

Economic Development Priorities for a More Competitive Toronto Region

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TRBOT Profile and Value



With more than 11,500 members, the Toronto Region Board of Trade (TRBOT) is one of the largest urban chambers of commerce in North America. In 2013, TRBOT added 'region' to its name to reflect the borderless ways business and the workforce operate.



In 2018, TRBOT invested in the creation of the **Economic Blueprint Institute (EBI)**, a strategic initiative dedicated to data driven insights to inform and guide integrated economic planning in the Innovation Corridor.

CONVENE

We bring innovative thinkers and dynamic leaders together to unpack the Region's greatest challenges and identify actionable solutions.

CONNECT

By connecting ideas with shared challenges, we enhance regional collaboration, identify opportunities and create efficiencies.

CHAMPION

We advocate for real solutions to real problems, working with all three levels of government to develop and drive policy solutions that pave the way for a more competitive Region.

What We've Done

During the pandemic, the Board's *We're Ready Toronto* initiative was focused on helping employers and employees to take steps to help ensure a safe and sustainable reopening and/or return to the workplace.



Business Districts and the Regional Economy

Identified and analyzed five unique Business Districts based on key economic, physical, and workforce characteristics.



Recovery Tracker

Developed a Recovery Tracker tool for measuring and tracking the economic impact of the pandemic across the Innovation Corridor.



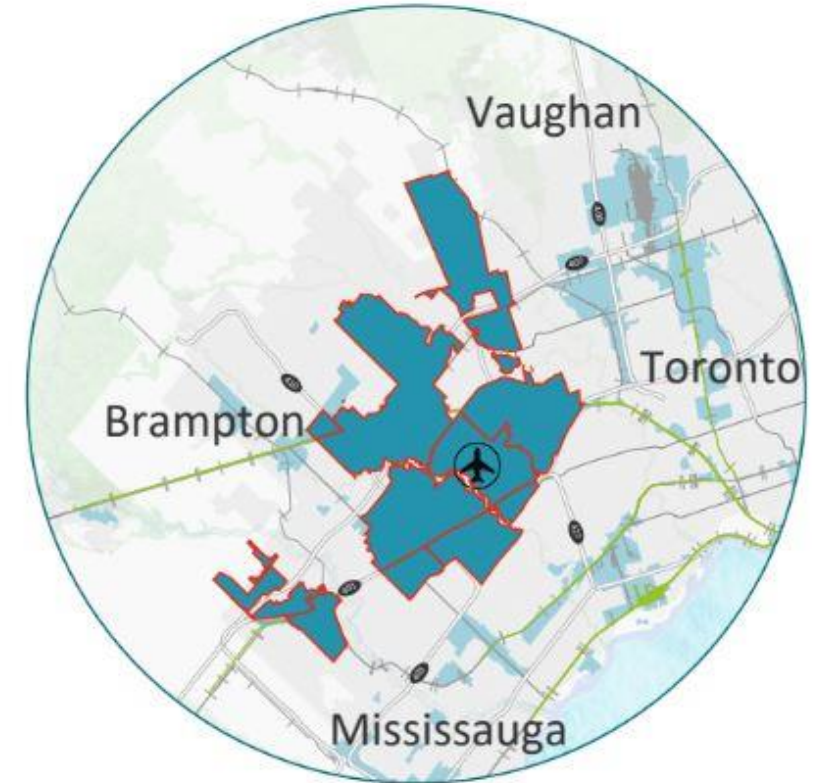
COVID-19 Protocols Playbooks

Developed guides and tools to help more businesses safely reopen and restore confidence.

Where We're Going

Pearson Economic Zone Growth Initiative (PEZGI):

- Unlock full potential of Zone and make it “best in class” where businesses can locate, thrive, and compete globally
- Develop “**a place-based framework**” and use it to address challenges that impede business growth and competitiveness
- Create a burning platform to drive private sector solutions, public policy change, public-private partnerships, and infrastructure investments



What We'll Cover Today

- Overview of the Toronto Region
- Toronto Region's Economic Positioning
- Underappreciated Challenges and Opportunities for the Region
- Calls to Action

Toronto Region Overview



The Toronto Region

Overview:

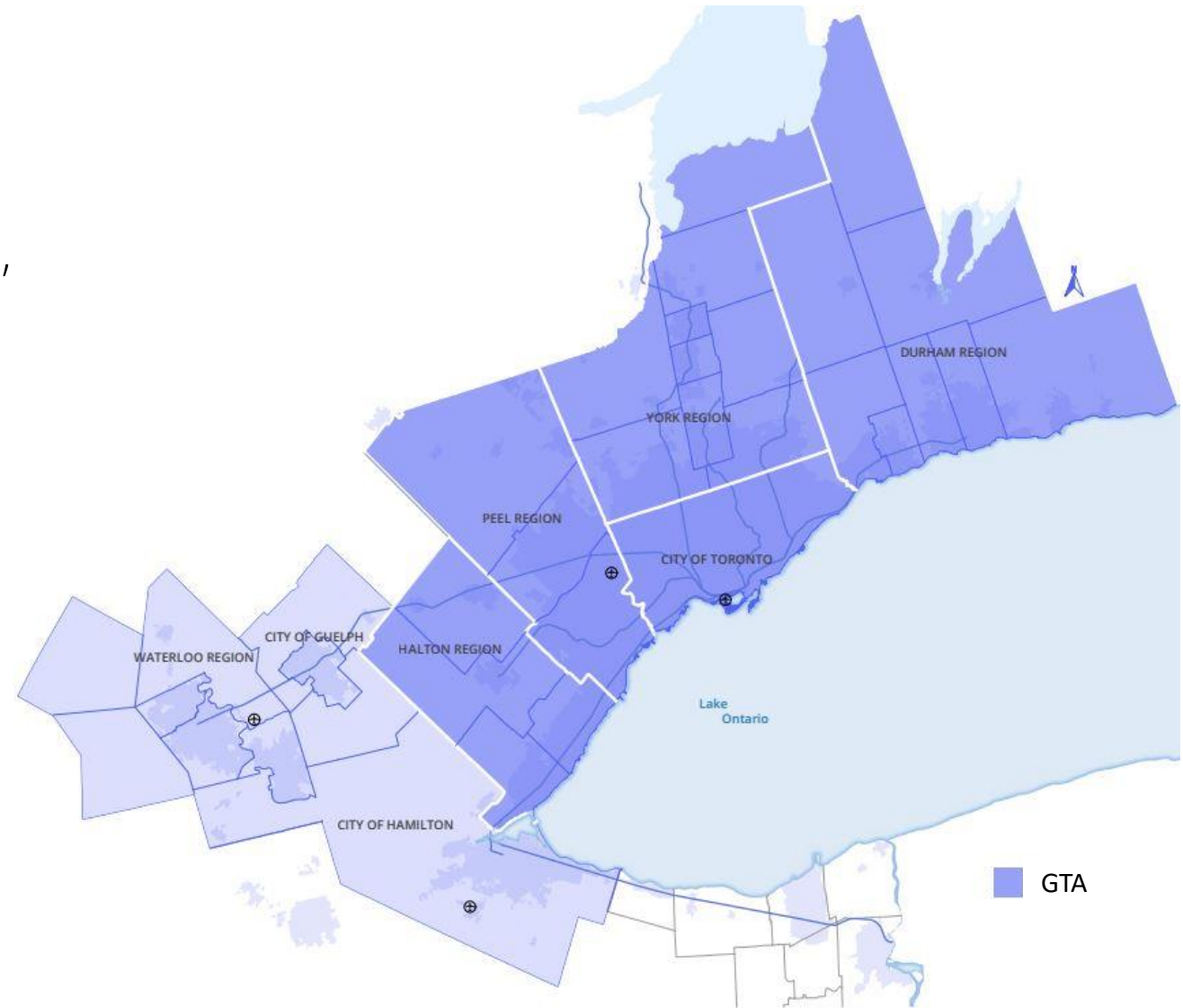
- Also known as the 'Innovation Corridor'
- Consists of the CMAs of Guelph, Hamilton, Kitchener-Cambridge-Waterloo, Oshawa, and Toronto

Key Stats:

- 8.1 million residents (2021)
- 3.5 million jobs (2016)
- 25% of national GDP (2018)

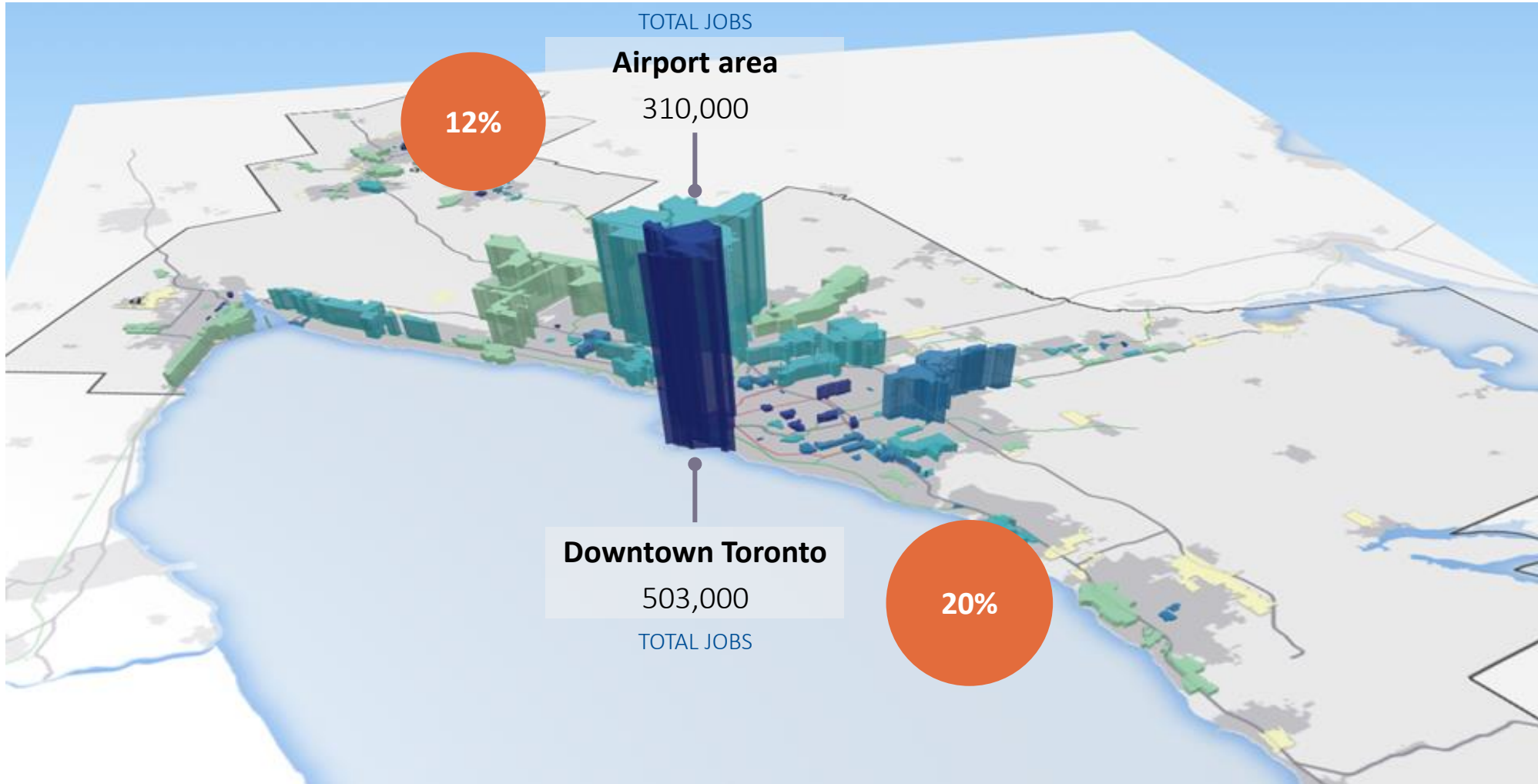
North American Rankings:

- Fourth-largest metro region
- Third-largest tech sector
- Second-largest financial centre
- Second-largest food & beverage industry



Employment in the region is highly concentrated

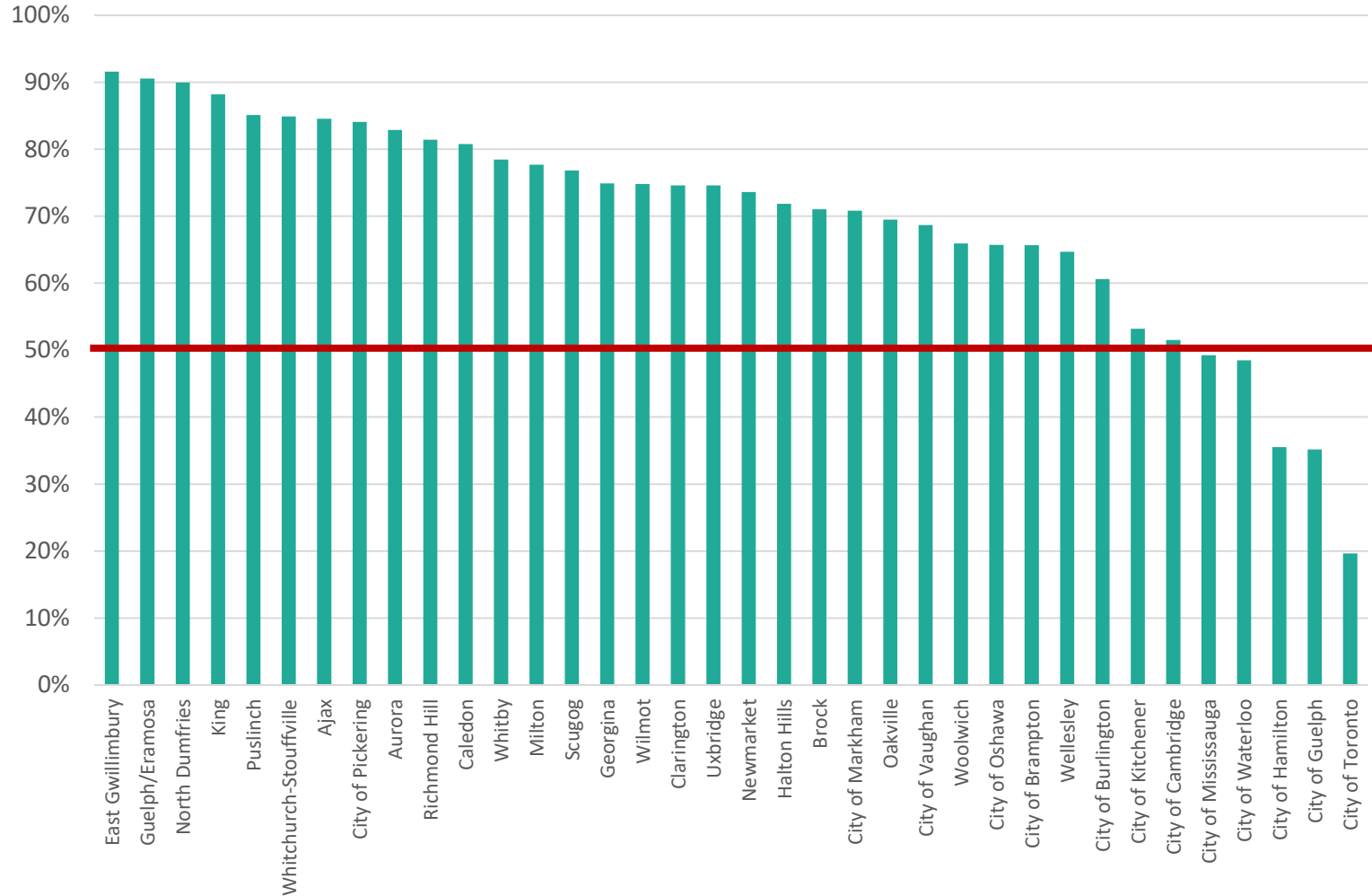
Distribution of Jobs in the Innovation Corridor by Place of Work, 2016



Source: Statistics Canada, Census (2016).

The Region functions as an integrated economic zone

Percentage of Day Trips from Work to Home, Toronto Region, 2016



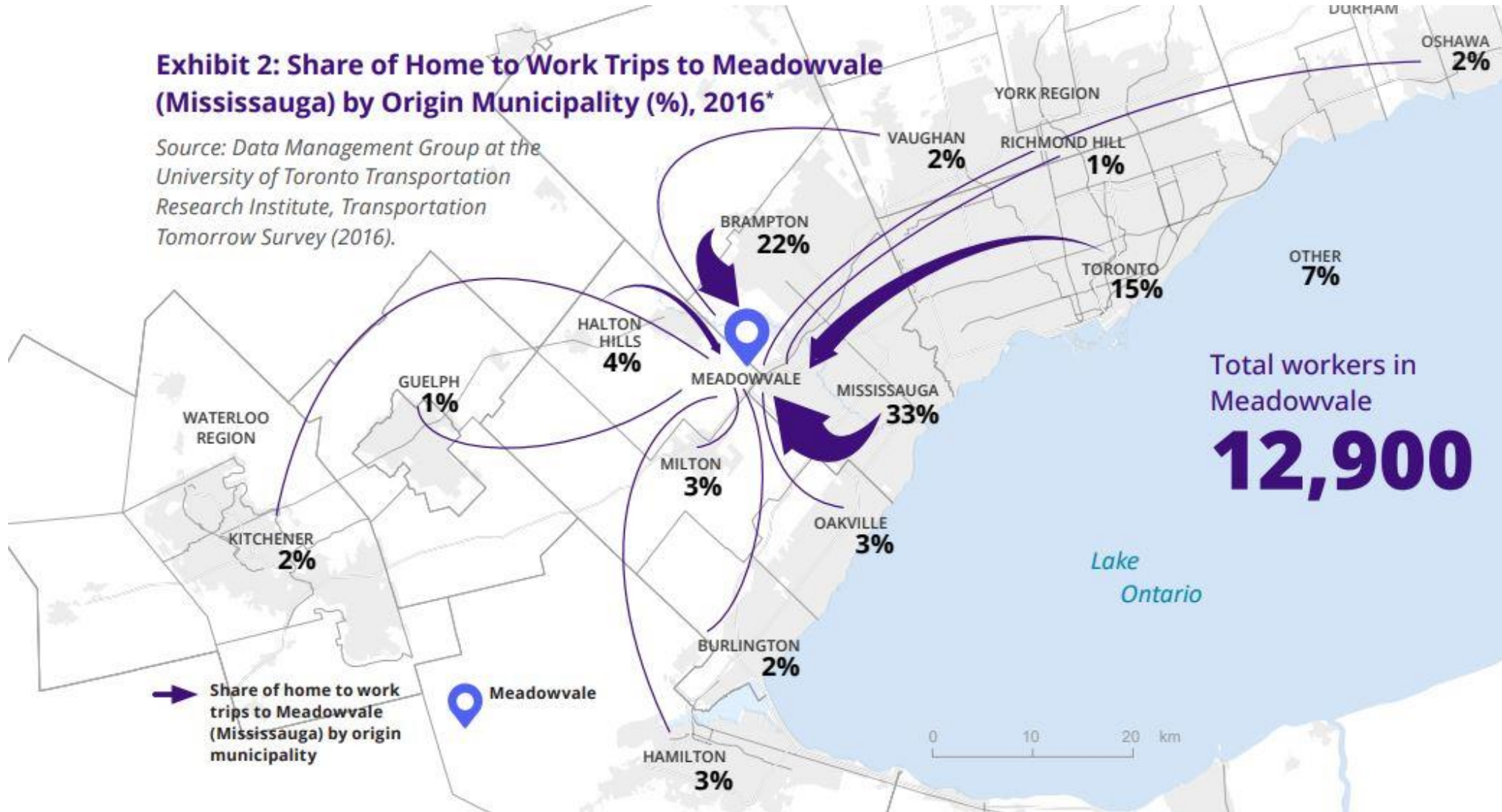
- Only a handful of municipalities in the Innovation Corridor have >50% of workers commuting within their own municipality
- At least 60% of workers in the Region live outside the City of Toronto and at least 50% outside of Toronto and Mississauga
- The region as a collective effectively acts as an integrated economic zone

Source: Transportation Tomorrow Survey (2016).

Workers in Meadowvale commute from across the Region

Exhibit 2: Share of Home to Work Trips to Meadowvale (Mississauga) by Origin Municipality (%), 2016*

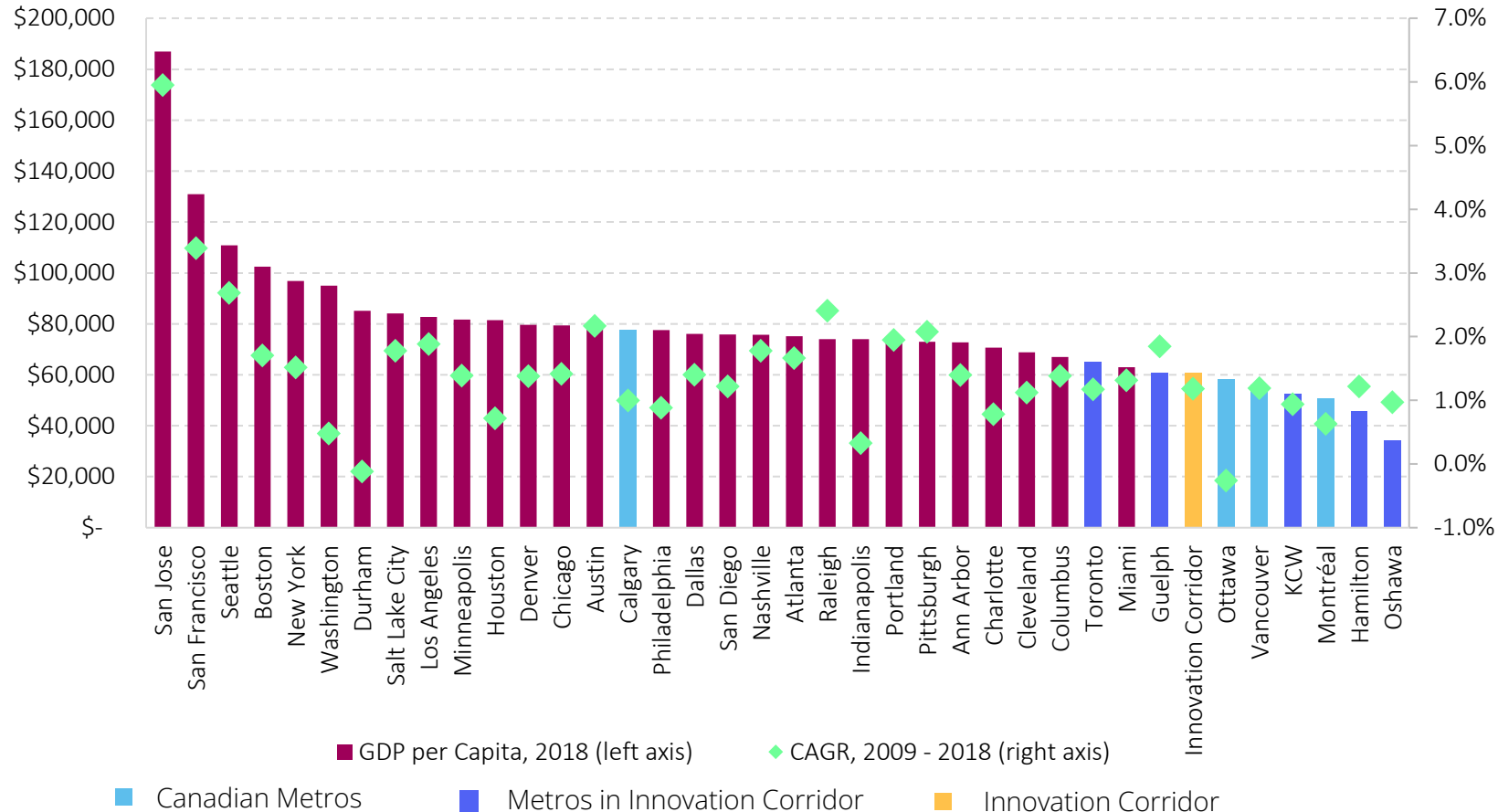
Source: Data Management Group at the University of Toronto Transportation Research Institute, Transportation Tomorrow Survey (2016).



Toronto's Economic Positioning

GDP/capita for metros in the Region rank below US peers

Real GDP per Capita (2018) and CAGR (2009-2018), \$CAD Chained 2012 Dollars, Purchasing Power Parity Adjusted



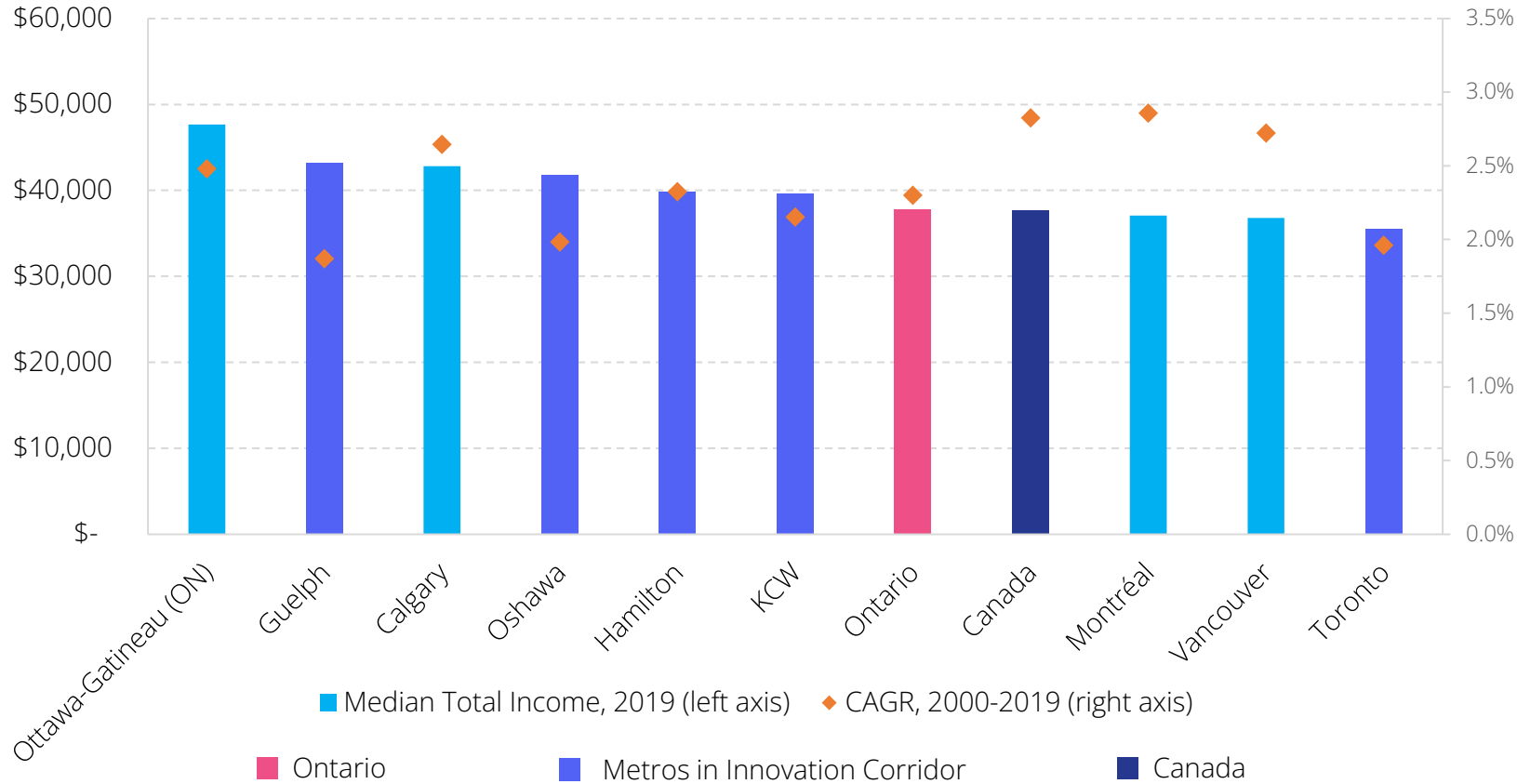
- The Innovation Corridor ranks below all peer US metros in terms of overall economic prosperity
- Toronto has the highest prosperity level amongst the Region's CMAs, but still falls close to the bottom of the distribution

Source: Bureau of Economic Analysis and Statistics Canada.

Note: CAGR is 'compounded annual growth rate'; Purchasing power parity conversions are applied to the US data to adjust for differences in purchasing power between the Canadian and US currency. Provincial price deflators are used to estimate real GDP estimates for Canadian metros.

Toronto has the lowest median income among large metros

Individual Median Total Income (2020 Constant Prices, 2019) and CAGR (2000* – 2019), Select Major CMAs in Canada



- In 2019, Toronto had the lowest median total income among large metropolitan regions in Canada
- Toronto has also seen low growth since 2000
- Median employment income in Toronto was similar to other large metros, but with a lower growth rate since 2000

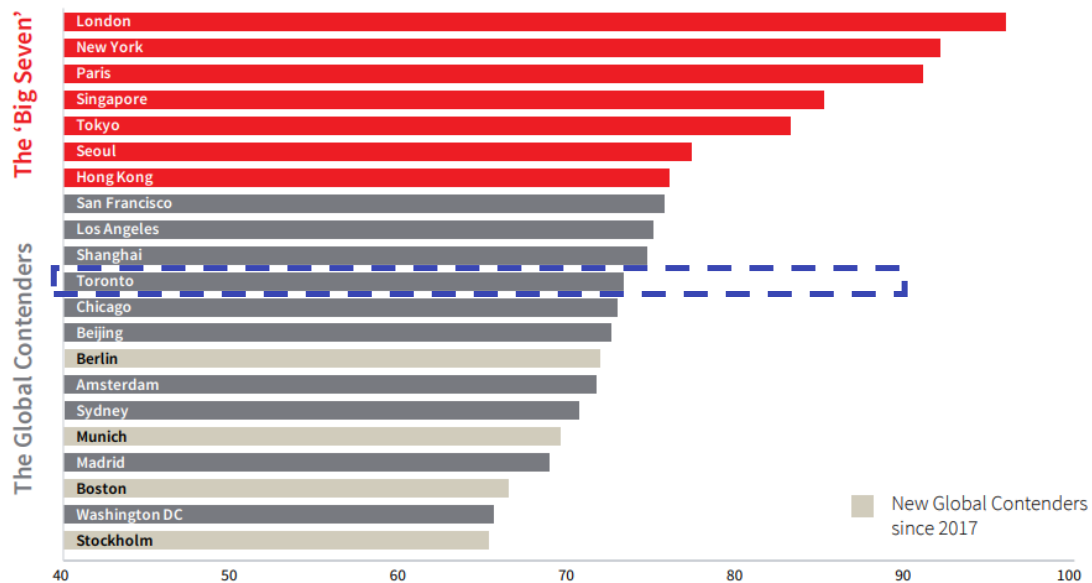
Source: Statistics Canada.

Note: CAGR is 'compounded annual growth rate'; *Due to missing values for Guelph from 2000 to 2006, Guelph is Indexed to 2006 data.

Toronto is often characterised (and ranked) as a 2nd tier city

In their analysis of Toronto's positioning among global cities, Brail and Kleinman make the case that it is often placed just below top of the hierarchy of global cities¹

The Order of Established World Cities, 2019: Top 20



Score based on 46 indices selected on basis of range, robustness and global influence. Ranked by overall performance across seven categories using an ELO algorithm covering corporate presence, global flows, scale and market size, infrastructure platform, talent, innovation and soft power

Source: JLL and The Business of Cities, 2019

Globalization and World Cities (GaWC) City Classifications Based on Global City Network Integration (2020)

Alpha ++	London New York
Alpha +	Hong Kong, Singapore, Shanghai, Beijing, Dubai, Paris, Tokyo
Alpha	Sydney, Los Angeles, Toronto, Mumbai, Amsterdam, Milan, Frankfurt, Mexico City, Sao Paulo, Chicago, Kuala Lumpur, Madrid, Moscow, Jakarta, Brussels

Key Focus Areas for the Toronto Region Board of Trade

Productivity

- Increasing productivity gap between Ontario/Toronto and its peers
- Low levels of non-residential investments, tech adoption, & innovative activity

Land-use (Housing & Employment Lands)

- 'Race for Space' – extremely tight industrial real estate market
- Fragmented employments land approach & conflicting demands (residential)

Talent

- Wide-spread labour shortages
- Talent attraction and retention challenges

Transportation (Movement of Goods & People)

- Congestion costs the GTHA \$6+ billion annually in lost productivity and unrealized income from agglomeration externalities
- The region is overdue for fare and service integration

Regional Coordination

- Municipalities work in silos instead of working together on borderless issues that are best coordinated strategically at a regional level

Underappreciated Challenges and Opportunities

1) Lack of regional coordination

- The region lacks a coordinated approach to economic development
- Montreal and Edmonton are governed by regional intergovernmental organizations which have a mandate to coordinate economic development activities
- Disparate municipal economic development strategies complicate efforts to align investment attraction in support of economic development objectives
- In addition to Toronto Global, several regional municipalities also undertake their own FDI attraction activities, creating a confusing landscape for investors
- Collision example: Municipal booths were dispersed across the floor at the 2022 Collision tech conference

Limited collaboration is influenced by the structure of municipal finances

- The reliance on property taxes has created an environment in which municipalities within the region actively compete for FDI
- Dependency on property related taxes and levies (such as development charges) feed the zero-sum view of investments and hinder our region's competitiveness

9 cents

Municipal portion of every
\$1 of household tax dollar
in Ontario

36 %

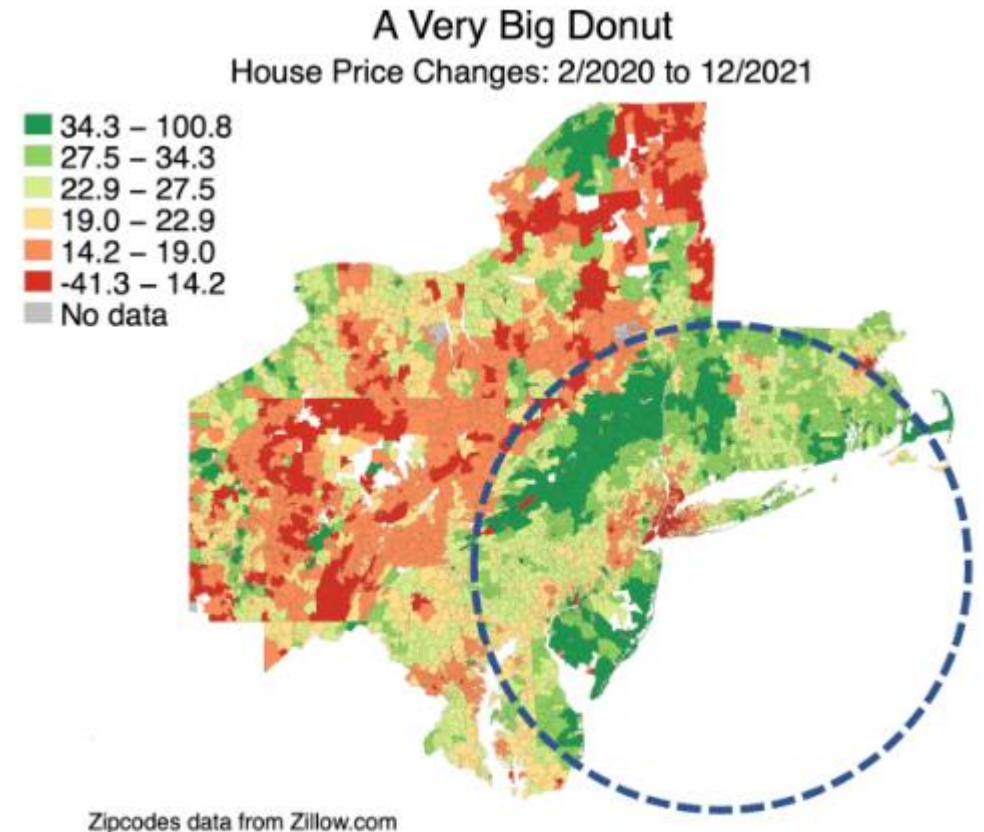
Proportion of municipal
tax revenue represented
by property taxes

2) Rise of remote work

- A notable share of employees continue to work from home
- One survey of US residents estimates that as of November 2022, *close to 30% of paid full days were worked from home*¹
- In October 2022, *close to 16% of employed workers across Canada were exclusively working from home* and another 9% split their hours between home and another location²
- TRBOT's analysis of Telus data on weekday workers: As of April 2022, *weekday worker volumes in most employment areas were still at least 20% lower than 2019 levels*
- In Toronto's downtown core and Financial District, volumes were *down 20% and 66%*, respectively

WFH trends shifted economic activity, with potentially lasting impacts

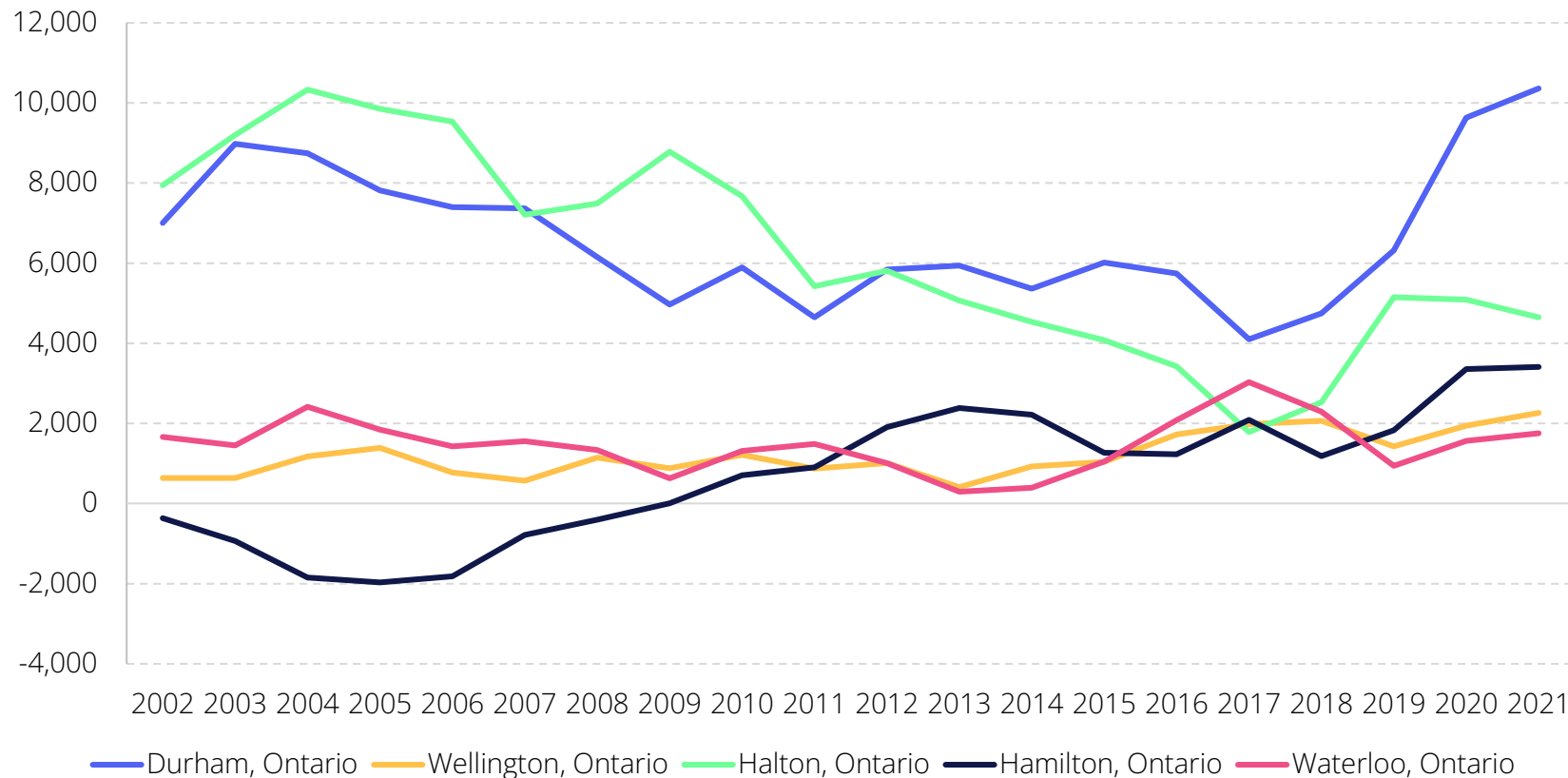
- **Geography of remote work:**
Professional services workers relocated away from big cities to less populated areas.¹
- **'Donut effect':**
Significant economic activity moved from established city centers to suburban areas. Most pronounced for large cities and reallocation within the same metro region.²
- **Shifts in the geography of tech:**
Tech-related activity in the US has also become more decentralized; activity since the pandemic has increasingly diffused towards rising cities and smaller amenity rich communities.³



[Image via Upwork]

Since the pandemic, many workers have moved out of larger population centres

Net Intra-provincial Migration in Census Divisions with Growing Intra-Provincial Migration, Innovation Corridor, 2002-2021

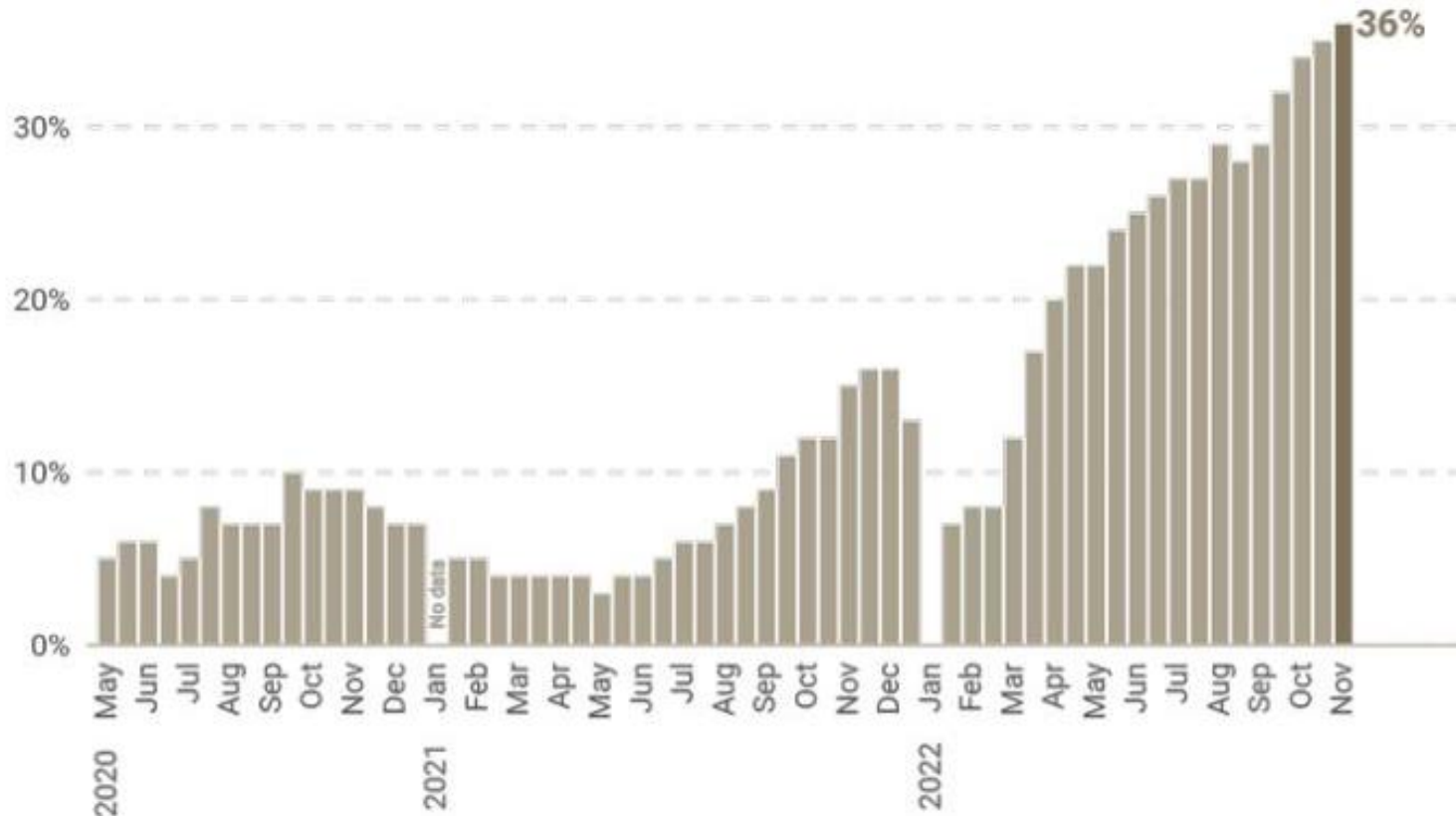


- More people in the most populous municipalities in the Innovation Corridor are moving to nearby communities
- Toronto and Peel continue to see a net outflow of migration to other parts of Ontario
- 89% of net intra-provincial migration from Toronto CMA between 2019 and 2020 went to other CMAs in the Innovation Corridor

Source: Statistics Canada. Table 17-10-0139-01 Population estimates, July 1, by census division, 2016 boundaries.

Worker levels in Downtown Toronto remain well below pre-pandemic levels

Occupancy Index, % of Office Employees Returning Relative to Pre-COVID Levels, Downtown Toronto

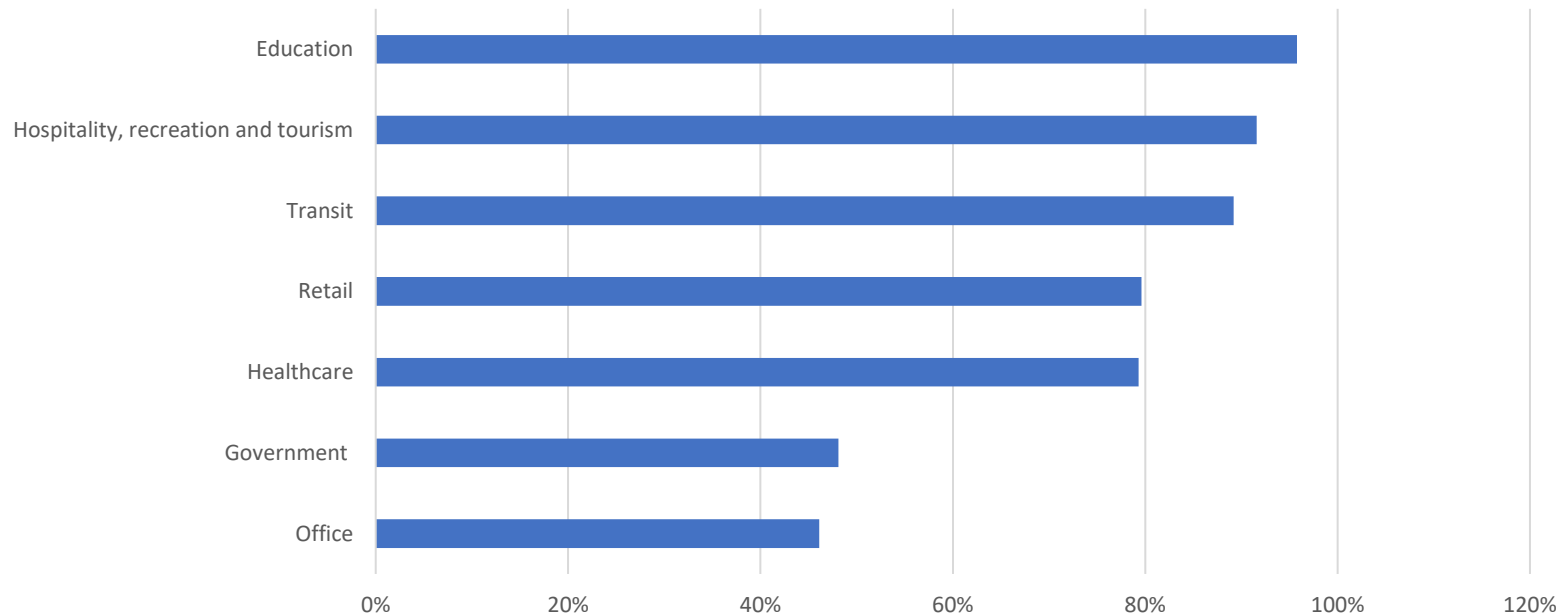


- There is a direct relationship between how long a jurisdiction was locked down and the return-to-office trajectory – Toronto is a perfect example of this
- As of Nov 1st, 2022, office occupancy of employees in downtown Toronto is 36% of pre-pandemic levels, up from 6% in May 2020

Source: Strategic Regional Research Alliance.

Return-to-office lags other visitor trends

Visitor Volumes, % of Pre-Pandemic Levels, Select North American Cities in North America, By Property Type
Week of Oct 24, 2022 relative to week of Mar 2nd, 2020



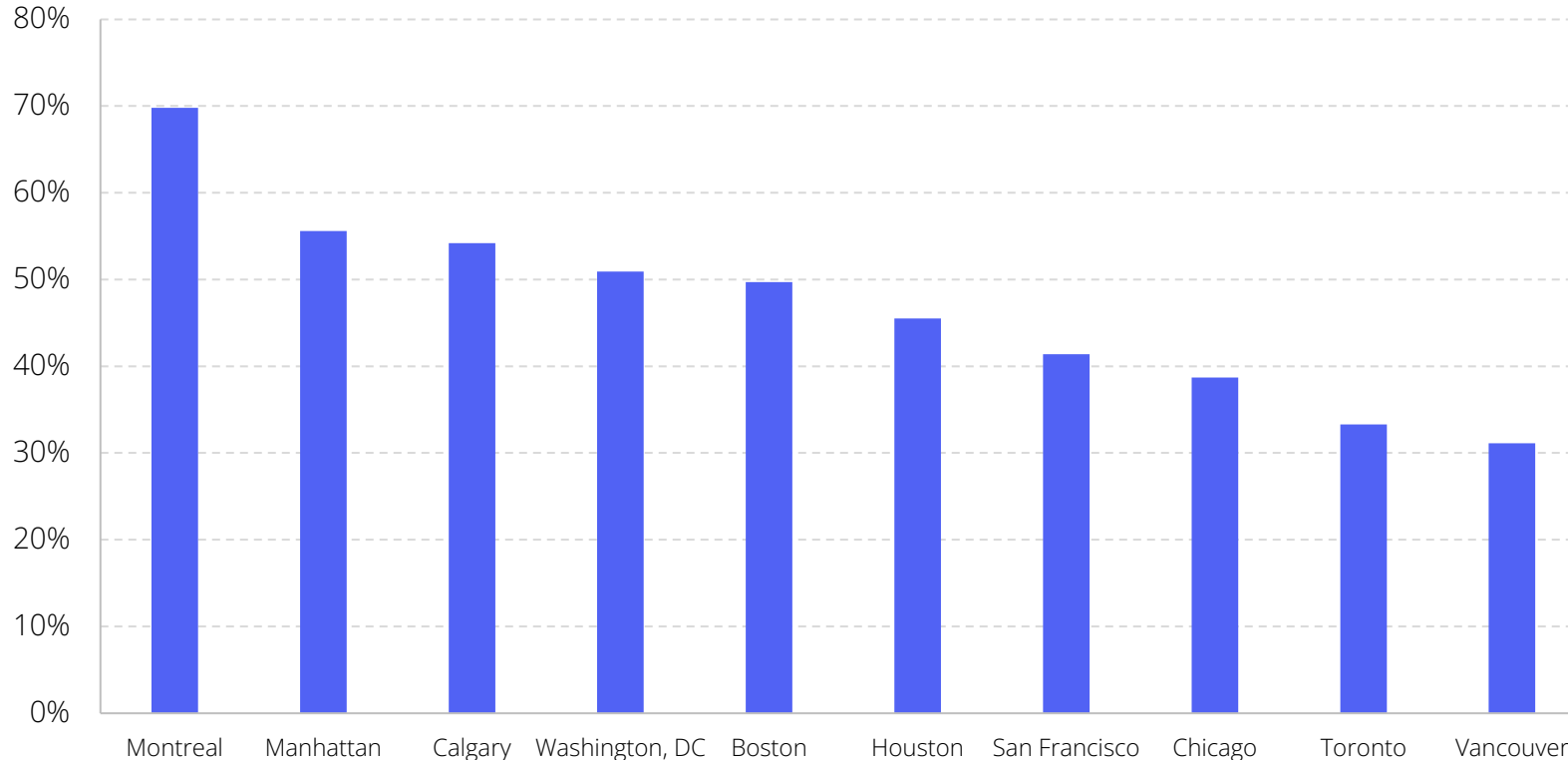
- Office volumes have seen the slowest return to pre-pandemic levels relative to the levels seen in other property uses
- For properties with uses related to education, the visitor economy, and transit, the visitor levels are closer to pre-pandemic levels

Source: The Vitality Index, Data, Avison Young, Oct 24, 2022, <https://www.avisonyoung.com/vitality-index/main>.

Return-to-Office in Toronto is lagging relative to North American peers

Visitor Volumes in Offices within Urban Areas, % of Pre-Pandemic Levels, Select North American Cities

Week of Nov 7, 2022 relative to week of Mar 2nd, 2020

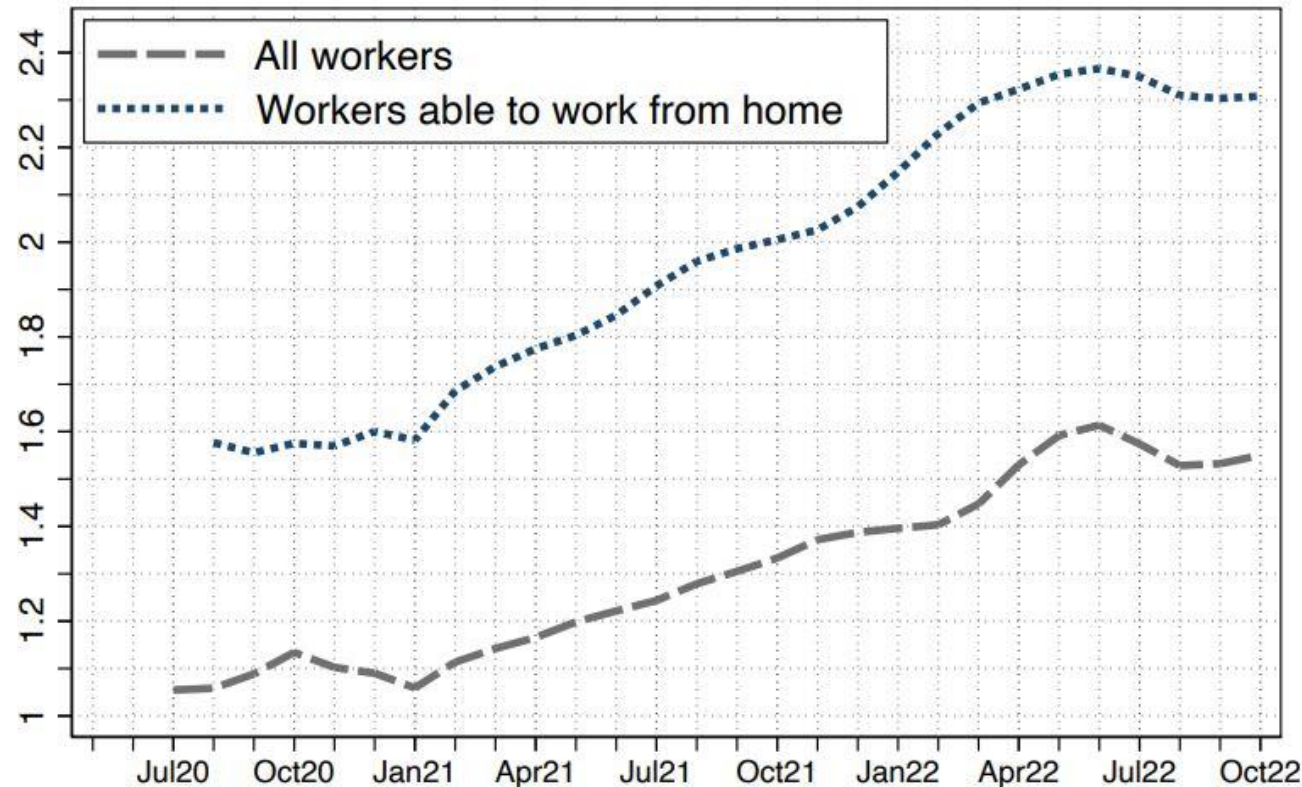


- Similar to the data collected on office occupancy, visitor volumes according to Avison Young is around 33% of pre-pandemic levels in downtown offices
- In comparison in Montreal and Manhattan, volumes have reached higher than 50%

Source: The Vitality Index, Data, Avison Young, Nov 22, 2022, <https://www.avisonyoung.com/vitality-index/main>.

While the long-term outcomes are still uncertain, WFH is expected to stay

Average Days per Week Working From Home After the Pandemic Ends: Employer plans, United States



Note: N = 108,820 (all respondents) and 77,252 (able to work from home).

Source: Survey of Working Arrangements and Attitudes (SWAA), see www.wfhresearch.com.

- Some experts predict that the shift towards more remote and hybrid work arrangements will have lasting economic impacts
- Findings from a survey administered to 26,000 employees from across Canada show that most workers who worked from home during the pandemic would like to continue to do so¹
- 41% of respondents that worked from home most or all the time indicated that they would like to continue to work remotely 4 to 5 days a week

3) Growing importance of 'Quality of Place'

- If talent truly is a key strategic asset for the region, the increased frequency of work-from-home implies that municipalities must invest in making their cities more livable

New research on small communities in the US:¹

- Quality of life considerations are greater contributors to economic success than the quality of the business environment
- Availability of local amenities have a stronger link to greater population and employment growth and lower poverty rates than the business environment

Place-making research from mid-sized cities:²

- Quality of place factors in mid-sized metropolitan areas explain between 38% and 58% of differences in economic outcomes across different areas

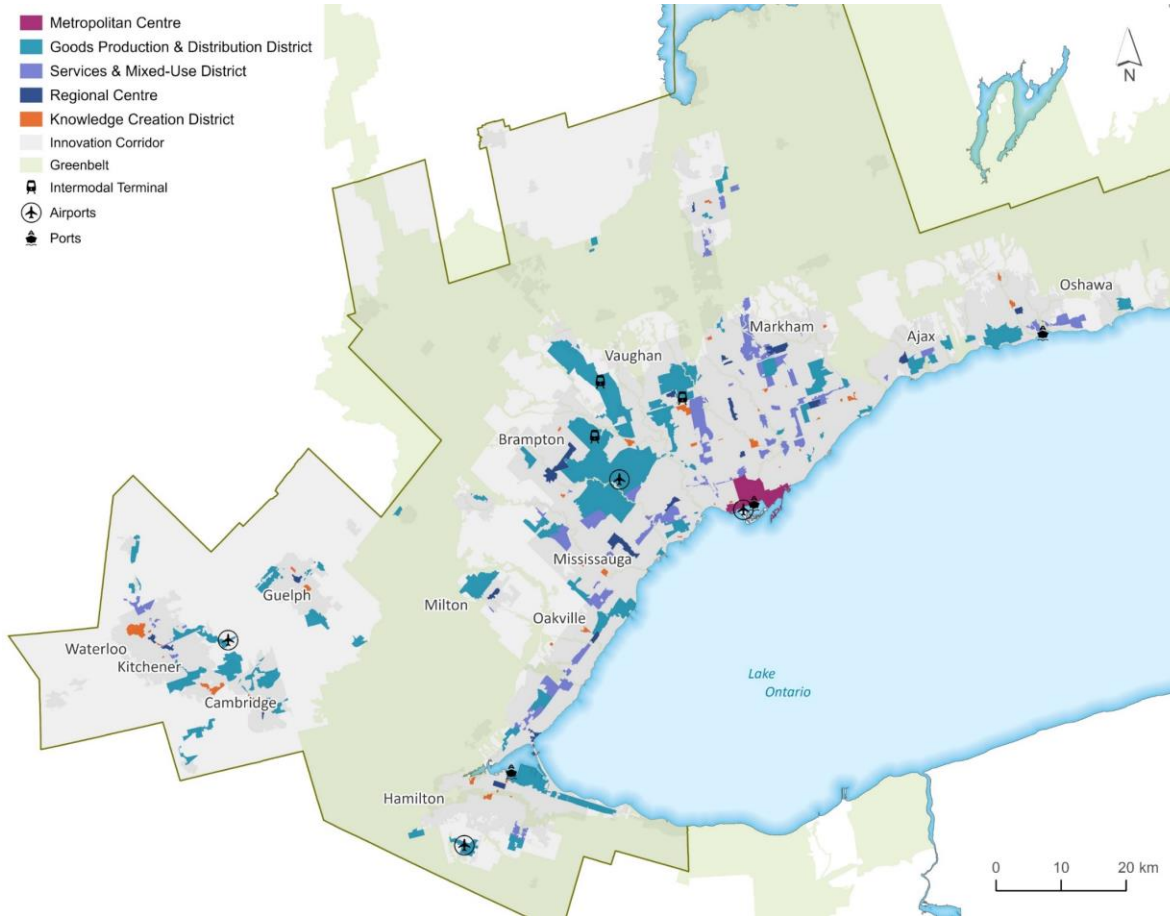
1 Amanda L. Weinstein, Michael Hicks, and Emily Wornell, "An Aggregate Approach to Estimating Quality of Life in Micropolitan Areas," *The Annals of Regional Science* (Jul 29, 2022).

2 Janet Kelly, Matt Ruther, Sarah Ehresman, and Bridget Nickerson, "Placemaking as an Economic Development Strategy for Small and Mid-sized Cities," *Urban Affairs Review* (July 6, 2016).

WFH has made 'quality of place' considerations even more important for economic development

- Municipalities can direct their efforts and resources to enhance the livability of their communities to build a stronger regional value proposition
- Housing and access to reliable broadband are two particularly acute issues for talent attraction and retention
- As population growth exploded between 2015 and 2020, the associated rise in housing demand outpaced the construction of homes
- Declining affordability led many workers to move outwards (also known as the 'drive until you qualify' phenomenon)¹
- Ultimately, a failure to plan and coordinate at the regional level and across various levels of government can lead to reduced competitiveness

4) Place-based approach to economic development



Metropolitan Centre

- The region's dominant urban centre
- Diverse and dense concentration of professional services and home to a vibrant innovation ecosystem
- Major centre for business and leisure tourism

Goods Production and Distribution

- Predominance of activities associated with the large-scale production and movement of goods
- Strongly features manufacturing, warehousing, and logistics.

Services and Mixed Use

- Mixture of less diverse and dense professional services, manufacturing and distribution hubs
- Also features retail businesses that service both the local residential and business market

Regional Centres

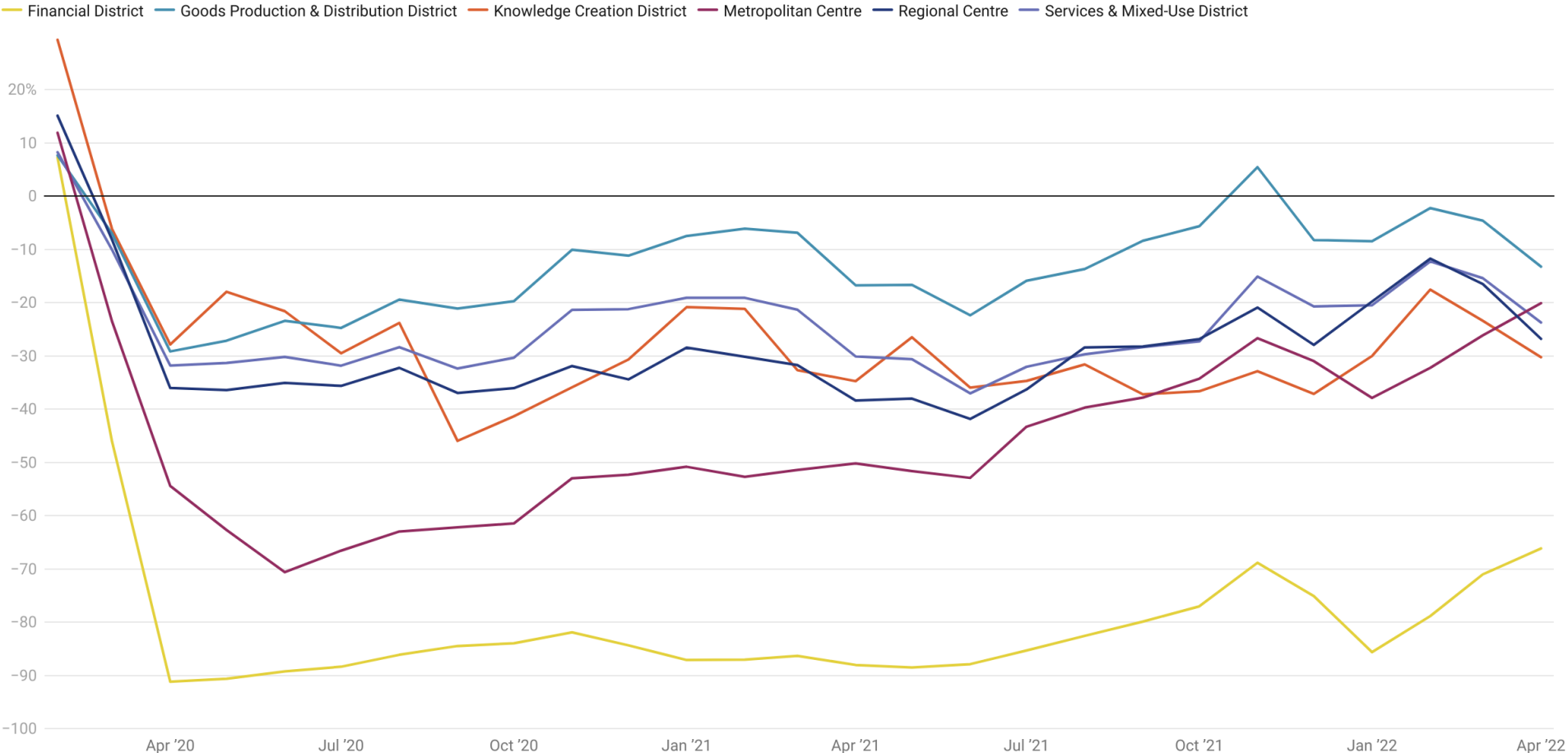
- Suburban and urban centres that are home to civic and government institutions, as well as professional and retail businesses

Knowledge Creation

- Campus-style anchor institutions such as universities, colleges, and teaching hospitals with a concentration of knowledge-based activities
- Key pillar of the region's innovation ecosystem.

A place-based lens allowed us to understand the impact of the pandemic across the region

Weekday Workers Volume (% Change from 2019), Innovation Corridor



Source: TRBOT analysis of Telus Insights data.

Calls to Action



Calls to Action for municipalities in the Region

1) A collective regional economic strategy for growth, competitiveness, and shared prosperity

- A regional economic strategy that aligns their respective economic development plans and policies
- Including elements such as workforce development, employment lands, sector/cluster strategies, export promotion, and inward FDI attraction

2) A united approach to FDI promotion

- The greatest competition for business investments comes from other city-regions
- Many regions – including Montreal – have delegated investment attraction activities to a regional agency, with much success
- If the region hopes to put its best foot forward to attract investments, its individual municipalities must support Toronto Global's mandate as the primary regional investment attraction agency

Calls to Action for municipalities in the Region

3) Focus on the power of place-making to strengthen the regional talent pipeline

- Commit resources toward making our communities more affordable, connected, and better places to live
- This includes expediting more affordable housing, integrated and seamless transit, place-making amenities, recreational and green spaces, and high-capacity broadband
- Key infrastructure investments will require support from the provincial and federal governments, however municipalities must champion these causes as a region

4) Harness the potential of remote and hybrid work trends to boost economic growth

- Municipalities in the region should position themselves to take advantage of remote work trend by:
 - a) Making their cities more attractive for remote/hybrid workers
 - b) Re-evaluating the FDI success model to accommodate for the rising number of firms entering the region to hire talent with little or no real estate footprint

Calls to Action for municipalities in the Region

5) Advocate for municipal finance reform

- Municipalities in the region are under-resourced and unable to meet rising service demands because of the current financing model for municipalities
- They must work with the province to redefine their respective roles and responsibilities as they relate to funding and delivery of services
- Some experts have proposed that redistributive services no longer be funded by property tax revenues as they are not linked to the incomes of those taxed¹

Calls to Action for municipalities in the Region

6) Develop and execute 'place-based' solutions to challenges

Downtown recovery (to counteract against WFH impacts):

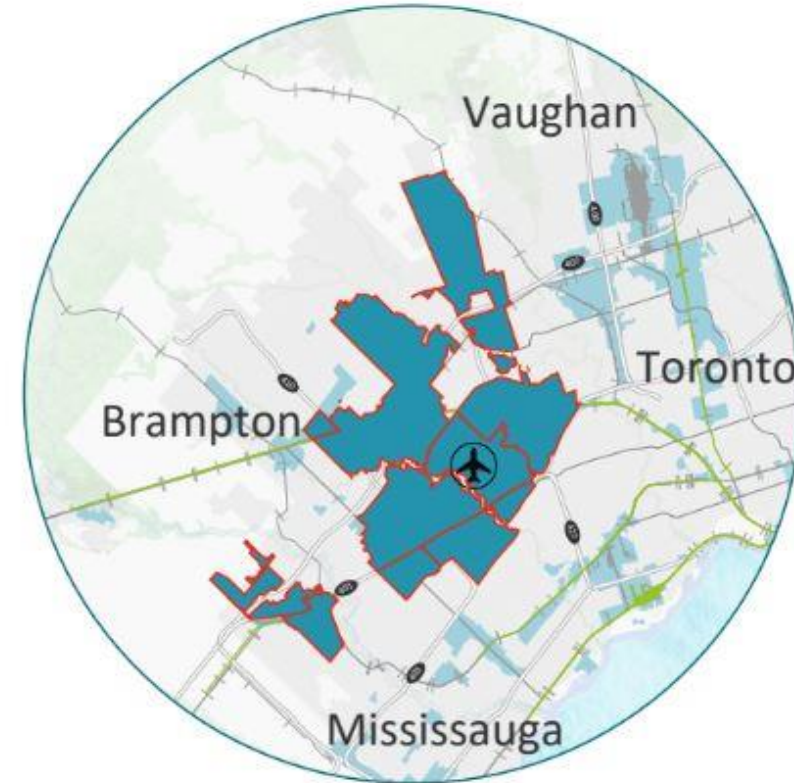
- Grow and Brand Toronto's Innovation District
 - Designate a swath of downtown Toronto as an innovation hub, anchored by its competitive strengths in R&D in biopharma, artificial intelligence, and tech
 - Streamlined permitting and zoning / conversions for Class B and C buildings for wet labs and other supporting uses
- Land-use opportunities for Film and TV production
 - Opportunity to repurpose land to address demand for Animation, VFX, and virtual production space as well as soundstages

Calls to Action for municipalities in the Region

6) Develop and execute 'place-based' solutions to challenges

Addressing challenges in the Pearson Economic Zone:

- Improve workforce access to jobs
- Ensure availability of employment lands
- Enhance productivity
- Tackle congestion
- Support the energy transition
- Build supply chain resilience



Example of a place-based solution: Worker Shuttle Service

Challenge:

- Transit service doesn't align with 24-hour activities in the Pearson Economic Zone
- Long, circuitous transit trips for workers that don't always align with shift work, outside traditional commute hours
- Lack of full fare and service integration along with more frequent, reliable service by transit agencies in the Zone

Potential Solution:

- Business led worker shuttle service, matching a local tech company with businesses in the Zone who require mobility solutions beyond transit
- Potential pilot project would achieve more coordinated and timely transit service so businesses in the Zone can attract and retain talent

Questions?

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