



SUBMISSION TO THE CITY OF TORONTO

ED31.7: Imagination, Manufacturing, Innovation and Technology (IMIT) Property Tax Incentive Program-Applications

July 6, 2018

Labour Council has been keenly interested in the development of the Imagination, Manufacturing, Innovation and Technology (IMIT) Property Tax Incentive Program since it was initially presented to the City's Economic Development Committee over a decade ago. We are pleased to have the opportunity to participate in reviewing the eight large projects being considered for Tax Increment Equivalent Grants (TIEGs).

IMIT offers an opportunity for businesses in key but challenged Toronto industrial sectors to receive support that drives positive economic and jobs growth. The program offers substantial property tax grants – TIEGs – to accomplish this outcome. IMIT's primary concept is that absent the City's grants, a project would not get off the ground ("but for").

During the current IMIT review process, Labour Council has made submissions and deputations to Committees and Council and have discussed the program with staff in multiple City divisions, always seeking improvements to the IMIT program along the following lines:

- the program should be focused on key sectors that need development support (i.e. sectors that are important to the City but which struggle in the current economic environment, e.g., manufacturing),
- the emphasis should be on the creation of good jobs,
- the process and decisions should be transparent and accountable, and
- the amount of grants paid out should be curtailed to leave revenue room to fund other essential City programs and services.

On July 5th, Planning and Growth Management Committee accepted changes to the IMIT program proposed by City Council earlier this year to restrict IMIT eligibility. While Labour Council believes that the changes did not go far enough, they are a move in the right direction and we were pleased to see that the eight proposals before the Economic Development Committee on July 9th were assessed by City staff according to the amended rules.

We support **approval** of the application by Sanofi Pasteur manufacturing project at Steeles West. This project is a prime example of the reason for establishing IMIT and TIEGs in the first place – it supports manufacturing which is an important but challenged sector in Toronto, the new jobs that will be created are good jobs, relatively speaking, and the approval process is transparent and accountable given that City Council will review the project.

We are concerned, however, that the TIEGs grant formula is still too high, and we request that EDC members recommend a lower formula for IMIT as a whole. Comparator jurisdictions, such as Vaughan and Hamilton, have lower grants. We recommend a 30% payout over ten years (prorated for brownfields and employment areas). The payout to Sanofi Pasteur would still be considerable, amounting to \$7.5 million.

We support **rejection** of the applications by the six projects in the proposed “expanded financial district”. According to the revised IMIT criteria, all six office developments are situated in an area where development is expected to proceed without any TIEGs from the City. Toronto will save an estimated \$364 million by not awarding TIEGs to these projects.

Finally, we recommend **rejection** of application by The Well office development project at the former Globe and Mail site at Spadina and Front for two reasons. First, Labour Council opposes eligibility for Office projects, particularly in the booming downtown area (not just in the tiny “expanded financial district” bounded roughly by Queen, Church, Simcoe and Queen’s Quay). Secondly, the project does not satisfy the “but for” test. Hemson Consulting Ltd., tasked with evaluating the projects for eligibility, says The Well “**may** contribute to achieving a balance between residential and non-residential development in King-Spadina.” A recent Globe and Mail article – *Toronto megaproject to bring ‘King Street feel’ to Front* – strongly suggests that the project is proceeding and describes all the reasons why the office building is being erected. The article makes no mention of IMIT or TIEGs. This office-retail-residential complex is clearly being built in downtown Toronto because that is a location where office space is a sought after commodity.

Before committing to spending \$45 million, it seems advisable that members of EDC should be **fully assured** that TIEGs funding is **essential**, not simply gamble that the project might not proceed otherwise. Accordingly, we recommend that EDC reject TIEGs funding for The Well project.

At minimum, we recommend the following:

- If you are unable to reject TIEGs for this project, we ask that you defer the decision until the newly-elected Council can consider it in Fall 2018. Binding a future government to a loss of \$45 million at this late date appears irresponsible.
- Reduce the grant formula to a 30% total payout.
- Ensure the project is capped at no more than \$30 million in TIEGs payouts, in alignment with the amended IMIT rules which will be brought before City Council at its July meeting.

We are pleased that these projects’ applications are being brought before EDC for review and that they will be reviewed by City Council before any final approvals are made. Given the millions of dollars at stake, we continue to recommend that, as is the case with small community grants, all IMIT projects be reviewed by Council during decision making to ensure an open and accountable process.