

Review of the Imagination, Manufacturing, Innovation and Technology Property Tax Incentive Program

Date: January 16, 2024

To: Executive Committee

From: General Manager, EDC; Interim Chief Planner and Executive Director, City Planning; and the Chief Financial Officer and Treasurer

Wards: All

SUMMARY

The purpose of this report is to share the findings of a review of the Imagination, Manufacturing, Innovation, and Technology (IMIT) Financial Incentive Program and the results of a Council directed assessment of the program's Local Employment Requirement (LER) points-based pilot.

The review of the IMIT Program considered the City's planning and economic development priorities and financial position (including directions from the Updated Long-Term Financial Plan); assessed current and anticipated market conditions (especially with respect to office and industrial sector requirements); and includes an independent third-party evaluation of the Program's performance, costs and benefits to date informed by consultation with stakeholders.

Drawing on the review's findings, this report recommends that Council authorize staff to develop a more targeted and far less costly employment space development incentive to replace the IMIT Program, focused on the development of commercial/industrial space rather than office space, for Council's consideration, by Q4 2024.

Established in 2008, the IMIT Program has been one of the City's principal measures to incent business development and support job retention and growth, complementing land use planning and property tax policies.

The IMIT Program provides incentives in the form of Tax Increment Equivalent Grants (TIEGs) to support the new construction or major renovation of buildings in targeted employment sectors and for certain uses throughout Toronto. The Program also includes an added grant element for Brownfield Remediation Tax Assistance (BRTA). The provision of development incentives through IMIT is enabled by a Community Improvement Plan (CIP) by-law authorized under Section 28 of the Planning Act.

Typically, projects approved for IMIT incentives receive grants over a ten-year period equivalent to 60% of the increased property taxes paid resulting from the new construction or renovation completed through the development.

Since its inception, 74 projects have been approved for IMIT (and/or BRTA) development incentives, with a total construction value of approximately \$5.9 billion. Together, these projects are forecast to yield \$1.3 billion in new incremental property taxes during the 10-year (or with BRTA up to 12 year) term of their applicable IMIT Financial Incentive Agreement (FIA), while receiving \$729 million in grants from the City, resulting in net municipal tax revenue of \$571 million. The majority (84%) of grants issued or committed to date through the IMIT Program are for office space developments.

RECOMMENDATIONS

The General Manager, Economic Development and Culture, Interim Chief Planner and Executive Director, City Planning, and the Chief Financial Officer and Treasurer recommend that:

1. City Council direct the Chief Planner and Executive Director, City Planning, in consultation with the General Manager, Economic Development and Culture and the Chief Financial Officer and Treasurer, to bring forward for City Council's consideration, targeting Q4 2024, a new City-wide Community Improvement Plan (CIP) for a Financial Incentive Program consisting of development grants, in the form of Tax Increment Equivalent Grants (TIEG) for certain defined uses and Brownfield Remediation Tax Assistance, substantially addressing the policy considerations in this report and the program parameters detailed in Attachment 1, including with respect to:

(i) eligible uses – no eligibility for office space, except when linked to associated industrial buildings and except in limited circumstances within designated Employment Areas as defined in Toronto's Official Plan;

(ii) basis for the provision of TIEG – grant acts as one of several factors contributing to investment decisions, not necessarily the primary decisive factor;

(iii) quantum and term of TIEG – basic grant equivalent to 60% of the municipal tax increment payable over a five-year period;

(iv) approval and financial control requirements -- all applications to be approved by City Council and considered as a group no less than once per year; provisions to ensure approved projects are built within certain timelines; expiry of the program after 10 years; inclusion of a program budget target or upset limit with flexibility to address exceptional projects or circumstances; etc.

(v) local employment plan requirements; and

(vi) mechanisms to support City goals related to sustainability, job quality and access, and community wealth building.

2. Until such time as any new Community Improvement Plan by-law indicated in Recommendation 1 above is approved and in force, City Council direct the General Manager, Economic Development and Culture, the Chief Planner and Executive Director, City Planning and the Chief Financial Officer and Treasurer to bring forward, no less than annually, as a group, (i) for Council's information, notice of any IMIT development grants approved by the General Manager, Economic Development and Culture under their delegated authority for projects meeting all program eligibility requirements and with a construction value of less than \$150,000,000; and (ii) for Council's approval, any complete applications for IMIT development grants for projects with a construction value greater than \$150,000,000.

3. City Council request the Chief Planner and Executive Director, City Planning, in consultation with the General Manager, Economic Development and Culture, as part of the Office Space Needs Study to explore opportunities to provide financial incentives, policies and other options to support the conversion or adaptation of vacant office space into other non-residential employment uses, including the potential to utilize as a funding source for such efforts savings from lower than forecast TIEG payments to office developments covered by an IMIT Program Financial Incentive Agreement (FIA) experiencing high vacancy rates.

FINANCIAL IMPACT

Approved IMIT Applications and Projects

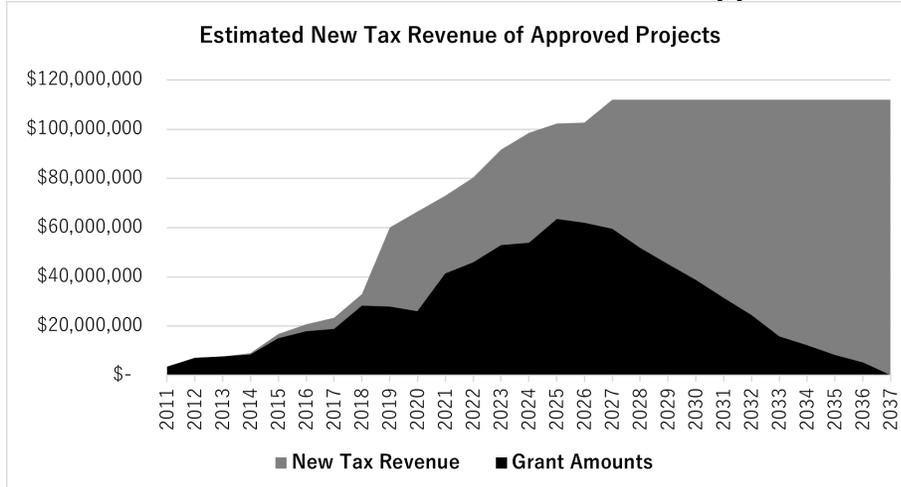
Forty of 74 projects approved for an IMIT development incentive since the Program's inception have completed construction, are either partially or fully occupied, and have received or are currently in receipt of IMIT grants over a 10-year (or with BRTA up to 12-year) period. The other 34 approved projects have either not yet completed construction or have not signed a Financial Incentive Agreement (FIA) based on the updated Current Value Assessment (CVA) of the improved property (as assessed by MPAC), post construction or major renovation.

Together, these 74 projects are forecast to yield \$1.3 billion in new incremental property tax revenue during the 10-year (or with BRTA up to 12-year) term of their FIAs, while collectively receiving \$729 million in grants from the City, resulting in a net revenue gain for the City of \$571 million via increased municipal tax proceeds.

As of December 2023, the City had disbursed or provisioned \$269.45 million of the forecast \$729 million in IMIT grants, with a further \$50.1 million in grants projected to be issued in 2024.

As shown in Table 1 below, for projects approved to date, the amount of IMIT grant payments the City will need to make in any given year will peak at \$61.3 million in 2025 and then decline each year until 2037. From 2038 onwards, the City will retain the full incremental property tax payable on each of the 74 developments, resulting in net new incremental tax revenue of \$110 million each year.

Table 1: Estimated Net New Tax Revenues of Approved Projects (2011-2037)



The above projections for payable IMIT grants are based on full occupancy of the new or improved employment space associated with each development and assumed continued compliance with Program requirements. However, the value of grants payable through 2037 could be as much as \$40 million less than forecast, if IMIT beneficiary office projects entering the payment cycle experience high vacancy rates.

Other IMIT Applications Received and Under Review

Under the existing IMIT CIP by-law, applications for projects with an estimated construction value above \$150 million require City Council approval. Council can exercise discretion to approve or refuse these applications based on its determination of whether granting or denying the application aligns with the City’s interests. Those projects with an estimated construction value below \$150 million must meet eligibility criteria to be approved by the General Manager, Economic Development and Culture under delegated authority from Council.

IMIT applications are required to be assessed according to the criteria set out in the applicable IMIT CIP by-law in effect at the time the application was initiated.

As of December 2023, the City had received and is reviewing IMIT financial incentive applications for 17 projects at different stages of application completeness. These applications are at various stages in the review process, as described in Table 2 below. Were they all to be approved, these applications would result in significant financial commitments up to \$329 million in the form of property tax incentives collectively over their 10-year (or with BRTA up to 12-year) grant terms. However, conditions in the local real property market appear to be slowing if not jeopardizing the viability of some of the projects, although final determinations can only be made following the full application assessment process. Of the applications for these 17 projects:

- Five projects have an estimated construction value exceeding \$150 million:
 - Third-party review for 3 of these 5 projects (in East Harbour) has been completed and will be brought forward for City Council consideration in early Q1 2024. The

cumulative anticipated grant value of these 3 projects, if approved, would be \$230 million.

- Third-party review for the remaining 2 of these 5 projects is in progress, with City Council consideration expected in late Q1 or Q2 2024. The combined anticipated grant value of these 2 projects, if approved, would be \$48.6 million.
- Nine projects have a construction value under \$150 million and are considered active but their applications may or may not be deemed complete or be approved. The combined anticipated grant value of these 9 projects, if approved, would be \$32.8 million.
- Three other projects have a construction value under \$150 million but are currently deemed inactive due to a lack of response from the applicant. The cumulative anticipated grant value of these 3 projects, if approved, would be \$17.6 million.

As noted, prevailing market conditions may impact the viability of some projects to move forward.

Table 2: IMIT Applications Under Review

Status Approval Authority	# of Applications	Total Estimated Grant Value
Construction Value >\$150M – Third-Party Review Complete; Council Decision Pending*	3	\$230 million
Construction Value >\$150M – Third-Party Review in Progress: Council Decision Pending**	2	\$48.6 million
Construction Value <\$150M – Under Review; GM Economic Development and Culture may approve if all requirements are met	9	\$32.8 million
Construction Value <\$150M – Inactive	3	\$17.6 million

*Third-Party review of these applications (East Harbour) is complete. Council consideration anticipated in early Q1 2024.

**Third-Party review of these applications is in progress. Council consideration anticipated in late Q1 or Q2 2024.

Potential Financial Impact of Proposed New Financial Incentive Program and CIP to Replace IMIT

The new financial incentive program to replace the IMIT Program proposed in this report is more targeted in terms of outcomes sought and offers more financial predictability, administrative controls and Council oversight. Total costs of the new program can be expected to be just 8 to 10% of the costs incurred under the IMIT Program. This notable difference in costs is largely attributed to two factors:

- (i) Eligible uses – In the proposed new incentive program, there would be no eligibility for office space, except in very limited exceptions where linked to associated industrial buildings or certain highly proscribed scenarios in designated

Employment Areas as defined in the Official Plan. Under the current IMIT Program, 84% of grants are attributable to office space.

(ii) Quantum and term of TIEGs – In the proposed new incentive program, a basic grant of 60% of the municipal tax increment would be payable over only a five-year period instead of over a ten-year period (i.e. half the time and therefore half the amount of grants paid through the IMIT Program).

Ultimately, the take-up, costs and benefits of any new development incentive program in the future will depend on prevailing market conditions and corresponding demand for new and upgraded employment space, interest rates, technological changes, and other government policies impacting investment decisions (including with respect to tax rates and development charges), among other factors.

Program Administration and Financing

The IMIT Program administration fee is anticipated to generate \$907,619 (as of 2023) since it was introduced in 2019 and is estimated to yield approximately \$300,000 per year moving forward as previously approved IMIT applications begin receiving grants, while other projects reach the end of their grant term.

Program delivery costs (e.g. for staffing, etc.) are borne by Economic Development and Culture, offset by the administration fee. Any additional cost to amend the Office Space Needs Study to explore options to support the conversion or adaptation of vacant office space into other non-residential employment uses will be accommodated within the approved operating budget for Economic Development and Culture.

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

DECISION HISTORY

At its September 6, 2023 meeting, through approval of the Updated Long-Term Financial Plan, City Council directed Economic Development and Culture, in consultation with Finance and Treasury Services and City Planning, as part of the review of the IMIT Financial Incentive Program, to evaluate the effectiveness and outcomes of incentives provided to date, and to recommend changes to the program's design, objectives or eligibility criteria in consideration of immediate and longer-term financial and economic impacts, including options to restructure or dissolve the program.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.1>

At its June 15, 2022 meeting, City Council adopted settlement of appeals to the IMIT Program Community Improvement Plan (CIP) By-law 1207-2018. This settlement was presented to the Ontario Land Tribunal (OLT) and an order was issued by the OLT on October 7, 2022 bringing the updated CIP into effect.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.CC45.8>

At its April 6, 2022 meeting, City Council approved the Terms of Reference for and directed Economic Development and Culture, in consultation with Finance and Treasury Services, City Planning, and Legal Services to initiate a review of the IMIT Financial Incentive Program, and to report back on the results of the review and any recommended changes.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EC28.7>

At its June 18, 2019 meeting, City Council directed Economic Development and Culture to implement and later report back on the results of a pilot of a points-based system to measure the levels of activity in the Local Employment Requirement of the IMIT program.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.EC5.13>

At its July 23, 2018 meeting, City Council adopted a Community Improvement Plan (CIP) to implement changes to the IMIT Program, with associated amendments, and repealed previous CIPs. City Council also authorized staff to introduce an administration fee commencing in 2019 for the Program and amended the Municipal Code, Chapter 441, Fees and Charges to reflect the new fee. This CIP was subsequently appealed.

<https://secure.toronto.ca/council/agenda-item.do?item=2018.PG31.5>

COMMENTS

Background and Origin of the IMIT Program

During the 1990s and into the early 2000s, Toronto experienced lower rates of business investment and job growth than other municipalities in the Greater Toronto Area (GTA), especially in the office market, due to a range of factors, including but not limited to its comparatively higher commercial and industrial property tax rates, land prices and development costs. Significant concerns arose regarding the competitiveness of Toronto in attracting new business development investment, within an increasingly competitive regional context. A visible symbol of this stagnation was the partially built elevator shaft at the centre of the Bay-Adelaide project, the construction of which was paused in 1990 for 16 years.

The report entitled Enhancing Toronto's Business Climate adopted by City Council in 2005 set the stage for a suite of measures to improve Toronto's competitiveness and address the lack of employment growth and employed-related construction. Most notably, Toronto committed to (i) reduce tax ratios for business property tax classes to 2.5 times the residential tax rate by 2023 with accelerated reduction rates for small businesses, (ii) limit non-residential (non-retail) development charge/building permit fees above grade, and (iii) expand the use of tax increment equivalent grants (TIEGs).

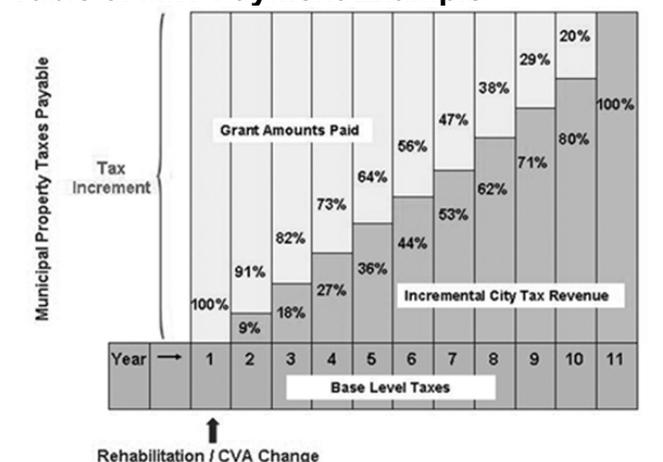
Drawing on its authority under Section 28 of the Planning Act, the City adopted a Community Improvement Plan ("CIP") by-law for the Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentive Program in 2008. Working in tandem with development charge exemptions for non-residential development and, crucially, comparative reductions in Toronto's commercial property tax rates, and

investments in transit and infrastructure, the IMIT Program has supported a much more attractive environment for new employment space development and the jobs that occupy them in Toronto, especially for office projects in and near the city’s central business district. Between 2006 and 2019, the Downtown and Central Waterfront added nearly 175,000 jobs, an increase of 45%.

How the IMIT Program Works

The IMIT Program provides a financial incentive to a qualified employment-generating development, either new build or major renovation, through a Tax Increment Equivalent Grant (TIEG). The amount of the grant is calculated as a percentage of the property's new increased property taxes, attributable to the increased property value resulting from the (re)development, as determined by the Municipal Property Assessment Corporation (MPAC). 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). The total value of the grant is typically equal to 60% of the incremental municipal property taxes which the City will receive from the property over the first ten years following construction and reassessment. Thereafter, the City collects and retains the entire municipal property tax increment attributable to the project.

Table 3: IMIT Payment Example



For tenanted (non-owner occupied) projects, the proponent and recipient of the IMIT incentive often passes through the grant to the tenant(s) who pay the property taxes.

The IMIT Program’s Brownfield Remediation Tax Assistance ("BRTA") component provides a separate incentive for projects on contaminated lands that first require substantial remediation to allow for the development to proceed. This incentive offers up to three years of municipal property tax cancellation, not exceeding approved remediation expenses, to support the remediation of contaminated property for IMIT eligible projects. The property must document a level of contamination that would prevent a Record of Site Condition ("RSC") from being filed with the Ministry of the Environment, Conservation and Parks ("MOECP"), and must be remediated to meet Ministry standards.

A central premise, assessment consideration, and rationale for the calibration of the IMIT Program's 60% tax increment equivalent grant incentive is the concept of the "but for" test. Simply put, this is the notion that "but for" the provision of the IMIT incentive, the development would not otherwise proceed and the corresponding uplift in the value of the City's assessment base, a portion of which is used pay for the IMIT grants, would not materialize.

All approved IMIT applicants enter into a Financial Incentive Agreement (FIA) with the City that outlines the terms and conditions of the Program. Participants are required to affirm annually their compliance with these terms and conditions, and defaulting on any item is grounds for the denial of future grants and/or the repayment of already disbursed grants.

IMIT Program Results to Date

The 74 approved IMIT projects represent approximately 18.7 million square feet of new or renovated Gross Floor Area employment space, over \$5.9 billion in construction value, and support an estimated 94,000 new or retained jobs. Additionally, although harder to quantify, other economic benefits associated with these projects include temporary construction jobs, maintained or strengthened construction supply chains, and government tax revenue and employment benefits linked to goods and services transactions associated with the developments.

Together, these 74 projects are forecast to yield \$1.3 billion in new incremental property tax revenue for the City during the 10-year (or with BRTA up to 12-year) term of their FIAs, while collectively receiving \$729 million in grants from the City, resulting in a net revenue gain for the City of \$571 million via increased municipal tax proceeds.

As well, by offering a material development incentive in a market characterized by high land costs, in the form of upfront property tax relief, the IMIT Program has supported the City's efforts to send a strong signal to local, Canadian and internationally-based firms and developers that it is serious about attracting and retaining major new investment and employers for the long-term, especially in view of the fact that so many other jurisdictions across North America and within the GTA offer similar, if not even more generous, development incentives. This dynamic is documented in the most recent IMIT Program Review (see pages 52 to 59 of Attachment 3 - Hemson Report).

In addition, construction projects supported by the IMIT Program assist Toronto's efforts to improve air quality and energy efficiency and reduce water consumption by mandating adherence to, at minimum, Toronto Green Standard (TGS) Tier 1 for non-office developments and Tier 2 for office developments. Although TGS compliance is now mandatory for all new buildings which apply for site plan approval from the City, the IMIT requirement captures new buildings that do not require site plan approval as well as major renovation projects. Finally, the IMIT Program's BRTA component is actively supporting the remediation of 31 brownfield sites across Toronto.

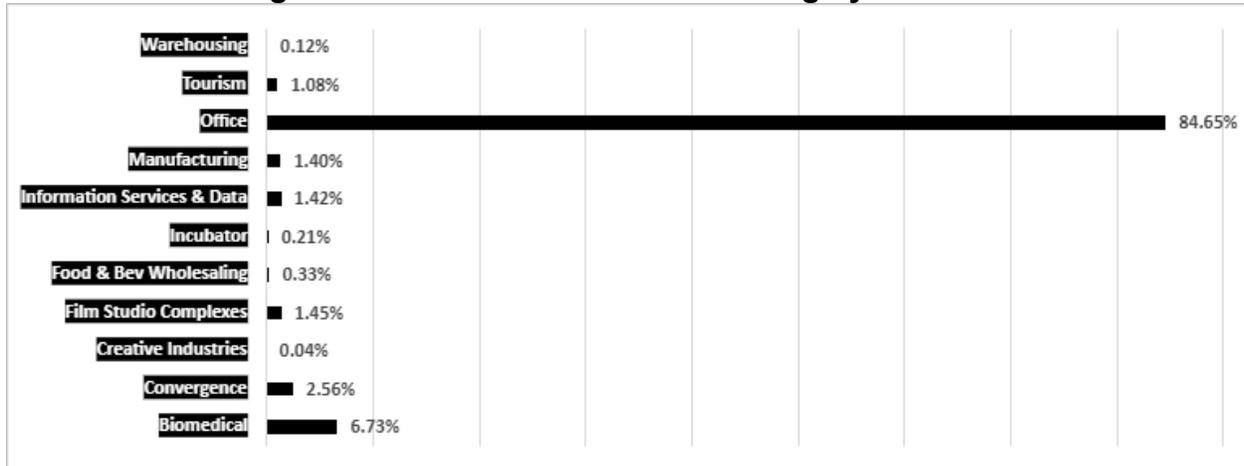
While intended as a program to encourage the development of employment space to support job retention and expansion in a range of sectors important to Toronto's

economy, as indicated in the tables below, office projects have been, by far, the most common beneficiary of IMIT Program incentives. Together, office projects represent 42 of the 74 (or 56.8%) approved projects and a forecast 84.6% of the value of TIEGs committed through the Program.

Table 4: IMIT Program Activity by Sector (2008-2023)

Sector/Use	# of Applications Approved	Eligible GFA (sq/ft)	Jobs	Construction Investment	Estimated Value of Grants
Office (1 BRTA-Only)	42	14,643,123	81,268	\$4.386 billion	\$617 million
Manufacturing	11	1,359,804	2,621	\$125.1 million	\$10.2 million
Food and Beverage Wholesaling	3	264,000	1,171	\$42.1 million	\$2.5 million
Convergence Centres	3	914,983	3,625	\$206.3 million	\$18.7 million
Incubators	3	70,788	175	\$9.5 million	\$1.5 million
Film Studio Complexes	3	529,494	3,600	\$132.8 million	\$10.6 million
Creative Industries	2	43,986	125	\$8.7 million	\$292 thousand
Tourism Attractions (1 BRTA-Only)	2	297,086	200	\$144.5 million	\$7.9 million
Biomedical	2	365,030	1,399	\$596.2 million	\$49.1 million
Warehousing (2 BRTA-Only)	2	N/A	N/A	\$186.9 million	\$875 thousand
Info Services and Data Processing	1	219,519	19	\$62.6 million	\$10.6 million
TOTAL	74	18.7M	94,203	\$5.9 billion	\$729 million

Table 5: Percentage of Committed IMIT Grant Funding by Sector



Local Employment Requirement and the Points-Based Pilot

In June 2019, Council directed staff to implement, on a pilot basis, a points-based model to provide greater clarity and assist recipients of the IMIT incentive to meet the program's Local Employment Requirement, which is set out in the enabling CIP by-law as follows:

"The applicant or user of the property must agree to collaborate with the City to promote local employment. This will include a local employment plan that will identify opportunities for local hiring and/or training and document how the applicant or property user will utilize City endorsed or sponsored employment programs. It is expected that the employment plan will span the term of the incentive and that outcomes will be tracked and documented."

The key findings and recommendations from an assessment of the points-based model pilot are included in Attachment 2. Despite significant operational impacts and uncertainty resulting from the COVID-19 pandemic between 2020-22, including on the ability of IMIT incentive recipients to develop and maintain relationships with City-endorsed community-based employment service providers, the pilot achieved the following key results:

- 55 IMIT recipients have been introduced to the process for achieving points, and 36 have submitted employment plans and are actively participating in the pilot;
- 70–75% of IMIT recipients actively participating in the pilot are reporting annual points earned through the new on-line annual survey introduced in 2021;
- since the pilot began, recipients report participating in 83 job fairs, interviewing 795 candidates from City-endorsed job placement partners supporting the City's equity goals, hiring 161 applicants in a variety of roles, offering 1,800+ hours of mentoring,

and providing \$3.1 million in funding to City-endorsed workforce development partners;

- 14 companies (owners and tenants) benefiting from IMIT incentives at 6 properties have certified or are actively pursuing certification as living wage employers; and
- 1/3 of recipients have expressed interest in developing policies related to social procurement and/or equitable hiring but find it challenging to secure the support required from either community partners or other sources to work through the details of implementing such policies.

Several elements of the LER and points-based pilot are working well, including:

- development and submission by recipients of a local employment plan;
- choice of and information about different methods to achieve local employment benefits and the attendant points within the pilot;
- connections to City-endorsed employment service partners or programs;
- use of an annual on-line survey tool to document local employment supporting activities and results, providing City officials with the ability to monitor progress and potentially make new links between the employer(s) and community-based employment service providers or City workforce development initiatives; and,
- increased attention to and value placed on organization-wide approaches that have the potential to extend benefits to more people for longer periods of time, such as living wage certification or the opportunity to develop and implement social procurement or equitable hiring policies.

However, other goals of the pilot have not achieved the same degree of success. Overall administrative effort, for example, has been shifted but not necessarily reduced, for either of the City or IMIT Program recipients. Principally due to staff turnover, it has also been difficult to facilitate sustained, higher-impact relationships between IMIT beneficiaries and the City's local employment partners. Annual tracking and tabulation could also be improved.

It is therefore advised that the strongest elements of the LER and pilot be continued for existing IMIT Program recipients and be included in the CIP and Financial Incentive Agreements of any new TIEG-based employment space development incentive program.

IMIT Program Reviews and IMIT CIP By-law 1207-2018

As a municipal policy instrument deployed in support of the City of Toronto's economic development priorities and Official Plan (OP) goals, the IMIT Financial Incentive Program is implemented through a Community Improvement Plan (CIP) under Section 28 of the Planning Act. Changes to the Program must be made through amendments to its enabling By-law, which may be appealed.

In view of the significant financial commitments associated with TIEGs, the IMIT Program's guidelines and CIP By-law(s) have, since its inception, required a program review to be conducted every four years. The first review was conducted in 2012.

A second review was undertaken in 2018 with the support of an independent consultant. While commending the Program's ability to enable developments to proceed and landlords of tenanted buildings to offer more competitive net rents (and hence serve as a catalyst for further office development), the 2018 review resulted in several significant changes, including: (i) removal of office eligibility in the expanded Financial District; (ii) grant phase-outs for Tax Increment Finance (TIF) zones in the King-Liberty and Queen-Carlaw SmartTrack station areas; (iii) a minimum \$3 million construction value threshold (up from \$1 million); and (iv) the removal of enhanced grants for Employment Areas, which was replaced with enhanced grants for targeted sectors.

These changes were adopted by Council in 2018 and incorporated into a single new IMIT CIP covering the entire city or CIP area, as previously there were various IMIT related CIPs addressing different areas. The new CIP was appealed to the Ontario Land Tribunal by IMIT Program applicants, and a settlement was approved by the Tribunal in 2022. Due to the litigation, the amended CIP – By-law 1207-2018 -- only came into effect on October 7, 2022. As such, the most recent changes to the IMIT Program endorsed by Council in 2018 have been in force for just over a year.

2022 - 2023 IMIT Program Review Approach

At its meeting in April 2022, City Council confirmed the terms of reference for the latest review of the IMIT program, which is the principal subject of this report and basis for its recommendations. The scope of this review included, among other key questions and issues, the following:

- What are the results and impacts of the IMIT Program to date?
- Is the Program achieving the objectives identified in its enabling Community Improvement Plan (CIP), including those related to supporting the goals of Toronto's Official Plan?
- What are the benefits and costs of the program? Do the benefits outweigh the costs?
- Are incentives needed to support the targeted development, and how extensive should these incentives be? Assess the 'but for' test.
- Evaluate the City of Toronto's competitive position in relation to other municipalities within the GTA and beyond, and consider best practices and lessons learned from other jurisdictions offering similar incentives.
- Is the IMIT program still needed? If so, what changes, if any, should be made to make the program more effective and cost efficient, including with respect to office eligibility, other eligibility criteria and TIEG amounts.

Hemson Consulting Ltd. ("Hemson") was hired through a competitive process to provide advisory services and analysis to the interdivisional working group – comprised of staff from Economic Development and Culture, City Planning, Finance and Treasury Services and Legal Services – which conducted the review.

Hemson assessed available data, met with City staff, and consulted with representatives from more than 20 organizations including industry associations, developers / owners of buildings both receiving and not receiving IMIT Program

incentives, BIAs, and staff from other governments and partners in Toronto's business development eco-system. In addition, an in-person public consultation was held in May 2023 and several written submissions were received.

Hemson's detailed report, findings and recommendations are included in Attachment 3 and represent a key input into this IMIT program review.

2022-23 IMIT Program Review – Key Findings and Recommendations

The key findings and recommendations of the 2022-2023 IMIT Program Review, as summarized below, are supported by Hemson's analysis as well as the City's experience with the IMIT Program to date, staff's consideration of available data and an assessment of market dynamics for various sectors against the City's economic development and Official Plan priorities and financial position.

Key Findings

Role of TIEG Incentives for Employment Space Development for Key Sectors:

- The 74 projects approved for IMIT Program incentives to date are forecast to represent \$5.9 billion in construction investment, support 94,000 new or retained jobs in 18.7 million square feet of employment space and yield \$1.3 billion in new incremental property tax revenue during the 10-year (or with BRTA up to 12 year) term of their Financial Incentive Agreements. During this period, these projects will collectively receive an estimated \$729 million in grants from the City, resulting in net municipal tax proceeds of \$571 million. Afterwards, the City will retain each year the full \$110 million in net incremental property tax revenue associated with these developments.
- TIEGs are commonly employed by municipalities across North America to achieve land use planning objectives, including in the GTA (e.g. Hamilton, Brampton and Vaughan) and in the US's north-east and mid-west regions (e.g. Boston, New York, Chicago and Pittsburgh) which compete with Toronto for investment in key industries such as life sciences, manufacturing, film production, etc.
- Development incentives in the form of TIEGs have contributed to investment decisions across various sectors and in different areas of Toronto.
- TIEGS can and should continue to be used by the City to stimulate the development of new employment space or the substantial renovation of existing employment space, which in turns supports both job creation and retention and the growth and diversification of the local economy and, therefore, the growth of the City's municipal property tax assessment base and revenues.
- For larger-scale projects of regional, provincial and national significance, it remains important for Toronto to be able to participate in joint mandate attraction efforts with Ontario and Canada to secure and retain investment by Canadian and international firms which could operate in other locations internationally, as demonstrated by the

recent, successful, partnered effort to secure a major new investment mandate in influenza vaccine production at the Sanofi Pasteur campus on Steeles Avenue.

- The office sector in Toronto, the primary beneficiary of the IMIT Program to date, is expected for the next 5–10 years to experience little to no demand for new space given the widespread adoption of hybrid work practices triggered by the COVID-19 pandemic that has resulted in increased office vacancy rates. In this context, there is no need for the City to provide incentives for additional office space construction, except when linked to an associated industrial building or except in limited circumstances within designated Employment Areas as defined in Toronto's Official Plan. Since together office projects represent 42 of the 74 (or 56.8%) approved IMIT projects and a forecast 84.6% of the value of TIEGs committed through the Program, any new TIEG program which effectively excludes office eligibility can be expected to be much smaller and less expensive.
- In contrast, space to accommodate industrial, film and other land-intensive employment uses is in very short supply in Toronto, with a record low industrial land vacancy rate of 1.4% in Q3 2023 driving up the cost of buying land and expanding existing industrial uses. Further, this stock of facilities is aging, declining in quality and, in some locations, is threatened by pressure for conversion to residential uses. In a largely built-out city like Toronto, TIEGs can help overcome the cost challenges which hinder the retention and growth of businesses in land-intensive sectors such as manufacturing and film production.
- Other export-oriented/traded sectors and types of employment spaces of importance to Toronto's economy and competitiveness (and corresponding ability to create and retain jobs), which do not fit neatly into either the "office" or "industrial" category include bio-medical operations and research and development spaces, tourism attractions of significance to the visitor economy, creative sector facilities, and incubators, accelerators and convergence centres.

Quantum of TIEG Incentive(s) for Employment Space Development:

- The IMIT Program's reliance on a "but for" test to support the assessment of an applicant's eligibility for the incentive as well as the quantum of the TIEG itself is difficult to substantiate and should be removed. The test lacks an objective basis for assessment in all investment scenarios, especially as employment space development investment decisions can involve so many different factors including but not limited to land and other development costs, property tax rates, financing costs, availability of key business inputs (labour, suppliers, etc.), access to markets, clustering effects, return on investment targets, and alternative uses of capital, etc.
- Some of the original factors for higher incentive levels provided through the IMIT Program, such as high commercial tax rates as compared to other GTA municipalities, are no longer as prevalent as they were when the program was introduced in 2008 given the City's significant progress in lowering its commercial tax rates in relative terms.

- Shortening the duration a TIEG is paid from 10 years to 5 (or 6 years as recommended by Hemson) while holding constant the percentage of incremental property taxes rebated in this same period (e.g. at 60%) could significantly reduce the City's financial exposure, while still providing a meaningful incentive, especially during the earliest years of a project or development when cash-flow may be an issue and before the project yields its full potential financial return.

Program Administration and Other Key Considerations:

- Awareness of the IMIT Program is too low, especially among smaller organizations which do not deal regularly with the City, and the Program name is not well understood. More efforts are required to promote any successor program to under subscribed sectors and potential uses (e.g. bio-medical operations, industrial facilities, etc.), including its ability to offer incentives for the major renovation of existing facilities used for employment if such upgrades result in an increased assessment.
- In order to achieve the best balance of City and industry needs, only the most viable projects should be prioritized, allowing for greater certainty for the City and proponents alike. Sunset provisions, for approved applications or the full TIEG program itself, need to be included to accelerate the benefits of approved projects and minimize the risk of incurring large open-ended financial obligations which are misaligned to the City's economic development, planning or financial priorities. Successful applicants should not be able to hold a project approval for years without moving forward with the development, imposing unpredictability on program budgeting and administration. The ability of an applicant approved for an IMIT incentive to "retain" the approval indefinitely, even when the economic position or priorities of the City changes, is problematic, as is the ability for substantive changes to the Program's enabling CIP by-law to be delayed for many years if it is appealed to the Ontario Land Tribunal.
- In the absence of a "but for" test, other planning, financial and economic-based criteria can be used by staff to assess applications and be considered by City Council when determining when TIEG incentives are warranted, affordable, or otherwise in the City's interest to provide or not provide.
- Certain elements of the Local Employment Requirement and points-based pilot are working better than others – e.g. requirement to prepare a local employment plan and report on its progress annually through an on-line form.
- Within the context of a potential new TIEG program, other mechanisms, including the provision of an enhanced grant, could be considered to advance local employment and related job quality, community wealth-building, and/or sustainability goals in a manner which extends the reach and impacts of such efforts for a longer period of time or to more people, while reducing lower-value administrative effort by the City or program participants. To date, enhanced IMIT grants have been offered, respectively, to further encourage development in given areas of Toronto or within targeted sectors. Action 11.4.1 of the 2019 - 2022 Poverty Reduction Strategy Work Plan, however, calls on the City to review opportunities to integrate equity-related

conditions into grant agreements to address the under-representation of certain communities in growth industries, while Action 12.1.1 calls on the Economic Development and Culture division to pilot the inclusion of job quality standards (e.g. with respect to living wage, etc.) in its grants.

Program Transition Considerations

This program review supports Council direction under the Updated Long-Term Financial Plan Report which directed staff to evaluate the effectiveness and outcomes of financial incentives provided under the (IMIT) program to date, and to recommend changes to its design, program objectives or eligibility criteria, in consideration of [its] immediate and longer-term financial and economic impacts, including options to end or restructure the program through amendments to its Community Improvement Plan.

This review advises that closing the IMIT Program before a CIP for a new TIEG incentive for employment space development is in place is not necessary or advisable for the follow reasons:

- i) In view of prevailing market conditions, the City is unlikely to receive any applications for major office space developments (typically the most expensive projects with the highest corresponding TIEG payments) in the near term. Further, because the 2018 CIP is now in effect, office projects (including for corporate headquarters) in the expanded (as per TOcore) Financial District are not eligible for consideration, and IMIT grants are phased out for any projects in the King-Liberty and Queen-Carlaw Tax Increment Financing zones. Finally, City Council retains the ability to approve or not approve any IMIT application for a project with a construction value exceeding \$150,000,000.
- ii) Having no TIEG in place could make it more difficult for Toronto to attract new investment and jobs in other high-value industries seeking to grow or upgrade their presence in Toronto, including film production, bio-medical operations, manufacturing, food and beverage processing, etc.
- iii) Abrupt dissolution or changes to long-standing programs or policies intended to make Toronto more competitive for business location purposes can erode investor and industry confidence, and make other jurisdictions appear more attractive.
- iv) An immediate end to the IMIT program when an alternative TIEG program is under consideration or development but not yet in place would create uncertainty for businesses, and make it more difficult for them to make informed decisions about future investment, expansions, or hiring within Toronto.

Recommendations

In view of these findings, City staff are recommending to replace the existing IMIT Program by the end of 2024 with a new more targeted and far less costly Tax Increment Equivalent Grant (TIEG) program, which includes the core program elements indicated below and in Attachment 1:

- (i) eligible uses – no eligibility for office space, except when linked to associated industrial buildings or except in limited circumstances within designated Employment Areas as defined in Toronto's Official Plan;
- (ii) basis for the provision of TIEGs – grant acts as one of several factors contributing to investment decisions, not necessarily the driving or decisive factor (i.e. no “but for” test);
- (iii) quantum and term of TIEGs – basic grant equivalent to 60% of the municipal tax increment payable over a five-year period (i.e. half the time and amount of grants paid through the IMIT program);
- (iv) approval and financial control requirements -- all applications to be approved by City Council and considered as a group no less than once per year; provisions to ensure approved projects are built within certain timelines; program to expire after 10 years; inclusion of a program budget target or upset limit with flexibility to address exceptional projects or circumstances; etc.
- (v) local employment plan requirements; and
- (vi) mechanisms to support City goals related to sustainability, job quality and access, and community wealth building.

Until a Community Improvement Plan by-law for a new TIEG program is in force, it is further recommended that City divisions responsible for administering the IMIT Program bring forward, no less than annually, as a group, (i) for Council's information, notice of any IMIT development grants approved by the General Manager, Economic Development and Culture with a construction value of less than \$150,000,000; and (ii) for Council's approval, any complete applications for IMIT development grants for projects with a construction value greater than \$150,000,000.

Finally, as a complement to these measures, it is recommended that the Office Space Needs Study currently being advanced by the City Planning division be leveraged to explore financial incentives, policies and other options to support the conversion or adaptation of vacant office space into other non-residential employment uses.

Conclusion

Enhancing development incentives through a new TIEG program can contribute to supporting investment decisions across the city and across sectors, while also assisting to sustain Toronto's regional and international competitiveness and its ability to attract and retain high-value, productive employment spaces and jobs, including in the (land-intensive) manufacturing, research and development, and film industries.

In response to changing market conditions (including historically high vacancy rates for office space and low vacancy rates for industrial space), it is timely for Toronto to develop a more targeted, affordable and predictable TIEG incentive program to replace the existing IMIT Program, complementing the City's other land use and economic development strategies and overall optimizing the City's role in supporting investment City-wide.

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ATTACHMENTS

Attachment 1: Proposed Elements of a New Employment Space Development Incentive

Attachment 2: Review of the Local Employment Requirement Points-Based Pilot

Attachment 3: Hemson - 2023 IMIT Program Review Findings and Recommendations

Attachment 1: Proposed Elements of a New Employment Space Development Incentive

Eligibility -- Types of Employment Space

- Eligibility for export-oriented and visitor economy focused sectors, with certain exclusions.
- Eligibility for incubators and accelerators.
- No eligibility for retail, except when ancillary to an eligible use.
- No eligibility for stand-alone warehouses, except when ancillary to an eligible use.
- No eligibility for office space, except when considered:
 - Office space within or located adjacent to an associated industrial building and;
 - In limited circumstances, office space located within Employment Districts and other designated Employment Areas as shown on Maps 2 and 13 – 23 of the City of Toronto Official Plan and other Areas as may be amended from time to time.

Purpose of Tax Increment Equivalent Grant (TIEG) and Basis of Grant Amount

- No “But For” test requirement – as the development grant offered through this proposed program is considered to be one among various factors contributing to a given investment decision, not the sole, primary or determining factor.

TIEG Amount

- Total grant equivalent to 60 percent of the municipal tax increment over a five-year period, with grants payable annually, beginning with a grant equivalent to 100 percent of the tax increment in year 1 and declining to 20 percent in year 5.
- When development grants are provided in conjunction with Brownfield Remediation Tax Assistance (BRTA), total grant equivalent to up to 67 percent of the municipal tax increment over a maximum seven-year period.
- An enhanced grant resulting in a higher TIEG amount (e.g. up to 70 percent instead of 60 percent of the municipal tax increment over a five-year period) for eligible applicants meeting or achieving Council objectives related to sustainability, community wealth building and/or job quality.

Financial Controls

- All applications for development grants to be assessed using planning, financial and economic development focused criteria and degree of alignment with program goals.
- All applications for development grants received to be subject to City Council consideration in order to be approved (i.e. no delegated authority.)
- No less than once per year complete applications for development grants be brought forward for Council’s consideration, as a group, with a staff recommendation on whether to approve each application.

- In cases where the construction value exceeds \$150,000,000 a third-party review of the application is required.
- Includes an approach to manage timelines to ensure applications are processed, and developments are built, in a timely manner.
- Limit the term of the new CIP and program to 10 years, and require a full program review to be initiated no less than eight years after the new CIP by-law comes into force, unless otherwise directed by Council.
- Includes a program budget target or upset limit with flexibility to address exceptional projects or circumstances.

Other

- Includes a Local Employment Requirement involving, among other elements, the initial development of a local employment plan and on-going connections to local employment service and training providers.
- Includes core eligibility requirements related to project size thresholds, the Toronto Green Standard, and construction value threshold.
- Includes an annual Program Administration Fee based on the eligible Gross Floor Area of each approved development, which is to be deducted from the grant awarded each year for all existing and new projects.

Attachment 2: Review of the IMIT Local Employment Requirement Points-Based Pilot

Background

In June 2019, Council directed Economic Development and Culture to implement, on a pilot basis, a points-based model to provide greater clarity regarding and assist recipients of the IMIT incentive to meet the Program's Local Employment Requirement (LER). Council also requested staff to consider how the LER could lead to improved outcomes in jobs and training in building construction, less precarious employment for building maintenance workers and more participation among IMIT property tenants in City-supported employment programs.

The resulting points-based LER pilot was introduced in 2019 and extended in September 2020 given the disruption caused by the COVID-19 pandemic.

Local Employment Requirement of the IMIT Program

Since the program was created in 2008, successful applicants have been required to meet a Local Employment Requirement (the "Requirement" or "LER") to receive the IMIT incentive over the 10-year payment schedule. The Requirement was initially designed to ensure employers occupying IMIT-supported developments promote participation in local hiring initiatives during the incentive period.

The Local Employment Requirement specified in the (current) IMIT Community Improvement Plan (By-law 1207-2018) is as follows:

"The applicant or user of the property must agree to collaborate with the City to promote local employment. This will include a local employment plan that will identify opportunities for local hiring and/or training and document how the applicant or property user will utilize City-endorsed or sponsored employment programs. It is expected that the employment plan will span the term of the incentive and that outcomes will be tracked and documented."

Applicants to the IMIT program are property owners who may be exclusive property owner-occupiers, not occupy the property themselves but lease it out, or have co-tenants. The LER is generally passed through from IMIT grant recipients to their tenants, or "property users". The City does not have direct contractual relationships with the property users who are tenants of IMIT grant recipient properties. As such, the City must rely on IMIT recipients (i.e. property owners) to ensure compliance on the part tenants in order to release a payment.

2019 IMIT Local Employment Requirement Points Based Pilot

In April 2018, Council directed staff to identify what could be done to improve the administration of this component of the IMIT program, both to provide more certainty to program recipients and enable them to deliver more and better employment opportunities to Toronto residents.

Informed by extensive consultation, staff proposed, and Council approved, a points-based model in September 2019 to be introduced initially on a pilot basis. Owners of buildings receiving the IMIT property tax rebate would need to work with building tenants to advance local employment opportunities. However, they would now have the flexibility to choose from various measures with more value given to practices and commitments with a larger impact for job seekers. Projects with higher estimated construction value would be required to earn more points. Examples of eligible activities for meeting the requirement and earning points include adopting a living wage policy and/or a social procurement policy; funding apprenticeships and work placements; participating in City endorsed recruitment events and mentorship programs; and providing funding for City-endorsed local workforce development organizations.

This model aims to respond to a need for flexibility and scalability reflecting the range of IMIT developments, by providing different options for meeting the requirement (or earning points), with a focus on City-endorsed employment partners and workforce related programs.

Key elements of the model and pilot include:

- IMIT recipients are provided expected activity levels under the points-based system that correspond to the scale of the development.
- Points are accumulated by completing activities that support City-endorsed programs to promote local hiring and training. Program participants are provided with a detailed [eligible activities list, and a City-endorsed partners guide](#).
- An IMIT recipient is responsible for ensuring that the total number of points for the building is achieved and may also contribute to earning points toward meeting the requirement.
- An IMIT recipient delivers an annual report to the City by aggregating property user activities and outcomes through a standard form.
- The incentive period begins when the first payment is made; however, IMIT recipients can begin to accrue points by completing activities at any time during the construction period.
- The in-force IMIT requirement is for a local employment plan and engagement with the City to promote local hiring and training. Thus, while the pilot itself is not a program requirement; City staff encourage IMIT recipients to use the points-based system to develop and complete their local employment plan requirement.

Outcomes and Results of the Pilot

The onset of the COVID-19 pandemic resulted in IMIT recipients and their tenants having difficulty in fully meeting their employment plans as originally designed. This was due to a reduction in their staffing capacity and/or a reduction in business activity. Some

of the provider agencies in the community sector that had offered to support the IMIT recipients were also not operating as usual. Finally, City staff capacity to encourage or support IMIT recipients in their participation in the pilot was curtailed due to reassignment, redeployment or a reprioritization of activities. However, staff continued to engage participants in the program as operations and recruitment activities began to transition back to a post-COVID standard.

As of December 2023, at least 55 approved IMIT applicants have been introduced to the new process of achieving points through the pilot program. Of these, 36 have submitted employment plans and are actively participating in the pilot program. In 2021, staff introduced an online reporting process for annual submission and staff review to confirm compliance with the Requirement and assess the value of points earned. Beginning in 2021, over 75% of the participating IMIT sites submitted an online survey. In the 2022 and 2023 payment cycle, this participation level dropped slightly to 70% and 72%, respectively. Overall, this high level of participation suggests the online system is generally well accepted and understood by participants.

Despite the COVID-19 related lockdowns and interruptions in recruitment activities, participating IMIT recipients attended over 83 job fairs since the pilot began, interviewed over 795 candidates from City-endorsed partners and hired 161 applicants in a variety of roles and sectors. IMIT recipient companies have also provided over \$3.1 million in funding to City-endorsed workforce development partners since tracking began in 2020, as well as over 1800 hours of mentorship.

Together, participants actively engaged in the points system have earned over 9,500 points to-date, out of a total target - over the course of their multi-year financial incentive agreement -- of approximately 24,000 points.

In addition, 10 companies (owners and tenants) benefiting from IMIT incentives have been certified as living wage employers, and 4 others are actively pursuing certification in 2024. According to information from the Ontario Living Wage Network, the City's main partner agency on the living wage policy, participation in the living wage certification process has raised the pay of 78 employees to date.

Stakeholder Consultation

As part of the review of the points-based pilot, staff held multiple stakeholder consultation sessions in the spring of 2023. These included two virtual sessions with IMIT recipient companies, one virtual session with employment services provider partners, and multiple conversations with City staff from Toronto Employment and Social Services (TESS) and Social Development Finance and Administration (SDFA). The following observations were shared:

- Some property users indicated it has been challenging to maintain communication with partners identified by the City and welcomed the ability to leverage existing relationships with partners not originally identified by City staff.
- Both property users and City-endorsed partners identified a need for annual orientations or training sessions to re-engage.

- Property users indicated that a virtual system for reviewing activities submitted to-date and points accumulation would help improve transparency and continuity of participation despite staff turnover or change in leadership.
- Property users also suggested staff reconsider the cap on the number of points eligible for funding workforce development providers, as this is often the most impactful way for companies to engage with providers, especially during low recruitment periods.
- The workforce development provider partners noted that often there was a high resource demand at the outset of engagement, but then communication and participation on the part of companies dropped, leading to a lack of success and little motivation to continue to assist.
- Workforce development provider partners need more time to build relationships and understand company needs; one year reporting cycles are often not conducive to collaboration and successful recruitment and forecasting strategies.
- City interdivisional partners noted that the new system placed ownership of the requirement in the hands of employers, in terms of both the plan development and tracking, which is helpful in terms of administration and accountability.

Assessing the pilot's performance

To assess its performance, staff reviewed the 5 goals identified for the pilot in the 2019 staff report versus actual results.

1. Clarification of program requirements and improved compliance levels for current and future recipients

Feedback from consultations with IMIT recipients suggests that the points-based model and submission of annual surveys provides clarity about how to demonstrate compliance with the program's local employment plan requirement. However, the slight drop in survey submissions in 2021 and 2022 relative to 2020 suggests that additional follow-up may be necessary to ensure continued compliance and participation. Also, while some participants are finding it challenging to achieve their points target, the average IMIT recipient has earned at least 50% of their points total and still has several years of grant payments ahead of them.

2. Increase in hiring and training activities and outcomes for City-endorsed programs targeting equity-deserving groups

Prior to implementation of the points-based system, City staff did not track the number of hires and training activities, or other outcomes, resulting from the IMIT recipients' activities. However, the implementation of the annual survey submission has enabled data collection and outcomes tracking.

3. Reduction of administrative burden for City staff

Prior to the implementation of the points-based pilot, the administrative effort of implementing IMIT's Local Employment Requirement was born primarily by TESS, which worked to match companies with community partners and propose relevant activities. Implementation of the points system has changed the incidence and nature of

this administrative effort but has not materially reduced it. Many of the challenges previously experienced by TESS, as the main intermediary, are now experienced by EDC. For example, the points system must often be reintroduced to new contacts at IMIT recipient companies as they experience staffing transitions. Maintaining up to date information on community-based partners to share with recipients can be challenging, as EDC staff does not have the same working relationships with providers as TESS does. In addition, tracking the annual number of points earned by recipients requires City staff to spend a significant amount of time reviewing submissions and confirming information with participants and community-based organization partners.

4. Formation of long-term relationships between community partners and companies

During stakeholder consultations for this review, community partners identified challenges maintaining relationships and communications with IMIT recipients. Some partners suggested that additional training and orientation meetings would be helpful to ensure ongoing awareness and understanding of the program. Community partners also identified different activities that might be more relevant for IMIT companies, such as sector-specific academic upgrading and supporting pre-employment programs. Some community partners highlighted the positive impact of participation by IMIT recipients in specific programs, such as living wage certification.

5. Increased awareness of City policies/programs to support training and employment

In general, the pilot supports heightened awareness of City workforce development initiatives and supports. Several IMIT recipients have also indicated interest in learning more about broader social procurement and equitable hiring policies and, in particular, implementation considerations associated with such policies. As City staff responsible for IMIT administration are not subject matter experts in this area, new partnerships (internally or with 3rd party community-based service providers) would be needed to connect IMIT recipients to relevant supports.

Coordination with other City programs and objectives

As one of the City of Toronto's community benefits initiatives, the IMIT program actively collaborates with the Community Benefits Unit in its implementation of the [Community Benefits Framework](#) (CBF)¹ and participates in the CBF City Leads Table and Community Benefits Advisory Group. In 2022, the IMIT program contributed to the design and development of various community benefits implementation processes and templates that are intended to assist City-led projects to achieve equity-based workforce development outcomes. In 2023, the IMIT program and Community Benefits Unit began

¹ In 2019, the City of Toronto adopted the [Community Benefits Framework \(CBF\)](#), a policy and program framework that is intended to guide, support, and provide coordination to City Divisions, Agencies, and Corporations on community benefits initiatives. The Community Benefits Framework is led by Social Development, Finance and Administration's (SDF) Community Benefits Unit (CBU). By embedding community benefit clauses in City agreements, the Community Benefits Framework aims to create training opportunities that reach Indigenous, Black and equity-deserving groups and opportunities for local and diverse suppliers.

to roll out the newly developed community benefits toolkit to help IMIT recipients engage in workforce development activities to meet the Local Employment Requirement. The community benefits toolkit includes a range of implementation supports and approaches such as a workforce intermediary, labour forecasting templates, an employment service provider list, and tools for monitoring and tracking hiring outcomes.

Administrative Viability and Sustainability of the Pilot

The emergence of additional administrative tasks (as identified above) and the reality of frequent staff turnover among both IMIT recipients and community-based workforce development partners pose challenges for successfully maintaining all elements of the points-based model going forward. As research from the initial report recommending the points-based approach demonstrated -- and as seen in other City community benefits and workforce development initiatives -- the most successful approaches in this space often involve and depend on building sustainable, mutually beneficial, and committed relationships between employers and community partners.

Conclusion and Recommendations for the Local Employment Requirement

While the points-based pilot achieved some of its expected outcomes, not all elements of it are sustainable or worth retaining going forward, while others can be improved. Perhaps most significantly, the pilot demonstrates the potential for the incorporation of a Local Employment Requirement in a TIEG program like IMIT to encourage employers to implement organization-wide policies related to job quality (i.e. living wage certification), inclusive and equitable hiring policies, and/or social procurement practices.

It is therefore advised that the strongest elements of the LER and pilot be continued for existing IMIT Program recipients and be included in the CIP and Financial Incentive Agreements of any new TIEG-based employment space development incentive program. While this may not include the same approach to detailed points targets or reporting used during the pilot, in addition to retaining a Local Employment Requirement itself, key supporting enablers to be continued or developed include:

- Maintaining a list of (local) employment supportive activities as a resource to assist TIEG recipients with the development of a Local Employment Plan for their incentive period, which differentiates between highest-impact (organization-wide) activities and those benefiting fewer individuals.
- Maintaining a list of City-endorsed initiatives and community-based workforce development, as well as flexibility for recipients to identify and work with other partners meeting their operational and community needs.
- Facilitating connections to local employment service and training providers (as needed).
- Annual submission of a survey (reporting activities and results) as the mandatory method for complying with the Local Employment Requirement for all grant recipients. This relatively easy-to-use tool has been utilized by most recipients during the pilot period and has improved the administrative process for demonstrating compliance and tracking progress.