



Services and
Mixed Use
District



TORONTO



TORONTO
REGION
BOARD OF TRADE

economic
blueprint
institute

FROM CRISIS TO OPPORTUNITY:

Challenges Today and Futureproofing for Tomorrow in the
Services and Mixed Use District of Canada's Innovation Corridor

June 2021

Ready for Reopening and Recovery

To develop a path forward for our economy and the businesses that power it, the Toronto Region Board of Trade (TRBOT) launched its Reimagining Recovery Framework in May 2020. The Framework outlined six specialized recovery work tracks, informed in consultation with 25 stakeholder tables comprised of more than 350 individuals, 300 businesses and all three levels of government, as well as 29 recovery events with over 7,100 virtual attendees. Two of these work tracks addressed the pandemic's impact on our physical workplaces. Two others focused on the pandemic's impact to sectors and our economic zone, the Innovation Corridor.¹

Building on the work and success of this Framework, TRBOT, with support from the Government of Canada through the Federal Economic Development Agency for Southern Ontario, embarked on a journey to solve for the safe reopening, continued operation, and recovery of business districts.

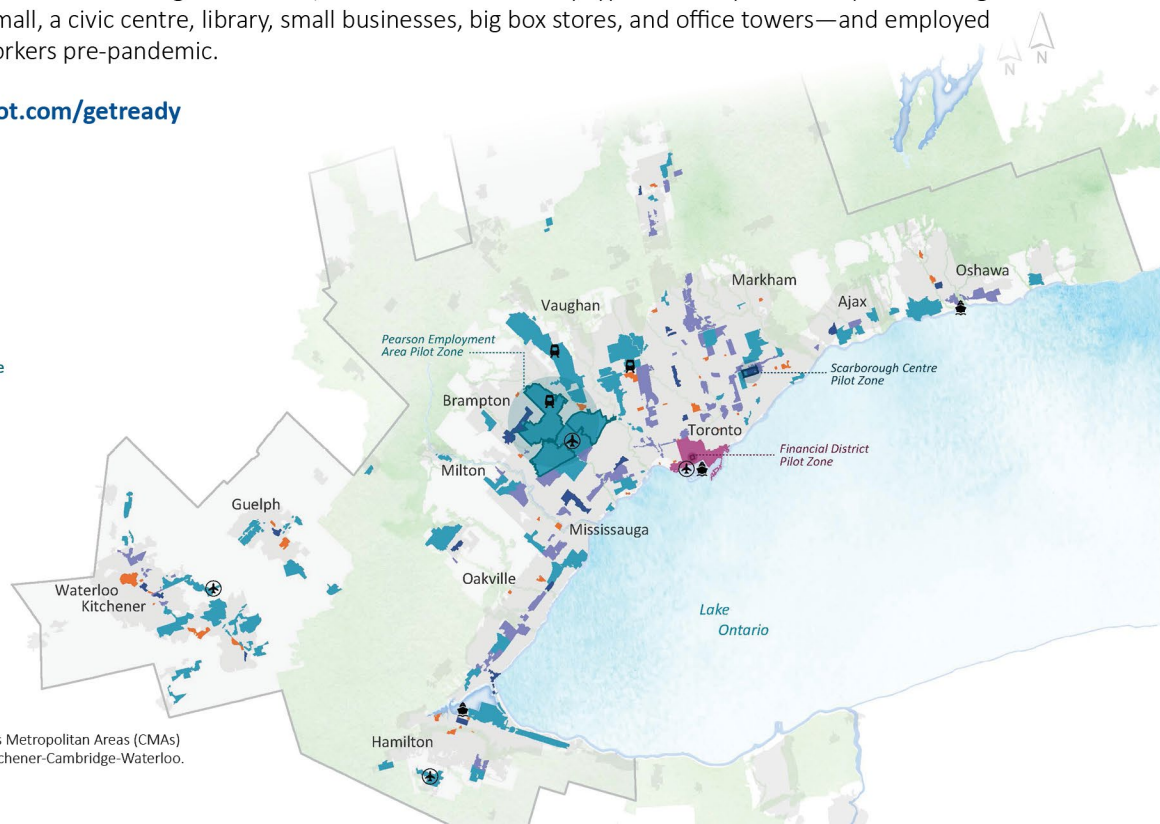
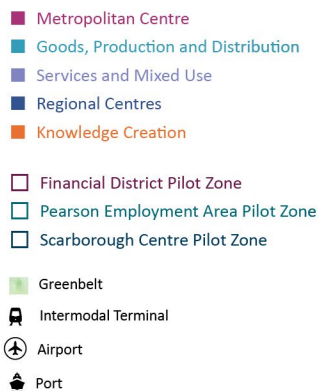
The outputs include five business district reports which examine similarities and differences in mitigation needs and how best to support their recovery. The districts chosen mirror the types of business districts in other parts of Ontario and Canada. These are:

- **Metropolitan Centre:** The dominant urban centre of a region, defined by its density and variety of services – such as finance and professional services, tourism, and retail.
- **Goods, Production and Distribution:** Areas defined by the production and movement of goods — such as manufacturing, warehousing, and logistics.
- **Services and Mixed Use:** Less-dense areas with a mix of activities including professional services, light industrial, and retail.
- **Regional Centres:** Hubs that are home to civic and government institutions, as well as professional and retail services that attract local workers and nearby residents.
- **Knowledge Creation:** Engines of the innovation ecosystem, including post-secondary schools and teaching hospitals.

Additionally, pilot zones were selected in three districts across the Toronto Region. Key organizations were engaged to explore their needs and concerns around continuing to operate safely through the COVID-19 pandemic. For each zone, actionable guides have been created to enable the right conditions to support workplaces in minimizing COVID-19 transmission risk and ensure consistent, clear communications between employers and their workers.

- **Financial District Pilot Zone:** Located in the Metropolitan Centre, the FDPZ is the heart of downtown Toronto. Dominated by financial and business services, this zone employed approximately 118,000 people, 21% of the Metropolitan Centre's 550,000 pre-pandemic workers.
- **Pearson Employment Area Pilot Zone:** In a Goods Production and Distribution District, this zone includes many businesses that have remained open with mitigations in place. Prior to the pandemic, the Pearson Employment Pilot Zone employed more than 200,000 people, 63% of the more than 300,000 workers in and around the Toronto Pearson Airport Employment Zone.
- **Scarborough Centre Pilot Zone:** A Regional Centre, this zone includes many types of workplaces and public-facing spaces—including a mall, a civic centre, library, small businesses, big box stores, and office towers—and employed more than 17,500 workers pre-pandemic.

To learn more, visit www.bot.com/getready



1. The Innovation Corridor comprises five Census Metropolitan Areas (CMAs) of Oshawa, Toronto, Hamilton, Guelph and Kitchener-Cambridge-Waterloo.

Foreword

When the COVID-19 pandemic began in March 2020, all our lives changed. Not just in the practical sense of new routines, new ways of getting around or sharing spaces, but also in the collective way we talked about this historic moment. Terms like “PPE,” “flattening the curve” and “herd immunity” are now used and understood widely. This was because the problem – in this case, a highly contagious virus – threatened each and every one of us, so we needed a shared lexicon to overcome it collectively. In other words, a new language for new times. In this report, one in a series on each of the five types of Business Districts, we deep dive into the conditions unique to the Services and Mixed Use District (SMUD) that will determine a safe re-opening and the economic impacts of the pandemic on the District.

In this series of reports that spotlights business districts across Canada’s Innovation Corridor, the Toronto Region Board of Trade introduces a framework for characterizing, understanding and analyzing the region’s economic makeup and assessing the impact of the pandemic. Again, a new language for new times. Because the truth is that the pandemic was not the first existential threat to the Toronto region’s prosperity, nor will it be the last.

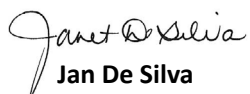
Historic population growth, driven by strong immigration and job creation, left our region as one of the world’s most expensive places to buy a home with some of most congested roads, highways and subways. Our fastest growing sectors – like construction, AI, cleantech – are facing a shortage of skilled workers. Businesses that start in the region aren’t able to scale here, or they find themselves unable to access new consumer markets.

The ways we’ve historically tackled such issues are also coming up short. Piecemeal, project-by-project investments by federal and provincial governments can’t keep up with the region’s expanding list of needs. A legacy funding model fiscally straps municipalities, of which there are 34 across the Corridor, within their own city limits. Yet drivers of our economy – the smooth flow of people and goods, a highly-skilled workforce, a competitive and trading market – transcend municipal boundaries. Now, more than ever, we require more data nuanced ways to understand, plan for and address barriers to growth in our regional economy.

The Business District Report Series, which this report belongs to, are that guide. The reports use research and insights from our data-driven Economic Blueprint Institute to deep dive into five types of business districts first debuted in the Board’s 2020 regional recovery playbook, Shaping Our Future. Five ways to view, understand and analyze parts of the Innovation Corridor defined not just by where but by what.

By mapping and profiling these districts we better understand how they’ve been impacted by the pandemic and what each requires to recover. For instance, financial services offices in downtown Toronto have different needs than warehouses and e-commerce fulfillment centres around Pearson Airport. Because recovery is a global endeavour, this Business District Report Series also provides a methodology for others to apply to their own regions.

After all, when it comes to managing COVID-19 and planning for recovery there is no one-size-fits-all solution. Studying the unique, place-based structure of our economy can give us the map to navigating out of this pandemic-fuelled recession – and seizing on the region’s still untapped potential.



Jan De Silva

President & CEO,
Toronto Region Board of Trade



5 Executive Summary

9 Re-Opening Drivers

Enabling Safe Travel

Enabling Safe Buildings

15 Recovery Drivers

The Future of the Office
and Office Space

Acceleration of E-commerce

Supporting Highly Impacted
Industries

Challenges Facing Vulnerable
and At-Risk Workers

Fiscal Health of Cities

24 Building a Strategy for Recovery

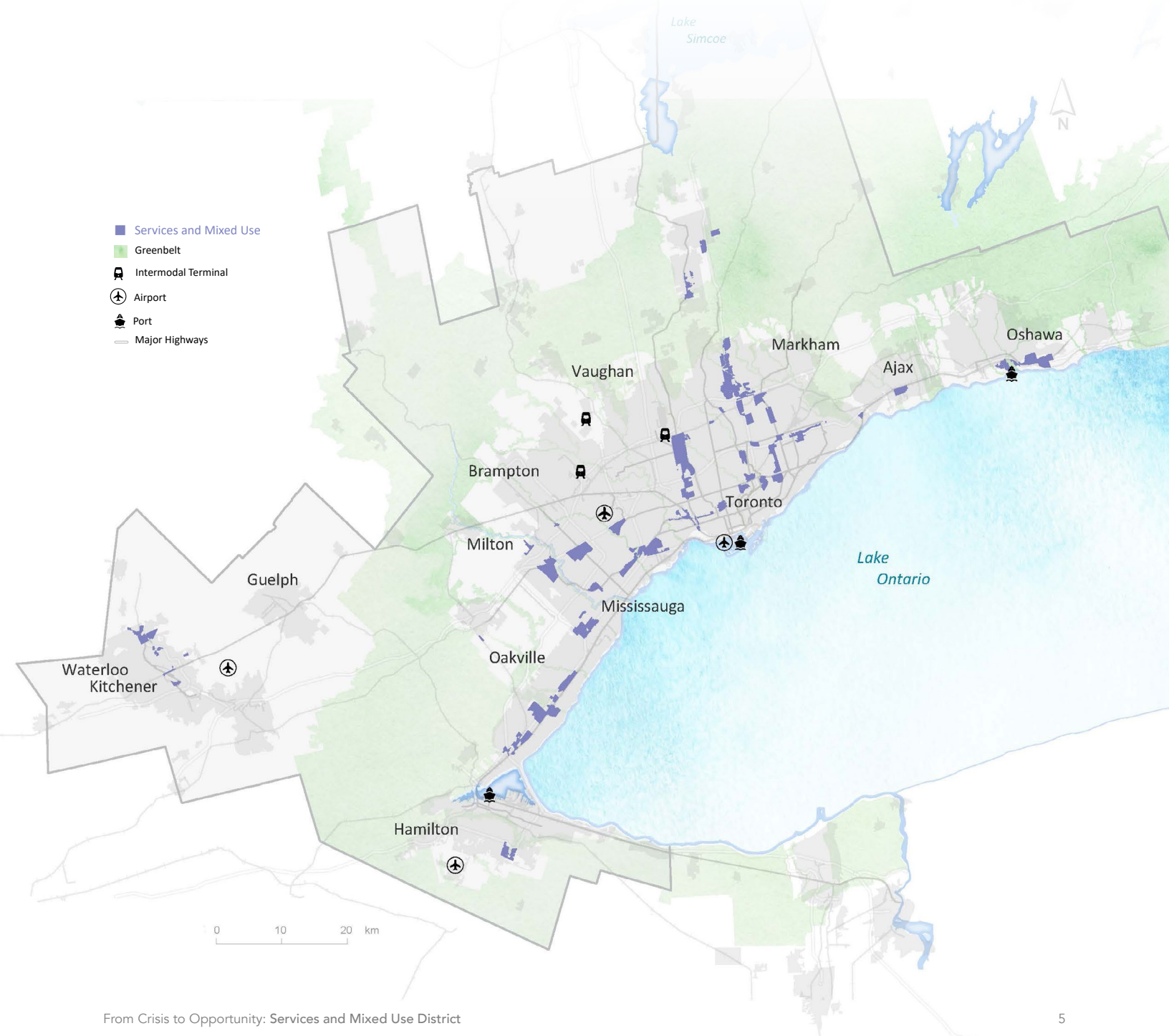
26 Acknowledgements

26 Endnotes

Executive Summary

In *Shaping Our Future*, the Toronto Region Board of Trade (TRBOT), through its Economic Blueprint Institute (EBI) introduced a Business Districts framework to measure and track regional economic recovery. These Districts transcend the boundaries of the 34 municipalities that make up the Innovation Corridor (the “Corridor”) because this economic zone functions regionally.

In this report, one in a series on each of the five types of Business Districts, we deep dive into the conditions unique to the Services and Mixed Use District (SMUD) that will determine a safe re-opening and the economic impacts of the pandemic on the District.



EXECUTIVE SUMMARY

Economic Health in the Corridor

More than a year after the pandemic, the negative impacts to the economy persist. As of March 2021, employment in the Corridor has fallen by 243,000, or 5% since the start of the pandemic.¹ There are also notably fewer operational businesses across the Corridor – the number of active businesses declined by 5% between February and December of 2020.²

However, the pandemic-induced economic crisis has not prompted widespread bankruptcies. In fact, according to The Office of the Superintendent of Bankruptcy, consumer and business insolvencies dropped 30 and 24 per cent in 2020, respectively, relative to 2019 levels.³ A similar story is conveyed in Dun & Bradstreet's data on financial stress scores, which have not changed significantly for businesses across the Corridor.

Fiscal support from governments and a formidable pivot in business practices have gone a long way in enabling businesses to stay afloat. Curb side pick-up was quickly established as a norm, and programs such as Digital Main Street and TRBOT's Recovery Activation Program (RAP) have helped businesses go digital and build resilient business processes. Still, to weather the storm businesses have racked up substantial debt. Small businesses in Ontario have taken on an additional \$66.7 billion in debt due to the pandemic – an average of nearly \$208,000 per business.⁴ As government supports wind down, it will be crucial for policy makers to continuously assess the fiscal health of businesses and respond accordingly.

Economic Health in the Services and Mixed Use District

The diversity of businesses in the SMUD, which range from suburban office parks to light industrial parks that include manufacturing, retail and wholesale trade, and construction, has allowed the District to escape major economic disruption during the pandemic.

Containing elements of both the Metropolitan Centre (MC), marked by office businesses, and the Goods Production and Distribution District (GPDD), the SMUD has a substantial geographic footprint across the Corridor, with almost 690,000 jobs prior to the pandemic.⁵ A little less than half of these jobs (approximately 330,000 workers) have a low capacity for remote work, and about 7% of jobs (49,000 workers) are within industries that were highly impacted by the pandemic, including Air Transportation; Arts, Recreation and Entertainment; and Accommodation and Food Services.⁶



The 'open for business' status of many firms in the SMUD does not mean the District is without its challenges. Like the GPDD, many essential on-site workers in the SMUD are at a higher risk of contracting the COVID-19 virus. These jobs typically pay lower wages and are performed by a disproportionate concentration of marginalized groups in these industries.

Office businesses, including those located in suburban office parks, also face unique challenges. Prior to the pandemic, with the growing concentration of knowledge workers flocking to downtown Toronto, the demand for suburban office space had weakened considerably. This is evidenced by higher than 10% vacancy rates for suburban office space compared to 2% in Downtown Toronto. Vacancy rates in the SMUD have continued to increase during the pandemic. The outlook of suburban offices will to a large extent be determined by the future of work, and whether companies will choose to leave the core and move into suburban office parks that are ripe to be re-imagined and re-invented. This presents an opportunity for local governments and developers to revitalize office spaces in the suburbs by investing in flexible workspaces, improved walkability, social amenities, and housing that will help form more complete communities.

The SMUD has also been more resilient than other Districts to declining in-person consumer spending due to the presence of essential workers and large retail stores, as well as demand from local neighborhoods. Businesses in the District have also benefited from the rise in e-commerce activity which has escalated since March 2020.

EXECUTIVE SUMMARY

As the economy of the Innovation Corridor begins to re-open and recover, key factors affecting the continued economic health of the SMUD include:

Re-opening

Because the District has elements of both the GPDD and the office and retail elements of the MC, reducing risk of COVID-19 transmission involves tackling a variety of work settings.

The prioritization of essential workers – who continue to work on-site in manufacturing, warehousing, and distribution settings – for vaccination has finally been announced by the Province.⁷ More work, however, remains to be done to ensure essential workers are given priority access to vaccines to break the causal link between essential on-site work and community spread of the virus. A collaborative effort between the government and employers to implement workplace-based vaccination must be a central piece of the rollout strategy. The mixed use nature of the District also means that specific mitigation efforts for workplace return must be put in place. Even if the office set-up is less dense than in the MC, concerns about congestion management around elevator use and building traffic remain. Smart city technology solutions may be implemented to mitigate lingering effects of the pandemic in the District.

Drivers of Recovery

The future of this mixed use District will, in part, be influenced by the growth in e-commerce and shift towards remote work. The SMUD will continue to face the dual pressures of growing demand for residential homes and industrial real estate space near where people live, which could lead to land use conflicts. To address these challenges, governments must revisit land use strategies to protect employment lands. At the same time, an increase in demand for satellite suburban office space to accommodate hybrid work arrangements has the potential to rejuvenate the District. Recovery initiatives should examine ways to revitalize suburban business parks to attract talent and businesses.

While the District is positioned to benefit economically from the transition to e-commerce and increased competitiveness through automation, many of its workers remain vulnerable. To ensure an equitable recovery, the SMUD requires targeted investments and solutions that provide workers with the skills needed to prosper in an evolving workplace.



An increase in demand for satellite suburban office space to accommodate hybrid work arrangements has the potential to rejuvenate the District. Recovery initiatives should examine ways to revitalize suburban business parks to attract talent and businesses.

EXECUTIVE SUMMARY

Building a Strategy for Recovery

Pre-Pandemic Pain Points and Opportunities:



Challenging Conditions for the Commercial Office Real Estate Market

In contrast to the demand for industrial real estate, demand for commercial office real estate in many areas of the SMUD was low due to the lack of centrality, amenities, and other characteristics that make urban centres more attractive markets for office space.



Increased Congestion and Reliance on Automotive Modes of Transportation

A lack of convenient and efficient commuting options for workers in the District meant that they relied on automobile transportation. This creates significant congestion costs for the economy and is a major contributor to greenhouse gas emissions.



The Rise of E-commerce and the Growing Demand for Industrial Space

Industrial real estate had been booming even prior to 2020, supported by the growing presence of Amazon and other e-commerce players. Leading up to the pandemic, the Corridor experienced rising demand for warehouses, distribution centres, and other properties for logistics.

Pandemic Impacts:

Acceleration of E-commerce

Business closures and restrictions induced by the spread of COVID-19 have resulted in a surge in e-commerce activity, further intensifying the demand for industrial real estate. Businesses in the SMUD are key beneficiaries of this trend, many of which have large e-commerce capabilities.

Further Weakening Commercial Office Real Estate Demand

The rapid shift to remote work has further weakened the demand for office real estate in the District. However, families moving away from big cities to suburban locations presents an opportunity to reverse this trend.

Acceleration of Automation

The acceleration of automation will be felt most acutely by workers that were already at high risk of automation-related job transformations. These include office support occupations and sales representatives and salespersons occupations in wholesale and retail, both of which have a notable presence in the SMUD.



Post-Pandemic Recovery Strategy:

Supporting E-commerce and Protecting Employment Lands

To support the growth of e-commerce, and industrial activity more broadly across the Corridor, steps must be taken to strengthen employment land protections and adopt a regional approach to take inventory of industrial employment lands. Economic development entities must also continue to support digital enablement initiatives.



Reimagining Suburban Business Parks and Office Space

A shift towards hybrid work-from-home models and the potential relocation of workers to the suburbs presents an opportunity to redesign the future suburban office park. This includes opportunities for more flexibility in employment land planning to allow for coworking spaces, increased amenities, and even housing in strategic, carefully considered locations, with considerations such as proximity to rapid transit.



Futureproofing our Workforce

As workplaces continue to evolve, governments and employers must continue to invest in the local workforce. This includes retraining or upskilling the labour pool to be better equipped with technical and soft skills that are aligned with the jobs of tomorrow.

Developing a Business District Framework for Canadian Cities:

The Business District framework developed for the Innovation Corridor is based on two primary data sources:

1) employment area designations captured in municipal official plans and the provincially significant employment zones as referenced in Ontario's growth plan for the Greater Golden Horseshoe; and

2) estimated number and type of jobs based on 4-digit Industry (NAICs) Codes and Place of Work Status for the Employed Labour Force 15 years and older from the 2016 Canadian Census. To determine a Business District type, we overlaid census tracts with employment areas and where boundaries did not match,

we allocated jobs based on percentage of overlapped area. It is not a perfect science. However, the established Business District framework provides a working model for better understanding economic activity in the Corridor that can be refined with the next census, and as more granular economic and jobs data are brought to the project.



Re-Opening Drivers:

Challenges and Opportunities for the Services and Mixed Use District



ENABLING SAFE TRAVEL:

High Frequency of Movement In and Out of the District Requires a Focus on Contact Tracing Capabilities



ENABLING SAFE BUILDINGS:

Diversity of Operations in the District Requires Tailored Protocols for a Safe Reopening

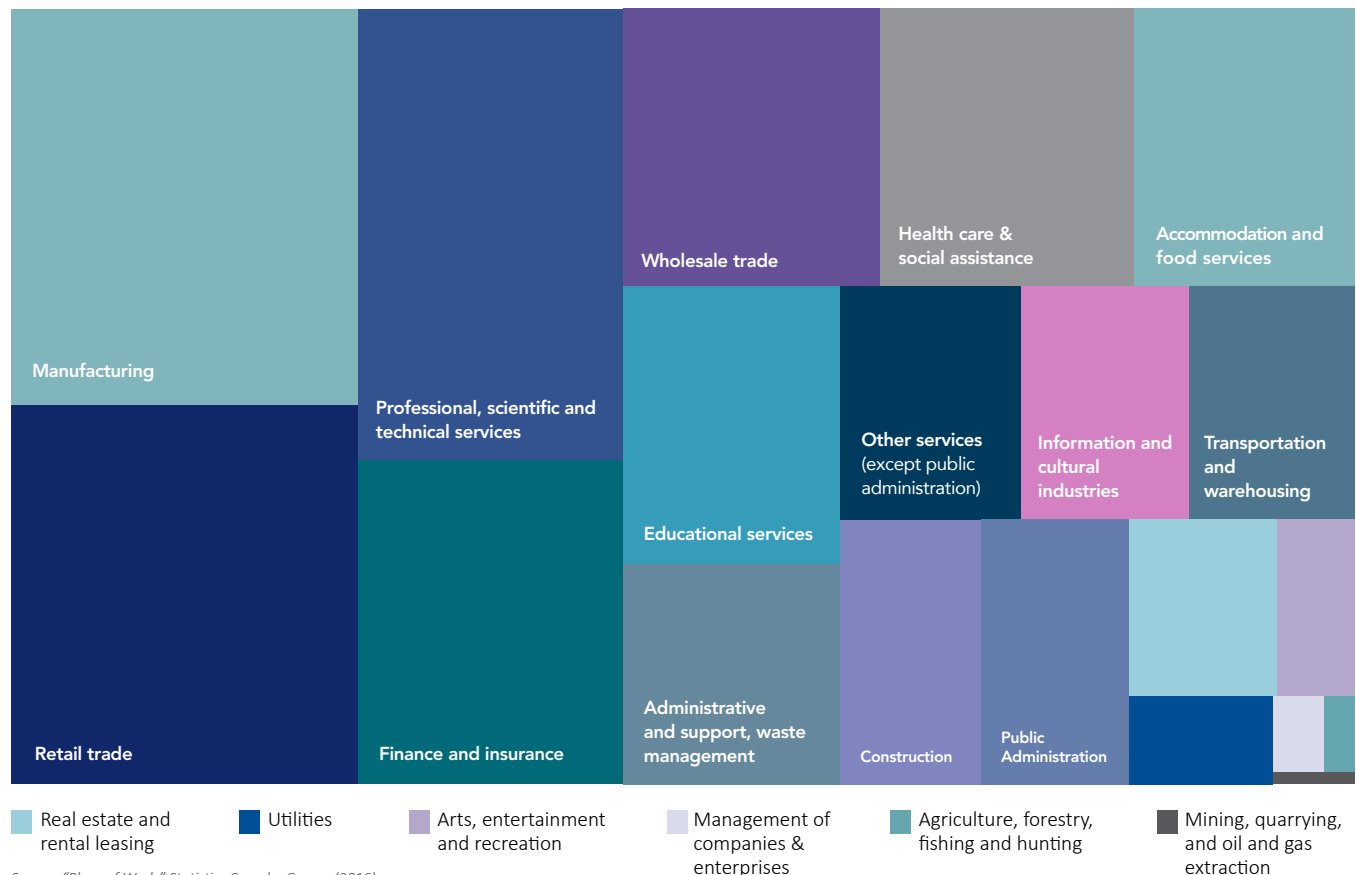
The SMUD boasts a significant concentration of essential sectors, such as manufacturing, transportation, and warehousing.

13%
of the workforce
lies within the
Manufacturing sector

The diverse makeup of businesses in the Services and Mixed Use District (SMUD) is a key feature of the District, with important implications for its ability to weather the impacts of the pandemic (Figure 1). Broad-based sector representation provides economic resiliency, but it also exposes the SMUD to a variety of challenges related to reopening.

The SMUD boasts a significant concentration of essential sectors, such as manufacturing, transportation, and warehousing. While this has allowed essential businesses to continue to operate throughout the pandemic, helping businesses and workers avoid the economic shocks faced by other sectors, it also means that a significant share of its workforce is exposed to the risk of contracting COVID-19. The District also hosts numerous office workers, many of which are based out of suburban business parks such as Meadowvale and the Airport Corporate Centre in Mississauga. Although more car-dependent than other office areas in the Corridor, these businesses will need to adapt their workplaces to bring employees back to the office safely.

FIGURE 1: Employment Breakdown by Sector, Services & Mixed Use District, 2016



RE-OPENING DRIVERS

The frequency of travel in and out of the District and high number of outbreaks at industrial sites also necessitates an approach that prioritizes widespread testing, contact tracing, and leveraging smart technology to alleviate building congestion and prevent virus transmission. Early research suggests that a vocation-based vaccination roll out strategy focused on essential workers would be effective in preventing adverse outcomes and reducing virus transmission. As evidenced by the spike in COVID-19 cases in Peel, the missing link to an effective vaccine rollout strategy is a collaborative effort between government and employers to deploy the vaccine to those who are most exposed.

ENABLING SAFE TRAVEL: High Frequency of Movement In and Out of the District Requires a Focus on Contact Tracing Capabilities

The SMUD is a critical part of the regional economy, with a substantial geographic and employment footprint across the Corridor. Prior to the pandemic, it had approximately 690,000 jobs, the second highest number of total jobs after the Goods Production and Distribution District (GPDD).⁸ Home to diverse businesses that include manufacturing, retail and wholesale trade, and professional services industries, these employment hubs are most easily accessible by car – close to 86% of work trips to the SMUD were completed by automotive transportation (Figure 2).⁹



Home to diverse businesses that include manufacturing, retail and wholesale trade, and professional services industries, these employment hubs are most easily accessible by car – close to 86% of work trips to the SMUD were completed by automotive transportation.

FIGURE 2: Commuter Trips by Transportation Mode, Services and Mixed Use District, 2016

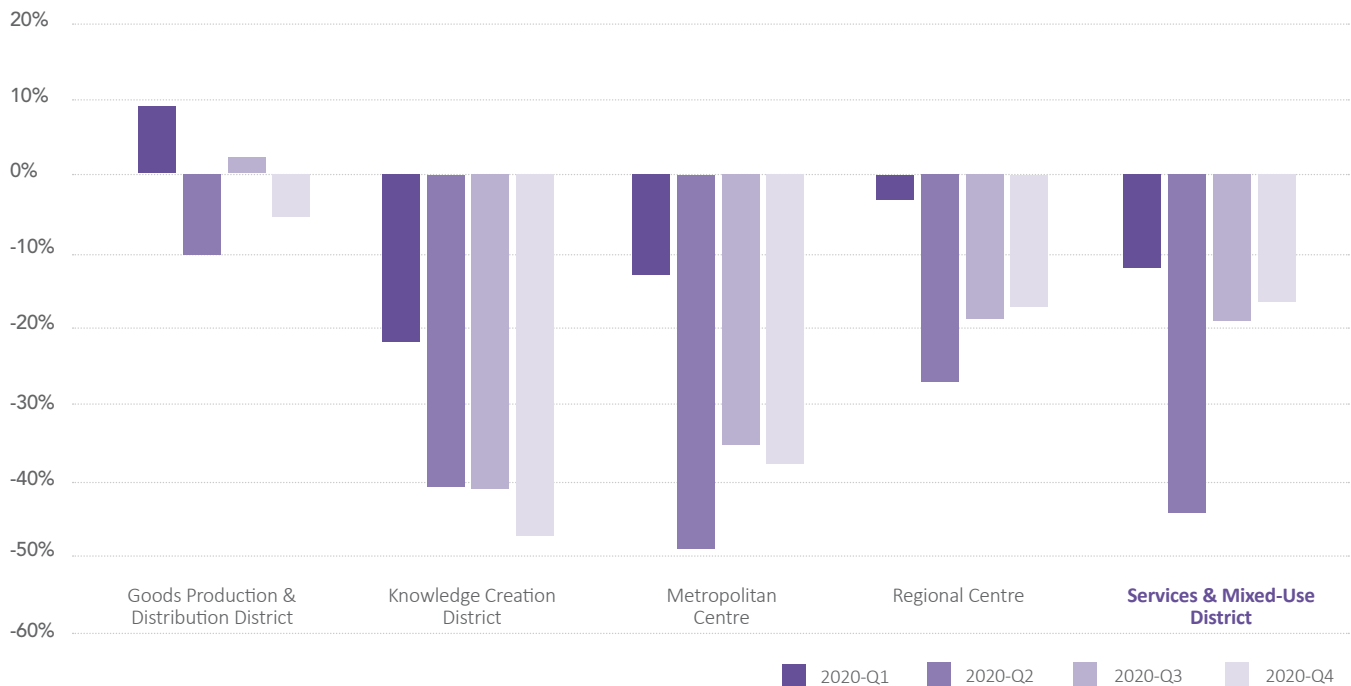
	24-HOUR DAILY WORK TRIPS					
	Auto	Transit	Bike	Walk	Other	Total
Number of Trips	342,144	48,414	3,397	4,879	31	398,865
Share of Total	85.8%	12.1%	0.9%	1.2%	0.0%	100.0%

Note: "Auto" modes of transport include travel by personal vehicle, taxi, ride hailing service, or a motorcycle. "Transit" transportation includes trips in which the primary mode of travel is some form of transit, which includes both local transit and GO Transit trips. "Work trips" are defined as trips made by workers from their residential zone to their place of employment. Any trips involving intermediate stops between a place of residence and work are ignored in this analysis. Home to work trips captured in this analysis are more representative of commuting patterns. Intermediate trips likely account for a small share of commuting trips and do not have a significant impact on the overall findings of our analysis. Trip counts represent estimates for trips made during a typical 24 hour weekday in 2016.

Source: Data Management Group at the University of Toronto Transportation Research Institute, Transportation Tomorrow Survey (2016)

RE-OPENING DRIVERS

FIGURE 3: Year-over-Year % Change in Daily Vehicle Trips for Home to Work Commuters, All Vehicles, Q1 2020 – Q4 2020



Note: Data represents changes in the average daily vehicle trips for workers that commute from home to work in the Business District by car, truck, or bus.
Source: StreetLight (2020).

Heavily impacted by the spread of COVID-19 and the lockdown measures that followed, commuter trips to the District by vehicle dropped by 45% in the second quarter of 2020 relative to 2019 levels (Figure 3). Unlike the Metropolitan Centre (MC) and Knowledge Creation District (KCD), the SMUD witnessed a moderate recovery. More than half of the initial decline in commuter travel was recovered in the second half of the year. This may be driven in part by the presence of essential businesses that have been largely exempt from the provincial closure orders, including those related to Manufacturing, Construction & Utilities, and Warehousing & Transportation, which cumulatively account for 29% of jobs in the District.¹⁰

Second to only the GPDD in terms of the total volume of vehicle trips¹¹, the employment hubs in the SMUD are prone to virus transmission due to truck and cargo activity. While providing essential logistic and warehousing functions across the Corridor, businesses in the District must work closely with local government and public health officials to implement contact tracing for all workers traveling in and out of these zones.

Smart city technologies, such as contact tracing apps, have proven effective in some countries in

More than half of the initial decline in commuter travel was recovered in the second half of the year.

curbing the spread of COVID-19 as their economies look to return to normalcy. South Korea, which was among the fastest countries to flatten the curve, has made use of the “Smart City Data Hub” tool to analyze data on coronavirus cases and their close contacts.¹² New Zealand has also developed a COVID Tracer app which allows users to scan QR codes at the premises of businesses and other locations they visit to create a digital diary. The app has proven highly effective in preventing the spread of new variants.¹³ Municipalities should explore ways of leveraging Canada’s own COVID tracing app and other digital technologies as part of their reopening plans. Balancing the use of technology solutions whilst addressing privacy concerns will be critically important for ensuring the safety of the workers in the District that continue to travel to and from work.

RE-OPENING DRIVERS

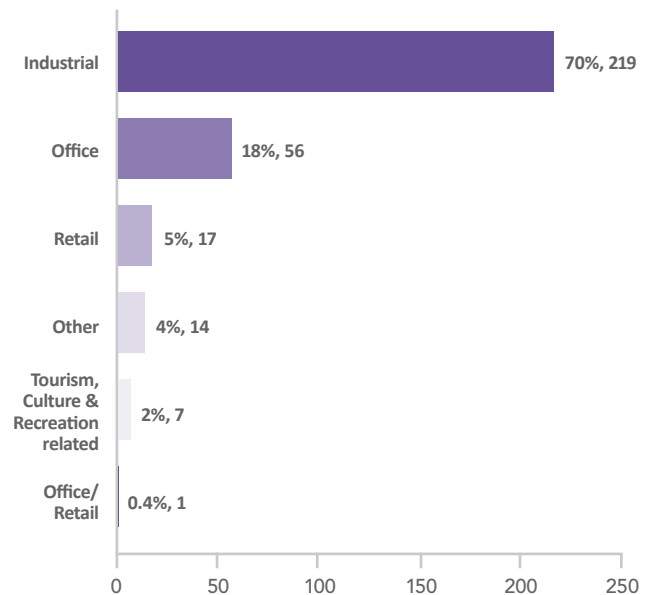
ENABLING SAFE BUILDINGS: Diversity of Operations in the District Requires Tailored Protocols for a Safe Reopening

Industrial space accounts for the largest share of total business property floor area in the SMUD, but there is also a significant portion of office and retail space, making the District highly diverse in terms of business makeup (Figure 4).¹⁴ More than a quarter of businesses (29%) in the District are in Manufacturing, Construction & Utilities, or Warehousing & Transportation, all of which have largely continued to operate throughout the pandemic. Alongside these are businesses in Finance & Business Services, which make up 35% of the total – a lower share than the MC or Regional Centres (RC), but higher than the GPDD.¹⁵ This presents challenges for COVID mitigation, as each business type will require different protocols to reopen safely.

The mixed use nature of the District places it in the middle of the five Business Districts in terms of job density. There are approximately 5,000 jobs in the District for every square kilometre of space – a quarter of the density seen in the MC, but double that of the GPDD (Figure 5). Similarly, 94% of business properties are in buildings with walk-up potential (defined as five storeys or less) – a higher share than the MC and RC, but lower than the GPDD. This means the District will need to deploy a variety of mitigations appropriate to both industrial and office-oriented employment zones.

Industrial space accounts for the largest share of total business property floor area in the SMUD.

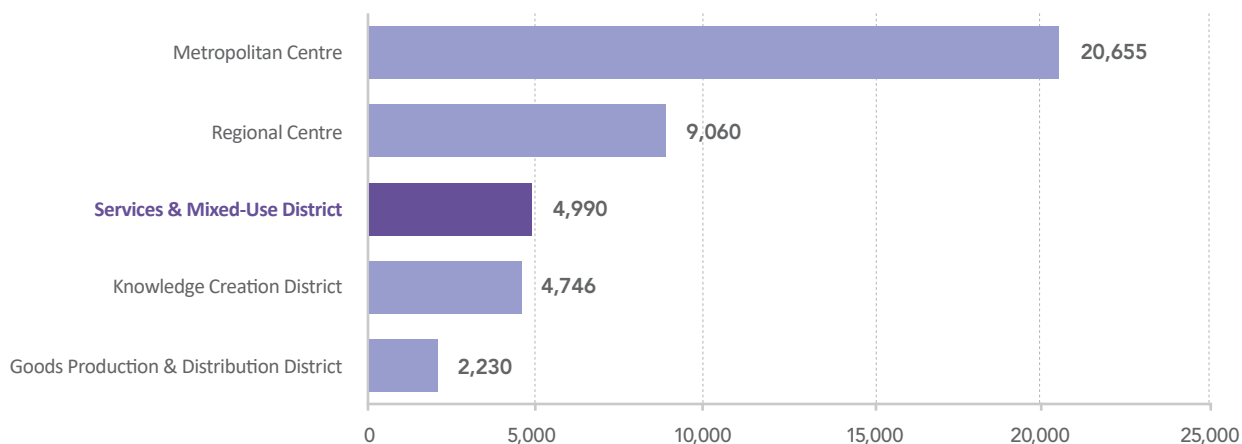
FIGURE 4: Total Floor Area (square feet, millions) of Business Properties, Services and Mixed Use District, 2020



Note: "Other" includes a wide variety of property types, including institutional buildings and commercial condominiums. Property tax revenue amounts based on 2019 Phase-In Current Value Assessments.

Source: MPAC data, based on properties active as of December 2020.

FIGURE 5: Job Density Per Square Kilometre, 2016



Source: EBI analysis based on GIS data; Statistics Canada, Census (2016).

The high concentration of essential workers in the District presents an opportunity for employers to work with government and health authorities to take an active role in vaccination deployment planning.

Office and retail businesses face challenges in encouraging daytime workers to return, while minimizing outbreak risks. The District is more car-dependent than the MC, but congestion management around elevator use and building traffic are still an issue. The Meadowvale Business Park in Mississauga, one of the largest of the SMUD by employment, was one of the first coronavirus transmission sites to be reported back in March 2020.¹⁶ Building owners must be aware of their tenants' unique needs for safe operations.

For industrial businesses, the priority will be maintaining high standards of symptom reporting, contact tracing, and testing, given that industrial sites across the Corridor have been a common source of outbreaks.¹⁷ The high concentration of essential workers in the District presents an opportunity for employers to work with government and health authorities to take an active role in vaccination deployment planning. In the U.S., the Centers for Disease Control and Prevention (CDC) has permitted employers with large workforces and sizable locations to set up temporary vaccination clinics at the workplace.¹⁸ Amazon has already begun deploying vaccinations for its front-line workers in the U.S. in select states, including financial incentives for workers to get the vaccine.¹⁹

MITIGATION TOOLKIT

For a full list of mitigations that can be used to help improve safety in the SMUD, [click here to access the Mitigation Toolkit](#).

Recovery Drivers:

Challenges and Opportunities for the Services and Mixed Use District



The Future
of the
Office and
Office Space



Acceleration
of
E-commerce



Supporting
Highly Impacted
Industries



Challenges
Facing Vulnerable
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Workers



Fiscal
Health
of Cities



Recovery of the SMUD will be driven by key trends that accelerated during the pandemic. These include the widespread adoption of remote work and the explosive growth in e-commerce.

Post-pandemic, the potential for hybrid work arrangements that allow employees, especially those with long commutes, to work remotely remains a strong possibility. This shift could see a growing number of young families migrate to the suburbs, giving companies a reason to invest in suburban operations. To capitalize on these trends, local governments and developers must re-imagine and re-invent suburban office parks as more complete and attractive communities.

The potential resurgence of suburban offices will have to be balanced against the continuing and ever-increasing demand for warehousing and distribution and other industrial employment lands. The need to balance competing land use demands requires the right mix of political and policy leadership.

The growth in e-commerce and rising automation efforts could also pose significant economic risks to the local workforce. Combatting these challenges requires a focused strategy on reskilling and upskilling workers to adapt to changes in the workplace.

The Future of the Office and Office Space: Suburban Business Parks

Office and combined office/retail space account for just under a fifth (18%) of total floor area among business properties in the SMUD. Because of the size of the District, this equates to a quarter of the Corridor's total combined office and office/retail floor area – the second-highest share after the MC.²⁰ Given the importance of the SMUD's office market to the region, and the changes to office workplaces brought on by the pandemic, there has never been a better time to explore ways of maximizing the potential of this District.

Prior to the pandemic, suburban business parks experienced a more challenging market than Downtown Toronto offices. Between 2006 and 2016, Downtown Toronto added over 67,000 jobs in tradable sectors while suburban business parks across the Greater Golden Horseshoe only added 6,305 core jobs over the same period.²¹ The same gap is seen in office vacancy statistics. In Q1 2020, while Downtown Toronto's office market had a 2.0% vacancy rate, Meadowvale, the 427 and Bloor Islington area of Etobicoke, and the Airport Corporate Centre had vacancy rates over 10% (Figure 6). By Q4 2020, Downtown Toronto had risen to 7.2%, but vacancies in these suburban office

RECOVERY DRIVERS

FIGURE 6:
Office Vacancy Rates (% , All Classes) – Select CBRE Office Submarkets

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
St. Clair & Yonge	1.5	2.2	2.5	5.0
Downtown Toronto	2.0	2.6	4.8	7.2
Waterloo North Tech Park	5.7	4.1	5.6	7.2
Markham & Richmond Hill	7.6	8.7	9.4	10.8
Hwy 10 & 401	9.5	10.9	10.9	11.2
Meadowvale	10.9	13.6	13.9	13.5
427 and Bloor Islington	14.8	14.8	15.5	18.9
Airport Corporate Centre	11.1	10.6	12.3	22.2

Source: CBRE, Toronto Historical Office Data (2020 Q4), Waterloo Historical Office Data (2020 Q4).

markets continued to grow well above 11%. The Airport Corporate Centre now has a vacancy rate of 22.2%, one of the highest across the Corridor. It also has the second highest office inventory of the CBRE submarkets covered in the SMUD (following Markham & Richmond Hill), with nearly 7 million square feet of available space.

The pandemic could exacerbate this disparity between downtown and the suburbs as companies consolidate operations downtown or capitalize on more favourable market conditions in the core. Alternatively, it could prompt more companies to choose a suburban location. One trend that could tip the balance in the SMUD's favour is the relocation of young people to the suburbs.²² The high cost of living and shift to remote work have prompted many young people, particularly young families seeking more space, to leave the city for the Corridor's suburbs and even further afield.²³ This may nudge many companies to choose a suburban location to take advantage of the cost savings, and to be closer to employees. Many coworking and flexible workspaces have been expanding across Canada's suburbs in response to increased demand.²⁴ Urbanist Richard Florida argues these suburban coworking spaces could play a key role in repurposing underutilized suburban office parks to become more complete communities.²⁵

Suburban office parks are ripe for reinvention as the region rebuilds for recovery. Residential uses are virtually non-existent within most of the Corridor's business parks and amenities for workers within the District are

Post-pandemic recovery planning provides an opportunity to broaden the economic and real estate makeup of the District beyond the industrial and business parks that characterize it today.

limited – often confined to a coffee shop on the ground floor of an office building.²⁶ The District is also highly auto-dependent, but considering there are currently 24 GO rail stations within 2 kilometres of a Services and Mixed Use area, the District is uniquely placed to shift transit patterns. The launch of the GO Transit Regional Express Rail (RER), which will see expanded services and increased frequencies, may facilitate this shift. Expanded regional rail infrastructure will provide cleaner, cost-effective transit options and increase the overall accessibility and productivity of the District.

Post-pandemic recovery planning provides an opportunity to broaden the economic and real estate makeup of the District beyond the industrial and business parks that characterize it today. Improving walkability has been shown to attract businesses and promote economic growth by attracting talent, a key driver for knowledge-oriented businesses.²⁷ The large spatial footprint of the SMUD and dispersion across the region makes the District ideally suited to pilot new land uses and address strategic priorities such as affordable housing and job growth.

The need for flexibility in land use planning must be balanced against the need to conserve scarce

RECOVERY DRIVERS

employment land. Such decisions can be informed by a regional inventory of current and potential supply, how much employment land is being consumed, and proximity to transit oriented development if it is close to rapid transit.²⁸

Acceleration of E-commerce

Along with the GPDD, the SMUD has demonstrated the greatest resiliency in consumer spending relative to other Business Districts (Figure 7). After dropping more than 50% in April 2020 compared to the same period in 2019, in-person spending in the fall of 2020 was often greater than levels seen in the previous year. This rise in sales was driven by a relatively strong performance in retail – between August and October 2020 the year-over-year growth rate in weekly spending on retail goods averaged 7%. In contrast, service-related purchases, including spending on travel and entertainment, have been severely impacted by COVID-restrictions and remain at a fraction of pre-pandemic levels.

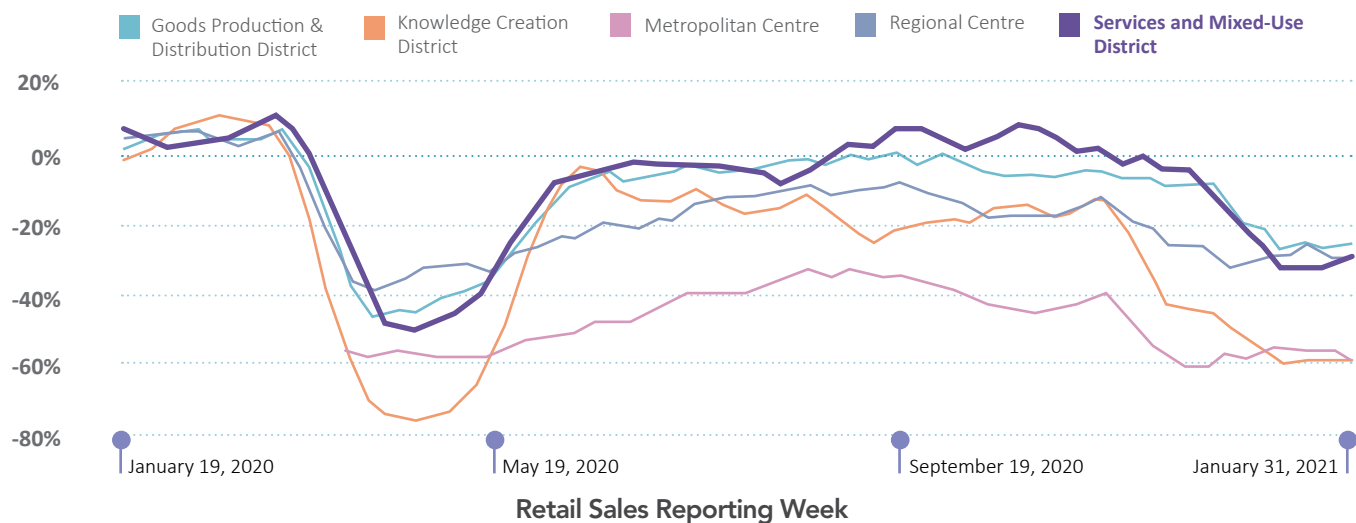
Relative to their counterparts in the MC and RC, retail stores in the SMUD are more likely to be larger in size and space. Big box shopping centres, free standing large retail stores, and neighbourhood shopping centres account for more than half of total retail floor area in the District, making stores in the SMUD more likely to be

open and a more attractive option for consumers looking to avoid high density locations.²⁹ The District's strong performance in retail spending is also likely to have been supported by the presence of essential workers and demand from local neighbourhoods.

Businesses in the District have also benefited from the rise in e-commerce activity. E-commerce related purchases – recorded as 'card not present' transactions processed by Moneris – have escalated since March. Year-over-year growth in weekly e-commerce retail spending attributed to companies located in the District averaged 34% between April and December of 2020.³⁰ These trends are unsurprising given the high concentration of wholesale and retail sectors in the SMUD. 13% of the District's employment is in retail trade, the highest proportion across the Corridor, and an additional 7% is in wholesale trade – second only to the GPDD.

Year-over-year growth in weekly e-commerce retail spending attributed to companies located in the District averaged 34% between April and December of 2020.

FIGURE 7: Year-over-Year % Change in Consumer Spending Levels (3-Week Moving Average), In-Store Transactions, January 2020 – January 2021



Note: Dates for consumer spending data are reported based on the start of the retail sales reporting week, which starts on Sunday. Consumer spending data corresponds to year-over-year changes in weekly transactional dollar volume. In-store transactions are represented by 'card present transactions' recorded by Moneris. In-store transactions that are recorded as 'card not present transactions' are not included. Only Moneris-acquired credit and debit transaction data are included.
Source: Moneris (2021).

The shift to e-commerce has been profound and is expected to continue to grow. Between December 2019 and 2020, the share of e-commerce as a percentage of total retail sales in Canada grew from 5% to 8%.³¹ Analysts predict that in countries such as Canada where penetration is currently relatively low, e-commerce will continue to grow rapidly over the next few years.³² To accommodate for this growth, governments will have to revisit land use strategies to better protect employment lands. Amidst existing pressures to convert employment lands for residential uses, concurrent rising demand for industrial and residential real estate space will likely lead to land use conflicts. In an already competitive market, inaction will result in a further tightening of the light industrial real estate market, ultimately raising rents, preventing new entrants, and restricting the ability for existing firms to grow.

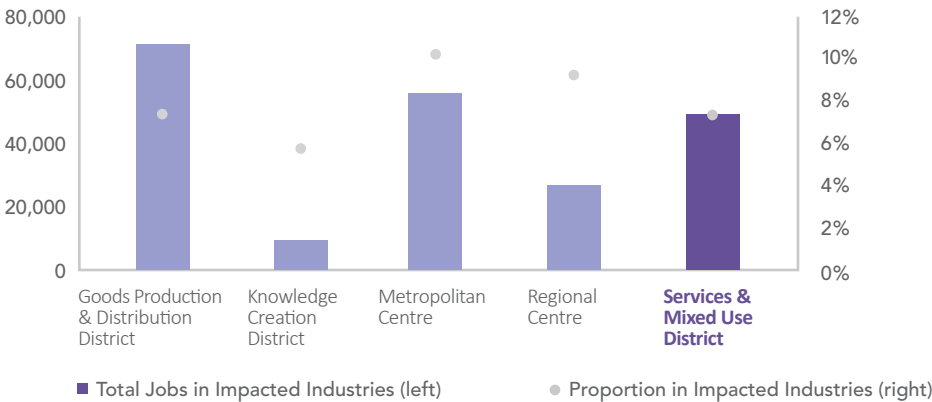
Supporting Highly Impacted Industries

According to our analysis of total employment losses in the Corridor³³, and total decline in economic activity experienced nationally³⁴, the three industries most impacted by the pandemic are: Air Transportation; Arts, Recreation and Entertainment; and Accommodation and Food Services (collectively referred to as ‘highly impacted industries’ throughout this report). The District has a lower share of workers in these highly impacted industries than some of the other Business Districts (7%) (Figure 8). However, given its vast geographic footprint in the Corridor, the SMUD still captures a significant number of workers in these



industries – accounting for close to 49,000 jobs as of 2016. The SMUD also has the second highest share of ‘Main Street’-type businesses across the five Business Districts in the Corridor. These businesses, with 1 to 19 employees, include small retailers, restaurants, arts and recreation businesses, and dry cleaners. More than 15% (or 8,640) of the Corridor’s businesses in this group are in the SMUD, almost double the shares of the MC and RC.³⁵ This reflects a unique swath of retailers and service-oriented businesses in the District that rely on local spending from the surrounding suburban consumer bases and workers.

FIGURE 8: Share and Number of Workers in ‘Highly Impacted Industries’, 2016



The SMUD also has the second highest share of ‘Main Street’-type businesses across the five Business Districts in the Corridor.

Note: Highly Impacted Industries includes Air Transportation; Arts, Recreation and Entertainment; and Accommodation and Food Services.
Source: “Place of Work,” Statistics Canada, Census (2016).



Although the visitor economy has taken a hit across the Corridor, the SMUD differs significantly from the other Districts as it lacks the dominant cultural presence of the MC, the ‘mini downtown’ appeal of the RC, and the unique concentration of air transportation activities in the GPDD. Only 2% of total business property floor area in the SMUD is comprised of tourism, culture and recreation-related facilities such as concert halls, movie theatres, and restaurants (versus approximately 7% for the RC and 8% for the MC).³⁶ There are, however, 58,870 jobs³⁷ in tourism-related industries³⁸ in the District, the majority of which are servicing restaurants and bars. There are also a substantial number of workers and businesses in travel arrangement and accommodation services in the SMUD. This includes the hotels surrounding the Toronto Pearson International Airport, many of which have been repurposed as mandatory quarantine hotels for travelers entering Canada at this time.³⁹

In addition to supporting hotels and related services, recovery of the hardest-hit industries and the visitor economy more broadly relies largely on the safe reopening of local restaurants, small retailers, and arts and recreation businesses that cater to the

surrounding suburban consumer bases and workers in the District. These businesses and their workers have been disproportionately impacted by government mandated lockdowns and restrictions.

Challenges Facing Vulnerable and At-Risk Workers

The COVID-19 crisis has disproportionately impacted low-wage workers, including sales and service occupations, whose average incomes are well below the average after-tax income in the Corridor.⁴⁰ Sales and service workers comprise 82% of the accommodations and food services and 32% of the arts, recreation and entertainment sectors in Ontario. These low-wage occupations employ over 161,180 workers, or close to 24% of the total workforce in the SMUD—the second highest share of the five Business Districts after the RC (27%). Marginalized communities in the labour force, such as racialized populations, immigrants, women, and young people, are disproportionately employed in these low-wage occupations.⁴¹ This raises concerns about the compounding effects of the pandemic for many workers in the District.

RECOVERY DRIVERS

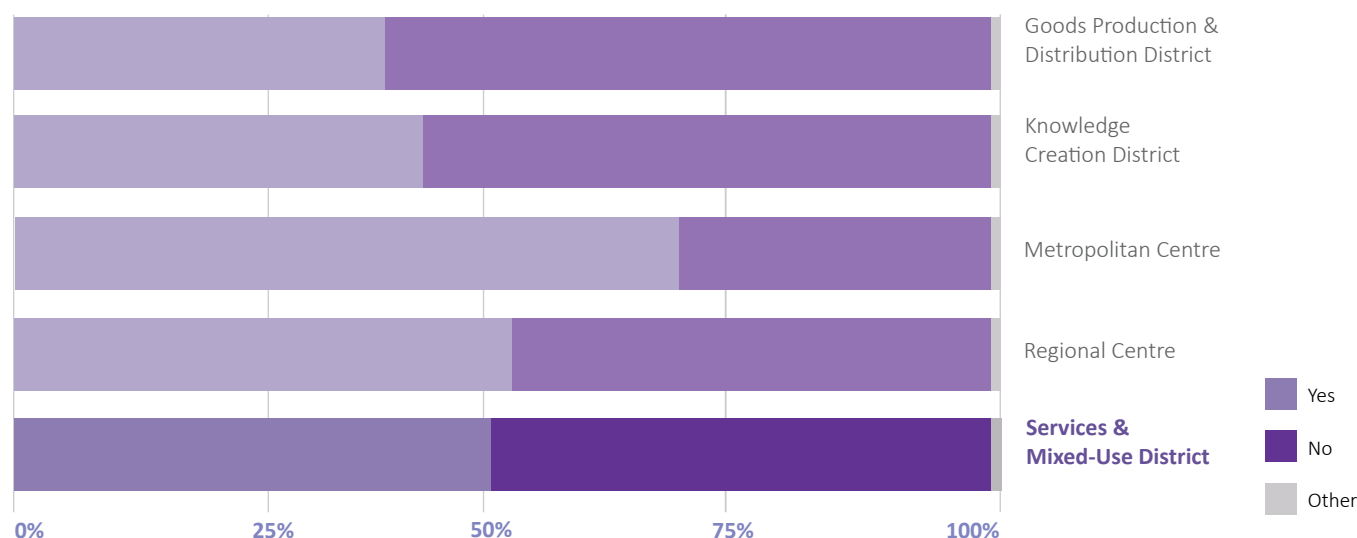
Given the mixed use nature of the District, the occupational composition of its workers is relatively more evenly distributed than other Districts. Based on their occupational profile, close to half of workers in the District were able to adopt work-from-home measures (Figure 9). This is mainly attributed to the large number of professional service industries and other administrative occupations in the District. The remaining workers – who are required to be physically present for work – account for 330,960 workers in total, the most predominant of which are the 29,890 retail salespersons and 12,540 food counter attendants, kitchen helpers, and other related support occupations.⁴⁷ Considering the high presence of big-box shopping centres that have remained open throughout the pandemic, many of these workers (who fall within low-wage sales and service occupations) have been placed in a position of heightened risk of exposure to COVID-19 due to the face-to-face nature of their job. Those employed by non-essential retailers or restaurants may also have faced reduced hours and/or pay, layoffs, or furloughs. The compounding effects of the pandemic may still be felt by these workers as their employers face a new economic reality with structural shifts in behaviour towards take-out and contactless delivery for restaurants, and the rapid growth in e-commerce.

Industries and occupations that were at risk of automation-related transformations may be facing disruptions sooner than expected. The SMUD faces

Reskilling and upskilling of workers is a critical step in the development of a workforce that is adaptable to transformations in the range of industries and occupations concentrated in the SMUD.

moderate risks of automation in comparison to the rest of the Corridor. About half of jobs in the SMUD are estimated to fall in industries at higher risk of automation-related job transformation, defined as having at least 10% of the workforce with a 70% chance or higher risk of automation-related job transformation.⁴⁸ This places the SMUD third across the five Business Districts with respect to jobs in at-risk industries—higher than the MC and RC but lower than GPDD and KCD. In terms of occupations, 29% of workers in the SMUD fall within higher risk occupations, comparable to the GPDD. These high-risk occupations include a mix of certain trades, administrative occupations, office support occupations—such as clerks, receptionists, and office equipment operators—and sales and service representatives. Reskilling and upskilling of workers is a critical step in the development of a workforce that is adaptable to transformations in the range of industries and occupations concentrated in the SMUD.

FIGURE 9: Proportion of Workers with a Capacity for Remote Work, 2016



Note: The 'Other' category includes workers in occupations where the capacity for remote work could not be determined.
Source: "Place of Work," Statistics Canada, Census (2016); EBI classification of occupations with capacity for remote work.

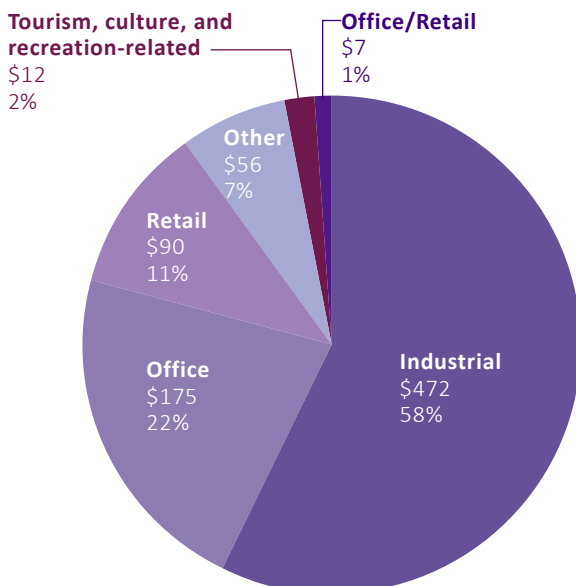
Fiscal Health of Cities

The high concentration of industrial space across the SMUD is reflected in the total property tax collected, which includes education tax collected for the province by municipalities. More than half (58%) of commercial and industrial property tax generated by the District is from industrial properties (Figure 10). The City of Toronto accounts for the largest share by municipality, with \$284 million collected, followed by Mississauga, at \$213 million (Figure 11).⁴²

Office and combined office/retail properties make up 22%, or \$182 million, of commercial and industrial property tax revenue from the District, but, as noted above, it is uncertain what the demand for these properties will be post-pandemic. Many office tenants in the District serve as back offices for large companies, with several locations around the Corridor. RBC and BDO, for example, have offices in Meadowvale, while PWC and Deloitte have offices in Oakville and

More than half (58%) of commercial and industrial property tax generated by the District is from industrial properties.

FIGURE 10:
Commercial and Industrial Property Tax Revenue (millions) by Property Type, Services and Mixed Use District, 2019

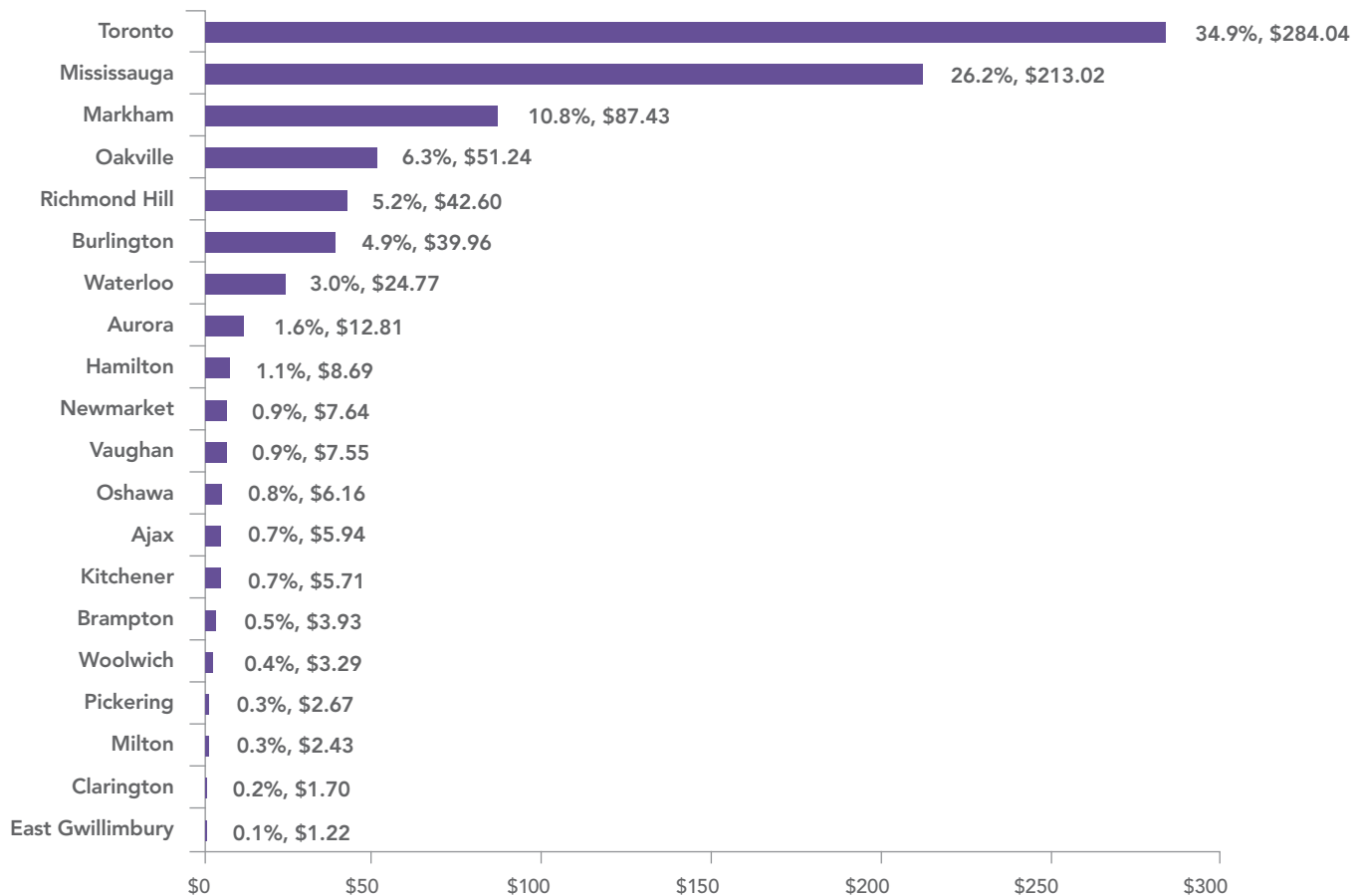


Note: "Other" includes a wide variety of property types, including institutional buildings and commercial condominiums. Property tax revenue amounts based on 2019 Phase-In Current Value Assessments.
Source: MPAC data, based on active properties as of December 2020.



RECOVERY DRIVERS

FIGURE 11: Commercial and Industrial Property Tax Revenue (millions)
by Municipality, Services and Mixed Use, 2019



Note: Total tax revenue includes revenue collected by upper and lower tier municipalities, where applicable. For example, total tax revenue for City of Mississauga includes taxes collected by both the City of Mississauga (lower tier) and Peel Region (upper tier). Property tax revenue amounts based on 2019 Phase-In Current Value Assessments.

Source: MPAC data, based on properties active as of December 2020.

Burlington, respectively, in addition to their Downtown Toronto locations. Office support occupations, including administrative workers and HR clerks, account for roughly 5% of jobs in the SMUD.⁴³

This is concerning, as this occupation group is estimated to be among those facing the highest risk of automation-related job transformation, with close to 36% of office support workers having at least a 70% risk of job transformation.⁴⁴ A study by McKinsey points out that many office support workers, including credit analysts, database administrators, and tax preparers, can do virtually all their work remotely.⁴⁵ It is these occupations that are most likely to see a substantial shift to remote work going forward, which could result in companies scaling back their satellite offices or closing them altogether. In the U.S., Nationwide Insurance has done just that, closing offices in Gainesville, Florida; Harleysville, Pennsylvania; Raleigh, North Carolina;

Wausau, Wisconsin; and Richmond, Virginia, while keeping a select group of offices based on their concentration of employees, ability to serve multiple time zones, and access to talent and subject matter expertise.⁴⁶ Should more companies follow suit, this could be detrimental to many suburban business parks and, in turn, their property tax base.

Revitalizing certain carefully considered parts of the SMUD, such as suburban office parks, by transforming these areas into vibrant live-work communities could benefit municipalities in multiple ways. Improving the amenities and walkability of the districts will also make them more attractive to businesses and economic development, which will over time bolster their property values. Municipalities should work with building owners and the development community to explore ways to make strategically considered parts of these districts more walkable and liveable.

Building a Strategy for Recovery

The Services and Mixed Use District



Futureproofing
our Workforce



Reimagining
Suburban Business
Parks and Office
Space



Supporting
E-commerce and
Protecting
Employment
Lands

STRATEGY FOR RECOVERY

A successful post-COVID recovery will require careful and effective management of key drivers and trends that predated the spread of the virus as well as impacts that were either brought about or accelerated by the pandemic.

A booming e-commerce ecosystem predated the pandemic, raising the demand for industrial real estate to support its operational and logistical needs. For e-commerce businesses, the industrial real estate sector, and other supporting players in the ecosystem, this presented an opportunity to thrive. Suburban commercial offices faced a different reality – they were often overshadowed by their urban counterparts as they lacked the vibrancy of the downtown core and the many amenities available in the urban centre. The overall appeal of the SMUD was also dampened by the lack of transit accessibility.

The pandemic further tightened the industrial real estate market and weakened commercial office real estate demand in the suburbs. Recovery, however, presents an opportunity for building owners and local governments to take advantage of the growing shift toward remote and hybrid work arrangements by revitalizing suburban office parks and office space. The acceleration of automation is another impending threat to the economic fabric of the District. Still, this trend can also be seen as an opportunity to boost competitiveness and productivity whilst also contributing to the long-term prosperity of workers by retraining and reskilling the workforce to thrive in the future workplace.

A long-term strategy for recovery for the District must deploy policies that address these challenges head on through place-making, infrastructure, and workforce initiatives:



Supporting E-commerce and Protecting Employment Lands

The rise of online shopping and e-commerce is likely here to stay. With e-commerce penetration expected to rise, enabling the online presence of firms and addressing the logistical needs of e-commerce businesses will be vital to the growth of the economy. E-commerce businesses are already facing key barriers limiting their ability to enter the market or grow, including the lack of suitable industrial land. To address these challenges, and improve business conditions in the Corridor more generally, the provincial government and their municipal counterparts must work together to better protect employment lands through land use planning and conduct regional assessments of employment land demand and supply. They must also continue to support digital enablement initiatives such as Digital Main Street and Toronto Region Board of Trade's RAP program to position businesses in the Corridor for success.



Reimagining Suburban Business Parks and Office Space

Suburban offices have traditionally been less attractive relative to office space in urban centres, and the data for office space in the SMUD reflects just that. Still, significant adoption of hybrid work-from-home models and the relocation of workers to suburbs presents a unique window of opportunity for employers, building owners, and government to transform areas in the District. A reimagining of the office parks may include greater availability of coworking spaces, increased amenities and housing to create live, work, and play environments. It will also need to maintain a balance between flexibility in employment land use zoning and protection of employment lands, especially if it is close to rapid transit. The District is also uniquely placed to improve access and shift transit patterns away from automobiles with the expansion of regional rail infrastructure.



Futureproofing our Workforce

Increased automation, technological adoption, and constantly evolving tasks and activities in the workplace require that actors across all levels of governments and employers are continuously investing in the local workforce. This means taking stock of the current workforce profile, assessing the needs of the current and future workplace, and retraining or upskilling the labour pool accordingly. To be competitive, businesses in the SMUD will require a workforce that is better equipped with technical and soft skills that are aligned with the jobs of tomorrow.

Acknowledgements

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