

July 20, 2018

Our File No.: 180415

Via Email: clerk@toronto.ca

Toronto City Council
City Hall, West Tower, 2nd Floor
100 Queen Street West
Toronto, ON M5H 2N2

Attention: Ulli S. Watkiss, City Clerk and Marilyn Toft, Manager

Dear Mayor Tory and Members of Council:

Re: Item PG31.5 – Proposed Changes to Community Improvement Plan / IMIT Program

We are solicitors for Oxford Properties Group and related companies (collectively, “**Oxford**”), the owners, developers and/or managers of numerous properties throughout the City of Toronto.

Oxford has successfully applied for development grants under the existing City-wide Community Improvement Plan (“**CIP**”) and Imagination, Manufacturing, Innovation and Technology (“**IMIT**”) program on two previous occasions, which has enabled it to attract several large anchor tenants to locate within its recently completed development projects at 88 Queens Quay West and 100 Adelaide Street West. The construction of these two buildings has added approximately 1.7 million square feet of new office space within the City’s downtown core, and the viability of both projects depended on the availability of the IMIT development grants.

Oxford has also applied for development grants for the eligible office building it is proposing to construct at 30 Bay Street and 60 Harbour Street, and is awaiting City Council approval in respect of that application.

Finally, Oxford is anticipating the submission of development grant applications in connection with other office projects in coming years.

Concerns with the Proposed Community Improvement Plan

Oxford has reviewed the staff recommendation reports dated January 16, 2018 and June 12, 2018, along with the report from Hemson Consulting Ltd. dated November 15, 2017, which collectively form the basis for the proposed new CIP by-law (the “**Proposed By-law**”) and the repeal of the existing CIP By-law Nos. 516-2008, 517-2008 and 518-2008, as amended.

While Oxford is pleased that the Proposed By-law maintains many of the components, requirements and eligibility criteria of the existing IMIT program, it has identified a few areas of concern with respect to the Proposed By-law. We are writing on behalf of Oxford in the hope that some of the proposed changes are considered.

Elimination of Office Eligibility in the Financial District

The proposal to expand the Financial District, and in so doing, eliminate all eligibility for office space within that expanded Financial District boundary is unjustified and unfair. It would draw an arbitrary geographic boundary which is not necessarily reflective of how the office market actually behaves, and as a consequence it would create a major competitive disadvantage for ineligible projects as compared to sites located just outside of the Financial District: If the Proposed By-law is approved, there will be office development projects offering prospective tenants significant tax incentive grants competing with similar projects located across the street or just a few blocks away which are unable to reduce their tenants' tax expenditures through such incentives.

One of the stated CIP objectives within the Proposed By-law is to:

“Support the vision of the Official Plan for a City with a strong and competitive economy with a vital downtown that creates and sustains well-paid, stable, safe and fulfilling employment opportunities for all Torontonians.”

By creating an inequitable playing field between sites located within and outside of the expanded Financial District, the Proposed By-law may reduce the strength of the economy and its competitiveness which may ultimately hinder the vitality of the downtown core.

In order to mitigate the inequity of the Proposed By-law, our client requests that the IMIT Program be amended to include a transition zone between areas of the City eligible for grants under the IMIT Program and areas that are not eligible. A transition zone should provide for declining limits on grant amounts such that the closer a site is to the Financial District, the lower the maximum eligible grant amount. This approach would help mitigate the inequity for development at the perimeter of the Financial District, which may otherwise have difficulty competing with IMIT Grant supported projects across the street or within a few blocks of the Financial District.

Proposed Limits on Development Grants

The provision in the Proposed By-law which seeks to limit the total development grants available for any individual project to \$30 million significantly reduces the scope and effectiveness of the IMIT program.

Despite the staff recommendations, we note that the Planning and Growth Management Committee (“PGMC”) has recommended that projects with a construction value exceeding \$150 million be exempt from the \$30 million cap. Oxford supports this proposed amendment.

Oxford also supports the PGMC recommendation to permit eligible applications within Urban Growth Centres to qualify for enhanced development grants worth 70% of the cumulative Municipal Tax Increment (or 77% where combined with Brownfield Remediation Tax Assistance).

Other Program Conditions and Technical Definitions

The requirement for the applicant to be the property owner (or to have the owner's authorization), and for the owner to enter into an agreement with the City, should be clarified. In situations where the property is developed pursuant to a long-term land lease which extends beyond the grant term, the leasehold developer should be permitted to apply for the grants, and to enter into the financial incentives agreement with the City, with the consent of the registered owner.

Finally, Oxford's previous experience with development grant applications has demonstrated that some of the technical definitions within the Proposed By-law would benefit from certain revisions. For example, defining "Gross Floor Area" to specifically include stairwells and escalators has resulted in the unintended consequence of owners not being able to use their certified area measurements based on universally accepted BOMA standards which exclude vertical penetration areas, thereby requiring costly additional measurements and analysis which have no material effect on the grant amounts being calculated. In addition, the definitions of "Base Municipal CVA Taxes" and "Destination Municipal CVA Taxes" have proven to be imprecise when addressing complicated properties with multiple buildings on the same roll number or where the development grants are sought for building expansions. These definitions also do not adequately account for market value increases unrelated to the development or mid-cycle phased-in assessment increases. A provision should be added to the Proposed By-law to indicate that the intent of the IMIT program is to isolate the pre and post development value of the specific portion of the property that is proposed to be altered as part of the eligible development.

Thank you for considering this submission and please feel free to contact us should you have any questions or concerns.

Yours very truly,

GOODMANS LLP



Anne Benedetti

cc: Michael Williams and Rebecca Condon, Economic Development and Culture
Mark Cote, Andrew O'Neil and Cory Estrela, Oxford Properties Group