

**Stimulating Economic Growth: Toronto's Imagination,
Manufacturing, Innovation and Technology (IMIT)
Financial Incentives Program**

Date:	April 22, 2008
To:	Planning and Growth Management Committee
From:	Sue Corke, Deputy City Manager Joe P. Pennachetti, Deputy City Manager & CFO Gary Wright, Acting Chief Planner & Executive Director
Wards:	All Wards
Reference Number:	

SUMMARY

At its December 11, 12, 13, 2007 meeting, Council approved in principle the introduction of a City-Wide Financial Incentives Program (FI Program) in order to stimulate investment in the industrial commercial sectors in Toronto. This complemented Council's 2006 direction for the preparation of Community Improvement Plans to provide financial incentives to support economic development in the Waterfront and the South of Eastern Employment District.

This Report recommends a strategy to implement the FI Program through a City-wide Community Improvement Plan (CIP) and separate CIP's for the Waterfront and the South of Eastern Employment District that:

- a) Include brownfield remediation tax assistance and tax increment equivalent grants for the development of employment uses within identified sectors;
- b) Target the following sectors: Manufacturing, Bio-medical, Environmental, Information Technology, Creative Industries and Tourism;
- c) Support new office construction in the Etobicoke, North York and Scarborough Centres, and in the Waterfront and South of Eastern Employment District;
- d) Provide grants to a maximum of 60% of a project's tax increment over a ten year period with the potential for the cancellation of the tax increment for up to two additional years to provide incentives for soil clean-up, when necessary (for a combined maximum incentive of 67% of the tax increment); and

- e) Requires grant recipients to achieve green building standards and participate in local hiring initiatives.

The program will be administered by Economic Development Culture and Tourism, with the Division's General Manager being responsible for the review and approval or rejection of applications for assistance and ensuring that recipients comply with the requirements of the program. Other City Divisions will provide administrative assistance as required.

Intensive consultation processes for the City-wide and Waterfront initiatives enabled Toronto businesses, associations, unions, landowners, ratepayer groups and the general public to provide their comments and suggestions for an acceptable program.

This is a bold initiative for the City of Toronto which will have positive benefits for the municipality and aligns with the Agenda for Prosperity. It will allow the City to compete more effectively in the global marketplace and put Toronto on equal footing with many jurisdictions which have been utilizing financial incentives for many years to their advantage.

RECOMMENDATIONS

The Deputy City Manager of Citizen Focused Services A, the Deputy City Manager and Chief Financial Officer and the Acting Chief Planner and Executive Director recommend that City Council:

1. designate the lands shown on Maps 1 and 2, attached hereto as Schedule "1" of Attachment 1, as a Community Improvement Project Area;
2. adopt the City-wide Community Improvement Plan attached hereto as Schedule "2" of Attachment 1 to implement a City-wide Financial Incentives Program consisting of development grants, in the form of Tax Increment Equivalent Grants for certain defined uses, and/or Brownfield Remediation Tax Assistance;
3. adopt the Waterfront Community Improvement Plan attached hereto as Attachment 2 to implement a Financial Incentives Program consisting of development grants, in the form of Tax Increment Equivalent Grants for certain defined uses, and/or Brownfield Remediation Tax Assistance in the Waterfront, and to allow the City to acquire land in the Waterfront, develop it, rehabilitate or expand buildings on it, and dispose of the land or buildings at or below market value;
4. adopt the South of Eastern Employment District Community Improvement Plan attached hereto as Attachment 3 to implement a Financial Incentives Program consisting of development grants, in the form of Tax Increment Equivalent Grants for certain defined uses, and/or Brownfield Remediation Tax Assistance in the South of Eastern, and to allow the City to acquire land in the South of Eastern, develop it,

rehabilitate or expand buildings on it, and dispose of the land or buildings at or below market value;

5. repeal the New Toronto CIP at the first meeting of Council following the date that the City-wide CIP comes into full force and effect for the area covered by the New Toronto CIP recognizing that applications received before that date shall continue to receive grants pursuant to the New Toronto CIP;
6. direct the General Manager of Economic Development, Culture and Tourism to report back on steps that may be necessary to accommodate the WoodbineLive! proposal to establish a major tourism/entertainment complex in North West Etobicoke and a separate CIP schedule if necessary;
7. provide authority to the General Manager of Economic Development Culture and Tourism to review applications to the Financial Incentives Program to determine eligibility and to execute financial incentive agreements to implement the Brownfield Remediation Tax Assistance Program and the Development Grant Program, in a form satisfactory to the City Solicitor;
8. direct the General Manager of Economic Development Culture and Tourism to initiate a review of the CIP's and Financial Incentive Program no later than 4 years after this plan comes into effect or when the total financial commitment through the proposed CIP's exceeds \$50 million, whichever is earlier;
9. direct the General Manager of Economic Development Culture and Tourism to report on the composition of an Advisory Committee to be established to assist with the program review as provided for in Recommendation 8 above;
10. direct the General Manager of Economic Development Culture and Tourism to prepare an annual report to the Economic Development Committee outlining grant recipients, their corresponding projects and level of incentive provided;
11. direct the appropriate City officials to request the Province to amend legislation to enable the City of Toronto to apply a lower tax rate to new construction in the commercial property class and industrial property class, as may be defined by the Province in its application of a lower education tax rate to such new construction;
12. subject to the legislation being enacted in Recommendation 11, apply a lower tax rate to new construction as defined in the legislation, such lower tax being based on a municipal tax rate of 2.5 times the residential rate;
13. in conjunction with the adoption of the Financial Incentives Program, direct Economic Development staff to develop and implement a comprehensive marketing plan for the promotion of the Financial Incentives Program as well as other business friendly initiatives as outlined in "Toronto's Enhanced Business Climate Report Update";

14. authorize the General Manager of Economic Development, Culture and Tourism to establish protocols with the Provincial Ministries of Economic Development and Trade (MEDT), Research and Innovation (MRI), Small Business and Entrepreneurship (MSBE) to ensure that the City's incentives program and the Provinces Next Generation Jobs Fund and related programs work together effectively to support Toronto's existing business community and attract new investment;
15. authorize the City Solicitor to introduce the necessary bills to implement the foregoing.

Financial Impact

The intent of the proposed program is to implement incentives and initiatives to attract new businesses consistent with the City's key economic sectors, thereby expanding the City's property assessment base and property tax revenues with a net positive impact on the City over the long term. Tax Increment Equivalent Grants (TIEG's), made under the provisions of a Community Improvement Plan (CIP), are intended to be funded from new incremental tax revenues that, but for the provision of financial incentives, the City would not otherwise realize.

To some extent then, the true financial impact is difficult to estimate at this point, because the basis of the grant is that without it the development would not occur. Historically, however, some natural assessment growth has occurred within the sectors recommended for financial incentives in this report, in the absence of these proposed financial incentives. Under the proposed CIP's, all new development within the allowable sectors, whether specifically motivated to locate or expand by the offer of incentives, or not, would be eligible for the TIEG's. Thus recent growth provides a baseline indicator of the potential impact. Over the last 3 years, the City has received on average 6 new construction projects per year that would have been eligible for incentives that now produce \$6 million in taxes annually for the City.

Figure 1 - Natural Assessment Growth 2005-2007

SECTOR recommended for eligibility	No. Permits	Construction Value	Approximate annual tax levy on additional construction	Potential TIEG 10yrs @60%
Manufacturing	12	\$73,850,000	1,477,000	8,862,000
IT	1	\$21,000,000	420,000	2,520,000
Biomedical	1	\$14,000,000	280,000	1,680,000
Tourism	1	\$29,000,000	580,000	3,480,000
Office - (related to eligible sectors)	4	\$163,539,595	3,270,792	19,624,751
TOTAL	19	\$301,389,595	6,027,792	36,166,751

Based on historical assessment growth, and the proposed 60% TIEG over 10 years, the City could potentially be foregoing \$36 million in taxes from just the 3 years reviewed alone. This potential assessment growth loss has to be weighed against the potential future assessment gains and increased economic impact from development that would not otherwise have occurred. In addition, several new major development proposals are currently before the City that will not otherwise occur in the absence of sufficient financial incentives. These include major development proposals representing the potential of over \$1 billion in assessment value, and potentially \$20 million annually in property taxes for the City. If eligible for the financial incentives proposed, these developments may be entitled to \$120 million in TIEG grants over 10 years, with the City receiving \$80 million in new tax revenue over the same period.

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.

Since the financial impact of the program is difficult to estimate at this stage, it is recommended that the program be reviewed either four years after the CIP's come into effect or when the total financial commitment through the proposed CIP's exceeds \$50 million, whichever comes earlier.

DECISION HISTORY

At its meeting of December 11, 12 and 13, 2007, City Council adopted the report entitled "Stimulating Economic Growth: Toronto's Approach to Financial Incentives." Council approved in principle the creation of a City-wide financial incentive program to stimulate economic growth utilizing a Tax Increment Equivalent Grant (TIEG) program, to be implemented through a City-wide Community Improvement Program (CIP). In addition to this development-oriented incentive, a Brownfield's Remediation Tax Assistance program has also been incorporated as a complementary program providing City leadership in the realm of soil remediation and clean-up as per Council direction.

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

Council had previously directed the preparation of CIP's to address planning initiatives and local economic development in the following areas:

The Waterfront: July 25-27, 2006,

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/plt5rpt/c1014.pdf>

South of Eastern Employment District: July 25-27, 2006,

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/plt5rpt/c1014.pdf>

Etobicoke, North York, Scarborough Centres: April 23-24, 2007,
<http://www.toronto.ca/legdocs/mmis/2007/pg/reports/2007-03-29-pg03-cr.pdf>
see item PG3.6 and background staff report at -
<http://www.toronto.ca/legdocs/mmis/2007/pg/bgrd/backgroundfile-2400.pdf>

Wallace-Junction: June 19-22, 2007,
<http://www.toronto.ca/legdocs/mmis/2007/te/reports/2007-05-29-te06-cr.pdf>
see item TE6.41 and the background staff report at -
<http://www.toronto.ca/legdocs/mmis/2007/te/bgrd/backgroundfile-3683.pdf>

Toronto has long been known as a more expensive tax environment than its 905 competitors. To address this disparity, Council at its October 26, 27, 28 and 31, 2005 meeting adopted the 'Enhancing Toronto's Business Climate – It's Everybody's Business' report and on October 27, 2007 its companion report entitled 'Enhancing Toronto's Business Climate – Update'. Both reports are aimed at assisting the industrial and commercial sectors in Toronto. In the earlier report it was noted that, "Additional strategies and incentives, including those recommended in this report, will be required to retain and attract jobs within the City and achieve our Official Plan employment targets."
<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-5039.pdf>.

On June 11, 2007 Council considered the Long Term Employment Land Strategy, and directed staff to develop a financial incentive program for all of the Employment Districts to stimulate new investment and job growth, ensure Toronto's competitive position within the region, and encourage best environmental and green building practices.
<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-06-11-cc09-dd.pdf> , see item ED4.2 and the background reports at
<http://www.toronto.ca/legdocs/mmis/2007/ed/bgrd/backgroundfile-3361.pdf> and
<http://www.toronto.ca/legdocs/mmis/2007/ed/bgrd/backgroundfile-3482.pdf>.

ISSUE BACKGROUND

State of the City's Economy

Toronto is at a crossroads in its economy. 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 some even threadbare and Toronto's situation is threatened.

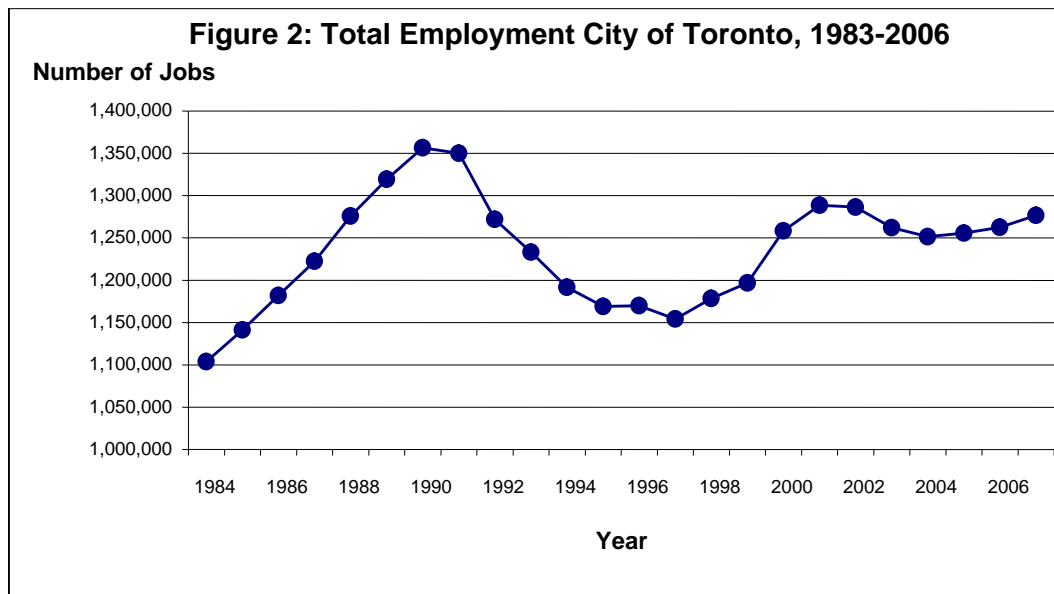
It is estimated that Toronto still has 50,000 fewer jobs than its peak employment in 1989¹, while the 905 region has added over 700,000 new jobs since then². Note, however, that there has been a steady increase in the City's job count since the low point in the mid 1990s, as Figure 2 shows. There continues to be a relative lack of market interest in

¹ Employment data based on the Toronto Employment Survey

² Estimate based on Labour Force Survey data

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. In fact over the past 13 years the level of expenditure on buildings in the region has outstripped the City an average of 34%.

The level of industrial and office growth in the City is currently too low to permit the City to achieve its job creation targets. The City’s objective is to reach 1,835,000 jobs by 2031. It has about 1,450,000 today³. This means adding about 17,000 new jobs each year over the next 23 years. In comparison, total employment growth since 1996 averaged about 14,000 jobs per year, although as Figure 2 shows, there have been big variations around this average. From a building perspective, 17,000 jobs per year is the equivalent of adding almost three new First Canadian Places each year.

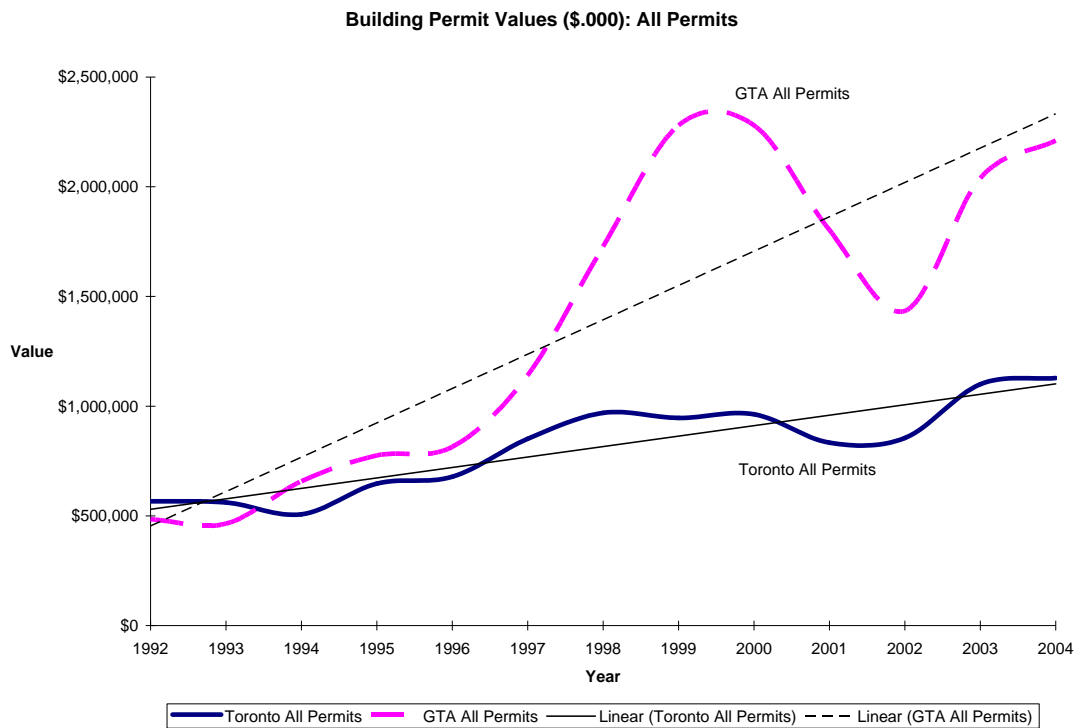


Source: City of Toronto, City Planning, 2008

Slow job growth is related to the decrease in Industrial/Commercial space being constructed in Toronto. Figure 3 contrasts all Industrial/Commercial building permits between Toronto and the rest of the GTA over the past 12 years. It is clear from the graph that Toronto’s growth trajectory is lower than the rest of the GTA’s. Although Toronto may never match the construction rate of the GTA, stimulating the current rate is important if Toronto is to achieve its employment targets as stated in the Official Plan.

³ These employment forecasts are based on the Census ‘Place of work’ data, which count more jobs in the City than the Employment Survey

Figure 3. - Total Industrial/Commercial Building Permit Values 1992-2004



Long Term Employment Lands Strategy

The Long Term Employment Lands Strategy was undertaken to better understand the pressures facing employment districts across the City of Toronto and document current conditions in these areas. Recommendations were presented to continue efforts to:

- a) protect lands in the Employment Districts from speculative action premised on conversion to residential uses;
- b) enhance the attractiveness of these districts to business investment;
- c) create a positive climate for the emergence of creative partnerships for investment;
- d) improve the business cost climate for firms operating in these districts, especially with respect to competitive locations just outside Toronto's boundaries; and
- e) guide municipal infrastructure investment.

These recommendations also suggested financial incentives as a means to create a more attractive business investment environment for existing and new businesses in Toronto. The report documented that, owing to higher development and general business costs, without incentives Toronto would not receive an acceptable level of investment across its employment areas. This continued state would seriously erode assessment growth and jeopardize the Official Plan's job targets.

This resulted in a Council direction to develop a financial incentive program for the Employment Districts to stimulate new investment and job growth and ensure Toronto's competitive position within the region. This direction provided the initial impetus for the present proposal for a City-wide CIP.

Agenda for Prosperity

City Council recently adopted an Agenda for Prosperity that is based on four pillars:

1. Proactive Toronto: business climate
2. Global Toronto: internationalization
3. Creative Toronto: productivity and growth
4. One Toronto: economic opportunity and inclusion.

One of the Strategic directions of the Agenda is:

“work collaboratively to strengthen and expand key industry and geographic clusters such as aerospace, automotive, food processing and other manufacturing, financial services, business and professional services, biotechnology, screen-based industries, cultural industries, tourism, design, education and strategic nodes including business improvement areas, downtown and waterfront.” (Agenda for Prosperity, p.24)

The Agenda also identifies ‘implementing incentives for business’ as one of the proposed actions to support Proactive Toronto, although providing appropriate financial incentives will support all the pillars.

Community Improvement Plans

Section 82 of the *City of Toronto Act, 2006* prohibits the City from assisting any manufacturing business or other industrial or commercial enterprise financially. However, the Act provides an exception to this rule when financial incentives are provided pursuant to the Community Improvement provisions of the *Planning Act*. Those provisions include provisions authorizing municipalities to provide grants or loans for Community Improvement purposes within Community Improvement Project Areas. Community Improvement is defined in the following manner:

the planning or re-planning, design or redesign, re-subdivision, clearance, development or redevelopment, construction, reconstruction and rehabilitation, improvement of energy efficiency, or any of them, of a community improvement area, and the provision of such residential, commercial, industrial, public recreational, institutional, religious, charitable, or other uses, buildings, structures, works, improvements or facilities or spaces therefore, as may be appropriate or necessary.

Community Improvement Project Area (CIPA) is defined as follows:

a municipality or an area within a municipality, the community improvement of which in the opinion of the council is desirable because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason.

For this initiative, community improvement is principally focussed on the environment and community economic development.

The *City of Toronto Act, 2006* specifically contemplates that CIP's be used to provide tax assistance for brownfield remediation and provides the opportunity for Provincial participation in such programs.

The Planning Act requires that an Official Plan contain provisions relating to community improvement in order to designate a CIPA. The City of Toronto Official Plan contains appropriate provisions related to Community Improvement to permit the designation of the CIPA's contemplated by this Report.

The Official Plan provides that Community Improvement Project Areas will be identified for areas exhibiting:

- physical decline in local building stock;
- barriers to the improvement or redevelopment of vacant or underutilized land or buildings such as contaminated soil, fragmented ownership, or financial disincentive to private investment; or
- declining social, environmental and/or economic conditions.

The CIP's recommended for approval address these circumstances across the whole City, which is proposed to be designated as a CIPA.

Section 5.2.2 of the Official Plan states that "Community Improvement Plan Project Areas will be designated by by-law, and CIP's will be prepared to promote the maintenance, rehabilitation, revitalization and/or conservation of selected lands, building and communities facing challenges of transition, deficiency or deterioration or for any other environmental, social or community economic development reason".

The Official Plan further provides that CIP's will be prepared to provide direction regarding the following:

- allocation of public funds, in the form of grants, loans or other finance instruments, for the physical rehabilitation or improvement of private land and/or buildings including rehabilitation of contaminated properties;
- municipal acquisition of lands or buildings and any subsequent clearance, rehabilitation, redevelopment or resale of these properties;
- other municipal actions, programs or investments for the purpose of stimulating production of affordable housing, strengthening neighbourhood stability, facilitating local physical or economic growth, improving social or environmental conditions, or promoting cultural development.

The CIP's recommended for approval are intended to achieve these objectives.

As the new Official Plan for the City of Toronto is not yet in force in the Central Waterfront and for some lands in the South of Eastern Employment District, the policies contained in the Official Plan for the former City of Toronto still apply in these areas.

Section 15 of the Official Plan for the former City of Toronto sets out the Community Improvement policies. It identifies the designation of Community Improvement Project Areas and preparation of Community Improvement Plans, pursuant to Section 28 of the Planning Act, as appropriate community improvement measures. The former City of Toronto Official Plan also specifies several objectives for community improvement programs and activities, including but not limited to:

- to promote and stimulate private sector initiatives which will create employment and generate an improved municipal tax base in ways which are consistent with the City's economic development strategy and other policies; and
- to improve employment opportunities.

The Waterfront and South of Eastern Employment District CIP's recommended for approval are intended to achieve these objectives.

The new Official Plan for the City of Toronto is not yet in force for other sites across the City because of site specific appeals of the new Official Plan to the OMB. The respective former Official Plans therefore still apply to these sites. All of the former Official Plans had policies respecting the designation of Community Improvement Project Areas and as such it is appropriate to include these sites within the proposed City-wide CIPA.

COMMENTS

This section of the report sets out the basis for the proposed FI Program and describes the proposed incentives. It includes the following section:

- i. the importance of key sectors
- ii. the need for incentives
- iii. description of proposed CIP's: eligible uses, conditions, administration, marketing
- iv. Waterfront CIP
- v. South of Eastern Employment District CIP
- vi. economic benefits of the CIP's
- vii. public consultation process
- viii. other potential initiatives

The Importance of Key Sectors

Toronto's Agenda for Prosperity identifies sector development and expansion as a priority action. Toronto's stated objective is to maintain and grow employment and investment in key established economic clusters including financial services, business and professional services, bio-medical, screen-based industries, information technology, tourism, creative industries, aerospace, automotive, environmental, food and beverage processing and other manufacturing industries. The continuing growth of these sectors is crucial to the City being able to enhance its international position and reputation.

These sectors produce the goods and services that can be sold not only locally but to the world. Selling outside of the region brings in new wealth and long-term sustainable growth. Driving new wealth creation then fuels personal spending on locally focused activities such as shopping (retail), personal care (hairdressers) and entertainment (restaurants).

In reviewing best practices related to the use of incentives, staff met with Cushman & Wakefield Inc.'s international site selection practice. Based upon their global experience, it was noted that the most successful jurisdictions focused on targeting key sectors and aggressively pursuing them with a combination of quality customer service, speedy development approvals and incentives. Targeting those areas where Toronto already has an advantage and stimulating their further growth would help lock in the advantage we currently have and focus efforts on allowing the City to retain these activities in the face of increasing global competition. Equally important, strong sectors can be used as an attraction tool by increasing the interest of similar or related companies.

The table below is a listing of those sectors where Toronto already has a competitive advantage. Location Quotients are a measure of the concentration of business activity compared to the population base. A location quotient above 1.0 means that the jurisdiction has more of an activity that one would expect to find on average across Canada. The higher the location quotient, the higher the level of concentration or specialization in a sector.

Figure 4. Top 25 Toronto Sector's Location Quotients
(Based on Employment, 2001 Census)

Sector (NAICS)	Canadian Location Quotients	
	City of Toronto	Ontario
Pension funds	4.441	1.387
Computer and peripheral manufacturing	3.973	1.838
Sound recording industries	3.840	1.346
Other funds and financial vehicles	3.686	1.511
Securities and commodity exchanges	3.475	1.265
Securities intermediation and brokerage	3.456	1.297
Mfg. and reproducing magnetic and optical media	3.367	1.458
Other financial investment activities	2.987	1.353
Office furniture/fixtures manufacturing	2.919	1.590
Management of companies and enterprises	2.768	1.338
Sugar and confectionery manufacturing	2.737	1.563
Advertising and related services	2.723	1.244
Soap, cleaning products manufacturing	2.711	1.409
Agents and managers for artists/entertainers	2.599	1.130
Electronic shopping and mail-order houses	2.580	1.632

Other furniture-related product manufacturing	2.515	1.242
Urban transit systems	2.511	1.063
Radio and television broadcasting	2.481	1.042
Motion picture and video industries	2.470	0.994
Depository credit intermediation	2.377	1.147
Specialized design services	2.331	1.257
Legal services	2.324	1.122
Pay TV, specialty TV and program distribution	2.254	1.140
Audio and video equipment manufacturing	2.212	1.801
Clothing accessories manufacturing	2.108	0.999

The list above suggests that Toronto’s competitive strengths fall into key categories: manufacturing, financial services, technology and innovation and creative industries. In addition the City is already well positioned in areas such as bio-medical and environmental technologies, where there is significant growth potential and alignment with City policy. It is being proposed that the primary objective of the City’s financial incentive program should be to help accelerate growth in the areas noted above. This focus will allow us to both maintain and anchor the ‘bench strength’ that we have, build upon the City’s ability to attract international attention and investment and support the growth of next generation economic sectors. Staff is recommending that the program be branded as the “Imagination, Manufacturing, Innovations and Technology (IMIT)” incentive program.

Making strategic municipal investments in specific sectors and corporate offices related to these sectors will generate long term benefits with respect to maintaining the diversity of the economy and employment opportunities as well as establishing the City’s international position and reputation. Supporting sector development initiatives will also support multiple City objectives related to:

- Implementing the Official Plan’s employment intensification objectives.
- Advancing the development of environmental businesses to meet the growing demand for green products and services.
- Supporting the further development of goods and services that can be traded regionally and internationally.
- Creating opportunities to link community development activities to growing sectors of the economy.

Council has recognized this and has directed staff to develop this FI Program which will offer grants to key, value-traded growth sectors, which offer on the whole above average wage employment. Figure 4 shows the higher value per worker of some of the key sectors, such as manufacturing, information and cultural industries, and finance insurance and real estate.

**Figure 5. GDP/worker by Industry (000s \$1997),
City of Toronto (Forecast Data 2006)**

Industry	GDP/worker
ALL INDUSTRIES	72.9
GOODS PRODUCING INDUSTRIES	82.6
Manufacturing	84.4
Construction	57.1
SERVICES	71.0
Finance Insurance and Real Estate	178.2
Information and Cultural Industries	106.5
Public Administration and Defence	72.9
<i>Professional Services***</i>	52.0
Non-Commercial Services (medical care/education)	39.9
Retail	33.5

*, **, *** as a subset of the category above

Source: City of Toronto Econometric Model (Version 5 – November 2007)

Toronto’s economic development agenda is, therefore, focussed on key sectors and industry clusters. To the extent that they are necessary, incentives should be directed at these sectors and clusters. The next sections of the report demonstrate the need for incentives.

The Need for Incentives: International Competition

Toronto businesses operate in a fast-paced global economic environment. These businesses must respond to clients and competitors on a daily basis in order to remain profitable and relevant. The many positive benefits which these companies bring to Toronto are well known and require support from the City.

It should also be noted that the use of incentives to attract investment around the world is a common and accepted practice. Our experience suggests that the availability of incentives will keep Toronto on the list of potential international site for a new facility. The Province recently recognized this fact and has created its Advanced Manufacturing Investment Strategy (AMIS) aimed at supporting and enhancing advanced manufacturing. To quote, “having the program gave us a check mark in the incentive box on the list of criteria used to make the first cut on a site selection decision.” It should also be realized that Toronto companies are solicited daily by other jurisdictions to move their operations and the availability of incentives is used as a key part of these pitches (see Attachment 6. Selected Municipal Incentives: Other Jurisdictions.).

The Need for Incentives: Challenges Facing the Development of Employment Uses in Toronto

The main rationale for a financial incentives program focuses on the ‘but for’ argument that without direct stimulus in the form of financial incentives, development in Toronto will not occur at a pace that will allow us to meet our job growth and sustainability objectives.

The municipalities in the vicinity of Toronto have two primary competitive advantages over the City when attracting employment uses. The commercial and industrial tax rates in surrounding municipalities are generally lower than those in Toronto. Secondly, employment land in many areas of the GTA is abundant and its development is easier and more profitable than the redevelopment of existing employment land in Toronto.

To address the first competitive disadvantage, in October of 2005 City Council adopted a program to reduce the commercial and industrial tax ratios from 3.72 and 4.09 times residential respectively in 2006 to 2.5 times residential in 2020.

The second competitive disadvantage relating to land supply and the cost of developing employment uses in Toronto remains a challenge. Notwithstanding the relatively limited amount of growth in recent years, the City continues to provide many of the attributes sought by employment users including a large diverse labour force, good linkages and a large local market. However, a lack of suitable sites and buildings has restricted the City from obtaining a larger share of the GTA region’s employment growth.

Unlike surrounding areas, Toronto has essentially no undeveloped land for employment uses. As a result, most long-term employment growth can only be achieved by increasing the stock of employment spaces through the redevelopment and more intensive use of existing land.

The development of residential and retail uses in particular will often provide a land owner a larger financial benefit than the development of land for employment uses. As many employment uses, especially in the manufacturing sector, require one storey buildings, the development of a multi-story residential condominium on the same site is far more profitable in today’s marketplace. Although recent legislative changes have made it more difficult for applicants to redesignate employment land, the speculative pressure continues to exist in many areas of the City.

Similarly, the stock of Toronto’s buildings, particularly in the industrial sector, continues to age as very few new buildings are constructed. This is a concern as businesses that require modern space have few options in the City, unless they build new buildings.

The manner and form in which Toronto’s employment land was originally developed has resulted in other challenges. First, many existing sites are contaminated making redevelopment more costly, and site remediation is often a condition of obtaining financing for redevelopment. Second, since Toronto’s employment lands were developed the design requirements for space have changed. For example, today many uses require

buildings with greater clear heights and spans than most buildings in the City can provide. In order to accommodate a full range of potential uses, new buildings need to be built on sites that require remediation and/or redevelopment. This is in contrast to the situation elsewhere in the GTA where easy to develop greenfield sites are readily available. Finally, as many older properties are constrained, it can be costly to expand a building on site, if it is possible at all.

Most future employment growth will be in offices or industrial buildings. Pro formas completed as part of the City's Long-Term Employment Land Strategy showed that in Toronto both office and industrial development is at a financial disadvantage compared to developments in surrounding municipalities. As a result, potential jobs go elsewhere than Toronto.

The Long-Term Employment Land Strategy concluded that financial incentives are required to make development in Toronto more competitive.

Other reasons for the reduced investment value of employment development in Toronto include:

- Higher operating costs
- More difficult to assemble sites
- Less market interest due to age and stature of adjacent buildings
- Higher land costs in some cases.

The redevelopment of existing industrial properties, in particular, is economically challenging. A key reason is that for the land component of a project there is often substantial price hurdle because of the upward pressure on values attributable to the speculative potential of alternative more valuable uses such as retail and residential. A second reason is that even where existing buildings are obsolete, the present value of revenue generated from the existing rents surpasses the capital costs of redeveloping the property.

Another factor limiting the supply of new development within specific sectors is the cost of development or financing concerns. For example, the MaRS complex would not likely have been built given the high cost premium for building wet lab space. Government assistance in the project allowed it to proceed and meet the proven demand for the space. The construction of food grade space faces a similar high cost of construction given the level of building finishing that is required to meet government exporting requirements. Film studios have a double problem of high cost construction due to sound and vibration proofing as well as very difficult time arranging for financing given that they cannot predict a firm revenue stream from their operations.

The Need for Incentives: Implementing Planning Policies

Financial Incentives will implement provincial and City planning policy. It is expected they will:

- Help Toronto to reach the Official Plan's employment target and the employment forecast in the Growth Plan for the Greater Golden Horseshoe,

- Encourage the intensification of employment areas through expansion and new development. This is consistent with the “Provincial Policy Statement 2005” section 1.1.3.3 which states,: ‘Planning authorities shall identify and promote opportunities for intensification and redevelopment where this can be accommodated taking into account existing building stock or areas , including brownfield sites, and the availability of suitable existing or planned infrastructure and public service facilities required to accommodate projected needs.’
- Promote economic development and competitiveness by:
 - a) Providing for an appropriate mix and range of employment (including industrial, commercial and institutional uses) to meet long-term needs;
 - b) Providing opportunities for a diversified economic base, including maintaining a range and choice of suitable sites for employment uses which support a wide range of economic activities and ancillary uses, and take into account the needs of existing and future businesses;
 - c) Planning for, protecting and preserving employment areas for current and future uses; and
 - d) Ensuring the necessary infrastructure is provided to support current and projected needs. (Provincial Policy Statement 2005 Section 1.3.1)
- Support remediation of contaminated sites in preparation of their future use for employment uses;
- Support the vision of the Official Plan for a city with a strong and competitive economy with a vital downtown that creates and sustains well-paid, stable, safe and fulfilling employment opportunities for all Torontonians. (OP p1-2)
- Support the Official Plan view of the City’s future as one where diverse employment areas can adapt to changing economic trends and are poised to capture new business opportunities. (OP p1-3)
- Help enhance Employment Districts in order to ensure they are attractive and function well, through actions such as investing in key infrastructure, or facilitating investment through special tools, programs or partnerships, in order to:
 - a) Revitalize Employment Districts which may be experiencing decline because of vacancies and closures, absence of key physical infrastructure, poor accessibility, or poor environmental conditions;
 - b) Promote the distinctive character or specialized functions of a District to attract firms within a particular targeted cluster of economic activity;
 - c) Facilitate the development of vacant lands; and
 - d) Create comfortable streets, parks and opens spaces for workers and landscaped streetscapes to attract new business ventures. (OP, Sec. 2.2.4.2 b);
- Encourage “the establishment of key clusters of economic activity with significant value-added investment and employment” (OP, Sec. 4.6.6 b);
- Support the Official Plan’s overall direction to protect employment land for employment uses;
- Improve the built form and physical character of underutilized spaces;
- Improve air quality, energy efficiency and reduce water consumption by requiring development meet the minimum requirements of Toronto’s Green Development Standards before being eligible for development grants.

Developing a Robust Program

There are criticisms of tax incentive programs that reduce taxes for specific firms. The criticism is that they create a so called “arms race” between municipalities. It states that all municipalities in a region compete for the same finite investment. This supposedly creates a zero sum game, where there is no added development, only a loss of tax revenue. Critics also claim that as competition increases between municipalities the true economic benefit may diminish to the point that there is a minimal or negative impact on the area economy.

Recent studies⁴ answer these critics by showing a different outcome. They say that a carefully crafted tax incentive program can increase investment in targeted areas and create a positive impact for the economy as a whole. Incentives work to remove the inequalities of varying taxation rates between competing jurisdictions.

In addition, attracting ‘traded’ sectors from outside the Toronto region will bring benefits to the whole region, even if similar incentives are offered in other local municipalities.

In order to avoid “race to the bottom” criticism, a program should have incentives that:

- are made available only to specific targeted industries;
- are time limited;
- have clearly designed and measurable expectations;
- have mandated performance targets;
- have clawbacks for non-performance.

Once a firm locates or expands in Toronto it increases the likelihood that they will employ local labour and due to fixed resource constraints make it likelier that the firm will remain in the City for the long term. In some instances simply the perception of an area as “business friendly” can assist in attracting new investment. Developing a robust program will only assist other City objectives.

PROPOSED PROGRAM

A City-Wide Community Improvement Project Area (CIPA)

The City must be designated as a CIPA in order to adopt a City-wide CIP. The proposed by-law identifies the whole of the City, except for the Waterfront and South of Eastern Employment District as a CIPA. These areas were designated as CIPA’s in July 2006 and for reasons described herein, separate CIP's are being recommended for approval for them.

⁴ See, For example Edward L. Glaeser, ‘The Economics of Location-Based Tax Incentives,’ Harvard Institute of Economic Research, Discussion Paper No. 1932, (Nov 2001)

Recommended CIP's

Three Community Improvement Plans (CIP's) are recommended for approval (Attachments 1, 2, and 3). Each CIP provides for a grant program to subsidize new buildings or facilities that support employment growth as well as a Brownfields Remediation Tax Assistance Program. The following provides a brief description of each proposed CIP:

1. A City-wide CIP that provides incentives for development to house key sectors in the City, and which includes Schedules that provide for incentives for major office buildings in the Centres and for major film studios in the Wallace-Junction area.
2. A Waterfront CIP that provides incentives for development to support the revitalization of the Waterfront, and which includes schedules that tailor the incentives to the needs of the three community improvement project areas in the Waterfront, namely East Bayfront, West Don Lands, and the Port Lands.
3. A South of Eastern CIP that provides incentives for development to house key sectors in the South of Eastern area.

The Waterfront and South of Eastern CIP's also propose that the City may acquire land, develop it, rehabilitate or expand buildings on it, and dispose of the land or buildings at or below market value to implement the objectives of the CIP's.

There is the opportunity to amend any of the proposed CIP's in the future to address an evolving planning or economic development framework. For example, additional schedules could be added for other focus areas, by amending the CIP at a later date.

Eligible Uses

Targeted Sectors. The recommended approach is to focus on those sectors identified in the Agenda for Prosperity. These sectors:

- generally produce goods and services traded outside the region thus providing new economic wealth;
- generally provide higher wages (50% to 100+% higher than retail);
- have existing concentrations within the City (positive location quotients);
- have international linkages; and
- create higher than average employment densities.

The targeted sectors will be eligible for incentives across the City. They are:

- Manufacturing (includes accessory office, warehousing operations and energy/cogeneration operations),
- Information and Communications Technology, including computer systems design and services, information services and data processing, and software development
- Environmental industries
- Biomedical operations

- Creative Industries
- Tourism attractions
- Transformative projects

Buildings, facilities, structures or other devices for the production of renewable energy and the production of cogeneration energy will be eligible for Development Grants, provided that they are ancillary to another eligible use.

Locally focused economic activities such as warehousing, retailing, and personal and household services would be ineligible. The purpose for excluding these uses is that they do not generate wealth from outside of the region, they tend to offer lower paying jobs and that they are driven primarily by residential growth and as such would develop in the community regardless of incentives. A list of eligible activities is attached.

A city-wide approach avoids issues related to inadvertently disadvantaging a company just because it is outside of a geographic boundary and should discourage companies from moving within the city to gain a tax advantage.

When Council directed staff to develop the financial incentives program, it also requested special attention be given to manufacturing, head offices, screen-based industries, convergence centres and incubators, and tourism. Each of these has been addressed as follows.

Manufacturing. As a result of the public consultations and stakeholder meetings and through background analysis, it was determined that eligibility should be expanded to include all types of manufacturing with a small list of exclusions. The logic behind expanding the sector approach to include all manufacturing included:

- that it would make the process clearer and more transparent;
- avoid discrimination between types of manufacturing processes;
- it would be seen as a clear intent to support for the manufacturing sector by the City during a difficult economic period; and
- it would increase the attractiveness of locating in the City's employment lands.

Manufacturing has also been defined to include the usual ancillary office and storage operations that are part of most plants.

Office Buildings. Incentives will be provided for office buildings as follows:

- Office buildings will be an eligible use in the Etobicoke, North York and Scarborough Centres, in the East Bayfront and West Don Lands areas in the Waterfront and in the South of Eastern Employment District. There will be no restriction as to the kinds of sectors that occupy the office space in these buildings.
- Elsewhere in the City, office buildings that contain corporate offices for the targeted sectors will be eligible for incentives, as long as the building has GFA over 5,000 m² and the corporate office is the greater of 2,500m² or 25% of the GFA in the building.

Financial and business services are one of the City's key growth sectors. They will be eligible for incentives if they locate in eligible office buildings.

Screen-based industries. Screen-based industry refers to the current and emerging configuration of the entertainment industry delivering content to the myriad of screen platforms. This content ranges from the traditional feature film and television series to the production of interactive video games and mobisodes. The work in this cluster, like the products, varies dramatically from writers, computer programmers and video artists doing their creating in office-like settings to film crews, actors and directors working in large scale film studios aligned with technicians working in workshop-like adjacent spaces.

Large film studios play a unique role in creation and sustaining of the traditional industry. Other firms provide goods and services related to the production in the studios and/or as post-production services. Because of this relationship, the industry tends to cluster in areas around the film studios. In order to support the development of area-based clusters of the film industry, Major Film Studios (with GFA over 7,500 square metres) will be eligible for grants in only two areas:

- The South of Eastern Employment District and the adjacent Port Lands in the Waterfront; and
- The Wallace-Junction Focus area.

There is a long-established film and studio district in South of Eastern and the Port Lands. The new South of Eastern Secondary Plan encourages continued development of the industry and building of linkages with the film industry in the Port Lands.

The Wallace-Junction area is also a suitable location for a major film studio. In addition to its proximity to downtown and an existing cluster of companies in the creative industries in this area, the Wallace Junction includes various sites with existing heritage building stock that lend themselves to adaptive re-use for a major film studio and related uses. Reinforcing this assessment, a major film studio has expressed an interest in moving into the area.

Other businesses in the screen-based industry will be eligible for incentives throughout the City, as they are considered to be part of the Creative Industry.

Convergence Centres and Incubators provide a strategic role in support of sector development. They are a key resource supporting entrepreneurship development as a means of accelerating small company growth and success. TEDCO, in partnership with the City, runs one of Canada's leading incubator programs having spent considerable effort with respect to developing operating procedures, entrance and graduation requirements and performance measures. Convergence centers such as Mars owe their success not only to supporting entrepreneurship development but by also co-locating a number of established firm, new companies and supporting business services in immediate proximity to each other. A convergence centre builds synergies between

companies within a particular sector, promotes innovation and fosters industry and business best practices. These uses will be eligible for grants anywhere in the City. They have been defined by their attributes, to be demonstrated by a business plan, which include:

- An intentional focus/mandate on cluster or sector development;
- Programming for tenants focusing on business development, collaboration and networking;
- Uses the majority of its space for companies within the specific cluster or sector;
- Provides external stakeholder and/or public access to programming and/or space; and
- Provides security of tenure for cluster/sector development organization.

Tourism. Major tourist attractions will be eligible for incentives. Only ancillary retail functions, gift shops for example, will be included as part of a major tourist attraction. A shopping centre or set of stores will not be considered as a tourism attraction. Major tourist attractions are defined as a facility or complex that must demonstrate by way of a business plan:

- its long term financial viability without the need for ongoing municipal subsidy; and
- its need for tax increment financing in order for development to be viable; and either
- its potential to draw a minimum of 100,000 visitors annually and its potential to draw a minimum of 50,000 visitors from beyond 40 km; or
- its ability to support attracting incremental major events, conventions or meetings to Toronto and economic development priorities.

Transformative Projects. On rare occasions, projects of a truly significant magnitude may come forward that would allow the City to quickly achieve a number of its planning and economic development objectives and have the desired effect of transforming the functioning, image and growth potential of a district. Attracting a new auto plant is often used as an example of a transformative project given its instant impact on a locality's reputation and economic performance. While Toronto may not have the room for a major auto plant, other projects such as a new research and development office campus or a major tourism complex integrating a range of uses, would have the same impact.

Transformative projects should be assessed on their own merits and within the context of industry and economic conditions. A project of this magnitude while producing substantial economic benefits may also be eligible to receive a large (in absolute value) grant and may require the development of conditions specific to the proposed development. Accordingly, the City will evaluate a proposal as a transformative project provided it has the attributes noted below and report to Council for final approval of an incentive request. These types of projects will be eligible for grants anywhere in the City excluding the waterfront districts that are covered by separate CIP's. A transformative project can be identified by its attributes, to be demonstrated by way of a business plan, which includes:

- A minimum investment of \$250 million;
- A minimum of 750,000 square feet of new space that will be constructed and occupied within a 5 year time period;
- The creation of over 2,500 jobs;
- Will occupy a minimum of 10 acres;
- The ability to link the project to regional transit initiatives;
- The provision of amenities that will be accessible to the public;
- Its ability to act as an anchor within its district and stimulate collateral new investment;
- The co-location of activities that will have a regional-wide (GTA) impact creating new wealth in the community;
- Its need for financial incentives in order for the development to be economically viable.

Office Development

Office development serves two very important goals for the City; it provides space for some of the targeted sectors, and it is a key resource for managing growth in the City and region.

The proposed CIP's provide incentives for office development for targeted sectors:

1. Any office space occupied by an eligible use will receive an incentive;
2. All of the floorspace in office building that contains a 'corporate office' for an eligible use will receive an incentive, as long as the office building is bigger than 5,000 m² GFA and the corporate office component is the greater of 2,500 m² or 25% of the GFA in the building.

Toronto's Official Plan envisages significant growth (both population and employment) in the City and directs it to the Downtown and Central Waterfront, the Centres, the Avenues and the Employment Districts. This is consistent with the Growth Plan for the Greater Golden Horseshoe and the Provincial Policy Statement with which all municipal planning decisions must conform. Directing growth to these areas is key to more sustainable development, especially the goal of accommodating a significant proportion of the regional growth within the existing built-up area. These are locations for higher density, transit-based development. Office development is a necessary component: it supports transit by providing high density trip 'destinations' that complement high density residential trip 'origins.'

The CIP's propose to provide incentives for office buildings in the Centres and the Waterfront. The Centres have long been recognized as office locations. They are seeing little office development, however. In fact only one new building has been built in the Centres since 1992 (the 'Trans America' Building in North York Centre). At the same time, an office building in Etobicoke Centre was converted to residential uses.

In the current market environment, developing office buildings in the Centres is challenging. There is currently a marked shortfall between the development costs and the income potential of new office buildings in the Centres. In addition, in the current market residential development appears to provide a greater investment return than office

development on sites that are zoned to permit both uses. To make new buildings viable, the gap between development costs and revenue potential would have to be narrowed.

The proposed CIP enables the City to provide TIEG's to support new office development in the Etobicoke, North York and Scarborough Centres and facilitate redevelopment and physical growth on lands that are currently vacant or underutilized. The Yonge-Eglinton Centre is not included at this stage. Its inclusion will be considered as part of the focused review of the area that will be completed later this year.

The CIP also proposes to provide incentives for office buildings, regardless of their occupants, in the East Bayfront and West Don Lands areas in the Waterfront. Revitalization of the waterfront has been a goal of the City for many years and these areas are intended to be developed as sustainable mixed use communities supported by new transit infrastructure. Like the Centres, office development in the present market is a difficult proposition in the Waterfront, as the City's financial support for the Corus building recognized.

Office buildings will be eligible for grants in South of Eastern Employment District. Office jobs are seen as an important part of the future mix of employment in the District, particularly in accommodating tenants that see an advantage in being located in new and innovative areas rather than in traditional office locations. These types of tenants are more likely to be young businesses that may be less able to afford the rents required to support new space.

In contrast, office development in Downtown does not appear to face the same market challenges as the Waterfront and South of Eastern. In fact the conditions for office development appear to be sustainable in the present market. Three new buildings are being developed. Incentives do not appear to be needed to support office development in the Downtown. It is also worth noting that the buildings now under construction will probably yield in the range of \$100 to \$120 million in total municipal taxes in their first ten years of occupancy. Providing office incentives for them would cost the City \$60 to \$70 million in grants if these buildings were eligible under the proposed CIP.

Downtown is also richly endowed with transit to support office employment. It is at the centre of the subway system and the GO system with excellent access to the regional labour market. GO is at capacity in the peak hours, and proposed increases in GO's capacity to Union Station will further increase downtown's attractiveness as an office location. Given these underlying strengths, subsidizing office development in downtown may inadvertently attract potential development away from the Waterfront and South of Eastern and possibly the Centres. Nonetheless, in downtown, office space for eligible uses and corporate office buildings will be eligible for incentives.

Office development could also support ridership on the Spadina Subway extension from Downsview to Vaughan. The tax increment resulting from the subway extension is intended, however, to support Tax Increment Financing (TIF) to pay for the construction of the subway. Both the city and school taxes will be used for TIF with matching

contributions from the City and the Province. The tax increment from new office development will be substantial, so the City’s share should be as large as possible in order to lever the maximum provincial contribution. The tax increment from office buildings should be reserved for TIF.

Incentive Descriptions and Conditions

The grant is given to a property owner who develops a new building or retrofits or expands an existing building. The improvement or new development will increase the assessed value of the property. The grant is based on the increase in the property taxes that result from the increased assessed value (a Tax Increment Equivalent Grant or TIEG). After the taxes have been paid each year, the City then gives back a percentage of the increment in the property tax for that year, as a grant.

In order to be equitable, the incentives will be available to any property in the City that meets the necessary criteria for receiving assistance, including the locational restrictions for office buildings and major film studios noted above. Eligible development is likely to locate in employment areas, mixed use areas, or regeneration areas. It is not expected that developments in residential areas will qualify for incentives. All eligible development must conform to the zoning by-law and will require a building permit. For greater clarity, the FI Program does not alter the existing planning or regulatory framework for development.

In addition, eligible development must be on sites being redeveloped, unless it is for expansion of an existing building. This recognizes that one of the main obstacles that the incentive is addressing is the high cost of redeveloping employment land in Toronto.

The proposed CIP refers to this as the Development Grant Program. The total grant will be worth up to 60% of the municipal tax increment over a ten year period. The grant amounts are calculated each year as the following declining percentage of the equivalent of the municipal tax increment (greater detail as to grant calculation is provided in the body of each CIP):

Year	Grant (as % of tax increment)	Tax retained by the City (as % of tax increment)
1	100	0
2	91	9
3	82	19
4	73	27
5	64	36
6	56	44
7	47	53
8	38	62
9	29	71
10	20	80

The amount of tax retained by the City increases each year, and will amount to at least 40% of the total tax increment over the 10-year period and thereafter 100%.

If eligible uses are located in a building with more than one occupant, only the floorspace occupied by the eligible uses will receive grants, assuming at least \$1 million in investment in the eligible use occurs. For example, in a building with a publisher occupying space next to a retail store, only the space occupied by the publisher will receive a grant. Publishing is part of the creative industry, retailing is ineligible for grants.

The proposed CIP also incorporates five main conditions that must be met prior to receiving a grant:

- No tax arrears
- \$1 million minimum level of investment (construction value)
- Conform to the minimum requirements of the Toronto Green Development Standard
- Participation in a local hiring program such as Partnerships to Advance Youth Employment (PAYE) or Youth Employment Partnerships (YEP)
- No demolition for 10 years unless required for expansion

The subject of community benefits was discussed as part of the public consultation process. The key issues focused on the need to provide good jobs, the need to ensure local involvement and benefit from the City's investment and the need to ensure that the promised benefits occur. These comments were tempered by other issues related to need to have a simple program without too many hurdles.

Staff believes that the program being proposed does focus on the development of good jobs by targeting primarily knowledge based and trade sectors of the economy. Earlier it was noted that these sectors provide a significantly higher GDP per worker than the retail sector. With respect to local benefits, it must be kept in mind that compared to the U.S. where the use of incentive requirements for community benefits is more evolved, Toronto's proposed grant program provides a much smaller level of incentive. In addition, the primary objective of the program is to change the current trend of non-job creation. New job growth will be the primary economic benefit of the program.

To ensure local participation in this growth it is being recommended that all grant recipients be required to participate in one of the City's existing local hiring initiatives. These programs have become very successful in supporting local resident's ability to become better prepared for specific job opportunities and have resulted in a number jobs going to local workers. With respect to Transformative Projects it is being recommended that they be required to participate in the development of a local employment strategy and that any specific requirements stemming for the strategy be incorporated into the associated incentive agreement. Finally issues related to a project generating the promised benefits is covered by the fact that investment/building and occupancy has to occur prior to grant being issues and provisions have been development to provide for an annual compliance review.

Brownfield Remediation Program

Cleaning up contaminated industrial land is sometimes an obstacle to new development in locations where the City would like to see job growth. Section 333 of the *City of Toronto Act, 2006* allows the City to provide tax assistance to encourage the clean up of contaminated sites, as long as the assistance is provided through a CIP. The Act also allows the City to request the Province to match the municipal incentive on a site-by-site basis. This would increase the program's effectiveness in encouraging the remediation of dirty sites.

The proposed CIP includes a Brownfields Remediation Tax Assistance program. The tax assistance will be available where environmental remediation is undertaken on brownfield sites in conjunction with development for employment uses, excluding retail development. The assistance will take the form of a cancellation of the municipal tax increment payable following the remediation and development of the site.

Brownfield Remediation Tax Assistance may be provided for up to 2 years or until all eligible remediation costs have been compensated through the program (whichever occurs first). If a property also receives a Development Grant, the Brownfield Remediation Tax Assistance may be available for three years to lever maximum value from the provincial contribution. In this case however, the total Brownfield Remediation Tax Assistance and Development Grant program, combined, would not run for longer than 12 years, nor would it exceed a total of 67% of the tax increment over the 12-year period.

The Brownfields Remediation Tax Assistance will improve a company's financial viability for investing in its site and improve the quality of the surrounding environment.

CIP Expiry and Review

The CIP's contain provisions that they will expire 5 years after they come into full force and effect. From then on, no new applications for grants or tax assistance will be accepted. The CIP's also provide for a review no later than their fourth year, so that progress can be evaluated. If necessary, the CIP could be amended to revise or delete the expiry date in order for the program to continue. This requirement for a review is in addition to the recommendation that the CIP's be reviewed if and when the total financial commitment reaches \$50 million.

Program Administration

The program will be administered by City staff. The CIP sets out clear limits and criteria for the amount of assistance, eligible uses, and various other conditions. There are no discretionary criteria. An application either meets the program requirements or it doesn't.

The General Manager of Economic Development Culture and Tourism will be responsible for approving or rejecting individual applications, with appropriate advice and input from other Divisions such as City Planning, Buildings, Finance, the Waterfront Secretariat, and Legal. There is no appeal process.

Successful applicants will be required to sign an agreement with the City which will set out the terms and conditions of the assistance the City is providing.

Economic Development Culture and Tourism will also administer the program, including:

- the deferral and cancellation of taxes in the Brownfields Remediation Tax Assistance program, and the payment of grants in the Development Grants program. Revenue Services will assist where appropriate.
- annual certification of compliance for every property enrolled in the Program;
- certifying annually the percentage of property eligible for financial incentives;
- establishing the annual TIEG grant budget estimates.

Program Marketing Strategy

Once the CIP's are in effect the financial incentives program should be actively marketed to prospective grant and tax assistance recipients. The following is a brief outline of a marketing strategy that will give the program maximum exposure given budgetary constraints:

- Press Release to include date and location of formal launch to increase audience and exposure for launch.
- Conduct a formal launch of the new program with the Mayor and Chair of Economic Development Committee inviting press, development community, businesses, labour organizations, City divisions (Planning, Building and Finance staff), MEDT.
- Externally promote the FI program to community partners such as BOMA, BOFT, Chamber of Commerce's, Local Industry Groups, Business Associations, Broker Meetings, Front-line staff (Building, Planning, Economic Development & Finance).

Implementation Tactics

- Look at methods of broadcasting, publicizing, distributing, circulating and spreading the word about our program for zero dollars such as: Economic Development electronic newsletter, Novae Rae Urbis, Department newsletters, Provincial Newsletters, City Website (front page of website with a very direct and visible link), Providing stories to Brokers for their Newsletters or websites, Press release sent to all papers, industry papers and magazines with follow-up calls.
- Look at ways of broadcasting, publicizing, distributing, circulating and spreading the word about our program for a nominal amount of dollars.
- Produce a brochure and website with information about program, contact names and numbers, produce application form.
- Publish ads in Real Estate News, One-page flyers for internal departments (Planning reception, Building reception), Tax, Hydro, Water bill inserts.

The marketing and promotion plan should build on existing City customer service programs such as the Concierge program, BizPal and the Development Action Review Team.

The Waterfront

Revitalization of the Toronto Waterfront has been a goal for the City of Toronto for many years. To achieve this goal, Toronto, Ontario and Canada have jointly established the Toronto Waterfront Revitalization Corporation (TWRC), known as Waterfront Toronto, as the lead agency responsible for the regeneration of Toronto's waterfront. The vision for the Waterfront is provided in the Central Waterfront Secondary Plan, approved by Toronto City Council in April 2003, and includes a series of sustainable, mixed use communities integrated with parks, and open spaces that will also connect to the City that provide an unique environment for urban living, employment and recreation. The TWRC is responsible for implementing this vision. Precinct plans for West Don Lands and the west part of East Bayfront have been approved and contain residential and employment targets. No precinct plans have yet been developed for the Port Lands.

The Community Improvement Plan is one component of the implementation of the vision for the Waterfront, and must be seen as part of the broader strategy being implemented by the City and TWRC.

As part of implementing the mixed use vision for the Waterfront, Hemson Consulting produced a study, 'Financial Incentives in the Waterfront' (2005) that explored the challenges facing private sector investment in the Waterfront. The objective of the study was to assess the need for financial incentives to 'level the playing field' to attract business investment to the Waterfront, especially for knowledge-based businesses. The results of the study indicated that the Waterfront faces market challenges, especially in the short term, to attract targeted end-users and the related investment in building construction. The key challenges for new businesses include:

- a lack of amenities such as restaurants and stores for workers, parks and business services;
- limited accessibility to the subway and GO system;
- 'first in' uncertainty related the relatively high occupancy costs of new buildings, and the Waterfront not being recognized as an office location;
- market rents that may not be high enough to support the development costs of a new building.

The implication of these various challenges is that Waterfront office projects will need to be able to attract tenants that see an advantage in being located in new and innovative areas rather than in traditional office locations. These types of tenants are more likely to be young businesses that may be less able to afford the rents required to support new space. The report recommended that grants through a Community Improvement Plan could be an effective financial tool to provide direct assistance to developers.

The proposed Waterfront Community Improvement Plan provides tax assistance for brownfield remediation in the Waterfront on the same terms as the assistance for the rest of the City.

The Development Grant Program has been tailored to the distinct needs of the three Waterfront precincts, namely East Bayfront, West Don Lands, and the Port Lands. The plan will not apply to some parts of the Waterfront:

- the area of the East Bayfront that does not yet have a precinct plan (i.e. east of Parliament);
- the Lower Don Lands area, where the environmental assessment and planning for the naturalization of the Don Mouth and the Port Lands Flood Protection project is underway at present; and
- the area south of the Ship Channel, which is presently unserviced, and where Lake Ontario Park will be developed with a recreation corridor being explored adjacent to the park.

These areas are undergoing significant reviews in order to achieve the core principles of the Central Waterfront Secondary Plan. Until the outcome of the various undertakings is known and until precinct plans and zoning are in place, it is not appropriate to provide incentives for uses to locate here. The planning and infrastructure framework is not in place. The CIP should be amended to apply to these Waterfront locations once the planning and infrastructure framework is in place.

Second, the financial assistance has been directed to the sectors and uses targeted through the Central Waterfront Secondary Plan and the TWRC's employment strategies, as follows:

East Bayfront: TWRC's employment strategy for East Bayfront aims to build an intelligent community in East Bayfront, paying as much attention to investing in human capital and social capital as it does in bricks and mortar. The strategy is committed to location-specific competencies – knowledge, workforce skills, logistic networks, entrepreneurial infrastructure, and quality of place attributes. The strategy seeks to establish a clearly defined 'knowledge node' on the waterfront. The proposed Corus building at the foot of Jarvis Street is the first building block in the strategy.

The targeted sectors include the information and communications technology (ICT) sector, particularly digital media and financial services software development, and other synergistic industries including financial institutions, business and professional services, media, design, education and research facilities, cultural industries and the creative sector. Office buildings will be eligible for incentives regardless of the sectors of their individual occupants.

The strategy also seeks to provide the opportunity for a dense network of business interactions and relationships to develop and create new 'campus style' employment accommodation near the downtown core.

West Don Lands: The employment uses targeted for West Don Lands are those that are complimentary to its location close to downtown Toronto, the Distillery District and the waterfront. Employment uses targeted include boutique financial services, IT, creative users (marketing, graphic design, film), small to medium professional services and film related uses. TWRC is currently undertaking a more specific study for targeted uses. Office buildings will be eligible for incentives regardless of the sectors of their individual occupants.

The uses eligible for incentives in East Bayfront and West Don Lands include

- Bio-medical sector;
- Business and financial services;
- Colleges;
- Creative industries,
- Information and Communications Technology sector;
- Scientific Research and Development;
- Convergence Centres and Business Incubators.

Port Lands: The area of the Port Lands to which the CIP will apply (east of the Don Roadway and north of the ship channel) will be the final area to undergo redevelopment. The City is actively relocating employment uses from other areas of the Port Lands to here. Filmport is under construction and there are other film studios in this area. Further, this area abuts the City's "Studio District" on the north side of Lakeshore Boulevard. This area is an attractive location for business and the City wants to promote business in one of the few employment areas near the downtown with an industrial character.

The uses eligible for incentives in the Port Lands include:

- Film studios, and related studios, workshops, offices and accessory facilities;
- Bio-medical sector;
- Creative industries;
- Information and Communications Technology sector;
- Scientific Research and Development;
- Convergence Centres and Business Incubators.

The Waterfront CIP also allows the City to acquire land in the Waterfront, develop it, rehabilitate or expand buildings on it, and dispose of the land or buildings at or below market value. This takes advantage of authority provided in the Planning Act, and could be a valuable tool to facilitate waterfront revitalization. The CIP proposes that any action taken by the City in this regard will require a demonstration by TWRC that the action is needed to implement the vision for the Waterfront and to meet the goals of the CIP.

It should also be noted that the City's financial assistance to development through the CIP will be recognized as a City contribution to the Waterfront Revitalization initiative under the Waterfront accounting protocol.

South of Eastern Employment District

A separate CIP is recommended for the South of Eastern Employment District. Council recently adopted a new Secondary Plan for the district, the first secondary plan for an employment district since the Official Plan was adopted in 2002. The Secondary Plan has been appealed to the OMB. However, it remains useful as it provides a basis for Council's long term goals for the area. To implement the Secondary Plan, the CIP provides incentives for office uses and major film studios, neither of which is being targeted city-wide. In addition to the appeal of the Secondary Plan, the application to redesignate the Toronto Film Studio site within the district is also before the OMB. It makes sense to approach all planning issues related to South of Eastern comprehensively.

The South of Eastern Secondary Plan, envisions that the economic health and vitality of the district will be maintained and strengthened by reinforcing the existing economic sectors, by encouraging new economic activities and by creating an economic environment conducive to future employment and economic growth. South of Eastern will meet the needs of a number of the City's key economic clusters and businesses that benefit from good access to the downtown core and Waterfront precincts.

In particular, the Secondary Plan encourages employment growth in offices, research and development, film, media, communications and the industrial sectors. It also encourages knowledge and creative based firms to locate in close proximity to one another and to build linkages with film and media businesses in the Central Waterfront area.

Pressure to redevelop parts of the district for non-employment uses has created an atmosphere of uncertainty and speculation. With the adoption of the South of Eastern Employment District Secondary Plan and the implementing zoning by-law the City has solidified the planning framework for this employment district.

South of Eastern faces a number of market challenges to attracting some of the employment uses targeted by the Secondary Plan. Most future employment growth in South of Eastern will be in offices, industrial buildings, or perhaps hybrid-industrial buildings that contain a larger than usual amount of office space. The District faces the same challenges to developing new industrial buildings as the rest of the City, and similar challenges to new office development as the Waterfront. Financial incentives will be required, at least in the short term, to attract private non-residential and non-retail investment. The use of financial incentives will further support the primary economic function of the district.

The South of Eastern CIP also allows the City to acquire land in the district, develop it, rehabilitate or expand buildings on it, and dispose of the land or buildings at or below market value. As in the Waterfront, this takes advantage of authority provided in the Planning Act, and could be a valuable tool to facilitate economic development in the district. The CIP proposes that any action taken by the City in this regard will be supported by analysis that:

- shows why the City's financial support, action or intervention is necessary;
- estimates the expenditures and revenues and net costs to the City; and

- demonstrates that the public benefits resulting from the City's action justify its costs.

Economic Impact of Financial Incentives Program

There are a number of objectives which the FI Program is attempting to achieve such as employment and assessment growth. After applying the staff recommended eligibility criteria to the identified building permits over the past 3 years, a total of 19 projects would have been eligible. The net benefit to the City from these projects was over \$301,389,000 in construction investment alone. In fact the projects created and or retained 3,710 jobs and injected over \$266 million in GDP for the City. Figure 6 illustrates the net economic benefits of this type of development over the last 3 years. It should be noted that the Telus Project at 25 York Street has been included since IT is a targeted sector.

Figure 6. 2005-2007 Potential Financial Incentive Projects Net Benefits

Sector	# of Projects	New space added	Investment (\$000's)	Retained Jobs/New Jobs	GDP (\$1997 millions)
Manufacturing	12	132,628.9m2	\$73,850	1,520	\$130.5
IT	1	8,847m2	\$21,000	440	\$36.2
Biomedical	1	3,713m2	\$14,000	160	\$11.1
Tourism	1(head office)	10,338.3m2	\$29,000	450	\$18.6
Office	4	87,234.5m2	\$163,539	1,140	\$69.9
Total	19	242,761.7m2	\$301,389	3,710	\$266.3

Source: EDCT Econometric model, 2008.

The City must do better than an average overall number of 6 projects per year, if the City is to meet its employment objectives. The goal of the FI Program is to move companies who are in a decision mode to expand or establish new facilities to do so more readily with more financial certainty at least on part of the municipality. Experience has shown that many firms look to their local municipality in term of the business-friendly environment when making these investment decisions. Toronto is making this statement by creating the Financial Incentive Program. It is the desired result of this program that more projects will come forward than if incentives had not been in place. The net benefit is employment and future revenue sources for the City.

Staff recommend that the goal of the FI Program should be to aggressively target to triple the current activity from the trend over the last three years. During the proposed five year life of the program, the FI Program should implement roughly 57 projects.

Figure 7 indicates that for that investment the City would receive over \$904 million in total capital investments, with almost 728,000m2 of new space constructed, along with the creation and retention of 11,000 jobs in well paying sectors and the injection of \$798 million in total GDP into the Toronto economy.

Figure 7. Potential Target for FI Program		
Economic Impact	2005-2007	2008-2012
Number of Projects	19	57
Space Constructed	242,761m ²	728,000m ²
Total Project Investments (\$000's)	\$301,389	\$904,000
Number of Permanent Jobs	3,710	11,000
GDP(\$1997 millions)	\$266.3	\$798.0

Source: EDCT Econometric model, 2008.

RESULTS OF PUBLIC INPUT

Public Consultation/Stakeholder Meetings

As directed by Council, staff undertook an intensive and inclusive public consultation process. Sessions were held in all four districts as well as four additional stakeholder sessions within a three week period. Many issues, concerns and suggestions were forwarded by the public and captured by a retained public facilitator. The results of these sessions are summarized in Attachment 4. The table in Figure 8 attempts to capture responses given to the 5 general discussion areas which the public were asked to comment. The table is not a detailed accounting of all responses. It has been developed in order to give a high level description of the responses heard at the consultations and should be viewed accordingly.

Figure 8. Public Consultation Response to General Discussion Items

Item and Theme	General summary	Recommendations
Program Delivery 1. Certainty 2. Simplicity 3. New legislation 4. Environmental Grants 5. Growth Potential 6. Community benefits 7. Safeguard City's financial interests	<ul style="list-style-type: none"> ▪ A simple straightforward process is essential ▪ Investors need to be able to quantify the benefits and not be subject to program changes... ▪ Who is "in" and who is "out" ▪ Broaden incentives to compete with places like NYC ▪ Clarity on how environmental is defined ▪ SME's with the greatest growth potential should be the focus ▪ Hire locally from priority neighbourhoods, training and apprenticeship programs, day cares, etc. 	<ul style="list-style-type: none"> ▪ A clear and transparent process has been developed which will be administered by the GM of EDCT ▪ An annual report is to be prepared by EDCT outlining program activity, participants.
Sector Approach 1. Manufacturing as a sector 2. Use definitions 3. Mixed use projects 4. Sector vs. Cluster	<ul style="list-style-type: none"> ▪ Manufacturing should be considered as a sector ▪ Environmental companies, creative industries and tourism need definition ▪ Need to clarify guidelines for sectors within a mixed use project 	<ul style="list-style-type: none"> ▪ Staff are recommending that all manufacturing as defined by NAICS be included ▪ Criteria have been

<p>5. Large scale capital projects and specialized facilities</p>	<ul style="list-style-type: none"> ▪ Cluster approach might be more inclusive than sectors ▪ Internationally competitive sectors and specialized facilities will benefit from incentives 	<p>suggested for accepting large-scale tourism and transformative-related projects</p>
<p>Eligibility Criteria</p> <ol style="list-style-type: none"> 1. Concise and Clear 2. Use Definitions 	<ul style="list-style-type: none"> ▪ Criteria needs to be concise and clear to attract participants and for administrative purposes ▪ Too much criteria will decrease participation ▪ Define transformative projects, convergence centres 	<ul style="list-style-type: none"> ▪ Convergence Centres/Incubators; tourism and transformative projects have been defined ▪ Straightforward criteria have been developed
<p>Process and Administration</p> <ol style="list-style-type: none"> 1. Clear policy 2. Simple Process 3. Coordinate with other orders of government 	<ul style="list-style-type: none"> ▪ Council approval or Council-approved policies must be clearly articulated ▪ Tax cancellation preferable to tax rebate ▪ Coordinated and complement programs and grants form other levels of government 	<ul style="list-style-type: none"> ▪ Delegated authority to the GM of EDCT to administer the program as approved by Council ▪ No tax arrears ▪ \$1 million minimum level of investment (construction value) ▪ Adoption of a green building standard ▪ Participation in a local hiring program (PAYE, YEP) ▪ No demolition for 10 years
<p>Monitoring and Review</p> <ol style="list-style-type: none"> 1. Reporting and Monitoring review 2. Marketing 	<ul style="list-style-type: none"> ▪ Public access to information critical ▪ Regular reporting and review needs to be undertaken to determine success ▪ Program needs internal and external marketing ▪ Tenants need to be made aware of program 	<ul style="list-style-type: none"> ▪ Economic Development will produce an annual report on participants and the corresponding grants ▪ Staff have prepared a marketing plan to promote the FI program
<p>Other Incentives</p> <ol style="list-style-type: none"> 1. Reduce development approvals process 2. Industrial land retention 3. Quicker IC tax reductions 4. Reduce development 	<ul style="list-style-type: none"> ▪ Streamline development process ▪ Industrial land conversions need to be stopped ▪ A quicker IC tax reduction might be all businesses need ▪ Development fees need to be reduced ▪ Council needs to know about other incentives being used nationally and 	<ul style="list-style-type: none"> ▪ Incentives ultimately include a ‘can do’ City-wide approach which requires buy in from all processing divisions

fees 5. Invest in Infrastructure 6. Competition	internationally	<ul style="list-style-type: none"> ▪ Economic Development staff to investigate second generation incentives such as labour grants.
-------------------------------------------------------	-----------------	---------------------------------------------------------------------------------------------------------------------------------------------------

Waterfront Public Consultation

Staff undertook public consultation for the Waterfront and South of Eastern CIP's. A consultant facilitated the consultation, which consisted of:

- Two meetings for landowners – one for South of Eastern and one for the Waterfront;
- Two community meetings - one for South of Eastern and one for the Waterfront; and
- A web page (www.toronto.ca/planning/waterfront_cip).

The meetings were attended by about 80 people, most of whom came to the community meetings.

Participants were asked to respond to five general issues. The issues and overall responses were:

- *Should the City be providing incentives?* There was general agreement that the City should provide incentives, with a few opposing them.
- *If so, how much and for how long?* Most participants were unable to provide specifics, as they needed more information on the costs of doing business in the area. There was a clear message from the landowners, however, that the incentives should be provided in a clear, simple and efficient manner.
- *What areas should the incentives apply to?* There was general agreement on the areas shown, though some thought that incentives should apply to the whole of the East Bayfront and Port Lands. The discussion above outlines the rationale for excluding these areas at this time.
- *What uses should be eligible for incentives?* There was a wide range of opinions, with many looking for additional uses to those proposed. There was strong support for environmentally friendly uses.
- *Should other types of financial tools be considered?* There was general agreement that the City should be looking to provide additional support for business in the area through things such as. providing infrastructure, working with the provincial and federal governments and fast tracking development applications.

Perhaps the main value of the consultation was the opportunity it gave to explain to the public and local landowners the aims and potential contents of the CIP's. There was general support for providing financial incentives, and interest in the City's ability to use the CIP's to acquire land and dispose of it and its buildings at below market value.

The consultant's report is attached as Attachment 5.

Consultation with the Province

The Planning Act requires that the City consult with the Province when it is preparing a CIP. The Province does not have final approval authority for the CIP, however. Draft CIP's and an early draft of this report were sent to the Province on April 1st. There had been no response from Provincial staff when this report was signed, although a meeting of City and provincial staff is scheduled before the May 8th meeting of Planning and Growth Management Committee.

OTHER POTENTIAL INITIATIVES

Energy Efficiency Grants

Toronto has a growing reputation for being a leader in environmental initiatives and has been recognized as a North American leader in addressing climate change and one of the top five cities internationally in reducing greenhouse gas emissions. As part of ongoing City efforts, Toronto has developed a comprehensive Climate Change, Clean Air and Sustainable Energy Action Plan which will see the City of Toronto and its residents, businesses and communities take action to cut greenhouse gas emissions, clean the air and create a sustainable energy future. The Plan was adopted by City Council in 2007 and complements the environmental policies contained in the Official Plan.

The City has also developed a complimentary Green Economic Development Strategy which points to the actions required to catalyze green business development in Toronto and to enhance the City's position as 'the' globally recognized green industry hub of environmental innovation that provides environmental solutions for the world at the same time as it evolves into a centre for environmental technology development and production. The Strategy was also adopted by City Council in 2007.

Implementation of the Green Sector Development Strategy recommended actions includes:

- The creation of a one window energy/utility conservation program targeted at the existing business community to support energy conservation, best environmental practices and cost competitiveness;
- The development of training programs to improve contractor's abilities to successfully install environmental products in homes and businesses;
- The development of a green manufacturing action plan to attract environmentally innovative companies to the City and support existing manufacturers' efforts to commercialize new green products.
- The development of a collaborative Global Centre for Sustainable/Renewable Technologies not unlike the "MaRS" (Medical and Related Sciences) Centre in Toronto through the establishment of a Virtual Environmental and Energy Nexus for Urban Sustainability(VE2NUS) with a mandate to integrate and foster collaboration among disparate initiatives.

To position the city as a global hub for green technology innovation and growing market opportunity, the City needs to deploy a comprehensive range of incentives, programs and regulatory changes to make it easier for companies to locate and stay in Toronto. These incentives must be both on the demand side to increase the demand for green products as well as the supply side to encourage new businesses to locate in the city.

The Climate Change Plan recommended initial funding of \$42 million for energy conservation measures and \$20 million for renewable energy projects. Funding for this program is included in the City's 2008 budget and implementation focused on institutions will begin this year. Financing private sector projects will begin in 2009. The program will involve the provision of grants to companies that undertake the work necessary to reduce their green house emissions.

These grants may be available to all industrial and commercial operations throughout the City and will be conditional upon meeting the application requirements and demonstrating the environmental benefit of the proposed work. Companies may receive these grants in addition to any financial assistance provided under the brownfield or development programs noted above.

The CIP may be amended to include provision for these grants when the Energy Efficiency Office develops the administrative details of the program.

The City can play a role through a variety of financial and business cooperative ventures. Tangible policy initiatives focused on reward and recognizing green innovation can also be effective in sustaining businesses throughout their lifetime rather than in the initial formation. Implementing the initiatives outlined in the Climate Change Plan and Green Economic Sector Development strategy will contribute to Toronto's effort to enhance its competitive position in the global market, stimulate strong economic growth, improve the local/global environment's, increase prosperity and better the quality of life for Torontonians.

Further Support for Development in the Waterfront

Incentives and tools provided by the Province, Canada or the private sector may also support sustainable development in the Waterfront. The City and TWRC should pursue the provision of these tools and incentives, when appropriate:

- **Start-up Grants** – incentives from the Federal or Provincial governments to attract strategic businesses.
- **Tax Credits** - Provincial or Federal incentives to reduce the upfront capital or operating costs for developers and builders; for example green buildings and job training.

- **Insured Savings Finance Package** – the cost to use energy efficient technologies is funded up-front by a third party and repaid by building/unit owners from future utility savings.
- **Lease and Lease/Purchase Agreements for New Sustainable Technologies** - environmental equipment is leased to a building owner by a third party; for example, a mini-utility, a leasing corporation, a financing company, a bank, an equipment manufacturer.
- **Public Parking Strategy** – to help relieve the cost of providing underground parking, public parking to support new development may be provided by the Toronto Parking Authority or a suitable private parking operator

South Etobicoke

The New Toronto CIP pioneered the approach to incentives contained in the recommended CIP's. The New Toronto CIP will become redundant when the proposed City-wide CIP takes effect. It should then be repealed at the end of the appeal period. However those applications which have been received up to that date should be processed under the existing South Etobicoke program.

Priority Neighbourhoods

When it approved this program in principle, Council also directed staff to consider whether an additional incentive could be made available for eligible investment in the thirteen priority neighbourhoods.

It is anticipated that many of the developments that take advantage of the incentives will locate in Employment Districts, many of which are near priority neighbourhoods. In addition, most of the priority neighbourhoods are close to employment areas.

The requirement that recipients of incentives take part in job fairs, mentoring programs or other initiatives such as Partnerships to Advance Youth Employment (PAYE) or Youth Employment Partnerships (YEP) will also support job opportunities and access to the mainstream business community for residents in the priority neighbourhoods. This is intended to build positive relationships and lasting connections between Toronto residents and with the business community.

CONTACT

Ian Cameron, Acting Director
Business Development & Retention
Economic Development, Culture & Tourism
Tel: 416 395-7404
icamero@toronto.ca

Adir Gupta, Manager
Financial Policy and Research
Corporate Finance
Tel: 416 392-8071
agupta@toronto.ca

Peter Moore, Project Manager
Policy and Research
City Planning
Tel: 416 392-8806
pmoore@toronto.ca

Peter Finestone
Director, Investment Marketing
Economic Development, Culture &
Tourism
Tel: 416 392-3376
pfinesto@toronto.ca

SIGNATURES

Sue Corke
Deputy City Manager

Joe P. Pennachetti
Deputy City Manager & CFO

Gary Wright
Acting Chief Planner & Executive Director

ATTACHMENTS

- Attachment 1. Draft By-law and Schedules for City-wide Community Improvement Project Area and City-wide Community Improvement Plan
- Attachment 2. Draft By-law for Waterfront Community Improvement Plan
- Attachment 3. Draft By-law for South of Eastern Community Improvement Plan
- Attachment 4. City-wide Public Consultation and Stakeholder Input Report
- Attachment 5. Waterfront and South of Eastern Public Consultation Report
- Attachment 6. Selected Municipal Incentives: Other Jurisdictions