COMMERCIAL & MULTI-RESIDENTIAL FORECASTS FOR THE REVIEW OF SMARTTRACK

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SRRA is a not-for-profit organization, collaborating with both public and private sector organizations to provide strategic, non-partisan public policy research on the connections between infrastructure, land use and future economic welfare of the Greater Toronto and Hamilton Area (GTHA).

It is modeled on the Regional Planning Association (RPA), which has been serving this function for the New York City region since 1922. The Canadian Urban Institute (CUI) and Real Estate Search Corporation (RESC) formed to bring together their respective track records along with input from major public and private sector entities in the GTHA in providing unbiased, evidence based research to both public and private sectors. Learn more: srraresearch.org.
1. OVERVIEW

The consulting team was asked to determine the impact of SmartTrack and other transit projects in the GTA on the location of jobs in office buildings and multi-residential development.

The assignment was to provide:

1. Forecasts of employment in office buildings for transit ridership analysis by the University of Toronto Transportation Research Institute (UTTRI);¹ and

2. Forecasts of commercial development and multi-residential development for tax increment financing analysis by the City of Toronto's Corporate Finance Division.²

Strategic Regional Research Alliance (SRRA) is well-qualified to do this because of its unique data and research, coupled with an analytical perspective that will ensure that, in the resulting forecasts, community planning and public policy objectives will be aligned with conditions on the ground and business needs. In addition, it has recently completed a major analysis of the likely location of office development in the GTA over the next years.

SRRA's forecasts assign projected total growth in the City of Toronto and the rest of the GTA to traffic zones. City Planning staff provided the projections of total employment in office employment and multi-residential units in the City of Toronto and the rest of the GTA.³ SRRA's forecasts in major office nodes in the GTA were informed by the data accumulated in The Nodal Study.⁴ The Nodal Study provided insights into where employers were most likely to grow.

SRRA's forecasts of growth with and without SmartTrack used 2011 as a starting point. Its assessment of the future growth prospects in each traffic zone, and other relevant transit initiatives, including the Provincial commitment to Regional Express Rail (RER), relied on the desirability for growth within existing planning framework within each traffic zone.

Forecasts were developed for three scenarios of Regional growth developed by City Planning staff and more fully described in their methodology report (see footnote 1). The first scenario reflected Provincial forecasts contained in the Growth Plan for the Greater Golden Horseshoe. The next two allocated more growth to the City of Toronto (and correspondingly less to the rest of the GTA).

SRRA’s methodology essentially involved redistributing office and multi-residential growth to reflect the impact of SmartTrack; this meant that allocating additional growth around SmartTrack stations

¹ The office forecasts were inputs to employment projections developed by City Planning staff as a basis for the ridership projections. A description of the projections methodology can be found in Appendix 7 of an October 2015 City of Toronto staff report providing an update on the review of SmartTrack. The report and the appendix are available at: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX9.1
² An introduction to the TIF analysis and its role in the financing and funding strategy for SmartTrack is available in Appendix 9 of the October 2015 City of Toronto staff report providing an update on the review of SmartTrack (see http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX9.1).
³ The overall employment totals for Toronto and the Rest of the GTA are shown in Table 4 in the City Staff report on the projections methodology (see footnote 1).
⁴ The Nodal Study, SRRA, 2015
resulted in less growth being allocated to non-transit areas. This report provides a summary of findings for office growth in each office node, and for multi-residential growth in each TIF zone.\(^5\)

SRRA forecast the rate of office growth after 2011 in each node and then allocated the resulting jobs in the node to the traffic zones in that node, taking into account the capacity of each zone to accommodate new office buildings. SRRA examined in great detail the conditions on the ground in all traffic zones where employment exists in the Region (the balance of zones are predominantly residential or recreational). To inform its projections of growth, both with and without SmartTrack, SRRA relied on findings from its proprietary research on what drives the decisions of employers to commission the development of new buildings. SRRA also utilized its unique employer functionality growth capabilities to estimate likely responses to effective transit implementation, as well as input from the Region of York, the City of Mississauga, BILD, and the Greater Toronto Airports Authority.

For the multi-residential forecasts, SRRA took projections of apartment growth in each TIF Zone developed by City Planning staff and reallocated them to reflect the impact of SmartTrack on future multi-residential development. SRRA used findings from its research with residential developers and consultants on how SmartTrack would change the attractiveness of the TIF zones for multi-residential development. The resulting changes in the TIF zones were then allocated to individual traffic zones based on potential capacity for housing development in each zone as analyzed by City Planning staff for the City’s 2012 Comprehensive Municipal Review of its Official Plan.\(^6\)

SRRA used as the foundation for its growth forecasts the assumption that municipalities would follow the guidelines of the Ministry of Transportation with respect to Transit Oriented Development (TOD).\(^7\) In general, these guidelines adhere to the principles of good planning for the development of transit friendly intensification of employment and residential development.

Good transit oriented development produces the densities required to support transit infrastructure. In some cases, RER and SmartTrack bisect low density, industrial areas. The forecasts in this report assumed that overtime TOD would occur at these higher order transit locations. This, in turn, leads to sustaining ridership for the transit projects.

The underlying condition in the scenarios of a single constant GTA employment and population forecast presented the consulting team with challenges. Simply moving growth around from one area to another depending on what transit solutions are put in place does not account for the impact of transit implementation on overall growth in the Region. Economic research strongly suggests that a transit improvement like SmartTrack will likely result in greater Regional growth than would have occurred without it. SRRA’s research from other cities indicates that effective transit tends to generate more growth when TOD is aligned with transit implementation. The consulting team recognizes that for the present exercise neither SRRA nor the City of Toronto were in a position to estimate the Region-wide productivity and agglomeration benefits that may result from SmartTrack, or how they may be distributed across the Region.

\(^5\) Due to confidentiality restrictions data in each zone is not described or reported on in this report on Methodology.
\(^6\) Further details are provided in the description of the methodology for the Toronto population projections in Appendix 7 of the October 2015 City of Toronto staff report providing an update on the review of SmartTrack (see footnote 1)
\(^7\) “Transit-Supportive Guidelines,” Ontario Ministry of Transportation, Queen’s Printer, 2012
There is a clear need for further research and analysis of this potential impact of SmartTrack on overall growth in the GTA. Without effective investment and intensification surrounding stations adjacent to SmartTrack and RER, the Region may not grow as expected. The converse is also true: implementation of SmartTrack and RER may result in more growth than expected.
2. REALLOCATING GROWTH AS A RESULT OF NEW TRANSPORTATION INFRASTRUCTURE

The University of Toronto's Transportation Research Institute (UTTRI) requires population and employment projections for each traffic zone in the GTA to analyze ridership and modal choice. The City Planning Division is responsible for providing the projections of employment and population for input into the ridership model.

2.1. OFFICE FORECAST METHODOLOGY

SRRA’s assignment was to forecast the office employment component of projected employment and the multi-residential component of projected population. There are over 2,200 traffic zones in the GTA. Map 1 below shows traffic zones for most of the GTA with the TTC subway, GO commuter rail and the proposed SmartTrack. The City of Toronto staff provided an estimate of the total growth in the City, and growth in office buildings based on SRRA’s forecasts. City staff and SRRA worked closely together to produce the projections for UTTRI and to ensure that SRRA’s contributions were consistent with the overall requirements.

Map 1: The Greater Toronto Area Traffic Zones (2006) with municipal boundaries and some higher order transit corridors.
2.1.1. Scenarios

The projections distribute the GTA employment for five scenarios that are based on GTA and City of Toronto employment projections provided by Strategic Projections Inc. for the City Employment Uses Policy Study in 2012:

- **Scenario 1:** Medium projection with SmartTrack not implemented;
- **Scenario 2:** Medium projection with SmartTrack implemented, including appropriate zoning constraints;
- **Scenario 3:** Low projection with SmartTrack not implemented;
- **Scenario 4:** Low projection with SmartTrack implemented, including appropriate zoning constraints
- **Scenario 5:** High projection with SmartTrack implemented, with relaxed zoning constraints.\(^8\)

The base year for the projections is 2011. The low projection is based on City and GTA totals similar to the Growth Plan Schedule 3 forecasts for the City and the GTA. The high projection is based on population growth similar to the Ontario Ministry of Finance projections for 2012.

2.1.2. 2011 Base Data

SRRA provided the City of Toronto with data from its proprietary database identifying:

1. Occupied office floorspace in 2011 by NAICS code, which City staff used to generate its estimates of total future office employment in the City and the rest of the GTA.
2. Office employment in each traffic zone in 2011, which City staff used to develop estimates of office and non-office employment in the projection years.

City staff adjusted these data so they would be consistent with the 2011 National Household Survey (NHS) data, which was used as a common data source for the whole GTA.

SRRA undertook a building by building analysis that showed that there were inconsistencies when compared to the NHS and Transportation for Tomorrow Survey (TTS) estimates of employment. SRRA indicated that further study of these inconsistencies should be done in more detail in the future. For example, in downtown Toronto in some zones, the TTS data showed far less employment than is actually contained in these buildings.

2.1.3. City Staff Projection of Total Office Employment in the GTA, Toronto, and the Rest of the GTA

Based on the City's employment projections by NAICS (see the City's projections methodology report) and the 2011 composition of office employment by NAICS (see above), City staff generated projections of total office employment in the City and the Rest of the GTA.
City staff then provided the following data to SRRA for its use in projecting forecasts of office growth in traffic zones in the GTA:

- the adjusted 2011 office employment by traffic zone and estimates of 2011 employment in office buildings by NAICS;
- preliminary projections of employment (disaggregated into office and non-office jobs) in each traffic zone in 2021, 2031, and 2041; and
- population and multi-residential unit projections by traffic zone in 2021, 2031, and 2041. SRRA used these data as inputs to its forecasts for 2021 (about the time new transit projects will open), 2031 and 2041 under expectations of growth with or without SmartTrack.

### 2.1.4. SRRA Forecast of Office Growth by Node and Dispersed Areas

SRRA forecast office employment in each node in 2021, 2031 and 2041, based on its expectations for the rate of growth in each node after 2011 (see Section 4.3). These expectations were based on the characteristics of the node and its future role in the GTA’s office market with and without SmartTrack. This nodal analysis is outlined in the Sections 3 and 4 of this report.

### 2.1.5. Commercial Data Forecasts 2011 to 2021

For the period 2011 to 2021, SRRA’s forecast reflects the capacity of buildings currently under construction and those anticipated to be under construction by 2016. These buildings can be expected to be complete and occupied by 2018. This approach created a relatively accurate assessment of office employment up to 2021, reflecting the multi-year process of taking a project from approval to occupancy.

The reliability of estimated employment projections from 2017 to 2021 was enhanced through interviews with commercial real estate companies to determine their short-term development plans. An example of how SRRA projected employment development through 2011-2021 is found in Traffic Zone 60 (illustrated below). Development built between 2011 and 2021 was included as employment for 2021 and no further projection of growth in that zone was necessary.

*Photo 1: Traffic Zone 60 (York St, Yonge St, Queen’s Quay and The Gardiner) in 2009 shows three undeveloped properties. In 2015, there is only one left. By 2021, this zone will have likely been completely built out.*

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9 For example, Ivanhoe Cambridge/ Caisse de Dépôt/Metrolinx are in the planning stages of a new office building near Union Station with an expected completion date of 2021.
2.1.6. Commercial Data for Traffic Zones and Growth Projections for 2021 to 2041

SRRA used two methodologies to ascertain where fast-growing employers are likely to grow. First, SRRA relied on the recently completed *The Nodal Study*\(^\text{10}\) which explored these questions in a GTA context. This analysis is discussed in greater detail in Section 4. Second, to determine which types of industries would grow, SRRA used the projections of employment by sector (as defined in NAICS codes) that were developed by Strategic Projections Inc. for the City and that were the basis of the overall employment projections for the City and the GTA.\(^\text{11}\)

SRRA allocated growth in each node to traffic zones in the node based on its evaluation of available capacity in each traffic zone to absorb the amount of growth assigned to the node. Upon detailed study, it became clear that most zones had significant potential for growth but that some zones had capacity limitations by 2041. If a zone reached its capacity before 2041, growth was assigned to other zones in the node. The most difficult node to assess on this basis is the Brick and Beam area of downtown Toronto (located west and east of the Financial Core). SRRA followed established planning policy and capped development potential at a level that respected the existing character of the area. SRRA consulted with Toronto’s City Planning Division on this issue and determined that the consulting team’s estimates of capacity are in line with similar work conducted by staff.

2.1.7. Zones with Significant Capacity

There are zones such as Scarborough Centre, the Kennedy Corridor, Mississauga City Centre and others where there are few restrictions to developing a considerable amount of office development. There are numerous sites where office development is unconstrained by zoning, is economically feasible and where the community supports the concept of office development. However, the marketplace has not yet viewed these nodes as desirable. In many cases, new office buildings have not been constructed in over 25 years. With new high speed regional transit connections or the proximity of improved transit connections, these areas may see some office development in future.

2.1.8. Zones where Significant Development Already Exists

There are several existing office nodes such as the Brick and Beam and the Yonge Street Corridor node\(^\text{12}\) where additional development has been challenged in the past 10 years by the proliferation of multi-residential development and the limited amount of undeveloped land. SRRA analyzed all available parcels of land and estimated a reasonable amount of market demand to establish the capacity of these nodes to accommodate office employment. SRRA determined that there would be some limited new office employment growth in these areas.

\(^{10}\) SRRA, 2015

\(^{11}\) See the methodology used by the City Planning staff in their report for this study (footnote 1).

\(^{12}\) North of Dundas and south of the 401 Highway.
Photo 2: Traffic Zone 55 (Queen – Bay – King – Simcoe) illustrates how some zones are near or at capacity. For significant growth to occur in these zones, existing buildings would have to be demolished and replaced. SRRA assumed that the economics for the demolition and replacement for buildings in these types of traffic zones would not occur during the planning period of this assignment (2011-2041).
2.2. **NEW TRAFFIC ZONES**

The traffic zones as configured in 2006 by the Data Management Group (University of Toronto) were used as a basis for the boundaries of each traffic zone.

SRRA, in consultation with UTTRI and the City Planning Division, identified eight areas where the existing traffic zones needed to be reconfigured to better reflect their impact on modelling ridership with SmartTrack implemented. The UTTRI model attaches the data for a zone to a single point, usually near the centre of the zone (the centroid). Without modification, in some larger zones, the model may position potential transit users much further away from a transit station than would be the case in reality. To adjust for this, the consulting team subdivided (split) some zones so that the model is better able to reflect the true distribution of employment and population on the ground. This created new zones as reflected in Map 2 below.

*Map 2: New Traffic Zones were added to the existing traffic zone map (2006) and provided to UTTRI for inclusion in their analysis.*
Airport District

Zones were split to recognize the three main locations of the 34,000 jobs at Lester B. Pearson International Airport: Terminal 1, Terminal 3 and the Infield.

Zones in the Airport Corporate Centre were split to more accurately reflect the location of office employment concentrations in the area relative to SmartTrack.


Eglinton Corridor

The traffic zones in this corridor were also split to allow the model to recognize areas close to SmartTrack likely to be redeveloped as multi-residential. This is in contrast to low density neighbourhoods located some distance from the corridor which have lower development potential.

Map 4: New traffic zones on the Eglinton Corridor.
Liberty Village

The 2006 zones contain separate areas of employment and multi-residential development in each zone. The newly created traffic zones in this area reflect these areas and the location of both GO's (RER) station at the CNE and the proposed SmartTrack station in Liberty Village.

Map 5: New traffic zones in Liberty Village.

Queen Carlaw

Two traffic zones were subdivided to reflect plans for development of the Lever Brothers site by Great Gulf and others to transform this area into a new mixed-use district with significant employment and population. As these plans mature, these zones may need to be further subdivided to reflect their growing employment and population.

Map 6: New traffic zones at Queen Carlaw district (Lever Site).
Main

The boundaries of these zones reflect pre-amalgamation political boundaries. The new zones identified for this study are more reflective of conditions on the ground and are better able to accurately portray new development with SmartTrack.

Map 7: New traffic zones at Main and Danforth.

Kennedy Corridor

Zones in this area were also split to reflect the location of anticipated growth in relation to the SmartTrack alignment.

Map 8: New traffic zones on the Kennedy Corridor.
Markham

The Markham Centre Plan and the development built by 2015 indicate that considerable transit oriented development could occur in this node. The traffic zones were subdivided to reflect this and account for projected growth with and without RER and SmartTrack.

Map 9: New traffic zones in Markham.

Consumers Road

The single traffic zone for the Consumers Road office park already contains considerable office development as well as new condominium growth. The implementation of new transit solutions along the Sheppard corridor will require a fine grained analysis and the zone may need to be further subdivided in the future.

Map 10: New traffic zones on Consumers Road.
3. FACTORS CONSIDERED WHEN FORECASTING COMMERCIAL GROWTH

In the past, transit implementation in the GTA has not always led to sustained development and/or ridership growth. Development requires more than just good transit. Three broad categories of factors must be considered to determine the likelihood of development following transit:

- transportation;
- economic development; and
- planning/land use conditions.

SRRA assessed the existing or future presence of these factors for traffic zones in each node to develop the forecasts of commercial growth.

3.1. TRANSPORTATION

3.1.1. Network Connections

The importance of the existing transit network was considered in forecasting growth expectations for each traffic zone. The forecasts considered the connections of existing transit service to the new stations, taking into account their current or projected service levels, current travel demand and the capacity of connecting to public transit. A key consideration of the analysis of network connections was to understand the degree to which SmartTrack, in conjunction with other transit infrastructure, would stimulate new development and increase the utility of existing properties. For example, how much new development would be stimulated by connecting existing transit to SmartTrack and RER at Liberty Village or to the Crosstown LRT at Mt. Denis or Kennedy Stations?

3.1.2. Travel Times

The ease and speed with which commercial property can be accessed by building occupants creates value and opportunity. The value of commercial real estate increases in relation to the accessibility (reflected in distance and travel time) of the development to its potential labour pool.

By reducing trip times to existing or potential concentrations of employment, the speed and geographical reach of SmartTrack will increase the potential labour market for these areas, making it more likely that development will occur. These improvements in trip times were taken into account in determining development risk and the likelihood of intensification around stations. For example, through this effect SmartTrack is likely to lead to greater development in Markham/Richmond Hill and the Airport District because these areas are not currently well connected to the T.T.C. and downtown Toronto.

3.1.3. SmartTrack Service Levels and Stations

Service levels have not yet been established for SmartTrack. It was assumed that service levels will be expanded to match demand as required. The initial proposal of 15 minute service in the Mayor’s platform would be achievable over time with more frequency to accommodate demand. The consulting team assumed that the ‘surface subway’ concept would eventually be delivered - just as the current subway system opened with considerably less capacity or frequency than it operates on today. The assumption is that the line would be able to provide enhancements in service as development occurs.
The following transit projects, which are planned or under construction, and which intersect with SmartTrack, are all assumed to be complete and operational by or close to 2021:

- Regional Express Rail
- SmartTrack\(^\text{13}\)
- Crosstown LRT
- the planned subway extension into Scarborough from Line 2
- the extension of the Spadina subway to Vaughan
- Finch LRT
- Viva BRT
- Mississauga Transit Way
- Hurontario LRT

The consulting team did not include the following transport projects:

- planned transit projects that do not directly intersect with SmartTrack; and
- projects that may be implemented substantially after SmartTrack and RER are operational.

3.1.4. Fares

It was assumed that regional fare integration and equalization policies as being studied by Metrolinx across the network would be in place by 2021. For the purposes of this study it was assumed that there would be no barrier to regional travel resulting from inequitable fare structures across the network and that fares on SmartTrack would be similar to these currently charged by the TTC.

3.2. LAND ECONOMICS

3.2.1. Land Values

Land values surrounding proposed stations are a factor in determining the relative locational appeal for further development. For much of its route, SmartTrack and RER run through lower value industrial land or lower density residential developed areas (downtown Toronto being the major exception). Higher order transit projects once they are under construction, generally cause land values to increase, in some cases dramatically.

If the land value increases to the extent that new development is not competitive and development does not occur, transit ridership will suffer. SRRA, in projecting development growth, assumed that public policy would create favourable market conditions at each stop.

The solutions to land value accretion are beyond the scope of this assignment. SRRA assumed that land value accretion would not deter intensification and that its development potential would not be negatively affected by inflated expectations with respect to land value.

\(^{13}\) Note that RER is an enhancement of existing GO train corridors. SmartTrack utilizes two of those corridors. RER and SmartTrack are mutually exclusive for planning purposes.
3.2.2. Competitiveness of Realty Taxes

The consulting team assumed that the taxation policies which drive costs in all the areas of the Region would remain relatively the same throughout the City during the next 25 years. The differentiation between the Markham/Richmond Hill and Mississauga tax base and the City of Toronto have in the past driven location decisions based on the relative difference between these three jurisdictions. SRRA projected new growth based on the continued gap between downtown realty taxes and 905 realty taxes. The competitiveness of realty taxes did determine how the Markham/Richmond Hill nodes developed over the last 25 years. However, for the purpose of forecasting growth, it was assumed that high speed transit and access to labour is now the number one competitive force, even though SRRA expects the tax gap to continue for the next 25 years.

3.3. PLANNING & LAND USE

SRRA consulted with the City of Toronto, the Region of York and the City of Mississauga to determine what planning policy changes could be considered to accommodate growth. It was further assumed that for all new stations and some existing stations, municipalities would adapt to and approve development in line with MTO's Transit-Supportive Guidelines.

3.3.1. Mixed-Use

An important consideration in preparing development estimates was the assumption that employers and their employees value mixed-use functionality when considering possible locations for office development.

One of the key findings of The Nodal Study was the recognition by employers that employment areas which had residential capacity, community infrastructure, cultural, educational, and medical facilities, as well as retail and related amenities, were seen as attractive locations for office development. The consulting team assumed that mixed-use development would be permitted in traffic zones where appropriate. Note that in Toronto the team followed the land use permissions of the Official Plan, including the recent changes to the land use designations in employment areas adopted in December 2013 (Official Plan Amendment 231).

3.3.2. Employment Density of Office Facilities (floor space used by office workers)

For many years there has been a growing trend for employers to reduce the amount of office space required for each employee through more efficient interior design and the use of new technologies. This trend towards increased employee density is also reflected in the interior layout of new buildings. It is also acknowledged that the developers of new office space targeting certain sectors of the economy are building in higher density capability for their tenants. SRRA acknowledges that, in future, there will likely be proportionately less office space in relationship to the number of employees (lower sq. ft. per worker), although the impact of such a trend over the entire Regional inventory and future expansions of that inventory will likely have only a marginal impact on the total amount of future office space.

14 The Nodal Study, Strategic Regional Research Alliance, 2015
There is no doubt that developers are seeking ways to allow their tenants to intensify the use of their space in new construction and SRRA believes that this trend will continue. But this factor has no impact on the forecasts of office employment for ridership modelling for SmartTrack. Employment projections were based on the number of employees who would use office space, not the amount of office space required to house them. As a result, the trend to intensify office space was not a factor in these forecasts.

SRRA believes that other trends are more relevant to accommodating office employment growth. In the existing stock of office space in the Region (approximately 209 million sq. ft.), further intensification or increased density in these buildings is limited by physical restraints such as limitations on access and egress, fire, health and safety regulations, HVAC limitations with respect to ventilation rates and external factors such as parking standards. In other words, the existing stock may not be able to accommodate intensification as readily as new construction. However, if existing buildings were to see more intense occupancy of their space, then less new construction would be required to accommodate the employment growth. This reinforces the importance of implementing transit plans that better serve existing concentrations of office buildings as well as the need to accurately anticipate where the market is likely to see opportunities for expansion.

### 3.3.3. Conversion of Older Industrial Buildings

There is a trend to convert existing industrial buildings to office use, which will affect the amount of construction of new office buildings. As reported in *The Nodal Study*, SRRA believes that many start-up businesses and firms in the new technology and creative industries seek locations in these converted buildings. The proximity of these buildings to places where people want to live is critical to determining which industrial buildings are attractive and the consequent capacity for office growth in the nodes SRRA studied. This has been the case in the Brick and Beam districts of downtown Toronto where many former industrial buildings (14 million sq. ft. total) have already been converted to office space as well as residential uses.

This trend is also evident in industrial parks in the 905 and in areas of Toronto adjacent to SmartTrack, notably in the Scarborough corridor. The need for low cost office accommodation to encourage new employment growth is one of the significant drivers of office employment growth.

### 3.4. EMPLOYERS’ CRITERIA

Forecasting growth of employment in office space requires knowledge of where employers are, where they want to be, and what motivates them to locate there. SRRA explored the reasons that determine where employers choose to build new facilities in *The Nodal Study*.

Timely access to labour was a key consideration. In addition, employers tend to move into clusters of employment which offer them ready access to:

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15 New buildings designed and built in downtown Toronto by companies such as Oxford, GWL and Cadillac Fairview are excellent examples of buildings where densities can in some cases reach 7 employees per 1,000 sq. ft. of rentable space.
16 It is an important factor for the TIF analysis. See Section 5.1.1.
• available office space or the opportunity to have an office building built for them;
• employees already accustomed to working in an established area;
• suppliers and competitors; and/or
• economic conditions which allow them to compete.

These factors help explain the recent trajectory of office development in the GTA. The growth of office space until about 1980 was concentrated in the Financial Core of the City of Toronto with almost no space in the 905 area. Since then, the 905 has seen the development of more than 65 million sq. ft. of space - equivalent to all the office space in Calgary and Edmonton combined. Two thirds of that growth has occurred in two 905 clusters: the Airport/401 corridor in Mississauga and the Markham/Richmond Hill nodes. A significant proportion of office workers in these two clusters live in proximity to the proposed SmartTrack/RER transit corridors.

The nodes as described in The Nodal Study are established areas of commercial employment in office space. They account for 75% of all office space in the Region. More importantly, they account for 95% of all new construction in the Region in the past 25 years. The expectation that employers will continue to view these nodes favourably and that they will accommodate new employment growth is very high.

17 Region in Transition, SRRA, 2013
18 Postal records of employers in these nodes provided by the Greater Toronto Airport Authority (GTAA) and the Region of York.
19 The Nodal Study also identified several nodes that have yet to develop but which have significant potential provided they can be served by higher order transit.
4. OFFICE DEVELOPMENT SHIFT TOWARDS SMARTTRACK: THE NODAL ANALYSIS

Significance of Nodes

The analysis in this section builds on and complements The Nodal Study. SRRA used the data developed in The Nodal Study to help determine the likelihood of an employer’s locational decisions and their willingness to grow in the GTA. SRRA interviewed the key decision makers in 50 businesses who manage companies that could provoke the construction of a new building. Their insights are reviewed and analyzed in The Nodal Study. These companies employ more than 250 employees, have proven growth, and are financially strong enough to enable commercial real estate developers to create a new building for their use.

Map 11: Office development notes as described in The Nodal Study.
The office nodes identified in *The Nodal Study* are shown in Map 11. The focus of the study was to determine which nodes could accommodate growth and be attractive to these employers. The assessment and categorization of the nodes evolved through the interview process as a response to the discussion of their relative merits. SRRA then grouped those nodes into nodes with common characteristics.

SmartTrack will have a significant impact on the location of office jobs in the future. SmartTrack can be expected to allow for the continued expansion of office jobs in Markham/Richmond Hill, Airport Corporate Centre, Liberty Village and the Lever site at the Don Valley. Other benefits include positive impacts in the Kennedy Corridor and the nearby nodes of Scarborough Centre and Consumers Road. These nodes will create a new supply of low cost opportunities for emerging industries, which provoke the construction of new buildings, initiate adaptive re-use of low cost industrial buildings, or intensify the capacity of existing building through retrofitting to allow for higher employment densities.

4.1. **ESTABLISHED NODES**

Three quarters of the Region’s growth in the past 25 years has taken place in these three clusters of nodes. Slightly more than 100M sq. ft. - 46% of the total amount of office space in the Region - is located in three areas:

1. The Financial Core and the Brick and Beam districts in downtown Toronto;
2. Airport Corporate Centre, Hurontario and Meadowvale nodes; and
3. Markham/Richmond Hill.

The potential for growth in Airport Corporate Centre, Hurontario, Meadowvale, and Markham/Richmond Hill would improve as a result of investment in RER and SmartTrack. Effective 'last mile' solutions and changes in land use policy would need to be implemented.

4.1.1. **Potential Growth Nodes**

Some 12M sq. ft. of office space is located in nodes referred to as *Transit Enabled Nodes*. The potential future growth of these nodes would be enhanced as a result of improvements to transit service such as RER and SmartTrack. These nodes have the potential to be transformed into high density, mixed-use locations following the introduction of higher order transit.

4.1.2. **Mixed-use environments that have lost favour with office users in the past 25 years but which could be revitalized**

A third set of nodes, city centres and downtowns, have potential for further development as mixed-use nodes. These are referred to as *Potential Intensification Mixed-Use Nodes*. These nodes account for approximately 30M sq. ft.

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20 The Portlands node is included in this analysis but was not included The Nodal Study. SRRA believes that the Portlands will attract new economy office employment with the addition of SmartTrack and increased local transit service.
4.1.3. Nodes with Long Term Potential

A fourth set of nodes is considered to have Long Term Potential and collectively account for less than 7M sq. ft. at present.

4.1.4. Nodes not considered in The Nodal Study

A number of nodes along the Yonge Street corridor north of Dundas (collectively accounting for more than 30M sq. ft.) were not considered because, although blessed with access to the Line One subway, these areas have unfavourable land economics or lack developable sites. There has been little or no growth in these nodes for over two decades.

In addition, The Nodal Study did not consider non-nodal 'dispersed' office locations, which account for more than 35 M sq. ft. of space in the GTA.

4.2. OFFICE EMPLOYMENT DISTRIBUTION

Figure 1 illustrates the distribution of office employment within the nodes in 2011 and with and without SmartTrack for the Medium Scenario in 2041. This chart shows clearly that most of the new office employment space is reallocated in Scenario 2 from dispersed locations that have limited transit access in both the 416 and 905.

[Please go to next page]

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21 As outlined on page 7.
Table 1: Office Employment Distribution, Medium Scenario, 2011 and 2041
4.2.1. Financial Core

The forecasts of office growth in the Financial Core were based on the existing strength of the office market, its excellent transit access and the key role of the Financial Services Sector (FSS).

The close knit concentration of offices, connected by the PATH system, creates agglomeration benefits which drive the FSS and will ensure continued growth. The FSS accounts for approximately 70% of existing leased space in the Financial Core, and its growth has been consistent, absorbing an average of 450K sq. ft. annually for the past 20 years. If this trend continues, there will be adequate supply of space for the FSS to grow.

To properly assess the capacity to house new office space in the future, SRRA consulted with commercial real estate experts from the brokerage and development communities and City staff to determine how much new office space was reasonable. This assessment was made based on vacant sites and major redevelopment proposals (such as the Waterfront and 1 Yonge). Although redevelopment of older and smaller buildings could provide new opportunities over the long term (50 years), this was not factored in for these forecasts. The consulting team also took into account the potential of some existing office space to be replaced by new space that is incorporated into new condominium projects. Although these projects will contribute to the supply of new space, this category of development is not a major consideration.

Because the PATH system has recently been extended to new construction south of the rail corridor, this node can accommodate about 65,000 new jobs to 2041. This was deemed to be adequate supply for growth of the FSS and related businesses over the 2011-41 period.

This node is well served by public transit. Only 25% of in-bound trips are auto-based. SmartTrack and RER will provide considerable new capacity for employees to access the core and continue its success. Both RER and SmartTrack will decrease travel times for some downtown workers and increase overall access to workers who live in lower cost communities outside of the core.

SmartTrack and to a lesser extent RER will provide residents in downtown Toronto with access to jobs in sectors other than the FSS in Markham/Richmond Hill, Scarborough and the Airport District, thereby increasing the attractiveness and growth potential of the condominium development in the downtown.
**Map 12:** The Financial Core office node with transit.
4.2.2. Brick and Beam

The Brick and Beam Area, which possesses approximately 14M sq. ft. of office space, has grown largely as a result of conversions of former industrial buildings. There have been new buildings constructed in this area, but they amount to less than 1M sq. ft.  The potential for new capacity resulting from further conversions of other types of buildings is limited. Some observers feel this capacity is now less than 1M sq. ft.

The growth forecasts for this area took into account condominium development, recognized the area’s continued popularity, and the rapid rent increases now occurring in order to determine an appropriate amount of future ‘brick and beam’ space.

Based on these assumptions, the Brick and Beam Area was thoroughly surveyed property by property to determine the capacity for office space growth. This included provision for a component of office space in residential condominium towers, in addition to stand-alone office buildings. The projection of population growth in multi-residential buildings in the area as provided by the City planning staff was used to ensure that the estimation of new office construction was not overstated. The addition of approximately 15,000 new jobs was considered reasonable and achievable in a transit accessible manner over the planning period.

Map 13: The Brick and Beam office node with transit.

22 New buildings in the Brick & Beam node include the SAS building, the new building for Coca Cola, and one under construction by Allied in Brick & Beam West. This represents less than 15% of the inventory.
4.2.3. Markham/Richmond Hill

The Markham/Richmond Hill office cluster has developed around low cost land that is easily accessible by car and serviced by the intersection of the 404 and 407 highways. The pace of development has declined in recent years in common with other auto-based nodes in the 905. Employers indicate that this slowdown is the result of growing congestion. Employers said directly that a high speed transit alternative to connect to labour markets is extremely important to location decisions.

This area is also seeing intensified use of industrial buildings occupied by new economy companies with a mix of office workers and product manufacturing (e.g. software). They do not require industrial style segregation but do require low cost premises. This emerging trend, first seen in the Brick and Beam area of Toronto, may give the area a competitive advantage arising from its strong inventory of flexible industrial buildings. Employers indicate, however, that if the trend to convert buildings continues, improved connectivity and access to higher order transit is essential.

The key constraints to further growth in this node is the need for high order transit, and the provision of convenient connections to it in the low density environment. This connectivity is referred to as the 'last mile’ solution. During the interviews for The Nodal Study, many employers indicated that, based on their knowledge of other global markets, dedicated transit solutions that connected high speed rail with minibuses and other technology-driven transportation (often jointly paid for by industry) would significantly improve the attractiveness of the area and overcome its dispersed nature. Several employers are already involved in these 'last mile' solutions in the Region.

The recent introduction of Bus Rapid Transit (BRT) on Highway 7 is an important step in meeting the ‘last mile solution’. York Region is aggressively pursuing new strategies which SRRA believes will go a long way in connecting this area to SmartTrack and RER.

SRRA has assigned growth to this dispersed employment cluster in recognition that the introduction of SmartTrack and RER can reverse the slower growth patterns of recent years, in combination with VIVA and a variety of technology-driven 'last mile' alternatives (on-demand buses, and web-based ride sharing as demonstrated in markets in other global cities).

With current ‘last mile’ solutions available to support the growth of employment in this area, SmartTrack and RER have the potential to increase transit use by employees at a much higher rate than exist today.

York Region provided SRRA with the results of a 2014 study on where people working in Markham lived. This study revealed that approximately 30% resided within 1 or 2 transfers to SmartTrack. This helped inform the additional growth forecast by SRRA.
4.2.4. **Airport Corporate Centre and Lester B. Pearson International Airport**

**Airport Corporate Centre**

The Airport Corporate Centre has seen development of 8.5M sq. ft. of office space over the past 25 years, driven by its strategic location close to Pearson Airport and access to the junction of Highways 401 and 427.

Road congestion has recently slowed down new construction. Employers indicate, however, that Airport Corporate Centre could continue to be a very attractive location with the direct high speed connectivity provided by SmartTrack. This node could accommodate an additional 100,000 jobs.

The projections of growth for the Airport Corporate Centre are partially informed by the unique character of this district. Land use restrictions apply to Airport Corporate Centre, which prohibit residential uses within a prescribed area defined by the Noise Exposure Forecast (NEF) as a result of ACC’s close proximity to Lester B. Pearson International Airport. Development has been restricted to industrial and office buildings, and land values for development have not had to compete with condominium development. When higher order transit such as SmartTrack is introduced, in
combination with BRT and a variety of technology-driven ride-sharing alternatives and 'last mile' solutions, this area is uniquely positioned to reach its employment potential without having to compete with residential land pricing.

In addition, and in recognition that employers are looking for workplace supportive planning to include retail and cultural amenities, Mississauga has recently introduced new planning policies to change this business park into a more functional district for employment. This will dramatically improve this node’s development potential.

Lester B. Pearson International Airport

SRRA also assisted City Planning with the employment projections for Lester B. Pearson International Airport (LBPIA). The 2011 NHS data and the Mississauga forecasts provided to the City both considerably understate present and future employment at LBPIA. SRRA provided recently available data developed by McKinsey & Co on employment in the two main terminals and projections of growth for the Airport to 2041. City Planning staff then incorporated these data into the employment projections. The data indicate, for example, that the two main terminals together will account for approximately 40,000 highly concentrated jobs by 2021, which will in turn enable public transit to serve the employment growth effectively. In addition to daily workplace transit use, SmartTrack ridership will also be augmented by passenger travel to the Airport.

Map 15: Airport Corporate Centre office node with transit.
4.2.5. Liberty Village

The redevelopment of Liberty Village over the past 20 years has been dictated by a combination of City of Toronto planning policies and historical land ownership patterns. As a result, one section of the area has developed as a high-density residential zone, while the area designated for employment has attracted a variety of office users such as software start-ups, media, and other new economy companies. By and large these companies have located in converted industrial spaces. The area is now part of the large 'brick and beam' market, although the City has recently received a number of applications for new mid-rise office buildings in this employment areas.

In *The Nodal Study*, the SRRA team identified this area as having significant potential when provided with higher order transit in the form of SmartTrack and RER through service at two stations at either end of the node. These stations are relatively close to each other and provide access to a significant portion of the Region’s population growth.\(^{23}\) GO recently introduced 30 minute service to the south end of this node on the Lakeshore West GO line with great success. Along with increased service levels and the future implementation of SmartTrack (which would relieve congestion on the King and Queen Streetcar lines), zoning changes to permit mid-rise, single elevator style office buildings in this area would greatly increase its office development potential.

SRRA and City of Toronto Planning staff agree that this area has the capacity to provide upwards of 30,000 new jobs. This will provide significant expansion opportunities for many companies who have grown in the traditional Brick and Beam office market to the east of Liberty Village.

Unlike the rest of the Brick and Beam market, Liberty Village has considerable room to grow, because Liberty Village is still zoned for employment uses and because the City of Toronto, in keeping with its Official Plan policies, has been reluctant to allow high rise residential development in the west end of the node in order to preserve it for employment. This area has potential to house up to an additional 8M sq. ft. of office space in midrise (single elevator bank, 12 story) office structures. This type of office space can be built at competitive prices and provide less costly opportunities for employers looking for 'brick and beam' space.

Nevertheless, external access to the area, as well as internal access within the neighbourhood, will require significant attention and investment if the area’s full development potential as an employment node is to be reached. One of the challenges facing Liberty Village is fractured land ownership, which makes it relatively more difficult to reach consensus on a development plan for infrastructure enhancements that would improve pedestrian connectivity and other aspects of the public realm. The SRRA team believes that this will not restrain growth over time, which will be addressed by the addition of an RER and/or SmartTrack station at the south end of Liberty Village.

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\(^{23}\) *The distance between the two stations is equivalent to the distance between Queen Street and Wellington St in the Financial Core.*
Map 16: Liberty Village office node with transit. RER Go Station at Exhibition and SmartTrack Station are located within 600m of each other, significantly increasing the potential for Transit Oriented Development.
4.2.6. Don Valley East (Lever Site)

This area, which includes the site of the former Lever factory now owned by Great Gulf, will be able to attract office jobs if high speed access to the labour market is provided. In anticipation of the higher order transit provided by SmartTrack, and applying the analysis outlined in The Nodal Study, this area has been allocated a significant amount of future office employment out to 2041. The area has been likened to London’s Canary Wharf in terms of its potential. Canary Wharf currently supports approximately 20M sq. ft. of office development, 1M sq. ft. of retail space and a significant amount of residential development.

The Lever Site was tested in The Nodal Study as a potential site with the high frequency, ‘surface subway’ style service proposed for SmartTrack. Employers told SRRA that they believe that this would extend their ability to attract employees from Markham, Scarborough and as far away as Etobicoke, giving them access to a large and diverse workforce. This was the basis of the belief that only a high speed, high capacity transit service, like SmartTrack, can provide employers with access to a strong, affordable labour pool.

Looking ahead to the needs of future office employees, the forecasts for this node also assumed that it would be developed with a mixed-use environment, rich with amenities and delivered in a form that is walkable, accessible and of the highest caliber from the perspective of the public realm.

Map 17: The Lever Site office node with transit.
4.2.7. Don Mills, Scarborough Centre, Consumers Road

The potential of the three areas referred to as Don Mills, Scarborough Centre and Consumers Road has not yet been met. The common denominator is that no significant commercial development has occurred in these nodes for 25 years. In the case of Don Mills, several sites have been repurposed (office to retail, office to institutional) or simply been developed for residential uses, including single family housing fronting on Eglinton Avenue. Development in Scarborough City Centre has been dominated by residential condominium growth. Growth in Consumers Road stalled after plans to service the area with higher order transit were cancelled.

Employers told SRRA that these three nodes would be considerably more attractive with high speed connectivity to the residential and employment centres of downtown Toronto and the employment markets of Scarborough and Markham/Richmond Hill. As a result, the consulting team allocated a reasonable amount of office employment in these nodes, based on the assumption that SmartTrack would provide greatly improved connectivity.

Map 18: Office Nodes where new office buildings have not been built for over 25 years.
4.2.8. Kennedy and Main

Kennedy and Main are nodes which SRRA believes will be very attractive to new start-up businesses that need affordable office space. This can be achieved by either refurbishing redundant industrial buildings or building small new office buildings in these nodes.

Medium sized tenants, particularly those in the new economy, are looking for low cost places to grow. The industrial stock in the Kennedy node is extensive and undervalued relative to replacement costs. This area could become a regeneration area with new land use and economic development policy and the introduction of SmartTrack. Employment use of these nodes will link residential opportunities as far away as Stouffville and increase the use of the new Eglinton Crosstown Light Rapid Transit (LRT). For the purposes of this report, we have allocated future office employment on the assumption of improved connectivity provided by SmartTrack.

The Main node has less potential than Kennedy because it has less old industrial stock, but there may be opportunities in some of the existing commercial areas in this node. SRRA sees less growth here than in the Kennedy corridor. The intersection of SmartTrack with the Danforth portion of Line 2 will allow for additional intensification at this node.

4.2.9. North York Centre, Mississauga City Centre and Brampton

These three nodes have amenities and a mixed-use identity which are attractive. Office employment has not grown in these nodes over the last 25 years, however, despite the presence of the Yonge subway in the case of North York, or other amenities in Mississauga City Centre and Brampton.

The economics of constructing office buildings in the Mississauga City Centre compare unfavourably with returns on investment available to the developers of residential condominiums. The cost of constructing office buildings with structured or underground parking — a requirement in a downtown-like setting — does not allow for competitive supply of office space, particularly when compared to the low cost of surface parking in competing locations such as Airport Corporate Centre and development in the Hurontario node.

Recognizing that office growth had stalled in the City Centre, the City of Mississauga decided to create more favourable conditions for mixed-use and transit-oriented employment through a policy initiative referred to as Downtown 21. The framework resulted in new policies that addressed ‘the high cost of free parking’, a strategy for integrating a future light rail transit line in to the City Centre, and implementation of a long-term plan to create a more attractive pedestrian streetscape. In addition, the City committed itself to partnerships such as the one that resulted in the development of a new Sheridan College campus (named for former Mayor Hazel McCallion), that is already being expanded to accommodate more than 5,000 students by the end of 2016.

As public transit service improves, access to amenities such as childcare facilities, the library, Performing Arts Centre and the addition of street-oriented restaurants and other uses, combined with a rapidly increasing residential community, will continue to help create critical mass and drive ridership.
The introduction of Bus Rapid Transit (BRT) to the Airport Corporate Centre and potentially to the Airport, combined with initiatives to address the availability of parking will help this node meet its development potential.

Brampton has not yet become an office location. The majority of its office space is located in industrial parks for which the momentum began across the border in Mississauga. The decision some years ago by Nortel to convert a 1M sq. ft. manufacturing facility into high quality office space is an example of a conversion philosophy by employers which is emerging throughout the Region. With the implementation of RER and the Hurontario LRT, Brampton will attract more employment both through the regeneration of outdated industrial buildings and new construction. RER will have a positive impact on growth because the RER station is centrally located in downtown Brampton.

The consulting team believes that some growth is possible for these three nodes as and when accessibility is improved through transit improvements on Sheppard and the Hurontario LRT. The North York corridor will benefit from relief provided by the implementation of RER/SmartTrack.

Map 19: North York office node with transit.
Map 20: Mississauga and Brampton office nodes with transit.
4.2.10. QEW Corridor

Burlington and Oakville

There is evidence in The Nodal Study that the QEW corridor will benefit from RER and appropriate allocation was made for these areas. Both Burlington and Oakville have well established waterfront, mixed-used communities. To the north of these communities, RER bisects industrial lands. SRRA determined in The Nodal Study that there was an appetite by office employers to locate in these industrial areas provided that other amenities are permitted. SRRA analyzed the market conditions in these industrial nodes in The Nodal Study and determined that they would see enhanced office employment growth as a direct result of more frequent transit service.

*Map 21: The QEW Corridor office nodes with transit.*
4.2.11. Duncan Mills, & Sheridan Park

These two nodes are not close to either SmartTrack or RER. The consulting team therefore assumed growth in these nodes was limited.

The Duncan Mills node is primarily a light industrial area. The office space in the area was built over 35 years ago. It never fully developed as an office node and its low rental rates reflect this. However, it is close to a GO rail station and has considerable underdeveloped lands, which would suggest growth potential.

The Sheridan Park node includes the Sheridan Science and Technology Park (SSTP) as well as development across the municipal border in Oakville. Developed in the 1960s, the SSTP focused on specialized science based companies. It proved impractical to maintain this niche focus and was unable to attract the expected levels of development. Recent office projects have been built across the municipal boundary in Oakville. Without any plans at present to provide better road or transit access, the potential for growth must be considered long term.

4.2.12. Downsview, Vaughan and other locations served by the Barrie Line (RER)

Although the Spadina Subway Extension is nearing completion, the development potential is affected by two unrelated issues. Primarily, there is no significant office development along the corridor or in adjacent areas. As reported in The Nodal Study, interviewees who have toured the area are not enthusiastic about the area as an office location. Secondly, the amount of developable land surrounding the subway extension is limited in some cases to development by other uses. Any significant employment growth will most likely occur at York University, the major beneficiary of this transit project.

Although Downsview will be accessible by three subway stops and a potential RER stop, it has little market appeal beyond the specialized interests of the aerospace sector. Development of the area is constrained as a result of height restrictions related to the runways at Downsview. Attempts to attract commercial development even in locations where there are no height restrictions have not been successful. SRRA did not apply any additional growth in Downsview because it is being targeted for the aerospace industry and adequate provision has been made for this sector.

SRRA forecast some additional growth in the Vaughan Metropolitan Centre (VMC) consistent with the stated objectives of the secondary plan for VMC of 6,500 new jobs by 2031. A primary barrier to office development in the VMC is that expectations for land value greatly exceed the office market rents that could be earned at the location. It is also challenging to establish the conditions on the ground (such as appropriate parking standards) that will induce tenants to locate there.

Although The Nodal Study did not consider the RER extension of service on the Barrie line in York Region south of Aurora, its introduction will likely be attractive for companies willing to venture beyond established nodes. The consulting team expects that enhanced transit service will lead to more growth on this corridor.
The completion of the VIVA bus rapid transit network may be more significant. In the short term, this will lead to greater investment as a result of RER because it will connect the local development opportunities to high speed connectivity beyond these nodes.

4.2.13. Yonge Corridor Bloor to York Mills

The Yonge Corridor from Bloor to York Mills has seen a significant reduction in office accommodation in the last 25 years. In fact, more office buildings have been torn down and replaced by condominiums than new office buildings have been built. This trend predates the recent congestion on Line One. The condo market has elevated land prices significantly and office rental rates have not increased, rendering new office space financially unviable. Regardless of SmartTrack or RER, which will help relieve congestion on Line One, these nodes will not see any substantial growth of office employment in the next 25 years, unless commercial space becomes more viable. Congestion relief on Line One, in the mid-term, will not affect commercial growth potential. Evidence does support the growth of multi-residential development, however, and the consulting team believes because of the Eglinton Crosstown LRT, RER and SmartTrack will provide more access to employment opportunities for these residents, which, in turn, will relieve Line One.

4.2.14. 406 & 905 Dispersed – Highways, Congestion & the Environment

The consulting team also addressed the growth potential of the many dispersed office buildings throughout Toronto and the rest of the GTA. These dispersed buildings collectively account for 25% of the Region’s total inventory. Most of these office buildings were built as a result of very specific employer needs in industrial areas and are not clustered with other office buildings. For example, Allstate Insurance is located in Aurora in an area mostly devoted to industrial uses. In Toronto, the TTC’s operational headquarters on Bathurst Street is another outlier. Buildings like these were typically built before 1980.

SmartTrack will attract development that might otherwise have occurred in this dispersed area and may also attract employment from existing dispersed buildings. In the event that higher order transit is not provided to office nodes with potential to be served by higher order transit (described above), the pattern of dispersed development – that is, individual buildings built in industrial areas or arterial road locations, will likely continue, with adverse impacts on the community, both from a congestion and an environmental perspective. This is reflected in the forecasts for the scenarios without SmartTrack.

4.3. ASSIGNMENT OF GROWTH IN THE NODES

SRRA built a relational data base which housed data provided to the consultant by the City and the Regions in each zone. The database was organized to aggregate zonal data at the nodal level (commercial nodes and TIF zones). The data could then be reorganized to allow for changes to be made.

**Close to 1m sq. ft. has been removed and replaced by condominium development.**
in each zone by percentages. Below is an example of one portion of the data base where variations in individual zones or nodes could be easily displayed, understood and changed.

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<td>7.0 7.0 7.0</td>
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<td>5.0 5.0 5.0</td>
<td>4.0 4.0 4.0</td>
</tr>
<tr>
<td>Commerce Valley</td>
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<td>4.0 4.0 4.0</td>
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<td>2.0 2.0 2.0</td>
<td>1.0 1.0 1.0</td>
</tr>
<tr>
<td>Woodbine &amp; Steeles</td>
<td>1.0 1.0 1.0</td>
<td>4.0 4.0 4.0</td>
<td>1.0 1.0 1.0</td>
<td>2.0 2.0 2.0</td>
<td>1.0 1.5 2.0</td>
</tr>
<tr>
<td>Brampton</td>
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<td>1.0 1.0 1.0</td>
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<td>1.0 1.0 1.0</td>
<td>1.0 1.0 1.0</td>
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<td>9.0 9.0 9.0</td>
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<td>2.0 2.0 2.0</td>
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<td>1.0 1.0 1.0</td>
<td>1.0 1.0 1.0</td>
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<td>Mississauga Centre</td>
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<td>3.0 3.0 4.0</td>
<td>1.0 1.0 1.0</td>
<td>1.0 1.0 1.0</td>
<td>1.0 1.0 1.0</td>
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<tr>
<td>Hurontario</td>
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<td>5.0 5.0 5.0</td>
<td>3.0 2.0 1.0</td>
<td>3.0 2.0 1.0</td>
<td>3.0 2.0 1.0</td>
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<td>Pearson Airport</td>
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<td>0.5 0.5 0.5</td>
<td>0.5 0.5 0.5</td>
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<td>1.0 1.0 1.0</td>
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</tr>
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<td>1.0 1.0 1.0</td>
<td>21.0 24.0 13.0</td>
<td>1.0 1.0 1.0</td>
<td>0.0 1.0 1.0</td>
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<td>2.0 2.0 2.0</td>
<td>2.0 2.0 2.0</td>
<td>1.0 1.0 1.0</td>
<td>0.5 0.5 0.5</td>
</tr>
<tr>
<td>Oakville</td>
<td>3.0 3.0 3.0</td>
<td>3.0 3.0 3.0</td>
<td>2.0 2.0 2.0</td>
<td>1.0 1.0 1.0</td>
<td>0.5 0.5 0.5</td>
</tr>
</tbody>
</table>

**Table 2: Rates of Growth in Individual Nodes. (Percent increase in employment by decade)**

The database shows the rates of incremental growth in each nodes. If the notes were changed, the data base automatically recalculated the growth estimates for each zone unless constrained by predetermined conditions.
4.4. CONCLUSION

The overall conclusion stemming from this review of the potential for nodes to be served by SmartTrack/RER is that the consulting team experienced considerable difficulty working under the constraint of allocating growth in specific locations while keeping the overall growth forecast in the GTA to a single number. The allocation process was challenging because assigning higher levels of growth to one area – for example, a node to be served by SmartTrack/RER – meant that growth had to be removed from another area. The consulting team concludes that there is a strong case to be made for having more than one overall growth forecast to take into account the possibility that without transit enhancements, the Region may well not achieve growth levels forecast by the Ontario Growth Secretariat. It is also possible that planned improvements to SmartTrack/RER could see the Region exceeding these forecasts. The approach used for these forecasts does not contemplate either of these possibilities as it was beyond the scope of the study.²⁶

²⁶ City Planning staff developed projections which assumed that the GTA would grow by an additional 10% after 2021 due to SmartTrack. SRRA was not asked to provide office forecasts for this ‘All Boats Rise’ scenario.
5. TAX INCREMENT FINANCING (TIF) ANALYSIS

Tax Increment Financing leverages the increment in property taxes that can be ascribed to an infrastructure investment such as SmartTrack to finance the present costs of the project. Estimating the tax increment requires:

i. A forecast of the development (and related tax revenue) that will result from the new infrastructure and that would not otherwise have occurred.

ii. An estimate of the land value uplift that will accrue to existing properties as a result of the new infrastructure.

iii. This also means identifying an area known as the TIF zone within which the new infrastructure prompts increased development, an increase in land values and resultant tax increments.

For this study, the TIF analysis, as required by the Terms of Reference, is limited to the City of Toronto. The forecast of increased development consists of two components:

i. Commercial (office buildings) development which uses forecasts used for the input to the employment projections for the ridership modelling; and

ii. Multi-residential development, which is based on the City’s population projections for the ridership modelling.

SRRA defined the TIF zones associated with SmartTrack, in consultation with City staff. Two types of TIF zone were identified (see Map 22):

i. Primary zones are located directly adjacent to the planned SmartTrack stations (within about 800 m) or on very good transit (bus) access to the stations. They focus wherever possible on lands zoned for commercial uses rather than low density residential.

ii. Secondary zones are located on existing or planned higher order transit which will benefit from system-wide improvements related to SmartTrack. Secondary zones also include other areas well-served by transit with links directly to SmartTrack, making them potential locations for new development stimulated by SmartTrack.

Once the TIF zones were identified, their boundaries were refined to conform to the relevant traffic zone boundaries. This helped ensure that the TIF forecasts would align with the population and employment projections as used in ridership modelling. These traffic zones include mixed-use and low density areas which may not intensify but will benefit from land value increase.
SRRA produced forecasts for a range of scenarios for the TIF analysis, summarized in Table 3. The starting point for the forecasts was the population and employment forecasts used in the ridership modelling to ensure consistency between the TIF analysis and the ridership modelling.

Some scenarios were constrained by the Growth Plan forecasts for population and employment growth in the GTA, while others used the ‘All Boats Rise’ (ABR) scenarios of growth that were developed by City staff. These had varying implications for generating incremental taxes as follows:

- **Employment forecasts with Growth Plan GTA Total**: The forecasts of employment, including commercial employment, in Toronto resulted in greater growth with SmartTrack than without; i.e. SmartTrack resulted in a redistribution from the Rest of the GTA to Toronto.\(^{27}\)
- **Employment forecasts with ‘All Boats Rise’ GTA Total**: These scenarios also resulted in greater growth in Toronto with SmartTrack than without. The additional growth generated by the ABR scenario increased the incremental growth resulting from SmartTrack.

\(^{27}\) It should also be noted that development potential reallocated to Toronto also required redistribution of development potential from within Toronto to areas of Toronto destined to benefit from SmartTrack/RER.
• **Population forecasts with Growth Plan GTA Total**: The forecasts of total population, including multi-residential population, in Toronto resulted in the same growth with SmartTrack as without; i.e. increased development in a zone resulting from SmartTrack was balanced by less growth in other zones, generally those less well-served by transit.

• **Population forecasts with 'All Boats Rise' GTA Total**: These scenarios resulted in greater growth in Toronto with SmartTrack than without. The additional growth amplified the redistribution effects of SmartTrack seen when using the Growth Plan GTA total.
Table 3: The Ten Scenarios provided for Analysis to the Corporate Finance Division, City of Toronto

<table>
<thead>
<tr>
<th>Scenario</th>
<th>GTA Forecast Base</th>
<th>Commercial Development</th>
<th>Multi-residential development</th>
<th>Use in TIF Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>Growth Plan*</td>
<td>Medium growth without ST</td>
<td>Low growth*** without ST</td>
<td>Base for estimating tax without SmartTrack</td>
</tr>
<tr>
<td>Case 2</td>
<td>Growth Plan*</td>
<td>Medium growth with ST</td>
<td>Low growth*** with ST</td>
<td>Difference between Case 1 and Case 2 is used to estimate potential Tax Increment</td>
</tr>
<tr>
<td>Case 6</td>
<td>'All Boats Rise'**</td>
<td>Medium growth with ST</td>
<td>Low growth with ST (1) – Planning Constraints</td>
<td>Difference between Case 1 and Case 6 is used to estimate potential Tax Increment</td>
</tr>
<tr>
<td>Case 8</td>
<td>'All Boats Rise'**</td>
<td>Medium growth with ST</td>
<td>Low growth with ST (2) – relaxed Planning Constraints</td>
<td>Difference between Case 1 and Case 8 is used to estimate potential Tax Increment</td>
</tr>
<tr>
<td>Case 5</td>
<td>Growth Plan*</td>
<td>High growth with ST</td>
<td>High growth with ST – relaxed planning constraints</td>
<td>Difference between Case 1 and Case 5 is used to estimate potential Tax Increment</td>
</tr>
<tr>
<td>Case 7</td>
<td>'All Boats Rise'**</td>
<td>High growth with ST</td>
<td>High growth with ST – relaxed planning constraints</td>
<td>Difference between Case 1 and Case 7 is used to estimate potential Tax Increment</td>
</tr>
<tr>
<td>Case 3</td>
<td>Growth Plan*</td>
<td>Low growth*** without ST</td>
<td>Low growth*** without ST</td>
<td>Base for estimating tax without SmartTrack</td>
</tr>
<tr>
<td>Case 4</td>
<td>Growth Plan*</td>
<td>Low growth*** with ST</td>
<td>Low growth*** with ST</td>
<td>Difference between Case 3 and Case 4 is used to estimate potential Tax Increment</td>
</tr>
<tr>
<td>Case 9</td>
<td>'All Boats Rise'**</td>
<td>Low growth*** with ST</td>
<td>Low growth with ST (1) – Planning Constraints</td>
<td>Difference between Case 3 and Case 9 is used to estimate potential Tax Increment</td>
</tr>
<tr>
<td>Case 10</td>
<td>'All Boats Rise'**</td>
<td>Low growth*** with ST</td>
<td>Low growth with ST (2) – relaxed Planning Constraints</td>
<td>Difference between Case 3 and Case 10 is used to estimate potential Tax Increment</td>
</tr>
</tbody>
</table>

* GTA forecasts based on the Growth Plan.  
** GTA Growth Plan forecasts with 10% more growth per decade after 2021  
*** Low growth is based on the Growth Plan forecasts for the City of Toronto
5.1. COMMERCIAL FORECAST METHODOLOGY

The commercial forecasts build on the commercial forecasts for the employment projections described in Section 4.

City staff provided SRRA with the projections of office buildings employment in each traffic zone for each of the 10 cases. SRRA then

i. aggregated the projections into the TIF zones;
ii. converted the employment counts into floor space (see below, Section 5.1.1);
iii. estimated the value of the increased floorspace in each TIF zone for each scenario; and
iv. provided this increase in value to Corporate Finance staff to calculate the tax increment.

Although employment was only projected for 2021, 2031, and 2041, SRRA calculated the office growth for each year after 2015, by interpolating the values between the projection years.

5.1.1. Conversion of Employment to GFA/Density

To project the Gross Floor Area (GFA) for new office buildings to house office employment growth, the calculation includes the amount of space required for each employee plus an additional amount for unoccupied space.

**Occupied Space Factor** - The existing inventory of office buildings throughout the GTA currently has a net rentable area (NRA) density factor of 209 sq. ft. per employee as sourced through SRRA’s license of Real Estate Search Corporation’s density calculations of occupied office space. This factor reflects current average density capacity of all types of office buildings in the Region but does not include the unoccupied space.

Studies in the commercial real estate industry confirm that there is a trend toward intensification of occupied spaces in office buildings. In some cases, density can reach as high as 7 persons per 1,000 sq. ft. within the NRA of a building. These densities are normally attained in large scale, multi-tenant buildings which offer tenants the ability to grow by leasing what they need when they need it. They are attained by companies whose employees are able to use advantageous technology and mobility options for office workplace environment. Not all tenants can take advantage of this level of concentration of employees in smaller spaces.

Single tenant buildings (the majority of office buildings in the GTA) can be but are not always built to accommodate the potential of high densities. For the purpose of this assignment, SRRA calculated a blended average of future density possibilities to respect the variety of functionality required by tenants.

**Unoccupied Space Factors** - In addition to areas rented and fully occupied, there are areas which are not occupied and must be factored into the calculation of Gross Floor Area (GFA). These unoccupied factors are not expected to materially change in the future.

There are three kinds of unoccupied spaces in a building. They are:

- vacant space which is marketed to prospective tenants - historical average vacancy is 7%;
- unoccupied space within existing spaces - average unoccupied tenant space is 5%; and
• spaces that are under construction for future use - industry average of 5%.

Calculating the GFA Recommendation

SRRA recommended that the City use a figure of 252 sq. ft. per employee when calculating the required GFA resulting from the projected commercial employment growth. It also suggested that a range of 230 to 250 sq. ft. be considered. There is a risk that in calculating the GFA that the trend to higher density will result in less GFA than recommended by SRRA. SRRA is recommending that this risk is offset in new buildings because new buildings offer more value to tenants (increased density) and will be assessed at higher rates.

Over time existing buildings are outperformed by newer buildings. For example, buildings built 50 years ago to one standard were considered ‘A’ Class at that time and assessed accordingly. As new buildings with higher standards are built they become the new ‘A’ class buildings, attracting higher rents and higher assessments, while the older ones become reclassified as ‘B’ or even ‘C’ class. In the future, SRRA expects that new buildings with higher density capacity, transit locations, and other benefits will be more valuable than older buildings and attract higher assessments.

Should fewer buildings be built because some tenants repurpose existing industrial buildings and reduce the need for new office buildings, then the lost new construction will be offset by the increased assessment value of the repurposed buildings. SRRA did not estimate how tenants will or are able to take this option. This trend has occurred in the Brick and Beam markets where buildings were converted from industrial use to office space and their assessed value increased. SRRA estimates that this trend has amounted to only 5% of the existing inventory of office space and is constrained by the limited availability of redundant industrial buildings suitable for repurposing.
Table 4: Office Employment Distribution by TIF Zones With and Without SmartTrack, Medium Growth Scenario
5.2. MULTI-RESIDENTIAL FORECAST METHODOLOGY

The underlying assumption for the multi-residential forecasts was that very little new single family development will occur in the City of Toronto. Consequently, the residential component of the TIF analysis focused on multi-residential (apartments) growth.

City staff provided SRRA with projections of multi-residential units and estimates of the future housing capacity in each traffic zone for each projection year (2021, 2031, and 2041). These projections and estimates are the foundation for the population projections for the SmartTrack ridership modelling (see Footnote 1). The projections of multi-residential units correspond to the ‘low’ population projection used in the ridership modelling. This projection corresponds to the Growth Plan's population forecast and is generally accepted as the likely trajectory of population growth in the GTA. It does not recognize SmartTrack (i.e. it is a 'no SmartTrack' projection).

5.2.1. Reallocation of Multi-Residential Units

For the ‘With SmartTrack’ scenarios, SRRA used multi-residential data provided by the City and then reallocated it to TIF zones as follows:

1. SRRA also consulted with multi-residential builders and experts who reviewed the projected growth in the TIF zones. It was determined that approximately 30% of the projected multi-residential growth outside the TIF zones between 2011 and 2041 should be reassigned to the Primary TIF zones as an outcome of SmartTrack implementation.

2. SRRA then reallocated approximately 30% of the non-TIF zone growth to TIF zones as follows:
   a. SRRA identified three classes of Primary TIF Zones, based on the experts' assessment of their likelihood of accommodating more growth with SmartTrack.
   b. The three classes of zones and the rate of increased multi-residential growth in each were:
      - Very High – 125% more growth;
      - High – 50% more growth; and
      - Low – 20% more growth.

3. SRRA assigned more growth to each primary TIF zone based on the likelihood of greater growth (market assessment) and planning constraints. The future housing capacity in each zone as identified by City Planning represented the planning constraints, as it is based on planning policy. Two sets of planning constraints were used:
   - ‘firm’ constraints under which the future development in a traffic zone could not exceed the housing capacity under present planning policy; and
   - ‘relaxed’ constraints, under which, in response to the perceived market forces, more housing development was assigned to the primary zones in proportion to their share of growth after 2011. Note, however, that the consulting team did not allocate future housing to areas now designated solely for employment uses that surround some of the proposed SmartTrack stations.
4. The resulting distribution of multi-residential units is shown in Table 6. SRRA also provided the results of the multi-residential reallocation to City Planning staff who then used them to calculate population projections for the ‘with SmartTrack’ scenario.

5. Capacity Limitations - By 2041, under the ‘firm’ planning constraints, the impact of SmartTrack had consumed all the future housing capacity in the primary zones, so that a small amount of the redistributed growth was accommodated in the secondary zones.

5.2.2. Value of Multi-Residential

SRRA estimated the value of the multi-residential growth in each TIF zone with and without SmartTrack (Table 5) and provided this increase in value to Corporate Finance staff to calculate the tax increment.

<table>
<thead>
<tr>
<th>Primary TIF Zone</th>
<th>Value per unit without SmartTrack</th>
<th>Value per unit with SmartTrack</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dundas West</td>
<td>480,000</td>
<td>552,000</td>
</tr>
<tr>
<td>Ellesmere</td>
<td>400,000</td>
<td>480,000</td>
</tr>
<tr>
<td>Finch</td>
<td>400,000</td>
<td>460,000</td>
</tr>
<tr>
<td>Gerrard</td>
<td>400,000</td>
<td>480,000</td>
</tr>
<tr>
<td>Kennedy/Eglinton</td>
<td>400,000</td>
<td>460,000</td>
</tr>
<tr>
<td>Kipling</td>
<td>400,000</td>
<td>440,000</td>
</tr>
<tr>
<td>Lawrence</td>
<td>400,000</td>
<td>480,000</td>
</tr>
<tr>
<td>Liberty</td>
<td>480,000</td>
<td>552,000</td>
</tr>
<tr>
<td>Main</td>
<td>400,000</td>
<td>460,000</td>
</tr>
<tr>
<td>Mt Denis</td>
<td>400,000</td>
<td>460,000</td>
</tr>
<tr>
<td>Queen/Carlaw</td>
<td>480,000</td>
<td>552,000</td>
</tr>
<tr>
<td>Royal York</td>
<td>400,000</td>
<td>440,000</td>
</tr>
<tr>
<td>Sheppard</td>
<td>400,000</td>
<td>480,000</td>
</tr>
<tr>
<td>Spadina</td>
<td>570,000</td>
<td>570,000</td>
</tr>
<tr>
<td>St Clair East</td>
<td>400,000</td>
<td>460,000</td>
</tr>
<tr>
<td>Steeles East</td>
<td>400,000</td>
<td>480,000</td>
</tr>
<tr>
<td>Stockyards / St Clair West</td>
<td>400,000</td>
<td>460,000</td>
</tr>
<tr>
<td>Union</td>
<td>570,000</td>
<td>570,000</td>
</tr>
</tbody>
</table>

*Table 5: Multi-Residential Unit Value, TIF Zone*
Table 6: Multi-Residential Units Distribution by TIF Zones With and Without SmartTrack
5.3. VALUE UPLIFT OF EXISTING PROPERTIES

Research on the impact of a transit line on property values shows that property is more highly valued in neighbouring properties than in comparable properties that do not have the benefit of a new transit project. The amount of increment depends on four general factors:

- scale and Impact of the project;
- proximity to transit;
- property type; and
- term of impact (amortization).

The consultant reviewed a sample of research on the subject to determine the applicability of other research to the proposed SmartTrack project and determine a range of incremental property value uplift.

5.3.1. Scale and Impact of SmartTrack

Incremental value uplift takes into consideration that SmartTrack provides:

- substantial improvements to transit access to employment over and above existing transit service in most areas served by SmartTrack;
- substantial opportunities for new development to impact existing real estate values; and
- a lesser degree of increment where neighbourhoods are already well serviced by transit.

When a new transit project such as SmartTrack reaches into communities with relatively low values, the incremental value increase of those properties tends to raise property values considerably faster than in other higher valued parts of the same City.

5.3.2. Proximity to Transit

The consultant considered only the areas referred to as Primary TIF Zones in the methodology as being beneficial to assessed values of property. These zones conform to existing ‘traffic zones’ and, therefore, are in some cases beyond the normal radius of impact which can be from 800m to 1km from transit. The distances of some of these areas to the proposed stations of SmartTrack did cause the consultant to lower the incremental values contained in the Summary below.

5.3.3. Property Type

The four property types most affected by SmartTrack in order of most increment are:

- **Industrial Lands** - These properties will increase dramatically because they offer opportunity for significant intensification. For example, in Vaughan the land values in Vaughan Metro Centre have tripled during the time needed to complete the Spadina subway extension.
• **Existing single family homes** - The impact of rapid population growth expected in the Region over the next 25 years will reflect a shift to multi-residential new supply and a proportionate increase in the value of single family dwellings. Because much of the Region in general and the City of Toronto specifically does not have vacant land to build new single family homes the incremental impact on their values will be substantial. The Primary TIF Zones of SmartTrack are predominantly single family but the anticipated new supply of multi-residential homes in Primary zones will have an incremental impact on value of single family homes.

• **Retail properties** - The limited amount of retail opportunities surrounding SmartTrack will cause retail outlets to experience more rapid increases in value than other retail properties beyond the Primary zones.

• **Commercial properties** - Office buildings near SmartTrack are located in three areas. The Downtown Core of the City is well served by existing transit and will increase in value but not as much as the properties east of the Don Valley up to Markham and west of Bathurst Street out to the Airport Corporate Centre.

### 5.3.4. Term of Impact

The consultant selected a 21 year period for analysis which most often aligns with the nature of a City similar to Toronto that has transit infrastructure. Cities such as London, New York and Chicago are most comparable. There will be a sharp initial impact after the new transit line is approved and comes in to service. This impact will be sustained for a five year period after which it is likely to lessen by the end of a 21 year period from the commencement of service.

### 5.3.5. Calculation of Existing Property Uplift

Research suggests that the range of incremental property uplift for SmartTrack over a 21 year period is between .065% and .09% per annum and those rates of increment decline beyond that period. This range is an average assessment broadly over all types of properties in the Primary Zones.

This opinion is not based on specific research done on existing properties. This work needs to be done.

### 5.4. TIF ZONES

As noted above the Primary Zones are the areas in the vicinity of planned SmartTrack stations. The consulting team initially drew the boundaries of each primary TIF zone using the following principles:

- areas within 800m of the stations;
- predominantly commercial or mixed-use development and excluding low rise neighbourhoods and
- areas with immediate connections to the stations besides walking, such as bus, cab and cycling, especially for attracting residential development. Research shows that ridership at the origin of the work day trip is more flexible and can include the use of other methods of connecting to the transit.
- in mixed-use areas, the entire area was selected for the purpose of the creating TIF zones.
The Primary TIF Zones were further grouped based on geography. The similarities of the zones within these sub-regions of transportation, planning, and land economics, allowed for similar approaches in describing the methodology used to determine the growth impacts of SmartTrack.

Map 23: Primary TIF Zones

The following comments describe the considerations for the TIF forecasts associated with each group of Primary TIF zones. The comments focus on the multi-residential considerations, because the main considerations for the commercial forecasts were dealt with in the previous section. Generally where a TIF zone is not part of one of the office nodes, SRRA sees SmartTrack as having only limited potential to induce more growth in the area.
5.4.1. Scarborough (Steeles, Finch, Sheppard, Ellesmere, Lawrence, Kennedy/Eglinton, St Clair)

The seven zones in the Kennedy Corridor in Scarborough for the most part have very low densities and are surrounded by employment lands. Although this limits their multi-residential potential, the zones will benefit from development intensification to the extent that SmartTrack is able to provide residents in the zones with transformative reduction in worktime travel to major employment clusters: nodes within the Central Area (Toronto Financial Core, Brick and Beam, Liberty Village, and Lever) and the Markham/Richmond Hill Area.

SmartTrack intersects with the Crosstown LRT and the Danforth subway at Kennedy/Eglinton. These network connections, along with busy bus routes will also stimulate multi-residential development.

Map 24: Primary TIF Zone – Steeles
Map 25: Primary TIF Zone – Finch
Map 26: Primary TIF Zone – Sheppard
Map 27: Primary TIF Zone – Ellesmere
Map 28: Primary TIF Zone – Lawrence
Map 29: Primary TIF Zone – Kennedy/Eglinton
Map 30: Primary TIF Zone – St Clair East
5.4.2. East Downtown (Main, Gerrard, Queen/Carlaw)

There is minor potential for increased residential development in the East Downtown, mainly at Main Station. The existing fabric on Gerrard and Queen afford little opportunity for major intensification.

Map 31: Primary TIF Zone – Main
Map 32: Primary TIF Zone – Gerrard
Map 33: Primary TIF Zone – Queen/Carlaw
5.4.3. Toronto Financial Core (Union)

The consulting team concluded that SmartTrack will have a significant impact on multi-residential development in this zone because of its potential to facilitate two-way travel. This will allow people to live in the core and work in suburban employment hubs.

*Map 34: Primary TIF Zone – Union*
5.4.4. West Downtown (Spadina, Liberty)

The consulting team also concluded that SmartTrack will attract significant multi-residential development to these zones, because it will facilitate two-way travel and because these zones have significant capacity for future development.

Map 35: Primary TIF Zone – Spadina
Map 36: Primary TIF Zone – Liberty Primary
5.4.5. North West (Dundas West, St. Clair West, Mount. Denis, Royal York and Kipling)

The implementation of SmartTrack will provide for the development of mixed-use communities surrounding the stations, albeit with residential as the dominant component. The good access to employment that SmartTrack will offer new commuters offers great potential to intensify the retail areas near these stations.

There is very little office space in this area and the forecasts do not include anything more than the development of local industry-based office facilities. Mount Denis may have potential to become a new office employment hub, but more research with potential employers is required to fully understand this potential.

*Map 37: Primary TIF Zone – Dundas West*
Map 38: Primary TIF Zone – St. Clair West
Map 39: Primary TIF Zone – Mount Dennis
Map 40: Primary TIF Zone – Royal York
Map 41: Primary TIF Zone – Kipling
5.5. SECONDARY ZONES

As noted above there are two main types of secondary zones:

1. Areas along existing transit that will benefit from system-wide improvements related to SmartTrack. For example, to the extent that SmartTrack provides an alternative service to the downtown from the east and west, or to Markham or the Airport Corporate Centre, it will attract development to the Eglinton corridor which feeds into SmartTrack. It will also support development that will ‘infill’ the capacity on the Yonge line that may have been attracted to SmartTrack.

2. Employment areas with transit service connected to SmartTrack that will become more accessible to the labour market, and attract greater development as a result.

The growth prospects of the individual office nodes that overlay the secondary TIF zones (e.g. Consumers Rd, Scarborough Centre) were discussed in Section 4. SRRA does not expect the office market in other secondary areas to benefit from SmartTrack.

Similarly, based on the input of residential developers and professionals, SRRA does not expect SmartTrack to stimulate additional residential development in the secondary TIF zones. On the other hand, the connections to SmartTrack will be strong enough to retain all the projected development in the secondary zones rather than see some of it attracted to the primary zones. The net effect is neutral.

The Secondary TIF Zones were further grouped based on geography. The similarities of the zones within these sub-regions of transportation, planning, and land economics, allowed for similar approaches in describing the methodology used to determine the growth impact of transit, including SmartTrack.

Map 42: Clusters of Secondary TIF Zones
SmartTrack is unlikely to materially affect growth in the secondary zones that are primarily mature industrial employment areas without effective ‘last mile’ solutions to better connect them to SmartTrack. There may be some value uplift to office buildings in these zones reflecting benefits to employees whose daily commute will be shortened by the Regional reach of SmartTrack and its connections to the TTC bus network.

*Map 43: Secondary TIF Cluster - Scarborough*
Map 44: Secondary TIF Cluster – Downtown East
Map 45: Secondary TIF Cluster - Central Toronto
Map 46: Secondary TIF Cluster - West Toronto
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