**REPORT FOR ACTION**

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

**Date:** July 4, 2018  
**To:** Economic Development Committee  
**From:** General Manager, Economic Development and Culture  
**Wards:** 10, 20, 28

**SUMMARY**

The IMIT Property Tax Incentive Program requires that all applications for Development Grants with an estimated construction value equal to or exceeding $150,000,000 (one hundred and fifty million dollars) obtain City Council approval.

Eight applications for the IMIT program have been received that fall under this eligibility criteria. This report reviews these applications and provides a staff recommendation on whether to approve. Also included in this report is a third party analysis of each application.

These applications are being assessed at the same time that the Planning and Growth Committee and Council are evaluating proposed changes to IMIT as part of a planned five year review. The applications being reviewed in this report were received and are being assessed under the pre-existing rules.

**RECOMMENDATIONS**

The General Manager, Economic Development and Culture recommends that:

1. City Council approve Imagination, Manufacturing, Innovation and Technology (IMIT) incentives for the following applications:
   a. 440 Front Street- in the estimated amount of $40,000,000; and  
   b. 1755 Steeles Avenue West- in the estimated amount of $15,000,000.

2. City Council refuse Imagination, Manufacturing, Innovation and Technology (IMIT) incentives for the following applications:
   a. 100 Queens Quay East;
b. 16 York Street;
c. 30 Bay Street & 60 Harbour Street;
d. 56 Yonge Street et al;
e. 40 Temperance Street; and
f. 160 Front Street West.

3. City Council authorize the General Manager of Economic Development and Culture to negotiate and execute a Financial Incentive Agreement with respect to each of the projects approved in accordance with Recommendation 1, in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

City Council on April 24, 25, 26 and 27, 2018, adopted EX30.6 headed "Review of the IMIT Property Tax Incentive Program". This report recommended changes to the IMIT program and eligibility criteria, including the elimination of office eligibility within an expanded TOcore Financial District boundary, on the basis that the review of the program deemed that the 'but for' test is no longer met in the Financial District. In other words, office developments would proceed regardless of financial incentives. The recommended changes to the IMIT program are to be implemented through amendments of the Community Improvement Plan (CIP) to be presented at a statutory public hearing to be held before the Planning and Growth Committee meeting on July 5th, and then to be considered by City Council at its meeting scheduled for July 23-25, 2018.

Six of the office development applicants presented in this report are within the expanded TOcore Financial District boundaries, in which it was determined that the IMIT 'but for' test is not met. Accordingly, this report does not recommend IMIT grants for these developments. The grant amount for these six developments, if provided, is estimated at $364 million over 10 years, as summarized in Table 1.

The other two applications are for developments outside the expanded TOcore Financial District. One is for a large office development on Front Street West on the former Globe & Mail site, and the other is for an expansion of the manufacturing facility of Sanofi Pasteur in the north part of the City. These applications meet the criteria for IMIT grant eligibility, and accordingly staff recommend these applications for IMIT grant approval. The grant amount for these developments is estimated at $65 million.
Table 1- IMIT grants based on the proposed gross floor area

<table>
<thead>
<tr>
<th>Address</th>
<th>Eligibility</th>
<th>Square Feet</th>
<th>Construction Investment ($ millions)</th>
<th>Estimated IMIT Grants over 10 years ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommended for IMIT Grant Approval</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>440 Front Street Office</td>
<td>Office</td>
<td>1,000,000</td>
<td>$230</td>
<td>$40</td>
</tr>
<tr>
<td>1755 Steeles Avenue West</td>
<td>Manufacturing</td>
<td>170,000</td>
<td>$171</td>
<td>$15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>$65</td>
</tr>
<tr>
<td><strong>Not Recommended for IMIT Grant Approval</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100 Queens Quay East Office</td>
<td>Office</td>
<td>730,000</td>
<td>$195</td>
<td>$28</td>
</tr>
<tr>
<td>16 York Street</td>
<td>Office-Corporate HQ</td>
<td>887,581*</td>
<td>$475</td>
<td>$40</td>
</tr>
<tr>
<td>30 Bay Street &amp; 60 Harbour Street</td>
<td>Office</td>
<td>1,500,000</td>
<td>$600</td>
<td>$93</td>
</tr>
<tr>
<td>56 Yonge Street et al Office-Corporate HQ</td>
<td>2,000,000*</td>
<td>$1,500</td>
<td>$110</td>
<td></td>
</tr>
<tr>
<td>40 Temperance Street</td>
<td>Office-Corporate HQ</td>
<td>855,000*</td>
<td>$300</td>
<td>$46</td>
</tr>
<tr>
<td>160 Front Street West Office-Corporate HQ</td>
<td>1,300,000*</td>
<td>$504</td>
<td>$47</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>$364</td>
</tr>
</tbody>
</table>

*Indicates total size of development. Grant would be calculated based on gross floor area occupied by eligible tenant(s).
At its meeting of April 24, 25, 26 and 27, 2018, City Council approved a financing and funding strategy for the SmartTrack Stations. This strategy is based on anticipated allocation of funding from tax increment revenues, development charges and the City Building Fund. Estimates of funding from tax increment revenues were premised on the proposed changes to the IMIT Program, including the elimination of office eligibility from IMIT grants in the expanded TOcore Financial District. If Council approves IMIT grants for office in the Financial District, Council will be required to identify an alternative funding source for the SmartTrack Program and incorporate the change in future budgetary plans. The two applications recommended for IMIT grant approval will not impact the SmartTrack funding plan.

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

**DECISION HISTORY**

At its October 2-4, 2012 meeting, City Council adopted changes 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. These changes were the result of a Program review that was called for when the original CIPs were adopted in 2008. This direction can be viewed at:
http://aportonto.ca/tmmis/ViewAgendaItemHistory.do?item=2012.PG17.5

At its April 2018 meeting, Council adopted recommendations to revise the IMIT Program as an outcome of the required review of the program.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX30.6

These recommendations have been incorporated into a City-wide Community Improvement Plan that will be brought forward to Planning and Growth Management Committee July 5, 2018.

**COMMENTS**

The Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentive Program (the "Program") provides incentives in the form of grants to support the 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 grants to approved applicants relative to the incremental property taxes that are paid due to new development. Generally speaking, the total grants are equal to 60% of the increased municipal property taxes over the first ten years after construction. Thereafter, the City collects the entire municipal property tax.

The Program provides a property tax incentive to qualified employment generating developments 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).

Economic Development and Culture staff reviewed the applications received and
requested additional information where clarification was required. All applications were
assessed by staff for adherence to program intent and eligibility. The IMIT Program is
premised on the need for incentives in order for the development to proceed. Due to the
complexity of the applications and financial implications for the City, an independent
third party review was requested to provide a detailed analysis of each application and
the need for financial incentives. The completed review by Hemson Consulting Ltd is
attached as Attachment 2 to this report.

A summary of the assessment on each application listed in the table above is provided
as Attachment 1. As can be seen from the two attachments, a thorough analysis was
undertaken to test whether the applications meet the criteria set out in the IMIT program
and also whether they meet the key test of the 'but for' clause. Staff have accepted the
analyses and recommendations of the consultants.

The IMIT Program has gone under a review with a report and new CIP By-law before
Council at this same session of Council. Applications received under this program are
date stamped when received and processed under the applicable in force by-law at the
date of receipt. All of these applications are being processed under the current in force
By-law 1323-2012.

For those applications that may qualify under the Corporate HQ eligibility it should be
noted that any grant will be proportionate to the amount of gross floor area occupied by
eligible tenants in relation to the total building gross floor area.

As a result of the review, staff are recommending that Council approve two applications
and that Council not approve six applications. These recommendations were arrived at
after review of the applications with additional input from Hemson Consulting Ltd.

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SIGNATURE

_________________________
Mike Williams, General Manager
Economic Development and Culture
ATTACHMENTS

Attachment 1: Summary of IMIT Applications Reviewed
Attachment 2: Hemson Consulting Ltd- Review of Applications Under the IMIT Program
Applications Recommended for Approval

1. 440 Front Street-Allied/Westbank-“The Well”

The IMIT application was submitted on November 7, 2016 and proposes approximately 1 million square feet of new office space as part of a larger mixed use development that is expected to be operation by 2020. The estimated construction value is $230 million and it is expected that this development will support approximately 8,000 jobs. The development is outside of the designated Financial District. The development qualifies for IMIT grants due to the size of the development and proximity to higher ordered transit. Initial discussions regarding IMIT eligibility for this development took place starting in 2014. The development will include 600 square metres of Privately Owned Publicly Accessible Space (POPS), a child care facility, $4,720,000 for streetscape improvements on Wellington Street, two parks (Draper Park and Wellington Park), $900,000 for public art, a future underground connection to a GO Station and Wellington Street water main improvements. The proposed new office tower has been designed by Hariri Pontarini Architects and is seeking LEED Platinum certification and meets the City’s Green Standard (Tier 1). In addition the IMIT eligible areas of the site have previously been used by auto body shops and a printing production facility leaving contaminated soil that will be remediated as part of the development. Construction is currently underway.

An IMIT approval estimated at $40 million over a maximum of 12 years is recommended.

2. 1755 Steeles Avenue West-Sanofi Pasteur-Vaccine Manufacturing Facility

The IMIT application was submitted on August 10, 2017 and proposes approximately 170,000 square feet for a new vaccine production facility expected to be operational in 2021. The company will double output of its vaccines and launch the Canadian researched and developed pertussis - or whooping cough - vaccine into over 30 new international markets. The building will contain office and warehousing but the main use will be manufacturing. The estimated construction value is $171 million and it is expected that this development will support approximately 1,250 jobs. The total investment in the facility is expected to be $500 million. The overall site is an important part of Toronto's history and was listed on the City's Inventory of Heritage Properties on September 27, 2006. One of the listed buildings is located adjacent to the proposed building and will be maintained in its current form at its current location. The applicant is required to meet Tier 1 of the TGS.

An IMIT approval estimated at $15 million over 10 years is recommended.
Applications Not Recommended for Approval.

1. 100 Queens Quay East-Menkes- “Sugar Wharf”

The IMIT application was submitted on July 4, 2017 and proposes a 25 storey, 690,000 square feet office building as part of a larger mixed use development that is scheduled to be operational in 2021. Approximately 200,000 sf of the building will become the Corporate Headquarters for the LCBO. The estimated construction value is $195 million and it is expected that this development will support approximately 4,500 jobs. The development is currently outside of the designated financial district but is within the boundaries of the proposed expanded Financial District. The development will be anchored by a two-acre park located on the north side of Queens Quay East, between Freeland and Cooper Streets. The office tower has been designed by B+H Architects and is seeking LEED Platinum certification and will meet the City’s Green Standard (Tier 1). The development will also connect via the PATH network through Pinnacle's One Yonge development to Union Station and beyond. As part of the mixed use development Menkes is working with the Toronto District School Board (“TDSB”), to develop a new public elementary school with plans to be located on the ground, 2nd and 3rd floors of the office podium. This will be the TDSB’s first vertically-integrated school in the City. In addition soil contamination related to on-site coal storage, solvent use will be remediated thereby benefiting the neighbourhood.

2. 16 York Street –Cadillac Fairview

The IMIT application was submitted on August 9, 2017 and proposes approximately 887,500 square feet within a 32 storey office building and is scheduled to be operational in 2020. Approximately 116,000 square feet will become the Corporate Head Quarters for First National Bank. First National Bank has submitted a letter affirming that they meet the IMIT Corporate Head Quarter eligibility criteria. As mentioned earlier in this report the IMIT Grant would have been proportional to the eligible gross floor area. The estimated construction value is $475 million and it is expected that this development will support approximately 7,000 jobs. The development is within the boundaries of both the current and proposed expansion of the Financial District. The development will be anchored by a two-acre park located on the north side of Queens Quay East, between Freeland and Cooper Streets. The proposed new office tower has been designed by the team of Architects Alliance and B+H Architects and is seeking LEED Platinum certification. It will meet the City’s Green Standard (Tier 1). The podium will be topped by a one-acre green roof, with a rooftop terrace planned along the tower's south elevation. It will be PATH connected with an interior connection to Union Station. On March 7, 2017 Cadillac Fairview announced that construction would begin "without first securing a major anchor tenant". This development has started construction.

3. 30 Bay Street & 60 Harbour Street-Oxford Properties-“The HUB”

The IMIT application was submitted on January 11, 2018 and proposes approximately 1.45 million square feet (60 stories) of new office space and is scheduled to be operational in 2023. The development is currently outside of the designated financial district but is within the boundaries of the proposed expanded Financial District. The development is in early stages of the planning process and changes could still take
place in the building design. The developer has applied for a Zoning By-law Amendment which is currently under review by City Planning. The estimated construction value is $600 million and it is expected that this development will support approximately 10,000 jobs. The proposed new office tower has been designed by Rogers Stirk Harbour + Partners and is seeking LEED Platinum certification. The proposal includes the heritage property at 60 Harbour Street known as the Harbour Commission Building, which will be maintained on the property. The building will connect on the third level to the city’s PATH network via Harbour Plaza to the west, crossing over Lake Shore Boulevard via a bridge which leads to the Scotiabank Arena and Union Station.

4. 56 Yonge St et al – QuadReal Properties/bcIMC – “Commerce Court 3” (25 King Street West (Commerce Court North), 199 Bay Street (Commerce Court West), 30 Wellington Street (Commerce Court South), 21 Melinda Street (Commerce Court East), 56 Yonge Street (Hotel Victoria)

The IMIT application was submitted on February 21, 2018 and proposes approximately 2 million square feet (64 stories) of new office space scheduled to be operational in 2025. The development is within the boundaries of both the current and proposed expansion of the Financial District. The building is seeking to qualify under the IMIT Corporate Head Quarter eligibility. They have submitted a confidential tenant memo affirming that a Letter of Intent has been submitted by the tenant and that they will meet the Corporate Head Quarter criteria. The prospective tenant will occupy 300,000 square feet. As mentioned earlier in this report the IMIT Grant would have been proportional to the eligible gross floor area. It is expected that this development will support approximately 10,000 jobs. The building is designed by DIALOG and Hariri Pontarini Architects. The developer is proposing to tear down two shorter buildings at Commerce Court and replace them with a 64-storey tower the exact height of the nearby BMO Tower at First Canadian Place. The two buildings would share the title of Toronto’s tallest office building. The proposal includes improvements to the public realm including new Wellington Street frontage, a parkette at the corner of King and Bay Streets and will restore key heritage assets. Many of the design details remain under review as they have submitted a Zoning By-law Amendment application that is still in process.

5. 40 Temperance Street-Brookfield-“Bay Adelaide North”

The IMIT application was submitted on April 12, 2018 and proposes approximately 855,000 square feet (31 stories) of new office space that is scheduled to be operational in 2021. The development is within the boundaries of the current and proposed expanded Financial District. The estimated construction value is $300 million and it is expected that this development will support approximately 5,000 jobs. The building is seeking to qualify under the IMIT Corporate Head Quarter eligibility. They have submitted a confidential tenant memo affirming that they will meet the Corporate Head Quarter criteria. As mentioned earlier in this report the IMIT Grant would have been proportional to the eligible gross floor area. Designed by KPMB Architects, there are planned streetscape improvements for Temperance Street aimed at making the street more pedestrian friendly along with a major revitalization of the adjacent Cloud Gardens Park.

The IMIT application was submitted on April 20, 2018 and proposes approximately 1.3 million square feet (46 stories) of new office space scheduled to be operational in 2023. This will be the Corporate Head Quarters for the Ontario Teachers’ Pension Plan. The applicant has submitted a memo affirming that their lead tenant, Ontario Teachers’ Pension Plan, will meet the Corporate Head Quarter criteria. As mentioned earlier in this report the IMIT Grant would have been proportional to the eligible gross floor area. The estimated construction value is $504 million and it is expected that this development will support approximately 6,200 jobs. The proposed new office tower has been designed by AS + GG Architecture and is seeking LEED Platinum certification. The building will connect on the third level to the city’s PATH network via Harbour Plaza to the west, crossing over Lake Shore Boulevard via a bridge which leads to the Scotiabank Arena and Union Station.