

StudioCentre Economic Analysis

Independent Real Estate Intelligence

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StudioCentre Economic Analysis

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EXECUTIVE SUMMARY

Altus Group Economic Consulting was retained by StudioCentre Developments Inc. to examine the potential economic implications of a proposed development at 629, 633 and 675 Eastern Avenue in the City of Toronto.

The proposed development (“StudioCentre”) would retain the existing film studio and associated office uses, as well as develop and intensify the vacant parts of the site. The proposed development would introduce a mix of amenities to the site through a mix of retail spaces, a hotel, and add a significant amount of new office/studio space. At full build-out, the site will have a total of 1,221,950 square feet, including 992,110 square feet of office/studio/flex space (of which 177,980 is contained in the studio/office buildings to be retained), 151,350 square feet of retail space, and 78,490 square feet in the proposed hotel.

The development will see the establishment of a fine-grain street pattern within the site, connecting the site to the surrounding areas. The proposed development would see the extension of the local road network through the subject site, the extension and expansion of the area’s pedestrian network, and the creation of a new public plaza.

The subject site is identified as an Employment District in the *City of Toronto Official Plan* Urban Structure Plan, and as an Employment Area in the Land Use Plan. The subject site is within the South of Eastern Employment District.

There is a long-established film and studio sector in both the South of Eastern Employment District, and the Port Lands area to the south. Given the types of “screen-based” employment already located in the Employment District and surrounding area it is expected that much of the office and studio space in the proposed development will be attractive to businesses in the screen arts industry. Retaining and expanded the studio/office uses on the subject site will help to support the current function of the Employment District as a unique area that contains a cluster of “screen-based” employment.

Further, the introduction of retail, hotel and public plazas on the subject site will support the economic function of the District and surrounding area, by adding amenities for existing and future employees, businesses and residents of the area.

The new retail and service uses proposed in the subject development represent a small proportion of the gross floor area being proposed (approximately 14% of the new space proposed), and will complement the principal non-retail uses on the subject site. Therefore, the proposed development would not trigger a “retail contagion” that could possibly destabilize the economic function of the site, the Employment District or surrounding area. Instead, by adding retail and hotel uses that complement the existing studio/office uses, the proposed development will only strengthen the economic function of the area.

In addition to the economic implications of the proposed development on the functioning and amenity of the Employment Area, we have estimated that the development of StudioCentre would generate the following economic and fiscal benefits:

- 2,169 person-years of employment in the construction of the buildings, including 1,470 person-years directly in the construction of the development, and another 699 person-years in industries that provide material and services to the construction industry;
- A total of 4,390 permanent jobs in all buildings on site at full build-out, including 4,007 jobs in the proposed and existing office/studio space, 306 jobs in the proposed retail space, and 77 jobs in the hotel. The amount of employment at build-out would represent a significant increase in the amount of employment already on the subject site, increasing employment on the site by an estimated 3,671 jobs;
- \$3.0 million in development charge revenues for the City to be used to fund growth-related capital infrastructure;
- \$1.6 million in building permit revenues for the City; and
- Approximately \$8.4 million per year in annual property tax revenues, including \$4.6 million per year for City purposes and another \$3.8 million per year for education purposes.

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1 INTRODUCTION

Altus Group Economic Consulting was retained by Studiocentre Developments Inc. to examine the potential economic implications of a proposed development at 629, 633 and 675 Eastern Avenue in the City of Toronto.

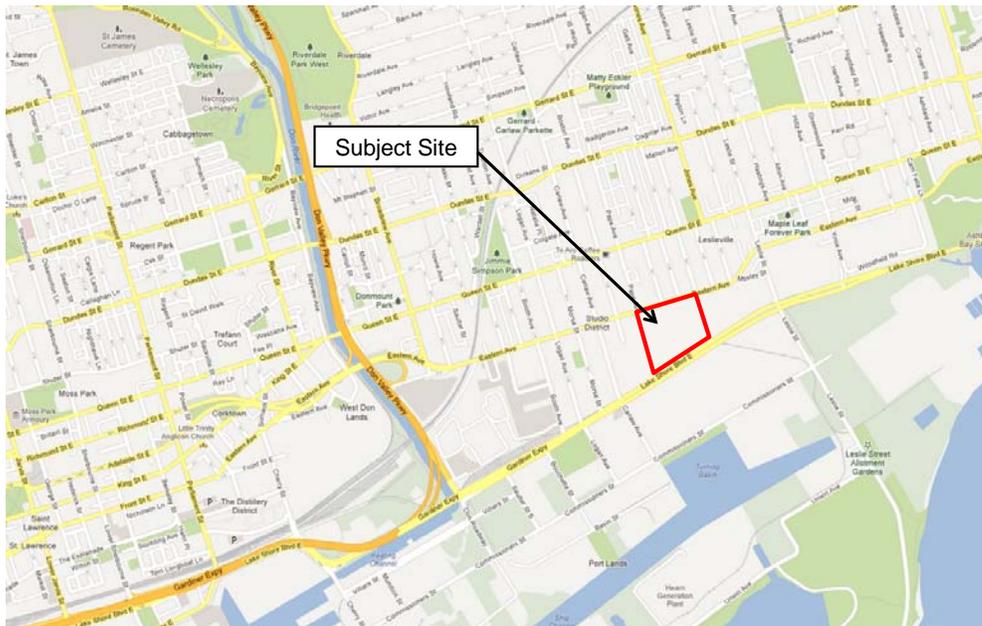
1.1 BACKGROUND

1.1.1 The Subject Site

The 18.47-acre site is located at 629, 633 and 675 Eastern Avenue in the City of Toronto. Figure 1 shows the location of the subject site. The property at 629 Eastern is currently used by a film studio, with offices on-site used for editing and post-production. The easterly portion of the subject site is mostly vacant land and is enclosed with plywood hoarding which runs along the Eastern Avenue sidewalk. The property at 633 Eastern had been occupied by the A.R. Clarke Tannery. The then vacant building at 633 Eastern was destroyed by fire in March 2001, with the lands having been cleared and vacant since.

Figure 1

Location of Subject Site



Source: Altus Group Economic Consulting based on Google Maps

The subject site is immediately surrounded by:

- North – Eastern Avenue, with a variety of residential housing types on the opposite side of Eastern, including a mid-rise apartment building, and a number of single and semi-detached houses fronting both onto Eastern Avenue and the north-south side streets;
- South – Lake Shore Boulevard East, with Show Line Studios located on the opposite side of Lake Shore Boulevard, among a variety of other non-residential uses;
- West – a motor vehicle and parts dealer (Downtown Subaru); and
- East – a motion picture and sound recording business (Cinespace).

In the *City of Toronto Official Plan*, the site is identified as an Employment District in the Urban Structure Plan (Map 2), and as an Employment Area in the Land Use Plan. The Employment District is known as the South of Eastern Employment District. Both Eastern Avenue to the north and Lake Shore Boulevard East to the south form the boundary of the Employment Area land-use designation, and are identified as major streets in the *City of Toronto Official Plan* (Map 3).

The South of Eastern Employment District has a long-established film and studio sector. There are also a number of film and studio uses located in the area surrounding the subject site but outside the Employment District, especially to the south in the Port Lands area.

1.1.2 The Proposed Development

The proposal by StudioCentre would retain the existing buildings on the subject site, and develop and intensify the vacant parts of the site. The site plan has been prepared by Diamond Schmitt Architects. Figure 2 summarizes the preliminary concept plan for the proposed development.

The development would preserve the approximately 180,880 square feet of already refurbished office and studio space,¹ and would add approximately 1,041,100 new square feet of space. The proposed development would introduce a mix of amenities (in the proposed hotel and retail spaces) to the site, add a significant amount of new office and/or studio space within various buildings throughout the site, including two 10-storey office

¹ Two smaller existing buildings would be used as new retail space, and are included under “Existing Buildings” for the purposes of Figure 2.

buildings, one immediately north of the current Revival Studio, and the other in the southern part of the site, adjacent to the Lower Don Recreational Trail/Lake Shore Boulevard.

At full build-out, the site will have a total of 1,221,950 square feet of area, which will include approximately 992,110 square feet of office/studio/flex space, 151,350 square feet of retail space, and 78,490 square feet in the proposed hotel. The provision of structured parking throughout the site would allow the site to be developed at higher densities, helping the site contribute to making the area a truly urban employment area, with a good mix of amenities for current and prospective businesses.

Figure 2

Development Statistics, StudioCentre

	Existing Buildings		New Buildings		Total	
	Square Metres	Square Feet	Square Metres	Square Feet	Square Metres	Square Feet
Office/Studio/Flex	16,530	177,980	75,640	814,130	92,170	992,110
Retail	270	2,900	13,790	148,450	14,060	151,350
Hotel	-	-	7,290	78,490	7,290	78,490
Total	16,800	180,880	96,720	1,041,070	113,520	1,221,950

Source: Plans provided by Studiocentre Developments Inc.

Further, the development will see the establishment of a fine-grain street pattern within the site, which will connect the site to the residential area north of Eastern Avenue through the extension of the street network into the subject site. The plan would also improve pedestrian routes in the area, allowing for access to and through the site, including access to a proposed new public plaza.

1.2 APPROACH

The report begins with a review of provincial and municipal planning policies that set the context for the economic analysis in this report. The next chapter looks at economic trends in the City of Toronto and the area surrounding the subject site. The report then examines the potential economic implications of the proposed development.

2 POLICY CONTEXT

This section reviews the provincial and municipal planning policies which set the context for the economic analysis in this report.

2.1 PROVINCIAL POLICY STATEMENT, 2005

According to the vision for Ontario's land use planning system outlined in Part IV of the *Provincial Policy Statement*:

Efficient development patterns optimize the use of land, resources and public investment in infrastructure and public service facilities. These land use patterns promote a mix of housing, employment, parks and open spaces, and transportation choices that facilitate pedestrian mobility and other modes of travel. They also support the financial well-being of the Province and municipalities over the long term

Section 1.1 of the *Provincial Policy Statement* deals with efficient development and land use patterns:

1.1.1 Healthy, liveable and safe communities are sustained by:

- a) promoting efficient development and land use patterns which sustain the financial well-being of the Province and municipalities over the long term;
- b) accommodating an appropriate range and mix of residential, employment (including industrial, commercial and institutional uses), recreational and open space uses to meet long-term needs. ...

Section 1.1.3.3 deals with intensification, as well as redevelopment of brownfield sites:

Planning authorities shall identify and promote opportunities for intensification and redevelopment where this can be accommodated taking into account existing building stock or areas, including brownfield sites, and the availability of suitable existing or planned infrastructure and public service facilities required to accommodate projected needs. ...

According to section 1.3.1:

1.3.1 Planning authorities shall promote economic development and competitiveness by:

- a) providing for an appropriate mix and range of employment (including industrial, commercial and institutional uses) to meet long-term needs;

- b) providing opportunities for a diversified economic base, including maintaining a range and choice of suitable sites for employment uses which support a wide range of economic activities and ancillary uses, and take into account the needs of existing and future businesses;
- c) planning for, protecting and preserving employment areas for current and future uses; and
- d) ensuring the necessary infrastructure is provided to support current and projected needs.

Section 1.7.1 states that economic prosperity should be supported by optimizing the use of land, and promoting the redevelopment of brownfield sites:

1.7.1 Long-term economic prosperity should be supported by:

- a) optimizing the long-term availability and use of land, resources, infrastructure and public service facilities ...
- c) promoting the redevelopment of brownfield sites;

Where “brownfield sites” are defined in the *Provincial Policy Statement* as:

undeveloped or previously developed properties that may be contaminated. They are usually, but not exclusively, former industrial or commercial properties that may be underutilized, derelict or vacant.

2.2 GROWTH PLAN FOR THE GREATER GOLDEN HORSESHOE, 2006

Among the guiding principles of the *Growth Plan for the Greater Golden Horseshoe* are:

- Plan and manage growth to support a strong and competitive economy.
- Optimize the use of existing and new infrastructure to support growth in a compact, efficient form.

According to section 2.1 of the *Growth Plan*:

This Plan envisages increasing intensification of the existing built-up area, with a focus on urban growth centres, intensification corridors, major transit station areas, brownfield sites and greyfields. Concentrating new development in these areas also provide a focus for transit and infrastructure investments to support future growth.

Compact urban form and intensification go hand-in-hand with more transit: not only do they support each other, they are all necessary. This correlation is fundamental to where and how we grow. Communities

will also need a mix of jobs and housing to create opportunities for people to work close to where they live.

...This Plan's emphasis on intensification and optimizing the use of the existing land supply represents a new approach to city-building in the GGH ...

Policy 2.2.1.1 of the *Growth Plan* states that the population and employment forecasts in Schedule 3 will be used for planning and managing growth:

1. Population and employment forecasts contained in Schedule 3 for all upper- and single-tier municipalities will be used for planning and managing growth in the GGH.

Section 2.2.6 of the *Growth Plan* deals with Employment Lands:

2. Municipalities will promote economic development and competitiveness by –
- a) providing for an appropriate mix of employment uses including industrial, commercial and institutional uses to meet long-term needs
 - b) providing opportunities for a diversified economic base, including maintaining a range and choice of suitable sites for employment uses which support a wide range of economic activities and ancillary uses, and take into account the needs of existing and future businesses ...

2.3 CITY OF TORONTO OFFICIAL PLAN

The *City of Toronto Official Plan* was prepared and adopted prior to the enactment of the *Provincial Policy Statement, 2005* and the *Growth Plan for the Greater Golden Horseshoe, 2006*.

The subject site is identified as an Employment District in the City's Urban Structure Plan, and designated as an Employment Area in the City's Land Use Plan.

2.3.1 Employment Districts

Section 2.2.4 of the *Official Plan* deals with Employment Districts as identified in the City's Urban Structure Plan (Map 2 of the *Official Plan*). Policy 1 of section 2.2.4 deals with the nature of Employment Districts:

1. Employment Districts shown on Map 2 will be protected and promoted for economic activity in order to:
- a) maintain and grow the City's tax base;

- b) attract new and expand existing employment clusters that are key to Toronto's competitive advantage; ...
- d) nurture Toronto's diverse economic base;
- e) provide a good overall balance between population and employment growth by creating job opportunities for Toronto residents;
- f) provide a range of employment opportunities for Toronto residents that can be reached by means other than the private automobile; and
- g) create and sustain well-paid, stable, safe and fulfilling opportunities for all Torontonians.

2.3.2 Employment Areas

The text in section 4.6 of the *City of Toronto Official Plan* talks about the need for amenities within an Employment Area:

Businesses increasingly require flexibility in order to compete effectively in the global economy. This need for flexibility extends to a firm's land and buildings, and to what is available to support that business activity in the immediate area. A broad and inclusive approach to employment uses in Employment Areas is needed for the City's economic future. Uses that support the prime economic function of Employment Areas, such as parks, small scale retail stores and services to meet the daily needs of business and employees, workplace daycare and restaurants, must also be readily accessible within Employment Areas. ...

The land use maps in the *Official Plan* indicate the subject site is designated Employment Areas. According to section 4.6, policy 1:

1. Employment Areas are places of business and economic activity. Uses that support this function consist of: offices, manufacturing, warehousing, distribution, research and development facilities, utilities, media facilities, parks, hotels, retail outlets ancillary to the preceding uses, and restaurants and small scale stores and services that serve area businesses and workers.

Policy 3 of section 4.6 includes permissions (by way of rezoning, and subject to certain policy considerations) for large-scale, stand-alone retail stores and "power centres" in Employment Areas on sites that front onto major streets:

3. Large-scale, stand-alone retail stores and "power centres" are not permitted in Employment Areas in the Central Waterfront and are only permitted in other Employment Areas fronting onto major streets as shown on Map 3, that also form the boundary of the

Employment Areas through the enactment of a zoning by-law. Where permitted, new large scale, stand-alone retail stores and “power centres” will ensure that: ...

- b) the functioning of other economic activities within the Employment Areas and the economic health of nearby shopping districts are not adversely affected.

Policy 6 of section 4.6 deals with the development criteria for new developments in Employment Areas. The policy states that development in employment areas will support the economic functioning of the Area, as well as the amenity of adjacent areas, and that development will encourage the establishment of key clusters of economic activity with value-added employment and assessment.

6. Development will contribute to the creation of competitive, attractive, highly functional Employment Areas by:

- a) supporting the economic function of the Employment Areas and the amenity of adjacent areas;
- b) encouraging the establishment of key clusters of economic activity with significant value-added employment and assessment.

2.4 CITY OF TORONTO OFFICIAL PLAN REVIEW

Recently, the City of Toronto has been undertaking a review of its Official Plan. An October 2012 staff report saw a number of relevant draft policies proposed, including a revised section on Employment Areas (section 4.6 of its current Official Plan). The new policies would introduce sub-types of Employment Areas, including Core Employment Areas, General Employment Areas and Retail Employment Areas. The subject site is currently proposed to be designated as Core Employment Area.

Some of the proposed policies for a Core Employment Area are as follows:

1. Core Employment Areas are places for business and economic activities. Employment uses permitted in Core Employment Areas are offices, research and development facilities, manufacturing, warehousing, distribution of goods, utilities, post-secondary business and trade training facilities, arts training facilities and studios, media facilities and vertical agriculture.
2. Secondary uses, which support the primary employment uses set out in Policy 1, that are permitted in Core Employment Areas include: hotels, parks, as well as small-scale restaurants and catering facilities

of a maximum size as set out in the applicable Zoning By-law(s), ancillary workplace daycare, and small-scale service uses that directly serve business needs such as courier services, banks and copy shops of a maximum size as set out in the Zoning By-law(s). Small scale retail outlets that are ancillary and on the same lot may be permitted up to a maximum size set out in the applicable Zoning By-law(s).

2.5 COLLABORATING FOR COMPETITIVENESS

In January 2013, the City of Toronto released its “Strategic Plan for Accelerating Economic Growth and Job Creation in Toronto”, titled *Collaborating for Competitiveness*.

Among the strategies and recommendations in the report are to accelerate commercial and industrial developments that enhance the City’s property tax base and create permanent jobs.

Recommendation A.1: Accelerate investments in commercial and industrial developments that enhance the City’s property tax base and/or create permanent jobs.

Action A.1.1. Ensure Official Plan policies and Zoning By-law regulations provide flexibility to accelerate investments in commercial and industrial developments that enhance the City’s property tax base and/or create permanent jobs.

Section D of the Collaborating for Competitiveness report highlights several high-value sectors which are the “driving force of economic growth”. The report lists “film & digital media” as one of these high-value sectors.

3 EMPLOYMENT TRENDS

This section reviews the employment trends in the City of Toronto and the area surrounding the subject site.

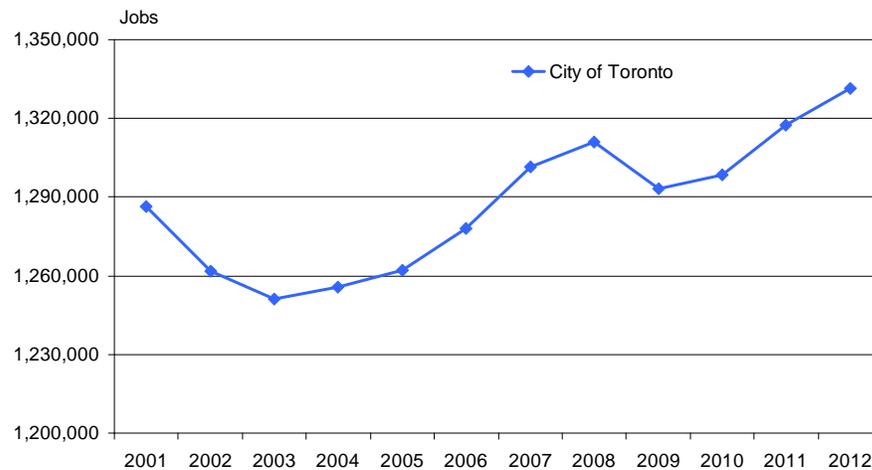
3.1 CITY OF TORONTO ECONOMIC TRENDS

3.1.1 Total Employment

Figure 3 shows the trend of employment across the City of Toronto over the 2001 to 2012 period, based on data from the City's annual employment survey. In 2001, approximately 1,286,300 persons were employed in establishments located in the City of Toronto. By 2012, approximately 1,331,600 persons were employed in establishments in Toronto – a net increase of 45,300 jobs (3.5%) since 2001.

Figure 3

Employment, City of Toronto, 2001-2012



Source: City of Toronto Employment Survey

3.1.2 Employment by Sector

According to the City's annual employment survey, over the 2001-2012 period, employment in the manufacturing and warehouse sector decreased from approximately 185,300 jobs in 2001 to 128,200 jobs in 2012. Job losses in the manufacturing and warehouse sector were more than offset by growth in the office sector (which increased from 602,600 jobs in 2001 to 638,100 in 2012), and other service sectors combined (which increased from 498,400 jobs in 2001 to 565,200 jobs in 2012).

Figure 4

Employment by Sector, City of Toronto, 2001-2012				
	<u>Manufacturing / Warehousing</u>	<u>Office</u>	<u>Other Services</u>	<u>Total</u>
<u>Employment</u>	<i>Jobs</i>			
2001	185,300	602,600	498,400	1,286,300
2006	153,200	583,900	539,800	1,276,800
2011	128,600	627,900	560,800	1,317,300
2012	128,200	638,100	565,200	1,331,500
Change 2001-2012	(57,100)	35,500	66,800	45,200
<u>% of Employment</u>	<i>Percent</i>			
2001	14.4	46.8	38.7	100.0
2006	12.0	45.7	42.3	100.0
2011	9.8	47.7	42.6	100.0
2012	9.6	47.9	42.4	100.0

Source: City of Toronto Employment Survey

The employment trends in the City of Toronto reflect broader economic trends. In 2010, the Ontario Ministry of Finance released Ontario's Long-Term Report on the Economy. According to this report:

The Ontario economy's trade in services has been outpacing its trade in goods. Between 1997 and 2008, Ontario's export of services grew by over 80 per cent, compared to a 2 per cent increase in goods exports. This trend is expected to continue.

Corresponding to the changes in the composition of domestic demand and exports, economic production has also evolved with a marked shift from goods-producing to service-producing industries. In 2008, the service sector accounted for 74 per cent of real GDP in Ontario, up from 65 per cent in 1988. These trends are expected to continue over the long term with services accounting from 79 per cent of GDP in 2031 while the share of goods will decline from 26 per cent in 2008 to 21 per cent in 2010.

The same structural shift towards the service sector is also evident in Ontario's labour market where employment has shifted from goods-producing to service-producing industries. In 2009, the service sector employed 79 per cent of Ontario's work force, up from 69 per cent in 1988 (pages 32 and 33).

3.1.3 Geographic Distribution of Employment Growth

The City's employment survey also provides details regarding the geographic distribution of employment, based on the various components of the urban structure established in the *Toronto Official Plan* (Downtowns,

Centres, and Employment Districts). Figure 5 shows employment by location in the City of Toronto.

Figure 5

Geographic Distribution of Employment in Toronto, 2001-2011					
	2001	2006	2011	Change 2001 - 2011	% Change
Employment by Area					
	<i>Jobs</i>				
	<i>Percent</i>				
Downtown	397,900	396,800	442,000	44,100	11
Employment Districts & Areas	424,800	411,600	389,300	(35,500)	(8)
Rest of the City	<u>463,600</u>	<u>468,400</u>	<u>486,000</u>	<u>22,400</u>	5
Total	1,286,300	1,276,800	1,317,300	31,000	2
% of Employment by Area					
Downtown	30.9	31.1	33.6	2.6	
Employment Districts & Areas	33.0	32.2	29.6	(3.5)	
Rest of the City	<u>36.0</u>	<u>36.7</u>	<u>36.9</u>	0.9	
Total	100.0	100.0	100.0	-	

Source: City of Toronto Employment Surveys and Malone Given Parsons, *Planning for Employment in Toronto*, (October 2012)

Over the 2001-2011 period, total employment in the City's designated Employment Districts and Areas decreased by 35,500 jobs. Over the same period, total employment in the Downtown area increased by 44,100 jobs and total employment in other parts of the City increased by 22,400 jobs.

3.1.4 Comparison with Growth Plan Forecasts

The employment estimates from the City's employment survey cannot be directly compared with the employment forecasts in the *Growth Plan* that are based on data from the Census of Canada.

Over the 2001-2011 period, the *Growth Plan* forecasts provided for total employment in Toronto to increase by approximately 6.9%. Employment data is not yet available from the 2011 Census/National Household Survey. However, the City's employment survey reported an increase in employment of only 2.4% over the 2001-2011 period.

According to the City's *Strategic Plan for Accelerating Economic Growth and Job Creation in Toronto*, there were approximately 1,587,000 jobs located within the City of Toronto as of 2011, which would be slightly above the forecast of 1,540,000 jobs in 2011, in Schedule 3 of the *Growth Plan*.

The proposed Growth Plan Amendment 2 extends the *Growth Plan* employment forecast to 2041, with a forecast for the City of approximately 1,720,000 jobs by 2041. (see Figure 6)

Figure 6

Employment by Type, City of Toronto, 2001-2041, Hemson Technical Report

	2001	2011	2021	2031	2041	Change 2001 - 2041	% Change 2001 - 2041
	<i>Jobs</i>					<i>Percent</i>	
Major Office	546,180	604,580	664,030	695,050	734,140	187,960	34
Population Related	535,280	579,710	640,320	661,830	694,630	159,350	30
Employment Land	<u>353,720</u>	<u>331,240</u>	<u>313,250</u>	<u>301,680</u>	<u>287,550</u>	<u>(66,170)</u>	(19)
Total	1,435,180	1,515,530	1,617,600	1,658,560	1,716,320	281,140	20

Source: Altus Group Economic Consulting based on Hemson Consulting, *Greater Golden Horseshoe, Growth Forecasts to 2041*, Technical Report, (November 2012), Table 64

The Hemson *Technical Report* forecasts that of the City's employment growth of 281,140 jobs over the 2001-2041 period, growth will be driven by major office employment (+187,960 jobs) and population related employment (+159,350 jobs), while employment land employment will decrease by 66,170 jobs.

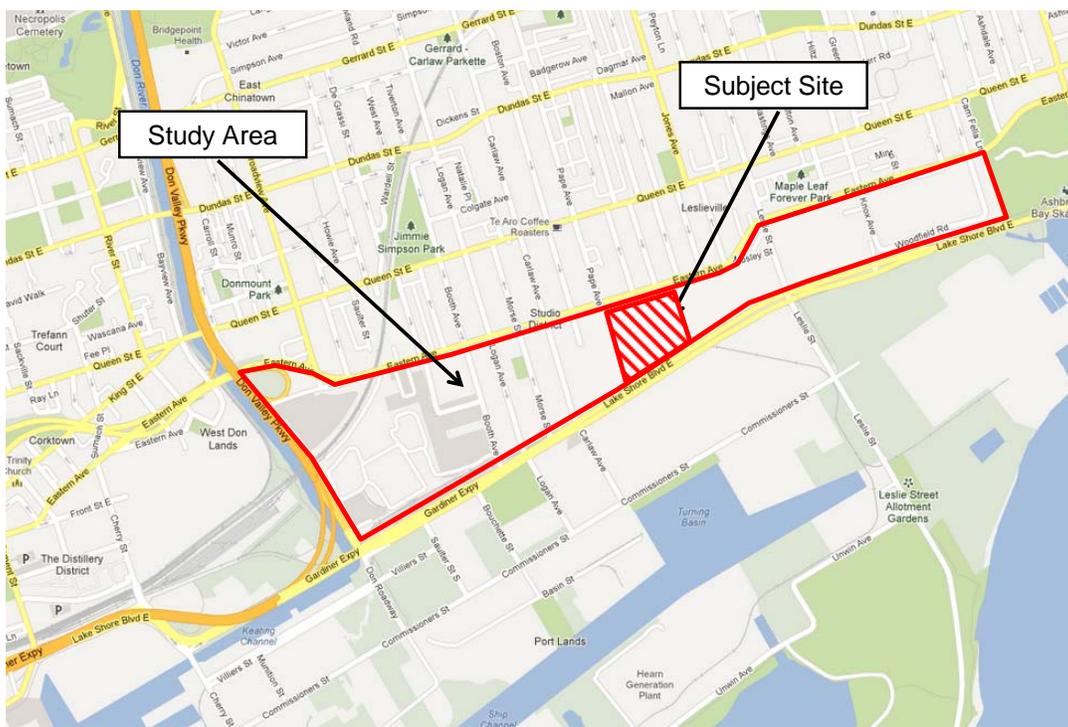
3.2 EMPLOYMENT IN THE SOUTH OF EASTERN EMPLOYMENT DISTRICT AND THE CITY'S EMPLOYMENT DISTRICTS AND EMPLOYMENT AREAS

3.2.1 Boundaries of Study Area

Figure 7 shows the boundaries of the study area. The boundaries of the study area generally conform to the boundaries of the South of Eastern Employment District.

Figure 7

Boundaries of Study Area



Source: Altus Group Economic Consulting based on Google Maps

3.2.2 Current Employment in Study Area and the City's Employment Districts and Areas

Figure 8 shows the mix of employment in the City's Employment Districts & Areas compared to the South of Eastern Employment District and the City of Toronto as a whole. Employment in the City's Employment Districts & Areas is much more oriented towards manufacturing & warehousing uses compared to the City as a whole, and has similar proportions of retail and service uses to the City. While the office sector is the largest sector in terms of employment in Employment Districts and Areas, it has a smaller proportion than office employment does as a share of total employment across the City as a whole.

The South of Eastern Employment District has a smaller proportion of office employment than the City's Employment Districts and Areas and a larger proportion of manufacturing and warehousing sector employment. The share of retail employment in the study area is fairly consistent with other

Employment Districts and Areas, and as a proportion of employment across the City of Toronto as a whole.

Figure 8

Comparison of Mix of Employment in Employment Districts, Study Area and City of Toronto, 2011

Sector	City of Toronto		Employment Districts & Employment Areas Outside Districts		South of Eastern Employment District / Study Area	
	Employment	Share of Employment	Employment	Share of Employment	Employment	Share of Employment
	Jobs	Percent	Jobs	Percent	Jobs	Percent
Manufacturing & Warehousing	128,500	9.8	118,800	30.5	1,860	46.1
Retail	147,300	11.2	44,600	11.5	589	14.6
Service	149,800	11.4	45,900	11.8	332	8.2
Office	627,800	47.7	156,300	40.1	1,197	29.7
Institutional	219,700	16.7	14,200	3.6	27	0.7
Other	44,000	3.3	9,500	2.4	28	0.7
Total	1,317,100	100.0	389,300	100.0	4,033	100.0

Source: Altus Group Economic Consulting based on Malone Given Parsons, *Planning for Employment in Toronto*, (October 2012)

3.2.3 Employment Trends in the Study Area and the City's Employment Districts and Areas

Figure 9 shows the changes in employment in Employment Districts and Areas over the 2001-2011 period. Employment in the manufacturing and warehousing sector has fallen significantly (-49,300 jobs or -29%).

Since 2001, office employment has also fallen in the City's Employment Districts and Areas as a whole (-2.2%), which is counter to the City-wide trend where employment growth has been driven by the office sector.

Figure 9

Employment in Employment Districts and Areas by Type, 2001-2011

	2001	2006	2011	Change 2001- 2011	% Change 2001-2011
Employment by Sector					
	<i>Jobs</i>				
Manufacturing & Warehousing	168,100	142,500	118,800	(49,300)	(29.3)
Retail	38,900	46,800	44,600	5,700	14.7
Service	42,500	41,900	45,900	3,400	8.0
Office	159,800	159,300	156,300	(3,500)	(2.2)
Institutional	9,600	13,300	14,200	4,600	47.9
Other	5,900	7,800	9,500	3,600	61.0
Total	424,800	411,600	389,300	(35,500)	(8.4)
% of Employment by Sector					
	<i>Percent</i>				
Manufacturing & Warehousing	39.6	34.6	30.5	(9.1)	
Retail	9.2	11.4	11.5	2.3	
Service	10.0	10.2	11.8	1.8	
Office	37.6	38.7	40.1	2.5	
Institutional	2.3	3.2	3.6	1.4	
Other	1.4	1.9	2.4	1.1	
Total	100.0	100.0	100.0	-	

Source: Altus Group Economic Consulting based on Malone Given Parsons, *Planning for Employment in Toronto*, (October 2012)

We have obtained historic employment data for the study area from the City of Toronto and their annual employment survey. The City of Toronto collects data on establishments and employment in the City through an annual employment survey conducted since 1983. For the purposes of this study, data on the amount of employment in the District were obtained for five-year intervals over the 1986-2011 period.

Figure 10 shows the trend in employment in the study area over the 1986-2011 period. Over the 1986 to 2011 period, employment in the study area has decreased significantly from 7,896 jobs in 1986 to 4,033 jobs in 2011. The bulk of the decrease in employment has come from the manufacturing and warehousing sector (-2,602 jobs, or -58%), the office sector (-820 jobs, or -41%) and the service sector (-737 jobs or -69%). The only significant sector that grew during the 1986-2011 period was the retail sector (+280 jobs or +65%).

Since 2001, employment in the study area has declined by 41%, or 2,799 jobs. Most of the declines have been from the manufacturing and warehousing sector (-1,223 jobs), and the office sector (-1,668 jobs). The decline of 41% in employment in the study area since 2001 has been much more severe than the 8% decline in employment in the City's Employment Districts and Areas as whole. The losses in employment in the study area are significant across

all sectors, except retail, while the declines in the Employment Districts and Areas across the City have mainly been caused by declines in the manufacturing and warehousing sector.

While office employment in Employment Districts has declined, counter to City-wide trends of office employment growth, the declines in office employment in the study area have been rather drastic and are far below the relatively moderate declines seen in the City's Employment Districts and Areas as a whole.

As of 2011, employment in the study area is less than half of its peak in 1991, and office employment is only one-third of the peak office employment from 1991.

Figure 10 Change in Employment by Sector, Study Area

	1986	1991	1996	2001	2006	2011	Change 1986-2011	Change 2001-2011	
Employment by Sector	<i>Jobs</i>								
Manufacturing & Warehousing	4,462	4,085	2,164	3,083	2,542	1,860	(2,602)	(1,223)	
Retail	309	215	305	356	459	589	280	233	
Service	1,069	253	680	437	433	332	(737)	(105)	
Office	2,017	3,483	2,695	2,885	3,601	1,197	(820)	(1,688)	
Institutional	24	43	33	57	45	27	3	(30)	
Other	15	16	9	14	15	28	13	14	
Total	7,896	8,095	5,886	6,832	7,095	4,033	(3,863)	(2,799)	
	<i>Percent</i>								
Percent Change							(49)	(41)	
	<i>Point Change</i>								
% Employment by Sector	<i>Percent</i>							Change 1986-2011	Change 2001-2011
Manufacturing & Warehousing	56.5	50.5	36.8	45.1	35.8	46.1	(10.4)	1.0	
Retail	3.9	2.7	5.2	5.2	6.5	14.6	10.7	9.4	
Service	13.5	3.1	11.6	6.4	6.1	8.2	(5.3)	1.8	
Office	25.5	43.0	45.8	42.2	50.8	29.7	4.1	(12.5)	
Institutional	0.3	0.5	0.6	0.8	0.6	0.7	0.4	(0.2)	
Other	0.2	0.2	0.2	0.2	0.2	0.7	0.5	0.5	
Total	100.0	100.0	100.0	100.0	100.0	100.0	-	-	

Source: Altus Group Economic Consulting based on City of Toronto Employment data

The bottom half of Figure 10 shows the changes to share of employment by sector in the study area since 1986. Manufacturing and warehousing employment as a share of total employment in the area has fallen from 56.5% to 46.1% since 1986. Since 2001, office employment in the employment area has fallen by 59%, with its share of total employment in the employment falling by 12.5%.

The City's 2012 Employment Survey noted that the manufacturing sector in the South of Eastern Employment District is made up of the following subsectors:

The Manufacturing sector is almost exclusively represented by the Printing, Reproduction, Data Processing and Sorting subsector, with 1,800 jobs, about 97.3% of total Manufacturing employment.

Most of these Manufacturing jobs are located east of Leslie Street (1,800 jobs of 1,860 jobs). West of Leslie Street, just 3.6% of jobs are in the Manufacturing and Warehousing Sector. In the area west of Leslie Street, 94.7% of employment is in the office, service and retail sectors.

3.3 CONCLUSIONS

According to the City's employment survey, employment in the City of Toronto grew by only 3.5% between 2001 and 2012, with much of the employment growth being in the office, service and retail sectors. Employment in the manufacturing and warehousing sector in the City has fallen significantly since 2001. The employment growth in the City since 2001 has occurred outside of the Employment Districts, where employment fell by 8% over the 2001-2011 period. Outside of employment districts, employment has increased by 8% over the 2001-2011 period.

Within the City's Employment Districts and Areas, manufacturing and warehousing employment has fallen by 29% over the 2001-2011 period, which coincides with recent economic trends seen across the province. However, contrary to the City-wide trend of employment growth being driven by the office sector, in the City's Employment Districts and Areas, office employment has fallen by 2.2% over the 2001-2011 period.

As poorly as the City's Employment Districts and Areas have performed over the past decade, the South of Eastern Employment District has performed much worse, with a 41% decline in employment, compared to 8.4% in the Districts and Areas as a whole. The loss of employment in South of Eastern Employment has occurred in all sectors, except retail. The loss in manufacturing and warehousing employment in the South of Eastern Employment District has been roughly similar to the declines seen in the City's Employment District and Areas as a whole. However, office employment in the South of Eastern Employment District has performed particularly poorly in the study area, with employment falling by 59% since

2001, far worse than the relatively moderate declines seen in office employment in the City's other Employment Districts and Areas.

Based on the substantial job losses, it appears that the economy of the South of Eastern Employment District is in decline, and the land base (including lands on the subject site) is underutilized, particularly given the proximity of the Employment District to Downtown Toronto.

4 ECONOMIC IMPLICATIONS

This section will assess the potential economic implications of the proposed development.

4.1 SUPPORTING THE ECONOMIC FUNCTION OF THE EMPLOYMENT AREA

There is a long-established film and studio sector in the South of Eastern Employment District, but this sector also extends into the Port Lands area to the south. Given the types of “screen-based” employment already located in the surrounding area, it is expected that much of the office and studio space in the proposed development will be attractive to businesses in the screen arts industry.

The City of Toronto’s *Strategic Plan for Toronto’s Screen-based Industry*, dated September 2007, included a number of action items, including item number 7, which states that:

7. To attract high-end productions to Toronto, we must use planning tools and incentives to lure dedicated studio developments. Toronto has former industrial lands downtown that are ideal for this purpose and will keep our industry where we want it – concentrated in the City’s centre. ... (page 29)

Retaining and expanded the studio/office uses on the subject site will help to further establish the South of Eastern Employment District as a unique Employment District that contains a cluster of “screen-based” employment.

4.2 BUILDING AN AMENITY-RICH MIXED-USE EMPLOYMENT DISTRICT

The Malone Given Parsons report says that office uses need access to urban amenities, including retailers and service providers:

...office use needs include:

Clustering, to enable easy face to face contact and proximal access to suppliers, customers, labour, research networks, etc. Density enables walkability and requires higher order transit connectivity to workers’ places of residences and to other clusters...

Access to urban amenities, including retail & services providers, entertainment and recreation.

In Appendix 2 to the Malone Given Parsons report, a case study looked at the value that amenitization and multi-functionality bring to employment areas:

It has long been recognized that access to retail and service uses is of value to employers and labour in employment areas. Their presence benefits the functionality and attractiveness of these areas. ...

Introduction of mixed use to employment areas is at the very least a potential answer to revitalizing employment areas that are in decline, or under-using their land base.

The report also found that the provision of amenities and multi-functionality in an area helps make the area more attractive for potential employers:

...amenitization and multi-functionality are seen to create a positive energy and vitality within a community or area, provide convenient access to services, and positively influence the attractiveness of the area for potential employers.

The businesses that locate in the office and retail spaces can help provide goods and services to both the current and future employees in the Employment District, as well as residents in the surrounding area.

The development would see most of the required parking provided through structured parking, which allows for the office, retail and hotel uses to be built at urban densities, making more efficient use of the subject site.

The proposed development would see the extension of the local road network through the subject site, the extension and expansion of the area's pedestrian network, and the creation of a new public plaza. The proposed development meets policy 3.5.1.1 of the *City of Toronto Official Plan*, which encourages economic opportunities through high-quality architecture and urban design in new developments.

4.3 ADDING RETAIL TO SUBJECT SITE WILL HAVE NO UNDUE IMPACT ON NEARBY SHOPPING DISTRICTS

The new retail and service uses proposed in the subject development represent a small proportion of the gross floor area being proposed (approximately 14% of the new space, and 12% of the total existing and proposed new space), and will complement the principal non-retail uses. Therefore, the proposed development would not trigger a "retail contagion" that could possibly destabilize the economic function of the area. Instead, by

adding uses that complement the existing uses, the proposed development will strengthen the economic function of the area.

Any other potential retail developments in the area would need to show that the employment role and function of the area could be maintained and enhanced by the introduction of retail and service uses complementary to the principal non-retail uses.

Further, according to an August 2007 Market Opportunity and Impact Analysis by Malone Given Parsons, for the proposal for the subject site that was submitted in 2007, that proposal would have no adverse effect on the economic health of nearby shopping districts. As the proposal submitted in 2007 contained much more retail space than the current proposal, the conclusions from the August 2007 Malone Given Parsons report should still apply to the proposed StudioCentre development.

4.4 POPULATION GROWTH IN THE CITY BRINGS NEED FOR SUBSTANTIAL NEW RETAIL AND SERVICE SPACE

According to the Malone Given Parsons report *Planning for Employment*, the population growth that is forecast for the City will trigger the need for new retail and service space:

Increased opportunity for retail and service commercial space is mainly triggered by an increase in the population base in a market. The location of population growth determines, to an extent, the opportunity for certain types of commercial facilities, particularly those which serve the daily and weekly needs of residents as well as those providing for higher order and comparison shopping space. (page 4-29)

While the proposed retail space will add amenities for the employment uses in the area, they may also help meet the needs of the existing and future residents in the surrounding area.

Given the forecasted amount of population growth in the City, the Malone Given Parsons report estimated that the City would require between 11 million to 29 million square feet of additional retail and commercial space by 2031 across the City as a whole. The report discussed the land requirements for this additional retail and commercial space:

A large portion of the additional retail and service commercial space in Toronto will be accommodated by redevelopment of existing land, and/or integrated with some stacked and/or mixed use forms and formats. (page 4-28)

The report then discussed the locations that should accommodate the additional retail and commercial space:

Opportunities should be provided to accommodate retail and service commercial space in various locations throughout the city:

Trends illustrate development of open air centres most of which are located in Employment Districts – Industrial, Avenues, and Mixed Use Areas of the city. Locations are characterized by and provide large land parcels, visibility and access to and frontage on major streets, and access to transit; (page 4-31)

4.5 ATTRACTING OFFICE USES OUTSIDE FINANCIAL CORE

The Malone Given Parsons report noted that future office development is most likely to be achieved on sites that have access to amenities and are located in mixed-use settings:

Employment growth in the city will be accommodated through a combination of absorption of still vacant lands, and redevelopment of currently occupied lands...

In terms of wealth-generating employment, preservation of site opportunities for future office uses is the highest leverage strategy. It has the smallest land area commitment, but will only work where conditions are appropriate – clusters with transit connectivity/proximity to others in amenity-rich mixed-use settings. ... (page 4-37)

The MGP report notes the difficulty in attracting smaller office uses outside of the Financial Core in the size range of 20,000 to 250,000 square feet. The proposed development would see the construction of 814,130 square feet of new office/studio space.

New buildings in the 20,000 to 250,000 sq. ft. size range located in other proven office employment clusters is the market segment Toronto has been losing to the 905. Creating the conditions on the ground to facilitate change in this sector will enable the city to meet the growth potential and diversity of employment projected in this report. ...

The challenge for the city is to create the conditions where buildings where buildings can be built in mixed use clusters on competitive timelines. (page 5-6)

According to Altus InSite data, of the offices built in the City of Toronto since 2001, only 12% of the floor space was built outside of the Downtown (or 904,100 square feet out of 7,532,600 square feet total built in the City) in just 6

new buildings.² By comparison, over the same period of time, the “905” area outside of the City has seen 15,176,145 square feet of new office space built in 143 new buildings.

The proposed development can provide new office space in a location in the City of Toronto outside of the Downtown, which will help to revitalize the employment district and subject site, by contributing to the establishment of an “amenity rich”, urban environment that is well connected to the surrounding area. These features and amenities will help the site and Employment District compete with the suburban office parks that have been more successful in attracting office growth in recent years.

4.6 SUPPORTING SMALL AND MEDIUM BUSINESSES

According to the City’s *Strategic Plan for Accelerating Economic Growth and Job Creation in Toronto*, small businesses with fewer than 100 employees account for 97% of all firms and 48% of total employment in the City of Toronto.

According to the City’s Strategic Plan:

Helping small enterprises grow into medium enterprises, and medium enterprises into large enterprises is therefore key to job creation. (page 25)

Given the size of the floor plates of the buildings included in the development plan, much of the new retail and office space provided in the proposed development would be suitable for small and mid-size businesses.

4.7 CONSTRUCTION-RELATED AND PERMANENT EMPLOYMENT

4.7.1 Construction-Related Employment

Construction of the proposed development will create work directly for construction workers in the City of Toronto and surrounding area. It will also create work for employees in the industries that produce the materials and services required for construction of the development. The construction employment projections were prepared by Altus Group Economic Consulting based on Statistics Canada input-output tabulations for construction and related industries.

² Downtown includes Financial Core, Downtown East, South, North and West, King and Dufferin, and Bloor leasing districts.

It is projected that approximately 1,470 person-years of employment would be directly generated in the construction of the new components of the proposed development. Approximately 699 additional person-years of employment would be generated in industries that provide materials and services to the construction industry.

4.7.2 Permanent Employment

When the proposed development is completed and occupied, it will accommodate a total of approximately 4,390 jobs, including approximately 4,007 jobs in the office/studio space, 306 jobs in the retail space and 77 jobs in the hotel.

Figure 11 shows the estimated employment on the subject site, with an estimate of the employment in the existing buildings to be retained, as well as an estimate of the new employment generated from the introduction of new uses in existing buildings, and the development of new office, retail and hotel buildings.

Figure 11

Estimate of Jobs in Existing and New Buildings, StudioCentre

<u>Floor Area per Job Factors</u>	<i>m² per Job</i>		
Office / Studio			23
Retail			46
Hotel			95 ¹
	<u>Existing Uses</u>	<u>New Uses in Existing Buildings / New Buildings</u>	<u>Total</u>
<u>Building Area</u>		<i>Square Metres</i>	
Office / Studio Space	16,530	75,640	92,170
Retail	-	14,060 ²	14,060
Hotel	-	7,290	7,290
Total	16,530	96,990	113,520
	<i>Jobs</i>		
<u>Jobs Generated</u>			
Office / Studio Space	719	3,289	4,007
Retail	-	306	306
Hotel	-	77	77
Total	719	3,671	4,390

¹ Based on estimate of 1.95 rooms per 1,000 square feet, and an assumed 1 job per 2 rooms

² Includes retail space in new buildings, and new retail space in existing buildings

Source: Altus Group Economic Consulting based on plans provided by client and City of Toronto employment factors

In total, we estimate that the existing buildings to be retained on the subject site employ roughly 719 persons. The new buildings and the existing buildings with new uses would add approximately 3,671 new jobs to the subject site.

The addition of 3,671 new jobs to the subject site is significant considering that the Employment District as a whole had 4,033 jobs as of 2011. Assuming that employment elsewhere in the Employment District stays constant until the proposed development is built-out, the 3,671 new jobs on the subject site would increase employment in the South of Eastern Employment District by 91%.

4.8 MUNICIPAL REVENUES

4.8.1 Construction-Related Revenues

4.8.1.1 Development Charges

The proposed development will generate significant development charge revenues for the City. The development charges generated will be available to help finance growth-related infrastructure and community facility projects in the area surrounding the subject site and elsewhere in the City of Toronto.

Figure 12 shows the projected development charge revenues the proposed development would generate.

Figure 12

Development Charge Revenues, StudioCentre

	<u>DC Rate</u>	<u>Gross Floor Area</u>	<u>DC Revenues</u>
	<i>\$/ Sq. Metre</i>	<i>Sq. Metres</i>	
Gross Floor Area in New Buildings (Ground Floor Only)	141.16	21,257	3,000,698
<u>Non-Residential DC Revenues</u>			
<u>Development Charge Revenues by Service</u>	<u>Percent</u>	<u>Dollars</u>	
Spadina Subway Extension	12.17%	365,185	
Transit (balance)	24.66%	739,972	
Roads and Related	23.00%	690,160	
Water	20.72%	621,745	
Sanitary Sewer	4.63%	138,932	
Storm Water Management	3.61%	108,325	
Parks and Recreation	1.23%	36,909	
Library	0.44%	13,203	
Police	2.68%	80,419	
Fire	1.16%	34,808	
Emergency Medical Services (EMS)	0.07%	2,100	
Development-Related Studies	2.08%	62,415	
Civic Improvements	1.63%	48,911	
Child Care	1.62%	48,611	
Health	0.05%	1,500	
Pedestrian Infrastructure	0.25%	<u>7,502</u>	
Total		3,000,698	

Note: Non-Residential DC rate applies only to non-industrial uses, and for the non-residential gross floor area located on the ground floor only

Source: Altus Group Economic Consulting based on City of Toronto Development Charge By-law 275-2009, and DC Pamphlet for Rates effective February 1, 2013

In total, nearly \$3.0 million of development charge revenues will be generated, including:

- Approximately \$1.1 million for transit (including the Spadina Subway extension);
- Approximately \$1.6 million for infrastructure (roads, water, sewer and storm water); and
- Approximately \$336,000 for other City services.

4.8.1.2 Building Permits

The proposed development will generate approximately \$1,581,200 in building permit fees for the City, at the current rates. We have assumed for this calculation that the building permit fees would only apply to new space being built. However, if there are any alterations required for existing buildings, the permits required for those alterations would also generate

building permit revenues for the City (albeit at lower rates per square metre than a new building).

4.8.2 On-Going Revenues

4.8.2.1 Property Tax Revenues

The proposed development will generate a significant amount of property tax revenue for the City of Toronto. We have modelled the assessed value per square foot for the office, retail and hotel uses by looking at similar recently built developments around the City.

We have estimated that the entire development, at build-out, would generate roughly \$265.4 million in assessment value for the City, a significant increase from the \$44.2 million in assessed value for the properties at 629, 633 and 675 Eastern.³

Based on the estimate of assessed value and 2012 property tax rates, the development will generate approximately \$4.6 million per year in property tax revenues for City purposes. An additional \$3.8 million per year will be generated for education purposes.⁴

Figure 13

Estimated Property Tax Revenues, StudioCentre

	Units Sq. Ft.	Assumed Assessment Value per Unit ¹ \$/ Square Foot	Assessment Value Dollars	2012 Property Tax Rates			Estimated Property Tax Revenues		
				Municipal	Education	Total	Municipal	Education	Total
				Percent			Dollars		
Office/Studio/Flex	992,110	200	198,422,000	1.7455255%	1.4360970%	3.1816225%	3,463,507	2,849,532	6,313,039
Retail	151,350	380	57,513,000	1.7455255%	1.4360970%	3.1816225%	1,003,904	825,942	1,829,847
Hotel	78,490	120	9,418,800	1.7455255%	1.4360970%	3.1816225%	164,408	135,263	299,671
Total	1,221,950		265,353,800				4,631,818	3,810,738	8,442,556

¹ Based on average assessed value for similar properties in surrounding area
Source: Altus Group Economic Consulting based on City of Toronto

³ \$44.2 million in assessment for 629, 633 and 675 Eastern based on 2012 Current Value Assessment, source: Altus Group

⁴ We have not factored in to our estimate of annual property tax revenue generation any Financial Incentives that may be applicable to the proposed development through the City's Imagination, Manufacturing, Innovation and Technology (IMIT) incentive program. These financial incentives are given to property owners who develop new buildings, retrofit or expand existing buildings, where the improvements or new development will increase the assessed value of the property. The grant is based on the increase in the property taxes that result from the increased assessed value. After the taxes have been paid each year, the City gives back a percentage of the increment in the property tax for that year, as a grant.

4.9 CONCLUSIONS

Because the site design optimizes use of an underutilized site, the proposed development will have a positive economic impact on the local area, the Employment District and the City of Toronto. The proposed development will help address policy objectives to:

- Accommodate planned employment growth in Toronto;
- Expand the City's revenues to help finance investment in new infrastructure and services and on-going City operations; and
- Make efficient use of land and infrastructure.

The proposed development will help revitalize the South of Eastern Employment District, and contribute to the successful evolution of the Employment District from primarily an industrial area into a mixed-use employment area with urban amenities, which can help to stimulate future investment needed to sustain the Employment District in the long-term.

The proposed development will support and enhance the primary economic function of the Employment District as a film and studio district. The proposed development will provide amenities that will complement and strengthen the employment function of the site and Employment District.

The proposed development will generate the following economic and fiscal benefits:

- 2,169 person-years of employment in the construction of the buildings, including 1,470 person-years directly in the construction of the development, and another 699 person-years in industries that provide material and services to the construction industry;
- A total of 4,390 permanent jobs in all buildings on site at full build-out, including 4,007 jobs in the proposed and existing office/studio space, 306 jobs in the proposed retail space, and 77 jobs in the hotel. The amount of employment at build-out would represent a significant increase in the amount of employment already on the subject site, increasing employment on the site by an estimated 3,671 jobs;
- \$3.0 million in development charge revenues for the City to be used to fund growth-related capital infrastructure;
- \$1.6 million in building permit revenues for the City; and

- Approximately \$8.4 million per year in annual property tax revenues, including \$4.6 million per year for City purposes and another \$3.8 million per year for education purposes.