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Planning for Change: An Analysis of COVID-19's Acceleration of Economic Trends in Halton Region

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Planning for Change: An Analysis of COVID-19's Acceleration of Economic Trends in Halton Region

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**Institute of
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The StrategyCorp Institute of Public Policy and Economy provides thought leadership on important public policy issues facing Canadians and their governments across the country by combining policy expertise with key political insights.

Halton Region commissioned the StrategyCorp Institute of Public Policy and Economy through a Request for Proposals to produce an independent white paper to study the likely economic and employment effects of the COVID-19 pandemic on the residents and businesses of Halton Region as they continue their land-use planning work. For questions specifically regarding this document, please contact the authors listed above. For questions regarding Halton Region's planning work or Halton Region more generally, please contact Halton Region directly.

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Introduction



There are a number of economic and employment trends affecting Halton, some created by the pandemic and others accelerated by it. This report aims to help Halton Region identify and understand these trends, as a complement to Halton Region's extensive planning and background work, to produce informed planning decisions through to 2051.

The COVID-19 crisis is not over. Every resident and business in Halton Region have dealt with the reality and effects of the pandemic and its multiple waves. As the pandemic has evolved it has altered our understanding the virus, and its variants, and how they may affect our behaviour in the short-, medium-, and long-term.

All-encompassing events that alter behaviour are not new. In recent memory, events like the SARS outbreak, the 9/11 terrorist attacks, or the recession of 2008-2009 have changed the way we work and live. Some of those changes became permanent, while others faded as our collective resilience won out over disruption.

The COVID-19 pandemic is surely another one of these all-encompassing events. Perhaps uniquely, the pandemic has been global in nature and elongated in time. The key question then, is which of the broader economic and employment changes stemming from this event will be permanent, transitional, or fleeting.

Throughout this report, we will provide a lens on how COVID has accelerated changing economic, behavioural, and employment trends

within Halton Region. Although many of these trends may have existed prior to COVID-19, the pandemic has certainly impacted the pace at which they have taken hold in Halton.

While we have relied on the best available data in preparing this report, it must be noted that this is a static snapshot of a fluid situation. The pandemic, and its variants, are continuing to impact day-to-day life at the time of publication, meaning the implications of the virus may not yet be fully realized. We want to acknowledge that inherent limitation.

That said, the business of governing and planning must go on. Our report not only suggests which trends will be long-lasting and which will not, but it provides a lens on the materiality of COVID-19's impacts to Halton Region's long-term planning. These trends, when evaluated alongside other planning matters beyond the scope of our work such as climate change, equality, and inclusion, will empower Halton Regional Council to have the tools it needs to make the best possible planning decisions. This report is intended to be used as a piece of the planning decision-making puzzle, rather than the only input in that equation.

To answer the economic and employment questions we were tasked with, we must start with a holistic view of the economic trends already underway in the province and Halton prior to the pandemic. It is clear that

92% Rise

in employment in just 30
years in Halton Region

Ontario's economy was already undergoing transformational change before COVID-19 arrived in Ontario. Halton, given its strategically important location in the Greater Toronto Hamilton Area (GTHA) and the Toronto/Waterloo Innovation Corridor, was already experiencing this change. Be it digital automation, e-commerce, and work from home trends.

Halton was also poised for continued growth. According to the latest Canada census (2016), Halton was home to approximately 565,400 people and over 260,000 jobs. Under the Provincial Government's growth plan forecasts, Halton was slated to see those numbers rise to 1.1 million people and more than 500,000 jobs by 2051.¹ In other words, the Region would see a 92% rise in employment in just 30 years.² Clearly, Halton Region would be faced with substantial decisions about how to accommodate this growth in employment and residents within its boundaries.

Then, the pandemic hit. At the time of writing this report, the pandemic – and its impacts – are still being felt across the world, Ontario, and Halton. Businesses are still dealing with preventative lockdown measures and the financial repercussions that come with severe reductions in customers and transactions. Many employees are still working from home or, if displaced by the pandemic, may still be looking for work. Therefore, when analyzing pandemic impacts on Halton, it is important to note that local economic and employment trends are still changing.

With more than a year of pandemic impacts, there have been many trends and developments that are measurable and that will be analyzed in this paper.

- The data show both short- and long-term impacts for Halton that will need to be carefully monitored and considered when making decisions about future growth.
- In many cases, it appears that pre-existing economic and employment trends have been accelerated, bringing the impacts of these trends from tomorrow, to today.

Now, as the pace of vaccine distribution continues to accelerate, the end of the pandemic appears to be in sight. We can project an end to the restrictions on societal interaction that were erected to halt the virus.

The return to normal should resolve the most direct and immediate economic and employment consequences. Some pandemic-related impacts, such as increased federal and provincial government debt, will take decades to be resolved. Other changes brought on by the pandemic, such as how and where we work, how we interact with supply chains and the economy, and how we think about growth and housing will be temporary in nature.

Through this white paper we set out to answer as many of those questions as possible while also illuminating future concerns, challenges, and potential solutions to deal with the various outcomes of the pandemic that are yet to be seen.

Consistent with our terms of reference, the purpose of this study is to identify future trends rather than specific outcomes.

Given the pandemic's continued impact on Halton's economy it is impossible to know with certainty what the future will hold. However, by studying the immediate impacts and making evidence-based conclusions about the future, we hope to help Halton Region prepare for the challenges that may come next.

A primary concern among these challenges is determining whether the previously stated growth plan forecasts are still likely after COVID-19.

- Will Halton continue to grow at the same pace?
- Will the demographic composition of Halton change substantially?
- Will Halton's existing relationship with larger urban centres like Hamilton and Toronto become more or less relevant?
- Will Halton be seen as a bedroom community and home to commuters, or as a self-sufficient region?
- What financial and employment repercussions will the pandemic bring to Halton and how long will they last?

Throughout this white paper we will provide insights and analysis to help answer these questions and more.

1. Watson & Associates Economists Ltd., "Investment Readiness and Employment Lands Study: Regional Municipality of Halton", 2020, p. 22.

2. Ibid.

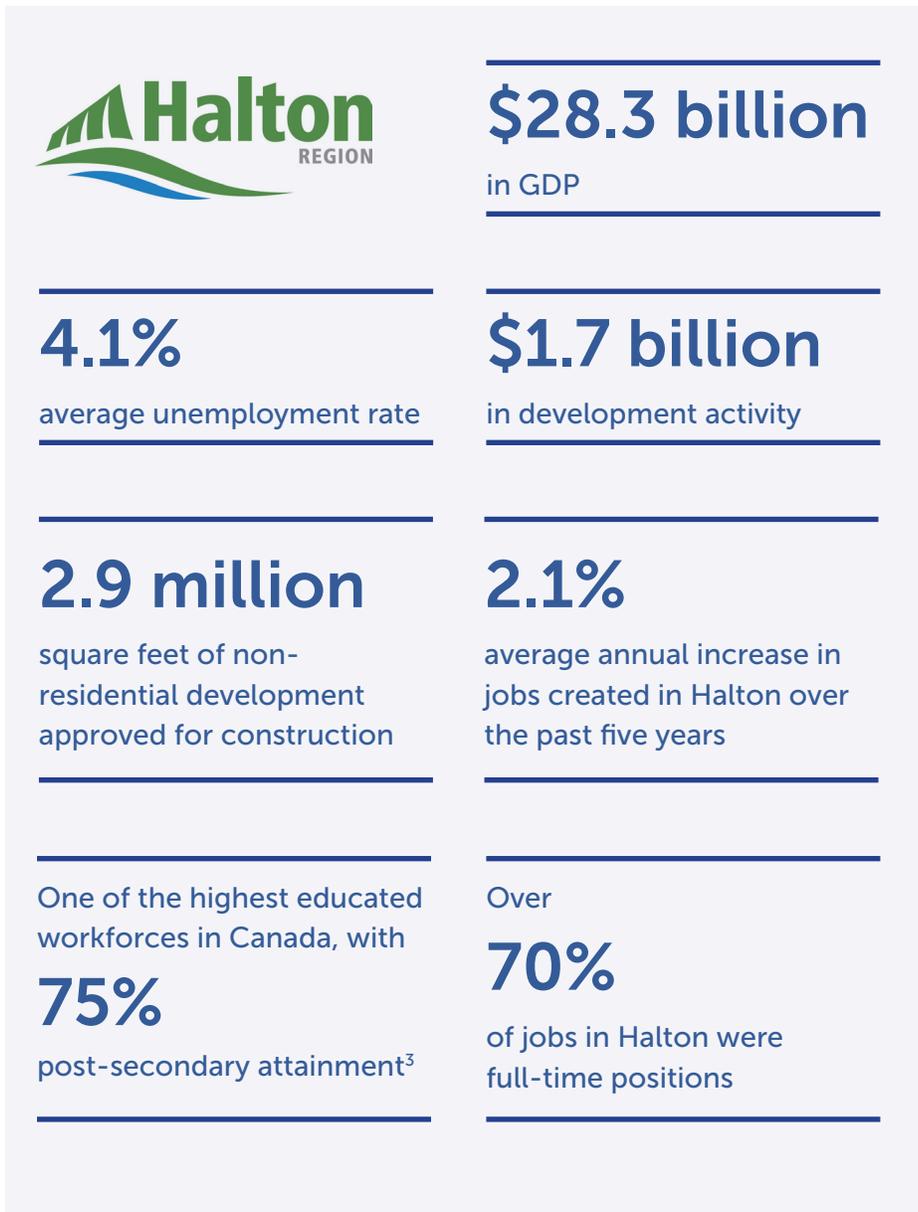


Growth and Composition of Halton's economy over the next decade

The Demographics

To anticipate where Halton's economy is headed over the next decade, it is crucial to have a thorough understanding of its' pre-pandemic foundation.

The last full year before the COVID-19 pandemic, 2019, was a story of growth and success for Halton. In total, Halton possessed strong economic indicators in 2019 including:



3. Halton Region, "2020 Halton Region Economic Review", p. 1.

Halton Region was second only to York Region in attracting intra-provincial migrants leaving other parts of Ontario. Between 2012 and 2020

Between 2001 and 2016, each of Halton Region's four local municipalities experienced substantial growth. During that time period, Burlington grew by just over 20%, Halton Hills grew by 25.5%, Oakville grew by 32.5%, and Milton grew by an astounding 246%.⁴ This rapid population growth was driven primarily by a combination of immigration, natural population growth, and – most importantly – people moving to Halton from other parts of the GTHA to find the variety and value of housing choices that met their size and cost requirements.⁵

Growth was accompanied by changing age demographics. Halton was growing older. The largest population group in 2001 was the 40-44 cohort, but by 2016 that had risen to the 50-54 age cohort. This trend is projected to continue. By 2041, that large cohort of the population will be in its late 70s.⁶

Prior to the pandemic, planning estimates projected that the aging of the population would be offset by an increase in inbound migration of other GTHA residents to Halton in search of livable communities and housing that was affordable. This inbound migration of new residents meant that, despite the aging of current Halton residents, the largest segment of the population in the Region would continue to be the 40–44-year-old demographic. This comes even though the percentage of retired individuals over 65 would also rise from 12% of the population in 2001 to 21% of the population by 2041.⁷ In essence, Halton's population would, on the whole, be getting older – a trend seen across all of Ontario. However, the attractive nature of its well-planned growth, both in terms of employment opportunities and housing affordability, meant the growth pressures would not be as severe in Halton as they were in other GTA regions.

By comparison, Toronto, Peel, and York were continuing to see younger residents leave their

Regions for more affordable jurisdictions. Over the last five years, 65% of the residents that had left those areas were between the 0-17 and 25-39 age groups, representing the family-formation demographic.⁸ Although Halton is perhaps better positioned to attract younger residents, the impacts of the pandemic will need to be overlaid against pre-pandemic planning assumptions.

The trend of attracting young families, though still strong, was declining in Halton prior to the pandemic. Between 2004 and 2011, Halton Region was second only to York Region in attracting intra-provincial migrants leaving other parts of Ontario. Between 2012 and 2020, Halton was surpassed by both Simcoe County and Durham Region as the most attractive destinations for these intra-provincial migrants.⁹ Most of this change can be attributed to rising house prices and availability of housing supply and choice. As more people leave Toronto's downtown core and immigration continues, the availability of homes in nearby regions decreases and the prices rise in turn. This 'drive until you qualify' phenomenon may cause young families to look beyond Halton Region.

Though each local municipality in Halton experienced continued growth throughout the 2001-2016 period, the annual growth rate was lowest between 2011-2016 in each of the four municipalities.¹⁰ Of note is Milton, which experienced a 246% growth rate over that period. Such a meteoric growth in population would never have been sustainable in the long-term regardless of demand, as continued growth in supply needed to meet that level of demand would be challenging under the best of circumstances. Ultimately, it was becoming clear that Halton's impressive surge in population was slowing to a more regular and consistent rate of growth before the pandemic hit.

Despite the challenges with finding available housing, there was little indication that Halton would see any precipitous decline in its growth rate or an overall loss of population in any way. It would, however, see a future where it was more difficult to attract younger families without more housing options. This would lead to an aging population requiring more services and generating less economic activity in the Region, even before the impacts of the pandemic were factored in.

4. Halton Region, "Integrated Growth Management Strategy Growth Scenarios: Halton Region to 2041", p. 39.

5. Ibid., 25.

6. Ibid., 44.

7. Ibid.

8. Mike Moffatt, "Ontarians on the Move, 2021 Edition. #4 — It's Mostly Young Families, not Retirees, leaving Toronto.", February 16, 2021, <https://mikepmoffatt.medium.com/ontarians-on-the-move-2021-edition-bf5ccf59e364>.

9. Ibid.

10. Ibid., 40.



Four Different Municipalities

In addition to understanding the demographic composition of Halton as a whole, it is important to recognize that the four different lower-tier municipalities within it are each unique and face very different challenges.

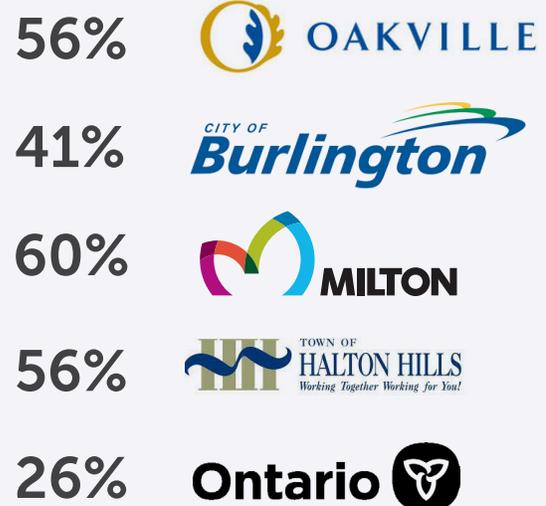
As the Region's two largest lower-tier municipalities, Oakville and Burlington have already experienced significant amounts of growth. This comes with the pressure to both expand outwards and upwards. Similarly, they have strong transit connectivity between themselves and to the nearby cities of Toronto and Hamilton, through both the QEW/407ETR highways and the GO Transit rail network. The highway corridor that passes through these municipalities has traditionally served as the spine along which the municipalities' major employment centres were encouraged to locate. As the local municipality closest to downtown Toronto, 56% of Oakville's workforce regularly commutes outside of Halton Region for work. For Burlington, that number is slightly lower at 41%.¹¹

In Milton, rapid growth has led to an influx of families attracted to newly-built housing and services. Milton has moved rapidly to keep up with residential demand, but it has not seen a corresponding expansion in local employment. As a result, more Milton residents commute outside

of the Region for work on a daily basis (pre-pandemic) than residents of any of the three other local municipalities, with as much as 60% of Milton's labour force employed elsewhere.¹²

Halton Hills is the most rural of the municipalities and perhaps the last to experience the rapid growth that each of the other municipalities in Halton have experienced. With this increasing growth demand comes an escalation in services and infrastructure that Halton Hills will need to properly manage, as it takes on its share of the 1.1 million projected residents in Halton by 2051. 56% of the labour force in Halton Hills currently commutes elsewhere for work.¹³

% of Labour Force Commuting Out of Census Division for Employment (2016)



It is worth noting that, among the four local municipalities, the percentage of the labour force that commutes elsewhere is significantly higher than the rest of the province. The Region's local municipalities average between 41% and 60% of daily commuters going elsewhere. The provincial average, as of 2016, was just 26% of the local labour force that would regularly commute elsewhere for work. As geographic proximity becomes less important in a future where working from home is both commonplace and easier, this could pose a challenge for Halton Region to continue attracting high quality talent, as more municipalities further away become realistic possibilities for future workers to call home.

11. Katherine Savage, "Results from the 2016 Census: Commuting within Canada's largest cities", Statistics Canada, May 29, 2019, <https://www150.statcan.gc.ca/n1/pub/75-006-x/2019001/article/00008-eng.htm>.

12. Ibid.

13. Ibid.

14. Ibid.

The Employment Picture - Automation

Given the high number of commuters who live in Halton, it should be no surprise that the service sector is the main source of its local employment. Of the 13,650 employers in Halton in 2019, the top 5 sectors were all considered service sector employers.¹⁵ Those five entities (retail trade, other services, health care and social assistance, accommodation and food services, and professional, scientific and technical services) account for 8,246 of Halton's local employers, or more than 60%.¹⁶ That does not account for other service sector employers outside of the top five, such as finance and insurance or educational services.

As of 2016, the number of Halton residents working in manufacturing, utilities, natural resources, or agriculture and related production was only 13,200. That total number of goods producing employees is less than the number of 15–24-year-olds who work directly in the sales and services sector.¹⁷

Halton's local employment base focused on the service sector. This is much like most other regions in Ontario. More than 75% of Canada's economic output is in service-based industries and 70% of the Toronto Stock Exchange's total value is made up of companies that operate in intangible assets.¹⁸ In the last decade, the Greater Golden Horseshoe has added 47,000 jobs in finance and 19,000 in soft technology industries while losing 130,000 manufacturing jobs.¹⁹

The key takeaway is that as important as they may be, the role of "produced things," including farmed produce or manufactured goods, has been overtaken by a Regional economy focused on service offerings and the creation of digital, intangible goods.

The Service Sector and the Rise of Restructuring Through Automation

The reliance on service sector employment has left Halton Region susceptible to the future trends of automation and gig economy work.

The Brookfield Institute recently reported that as much as 42% of the Canadian labour force is at high risk of seeing their position eliminated or significantly restructured due to automation.²⁰

A pre-pandemic report that surveyed employers found that "Nearly 50% of companies expect that automation will lead to some reduction in their full-time workforce by 2022."²¹

The pandemic has changed the specifics of these outlooks but, in most cases, it has only served to accelerate the adoption and use of technology in the workplace. It has also enhanced the business case for automation, given an automated workforces imperviousness to virus transmission. Considering Halton's large service sector employment base, this is a cause for concern.

However, it should be noted that predictions about the rise of automation vary widely depending on the source used. In the Canadian literature reviewed for this paper alone, the number of jobs forecasted to be automated ranges from as low as 6% of the workforce to as high as 59%. The projected timeline for this automation ranges from the next decade to the next 50 years.²² This should not be taken as a reason to dismiss the rise of automation, but rather to realize that impacts of automation, though complex, are approaching and need to be monitored closely as the impact can vary widely.

15. 2020 Halton Region Economic Review", p. 2.

16. Ibid.

17. Ibid.

18. Sean Speer, "Forgotten People and Forgotten Places in the Age of the Intangibles Economy", remarks from September 29, 2019, blog. <https://medium.com/@scspeerlu/forgotten-people-and-forgotten-places-in-the-age-of-the-intangibles-economy-remarks-from-e9beed1469e4>.

19. Neptis Foundation, "Planning the Next GGH", November 2018, p. 16.

20. Watson & Associates Economists Ltd., "Investment Readiness and Employment Lands Study: Regional Municipality of Halton", 2020, p. 57.

21. World Economic Forum, "The Future of Jobs Report 2018", September 2018, p. viii.

22. Urban, Michael Crawford, and Sunil Johal. "Understanding the Future Skills: Trends and Global Policy Responses." Public Policy Forum, 2020, p. 1.

The Employment Picture – The Changing Skills Gap

An aspect of the trend of increased automation is a reduction of mid-skilled work. At first, automation sought to replace positions that were extremely repeatable, such as a worker on an assembly line performing the same task over and over.

As technology has advanced, automation has been better able to replace more complex tasks. For example, the rise of online accounting software like Quickbooks has caused a significant disruption to the accounting profession. This means that one entering the accounting profession requires more training and skills as their day-to-day activities are reserved for more complex issues like forensic accounting or auditing. Therefore, the barrier to entry into the profession has grown. Similarly, speech-to-voice technology, or even just the invention of the personal computer, has disrupted positions like typists and other secretarial jobs.

This technological automation has significantly altered mid-skilled positions such as the ones listed, schedulers, office managers, and other back-office related positions. The Greater Golden Horseshoe alone has seen 3,000 of these total positions removed in the last decade, in addition to even more reductions prior.²³ Province wide, "...the Ontario economy alone shed nearly 70,000 jobs from 2001-2015 within the traditional middle-class job category."²⁴

Lower-skilled positions, such as waiters or fast-food workers, may be more difficult to automate. This is because of the non-repeatable tasks they perform or because automating the position is simply not financially worth it, as the cost of labour is quite cheap compared to the cost of a properly functioning automated process. In many cases, parts of lower-skilled workers tasks have been automated (such as automated cashiers in grocery stores or ordering screens in fast food restaurants), allowing the worker to focus on the roles that cannot be automated like putting together specific food or drink orders or interacting with unique customer requests.

For higher-skilled workers, such as surgeons or skilled trades workers, their jobs require high levels

of precision and individualized decisions for each circumstance. This precision and training make it quite difficult to automate their positions. It should be noted however, that the lower skilled tasks surrounding these jobs have been automated. For example, a surgeon may still have many tasks to perform, but the equipment they use to monitor the patient, perform the procedure, and track recovery has been automated or digitized. Ultimately, this means the higher skilled surgeon can focus on the complex task, perform it faster, and do so with fewer support staff or additional approvals from positions like radiologists.

These trends suggest that mid-skilled workers are quickly becoming a thing of the past. For the workforce, it means it may be difficult to advance in their career without significant investments in more training or education.²⁵ For example, a bank teller may have logically expected to be promoted and trained as an account manager before pursuing full accreditation as an accountant. Now, that mid-skilled steppingstone position rarely exists, as online banking has replaced many bank staff. The worker would need to make the educational leap from teller to accountant – or in other words from lower-skilled work to higher-skilled work. This leap can be costly, time intensive, and difficult without the middle rungs in the promotional ladder.

The risk is that Halton's citizens, who may not be able to pursue higher education for financial or familial reasons, will be stuck in lower-skilled positions earning below their full potential.

In Ontario, this issue has commonly manifested itself in a term known as the skills gap, which is the difference between the skills employers need and the skills that the labour force possesses. As more of Halton's well educated and older labour force retires, and as 29% of the Region's population is in the largest age cohort between 45-64 years of age, it is likely these skills will be hard to replace and the skills gap will continue to grow.²⁶ For instance, many more skilled positions are already experiencing this phenomenon. In Ontario, "...the median age of an electrician is 37, a welder 40, a car mechanic 40, and a millwright 44. For supervisory positions the trend leans even older. The median age of a supervisor for a logging operation or a supervisor of hydro linesmen is 45 years old, a notable increase from previous generations."²⁷

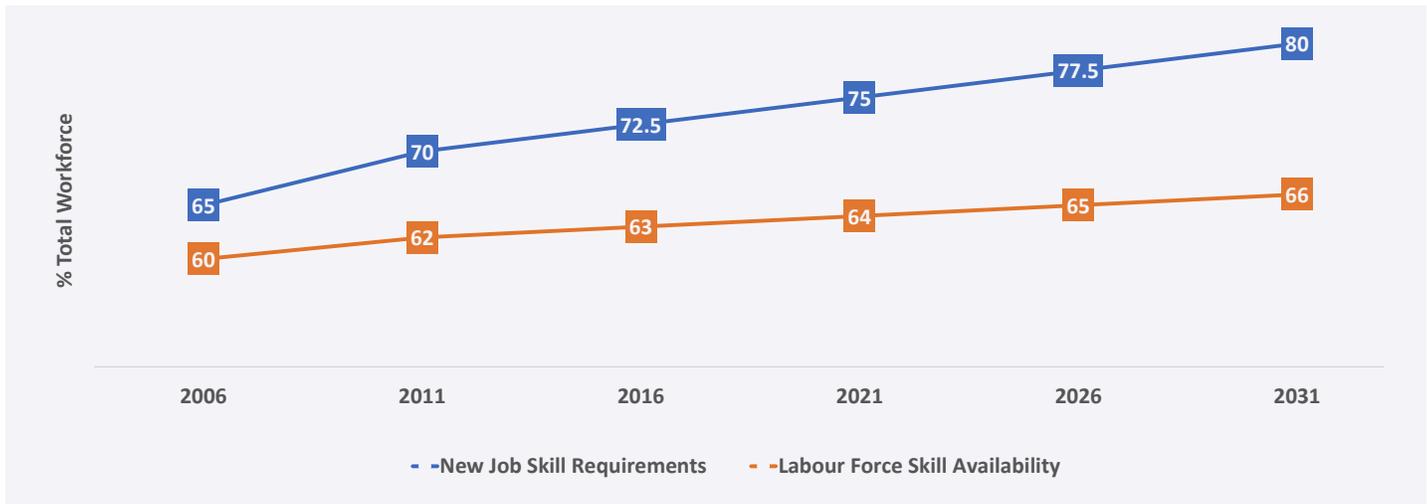
23. Neptis Foundation, "Planning the Next GGH", November 2018, p. 16.

24. DESIRE2LEARN, "The Future of Work and Learning In the Age of the 4th Industrial Revolution", November 6, 2018, p. 5. <https://www.d2l.com/resources/assets/the-future-of-work-in-the-fourth-industrial-revolution-canadian-edition-english/>

25. The Future of Work and Learning in the Age of the 4th Industrial Revolution, 7.

26. Watson & Associates Economists Ltd., "Investment Readiness and Employment Lands Study: Regional Municipality of Halton", 2020, p. 41.

27. The Future of Work and Learning in the Age of the 4th Industrial Revolution, 4.



As seen above, the percentage of skilled workers required (with either a post-secondary education or an apprenticeship training) in 2006 only outpaced the available talent by 5%. In 2031, that gap will grow substantially with a 14 point gap between the number of positions that require a skilled workforce and the number of eligible employees who have attained some form of skilled training.²⁸ Province wide, the skills gap is estimated to cost the province \$24.3 billion in lost GDP and \$3.7 billion in lost tax revenue.²⁹ Before the pandemic’s impacts are even considered, it is important to recognize that this trend had taken hold in Ontario and that it has potentially serious implications for the Region and the Province’s future labour force.

The Relationship Between the Pandemic and the Provincial Growth Forecasts for the Region

When thinking about the composition of Halton’s economy over the next decade it is important to acknowledge that, at the time of writing, the pandemic and its economic impacts have not yet been fully understood. The longer the COVID-19 pandemic continues and the longer that variants of the virus continue to circulate, with potentially higher levels of resiliency against existing vaccinations, the worse the economic impacts of the pandemic will be. Though it is not anticipated that the pandemic will extend into 2022 it is worth noting that it was not anticipated that the pandemic would extend into 2021 either.

In short, the impacts of COVID-19 on Halton’s economy, employment landscape, and growth become more unpredictable as the pandemic lengthens and variates. Not only was the Province’s 1.1 million people by 2051 forecast for Halton created before the pandemic hit, but it was also built on tweaks to decades old thinking and a policy that has not undergone a fundamental re-evaluation in some time. Additionally, online centric or gig-economy employment does not necessarily conform to conventional commuting and transportation patterns, meaning measuring employment in a geographic manner can be hard to do properly. Therefore, it is worth suggesting that Halton Region should be prepared for these growth projections to be altered in the future.

Between July 2019 and 2020, for example, Toronto’s Census Metropolitan Area lost more than 50,000 residents, a record. Coincidentally, many GTA municipalities saw real growth, with Milton growing by 4% in this time.³⁰ Given that the growth forecasts never contemplated such a compact acceleration of families moving outside the province’s core this soon, it is worth considering if the forecasts will be severely outdated by 2051.

Further, the forecasts state that Halton should have 500,000 jobs within its boundaries by 2051, but the province is silent on whether an employee who works full time from their home in Halton would count as a job within Halton or within the jurisdiction where the company is located. Given the pandemic has accelerated work from home trends and the rise of the digital and gig economies, it is likely revisions will need to be made to these forecasts that could either benefit or detract from Halton Region’s ability to meet its employment forecasts.

28. The Future of Work and Learning in the Age of the 4th Industrial Revolution, 2.

29. Conference Board of Canada, “A Looming Skills Gap Threatens Ontario’s Future,” Conference Board of Canada, n.d. <https://www.conferenceboard.ca/infographics/skills-gap-info.aspx>.

30. Statistics Canada. “Canada’s population estimates: Subprovincial areas, July 1, 2020.” Last modified January 14, 2021. <https://www150.statcan.gc.ca/n1/daily-quotidien/210114/dq210114a-eng.htm?HPA=1>.



Impacts of the COVID-19 pandemic on the GTA and Halton's economies and employment

The Three Types of Workers

The pandemic has impacted every Halton resident, but it is abundantly clear that certain categories of workers and employers have been impacted more heavily than others. As previously mentioned, retail and service sector businesses have seen reductions in their customers or have experienced complete shutdowns leaving many employees with reduced hours or the loss of their jobs. Many white-collar positions have transitioned to working from home and, with exceptions, only those considered essential workers have seen their work continue in person, albeit with many adjustments and new rules to accommodate social distancing and new safety requirements. Given the different experiences of the various types of workers, we have classified workers into three broad categories: displaced workers, remote workers, and essential workers.



Displaced Workers

The displaced workers have undoubtedly been the most affected. By April 2020, mere weeks after the pandemic began, 1.1 million Ontarians had lost their jobs while another 1.1 million workers saw their hours sharply reduced.³¹ These workers who had been clearly displaced from their employment tended to be lower-skilled workers in the retail and service sectors. Generally, they are younger, have less education or are still in school, and are earning lower wages. In fact, 70% of Ontario's jobs losses early in the pandemic were in low-paying occupations, such as store clerks and wait staff.³² Emergency support programs like the Canada Emergency Response Benefit and the Canada Emergency Wage Subsidy were created to ease the financial pressures being felt by these employees. Though generous, these programs have not fully offset the lost income for many.



Remote Workers

For those capable of working remotely, the pandemic's impact has been far less severe. Though many have struggled with working from home and the childcare requirements that have come with it, these workers tend to be mid-career, have already attained post-secondary education, and live in dual income situations. At the end of March 2020, a Statistics Canada report found that nearly 40% of Canada's employees were conducting their work remotely.³³ Of those working from home, 85% were employed in finance, insurance, or education. Quite simply, "the higher an individual's education and earnings, the more likely you are to be able to work remotely."³⁴



Essential Workers

Essential workers are much harder to categorize as a group due to the wide-ranging nature of essential work. Though their characteristics may vary, these workers do tend to be over 25 years-old and in established careers in fields like mining, transportation, health care, and education.³⁵ As one can imagine, the education level and earning levels for a personal support worker and a doctor can vary widely, but both are essential to continue to provide health care services. For these workers, their wages have been relatively unaffected, but the risks and stresses associated with their employment have vastly increased.

31. Financial Accountability Office of Ontario. "Ontario's Job Market During the COVID-19 Pandemic". April, 2020. p. 1. <https://www.fao-on.org/en/Blog/Publications/labour-market-04-2020>

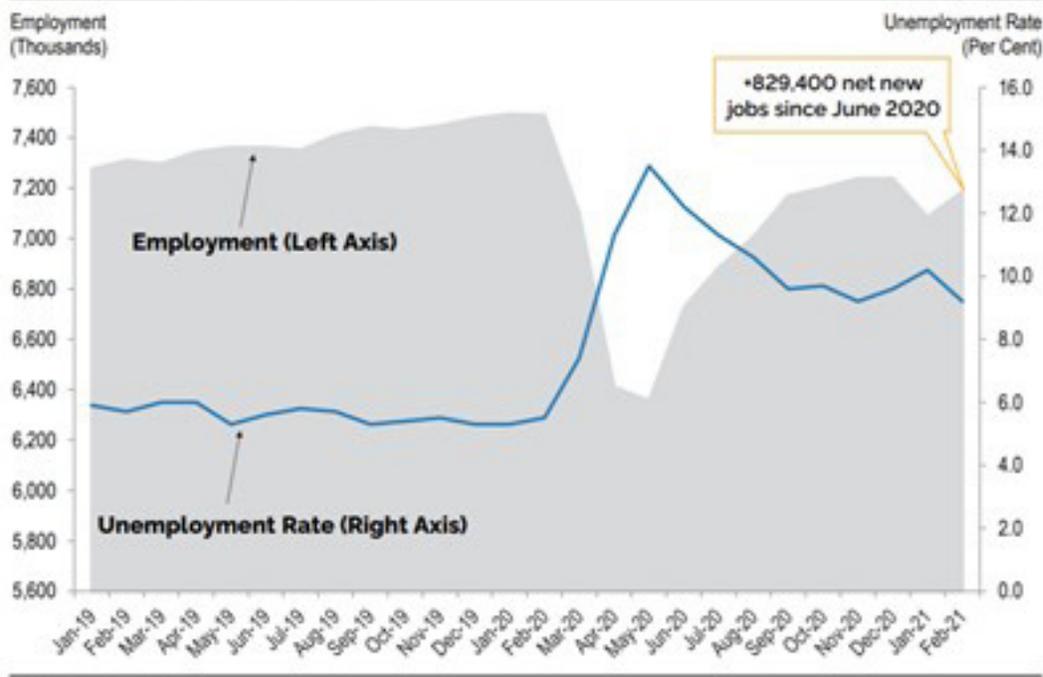
32. Ibid., 4.

33. Anne Gaviola, "The future of work: How the pandemic's 'awakening' will shape Canada's labour force", BNN Bloomberg, December 18, 2020, <https://www.bnnbloomberg.ca/the-future-of-work-how-the-pandemic-s-awakening-will-shape-canada-s-labour-force-1.1538207>.

34. Ibid.

35. Zechuan Deng, René Morissette and Derek Messacar. "Running the economy remotely: Potential for working from home during and after COVID-19." Statistics Canada, May 28, 2020, <https://www150.statcan.gc.ca/n1/pub/45-28-0001/2020001/article/00026-eng.htm>.

Ontario Labour Market



Source: Statistics Canada.

13.5%

Unemployment rate in Ontario peaked in May 2020

As the pandemic continues, the rate of employment has not yet recovered to pre-pandemic levels despite surges that correspond heavily with the easing of lockdown measures. The unemployment rate in Ontario peaked in May 2020 at 13.5% but, by February 2021, was still over 9% province-wide.³⁶

For employers, the situation is equally dire. Small businesses have been hit harder than larger organizations that had higher levels of market share, financial reserves, or public financing as a backstop. Additionally, many government services remained essential (health care and education for example) leading to little change for these workers and employers or they transitioned easily to remote work (public servants or municipal employees). Ontario's 2021 Budget showed that those working in accommodation and food services saw their workforce reduced by as much

as 27.5% while public administration, real estate, and manufacturing saw no change or even employment growth – reflecting the impact to these sectors and their employers.³⁷

These heavily affected sectors are more commonly small businesses. The Canadian Federation of Independent Businesses (CFIB) reported that, as of February 2021, the average small business in Canada had taken on \$170,000 of unplanned debt during the pandemic. Even worse, 58,000 small businesses became inactive in 2020 and 1 in 6 remaining businesses have indicated they are at severe risk of closing permanently.³⁸

The displaced workers, and their employers, will feel the longest permanent impacts of COVID-19. One year into the pandemic, a Statistics Canada study demonstrated that nearly every Canadian who lost their job in 2020 due to the pandemic earned an hourly wage equivalent of less than \$27.81/hour, with the largest decline among those who earned less than \$13.91/hour – meaning part-timers, temporary workers, and the self-employed. Total employment grew among those making an average wage of \$41.73/hour or

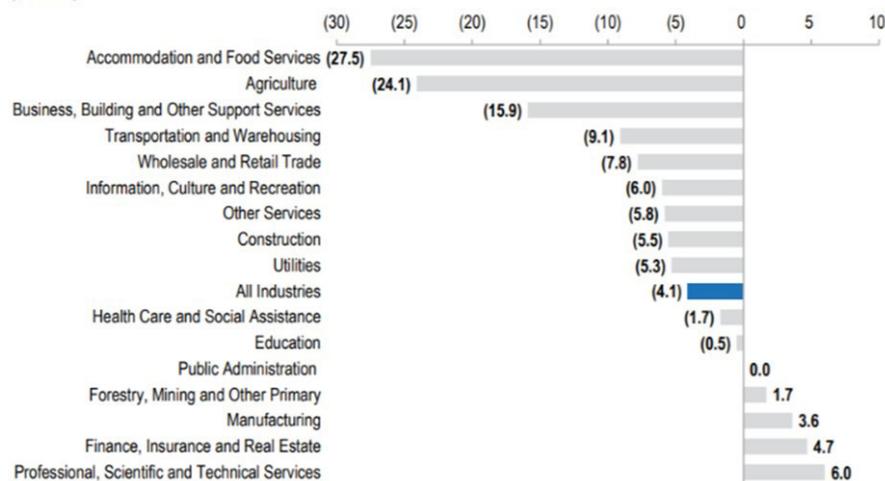
36. Ontario. Ministry of Finance. 2021 Ontario Budget: Ontario's Actions Plan Protecting People Health and Our Economy. (Toronto). 2021. p. 132. <https://budget.ontario.ca/2021/pdf/2021-ontario-budget-en.pdf>

37. Ibid., 133

38. Canadian Federation of Independent Business. "CFIB urges permanent end to small business lockdowns" Canadian Federation of Independent Business, March 15, 2021, <https://www.cfib-fcei.ca/en/media/news-releases/small-businesses-mark-one-year-anniversary-covid-lockdowns-delayed-retirements>.

Chart 2.4 Employment Impacts Vary across Industries

Employment Change by Industry, February 2021 Compared to February 2020
(Per Cent)



Source: Statistics Canada.

more, gaining some 350,000 positions across the country.³⁹

In the 2008 recession, younger lesser educated workers were the most impacted as well. Given they had lost income and sacrificed quality of life for employment opportunities to get out of their precarious situations, their career progressions faltered greatly. In a now famous example, the town of Janesville, Wisconsin saw its largest employer – a General Motors plant – close. In the town of 60,000 more than 2,000 people enrolled in the local community college in an effort to re-train and find employment. However, nearly half of the enrollees dropped out before graduation because they could not afford to spend the full 2 years out of the labour force due to bills and mortgage payments.⁴⁰

These workers are examples of the polarization between the 'haves' and the 'have nots' that will be further exposed by the COVID-19 pandemic. These laid off workers that could not finish their re-education therefore stayed lesser-educated, lower-skilled, and took lower earning jobs. Overall, they had a tougher time recovering from the recession because of the immediate financial and familial pressures that they faced. In fact, it was found that younger workers faced persistent earning declines for up to a decade after the 2008 recession due to these setbacks.⁴¹

The further polarization between the economic classes will be a lasting legacy of the pandemic that Halton Region must carefully consider when it evaluates the potential demand on services or the ability of taxpayers to accommodate property tax changes. In Halton specifically, 34,286 residents were employed in retail related positions when the pandemic hit. If retail, other services, and accommodation and food services are added together they represent roughly a quarter of every employee in the Region.⁴² Knowing that these workers have been more seriously impacted by the pandemic and are generally younger, there is a serious future risk to Halton's economy if these workers cannot get back on their feet quickly. Given the younger age of these workers on average, many may have been planning to pursue post-secondary education that would help break this cycle. However, the prolonged nature of the pandemic and its impact on lost wages could make that education too expensive or too timely of an endeavor.

Ultimately, understanding the three different categories of workers and the situation of their employers is imperative to understanding the current and future impact of the pandemic on Halton's economic and employment mix.

39. Benjamin Tal, "Canadian Labour Market Dichotomy – Deeper Than Perceived", CIBC Economics, January 19, 2021, https://economics.cibccm.com/economicweb/cds?TYPE=EC_PDF&ID=12030#:~:text=All%20the%20jobs%20lost%20in%20quartile%20seeing%20the%20largest%20decline.&text=So%20the%20surprise%20here%20is, jobs%20over%20the%20past%20year...

40. Goldstein, Amy. Janesville an American Story. New York, NY: Simon & Schuster Paperbacks, 2018, 169.

41. World Economic Forum, "The Future of Jobs Report 2020", October 2020, p. 24.

42. Halton Region, "2020 Halton Region Economic Review".



The Impact of E-Commerce

Making matters worse for Halton's small businesses and displaced workers, the end of the pandemic does not necessarily mean a return to normal. Prior to the pandemic, Halton had more than 25 million square feet of retail space spread out between malls, strip malls, single store fronts and downtown areas.⁴³ Much of that local retail has been temporarily displaced by the rise of e-commerce and same day delivery platforms like Amazon and Shopify.

Amazon alone secured more than 4.4 million square feet of new space across the GTA in 2020 in order to accommodate rising demand. Similarly, the American Trucking Association reported that their tonnage volume has outperformed the general economy due to the "strong consumption, restocking of retail inventory, and gains from an uptick in residential construction activity."⁴⁴

E-commerce is not new, in fact it was already taking a sizeable chunk out of local retailers' market share prior to the pandemic, but the sheer

+99.3%

Retail e-commerce sales that doubled from from February to May 2020

increase in online retail orders has outpaced even the most optimistic of pre-pandemic projections. Statistics Canada found that, "From February to May 2020, total retail sales fell 17.9%. However, retail e-commerce sales nearly doubled (+99.3%)..." in that same time period.⁴⁵

A recent Accenture summary of 2020 trends noted however that this e-commerce trend is not necessarily efficient as ordering from multiple stores at once means retail ecosystems "...have become fragmented, generating extra costs including marketing, packaging, delivery, customer service and returns/restocking."⁴⁶ It is estimated that as much as 25 to 30% of all online merchandise orders are returned, giving a potential advantage to in-person retail stores post-pandemic.⁴⁷ However, knowing

43. Halton Region, "Integrated Growth Management Strategy Growth Scenarios: Halton Region to 2041", p. 60-61.

44. Avison Young, Weekly Update Industrial Capital Markets, December 19, 2020.

45. Jason Atson et al. "Retail e-commerce and COVID-19: How online shopping opened doors while many were closing." Statistics Canada, July 24, 2020 <https://www150.statcan.gc.ca/n1/pub/45-28-0001/2020001/article/00064-eng.htm>

46. Accenture, "Fjord Trends 2021", Accenture, 2021, p. 55, https://www.accenture.com/_acnmedia/PDF-142/Accenture-Fjord-Trends-2021-Full-Report.pdf.

47. Watson & Associates Economists Ltd., "Investment Readiness and Employment Lands Study: Regional Municipality of Halton", 2020, p. 55.

the size and scale of these online players, it is likely that technological advancements (virtual fittings or showings, for example) and better descriptions of products will reduce this high rate of return.

In response, local retailers are shifting their shopping experience online and making changes to their physical retail space. In many cases, companies will rethink their physical space to make it more flexible. For example, stores that have multiple locations throughout the Region (perhaps with stores in Oakville, Burlington and Milton) may consolidate into one main store that serves as both a retail centre and a logistics distribution warehouse for the immediate area. Other outfits may opt for smaller storefronts or kiosk-type models that are meant for display purposes only, with the actual purchase made at the kiosk being in the form of placed online orders, with the help of fewer but more knowledgeable staff.⁴⁸ This retail model, more akin to how consumers currently purchase larger items like carpeting or blinds, may easily become a hallmark of smaller scale retail given the propensity for online shopping. Regardless of the exact adoption of e-commerce retail formats, each comes with an increase in demand for local warehousing options that will be difficult to ignore.

Other smaller retailers will pivot to more online sales for the first time with CFIB reporting that “a third of all small businesses are now selling online, an increase of 152,000 new entrants into the eCommerce market since the start of the pandemic.”⁴⁹

A local survey of Halton employers found this trend was occurring locally as well with 33% of business owners considering increasing online sales.⁵⁰ By moving to online retail, these businesses will be open to markets across the country and globe in a way that a single storefront in the Region could never compete with.

For even small retailers, the online market can increase profits while reducing overhead in the form of staff, utilities, rent, and insurance. Therefore, it is likely that those businesses that have been forced to adapt to online first will likely continue this effort. For Halton Region that may mean more gross economic activity, but fewer physical retail occupants, lower property tax revenue, less need for new retail development, and fewer directly employed lower-skilled citizens.

These newly abandoned storefronts, either through closures or conversions to online sales, does however create the potential for another trend to be accelerated: the conversion of these properties. Given there has already been a trend in the Region for underperforming retail to be converted into mixed-use, residential, or different employment uses as shown by Watson & Associates Consulting,⁵¹ it is quite likely that the Region’s 25 million square feet of retail space will be a high-water mark for the near future. This is especially true for those retail areas that are already close to transportation connectivity and expanding residential populations, as they would be prime candidates for residential and office conversions.⁵²



48. Webinar Summary: The Future of Retail and E-Commerce in a Post COVID-19,” Harvard Business School, accessed March 2021, <https://www.hbs.edu/news/articles/Pages/future-of-retail-post-covid-19.aspx>.

49. <https://www.cfib-fcei.ca/en/media/news-releases/small-businesses-mark-one-year-anniversary-covid-lockdowns-delayed-retirements>

50. Halton Region “Halton COVID-19 Business Impact Survey Results”, September, 2020, p. 10, https://investburlington.ca/wp-content/uploads/2020/10/COVID-19-Business-Impact-Survey-Results_445.pdf.

51. Watson & Associates Economists Ltd., “Investment Readiness and Employment Lands Study: Regional Municipality of Halton”, 2020, p. 74-75.

52. Ibid.



Rising Home Prices

Another key impact of the pandemic in Halton has been the acceleration of the trend of already increasing home prices. The pandemic has forced millions of workers across the country to stay home on a daily basis. No matter a person's living situation or family dynamic, those working from home have experienced amplified size and space concerns. For many who lived in condominiums or apartments, the desire to find a larger home became more pronounced. For families already in a home, having children home from daycare or school on a regular basis exacerbated spacing concerns.

Additionally, interest rates dropped dramatically in response to the pandemic and household spending also dropped dramatically as families could not travel, go shopping, or spend money on entertainment such as movies or restaurants. All together, these factors have increased the demand for detached and larger housing types across the province. Halton has been no exception.

First, Halton Region already had a higher proportion of family households than most other areas of the province. Across Halton 78.4% of

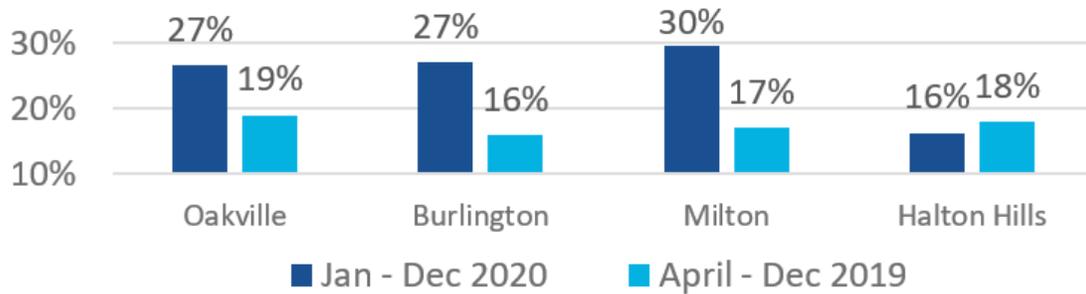
the dwellings are family households, compared to just 71.3% across the GTHA.⁵³ This is largely a consequence of its family attraction attributes, and those looking to escape the expensive Toronto housing market. However, this means that the availability of additional family household dwellings is more difficult to find as a higher percentage of the population is searching for or living in this housing at any given time.

This lack of available detached or semi-detached single-family dwellings was anticipated by planners. By 2041 the percentage of family households is projected to decrease to 75.8% of the region's housing mix. After 2021, intensification in the Region was planned to be pursued aggressively with 90% of the growth in built-up areas being in the form of condominiums and apartments, and just 10% in the form of ground related housing.⁵⁴ Even though the Region was planning to grow upwards instead of outwards, the sharp increase in home prices has likely accelerated the need to do so while simultaneously increasing the economic case among developers for expanding traditional ground related housing. If Halton Region wants to attract younger generations to support its aging population, it will need a proper housing mix – including condominiums and apartments – to do so.

53. Halton Region, "Growth Scenarios-Halton Region 2041", p. 48.

54. Ibid.

Comparison of Price Increase for Detached Homes in 2019 and 2020



As seen in the graph above, each of the four local municipalities has seen a demonstrable increase in the price of detached homes within their boundaries. Each municipality has experienced double digit increases in prices in both 2019 and 2020. Milton, Oakville, and Burlington have all seen the average home price rise by at least 16% in 2019 and by another 27% minimum in 2020.

According to the Oakville, Milton and District Real Estate Board, "...the average sale price for an Oakville home in February 2021 was \$1,857,336, up from \$1,538,677 in 2020." For townhomes and condominiums, the average price went from \$751,524 in 2020 to \$977,661 by February 2021 – a 30.1% increase. In Milton, it is the same trend with the average home sale price reaching nearly \$1.3 million in February 2021, up 36.1% from the year prior. Meanwhile, for townhouses and condos, the price rose 22.1% from 2020 to February 2021, to \$811,560.⁵⁵ Though home prices were certainly already increasing, it is clear the pandemic has accelerated that trend.

This rapid increase poses some serious challenges for Halton Region. This will increase reliance on residential property tax revenue and it will make it difficult to attract younger families who are looking to start careers. These younger families have been the bedrock of Halton's growth to this point and are the most likely to stay in the Region long-term and multi-generationally, thereby making their income and productivity gains within Halton's boundaries. If these families have to drive further to find the quality and price of home they expect, Halton will be left with an aging population that has a higher demand on local services like health care, without a stable and growing tax base to offset and support that increased usage.

Additionally, the existing younger generations in Halton that are hardest hit financially by the pandemic will not be able to afford a home within their own community, meaning that they are more likely to leave Halton permanently as well. These residents often have a sense of attachment to their communities but may be left with no choice but to 'vote with their feet' by moving to another municipality. When combining the disproportionate economic impact to these younger generations as noted earlier, the dream of home ownership – or even affordable rent – becomes even further out of reach. Without affordable accommodations, it will be difficult to find enough workers to fill service-level positions when the economy re-opens, and well into the future.

Though it may seem like a distant problem, some Ontario jurisdictions with expensive home prices and low levels of younger populations – such as the Blue Mountains or the District of Muskoka – were already experiencing this phenomenon prior to the pandemic.⁵⁶ In these cases, municipal governments found themselves needing to build affordable units for these types of workers to ensure a properly functioning economy. Knowing that the need for social or affordable housing can easily transform into the need for housing that is affordable, it would put substantial strain on Halton Region's finances to accommodate these concerns. This type of market evolution could lead the Region to consider alternative solutions to incorporate more affordable housing options including infill housing options, laneway homes, inclusionary zoning policies, faster re-zoning processes, and more. Either way, the increase in home prices is likely to be an enduring impact of the COVID-19 pandemic on Halton Region.

55. Oakville, Milton and District Real Estate Board. "February 2021 Oakville, Milton and District Real Estate Board Market Report," Canadian Real Estate Association, March 5, 2021, <https://creastats.crea.ca/board/oakv>.

56. Erika Engel, "How a labour shortage pushed groups to collaborate on a housing plan," Collingwood Today, May 11, 2018, <https://www.collingwoodtoday.ca/local-news/how-a-labour-shortage-pushed-groups-to-collaborate-on-a-housing-plan-921880>.



Halton's Non-Residential Real Estate Market 10-year Outlook

2020 and 2021 have brought major changes to the non-residential real estate market. While demand for traditional office buildings has fallen or been stuck in a state of uncertainty, there has been a rapid increase in demand for industrial space. Both of these developments have the potential to complicate Halton Region's long-term plans for growth and development. For both office and industrial space however, it will be important for the Region not to make dramatic changes based on a single year. It is far more likely that the long-term changes that do occur end up representing more of an evolution in approach than an outright change.



Office Space in Halton

Offices were one of the first things to close as the first COVID-19 wave caused lockdowns across the world in March 2020. However, offices will likely be one of the last to fully reopen. Whenever individuals finally do return to offices, they will likely find that the nature of office work is very different. Despite the massive disruption felt across many industries and sectors, for people who normally worked from an office, life originally seemed to improve as working from home became the new normal. Office work moved relatively seamlessly into the virtual world and working from home soon began to be hailed as one of the positive revolutionary changes brought by an otherwise disruptive pandemic.

Major publications, such as *The Economist*, pontificated that the pandemic may accelerate the already existing trend of remote work and would bring about the death of the office.⁵⁷ Meanwhile, companies large and small began announcing permanent work from home policies even once allowed to re-open.⁵⁸ However, as time passed, the unanimous approval of a work from home future faded. There have been an increasing number of pundits and individuals who question the absolute move to remote work post-pandemic due to

its social constraints, negative impacts on company culture, and potential issues with long-term productivity. The likelihood of future work from home policies will depend largely on specific circumstances facing individual companies, such as the size of the firm, the type of work it does, and its current geographic footprint.

With nearly a year of information to analyze, understanding what the future of office real estate market will look like is easier than it was at the start of lockdowns, however many questions still remain. Regardless, the results will have major impacts on Halton Region, which has historically been a place where people live, but commute daily to large offices in nearby metropolitan centres. Recent construction of offices and plans for more are currently being called into question, which could cause property tax and development charge revenues to drop. Understanding the future state of office real estate will help Halton Region to plan for the future and ensure that it creates the communities it desires.

57. Catherine Nixey, "The death of the office", *The Economist*, April 29, 2020 <https://www.economist.com/1843/2020/04/29/death-of-the-office>

58. Rob McLean, "These companies plan to make working from home the new normal. As in forever", *CNN Business*, June 25, 2020, <https://www.cnn.com/2020/05/22/tech/work-from-home-companies/index.html>

Working from Home – A New Reality or a Temporary Trend?

Remote work had been growing in popularity in the years leading up to the pandemic, and once COVID-19 forced nearly every office worker to adapt to working from home, it was not long before the “death of the office” became a common phrase among scholars and pundits.⁵⁹ Early statistics backed up the position, with remote work saving employers an average of \$11,000 per employee and resulting in a 13% increase in employee productivity.⁶⁰ On top of this, nearly 80% of workers said they enjoyed working from home in a survey done by the McKinsey Group early into the pandemic.⁶¹

However, as time progressed drawbacks were uncovered that gave pause to the thinking of an imminent shift to permanent remote work. Studies demonstrated that there are certain tasks that just cannot be replicated from behind a computer screen at home, such as collaborative team undertakings.⁶² There are also the realities of remote work being much more difficult for certain groups of people. Employees who are starting their careers or entering a new workplace are at a significant developmental disadvantage from full-time remote work, and also report feeling unmotivated in an isolated environment.^{63,64} Working from home has also been particularly difficult for young families, with studies showing difficulty in finding space and being productive, resulting in reduced family satisfaction.⁶⁵ Of course, there are also people who are unable to afford a remote work setup at all. Underprivileged groups do not often have the resources or workable living space to remote work effectively, with the costs of setting up a truly functioning home office estimated to be \$825.⁶⁶

While the initial near universal novelty of working from home seems to have worn off, remote work will undoubtedly be a reality well into the future for many. Recent surveys suggest over 70% of Canadians still want to continue working from home for three days or more once the pandemic ends, but not on a completely permanent basis.⁶⁷ A recent survey from global staffing firm Robert Half found that more than half of the employees they surveyed would like a hybrid style work environment where they can split time between the office and working elsewhere.⁶⁸ They even found that as many as a third of all workers currently working from home during the pandemic would quit their jobs if forced to return to the office five days a week.⁶⁹ With that considered, it should also be noted that surveys done in the United States have found that only 12% of workers desired to work from home in a full-time capacity.⁷⁰

Therefore, the likely evolution of the work from home trend is a state of ‘flex work’, where employees can work in an office setting, a home environment, or even at an in between locale such as a co-working space. The shift towards flex work means that the pandemic-related impacts on rents, local businesses, and transit agencies will continue in some manner as workers do not commute to Toronto’s downtown core on a daily basis. Companies and governments will need to adapt not to the “death of the office”, but rather to the transformation of it.

59. Chip Cutter, “The Death of the Office Desk Is Upon Us”, The Wall Street Journal, January 13, 2021, <https://www.wsj.com/articles/the-death-of-the-office-desk-is-upon-us-11610553529>

60. Nicholas Bloom, James Liang, John Roberts, and Zhichun Jenny Ying, “Does Working From Home Work? Evidence From A Chinese Experiment”, Stanford University, Quarterly Journal of Economics, vol. 130(1), p. 165-218.

61. Brodie Boland, Aaron De Smet, Rob Patter, and Aditya Sanghvi, “Reimagining the office and work life after COVID-19”, McKinsey & Company, June 8, 2020, <https://www.mckinsey.com/business-functions/organization/our-insights/reimagining-the-office-and-work-life-after-covid-19>.

62. Ibid.

63. Marja Coenen, Robery A.W. Kok, “Workplace flexibility and new product development performance: The role of telework and flexible work schedules”, European Management Journal 32, Issue 4, 2014, p. 564-576.

64. Kim Parker, Juliana Menasce Horowitz, and Rachel Minkin, “How the Coronavirus Outbreak Has – and Hasn’t – Changed the Way Americans Work”, Pew Research Center, December 9, 2020, <https://www.pewresearch.org/social-trends/2020/12/09/how-the-coronavirus-outbreak-has-and-hasnt-changed-the-way-americans-work/>.

65. Jose Maria Barrero, Nicholas Bloom, and Steven J. Davis, “Why Working From Home Will Stick”, Becker Friedman Institute 2020-174, April 2021.

66. Ibid.

67. CBC News, “Canadians working from home experiencing burnout, physical discomfort, work-life conflict: survey”, CBC News, April 6, 2021, <https://www.cbc.ca/news/canada/kitchener-waterloo/survey-working-from-home-1.5975339>.

68. REMI Network, “1 in 3 workers may quit if called back to office full time”, REMI Network, April 12, 2021, <https://www.reminetwork.com/articles/1-3-workers-quit-called-office-full-time/>.

69. Ibid.

70. Andy Cohen, Diane Hoskins, “Insights From Gensler’s U.S. Work From Home Survey 2020”, Gensler, May 26, 2020, <https://www.gensler.com/blog/insights-from-genslers-u-s-work-from-home-survey-2020>.

The New Office

One office-related casualty of the pandemic will likely be the traditional tower locations filled with small cubicles. As this set up reduced the amount of space per employee in the years leading up to the pandemic, the COVID-19 exposed how unappealing cubicles were for workers. Property values of these traditional offices have fallen as a result.⁷¹ A WSP report indicates that offices will play a vital role in the post-COVID-19 economy, but that they must become a destination with a purpose to attract businesses and employees if employers want them to be properly utilized.⁷²

This, in practice, positions the office as an anchor for employees, whether they work there full-time, part-time, or even rarely. It will become a major selling point for businesses to be able to offer spacious workspaces that include modern technology. It will be vital for attracting and retaining top talent.

The President of commercial real estate advisory firm Avison Young recently reported that clients are mostly looking for workable and productive workspaces, with modern amenities that are close to transit.⁷³ The move towards building modern offices near transit is of particular benefit to Halton Region, which has the available land, space, and ability to construct these kinds of transit-oriented developments near its Major Transit Station Areas (MTSAs). Conversely, other built-up cities such as Toronto and Mississauga may not have this flexibility for new builds. In the period between 2011 and 2019, of the 2.1 million sq ft of office development built in Halton, only 7% was located within an MTA,⁷⁴ meaning there is ample opportunity to pursue this transit-oriented development in the future.

This new office reality may take the shape of an evolved version of the old "Hub and Spoke Model"⁷⁵ where the centrally-located downtown office or headquarters is supported by regional offices, co-working spaces, and home offices placed strategically in the surrounding regions. While it is too early to consider it a trend, Avison Young stated that there is an uptick in tenant inquiries looking to move offices from downtown Toronto to the suburbs.⁷⁶

The original hub and spoke model of regional offices is evolving, and many experts foresee an

The Hub and Spoke Model 2.0



updated version to incorporate flex work to be the future of offices. The new hub and spoke model of office organization would still include a central "hub" location, but one where employees would rarely be asked to visit if they wanted or for special events and meetings that require their attendance at the main office. For Halton Region, this trend is encouraging as workers could live further away from the Hamilton and Toronto cores where their central office may be located, as the infrequency of the commute would lead to a tolerance of a further drive or train ride. Meanwhile, established offices or even coworking spaces will be used across the region to provide workers with a physical location should they wish, or for use when collaborative sessions are necessary. Halton Region has a unique opportunity, given its geographic position between major employment centres and its high number of MTSAs, to offer space for central offices as well as regional offices that create lively modern office environments close to transit and other amenities. If integrated properly over the next decade, many of the workers in Halton Region that used to commute daily to central offices in major urban centres like Toronto and Hamilton will now do so rarely. Instead, they may opt to stay home or go to regional offices located throughout Halton Region

71. Konrad Putzier, "Investors Saw Office Buildings as Safe. Not During This Pandemic.", The Wall Street Journal, April 7, 2020, <https://www.wsj.com/articles/investors-saw-office-buildings-as-safe-not-during-this-pandemic-11586260800>.

72. WSP, "How Will Covid-19 Change Demand For Office Space?", WSP, March 2021, <https://www.wsp.com/en-CA/insights/how-will-covid-19-change-demand-for-office-space>.

73. Dianne Buckner, "Will COVID-19 lead to an exodus from crowded offices in downtown towers? Don't count on it, experts say", CBC News, May 22, 2020, <https://www.cbc.ca/news/business/downtown-offices-pandemic-1.557487>.

74. Watson & Associates Economists Ltd., "Investment Readiness and Employment Lands Study: Regional Municipality of Halton", 2020, p. 71.

75. CBRE, "How the Hub and Spoke Model Could Evolve into the Office of the Future", CBRE, <https://www.cbre.us/canada/about/advantage-insights/articles/how-the-hub-and-spoke-model-could-evolve-into-the-office-of-the-future>.

76. Avison Young, Office Market Report First Quarter 2021, Greater Toronto Area

such as the BDO offices recently constructed near the QEW and Trafalgar Road in Oakville. These workers will save money on transit, spend more money locally throughout the day, and use Halton Region's services more frequently. This presents opportunities both from a revenue and economic generation standpoint, and challenges from a land use planning and service delivery perspective. If Halton Region is able to respond to this permanent shift towards flex-working and build the modern office hubs that will be essential for collaborative work in the post-pandemic economy, it will attract both businesses and people and set up the Region's economy for future success.

The Rapid Increase in Demand for Industrial Space

The increased reliance by consumers on e-commerce has driven a major boom in the demand for industrial space. As mentioned previously when discussing the transformation of retail to e-commerce platforms, Amazon alone struck deals for more than 4.4 million square feet of new space across the GTA during 2020.⁷⁷ Meanwhile, the industrial rent rate has seen major growth over the last several years, including accelerated growth during the pandemic.⁷⁸

Freeing up parcels of land for industrial development – logistics and warehousing especially – presents a tempting opportunity for rapid growth. To ensure that customer demands for same day delivery and access to goods are met, some warehousing capacity will need to be built in the Region. This will be especially true if and when individual retailers close physical spaces in favour of an expanded online presence.

However, the Region should be cautious on how much of this development they accommodate. Many of these new large industrial warehouses contain few jobs per square foot compared to older industrial spaces or other uses of employment lands. For example, depending on the space utilization rates used, an office building commonly has more than double the amount of positions per square feet compared to a warehouse.⁷⁹ The biggest risk of Halton accommodating this demand is that greenfield land used by warehouses will be unavailable for any other future development. Additionally, many of the jobs created by these logistics spaces are repeatable forms of work at greater risk of automation, and the property tax rate for these warehouse developments is often

lower compared to other forms of industrial or residential development. Overall, it means that an overemphasis of industrial warehouse development could leave the Region with fewer future development lands to use when higher value opportunities emerge.

Despite this, there are still real opportunities for warehouse and logistics development in the Region. Given that the demand for these spaces

Increase in Industrial Rental Rate

Average asking net rent for GTA industrial space was \$10-per-square-foot in 2020



“The full impact of the pandemic on the industrial sector in the GTA will only be fully realized once the federal government’s emergency rent subsidies (CECRA and CERS) have ceased.” – Avison Young⁸⁰

is so high, landowners and businesses will find these sales and developments attractive, thus bringing more requests forward to their local municipality for zoning and building permits. Instead of rejecting these applications, the Region's municipalities should use this influx of demand as an opportunity to help pursue warehousing projects with more robust futures. Mixed-use settings where headquarters or office spaces are included with warehousing, creating workplace campuses that feature amenities and a mix of employment options instead of solely warehousing, and research and development integrated facilities are a few examples of the types of options that could be targeted to ensure a more balanced growth. In essence, with the demand for warehousing space being so high in the immediate and near future, it is not a question of whether Halton should accommodate this type of growth, but rather how much of it should be accommodated.

77. Avison Young, Industrial Market Report Fourth Quarter 2020, Greater Toronto Area

78. Avison Young, Industrial Market Report Fourth Quarter 2020, Greater Toronto Area

79. Metro Council, “How To Measure Employment Intensity And Capacity”, Metro Council, Local Planning Handbook, <https://metro council.org/Handbook/Files/Resources/Fact-Sheet/ECONOMIC-COMPETITIVENESS/How-to-Measure-Employment-Intensity-and-Capacity.aspx>.

80. Avison Young, Industrial Market Report Fourth Quarter 2020, Greater Toronto Area



Financial Risks for Halton Region Related to Changes in Economic and Employment Growth

Though the exact effect of the pandemic over the long-term is unknown, it is clear that behaviour and livelihood changes will have impacts on the financial planning for the Region and its local municipalities. Whether it is a changing relationship between worker and office, struggling small- and medium-sized businesses, long-term impacts of layoffs and reduced hours, or increased usage of services that comes from working and living in the same building, there are many different financial risks that Halton Region will need to plan and accommodate for.



Property Taxes and Development Charges – From Commercial to Residential:

When the pandemic does end, the relationship between employee and employer will be forever changed. Some, including residents of Halton Region, will have permanently shifted to working from home. Others will return to the office full-time. However, as established in the previous section, most workers will continue to pursue a form of flex work where they combine working from home multiple days a week with visits to a central office and even to co-working spaces or regional offices located throughout Halton. Regardless, they will be spending more time working from home than they ever contemplated pre-pandemic.

The implications of this trend for Halton Region and its local municipalities are complex.

First, though the hub and spoke model does create new office opportunities for Halton, it is clear that these long-term office decisions have yet to be made by many companies, who are likely not keeping close tabs on where their employees have chosen to reside during the pandemic.

Second, even though in-office work will return in some capacity for most, it will clearly be less

common than before and most will not return for some time. That means that companies in Halton could choose to close their offices altogether, reduce their total square footage rented due to a smaller complement of daily workers, or pursue combined office settings with other partner companies.

Third, attracting newer, major regional offices to Halton instead of major nearby cities will also be difficult given that Toronto, for example, still has many major employment attracting features like the proximity to the Financial District, and entertainment and tourism amenities.

Overall, Halton is likely to see an immediate decrease in office space rented and a temporary reduction in office-related development. Financially speaking, fewer new office builds mean less development charge revenue, and lower office occupancy means building owners may have a tougher time paying property taxes.⁸¹

Additionally, increased vacancies and lower demands for office space could reduce the assessed value of the properties for property tax purposes. Knowing that the province has paused all property tax reassessments since the pandemic began,⁸² there is a growing backlog of reassessments making this likelihood even higher.

81. Sunil Johal, Kiran Alwani, Jordann Thirgood, and Peter Spiro, "Rethinking Municipal Finance for the New Economy", Mowat Centre, p. 36.

82. Ontario Federation of Agriculture, "Ontario government freezes property assessment values for 2022 tax year", March 26, 2021, <https://ofa.on.ca/ontario-government-freezes-property-assessment-values-for-2022-tax-year/>.

The same events are likely to occur in the retail space as the move to e-commerce and warehouse-based retail takes hold. Increased vacancies will reduce the demand for new builds, meaning that development charge and property tax revenue from retail classes will suffer. The true extent of these closures or vacancies will not be known until both the pandemic and government rent assistance programs subside.⁸³

Given the potential disruption to the commercial and industrial sectors in Halton, there may be a desire to keep the current tax rate the same moving forwards for competitiveness and economic development reasons. Though legitimate, this would mean that any increase in tax revenues that do not come from new non-residential assessment falls on the existing residential tax base. Given Halton Region's property tax assessment base is nearly 80% residential or farm properties and 20% commercial or industrial properties, an \$1 increase in services costs without non-residential tax increases would mean a roughly \$1.20 increase in residential and farm property taxation.⁸⁴ Further, non-residential development charges are already high and the capital budgeting of the Region depends on these charges, without growth and the revenue that comes from it, there will be a question of where this capital funding will come from.

There are further complications when it comes to the residential tax base. With the increase in demand for homes and the increase in home prices, there will likely be a continued push by the development community to build residential properties, specifically detached homes. Net housing starts in Halton were up significantly from almost 900 starts in 2019 to nearly 1,200 starts in 2020 and that trend – or at least the demand for it – is likely to continue.⁸⁵ If this consistent demand leads to the issuance of more residential building permits, it will mean more development charge revenue. Additionally, every new home that is built creates a new source of property tax revenue for Halton Region and its local municipalities.

Additionally, and inverse to the situation facing office and retail space, the increase in home values has been astronomical during the pandemic. When properties are eventually reassessed, it is almost certain that many Halton residents will see the value of their homes increase. Changing property values may increase political pressure to reevaluate the current property tax regime.

Lastly, it is worth stating that those who will now work from home permanently, or far more regularly, used to contribute indirectly to property tax payments in more than one locale, both through the occupancy of an office building and through their spin-off spending near their office location. Both of these activities led to sustained occupancy for both the office and local businesses, like restaurants and dry cleaners, with each paying their property tax bill to their respective municipalities. Given that the loss of the daily commuters and their business will contribute to the vacancy issues likely to be experienced post-pandemic, a case could be made that those who work from home could pay a higher property tax rate – either via themselves or their employer.

On the contrary, between 41% and 60% of Halton's residents – depending on the municipality – commute outside of their municipality for work. With the likely increase in popularity of flex work, many of these workers will stay local more often, thereby spending more of their spin-off dollars at local businesses and helping shore up the commercial property tax base. Given the uncertainty surrounding the amount of workers who will remain in Halton from 9-to-5, it is important to monitor these behavioural trends closely to help make future decisions related to the property tax regime.

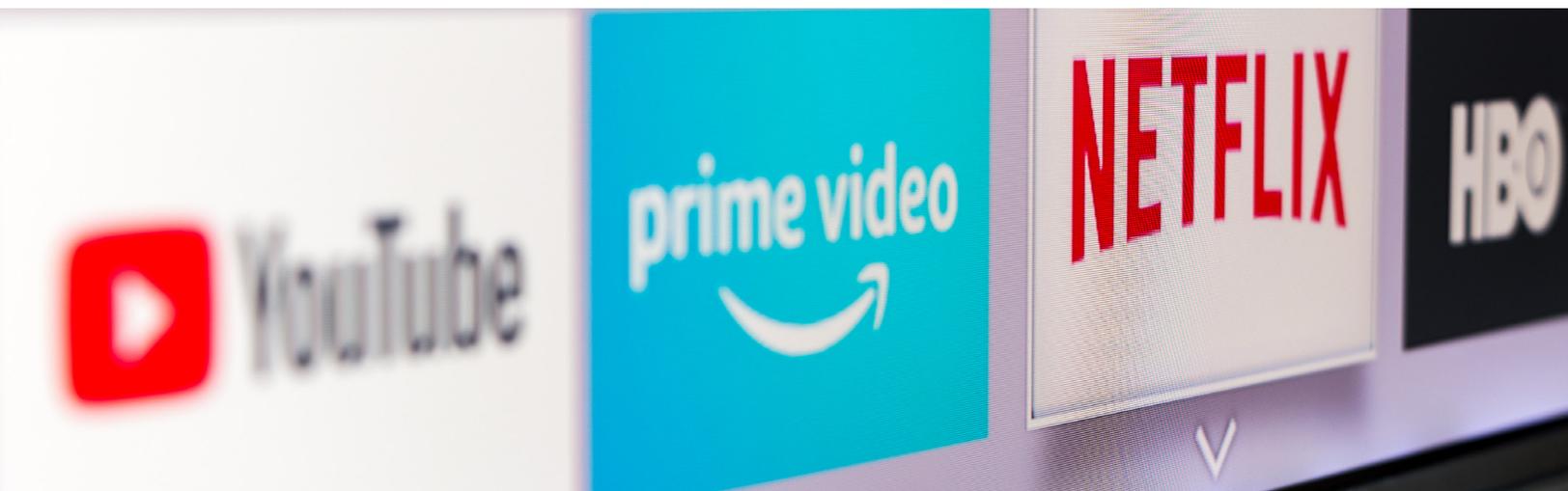
This means that difficult decisions may lay ahead for the Region when it comes to the proper distribution of the tax burden between businesses and residences. The inability of the property tax regime to adequately treat those who both live and work out of their home is yet another example of the inflexibility of land-based property taxes.

Though rethinking property taxes is a large challenge, it is important to consider alternatives or tweaks that better accommodate the challenges listed above (each of which will be faced by Halton Region in the coming years) and the economic challenges that will be felt by employees and employers post-pandemic. Here it likely falls on the Provincial Government to lead given that they are uniquely positioned to supplement municipal revenues given their access to a larger and more diverse tax base, more revenue tools, and less constrained policy flexibility.

83. Avison Young, Industrial Market Report Fourth Quarter 2020, Greater Toronto Area.

84. Halton Region, "2019 Annual Financial Report", p. 50, <https://www.halton.ca/Repository/2019-Annual-Financial-Report>.

85. Halton Region, "2020 Halton Region Economic Review, p. 3.



Combined, these pressures may make it necessary for the Ontario government to rethink established ideas of property tax policy at some point in the future. If that is the case, it will neither be politically popular, nor quick to come to fruition.⁸⁶

Currently, the states of New York, New Jersey, and Connecticut are mired in dispute over who should claim land-based state tax revenue as more and more former New York commuters reside and work from home in adjacent states despite being employed by firms located in New York.⁸⁷ Recent municipally focused studies including one out of the University of Toronto's Munk School in 2019 suggest that, "Less reliance on land-based tax bases is not only important to reflect the new world of work, but also because changing demographics (such as an aging population, increasing demand for social services, and challenges posed by climate change) will require municipalities to shoulder even more responsibilities going forward."⁸⁸ Other similar studies point out the lack of flexibility with property taxes in accommodating changing world conditions⁸⁹ while other scholars suggest a need to create more subclasses that tax specific types of properties differently.⁹⁰

Another interesting financial question that Halton Region will need to grapple with in the coming years is the role of taxation among digital first corporations. These digital web-based giants – such as Netflix, Facebook, Amazon, and Microsoft – pose an interesting taxation question. These firms pay

little into municipal coffers as their physical footprint may be small, but their sale of online services or the delivery of goods disrupts local businesses but yet benefits from the usage of local services. How municipalities should share in the economic success of digital industries is a question that remains to be answered, but it is clear that "Municipalities cannot continue to deliver 21st century municipal services using a 19th century tax base."⁹¹

Ontario is not alone in facing these pressures, and other jurisdictions in Canada and the USA will face similar pressures in the changing uses of property, and how it translates into sustainable municipal finance. Given that each of the inputs to the property tax and development charge calculations are dependent on the number of retail and office vacancies, the severity of the reduction of new commercial development, the continued rise in home prices, the timing and speed of property reassessment, and the amount of new residential builds, it is nearly impossible to determine if this calculus will increase or decrease the Region's net financial position. However, it is clear that this financial uncertainty poses a real risk for Halton Region. The Region will need to ensure that it monitors these changes closely so that it can respond in real-time, ensuring the municipalities meet their legislative obligations to not run deficits and do so in a manner that is acceptable to residents, homeowners and businesses.

86. The last comprehensive overhaul of Ontario's property tax system was in 1997 and completed forty years after the need was first discussed.

87. The Economist, "New York v the Zoom tax", January 2, 2021, <https://www.economist.com/united-states/2021/01/02/new-york-v-the-zoom-tax>.

88. Sunil Johal, Kiran Alwani, Jordann Thirgood, and Peter Spiro, "Rethinking Municipal Finance for the New Economy", Mowat Centre, p. 2.

89. Dahlby and Melville McMillan, "The Right Tax for the Job: The Role of Property Taxes in Funding Cities" IMFG perspectives 24, 2019, p 3.

90. Harry Kitchen, Enid Slack and Tomas Hachard, "Property Taxes in Canada: Current Issues and Future Prospects", Institute on Municipal Finance and Governance, November 20, 2019, p. 3.

91. Michael Fenn and John Matheson, "WHAT EVER HAPPENED TO THE NEW DEAL FOR CITIES? A VIEW FROM THE THRONE", StrategyCorp Municipal Practice, October 1, 2020, <https://strategycorp.com/2020/10/what-ever-happened-to-the-new-deal-for-cities-a-view-from-the-throne/>

The Extent of the Economic Damage and its Demographic Impact

It is important to remember, as the World Economic Forum aptly stated, that “In two months the COVID-19 pandemic [had] destroyed more jobs than the Great Recession did in two years.”⁹² That type of economic shock creates deep impacts for businesses and workers. There were layoffs, reduced hours, loss of employment income, debt accumulations, and an overall drop in GDP and productivity. It takes time for an economy to recover. Depending on the projection, it will take the Canadian economy as long as 3 years of post-pandemic society to fully recover.⁹³ That is before any other economic shocks like changing commodity prices, climate change, or geopolitical tensions are accounted for. It is assumed that the full recovery of the economy, especially for impacted workers, is likely prolonged and slow though many businesses will recover as soon as lockdown provisions are lifted.

Though Halton Region’s economy could recover slightly faster or slower than the national average, the risk of a uniquely prolonged recovery for certain sectors is clear. Throughout the paper we have highlighted the elongated recovery period facing the commercial office sector and the retail sector, but there are also other areas that could experience similar negative trajectories.

After the 2008 recession, prolonged economic stagnation caused more and more of Ontario’s rural residents to abandon their hometowns for urban centres that had more employment opportunities. Many northern and rural census metropolitan areas saw prolonged retractions in total employment, with areas outside of rural census metropolitan areas or even in some nearby municipalities like Norfolk and London experiencing fewer people employed in their jurisdictions in 2016 than before the 2008 recession – nearly a full decade later.⁹⁴

Given Halton’s proximity to major urban centres like Kitchener-Waterloo, Mississauga, Hamilton, and Toronto it is unlikely that the Region will see such drastic population or employment loss, but these types of events could occur in Halton’s more rural areas. When combined with the increase in home prices and the economic impact felt most severely by younger, lesser skilled workers, it could drive those entering the job market or those who only recently entered into the job market to different municipalities with more diverse housing types and cheaper housing options.

In the short-term, Halton Region and its local municipalities may find more individuals applying for existing low-income assistance programs when their property taxes come due, driving up deferrals, and reducing immediately available revenue.⁹⁵ In the long run, this age based economic lag can create a real risk of outward migration to other municipalities. This means that the labour force will be less diverse and individuals that are needed to fill positions that every Halton resident relies on in the ever-growing service sector may be harder to find. Without this component of the labour force, Halton’s economic recovery could be a steeper climb than otherwise necessary or anticipated.

Lastly, if the younger generation is not able to find employment in Halton they will choose to raise their families elsewhere. This means the economic and population benefits that come with growing families will be experienced by other municipalities. As the population in Halton ages, the demands on services will increase – especially on health care related services under municipal purview like public health uses and ambulatory services. Without a robust and demographically diverse population by age, the younger demographic will be unable to carry the tax burden required of it. Given that the Region offers property tax deferrals to fixed income seniors, the ability for the population to cover the cost of services becomes an increasingly riskier endeavor.⁹⁶

92. World Economic Forum, “The Future of Jobs Report 2020”, October 2020, p. 12.

93. Hemson Consulting, “Greater Golden Horseshoe: Growth Forecasts to 2051”, August 26, 2020, p. 24.

94. Ben Eisen and Steve Lafleur, “Uneven Recovery: Much of Ontario Still Hasn’t Fully Recovered from the 2008 Recession”, Fraser Institute, 2017, p. 6.

95. Halton Region, “Property Taxes”, <https://www.halton.ca/The-Region/Finance-and-Transparency/Property-Taxes>.

96. Halton Region, “Older Adults Property Tax Deferral Program”, <https://www.halton.ca/The-Region/Finance-and-Transparency/Property-Taxes/Older-Adults-Property-Tax-Deferral-Program>

Changing Service Delivery Requirements



Halton Region also experienced direct financial impacts from the onset of pandemic related to closures and restrictions. Many municipal services such as libraries and recreation centres closed. Municipal staff across the Region and its municipalities transferred to work from home setups. Citizens used less transit due to stay at home orders, but produced more garbage and used more water and electricity at home. The various municipalities deferred property tax collection for hard hit businesses. Most importantly, additional public health expenditures were necessary to contain the virus.

Understandably, the changes in consumer behaviour altered the financial situation of the Region instantaneously. By May 31, 2020 – a mere two months into the pandemic – Halton Region had amassed \$7.4 million of COVID-19 related expenditures. By the end of 2020, Halton Region had amassed over \$30.3 million in COVID-19 related impacts.⁹⁷

This money has largely covered COVID-19 related revenue shortfalls and expense increases for the Region, helping it and its local municipalities meet their legislated commitment to run balanced budgets. By the end of 2020, Halton Region had received just over \$21 million in assistance but still has a nearly \$9.3 million impact due to COVID-19 related expenses and revenue shortfalls.⁹⁸

First, service usages have changed. Those working from home are using more water and electricity and producing more wastewater and garbage. Though the increases in usage have been partly offset by reductions in usage elsewhere in the Region, such

as in office buildings, there are still changing impacts to account for. The additional usage can cause greater stress on existing infrastructure, which in turn will decrease the useful life of these assets and accelerate timelines for replacement. Of course, once the pandemic does end, some of these usage spikes will return to more normal levels, so it would be wise of the Region and its local municipalities to closely monitor permanent changes in infrastructure usage and its implications for their capital budgeting process.

Secondly, many of the local municipal services that are currently closed or operating in limited capacity, like libraries or transit, may have significantly altered futures. In some cases, such as with a library, those who regularly used the library pre-pandemic may have moved on to other forms of entertainment or electronic reading services, making them less likely to return in the future.

In other cases, such as transit, workers will likely move to a flex work model meaning fewer transit trips on a daily basis and instead a need for more localized transit options. A University of Toronto survey suggested that only 5% of respondents would start using transit during the first stage of Ontario's reopening plan (which is still fairly limited openings) but, more alarmingly, only 63% would return to transit in stage 3 of the reopening plan (which was a fairly open society).⁹⁹ Depending on how common flex work becomes, there could be implications for ridership assumptions on everything from inter-city bus service to regional express rail usage throughout Halton.

A major hesitation to return to crowded buses and trains may be problematic for municipalities that rely on transit revenue to sustain operations. Even worse, the C.D. Howe Institute has suggested that increased transit ridership correlates directly to increased economic growth as it means better access to talent, services, and job opportunities while increasing consumer spending across a jurisdiction.¹⁰⁰ They estimate that the Toronto Transit Commission's annual direct and indirect economic benefit alone is \$1.7 billion annually for the City of Toronto, with most of that lost during the pandemic.¹⁰¹

97. Halton Region, "Report FN-07-21 re. Operating and Capital Budget Variance and Project Closure Report for the Period Ending December 31, 2020", p. 2.

98. Ibid.

99. Deloitte, "Building the Foundation for Cities to Thrive After Covid-19", p. 6.

100. Benjamin Dachis and Rhys Godin, "Trains, Lanes and Automobiles: The Effect of COVID-19 on the Future of Public Transit", C.D. Howe Institute, April 15, 2021, <https://www.cdhowe.org/public-policy-research/trains-lanes-and-automobiles-effect-covid-19-future-public-transit>.

101. Ibid.



Third, there are potential implications for other services that the Region and its municipalities provide that are less obvious. For example, if a hesitancy towards using long-term care is a lasting impact of the pandemic, there could be increased demand for other forms of healthcare services and aging at home requirements, meaning potential calls for changes to zoning rules to accommodate these types of alternatives.¹⁰² Similarly, if commuting to work is done less often will traffic congestion on the QEW, 403 and 407/ETR highways be lessened? If so, it could take pressure off regional roads or lessen the case for provincial highway widenings in Halton. Ultimately, these lasting impacts on consumer behaviour will need to be monitored and analyzed to determine lasting impacts once the pandemic ends.

Fourth, the Region's role as a healthcare provider, and the costs that come with that, have also been amplified during the pandemic. Not only have Ontario's municipalities seen higher public health expenditures but they have also seen higher expenditure in provincially mandated programs such as ambulance services (EMS), social assistance, childcare, and long-term care provisions.¹⁰³ Though the other orders of government have come to the table financially during the pandemic, it is not clear that they will be there to assist the Region after the pandemic ends with any additional costs or financial repercussions in these areas. This is important to consider if the pandemic's end is slow as vaccinations gradually increase over several months and/or years.

In addition, with the stresses on the local healthcare system, municipalities may again be called upon to make significant property tax supported contributions to hospital capital funding programs. Municipalities may also be asked to approve and to waive fees on new proposals for seniors' residential accommodation of various types, such as recently seen with the deferral of development charges on long-term care builds.¹⁰⁴

To help rectify this problem, the provincial government could enable municipalities to have better control over their own fiscal state by allowing more municipal autonomy over taxation, including property taxes, or by extending other funds to municipalities like an increased share of cannabis revenues.¹⁰⁵ On the other hand, the province could review the service requirements it places on municipalities and ease certain requirements or cover more of the costs of such service provision.

Reviews of who pays for what can be complicated, politically charged, or even used to reduce provincial expenditures instead of increasing them. In short, though there is a legitimate case for re-evaluating and clarifying the relationship between the provincial and municipal governments post COVID-19,¹⁰⁶ it should be noted that doing so can carry substantial risks for all parties. The reality is that the Provincial Government is better suited to help the Region through any financial challenges that remain post COVID-19, be that through funding support, granting operational flexibility, or by stimulating growth. This is simply because the province has a larger tax base, more policy flexibility, and more jurisdictional powers to draw on.

102. Michael Fenn, "Housing for Health: Infrastructure Lessons from Canada's Coronavirus Pandemic", ReNew Canada (Toronto: July/August 2020), p. 28-29; https://cdn.renewcanada.net/wp-content/uploads/2020/06/18202845/RC89_JulAug2020_WEB.pdf

103. Deloitte, "Building the Foundation for Cities to Thrive After Covid-19", p. 5.

104. Environmental Registry of Ontario, "Proposed changes to O. Reg. 82/98 under the Development Charges Act related to Schedule 3 of Bill 108 - More Homes, More Choice Act, 2019", Ontario, September 18, 2020, <https://ero.ontario.ca/notice/019-0184>.

105. Ibid.

106. Gabriel Eidelman, Tomas Hachard, and Enid Slack, "In It Together: Clarifying Provincial-Municipal Responsibilities in Ontario", Ontario 360, January 23, 2020, <https://on360.ca/policy-papers/in-it-together-clarifying-provincial-municipal-responsibilities-in-ontario/>.



Jobs of the Future

Further Polarization Between the Have's and the Have-Not's

As previously established, mid-skilled work had been decreasing in prevalence even before the pandemic. As the pandemic continues to accelerate automation trends this loss of mid-skilled work will further drive the gap between skilled and unskilled workers. Municipalities will need to be prepared to support those who are left behind as part of their COVID-19 recovery efforts.

Incredibly, all Canadians who lost jobs in 2020 due to the recession caused by COVID-19 were earning an hourly wage of less than \$27.81/hour, with the largest decline was among those earning less than \$13.91/hour.¹⁰⁷ Greatest job losses came from part-time, temporary, and self-employed workers. Contrastively, workers making an hourly wage of \$41.73 and greater saw the largest rate of job growth in 2020 and high-wage earners gained 350,000 jobs across Canada over the past year.¹⁰⁸

"When social protection mechanisms are lacking, individuals in the midst of a career transition are forced to maintain a dual focus—on the one hand trying to preserve their quality of life and keep poverty and potential destitution at bay, and on the other hand attempting to successfully transition to a new role."¹⁰⁹

While income inequality grew in the decade following the financial crisis of 2008, the legacy of the COVID-19 recession may be an even greater divide between the haves and the have-nots.¹¹⁰ Millions of jobs lost during this downturn may become permanent, which will have major ramifications for the labour market. The World Economic Forum found that in previous recessions, the long-term impact on earnings among young people resulted in persistent declines lasting up to 10 years.¹¹¹ This trend occurred because young professionals started to work for lower-paying employers, then partly recover through a gradual process of mobility toward better-paying firms.

Long-term Impacts: COVID-19 and Automation

The pandemic combined with automation could create a sizeable cohort of the Halton population who will permanently be in a precarious position of employment. Given the disproportionate impact of the pandemic on younger workers, this lasting impact will be felt largely by younger demographics who are about to or have just recently joined the labour force in earnest.

The World Economic Forum's 2020 Future of Jobs report estimates that by 2025, "85 million jobs may be displaced by a shift in the division of labour between humans and machines, while 97 million new roles may emerge that are more adapted to the new division of labour between humans, machines and algorithms."¹¹² The quotation highlights the primary issue with automation, that its rising adoption and technological innovation further polarizes those with skilled training from those without.

Though the local workforce will be presented with new opportunities in industries that require advanced training and high skill sets, it creates challenges for the low income and low-skill workers, whose jobs are most at risk, and who do not have access to the training and education required to participate in the emerging opportunities.¹¹³

For example, the McKinsey Global Institute found the invention of the personal computer eliminated 3.5 million jobs. However, since its launch in the 1980s it has created more than 15.8 million net new jobs.¹¹⁴ The positions eliminated were lower- to mid-skilled positions like typists and the positions created were technically skilled positions like coders and software engineers. Though automation, in this case, has been extremely beneficial for employment and the economy on the whole, it is clear the jobs of the future require re-education and up-skilling of low- and mid-skilled workers in order for them to reach their full potential.

107. Benjamin Tal, "Canadian Labour Market Dichotomy — Deeper Than Perceived", CIBC, January 19, 2021, https://economics.cibccm.com/economicweb/cds?ID=12030&TYPE=EC_PDF.

108. Ibid.

109. World Economic Forum, "The Future of Jobs Report 2020", October 2020, p. 44-45, http://www3.weforum.org/docs/WEF_Future_of_Jobs_2020.pdf.

110. Anne Gaviola, "The future of work: How the pandemic's 'awakening' will shape Canada's labour force", BNN Bloomberg, <https://www.bnnbloomberg.ca/the-future-of-work-how-the-pandemic-s-awakening-will-shape-canada-s-labour-force-1.1538207>.

111. World Economic Forum, "The Future of Jobs Report 2020", October 2020, p. 24.

112. World Economic Forum, "The Future of Jobs Report 2020", October 2020, p. 4.

113. Peel Halton Workforce Development Group, "Age of Automation", April 2020, page 40, <https://www.peelhaltonlepc.com/wp-content/uploads/2020/04/Age-of-Automation.pdf>.

114. Manyika et al., "Jobs Lost, Jobs Gained: Workforce Transitions in a Time of Automation", McKinsey Global Institute, December 2017, page 40, <https://youtheconomicopportunities.org/sites/default/files/uploads/resource/MGI-Jobs-Lost-Jobs-Gained-Report-December-6-2017.pdf>

“Automation, in tandem with the COVID-19 recession, is creating a ‘double-disruption’ scenario for workers,” the World Economic Forum states in their 2020 Future of Jobs report.¹¹⁵ In addition to the current disruption from the pandemic, hastened technological adoption by companies will transform jobs and skills by 2025. The report found that 43% of businesses surveyed indicate that they are set to reduce their workforce due to technology integration, 41% plan to expand their use of contractors for task-specialized work, and 34% plan to expand their workforce due to technology integration.¹¹⁶

Given that young people faced persistent earnings declines lasting 10 years after the financial crisis in 2008 due to taking on lower-paying employment just to have a source of income to pay immediate bills, it is a potential outcome of the pandemic that earnings declines and job losses can become systemic and prolonged.

Halton has a large population whose jobs are susceptible to automation, and it must be prepared for the reality where these individuals need

government support. Economic growth is expected to rebound quickly once the pandemic ends, however if service level jobs do not rebound to pre-COVID-19 levels quickly, the gap between high and mid/low skilled workers will grow. This assistance could come in the form of educational support and re-training programs, tax deferrals, or even social assistance payments.

The *Age of Automation* report found four major categories of activities which will contribute to long-term mega and macro automation impacts to Halton’s labour force: rapid technological advancement, demographic shifts in population, climate change, and financialization.¹¹⁷ The report also found that 60% of the Halton workforce has a high probability of automation over the next 10 to 20 years.¹¹⁸ Occupations most susceptible to automation in Halton with a probability rate over 91% include cashiers, administrative and office workers, food and beverage support workers, and retail salespersons.¹¹⁹ From 2016 workforce data on these categories, nearly 32,000 jobs are at high risk of automation in the next two decades.¹²⁰

In Halton, the top five occupations impacted by automation are: (pg. 33, Age of Automation)



**Accounting clerks
(86% of tasks could be automated)**



Store shelf stockers and order fillers (85% of tasks could be automated)



Cooks (81% of tasks could be automated)



Food counter attendants (81% of tasks could be automated)



Transport truck drivers (69% of tasks could be automated)

115. Ibid.

116. Ibid.

117. Peel Halton Workforce Development Group, “Age of Automation”, April 2020, page 10.

118. Age of Automation, p. 26.

119. Age of Automation, p. 28.

120. Ibid.

Increased automation is the future for many industries as it allows for work to be more efficient and safer for workers. The market will adapt and require new skills in workers to accommodate the emerging jobs of the future, however medium to low-skilled workers are at a clear disadvantage in navigating this challenge in the pandemic recovery as most are struggling financially. Worse yet, as previously established, without mid-skilled positions the transition from low to high skilled work is harder to complete.

The challenge of the growing polarization between new employment opportunities requiring advanced training and high skill sets and displaced low-skill workers is the lack of access to the new education and training requirements for emerging jobs.¹²¹

“The demand for digital and technology-based skills is expected to continue, given the rise of the digital economy and the rapid increases in automation. Given the efforts on the part of surrounding cities and regions to target this form of investment and employment, Halton Region needs a better understanding of the importance and relevance of this trend to its long-term planning.”¹²²

Re-skilling and Affordability

The most promising way to ensure these workers do not permanently fall behind is to re-train and upskill workers so they are qualified for the jobs of tomorrow. Re-skilling displaced workers by supporting local post-secondary institutions and apprenticeship programs is crucial to a sustainable workforce.

Local post-secondary institutions such as the soon to be built Milton Education Village with post-secondary partners Wilfrid Laurier University and Conestoga College, Sheridan College, and the McMaster University DeGroote School of Business will be vitally important, especially given their strong ties to local employers.¹²³ As industry

and labour needs continue to shift due to the rise of automation, post-secondary partnerships with local employers to determine impactful education and training programs will support resiliency in Halton’s labor force.

The provincial government has recently announced supports in this area including the country’s first-ever micro-credential strategy, increased funding for the Second Career Program, and a new refundable temporary employment training tax credit.¹²⁴ One of the largest barriers to re-skilling is the cost and the length of the programs. These initiatives will help reduce the time needed to re-train and the total cost. Halton Region should, wherever possible, support the adoption of these programs at its local post-secondary and training institutions and endeavour to better connect those applying to support programs through municipal offices, such as Ontario Works, with these types of programs.

“Compared to communities across the G.T.H.A. and Ontario, Halton Region has a lower proportion of population with education related to mathematics, computer and information sciences and physical and life sciences and technologies, which form essential components of the science, technology, engineering, and mathematics (STEM) driven industries.”¹²⁵

Attracting new businesses to Halton without the ability to provide the labour needed to complete the work means that companies will get workers from other places instead of Halton’s citizens. The goal should be to showcase locally available talent to attract the employers who can bring Halton’s jobs of the future. Having local re-training and upskilling programs available at low cost and with quick and flexible timelines (night classes or online offerings) is critical to ensuring the whole of the labour force can recover. Halton cannot rely on the workers of tomorrow to subsidize the citizens of today.

121. Peel Halton Workforce Development Group, “Age of Automation”, April 2020, p. 40.

122. Watson & Associates Economists Ltd., “Investment Readiness and Employment Lands Study Regional Municipality of Halton”, December 23, 2020, p. xxi.

123. Age of Automation, p. 38.

124. Ontario. Ministry of Finance. 2021 Ontario Budget: Ontario’s Actions Plan Protecting People Health and Our Economy. (Toronto). 2021. <https://budget.ontario.ca/2021/pdf/2021-ontario-budget-en.pdf>

125. Watson & Associates Economists Ltd., “Investment Readiness and Employment Lands Study Regional Municipality of Halton”, December 23, 2020, p 44.



Economic Development – Strategic Approaches for Attracting Employment

Predicting the pandemic’s impacts on the Halton Region in both the immediate and distant future is a difficult task to do with certainty, especially as the pandemic continues on. That said, many of the broad challenges – both fiscal and social – have been explored in this paper so far. Knowing what may occur is helpful but knowing how to handle these challenges if and when they do occur is even more important. Therefore, instead of simply passing observations about the future, we set out to pose key questions and ideas that Halton Region and its local municipalities should consider in the likelihood that many of these trends reveal themselves to become permanent.

Attracting People and Employers

Traditionally, economic development has always been thought of as bringing business to a jurisdiction. They may or may not bring some workers with them, but inevitably, they will train and hire local employees to run their operations, creating an economic benefit for the Region where the facility is located and for the employer. That form of economic development can and should continue post-pandemic, especially as every order of government seeks the politically appetizing approach of growing their way out of pandemic caused deficits.

However, unique to a post-pandemic world, there is a serious opportunity to attract people instead of just employers. These people, for the first time, are able to bring their job with them due to the continuation of working from home or working from regional/co-working spaces. In a post-pandemic Canada where technological advances have allowed working from anywhere, it is more important to be close to the right time zone than it is to be close to the office. Therefore, Halton Region can pursue a new type of economic development in addition to attracting employers, attracting employees.

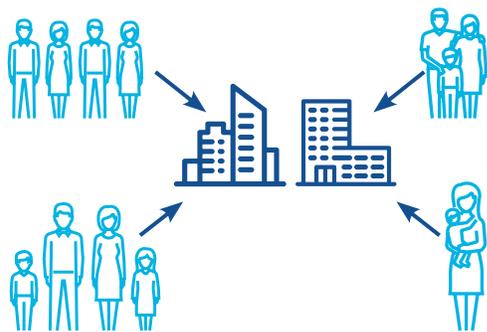
In the past, proximity to work was a necessary condition to where people could live. Where jobs went, people went, regardless of other amenities.

Now that is not necessarily the case. For the first time, workers can choose which locale works best for their individual circumstances and their families. They can prioritize things like access to good schools, childcare services, cheaper housing, strong healthcare systems, restaurant and entertainment venues, local arenas, or even proximity to co-working spaces over traditional metrics like access to major cities, head offices, or transit.

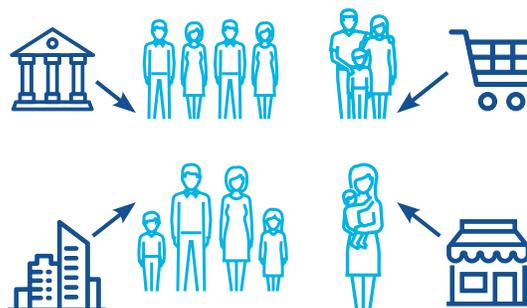
In Halton, the rising share of no fixed place of work labour has been driven by the transportation and construction sectors, which have a higher percentage of off-site employees. It is expected that work at home and remote employment in Halton is expected to steadily increase and be a key driver of economic expansion in knowledge-based sectors, supported by continued technological innovation and improved broadband.¹²⁶ Essentially, as technology continues to improve, the case for talent attraction policies increases.

“This could lead to new types of winners and losers: areas that can offer attractive amenities and lifestyle, such as safe walking communities, green space, and good public schools could draw remote worker populations (and consumer-driven revenues) away from less attractive locales.”¹²⁷

Old Model



New Model



126. Watson & Associates Economists Ltd., “Investment Readiness and Employment Lands Study Regional Municipality of Halton”, December 23, 2020, p. 58.

127. Policy Horizons Canada, “The Future of Work: Five Game Changers”, June 20, 2019, p. 16, <https://horizons.gc.ca/en/2019/06/20/the-future-of-work-five-game-changers/>.

Access to common amenities that create the feeling of a lived-in community, rather than just a place where people leave in the morning and return to in the evening, will be essential for Halton's future growth. When choosing a community to reside in, quality-of-life concerns will be paramount. Things like walkability and access to local parks or grocery stores may be the determining factors instead of commute times. To take advantage of this, Halton Region should explore livable targets next to planning and density targets to ensure communities have services that new residents and families would value, such as: low crime rates, childcare and school access, recreational amenities, and proper healthcare services.

Additionally, Halton Region could work with other orders of government to pursue better talent attraction policies. This could include things like immigration reforms to incentivize international talent to locate in Halton. It could also include things like tax discounts or deferrals for re-locating or even the release of provincial or municipal property for sale as previously done in many rural locales that struggled to maintain their populations.^{128 129}

Some U.S. states have previously discounted rents, given tuition breaks, or provided cash grants to those who not only relocate to specific Regions but bring their jobs with them. It is not to say that Halton will not be able to attract talent organically, or that it needs to start dipping into government coffers immediately to ward off the negative economic impacts of the pandemic, but rather that the Region's economic development strategy should evolve to consider these types of programs and efforts.

Second, it is worth acknowledging that a concentration of talented workers in a given field is a natural draw for employers. It has long been held that one of Canada's primary advantages is

its well-educated workforce and robust post-secondary system. As a recently Public Policy Forum paper put it, Silicon Valley is not attractive to technology firms because of its transit, climate, or real estate prices, it is attractive solely for the high concentration of talent. "Firms start there, locate there, and grow there because of its rich supply of people. Other people, in turn, migrate there because of the location's dynamism, opportunity and rewards."¹³⁰ One report found that as much as 70% of the value the tech sector in Silicon Valley can be attributed to this network effect of expertise leading to more growth and more innovation.¹³¹ By pursuing a strategy of placed based growth in tandem with attracting traditional business investments and relocations, Halton Region can find itself ahead of the curve.

Third, it should also be pointed out that talent attraction does not only mean attracting high-skilled workers or highly educated individuals. In order to have a truly self-sustaining Region, it is important to attract workers from all walks of life. Though Halton Region should have a high level of lower- and mid-skilled workers looking for employment post-pandemic, this may not always be the case. Consistently evaluating the needs of local employers and tweaking programs to attract and incentivize the right workers is particularly important as these talent attraction policies are developed and implemented.

128. Town of Smooth Rock Falls, "Smooth Rock Falls Reviving After Offering \$500 Lots", November 28, 2018, <https://www.smoothrockfalls.ca/media/smooth-rock-falls-reviving-offering-500-lots/>.

129. Marsha Mercer, "Rather than lure employers, some rural areas try to attract workers — one at a time", The Seattle Times, January 10, 2019, <https://www.seattletimes.com/business/rather-than-lure-employers-some-rural-areas-try-to-attract-workers-one-at-a-time/>.

130. Robert Asselin and Sean Speer, "A New North Star: Canadian Competitiveness in an Intangibles Economy", Public Policy Forum, April 2019, p. 54, <https://ppforum.ca/wp-content/uploads/2019/04/PPF-NewNorthStar-EN4.pdf>.

131. James Currier, "70% of Value in Tech is Driven by Network Effects", NFX, November 28, 2017, <https://medium.com/@nfx/70-of-value-in-tech-is-driven-by-network-effects-8c4788528e35>

Which Services Matter when Attracting People?

Now that the proximity to major cities is not the only factor in re-location, Halton Region must ensure the amenities that families and talent require are readily available in their municipalities. This means a new balance between services, residences, and employment must be prioritized to ensure that Halton Region is chosen over other destinations that, thanks to remote work, are now eligible areas for worker re-location for the first time.

Traditionally, suburban developments have been built with some quality-of-life amenities in mind, such as proximity to parkland. However, these suburbs were never conceived as both residences and workplaces. In most cases, childcare, grocery stores, and pharmacies are all in more built-up areas traditionally visited to or from work, rather than within walking distance. When commuting daily to a workplace, this design made sense, but with workers staying home more often than commuting to work, this design can be a source of frustration. Contrarily, in areas of the Region built primarily with workplaces in mind, amenities required by family can be few and far between.

Moving forward, it will be important to incorporate traditional amenities into residential areas and vice versa. The key to attracting both families and employers is more than just a financial equation. Proximity to recreational amenities, schools, childcare, and more will all factor in as the separation between home and work locations blurs. Given many of Halton's suburbs are already built-up, adding in these amenities will be difficult without redevelopment of existing parcels of land such as strip malls and plazas.

However, when it comes to planning for new development, this type of quality-of-life focused mixed-use development can factor prominently. Residential areas should be evaluated against proximity to in-demand services and facilities while workplaces should be constructed with a more complete offering of services in mind. In

order to attract a worker to the office, the benefit needs to outweigh working from home. Office parks that are not close to childcare, eateries, or other commonplace amenities will become less and less attractive for workers.

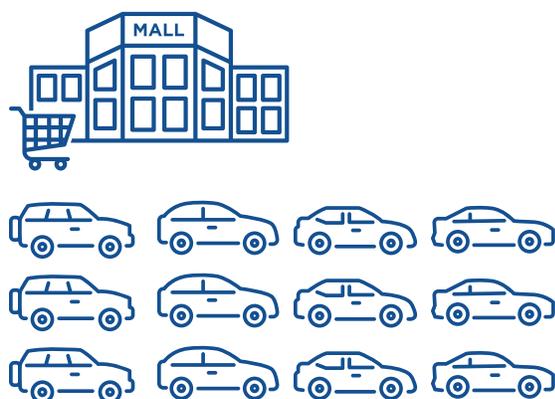
Access to common amenities that create the feeling of a lived-in community, rather than just a place where people leave in the morning and return to in the evening, will be essential for Halton's future growth. Those who enjoy an increased quality-of-life in Halton are more likely to remain, raise their families in Halton, spend their money in Halton, and encourage multi-generational residence within Halton. It also will help to attract talented immigrants as well as talented workers to fill job openings across the socio-economic spectrum.

From a municipal and regional perspective, this type of attractive mixed-use development has long been desired. However, in many cases, developers satisfy mixed-use provisions with a small retail footprint and primarily build residential as is. To help mitigate this, Halton Region and its local municipalities could consider placing holds on specific parcels of land designating them for more specific types of usage – such as health care related uses – or increase the percentage of non-residential development required in mixed-use facilities. As the Region continues to pursue cluster type policies as part of its economic development planning, these holds could be used to ensure the right type of industry comes to Halton.

Additionally, it would benefit Halton Region's local municipalities if they established a faster re-zoning process for already built-up parcels of land that are likely to undergo significant transformation in the years ahead. The retail sector is undoubtedly embarking on a transformative period with the rise of e-commerce and warehousing. At the same time that the Region's retail sector undergoes this transformation it is worth noting that 60% of the Region's retail is in malls, strip centres, and community centres that are likely to struggle keeping tenants in place given the transformation of the sector and the economic hardship it experienced through every single wave of the pandemic.

“Prior to COVID-19, there has been a growing trend for underperforming shopping centres to redevelop and reposition themselves as mixed-use town centres with the additional on-site employment and residential uses benefiting the retail tenants within. Due to the significant impact of COVID-19 on retail performance, particularly in suburban locations which were already performing relatively poorly due to the growing competitive impact of e-commerce, this trend is expected to accelerate in the years to come. This will be more evident for shopping centres already positioned close to existing and growing population bases easily accessible by both public and private transportation.”¹³³

Old Model - Separated Zoning



These types of redevelopment have become increasingly more common across Ontario. In Vaughan, the Promenade Centre, a regional mall is being updated, but also augmented with over 1000 residential units, and a hotel and office-building.¹³⁴ In Sudbury, the Hanmer Valley Shopping Centre is being redeveloped to include senior’s housing as part of its offerings.¹³⁵ An abandoned school in Trout Creek is being redeveloped into five affordable housing units while a hotel in Tavistock was converted into a 16-unit affordable housing project for those aged 50 and older.¹³⁶ These redevelopments ensure the property does not become derelict, inject new capital into the Region, create new housing options – including affordable housing options – and ensure Halton Region has continuous property tax and development charge revenues meaning a more sustainable tax rate for the rest of Halton’s residents and businesses.

All that said, the redevelopment in Sudbury, for example, took four years to receive the necessary changes to permit the development, including

New Model - Mixed Use



building permits and zoning changes. That is despite a unanimous endorsement of the idea from local council.¹³⁷ If Halton Region is to pursue this type of redevelopment it will need to ensure the approvals burden is less cumbersome than a greenfield approval. Additionally, speed will be key to ensure competitive developers do not look elsewhere to quicker processes and to ensure the Region can increase housing supply and help keep home prices lower in Halton.

This type of redevelopment is especially attractive in areas already located near transit and already existing amenities. By pursuing this type of density, the Region can reduce the pressure to sprawl outwards via greenfield development and give local residents more local amenities (health care, childcare, etc) in the newly re-developed settings. The new residential units will be an attractive form of growth to help Halton Region meet its growth forecast obligations while the updated amenities offer a chance for local residents to enjoy an increased quality-of-life as they continue to work remotely on a more regular basis.

133. Watson & Associates Economists Ltd., “Investment Readiness and Employment Lands Study Regional Municipality of Halton”, December 23, 2020, p. 74-75.

134. City of Vaughan, “Promenade Centre Secondary Plan”, https://www.vaughan.ca/projects/policy_planning_projects/PCSP/Pages/default.aspx

135. Darren MacDonald, “As More Retail Moves Online, One Sudbury Retailer Wants you to Move In,” CTV News, October 6, 2020, <https://northernontario.ctvnews.ca/as-more-retail-moves-online-one-sudbury-mall-wants-you-to-move-in-1.5134901>

136. Ibid.

137. Ibid.

Utilizing Tools Already in the Toolbox

Redeveloping the areas of Halton Region that are already served by transit makes planning sense and financial sense, as future residents and developers prioritize access to transit as part of their considerations when moving. Luckily, Halton Region has several Major Transit Station Areas (MTSAs) within its boundaries that fit into the Province's vision for Transit-Oriented Development (TOD) and a GTHA wide regional transit system. This is an opportunity that should not be missed.

Objectives for Major Transit Station Areas¹³⁸

- **Seamless mobility**
- **A vibrant, mixed-use environment with higher land use intensity**
- **Attractive public realm**
- **Minimalized ecological footprint**
- **Public and private investment, flexible planning**

Halton's local municipalities have already taken steps to develop their transit hubs around GO stations. In Oakville, plans have been made to redevelop parking lots into mixed-use communities.¹³⁹ Burlington GO and Aldershot GO have been identified as mixed-use communities and an MTSA Mobility Hub Study for Milton GO was recently completed in July 2020.^{140 141}

Halton could expand on this work by taking advantage of the Province's vision for Transit-Oriented Development as Halton has a number of MTSAs that could fit in the Province's plans. Metrolinx, the provincial transit agency, has identified a number of locations across the GTHA

based on potential for growth and intramodality. So far, MTSAs currently identified in Halton include:¹⁴²

- Acton GO
- Aldershot GO
- Appleby GO
- Bronte GO
- Burlington GO
- Georgetown GO
- Milton GO
- Oakville GO
- Trafalgar GO

The local municipalities and Region will need to consider where the greatest opportunities are and propose locally suited options to the Province.

The Province would likely be highly favourable to Halton approaching them with a willingness to lead on Transit-Oriented Development in the Region as, to date, this form of development has been primarily considered in a Toronto-only context. Despite this focus to date, Transit-Oriented Development makes planning sense across the GTHA to concentrate residents and their workplaces near higher order transit making it seamless for them to work, live, and travel to other nearby amenities all from one central hub. This development can even work to create two-way traffic at MTSAs and take advantage of new regional office models that will be more popular coming out of the COVID-19 pandemic.

Also, similar to re-developing existing retail footprints, this type of intensity reduces the pressure to expand and increases property tax and development charge revenue for Halton's local municipalities which are likely to experience sustained uncertainty on both fiscal fronts.

138. Metrolinx, "Mobility Hub Guidelines", 2011, page 3, <https://www.metrolinxengage.com/sites/default/files/mhgbrochure.pdf>

139. Metrolinx, "Midtown Oakville Mobility Hub Public Workshop", January 30, 2012, http://www.cmgra.org/files/Metrolinx%20Parking,%20Traffic/2012-01-30_Metrolinx_presentation.pdf

140. City of Burlington, "Burlington GO Mobility Hub Study", <https://www.burlington.ca/en/services-for-you/burlington-go-mobility-hub-study.asp>

141. Town of Milton, "Major Transit Station Area Mobility Hub Study", <https://www.milton.ca/en/business-and-development/major-transit-station-areamobility-hub-study.aspx#Character-and-built-form>

142. Halton Region, "Integrated Growth Management Strategy Growth Concepts Discussion Paper", February 2021, p. 48, https://www.halton.ca/getmedia/da6cb968-16c4-45b6-a07b-f95a1427fa9d/Halton_IGMS_Growth_Concepts_Discussion_Paper-reduced.aspx

Keep Looking Forward...

Given the rapidly changing economic and employment landscape in the province and in Halton, it is important that Halton Region and its local municipalities regularly review, revise, and repair plans for changing realities. Though we have pointed out what is likely to occur, it is worth reiterating that the pandemic continues to evolve, each successive wave of closures and lockdowns can become more economically damaging, and that variants of the COVID-19 virus continue to originate and spread. There is still a real possibility that the pandemic, and its consequences, can become endemic.

Knowing that, it is important for Halton Region to prioritize a regular review of economic and employment trends within Halton. The best way to do this is to enshrine regular data collection and analyses. Halton Region will need to evaluate province and country wide macro-economic trends as well as the implications for locally important indicators like unemployment and labour force changes, development permit applications, social assistance uptake, property tax deferrals and arrears, and demographic changes. Halton Region should ensure it regularly summarizes and reports on key factors affecting the Region in order to help ascertain the behavioural and economic outcomes that will impact its future growth strategies.

As part of this consistent study and re-evaluation, Halton Region should ensure it uses this information to advocate for necessary change, where needed, with provincial actors. As previously mentioned, it is very likely that the provincially mandated growth forecasts will need to be updated to accommodate the changing demographic, behaviour, and employment trends brought on by the pandemic. If these changes are not made in due course, the Region may find itself choosing between proper growth and provincial compliance. Knowing that any deviation from the provincial growth forecasts is likely to be overturned at the Local Planning Appeal Tribunal, this is not a sustainable situation. Therefore,

should these data reveal inconsistencies or flaws in growth forecasts, the Region should use this evaluation to push the province for changes to the growth forecasts.

This data could also be used to encourage the province to make funding changes and increased commitments for various service delivery obligations that have fallen to the municipal order of government but have become increasingly expensive during the pandemic and its aftermath (i.e. public health or ambulatory service). It could also be used as justification for the province to make policy changes that help attract individuals or businesses. The province recently made such an investment in the Ford Motor Company's Oakville operations and recently created both a new investment attraction agency called Invest Ontario and the Regional Opportunities Investment Tax Credit to help attract growth. However, despite these recent policies, the province could always adjust funding downwards or make policy changes that do not benefit the Region, so the Region should weigh these options carefully before proceeding with any formal asks.

Key Takeaways

In concluding the paper, we felt it would be more valuable to summarize the key takeaways as a synopsis of our thoughts instead of more prose about what the future may or may not hold. To do this we have categorized our findings into three different categories of: trends with no lasting impact on the Region moving forward, a transitional impact, and a durable impact.

No Lasting Impact:

- 1. The Decline of Toronto as a Growth Hub** - Though Toronto and Hamilton have seen residents leave during the pandemic, these centres will still be people attractors when the pandemic subsides. The location of government infrastructure, higher-order transit, unique employment concentrations such as the financial sector, and entertainment amenities will all be net attractors in the future, even if they are not as important mid-pandemic as they were pre-pandemic. For Halton Region, the proximity benefits of attracting Toronto based workers looking for a better quality-of-life will continue and in fact increase as workers can now move further away from the office. However, the continued strength of these municipalities will mean continued competition for office builds moving forwards, especially for central offices/headquarter locations.
- 2. The Death of the Office** – At the beginning of the pandemic, much was made about the permanent end to the office. Though the office will certainly be reinvented, our research shows that it is not likely to disappear. In fact, the changing form of the office presents an opportunity for Halton to redesign its existing office infrastructure and build new regional and co-working office spaces that prioritize quality of work environment over quantity of cubicles.
- 3. A Less Valuable Transit System** - Though transit ridership has decreased as a result of the pandemic, the return to offices – in whichever form - will see ridership return. The trend of commuting less often to offices further away will actually increase the importance of Regional Express Rail connectivity in Halton while building around MTSAs will present new opportunities for two-way transit ridership and growth.
- 4. High Levels of Unemployment** - The high unemployment rates as a result of the pandemic have rebounded each time lockdown restrictions have been limited. Though it may take some time for people to economically recover, employment opportunities will remerge as the pandemic ends and the economy reopens. Though Halton will

likely see an unemployment rate higher than its impressively low 4.1% in 2019, it should not be dramatically higher than other regions in the province or be anywhere near the heights seen during the midst of the COVID-19 pandemic.

Though the length of the pandemic will dictate the length of each of these impacts, it is important to immediately accommodate minor trends but adjust and plan for the longer-term, more serious, and more durable trends.

Transitional Impact:

- 1. Slowing Population Growth** – Two trends are likely to contribute to a slowing population growth in the immediate term. First, immigration has slowed with closed borders. The federal government has announced plans to make up for the lack of new Canadians immigrating to the country, but the increase in home prices may make Halton a more difficult option for immigrants to locate compared to pre-pandemic. Second, the rise in home prices more generally is going to make it difficult to attract new residents as many will be priced out of the market. Though the growth of Halton's total population may not slow precipitously post-pandemic, it is likely that certain cohorts of the population will see slower growth as immigrants and younger families look elsewhere for more affordable accommodations. Of course, the speed of the Region's development of new types of housing – be it detached or condominium/apartment style – could negate this minor trend.
- 2. Increased Health Care Expenditures** - Health care expenditures will decrease along with case counts and that alone should alleviate long-term fiscal pressures these increased expenditures were creating. However, the pandemic has the potential to become endemic, requiring multiple vaccine rollouts including 'booster shots' or continued testing and contact tracing to monitor variants of the virus. Additionally, it is still unclear if contraction of the COVID-19 virus will cause further health complications among recovered people, such as respiratory or cardiac issues. Either a prolonged/endemic pandemic or more severe long-term health consequences could increase the Region's healthcare expenditures in areas such as public health or ambulatory services, leading to a longer-term impact that perhaps otherwise expected. Above all, Halton has an aging population, bringing with it greater demands on the health care system. Both greater longevity and the burden of chronic disease will require a response in acute care (hospitals), long-term care, community and mental-health care, and housing for the various phases of aging.

3. Stagnating Retail Property Development - While the future of retail will undoubtedly change, Halton Region has an opportunity to transform some spaces to fit the modern economy. Some retailers may need time to recoup lost funds before undergoing large transformations that bigger retailers may take on right away. Either way, retail will continue to embrace e-commerce and warehousing solutions that offer more inventory and optionality at same-day delivery speeds. The technology used to predict consumer wants and, more physically, sizes will improve to reduce the high rate of product return currently seen. All this will lead to a more efficient use of retail space and thus a stagnation of new retail property development. That said, the Region and its local municipalities can ensure this remains a transitional impact if it creates a faster re-zoning and development process for those looking to transform existing retail properties.

Though certainly impactful over the last year of the pandemic, these trends will likely have minor long-term impacts on Halton Region. That said, it is important to carefully monitor these trends and adjust to them in the case that they become enduring legacies of the COVID-19 pandemic.

Durable Impact:

1. Changing Nature of Work – Though physical workspaces will still be in demand and will likely take the form of regional hubs and co-working spaces, working from home will become a regular occurrence as part of a ‘flex work’ approach. Halton has room around transit stations to build the modern office that will attract workers and families but, with more residents working from home more often, there will be long-term property tax and service usage implications. In addition to fiscal implications, Halton Region will need to think through the implications for commercial development as the needed type of office space changes and becomes less formulaic.

2. Changes to Retail Business Models – Halton’s employment landscape will be impacted by the pace of economic recovery, with many offices, retail locations, and small businesses struggling to recover at all. Retail is likely in the most precarious position of all non-residential property. The evolution of retail to new forms such as: online-only, warehouse/delivery dominant order fulfillment, and/or kiosk style options will need to be examined closely. Given a high number of Halton’s residents are employed in the retail and services sector, a significant shakeup of retail’s employment landscape would have significant implications for the Region. This is especially true for those hit hardest by the pandemic and the youngest of Halton’s workers in the labour

market.

3. An Increased Importance of Livable Communities - Future and current Halton residents will value livable communities more than ever, especially as they continue to spend more time working and living from home. Halton Region’s local municipalities will need to explore setting livability targets that emphasize amenities that increase walkability and quality-of-life next to planning and density targets to ensure that its communities continue to demonstrate the quality-of-life characteristics that families and individuals’ value, otherwise they risk losing out to municipalities that prioritize quality-of-life to attract those who can work from anywhere. Given many suburban areas are already fully developed, integrating these livable community services into Halton’s neighbourhoods will require careful planning, redevelopment, and community consultation. Combining this integration with the creation of new communities that prioritize quality-of-life from the onset may require a long-term evolution of planning thought, and thus would constitute a durable impact on the Region.

4. Widening Skills Gap and Inequality - With automation on the immediate horizon, mid-skilled positions will be eliminated making it tougher for the Region’s lesser educated and/or lower-income residents to acquire promotions, skills, and job security. This trend existed prior to the pandemic but has been accelerated by COVID-19’s push towards remote and online work. When combined with more expensive housing, Halton Region will need to carefully monitor this growing inequality gap as this segment of the population attempts to economically recover from COVID-19. Using evidence from the 2008 recession and the already known economic impacts from the COVID-19 pandemic, it is likely that the gap between the ‘haves’ and ‘have nots’ will continue to grow long after the actual pandemic subsides.

Halton Region should put careful consideration into these impacts – whether or not they are transitional or long-lasting - when deciding how its communities will grow in the future. By routinely monitoring and evaluating these trends the Region can be better prepared for the challenges of the future both caused and accelerated by the COVID-19 pandemic. With this understanding in mind, the Region and its local municipalities can approach planning decisions with the evidence and understanding they need to make the best decisions for the current and future residents of the Region. Together, Halton Region and its local municipalities can ensure they put forward the best possible vision for the future of their communities.



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