



Executive Summary

The City of Vaughan is preparing an update to the 2010 Economic Development Strategy: Building a Gateway to Tomorrow's Economy and Employment Sectors Strategy (ESS), hereinafter to be referenced as the Economic Development and Employment Sectors Study (EDESS). The purpose of this study is to guide the development and implementation of the City's economic vision in order to accelerate local economic growth and job creation over the next five years; provide an employment land capacity analysis that will inform the City's Official Plan Review and Growth Management Strategy; and propose a focused and pro-active blueprint or action plans for the City and the Economic Development and Culture Services Department.

This Phase One Report provides a basis for taking advantage of new and emerging economic and employment opportunities while providing certainty on traditional and established industries. Within this report, the following analysis was undertaken:

- Identify and assess dominant post-recession impacts on the Ontario and GTA sub-regional economies, considering economic shifts (goods-producing versus service-orientation); trade policy such as various CETA and NAFTA frameworks, and transformation of BRIC and Emerging nation-state economies;
- Assess, describe and discuss implications and opportunities of shifts in Vaughan's economic base;
- Define, describe and quantify the Knowledge Economy in Vaughan;
- Vaughan Employment Land Needs Analysis;
- Qualitatively assess the top-line strengths and weaknesses of the current land use policy framework (VOP 2010) in the context of emerging trends in the economy as the basis for providing direction on the use of land (e.g. area and distribution), urban form (building type) and tenure needs of the future; and
- Valuation of the currency and relevance of the Vision and Goals of the Vaughan Economic Development Strategy (2010) in tandem with the Creative Together: A Cultural Plan for the City of Vaughan (2010) as the effective relevant strategies.

The following provides a summary of the key report findings.

Macro-Economic Trends Impacting Ontario and G.T.H.A Sub-Regional Economies

Over the past several decades, the provincial economic base, as measured by G.D.P. output, has shifted from goods-producing sectors (i.e. manufacturing and primary resources) to services-producing sectors. This has been led by strong growth in sectors such as finance and insurance, professional, scientific and technical services and educational services or progressively driven by knowledge-based and creative sectors. Similar trends have been observed within the G.T.H.A. context.

This shift in the economy is reflected in the top sectors for FDI attraction for the province, which include Software & IT Services, Business Services, Communications, Industrial Equipment and Financial Services. Ontario, as a whole, attracted \$6.9 billion dollars in capital investment in 2017, maintaining its position as a "Top 3 Destination" for Greenfield FDI in North America for the second year in a row.

With a robust economy and diverse mix of export-based employment sectors, the G.T.H.A. is highly attractive on an international and national level to new businesses and investors. Of 30 sectors



attracting investment into the G.T.H.A, Software & IT Services was the top-performing sector. Vaughan's position relative to the other 15 potential destination municipalities within the G.T.H.A is potentially indicative of under-performance in FDI attraction.

York Region has experienced relatively strong employment and population growth over the 2011-2016 period. York Region's industrial and office employment base expanded by 3.9% and 13.8%, respectively, over the period, well above the G.T.H.A. average.

Regional Industrial and Major Office Markets

The G.T.H.A.'s industrial and office commercial development markets are significant, having the third and sixth largest inventories, respectively, in North America. Of the industrial and office space in the G.T.H.A. 18% and 9%, respectively, is located in York Region.

Industrial development over the past decade has been largely oriented to large-scale industrial buildings housing wholesale trade, transportation/warehousing and multi-tenant industrial condominiums, accommodating a range of industrial and non-industrial uses. Over the 2011-2017 period, 25% of G.T.H.A. industrial development has been accommodated within York Region.

Over the period, vacancy rates have gradually declined to relatively low levels, and net market rents have risen, albeit at a marginal rate. The industrial availability rate in the G.T.H.A. and York Region is currently 1.7% and 1.5%, respectively. This is indicative of a market which is facing supply challenges.

Major office development in the G.T.H.A. has exhibited relatively strong growth throughout the past decade. Over the 2011 to 2017 period, over half of all new major office development was accommodated within the City of Toronto compared to 11% in York Region. Over the past decade, office development activity in the G.T.H.A. has shifted increasingly to downtown Toronto at the expense of suburban locations. The major office availability rate in York Region is currently 11% compared to 6.5% in the G.T.H.A. (excluding Hamilton).

Historically, the vast majority of suburban office development has been accommodated within Employment Areas; however, market prospects for conventional standalone suburban office development within Employment Areas is gradually diminishing, as demand shifts to more urban environments. Demand for office space within Employment Areas is increasingly single-tenant and integrated with multi-purpose facilities (e.g. R&D, training centres, wholesale trade) often in campus-type settings. Further, there are growing opportunities for office development within innovation districts located on employment lands which have direct synergies with knowledge-based clusters, as well as health and educational infrastructure.

Sector Trends Driving Demand for Employment Lands in the G.T.H.A

Like all Canadian regions, the G.T.H.A.'s regional economy is transitioning away from goods production and towards services delivery. These structural changes in the broader economy are altering the nature of economic activities on employment lands and impacting the built form and character of these lands. Recent market demand on employment lands has been increasingly driven by growth in the knowledge-based or creative class economies, including employment sectors such as advanced manufacturing; professional, scientific and technical services; finance and insurance; real estate; information and culture; health care and social assistance, and education. With an increasing emphasis on these knowledge-based sectors, major office, flex office and multi-purpose facilities encompassing office and non-office uses are becoming an increasingly dominant built form within Employment Areas.

The nature of traditional industrial processes is also rapidly shifting, becoming more capital/technology-



intensive and automated, with lower labour requirements. Emerging export-based sub-sectors have siting, space and built-form requirements that are significantly different from traditional manufacturing.

Increased outsourcing of manufacturing production to emerging global markets continues to drive the need for new consolidated, land-extensive warehousing facilities to store and manage the distribution of goods produced locally as well as goods imported from abroad. Demand in the Goods Movement sector is anticipated to continue across the G.T.H.A, particularly in locations where available employment lands have strong connectivity to regional transportation infrastructure (i.e. intermodal facilities and major highway access).

Anticipating and responding to the evolving needs of industry will be necessary for the City of Vaughan to better position itself for sustained growth, particularly in leading sectors. Recognizing these recent structural changes in the regional economy, there has been a shift in planning philosophy that calls for developing Employment Areas to provide for a wider range of amenities and employment-supportive uses which complement both knowledge-based and traditional industrial sectors.

Of York Region's 4,800 net ha (11,900 net acres) of developed employment lands, half (50%) is located in Vaughan. The City of Vaughan also accounts for approximately 40% of the total vacant employment lands in York Region.

Vaughan's Economic Profile and Growth Trends

Vaughan has experienced relatively strong growth in all major sectors over the 2011 to 2017 period, including an average annual G.D.P. growth of 3.7% and 4.4% in industrial and office sectors, respectively. Over the next five years (2018 to 2022), G.D.P. growth in all sectors is expected to be moderately slower than the historical average including the industrial and office sectors, which are anticipated to grow at 2.3% and 3.4%, respectively.

Vaughan's employment base in 2017 is approximately 233,000 jobs, an increase of 25% from 2011. The largest sector in Vaughan is manufacturing, which accounts for 22% of the total employment base. Other key sectors include construction, retail trade, and wholesale trade.

Since 2006, employment growth has averaged 3.7% annually in Vaughan, slightly higher than the growth rate in York Region. Over the 2008 to 2017 period, the City accommodated an average of \$297 million worth of non-residential development activity annually. Over the period, the majority (48%) was in the commercial sector. This is compared to 31% and 21% in the institutional and industrial sectors, respectively.

Commuting patterns by industry show that Vaughan is a net importer of employees in sectors including manufacturing, construction, trades and transportation and warehousing. However, the City exports employees in finance and insurance, educational services, health care and social assistance and professional, scientific and technical services.

As per the June 2018 Canadian Business Counts data, Vaughan had a total of 65,141 business establishments (including self-employed establishments). Sectors that have experienced the highest rate of growth for establishments include Professional, scientific and technical services; Health care and social assistance; Finance and insurance; and Transportation and warehousing.

Approximately 127,430 residents of Vaughan are employed. Sales and services occupations rank the highest in Vaughan, accounting for 24 % of total occupations. Vaughan also has a higher percentage of trades, transport and equipment operators and related occupations compared to York Region and the Province. Occupations in manufacturing and utilities are also relatively high in Vaughan.



With respect to Vaughan's Creative Economy, the City has a relatively high talent index score relative to other municipalities the G.T.H.A. and is well-positioned to capitalize on its ability to attract immigrants and visible minorities when considering employment opportunities based on its tolerance index score. While Vaughan's technology index is lower than the G.T.H.A. average, the City has the potential to capitalize on hi-tech opportunities.

Vaughan Employment Areas and Industrial/Major Office Market

Employment lands are an integral part of Vaughan's economic development potential, and they accommodate a significant share of the municipality's businesses and employment. As of 2017, Vaughan's employment lands accommodated approximately 145,200 jobs, accounting for 67% of the City-wide total. Vaughan's employment lands accommodate a broad range of sectors, including manufacturing, construction, wholesale trade, professional, scientific and technical services, and transportation and warehousing. Of Vaughan's 2017 employment base on employment lands, 38% is located within the Concord/CN Railway Lands district while the Highway 400 Industrial District accommodates 27%, as illustrated in Figure 72. Highway 407 and Highway 427 Industrial Districts account for 25% and 10% of the employment base, respectively.

Over the 2006 to 2017 period, the City's employment on employment lands has expanded from 104,900 jobs to 145,200, and its share of City-wide employment has decreased from 71% to 67%. Vaughan has averaged approximately 1,341,000 sq.ft. (124,600 sq.m) of building activity on employment lands annually over the past decade and employment land absorption has averaged approximately 39 net ha (96 net acres) per year. Over the 2011 to 2017 period, Vaughan has accounted for 53% of the Region's total employment lands absorption.

Vaughan has a total of 1,042 net ha (2,575 net acres) of vacant designated employment land (as of mid-2017), which represents approximately 40% of the York Region total. Further, a total of 407 ha (1,006 acres) of developed employment land within the City was identified as underutilized. This represents 16% of the total developed employment land base. Underutilized parcels are located in a number of more mature Employment Areas including Jane South and Keele, as well as newer greenfield areas including Highway 427 West and Highway 427 East.

With respect to the local industrial market, which is largely accommodated on employment lands, the City of Vaughan contains the largest inventory of industrial space in York Region, accounting for approximately 54% of the regional total. Over the 2011 to 2017 period, industrial development in Vaughan has been robust, averaging 807,000 sq.ft. per year with 2017 particularly strong with development of approximately 1.3 million sq.ft. The industrial availability rate in Vaughan and York Region is 1.5%, slightly lower than the G.T.A. average of 1.8%.

Over the past decade, major office development activity has shifted away from Employment Areas in favour of other commercial areas in the City, such as the V.M.C. Over the period, major office development in Vaughan has averaged 212,000 sq.ft. (19,700 sq.m) per year. While major office availability rates have historically been relatively low in Vaughan, the rates are currently relatively high, averaging 9.4%. This is comparable to the G.T.A. average but marginally lower than the York Region average of 11.0%.

Forecast Employment Growth and Employment Land Needs

In many respects, Vaughan's long-term employment potential is largely tied to the success of the G.T.H.A./G.G.H. and York Region as a whole. As previously identified, the G.T.H.A. represents the economic powerhouse of Ontario and the centre of much of the economic activity in Canada. With a



robust economy and diverse mix of export-based employment clusters, the G.T.H.A. is highly attractive on an international and national level to new businesses and investors.

Vaughan's employment base is expected to increase from 238,300 jobs in 2019 to 261,100 jobs in 2024, an increase of 22,700 jobs, with an average annual growth rate of 1.8% over the period. Employment Areas in Vaughan are forecast to accommodate approximately 11,800 jobs over the period. This represents approximately 52% of the City's total employment growth over that period.

Employment lands in Vaughan provide opportunities to accommodate a wide variety of employment sectors and businesses within a range of building types and forms. Key growth sectors include construction, goods movement, advanced manufacturing and other knowledge-based sectors.

Within the 2019 to 2024 forecast period, approximately 20% of employment growth on employment lands is anticipated to be accommodated through intensification, such as the expansion of existing buildings, additional development on already occupied parcels and infill on partially vacant lots. Adjusted for intensification, the City is anticipated to require an additional 236 net ha (583 net acres) of employment lands to accommodate forecast demand of 9,440 employees.

Industry Sector Requirements and Opportunities to Accommodate Growth

Several factors determine municipal competitiveness and growth potential within an employment lands context. The relative importance of these factors is evolving in response to structural changes in the macro-economy, which is impacting industrial and office development patterns within the G.T.H.A. and more broadly in Ontario. Being competitive in today's "new economy" requires new approaches to how employment areas are planned and developed.

With respect to industrial development, industrial activity is increasingly centred on production processes which are time-sensitive, driven by just-in-time manufacturing, e-commerce and an increasingly globalized environment. As a result, the location and site requirements within the industrial sector continue to evolve. For the goods movement sector, a major growth sector, the growing interdependence of companies and their suppliers continues to increase the importance of this integrated business process through various modes of transportation. In turn, this drives the need for more, bigger and better-located warehouses and logistics facilities. As such, large flexible tracts of land are required for large warehouses, storage yards and future expansion. Locational requirements are typically focused on direct access to distribution channels. This means that access to transportation infrastructure is critical, including access to 400 series highways and intermodal facilities. Given that these facilities tend to be land-extensive, competitive land costs are also an important consideration in site selection.

With an increasing emphasis on the "knowledge-based" and/or "creative class" economy, office development is becoming an increasingly dominant built form. Within the office sector, office development patterns are evolving in response to the needs of office tenants. Office tenants are increasingly looking for access/proximity to high-order transit and services/amenities as well as environments that feature mixed-use development and offer opportunities for live/work. The quality and location of new office space are considered very important tools to attract and retain talent. While development and operating costs on location decisions for office development are important, it is less evident than some of the other factors identified above. Industry sectors have a variety of requirements and considerations that go into site selection.

For Vaughan to continue to be competitive and attractive to a broad range of industrial and commercial sectors, the City needs to ensure that it has enough supply and market choice of serviced employment



lands. Based on recent absorption trends, it appears that Vaughan is currently meeting this requirement. However, despite the availability of vacant employment land, the market choice is somewhat limited. Although Vaughan has a relatively healthy supply of small- to medium-sized parcels (i.e. less than 5 Ha), there is a limited number of larger vacant industrial land parcels (i.e. 5 Ha and greater) that are shovel-ready. For Vaughan to continue to be competitive and potentially attract larger-scale industrial employers, such as large-scale manufacturers, logistics and distribution centres, the City needs to provide a greater number of larger serviced industrial sites.

Employment Land Policies Evaluation and Recommendations

Land-use planning policies must anticipate the evolving nature of the local and regional economy and reflect the diverse needs of established and emerging industries. Land-use policies must also offer a degree of flexibility and nimbleness that allows for relatively rapid responses to disruptive factors, which can be a critical advantage relative to competitive markets. To address this, an assessment of the current land-use policy framework as presented in the City of Vaughan Official Plan (2010) with respect to employment uses was completed within a broader G.T.H.A. comparative context.

This analysis had consideration for the following:

- Alignment of OP Policies with market demand and potential for Vaughan’s employment lands;
- Protection and conversion of employment uses; and
- Opportunities to accommodate a higher density of development within certain locations.
- A summary of the analysis is provided below. Based on this analysis, a series of recommendations is also presented.

Based on this analysis, the following recommendations and policy or process-based actions were developed for the City of Vaughan to consider in its land-use and economic development planning activities.

1. Ensure that Employment Lands are Well Adapted to Structural Changes Occurring in the Evolving Macro-Economy
2. Provide Stronger Direction Regarding Employment-Supportive Uses in Employment Areas
3. Explore Opportunities for Intensification of Employment Lands
4. Undertake Regular and Ongoing Monitoring of Employment Land Supply and Demand to assist with Longer-Term Land Use Planning and Land Needs
5. Undertake a Detailed Employment Lands Competitiveness Analysis