

Applications to the Imagination, Manufacturing, Innovation and Technology (IMIT) Property Tax Incentive Program

Date: July 5, 2022

To: Economic and Community Development Committee

From: Interim General Manager, Economic Development and Culture

Wards: York Centre (6), Toronto-Danforth (14)

SUMMARY

The Imagination, Manufacturing, Innovation and Technology (IMIT) Property Tax Incentive Program authorized by By-law 1323-2012 states that City Council approval is required for any Development Grant application with an estimated construction value of development exceeding \$150 million (one hundred and fifty million dollars).

In addition to an assessment by the Economic Development and Culture (EDC) Division, recommendations related to IMIT Development Grants are informed in part by a third party review, which provides a detailed analysis of applications.

This report provides a review and a recommendation on an application for the IMIT program for a project in Ward 6 - York Centre.

This report also provides an update on IMIT program applications for other projects with an estimated construction exceeding \$150 million which continue to be reviewed and assessed at this time, including three proposed projects in the East Harbour precinct in Ward 14 - Toronto-Danforth.

RECOMMENDATIONS

The Interim General Manager, Economic Development and Culture recommends that:

1. City Council approve an Imagination, Manufacturing, Innovation and Technology (IMIT) incentive for the following application:

- 1755 Steeles Avenue West-Sanofi Pasteur Limited in the estimated grant amount of \$10-15 million over ten years

2. City Council authorize the General Manager of Economic Development and Culture to negotiate and execute a Financial Incentive Agreement in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The currently applicable Community Improvement Plan (CIP) that enables the provision of financial incentives for economic development through the IMIT Program is By-law 1323-2012, as CIP By-law 1207-2018, adopted by City Council in July 2018, remains under appeal to the Ontario Land Tribunal (OLT). The IMIT Program as a whole is required to be reviewed every four years. A review of the IMIT program is currently underway, with a report back to Council expected in the first half of 2023.

Under the CIP of 2012, IMIT grant applications for projects with an estimated construction value above \$150 million require City Council approval. The application for development presented in this report meets the eligibility criteria for IMIT grants under this CIP. Based in part on the opinion provided in the Hemson Report in Attachment 2 and the staff view that the application meets important City economic and planning objectives, the development warrants receiving the IMIT grant and is recommended for approval.

The IMIT grant amount for the development, if provided, is estimated at \$10-15 million over 10 years, as summarized in Table 1. The financial implications of this grant will need to be included in future year budgets.

Table 1 - IMIT Grants Based on the Proposed Gross Floor Area

Address	Eligibility	Square Feet	Construction Investment (\$ millions)	Projected start of IMIT grant	Estimated IMIT Grants over 10 years (\$ millions)
1755 Steeles Ave W	Manufacturing	194,816	\$425	2027	\$10-15

As of June 2022, the IMIT Program has approved 68 applications and provided \$185.15 million in grants, with another \$29 million in grants projected for 2021. In addition, the estimated amount for grants that the program is committed to provide until 2036 is \$510.88 million. The total cumulative estimated value of IMIT grants approved to date is therefore \$725.60 million. These figures represent grants approved to date.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

At its October 2012 meeting, City Council adopted amendments to the City-wide, Waterfront and South of Eastern Community Improvement Plans (CIPs) that enable the provision of financial incentives for economic development through the IMIT Program. <http://aptoronto.ca/tmmis/ViewAgendaItemHistory.do?item=2012.PG17.5>

At its April 2018 meeting, City Council adopted a new Community Improvement Plan to modify the IMIT Program. This CIP is currently under appeal and not in force although Council has recently approved a settlement of this appeal. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX30.6>

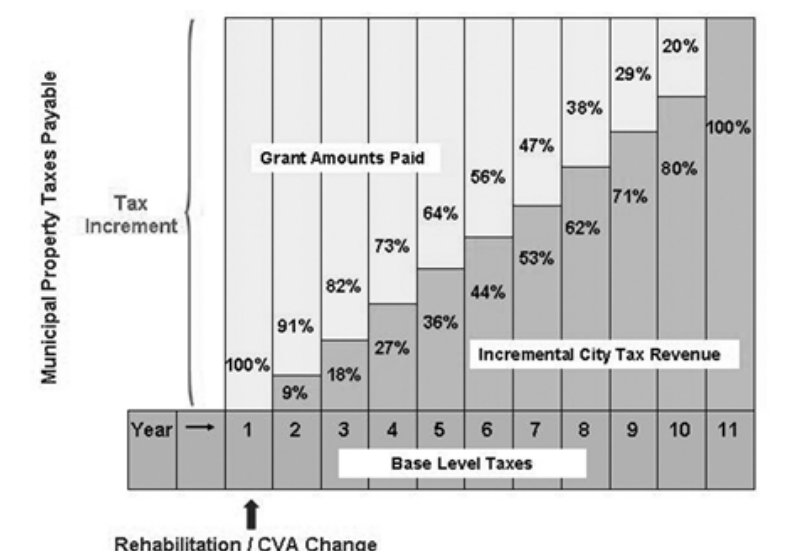
COMMENTS

Background

The Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentive Program (the "Program") provides development grants to support new construction or major renovation of buildings in targeted employment sectors and for certain uses throughout the city. The Program also includes an added grant element for brownfield remediation (Brownfield Remediation Tax Assistance or BRTA).

The Program provides a property tax incentive to a qualified employment generating development based on the incremental or new increased assessment value, as determined by the Municipal Property Assessment Corporation (MPAC), created by that development. A portion of the municipal property tax that is applied to that value is returned to the qualified applicant over a ten year period (up to twelve years if brownfield remediation occurs). Generally speaking, the total value of the grants is equal to 60% of the increased municipal property taxes which the City will receive over the first ten years following construction and reassessment. Thereafter, the City collects and retains the entire municipal property tax attributable to the project.

Table 1 IMIT Payment Example



Section 28 of the Planning Act authorizes municipalities to designate a Community Improvement Project Area (CIPA) where there is an Official Plan in effect that contains provisions relating to community improvement in the municipality.

Where an IMIT application meets the requirements of the enabling Community Improvement Plan (CIP) and requires Council approval, City Council can exercise its discretionary authority to approve or reject the application, based on its determination of whether granting or rejecting the application is in the City’s best interests.

The primary purposes addressed in the Community Improvement Plan for the IMIT program are to stimulate building construction and expansion within key sectors of the economy and support job growth across Toronto. However, there are other municipal purposes which City Council can consider when assessing a given IMIT application, including Official Plan policy, infrastructure, and the environment.

General IMIT Program Eligibility Criteria

- Applications must be submitted prior to issuance of the main building permit
- The property must not be in tax arrears
- The owner must develop a Local Employment Plan
- Construction must conform to all City processes and permits
- Construction value at least \$1 million as evidenced on application and the main building permit
- Meet the minimum Toronto Green Standard (Tier 1)
- Not be demolished over the term of the incentive
- The development must increase the amount of GFA for Eligible Uses by at least 500 m2
- Eligible location
- Eligible employment sector or use
- Applicant must be the owner of property or their designated agent
- Agree to meet annual reporting requirements

Evaluation of the IMIT Application for 1755 Steeles Ave. West - Sanofi Pasteur Ltd.

The Economic Development and Culture Division reviewed the IMIT application for 1755 Steeles Avenue West (Sanofi Pasteur Ltd.) that is the subject of this report and requested additional information where required.

The following table indicates the total square footage, sector / use, and construction value for the applicant project. Attachment 1 provides additional details.

Applicant	Address	Sector/Use	Square Feet	Investment (\$ million)
Sanofi Pasteur Ltd.	1755 Steeles Ave W	Manufacturing	194,816	\$425

This application meets the general IMIT program eligibility criteria noted above.

Due to the potential financial implications to the City of approving an IMIT incentive for a project with a construction value exceeding \$150 million, an independent third party review of the application for all such projects is undertaken. Hemson Consulting Ltd's review of the IMIT application for 1755 Steeles Avenue West and its assessment of the need for a financial incentive for this project is included as Attachment 2.

Approval of the IMIT application for 1755 Steeles Ave W is recommended for the following reasons:

1. The application demonstrates the need for incentives

The IMIT program is based on the premise that "but for" the provision of financial incentives in the form of development grants the development would not occur, and the City would not realize the incremental tax revenues associated with the development. This "but for" consideration is the fundamental intent and purpose of the IMIT program.

Decisions to build large manufacturing plants involve a variety of complex factors that include the IMIT incentive.

The IMIT incentive in the instance of this application appears to make a material difference in the ability of this new building to be viable and competitive within the overall market.

The life sciences sector plays a critical role in promoting and sustaining wealth-creating economic growth in major urban centres like Toronto. For new investment and developments in these sectors, Toronto competes not only in the North American market but also against jurisdictions in the Greater Toronto Area (GTA) region. Regional municipalities have two primary competitive advantages over the City of Toronto when attracting employment uses. First, the industrial tax rates in surrounding municipalities are generally lower than those in Toronto. Second, available land in many areas of the GTA is more abundant, and greenfield development in these jurisdictions may be easier and more profitable than the redevelopment of existing land in Toronto.

2. The application supports economic development

Incentives support and encourage the construction of new buildings. The City is set to realize substantial returns from the increase in tax revenues, new and retained employment and other benefits as a direct result of this development.

The life sciences sector in Toronto employs nearly 30,000 professionals and contributes more than \$2 billion to the local economy. Toronto is one of the top cities in North America for the human health sciences, with a growing range of facilities which combine research, clinical and business expertise to deliver new diagnostics and therapies.

Over the last decade, Ontario has outperformed the Canadian average in terms of per capita enrollment in the physical and life sciences at the undergraduate level. It is

important for these graduates to see, aspire to work in and be able to access employment opportunities in Toronto. Fostering a competitive life sciences environment can attract and retain leading life sciences entities such as Sanofi Pasteur. Local incentives can have a significant impact on the growth and competitiveness of the life sciences sector within Toronto.

3. The application aligns with planning policy directions

Planning policy directions seek to promote economic development and competitiveness by supporting an appropriate mix and range of employment to meet Toronto's long-term needs. This includes providing opportunities for a diversified economic base, including maintaining a range and choice of suitable sites for employment uses which support a variety of economic activities and take into account the needs of existing and future businesses.

Update on IMIT Applications for 21 Don Roadway - Buildings 1A, 1B and 2A (East Harbour)

On August 11, 2020 Cadillac Fairview submitted for the City's consideration IMIT applications for three office buildings (21 Don Roadway - Buildings 1A, 1B and 2A) in the East Harbour area. Each of these buildings has an estimated construction value greater than \$150 million, thereby triggering the requirement for Council approval.

East Harbour is a 38 acre master-planned district located east of the downtown core. It is anticipated that, over time, 10 million square feet of commercial development will take place in this area accommodating over 50,000 jobs. Buildings 1A, 1B and 2A represent the first cluster of projects in what is expected to be a series of commercial developments in this area.

The Government of Ontario's East Harbour Transit Oriented Communities (TOC) proposal and its use of a Minister's Zoning Order (MZOs) has changed the context for employment development at East Harbour in ways which require careful consideration and analysis by the City, including with regard to the deployment of its own development-focussed policy instruments such as the IMIT incentive.

Of note, in April 2022, the Government of Ontario issued a Minister's Zoning Order to introduce permissions for 3.25M square feet of residential development at East Harbour, in addition to the previously planned 10M square feet of employment development. While the Government of Ontario and Cadillac Fairview have indicated a commitment to advance employment development as part of the updated mixed-use master plan for the site, there are no requirements in the MZO for employment development to happen on a given schedule or be sequenced in any specific manner (e.g. at pace or concurrent) with the residential development.

City Council approved high level terms of an agreement with the Government of Ontario and Cadillac Fairview related to the TOC proposal at East Harbour in April 2022. City officials continue to negotiate details of the required implementing agreements for East Harbour, with the goal to report back to Council in Q1 2023 with recommended detailed terms for these agreements.

City staff are also working closely with Cadillac Fairview and the Government of Ontario to advance the delivery of key enabling infrastructure to support the introduction of the East Harbour Transit Hub in 2027. This current work includes advancing the necessary City approvals and permits for the related first phase of development at East Harbour, including a site plan application for the first office complex and an expected site plan application for early residential development.

Discussions on these matters may have an impact on the timing and form of the early development at East Harbour, creating a dynamic and complex context for the consideration of the three IMIT applications.

Collectively, Toronto, Ontario and Canada plan to invest more than \$1B in transit and enabling infrastructure (e.g. the East Harbour Transit Hub, the Broadview Eastern Flood Protection project, and the Broadview extension) to unlock the full development potential of East Harbour, including the full and timely build out of 10 million square feet of commercial gross floor area.

Given this evolving context and the quantum of public investment by the City of Toronto and the governments of Ontario and Canada in infrastructure to underpin and enable new uses - commercial and residential, public and private -- of the land in East Harbour, the three IMIT applications for 21 Don Roadway (Buildings 1A, 1B and 2A) continue to be assessed.

Recommendations concerning these IMIT applications are anticipated to be presented for Council's consideration in Q1 2023, at which time, as noted above, Council is also expected to receive the recommended detailed terms of the East Harbour implementing agreements.

CONTACT

Rebecca Condon, Manager, Business Growth Services, Economic Development and Culture, 416-392-0626, Rebecca.Condon@toronto.ca

Tobias Novogrodsky, Director, Business Growth Services, Economic Development and Culture, 416-392-6004, Tobias.Novogrodsky@toronto.ca

SIGNATURE

Cheryl Blackman, Interim General Manager
Economic Development and Culture

ATTACHMENTS

Attachment No. 1: Summary of IMIT Application Reviewed

Attachment No. 2: Review of Sanofi Pasteur Application Under the IMIT Property Tax Incentive Program

Attachment 1: Summary of IMIT Application Reviewed

1755 Steeles Avenue West- Sanofi Pasteur Limited

Applicable IMIT By-law 1323-2012 (City-wide Community Improvement Plan)

This IMIT application was submitted on November 18, 2021 and proposed a 194,816 square foot influenza and pandemic preparedness vaccine manufacturing facility as part of an existing manufacturing complex. Sanofi chose Toronto as the home of its new production and distribution centre after a global search.

The estimated construction value of the building is \$425 million. The development will support approximately 165 jobs. These jobs are expected to be filled by high skilled knowledge workers in the professional, scientific and technical service sectors.

Initial discussions regarding IMIT eligibility for this development commenced in early 2021. The site is currently occupied by a large manufacturing complex that includes research facilities, laboratory space and offices. This new facility will become a part of the larger complex.

A Site Plan Application was approved by City Planning on December 10, 2021. Construction is currently underway with completion/occupancy slated for 2027.

The building will, as an IMIT Program requirement, meet the minimum Tier 1 requirements of the Toronto Green Standard. Green Standard requirements include such features as long and short term bicycle parking spaces, a cool roof, bird friendly window treatments, and tree and native plant species planting.

Finally, the applicant will be required to develop a Local Employment Plan (LEP). The LEP will identify opportunities to support local hiring and training. The LEP will span the term of the incentive and outcomes will be tracked and monitored with the ultimate objective of providing employment and training opportunities to Toronto residents.

The estimated date for completion and occupation of this manufacturing facility is late 2027.

Based on the need for incentives ("but for") as discussed in the Hemson Report which concludes that IMIT grants appear to impact this development's viability to a degree that may influence project outcomes, as well as the project meeting overall economic development objectives, and planning policy supporting manufacturing development in this area, an IMIT approval estimated at \$10-15 million over 10 years is recommended.