

City of Toronto Proposed Financial Incentive Program Public Consultation Paper

March 13, 2008

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TABLE OF CONTENTS

City of Toronto Proposed Financial Incentive Program Public Consultation Paper

1.0	Introduction	3
1.1	Background	3
1.2	Purpose	3
2.0	Public Consultation Process	3
3.0	Consultation Results.....	5
3.1	Program Elements	6
3.2	Sector Approach.....	8
3.3	Eligibility Criteria	10
3.4	Process and Administration.....	11
3.5	Monitoring and Review.....	12
3.6	Other Possible Incentives and Suggestions.....	13
4.0	Conclusion.....	14

APPENDIX

A	Newspaper Advertisement
B	February 2008 Consultation Paper “Stimulating Economic Growth: Toronto’s Approach to Financial Incentives”
C	Selected Municipal Incentives: Other Jurisdictions
D	Power Point Slide Presentation
E	Consultation Comment Sheet
F	Toronto Municipal Financial Incentives Eligibility Chart

1.0 Introduction

1.1 Background

In December 2007, the City of Toronto Council approved in principle the creation of a City-wide program of financial incentives to stimulate economic growth based on the utilization of tax increment equivalent grants to incent the development of certain employment uses and the provision of tax assistance for brownfield remediation. The financial incentive program would be linked to the City's key economic sectors and implemented through a City-wide Community Improvement Plan (CIP). As part of Council's decision, Economic Development and Planning staff was also requested to develop and manage a consultation process with the business community, social services community, interested community groups and organized labour, and report back on the results of the consultations.

Keir Corp. was retained by TEDCO, in partnership with the City of Toronto Economic Development Division, in February 2008 to assist staff with the public discussions by providing facilitation services and a written report analyzing and summarizing issues raised during the consultation process.

1.2 Purpose

The purpose of this report is to outline the public consultation process that was undertaken by the City and provide an analysis and summary of the consultation findings regarding Toronto's approach to financial incentives.

2.0 Public Consultation Process

As part of the consultation process, staff was requested by Council to:

- i) host consultation meetings in Scarborough, Etobicoke/York, North York and Toronto/East York at their respective Community Council locations;
- ii) consult with local stakeholders, including business associations, labour, social service agencies, and ratepayers.

The public consultation meetings convened at the Community Council locations were advertised in the *Globe and Mail* on Monday, January 28th and Monday, February 4th 2008. (See Appendix A). In addition to the newspaper advertisements, Economic Development staff mailed, via Canada Post, 500 invitations to Ratepayers (list provided by City Clerks Office). The Labour Union was contacted and an invitation extended to its members. Staff also extended an invitation to approximately 550 clients including the real estate and development community, BIA groups, and individual businesses and associations. An article on the proposed financial incentive program was included in the

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City's Economic Development Newsletter, which has a distribution to approximately 1,800 clients. Moreover, the consultation paper distributed at the public meetings (Appendix B) and the staff report were posted on the city's website.

Public consultation meetings were held on the following dates at the respective locations:

- February 4, 2008 - Scarborough Civic Centre, 6-8 p.m., general public
- February 5, 2008 – North York Civic Centre, 6-8 p.m., general public
- February 11, 2008 – Toronto City Hall, 6-8 p.m., general public
- February 12, 2008 – Etobicoke Civic Centre, 6-8 p.m., general public
- February 13, 2008 – City Hall, 8-10 a.m., Real Estate Professionals
- February 14, 2008 – City Hall, 8-10 a.m., Business Associations/Sector Stakeholders
- February 15, 2008 – Toronto Board of Trade, 8-10 a.m., Business and Industry Associations
- February 21, 2008 – City Hall, 6-8 p.m., Labour Groups, Social Service Agencies, & Ratepayers.

Attendees were asked to register with their contact information so they could be apprised of further public notice on the City's proposed financial incentive program.

Packages of information distributed at the meetings included:

- February 2008 Consultation Paper "Stimulating Economic Growth: Toronto's Approach to Financial Incentives" (Appendix B)
- Paper entitled "Selected Municipal Incentives: Other Jurisdictions" – A Sample of Incentives Toronto Competes Against in Canada, the United States and the United Kingdom (Appendix C)
- Power Point presentation handout dated February 2008 entitled "Toronto's Approach to Financial Incentives Public Consultation" (Appendix D)
- A Consultation Meeting Comment Sheet with fax back and email instructions (Appendix E)
- Toronto Municipal Financial Incentives Eligibility Chart – indicating proposed sectors, uses and possible grant eligibility (Appendix F).

There were approximately 25 people in total who attended the public meetings held at the Scarborough, North York, Etobicoke/ York and Toronto/ East York Community Council locations.

The four stakeholder sessions that followed the general public meetings were held to engage specific interest groups. These included the real estate community; sector stakeholders; business or industry associations; and labour, ratepayer and social service groups. Approximately 72 people turned out to the four sessions.

The format for each public meeting and stakeholder consultation session included a Power Point presentation (Appendix D) by Economic Development staff followed by

March 13, 2008.

questions and discussion. Each session provided a dissemination of information by staff on the recommended program and the program approvals process as well as an interactive exchange of information and ideas among the public, stakeholders and City staff. Other City departments, including Planning and Finance, as well as TEDCO staff were represented at meetings to answer specific technical questions related to their particular areas of expertise.

Specific questions were identified on the comment form (Appendix E) and posed at the end of the formal staff presentation to stimulate discussion and opinions about the City's proposed approach for financial incentives. Many attendees asked questions as they arose during the presentation for clarification. Comment forms were provided for immediate written response at the meetings' conclusion as well as for opportunities to faxback and email responses until the end of February 2008. As of March 13, 2008, a total of 13 submissions were received and their contents included in this report.

The consultation process afforded staff the opportunity not only to publicize these new City initiatives but to also seek ideas and opportunities for program enhancement and hear views on the potential strengths and weaknesses from the various stakeholders. The topics and areas that Council was seeking direction on are more fully addressed in Section 3 below.

3.0 Consultation Results

The public consultation results can generally be categorised into six functional areas, specifically, Program Elements, Sector Approach, Eligibility Criteria, Process and Administration, Monitoring and Review and Other Possible Incentives and Suggestions. It is important to note that sections 3.1 to 3.6 herein include a broad spectrum of comments, with the rank order representing the comments received most often. The "Other" category represents comments that may have been articulated by only one individual.

3.1 Program Elements

Participants were generally supportive of the Economic Development Incentive Program that centred on three discrete program elements:

- Tax Increment Equivalent Grants (TIEG)
- Brownfield Remediation
- Special Purpose Grants (Environmental).

Consultation themes that emerged regarding the program elements are identified below.

Rank	Theme	Summary
1.	<i>Certainty</i>	<ul style="list-style-type: none"> • Investors need to be able to quantify the benefits and not be subject to program changes over the period of implementation (i.e. Council may change the program once they determine the magnitude of the taxes to be granted). • 60% tax rebate should be quantified as a cost/sq. ft. or a cost/million dollars of investment to know whether the incentive will be effective enough to change behaviour. • Positive policy direction for the business community.
2.	<i>Simplicity</i>	<ul style="list-style-type: none"> • Understanding the program regarding who is 'in' and who is 'out' without a lot of additional qualifications.
3.	<i>Grant formula</i>	<ul style="list-style-type: none"> • TIEG is an important benefit to the bio-medical + film sectors. • The magnitude of the grant will not be of assistance given overall construction costs for some projects. • Program should be extended for a period longer than 10 years and with a total grant greater than 60%. • Flexible formula reflective of a project's scale, impact and contribution to the achievement of public policy objectives.
4.	<i>New legislation</i> Program Elements: cont.	<ul style="list-style-type: none"> • Broaden the incentives to compete with places such as New York City. • Existing tools (CIP) may not be effective to achieve the City's objectives for increased employment and assessment growth.

Rank	Theme	Summary
5.	<i>Environmental grants</i>	<ul style="list-style-type: none"> • Further clarity on how 'environmental' is defined. • City needs to exercise caution when selecting or recommending a specified environmental building standard given the extra costs involved and the need to recognize a company's existing protocol which may well meet the City's overall environmental objectives.
6.	<i>Growth potential</i>	<ul style="list-style-type: none"> • Small and medium sized firms with the greatest growth potential should be the focus of the incentives. • Business incubators are an employment generator and may have to be treated differently. • May create a market bias in favour of: developers over tenants; new buildings over retention/expansions; large companies over small ones; large projects over small ones; centres over the downtown; and certain sectors and geographic areas over manufacturing within the entire City.
7.	<i>Community benefits</i>	<ul style="list-style-type: none"> • Should be tied to an incentive program related to such things as hiring locally within priority neighbourhoods, training and apprenticeship programs, day care, wages, health care benefits, green initiatives and opportunities for collective bargaining.
8.	<i>City's financial interest</i>	<ul style="list-style-type: none"> • Must be protected so that companies cannot take advantage of the early year tax rebates and then leave.
9.	<i>Competitive jurisdictions</i>	<ul style="list-style-type: none"> • City should examine examples from other jurisdictions to help determine how, and if, it can differentiate itself from the competition and the strengths and weaknesses of these alternative incentives.
<p>Other</p> <ul style="list-style-type: none"> • Taxes are not usually a primary consideration for business relocation. • Building needs assessment could assist the City in determining the proposed effectiveness of this program given the City's market growth and potential. <p>Program Elements: Other cont.</p>		

- The program should be part of a larger City Strategic Plan that also complements and aligns with other City and possibly Federal, Provincial and TEDCO actions and initiatives/programs. There are a number conflicting priorities and initiatives at the City level (i.e. development charges, development fees, CKTR By-law etc.). Some of the largest opportunities for development within the City are on lands controlled by other levels of government.
- “But for test” It was suggested that the incentive program should concentrate on attracting the employment and assessment growth in companies that would not ordinarily have come to, or expanded within, the City ‘but for’ the proposed incentives.
- Competition may increase in the City but then that might be a benefit to a number of companies. Those that are already in Toronto have a market advantage over newcomers.
- Program does not help with employment growth needs or capacity and productivity increases within a company.

3.2 Sector Approach

The initial sectors being considered for incentives by the City include the following:

- Screen based industries
- Food and beverage manufacturing
- Environmental product production and research
- Information technology/New Media Industries
- Tourism
- Bio-medical industries and research
- Aerospace, pharmaceutical and electronic equipment manufacturing.

Consultation themes that emerged regarding the sector approach are identified below.

Rank	Theme	Summary
1.	<p><i>Manufacturing</i></p> <p>Sector Approach: cont.</p>	<ul style="list-style-type: none"> • Should be considered as a sector as it generally represents higher paying jobs and is currently under stress within the City.

Rank	Theme	Summary
2.	<i>Definitions and inclusion/exclusion</i>	<ul style="list-style-type: none"> • Sectors such as environmental companies, creative industries and tourism need to be defined. • Excluding sectors such as financial services, education, paper production, plastics and packaging may send the wrong message either to an existing company or to the area which may then come under threat of conversion. • Defining by exclusion may work better than permissions or sectors in terms of uses or activities that would qualify for incentives.
3.	<i>Mixed Use Projects</i>	<ul style="list-style-type: none"> • Need to clarify the implementation guidelines for sectors within a mixed use project.
4.	<i>Sector vs. Cluster</i>	<ul style="list-style-type: none"> • Need to better understand the rationale for and effectiveness of the sector approach (i.e. sector as a key economic engine, 'value' job generators etc.). • Clusters should replace sectors. • Sector approach could be more exclusionary through the creation of silos whereas the cluster approach is more anticipatory and inclusive. Cluster approach would allow for a convergence. • City needs to support the lands uses and activities that comprise a sector or cluster it is promoting. The sector approach does not ensure high value job creation throughout the entire sector.
5.	<i>Large scale capital projects and specialized facilities</i>	<ul style="list-style-type: none"> • Some internationally competitive sectors with large scale capital projects and specialized facilities will benefit from such an incentive program.
6.	<i>Existing downtown offices and some older industrial areas</i>	<ul style="list-style-type: none"> • Existing downtown offices and some older industrial areas may not benefit from these incentives.
<p>Other</p> <ul style="list-style-type: none"> • City should avoid duplication whereby some industries and sectors currently get financial incentives from other levels of government. <p>Sector Approach: Other.... cont.</p>		

- Sector approach should be broad and include home based offices, new economy ventures, green manufacturing/technologies and intellectual property development.
- Eligible sectors should coincide with those on the Green Manufacturing Action Team list.
- Tourism attractions should also include associated retailing, services and hotels.

3.3 Eligibility Criteria

Possible eligibility criteria for sector selection under consideration include the following:

- Sector concentration
- Sector size
- Economic impact
- International position/leadership
- High facility development costs
- Sector development strategic priorities
- Relevance to available incentives
- Economic need/opportunity (links to priority neighbourhoods)
- Transformative Projects, Incubators, Head Offices, Convergence Centres.

Consultation themes that emerged regarding the eligibility criteria are identified below.

Rank	Theme	Summary
1.	<i>Concise and clear</i>	<ul style="list-style-type: none"> • Eligibility criteria need to be concise and clear to attract participants and for administrative purposes. • Additional criteria and added levels of eligibility will result in fewer recipients, potentially affecting the City's overall objectives to stimulate assessment and job growth. • Program can evolve as it matures and is periodically reviewed for results.
2	<i>Definition</i> Eligibility Criteria: cont.	<ul style="list-style-type: none"> • How do you define and measure transformative projects, convergence centres and priority neighbourhoods?

3.	<i>Other criteria</i>	<ul style="list-style-type: none"> Criteria should be more extensive and include such things as high value jobs, wages, innovation, job retention, restoration of heritage buildings, indirect employment, retention of intellectual property within the City and job density.
<p>Other</p> <ul style="list-style-type: none"> Criteria could be ranked. What is the policy for expanding firms that are not focussed on sales outside of the City? Focus on high quality job creation versus development. 		

3.4 Process and Administration

The process for approval outlined by staff included continued consultation throughout February followed by the preparation of the CIP program and reporting through the appropriate City channels for approval. The CIP does not require Provincial approval but rather Provincial consultation which is underway. Upon Council approval and passage of an implementing By-law, the CIP will take effect, unless there is an appeal to the Ontario Municipal Board.

Questions raised during the consultations regarding effective date of the program, the approvals process, who is administering the program and further public meeting dates were addressed during the presentations.

Consultation themes that emerged regarding process and administration are identified below.

Rank	Theme	Summary
1.	<i>Clear policy</i>	<ul style="list-style-type: none"> Policy needs to be clearly articulated for both potential recipients and project administrators.
2.	<i>Simple process</i>	<ul style="list-style-type: none"> A tax cancellation is preferable to a tax rebate
3.	<i>Coordinate with other levels of government</i> Process and Administration: cont.	<ul style="list-style-type: none"> City's program should coordinate and complement programs and grants from other levels of government (i.e. training and incentives). Efforts should be made at the municipal level to make applicants aware of other governmental programs, grants or incentives.

<p>Other</p> <ul style="list-style-type: none"> • Further consultation is required in order to examine best practices elsewhere. Other jurisdictions tie community benefits directly to incentives and grants and these should be examined more closely. Council has advanced this process too quickly to make an informed decision. • Council approval should be required for every tax incentive application. More public accountability and scrutiny is needed when public funds are to be foregone and this cannot be achieved at the staff level. • Program needs to be transparent in design while containing flexible guidelines. Information requirements need to be clear.
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3.5 Monitoring and Review

Consultation themes that emerged regarding monitoring and review are identified below.

Rank	Theme	Summary
1.	<i>Reporting and performance review</i>	<ul style="list-style-type: none"> • Regular reporting and review needs to be undertaken to determine the program’s success. • Concerns were expressed related to the format of such reports and whether it would be on a summary basis or a project-by-project basis with public access to the information.
2.	<i>Marketing</i>	<ul style="list-style-type: none"> • The program needs to be marketed both within the City and externally. Tenants and developers/landowners need to be made aware of the program and its benefits.
<p>Other</p> <ul style="list-style-type: none"> • The City should have a mechanism in place for monitoring and responding to a change in use where the program is used. 		

3.6 Other Possible Incentives and Suggestions

In addition to the City’s proposed approach and program, the consultation questions asked participants if there were any other types of incentives or actions, financial or non-financial, that the City should explore to stimulate economic development, employment and assessment.

Consultation themes that emerged regarding other incentives and suggestions are identified below.

Rank	Theme	Summary
1.	<i>Development approvals process</i>	<ul style="list-style-type: none"> Streamline the development approvals process which is onerous, expensive and slow. The Concierge Program may assist but may also create inequities among sectors or areas.
2.	<i>Industrial land retention</i>	<ul style="list-style-type: none"> Industrial land conversions need to be stopped not only for residential uses but for retail as well.
3.	<i>Quicker IC tax reduction</i>	<ul style="list-style-type: none"> The need for incentives may be offset with a quicker IC tax reduction and may be more effective at meeting the City’s objectives.
4.	<i>Reduce fees</i>	<ul style="list-style-type: none"> Development approvals, applications and permit fees need to be reduced.
5.	<i>Public Realm Investment</i>	<ul style="list-style-type: none"> Invest in infrastructure improvements within the public realm rather than a TIEG (TTC, GO Transit, an airport link and Union Station).
6.	<i>Competition</i> Other Suggestions: cont.	<ul style="list-style-type: none"> Council should be made aware of the national and international competition facing Toronto in terms of incentives offered (i.e. labour credits, equipment credits, municipal bonds, grants and loans for companies).

Other

- Maintain and improve truck access to and within older industrial areas.
- Retain rail junctions and other essential infrastructure; reduce reporting burdens (i.e. CKTK By-law).
- The prestige and mystique of the core needs to be maintained in order to justify the prices/rents there.
- Help with the approvals process for newcomers; apply program retroactivity for 2 years; and identify specific revitalization tools and suggestions for the Mt. Dennis-Weston Road and Black Creek Employment Areas.
- Provide a good referral base for prospective investors.

4.0 Conclusion

The proposed Financial Incentive Program was viewed as a positive initiative for the City. Although not all parties agreed on the approach presented, there was a general recognition that this is an essential first step to stimulate economic growth, assessment and jobs in order to meet the City's overall goals. The program provides a supportive message to prospective new and existing investors evaluating locational options within an increasingly competitive environment regionally, nationally, and globally.