

## Economic Development Committee

<b>Meeting No.</b>	10	<b>Contact</b>	Rosalind Dyers, Committee Administrator
<b>Meeting Date</b>	Thursday, November 29, 2007	<b>Phone</b>	416-392-8018
<b>Start Time</b>	9:30 AM	<b>E-mail</b>	edc@toronto.ca
<b>Location</b>	Committee Room 2, City Hall		

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<b>Item</b>		<b>Page</b>
ED10.1	Stimulating Economic Growth: Toronto's Approach to Financial Incentives (Ward: All)	1
ED10.3	2008 Business Improvement Area Operating Budgets: Report No. 1 (Ward: All)	5
ED10.4	TEDCO's Disposal of Property at Midland and St. Clair (Ward: 36)	7

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<b>Location</b>	Committee Room 2, City Hall		

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ED10.1	AMENDED			Ward: All
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### Stimulating Economic Growth: Toronto's Approach to Financial Incentives

#### City Council Decision

City Council on December 11, 12 and 13, 2007, adopted the following motions:

1. City Council approve, in principle, the creation of a City-wide tax increment incentive program to stimulate economic growth based on the following:
  - i. the utilization of a tax increment equivalent grant (TIEG) program through the creation of a City-wide Community Improvement Project Area and the preparation of a City-wide Community Improvement Plan (CIP);
  - ii. a. the TIEG be linked to the development of key economic sectors, such as:
    - screen-based industries (film studios, broadcasting, production and support services);
    - manufacturing (Aerospace, pharmaceutical, electronic equipment, food and beverage);
    - environmental product research, development and production;
    - information technology/media industries;
    - tourism; and
    - life science/biotech industries and research; and

- b. in addition to linking the TIEG to the development of key economic sectors, an investigation be conducted and recommendations prepared related to the inclusion in the CIP of projects which achieve stated City policy objectives, such as:
    - business incubators and creative convergence centres; and
    - transformative development projects, nodal and new head office development that achieve multiple City goals;
  - iii. the TIEG program be established in such a way as to promote and give priority to developments that meet green standards (based on LEED and/or Toronto Green Standard Guidelines);
  - iv. the TIEG program be in addition to:
    - a. previous Council directions to bring forward community improvement plans incorporating financial incentives; and
    - b. brownfield remediation programs across the City which support sites that are used or reused for industrial/commercial office purposes; and
  - v. a 10-year duration incentive program with a 5-year application window.
- 2.
- i. The General Manager, Economic Development, Culture and Tourism, in consultation with the Deputy City Manager and Chief Financial Officer and the Chief Planner and Executive Director, City Planning, be requested to develop and manage the consultation process with the business community, social services community, interested community groups and organized labour, and report back to the February 20, 2008 meeting of the Economic Development Committee on the results of the consultations and the progress on the CIP;
  - ii. the Deputy City Manager and Chief Financial Officer ensure that any budget implications which might come forward as a result of the introduction of a City-wide CIP be included as needed in the preparation of the 2009 budgets; and
  - iii. the General Manager, Economic Development, Culture and Tourism, report back with a Community Improvement Plan, by March 2008, that addresses the results of the consultation, timing, necessary implementation details, costs, monitoring of the program and, in particular, with respect to the following:
    - a. the specific economic sectors be linked to the TIEG; and
    - b. the level of any TIEG to be applied to increased assessment and the time frame over which the TIEG would be applicable.

3. The timetable be accelerated, in order to implement the tax increment equivalent grant in March 2008.
4. The General Manager, Economic Development, Culture and Tourism, and the Deputy City Manager and Chief Financial Officer explore additional financial incentive mechanisms, such as targeted grant/loan programs (environmental), investments in strategic infrastructure and net new employment non-tax incentives to further advance the growth of key sectors of the City's economy and report back on their feasibility, as part of the consultation report directed by Recommendation 2.
5. The Deputy City Manager and the Deputy City Manager and Chief Financial Officer be directed to consult with the business community, social services community, interested community groups and organized labour, and report on the feasibility of amending the new construction lower tax rate policy, that provides for a municipal tax rate of 3.0 times the residential rate for new office and hotel construction, and expansions of 50 percent or more in gross floor area, to be (a) inclusive of all developments of the industrial class as defined by zoning definition; and (b) based on the lower tax rate of 2.5 times the residential rate.
6. As part of the consultation process, a TIEG level of 60 percent over a ten-year period, with a window of eligibility of five years, be introduced so that the business community can assess and respond to the effectiveness of this level of support on the stimulation of economic growth.
7. The consultation process include meetings in Scarborough, Etobicoke/York, North York and Toronto and East York, with a presentation at each meeting on local incentives, as recommended by the Economic Development, Culture and Tourism Division.
8. The Community Improvement Plan for the Sterling Road/Junction area be prepared and ready for Council review by its meetings in March 2008 in recognition of the time-sensitive development opportunities in the area and that the CIP respond to the foregoing recommendations ensuring that screen-based and related industries qualify for the full extent of all existing incentives and future adopted City incentives.
9. The existing South Etobicoke TIEG be continued until such time as the City-wide program is before Council for final decision.
10. Any CIP adopted by City Council, either for the waterfront specifically or City-wide, and any sector-specific financial incentives or new building incentives resulting from the "Enhancing Toronto's Business Climate" report, be retroactively applied to any qualifying development in the waterfront initiated after January 1, 2006, pursuant to the Council Decision to pursue financial incentives (Final Recommendations – Enhancing Toronto's Business Climate – It's Everybody's Business, adopted by City Council October 26, 27, and 28, 2005).
11. The General Manager, Economic Development, Culture and Tourism be directed to consider whether an additional incentive could be made available for eligible

investment in the thirteen priority neighbourhoods.

12. The Community Improvement Plan approved by Council for the Castlefield Caledonia Design and Décor District be prepared and ready for Council's review by its meeting in June 2008.
13. The General Manager, Economic Development, Culture and Tourism, in consultation with the Deputy City Manager and Chief Financial Officer, be requested to prepare a simple written and power point presentation, free of jargon, on how tax increment and other business incentives work and why they are important to Toronto.

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(November 13, 2007) Report from Deputy City Manager Sue Corke and the Deputy City Manager and Chief Financial Officer.

### **Committee Recommendations**

The Economic Development Committee recommends that:

1. City Council approve in principle the creation of a City-wide tax increment incentive program to stimulate economic growth based on the following:
  - i. The utilization of a tax increment equivalent grant (TIEG) program through the creation of a City-wide Community Improvement Project Area and the preparation of a City-wide Community Improvement Plan (CIP).
  - ii. a. The TIEG be linked to the development of key economic sectors, such as:
    - screen-based industries (film studios, broadcasting, production and support services);
    - manufacturing (Aerospace, pharmaceutical, electronic equipment, food and beverage);
    - environmental product research, development and production;
    - information technology/media industries;
    - tourism; and
    - life science/biotech industries and research.
  - b. In addition to linking the TIEG to the development of key economic sectors, an investigation be conducted and recommendations prepared related to the inclusion in the CIP of projects which achieve stated City policy objectives such as:

- business incubators and creative convergence centres; and
  - transformative development projects, nodal and new head office development that achieve multiple City goals.
- iii. The TIEG program be established in such a way as to promote and give priority to developments that meet green standards (based on LEED and/or Toronto Green Standard Guidelines).
- iv. The TIEG program be in addition to:
- a. previous Council directions to bring forward community improvement plans incorporating financial incentives; and
  - b. brownfield remediation programs across the City which support sites that are used or reused for industrial/commercial office purposes.
- v. A 10-year duration incentive program with a 5-year application window.
2. i. The General Manager, Economic Development, Culture and Tourism, in consultation with the Deputy City Manager and Chief Financial Officer and the Chief Planner and Executive Director, City Planning, be requested to develop and manage the consultation process with the business community, social services community, interested community groups and organized labour, and report back to the February 20, 2008 meeting of the Economic Development Committee on the results of the consultations and the progress on the CIP.
- ii. The Deputy City Manager and Chief Financial Officer ensure that any budget implications which might come forward as a result of the introduction of a City-wide CIP be included as needed in the preparation of the 2009 budgets.
- iii. The General Manager, Economic Development, Culture and Tourism report back with a Community Improvement Plan by March 2008 that addresses the results of the consultation, timing, necessary implementation details, costs, monitoring of the program and, in particular, with respect to the following:
- a. the specific economic sectors be linked to the TIEG; and
  - b. the level of any TIEG to be applied to increased assessment and the time frame over which the TIEG would be applicable.
3. The timetable be accelerated in order to implement the tax increment equivalent grant in March 2008.
4. The General Manager, Economic Development, Culture and Tourism and the Deputy City Manager and Chief Financial Officer explore additional financial incentive mechanisms, such as targeted grant/loan programs (environmental), investments in

strategic infrastructure and net new employment non-tax incentives to further advance the growth of key sectors of the City's economy and report back on their feasibility, as part of the consultation report directed by Recommendation 2.

5. The Deputy City Manager, and the Deputy City Manager and Chief Financial Officer be directed to consult with the business community, social services community, interested community groups and organized labour, and report on the feasibility of amending the new construction lower tax rate policy, that provides for a municipal tax rate of 3.0 times the residential rate for new office and hotel construction, and expansions of 50 percent or more in gross floor area, to be (a) inclusive of all developments of the industrial class as defined by zoning definition; and (b) based on the lower tax rate of 2.5 times the residential rate.
6. As part of the consultation process, a TIEG level of 60 percent over a ten-year period, with a window of eligibility of five years, be introduced so that the business community can assess and respond to the effectiveness of this level of support on the stimulation of economic growth.
7. The consultation process include meetings in Scarborough, Etobicoke, North York and Toronto/East York, with a presentation at each meeting on local incentives, as recommended by the Economic Development, Culture and Tourism Division.
8. The Community Improvement Plan for the Sterling Road/Junction area be prepared and ready for Council review by its meetings in March 2008 in recognition of the time-sensitive development opportunities in the area and that the CIP respond to the foregoing recommendations ensuring that screen-based and related industries qualify for the full extent of all existing incentives and future adopted City incentives.
9. The existing South Etobicoke TIEG be continued until such time as the City-wide program is before Council for final decision.
10. Any CIP adopted by City Council, either for the waterfront specifically or City-wide, and any sector-specific financial incentives or new building incentives resulting from the "Enhancing Toronto's Business Climate" report, be retroactively applied to any qualifying development in the waterfront initiated after January 1, 2006, pursuant to the Council Decision to pursue financial incentives (Final Recommendations – Enhancing Toronto's Business Climate – It's Everybody's Business, adopted by City Council October 26, 27, and 28, 2005).
11. The General Manager, Economic Development, Culture and Tourism be directed to consider whether an additional incentive could be made available for eligible investment in the thirteen priority neighbourhoods.

### **Financial Impact**

There are no direct financial implications associated with this report. The intent of the proposed action plan is to implement incentives and initiatives to attract new businesses consistent within the City's key economic sectors, expanding the City's property assessment

base and property tax revenues with a net positive impact on the City over the long term. Tax Incremental Equivalent Grants (TIEGs), made under the provisions of a Community Improvement Plan (CIP), are funded entirely from new incremental tax revenues that, but for the provision of financial incentives, the City may not otherwise have realized. A budgetary account will be established to direct a portion of incremental tax revenues in each year of the program's operation in an amount sufficient to fund annual grants provided. The balance of new tax revenues will contribute to the City's overall tax revenues arising from new assessment growth. The subsequent Community Improvement Plans developed and presented to Council will contain the results of the financial analyses and document any impacts.

Staff will report back to Executive Committee at its meeting of October 6, 2008, on the outcome of further stakeholder consultation in this regard, and recommend specific longer-term policies for consideration of Council and the City's approach to Provincial involvement.

The Deputy City Manager and Chief Financial Officer has reviewed this report and concurs with the financial impact information.

## **Summary**

Toronto's economy continues to evolve. It has managed to be a leader in the creation and attraction of talented people. It has done so through its high quality institutions, welcoming open culture and previous investment in infrastructure. Many of these elements are becoming stretched and Toronto's business development potential needs to be reinvigorated.

It is estimated that Toronto still has 54,000 fewer jobs than 17 years ago while the 905 Region has added over 700,000 new jobs. There continues to be a low market interest in building new industrial and smaller scale office projects in the City when it is easier and more profitable to build residential developments in a hot market or lower risk smaller buildings in the suburbs.

Most if not all of Toronto's global competitors embrace financial incentives as an economic development tool designed to attract as well as retain investment. It is important for Toronto not to lag in this regard if the City is to sustain and support a diversified economic base, as well as being capable of capturing future growth opportunities.

The purpose of this report is to communicate back the directions for implementing a consolidated financial incentives program for the City of Toronto that invests in its long-term fiscal sustainability.

## **Background Information**

2007-11-29-ed10-1

<http://www.toronto.ca/legdocs/mmis/2007/ed/bgrd/backgroundfile-8924.pdf>

## **Additional Background Information (City Council)**

- Presentation (December 2007) jointly submitted by Economic Development, Culture and Tourism, Finance and Planning, entitled "Stimulating Economic Growth: Toronto's Approach to Financial Incentives" ([ED10.1a](#))



## Communications

- (November 27, 2007) letter from Kenneth W. Ferguson, President of FILMPORT Inc. (ED.New.ED10.1.1)  
 (November 29, 2007) letter from Dr. Ilse Treurnicht, CEO of MaRS Discovery District (ED.New.ED10.1.2)  
 (November 29, 2007) Submission from Cecil Bradley, Vice-President, Policy, The Board of Trade (ED.New.ED10.1.3)  
 (November 29, 2007) Submission from John Cartwright, Executive Director, Toronto and York Region Labour Council (ED.New.ED10.1.4)  
 (November 29, 2007) Submission from Mike Sullivan, Chair, Weston Community Coalition (ED.New.ED10.1.5)  
 (November 29, 2007) Submission from Andrew W. Himel, Managing Partner, Kilmer Brownfield Management Limited (ED.New.ED10.1.6)

## Speakers

- Kyle Benham, Director, Business Development & Retention, Economic Development, Culture and Tourism Division  
 Kenneth W. Ferguson, President of FILMPORT Inc. (Submission Filed)  
 Barbara Shopland, Principal, 2gener8 solutions  
 Graeme Jewitt, President, Marsan Foods Limited  
 Phil Dowd, Associate Broker, Vice President and Director, Cushman & Wakefield LePage  
 Paul Clifford, President of UNITE HERE Local 75,  
 Jeffery D. Steiner, President and CEO, Toronto Economic Development Corporation  
 John Cartwright, Executive Director, Toronto and York Region Labour Council (Submission Filed)  
 Mike Sullivan, Weston Community Coalition (Submission Filed)  
 Jennifer Ahamed, Community Organizing for Responsible Development  
 James Warlaw, Head Organizer of Toronto, The Association of Community Organization for Reform Now (ACORN)  
 Cecil Bradley, Vice-President Policy, Toronto Board of Trade (Submission Filed)  
 Andrew Himel, Managing Partner, Kilmer Brownfield Equity Fund in Toronto (Submission Filed)

ED10.3	NO AMENDMENT			Ward: All
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## 2008 Business Improvement Area Operating Budgets: Report No. 1

### City Council Decision

City Council on December 11, 12 and 13, 2007, adopted the following motions:

1. City Council adopt and certify the 2008 expenditure requests and levy requirements of the following Business Improvement Areas:

Economic Development Committee Report - Meeting No. 10  
 Considered by City Council on December 11, 12 and 13, 2007

Business Improvement Area	2008 Expenditure Estimates (\$)	2008 Levy Funds Required (\$)
Bloor by the Park	70,352	65,752
Bloor-Yorkville	2,566,711	1,642,834
Bloorcourt Village	140,565	127,213
College Promenade	152,419	128,589
Corso Italia	506,960	165,547
Dundas West	102,629	96,591
Gerrard India Bazaar	249,219	142,653
Junction Gardens	379,637	271,024
Liberty Village	379,451	194,160
Mimico by the Lake	51,631	34,495
Parkdale Village	537,114	211,163
Riverside District	159,346	136,692
Sheppard East Village	193,057	193,057
The Beach	189,964	165,150
Uptown Yonge	237,089	115,500
West Queen West	237,943	231,365
Wexford Heights	271,179	184,309
Yonge-Lawrence Village	190,945	182,707

2. Authority be granted for the introduction of the necessary bill in Council.

(November 13, 2007) Report from the Deputy City Manager and Chief Financial Officer.

### Committee Recommendations

The Economic Development Committee recommends that:

1. City Council adopt and certify the 2008 expenditure requests and levy requirements of the following Business Improvement Areas:

Business Improvement Area	2008 Expenditure Estimates (\$)	2008 Levy Funds Required (\$)
Bloor by the Park	70,352	65,752
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Bloorcourt Village	140,565	127,213
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Wexford Heights	271,179	184,309
Yonge-Lawrence Village	190,945	182,707

2. Authority be granted for the introduction of the necessary bill in Council.

### Financial Impact

No City funding is required since Business Improvement Area budgets are raised by a special levy on members which totals \$4,288,801 in this report.

All of the 2008 BIA operating budgets submitted for consideration are balanced budgets. The appeal provision surplus or appeal provision deficit for each BIA, as determined by the Revenue Services Division, has been addressed by the BIA and incorporated into their 2008 Operating Budget. The BIA budgets have provisions for required capital cost-sharing contributions for those projects approved in 2007 or prior and carried forward into 2008, as well as new capital cost-share projects approved in the 2008 Capital Budget for Economic Development, Culture and Tourism.

### Summary

This report brings forward Business Improvement Area (BIA) annual operating budgets for approval by Council as required by the City of Toronto Act, 2006. Council approval is required to permit the City to collect funds through the tax levy on behalf of the BIAs.

Complete budgets and supporting documentation received by October 18, 2007, have been reviewed and are reported herein. BIA budgets received after this date will be brought forward in later reports. Of the 63 established BIAs, 18 BIA budgets are submitted for approval in this first report.

The recommendations reflect 2008 approved budgets for BIAs and have been reviewed by staff to ensure BIA budgets reflect Council's approved policies and practices.

### Background Information

2007-11-29-ed10-3

(<http://www.toronto.ca/legdocs/mmis/2007/ed/bgrd/backgroundfile-8922.pdf>)

ED10.4	NO AMENDMENT			Ward: 36
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**TEDCO's Disposal of Property at Midland and St. Clair**

**Confidential Attachment - The security of the property of the municipality or local board  
(Confidential Attachment 1)**

**City Council Decision**

City Council on December 11, 12 and 13, 2007, adopted the following motions:

1. Pursuant to the City of Toronto Shareholder Direction, TEDCO be authorized to dispose of the subject lands at Midland and St. Clair Avenue or enter into a third party partnership with a developer(s) to develop these lands and transfer title as appropriate, subject only to the final approval of the TEDCO Board of Directors.
2. Following the completion of the transaction, the President and CEO of TEDCO and the City Solicitor determine which confidential information related to this transaction can be made public.

Confidential Attachment 1 to the report (November 19, 2007) from the President and Chief Executive Officer, TEDCO, remains confidential in its entirety, at this time, in accordance with the provisions of the City of Toronto Act, 2006, as it contains information related to the security of the property of the municipality or local board. Following the completion of the transaction, the President and Chief Executive Officer, TEDCO, and the City Solicitor will determine which confidential information related to this transaction can be made public.

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(November 19, 2007) Report from the President and CEO of TEDCO.

**Committee Recommendations**

The Economic Development Committee recommends that:

1. Pursuant to the City of Toronto Shareholder Direction, TEDCO be authorized to dispose of the subject lands at Midland and St. Clair Avenue or enter into a third party partnership with a developer(s) to develop these lands and transfer title as appropriate subject only to the final approval of the TEDCO Board of Directors.
2. Following the completion of the transaction, the President and CEO of TEDCO and the City Solicitor determine which confidential information related to this transaction can be made public.

**Financial Impact**

There are no new financial implications to this transaction.

**Summary**

TEDCO is in the process of completing the transfer of ownership of four City-owned properties approved by Council, including a 16-acre parcel located at the north-east corner of Midland and St. Clair Avenue. Along with securing draft plan approval over the lands and increasing the land value, TEDCO is now seeking to develop a LEED for Homes (LEED-H) green standard.

This would be a Toronto first for lands which are zoned for low rise single family and townhouses.

At its May 7, 2007 meeting, the TEDCO Board approved a Joint Servicing and Green “Initiative” whereby TEDCO would sell the serviced land to our immediate neighbour Monarch, at Market Value whereby Monarch agrees to develop all the combined lands to LEED-H standard, the largest such development in Canada.

Achieving LEED-H is more efficient and more likely if there is a larger subdivision to absorb the increased initial cost of developing the new standard and implementing the green building innovations. There are no Canadian standards yet for LEED low-rise residential. The City would become leader in Canada by TEDCO adopting this standard now and demonstrate to industry and the public at-large what can be achieved in pursuit of sustainable development.

Since the initial capital cost of developing to this standard is higher, and to adjust for development charges, TEDCO has the opportunity to redefine the agreed property value to reflect that actual costs of development charges, parkland charges and other eligible costs, and clarify the structure and cash-flows associated with this transaction which will be done as part of the closing and reporting functions as previously approved by Council.

Pursuant to the TEDCO Shareholder Direction, City Council approval, through the Economic Development Committee, is required whenever TEDCO disposes of land to a third party. This report is to comply with that Shareholder Direction.

### **Background Information**

2007-11-29-ed10-4

<http://www.toronto.ca/legdocs/mmis/2007/ed/bgrd/backgroundfile-8923.pdf>

*Submitted Thursday, November 29, 2007*

*Councillor Kyle Rae, Chair, Economic Development Committee*