

## **Review of the Imagination, Manufacturing, Innovation, Technology (IMIT) Financial Incentive Program**

<b>Date:</b>	June 12, 2012
<b>To:</b>	Economic Development Committee
<b>From:</b>	General Manager, Economic Development and Culture
<b>Wards:</b>	All
<b>Reference Number:</b>	P:/2012/Cluster A/EDC/ECON DEV/June/1206-024

### **SUMMARY**

---

This report presents the results of a review of the Imagination, Manufacturing, Innovation and Technology (IMIT) incentive program, as required by the original Community Improvement Plans (CIPs) approved by City Council in 2008. The review was conducted by Economic Development and Culture (ED&C) using an external review panel of stakeholders, and an internal working staff group. As a result, some minor changes to the program are recommended.

During the term of the IMIT program, about \$800 million in new construction investment, over 3.8 million square feet of new or renovated commercial/industrial space and nearly 13,000 new and retained jobs were realized or will be realized from the applications approved to date. The City is set to realize substantial returns from the increase in tax revenues, new and retained employment and public benefits as a direct result of the development that has taken place during the period of this program.

This report recommends that the IMIT program continue, along with improvements that would simplify the eligibility criteria and make the program more efficient. The most important changes are to provide grants for all office projects over 5,000 square metres within 800 meters of a subway or LRT station, and to increase the incentives to for projects in the City's employment lands.

## RECOMMENDATIONS

---

### **The General Manager, Economic Development and Culture, recommends that:**

1. City Council direct staff to report back to the Planning and Growth Management Committee in the Fall of 2012 with recommended amendments to the existing Imagination, Manufacturing, Innovation and Technology (IMIT) Community Improvement Plans (CIPs) that address at least the following:
  - a. Renewing the IMIT financial incentive program;
  - b. Removing the expiry date from the CIPs;
  - c. Setting for the next program review to be four years after the CIP amendments come into full force and effect and every four years thereafter, with such review including a recommendation as to whether the IMIT financial incentive program should continue;
  - d. Increasing the incentive level for eligible applicants constructing new buildings or substantially renovating existing buildings in Employment Districts and other designated Employment Areas as shown on Maps 2 and 13 – 23 of the City of Toronto Official Plan and other Areas as may be amended from time to time, by
    - i. increasing the development grant (TIEG) to 70% of the cumulative municipal tax increment over a ten year period; or
    - ii. increasing the total amount of assistance to 77% of the municipal tax increment over a maximum 12 year period when development grants are provided in conjunction with Brownfield Remediation Tax Assistance (BRTA);
  - e. Introducing new eligibility criteria requiring the development undertaken by the applicant to increase the amount of gross floor area for eligible uses by a minimum of 500 m<sup>2</sup>;
  - f. Requiring applications with over \$150 million in construction value to receive council approval;
  - g. Prohibiting industrial/commercial condominiums from eligibility;
  - h. Removing the requirement that the property must have been developed previously for an urban use;
  - i. Amending the eligibility for offices as follows:

- i. Add new eligibility for any office projects with a minimum gross floor area of 5,000 m<sup>2</sup> located within 800 metres of a subway or LRT station, except within the Financial District (approximately the area shown on Map 6 of the Official Plan);
  - ii. Remove the eligibility for 'Major Office' in the Centres;
  - iii. Remove the eligibility for Corporate Headquarters within Downtown, except for the Financial District (approximately the area shown on Map 6 of the Official Plan);
  - iv. Adding Financial Services as an eligible sector for Corporate Offices except for the Financial District (approximately the area shown on Map 6 of the Official Plan);
  - j. Extending Film Studio eligibility throughout the City;
  - k. Adding Call Centres as an eligible use within the Information Services and Data Processing sector;
  - l. Any other amendments, which, in the opinion of staff will make the IMIT financial incentive program more successful;
2. City Council direct staff to provide notice of the statutory public meeting in accordance with the Planning Act and to take all other necessary actions in order to bring these amendments forward; and
  3. City Council direct staff to report back on the introduction of a fee for IMIT applications.

## **FINANCIAL IMPACT**

The intended purpose of the 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 (TIEGs), 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.

This report continues to provide for stringent eligibility criteria to ensure, to the extent possible, that the 'but for' principle is followed, so that along with the grants to businesses, the balance of new tax revenues will contribute to the City's overall tax revenues arising from new assessment growth.

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

## **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.

At its meeting on May 26 and 27, 2008, City Council adopted the City-wide, Waterfront and South of Eastern Community Improvement Plans (CIPs). In approving this program, Council directed that "the General Manager of Economic Development Culture and Tourism to initiate a review of the CIPs and Financial Incentive Program no later than 4 years after this plan comes into effect or when the total financial commitment through the proposed CIPs exceeds \$50 million, whichever is earlier," Council further directed the General Manager of Economic Development and Culture to report on establishing an External Advisory Panel to assist with the program review.

On July 12, 2011 Council directed that ED&C staff in consultation with the Deputy City Manager and Chief Financial Officer, the Chief Planner and the City Solicitor review the program and establish an advisory panel and to report back in the second quarter of 2012 with the results of this review and any recommended changes.

The links to the Council decisions can be viewed at:

2011 ED5.6 -Review of the Imagination, Manufacturing, Innovation, Technology (IMIT) Financial Incentive Program  
<http://www.toronto.ca/legdocs/mmis/2011/ed/bgrd/backgroundfile-39061.pdf>

2008.PG15.2 - Stimulating Economic Growth – Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program  
<http://www.toronto.ca/legdocs/mmis/2008/pg/bgrd/backgroundfile-12573.pdf>

Stimulating Economic Growth: Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program-Supplemental Report  
<http://www.toronto.ca/legdocs/mmis/2008/cc/bgrd/backgroundfile-13186.pdf>

2007 ED10.1 Stimulating Economic Growth: Toronto’s Approach to Financial Incentives  
<http://www.toronto.ca/legdocs/mmis/2007/ed/bgrd/backgroundfile-8924.pdf>

## **ISSUE BACKGROUND**

The City's IMIT program, adopted by Council in 2008, is delivered by three Community Improvement Plans (City-wide, South of Eastern and Waterfront). The IMIT program provides

financial incentives through the use of Tax Increment Equivalent Grants (TIEG's) and Brownfield Remediation Tax Assistance (BRTA) to address a competitive disadvantage the City has in the cost of developing property for employment uses in Toronto. Another concurrent initiative is the Enhancing Toronto's Business Climate Strategy <sup>1</sup>that seeks to reduce the ratio between residential and industrial/commercial property taxes. The City does not impose Development Charges on industrial projects and only charges Development Charges on ground floor construction for commercial projects. Finally the Gold Star Program provides assistance to developers from Planning and Economic Development staff to expedite the development process. These initiatives are part of a concerted effort to reduce the overall property tax impact on businesses and to ease the development process with the intent of increasing job growth and promoting new development.

Section 82 of the *City of Toronto Act, 2006 (COTA)* prohibits the City from assisting any manufacturing business or other industrial or commercial enterprise financially. However, *COTA* provides an exception to this when financial incentives are provided pursuant to an approved CIP. Also Section 333 of *COTA* in conjunction with an approved CIP provides for financial incentives to support the remediation of contaminated properties and an opportunity to apply for matching Provincial incentives. In accordance with the *Planning Act's* requirements for Community Improvement Plans, the IMIT CIPs require development, redevelopment or remediation for community economic development reasons.

The IMIT program provides incentives to encourage the renovation or construction of buildings and brownfield remediation in targeted sectors throughout the City by way of development grants or tax cancellation. The program supports the policy objectives of intensifying new development, encouraging the adaptive reuse of the existing building stock and promoting the remediation of contaminated employment lands, regeneration and mixed use areas throughout the City.

Since 2008 the IMIT program has been the City's premier business incentive program and is a key component of the City's business attraction and marketing efforts. The incentive provides the City with an opportunity to initiate a more detailed discussion with businesses seeking to locate in Toronto on all of the advantages of locating or expanding a business in Toronto.

Many of our global competitors offer financial incentives, and in this light, it is critically important that Toronto have a program that allows it to compete for new jobs and investment within that global marketplace.

The IMIT program also addresses Toronto's lower job growth when compared with the surrounding region. The regional growth outside of the City can be partially attributed to the lower commercial and industrial property tax rates in those surrounding municipalities. Enhancing Toronto's Business Climate Strategy is one step to address this differential but is not sufficient when there is a need to also factor in increased costs in redeveloping and potentially remediating land and buildings compared to other areas in the GTA. Weaker market interest in office-commercial/industrial construction for employment uses competes with greater interest in and the higher profitability of new residential construction.

---

<sup>1</sup> [http://www.toronto.ca/finance/tax\\_policies.htm](http://www.toronto.ca/finance/tax_policies.htm)

The tables below show a comparison of GTA commercial and industrial property tax rates.

<b>Table 1: Commercial Property Tax Rates New Construction 2011</b>				
	Education	Local	Regional	Total
Toronto	1.330%	1.826%	0.000%	3.156%
Oakville	1.080%	0.525%	0.533%	2.139%
Mississauga	1.253%	0.393%	0.638%	2.284%
Brampton	1.253%	0.619%	0.615%	2.486%
Vaughan	1.204%	0.294%	0.530%	2.028%
Markham	1.204%	0.272%	0.530%	2.005%
Pickering	1.217%	0.544%	1.086%	2.847%

<b>Table 2: Industrial Property Tax Rates New Construction 2011</b>				
	Education	Local	Regional	Total
Toronto	1.330%	1.820%	0.000%	3.150%
Oakville	1.330%	0.851%	0.864%	3.045%
Mississauga	1.330%	0.438%	0.711%	2.479%
Brampton	1.330%	0.701%	0.697%	2.728%
Vaughan	1.330%	0.343%	0.617%	2.289%
Markham	1.330%	0.316%	0.617%	2.263%
Pickering	1.330%	0.847%	1.693%	3.870%

### **Long Term Employment Lands Strategy**

The Long Term Employment Lands Strategy undertaken in 2007 to better understand the pressures facing Employment Districts and Areas across the City of Toronto 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 lands.

### **Prosperity Initiative- Establishing the Path to Growth**

The Prosperity Initiative endorsed by City Council in 2011 identifies 12 pragmatic action areas that will contribute to improving the business climate and stimulate and accelerate economic growth and job creation in Toronto. Included on this list of 12 immediate actions is the following:

The City should also explore the expanded use of property tax incentives. Taxation is one of the most effective policy implementation levers available to the City. Strategic use of incentives will accelerate achievement of the City's goals.

These goals are also reaffirmed in the proposed 2012 Economic Development Strategy.

## How the IMIT Program Works

The incentive is determined by the incremental change in the property tax assessment that is created by new development or renovation of a property. Full tax continues to be paid on the pre-development assessment and any subsequent tax increases after the increment is determined. The IMIT program provides a grant equal to 60% of the municipal taxes over a ten year period from the municipal property tax increase directly attributable to the new development. As such, a portion of the property tax on the newly assessed value is returned to the property owner on an annual basis while the balance of the new tax is retained by the City, as shown in Table 3.

<b>Year</b>	<b>Grant to Owner (as % of MTI)</b>	<b>Tax Retained by City (as % of MTI)</b>
Year 1	100	0
Year 2	91	9
Year 3	82	18
Year 4	73	27
Year 5	64	36
Year 6	56	44
Year 7	47	53
Year 8	38	62
Year 9	29	71
Year 10	20	80
Year 11	0	100

MTI- Municipal Tax Increment

Eligibility is restricted to targeted 'export –oriented' sectors throughout the City. Local population-serving sectors such as hotels, medical offices and retail are ineligible. Eligible sectors include all manufacturing activities, food and beverage wholesaling, and other knowledge based sectors including bio medical, film based industries, software development, information and communications technology, creative industries and scientific research and development. The City-wide CIP permits major tourism attractions along with very large 'transformative' projects that require further approval from Council.

Office developments are eligible for incentives with variable eligibility criteria depending on geographic location (downtown, centres or city-wide) and other characteristics including size or whether the office would house a corporate headquarters as defined by presence of corporate officers, size of employment and other factors.

In addition to the City-wide CIP there are separate CIPs for both the South of Eastern area and the Waterfront (Port Lands, West Don Lands and East Bay Front). These CIPs although similar to the City-wide CIP provide more liberal eligibility criteria for certain sectors and uses specifically targeting the film industry and new speculative office development. In addition the South of Eastern and Waterfront CIPs provide for discounted land acquisition and disposal:

The City may acquire land, develop it, rehabilitate or expand existing buildings on it, and sell, lease or otherwise dispose of the land or its buildings, at or below market value, in order to implement the objectives of this CIP.

The following chart outlines the sector/use differences between the three CIPs:

<b>TABLE 4: IMIT CIPs CURRENT SECTOR/USE DIFFERENCES</b>			
	<b>City-wide 516-2008</b>	<b>South of Eastern 517-2008</b>	<b>Waterfront 518-2008 (Port Lands, West Don Lands, East Bayfront)</b>
<b>Business and Financial Services</b>	No	No	West Don Lands, East Bayfront
<b>Manufacturing</b>	Yes	Yes	Port Lands
<b>General Office</b>	No	Yes	West Don Lands, East Bayfront
<b>Film Studios</b>	No-except Wallace- Junction	Yes	Port Lands
<b>Colleges- Targeted Sectors</b>	No	No	West Don Lands, East Bayfront
<b>Tourism Attractions</b>	Yes	No	West Don Lands, East Bayfront
<b>Transformative Projects</b>	Yes	No	No

All three CIPs target larger size construction projects with a requirement of a minimum of \$1 million in construction value. The property must have no fee or tax arrears. Finally there are two distinct public benefits that are part of the program:

- the need to meet Tier 1 of the Toronto Green Standard
- an employment requirement that is not a hiring quota but calls upon successful applicants to work directly with Employment and Social Services to bring employment opportunities at the eligible businesses to Toronto residents.

The IMIT program also provides an incentive for brownfield remediation-Brownfield Remediation Tax Assistance (BRTA). This incentive provides up to three years of municipal property tax cancellation, not exceeding approved remediation expenses, to support the remediation of contaminated property for non-retail employment uses. The property must have a level of contamination that would prevent a Record of Site Condition (RSC) from being filed with the Ministry of the Environment. The property must be remediated to meet Ministry of the Environment standards.



All successful IMIT applications are exempt from municipal Development Charges.<sup>2</sup>

All successful development grant and brownfield incentive applicants enter into a Financial Incentive Agreement with the City that outlines the terms and conditions of the Program. Applicants are required to affirm annually their compliance with these terms and conditions. Default on any item creates a condition where future grants may not continue and/or require the repayment of incentive money already disbursed is required.

## **COMMENTS**

### **Overview of Program Results to Date**

The IMIT program is designed to attract or retain businesses that would locate outside of the City "but for" the incentives provided; the new assessment value, additional property tax revenue, employment retention and growth associated with these projects would not have occurred without the incentive program.

To some extent, the true financial impact is difficult to estimate because the basis of the grant is that, without it, the development would not occur – a fact difficult to prove. Many of the applications approved clearly would not proceed without the assistance of financial incentives – Apollo Health and Beauty Care, the Coca-Cola Canada headquarters and Ripley's Aquarium to highlight a few. Others are less clear, such as in the office sector in the downtown core where several office towers were constructed in the absence of the IMIT financial incentives. Some stakeholders suggested rather than incentivizing new development, the City should instead apply the funds to reduce the commercial tax rates for all businesses. This latter approach however, when spread over as large of a commercial tax base as in this City, would not likely have any beneficial impact on business location decisions. In reality it cannot be determined absolutely whether each approved application would have taken place without the incentive being available. To help ensure that the incentive contributes to the decision to locate in the City, and is not a post-development 'windfall', IMIT applications are not accepted after the main building permit has been issued. In addition, the applicants demonstrate their 'commitment' by being required to wait to receive grants until after their development has been reassessed and they have started paying taxes on the increment – usually 3+ years after their application.

This chart shows IMIT program activity from program inception. This activity is consistent with results anticipated when the program was adopted by Council in 2008. The balance of new tax revenues will contribute to the City's overall tax revenues arising from this new assessment growth. The City has received twenty-five applications and completed approvals for thirteen of those. Two have reached the incentive payment stage. Of the remaining twelve applications, five are still in the approval process and seven have either been found ineligible, been withdrawn or have become inactive.

---

<sup>2</sup> <http://www.toronto.ca/legdocs/bylaws/2009/law0275.pdf>

<b>Table 5: Applications Received September 2008-May 2012</b>				
<b>Sector/Use</b>	<b># of Applications</b>	<b>Eligible Gross Floor Area</b>	<b>Construction Investment \$</b>	<b>Employment</b>
Office-HQ	6	2,827,398	448,903,000	17,380
Food Processing	4	505,307	26,550,000	575
Office-Sector Based	3	287,000	55,000,000	710
Convergence	2	134,983	26,800,000	325
Incubator	2	44,632	4,572,424	125
Manufacturing	2	495,664	28,511,425	475
Biomedical	1	900,000	180,000,000	2500
Creative Industries	1	45,394	2,300,000	100
Film Studio	1	260,500	50,000,000	350
IT-Data Processing	1	42,000	6,000,000	50
Office- Waterfront	1	525,813	112,000,000	1100
Tourism	1	101,181	107,000,000	300
<b>TOTAL</b>	<b>25</b>	<b>6,169,872</b>	<b>1,047,636,849</b>	<b>23,990</b>

IMIT applications have been received for developments occurring throughout the City. The strength in the office category reflects the recent trend for new office development in the central City. No applications have been processed for office headquarters outside of downtown. By sector, the highest number of applications received is in food processing. This sector has been identified (see City of Toronto-2010 Toronto Food Sector Update<sup>3</sup>) as having the potential to be a high growth, high investment sector for the City. Approved applications for this sector are located in Employment Districts in North York and Scarborough. Creative sector uses represented by convergence centre applications have located in the central City.

<b>Table 6: IMIT Applications Approved* September 2008-May 2012</b>				
<b>Sector/Use</b>	<b># of Applications</b>	<b>Eligible Gross Floor Area</b>	<b>Construction Investment \$</b>	<b>Employment</b>
Convergence	2	132,983	26,000,000	325
Food Processing	2	321,000	17,950,000	375
Office HQ	2	1,100,000	257,000,000	6,980
Biomedical	1	900,000	180,000,000	2500
Film Studio	1	260,500	50,000,000	350
Incubator	1	36,000	1,572,424	100
Manufacturing	1	385,000	23,000,000	400
Office-Sector Based	1	100,000	25,000,000	500
Office-Waterfront	1	525,813	112,000,000	1100
Tourism	1	101,181	107,000,000	300
<b>TOTAL</b>	<b>13</b>	<b>3,862,477</b>	<b>799,522,424</b>	<b>12,930</b>

\* Indicates Signed Financial Incentive Agreement

<sup>3</sup> [http://www.toronto.ca/invest-in-toronto/pdf/2010\\_Toronto\\_Food\\_Sector.pdf](http://www.toronto.ca/invest-in-toronto/pdf/2010_Toronto_Food_Sector.pdf)

## **Employment**

The thirteen approved applications represent thousands of new and retained jobs that either may not have located in the city or potentially may have left the City. The 12,000 jobs created and retained by these approved projects will greatly assist in meeting the City's Official Plan employment forecast of 1.835 million jobs by 2031.

## **Sectors**

The program seeks to target development in those sectors that produce substantial added value through a multiplier effect or those are part of the knowledge economy. In addition, office development as a use is seen as a key means to achieving higher density knowledge based employment throughout the City.

Applications have been received from a wide variety of sectors. Although the overall sample size is small the program has been successful in attracting additional development in high impact sectors.

Sectoral based strategies are popular economic development strategies and attempt to target resources to those businesses that may provide the greatest positive impact to the local economy. They seek to differentiate lower wage location driven service and retail employment from higher wage export based employment. Export based development is important to an economy as it assists in expanding an economy beyond its local base. A knowledge based economy is driven by a highly skilled labour force with higher than average wage rates. The IMIT program support for MaRS Phase II and in significant office developments indicate that the program has been successful in this regard.

## **Construction Employment and Related Economic Impact**

The Program will create additional positive economic impact through an estimated 5,840 direct temporary construction jobs, employment of 1,438 through construction supplier chains and an additional employment 1,762 through the purchase of additional goods and services in what is known as the multiplier effect. The total estimated regional GDP impact of this program is estimated at \$789,298,807.<sup>4</sup>

---

<sup>4</sup> Ontario MTCS Tourism Regional Economic Impact Model 2012

<b>Table 7: Assessment Growth</b>						
Approved and Finalized IMIT Applications (*estimated 2012 dollars)						
Sector/Use	Pre Dev CVA	Annual Municipal Taxes Paid Pre Dev	Post Dev CVA*	Annual Municipal Taxes Post IMIT*	First Payment Year*	10 Year Total Dev Grant In 2012 Dollars*
Waterfront- Office	4,000,000	74,000	116,000,000	2,030,000	2011	24,000,000
Film Studio	Exempt	0	50,000,000	880,000	2011	5,000,000
Incubator	3,600,000	68,000	5,170,000	90,000	2012	200,000
Office-HQ	22,400,000	300,000	140,400,000	2,460,000	2012	12,000,000
Convergence Centre	6,600,000	0	15,360,000	270,000	2013	1,000,000
Food Processing	6,700,000	140,000	15,700,000	270,000	2013	1,000,000
Convergence	3,200,000	13,000	21,230,000	370,000	2013	2,000,000
Manufacturing	220,000	300	23,000,000	400,000	2013	2,000,000
Office- Sector Based	34,500,000	630,000	59,500,000	1,040,000	2013	3,000,000
Food Processing	8,600,000	140,000	17,600,000	308,000	2014	1,000,000
Tourism	7,400,000	0	114,400,000	2,000,000	2014	11,000,000
Bio-Medical	20,800,000	270,000	200,800,000	3,500,000	2014	18,000,000
Office- HQ	37,500,000	650,000	176,500,000	3,090,000	2015	15,000,000
<b>Annual Total</b>	<b>155,520,000</b>	<b>2,285,300</b>	<b>955,660,000</b>	<b>16,708,000</b>		
<b>Ten Year Total</b>		<b>22,853,000</b>		<b>167,080,000</b>		<b>95,200,000</b>

## Other Benefits

### Employment Requirement

The IMIT program has the following requirement as stated in the three CIPs:

***Local Employment:** the applicant or user of the property must agree to participate in at least one of the City endorsed local hiring employment programs such as Partnerships to Advance Youth Employment (PAYE) or Youth Employment Partnerships (YEP), or their successors.*

Toronto Employment and Social Services (TESS) staff in cooperation with ED&C has collaborated to develop joint strategies for connecting Toronto residents to employment with those property owners and businesses that have successfully applied for an IMIT program grant. The Employment Requirement participation component is led by TESS and may involve working with inter-divisional colleagues and community partners. Each successful applicant must maintain an ongoing effort to meet this requirement throughout the entire term of the incentive. Some activities that have taken place to date from approved IMIT applicants include: presenting at PAYE learning events; working with TESS for local hiring screening, placement and referrals for available positions; filling available positions with applicants referred by TESS and participation in Hammerheads, a construction apprenticeship program for youth from under-resourced neighbourhoods.

### Toronto Green Standard

IMIT program goals include improving air quality, energy efficiency and reducing water consumption of eligible developments through adherence to the minimum Tier 1 requirements of the Toronto Green Standard (TGS). All successful IMIT applicants agree to meet the minimum requirements of TGS. This compliance with the TGS has brought building improvements that would not have otherwise occurred.

Although TGS compliance is now mandatory for all new buildings that apply for site plan approval, the IMIT requirement will still capture those new buildings that either do not fall under this requirement and those that are renovation projects. Approximately 25% of the approved IMIT applications did not fall under the City's general TGS requirement and significant environmental upgrades happened as a result of their IMIT application.

Typical improvements include the use of reflective cool roofing materials, bird friendly glazing, additional bicycle parking and additional landscaping.

### **Marketing**

Toronto competes for new development on both a regional and international landscape. Marketing the strengths of Toronto to attract new business is an effort undertaken both through the ED&C, our partners at Invest Toronto and Build Toronto and other agencies. Approved grant recipients will also have a role in sharing the program success. Although there are numerous positive factors to promote business location and expansion in Toronto the existence of a significant municipal incentive program is a critical factor in new lead generation both on a local, regional and international level.

Promoting the incentive generates investment leads even if the IMIT incentive does not apply to a particular project. Staff then has an opportunity to discuss other services available that support business development and job creation.

The incentive itself puts Toronto on a more level playing field with our international, US and Canadian counterparts (e.g. Quebec) in terms of investment attraction. See Attachment 3 for an overview of selected incentive programs.

### **Brownfield Remediation Tax Assistance**

The IMIT program also provides an incentive to support the remediation of contaminated land that occurs in conjunction with a building development project for employment uses as allowed by the City of Toronto Act (Section 333). Brownfield Remediation Tax assistance (BRTA) provides up to three years of property tax cancellation capped at either 100% of the total increment over three years or the total cost of remediation. In addition, the City may apply on the applicant's behalf to the Province for matching assistance through the Provincial Brownfield Tax Incentive Program (BFTIP). The property owner must show the need for remediation through a Phase II environmental study and follow the Provincial Ministry of the Environment process and regulations to document that remediation process. Once remediated, new construction or renovation must take place for eligible employment uses. The IMIT program has approved five brownfield remediation tax assistance applications. These five projects are projected to incur or

have incurred an estimated \$17 million in qualified remediation expenses. Approximately \$7 million of these expenses are approved for BRTA municipal tax cancellation. One project has been approved for matching education property tax cancellation by the Ontario Minister of Finance.

### **Expected Future Impacts**

If the Program is extended with the proposed recommendations an increase in program activity through additional applications can be expected.

Based on program activity to date and, if the recommendations are adopted, with a broader, easier to understand program eligibility the City could potentially approve over a four year period an additional twenty four applications. Because each application is a unique project it is difficult to anticipate the value of these. Based solely on historical activity it could be anticipated that if the number of approved applications increase by 50% percent than the City could approve up to \$157 million in new tax expenditures over a four year period. Those same approvals will create \$105 million in new tax receipts over the 10 year grant payment period and \$262 million in tax revenue when full tax is paid in year 11 and every year thereafter.

Estimates based on historical data will not reflect changes in the real estate market or general economy.

## **PROGRAM REVIEW**

### **External Review Panel**

A series of three meetings led by ED&C took place between January and May 2012 with an External Review Panel (Attachment 1). This review panel was comprised of representatives from the City's business, real estate, academic and development community and IMIT applicants. Key deliverables were:

- Recommend what action might be taken to improve program outcomes, and
- make recommendations on the value of extending the program past 2013.

The review panel offered a wide range of comments and opinions and the following offers highlights of this discussion but is not meant to be a comprehensive listing. This commentary, in addition to those offered by the internal working group, led to the recommendations offered in this report.

The following is a summary of the comments and discussion that took place during the three external review panel meetings.

### Program Continuation and Expiry Date

The Program should be renewed and continue with no set expiry date. The program has been found to be generally successful. Council has the prerogative to review or to remove the program at any time. The Program should go through a similar review process four years after the amended CIPs come into full force and effect.

### Property Tax Rates

The IMIT incentive can be considered the "second best" solution in place of a significant across the board reduction of commercial/industrial property taxes. Toronto, in lieu of an incentive program, could reduce the overall industrial/commercial tax rate that would distribute a tax reduction to all industrial and commercial property owners. The total industrial/commercial tax bill for 2012 is \$1.455 billion. Based on current program activity we can assume a \$10 million annual program expenditure. If that \$10 million was applied as an across the board tax reduction it would result in a .7% property tax reduction. This reduction would be too small to have a meaningful impact on individual firm location or expansion decisions

The review panel would like to foster a major rebalancing of the residential and commercial/industrial tax rates to address this disparity. In place of this rebalancing an incentive program that provides a property tax reduction for new employment related development partially addresses this issue.

The commercial/industrial property tax rate in the City of Toronto is significantly higher than the residential tax rate. Although the commercial/industrial tax rate disparity is being reduced through Enhancing Toronto's Business Climate Strategy<sup>5</sup> there is a higher tax burden shouldered by industrial/commercial property owners. The review panel felt that not enough is being done to address this disparity either through the IMIT program or Enhancing Toronto's Business Climate Strategy. Office-commercial/industrial property owners also typically utilize fewer City resources therefore costing less for the City to service than residential property owners.

With regional property tax rates generally lower than the City rate the IMIT program can assist in levelling the playing field for those firms looking at locating or expanding in Toronto vs. the GTA or other areas. This incentive program is one method of addressing the regional property tax disadvantage of the City.

If other municipalities in the GTA begin to offer similar incentives the effectiveness of the IMIT program would be diminished. To date no GTA municipality offers a similar incentive program.

### Need for an Incentive

The panel agreed that it can be difficult to measure with absolute certainty whether a development project required an incentive to proceed. Development decisions rely on a multitude of factors. Those review panel members who were also IMIT applicants did strongly stress the importance of this incentive program to make their projects viable.

If the approved applications all required the incentive to go forward (that they would not occur "but for" the incentive) then there is no revenue impact associated with the incentive and it can be considered "free". If the IMIT applicants did not require the incentive to proceed with their project then there is a revenue effect that will need to be offset: either through tax increases on other taxpayers, borrowing or program cuts.

---

<sup>5</sup> <http://www.toronto.ca/legdocs/2005/agendas/council/cc051026/pofedp2rpt/cl001.pdf>

Finally, the advisory panel acknowledged that for not-for-profit developers that operate on a cost recovery basis the IMIT program can assist in creating sustainability over the long term by reducing operating costs and allowing the reallocation of funds to program delivery.

### Sectors

All agreed that governments are not the best selector of economic "winners and losers" over time. The market is better at selecting growth areas for the municipal economy. Regional development outside of the City, especially in the office category, has outpaced the city significantly mainly due to the lack of available land, ease of development and property tax differential. Panel members found the sector/use criteria to be confusing especially in the office category. The panel indicated a desire to assist the growth of the office market outside of the downtown core where little recent development has occurred. It recommended removing any barriers to qualifying office for the incentive program.

The external panel recommended removing sector/use based eligibility while maintaining a list of prohibited uses. Although not comprehensive, a list of prohibited uses should include retail, residential and location driven services.

### Program Design

External review panellists all agreed that it is important that the incentive program be easy to explain and to understand. The application process should be transparent, equitable and easy to access. The incentive should not be discretionary or subject to application specific political review.

The program should have a limited set of eligibility criteria. They found the current sector/use eligibility criteria cumbersome and needing to be streamlined.

There was concern that it is difficult to predict what the final incentive will be until several years after an application is finalized. This gap creates a level of uncertainty for both the applicant and the City. This is a difficult issue to address as the incentive is based on the assessment differential. The post development assessed value is determined by an outside Agency, MPAC, making it difficult to accurately predict or expedite.

### Application Fee

An application fee would assist the City in recovering some of the program administrative expenses from applicants and discourage frivolous applications.

### Condominium Applications

The recommendation is to continue to explore a way to accept and administer condominium applications in a way that efficiently uses staff resources.

### Individual Project Cap

The panel was not supportive of including an individual application cap that would require approval of council for those applications with over \$150 million in construction value. They felt that adding a more subjective review process to higher value applications was not necessary.



### Enhanced Incentives for Employment Districts and Areas

The panel discussed the possibility of an enhanced benefit for a number of sector or geographic areas. One concern raised was the difficulty of developing land that is closer to the City boundaries specifically Steeles Avenue. Due to the property tax differential and higher development higher projects are often lost to regional competitors. The one area that there was general consensus was the need to, through the IMIT program, generate additional interest in development for non-retail employment uses in the City's designated Employment Districts and Areas. These employment lands have seen increased pressure for conversion to retail, residential and other non-employment related uses. It is critical to explore if the incentive program might have a role in supporting new development in these areas.

Employment lands are viewed in the Official Plan as hothouses of new activity. Employment growth in many of these areas has not been as expected.

The panel examined how to determine what an enhanced incentive should entail. How can we determine the elasticity of the IMIT incentive? If we change the incentive term or amount how does this influence a firm's location decision? Again, location decisions involve multiple factors and incentive elasticity is difficult to measure. The IMIT program should avoid operating as a reward instead of an incentive.

### Need for Increment

The incentive is based on the increase in assessed value directly attributable to the new development. Construction investment in itself will not automatically increase the assessed value. For rehabilitation or renovation IMIT applications this has posed a challenge. The preferred situation is to only process those applications that have a reasonable expectation of creating additional assessed value directly attributable to the investment. The review panel agreed that there must be some assurance at the initial application stage that the project will accomplish this.

### Investment Threshold

The current construction investment eligibility threshold is a minimum of \$1 million dollars. The panel recommended having this remain at \$1 million to capture smaller development projects that might benefit from the program.

### Other Benefits

The review panel agreed that it is important to continue to have successful IMIT applicants meet the other benefit requirements. The current requirements were deemed sufficient and not in need of significant change. Further explanation on these benefits and how an applicant meets these requirements should become a part of the CIP amendments.

### General Review Panel Discussion

The panel also offered the following opinions:

The IMIT incentive may be necessary to attract development but the incentive alone is not likely sufficient in itself to influence location decisions. Infrastructure, employment, quality of life, transportation and ease of the planning and permitting process are a few additional variables to

be considered. How each variable weighs in that decision making process will vary from project to project.

Incentives provide support for expanding/investing firms but provide no advantage to existing firms that are not investing. The City needs to explore ways to provide support for those firms that are stable but not currently investing or expanding.

Further, the review panel acknowledged that the IMIT program provides marketing strength on the international level but cannot compete in value to many international incentive programs especially those based in the United States. International incentive programs offer a wider variety of incentives of higher value and greater flexibility including from outright grants and low or no interest loans. Toronto competes in a complex world where combined packages of municipal, state and federal incentives outweigh our declining provincial and federal incentive programs in Canada. It is important that we use any advantages available on the municipal level to make up for this differential.

### **Internal Working Group**

In addition, an internal working group led by ED&C and comprised of representatives of City Planning, Corporate Finance, Employment & Social Services, Legal Services and Revenue Services met on three occasions over the same period in parallel to the external review panel meetings. Consultation from this group assisted in informing the agenda for the external review panel and the recommendations of this Report. Key deliverables that were examined:

- Recommend what action might be taken to improve program outcomes, and
- make recommendations on the value of extending the program past 2013.

The following is a summary of the comments and discussion that took place during the three internal working group meetings.

#### Program Continuation and Expiry Date

The Program should be renewed and continue with no set expiry date. The program has been found to be generally successful. Council has the prerogative to review or to remove the program at any time. A review should take place either after a set time period or after a certain dollar threshold has occurred with a suggestion of \$100 million in program commitments.

#### Sectors

There were suggestions to tighten the definitions for incubators, creative sector and convergence centres. It was also agreed to add call centres to the list of eligible uses. It was recommended to continue with a sector based approach.

#### Location

It was agreed to remove the location criteria for the following sectors/uses and to make their eligibility city-wide:

- Film Studios
- Financial Services, as a corporate office sector

Film uses have continued to expand throughout the City and it was agreed that incentives should reflect this change. The expansion of financial service eligibility is directed toward the attraction of financial service back office (administrative) developments outside of the downtown core.

### Office

It was recommended to expand non-sector specific office eligibility from the Centres (Scarborough, Etobicoke and North York) to those locating within 800 metres of higher ordered transit stations. (subway/light rapid transit) and reducing the minimum size requirement to 5,000 square metres. The majority of office space in the GTA, outside of the downtown core, is located beyond the reach of higher-order transit.<sup>6</sup> Office development that occurs in car dependent locations adds to already high levels of traffic congestion. Sector based corporate office eligibility throughout the City should remain.

### Need for Increment

An identified concern is that applications have been received that, although meeting the construction investment eligibility requirement (\$1 million in construction value), are not likely to create an increase in the assessed value of the property. The incentive is derived from the development creating a significant increase in assessed value directly attributable to the new development. Accepting applications when there is no expectation of an increase in assessed value creates unrealistic expectations on the applicant's part, inefficient use of staff time processing these applications and the danger of providing incentives for increases in assessed value that are not related to the eligible development. The recommendation is that as a condition of eligibility that a minimum of 500 square metres of new sector based employment space be created.

### Brownfield Remediation Tax Assistance

There were no recommended changes to this aspect of the program. Prior to the next program review a more fulsome examination on how the City might improve its support for remediation projects should be done.

### Other Benefits

It was agreed to maintain the employment requirement and the Toronto Green Standard Tier 1 compliance requirement as is.

### Application Fee

Two proposals were discussed. One was to charge an annual administrative fee that would be in the range of 1-2% of the grant. This would be deducted from the annual grant payment. The second proposal is to charge an application fee. The City user fee policy was reviewed and it was determined that the IMIT program has both a public and private benefit. In light of the User Fee policy the City might consider if partial cost recovery would be contrary to the intent of the program. An application fee would also have the benefit of preventing any frivolous applications. There was some additional comment on the incongruence of charging a fee for an incentive program. As the IMIT applicant projects are large projects and the fee relatively small

---

<sup>6</sup>The New Geography of Office Location and the Consequences of Business as Usual in the GTA  
[torontoofficecoalition.com/pdf/Business\\_Competiveness\\_Jan2011.pdf](http://torontoofficecoalition.com/pdf/Business_Competiveness_Jan2011.pdf)

this was not generally viewed as a deterrent. It was agreed that the possibility of an application fee should be explored.

### Condominium Applications

Discussion took place on the feasibility of accepting applications for commercial/industrial condominium projects. There are several difficulties with these projects. After development and sale a project may split into many separate roll numbers each requiring its own separate tracking for program compliance and annual grant payment. Acceptance of applications for commercial/industrial condominium projects would increase IMIT program administration efforts and expense. The recommendation was to prohibit these applications.

### Investment Threshold

The current construction investment eligibility threshold is a minimum of \$1 million dollars. There were several proposals to increase that up to a maximum of \$5 million so as to capture only larger, more impactful projects.

### Greenfield Development

In the original program design, sites that had not been previously developed for an urban use were not eligible to receive grants, since an important basis for providing grants for non-office development was the relatively high costs of redevelopment for modern facilities in Toronto. Most of these greenfield sites were in north east Scarborough and when the city-wide CIP was originally adopted it was expected that those lands would quickly develop. That has not been the case, and ineligibility for the incentive may have been the reason that some prospective developers have located elsewhere. Removing this ineligibility may encourage the development of these remaining greenfield sites.

### Individual Project Cap

It was recommended that the City consider a cap for each individual application of \$150 million in construction value. Projects that are of a higher amount should require Council approval.

### Enhanced Incentive for Employment Districts and Areas

Concern was expressed regarding any enhanced benefits for the program solely based on geography. Might this additional incentive encourage areas within the City to compete with each other? One proposal suggested to address this concern was to provide an enhanced incentive for those projects most likely to locate in Employment Districts and Areas (e.g. manufacturing, bio-medical and food processing). It was agreed that the City needs to attract employers that are best served by locations in designated Employment Districts and Areas.

## **ED&C Recommendations**

ED&C has reviewed and considered all comments from both the external review panel and the staff interdivisional group to develop the following IMIT program recommendations:

### Program Continuation and Expiry Date

The program has proven to be effective and should be continued. It is an invaluable tool in attracting new and significant developments to the City. The program should be reviewed in another four years and every four years thereafter to determine whether it should be continued, if

there should be any changes to the incentive amount, term or eligible sectors or other eligibility criteria.

The separate CIPs for South of Eastern and the Waterfront should be retained. Although they have similar sets of incentives to the City-wide CIP, there are important differences, particularly in their bases and objectives. In addition, there are major reviews underway in each area: the Port Lands Acceleration Initiative and the development of a planning framework for South of Eastern Employment District. The completion of these reviews may prompt a further review of the CIPs for each area.

#### Enhanced Incentive for Employment Districts and Areas

Employment Districts are characterized by manufacturing, warehousing and product assembly activities as well as commercial business parks and comprise 27.1% of all jobs in the City. These are regionally and globally competitive locations for national and international business and as areas for business formation. Investment and job growth in the City's designated Employment Districts and Areas has not been as great as expected. Since 2006, overall employment in all Employment Districts dropped by 7.4% a decline of 28,500 jobs.<sup>7</sup> With an enhanced incentive the City would signal to businesses and developers that attraction of new investment to these Employment Districts and Areas is a priority. New development in Employment Districts and Areas will assist in providing employment opportunities to the suburban areas and priority neighbourhoods.

#### Office Development

ED&C recommends that the eligibility criteria for office development be simplified. The majority of new office construction has taken place within the downtown core while there has been minimal new office development outside of this area. Simplified criteria may aid in attracting office development projects outside of the downtown core. ED&C recommends expanding the non- sector specific office criteria for projects 5,000 m<sup>2</sup> or greater that locate within 800 metres of a subway or light rapid transit station, except those in the Financial District. Sector specific office projects greater than 5,000 m<sup>2</sup> would remain eligible throughout the City except for those in the Financial District. Corporate Headquarters meeting a specific set of eligibility criteria would remain eligible in the Financial District.

#### Greenfield Development

ED&C recommends removing the prohibition for providing incentives to projects located on the City's greenfield sites. These sites can be considered underutilized land. Although the 2006 Hemson Phase 1 land use study indicated that these greenfield properties would develop quickly over the following five years there has not been the level or type of development as described.

#### Sectors

ED&C recommends continuing with the present approach of identifying sectors or uses that are eligible for grants, rather than identifying uses that are not eligible. ED&C also recommends adding call centres to the list of eligible uses.

---

<sup>7</sup> Toronto Employment Survey 2011 <http://www.toronto.ca/legdocs/mmis/2012/pg/bgrd/backgroundfile-48094.pdf>

### Individual Project Cap

ED&C recommends requiring Council approval for individual applications with greater than \$150 million in construction value.

### Application Fee

ED&C recommends reporting back on the feasibility of an IMIT application fee.

### Need for Increment

ED&C recommends as a condition of eligibility that a minimum of 500 square metres of new sector based employment gross floor area be created.

### Condominium Applications

ED&C recommends prohibiting commercial/industrial condominium applications.

### Other Benefits

ED&C recommends maintaining the existing employment requirement and the Toronto Green Standard compliance requirement as it is currently structured.

## **CONCLUSION**

ED&C recommends that Council endorse the proposed IMIT program changes as outlined in this report. Endorsement by Council of any or all of the recommendations will require that the amendments be presented to a statutory public meeting held by the Planning and Growth Management Committee.

This Report has been prepared in consultation with City Planning, Employment and Social Services, Corporate Finance, Legal Services and Revenue Services.

## **CONTACT**

Rebecca A. Condon  
Economic Development Officer  
Business Services- Business Retention and Expansion  
Tel: 416 392-0626  
E-mail: rcondon@toronto.ca

## **SIGNATURE**

Michael H. Williams, General Manager  
Economic Development & Culture

## **ATTACHMENTS:**

- Attachment No. 1: External Advisory Panel Members
- Attachment No. 2: Select Applicant Profiles
- Attachment No. 3: Comparative Review of Incentive Programs
- Attachment No. 4: Summary of Recommended Program Changes
- Attachment No. 5: Summary of Recommended Program Changes (Staff)

**IMIT Program Review  
External Advisory Panel Members**

**Toronto Real Estate Board**

Mauro Ritacca  
Manager of Government Relations

**Toronto Industry Network (TIN)**

Paul Scrivener  
External Affairs Director  
Andrew Judge

**The Toronto Board of Trade**

Richard Joy  
VP Policy & Government Relations

**NAIOP Greater Toronto Chapter**

Craig Smith  
Chair -Government Relations Committee

**Invest Toronto**

Renato Discenza  
President and CEO

**Martin Prosperity Institute**

Joseph L. Rotman School of Management  
University of Toronto  
James Milway  
Executive Director  
Kevin Stolarick  
Research Director

**Institute on Municipal Finance and  
Governance**

Munk School of Global Affairs  
University of Toronto  
Dr. Enid Slack  
Director

**Waterfront Toronto**

Chad McCleave  
Chief Financial Officer

**Canadian Property Tax Association**

J. Bradford Nixon  
Executive Vice President

**IMIT Applicants**

**Regent Park Arts and Cultural Centre**

Judy Josefowicz  
Project Manager-RPAD

**First Gulf Corporation**

David Gerofsky  
Chief Executive Officer

**The Milestone Group**

Fifty-Five Developments Ltd  
Lou Bortoletto

**Build Toronto**

Don Logie  
Senior Vice President, Development

**MaRS Discovery District**

Dale Martin  
Strategic Advisor

**GWL Realty Advisors**

Merv McCoubrey  
Senior Vice President Development



## Select Approved IMIT Applicant Profiles

### **Fifty-Five Developments-Apollo Health and Beauty Corporation**

A manufacturer currently located in the GTA is completing construction on a new 385,000 sf facility in North York. The building will house their Corporate Head Office, R&D facilities along with manufacturing and warehouse space. They will employ approximately 400. The company exports 95% of its product outside of Canada.

Initial meetings took place in September of 2009 as the company was exploring a variety of location options including that of locating near a major supplier in Chicago, Illinois. The City's ability to offer a property tax incentive was critical factor in their location decision.

### **First Gulf Corporation- Coca Cola Canada Headquarters**

A 100,000 sf Corporate Office HQ in the food and beverage processing sector locating on the eastern edge of Downtown outside of the traditional corporate office locations. This company was seeking to consolidate its office operations from three separate locations within the City. An obvious location choice was an expansion of their existing 600,000 sf campus in the GTA.

Initial meetings took place in early 2011 and it became apparent that the IMIT incentive was one deciding factor that would lower lease rates sufficiently to make locating in the Toronto a viable option. The company made a decision to locate in Toronto, construction is underway and 400 jobs will be retained with the potential for additional new employment.

### **Canada Lands Corporation- Ripley's Aquarium**

A major tourism project made a decision to go forward with a Toronto development and indicated that the IMIT incentive was key in their decision making process. Incentive discussions began in 2009.

This particular type of tourist attraction had several false starts throughout the past two decades with the costs. The City's ability to provide a clear framework and commitment for an incentive early on enabled the development to approach the Province for matching assistance. This made the project viable.

## **Comparative Review of Incentive Programs**

No municipality in the immediate Greater Toronto Area has replicated the IMIT program. There are a number of CIPs in place in the region but they are primarily directed toward façade improvement, green development or brownfield remediation. The following is a sample of similar municipal incentive programs in Ontario, the United States and the United Kingdom.

### **Ontario**

#### **City of Windsor<sup>8</sup>**

The City of Windsor adopted a program through the implementation of a CIP in 2011 that has close parallels to the IMIT program in that it is a sector based, city-wide program that targets new construction.

Grant equivalent up to 100% of the municipal property tax increase created by the project for up to 10 years after project completion. Project must create or retain a minimum of 50 jobs within the manufacturing sector or create more than 20 jobs or retain a minimum of 35 jobs within any other targeted sector(s). All applications must be approved by City Council and only work commenced after Council's approval is eligible for inclusion in the applicable grant program

#### **The Niagara Gateway Zone and Centre<sup>9</sup>**

This is a consortium of five municipalities (Welland, Port Colborne, Niagara Falls, Fort Erie and Thorold) that have developed a draft CIP (2012) that has some similar features to the IMIT program.

The Plan proposes a Tax Increment Based Grant Program which can be 5 or 10 years in duration (10 years if in a priority area) Points based evaluation system that weighs "assessment points" based on, construction value and environmental factors. The grant would be between 40% -100% depending on the points achieved.

### **United States**

#### **New York City, New York**

##### **Industrial and Commercial Abatement Program (ICAP)**

The program, administered through the New York City Department of Finance, provides for a partial abatement of property taxes up to 25 years, for eligible industrial or commercial buildings which are constructed, modernized, rehabilitated, expanded or otherwise physically improved.

ICAP benefits are granted "as-of-right" to all applicants whose projects qualify under the provisions of the legislation. The program is generally available city-wide. Properties must be

---

<sup>8</sup> <http://www.citywindsor.ca/residents/planning/Planning-Policy/Pages/Economic-Revitalization-CIP.aspx>

<sup>9</sup> <http://www.niagararegion.ca/news/pdf/NEG-draftplan-feb212012.pdf>

improved by at least 30% of their assessed value to qualify for the abatement. Industrial properties improved by at least 40% of their assessed value are eligible for an additional abatement.

Industrial Projects (define): calculated as the difference between the Post-completion Tax and 115% of the Initial Tax. The benefit is 100% for 15 years and then declines at 10% a year for the remaining 10 years equalling 82% of the municipal tax over the 25 year period.

Commercial Projects (define): benefit is for 15 years unless located in High Needs Neighbourhood (then 25 years). The benefit is 100% for 11 years and then declines by 20% for remaining 4 years equalling 87% over the 15 year period.

## **Chicago, Illinois (Cook County) <sup>10</sup>**

### **Class 6B Incentive**

The Class 6B provides a reduced property tax liability for a) newly constructed industrial manufacturing properties, b) abandoned properties (defined as vacant and unused for at least 24 months) that are reoccupied for industrial manufacturing use, and c) industrial properties that are renovated and rehabilitated. It provides a 56% reduction in property taxes over 12 years and is renewable for subsequent 12-year periods with the continued approval of the municipality in which the property is located.

Newly constructed and reoccupied properties receive the greatest benefit under the 6B incentive, as the reduced assessment ratio is applied to the entire land and building assessment. By contrast, renovated properties receive the incentive only for the “added value” to the property.

Approval by resolution is required, and the appropriate eligibility application must be filed with the assessor before any new construction, reoccupancy or rehabilitation commences.

All qualified applicants must agree to meet the Cook County Living Wage Ordinance.

### **Class 7A and Class 7B Incentive**

is intended to encourage, in areas determined to be “in need of commercial development”, commercial projects with total development costs, exclusive of land, that are \$2 million or greater in construction and would not be economically feasible without the incentive. This is a 12 year renewable incentive that provides a 56% reduction in property taxes.

### **Class C Incentive**

The Class C incentive supports the cleanup of contaminated industrial, commercial or vacant sites. To qualify, a property owner must not have been responsible for the contamination and must secure a “No Further Remediation Letter.” Additionally, the cost of remediation must total at least \$100,000, or at least 25% of the property’s market value as determined by the assessment of the property in the year prior to the remediation. The Class C incentive continues for 12 years is renewable for industrial properties and provides a 56% reduction in property taxes.

---

<sup>10</sup> <http://www.cookcountyassessor.com/forms.aspx>

## **United Kingdom**

### **City of London**

#### **Grant for Business Investment (GBI)**

GBI is a discretionary grant with the amount and terms of assistance to be negotiated as the minimum necessary for the proposed project to go ahead. Most manufacturing businesses are eligible to apply, as are businesses in service industries that supply a national rather than local market. Grants are not available simply to transfer jobs from one part of the country to another. Assistance can be provided to: Establish a new business; Expand/ modernise an existing business; Successful businesses typically receive around 10-15% of a project's total eligible capital expenditure but support can vary widely depending on the need and quality of the project. The City of London only supports grant applications where the potential grant exceeds £2million (\$3,216,787 CA).

#### London Enterprise Zones

- A business tax discount worth up to £275,000 (\$442,380 CA) per business over a five year period
- All business tax growth within the zone for a period of at least 25 years will be retained by the local area, to support the economic priorities and ensure that Enterprise Zone growth is reinvested locally
- Streamlined planning assistance
- Government support to ensure the construction of superfast broadband.

**COMPARISON OF ORIGINAL IMIT TERMS -PROPOSED CHANGES EXTERNAL PANEL-FINAL ED&C RECS**

2008 APPROVED CIP TERMS	EXTERNAL PANEL RECS	ED&C RECS
<p><b>CIP EXPIRY</b> This CIP shall expire five (5) years after its coming into full force and effect subject only to Council amending this CIP so as to revise the expiry date or delete this provision.</p> <p><b>CIP REVIEW</b> The CIP will be reviewed no later than four (4) years after it comes into full force and effect. The review will be initiated by a staff report recommending the content and process for the review.</p>	<p><b>CIP EXPIRY</b> Remove CIP expiry provision.</p> <p><b>CIP REVIEW</b> Maintain requirement for staff initiated review to be initiated by a staff report four (4) years after it comes into full force and effect.</p>	<p><b>CIP EXPIRY</b> Remove CIP expiry provision.</p> <p><b>CIP REVIEW</b> Maintain requirement for staff initiated review to be initiated by a staff report four (4) years after it comes into full force and effect.</p>
<p><b>BASE DEVELOPMENT GRANTS</b> The total grant for a development may not exceed 60% of the cumulative Municipal Tax Increment over a 10-year period, based on a declining sliding scale (67% + 2 years if brownfield remediation undertaken).</p> <p><b>ENHANCED DEVELOPMENT GRANTS</b> None – except Woodbine CIP.</p>	<p><b>BASE DEVELOPMENT GRANTS</b> Same.</p> <p><b>ENHANCED DEVELOPMENT GRANTS</b> Development grants totalling 70%-80% for any Eligible Use in Designated Employment Districts and Areas. (77%-87% + 2 years if brownfield remediation undertaken).</p>	<p><b>BASE DEVELOPMENT GRANTS</b> Same.</p> <p><b>ENHANCED DEVELOPMENT GRANTS</b> Development grants totalling 70% for any Eligible Use in Designated Employment Districts and Areas. (77%+ 2 years if brownfield remediation undertaken).</p>
<p><b>ELIGIBLE USES</b></p> <ul style="list-style-type: none"> <li>- Biomedical;</li> <li>- Computer Systems Design and Services;</li> <li>- Convergence Centres for eligible uses as listed in this section;</li> <li>- Corporate Headquarters, in Downtown or on Sites in Subway Corridors</li> <li>- Creative Industries, excluding Film Studio Complexes;</li> <li>- Food and Beverage Wholesaling;</li> <li>- Incubators;</li> <li>- Information Services and Data Processing;</li> </ul>	<p><b>ELIGIBLE USES</b></p> <p>Remove existing criteria with only a refined list of prohibited sectors and uses.</p> <p>Consider expanding office eligibility to any new development greater than \$5 million</p>	<p><b>ELIGIBLE USES</b></p> <p>Generally, maintain existing criteria, except for:</p> <p>Add:</p> <ul style="list-style-type: none"> <li>- Large film studios anywhere in City</li> <li>- Financial services back office</li> <li>- Office building, any use, within 800m of subway/lrt, excluding financial district</li> </ul>

<ul style="list-style-type: none"> <li>- Manufacturing, provided the manufacturing operation occupies at least 40% of the GFA;</li> <li>- Scientific Research and Development;</li> <li>- Software Development;</li> <li>- Tourism Attractions;</li> <li>- Transformative Projects, subject to approval by City Council</li> </ul>		<p>Enhance:</p> <ul style="list-style-type: none"> <li>- Grants for Office development t but continue to require sector based office use throughout the City</li> </ul> <p>Keep:</p> <ul style="list-style-type: none"> <li>Office – Financial District</li> <li>– keep corporate headquarter requirement-map needs to be defined</li> </ul>
<p><b>CONDOMINIZATION/SALE OF INDUSTRIAL COMMERCIAL UNITS</b> Not addressed - Grants paid to original applicant, maintained so long as uses remain Eligible Uses.</p>	<p><b>INDUSTRIAL COMMERCIAL CONDOMINIUM PROJECTS NOT ELIGIBLE</b></p>	<p><b>INDUSTRIAL COMMERCIAL CONDOMINIUM PROJECTS NOT ELIGIBLE</b></p>
<p><b>GREENFIELD DEVELOPMENT</b> Development Grants are only available for buildings and facilities being developed on properties that were previously developed for an urban use, or for the expansion of an existing building, facility or operation.</p>	<p><b>GREENFIELD DEVELOPMENT</b> Remove the CIP provision that the eligible property must have been developed previously for an urban use.</p>	<p><b>GREENFIELD DEVELOPMENT</b> Remove the CIP provision that the eligible property must have been developed previously for an urban use</p>
<p><b>DEVELOPMENT INVESTMENT THRESHOLD</b> The development must result in a minimum investment of \$1,000,000 in building construction costs for eligible uses, as shown by the main building permit for the proposed development.</p>	<p><b>DEVELOPMENT INVESTMENT THRESHOLD</b> Maintain general \$1,000,000 construction investment requirement.</p>	<p><b>DEVELOPMENT INVESTMENT THRESHOLD</b> Maintain \$1,000,000 requirement.</p> <p>ADD:</p> <p>Minimum 500m2 gfa must be added.</p> <p>Require minimum 50,000 ft2 new gfa for eligible office projects.</p>

**COMPARISON OF ORIGINAL IMIT TERMS -PROPOSED CHANGES INTERNAL GROUP-FINAL ED&C RECS**

<b>2008 APPROVED CIP TERMS</b>	<b>INTERNAL GROUP RECS</b>	<b>ED&amp;C RECS</b>
<p><b>CIP EXPIRY</b> This CIP shall expire five (5) years after its coming into full force and effect subject only to Council amending this CIP so as to revise the expiry date or delete this provision.</p> <p><b>CIP REVIEW</b> The CIP will be reviewed no later than four (4) years after it comes into full force and effect. The review will be initiated by a staff report recommending the content and process for the review.</p>	<p><b>CIP EXPIRY</b> Remove CIP expiry provision. Review when \$150 million threshold is reached or four years.</p> <p><b>CIP REVIEW</b> Maintain requirement for staff initiated review to be initiated by a staff report four (4) years after it comes into full force and effect.</p>	<p><b>CIP EXPIRY</b> Remove CIP expiry provision.</p> <p><b>CIP REVIEW</b> Maintain requirement for staff initiated review to be initiated by a staff report four (4) years after it comes into full force and effect.</p>
<p><b>BASE DEVELOPMENT GRANTS</b> The total grant for a development may not exceed 60% of the cumulative Municipal Tax Increment over a 10-year period, based on a declining sliding scale (67% + 2 years if brownfield remediation undertaken).</p> <p><b>ENHANCED DEVELOPMENT GRANTS</b> None – except Woodbine CIP.</p>	<p><b>BASE DEVELOPMENT GRANTS</b> Same.</p> <p><b>ENHANCED DEVELOPMENT GRANTS</b> Development grants totalling 70%-80% for any Eligible Use in Designated Employment Districts and Areas. (77%-87% + 2 years if brownfield remediation undertaken).</p>	<p><b>BASE DEVELOPMENT GRANTS</b> Same.</p> <p><b>ENHANCED DEVELOPMENT GRANTS</b> Development grants totalling 70%for any Eligible Use in Designated Employment Districts and Areas. (77%+ 2 years if brownfield remediation undertaken).</p>
<p><b>ELIGIBLE USES</b> - Biomedical; - Computer Systems Design and Services; - Convergence Centres for eligible uses as listed in this section; - Corporate Headquarters, in Downtown or on Sites in Subway Corridors - Creative Industries, excluding Film Studio Complexes; - Food and Beverage Wholesaling; - Incubators; - Information Services and Data</p>	<p><b>ELIGIBLE USES</b> Maintain existing criteria, except for:</p> <p>Add:</p> <ul style="list-style-type: none"> <li>- Large film studios anywhere in City</li> <li>- Financial services back office</li> <li>- Office building, any use, within 800m of subway/lrt, excluding Financial District</li> </ul>	<p><b>ELIGIBLE USES</b> Generally, maintain existing criteria, except for:</p> <p>Add:</p> <ul style="list-style-type: none"> <li>- Large film studios anywhere in City</li> <li>- Financial services - corporate office – outside of Financial District</li> <li>- Office building, any use, within 800m of</li> </ul>

<p>Processing;</p> <ul style="list-style-type: none"> <li>- Manufacturing, provided the manufacturing operation occupies at least 40% of the GFA;</li> <li>- Scientific Research and Development;</li> <li>- Software Development;</li> <li>- Tourism Attractions;</li> <li>- Transformative Projects, subject to approval by City Council</li> </ul>		<p>transit node, excluding Financial District</p> <p>Enhance:</p> <ul style="list-style-type: none"> <li>- Grants for Office development t but continue to require sector based office use throughout the City</li> </ul> <p>Keep:</p> <p>Office – Financial District – keep corporate headquarter requirement-map needs to be defined</p>
<p><b>CONDOMINIZATION/SALE OF INDUSTRIAL COMMERCIAL UNITS</b> Not addressed - Grants paid to original applicant, maintained so long as uses remain Eligible Uses.</p>	<p><b>INDUSTRIAL COMMERCIAL CONDOMINIUM PROJECTS NOT ELIGIBLE</b></p>	<p><b>INDUSTRIAL COMMERCIAL CONDOMINIUM PROJECTS NOT ELIGIBLE</b></p>
<p><b>GREENFIELD DEVELOPMENT</b> Development Grants are only available for buildings and facilities being developed on properties that were previously developed for an urban use, or for the expansion of an existing building, facility or operation.</p>	<p><b>GREENFIELD DEVELOPMENT</b> Remove the CIP provision that the eligible property must have been developed previously for an urban use.</p>	<p><b>GREENFIELD DEVELOPMENT</b> Remove the CIP provision that the eligible property must have been developed previously for an urban use</p>
<p><b>DEVELOPMENT INVESTMENT THRESHOLD</b> The development must result in a minimum investment of \$1,000,000 in building construction costs for eligible uses, as shown by the main building permit for the proposed development.</p>	<p><b>DEVELOPMENT INVESTMENT THRESHOLD</b> Maintain general \$1,000,000 construction investment requirement.</p>	<p><b>DEVELOPMENT INVESTMENT THRESHOLD</b> Maintain \$1,000,000 requirement.</p> <p>ADD:</p> <p>Minimum 500m2 gfa must be added.</p> <p>Require minimum 50,000 ft2 new gfa for eligible office projects.</p>