City of Mississauga
Corporate Report

MISSISSAUGA

Date: May 7, 2025 To: Chair and Members of Planning and Development Committee From: Andrew Whittemore, M.U.R.P., Commissioner of Planning & Building	Originator's files: Meeting date: May 26, 2025

Subject
Employment Land and Office Market Analysis and Next Steps

Recommendation
1. That staff be authorized to study additional incentives for inclusion in the Downtown Community Improvement Plan and to consider a geographic expansion of the associated Community Improvement Project Area beyond the Downtown Core to include additional mixed-use areas along the Hurontario light rail transit corridor.
2. That staff be directed to explore ways to encourage employment growth through pre-zoning more manufacturing uses and reviewing office retention policies.
3. That the City Clerk forward the report tilted "Employment Land and Office Market Analysis and Next Steps" dated May 7, 2025, from the Commissioner of Planning and Building to the Region of Peel and that they be encouraged to match the City of Mississauga's future Downtown Community Improvement Plan amendments.

Executive Summary
- Mississauga is Ontario's second largest economy, however certain challenges may affect the City's ability to meet employment targets, including:
    - A shrinking vacant employment land supply;
    - Increasing residential conversion pressure; and
    - Current office development viability challenges despite strong interest in new highly amenitized office space in preferred locations like Mississauga.
- In response, the following actions are recommended:
    - Assess expanding the Downtown Office Community Improvement Plan to all mixed-use areas along the Hurontario light rail transit corridor and consider

    increased financial incentives (e.g. larger Tax Increment Equivalent Grant, development charge reductions);
  - Update the Zoning By-law (0225-2007) to allow for compatible manufacturing uses in office-oriented employment areas;
  - Explore the need for further Official Plan office retention policies; and
  - Maintain a high bar for employment land conversions.

Background

In late 2023, staff initiated a review of Mississauga's office and industrial markets as several events were underway, such as:

- The effects of the COVID-19 pandemic ("pandemic") remained in flux, requiring an assessment of the impacts of corporate and government work at home policies;
- Bill 23 initiated the transfer of planning responsibilities, including employment lands, from upper-tier to lower-tier municipalities;
- Bill 97 proposed changes to the employment land regime to allow landowners to request conversions to residential uses at any time, rather than through municipally initiated comprehensive review processes;
- The Province of Ontario (the "Province") assigned municipal housing "pledges" with a target of adding 120,000 housing units in Mississauga; and
- The City of Mississauga's ("City") comprehensive Official Plan review was underway.

Staff requested authorization to retain consultants to undertake market and land economics analyses as outlined in the October 3, 2023 report "Scope of Work for Employment Land, Office and Retail Market Analysis" with the goal of helping inform future advice to Council regarding requests for conversions to residential uses. Staff paused portions of the project as some of the Bill 97 employment area changes were not finalized until October 2024.

To better understand the current state of employment land, office and retail markets, staff retained two experts:

- Cushman & Wakefield Inc.'s ("Cushman") Office, Retail, and Industrial Market Analysis (Appendix 1) provides the current state of the market and future outlook; and
- Hemson Consulting Ltd.'s ("Hemson") Land Economic Analysis (Appendix 2) discusses land needs, conversion risks, and additional conversion assessment criteria.

Comments

The following offers an overview of the Study findings:

1. Employment Land, Office, and Retail Market Analysis (Cushman & Wakefield)

Mississauga is a net importer of employment with the third largest employment base in Ontario and second in the Greater Toronto Area (the "GTA"). Mississauga's population to job ratio is approximately 1.5 with its roughly 500,000 employees. As illustrated by Cushman in Exhibit 7 (Appendix 1, page 11), Mississauga's employment base is quite balanced between industrial, office, institutional, and service employment.

(A) Office Market Overview and Outlook

Mississauga's office market is approximately 29.5 million square feet ("sf"), or one third of the total GTA suburban office inventory. Since 2000, 48% of new GTA suburban office supply was constructed in Mississauga. At mid-year 2024, vacancy was 15% and Class A office net rents ranged from $18 to $20 per sf, in line with the GTA suburban average.

The impacts of hybrid and remote work have stabilized as most companies are past "peak" remote work. The focus is now on optimizing in-office attendance and employee flexibility. Office nodes benefit from enhanced amenities, services, and transit access while urbanization and density increase interest in mixed-use areas. Well-located, top-tier office space (e.g. new, renovated, highly amenitized) is in high demand – Mississauga remains a favoured suburban market alternative. Older buildings lacking modern standards and smaller buildings on large sites will face increasing pressure to convert.

(B) Industrial Market Overview and Outlook

Mississauga is the GTA's second largest industrial market at 179 million sf. Mid-year 2024 vacancy was 3.9% – higher than the all time low of 1% in 2021, but below the long-run average of 5%. Average asking net rents align with the overall rate for the GTA.

The industrial sector will continue to grow with rents unlikely to decrease in the near term and expanded space needs since the pandemic. Desired locations offer nearby services, amenities, and transit for workers. Since Mississauga's employment lands are nearly built out, the preservation of existing employment lands and intensification of existing sites will be needed to meet employment targets.

(C) Retail Market Overview and Outlook

One third of Mississauga's 30 million sf of retail space is in Employment Areas (9.8 million sf), 10% in the Downtown (3.1 million sf), 9% in Corporate Centres (2.7 million sf) and the remaining 14.7 million sf is distributed across the remainder of the city. Retail vacancy declined in Mississauga over the last 10 years to just 1% at mid-year 2024.

Physical retail is increasingly experiential as per capita shopping centre space declines and under-performing stores close. Preserving retail-commercial shops and services is needed to serve nearby residents and workers – this will be explored in the forthcoming retail study coming to Council later in 2025.

2. Mississauga Local Land Economic Assessment (Hemson Consulting Ltd.)

On April 16, 2025, Council adopted the City's new Official Plan. The study took a long-term perspective to the economic assessment, but did not speculate on the near-term effects of the current economic uncertainty associated with tariffs. The Official Plan reflects the decision to convert employment lands to residential uses as part of the Region of Peel's ("Region") Official Plan, which also identified additional employment lands for further study.[1] Future employment land studies will become more important than ever with, the establishment, and threat, of tariffs on Canadian goods exported to the U.S.

(A) Available Land and Planned Development Potential

The Hemson study considered four employment types to assess the vacant employment land supply:

- **Employment land employment:** industrial-type buildings on vacant lands, limited intensification – limited growth potential.
- **Major office employment:** dense, requires comparatively less land than industrial development – supply can be accommodated through intensification (e.g. Gateway, Downtown).
- **Population-related employment:** accommodated in existing development expansions or new mixed-use developments – land supply is adequate from a city-wide perspective, however some neighbourhoods could still be underserved.
- **Work at home employment:** non-residential land not required.

The new Official Plan contemplates employment growth of approximately 100,000 workers from 2021 to 2051. Currently 51% of Mississauga's workforce is based in employment areas (excluding major offices in employment areas), but the 2051 growth forecast projects only 13% of employment growth in these areas. This significant drop is a result of only 385 hectares ("ha") of net vacant employment land remaining in Mississauga. Major office employment is currently 23% of total employment, but is forecast to be 50% of future job growth despite the current challenges of developing office. As the reports highlight, industrial development is currently more financially viable than major office development, but industrial development is limited by available lands. Employment targets will be difficult to meet until the office market improves.

Peel's Official Plan and subsequent City Council approvals removed approximately 250 ha of employment lands. The effect of these conversions is softened as most lands were retail and commercial. However, future conversions will be increasingly industrial, or industrial adjacent, which can result in land use conflicts.

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[1] Peel 2051 Regional Official Plan Municipal Comprehensive Review, Employment Planning Implementation Report, March 2022 and April 2022 Addendum

An additional 10 ha in the Clarkson Major Transit Station Area (“MTSA”) within the Southdown Employment Area (“Southdown”) are currently under consideration. Southdown contains heavy industry, scoping the lands recommended for conversion to the northeast corner of the MTSA.

(B) Financial Considerations
The two key financial implications of conversions are:

1. **Substantial financial incentive:** conversions benefit individual landowners but have a widespread destabilizing effect as each conversion increases speculation of nearby lands, further reducing the inventory of non-residential land.
2. **Net municipal tax revenue versus cost:** conversions are disadvantageous as they replace the supply of land where taxes collected exceed servicing costs with residential development that costs more to service than taxes collected.

City staff undertook a high-level analysis of the cost of providing services to the residential and non-residential sectors compared to the taxation revenue each one generates. Based on the overall 2025 budget and current assessment base, the cost of providing services to the residential sector exceeds generated revenue on a per capita basis by approximately 10%. By comparison, for the non-residential sector, the revenue generated results in a positive variance per employee of 37%.

This result is largely expected when one considers that the cost of providing park, recreation and library services is driven by residential development. This more than offsets certain other services such as transit that tend to be more equally split between the residential and non-residential sectors. On the revenue side, the tax ratio for commercial properties (e.g. office, retail, warehouse, etc.) is 1.5170 times residential properties and the industrial tax class ratio is 1.6150. In plain language, for every dollar of assessment, non-residential properties contribute 50% to 60% more of the lax levy while utilizing less City services.

Staff also compared the revenue generated in some newer developments to the city-wide average cost of providing services. The Hurontario Street corridor between Eglinton Avenue Highway 401 was chosen as a representative area as it contains all forms of development (e.g. residential condominium, office, warehouse, etc.). Taxation revenue on a per employee basis for new office development could exceed average servicing costs in the order of 50% and for industrial buildings (in the commercial tax class) the surplus revenue could be closer to 290%. Sample residential condominium per capita revenue was lower than the average servicing costs by about 14% which is fairly consistent with the city-wide residential average.

There are some limitations to the analysis as servicing costs for new development may be lower than the existing city-wide average (e.g. local roads). Additionally, there has been a trend towards more floor space per employee in industrial buildings due to automation and a higher share of distribution activities compared to manufacturing. In this regard, there may be some servicing costs associated with higher volumes of traffic (e.g. transportation trucks) than what would be expected based on the number of employees in a building.

While Council must balance many factors in land use decisions, work found that non-residential development is generally more advantageous from a servicing cost perspective.

(C) Conversion Criteria
The PPS recognizes that land use conflicts can undermine the long-term viability of employment areas and its minimum standard conversion criteria are incorporated in the new Official Plan (Appendix 3). Municipal councils may decline conversion applications – these decisions are final and not appealable.

Issues arising from conversions can include:

- **Shifting growth from more preferable locations:** Residential permissions do not create new population. Rather, residents could be shifted away from areas long identified as preferable for residential growth (e.g. MTSAs, Growth Nodes) to employment sites with fewer services.
- **Loss of skilled jobs:** Redevelopment typically reduces the overall number of jobs on a site and industrial jobs may be replaced with retail and service jobs.
- **Destabilization:** High potential to destabilize the broader area, encouraging further conversions, reducing and fragmenting the employment area.
- **Discourages investment and reinvestment:** Focus on financial gains from land use changes rather than (re)investment by businesses already faced with growing macroeconomic certainties related to trade disputes and other factors.
- **Existing businesses:** Conflicts with new uses may limit exiting businesses' viability and ability to expand or change operations, hours, or processes.
- **Use restrictions:** Limited permitted uses on nearby and adjacent sites may reduce land's value for employment purposes and encourage further conversions.
- **Economic development:** Loss of employment land challenges the City's ability to meet forecast employment growth and/or economic development objectives.
- **Infrastructure:** New uses may exceed existing and planned infrastructure capacity and/or be costly to provide (e.g. water, schools, parks).
- **Permanent loss:** It is extremely unlikely that converted lands would ever return to employment uses and the employment land inventory.

3. Next Steps
The Official Plan is currently under review by the Province. Its approval will establish the land use policies the City will apply to guide employment land decisions over the coming decade. Having reviewed the consultant reports, staff propose the following added actions to help the City meet its employment targets.

- **Expand the City's current Downtown Community Improvement Plan**

The City has offered tax increment equivalent grants ("TIEG") for eligible new offices in the Downtown Core since 2017 through the Downtown Community Improvement Plan (the "CIP"). In 2021, the Region adopted a Major Office Incentives ("MOI") program to provide matching TIEGs for qualifying developments. Although City and Peel staff have supported and made efforts to facilitate applications, no developments have successfully utilized the programs to date. Staff propose seeking Council's approval to:

1. Expand the Downtown Community Improvement Project Area (geographic boundary where the CIP may apply) to include the Uptown, Fairview, Cooksville, Hospital, and Port Credit areas along the Hurontario light rail transit corridor; and
2. Increase CIP incentive amounts (e.g. larger TIEG, development charge reductions).

City and Region staff have been in recent discussions regarding incentives to attract office development. This has included reviewing the parameters of the Region's existing MOI program to determine if it needs adjustments, and to explore additional incentives to better reflect legislative changes and changing market conditions. Peel's current program is open to receive applications until April 2026, at which time it will need to be extended or revised. Peel staff have advised that a report is being prepared for Regional Council in the coming months to provide an update on the program.

Given the Region's share of non-residential taxes and development charges is higher than the City's, the Region's participation in any applicable adjustments to the CIP is important.

- **Allow for more manufacturing uses in employment areas**

The new Official Plan expanded the uses allowed in office-oriented areas (e.g. the Downtown, Gateway, Sheridan Research Park) to include certain manufacturing uses compatible with an office built form (e.g. life sciences) as outlined in Appendix 4.

Next, staff will undertake a zoning conformity exercise to allow the development of these uses with only site plan approval in most cases. Through this review, updates to the Official Plan and Zoning definitions may be recommended to meet emerging industry trends.

- **Explore the need for further office retention policies**

The new Official Plan requires Office designated lands to maintain the current area of office floor space through any future redevelopment (Appendix 5). Staff propose retaining a consultant, on a low value contract, to determine if any further changes to the Official Plan are warranted given the pressure to convert offices on mixed-use properties. Grant opportunities (senior levels of government and/or City) would also be explored to help make older offices more environmentally sustainable.

- **Maintain a high bar for employment land conversions**

As noted earlier, applications for employment land conversions can be submitted at any time. Given the city's shrinking vacant employment land supply, the consultants suggest a high bar be set for the approval of conversions.

Applying PPS criteria in conjunction with assessing the quality of the future residential environment provides a more complete and comprehensive review to determine whether the resulting environment will be superior to existing residential development locations that can already accommodate in the order of 370,000 units. Where tangible changes occur (e.g. the realization of two-way all day Milton Line GO service) staff would reassess applicable employment lands.

As more conversion applications are received, criteria guiding the assessment of requests may be revised.

Financial Impact

There are no financial impacts resulting from the Recommendations in this report. Staff will bring a report to Council on the expanded Downtown CIP with specific incentive recommendations and the associated financial impacts.

Conclusion

The two consultant reports highlight Mississauga's strengths as a destination for future non-residential investment. However, challenges could inhibit the City's ability to meet its employment targets. Staff propose several actions to help address current market conditions.

Attachments

Appendix 1: Employment Land, Office, and Retail Market Analysis (Cushman & Wakefield Inc.)

Appendix 2: Mississauga Local Land Economic Assessment (Hemson Consulting Ltd.)

Appendix 3: Mississauga Official Plan 2051 excerpt: Employment area land removal

Appendix 4: Mississauga Official Plan 2051 excerpt: Permitted uses in office focused areas

Appendix 5: Mississauga Official Plan 2051 excerpt: Office retention

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