

OVERVIEW REPORT

The Future of Downtown Toronto

*A Report Prepared for the City of Toronto
Urban Development Services Department,
June 2000*

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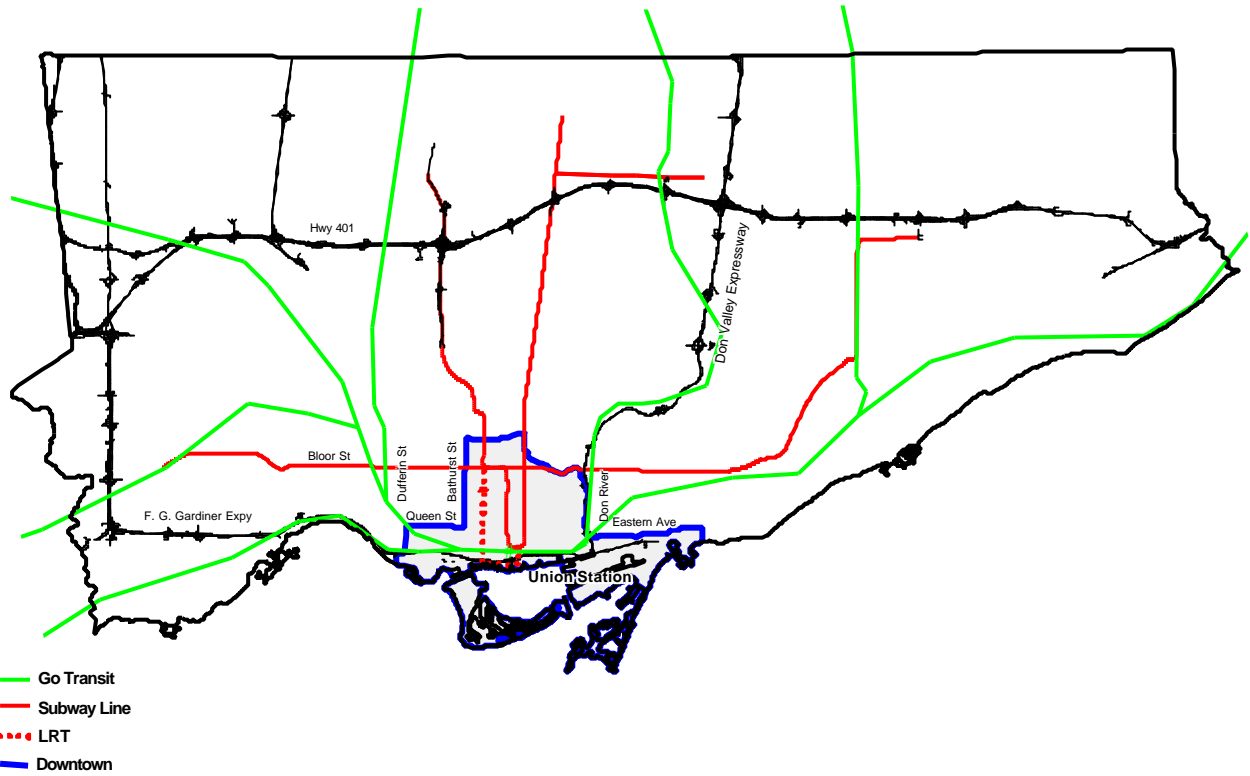
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The Future of Downtown Toronto: Overview Report

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Location Map



1 Introduction

The purpose of this study is to develop an understanding of the current health of downtown Toronto including the importance of clustering, concentration and inter-connectedness that exists within the downtown and in relation to the region and beyond.

The fundamental premise of this study is that downtown Toronto plays a unique role within the city of Toronto and the region and that, in many respects, the quality of life available to all residents of the city and the region is determined by the success, vibrancy and economic health of the downtown.

The scope of this study is significant. The literature on the role and importance of downtown areas generally supports the view that downtowns play a key function in determining the quality of life within a broad regional context. As a consequence, many municipalities across North America and elsewhere have developed strategies for quality of life enhancements that recognise the unique role of their downtown areas. This is the objective of this study as well.

At the outset the study focuses on analyzing trends in each of the key activity areas that were agreed upon through consultation with City of Toronto planning staff. These include:

Office Market

Transportation

Residential Structure

Retail

Culture, Entertainment and Tourism

Community Services

Educational and Medical

During the preparation of the study, weekly discussion group meetings were held with City of Toronto planning staff to discuss the findings and to consider the interdependencies and connections between the activity areas, as part of the trends analysis. The relationships identified during these discussions, emerged through a process of sharing insights and reasoning among the participants.

Statistical trends tell us what has happened in the past. To understand what might happen in the future, we need to talk to people “on the ground” in an organized and structured way. This was the purpose behind the discussions with staff and subsequent roundtable sessions that involved representatives from the key activity areas for the study (see appendix for list of roundtable participants). The goal was to establish proposed strategic

directions for the future of downtown Toronto, to consider other important issues and to establish a framework for action.

The suggested actions outlined at the end of this document follow from the premise that downtown Toronto plays a unique and pre-eminent role within the city and region.

Those wishing more detailed information on the different aspects of the study should consult the following background studies and notes prepared for each of the sections of this report:

Background Study 1: Employment Recovery In Downtown Toronto 1993-1999 by Dr. David M. Nowlan

Background Study 2: The Office Market in Downtown Toronto by Dr. Colin M. Lizieri

Background Study 3: A Note on the Downtown Commercial Tax Issue by Dr. David M. Nowlan

Background Study 4: Downtown Toronto As a Living Space; Present Character and Future Prospects by Dr. Larry S. Bourne

Background Study 5: Transportation by City of Toronto Urban Development Services

Background Study 6: An Update of the Nexus Relationship and a Comment on the Residential Labour Force by Dr. David Nowlan

Background Study 7: Retailing in Downtown Toronto by GHK International

Background Study 8: Culture, Entertainment and Tourism by GHK International

Background Study 9: Downtown's Role in the Provision of Social Services by Jim Ward Associates

Background Study 10: The Educational and Medical Sector in Downtown Toronto by GHK International

The authors would like to thank all of the participants of the roundtables and in particular, the staff at the city of Toronto Planning Department for their help and advice during the course of the study. Peter Moore, the study director, Tom Ostler, Greg Stewart, Jim Helik, Bedi Sarsan, Terry Wertepny, Lance Alexander, Jeff Bateman, Lynne Harvey, Mary Rossi and Peter Viducis of Economic Development were particularly helpful and generous with their time and insights.

2 The Role and Importance of the Downtown

Toronto's downtown is unique. It is the oldest, densest, most diverse area in the region. It contains the one of the highest concentrations of economic activity in the country, from high value added financial services to new media to arts and culture. Every day during the daytime 800,000 people, more than the population of metropolitan Calgary, travel in and out of the downtown area to go to work, to study or to visit. The downtown contains activities that can only be located in this kind of dense, concentrated place: activities that need to be spatially clustered and centrally located to function effectively. This has been the case historically and will continue in the future.

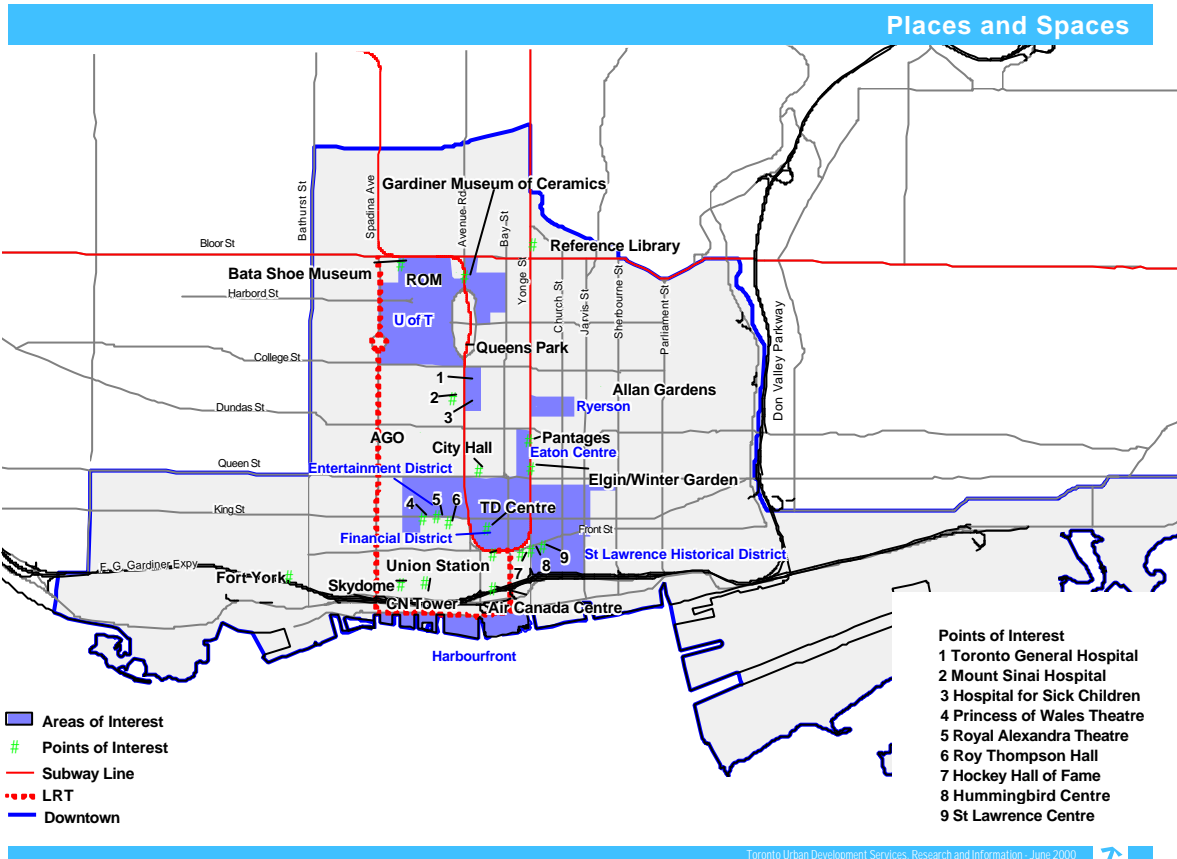
The downtown also presents Toronto's image to the rest of the country and the world. It is the physical manifestation of how Torontonians see themselves and how they present their city to others--a symbol that unifies businesses and residents. It belongs to everyone and everyone cares about it.

The key economic activity in the downtown is the high value added office sector, particularly in financial and business services, which thrives in a concentrated and clustered environment with many opportunities for face-to-face contact. This activity relies on good access to a highly skilled labour force, proximity to business customers and opportunities for the rapid diffusion of ideas and knowledge. It is intricately linked in a variety of ways to a wide range of other economic activities in the region. The high value financial services sector, by its very nature must be located downtown; if it is no longer in the downtown it may not be in the region, in fact it will very likely not remain in Canada at all. So if we want these functions in Canada, in Ontario and in the Greater Toronto Area we must work to keep them downtown.

Toronto's downtown is however, vastly more complicated than this. It is home to more than 162,000 people—equal to the population of a sizeable town. Over the past 20 years its population has grown as quickly as the population in the larger region and it is poised to grow again as the current spate of condominiums under construction becomes occupied.

The downtown has the highest concentration of arts and culture in the region and the country. It is the home of the symphony, the ballet, the opera, the Art Gallery of Ontario, the Royal Ontario Museum, the hockey team, the baseball team and the basketball team. These are linked in a variety of ways with many other activities such as restaurants and bars. It contains Canada's foremost medical sciences complex with links to the University of Toronto, the hospital cluster and private biomedical facilities. It has the highest concentration of specialized, high order and diverse retail in the region with active and vibrant strips along Queen West, Bloor-Yorkville, Yonge-Dundas, Church-Wellesley and Chinatown. It is the headquarters for many social service facilities that provide services to both local and regional populations.

Linking these activities is a sophisticated transportation system, focussed on Union Station, which moves a sizable population in and out of the downtown every day and provides access to the downtown from the rest of the region and beyond. On the other



hand, an increasing supply of housing provides new residents with access to downtown jobs without the need to commute long distances and ensures a 24 hour population which supports local arts and culture, retail and entertainment. The retail function itself supports other downtown activities such as the office complex, housing, culture and entertainment. Underpinning all of this are basic services and city infrastructure.

In fact, the downtown is the only part of the region where one can find as large a mix of different types of activities. It is the only place where so many activities are concentrated. And it is the only place where most of these activities are inter-linked in a complex, self-supporting system and where a change in one activity will have a direct impact through a chain reaction on other activities.

The story of this report is that over the past few years, Toronto's downtown has experienced a period of remarkably good economic health. Overall employment in the downtown has increased significantly in the past 3 years with the office sector leading the way. Downtown employment growth has outpaced the city as a whole and now represents the highest concentration of employment within the city since data were first collected. The office sector now has more employees than at any time in history and business and financial services, the highest value added activities, have experienced the highest growth. Communications, media and computer services, representing a large chunk of the "new economy", have also grown rapidly. Government and institutional employment, on the other hand, has declined.

With the rapid growth of the downtown residential population, the relationship between downtown living and reduction of trips into the downtown for work purposes continues to strengthen.

A few additional facts provide us with further evidence of the strength of the downtown:

- Downtown Toronto has the third *largest* downtown office market in North America after New York and Chicago.
- It continues to have one of the highest *concentrations* of downtown office space in North America.
- Downtown Toronto's share of regional retail activity at seven per cent, is extraordinary by North American standards, once again, placing it third behind New York and Chicago.
- The downtown represents the third most important centre for English language live theatre in the world.
- A higher percentage of commuters into the downtown use transit than anywhere else in North America with the exception of New York.
- Downtown streets are robust, vibrant, energetic places.

The downtown economy seems to have adapted well to the forces of globalization. One could not have scripted a better scenario...

Yet most of this was accomplished without any sizable public investment. There were a few important public projects initiated in the downtown over the past few years including the Spadina streetcar, the waterfront streetcar, the Yonge-Dundas Square redevelopment, Cumberland Park in Bloor-Yorville, the greening of St George Street and investments in University of Toronto's infrastructure. Yet, most of the recent success in the downtown can be entirely attributed to the private sector and reliance on the public investments of the past. Where senior levels of government have actively reduced funding, such as support to the city's most vulnerable populations, there has been a noticeable rise of people who need help on the streets. This does not appear to be sustainable for the future. As the history of downtown areas in other North American cities shows, downtowns are rather volatile places that need to be constantly taken care of and nurtured.

The foundations for the continued future health of the downtown need to be put in place today. The public sector needs to become a full partner with the private sector in laying this foundation.

Much needs to be done: Union Station needs to be upgraded, we need to continue to address homelessness, we need to support arts and culture and build an opera house and we need to make downtown a priority area for paving our streets, fixing our sidewalks and watering our plants.

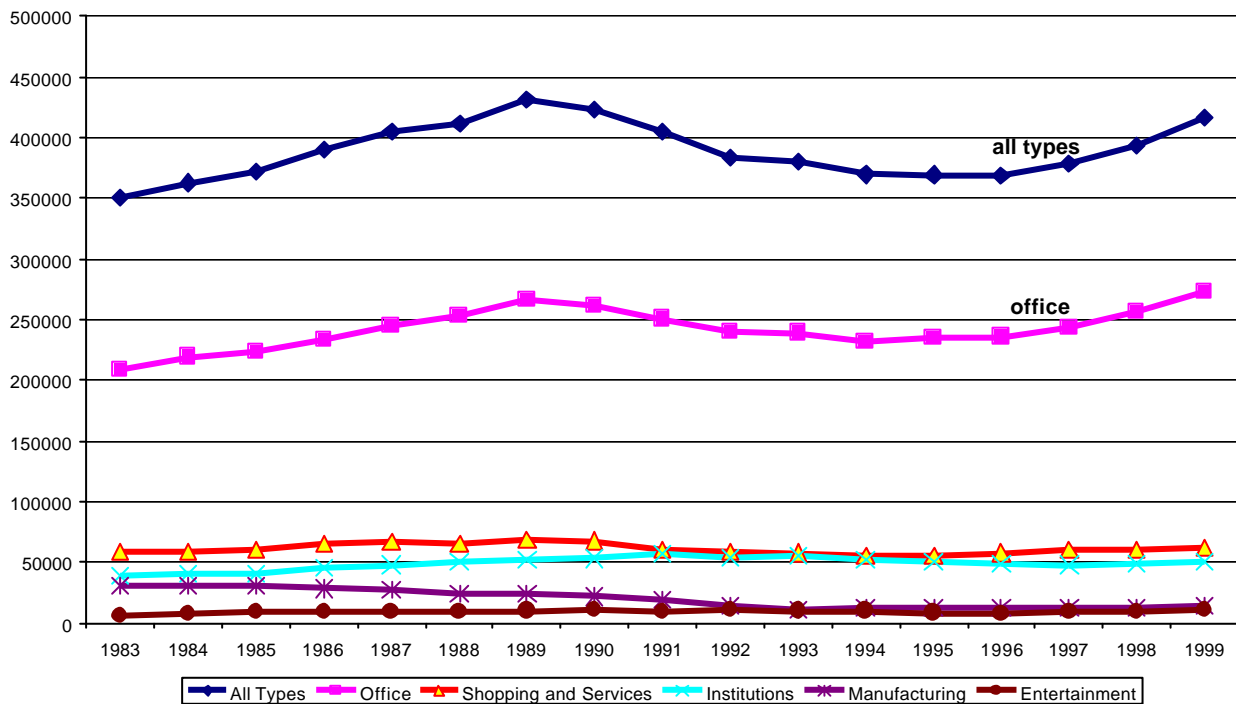
Yes, the downtown has gone through a healthy period of growth recently, but its continued health depends on a renewed commitment by all levels of government to invest in its future. This report contains suggestions to guide such a process.

The following sections summarize some of the key findings in this study. Map 1 shows the downtown area: the focus of the study.

3 Downtown Employment Dynamics

The employment story in the downtown is a story of strong growth in recent years fuelled primarily by dramatic increases in office employment, which has now surpassed pre-recession levels. The downtown's share of total employment in the City is now higher than it has been ever since data were first collected in 1983 (Metro, now City Employment Survey). The downtown is the largest employment cluster in Canada. Total employment in the downtown is almost as high as in either Saskatchewan or Manitoba and higher than the labour force of any of the Atlantic Provinces.

Figure 1
Downtown Employment by Type, 1983-1999



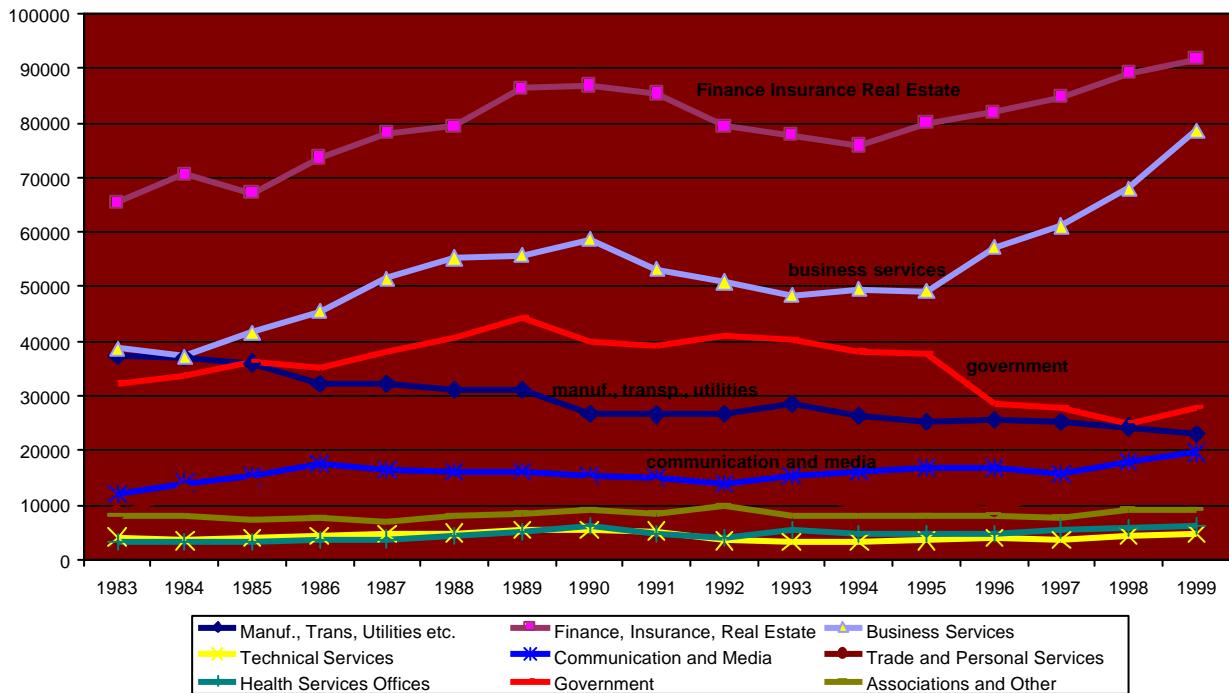
Employment in the shopping and services sector, a distant second in size to the office sector, has been generally stable since 1983, with a dip in the recessionary years of 1991 to 1994 and a slow recovery since then. Institutional employment, principally in hospitals and universities, rose until 1991 and has declined by 10 per cent since then. Manufacturing employment slowly declined until 1993 and has been stable since then, while employment in the entertainment sector has slowly risen over the 16 years since 1983 to the point where employment in the manufacturing and the entertainment sectors are now about equal.

But the office sector dominates downtown employment. It now employs almost 66 per cent of the workers in the downtown and represents 46 per cent of office employment in the city as a whole. It employs 6600 more people than at its previous peak in 1989. Between 1993 and 1999 it grew by more than 14 per cent. This defines the principal employment characteristic of the downtown: it is the office employment centre of the city.

Office employment in the downtown rose rapidly from the 1980's until 1989, after which it dropped sharply until 1992. It then stabilized until 1996. For the last three years office employment has again been rising rapidly and by 1999 it had surpassed its previous high. Since office employment accounts for about two thirds of all downtown employment, the pattern of total employment substantially mimics office employment.

Digging deeper into the figures shows that that the growth in office employment has been dominated by two sectors: finance, insurance and real estate (FIRE) which grew by almost 18 per cent for the period 1993-1999 and business services which grew by an astonishing 62.5 per cent. Within these sectors the growth has been in bank and trust administration, investment services, computer services (which grew by 245 per cent over six years) and "other business services" (suggesting that the changing nature of business services on the ground has not caught up to classification codes). Generally the shift has been to employment in higher value activities, which as we shall see, is not only healthy but also consistent with global trends for downtown areas.

Figure 2
Types of Office Employment in the Downtown, Full- and Part-time



The extremely strong recent growth in downtown office employment, especially in FIRE and business services, has outpaced equally strong growth elsewhere in the province and the country. For example, from 1995 to 1999, FIRE sector growth in the downtown was 14.5 per cent; FIRE sector growth across Ontario and Canada for this same period was 12.8 per cent and 8 per cent respectively. The difference was even more pronounced for the business services sector: in the downtown employment rose by 59.9 per cent in this sector between 1995 and 1999; in Ontario and Canada the figures were 42.3 per cent and 36 per cent.

Comparable data for the GTA are not readily available but roughly similar categories from the Labour Force Survey (as compared to the Survey of Employment) suggest that FIRE and business services employment in the Census Metropolitan Area (CMA) between 1995 and 1999 rose by 7.0 per cent and 37.6 per cent respectively, again well below downtown figures. We also know that during this period total employment in the CMA grew by 13.7 per cent compared with downtown office employment growth of 16 per cent.

Two additional observations about office employment dynamics are worth noting. The first is a large growth, at 10 per cent annually, in the downtown communications and media sector, which together with the strong growth in computer services reflects the growing importance of the emerging “new media” sector. Generally this sector seems to be located at the edges of the financial district, in the King-Spadina and King-Parliament areas.

The second observation is the large reduction in employment in the government sector, which had expanded rapidly in the 1980’s, but has declined significantly, particularly between 1995 and 1998, when FIRE and business services were taking off. In fact, the sharp reduction in government employment since 1995, representing a drop of 38 percent, has delayed the recovery of downtown employment to pre recession levels. The figures show that if one takes out institutional and government employment from the overall employment count, the recovery in private sector employment in the downtown has been much quicker and more pronounced over the past five years than overall employment. Government sector employment declines stabilized in 1999 suggesting that these figures may now have bottomed out.

In summary, downtown employment after recovering from the recession of the early nineties has grown more quickly than in the rest of the city, particularly over the last three years. The downtown is increasingly becoming dominated by the office sector with declining employment over the past few years in the institutional sector. Within the office sector, government employment has dropped significantly, while employment in FIRE and business services has increased dramatically. Within these sectors the fastest growth is in the higher value added sectors (investment services, headquarters functions, professional services) and in the new media sector (computer services and communications and media).

For more information on this section please consult Background Study 1: “Employment Recovery In Downtown Toronto 1993-1999”.

4 Office Market Dynamics

Two of the things that economists look for in analyzing the health of local economies are growth trends and concentration. As the previous section shows, the downtown economy has experienced a very healthy period of growth recently, particularly in high value added parts of the office sector. In terms of concentration, Toronto also appears well positioned to face the future from a solid base. There is currently 77 million square feet of office space in the downtown, the third highest total in North America, behind New York and Chicago. After that the closest to Toronto is San Francisco with 51 million square feet. In financial services, downtown Toronto also has the third highest concentration in North America, with 92,000 persons employed in FIRE and 79,000 in business services. As a point of comparison, Frankfurt, Europe's second ranking financial centre, only has 68,000 employed in finance in the city centre.

But in order to better understand the dynamics of Toronto's office market, it may be useful to review global trends first. The basic context regarding globalization of financial markets is well known: deregulation and liberalisation, growth in demand due to privatization, securitization and developments in emerging markets; the impacts of communications and information technology; pressure to innovate in products and services; and intense competition.

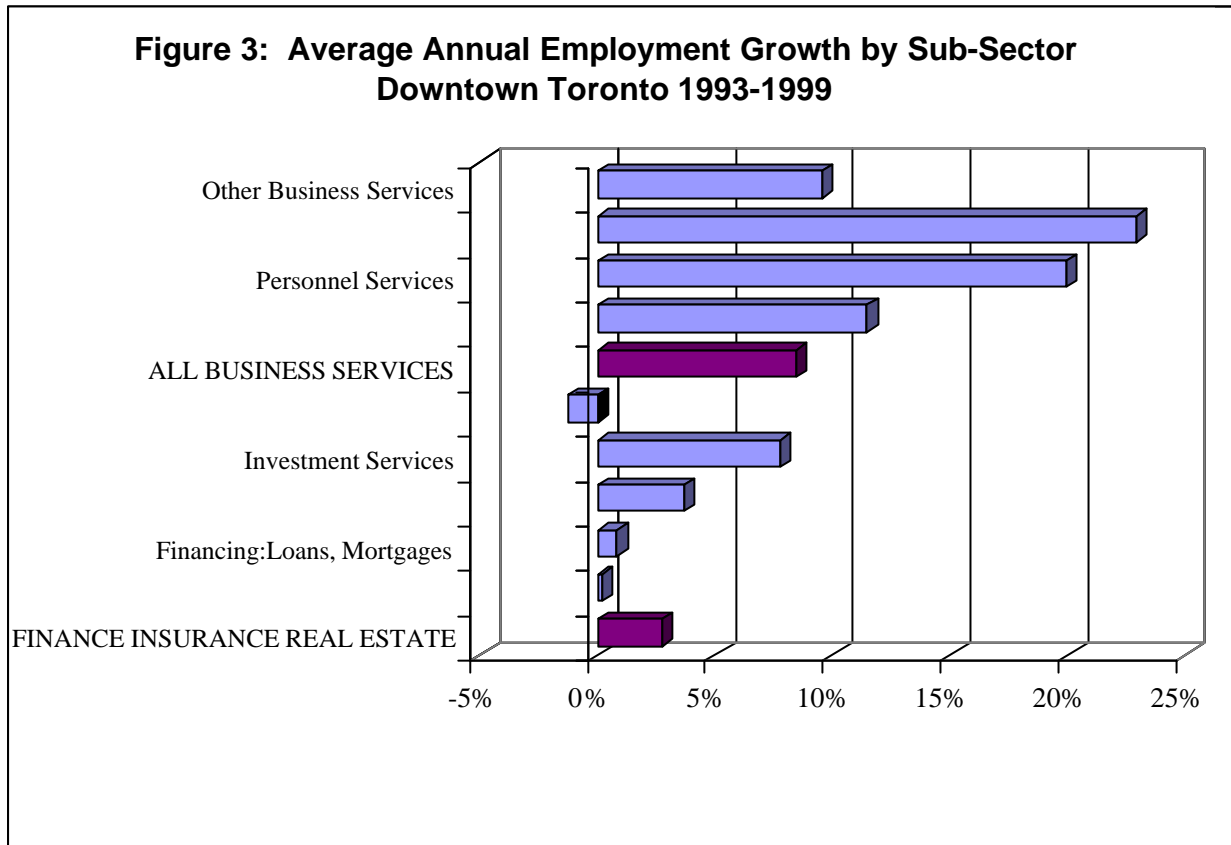
Despite these changes, the emphasis is increasingly on clustering together in the search for agglomeration economies. Increased communication has not resulted in a greater dispersal of activity, as some had predicted, but paradoxically, greater concentration. The need for face to face contact, access to skilled labour, access to business customers and proximity to competitors has propelled firms to increasingly concentrate those activities that rely most on knowledge, innovation and technological advances.

A related global phenomenon has been the segregation of the financial service market into lower value "retail" functions that provide services directly to customers, usually domestic, and higher value "wholesale" functions that provide services to corporate customers (international banking, corporate finance, securities trading, fund management, corporate insurance and transport brokerage etc). The wholesale function can be further subdivided into "high volume", relatively standardized activities (such as settlement, clearing and certain forms of trading) and low volume, but higher value added business (such as corporate finance, fund management, raising capital, mergers and acquisitions etc).

The trends have been for retail functions to become increasingly dispersed in outlying locations and for low volume, high value added functions to become increasingly concentrated. These functions are inter-connected with the same firms often dispersing their retail and high volume wholesale operations throughout the region but concentrating and consolidating their head office and higher order functions downtown.

In this respect downtown Toronto's financial services and office market is clearly linked to the regional market. As retail and lower order functions are dispersed from the downtown to make way for higher order functions it is preferable from the view of the

downtown market that these functions locate in the Toronto region rather than somewhere else. If they are in the Toronto region, they are very likely to locate their higher order operations downtown and have regular links with downtown businesses.



Global competitive trends have also led to the growth of smaller start-up and niche operations and a growing out-sourcing of business and professional services. Such start up, niche and out-sourced firms are likely to locate as near to the parent firm as costs permit, to benefit both from prestige and from information linkages. This permits larger downtown centres to offer a greater range of specialized services and to be more adept at innovation and adapting to changing market environment.

So how does downtown Toronto stack up in light of these trends? The evidence is positive. The employment figures reviewed above show that within the business services sector there has been a net loss of (retail) insurance and marginal gains in bank and trust branches and loan and mortgage business, with much faster gains in investment services and headquarter functions. This is entirely consistent with the global trend away from downtown retail and commoditised financial services activity towards higher value added wholesale services.

Another indicator of this trend is the large concentration in downtown Toronto of mutual fund management and professional service functions. An astounding 58 per cent of

Canada’s mutual fund management functions and 78 per cent of Canada’s mutual fund professional service functions are located in downtown Toronto. By contrast only 25 per cent of Canada’s retail mutual fund distribution functions are in the downtown.

Table 1: Location of Mutual Funds in Canada, 1999

Location	Retail Distribution	Fund Management	Professional Services
Downtown	25.2%	58.3%	78.2%
Toronto Suburbs	13.5%	4.8%	9.0%
Other Ontario	20.6%	6.0%	1.3%
Montreal	7.7%	14.3%	5.1%
Vancouver	3.9%	7.1%	2.6%
Other	29.1%	9.6%	3.9%*
Number of Cases	155	84	78

* includes non-Canadian advisors

Source: Investment Funds Institute of Canada, analyzed by author.

However there are a number of issues lurking on the horizon. The most significant is the uncertainty for the future of financial services in the downtown over bank mergers as a result of the federal government’s move towards de-regulation of the banking industry. Nonetheless, although smaller in global terms than they once were, banks and other financial institutions are still strong and well capitalized in Canada and are well positioned to compete with the fragmented US banking system. It will be important, however, for the city to carefully monitor and track trends and developments as they unfold within the Canadian banking system in the future.

On the office space supply side some additional issues emerge. For one thing office rents have not recovered to their pre recession levels and there have been no new office buildings constructed in the downtown over the past ten years. Furthermore, the diversity that is a key feature in global finance centres (including different types of financial wholesale, start up, niche and out-sourced operations) needs to be mirrored in the office stock. Some major banks and financial services firms may require modern, large floorplate office space; other major professional service firms may require modern space but with smaller plates to accommodate cellular offices. Niche product firms and suppliers need smaller amounts of space either in multi-occupied buildings or in smaller offices. Around these firms are a web of smaller suppliers, start-up businesses, outsourced services, information providers and branch offices of firms based elsewhere. These require a whole range of property solutions, from serviced offices and small dedicated space to space in secondary, class B or C offices.

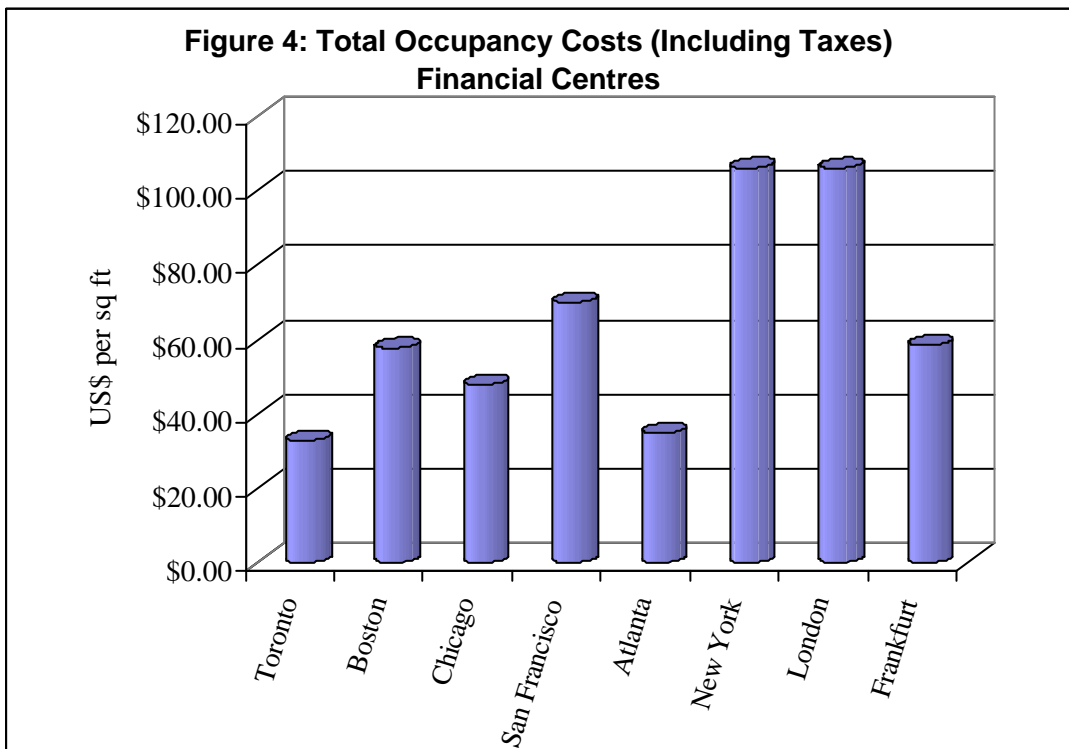
Toronto’s downtown office market to some extent reflects the diversity needed by downtown financial services. But because no office space has been built over the last ten years, there may not be the types of new buildings with very large floor plates (groundscrapers) available that some firms in other financial markets are demanding,

although as vacancy rates continue to fall and rents rise, office development is likely to become more profitable once again in the near future.

Another issue is that there is very little space available in smaller buildings. This may be a concern for start up and spin-off firms, niche players and specialist service providers, which are increasingly becoming important players in the financial services sector.

A key role for the city in this regard may lie in improving and coordinating information on the transparency of office space markets. Toronto is well served by its information providers (both public and private) but there are shortfalls. Provision of additional market information (on both supply and demand sides) may improve the decision-making process and encourage investment in the central markets, while reducing the risk of speculative building bubbles and boom-bust cycles.

A further potential concern is with the large number of leases that will be up for renewal at the same time in the near future. The lease renewal rates will be higher than the initial rates and some firms may be tempted to search for lower cost space. However, the likelihood of this happening needs to be counterbalanced with the disruption to business, the costs of moving, the loss of locational advantage, access to information and agglomeration economies etc. The evidence from other places and from real estate experts is that for the vast majority of cases moving is undesirable. Besides, as already discussed, the higher order financial and business services firms and operations that are increasingly located in the downtown are willing to pay a premium for the advantages of a downtown location.



This brings us to the issue of costs. First the good news: occupancy costs for office space in Toronto's downtown are amongst the lowest in North America, lower than San Francisco, Boston, Chicago and New York. However, it is important to remember that according to analysis done by KPMG, space costs for a representative financial services company represent around nine per cent of total costs. In this context, other factors, especially the availability and cost of skilled labour, information and agglomeration economies and the quality of place are likely more important than marginally lower space costs in making locational decisions.

Next the bad news: commercial property taxes as a percentage of market value, a ratio known as the "effective" tax rate, are much higher in the city of Toronto than in the surrounding 905 region. The effects of this disproportionately high tax rate are complex and subtle, so it is not surprising that controversy surrounds the issue and that policy responses are difficult to formulate.

Ultimately the impact of the higher tax rate needs to be placed in the context of the earlier discussion about 1) the tendency of higher order business to concentrate in the downtown even if there is a premium to pay and 2) the small percentage that property taxes represent of total costs (about 25 per cent of occupancy costs). As previously mentioned, in the downtown environment, a high quality of life and the advantages of agglomeration may ultimately be more important in attracting and keeping firms than slightly lower occupancy costs.

In addition, certain attempts to address the tax imbalance could result in inadvertent negative impacts particularly for the retail sector. The issue is further complicated by the fact that the provincially levied education tax constitutes in excess of 50 per cent of the commercial tax burden in Toronto, which relative to property values, and in fact relative to any other measure (e.g. per square foot), constitutes a much higher impact than anywhere else. On this issue the interests of the city are clear: singling out Toronto in this discriminatory manner does not make common sense, particularly for downtown business. Not only will downtown Toronto lose if downtown business leaves, Ontario and Canada will lose as well since, the types of businesses located in the downtown are likely to move to other financial centres rather than to other parts of Canada.

For a more in depth discussion of office market dynamics and tax issues please consult Background Study 2: "The Office Market in Downtown Toronto" and Background Study 3: "A Note on the Downtown Commercial Tax Issue".

Suggested Actions

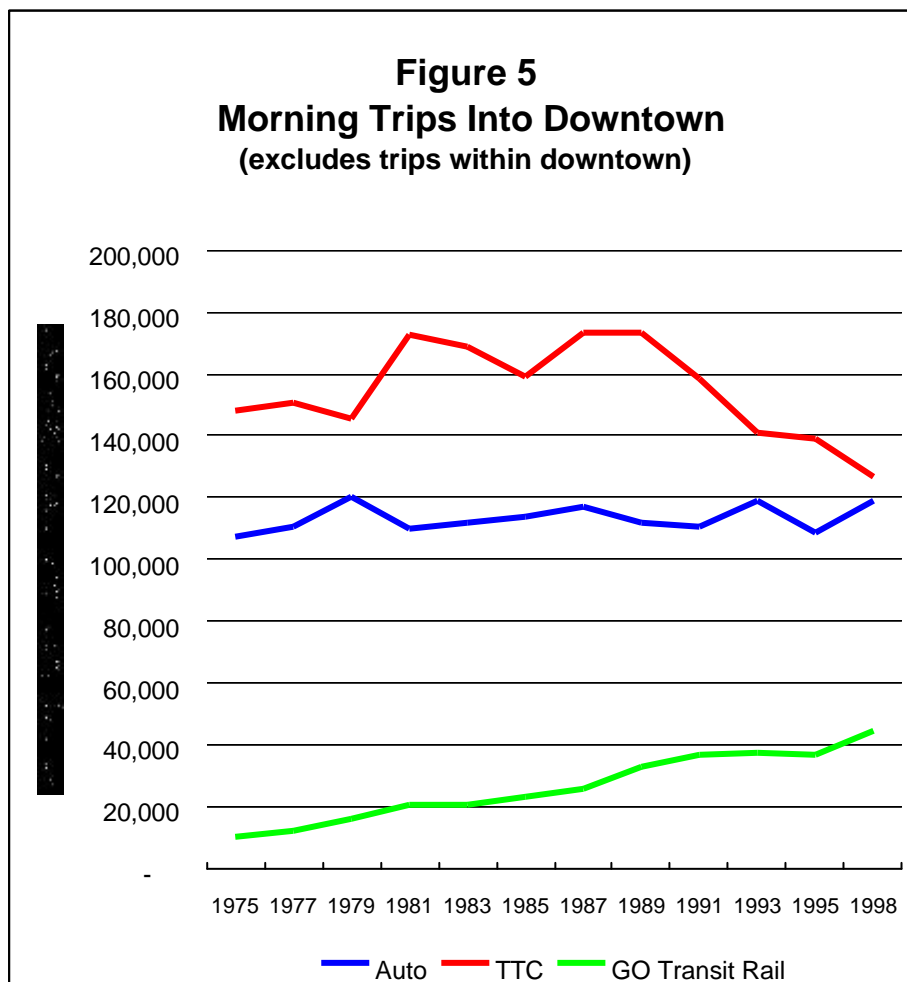
1. The city, together with the Board of Trade, the Toronto Real Estate Board and commercial information providers should establish an ongoing downtown research and monitoring program to keep abreast of developments in financial services and the office sector, including office market dynamics, global trends and shifts in the employment profile.

2. The Planning Department's review of the Official Plan and Zoning regulations should aim to provide further regulatory flexibility for downtown and mixed use areas to ensure that there is a flexible regulatory regime that can effectively respond to the variegated needs of the office market while at the same time providing certainty for investors. As much as possible, development in the financial and downtown office districts should be subject to review only under site plan control provisions of section 40 of the Planning Act.
3. The city, through either a downtown monitoring agency or a downtown council should publicize the opportunities for new investment in the downtown and the advantages of the downtown for location of high value added activities. There is currently approximately 700,000 square metres of as of right potential development space available in the downtown. An inventory of this potential space should be available to investors.
4. City Council, together with representatives of the downtown business community should once again approach the Province to accelerate its program of reducing discriminatorily high provincial education tax rates on commercial property in Toronto.

5 Transportation Dynamics

The transportation system ties the downtown to the rest of the city and the region and provides a means of moving people within the downtown. The focus of the system is Union Station, an architecturally stunning space, bringing together subway, GO and intercity transportation modes.

For many years the city has had excellent transit service into the downtown, both local and regional, to such an extent that that car travel into the downtown during peak hours has not increased since the 1960's. This is a remarkable statistic. In fact, the modal split (the proportion of people using different modes of transport) for transit into the downtown during the peak hours is the second highest in North America. This offers downtown workers access to a wide choice of residential environments throughout the region.



This is good news, but to be sustainable in the future the system needs constant maintenance and upgrading, something that is increasingly difficult with the shift of full responsibility for funding transit from the province to the city.

The most important need is to solve the bottleneck at Union Station. If this is not addressed in the near future there will be severe constraints on the ability of the system to respond to increases in demand for more GO and TTC services. With expected continued growth in downtown employment and no planned increase in road capacity, there will be more passengers arriving at Union Station in the future. The station is not properly designed to handle current passenger flows let alone additional passengers.

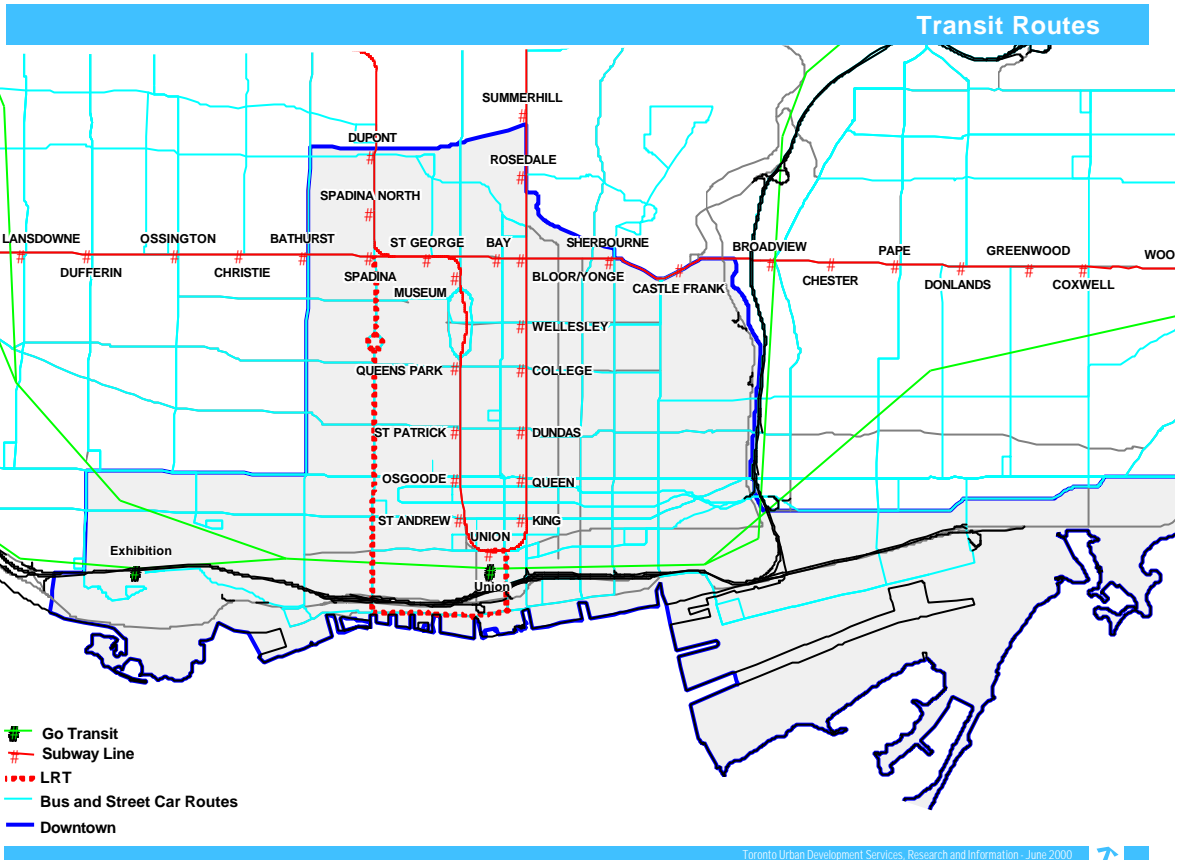
Upgrading Union Station represents not just an opportunity to improve service, but also to create a pleasant and memorable arrival experience for passengers. The Great Hall in Union Station is one of the most important architectural rooms in Toronto. Upgrading Union Station can enhance this architectural gem and create a sense of place that differentiates the downtown from other office environments. Because of the lack of funding it will be important for the city to search for partnerships and creative solutions to fund the rehabilitation of the station.

The major trend in transportation travel into the downtown is an increasing demand for services outside the peak hours, suggesting the need to expand services, particularly GO services during non rush hour periods. The number of people coming into the downtown during the peak period is still lower than it was in 1988, at its height, but with increasing employment this is likely to change in the future.

Within the downtown, demand for transportation services is increasing during all periods as the downtown population continues to grow. This is equally true for the neighbourhoods immediately east and west of the downtown. To address this demand and to ensure that Toronto's downtown continues to sustain leading edge transportation practices will require creative, innovative and bold solutions. One such idea that may be worth exploring would be to create an off-peak "free transit" zone within the downtown.

For this study the authors prepared an update of the extent to which building additional housing in the downtown reduces the need to commute for work purposes (the nexus relationship). The previous analysis was based on data between 1975 and 1988 and showed that each additional 100 units of housing in the downtown reduced the number of morning trips into the downtown by approximately 120 and that the total number of trips over this period were reduced by 3000 every day. The current update shows that this relationship has strengthened to the point where each additional 100 housing units reduces daily rush hour commuting into and out of the downtown by between 140-160 trips.

This is an important relationship to keep track of since it suggests that, at least to some extent, additional growth in office space downtown can happen without having to build more roads or commuter facilities as long as more housing is also built. So more housing downtown becomes part of a transportation policy as well as a policy for creating a vibrant and healthy, 24 hour downtown.



For more information on transportation dynamics and the nexus relationship please consult Background Study 5: “Transportation” and Background Study 6: “An Update of the Nexus Relationship and a Comment on the Residential Labour Force”.

Suggested Actions

1. The most important initiative at this time for ensuring a healthy downtown in the future is to solve the bottleneck at Union Station. The city should immediately begin negotiations with the TTC, GO Transit, Via Rail and Canadian Pacific Railways to establish a plan, framework and timeline for upgrading Union Station, including a searching for partnership opportunities with the private sector to finance the project.
2. The city should immediately request and work with the Toronto Transit Commission to report on a strategy to improve accessibility within the downtown by setting priorities for surface transit, including investigating the feasibility of creating an off-peak “free transit” zone in the downtown.
3. The city should continue to work closely with the Greater Toronto Services Board to prepare a strategy for improving peak and off peak GO Transit service to accommodate future travel demand increases to the downtown
4. The city should continue to encourage more housing downtown in order to reduce the need for commuting. As space for new residential development becomes less available, the city should support and take steps to implement the initiatives of the Waterfront Task Force to increase the supply of housing in and near the downtown.

6 The Downtown Residential Structure

There is a widespread tendency to think of the downtown core of a city as primarily, or even strictly, a place of business and civic facilities, as a concentration of commercial office buildings, jobs, public institutions, and cultural and leisure spaces. The downtown is viewed as a place to work, or perhaps to visit, but to live? Downtown Toronto is, of course, all of these. It is the largest concentration of employment, the locus of decision-making, the “hub” of culture and public services, and the major source of municipal tax revenue.

Equal in importance to its role in commerce, however, it is a place for living, a residential space that many find pleasant and attractive. In brief, downtown Toronto is a social space that incorporates places for living as well as for the pursuit of work, shopping and other activities and pleasures. Indeed, achieving this reality has been a main tenet of strategic planning in the city of Toronto for over 25 years.

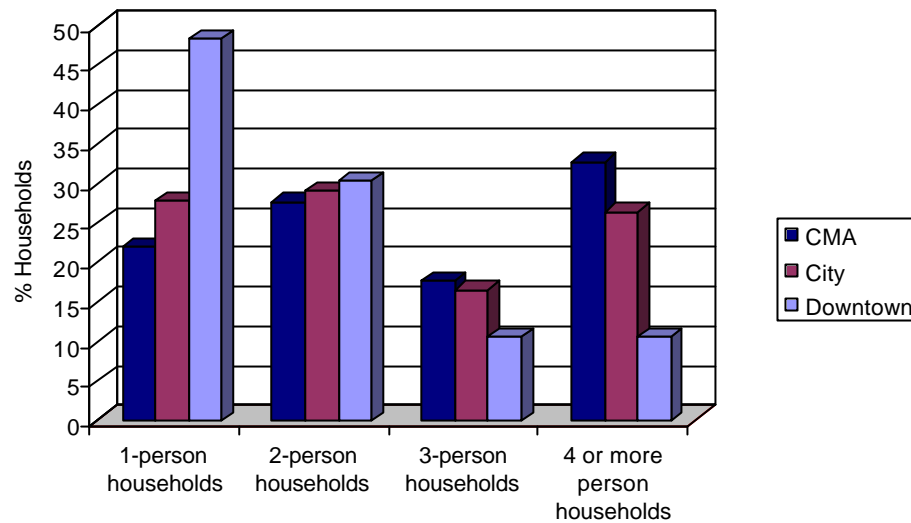
In the case of Toronto, the downtown is currently home for over 162,000 people. This is a large population, indeed it is comparable to that of a medium size city. Most of those people live there by choice. Others are there by necessity, some by the accident of birth, still others through decisions made with respect to schooling, co-habitation or workplace. Whatever the reason, the character and sustainability of these populations, and the quality of the living spaces and services on which they depend, are crucial components in any discussion regarding the future vitality of the downtown, and the changing social and economic character of the city and region.

Since the late 1970's the downtown population has grown by 34 per cent, mirroring the rate of growth in the region as a whole. Most of this growth has been in new spaces located in the Central Waterfront, the St Lawrence neighbourhood, Midtown (Queen-College), Uptown (College-Bloor), Yorkville and to a more limited extent, the Financial District. However part of the population growth has been accommodated in existing residential structures such as the apartment towers of St Jamestown. Overall a relatively large investment in housing was needed to accommodate this population growth, with 24,000 additional people over the past decade requiring a net increase of 19,500 housing units.

The demographic profile of the downtown population is characterized by much higher proportion of single person households than in the rest of the city and the region. This is reflected in lower household incomes, a higher proportion of single-earner households, a younger age structure and a higher level of renter households. The downtown population is also better educated on average than the city and regional population.

Perhaps one of the most important factors for policy makers to keep in mind is that the downtown is characterized by great social diversity with many distinctive social spaces such as older public housing (Regent Park, Alexandra Park), older high rise rental (St Jamestown), older mixed use spaces (Dundas-Spadina, Church-Wellesley), upscale older gentrified spaces (Cabbagetown), new high rise middle income (waterfront, financial district), older mixed income (Annex), new socially mixed spaces (St Lawrence), and

Figure 6: Household Size



transitional spaces (hostels and the homeless). The distinctive neighbourhood dynamics within each of these spaces, requires distinctive policy responses in the nature, quantity and type of service provision. A cookie cutter approach will not work.

As new people move into the downtown conflicts may emerge between the new populations and the existing activity patterns. For example, the influx of residential uses in the west downtown in the near future could result in tensions between the new residents and some of the entertainment uses already there. These need to be addressed and resolved in an open and democratic way to ensure that the downtown remains a good place to live, as well as a good place to do business.

Many people consider the downtown a very desirable place to live. The recently reported phenomenon of people moving back to the city is real. There seems to be a huge demand for downtown housing, with long queues of buyers as new condominiums come up for sale. As discussed in the transportation section, it is important for the city to continue to accommodate this demand for a variety of reasons. But how can this be done if the supply of land for housing within the downtown is shrinking? New land must be found for housing development and the most obvious place for this is the waterfront. The proposals of the Waterfront Task Force, chaired by Robert Fung, to release space for 40,000 units of housing in or close to the downtown, represent an important addition to the housing land supply in this regard.

For more detailed information on this section please consult Background Study 4: "Downtown Toronto As a Living Space; Present Character and Future Prospects".

Suggested Actions

1. The city needs to constantly monitor population change and changing service needs and to share this information with other service providers to ensure that the population's service needs are fully met.
2. In areas where the city is directly responsible for service provision, it should strengthen its role in coordinating the development approval process to more effectively provide services as new population moves into the downtown.
3. The city needs to establish effective community development mechanisms including a network of dispute resolution services, to resolve potential conflicts that may emerge between new and existing residents and changing activity patterns in areas of the downtown.

7 Retail in the Downtown

Retailing is an important function of the downtown. In addition to providing an impressive array of goods for shoppers, many of which are unavailable elsewhere, the downtown retail environments also occur along public spaces where people meet and interact. The streets where retailing happens in the downtown are some of the most vibrant, colourful places in the region; full of life and energy, day and night. These streets are the living theatre of the downtown; places for coffee, people watching, “doing lunch”, finding that special something unlike anything anywhere else.

Downtown Toronto’s retail concentration is best viewed as a cluster of clusters, the most prominent of which are the Eaton Centre, Bloor-Yorkville, the Yonge Street strip, the underground mall system, Queen St. West and Chinatown. These clusters, for the most part serve regional specialty markets and support other functions in the downtown such as the office towers, entertainment facilities etc. In addition, there are numerous smaller retail clusters (i.e. Kensington Market, Church- Wellesley, Parliament Street) as well retailing on most major streets in the downtown, which serve primarily the adjacent neighbourhoods.

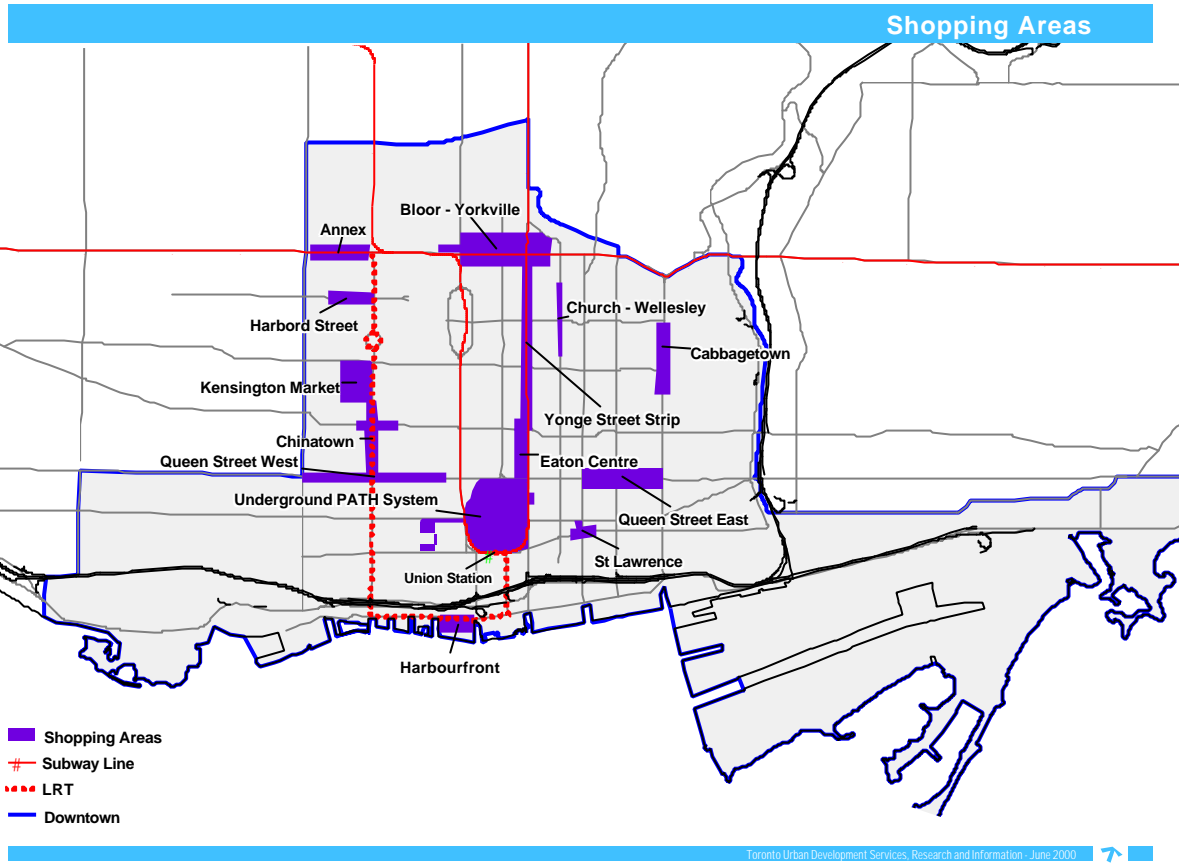
Downtown Toronto’s retail concentration is the most important and largest in the entire GTA. Indeed, at seven per cent of regional sales, the level of retail activity in the downtown is extraordinarily high by North American standards – Toronto’s downtown placing third behind New York (Manhattan) at eleven per cent and downtown Chicago at nine per cent.

Retail employment has grown in the downtown over the past few years to the point where it represents 18.5 per cent of the City’s retail employment, up from 17 per cent in 1993. On the other hand the number of retail establishments has fallen, dropping by seven per cent since 1996 (from 4,115 to 3,812), so there are fewer but larger retailers employing more people and displacing smaller establishments.

Table 2: Total Retail Employment and Establishments in the City of Toronto and Downtown Toronto, 1993-1999

Year	Employment			Establishments		
	City	Downtown	Downtown/City (%)	City	Downtown	Downtown/City (%)
1993	136,557	23,698	17.35	18,255	4,078	22.34
1994	133,733	23,016	17.21	18,154	4,098	22.57
1995	133,648	22,889	17.13	18,115	4,009	22.13
1996	133,576	23,909	17.90	18,068	4,115	22.78
1997	132,920	24,320	18.30	17,688	3,970	22.44
1998	134,604	24,452	18.17	17,577	3,934	22.38
1999	140,081	25,936	18.52	17,341	3,812	21.98

Source: City of Toronto Employment File



Indeed, one of the trends that has recently emerged in the downtown is how large scale format stores have adapted to a downtown environment. Specialty “superstores”, large booksellers, office supply mega stores, originally intended to serve suburban markets, have literally set up shop in the downtown occupying large spaces and increasing the range of choice for customers in a dense, mixed use, urban setting. This represents an important addition to the stock of downtown stores and it will be essential to continue to accommodate this shift in retailing in an urban environment to maintain the vitality of downtown shopping in the future.

Downtown’s share as a percentage of regional sales has been declining over the past few years. This is to be expected as it corresponds to population growth patterns within the region, with larger numbers of people being added at the periphery. But the downtown still represents by far the highest concentration of retailing, with the remaining 93 per cent that is not in the downtown widely dispersed. Nevertheless because of the specialist nature of downtown retailing, its share of regional retail sales is expected to bottom out at five per cent in the future—still a considerable amount to ensure future vitality.

There are a number of key directions for action that emerge from the analysis of downtown retail. The city must do what it can to market the uniqueness, diversity and colour of the downtown shopping environment to the region and that world. After all, the specialized regional retail functions represent part of Toronto’s image that is projected to the outside world. Nobody seems to be doing this for the downtown as a whole, yet other shopping areas are constantly marketing themselves.

The city must also regularly maintain and upgrade the public spaces along its downtown retail areas, both to support the regional clusters but also to create a friendly experience for downtown residents. Further, the city must continue to seek partnerships with retailers in the various parts of downtown to create new and interesting environments that surprise and delight all the senses.

Finally, retail commercial businesses may be negatively affected by the elimination of the cap on commercial property taxes, although with property assessment recalibrated to 1999 market values, this impact may not be as great as initially feared. In any case, it will be important for the city to monitor the impact of shifting the tax burden from large scale commercial to small scale retail and to try to ensure as smooth and as gradual a shift as possible.

For more detailed information on retail trends please consult Background Study 7: “Retailing in Downtown Toronto”.

Suggested Actions

1. City Council should adopt a strategy focussed on the downtown as a priority area for improving and maintaining streets and public spaces. Such a strategy should include:

- a. A program for systematically repairing streets and sidewalks;
 - b. A regular maintenance program for streets, sidewalks and public open spaces;
 - c. Opportunities for improving the attractiveness of streetscapes and open spaces through partnerships with business associations and institutions in the downtown;
 - d. Initiatives to enhance the architectural quality of new buildings in the downtown through design competitions, contextual design guidelines and opportunities to create a culture of architectural excellence;
 - e. A cohesive and distinctive design approach for significant districts within the downtown (Bloor/Yorkville, Queen's Park, City Hall/ Osgood Hall etc.).
2. The city should mount a campaign with the various business associations in the downtown to market the downtown to the region and the world as a special, one of a kind shopping experience.
 3. The city should carefully monitor the impact of lifting the cap on property taxes for retail establishments and prepare strategies to ensure that retail establishments are not negatively impacted by property tax increases.

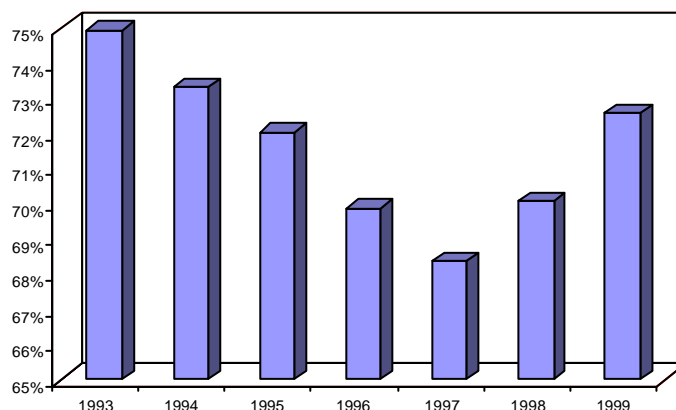
8 Entertainment, Culture and Tourism

A healthy and vibrant arts and culture scene is an essential ingredient in the mix of activities that make up the downtown Toronto environment. In fact it forms a key part of the image the city projects to the rest of the world. Some of the most creative and innovative contributions to city life are first expressed here. The activities in the field of arts and culture include both large and small companies; profit and not for profit companies representing famous and newly emerging artists; establishment and experimental works. It is the mix of these elements that produces a potent brew that has made Toronto an arts destination for many visitors and home to many of Canada's top writers, visual and performing artists. These activities thrive in downtown's clustered and concentrated environment.

Arts and culture are part of a larger entertainment cluster that is centred on the downtown, including professional sports, bars and clubs, movie and live theatres etc. The availability and access to entertainment and cultural activities is intrinsic to quality of life within a city. The quality and variety of cultural and entertainment activities can act as a pull on tourism, increase a city's attractiveness as a place to live and work, attract investment and in many respects is central to the image a city projects to the world.

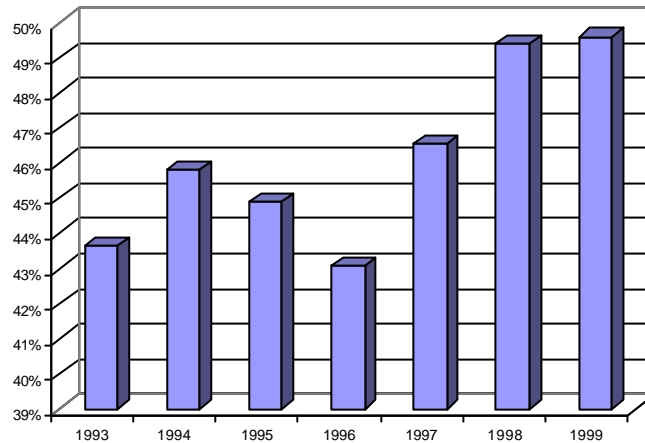
But it is the contribution of this sector to the dynamism of the downtown that is most important. The downtown serves as an incubator for creative ideas and new experiments that often find their way into the mainstream. It attracts many young artists experimenting with their craft, pushing the limits of creativity and challenging established ideas. It serves as a training ground for larger companies and offers opportunities for the arts to interact with industry in unusual and productive ways.

Figure 7: Downtown Employment in Entertainment and Culture as a Percentage of the City



The data show that entertainment activity (movie theatres, museums, galleries, live theatres etc) within the city is highly concentrated in the downtown. Approximately 73 per cent of city-wide employment in “indoor” entertainment is in the downtown and approximately 50 per cent of city-wide entertainment establishments are located in the downtown.

Figure 8: Entertainment and Culture Establishments: Downtown as a Percentage of the City



By and large downtown Toronto has good venues for the arts when compared to other cities and it has more live performances per thousand people than Boston, Chicago, Denver and Minneapolis-St Paul, but rates poorer in terms of local government support for the arts (as documented by the Toronto Arts Council in *The Costs of Cutting*). This is a serious issue. Unlike the other activities studied in this report, there is an ongoing recession in funding for the arts in Toronto. At a time when there are severe constraints on municipal expenditures this is a difficult issue to address, but a vibrant arts and culture scene is essential for a healthy downtown, so it will be important to search for new sources of revenue to address this shortfall. As an example, in a number of other cities, revenues from sources such as a hotel/motel tax supplement arts funding.

Arts and entertainment supports tourism. Recent figures show that the number of tourists has fallen in Toronto, perhaps due in part to fewer mega musicals that are currently under production as compared to a few years ago. However the amount of money spent by tourists has gone up.

In the future, it is absolutely essential that the city continue its honourable tradition of nourishing the arts and that Toronto strive to become the leading city supporting the arts in Canada. Toronto also needs help from senior levels of government for its art facilities. Other cities in Canada have received significantly higher contributions than Toronto from the Federal Government for their arts infrastructure.

The city needs a downtown opera house. This is an essential part of city cultural infrastructure and would help enhance Toronto's international image (think of La Scala, Covent Garden, the Sydney Opera, the Metropolitan Opera, all contributing vitality, energy and diversity to their downtown environments). Fifteen cities in the United States have new or rebuilt opera houses since 1980, including Chicago, San Francisco, Denver, Louisville, Houston, Cincinnati, Miami and Fort Worth. Seattle is currently raising funds for a new opera house with US \$55 million coming from the public sector. In this context it seems deplorable that in Canada, one of the great opera companies in the world does not have its own opera house.

The city also needs to take a leadership role to develop a strategy for upgrading its existing arts venues to ensure they present the best possible face to the world (e.g. sort out how to refurbish Roy Thomson Hall to improve acoustics). An emerging issue in this regard is the large number of older arts venues in the downtown that need to be rehabilitated with no current prospect of any financial support at present to assist with this exercise.

Toronto's festivals could use some help, primarily with marketing. The Film Festival, the Authors Festival and the Theatre Festival are strong but receive little help from the city. Caribana and the Jazz Festival have had problems but represent an important part of the cultural scene in the city. All could be marketed better with the city coordinating these efforts.

The city needs to search for additional sources of funding for the arts. The idea of introducing a hotel tax to help fund the arts has been around for some time and has been supported. Montreal, Vancouver, New York, Chicago and San Francisco all have such a tax contributing significantly to arts funding in these cities. Other strategies would be to investigate incentives for community based live-work space for creative activities (including small performance and gallery spaces) and continuing to help build support for the Toronto Arts Council Foundation through, for example, the Mayor's Ball for the Arts. The Toronto Arts Council Foundation is the only private foundation that is committed to assist in the development of the artistic and cultural life of Toronto. Other smaller Canadian cities have much larger community foundations than Toronto.

Of course, to thrive, the entertainment cluster, like retail, needs an attractive public realm. Much of arts and entertainment needs to be downtown, to take advantage of clustering, centrality and ease of access and to project a powerful image to the outside. If the city were to develop and implement a strategy to systematically maintain and improve the downtown environment, it would benefit the entertainment cluster and boost tourism as well.

For more detailed information of trends in entertainment and the arts please consult Background Study 8: "Culture, Entertainment and Tourism".

Suggested Actions

1. City Council needs to re-confirm its commitment to funding the arts, by setting a goal to increase its per capita support to a level where Toronto is the top municipality for arts funding in Canada.
2. Council should develop a strategy to access Federal and Provincial infrastructure monies to deal with priority capital projects such as a downtown Opera House and upgrades to existing arts facilities (e.g. improving acoustics in Roy Thomson Hall) in order to provide the most up to date and attractive possible environment for experiencing the arts and to help enhance the city's image to the rest of the world.
3. The city should immediately explore how it could increase its sources of funding for the arts including investigating once again the possibility of a hotel tax, creating incentives for the provision of live-work space for creative enterprises and continue to help the Toronto Arts Council Foundation build a permanent endowment fund.
4. The city needs a strategy towards marketing festivals that draw international visitors. The Film Festival, the Authors Festival and the Theatre Festival do this extremely well. The Jazz Festival on the other hand lacks focus and has had a difficult history. The city can and should play a leadership role in re-invigorating and promoting these important downtown events.

9 Downtown Community Services

Community services in the downtown address two distinct groups. One is the local resident population, which needs neighbourhood services such as parks, schools, libraries etc. How to approach the provision of these services was part of the earlier discussion regarding the downtown residential population. The second group is the population with particular social needs, some of whom are concentrated within the downtown while others are drawn from the wider region. Because the downtown has the best transit access in the region and because regional social services have always been located in the downtown and moving them would be difficult, this latter function represents an important role for downtown social services.

To understand the dynamic of social service provision and the types of initiatives that the city can take, it is useful to understand the distinct spatial implications of social policies. At the national and provincial level the trend towards reducing “opportunity equalizing and poverty prevention” programs over the past few years, such as drastically lowering welfare payments by 20 per cent, has had dramatic impacts on the downtown. These trends are more or less related to an overall increase in poverty and, over the past ten years, the widening income gap, even during economically good times. The evidence of this is a larger number of vulnerable people on the streets of downtown and more people needing downtown hostel services.

While national and provincial policies tend to focus on preventative measures through taxation and income redistribution programs, approaches at the local level tend to focus on “maintenance and rescue” programs such as direct provision of social services and funding of social service providers. After all, the senior levels of government have constitutional responsibility for delivering preventative social programs, for collecting income tax and for developing policies dealing with a mobile population. Clearly the city is not in a position to deliver extensive preventative social programs and clearly the increase in homelessness in downtown Toronto is directly tied to the reduction in preventative programs by federal and provincial governments. To solve homelessness the city has no option but to convince the senior levels of government to reverse their policies. The Mayor and Council have taken a strong stand on this in the past. Such advocacy must continue in the future if homelessness is to be adequately addressed.

The maintenance and rescue programs that the city does provide have to be located somewhere and are delivered at the neighbourhood level and if there is a concentration of these services as in the east downtown, conflicts often emerge between residents, particularly new, upwardly mobile residents, and the service providers. The east downtown has a high concentration of children’s services, community development agencies, counselling services, employment and training programs, food programs, health agencies, legal services, multi service agencies and shelter services. On the other hand, it has less than its share of library services; something that needs to be addressed. But it also has a higher proportion of those with the greatest economic need. For example, 34 per cent of its residents are social assistance recipients, compared to 15 per cent across the city, and 50 per cent of its population live in low income families compared to 27 per

cent across the city. It also has 23 per cent recent immigrants, compared to 15 per cent and a 9 per cent unemployment rate compared to 6.8 per cent across the city.

So, in the east downtown there is a concentration, there is need and there is conflict. But the city has no direct capacity to address the issue at its root, through prevention. Even with better prevention there would still be a need for services and consequently some neighbourhood impact and potential conflict. There is no easy solution to this situation. Moving the services away from their client base would be costly and inefficient. Other approaches need to be explored. One of the most obvious is to create opportunities where the different populations can mix and share abilities and resolve conflicts in positive productive ways.

For more complete information on social service trends, please consult Background Study 9: "Downtown's Role in the Provision of Social Services".

Suggested Actions

1. Federal and Provincial reductions for opportunity equalization and poverty reduction programs need to be reversed in order to solve homelessness. City Council should redouble its efforts to implement the recommendations of the Mayor's Homelessness Action Task Force and in particular to convince the senior levels of government of the extent to which their programs are causing hardship for Toronto's most vulnerable populations and creating problems for the downtown. Finding allies within the downtown business community may be key for the success of this campaign.
2. The City's guiding principle for the equitable provision of social services should be based on the relationship between need and accessibility to services and not just spatial distribution.
3. In areas where there are conflicts between new residents and established providers of social services, the Department of Community and Neighbourhood Services should be asked to continue to implement a strategy as part of the community development process for bringing different populations together to mix and share abilities and resolve their disagreements.
4. The city should explore the possibility of increasing library services in the East Downtown to bring the area up to the city average.

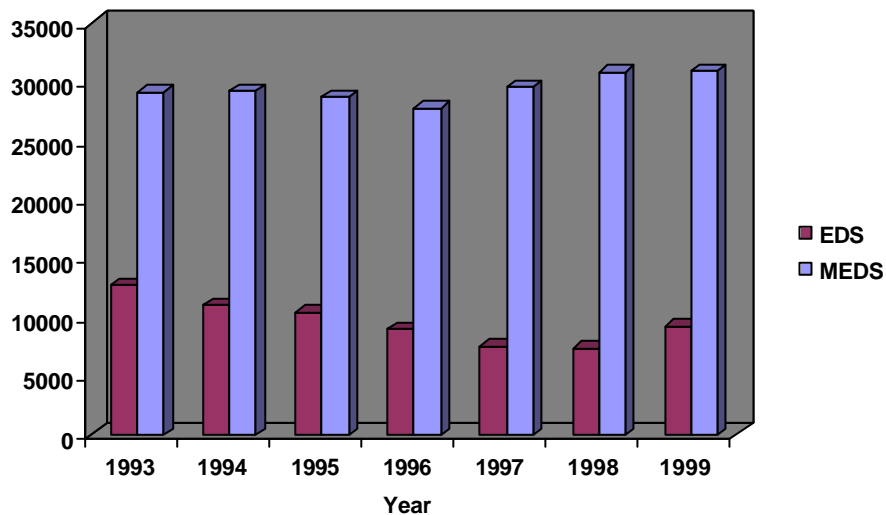
10 The Downtown Educational and Medical Cluster

Downtown Toronto is the hub in the evolving regional biotechnology cluster consisting of a number of hospitals, clinics and laboratories linked in important ways to the University of Toronto and its teaching hospitals. This complex is significant because of the potential that these technologies represent. It also employs a large number of people, consumes a large quantity of land and receives vast amount of both provincial and federal government money. Furthermore, this complex is an important source for the production of knowledge and knowledge workers and because it generates information with commercial potential.

This complex, particularly the University of Toronto, occupies some of the most attractive lands in the downtown and includes some of the most significant historic buildings and some of our most precious open spaces that allow workers, residents and visitors to escape the hustle and bustle of everyday life.

In terms of employment, the University of Toronto and Ryerson Polytechnical University, shed staff in the 1990's, with the result that employment in downtown universities is now only two thirds of what it was in 1993. On the other hand, hospital employment is now more than three per cent higher than it was in 1993. The educational and medical sector now makes up 8.5 per cent of downtown employment, down from 11 per cent in 1993.

Figure 9: Education and Medical Sector Employment in Downtown Toronto



These institutions are important catalysts to change: they spin off new businesses and provide technical know how to the local and regional business community, they create learning programs for local businesses and institutions and they have significant purchasing power that can have a positive impact on the downtown economy.

According to the *Toronto Competes* study, no city in North America has more biomedical and biotechnology jobs than Toronto with particular strengths in bioinformatics (electronics and information systems with life science applications), genomics (the application of knowledge about the molecular basis of disease to new drug development) and pharmaceuticals. These strengths have come about as a result of the excellent research conducted at the University of Toronto in conjunction with downtown hospitals (the University of Toronto faculty of medicine is the largest in North America).

Table 3: Education and Medical Sector Employment in Downtown Toronto

Year	Community Colleges	Universities	Hospitals	Clinics	Other	Total
1993	739	12,010	24,738	863	3,519	41,869
1994	674	10,351	24,715	739	3,760	40,239
1995	684	9,715	24,780	1,043	2,855	39,077
1996	626	8,382	23,035	1,044	3,710	36,797
1997	594	6,950	25,181	1,430	3,000	37,155
1998	654	6,731	26,736	954	3,158	38,233
1999	774	8,452	26,567	907	3,415	40,145

Source: City of Toronto Employment File

However there are a number of emerging issues that are important to note. The most widely reported is the loss of senior scientists and physicians as a result of inadequate research funding and because of higher incentives in the United States. Another issue is the serious shortage of rental housing downtown, which affects students attending downtown universities. It also appears that many spin off opportunities from university and medical research may be lost to other locations due at least in part, to better support mechanisms elsewhere through cluster based economic development strategies, tax incentives etc.

The most effective thing the city can do to support the educational and medical presence in the downtown is to create a good, safe, social and physical environment for knowledge workers, businesses and students as a counterpoint to some of the reported economic incentives to moving elsewhere. The greening of St George Street through the University of Toronto campus represents a strategic intervention in this direction. More similar opportunities need to be discovered and acted on. As these complexes redevelop and change to adapt to new realities the city can insist on making sure that the redevelopment results in the most attractive buildings and spaces possible.

Other strategies include supporting federal and provincial efforts to foster the development of a biotechnology cluster based on genetic research in the downtown and facilitating the commercialization of research by helping to address infrastructure and space needs for technology start-ups.

For more detailed discussion of education and medical initiatives please consult Background Study 10: “The Educational and Medical Sector in Downtown Toronto”.

Suggested Actions

1. The city should actively cooperate and support the efforts of the Federal and Provincial governments to foster the development of a biotechnology cluster focussed on genetic research with the downtown university-medical nexus.
2. The city should facilitate the commercialisation of research locally by developing a space inventory for technology start-ups.

11 Conclusions: Making the Connections

The research and analysis for this study leads to a number of conclusions. First of all, downtown Toronto has a number of important strengths that are within the city's sphere of influence.

- The size, diversity and recent impressive economic growth in the downtown provide a strong foundation for a bright future.
- Housing in the downtown has been a key to past success—through its contribution to diversity, vitality and the downtown's positive image as well as by reducing the need for work related commuting.
- The excellent transit system (both TTC and GO) is another key to past success.
- Arts and culture are highly concentrated and diverse providing a strong basis for creative endeavours and for attracting tourists. They also represent an important part of the image Toronto projects to the rest of the world.
- Downtown's overall positive quality of life has been critical—for attracting workers, residents and visitors and for the contribution that the downtown makes to the quality of life in the city and the region.
- The basic foundation of the downtown is strong: transit, housing and attractive streets. This is the consequence of a strategy that has been copied across North America.

There are also a number of opportunities that are perhaps beyond the city's influence, but which the city can take advantage of.

- The downtown is the prime business location in Canada. This is critically important even in the age of globalization: place is key for doing business; financial institutions want to be located close to business customers. As long as there are national laws and regulations governing business, finance capital will locate in downtown Toronto. If it isn't here, it won't be in Canada. In this regard the movement of lower value added functions out of the downtown to other parts of the region could strengthen the downtown by releasing space for higher value added activities in the downtown and establishing stronger economic links between the downtown and the region.
- Downtown costs are competitive in North America, but space is becoming scarcer and rents are beginning to rise. This means that the downtown will likely see office building construction in the near future for the first time in ten years.

There are also a number of weaknesses that the city may be able to influence through strategic interventions.

- There is a transportation bottleneck at Union Station, particularly for pedestrian circulation. It drives up costs and may limit potential to increase commuting for workers as growth happens.
- There is real and perceived congestion within the downtown, particularly on the surface, restricting ease of movement for residents, workers, visitors and goods traffic.
- Declining funding for the arts may result in reduced vibrancy and attractiveness of the downtown, including spin offs for restaurants, hotels and other entertainment venues.
- There are potential shortages of certain types of office space because of unevenness of development (space with large floorplates and space in smaller buildings for start-ups).
- There is a shortage of rental housing affecting students.
- The physical environment downtown appears to be less well maintained than it has in the past, detracting from the cleanliness and attractiveness of the downtown.

Finally there are threats over which the city has little influence but which need to be kept in mind when formulating strategies.

- The increasing specialization of the financial services sector in high value added activities leaves this sector and the downtown vulnerable to the vicissitudes of the international economy.
- The uncertainty around bank mergers as a result of the introduction of changes to the Bank Act, may create pressures on financial services in the downtown, although this concern must be balanced with the relative concentration of financial services in the downtown compared to other centres as well as the strong growth of new media and the development of the biotechnology sector which points to a more diversified overall employment base in the future.
- The reduction of Federal and Provincial funding for “opportunity equalizing and poverty reduction programs” has resulted in more vulnerable people on the streets downtown.
- Inadequate research funding has resulted in the movement of talent to the United States and elsewhere.

The activities in the downtown are obviously interlinked. As office employment grows for example, more people come into the downtown by transit, creating pressures on Union Station, more people shop in downtown stores and eat in downtown restaurants, creating opportunities for new businesses and adding to the attractiveness of downtown streets for residents and workers. Changes in one area will have an impact on others and it is important to take these relationships into account when formulating strategies.

But the most obvious way that the downtown is linked is through its spaces: its streets, parks, plazas and special districts. This is where people experience downtown life most directly. These spaces need to be kept as attractive as possible through repair and maintenance. These spaces also need to be enhanced by making sure that new buildings fit in harmoniously and that they contribute positively to the city's architectural inventory. This is an area where the planners can take the lead; by creating a culture where architectural and urban design excellence is encouraged and expected. To achieve this may mean that effective guidelines need to be developed for particular parts or districts of the downtown that are special and have unique physical characteristics.

Equally important for the city is to engage with the private sector and the civic community in an ongoing collaborative planning exercise for improving the downtown. Ultimately it is this type of collaborative framework for planning in the downtown that can lead to the development of new and innovative institutional relationships for addressing downtown issues. Unlike other areas, the downtown does not always have a constituency or a forum where the various interests are represented and where issues can be discussed and solutions explored in an environment that encourages exchange, learning and positive transformation. The process of engagement itself can lead to understanding, relationships and outcomes that cannot be predetermined.

The roundtable discussions that were part of this study demonstrate the kind of dynamic that can enrich and deepen understanding of downtown issues as well as point towards solutions. These sessions brought together actors representing a number of different activity areas and produced a cross fertilization of ideas across activities and disciplines. The results were positive both for the participants by deepening their understanding of other activities, and for this study by producing rich insights spanning a number of disciplines.

If a similar process were to be set up to address some of the ongoing issues in the downtown, whether exploring measures to promote transit use, building an opera house or solving homelessness, the results could be truly transformative. This approach represents an opportunity to bring together many different actors and organizations: business, residents, users and proponents to explore how to achieve sustainable approaches for a healthy future for the downtown. In fact, this type of approach is being pursued successfully by a large number of other cities around the world. Downtown Toronto can only benefit from a similar approach.

The formulation of many of the strategies to promote and improve the downtown will require new forms of public-private partnerships. Putting these partnerships into place is hard work. Part of this work involves understanding risk sharing. Part of it involves clearly defining the public interest and part of it means getting involved with nitty gritty negotiations around contractual obligations. There is much work to do in Toronto to learn about these partnerships and how to make them work. Embarking on this learning trajectory is key to the success of the downtown strategy.

A final concluding point is that the downtown needs an advocate. Other areas have advocates to promote their interests whether business or retail or residential. The

downtown does not have a strong united voice to speak for it as a whole. Yet it is too important and unique an area of the city to neglect. An advocate could help make sure that the downtown's voice is heard in the corridors of power and that its concerns are addressed.

12 Suggested Policy Framework and Priority Actions

We propose that the City consider the following framework when preparing policies for downtown Toronto:

1. Role of Downtown Toronto

Downtown Toronto is the most important business and cultural centre in Canada and the Toronto Region. It provides space for activities that thrive in a highly concentrated environment and that need to be inter-linked and mixed together in a complex self-supporting system. It plays an important role as part of a global network of international financial centres. It represents Toronto's image to the rest of the world. Its diverse and vibrant neighbourhoods are home to more than 162,000 people. It is Toronto's most important place of work, business, culture and tourism.

2. Policy Goals for Downtown Toronto

The goals for planning downtown Toronto are:

- To support and nurture downtown Toronto's pre eminent role as the most important business and cultural centre in Canada and the Toronto Region;
- To create and maintain a vibrant and healthy physical, social and economic downtown environment;
- To foster and expand the downtown residential sector;
- To enhance downtown Toronto's image to the rest of the world, the city and the region;
- To provide the highest possible quality municipal services for business, workers, visitors and residents in the downtown.

3. Policy Approaches for Downtown Toronto

The following represent a range of policy approaches for achieving the policy goals:

- Creating a regulatory environment for approval of downtown buildings that can respond to changing needs;
- Developing strategies to facilitate movement into and within downtown Toronto focusing on public transit, walking and cycling;
- Increasing the supply of available land for new housing development in and near the downtown;
- Developing strategies for improving and maintaining downtown streets and public spaces;
- Addressing homelessness and social issues in an effective and compassionate manner;
- Promoting excellence in urban design and architecture;
- Developing arts and culture infrastructure to provide an environment for creativity and innovation and to enhance downtown Toronto's image;

- Developing public-private partnerships as a way of implementing downtown improvement strategies; and
- Engaging in an ongoing collaborative planning effort with the private sector and the civic community to encourage exchange, learning and positive transformation of the downtown environment.

4. Policy Evaluation Measures

The following represent a proposed set of policy evaluation measures to monitor progress towards achieving the goals for downtown Toronto:

- Measures of employment growth, particularly the high value added office sectors
- Comparisons with other office centres (amount of office space, concentration of office space, concentration of employment, occupancy costs, vacancy rates)
- Office market monitors (amount, variety and quality of space available, rents)
- Transportation indicators (modal split, levels of transit ridership, pedestrian counts)
- Demographic indicators by neighbourhood
- Indicators of changes to the downtown residential stock by area, unit size, tenure, cost and supply of land
- Arts and culture indicators (per capita municipal contribution, number of performances per 1000 population etc)
- Tourism indicators (number of tourist, dollars spent etc.)
- Quality of life indicators (resident, workforce and visitor satisfaction with the downtown environment)
- Quality of municipal service indicators (measures of effectiveness in addressing municipal needs and providing ongoing maintenance).

5. Suggested Priority Actions

1. The most important initiative at this time for ensuring a healthy downtown in the future is to solve the bottleneck at Union Station. The city should immediately begin negotiations with the TTC, GO Transit, Via Rail and Canadian Pacific Railways to establish a plan, framework and timeline for upgrading Union Station, including a searching for partnership opportunities with the private sector to finance the project.
2. The city should continue to encourage more housing downtown in order to reduce the need for commuting. As space for new residential development becomes less available, the city should support and implement the Waterfront Task Force initiatives to increase the supply of housing near the downtown by releasing land for an additional 40,000 units.
3. City Council should adopt a strategy focussed on the downtown as a priority area for improving and maintaining streets and public spaces. Such a strategy should include:

- a. A program for systematically repairing streets and sidewalks;
 - b. A regular maintenance program for streets, sidewalks and public open spaces;
 - c. Opportunities for improving the attractiveness of streetscapes and open spaces through partnerships with business associations and institutions in the downtown;
 - d. Initiatives to enhance the architectural quality of new buildings in the downtown through design competitions, contextual design guidelines and opportunities to create a culture of architectural excellence;
 - e. A cohesive and distinctive design approach for significant districts within the downtown (Bloor/Yorkville, Queen's Park, City Hall/ Osgood Hall etc.).
4. Federal and Provincial reductions for opportunity equalization and poverty reduction programs need to be reversed in order to solve homelessness. City Council should redouble its efforts to implement the recommendations of the Mayor's Homelessness Action Task Force and in particular to convince the senior levels of government of the extent to which their programs are causing hardship for Toronto's most vulnerable populations and creating problems for the downtown. Finding allies within the downtown business community may be key for the success of this campaign.
 5. City Council needs to re-confirm its commitment to funding the arts, by once again investigating new sources of funding (such as a hotel/motel tax) and increasing its per capita support to a level where Toronto is once again the top municipality for arts funding in Canada. Further, Council should develop a strategy to access Federal and Provincial infrastructure monies to deal with priority capital projects such as a downtown Opera House and upgrades to existing arts facilities to amongst other things, help enhance the city's image to the rest of the world.
 5. The downtown needs an advocate. The city, together with the Board of Trade and other business and non-business interests should establish a downtown council to promote the interests of the downtown with other levels of government and to promote the advantages of downtown shopping and visiting to the region and the world. The city should also explore setting up a committee of Councillors and staff who would assist City Council to focus on downtown issues and opportunities.
 6. The Planning Department's review of the Official Plan and Zoning regulations should aim to provide further regulatory flexibility for downtown and mixed use areas to ensure that there is a flexible regulatory regime that can effectively respond to the variegated needs of the office market while at the same time providing certainty for investors. As much as possible, development in the

financial and downtown office districts should be subject to review only under site plan control provisions of section 40 of the Planning Act.

Appendix 1: Roundtable Participants

Elyse Allen	President & CEO Toronto Board of Trade
Howard Cohen	Managing Director, Context Development
Barry Lyon	N. Barry Lyon Consulting Ltd.
Chris Riddabock	President & CEO, J.J. Barnicke
Peter Tomlinson	Peter Tomlinson Consulting
Susan Conner	Vice President, Real Estate Services, University Health Network
Maurice Yeates	Centre for the Study of Commercial Activity
Elizabeth Greaves	Executive Director, Youthlink
Meric Gertler	Department of Geography and Planning, University of Toronto
Bill Dawson	Superintendent, Service Planning, TTC
Todd Letts	Municipal Affairs Advisor, Toronto Board of Trade
Kyle Rae	Councillor, City of Toronto
Rita Davies	Managing Director, Culture, Art and Heritage, City of Toronto
Tom Mulligan	Director, Transportation Programming, Policy and Planning
Christine Raissis	Director, Economic Research and Business Info
Nancy Matthews	Manager, Social Policy Research and Analysis
Chris Brillinger	Manager, Social Development & Administration Division
Beate Bowron	Director, Community Planning, South District, City Planning
Paul Bedford	Executive Director & Chief Planner, City Planning
Barbara Leonhardt	Director, Policy and Research, City Planning
Kerri Voumvakis	Manager, Policy and Research, City Planning

Ann-Marie Nasr	Manager, Policy and Research City Planning
Ross Patterson	Principal Planner, City Planning
Greg Lintern	Manager, South District, City Planning
Robert Glover	Director, Urban Design, City Planning

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