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MEMORANDUM

To: Mike Williams, General Manager – Economic Development and Culture
City of Toronto

From: John Hughes, Jason Bevan & Julia Cziraky

Date: July 18th, 2018

Re: Hemson comments stemming from 9th July 2018 Economic Development Committee Meeting

During the 9th July 2018 meeting of the Economic Development Committee, several deputations were made by representatives of the applicants. In respect of these representations, our firm was asked to respond to some of the general comments received in the context of our report, *Review of Applications Under the IMIT Program*. The following memo summarizes our response.

1. Relevance of market conditions and the “but for” test

A number of the applicants raised concerns that the review placed emphasis foremost on prevailing market conditions as well as the “but for” condition. Applicants stated that these conditions are not requirements for grant approval under the IMIT Program Community Improvement Plan (CIP) by-law.

When Toronto City Council established the IMIT program in 2008 it was done so with the explicit objective of attracting and retaining employment in the City of Toronto. At the time, Toronto’s employment growth rate significantly lagged that of other large GTA municipalities. The references in our report to market conditions and the “but for” test were intended to provide context to Council relative to the overall intent of the IMIT program – to retain and attract jobs that may have otherwise not located in Toronto.

As such, an assessment of the market context is imperative. In contrast to when the IMIT by-law was first established, job growth in the downtown core is and continues to be very strong. As well, office vacancy rates are at an historic low. The very fact that seven large-scale office developments are proposed, totalling over 8 million square feet, is indicative of the health of the market.

2. Evaluation of applications based on existing and proposed by-law

Concerns were raised that our report evaluated these development proposals in relation to the yet to be adopted new CIP by-law, rather than the the existing in-force by law.

To be clear, the applications were assessed in accordance with the requirements of the in-force by-law. The by-law requires Council approval for applications over \$150 million in construction investment. The objective our report was to provide assistance to Council with its decision by noting market conditions and other City policy objectives influencing the necessity of providing a grant.

The IMIT applications were not assessed against the proposed new by-law; rather, Hemson's report made reference to the prevailing market conditions and policy rationales which have also led to the proposed new by-law.

3. Competitive disadvantage between developments

A number of applicants expressed the view that a refusal of the IMIT grants would put them at a competitive disadvantage against other developments that have/will receive grants.

Our recommendations were based on an independent assessment of each development relative to the intent of the IMIT Program and prevailing market conditions. With historically low office vacancy rates and increasing demand for new office space, market conditions in the City's core are broadly favourable notwithstanding the grants. Further, our review was undertaken in the context of the intent of the IMIT program to support employment growth in key sectors and geographic locations; the grants are not intended to enhance the investment performance of individual projects under already favourable market conditions.

In conclusion, having given full consideration to the comments expressed at the meeting of the Economic Development Committee, we have concluded that none of the issues raised would warrant a revision to the opinions expressed in our report.