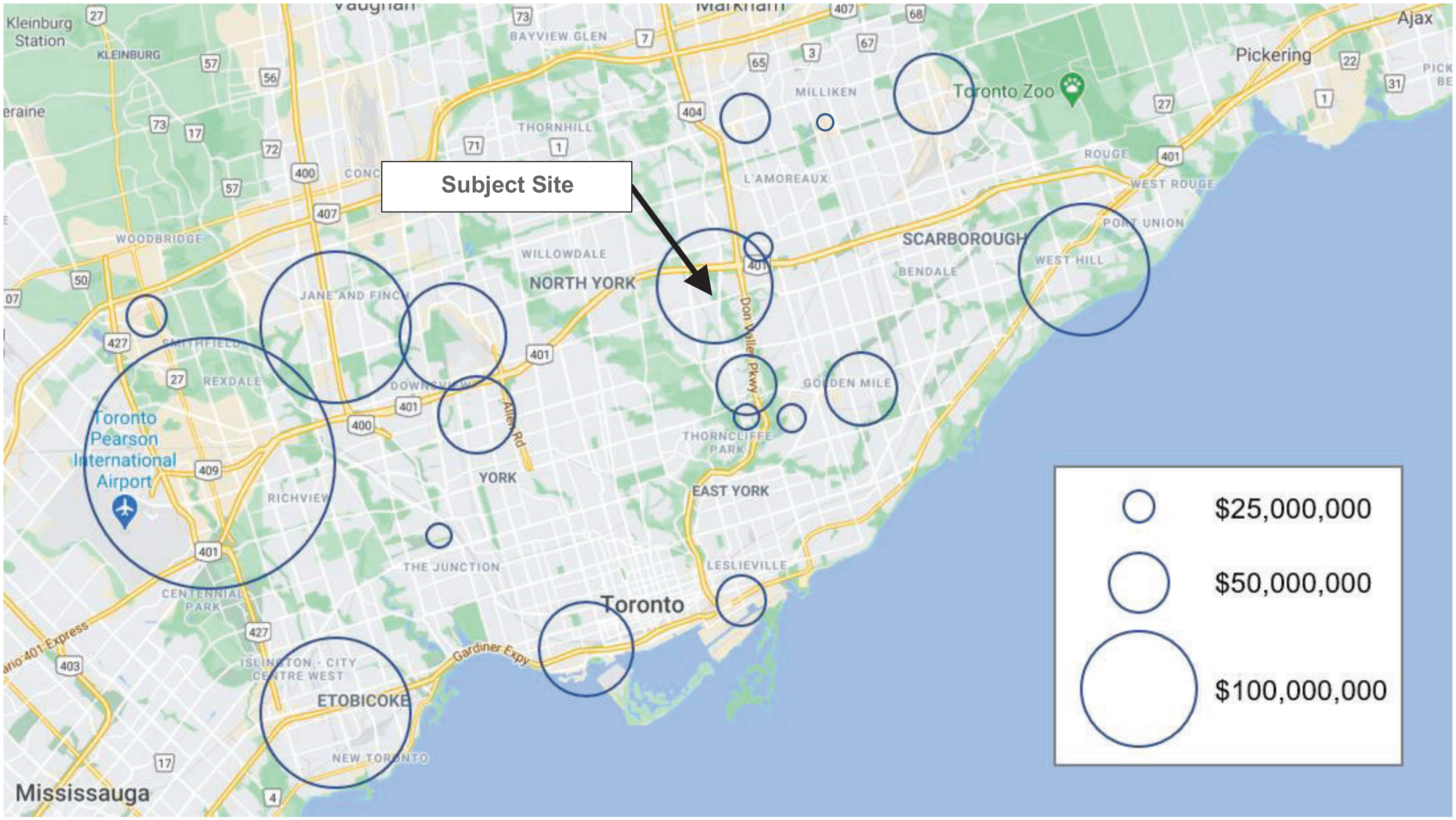
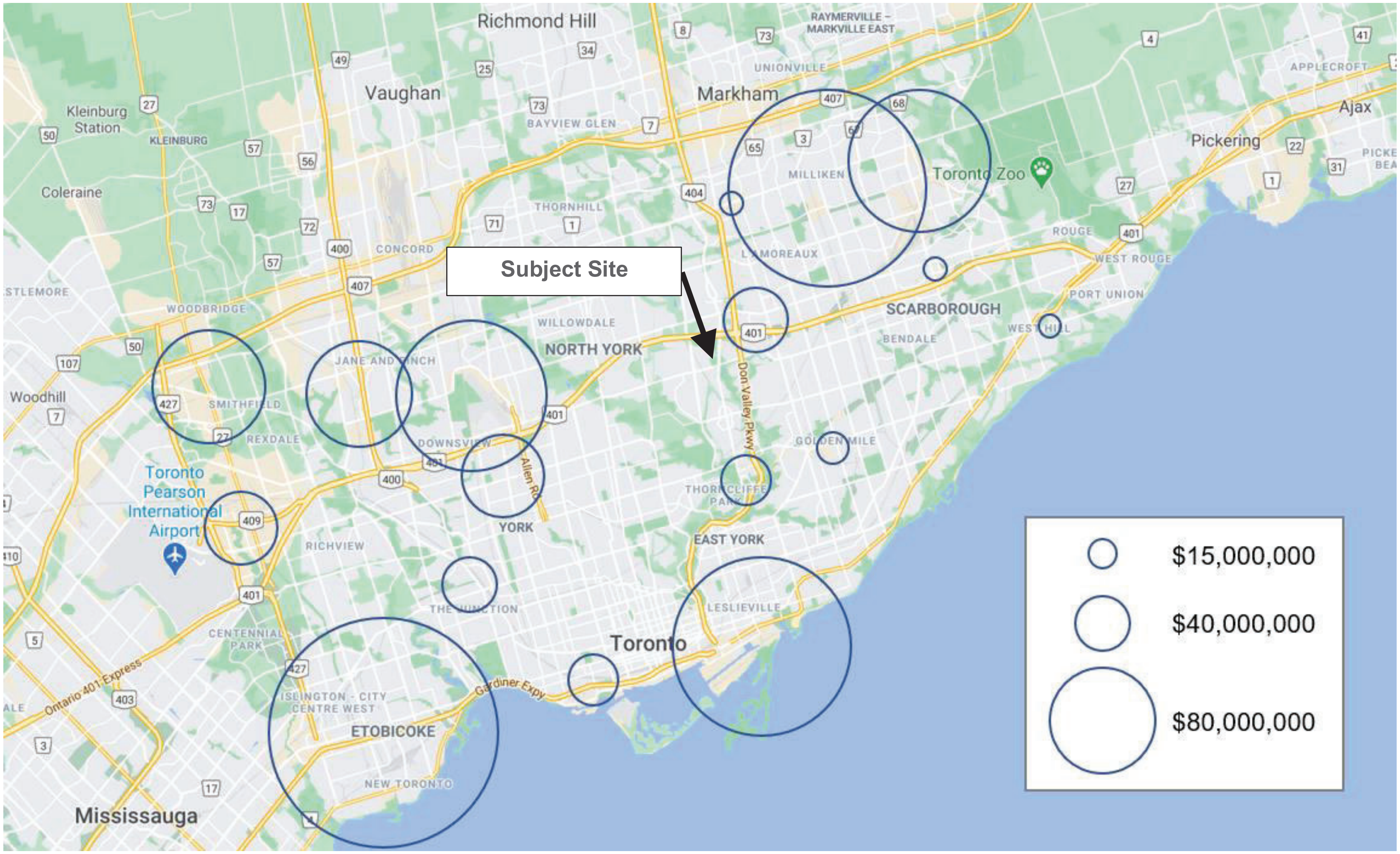


Figure 6 – Total Value of Building Permits for Re-Investment in Existing Buildings by Employment Area, January 2014 to February 2021 (permit value under $1.0 Million excluded)



Source: City of Toronto Open Data

Figure 7 – Value of Building Permits for Construction of New Buildings by Employment Area, January 2014 to February 2021 (permit value under $100,000 excluded)



Source: City of Toronto Open Data

Table 3

Reinvestment in Non-Residential Buildings by Employment Areas City of Toronto, January 2014 to February 2021						
Employment Area	**New Investment**			**Reinvestment**		
	Permits	**Total Value**	**Average Value**	**Permits**	**Total Value**	**Average Value**
Northwest Etobicoke	3	$88,750,000	$29,583,333	12	$32,985,000	$2,748,750
Rexdale	9	$53,798,000	$5,977,556	53	$214,989,801	$4,056,411
South Etobicoke	19	$191,176,100	$10,061,900	50	$147,709,172	$2,954,183
Highway 400 Corridor	10	$82,020,440	$8,202,044	15	$147,738,514	$9,849,234
Weston Road / Junction	5	$37,270,000	$7,454,000	11	$19,720,000	$1,792,727
Liberty Village	1	$35,000,000	$35,000,000	13	$79,106,625	$6,085,125
Dufferin Keele South	11	$61,075,000	$5,552,273	14	$65,360,000	$4,668,571
Dufferin Keele North	5	$119,500,000	$23,900,000	34	$89,117,104	$2,621,091
Steeles / Victoria Park	3	$8,290,400	$2,763,467	12	$40,390,000	$3,365,833
Consumers Road	3	$43,949,150	$14,649,717	8	$21,428,000	$2,678,500
Duncan Mills	**2**	**$1,966,234**	**$983,117**	**27**	**$97,004,819**	**$3,592,771**
Milliken	5	$162,500,000	$32,500,000	2	$4,210,000	$2,105,000
Don Mills	-	-	-	11	$50,350,000	$4,577,273
Other Employment Areas	1	$27,000,000	$27,000,000	20	$108,994,000	$5,449,700
Laird	5	$32,263,000	$6,452,600	6	$16,500,000	$2,750,000
Overlea	3	$2,183,000	$727,667	7	$22,700,000	$3,242,857
South of Eastern / Portlands	4	$145,023,639	$36,255,910	11	$37,227,500	$3,384,318
Southwest Scarborough	3	$17,700,000	$5,900,000	14	$60,625,000	$4,330,357
West Central Scarborough	1	$600,000	$600,000	2	$4,000,000	$2,000,000
Scarborough Highway 401 Corridor	2	$10,800,000	$5,400,000	5	$6,206,928	$1,241,386
Tapscott / Marshalling Yard	27	$114,797,294	$4,251,752	22	$66,273,300	$3,012,423
Southeast Scarborough	1	$7,000,000	$7,000,000	9	$111,000,000	$12,333,333
Total Employment Areas	**123**	**$1,242,662,257**	**$10,102,945**	**358**	**$1,443,635,763**	**$4,032,502**

Note: New Investment only includes permits valued over $100,000 and reinvestment only includes permits valued over $1,000,000

Source: City of Toronto Open Data; NBLC

Development Applications in the Employment Areas

NBLC has also reviewed development applications for traditional employment uses across the city of Toronto to understand the future growth of these sectors, as well as the areas that are likely to see continued investment.

- According to the City's most recent "Development Pipeline" document, prepared in 2021, there are approximately 3.8 million square metres of proposed non-residential GFA located in the City's *Employment Areas* **(Table 4)**. This accounts for 29.7% of the City's total proposed non-residential GFA. This proposed GFA is split fairly evenly between *Core Employment Areas* and *General Employment Areas* – both with approximately 1.9 million square metres.
- Of the 3.8 million square metres of proposed non-residential GFA in the City's *Employment Areas,* over 1.1 million square metres (30%) were for industrial uses. This accounts for 86% of the City's total proposed industrial space (**Table 5**).
- Further, most of this proposed industrial space is located within the *Core Employment Areas*, which are best suited to accommodate these more disruptive land uses. Most of the proposed non-residential GFA in the *General Employment Areas* consisted of other, less disruptive, employment uses such as office and retail.
- **Figure 8** shows the location of proposed non-residential GFA in relation to the City's *Employment Areas*. A similar map is not available for proposed industrial uses in isolation. While this proposed GFA is scattered throughout the city, the largest proposals tend to be clustered in the outer *Employment Areas*.

Table 4

Proposed Non-Residential GFA		
Area	**Square Metres**	**% Total**
Employment Areas	3,816,298	29.7%
Core Employment Areas	*1,887,533*	*14.7%*
General Employment Areas	*1,928,765*	*15.0%*
City of Toronto	**12,853,823**	**100%**
Source: City of Toronto Development Pipeline 2021		

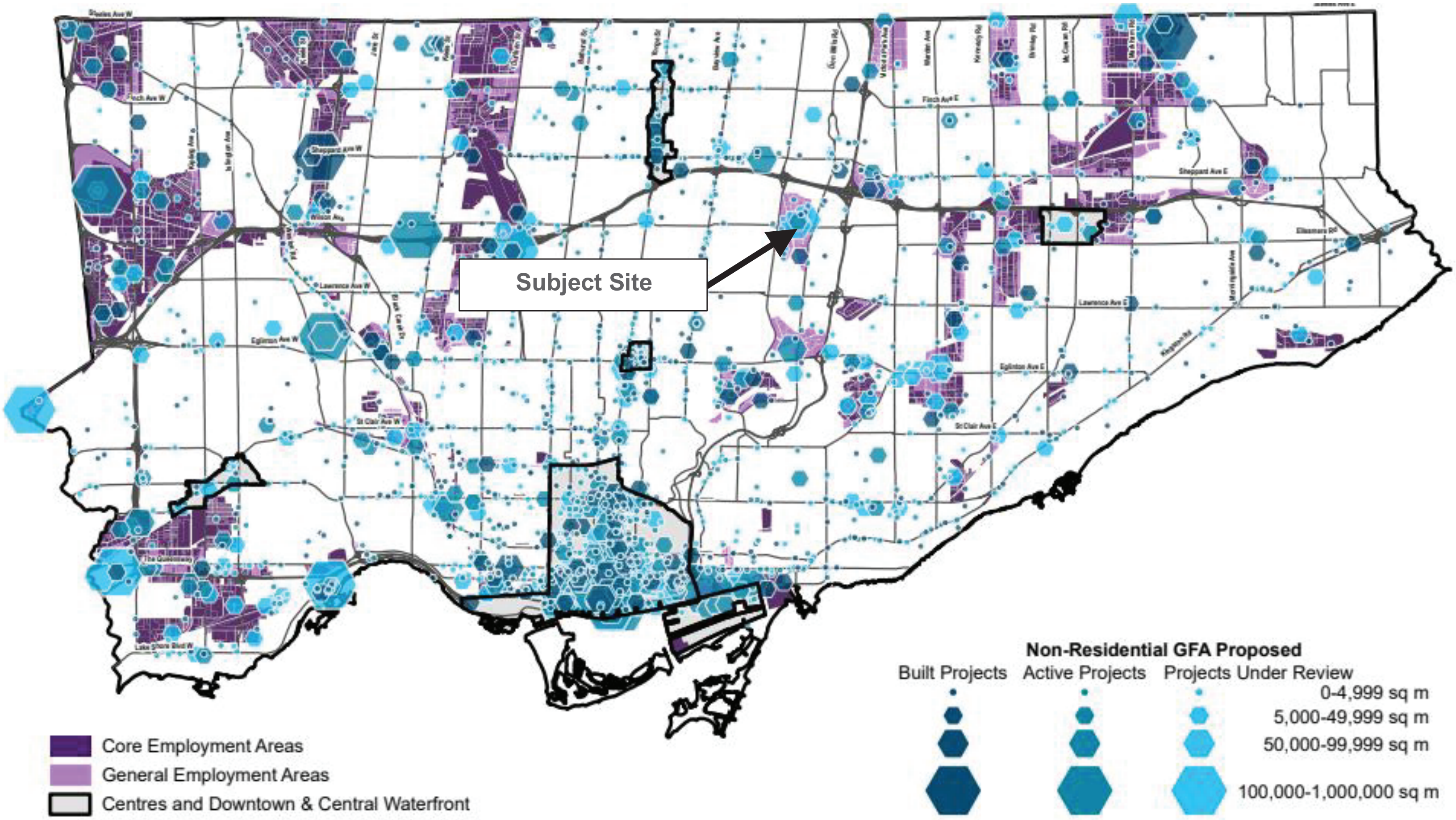
Table 5

Proposed Industrial GFA					
Area	**GFA (m^2)**				**% Total**
	Built	**Active**	**Under Review**	**Total**	
Employment Areas	222,466	570,258	353,525	1,146,249	85.9%
Core Employment Areas	*216,490*	*502,252*	*209,907*	*928,649*	*69.6%*
General Employment Areas	*5,977*	*68,007*	*143,617*	*217,601*	*16.3%*
City of Toronto	**235,016**	**634,962**	**463,768**	**1,333,746**	**100%**

Note: Includes projects that were active between January 2016 and January 2021. Built includes those which have been completed; Active includes those which have been approved but building permits have not yet been issued and/or those under construction; Under Review includes those which have not yet been approved or refused.
Source: City of Toronto Development Pipeline 2021

- Within the Duncan Mills *Employment Area,* there are three active proposals for employment uses. This includes an expansion of an existing self-storage facility at 1450 Don Mills Road; a 3,900 square metre two-storey industrial office building at 52 Scarsdale Road; and a 9-storey mixed use non-residential building with self-storage, retail, and office uses at 850 York Mills Road.

Figure 8 – Proposed Non-Residential GFA, City of Toronto, 2021



Source: City of Toronto Development Pipeline 2021

2.5 Looking Forward to Employment in the GGH

Overall, there has been a long-term shift in employment trends as North America continues to move from a manufacturing to a service economy. This trend has resulted in the loss of manufacturing and other industrial employment and the rapid growth in professional office, service, and retail employment. Despite this shift away from traditional industrial uses, demand for space appears to be increasing with significant growth observed in distribution and warehousing activities (correlating with the rise in online shopping, just in time delivery, and demand for food storage and refrigeration), as well as self-storage facilities (correlating with the shift to higher density living and a lack of storage space in the home).

These trends were accelerated during the COVID-19 pandemic as online shopping has seen a substantial surge. It is not unreasonable to predict that this significant shift in consumer behaviour is here to stay, thus furthering the demand for distribution and warehousing activities.

A 2018 report from The Neptis Foundation explored how the changing economic landscape will affect employment investment and employment lands in the Greater Golden Horseshoe ('GGH').[4] Key findings from this study include:

- Trends and economic theory indicate we are entering a fourth industrial revolution centred on advanced technologies, which is driving employment in high-skilled areas. In addition to the above, globalization is driving the loss of traditional industrial employment as lower-skilled work is outsourced.
- Manufacturing employment has decreased steadily over the long term and despite recent stability, is likely to continue to decrease looking forward because of technological innovation, globalization, free markets, supply chains, access to foreign labour, and many other factors that are unlikely to reverse.
- Technological innovation, especially automation, is expected to have major disruptive impacts on employment in specific industries. The report notes that the most significant job losses between 2001 and 2014 have been from machine operators, assemblers, machinists, as well as clerical employees.
- Automation has the potential to disrupt other industries, including robo-financial advisors, hotel industry, taxi drivers, clerical workers, accountants, basic legal assistance and contracts, amongst others.
- Employment sectors most vulnerable to automation include accommodation and food services, manufacturing, agriculture, transportation and warehousing. Whereas sectors least vulnerable to automation include education services, professional, scientific, technical services, and health care and social assistance.
- Despite falling employment levels in certain industrial sectors, this may not correspond directly with a decrease in demand for floor space given the technological innovation and automation. This is likely true for industries such as logistics, storage, and manufacturing.
- Logistics-related employment experienced growth of 7,400 jobs (30% increase) between 2006 and 2016 in the GGH. These uses are primarily attracted to intermodal facilities and particularly airports. This sector tends to concentrate heavily around the Pearson International Airport as well as along the major highway network in

[4] The Neptis Foundation. November 2018. Planning the next GGH

Vaughan, Brampton, Milton, Caledon, and others. This sector is supported by the growth in e-commerce as well as the general need for warehouse, distribution, and truck terminal space in the economy.

- Logistics employment tends to consist of very large facilities in the "905" region and smaller facilities in more urban areas to satisfy the timely delivery of goods. Overall, automation is expected to erode employment in these facilities, but not the need for the facilities themselves. Given low employment density and truck traffic, the appropriate way to plan for these uses is an important planning consideration.
- Professional and knowledge-based employment will continue to drive economic growth in the GGH, and these uses are increasingly concentrating in very few locations, specifically downtown Toronto. While agglomeration economics are not a new concept, they are becoming more pronounced as the GGH economy continues to shift towards knowledge-based employment.
- While technological and global economic change will have negative consequences on certain sectors, it will almost certainly create new jobs and employment in other sectors or create new industries entirely. Therefore, understanding the requirements of these new sectors, relative to the requirements of sectors in decline, is an important consideration looking forward.
- Cities must plan for adequate space to accommodate these employment uses while at the same time understanding that they are likely to accommodate low employment densities on site. *Employment Areas* around transit stations that are not well-positioned to capture office development pose significant challenges for municipalities to implement transit-supportive densities and ridership totals.

2.6 Key Findings

The findings of this section indicate that the industrial market in Toronto is very strong, with *Employment Areas* likely to remain attractive places for investment over the medium- to long-term. This attractiveness is only going to continue to see enhanced industrial demand due to shifting consumer behaviours that were accelerated by COVID-19 and an ever-shrinking supply of available industrial land in the City and across the broader GTA. In this regard, the City's position seeking to protect the *Employment Areas* is justified from a macro-level perspective.

However, even with macro-level trends supporting the City's position of protection, there remain site-specific conversions that could be deemed reasonable for a variety of reasons, this includes areas that would be viewed unfavourably by both traditional and emerging employment land uses. For example, low-density employment industrial uses have shown a strong market preference for locating in large contiguous *Employment Areas* with adequate separation from sensitive land uses – primarily *Core Employment Areas*. Emerging and modern employment uses, on the other hand, have shown a strong preference for vibrant mixed-use urban areas that offer the ability to both live and work.

Given that future employment investment is unlikely to take place in these areas, it would not be considered a desirable or strategic outcome for these lands to continue to be significantly underutilized, particularly given the ongoing housing affordability crisis in the GTA and the pressing need for new homes.

3.0 City of Toronto Office Market

The following section provides a review of the Toronto office market.

3.1 Current Toronto Office Market Conditions

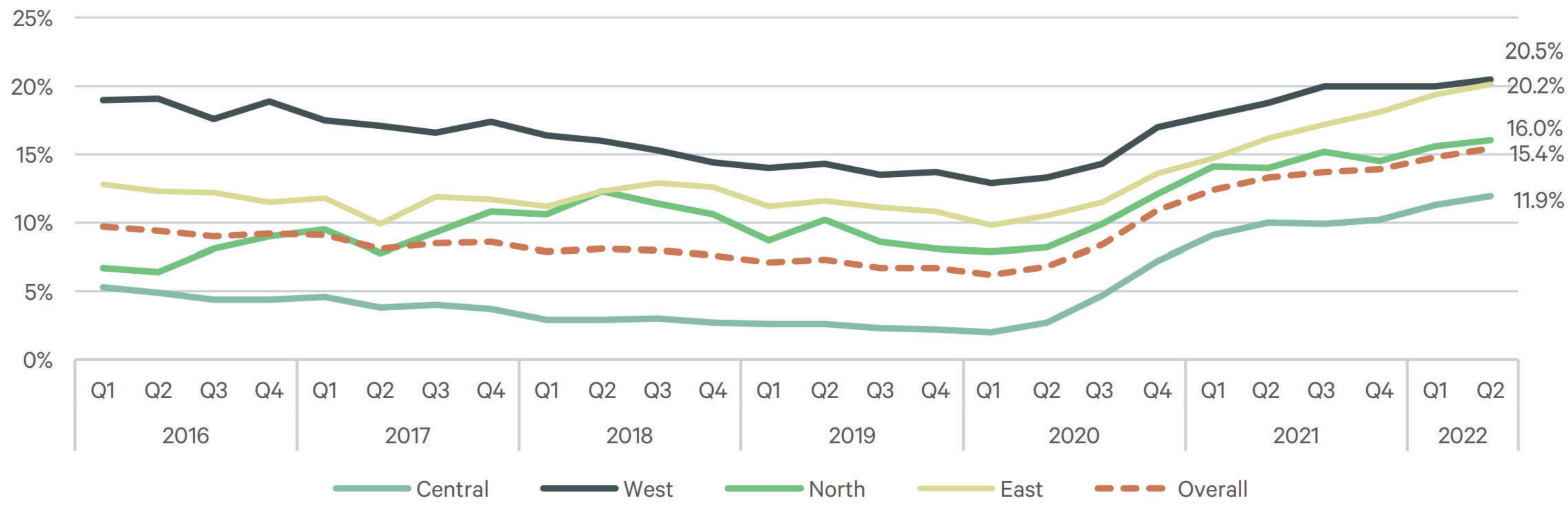
Leading into 2020, the office market in Toronto and the broader GTA was showing year-over-year signs of strength, with steadily declining vacancy rates. The COVID-19 pandemic significantly altered these conditions, pushing many companies to adopt a work-from-home model. Even as we emerge from the pandemic, demand for office space in the GTA continues to remain well below pre-COVID levels. At the same time, several major new office projects, which were planned pre-pandemic, have either come online or are close to occupancy. This new supply coming at a point of reduced demand has pushed office vacancy rates in the GTA to 20-year highs, reaching 15.4% as of Q2-2022, up from just 6.7% at the end of 2019.

Equally important is the dichotomy between the Suburban GTA office market and the Downtown office market. As shown in **Figure 10**, the central market area – the old City of Toronto – has maintained significantly lower office vacancy rates than the suburban market areas. This is not surprising, given both the growing importance of agglomeration effects and the increasingly tight labour market which has amplified the importance of locating close to a qualified and educated labour force.

Figure 9 – Office Market Trends, GTA

Source: CBRE GTA Office Marketview Q2-2022

Figure 10 – Vacancy Rate by Market Area



Source: CBRE GTA Office Marketview Q2-2022

In the Don Mills North submarket, where the subject site is located, the office vacancy was 21.2%, even higher than most suburban office marketplaces such as Markham North/ Richmond Hill (17.9%), Markham South (14.8%), and Vaughan (13.0%). Inner-suburban submarkets, such as where the subject site is located, tend to have higher office vacancy rates than more popular suburban submarkets, largely due to the higher property tax rates in the City of Toronto.

3.2 Toronto Office Locational Trends

For office employment uses, several factors are driving locational decisions for office tenants, businesses, and developers:

- **Preference for Amenity Rich and Mixed-Use Environments** – The most significant impact on office investment locations – not only in Toronto but across North America – is a growing preference for locations within amenity-rich communities that offer walkable opportunities to both live and work. This is in stark contrast to single-use office parks that were once the primary target of major office developers. This aligns with the profile of emerging young professionals who place a high value on living in environments that offer creative outlets, a broad range of cultural and social pursuits and avoid the need for cars and commuting.
- **Access to Employees** – Businesses require access to a deep pool of qualified employees. Today's employees are increasingly seeking to work and live within the same community, or at least within a reasonable commuting distance – ideally by transit. To better compete for this talent, office development gravitates toward established or emerging mixed-use areas that are either accessible by

higher-order transit, a highway network, and offer a significant supply of housing.

- **Transit** – Related to the above, access to rapid transit is increasingly important in the GTA due to road congestion and average daily commute times approaching 70 minutes. Even with expanding work from home policies, the costs and time associated with commuting are expected to persist and underpin demand for convenient and affordable transit service.
- **Operating Costs** – A significant consideration for a business will also be the 'cost of doing business' in one location over another. This is particularly true when comparing the locations within the City of Toronto's inner suburbs to the suburban office nodes in Markham or Vaughan. Factors such as development charges, property taxes, lease rates, vacancies, and other related variables will all influence the decision on where to locate.
- **Agglomeration Economics** – Many knowledge-based employment uses also gain efficiencies by locating near each other, often improving economies of scale and networking effects. In Toronto, the financial services sector in downtown Toronto, the creative and technology clusters in the brick-and-beam districts in the Downtown West and East ends, and the major corporate headquarters located near Pearson International Airport are all examples of this type of clustering.
- **Parking** – Unlike downtown Toronto, which is well-served by rapid transit, suburban offices continue to rely on the provision of ample affordable parking. This often involves large properties capable of accommodating significant surface parking.
- **Population and Employment Growth** – The City of Toronto is forecasted to grow considerably in the decades to come in both population and jobs. The Growth Plan forecasts that the City will accommodate approximately 3.65 million people and 1.98 million jobs by 2051, which is an increase of 856,000 people from the 2021 census totals.
- **Exposure and Visibility** – Office and/or signage visibility to the travelling public is also an important consideration for many businesses that use their real estate as part of their marketing and branding strategy. This is particularly true in suburban locations.

To better understand how these locational dynamics play out in the City of Toronto specifically, NBLC has collected issued building permits between January 2014 and February 2021 from the City of Toronto's Open Data portal (**Figure 11**).[5] We have also evaluated development applications for office development in the City, which is illustrated in **Figure 12** and discussed below.

New Investment in Office Space

Figure 12 depicts the location of building permits for new office uses between January 2014 and February 2021. The data illustrates a few key observations:

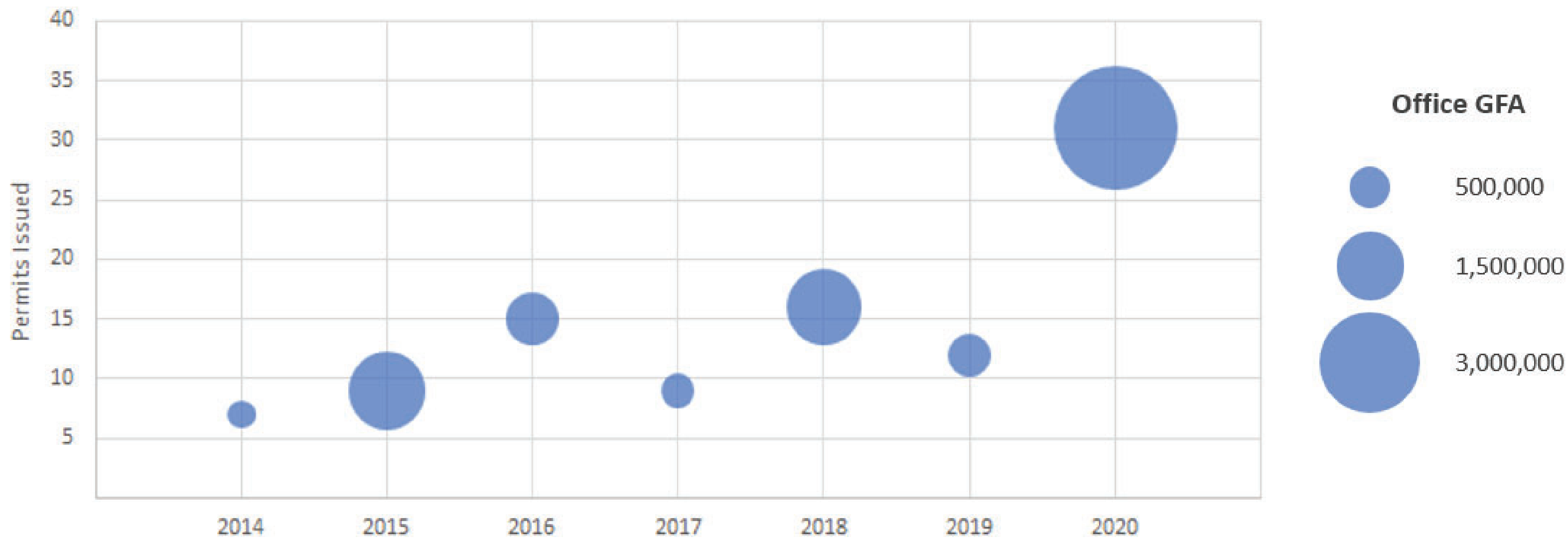
- While permit activity is scattered throughout the city, the largest concentration is by far located in the Downtown. Of the 10.5 million

[5] This analysis only includes GFA for newly constructed buildings and does not include expanded/retrofitted buildings.

square feet of new office space that received permits since 2014, 82% (8.6 million square feet) is located within Downtown Toronto.

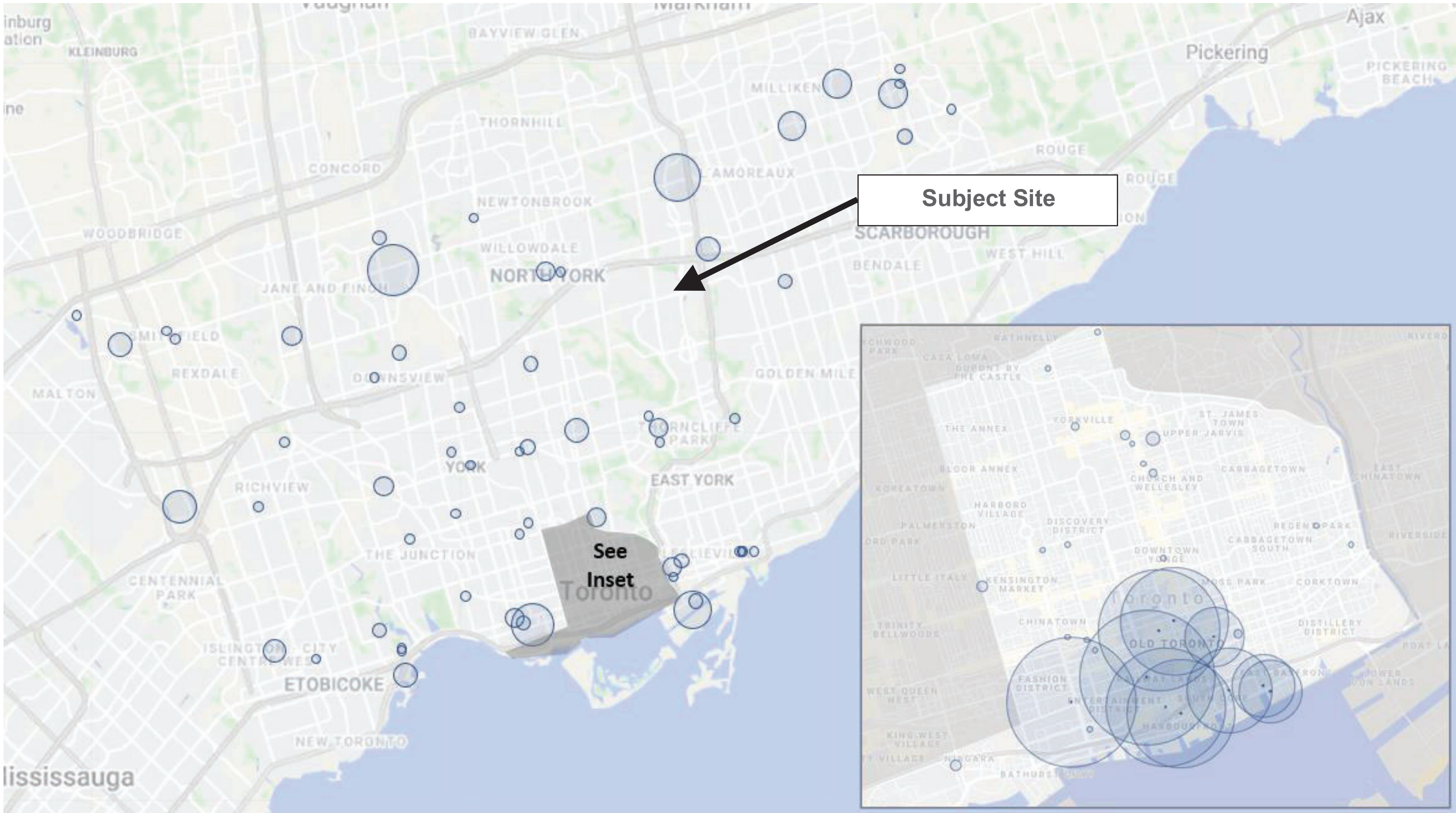
- Further emphasizing the clustering of office space, 79% of the total permitted new office space (8.2 million square feet) is located within 2km of Union Station.
- The projects in Downtown Toronto are also substantially larger than the non-downtown projects, including many with more than 500,000 square feet of new office GFA. These larger projects are even more likely to cluster in or around Union Station. It includes Cadillac Fairview's 156 Front Street West (1.3 million square feet), The Well at 8 Spadina Avenue (1.1 million square feet), the Richmond-Adelaide Centre at 100 Adelaide Street West (950,000 square feet), and Cadillac Fairview's 16 York Street (905,000 square feet).
- Outside of Downtown, office development is generally locating in established mixed-use neighbourhoods such as Liberty Village, the King East/West districts, and along the Yonge corridor. Tenants and developers are drawn to these areas because they feature a vibrant mix of uses including high-density residential, commercial and retail, as well as convenient access to transit.
- Many of the smaller office developments located throughout the city are new offices dedicated primarily towards medical services. Unlike traditional office uses which strongly value the downtown location, these uses are more population-facing and driven by demographics and trade capture areas.
- A number of these permits are for mixed-use projects that are primarily residential but contain some office space. Generally, the office space is located within the podium of a residential tower or as a separate building atop a shared podium. This built form is primarily observed near higher-order transit.
- There was only one office permit issued in the Duncan Mills *Employment Area* during this period. It was for a 427 square metre, one-storey addition on the site of an existing office building at 36 Lesmill Road.
- Finally, it should also be noted that the amount of GFA that has received permitting has trended upwards since 2014, including a significant increase in 2020 with over 4.7 million square feet of space, valued at $1.8 billion, receiving a permit (**Figure 11**).

Figure 11 – Issued Building Permits by Year and Office GFA



Source: City of Toronto Open Data

Figure 12- Building Permits for Construction of New Office Buildings, Weighted by GFA, January 2014 to February 2021 (permit value under $100,000 excluded)



Development Applications Largely in Mixed-Use Contexts

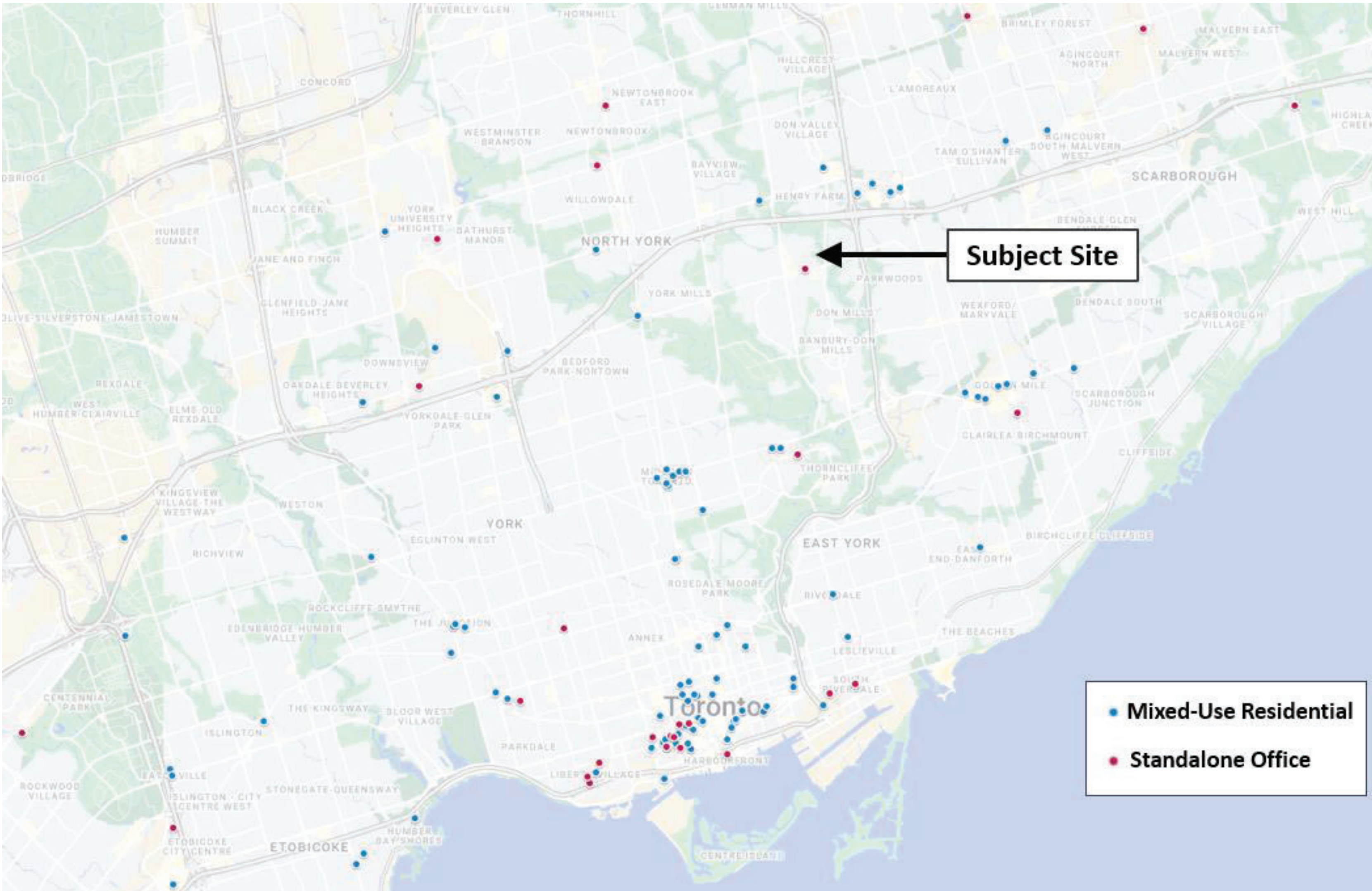
Figure 13 illustrates the location of current applications for new office development.[6] While development applications are an important indicator of future investment activity, it is important to understand that not all applications will be built and those that are developed may differ significantly from what was originally proposed. The following summarizes the application data, which offers a number of notable observations:

- Our analysis of active development applications shows that there is over 30 million square feet of new office space proposed across the entire city of Toronto. As a point of reference, the city of Toronto has added approximately 2.0 million square feet of new office inventory per year since 2014. As such, these proposed projects represent a substantial amount of new office GFA for the city.
- According to CBRE, there is approximately 5.7 million square feet of new office space currently under construction in the GTA as of Q3-2022 with Downtown Toronto accounting for the large majority (86%) of this space.[7]
- Similar to our analysis of building permit data, the largest cluster of proposed office uses was in the Downtown Area. This includes a number of sizable standalone office projects including Union Park (2.8 million sf), The Hub at 30 Bay Street (1.3 million sf), and 460 King Street West (440,000 sf).
- Outside of the Downtown, there are several projects with a large office component, typically near existing and/or planned higher-order transit. However, these are not typically standalone office projects but are part of larger mixed-use communities. Often the inclusion office space is planning policy driven as opposed to market-driven. Examples of this include:
  - The intensification of the existing Yorkdale Shopping Centre with 352,000 square feet of office space proposed amongst expanded retail and new residential uses;
  - The redevelopment of the existing Agincourt Mall near the Agincourt GO Train station, with 98,000 square feet of new office space along with nearly 4,400 new residential units;
  - The intensification of Sherway Gardens with 108,000 square feet of new office space with expanded retail and over 2,000 new residential units;
  - The redevelopment of the existing Lansing Square business park at the intersection of Sheppard and Victoria Park. This includes a new standalone office tower (office replacement requirement) in addition to four new condominium apartment buildings; and
  - The redevelopment of the former Mr. Christie factory near the potential future Humber Bay GO Train Station. This proposal consists of 311,000 square feet of new office space, along with over 7,000 new residential units, expansive public green space, and new institutional uses

[6] Our analysis only considered proposals that were listed as under review or in appeal. In cases where an existing office is being replaced by a larger office, or a project is being expanded, the City data lists the gross GFA and not just the net addition.

[7] CBRE. Toronto Office Marketview Q3-2022

Figure 13 – Active Office Development Applications as of October 2022



Source: City of Toronto Open Data

- On the periphery of Downtown, the largest proposal is the East Harbour redevelopment by Cadillac Fairview. This project is proposing almost 10 million square feet of office space that could accommodate upwards of 50,000 jobs. This project is relying on future transit expansion to the site, which will include a GO Station, surface streetcar, and a future Ontario Line station.
- There was also a cluster of three sizable standalone office proposals in Liberty Village, a popular office submarket that shares many locational characteristics with the downtown. These proposals include 41 Fraser (339,000 sf), 85 Hanna (193,000 sf), and 7 Fraser (175,000 sf).
- The most recent Growth Plan forecasts have the City of Toronto adding 371,000 jobs between 2016 and 2051. As such, this project alone would account for nearly five years' worth of the City's forecasted job growth, with the largest share of these jobs being office-type jobs.
- There are also a number of smaller medical office proposals scattered outside of the downtown. These types of population-facing office uses do not follow typical locational patterns seen with major office uses, with most looking to locate close to population centres.

3.3 Office Outlook

The COVID-19 pandemic fundamentally shifted the office market over the past three years, with many companies adopting temporary work-from-home policies. While the majority of companies have returned to the office in some capacity, the shift away from the office by other companies has put significant downward pressure on office space demand in the GTA. This has contributed to steadily increasing office vacancy rates, which continue to rise in 2022.

Importantly, the longer-term impacts of this workplace shift are still revealing themselves. The length of office leases (5-year terms are common) means that we may still not know the full extent of the office space demand reductions. Further, the tight labour market conditions have afforded employees the power to push back on return to office plans. This is a particularly important point as many employers have expressed a strong desire to return to in-person work. For example, Statistics Canada's Canadian Business Survey from August 2022 found that only 8.4% of Ontario businesses said that they were expecting that more than 50% of their staff would be mostly working remotely.[8] Should the labour market soften, this power dynamic between employees and employers may dissolve, with more workers being pushed back to in-person work.

In any event, this softening of the office market is contributing to several changes in the office market. A recent report entitled *Emerging Trends in Real Estate 2023* by PWC and ULI provides an outlook for the office sector in North America, including in Toronto. Part of this report's analysis was based on interviews and surveys with industry experts from a variety of fields. Key findings from this report include the following:

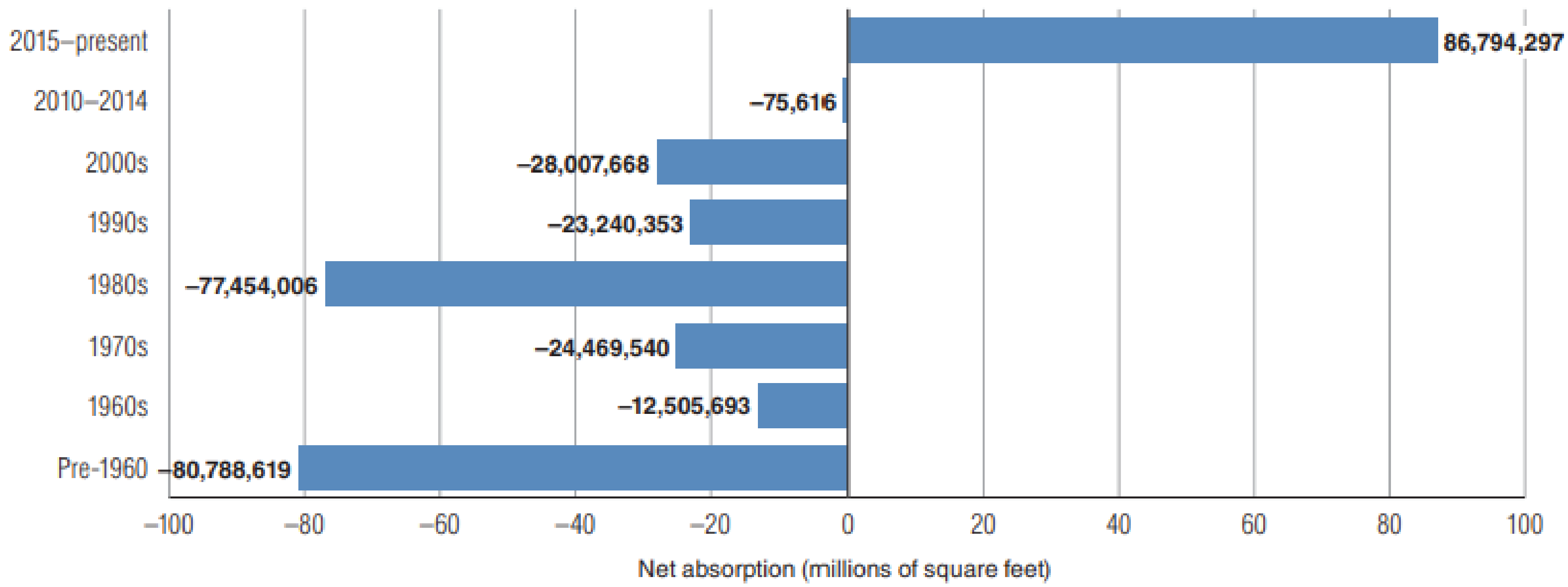
- The softening of the office market is leading to a bifurcation in the market. New high-quality spaces remain in very high demand, while older space continues to struggle. Tenants now have an increasing array of options to choose from, with the majority opting for new spaces in well-located buildings. This bifurcation is evident with

[8] Statistics Canada. Canadian Business Survey. Q3-2022

only new office space (2015-present) recording net positive absorptions since the start of the pandemic (**Figure 14**).

- It is expected that between 10% to 20% of older stock will end up either being repurposed or removed from the market due to this bifurcation of the market and the 'flight to quality'.
- However, it is suggested that even this repositioning of older office stock through extensive renovations may not be enough, as this has not been overly successful in most markets.
- Workspace design is becoming more critical as many office workers are now demanding individual workspaces as opposed to open-concept office spaces.
- The flight to quality is also leading to increased demand for sustainable design, but also premium health and safety features such as high-quality HVAC systems.
- The softening of the office market has also led to increased interest in the conversion of office spaces to residential, although this comes with considerable viability issues and is largely dependent on the local market context.
- Medical office is the one subsector that continues to boom, owing to an ageing population and the increased moves toward ancillary health care providers across the industry.

Figure 14 – Office Space Absorption Between April 2020 and June 2022, North America



Source: PWC Emerging Trends in Real Estate 2023

- Suburban office markets in Toronto faired much better than in the USA. This is largely due to the more modest lease rates in suburban markets than in the Downtown, which has allowed many tenants to continue to carry their leases even as they were predominantly working from home.
- It is expected that demand for office space in Toronto will continue to remain strong, even if we enter a recessionary period owing to the diversification of Toronto's economy.
- Further, the strength of Toronto's office market will continue to be driven by the Downtown core, which will attract the largest amounts of office demand.
- Finally, there has been some evidence of suburban office uses converting to higher-value industrial uses in other North American markets. While there are no examples of this yet in Toronto, the strength of the industrial market and the softness of the suburban office market suggests that this could become a possibility.

3.4 Key Findings

This analysis illustrates that while some outliers do exist, Downtown Toronto and other central locations have absorbed the majority of office development in the GTA. The underlying economic fundamentals driving office investment also indicate that these trends are likely to continue moving forward.

While the subject properties are designated to accommodate office development, we expect that the market will continue to favour more central locations like Downtown Toronto or suburban locations with transit that accommodate lower costs (i.e. property taxes, land values, possible incentives) such as Uptown Markham, Mississauga, and the Vaughan Metropolitan Centre. While the subject properties do not currently appear to be supportive of a significant new stand-alone office building from a market perspective, a modest office or other employment component within larger mixed-use developments could be an attractive option for both the City and the property owners.

4.0 Subject Properties & Duncan Mills Employment Area

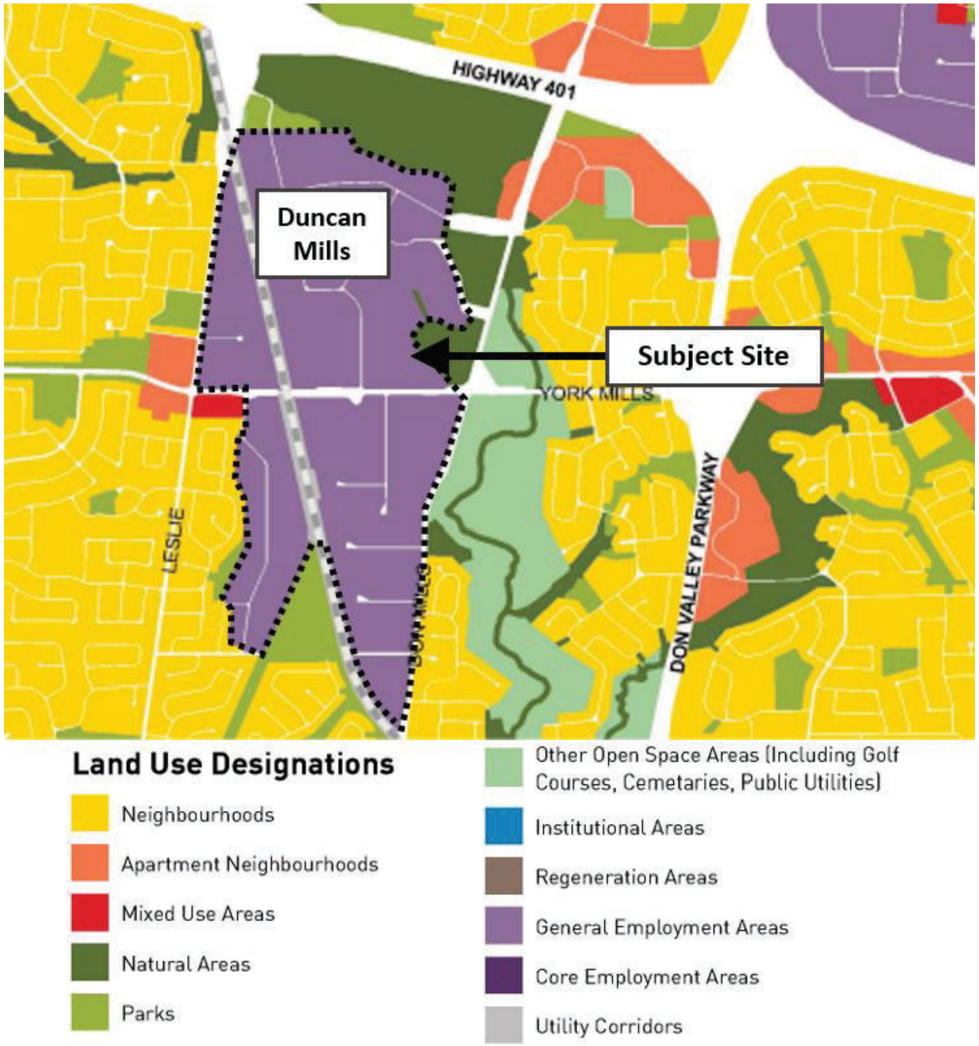
The subject site is approximately 4.7 hectares in size and is located on the north side of York Mills Road, just west of Don Mills Road in Toronto.

4.1 Subject Properties

The subject site is currently improved with a 22-storey hotel facility consisting of 166,156 square feet and 409 rooms. Originally constructed in 1973, the building underwent renovations in 2013. There is also a single-storey restaurant building on the southern portion of the subject site. The subject site is also improved with a large surface parking lot along the southern portion of the site, fronting York Mills and there is also a large surface parking lot at the rear of the site adjacent to a two-storey parking structure attached to the hotel facility.

In the City of Toronto's Official Plan, the property is designated *General Employment Areas.* This designation allows for a range of general business and economic activity but does not permit residential uses. *General Employment Areas* are typically located on the periphery of *Core Employment Areas* and act as a buffer for more sensitive surrounding land uses. However, in this instance, the entire Duncan Mills *Employment Area* is designated as *General Employment Area*.

Figure 15 –Official Plan Land Use Map & Duncan Mills Employment Area



m

4.2 Surrounding Land Uses

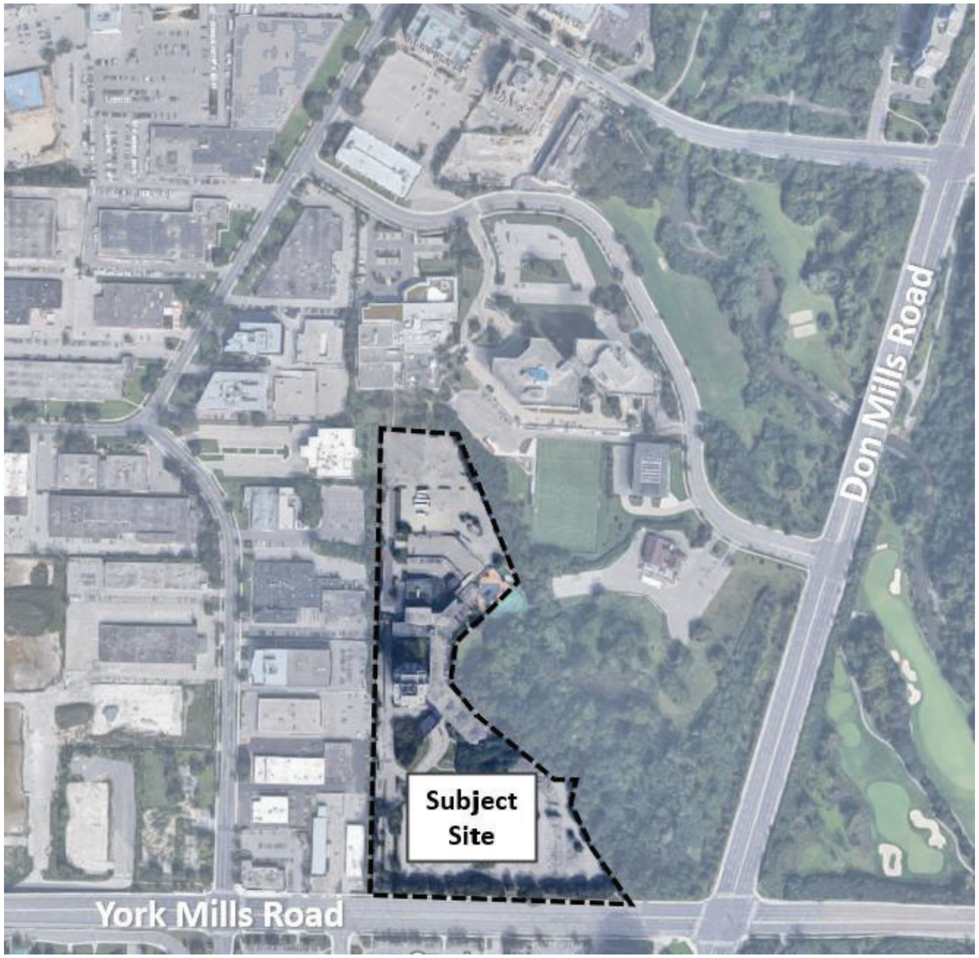
The subject is surrounded by a wide variety of land uses. To the west of the subject properties, there are several light industrial and office land uses, including small-scale warehouses, wholesale show rooms, a car wash, and low-rise industrial offices. These buildings were predominately built in the 1960s and 1970s. These uses are all designated *General Employment Areas*.

To the north of the subject site are industrial, office, and institutional uses including a light manufacturing facility a warehouse facility, and a privately run school. Many of these buildings along Lesmill Road were constructed in the 1960s, although there is a 31,000 square foot office building located at 41 Lesmill Road that was built in 2008. The office buildings along Moatfield Drive are somewhat newer being constructed in the 1980s and 1990s. This includes a 250,000 square foot 11-storey office building constructed in the early 1980s at 105 Moatfield Drive.

To the east of the subject site is a natural wooded area owned by the Toronto and Region Conservation Authority. This land is designated *Natural Areas*.

Finally, to the south of the subject site are freestanding retail uses including the 135,000 square foot Liberty Plaza, as well as smaller pad retail spaces. Additionally, there is a 235,000 square foot office facility south of the subject site on the southwest corner of Don Mills Road and York Mills Road.

Figure 16 – Subject Site



4.3 The Duncan Mills Employment Area

The subject properties are part of the larger Duncan Mills *Employment Area*, which consists entirely of *General Employment* land use designations. It is one of the smaller contiguous *Employment Areas* in the City and it is roughly bounded by Don Mills Road, Duncan Mills Road, Leslie Street, Scarsdale Road, and the Metrolinx/CN rail corridor.

There are no *Core Employment* designated lands in the Duncan Mills *Employment Area,* making it one of only three contiguous *Employment Areas* that consists entirely of *General Employment Designations*. Typically, *General Employment Areas* act as a buffer from *Core Employment Areas* which are often home to the most disruptive employment land uses in the City.

4.3.1 Office Uses

The Duncan Mills *Employment Area* consists of a range of office uses from large (>200,000 square feet) stand-alone office buildings to smaller (<20,000 square feet) office spaces that are ancillary to other uses. In total, there are approximately 3.2 million square feet of office space in the Duncan Mills *Employment Area*. The majority of this space was built in the 1970s and 1980s, although a number of the larger standalone office buildings in the area were built in the early 1990s. Since the 1990s, office investment has effectively stopped with only a single new office completion since 1998 – a 31,700 office building at 41 Lesmill Road completed in 2008.

The largest standalone office buildings in the Duncan Mills *Employment Area* were generally located to the north of the subject site on Moatfield Drive and Duncan Mills Road. This includes 95-105 Moatfield Drive (405,000 square feet) and 220/240 Duncan Mills Road (322,000 square feet). There was also a 233,000 square foot standalone office tower on the southwest corner of Don Mills Road and York Mills Road (The Rothmans Building). Parking in these buildings is typically accommodated by a combination of surface parking lots and parking structures.

The most common industries are administrative and business services, and professional, scientific and technical services. The educational services industry, and health care and social assistance industry also have small footprints in the *Employment Area*. Three of the largest office employers in Duncan Mills were Kraft Heinz, Thales Group (Aerospace), and Rothman, Benson and Hedges.

As of Q3-2022, the office vacancy rate was 7.2% in Duncan Mills and the availability rate was 12.4%. Moreover, both vacancy and availability rates have trended upwards. Five years ago, Duncan Mills had a vacancy rate of 5.7% and an availability rate of 8.3%. Net lease rates were only $17.00 psf per year in Duncan Mills, which has largely remained unchanged since 2017.[9] This overall market softness in the Duncan Mills *Employment Area* is not surprising, given that it would be viewed much less favourably by the market owing to its lack of transit connectivity, lack of mixed-use context, and higher operating costs than other suburban submarkets. As discussed in the previous section of this report, there has been virtually no new office investment in this area of the City, with new development primarily targeting professional sectors in central and mixed-use environments.

[9] CoStar Realty Services

Figure 17 – 95-105 Moatfield Drive / The Rothmans Building

Source: CoStar Realty Services

Table 6

Office Market Summary Duncan Mills Employment Area, Q3-2022	
Parameter	**Q3-2022**
Inventory (sf)	3,228,242
Vacancy Rate	7.20%
Availability Rate	12.40%
Avg. Net Rent	$17.00
Source: CoStar Realty Data	

4.3.2 Industrial Uses

The Duncan Mills *Employment Area* is also home to an abundance of industrial uses, primarily light industrial uses reflective of the *General Employment Area* designation. In total, there are 790,000 square feet of industrial uses in Duncan Mills with the majority of buildings being quite modest in size (<50,000 square feet). Warehousing uses are the most common industrial use in Duncan Mills accounting for 607,000 square feet of space. Aside from warehousing, there are a few small-scale manufacturing facilities and a small number of industrial showrooms.

Most of the industrial space is quite old, being built in the 1960s, although there were three warehouse facilities that were built in 2016 and 2017 on Scarsdale Road, south of York Mills Road. These facilities range from 10,000 to 45,000 square feet. Prior to this, no new industrial space has been added to Duncan Mills since 1990.

The Duncan Mills *Employment Area* also includes just over 1.6 million square feet of flex space, which bridges the gap between industrial and other commercial uses. An example of this near the subject site is the 47,000 square foot building located at 25 Lesmill Road. This building is occupied by a range of tenants in wholesale retail, educational services, and health care services. Flex space often appeals to companies that are not reliant on visibility (such as retail uses), but do not require higher-quality office space. It should also be noted that no new flex space has opened in Duncan Mills since the 1980s.

The Duncan Mills *Employment Area* appears to be in high demand, like many *Employment Areas* in Toronto. As of Q3-2022, there was no vacant industrial space and flex space has a vacancy rate of only 0.4%. Current net rents were about $14.00 psf per year for industrial space and $16.50 psf per year for flex space. This is in line with current city-wide rates – $14.14 psf per year for industrial, and $14.67 psf per year for flex.

Table 7

Industrial Market Duncan Mills Employment Area, Q3-2022	
Parameter	**Q3-2022**
Inventory (sf)	790,572
Vacancy Rate	0.00%
Availability Rate	0.00%
Avg. Net Rent	$14.30
Source: CoStar Realty Data	

Table 8

Flex Market Duncan Mills Employment Area, Q3-2022	
Parameter	**Q3-2022**
Inventory (sf)	1,639,658
Vacancy Rate	0.40%
Availability Rate	0.40%
Avg. Net Rent	$17.89
Source: CoStar Realty Data	

Figure 18 – 15 Lesmill Road (20,000 sf warehouse) / 80 Valleybrook (110,000 sf warehouse) / 25 Lesmills Road (47,000 sf flex space)

Source: CoStar Realty Services

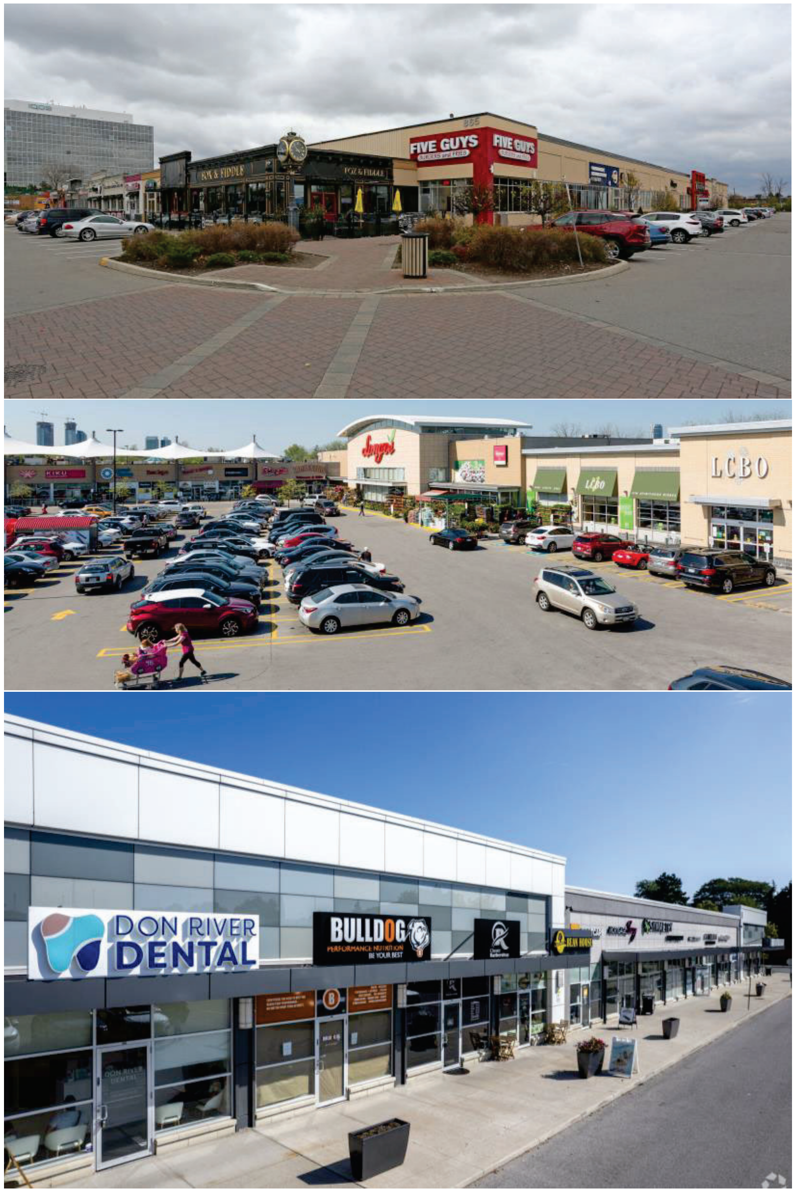
4.3.3 Retail Uses

The Duncan Mills *Employment Area* also includes some commercial retail space, with a total of 518,600 square feet. Most of this space is located along the main arterials of York Mills Road, Leslie Street, and Don Mills Road in strip retail and freestanding community retail centres such as York Mills Gardens and Liberty Plaza. Restaurants are the most common retail usage in the area, as well as food stores such as a Longo's Grocer and a Galleria Supermarket, both on York Mills Road. These retail spaces largely serve the residential neighbourhoods to the west and east of the Duncan Mills *Employment Area*.

The newest retail space in Duncan Mills is a neighbourhood retail centre called The Diamond at Don Mills, located at 1388-1396 Don Mills Road. Built in 2014, this retail centre consists of five freestanding retail buildings with a combined 71,000 square feet of space. It consists of smaller retail spaces, with no anchor tenant. Businesses include a number of restaurants, personal service providers, and small retail outlets.

Despite the pandemic, retail space appears to have remained in reasonably high demand in the Duncan Mills *Employment Area.* Vacancy rates increased to a high of only 2.4% during the peak of the pandemic and since then have dropped with no vacant retail space as of Q3-2022.

Figure 19 – Liberty Plaza / York Mills Gardens / The Diamon at Don Mills



Source: CoStar Realty Services

4.3.4 Other Uses in Duncan Mills

While captured in the above-discussed asset classes, there are three uses which are present in the Duncan Mills *Employment Area* that are unique and worth noting individually:

- **Self-Storage** – Typically located in industrial areas, self-storage facilities have been one of the fastest-growing land users in Toronto's *Employment Areas* in recent years. As the shift towards higher-density living continues, the demand for this type of space is only expected to increase in the coming years. The Duncan Mills *Employment Area* is currently home to three self-storage facilities consisting of 394,000 square feet of space. Self-storage facilities have typically been attracted to *Employment Areas* due to their lower land values. They are, however, one of the lowest-density employment uses in Toronto's *Employment Areas*.
- **Educational Uses** – The Duncan Mills *Employment Area* is also home to an abundance of educational land uses including private preparatory schools, adult educational services, and private for-profit colleges. In total, NBLC has identified at least 19 education land uses within Duncan Mills. Educational services are typically attracted to *Employment Areas* due to their lower land values. They typically gravitate towards repurposed office or flex space, although some have constructed purpose-built facilities.
- **Religious Institutions** – Finally, the Duncan Mills *Employment Area* is also home to at least nine religious institutions. Like educational land uses, religious land users are often attracted to *Employment Areas* because of their lower land values.

Figure 20 – Self-Storage (1450 Don Mills) / The Gile School (80 Scarsdale Road) / Repurposed Religious Use (99 Scarsdale Road)

Source: CoStar Realty Services

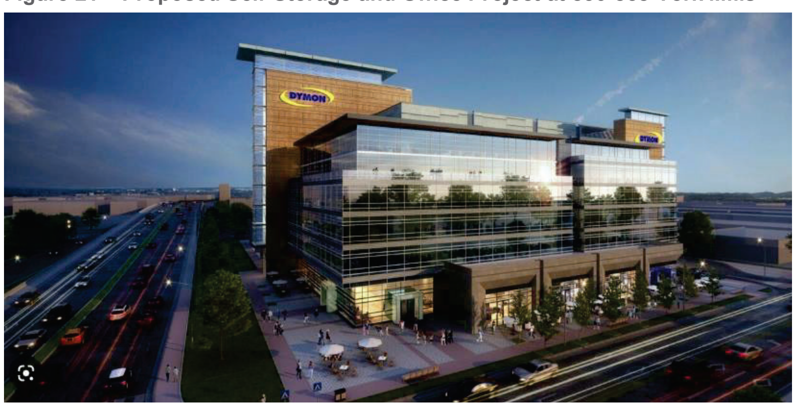
4.4 Proposed Uses in Duncan Mills

There are several proposed projects in the Duncan Mills *Employment Area* that are worth noting. These projects are in various stages of the approvals process.

4.4.1 850-858 York Mills Road

Just west of the subject site, this 3.5-acre parcel was purchased by Dymon Storage in April 2018 for $17.5 million ($5 million an acre). A development proposal was submitted to the City in December 2018 for a mixed-use project consisting of self-storage, retail, and office uses. This proposal has since gone through a number of revisions and remains under review by the City. The current iteration of the proposal consists of 54,700 square feet of retail space, 181,000 square feet of office space, and 339,200 square feet of self-storage usage. This is a substantial amount of proposed office space for the local area, especially given the soft office market conditions. It is also worth noting that the amount of office space in this proposal has been reduced from the initial submission.

Figure 21 – Proposed Self-Storage and Office Project at 850-858 York Mills

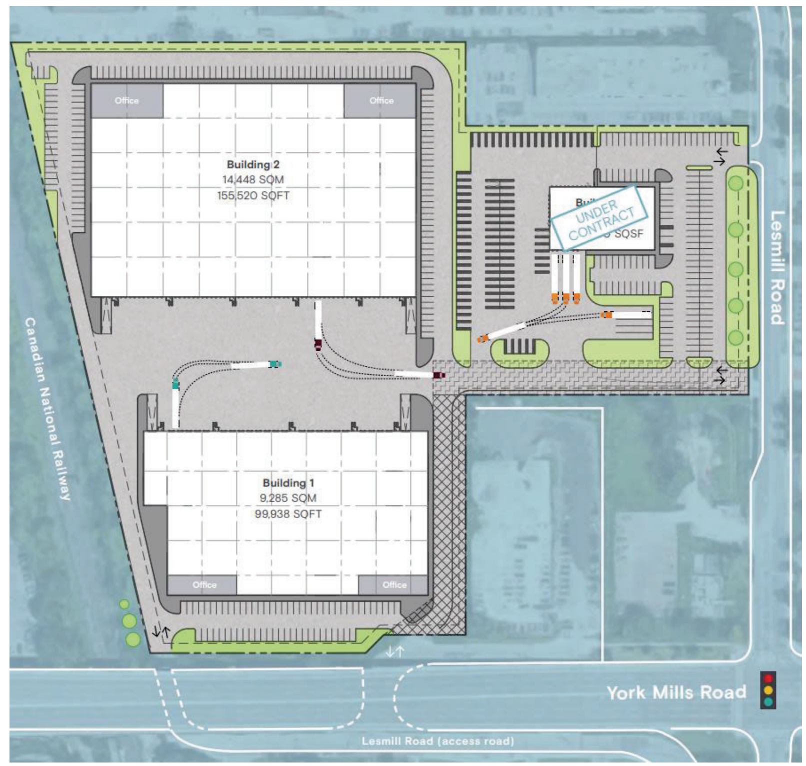


Source: Project Marketing Materials

4.4.2 840 York Mills Road

Also to the west of the subject site, this 15.9-acre development parcel was purchased by Northbridge Capital in August 2021 for $73.5 million ($4.6 million an acre). An industrial park concept was planned for the site to be built on spec, focusing on last-mile distribution. The project consists of three buildings with 250,000 square feet of space. Marketing for this project began in late 2021, however, after speaking with the brokers on file, it is our understanding that the project has recently been put on hold.

Figure 22 – Site Plan for Industrial Park at 840 York Mills Road



Source: Colliers

4.4.3 865 York Mills Road

Immediately opposite the subject site, this 8.4-acre parcel of land has an active application for a six-tower 892-unit mixed-use project with residential, retail and office uses. This application was initially refused during the City's previous MCR which resulted in OPA 231. It was then resubmitted during the most recent MCR seeking an OPA that would allow for a conversion from *General Employment Area* to allow residential permissions. This application remains under review with the City.

4.4.4 52 Scarsdale Road

Located south of York Mills Road, this 40,000 square foot commercial flex space is currently under-construction. It consists of 28 condominium spaces. Sales reps indicated that this project began marketing in 2021 and is expected to begin occupying in 2023. As of November 2022, it is our understanding that all but four of the spaces have sold for an average price of approximately $670 psf.

Figure 23 – Two-Storey Flex Commercial Space at 52 Scarsdale

Source: Colliers

4.4.5 Proposed Residential Uses in Local Area

While not located directly in the Duncan Mills *Employment Area*, there are a number of active residential development applications in the surrounding area that are worth noting as they underscore the shifting character of the wider local area:

- **801 York Mills –** Located on the southeast corner of York Mills Road and Leslie Street, this proposal is for two 16-storey towers with a combined 492 residential units and 14,700 square feet of ground-floor retail. This proposal is currently under appeal at the OLT due to Council's failure to make a decision.
- **390-400 Woodsworth –** This proposal is for a three-tower with 102 purpose-built rental apartment units (including 32 rental replacement units) and 309 condominium apartment units. This proposal was submitted in the fall of 2021 and is currently under review.
- **740-750 York Mills –** Site preparation has begun for a 192-unit purpose-built rental stacked townhome project at the southwest corner of York Mills Road and Leslie Street.

4.5 Key Findings

The Duncan Mills *Employment Area* appears relatively healthy and stable with low vacancy rates for industrial, retail, and flex uses. Despite this stability, there has been very limited investment in employment land uses over the past two decades. As noted, only a single small office building and three small warehouse facilities have been added to the Duncan Mills *Employment Area* in over two decades. For office uses, the prevailing rents are not sufficient to make new development feasible. For industrial uses, the lack of *Core Employment Areas* in Duncan Mills and the presence of existing incompatible land uses to make new development challenging.

While employment land uses have not been attracted to the Duncan Mills *Employment Area*, non-employment land uses have shown continued interest in the area. The presence of many educational institutions and religious institutions suggests that these community-based users are attracted to the area. While this is partially due to the more affordable land values, it is also driven by the lack of more intensive land uses, the proximity of Duncan Mills to residential areas, and the ease of access to the regional highway network. Moreover, as these uses continue to gravitate towards Duncan Mills, the possibility of more industrial users being attracted to the *Employment Area* is only further diminished, given the increased possibility of land use conflicts.

It is our opinion, that if the Duncan Mills *Employment Area* was left as *General Employment*, it would remain stable, but continue to see no significant investment in industrial land uses. It is likely that the above-noted community-based land uses would continue to be attracted to the area and minimally disruptive employment land uses (retail, flex commercial, self-storage) would continue to be attracted to the area, although to a lesser degree. However, these uses do not require the separation that *Employment Areas* provide and could just as easily locate within mixed-use communities. Moreover, low-density employment uses such as self-storage are not a desirable employment land use.

Conversely, the introduction of new residential uses through a mixed-use development would bolster these existing uses in Duncan Mills, helping to maximize their economic potential. Retail uses, office uses, and educational uses all benefit from locating close to residents who are potential customers and employees.

In our opinion, the stagnant employment context of the Duncan Mills area makes the area a candidate for mixed-use communities that incorporate a range of residential, commercial, and employment uses. The area is already undergoing a market shift that is beginning to destabilize land values. This shift is not only precluding many employment users from locating within the *Employment Area* due to pricing concerns, but also due to compatibility concerns. Given that this dynamic is already occurring, the introduction of new mixed-use communities would allow for similar results but with higher-intensity economic outcomes through the incorporation of commercial space with new residential uses.

5.0 Considerations for Employment Land Conversions

The following are the core findings of our work:

- The City's employment land and industrial markets are strong and have improved since the COVID-19 pandemic began. The continued expansion of e-commerce and distribution centres is increasing the level of demand for industrial land/buildings within the City of Toronto at a time when the supply of available and suitable land continues to be eroded, either through market absorptions or land-use conversions.
- Understanding the above, the City and Province are actively seeking to protect these lands from conversion pressures. As residential and institutional uses encroach in these areas, the overall viability for industrial uses to operate is undermined (due to nuisance separation issues, land values increasing beyond what industrial operators can pay, and other similar considerations).
- While the subject site is also designated to accommodate office uses, office investment has shown very defined locational patterns over the past decade, which we expect to continue. While some office and employment space could be accommodated within a mixed-use development, it is unlikely in the current market that a significant stand-alone office building would be supported at the subject site.
- The Duncan Mills *Employment Area*, while considered stable, has seen no significant investment in intensive industrial land uses. This lack of investment in industrial land uses is partially owing to the lack of any lands designated *Core Employment Areas*.
- Duncan Mills has, however, seen recent investment in other employment uses (flex commercial, retail, self-storage) that do not require the same level of separation from sensitive land uses as intensive industrial land uses. Moreover, many of these employment uses could just as easily operate within a mixed-use context.
- The Duncan Mills *Employment Area* has attracted several non-employment uses such as educational and religious institutions. The presence of community-based land uses will only further dissuade many intensive industrial land users from locating in Duncan Mills.
- It is our opinion that these prevailing locational characters are unlikely to change and that if Duncan Mills remains as *General Employment Area* it will become economically stagnant. Community-based land users will only continue to be attracted to the area, as well as low-density employment uses such as self-storage.
- More importantly, it is our opinion that the introduction of new residential uses would not preclude new investment from the types of employment uses that have been attracted to Duncan Mills, assuming the new residential uses are part of mixed-use projects that provide a similar amount of commercial space. Many of these employment uses (e.g. commercial flex, office uses, commercial retail) can reasonably co-exist with residential uses.
- In fact, it is our opinion that the introduction of new residential uses would only further bolster the economic support for businesses, providing new customers and employees. To achieve the objectives of the City and the Province, a new development should incorporate enough commercial space to support a net increase in jobs.

5.1 Toronto Employment Land Tests for Conversion

The City's approved work plan for the Municipal Comprehensive Review establishes a list of conversion tests that each application is required to address. NBLC has been asked, within the context of the research and analysis presented in this report (e.g. market and land economic lens), to assess the following:

a) There is a demonstrated need for the conversion(s) to:

1. **Meet the population forecasts allocated to the City in the Growth Plan for the Greater Golden Horseshoe; or**
2. **Mitigate existing and/or potential land use conflicts.**

Regarding Point 1, the City determined that there was no need to convert employment land to meet the City's population forecast within the Growth Plan. This was determined and supported by the Local Planning Appeal Tribunal on January 30th, 2020 for the outstanding appeals on OPA 231 (Case No. PL140860). BILD and other parties were unsuccessful in their attempt to argue this point. However, it is unclear if the revised forecasts in the most recent Growth Plan change this opinion.

Notwithstanding the above, the City of Toronto is currently facing a housing affordability crisis. Residential pricing has increased rapidly in recent years as supply is consistently falling short of demand. With continued increases in the cost of construction, rising interest rates, and lengthening approvals time, this supply constraint is likely to only get worse in the foreseeable future.

Additionally, development is heavily concentrated in the City's strongest market areas that accommodate the highest pricing levels. While pricing within the Downtown Core generally averaged between $1,500 and $1,700 per square foot for new condominium pricing, the subject properties can accommodate more affordable pricing.[10] New supply that is more attainable to a wider range of households in complete mixed-use communities is drastically needed in the City.

Regarding Point 2, there are already existing land users in the Duncan Mills *Employment Area* that pose potential land use conflicts for intensive industrial tenants. The presence of these existing uses has likely kept many industrial developers and tenants away as they view the area much less favourably than lands elsewhere that are designated *Core Employment Area* where they can operate more effectively.

b) The lands are required over the long-term for employment purposes.

This test is difficult to satisfy as a stand-alone requirement. These lands, which are finite and projected to be extinguished by 2041, are needed over the long-term for employment purposes. However, as stated previously, traditional heavy industrial employment uses have not been attracted to Duncan Mills. Instead, several low-density employment uses (self-storage) and employment users that do not require separation from sensitive land users (flex commercial, retail) have been attracted to the *Employment Area*.

The incorporation of employment space within a future mixed-use development plan would aid in maximizing employment opportunities and

[10] Altus October 2022 Submarket Reports

economic outcomes in the Duncan Mills *Employment Area*. In our opinion, this would be a better outcome, helping to achieve the City's objectives along with a more efficient use of land.

c) **The City will meet the employment forecasts allocated to the City in the Growth Plan for the Greater Golden Horseshoe.**

In the 2019 City of Toronto Employment study, it was noted that the City was on track to meet its 2041 employment forecast as early as 2023, due to the extraordinary supply of office development in recent years. These Growth Plan employment forecasts for the City were revised in 2020, with the forecast increasing and being extended to 2051. Even with this increased forecast, as well as the job losses throughout 2020 due to COVID-19, the City remains well on its way toward meeting these targets prior to 2051.

Again, incorporating sufficient employment space within the proposed redevelopment will ease any concerns related to this test.

d) **the conversion(s) will adversely affect the overall viability of the *Employment Area* and maintenance of a stable operating environment for business and economic activities with regard to the:**

1. **compatibility of any proposed land use with lands designated *Employment Areas* and major facilities, as demonstrated through the submission of a Compatibility/ Mitigation Study;**
2. **prevention or mitigation of adverse effects from noise, vibration, and emissions, including dust and odour;**
3. **prevention or mitigation of negative impacts and minimization of the risk of complaints;**
4. **ability to ensure compliance with environmental approvals, registrations, legislation, regulations and guidelines;**
5. **ability to provide appropriate buffering and/or separation of employment uses from sensitive land uses, including residential;**
6. **ability to minimize risk to public health and safety;**
7. **reduction or elimination of visibility of, and accessibility to, employment lands or uses;**
8. **impact upon the capacity and functioning of the transportation network and the movement of goods for existing and future employment uses;**

The above tests must be assessed by a qualified subject matter expert and are beyond NBLC's scope.

9. **removal of large and/or key locations for employment uses;**
10. **ability to provide opportunities for the clustering of similar or related employment uses; and**
11. **provision of a variety of land parcel sizes within the Employment Area to accommodate a range of permitted employment uses;**

From a market and land economics perspective, a *Mixed Use* designation on the subject site would not create any land use conflicts with existing employment uses in Duncan Mills. The subject site is adjacent to flex commercial spaces to the west, office uses to the north, and parks and greenspace areas to the east. None of these uses would pose potential compatibility issues with a new mixed-use project. In fact, the inclusion of residential uses on the subject properties will maximize the market for the existing population serving employment uses that already exist within the Duncan Mills *Employment Area*.

Moreover, the existing uses within the Duncan Mills *Employment Area* are likely already precluding intensive industrial users from locating in Duncan Mills. In this sense, the introduction of a mixed-use residential project with sufficient commercial space would have no impact on the types of uses that could locate in the larger *Employment Area*. The opportunities for clustering of similar employment uses would not be diminished by the introduction of a mixed-used residential project.

In NBLC's opinion, from a land economics perspective, the conversion of the subject properties would not adversely affect the viability of the broader employment area or the maintenance of a stable operating environment assuming that sufficient new commercial space is included within new mixed-use developments.

e) **The existing or planned sewage, water, energy and transportation infrastructure can accommodate the proposed conversion(s);**

f) **In the instance of conversions for residential purposes, sufficient parks, libraries, recreation centres and school exist or are planned within walking distances for new residents;**

These will need to be addressed by a qualified subject matter expert.

g) **Employment lands are strategically preserved near important transportation infrastructure such as highways and highway interchanges, rail corridors, ports and airports to facilitate the movement of goods;**

The subject site is reasonably close to Highway 401, providing easy access to the region's expressway network. However, as noted throughout, it is not our opinion that the introduction of a mixed-use residential project would negatively impact the existing employment uses in the Duncan Mills *Employment Area*. If anything, the introduction of new residential uses would further bolster the market support for these uses. In any case, it is unlikely that the conversion of the subject properties would pose any challenges to the strategic preservation of employment lands near important transportation infrastructure.

h) **The proposal(s) to convert lands in an *Employment Area* will help to maintain a diverse economic base accommodating and attracting a variety of employment uses and a broad range of employment opportunities in Toronto; and,**

As noted throughout, the employment uses that are currently attracted to the Duncan Mills *Employment Area* can reasonably locate in a mixed-use context. This includes commercial flex space, office uses, and retail uses. If anything, the introduction of new residential uses to the area will help to maximize the existing economic base and provide more opportunities to enhance these conditions through the introduction of broader employment opportunities (e.g. office, services, medical, retail, etc.).

i) **Cross-jurisdictional issues have been considered.**

This will need to be addressed by qualified subject matter experts.

5.2 Overall Conclusions

Overall, NBLC concludes that the subject site should be converted to mixed-use that allows for both residential and employment permissions. The Duncan Mills *Employment Area* consists entirely of *General Employment Areas*. Intensive industrial developers and tenants alike have largely avoided Duncan Mills, partially due to the existing potential for land use conflicts and partially because market shifts are already beginning to destabilize employment land values in the area. Instead, they are opting for *Employment Areas* that are better suited to their needs – this is typically

Employment Areas with lands designated *Core Employment* that provide sufficient separation from sensitive land users and provide a stable operating environment that is largely free of speculation.

Less intensive, more modern employment uses have shown the opposite preference, opting for vibrant mixed-use locations that provide walkable opportunities to live and work. This has been the foundation of success in areas like Downtown Toronto, Liberty Village, the emerging Vaughan Metropolitan Centre, and Downtown Markham.

Given that these market dynamics are already occurring in the Duncan Mills *Employment Area*, we believe that the introduction of new mixed-use communities would allow for similar results, but with higher-intensity economic outcomes through the incorporation of new commercial space with new residential uses. This new commercial space as part of mixed-use residential projects would still be able to accommodate the employment uses that have been attracted to Duncan Mills (flex commercial, office, retail) as these uses can reasonably operate within mixed-use contexts near residential land uses. Similarly, this space would also continue to allow for community-based users (schools and churches) to locate in Duncan Mills.

Moreover, the introduction of new residential uses would expand the area's population maximizing the economic opportunity of the existing businesses and enhancing the potential for new businesses to locate in the area. In our opinion, future developments that build in a mix of uses, including new residential development, will support a much larger and more diverse workforce. At present, the job density in the area is low. A modest increase in density has the potential to yield a significant increase in jobs. In addition, the quantum of commercial jobs associated with the existing hotel and restaurant that might be displaced could be recovered, or even expanded in a mixed-use development.

If the conversion application is not approved, it is probable that the subject site, and the wider Duncan Mills *Employment Area*, would not be intensified beyond the range of existing uses. The local rents of stand-alone office developments are not expected to increase sufficiently to support this form of development considering the wide choice of more suitable sites available and intensive industrial developers and tenants will continue to avoid the area. From a market perspective, it is more probable that a mixed-use development on the property would yield greater tax assessment as well as increase employment densities.

nblc

Trusted advisors since 1976.