



## STAFF REPORT ACTION REQUIRED

### Imagination, Manufacturing, Innovation, Technology (IMIT) Program Application – 45 and 141 Bay Street

<b>Date:</b>	June 15, 2016
<b>To:</b>	Economic Development Committee
<b>From:</b>	General Manager, Economic Development and Culture
<b>Wards:</b>	28
<b>Reference Number:</b>	AFS: 22346

#### SUMMARY

This report presents an application made to the Imagination, Manufacturing, Innovation and Technology (IMIT) Property Tax Incentive Program submitted by Ivanhoe Cambridge and Metrolinx (as current landowner) for their proposed development at 45 and 141 Bay Street. The application is being made under the Transformative Project eligibility criteria, for which Council approval is required.

This development, for two large office towers, if approved, will bring the largest amount of new Class A office space from a single development into the Toronto market since the completion of Brookfield Place (Bay Wellington Tower and TD Canada Trust Tower) 25 years ago. The office buildings will support approximately 12,500 new or retained jobs. This project brings a unique privately owned publicly accessible space (POPS) that will span the railway corridor connecting the Financial District to the Waterfront area. It will also incorporate the new Metrolinx Bus Terminal and other transit infrastructure as part of the larger Union Station intermodal transit hub. This development has an estimated construction value of \$1 billion and meets the eligibility criteria for Transformative Project.

If City Council approves this project for the IMIT program, the City will be committed to make Tax Increment Equivalent Grant (TIEG) payments to Ivanhoe Cambridge estimated at \$130 million at current rates. The applicant is also applying under the Brownfield Remediation Tax Assistance program, which would entitle it to a further \$10 million in property tax cancellation. Approved applications under IMIT are also entitled to an exemption from Development Charges, estimated at \$1.2 million for this project, bringing the total value of the incentives for the Ivanhoe Cambridge to approximately

\$142 million. The new municipal property tax the City will receive is \$217 million over the term of the incentive netting \$75 million to the City and \$22 million per year thereafter. The two properties currently pay approximately \$1.35 million in municipal taxes, which will continue to be paid throughout the grant period, since the grant is based on the 'increment' above the base municipal taxes.

Due to the complexity of the application and financial implications for the City, an independent third party review was requested to provide a detailed analysis of the transformative nature of this development and the need for financial incentives. The completed review by Hemson Consulting Ltd is attached as Appendix A of this report. Hemson concluded that the project meets the Transformative Project criteria, and that without the IMIT grant Ivanhoe Cambridge is unlikely to proceed with the development as currently proposed. Hemson also indicated that if the development does not proceed as currently proposed, it is improbable that nothing would be built on the portion of the site that is currently occupied by a parking lot. Ivanhoe Cambridge has advised that if the Transformative Project application is not approved it is prepared to switch to a more standard office development with a smaller building that lacks the high quality and substantial public amenities proposed in the current design.

## **RECOMMENDATIONS**

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The General Manager of Economic Development and Culture recommends that:

1. City Council approve the application submitted by Ivanhoe Cambridge and Metrolinx for IMIT Development Grants and Brownfield Remediation Tax Assistance as a Transformative Project, subject to completion of all of the following:
  - Office building 1 at 45 Bay Street comprising of at least 120,774 m<sup>2</sup>. (1,300,000 sf) to be constructed and occupied within five years of final Site Plan Approval;
  - Office building 2 at 141 Bay Street comprising at least 92,903 m<sup>2</sup>. (1,000,000 sf) or the amount allowed through the planning approval process whichever is lower , to be substantially completed within fifteen years of Council approval of this report provided there is adequate sewer capacity to proceed;
  - The privately owned publicly accessible space (POPS) across the rail corridor of at least 0.4 ha (1 acre);
  - The "roughed-in" LRT platform in office building 1;
  - The Metrolinx bus terminal in office building 1 (not eligible for incentive);
  - The East Bay Teamway improvements;
  - The PATH connections to Union Station and the Air Canada Centre;
  - The PATH connections to the east side of Yonge Street;
  - Streetscape improvements surrounding the site;
  - Approval of Zoning for Phase 2;
  - Meeting all other IMIT program requirements.

2. Prior to the payment of any IMIT Development Grants Ivanhoe Cambridge shall be required to provide letters of credit equivalent to the total amount of the grant for office building 1, less the grant amount that the development may otherwise be eligible to receive if it qualifies under the Corporate Headquarters eligibility category in accordance with the terms and conditions as generally described in this report with respect to the financial security to ensure the Transformative Project status is maintained through the construction of the office building 2.
3. City Council approve the provision of IMIT grants for the Corporate Headquarters Gross Floor Area (GFA) in office building 1 based on the existing IMIT Program definitions and criteria, in the event that either:
  - Council does not approve this application as a Transformative Project; or
  - the project is not completed in accordance with recommendations 1 and 2.
4. 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**

IMIT incentives, referred to as TIEGs, (Tax Increment Equivalent Grants) are funded by the Municipal Tax Increment created by the eligible new construction that would not otherwise occur "but for" the incentive. The Municipal Tax Increment is the difference between the pre-construction "base" Municipal CVA Taxes and the post-construction "destination" Municipal CVA Taxes. The total Development Grant for this application may not exceed 60% of the cumulative Municipal Tax Increment over a 10-year period.

The IMIT program provides that the financial incentive is calculated after construction has been completed and the property is reassessed by the Municipal Property Assessment Corporation (MPAC) to fully reflect the new eligible development. The resulting incentive for the project is confirmed at that time. Therefore the final incentive amount for this project and the resulting financial impact cannot be determined until the final assessed value is in place.

The project is proposed to be implemented in two phases, one for each office tower. Each phase will have an estimated assessed value of about \$750 million for a total assessed value of \$1.5 billion. The second phase will be built after the first phase is occupied and receiving grants.

Each phase will yield nearly \$109 million in incremental municipal property taxes over the 10 years it receives grants, and potentially receive IMIT grants of about \$65 million, based on current rates and values. Together, both phases will yield about \$217 million in municipal property taxes during the grant period and receive \$131 million in grants from the City while retaining \$86 million. When incentive payments are completed, Ivanhoe Cambridge is estimated to pay about \$22 million per year in property taxes. The City

would also receive the full amount of any annual tax increase imposed each year during the grant period along with the payment of any pre-development "base" property taxes.

If the development does not proceed as a Transformative Project, and, the applicant builds a smaller office project, the space occupied by Corporate Headquarters would be eligible for grants accordingly. The amount of grant will depend on the size of the Corporate Headquarters. There must be a minimum of 10,000 m<sup>2</sup> GFA which would result in grants of about \$5 million over 10 years- or approximately \$500 per m<sup>2</sup>.

The applicant has also applied for the Brownfield Remediation Tax Assistance (BRTA) incentive. The BRTA is an additional IMIT incentive that supports on-site brownfield remediation. The estimated remediation cost for this development is \$10.5 million. The combined TIEG and BRTA incentive cannot exceed 67% of the municipal property tax increment over a twelve year period. Receiving BRTA is not dependent on the project receiving TIEGs. The applicant is eligible for BRTA as long as they build the office buildings or other eligible employment uses.

Finally, the development, if approved, would also be eligible for a Municipal Development Charge exemption as provided for in By-law 1347-2013. The estimated applicable Municipal Development Charges for both buildings combined would be approximately \$1.2 million.

**Table 1: Summary of Estimated Financial Incentives \$M's**

<b>Total Incremental municipal property tax paid while receiving grants</b>	<b><u>217.5</u></b>
Development Tax Increment Grants	(130.5)
Brownfield Remediation Tax Cancellation	(10.5)
Development Charges Exemption	<u>(1.2)</u>
<b>Total Financial Incentives</b>	<b><u>(142.2)</u></b>
<b>Net revenue to the City</b>	<b>75.3</b>

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

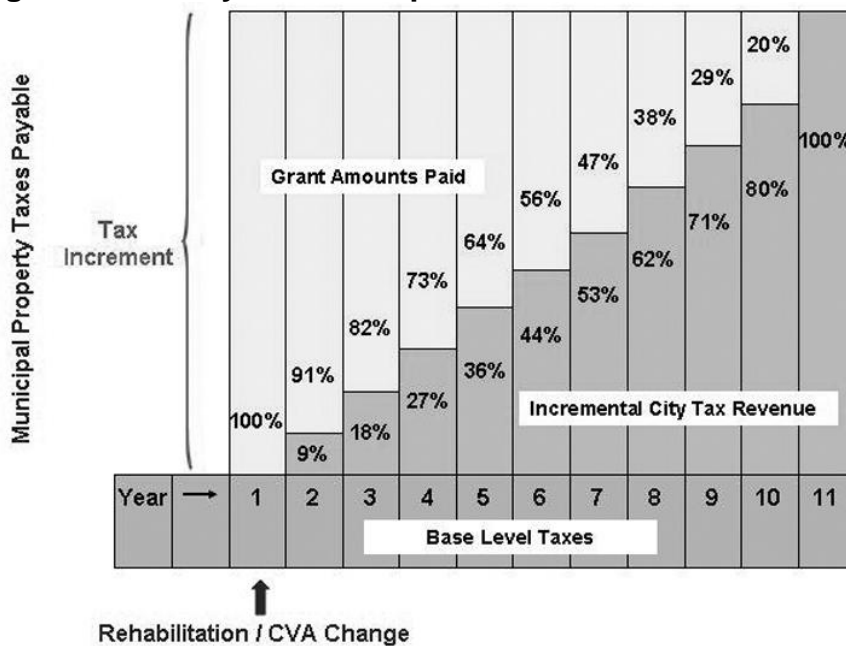
**ISSUE BACKGROUND**

The Imagination, Manufacturing, Innovation and Technology (IMIT) Property Tax Incentive Program was first approved by Council in 2008, and amended in 2012. It is authorized through three Community Improvement Plans (CIP) and is generally available for targeted employment developments throughout the City. It provides for an annual development grant and a municipal property tax cancellation for construction and remediation projects in targeted employment sectors and uses. These sectors and uses

include not only office but biomedical, food processing, information technology, creative industries, manufacturing and others. The Program was designed to address both regional and international competitive disadvantages in the City.

The IMIT Program provides an annual grant back over a 10 year period to the property owner based on the increase in assessed value and resulting municipal property taxes directly attributable to the new eligible construction. The IMIT Program provides a further incentive to support the remediation of contaminated soil required to allow for the development of the property.

**Figure 1 IMIT Payment Example**



The Program requires Council approval for all IMIT applications that have a total construction value of greater than \$150 million as shown on the initial IMIT application form and confirmed by the main building permit application. All Transformative Project applications must also receive Council approval.

**Transformative Projects**

The IMIT program provides incentives for Transformative Projects to recognize that on rare occasions, projects of a significant magnitude may come forward that would allow the City to quickly achieve a number of planning and economic development objectives and have the effect of transforming the functioning, image and growth potential of an area. These projects may include uses that would not otherwise be eligible to receive grants. Transformative Projects should be assessed on their own merits and within the context of industry and economic conditions.

A Transformative Project is defined as a large development that must demonstrate the following attributes by way of a business plan:

- a minimum investment of \$250 million;
- a minimum of 75,000 m<sup>2</sup> of new space that will be constructed and occupied within a 5 year time period;
- the creation of over 2,500 jobs;
- will occupy a minimum of 4 hectares;
- the ability to link the project to regional transit initiatives;
- the provision of amenities that will be accessible to the public;
- its ability to act as an anchor within its district and stimulate collateral new investment;
- the co-location of activities that will have a regional (GTA) impact creating new wealth in the community; and
- its need for financial incentives in order for the development to be economically viable.

## **COMMENTS**

### **The Application**

Ivanhoe Cambridge proposes a landmark development on the east side of Bay St at Union Station. They have made an IMIT application under the Transformative Project eligibility criteria. The proposal includes:

- two large office towers, with supporting retail space, on either side of the rail corridor
- an elevated privately owned publicly accessible space (POPS) spanning the rail corridor and connecting the towers
- a new Metrolinx bus terminal in the base of the southern tower, which would replace the existing GO bus terminal on the north side of the rail corridor, and which may ultimately include the existing bus terminal services in the bus station at Bay and Dundas
- PATH system connections from Union station and the Air Canada Centre through the new office towers to Yonge St
- a 'roughed-in' box for a platform for a future East Bayfront LRT station
- upgrades to the East Bay teamway under the rail corridor, and to the sidewalks and public realm surrounding the development.

The total gross floor area of the entire project is approximately 278,000 m<sup>2</sup>. The construction value of the project is estimated to be \$1 billion with the public amenities (POPS, PATH connections, public realm improvements) accounting for approximately \$120 million. The following is a summary of the public amenities that will be realized through the proposed development:

**Table 2 Public Amenities-Estimated Construction Cost**

North Portal to provide access to Bay Park	\$15 M
South Portal to provide access to Bay Park	\$15 M
Bay Park (park, skating, events) Publically Accessible Open Space above rail corridor	\$50 M
East Bay Teamway	\$5 M
Pedestrian Bridge to the Air Canada Centre	\$8 M
Pedestrian Bridge to Union Station	\$8 M
Pedestrian Bridge to east side of Yonge Street	\$8 M
LRT Platform "rough-in" – 45 Bay Street	\$2 M
141 Bay Pedestrian Mews	\$2 M
Third Public Park Access (Phase 2)	\$5 M
International Design Competition	\$2 M
	\$120 M

**Table 3 Development Sequencing (Metres Square)**

Use	Phase One (45 Bay St)	Phase Two (141 Bay St)	Total
Office	121,540	134,397	255,937
Retail	7,739	Breakdown of office versus retail TBD	7,739
Transit	10,734	0	10,734
POPS	4,162*	0	4,162*
Total	144,175	134,397	278,572

\*based on the area of the non-enclosed overbuild park

The project will be developed in two phases because of its size and complexity. Phase one of the development will include office building 1 at 45 Bay Street, the bus terminal and the privately owned publicly accessible space (POPS). The second phase will incorporate office building 2. The phasing is necessary because:

- the site of the second tower (141 Bay Street.) is currently occupied by the existing GO bus terminal, which will need to remain operational until the new terminal has been built in the first tower (45 Bay Street.);
- there are uncertainties around the availability of sewer capacity for the second phase that will only be resolved through improvements associated with limitations at the Scott Street pumping station and
- building and leasing up the two large office towers will be a long process.

The project is located in the Financial District as designated in the City's Official Plan. Office buildings in the Financial District are not eligible for IMIT grants, however the

floor space occupied by a global or Canadian Headquarters of a firm (at least 10,000 m<sup>2</sup>), and other targeted sectors, would be eligible for grants.

Due to the long history of fill importation for various commercial and industrial waterfront developments and proximity to rail activities, associated contamination found in this area of the property includes Petroleum Hydrocarbons, Metals and Inorganics and Polycyclic Aromatic Hydrocarbons. Accordingly, substantial remediation is required.

The project also requires the following planning approvals to proceed:

- i. Site Plan Approval for phase 1 (Notice of Approval Conditions anticipated Q4 2016 with final Site Plan Approval dependant on Ivanhoe Cambridge meeting any pre-approval conditions)
- ii. Zoning By-law Amendment for phase 2 (consideration expected Q4 2016)
- iii. Site Plan Approval for phase 2 (application not submitted)

After an international architectural design competition, Ivanhoé Cambridge and Metrolinx selected Wilkinson Eyre, a London-based architectural firm, to be the design architect for the project. The architects of record are Adamson Associates, a Toronto-based firm that has participated in several large-scale projects around the world, including the Petronas Towers in Kuala Lumpur, Canary Wharf in London and the World Financial Center in New York.

There are only four other office complexes in Downtown Toronto that could be considered comparable to this development:

- |                                   |  |
|-----------------------------------|--|
| - TD Centre (1969)                | 418,000 m <sup>2</sup>   |
| - First Canadian Place (1975)     | 251,000 m <sup>2</sup>   |
| - Brookfield Place (1992)         | 242,000 m <sup>2</sup>   |
| - Bay-Adelaide Centre (2009/2016) | 195,000 m <sup>2</sup> (242,000 m <sup>2</sup> if the proposed 3 <sup>rd</sup> building is included) |

## **Evaluation of the Application**

### **Transformative Project Criteria**

The key issue is whether or not the project is a Transformative Project as defined by the CIP. If so, it would be eligible for IMIT incentives, subject to Council approval. Some criteria in the definition are easily measured; others are more subjective and require specialized knowledge of the office market and development financing. To assist with this evaluation, the City retained Hemson Consulting Ltd to conduct an independent analysis of the Ivanhoe Cambridge proposal. This analysis concluded that the IMIT incentives are necessary in order to support the rate of return that would be required for the project to proceed. The completed review is Appendix 1 of this report.

The consultant's evaluation of whether or not the project meets the Transformative Project criteria is summarized as follows:

#### **1. A minimum investment of \$250 million**



The project is estimated to include a total construction investment of approximately \$1 billion.

**2. A minimum of 75,000 m<sup>2</sup> of new space that will be constructed and occupied within a 5-year time frame**

The project will far exceed the minimum space requirement. Phase 1 will result in over 144,175 m<sup>2</sup> and phase 2 in a further 134,397 m<sup>2</sup> for a total of 278,572 m<sup>2</sup>.

The project cannot be completed in 5 years. Building and occupying office buildings of this size will take at least 3 years, and as noted above, the project must be built in two phases to have a continuously operating GO bus terminal; and to ensure that sewer capacity will be available for the second building.

Although the build out of the development will take longer than 5 years to complete, this criterion will be satisfied because the first phase which has more than 75,000 m<sup>2</sup> will be constructed and occupied within 5 years.

**3. The creation of over 2,500 jobs**

The project would support a minimum of 12,500 office jobs plus retail jobs and jobs involved in the maintenance and programming of the POPS. It remains to be seen as to the degree that these jobs would be new employment in the region, but the project will almost certainly accommodate significant net growth in employment in central Toronto.

**4. Will occupy a minimum of 4 hectares**

The development area is 4.1 ha, including the area occupied by the POPS over the rail corridor, the East Bay Teamway, the LRT station platform box and the improvements to the public realm sidewalks on Yonge Street, Bay Street and Lakeshore Boulevard.

**5. The ability to link the project to regional transit initiatives**

The project will:

- enhance the operation of the GO Bus service through the new bus terminal;
- provide improved linkages to Union station; and
- be designed to include a future LRT station platform and ability to expand the GO train service through Union station through double-berthing.

**6. The provision of amenities that will be accessible to the public**

The POPS over the rail corridor will be a significant investment of approximately \$50 million. The applicant will also maintain and program this space. This space plays a pivotal role for both the project and the City in that there are no other major above-grade pedestrian connections across the rail corridor in this area.

## **7. Its ability to act as an anchor within its district and stimulate collateral new investment**

The project is valuable to the potential investments to the south and east of the site. It will provide physical connections across the barrier of the rail corridor both through the POPS and the PATH connections that will open up connections to the Lower Yonge precinct and East Bayfront, where office development is planned and encouraged. In addition a project of this scale in this location will extend the Financial District further south by changing the public perception of what are considered to be well-connected Financial District locations.

## **8. The co-location of activities that will have a regional (GTA) impact creating new wealth in the community**

The co-location of new activities and the creation of new wealth is difficult to determine with any degree of certainty. However, the consultant noted that:

- the project's connection to Union Station connects it to VIA rail and office markets beyond the GTA;
- the new GFA will address the demand for a minimum of 1,900,000 m<sup>2</sup> of new office space in Toronto by 2031;
- the programming for the POPS is intended to position it as a potential tourist attraction and will serve as a much needed amenity for the Financial District; and
- the project's construction will have direct and indirect province-wide impacts of approximately \$2 billion.

## **9. The need for financial incentives in order for the development to be economically feasible**

The IMIT grant would have a relatively minor direct financial impact but the grant would engender shorter lease-up times for the project which would have as much of an effect on the Internal Rate of Return (IRR) as the direct financial benefit of the grant. Taken together these impacts would improve the project's IRR enough to make it conservatively viable. An IRR calculation is used to evaluate the financial viability of an investment for a developer.

The consultant concluded that without the Transformative Project IMIT grant the applicant is unlikely to achieve an acceptable rate of return on the project given the project risks and thus is unlikely to proceed with the development as currently proposed.

The consultant also indicated that it is improbable that nothing would be built on the site in the absence of grants, but that Ivanhoe Cambridge has suggested that if the Transformative Project application is not approved it is prepared to consider a scaled back development and a smaller building that would lack the high quality and substantial public amenities proposed with the current designs.

Staff concur with the consultant's opinion that the proposed project meets the criteria for a Transformative Project as defined in the CIP.

## **Support for Economic Development and Planning Objectives**

The project also supports economic development and planning policy:

Office development is key to the City's economic development and competitiveness and assessment growth. The January 2013 Report, *Collaborating for Competitiveness: A Strategic Plan for Accelerating Economic Growth and Job Creation in Toronto*, emphasizes the need for new office development. The creation of \$400 million in net new commercial and industrial assessment is targeted for each year.

The recently-completed study on employment uses in Toronto concluded that the City requires a renewed focus on targeting office space construction to realize future growth potential. Council adopted new Official Plan employment policies in December 2013 that implemented this direction and emphasized the importance of office employment in creating a strong competitive local economy in Toronto.

The office sector plays an important role in promoting and sustaining wealth-creating economic growth in the City. For example, forty-eight percent of all employment in Toronto is office based. Fifty-one percent of Toronto's wealth creation is located Downtown and in the Waterfront area and most of that is within office buildings.<sup>1</sup>

It is important that the City have new office buildings that meet modern design and efficiency standards to add to the mix of available office space to enhance the area's competitiveness.

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 development will yield about \$22 million per year in property taxes, support over 12,500 jobs and an additional 4,400 jobs during construction.

The development will support transit – a central element for a liveable city and competitive economy:

- it is adjacent to Union Station and will have direct PATH connections to the station
- the PATH connections will also enhance linkages between Union Station and areas to the south and east of the project
- the Metrolinx bus station is expected to accommodate 55,000 riders per day
- the project will allow for expansion of Union Station by allowing for double berthing of trains in the rail corridor
- a future LRT platform for the proposed Queens Quay East LRT will be provided.

TOcore is a planning study underway to consider how future growth will be accommodated, shaped and managed, and what physical and social infrastructure will be

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<sup>1</sup> Sustainable Competitive Advantage and Prosperity- Malone, Given, Parsons Ltd-2012

required to support that growth. The TOcore program has identified more parks and open space as a pressing need in Downtown. Ivanhoe Cambridge will build and program a major publicly accessible open space over the rail corridor connecting the two office towers. It will provide a new and innovative outdoor amenity space in a unique location. As this area continues to grow with both new residents and employees additional public spaces are vital. While they will maintain the space as a private facility in support of the two office buildings, at the same time they will encourage public access to it and through it.

Other public realm improvements will accompany the project including at a minimum:

- Improvements will be made to the East Bay Teamway providing integrated connections to the new development.
- A plaza will be developed on Bay Street providing public space and an entrance to the office lobby.
- A 'North Portal' and plaza at 141 Bay Street that will act as a gateway to the proposed development bridging the divide between the southern site and the greater office density to the north

A key aspect of the proposed development is that it may result in extending downtown development and the perceived Financial District further to the south and east. It would create new linkages between the Financial District and the eastern end of the South Core. This in turn may assist in opening up the southeast area of downtown and the waterfront to transit friendly development.

### **Approval with Conditions**

Based on the value of these public benefits and the project's conformance with the Transformative Project criteria, staff recommend that the project receive IMIT support as a Transformative Project provided that the grants are conditional on Ivanhoe Cambridge building the 'full package' including at a minimum:

- i. Within the first five (5) years from the date of final Site Plan Approval:
  - Office building 1 at 45 Bay Street of at least 120,774 m<sup>2</sup>;
  - The privately owned publicly accessible space (POPS) across the rail corridor of at least 0.4 ha;
  - The LRT platform in office building 1;
  - The Metrolinx bus terminal in office building 1;
  - The East Bay Teamway improvements;
  - The PATH connection to the Air Canada Centre;
  - The improvements to the public realm surrounding the development.
- ii. Within fifteen (15) years from the date of Council approval of the development described in this report as a Transformative Project:
  - Office building 2 at 141 Bay Street comprising of the lesser of 92,903 m<sup>2</sup> or the maximum amount of gross floor area allowed through the planning approval process (15 208844 STE 28 OZ);
  - The PATH connections to the east side of Yonge Street;
  - The PATH connection to Union Station.

iii. Increases in CVA and resulting municipal property taxes resulting from the transportation improvements (bus terminal, LRT platform) not being eligible for grants.

The required minimum GFA for office building 2 is set at 92,903 m<sup>2</sup> which is less than the planned for GFA of 134,397 m<sup>2</sup>. This lesser amount was set to provide Ivanhoe Cambridge with leeway in the planning and development process and lengthy development timeline.

### **Eligibility for Grants for Corporate Headquarters**

If the project is not approved or doesn't proceed as a Transformative Project, but the applicant builds a smaller office project in this location, if more than 10,000 m<sup>2</sup> of GFA is occupied by Corporate Headquarters it may be eligible for IMIT grants. If the value of the project has a construction value greater than \$150 million, which is likely to be the case even for a relatively smaller development on the site, Council approval would be required.

Staff recommend that through this report, Council approve this 'fall back' grant for Corporate Headquarters.

### **Staging and Claw Backs for a Transformative Project**

As noted above, the project will be built out in two phases over a considerable period of time. In order to make the project viable, it is reasonable that grants should flow to the Ivanhoe Cambridge for the first phase of the project before the second is completed. However, because the grants are conditional on both phases of the project being built, the City requires a mechanism to ensure either that the full project is built or that it will be reimbursed for grants for the first phase if the second phase is not built.

Ivanhoe Cambridge has agreed to provide letters of credit equivalent to the total amount of the grant for office building 1, minus the grant amount that the development may otherwise receive, if it qualifies, under the Corporate Headquarters eligibility category. The letters of credit will serve to secure the completion of the entire development in recognition of the fact that office building 1 would not qualify as a Transformative Project without the timely development of office building 2.

The letters of credit will be provided annually, immediately prior to the provision of the IMIT grant, for the 10-year period during which IMIT grants are provided, or until such time as office building 2 is substantially completed whichever occurs first. The letters of credit will be indexed annually at either (1) at the prime rate of interest plus 200 basis points or (2) benchmark 10 year government of Canada bond yield + 200 basis points or a similar calculation.

The City will have the authority to draw entirely on the letters of credit if:

- Office building 2 is not substantially completed as per the definition in the Construction Lien Act, within 15 years of the date of Council approval of this development as a Transformative Project;
- Ivanhoe Cambridge (or its agent) submits any planning or building permit application to permit the development of anything other than an office building of at least 1 million square feet for the 141 Bay Street site; or
- Office building 1 and or office building 2 is converted to a use other than office/retail.

If any of the Corporate Headquarters gross floor area does not survive the 10-year grant period for office building 1, then Ivanhoe Cambridge must submit a supplementary letter of credit to reconcile the difference. If that does not occur, the City will have the ability to draw entirely on the letters of credit, cease grant payments for the Transformative Project, and take such actions necessary to collect amounts outstanding. The letter of credit will otherwise be released following the substantial completion of office building 2.

### **Other IMIT Program Requirements**

If Council approves this development as a Transformative Project, its eligibility will remain contingent on the ability to meet all conditions included in the CIP, including the requirement that it conform with all City by-laws, zoning requirements and development approvals (section 5(ii)). As previously indicated, a decision respecting the zoning by-law amendment application made for 141 Bay Street is pending consideration. For clarity, despite Council's decision with respect to the IMIT application, whatever that may be, Council maintains discretion with respect to a decision on the Zoning By-law Amendment application, and Council's decision may be appealed to the Ontario Municipal Board.

The buildings will, as an IMIT Program requirement, meet the minimum Tier 1 requirements of the Toronto Green Standard and are expected, but not required, to achieve LEED Platinum Core and Shell Certification.

As an IMIT Program requirement, tenants will be required to enter into a Local Employment Plan (LEP). The LEP will identify opportunities for local hiring and training and document how the applicant and property users will utilize City endorsed or sponsored employment programs to achieve this. This Local Employment Plan 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 City of Toronto residents.

Finally, the applicant will be required to enter into a Financial Incentive Agreement with the City that will outline all terms and conditions of the IMIT Program. Included in this Agreement will be the requirement that Ivanhoe Cambridge provide letters of credit to secure the completion of the entire development in recognition of the fact that office building 1 on its own will not qualify as a Transformative Project without the timely

development of office building 2 and the ability of the City to claw back any incentives paid to the property Ivanhoe Cambridge in the event of default.

### **Other Divisions Consulted**

Legal Services and City Planning staff have been consulted in the preparation of this report.

### **CONCLUSION**

The City of Toronto must be pro-active in its efforts to achieve the goals set out in its economic development and planning strategies. Encouraging this new office development through the use of incentives is essential to meeting those goals. The 45 and 141 Bay Street project is a key new office development that represents a significant investment that will support thousands of jobs.

The approval of this development as a Transformative Project and receipt of the IMIT incentive is an essential component in enabling this project to go forward. Approval of this application will send an important signal to both developers and prospective tenants that the City encourages and supports new office development.

### **CONTACT**

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### **SIGNATURE**

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Michael H. Williams, General Manager  
Economic Development and Culture

### **ATTACHMENT:**

Review of the Application for an IMIT Grant for The Bay Park Centre  
Hemson Consulting Ltd