# Toronto mulls allowing more offices to be transformed into housing

ALEX BOZIKOVIC
RACHELLE YOUNGLAI

A 54-year-old brutalist office building in downtown Toronto is poised to be razed and replaced by a residential tower. But unlike with other office demolitions, the city did not require the landlord to replace the lost office space, a departure from a longstanding policy.

This could signal a new approach as Toronto faces a slower-than-expected return to the office and a growing amount of vacant commercial real estate.

Toronto's planning department is reviewing its office use policies and is expected to make recommendations public in July. Eliminating the strict replacement policy would provide a route to transforming underused and vacant buildings into much-needed housing.

Office-replacement policies "are no longer valid, and they reflect a context very different from what we face today," said Toronto City Councillor Brad Bradford, vice-chair of the city's planning and housing committee.

"We're not experiencing an office shortage. We're experiencing an acute housing shortage," he added.

"Our long-held policies, which make it extremely cumbersome to do either office replacement or office conversion, ought to be rethought."

Before the pandemic, Toronto's government was concerned that residential development would displace offices and push jobs out of the city.

■ TORONTO, B2

# Toronto: Rogers office redevelopment plan includes condos, affordable rental units

■ FROM B1

Several planning policies, including a 2018 plan for the downtown, instituted an "office replacement" requirement: If a new development demolished existing offices, the new structure had to replace the office space, usually on a one-to-one basis. In effect, new housing development was forced to subsidize the construction of new office space.

Today, exceptions to that policy are being made on a "site-specific" basis, city spokesperson Deborah Blackstone said in an e-mail.

The 54-year-old building already slated for demolition is owned by Rogers Communications Inc. and is at 350 Bloor St. E., a location that was historically a hub for insurance company offices. Today office demand in the area has weakened, but the location, near a subway station and downtown amenities, is attractive for housing.

The property developer building the residential tower on the site, Osmington Gerofsky Development Corp., says it has noticed a change in sentiment at the city's planning department. (The company is co-owned by Osmington Inc., a private commercial real estate and investment company controlled by David Thomson. The Thomson family holding company, Woodbridge Co. Ltd., owns The Globe and Mail.)

Laurie Payne, the chief operating officer at Osmington Gerofsky, said her dealings with the city showed a willingness to negotiate. "As the policy is being looked at, in the interim they've been willing to consider reasonable proposals by applicants and developers," she said.

Rogers and Osmington Gerofsky initially applied to redevelop the building while replacing its 93,000 square feet of office space. But after discussions with city planners, the project was altered: The 63-storey tower will no longer include offices. Instead, it will have 790 condo units at market prices and 16 units of affordable rentals to be owned and managed by not-for-profit WoodGreen Community Services. Ms. Payne said her company and Rogers are proud to provide the affordable housing and said the 16 units are being "delivered at zero cost to the city."


**A 54-year-old building at 350 Bloor St. E. in Toronto, owned by Rogers Communications Inc., is slated for demolition and is set to be replaced by a residential tower.**
ABHIJIT ALKA ANIL/
THE GLOBE AND MAIL

> With affordable housing shortages dominating policy conversations, Toronto has been under pressure to allow developers to convert or replace underused office buildings.

She added that, while the developer is footing the bill for those units, that is far less expensive than owning office space "for which there is zero demand."

With affordable housing shortages dominating policy conversations, the city has been under pressure to allow developers to convert or replace underused office buildings. As part of its office policy review, the city commissioned a study that said the office market had "undoubtedly softened."

However, the study by Parcel Economics also said that higher-quality, well-located offices continue to fare well, highlighting the resilience of the city's downtown, where vacancies have been rising nonetheless, partly owing to the completion of several major office buildings.

Over the past four years, 11 office towers have opened in the downtown core, including the 49-storey CIBC Square and the 47-storey TD Terrace. That has increased the amount of downtown office space by 7.8 million square feet, or 9 per cent, according to Altus, a commercial real estate consulting firm.

Over the next two years, three more office towers will open in the core, including CIBC Square's second 49-storey tower, adding another 2.5 million square feet, according to Altus.

While the city is considering rules for both replacing and converting existing buildings, developers have been requesting approval for other office demolitions.

Cartareal Corporation NV is seeking permission to raze a 20-storey office tower at 505 University Ave. in the downtown core and replace it with a 64-storey residential tower, according to its project application.

Slate Asset Management, which has extensive holdings in the Yonge-St. Clair neighbourhood, is working on plans to add 37 storeys of residential space atop its 12-storey office building at 1 St. Clair Ave. W. That is expected to add 340 housing units.

Slate is also considering turning some of the building's existing office space into residential units, said Veronica Green, a Slate vice-president.

In Calgary, the real estate developer and owner was recently awarded grants from the city to convert an office building it co-owns into housing. The 11-storey building is expected to be turned into 132 residential units, according to the City of Calgary.

Meanwhile, the momentum for office-to-residential conversions has been growing. The federal government recently announced it would halve its office footprint and turn some of the space into housing.

EllisDon Corp., a major construction management company, has fielded dozens of calls from owners of older office buildings across the country, including in Toronto, Calgary and Ottawa. "They're not collecting rent and they're still facing their property taxes," said Jody Becker, EllisDon's chief operating officer. "Something has to happen to those buildings."

In Toronto, Mr. Bradford said incentives for conversion should be on the table. However, he cautioned that such moves would have to be weighed against other concerns, including heritage preservation and the carbon emissions associated with demolition and new construction. "But we need to have a conversation," he said. "The prepandemic office world is not coming back any time soon."