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## 2015 OPERATING BUDGET BRIEFING NOTE

### Tax Increment Equivalent Grant (TIEG) Programs

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**Issue:**

At its meeting held on February 4, 2015, the Budget Committee requested a Budget Briefing Note on:

30. *All current Tax Incremental Equivalent Grants (TIEGs), their size, duration, and financial impact.*

The Budget Committee decision (Item BU4.4: 2015 Capital and Operating Budgets), is available at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.BU4.4>

**Background:**

- The City of Toronto has two Tax Increment Equivalent Grant (TIEG) programs:
  - a) New Toronto Pilot TIEG Grant Program, approved in 2003. This Program was replaced by the IMIT Property Tax Incentive Program in 2008. The following is the link to the Council decision and staff report.  
<http://www.toronto.ca/legdocs/2003/agendas/council/cc030521/et4rpt/cl016.pdf>
  - b) Imagination Manufacturing Innovation Technology (IMIT) Property Tax Incentive Program, approved in 2008. The following are links to the relevant Council decisions and staff reports.  
Approval - May 2008:  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2008.PG15.2>  
Council Review of Program – July 2012:  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.ED15.5>  
Approval of amended program – Oct 2012:  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.PG17.5>
- Administration of the City's two TIEG programs is through the City's Economic Development and Culture Division. Revenue Services assists in the administration of the New Toronto Pilot TIEG Grant Program.
- Applications to the IMIT Program must be made before first above ground building permit issuance for the eligible development. The General Manager of Economic Development determines eligibility except in those instances where the estimated construction value is greater than \$150 million then Council approval is required. Once approved in principal a Financial Incentive Agreement must be entered into, outlining the terms and conditions of the grant.

- TIEGs become payable to the applicant commencing in the first year the completed development is reassessed by the Municipal Property Assessment Corporation (MPAC) and returned on the assessment roll. The grants are funded from the increase in taxes arising from the new development.
- Attachment 1 provides background information of Tax Increment Equivalent Grants (TIEGs) programs, and detailed information on the City's two TIEG programs.
- Attachment 2 provides information on all current applications for the City's two TIEG programs, including approved properties and estimated grant amounts for both programs.
- Attachment 3 provides information on all applications that have final tax assessments and completed schedules and shows the tax and employment benefits that return to the City.

### ***New Toronto Pilot TIEG Program***

- The New Toronto TIEG program was approved by Council in May 2003. The New Toronto program was launched as a pilot revitalization incentive program designed to stimulate reinvestment and redevelopment for employment uses, by encouraging rehabilitation of lands and/or buildings that are vacant, underutilized, or in need of repair. The New Toronto program was to provide grants to eligible properties located within the New Toronto Community Improvement Plan area of south Etobicoke.
- Eligible uses include commercial and industrial uses in Employment Areas (under the Official Plan) that support the business and economic activity of the New Toronto Employment Area, including office, manufacturing and processing, warehousing, distribution, research and development facilities, and media.
- The New Toronto TIEG program provides annual grants of up to a maximum of 55% of the total municipal tax increment over a ten-year term on a reducing sliding scale. Where an additional two (2) years of brownfield remediation grants are provided, a maximum of 62.5% of the total incremental municipal tax revenues may be provided over a maximum twelve-year period. The City benefits from 45% of the taxes over 10 years, followed by full taxes after that.
- Under the New Toronto Program, a total of four (4) properties submitted applications and were approved for grants. The total combined new investment in this area totalled \$25.4 million. The first grant amount became payable in 2007. The total grant amounts payable to the four (4) applicants will be \$3.3 million over the period 2007 to 2020 (as summarized in Attachment 2, Table 1). Three (3) out of the four (4) approved applicants are under review to determine eligibility to continue to receive grants.

### ***IMIT Program***

- The IMIT program commenced in 2008. Its purpose is to incent developments that support targeted sectors of the economy in Toronto. Financial incentives by way of Tax Increment Equivalent Grants (TIEG's) are made to eligible developments. Such grants are enabled through the Community Improvement Plan (CIP) provision of Section 28 of the Planning Act.
- Eligible developments are entitled to receive grants over 10-years equivalent to 60% of the municipal taxes paid on the increased taxes arising from the new development over that period. The grant is higher at 70% to incent developments that take place within designated Employment Districts or Areas. The City benefits from 40% (30%) of the taxes over 10 years, followed by full taxes after that.
- IMIT payments are made over 10 years on a declining scale with the year 1 incentive at 100% of the municipal tax on the incremental value and declining approximately 9% per year until full tax is paid in year 11.
- Eligible uses include: biomedical, Information technology services, creative industries, food and beverage, financial and business services, manufacturing, scientific research, offices and corporate headquarters, film and tourism. Ineligible uses include residential, retail, warehousing.
- Twenty-six (26) agreements have been entered into or are in progress (as summarized in Attachment 2, Table 2):
  - Six (6) developments have been completed, have been reassessed and returned on the assessment roll, and are currently receiving IMIT grants. The total construction investment made in the City from these developments is estimated at \$420 million. The total grant amount payable to these applicants will be \$64 million. The total incremental net property taxes paid to the City will be \$43 million during the ten year grant period plus any incremental tax levies and returning to the full incremental tax of approximately \$10.8 million per year once the grants are complete.
  - Twenty (20) are applications approved and/or developments in progress. They will be entitled to receive grants once the development is completed and has been reassessed and returned on the assessment roll, subject to confirmation of their eligible use at that time in accordance with their IMIT agreement. The total construction investment to be made in the City from these developments is estimated at \$1.5 billion. The total grant amount payable to these applicants will be \$99 million. The total incremental net property taxes paid to the City will be \$66 million during the ten year grant period plus any incremental tax levies and returning the full incremental tax of \$16.5 million per year once the grants are complete.
- The total construction investment from all 26 developments completed or under way is estimated at over \$1.9 billion. If completed, the total incentive payable to these 26 applicants will be \$163 million and returning \$108 million in new tax revenue over the term of the grants to the City for those developments that would not have otherwise occurred. It should be also

noted that the property owners continue to pay the full pre-development base taxes of \$7,133,392. The full incremental tax of approximately \$27.1 million per year for these developments will be paid once the grants are complete.

- The eligible developments create additional temporary construction employment as well as the retention of approximately 23,880 jobs and the creation of approximately 5,695 jobs in targeted and desirable employment sectors and uses.

**Attachments:**

Attachment 1: Background Information on TIEGs

Attachment 2: Summary of Grant Applications under the City's Two TIEG Programs

Attachment 3: 2015 Payments - Completed Schedules and Employment

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**Date:** February 10, 2015

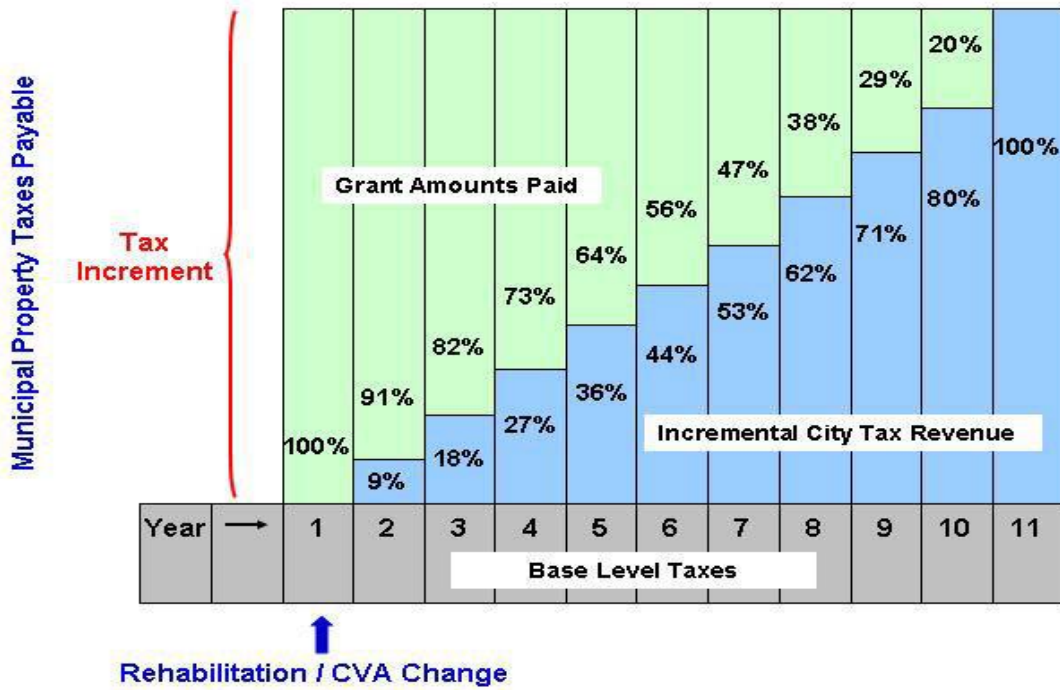
## ATTACHMENT 1

### Background Information on TIEGs

- Tax Increment Equivalent Grants (TIEGs) are annual grants that are made to property owners where redevelopment, new construction or improvement to an eligible property has resulted in an increase in the assessed value of a property, and an associated increase in the property taxes payable by the property. The increase in annual property taxes payable is referred to as the "tax increment" (i.e., the difference between the property taxes payable on the pre-development parcel, and the higher property taxes payable on the parcel following the redevelopment, new construction or improvement).
- In general, TIEG programs use the increased property taxes arising from redevelopment or new construction to grant back a portion of the tax increment to the property owner for a specified period of time. TIEG grants are generally based on some proportion of the full tax increment, such that annual grant payments are based on a declining percentage of the full tax increment in each successive year of the TIEG program. As the amount of the grant payment decreases in each successive year, the proportion of the full property tax increment retained by the City increases. An example of the declining grant amounts paid in successive program years is illustrated for Toronto's Imagination Manufacturing Innovation Technology (IMIT) TIEG grant program in Figure 1 below.
- TIEG programs are used to provide financial incentives, in the form of annual grants, to encourage property development where development might not otherwise occur. TIEG programs are premised on the assumption that, but for the grant program, the property development would not have occurred, and that the development will yield incremental tax revenues that the City would not otherwise realize. As such, TIEG programs are usually targeted to specific property types, sectors or uses that are consistent with the City's development objectives, and may be limited to certain geographic areas. TIEG programs are generally of a limited duration, providing benefits in a specified amount and over a specified time period.

Figure 1  
 Example of Annual Grant Amounts for Toronto's Imagination Manufacturing Innovation Technology (IMIT)  
 TIEG grant program

**TIEG Grants to Achieve 60% Overall Incremental Tax Grant**



**Tax Increment Equivalent Grant (TIEG) programs in Toronto**

	<b>New Toronto Pilot TIEG Program</b>	<b>Imagination Manufacturing Innovation Technology</b>
Description	A pilot revitalization incentive program designed to stimulate reinvestment and redevelopment within the New Toronto area for employment uses, by encouraging rehabilitation of lands and/or buildings that are vacant, underutilized, or in need of repair.	City-wide financial incentive program to stimulate investment in the industrial and commercial sectors in Toronto by promoting the maintenance, rehabilitation, revitalization and/or conservation of selected lands, building and communities.
Council Approval	May 2003 <sup>1</sup>	May 2008 <sup>2</sup>
Grant Duration/ Term	10 Years, + 2 additional years of grants where property qualifies to receive Brownfield Remediation grants.	10 Years, or up to 12 years (9+3) additional incentive where the property qualifies to receive Brownfield Remediation Tax Assistance. .
Grant Amount	Maximum of 55% of total municipal tax increment over a ten-year term. Where an additional 2 years of remediation grants are provided, a maximum of 62.5% of total incremental tax revenues may be provided over a maximum twelve-year period.	Up to 60% of the municipal taxes paid on the increased taxes arising from the new development over a 10-year term. The grant is higher at 70% for eligible developments within designated Employment Districts and Areas. Where additional remediation incentives are provided, a maximum of 67% of total incremental tax revenues may be provided over a maximum twelve-year period, or up to 77% in designated Employment Districts and Areas.
Eligible Area(s)	New Toronto Secondary Plan Community Improvement Plan (CIP) area (South Etobicoke).	a) City Wide CIP Area b) South of Eastern CIP area c) Waterfront Community CIP area
Eligible Uses/ Property Types	Commercial and industrial uses in Employment Areas (under the Official Plan) that support the business and economic activity of the New Toronto Employment Area, including office, manufacturing and processing, warehousing, distribution, research and development facilities, and media.	Eligible uses include biomedical, information technology services, creative industries, food and beverage, financial and business services, manufacturing, scientific research, offices and corporate headquarters, film and tourism. Ineligible uses include residential, retail, warehousing
# Applications (to date)	4 approved. (3 of 4 applications are under review to determine eligibility to receive continued grants).	26 applications approved/in progress.
Status	No new applications accepted since 2006. Grants scheduled to be provided from 2007 to 2020. Program repealed in 2008 with adoption of IMIT program.	<ul style="list-style-type: none"> <li>• 6 developments have been completed and reassessed and are currently receiving IMIT grants totalling \$64 million.</li> <li>• 20 applications approved and/or developments in progress, and will be eligible to receive grants once reassessed and subject to confirmation of eligible uses. The total grant amount payable to these applicants projected at \$99 million.</li> </ul>
Total potential grant amounts committed/ paid to date:	\$3.3 million	\$163 million

## Summary of Grant Applications under City's Two TIEG Program

## ATTACHMENT 2

**Table 1: New Toronto TIEG Program Grant Applications – Completed and in Progress**

Address	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
188 New Toronto Street			\$80,307	\$74,456	\$66,309	\$57,564	\$50,183	\$35,139	\$26,879	\$20,312	\$13,910	\$9,526	\$6,523	\$4,467	<b>\$445,575</b>
302 Dwight Avenue			\$113,095	\$99,697	\$86,540	\$78,334	\$65,650	\$56,316	\$44,083	\$33,986	\$23,651	\$16,459	\$11,454	\$7,971	<b>\$637,235</b>
300 New Toronto Street			\$127,484	\$115,255	\$98,109	\$86,972	\$72,711	\$61,927	\$48,084	\$37,746	\$26,508	\$18,616	\$13,073	\$9,181	<b>\$715,666</b>
205 New Toronto Street	\$251,892	\$231,078	\$215,615	\$196,436	\$172,722	\$148,888	\$114,763	\$87,120	\$56,098	\$28,384					<b>\$1,502,996</b>
<b>Total:</b>	<b>\$251,892</b>	<b>\$231,078</b>	<b>\$536,501</b>	<b>\$485,844</b>	<b>\$423,680</b>	<b>\$371,758</b>	<b>\$303,307</b>	<b>\$240,502</b>	<b>\$175,144</b>	<b>\$120,428</b>	<b>\$64,069</b>	<b>\$44,600</b>	<b>\$31,051</b>	<b>\$21,619</b>	<b>\$3,301,472</b>

**Table 2: IMIT Program Grant Applications – Completed and in Progress**

Applicant	Address	Estimated Investment	Estimated Grant Amount	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Post 2020
<b>Developments Completed and Grant Schedule Confirmed</b>														
bclMC Realty-GWL Realty	18 York Street	120,000,000	23,269,986		3,644,998	3,644,998	3,316,948	2,988,898	2,660,848	2,332,798	2,041,199	1,713,149	926,150	-
Build Toronto Holdings One Inc (Pinewood Film Studio)	281 Commissioners St.	50,000,000	3,975,000	496,875	496,875	496,875	452,156	407,438	362,719	318,000	278,250	233,531	188,813	243,469
CQ 25 Dockside Property Inc (Corus)	25 Dockside Drive	112,000,000	23,949,184	2,993,648	2,993,648	2,993,648	2,724,220	2,454,791	2,185,363	1,915,935	1,676,443	1,407,015	1,137,586	1,466,887
Fifty-Five Developments (Apollo Health and Beauty)	555 Petrolia Road	23,000,000	2,736,135			456,023	414,981	373,939	332,896	291,854	255,373	214,331	173,289	223,451
Chesswood Holdings Inc (Johnvince Foods)	4420-4460 Chesswood	8,950,000	503,175			83,863	76,315	68,767	61,220	53,672	46,963	39,415	31,868	41,093
CLC (Ripley's Aquarium)	280 Bremner Blvd	107,000,000	9,362,860				1,767,422	1,548,600	1,007,806	917,104	826,401	735,699	644,996	1,914,832
<b>Actual Grants Confirmed for Payment</b>		<b>420,950,000</b>	<b>63,796,340</b>	<b>3,490,523</b>	<b>7,135,521</b>	<b>7,675,406</b>	<b>8,752,041</b>	<b>7,842,433</b>	<b>6,610,852</b>	<b>5,829,363</b>	<b>5,124,628</b>	<b>4,343,139</b>	<b>3,102,701</b>	<b>3,889,732</b>
<b>Applications Approved or in Progress</b>														
First Gulf (Coca Cola Canada HQ)	333 King St E	25,000,000	2,490,000	-	-	-	415,000	377,650	340,300	302,950	265,600	232,400	195,050	361,050
MaRS Phase II (under review)	661 University Ave	180,000,000	17,329,400	-	-	-	2,988,000	2,719,080	2,450,160	2,181,240	1,912,320	1,673,280	1,404,360	2,000,960
Centre for Social Innovation	720 Bathurst Street	1,572,474	156,618	-	-	-	-	26,103	23,754	21,405	19,055	16,706	14,618	33,978
TCHC-Daniels Corp (Regent Park Cultural Centre)	588 Dundas St E	18,000,000	1,792,800	-	-	-	-	298,800	271,908	245,016	218,124	191,232	167,328	400,392
TCHC-Daniels Corp (Paintbox)	591 Dundas St E (Block)	3,000,000	298,800	-	-	-	-	49,800	45,318	40,836	36,354	31,872	27,888	66,732
Artscape (Shaw Street School)	180 Shaw Street	8,800,000	657,360	-	-	-	-	109,560	99,700	89,839	79,979	70,118	61,354	146,810
Weston Foods (Canada) Inc.	514 Carlingview Drive	8,000,000	796,800	-	-	-	-	132,800	120,848	108,896	96,944	84,992	74,368	177,952
901 King St W Nominee Inc (Deluxe Film)	901 King St W	2,000,000	199,200	-	-	-	-	33,200	30,212	27,224	24,236	21,248	18,592	44,488
Tradition Fine Foods Ltd	663 Warden Road	3,000,000	298,800	-	-	-	-	49,800	45,318	40,836	36,354	31,872	27,888	66,732
Byron Nelson Holdings Ltd (Leland)	95 Commander Road	2,600,800	259,040	-	-	-	-	-	43,173	39,288	35,402	31,516	27,631	82,029
bclMC Realty-GWL Realty	120 Bremner Blvd	52,000,000	5,179,200	-	-	-	-	-	863,200	785,512	707,824	630,136	552,448	1,640,080
Maple Dairy Inc	633 Coronation Drive	9,000,000	896,400	-	-	-	-	-	149,400	135,954	122,508	109,062	109,062	379,476
271 Front St Inc	43A Parliament Street	58,000,000	5,776,800	-	-	-	-	-	-	962,800	876,148	789,496	702,844	2,445,512
Oxford Group	85 Harbour Street	139,000,000	13,844,400	-	-	-	-	-	-	2,307,400	2,099,734	1,892,068	1,684,402	5,860,796
1302207 Ontario Ltd	134 Peter Street	70,000,000	6,972,000	-	-	-	-	-	1,162,000	1,057,420	952,840	848,260	743,680	2,207,800
First Gulf KEC Development Ltd	351 King Street East	120,000,000	11,952,000	-	-	-	-	-	1,992,000	1,812,720	1,633,440	1,454,160	1,274,880	3,784,800
Bay Adelaide East & 6537626 Canada Inc.	20 Adelaide St W	\$300,000,000	8,737,966	-	-	-	-	-	-	-	2,250,000	2,047,500	1,678,950	2,761,516
One York Street Inc.	1 York Street	\$230,000,000	13,398,215	-	-	-	-	-	-	-	3,450,000	3,139,500	2,574,390	4,234,325
Oxford Properties Group Inc	100 Adelaide St W	\$270,000,000	7,864,170	-	-	-	-	-	-	-	2,025,000	1,842,750	1,511,055	2,485,365
8710015 Canada inc (Hymopack)	55 Medulla Avenue	1,657,030	165,040	-	-	-	-	27,507	25,031	22,555	20,080	17,604	17,604	52,263
<b>Potential Grants for Applications Approved or in Progress</b>		<b>1,501,630,304</b>	<b>99,065,009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,403,000</b>	<b>3,796,793</b>	<b>7,515,397</b>	<b>10,197,812</b>	<b>16,877,864</b>	<b>15,171,695</b>	<b>12,868,392</b>	<b>29,233,056</b>
<b>Total Actual and Potential Grants</b>		<b>1,922,580,304</b>	<b>162,861,350</b>	<b>3,490,523</b>	<b>7,135,521</b>	<b>7,675,406</b>	<b>12,155,041</b>	<b>11,639,226</b>	<b>14,126,250</b>	<b>16,027,176</b>	<b>22,002,492</b>	<b>19,514,834</b>	<b>15,971,093</b>	<b>33,122,788</b>
<b>Total Base Municipal Property Tax Paid (Pre Dev)</b>														<b>7,133,392</b>
<b>Total (Net Incentive) Municipal Property Tax Paid</b>														<b>108,574,233</b>



**ATTACHMENT 3**

**2015 Payments - Completed Schedules and Employment**

<b>2015 Payments-Completed Schedules</b>	<b>Square Feet (new construction/renovation)</b>	<b>Estimated Construction Investment</b>	<b>Retained Employment</b>	<b>New Employment</b>	<b>Total Employment</b>
bcIMC Realty-GWL Realty	613,000	\$120,000,000	2480	0	2,480
Build Toronto Holdings One Inc	260,500	\$50,000,000	0	350	350
CQ 25 Dockside Property Inc	525,813	\$112,000,000	1100	0	1,100
Fifty-Five Developments	385,000	\$23,000,000	0	400	400
Chesswood Holdings Inc	156,000	\$8,950,000	100	25	125
Canada Lands Company CLC Limited	101,181	\$107,000,000	0	300	300
<b>TOTAL</b>	<b>2,041,494</b>	<b>\$420,950,000</b>	<b>3680</b>	<b>1075</b>	<b>4,755</b>

<b>2015 Payments- Completed Schedules</b>	<b>Pre Development Assessment</b>	<b>Annual Pre Development Municipal Taxes</b>	<b>Post Development Assessment</b>	<b>Annual Post Development Municipal Taxes</b>	<b>Annual 2015 IMIT Incentive</b>	<b>2015 Annual Taxes Paid (net incentive)</b>	<b>Total IMIT Incentive  (10 Year Term-60%)</b>	<b>Estimated Total Municipal Taxes  (10 Year Term- net IMIT Incentive-40%)</b>
bcIMC Realty-GWL Realty	\$22,427,500	\$304,055	\$299,015,640	\$5,185,919	\$2,988,898	\$2,197,021	\$23,269,985	\$38,783,308
Build Toronto Holdings One Inc	exempt	\$0	\$27,281,948	\$496,875	\$407,438	\$89,437	\$4,980,000	\$8,300,000
CQ 25 Dockside Property Inc	exempt	\$73,638	\$168,069,582	\$3,067,286	\$2,454,791	\$612,495	\$23,949,183	\$18,592,000
Fifty-Five Developments	\$224,045	\$315	\$27,387,185	\$456,023	\$372,259	\$84,079	\$2,290,800	\$3,818,000
Chesswood Holdings Inc	\$6,740,618	\$139,806	\$13,166,250	\$223,669	\$68,787	\$154,882	\$503,175	\$838,625
Canada Lands Company CLC Limited	\$7,352,067	\$93,961	\$70,635,450	\$1,119,596	\$1,798,800	BRTA	\$9,362,860	\$15,604,767
<b>TOTAL</b>	<b>\$36,744,230</b>	<b>\$611,775</b>	<b>\$605,556,055</b>	<b>\$10,549,368</b>	<b>\$8,090,973</b>	<b>\$3,137,914</b>	<b>\$64,356,003</b>	<b>\$85,936,700</b>