

Community Improvement Plan for the Economic Development and Growth in Employment (EDGE) Incentive Program

Date: November 21, 2024

To: Planning and Housing Committee

From: Interim Chief Planner and Executive Director, City Planning and General Manager, Economic Development and Culture, Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report recommends for City Council's consideration a new City-Wide Community Improvement Plan (CIP) that reflects the direction provided by City Council on September 6, 2023 in response to recommendations under the Updated Long-Term Financial Plan (LTFP) to evaluate the effectiveness and outcomes of financial incentives provided under the Imagination, Manufacturing, Innovation and Technology (IMIT) program to date, and further direction from City Council on the Review of the IMIT Program adopted February 6, 2024. The recommended CIP provides a more targeted employment space development incentive that would replace the existing City-Wide CIP (City of Toronto By-law 1207-2018) that enables the IMIT Incentive Program.

The proposed new City-Wide CIP is a key deliverable in support of City Council's new Sidewalks to Skylines: An Action Plan for Toronto's Economy 2025-2035 (APTE), specifically Action 2 that calls for the replacement of IMIT with an incentive program to support targeted employment uses, attract and retain employers, increase high-quality jobs, stimulate investment across the city, drive broader city-building goals, while strengthening Toronto's global competitiveness.

The new City-Wide CIP would enable the proposed Economic Development and Growth in Employment (EDGE) Incentive Program, a financial incentive program designed to provide support for critical new investment in targeted economic sectors of importance to Toronto's economy and competitiveness by incentivizing business development and supporting the retention and growth of inclusive jobs. The program would replace the IMIT program and focus on high-growth, export-oriented and visitor-economy sectors that are important to Toronto's economy and workforce, with these sectors typically needing industrial-type spaces. It would support new construction or major renovation of buildings in targeted employment sectors through Tax Increment Equivalent Grants, while also including an element for Brownfield Remediation Tax Assistance (BRTA).

This program is more targeted than the IMIT Program in terms of outcomes sought and offers more financial predictability, better administrative controls and enhanced Council

oversight. The most notable changes include eliminating eligibility for office buildings (except in instances where the development is approved as a Transformative Project¹) and reducing the grant amount and term by fifty percent, making the basic grant equal to 60% of the municipal tax increment over five years. Additionally, the new CIP introduces improved financial controls, including the requirement for applications with a construction value above \$100 million to be approved by City Council, conditions that ensure approved projects are initiated and completed within specified timelines, and an automatic expiration of the program on December 31, 2034, after which no applications will be accepted. Furthermore, the recommended CIP addresses City goals related to sustainability, job quality, access, and community workforce development through both the enhanced grant stream and updating the Local Employment Requirement.

The proposed EDGE program to replace the IMIT program strongly aligns with Council direction via the LTFP to redesign the incentive program for stronger alignment with City goals, predictability and affordability. Through the reduction in the grant quantum and the length of grant term, as well as applying more finely targeted eligibility requirements, projections are that future grants during the first ten years of the new proposed EDGE program are unlikely to exceed 6% of the total grants committed under the IMIT Program.

RECOMMENDATIONS

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

1. City Council adopt the City-Wide Community Improvement Plan for the Economic Development and Growth in Employment (“EDGE”) Incentive Program in accordance with the draft community improvement plan included as Attachment 2 to the report dated November 21, 2024 from the Interim Chief Planner and Executive Director, City Planning and the General Manager, Economic Development and Culture, and Chief Financial Officer and Treasurer.
2. City Council determine pursuant to section 28(13) of the Planning Act that the Toronto Community Improvement Plan for Brownfield Remediation and Development of Prescribed Employment Uses (By-law 1207-2018, as amended, the “2018 CIP”), that enables the Imagination, Manufacturing, Information and Technology (IMIT) Program, has been carried out, dissolve the community improvement project area designated by By-law 1207-2018, and repeal By-law 1207-2018, as amended.
3. City Council delegate to the General Manager, Economic Development and Culture, approval authority in respect of applications for the Economic Development and Growth in Employment (EDGE) Incentive Program development grants, provided the project has an estimated construction value of \$100,000,000 or less.

¹ A Transformative Project is a large development that among other attributes as defined in the Community Improvement Plan, would have to be a minimum investment of \$1.5 billion, have a minimum GFA of 200,000 square metres and create over 3,000 net new jobs.

4. City Council direct the General Manager, Economic Development and Culture in consultation with the Chief Financial Officer and Treasurer to bring forward, no less than annually, as a group:

a. for City Council's consideration, any complete applications for Economic Development and Growth in Employment (EDGE) Incentive Program development grants for projects with an estimated construction value greater than \$100,000,000; and

b. for City Council's information, notice of any Economic Development and Growth in Employment (EDGE) Incentive Program development grants approved by the General Manager, Economic Development and Culture under their delegated authority.

5. City Council authorize staff to introduce an Economic Development and Growth in Employment (EDGE) Incentive Program administration fee of 30 cents per square metre based on eligible gross floor area and that Municipal Code Chapter 441, Fees and Charges, be amended to reflect the new fee.

6. City Council authorize the General Manager, Economic Development and Culture to negotiate and execute financial incentive agreements for approved Economic Development and Growth in Employment (EDGE) Incentive Program applications, in a form satisfactory to the City Solicitor.

7. City Council authorize the City Solicitor to make such stylistic and technical changes to the draft Community Improvement Plan for the Economic Development and Growth in Employment (EDGE) Incentive Program, as may be required.

8. City Council authorize the appropriate City officials to take such actions as are necessary to implement City Council's decision.

FINANCIAL IMPACT

Potential Impact of the New Tax Incentive Program and CIP

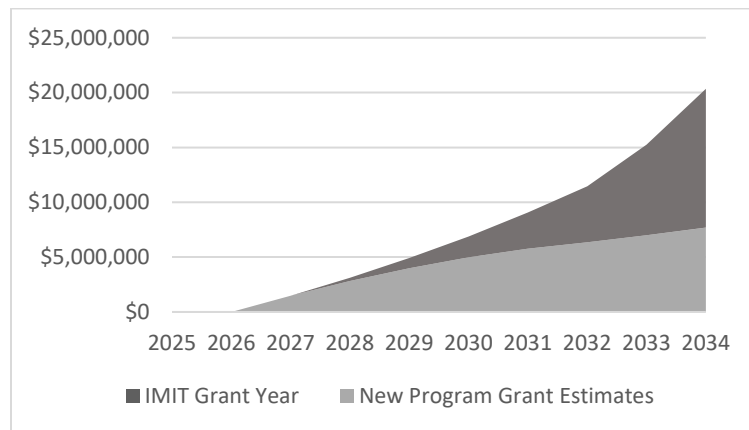
The uptake, costs, and benefits of the recommended tax incentive program in the future will depend on prevailing market conditions and corresponding demand for new and upgraded employment space, interest rates, technological changes, and other government policies impacting investment decisions (including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

Applications approved under the recommended EDGE Incentive Program are anticipated to begin receiving grant payments in 2027, due to construction timelines and the property reassessment process. Based on an analysis of potential construction values and grant scenarios, staff estimate that the average five-to-seven-year grant value would be approximately \$1.9 million for approved projects.

Potential projects under the EDGE Incentive Program are forecasted to yield \$72.5 million in new incremental property tax revenue during the first ten years of the program (2025-2034), while collectively receiving \$40.1 million in grants from the City. This would result in a net revenue gain for the City of \$32.4 million via increased municipal tax proceeds.

As shown in Figure 1 below, as projects are approved, and grant amounts are gradually reduced over the term of the grand funding agreement, the City's tax revenues for these properties will correspondingly increase.

Figure 1: New Tax Incentive Program Financial Impact Projections



As shown in Figure 2 below, for projects approved to date under the existing IMIT Program, the amount of grant payments the City will need to make in any given year will peak in 2027 and then decline each year thereafter. With an anticipated two-year lag from the new program's implementation due to construction timelines of future projects, the City can expect to begin paying grants for the new program in 2027. Payments are projected to start at \$1.5 million and increase over time, with annual payments potentially rising to \$7.7 million by 2034. As such, staff estimate that the average annual grant payments for the new program would be approximately \$5 million over the next ten years.

The reduction in the grant quantum and term offered, as well as changes in eligibility, suggest that future grants during the first ten years of the program are unlikely to exceed 6% of the total grants committed under the IMIT Program.

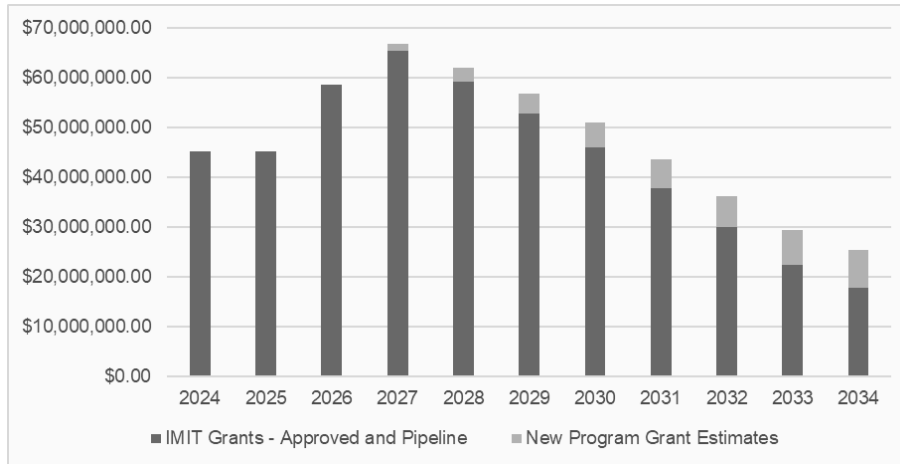
These estimates are based on the following assumptions:

- 10% annual growth rate in the uptake of the program;
- average 5-7 year project grant estimated at \$1.9 million; and,
- a maximum financial incentive cap of \$10 million (exclusive of the Brownfield Remediation Tax Assistance) for all projects under \$100 million in construction value.

This estimate could shift significantly if City Council were to approve a Transformative Project, which would involve a large grant, but also have significant socio-economic and community benefit impacts in the future. Based on the Transformative Project approved

by Council through the IMIT Program, a future project could increase the annual grant payments by \$6 million up to \$10 million but would also have significant investment and job impacts in the future, as well as generate substantial increases in the City's tax revenue over time. Notably, applications qualifying as Transformative Projects are very rare with only one such project awarded funding under the IMIT Program.

Figure 2: Current IMIT Program Financial Impact and New Program Estimates



Approved IMIT Program Applications and Projects

Since program inception in 2008, 41 of 75 projects approved for an IMIT development incentive have completed construction, are either partially or fully occupied, and have received or are currently receiving 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 75 projects are forecast to yield \$1.32 billion in new incremental property tax revenue during the 10-year (or with BRTA up to 12-year) term, while collectively receiving \$734 million in grants from the City.

As of November 2024, the City had disbursed or provisioned \$268.3 million of the forecast \$734 million in IMIT grants, with a further \$40.1 million in grants projected to be issued in 2024.

Other IMIT Program Applications Received and Under Review

Any application to the IMIT Program submitted prior to the date of repeal (or dissolution of the CIP Area) and found eligible to receive Brownfield Remediation Tax Assistance and/or Development Grants is 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 November 2024, the City had received and is reviewing IMIT financial incentive applications for 10 projects at various stages in the review process, as described in Table 1 below. Prevailing real estate market conditions are softening and are likely impacting the viability of some of the projects, although final determinations can only be made following the full application assessment process.

Table 1: IMIT Applications Under Review

Status Approval Authority	# of Applications	Total Estimated Grant Value (millions)
Construction Value >\$150M – Third-Party Review in Progress: Council Decision Pending*	1	\$22.5M
Construction Value <\$150M – Under Review; GM Economic Development and Culture may approve if all requirements are met	6	\$19.4M
Construction Value <\$150M – Inactive**	3	\$26.2M

*Third-Party review of these applications is in progress. Council consideration anticipated in late Q1 or Q2 2025.

**Deemed inactive due to a lack of response from the applicant.

Program Administration and Financing

Program delivery costs (e.g., for staffing, administration, etc.) would be borne by Economic Development and Culture and offset by a Program Administration Fee of 30 cents per square metre of eligible gross floor area.

Since being introduced in 2019, the IMIT Program’s administration fee has generated \$714,669 and is estimated to yield approximately \$200,000 per year for the next 5 years and will decline as existing IMIT applications and payments reach the end of their grant term.

The same annual Program Administration Fee will remain in effect under the new tax incentive program and will be deducted from the grant awarded each year for all approved applicants. While it is difficult to make precise predictions, given the reduction in the grant term offered under the new program, and the resulting decrease in administrative efforts, the City can expect to generate substantially less revenue from the administration fee on an annual basis compared to the existing program. This reduction in revenue is not expected to impact program delivery costs until grants associated with the IMIT program begin to reach their end of term.

EQUITY IMPACT STATEMENT

During the development of the EDGE Incentive Program, staff undertook an assessment to identify how a new program could support equity-focused workforce

development and incentivize investment in employment space and jobs across Toronto. This was fundamental to meeting Council's direction under the LTFP and the IMIT Program Review ([February 6, 2024](#)) to include mechanisms to support City goals related to job quality and access, and community wealth building in the new City-wide CIP.

The EDGE Incentive Program is aligned with and seeks to implement Chapter One of the Official Plan, which outlines principles for ensuring a strong and competitive economy is accessible to all Toronto's residents, and that the positive impacts of growth and development are shared with and focused on traditionally under-funded communities. It will support the emerging work on developing an Inclusive Economic Development (IED) Framework, which is contained as action #4 within Sidewalks to Skylines: An Action Plan for Toronto's Economy. It will also help to implement the City's Community Benefits Framework by embedding equitable hiring and training requirements into the EDGE Incentive Program, fostering pathways to economic inclusion for under-represented communities and ensuring that the benefits of development extend beyond the core to historically underserved areas, enhancing community wealth and local resilience across Toronto.

There are two primary ways in which the EDGE Incentive Program would address the areas of equity-focused workforce development and inclusive economic development. The first is by supporting the City's existing community benefits initiatives. This would be achieved by requiring participants of the EDGE Incentive Program to meet a Community Workforce Development (CWD) target. The CWD requirement focuses on providing training and employment opportunities to Indigenous, Black, and equity-deserving communities in Toronto, and aligns with City of Toronto's [Reconciliation Action Plan](#) and [Action Plan to Confront Anti-Black Racism](#). The second would be by encouraging participation in the Program outside of the City's core. This would be achieved by automatically qualifying eligible projects located in Neighbourhood Improvement Areas for the enhanced grant stream, offering additional eligibility for associated and ancillary office space in designated *Employment Areas*, and significantly limiting eligibility for stand-alone office buildings, which are predominantly located in the City's Downtown core.

Through these measures, the EDGE Incentive Program offers the potential to help address systemic barriers for Indigenous, Black, and equity-deserving communities to access well-paid, quality job opportunities in specific employment sectors. It also offers the potential to serve as a catalyst for attracting new investment and generating economic growth in areas of Toronto that have not historically benefited from these types of incentives to the same degree as central areas of the city.

DECISION HISTORY

At its November 14, 2024 meeting, City Council adopted Sidewalks to Skylines: An Action Plan for Toronto's Economy 2025-2035 (APTE), which provides a roadmap for the City to strategically maximize its levers and collaborate with its partners to enhance Toronto's economy. A foundational objective – Getting the Basics Right – is supported by three priorities: Strong Main Streets, Quality Jobs, and Global Competitiveness.

Leading Action #2, which is about building world-leading talent to create the most competitive business environment in North America, calls for replacement of IMIT with an incentive program to support targeted employment uses, increase high-quality jobs, stimulate investment across the city, drive broader city-building goals, and enhance Toronto's global competitiveness.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EC16.2>

At its February 6, 2024 meeting, City Council directed 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 a new City-Wide Community Improvement Plan for a Financial Incentive Program consisting of development grants, in the form of Tax Increment Equivalent Grants, for certain defined uses and Brownfield Remediation Tax Assistance. Informed by an independent third-party evaluation of the IMIT program's performance and recommended programmatic changes, the direction to staff was to develop a new, more targeted and far less costly employment space development incentive focused on the development of commercial/industrial space rather than office space.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX11.6>

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 force and 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

Community Improvement Plans

Section 82 of the *City of Toronto Act, 2006* (COTA) prohibits the City from assisting any industrial or commercial enterprise financially through grants, loans, tax rebates or other financial incentives, a principle referred to as the prohibition against bonusing. However, COTA provides an important exception to this when financial incentives are provided pursuant to an approved Community Improvement Plan (CIP).

Section 28 of the *Planning Act* authorizes municipalities to designate a Community Improvement Project Area (CIPA) where there is an Official Plan in effect that contains provisions relating to community improvement in the municipality. Chapter 5 of Toronto's Official Plan (OP) outlines the City's approach to implementing its vision through various tools, including CIPs. In designated CIPAs, a Community Improvement Plan may be prepared providing the City with various powers, some of which would be otherwise unavailable, to address deficiencies or facilitate improvement. This includes incentives to stimulate or leverage other private and/or public investment where they advance community improvement objectives.

To formally implement a Community Improvement Plan, City Council must pass a by-law to adopt the CIP. This by-law establishes the framework and authority for the City to offer financial incentives within the designated Community Improvement Project Area (CIPA). Under the *Planning Act*, the right to appeal the adoption of a CIP by-law is granted to the Minister of Municipal Affairs and Housing, the appropriate approval authority, or a person or public body who, before the CIP by-law was adopted, made oral submissions at a public meeting or written submissions to Council.

The IMIT Program

Drawing on its authority under Section 28 of the *Planning Act*, the City adopted a CIP by-law in 2008 for the Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentive Program to provide Tax Increment Equivalent Grants (TIEGs) to support new construction or major renovation of buildings in targeted employment sectors and for certain uses throughout Toronto. The IMIT Program also includes an added grant element for brownfield remediation, namely Brownfield Remediation Tax Assistance (BRTA). Changes to the CIP were subsequently adopted in 2012 and again in 2018, and the current IMIT Program has been in effect since October 2022.

Since its inception, the IMIT Program has been one of the City's principal measures to incentivize business development and support job retention and growth, complementing land use planning and property tax policies. The 75 approved IMIT projects represent approximately 19.1 million square feet of new or renovated employment space, over \$6 billion in construction value, and support an estimated 95,000 new or retained jobs.

2022/2023 IMIT Program Review

The IMIT Program guidelines call for the City to initiate a review every four years. The third comprehensive review of the IMIT Program took place in 2022-2023 with the support of an independent consultant, Hemson Consulting Ltd. (“Hemson”). As part of the review, Hemson assessed available data, met with City staff, and consulted with representatives from more than 20 organizations including industry associations, developers and 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. Through the program review, Hemson also evaluated the City of Toronto’s competitive position in relation to other municipalities within the GTA and beyond, which has helped shape the proposed new City-wide CIP. The consultant’s report can be found here:

<https://www.toronto.ca/legdocs/mmis/2024/ex/bgrd/backgroundfile-242253.pdf>

The program review also supported City 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.

The outcomes of this review were reflected in the recommendations adopted by Council on February 6, 2024. (Item - 2023.EX11.6 – Review of the Imagination, Manufacturing, Innovation and Technology Property Tax Incentive Program:

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX11.6>)

The review ultimately concluded that, due to changing market conditions—specifically, historically high vacancy rates for office space and low vacancy rates for industrial space—along with the City’s priorities, economic development goals, and financial situation, it would be timely for the City of Toronto to establish a more focused, affordable and predictable Tax Increment Equivalent Grant (TIEG) incentive program focused on the development of commercial/industrial space rather than office space.

The new City-wide CIP proposed here would implement City Council’s recommendations and substantially address the policy and financial considerations, and new program parameters as outlined in the staff report to City Council on February 6, 2024. As determined by the 2022-2023 IMIT Program Review, the purpose and objectives of the Toronto Community Improvement Plan for Brownfield Remediation and Development of Prescribed Employment Uses (By-law 1207-2018, as amended, the “2018 CIP”) has been carried out and as such, the community improvement project area can be dissolved (but only as it relates to the 2018 CIP), and By-law 1207-2018, as amended, can be repealed.

A comparative analysis of the existing IMIT Program and the proposed new CIP for the Economic Development and Growth in Employment (EDGE) Incentive Program is included in Attachment 1. The key changes are also discussed in greater detail below.

New City-Wide Community Improvement Plan

As determined by the findings from the 2022-2023 IMIT Program review, it is crucial for Toronto to maintain an employment development incentive, to positively influence business investment decisions for areas across the city, and thereby strengthen Toronto's global competitiveness. This support is particularly important for attracting and retaining high-value jobs in land-intensive sectors such as manufacturing, research and development, and film production, which face increased development challenges due to limited land supply, aging building stock, and heightened pressure to convert properties/land to residential uses. Enhancing development incentives through a new TIEG program signals the city's commitment to fostering growth through financial support. This is especially important when businesses or development are choosing between multiple cities, as a competitive tax grant program is often viewed as a key factor in the decision-making process. In a largely built-out city like Toronto, development incentives also play a vital role in overcoming these obstacles and fostering sustainable economic growth. This includes serving as a tool to stimulate investment and intensification in Toronto's *Employment Areas*, which are critical to the long-term success of key sectors and significant employers throughout the city.

The recommended new City-Wide CIP would introduce a more targeted employment space development incentive, primarily focused on the development or, in certain circumstances, the substantial rehabilitation of commercial and industrial space rather than office buildings. This shift recognizes the reduced demand for conventional office space while emphasizing the need to support industrial developments and key sectors (particularly export-oriented and visitor-economy focused) that are crucial for the city's economic growth and resilience.

Qualifying employment-generating developments would be provided with a property tax incentive based on the incremental or new increased assessment value, as determined by the Municipal Property Assessment Corporation (MPAC), created by the development. A portion of the municipal property tax that is applied to that value is then returned to the qualified applicant over their grant term.

The proposed new City-Wide CIP would also retain the Brownfield Remediation Tax Assistance program. Tax assistance would be available where environmental remediation is undertaken on brownfield sites in conjunction with development for employment uses, excluding retail development.

By incenting brownfield remediation and development that supports targeted employment uses, including the conversion of existing buildings for such uses, it is expected that the recommended City-Wide CIP will:

- Grow local jobs and businesses;
- Improve environmental conditions;
- Encourage local and equitable investment;
- Establish long-term economic benefits by generating future growth in the city's tax base;
- Increase employment space;
- Improve industrial building stock;

- Leverage *Employment Areas*; and,
- Strengthen Toronto's global competitiveness.

The recommended program is expected to help retain or create nearly 16,000 jobs in its first ten years. Being smaller and more focused than the IMIT Program that it is proposed to replace, the proposed EDGE Incentive Program would create relatively fewer jobs but be designed to support a wider variety of jobs across different sectors and more geographically dispersed areas of the city, including greater emphasis on local hiring and access to employment opportunities for priority populations. As discussed further below, adjustments in eligibility criteria and the updated Community Workforce Development Requirement will foster a more targeted approach to job growth that emphasizes economic inclusivity.

Recommended Program Name

The 2022-2023 IMIT Program Review concluded that awareness of the IMIT Program is low, particularly among smaller organizations that do not engage regularly with the City, and that the program name is not well understood. This highlights the need for a more accessible and appealing identity to attract a wider range of potential applicants.

The recommended program is called the Economic Development and Growth in Employment (EDGE) Incentive Program. This name better reflects the program's objectives of supporting vital investments in key economic sectors that are important to Toronto's economy and competitiveness, as well as promoting inclusive job retention and growth.

Aligned Policies, Plans and Strategies

The EDGE Incentive Program would help advance a range of provincial and municipal policy and city-building goals, particularly those related to a competitive business environment, inclusive economic development and the growth of high-quality employment opportunities across Toronto, including:

- Priorities set out in Toronto's **Corporate Strategic Plan** to enhance financial sustainability and maintain a diverse workforce, improve the economic well-being and quality of life of residents, and tackle climate change to further strengthen the City's resilience.
- Priorities outlined in the **Action Plan for Toronto's Economy** (APTE) focused on creating jobs and improving job quality, as well as actions that help stimulate investment and development, drive broader city-building goals, advance inclusive economic development and enhance Toronto's competitive edge by working with a variety of partners, including through the provision of tax incentives. This includes alignment on the APTE's Leading Action #2 to replace the existing IMIT Program with a new incentive program and #4 on developing an Inclusive Economic Development (IED) Framework.
- Actions identified in the **TransformTO Net Zero Strategy** that work toward reducing the City's greenhouse gas emissions and promoting a more environmentally

sustainable and climate resilient future, particularly in relation to building construction and energy use.

- Recommendations in **Toronto's Poverty Reduction Strategy** that aim to create pathways to prosperity for more residents by leveraging the City's economic power to create more quality jobs, support local businesses, and drive inclusive economic development.
- The directions of the City's **Community Benefits Framework** that aim to maximize City policy levers to create inclusive and equitable economic opportunities, such as community workforce development, when the City buys and builds.
- Actions outlined in the **Toronto Strong Neighbourhoods Strategy**, **Action Plan to Confront Anti-Black Racism**, and **Reconciliation Action Plan** that aim to promote the prosperity and well-being of Indigenous, Black, and equity-deserving communities in Toronto through improved access to employment opportunities and targeted initiatives.
- The target identified in the **Action Plan for Culture in Toronto** (APCT) that aims to develop a minimum amount of new cultural and creative space to ensure culture is an essential component of complete communities throughout the City.

CIP Area

The Community Improvement Project Area (CIPA) recommended by this report and associated with the Economic Development and Growth in Employment (EDGE) Incentive Program Community Improvement Plan comprises the entire City of Toronto.

Focus Areas

There are specific areas within the CIPA where the program is intended to encourage more targeted investment. In *Employment Areas* a larger portion of ancillary or associated office space would be considered eligible for Development Grants in limited circumstances. In [Neighbourhood Improvement Areas](#), projects would be eligible for an Enhanced Development Grant (i.e., 70% of the tax increment over 5 years) under the EDGE Incentive Program.

Types of Employment Space

The proposed new City-Wide CIP for the EDGE Incentive Program would adopt a more targeted approach by significantly narrowing the eligible sectors and/or uses. Many sectors that were previously eligible primarily occupy traditional commercial office space and given the current availability of office space in Toronto, there is likely to be sufficient supply until the program's expiry on December 31, 2034.

This CIP would focus on high-growth, export-oriented, and visitor economy sectors that are important to Toronto's economy and competitiveness and corresponding ability to create and retain jobs. While most of these sectors typically need industrial-type

spaces, a few sectors that do not fit neatly into the "office" or "industrial" categories would be included.

Eligible sectors/uses under the new CIP would include:

- Biomedical Operations
- Convergence Centres (for eligible uses listed)
- Creative Industries
- Film Studio Complexes
- Food and Beverage Wholesaling
- Incubators
- Manufacturing
- Scientific Research and Development
- Tourism Attractions
- Transformative Projects

To ensure that office use does not become the primary focus of new developments for the eligible sectors listed above, the new CIP would only consider office space eligible when it is an ancillary use (with certain exceptions, as identified in the section below). Ancillary uses such as office, retail and/or storage may be considered eligible under the program, provided they are subsidiary to, and developed in association with an eligible use that is the primary use on the site. If ancillary use makes up more than 20% of the total GFA, only the GFA associated with the primary use would be considered eligible for the incentive program.

However, when office space is proposed as ancillary to or in association with a manufacturing-related use in a designated *Employment Area*, as shown on Maps 2 and 13-23 of the City of Toronto Official Plan, the maximum 20% of total GFA for ancillary uses will not apply. This will help to promote investment in the City's *Employment Areas* and diversify job opportunities within them. For example, an application for a creative industry business would need to demonstrate that at least 80% of the total GFA is dedicated to production-related activities, such as studios or workshops. In this case, if the development includes office space as an ancillary use, it must not exceed 20% of the total GFA to ensure the primary focus remains on production (unless located in designated *Employment Areas*).

Maintain Eligibility for Transformative Projects

On rare occasions, projects of a truly significant magnitude may come forward that would allow the City to quickly achieve a number of its planning and economic development objectives and have the desired effect of transforming the function, image and growth potential of their location.

To capitalize on these opportunities, it is crucial for the City of Toronto to offer development incentives to attract, secure, and retain significant investments, including large-scale office developments, even though such investments are unlikely given current market conditions. This is particularly important for attracting international firms that have the flexibility to operate in various global locations.

The recommended CIP would maintain eligibility for Transformative Projects and would continue to assess them on their own merits and within the context of industry and economic conditions. Among other attributes, a transformative project would have to be a minimum investment of \$1.5 billion, have a minimum GFA of 200,000 square metres and create over 3,000 net new jobs. Office buildings that qualify under the Transformative Projects category are also required to meet Tier 2 of the Toronto Green Standard (TGS).

A project of this magnitude, while producing substantial economic benefits, may also be eligible to receive a large grant and may be subject to conditions specific to the proposed development. The project would need to demonstrate a clear need for financial incentives for the development to be financially viable, as verified by a qualified third-party assessment satisfactory to the Chief Financial Officer and Treasurer of the City. As with all applications with construction values over \$100,000,000, applications for Transformative Projects would be subject to City Council consideration for approval.

Elimination of Office Building Eligibility with Certain Exceptions

The office sector has been the primary beneficiary of the IMIT Program to date, representing 42 of the 75 approved IMIT projects (or 55%), and accounting for an anticipated 82% of the value of TIEGs currently committed through the IMIT Program. The majority of these recipients are located within the Downtown or the shoulder areas to the east and west of Downtown. While the IMIT Program was effective in increasing the City's competitiveness to attract new investment in business development, helping to address such challenges as high land and development costs and create substantial growth in the supply of high-quality office space, the circumstances of the office sector today have drastically changed.

Office vacancy rates across Toronto remain high primarily due to the widespread adoption of hybrid work practices triggered by the COVID-19 pandemic and new office buildings coming onto the market over recent years. As a result, with the need to backfill existing vacant space, it is expected that the office sector will experience little to no demand for new space until 2034. In this context, there is no need for the City to provide incentives for additional office space construction, except in limited circumstances that help achieve the Program's objectives.

The EDGE Incentive Program would eliminate eligibility for stand-alone office buildings, allowing for only one specific exception, when they are approved as part of a Transformative Project.

The potential to provide an incentive to support the adaptive reuse of existing, vacant office space for non-residential uses is currently being explored and is discussed in greater detail below.

Rehabilitation of Existing Industrial Buildings

While increasing the supply of new industrial space in Toronto is a preferred outcome of the EDGE Incentive Program, the potential is limited by the extremely short supply of suitable land to accommodate this type of development. At the same time, the quality of

the existing stock of industrial buildings is deteriorating because of aging and obsolescence relative to current design specifications. This leaves many properties containing older buildings vulnerable to change-of-use pressures driven by upward pressure on values from the speculative potential of alternative, more valuable uses such as retail and residential. Additionally, even when existing buildings are deteriorating, the current revenue from existing rents often exceeds the capital costs of redeveloping the property. The pressure on the city's remaining industrial lands was further emphasized by the recently completed Land Needs Assessment, which found that intensifying the city's employment lands will be necessary to accommodate employment growth projections.

To help address this challenge, the eligibility for the EDGE Incentive Program's development grants includes projects involving existing industrial-form buildings (minimum 1,000 square metres) that undergo substantial rehabilitation to provide up-to-date services and address obsolescence. To be considered eligible, these rehabilitation projects are subject to the minimum investment requirement of \$3,000,000 in building construction costs. However, because the program would operate as a TIEG, in the event the rehabilitation is not significant enough to raise the assessment value of the property, no grant would be provided.

Basic Eligibility Requirements and Conditions

The new CIP maintains core eligibility criteria of the IMIT Program, which includes (among other conditions) a 500-square-metre size threshold, a \$3,000,000 construction investment requirement, and compliance with the Toronto Green Standard. The EDGE Incentive Program would not require additional floor space in respect to existing industrial buildings undergoing substantial rehabilitation.

For a complete list of eligibility criteria, please refer to Appendix 2, Section 5 of Attachment 2.

Community Workforce Development Requirement

The recommended CIP replaces the former Local Employment Requirement and its points-based system, with a Community Workforce Development requirement. Since 2008, successful applicants under the IMIT Program have been required to meet a Local Employment Requirement (LER) to qualify for development grants. This requirement was intended to ensure that employers in IMIT-supported developments actively promote local hiring initiatives throughout the incentive period. With the introduction of a new CIP, there is now an opportunity to update the Local Employment Requirement with community benefits guiding principles of transparency and accountability. The Community Workforce Development requirement incorporates best practice approaches such as setting measurable targets, and monitoring and tracking.²

² The IMIT Program has been actively collaborating with Social Development, Finance & Administration's Community Benefits Unit, who lead implementation of the City's Community Benefits Framework.

The Community Workforce Development Requirement specified in the recommended CIP is as follows:

“The applicant or property user must achieve a community workforce development target equal to two community benefits hires per \$100,000 (one hundred thousand dollar) grant value throughout the incentive period. The CWD requirement focuses on training and employment opportunities to reach Indigenous, Black, and equity-deserving communities in Toronto, and aligns with City of Toronto goals to address Indigenous Reconciliation and Anti-Black Racism. In exceptional cases, the applicant or property owner may be permitted to achieve credits for activities based on an alternative points-based formula, subject to review and approval by the General Manager of Economic Development and Culture and the Executive Director of Social Development Finance and Administration.”

On October 25, 2024, EDC and SDFA’s Community Benefits Unit hosted a Community Engagement Session with existing IMIT recipients, Employment Service Providers and Community Partners to raise awareness and gather feedback for changes being recommended under the new program, particularly the new Community Workforce Development Requirement, and alternative activities. Overall, the proposed CWD requirement was well received, and it was agreed that additional consultation will help inform the alternative activities.

Applicants and grant recipients already approved under the existing IMIT Program will have the option to either continue with the current Local Employment Requirement or switch to the Community Workforce Development requirement. For those who choose the Community Workforce Development requirement, their activities will be prorated to align with the remainder of their grant term. This flexibility ensures that recipients can adapt to the updated framework while still meeting their obligations.

As highlighted in the 2022-2023 Program Review report, the administrative responsibilities for implementing the IMIT Program’s Local Employment Requirement were previously done in collaboration with Toronto Employment and Social Services (TESS), to match companies with TESS-funded employment service providers and propose relevant activities. However, many of the challenges TESS faced as the primary intermediary have now shifted to EDC, which lacks the established relationships with employment service providers that TESS had. This transition has underscored the need for a dedicated Workforce Intermediary role to support the program. In 2023, SDFA began to rollout a new Community Benefits Workforce Intermediary model with a number of the City’s community benefits initiatives, including the IMIT Program. IMIT recipients have benefited from the Workforce Intermediary’s offering of community benefits implementation tools, templates, and resources, as well as timely coordination with Employment Service Providers to hire job seekers from Indigenous, Black, and equity-deserving communities.

For the next two years, SDFA’s Community Benefits Unit (CBU) will provide Workforce Intermediary services in administering the EDGE Incentive Program’s Community Workforce Development Requirement. Upon completion of two years, SDFA and EDC will jointly assess the feasibility, sustainability, and staff resource implications of SDFA’s

continued Workforce Intermediary support. The CBU's Workforce Intermediary will assist EDC staff in implementing and overseeing compliance of the CWD requirement, providing consulting services, support tools and resources to grant recipients, as well as tools for tracking both qualitative and quantitative outcomes. These efforts aim to strengthen the program's impact on achieving equity-focused inclusive economic development that reach targeted communities in Toronto.

Grant Quantum and Term

Consistent with the IMIT Program Review recommendations City Council adopted on February 6, 2024, the quantum and term of the EDGE Incentive Program Development Grants would be substantially reduced.

Under the IMIT Program, the General Development Grant quantum was 60% of the municipal tax increment over a 10-year period, while the quantum of Enhanced Development Grants was 70% of the municipal tax increment over a 10-year period. When combined with Brownfield Remediation Tax Assistance (BRTA), the term of both the General and Enhanced Development Grants increased to 12 years. On its own, the maximum term of BRTA was three years.

Under the EDGE Incentive Program, the General Development Grant quantum would remain 60% of the municipal tax increment, but over a five-year period, or up to 67% over a maximum seven-year period when combined in conjunction with BRTA. The quantum of the Enhanced Development Grants would remain 70% of the municipal tax increment but also be reduced to a 5-year period, or up to 77% over a maximum seven-year period when combined in conjunction with BRTA.

Grants are 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. For properties that also receive Brownfield Remediation Tax Assistance, the Development Grant will not commence until either the fourth year following reassessment of the developed property, or the year in which Brownfield Remediation Tax Assistance ceases, whichever occurs first. On its own, the maximum term of BRTA would remain three years.

In turn, these changes would significantly reduce the overall value of grants under the program.

Enhanced Grants

To date, enhanced IMIT grants have been offered to encourage development in specific geographic areas of Toronto or within targeted sectors.

The introduction of the new CIP represents a pivotal opportunity to align these key policies and strategies in a cohesive manner. Under the EDGE Incentive Program, applicants in eligible sectors that align with Council objectives—such as sustainability, community workforce development, and job quality—or those undertaking developments within a [Neighbourhood Improvement Area](#), would qualify for a grant

equal to 70% of the municipal tax increment over a five-year period, increasing to 77% if a combined brownfield incentive applies.

This shift would ensure that developments contribute positively to neighborhoods, create pathways to prosperity for equity-deserving communities (and Toronto as a whole), while promoting both inclusive economic growth and environmental responsibility.

To qualify for Enhanced Development Grants, applicants would need to meet all basic eligibility requirements of the EDGE Incentive Program and demonstrate achievement in one or more City-approved activities as determined by the Economic Development and Culture Division, in consultation with City Planning's Environmental Policy team and SDFA's Community Benefits Unit.

Eligible activities under the enhanced grant stream are intended to align with municipal policies and city-building goals, including the sustainability policies of the Official Plan and [TransformTO Net Zero Strategy](#) to reduce greenhouse gas emissions, [Toronto's Poverty Reduction Strategy](#) to create quality jobs, and the [Community Benefits Framework](#) aimed at maximizing equitable economic opportunities through targeted initiatives.

In particular, Action 11.4.1 of the 2019-2022 Poverty Reduction Strategy Work Plan emphasizes the need for the City to integrate equity-related conditions into grant agreements to address the under-representation of certain communities in growth industries. Additionally, Action 12.1.1 calls for piloting the inclusion of job-quality standards—such as living wage requirements—within grant programs.

To qualify for an Enhanced Development Grant, applicants, in addition to meeting all basic eligibility requirements must agree to meet one or more of the following criteria:

- Be located within a Neighbourhood Improvement Area. The Neighbourhood Improvement Areas map that is current at the time of application shall be used to determine eligibility, as the designations are subject to change; or,
- Achieve a minimum additional one Community Benefits hire per \$100,000 (one hundred thousand dollars) of grant value (in addition to the CWD requirement) or one Community Benefits Hire per year, whichever is higher; or,
- During the construction period of the applicable development, achieve a minimum target of 10% Community Benefits Hires of total project construction hiring or equivalent, subject to the approval of the General Manager of Economic Development and Culture and the Executive Director of Social Development Finance and Administration; or,
- Meet one Toronto Green Standard performance measure from the criteria that is required in the tier higher than would otherwise be required for receiving necessary development approvals or meeting basic eligibility requirements under the CIP, in relation to: Air Quality; Buildings Energy, Emissions & Resilience; Water Quality & Efficiency; Ecology & Biodiversity; and, Waste & Circular Economy. These criteria may be updated as required to align with future versions of the Toronto Green Standard.

Applicants will be required to provide documentation where necessary to demonstrate compliance under the Enhanced Development Grant Stream.

Financial Controls

The EDGE Incentive Program introduces several new approval and financial control mechanisms to increase budgetary and administrative predictability.

1. Approval Authority

Following City Council's direction on February 6, 2024, to approve all applications under the new CIP, staff recommend an alternative approach as detailed below that ensures financial control while enhancing efficiency, and transparency in the decision-making process.

Under the EDGE Incentive Program, any application with an estimated construction value exceeding \$100 million would require a third-party review and would be subject to City Council approval. This allows City Council to exercise its discretion with respect to these applications based on whether the decision aligns with the best interests of the City. In contrast, the previous IMIT Program only required Council review for applications valued over \$150 million.

The General Manager of Economic Development and Culture, in consultation with the Chief Financial Officer and Treasurer, would have the delegated authority to approve projects with a construction value of less than \$100 million, provided they meet all eligibility requirements outlined in the program. To ensure accountability and transparency, the Economic Development and Culture Division, responsible for administering the EDGE Incentive Program would be required to collectively report to City Council at least once a year, providing updates on any development grants approved by the General Manager, Economic Development and Culture.

2. Project Construction Timelines

Approved projects would now be required to be constructed and occupied within five years of approval under the program unless an extension has been provided in writing by the General Manager, Economic Development and Culture. This change would eliminate the risk of large, open-ended financial obligations that may become misaligned with the City's economic development, planning or financial priorities over time.

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

The "but-for" test would no longer be used as a component of the assessment of eligibility. This test operates on the premise that without the provision of the incentive, the development would not proceed, and the corresponding increase in the City's assessment base—which partially funds the grants—would not materialize. The IMIT Program Review found that the "but-for" test posed administrative challenges.

Furthermore, the development grant offered through this proposed program, which is significantly smaller than prior TIEGs available through the IMIT program, would be just

one of several factors influencing an investment decision, rather than the sole or primary determinant. Given the potential financial implications for the City, applications under the recommended EDGE Incentive Program with a construction value over \$100,000,000 will be evaluated based on their alignment with the program objectives as outlined in the CIP, as well as planning policy and financial and economic development criteria to assess long-term outcomes for the City. Applications greater than \$100,000,000 will be brought forward, no less than annually, as a group for Council's consideration. With the elimination of the "but-for" test, developments will not be delayed, as their ability to proceed will no longer depend solely on the incentive's approval.

4. CIP Term

The term of the new CIP enabling the EDGE Incentive Program would now automatically expire on December 31, 2034.

A comprehensive review would be undertaken no later than eight years after the new by-law takes effect, unless otherwise directed by the Council. This extended timeframe for the review would allow the market to better understand the new program and reduces the frequency of communication about program changes, which can be cumbersome in the fast-paced real estate development sector.

Moreover, implementing a program expiration acknowledges that the CIP must remain focused and responsive to current conditions, aligning with Council priorities. A comprehensive review would determine whether to extend or terminate the program based in part on the City's financial position.

5. Program Budget Oversight

Based on the revised grant term and narrowed scope of eligible uses, the cost of the EDGE Incentive Program on an annual basis is estimated to be substantially smaller. Staff estimate average annual payments of approximately \$5 million over the next ten years. This includes a ramp up period, with no payments likely issued until 2027, when initial projects are completed, and properties reassessed. However, assuming strong uptake of the program and a 10% growth in applications annually, the disbursements would increase over time, with annual payments potentially rising to \$7.7 million by 2034.

In addition, projects awarded an EDGE Incentive Program development grant will be subject to a maximum financial incentive cap of \$10 million (exclusive of the BRTA portion). Transformative Projects, and projects with construction costs over \$100 million which require City Council approval would not be subject to this cap.

All approved applicants under the EDGE Incentive Program would continue to enter into a Financial Incentive Agreement (FIA) with the City that outlines the terms and conditions of the Program. On an annual basis, participants would be required to affirm compliance with these terms and conditions, and defaulting on any obligation set out in the FIA would be considered grounds for the denial of future grants and/or the repayment of already disbursed grants.

Staff would bring forward annual grant payment estimates to City Council. This will allow for more accurate budgeting as the actual program uptake is confirmed.

Program Administration Fee

A program administration fee of 30 cents per square metre of eligible gross floor area would be charged under the EDGE Incentive Program. The fee would be based on the eligible gross floor area of each approved development. This fee would apply to every year of the grant period. The fee would only be applicable to eligible projects receiving a grant or a grant in combination with Brownfield Remediation Tax Assistance. Projects only receiving Brownfield Remediation Tax Assistance would not be subject to the fee.

The administration fee would be used to cover program delivery costs, including staffing expenses, and would support the work of a dedicated Workforce Intermediary from the City's Community Benefits Unit, who would assist in administering the Community Workforce Development Requirement.

Monitoring

Monitoring of the CIP would be carried out by the Economic Development and Culture Division in consultation with the Chief Financial Officer and Treasurer through ongoing performance evaluations, including updates in reports when applications are brought forward to City Council, no less than once per year.

Performance measures would be based on the objectives outlined here, including but not limited to:

- Job growth in targeted sectors;
- Community Benefits Workforce Development Requirement;
- Geographic distribution of approved projects;
- Total value of building permits for approved projects;
- Amount of new Gross Floor Area for employment space;
- Projected increases in future property tax revenue; and,
- Contributions to meeting sustainability targets.

Provincial Land Use Policies: Provincial Planning Statement 2024

The Community Improvement Plan enabling the EDGE Incentive Program has been reviewed for consistency with the Provincial Planning Statement (PPS 2024) that came into effect on October 20, 2024. The PPS 2024 replaced both the Provincial Policy Statement, 2020 and A Place to Grow: Growth Plan for the Greater Golden Horseshoe, 2019, establishing a province-wide land use planning policy framework. The vision outlined in the PPS 2024 describes a prosperous and successful Ontario as supporting “a strong and competitive economy that is investment-ready and... will continue to mature into a centre of industry and commerce of global significance.”

The EDGE Incentive Program would help progress Ontario toward achieving this vision and is consistent with the relevant policy directions of the PPS 2024, including those encouraging municipalities to establish modern and competitive economies through a

range of employment-based uses and a diversified economic base (2.8.1(1)). The PPS 2024 also encourages municipalities to intensify employment uses, while addressing potential barriers to investment (2.8.1(1)), which may include supporting the remediation of potentially hazardous sites for redevelopment (5.3(2)).

The PPS 2024 has also amended the definition of *Employment Areas* to narrow the scope of what uses are permitted within these areas. Uses that are permitted within *Employment Areas* now include: manufacturing, research and development in connection with manufacturing, warehousing, goods movement, associated retail and office, and ancillary facilities. Notably, commercial uses are now excluded from the definition of *Employment Areas*, including retail and office not associated with a primary employment use. The recommended EDGE Incentive Program has been aligned with the PPS 2024 on this matter by ensuring that any office space located within *Employment Areas* that is to be eligible for grants under the program is to be consistent with this new definition.

Consultation with the Province

The *Planning Act* requires that the City consult with the Province on the adoption of Community Improvement Plans (CIP). City staff communicated the proposed CIP to the Ministry of Municipal Affairs and Housing on October 16, 2024. Following their review, Ministry staff met with City staff and provided subsequent written comments on October 30, 2024, which were reflected as appropriate in the proposed Community Improvement Plan By-law providing for the recommended EDGE Incentive Program.

Toronto Official Plan

Chapter One of Toronto's Official Plan (OP) outlines principles for ensuring that a strong and competitive economy is accessible to all Toronto's residents and that the positive impacts of growth and development are to be shared with and focused on traditionally underfunded communities. Chapter Two policies speak to Toronto's economic leadership role, recognizing that the competitive position of Toronto as a business location reflects the diversity and strength of the broader regional economy, and in turn, the competitiveness of the regional economy is shaped by the unique functions found within the city. Chapter Three of the OP calls for a multi-faceted approach to economic development, which includes the role of the OP in structuring growth, in supporting and protecting *Employment Areas*, and balancing residential and non-residential development to allow space for the economy and jobs to grow.

Chapter 5 of the OP allows the City to establish Community Improvement Project Areas (CIPAs) and corresponding Community Improvement Plans (CIPs), under the authority of Section 28 of the *Planning Act*. In Section 5.2.2, the reasons for establishing a CIPA are identified, including to address "barriers to the improvement or redevelopment of vacant or underutilized land or buildings such as contaminated soil, fragmented ownership, or financial disincentive to private investment (p. 5-15). This section also identifies the tools the City may use to facilitate applicable CIP programs, including through the "allocation of public funds, in the form of grants, loans or other finance instruments, for the physical rehabilitation or improvement of private land and/or buildings including rehabilitation of contaminated properties" (p. 5-16).

The recommended EDGE Incentive program and the enabling CIP would address OP policy by strengthening the City's tax base, maintaining a strong economy, and ultimately, supporting a vision for Toronto to pursue inclusive economic growth, become more resilient to changing economic trends and be better positioned to capture new business opportunities. Further, the EDGE Incentive Program has been developed to ensure alignment with OPA 680, currently subject to Ministerial approval, which will bring the OP into consistency with the new definition of *Employment Areas* established by the PPS 2024, as noted above.

Update on 2024 EX.11.6 Recommendation 3

At its February 6, 2024 meeting, City Council directed City Staff 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. A third-party consultant, Parcel Economics ("Parcel"), has been retained to prepare a financial feasibility assessment for a range of candidate non-residential uses that could occupy vacant and/or redeveloped office space. Parcel's analysis will consider a range of geographic contexts (e.g., Financial District, Health Sciences District, Midtown, etc.), as well as various building specific parameters (e.g., re-tenanting of existing space vs. net new development, basic vs. exceptional space requirements, etc.).

City Staff will continue to work with Parcel Economics to identify options and a preferred course of action to support the conversion and adaptation of vacant office space.

CONCLUSION AND NEXT STEPS

The recommended Economic Development and Growth in Employment (EDGE) Incentive Program is a financial incentive program designed to enhance Toronto's competitive edge as a global business centre, while driving sustainable and inclusive growth across the city.

The EDGE Incentive Program is designed to attract and retain high-value, productive employment spaces and jobs, particularly in key land-intensive industries such as manufacturing, scientific research and development, and film. This will help ensure that Toronto remains a vibrant hub for talent and innovation.

This new program responds to changing market conditions, including historically high vacancy rates for office space, along with low vacancy rates for industrial space and associated constraints on available land. It would replace the existing IMIT program with a more targeted and affordable incentive program that prioritizes the development of commercial and industrial spaces rather than office spaces. Support would be provided to new construction or major renovation of buildings in targeted employment sectors through Tax Increment Equivalent Grants (TIEGs), while also including an element for Brownfield Remediation Tax Assistance.

Equitable hiring and training requirements have been embedded into the proposed EDGE Incentive Program, fostering pathways to economic inclusion for under-represented communities and ensuring that the benefits of development extend beyond

the core to historically underserved areas, enhancing community wealth and local resilience across Toronto.

The proposed program aims to provide more focused and cost-effective incentives for developing employment spaces, with enhanced financial predictability, better administrative controls, and increased oversight from City Council.

CONTACT

Julia Rigato, Senior Business Development Officer, Business Growth Services, Economic Development & Culture, 416-392-0466, julia.rigato@toronto.ca

Evan Sinclair, Planner, Strategic Initiatives, Policy & Analysis, City Planning, 416-338-6279, evan.sinclair@toronto.ca

David Fitzpatrick, Manager Financial Policy & Strategy CFO, Finance and Treasury Services, 416-338-6196, david.fitzpatrick@toronto.ca

Abbie Moscovich, Director, Legal Services, 416-392-6905, abbie.moscovich@toronto.ca

SIGNATURE

Kyle Knoeck
Interim Chief Planner and Executive Director,
City Planning

Patrick Tobin
General Manager,
Economic Development and Culture

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENTS

Attachment 1: IMIT Program and EDGE Incentive Program Comparison
Attachment 2: Proposed City-Wide Community Improvement Plan

Attachment 1: IMIT Program and EDGE Incentive Program Comparison

Eligibility Requirement or Condition	IMIT Program 1207-2018 CIP By-Law	EDGE Incentive Program Proposed new City-Wide CIP
Quantum and Term of Tax Increment Equivalent Grant (TIEG)	60% of the tax increment over 10 years	60% of the tax increment over 5 years
Enhanced Grant Stream	Enhanced Grants (70% of the tax increment over 10 years) for targeted sectors: Manufacturing, Food and Beverage Wholesaling, Creative Industries, Film Studio Complexes, and Convergence Centres	Enhanced Grants (70% of the tax increment over 5 years) for projects who align with Council objectives—such as those related to sustainability, community workforce development, or job quality—or for eligible developments within a Neighbourhood Improvement Area
Third-Party Assessment Criteria	Applications >\$150 million	Applications >\$100 million
Brownfield Remediation Tax Assistance (BRTA)	Yes	Yes
Eligible Sector or Use	Refer to By-Law for Complete List	Export-Oriented, Production and Visitor Economy Focused
Office Buildings	Office Buildings are eligible. (excluding Financial District)	Not eligible (except when approved as a Transformative Project)
Approval Authority	Applications <\$150M delegated authority to General Manager, EDC. Applications >\$150M Council Approval required	Applications <\$100M delegated authority to General Manager, EDC. Applications >\$100M Third-Party Review and Council Approval required
New GFA Threshold	500 sq/m (5,000sq/m for Office)	500 sq/m (Industrial Buildings undergoing substantial renovation are exempt)
Construction Value Threshold	\$3 Million	\$3 Million
Program Budget	\$30M Grant Cap for applications under \$150M, excluding Transformative Projects	\$10M Grant Cap for applications under \$100M

Eligibility Requirement or Condition	IMIT Program 1207-2018 CIP By-Law	EDGE Incentive Program Proposed new City-Wide CIP
Local Employment Requirement (LER)	LER with Points-Based System & Annual Survey	Community Workforce Development (CWD) Requirement with a clear, measurable Community Benefits (CB) target that is directly proportionate to grant value
Toronto Green Standard (TGS)	TGS Tier 1 required, including developments that don't require Site Plan Application (SPA). Tier 2 required for large office applications	Required, including developments that don't require Site Plan Application (SPA). Tier 2 required for office building where permitted
Administration Fee	Yes. 30 cents per square metre of eligible Gross Floor Area	Yes. 30 cents per square metre of eligible Gross Floor Area