

Toronto Business Incentives Introduction

When consulting clients on matters of leasehold improvements, design build projects or retrofits, the City of Toronto can represent an untapped source of value and tax savings for building owners and tenants. One program to get to know is the [Imagination, Manufacturing, Innovation, Technology \(IMIT\) grants](#) launched back in 2008.

The IMIT Grant: Up Close

Born out of the City's Agenda for Prosperity, the [IMIT grants](#) were developed to address: the difference in commercial and industrial tax rates in surrounding municipalities, as well as, to encourage the development of employment land instead of the redevelopment of existing employment land [\[i\]](#). The IMIT grant is a financial incentive program created to reward and incentivize building owners to construct, retrofit or expand the building they occupy to ultimately increase the value of the property. The grant application must be submitted before the builder receives his or her above grade permit and if he or she qualifies for a grant, the building owner gets to wave the development charge and can choose to pass on the grant savings to tenants if the tenant is not the building owner.

[\[i\]](#) City of Toronto By-Law No. 516-2008, section 3.3 Challenges Facing the Development of Employment Uses in Toronto <http://www.toronto.ca/invest-in-toronto/pdf/08-0516.law.pdf>

What is a TIEG?

The type of tax incentive used for the IMIT grant is referred to as a Tax Increment Equivalency Grant (TIEG) and works in the following manner: Qualified applicants who are constructing a new building or expanding an existing building can save an average of 60% of the incremental increase in municipal property tax over a 10-year period [\[i\]](#). The grant is based on the increase in the property taxes (as assessed by MPAC) that result from the increased building value. After taxes have been paid each year by the building owner, the City then gives back a percentage of the increment in the property tax for that year every year for 10 years in an incremental declining balance.

[\[i\]](#) New Business Incentives, City of Toronto

How TIEGs Work: An Example

- Assume the City property taxes before the new development or improvement is \$20,000 a year
- Assume the City property taxes after the development or improvement is \$120,000 a year
- The tax increment from the development or improvement results in an increase of \$100,000
- The municipal taxes over the ten years of the program would total \$1,200,000 (\$120,000 p.a. x 10) of which \$1,000,000 is the total tax increment or increase due to tenant or owner improvement or development
- At the 60% grant level, the property owner would receive an approximate total of \$600,000 from the City, or 60% of the total tax increment. The City would keep the remaining \$400,000.

The payout of the grant would look like this over the 10 year period [\[i\]](#):

[\[i\]](#) Financial Incentives Consultation Paper, City of Toronto

Grant Eligibility

Client eligibility [i] for the grant is contingent on several factors. Here is a sample:

- *Specific sectors:* biomedical, creative industries, information and communication technology, manufacturing, tourism
- *Geographic Locations:* Etobicoke Centre, North York Centre, Scarborough Centre, Wallace Junction, the Waterfront
- *Building Use:* Broadcasting, computer system design and services, corporate office, film studio, general office, head office, incubator, scientific research and development, performing arts, software development, information services and data processing, food and beverage wholesale, transformative projects, convergence centres

There is also a separate set of criteria for building use. Here is a sample:

- *Corporate Headquarters:* for a global or Canadian headquarters, that occupies a minimum floor space of 10,000 m² or 107,639 square feet that maintains a minimum employment of 300 people and is situated downtown or 400 meters away from a subway entrance.
- *Corporate Office Building (single/multi-user):* an office building that is a sector-specific firm or user, occupies a minimum floor space of 5000 m² or 53,819 square feet of which at least 80% is used for offices and is situated anywhere in Toronto except the Port Lands.
- *Office Building:* a non-sector specific building that uses at least 80% of the GFA for office use and is situated in *East Bayfront, West Don Lands, or South of Eastern.*

There are additional incentives available for brownfield remediation. For more information click [here](#).

[i] <http://www.toronto.ca/invest-in-toronto/incentives-imit.htm#sectors>

Case Studies * represent real scenarios where clients were approved

1. **Renovation Case*:** Existing 45,000 sq ft warehouse was renovated to accommodate an IT data centre. \$6 million dollar construction investment. Pre-development assessment of \$3 million. Met Toronto Green Standard
2. **New Build Case*:** New 300,000 sq ft manufacturing/office/warehouse facility on 10 acre parcel. Will be Corporate HQ. Construction investment of \$30 million. Pre-development assessment of \$2 million. Met Toronto Green Standard
3. **Expansion Case*:** Addition of 70,000 sq ft onto an existing 100,000 sq ft food processing, warehousing facility. \$5 million dollar construction investment. Pre-development assessment of \$7 million. Met Toronto Green Standard

Additional Information and Resources

TIEG Grant Graph:

<http://www.toronto.ca/invest-in-toronto/images/tieg-graph-lrg.jpg>

City Wide Community Improvement Plan Prescribed Uses Document:

<http://www.toronto.ca/invest-in-toronto/pdf/08-0516.law.pdf>

Waterfront Community Improvement Plan Prescribed Uses Document:

<http://www.toronto.ca/invest-in-toronto/pdf/08-0518.law.pdf>

IMIT Grant Application Form:

http://www.toronto.ca/invest-in-toronto/pdf/imit_application.pdf

Development Charge information:

http://www.toronto.ca/finance/dev_charges.htm

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