



## ECONOMIC DEVELOPMENT TASK FORCE MEETING

September 11, 2013

SRPRS.13.146

Office of the Chief Administrative Officer  
Strategic Initiatives Division &  
Planning and Regulatory Services  
Planning Policy Division

**SUBJECT: Recommendations Report and Implementation Strategy for the Office Incentives Study (SRPRS.13.146) File No. D10-PL-OF**

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### PURPOSE:

The purpose of this staff report (SRPRS.13.146) is to recommend incentives and incentive-related actions to attract and/or retain office development in Richmond Hill. The recommended incentives in this staff report were identified as part of the Richmond Hill Office Incentives Study.

### RECOMMENDATION(S):

- a) That Council endorse the Recommendations Report and Implementation Strategy for the Office Incentives Study for implementation as outlined in this staff report (SRPRS.13.146).

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## **STUDY PURPOSE:**

The purpose of the Richmond Hill Office Incentives Study (D10-PL-OF) is to investigate and recommend incentives and incentive-related actions to attract and retain office development in Richmond Hill. The study outlines opportunities for incentives to encourage and attract various forms of office development within Richmond Hill's employment lands, the Richmond Hill Centre and other designated centres and corridors as identified in the new Official Plan (July 2010).

The Richmond Hill Office Incentives Study has three main objectives:

1. To provide a thorough understanding of Richmond Hill's position in the regional office market context (i.e. Greater Toronto Area and York Region);
2. To review and recommend potential incentives that seek to encourage and attract various forms of office development within the Town's business parks ("employment lands"), the Richmond Hill Centre, the centres and corridors, and other parts of the municipality as identified in the new Official Plan; and
3. To provide an implementation strategy for the recommended incentives to attract office development to Richmond Hill based on the Town's local and regional office market context.

The Richmond Hill Office Incentives Study has been undertaken jointly by Town Staff in the Office of the Chief Administrative Office (Strategic Initiatives Division) and Planning and Regulatory Services (Planning Division), with input from Financial Services.

## **BACKGROUND:**

The Office Incentives Study builds on the work of previous plans and studies undertaken by the Town, including the Strategic Plan, Official Plan and Economic Development Strategy, by recommending incentives and incentives related actions to attract and retain various forms of office development. A goal of the Town is to attract business investment and employment growth by maximizing its limited supply of employment lands while diversifying the Town's economic base through mixed-use development in the centres and corridors.

The Richmond Hill Office Incentives Study consists of three stages with the following deliverables:

1. *Background Information on Richmond Hill's Office Inventory and Market Context* (SRPRS.12.101 to June 14, 2012 Economic Development Task Force), which provided information on Richmond Hill's office inventory and position in the regional office market.
2. *Opportunities for Incentives Report as part of the Office Incentives Study* (SRPRS.12.171 to November 8, 2012 Economic Development Task Force), which identified potential incentives that the Town may wish to undertake in order to attract and/or retain office development based on the Town's market context.

3. A *Recommendations Report and Implementation Strategy* (this report), which provides recommendations and an implementation strategy based on feedback received from the Economic Development Task Force, consultation with the business community and other stakeholders, and analysis by Town Staff.

The comprehensive review of office market data undertaken as part of this study concluded that Richmond Hill is well positioned to continue its steady and diversified growth of office-based employment. Looking into the 10 year period of 2012-2022, Richmond Hill will require 125,000 – 150,000 square feet of additional office space annually to meet demand and maintain supply. This supply will likely be accommodated through the following:

1. Traditional office buildings that will continue to locate in the employment lands, primarily in the Highway 404 corridor;
2. Office buildings located in the Town's centres and corridors, such as Yonge Street, which offer a more urban experience; and,
3. Industrial format buildings which may transition to an office use.

While it is desirable to encourage more urban forms of office development on Yonge Street and the centres and corridors in a transit-supportive, mixed-use format, it is also desirable from a tenant perspective to continue to attract the traditional type of office buildings in highway accessible locations within the employment lands that have proven to be successful for Richmond Hill. Setting up a framework for the delivery of incentives and incentive-related actions through this study supports broader community wide goals for further development of the local office market and job growth.

Based on a review and assessment of legislation, research and consultation (see **Appendix "A" – Consultation**), Staff identified potential opportunities for incentives and incentive-related actions in the Office Incentives Study – Opportunities for Incentives Report (SRPRS.12.171). These incentive opportunities included:

1. Community Improvement Planning (CIP), and related programs that may be implemented through a CIP study, including:
  - a. Tax Increment Equivalent Grants (TIEG)
  - b. Loans
  - c. Planning Fee Rebates
2. Other Tax-based Options
3. Development Charges Review & Assessment
4. Tax Increment Financing (TIF)
5. Continued Economic Development Programs

A detailed analysis of each incentive opportunity was outlined in Staff Report SRPRS.12.171, received by the Economic Development Task Force on November 8, 2012. A summary is provided in **Appendix "B" – Incentive Opportunities Identified in SRPRS.12.171**.

## **DISCUSSION:**

Following the release of the Office Incentives Study – Opportunities for Incentives Report in November 2012, feedback was received on the incentive opportunities identified. Comments from the Economic Development Task Force, the public, the business community were considered and a staff working group undertook an analysis of each incentive opportunity. Based on this feedback, the following section provides an overview of general considerations applicable to all incentives as well as specific considerations for each of the incentives identified.

### **General Considerations for Financial Incentives**

An important factor to consider with respect to tax-based incentives is that the monetary value of such programs would only apply to the municipal (local) portion of the tax bill. As a lower-tier municipality, Richmond Hill has jurisdiction over the local portion of property taxes collected with the greater share of taxes being retained by York Region and the school boards. For commercial properties, which include office, the proportion retained by Richmond Hill is generally 15-17% of the total property taxes collected on such properties. While the impact of any tax-based financial incentive program in a lower tier municipality would be less when compared to a program offered in a single tier municipality that retains a greater portion of property taxes, offering such a program may in fact work as an advantage for business to locate in Richmond Hill, making the municipality more attractive.

The resources and costs required for the administration and implementation of financial incentive programs are also important to consider. Financial Services Staff have experience with overseeing, administering and implementing a variety of financial programs. Based on this experience, it was noted that in order to ensure that the administrative process for implementing financial incentives is financially feasible, consideration should be given to establishing eligibility criteria and a prescribed size threshold above which a proposed development would be eligible for certain financial incentives. A development threshold for office development of 1,500 sq. m. (approximately 16,000 sq. ft.) may be appropriate for consideration in order to ensure that the costs of administration and implementation of any financial incentive program does not outweigh its value to an applicant.

A further consideration for financial incentive programs is their geographic application within Richmond Hill. In order to build on the Town's competitive economic development position and current and future trends, which include a focus on traditional office buildings within the employment lands, the potential transition of industrial-format buildings to office uses within the employment lands, and on transit-supportive, mixed-use development within the centres and corridors, financial incentives should be considered comprehensively in all of these areas. Ultimately, however, all matters related to the viability and geographic application of financial incentives would be comprehensively assessed through a CIP study process.

### **Community Improvement Planning (CIP)**

A CIP is a plan authorized under Section 28 of the *Planning Act* that permits single and lower-tier municipalities to define community needs and develop financial and non-

financial incentives to address such needs. A municipality can designate community improvement project areas by by-law and develop and adopt CIPs, provided their official plans contain provisions relating to community improvement. Richmond Hill's Official Plan (2010) contains the required policies to implement a CIP.

In order to develop a CIP, a study process must be initiated in accordance with the provisions of Section 28 of the *Planning Act*. This study process requires the Town to comprehensively assess community needs first and then design, implement and administer programs, including financial incentives, to meet those determined needs. Through the CIP study process, the Town has the flexibility to determine whether the scope of a CIP will be Town-wide or area specific.

A key benefit of a CIP is that it provides the framework for implementing financial incentives which include grants (such as Tax Increment Equivalent Grants), loans and rebate programs. Without a CIP, such incentive programs would otherwise not be permitted based on the restrictions outlined in the *Municipal Act* and the *Planning Act*.

Through the Office Incentives Study, feedback from consultation and analysis by Town Staff noted that a CIP study will provide the appropriate process through which to refine, design and implement certain financial incentives. Previously in Richmond Hill, a CIP was established to implement the Village Core Façade Assistance Grant Program. This program was designed to provide financial assistance to Yonge Street property owners in Downtown Richmond Hill for improvements to the exterior façade of buildings within the area designated by the CIP. This past experience with the administration and implementation of a financial incentive program will be helpful with the implementation of the financial incentive programs recommended in this report.

As a means of establishing any financial incentive programs in the future, it is recommended that Staff be directed to undertake a Community Improvement Plan (CIP) in accordance with the *Planning Act*. Through the process to develop a CIP, office-related financial incentives would be further investigated.

### **Tax Increment Equivalent Grants ("TIEG" - implemented through a CIP)**

A TIEG is a financial incentive designed to offset the increase in property taxes experienced as a property is redeveloped. Generally, the *Municipal Act, 2001* does not provide the authority for municipalities to freeze, redirect or write off property taxes on specific properties for development purposes. An exception to this is a TIEG program implemented through a CIP and authorized under Section 107(1) of the *Municipal Act*.

As part of a TIEG program, a municipality may provide a grant equal to the full amount, or a portion of the full amount, of the estimated property tax increase (or "increment") that a property experiences after it is developed or redeveloped. This grant takes place in instalments over a certain period, typically 10 years. Each year, the grant declines in value by a set percentage over the prescribed time period.

As noted in the "General Considerations" section of this report, Richmond Hill only has jurisdiction over the municipal (or local) portion of property taxes, which for commercial properties is generally 15%-17%. In this regard, the monetary value of any tax-based financial incentive program, such as a TIEG, would only relate to the Town's portion of the taxes collected. Financial Services Staff also note that any incentives offered as part

of a TIEG program would require consideration each year within Town's annual operating budget.

Given that a TIEG program would be limited to the local portion of taxes collected, Staff in Financial Services prepared an analysis of the monetary value of a hypothetical TIEG program in order to understand its financial impact on a typical office development. **Table 1 – Tax Increment Equivalent Grant Sample Program** (right) demonstrates the impact of a TIEG program for a 1,600 square metre (17,200 square foot) office building located on Yonge Street.

Year	Grant	Town Taxes	Total Taxes	Grant Value
2006	100%	\$2,507	\$19,147	\$1,199 (Note: grant value is prorated to reflect mid-year completion)
2007	90%	\$8,981	\$67,996	\$6,906
2008	80%	\$9,352	\$68,596	\$6,435
2009	70%	\$9,490	\$69,768	\$5,727
2010	60%	\$9,433	\$66,064	\$4,875
2011	50%	\$9,498	\$64,736	\$4,095
2012	40%	\$9,497	\$63,700	\$3,276
2013	30%	\$9,582	\$64,841	\$2,482
2014	20%	\$9,582	\$64,841	\$1,655
2015	10%	\$9,582	\$64,841	\$827
Total		\$87,505	\$614,531	\$37,478

**Table 1 - Tax Increment Equivalent Grant Sample Program for 1600 sq. m. building on Yonge Street**

An existing office development built in 2006 was used in this example based on real-time market data on land value providing an accurate estimate of the financial impact of the sample TIEG program. In the sample TIEG program, property taxes are collected and for the local portion, the municipality issues a grant to the owner in the amount equal to the full local taxes collected for the first year. As the program is structured to run for 10 years, grants decline by 10% each year following the first year until no grant is issued. The figures in Table 1 indicate a prorated grant of \$1,199 in the first year (as the development was complete mid-year), followed by a grant value of \$6,906 in the second year, and so on over the period of the grant. The total grant value for the TIEG program is \$37,478, relative to the total taxes of \$614,531 over a ten year period. This indicates that despite being restricted to only the local tax portion, the cumulative tax increment that may be granted back remains considerable for an office development. It should be noted that the value of the grant within this sample TIEG program would increase for larger developments or for those assessed at a higher value.

The analysis outlined in Table 1 indicated that the monetary impact of a sample TIEG program for an office development in Richmond Hill remains substantial when viewed cumulatively. Accordingly, it is recommended that Town Staff further consider the development, implementation and administration of a Tax Increment Equivalent Grant (TIEG) program through the CIP process.

### **Loan Programs, Planning Fee Rebates and Other Grant Programs**

Loan programs and planning fee rebates were identified as potential incentive opportunities. Both programs may only be implemented through a CIP.

Loan programs meeting the intent of Section 28 of the *Planning Act* and implemented through a CIP are generally underwritten by the municipality to be below market rate or interest free. In addition, loan programs have typically been used for very specific purposes where there is an identified need (i.e. expansions to existing offices or relocation of an office to an economically challenged area). Further, loan programs require that municipal council set aside sufficient funds at the onset of a program to fund it over its lifespan. Typically, a municipality is also required to find a financial sector partner with which an agreement is initiated to administer the loan program. The municipality, or the financial institution, may administer the loan program for eligible works, which are typically scoped. Research has indicated that loan programs implemented through CIPs have been limited in number and where implemented, such programs reflected poor local economic conditions much different than the conditions within Richmond Hill.

Likewise, in order for a Planning Fee Rebate program to be initiated, it must be identified as a program under a CIP. Since the *Municipal Act* prohibits outright waiving of fees, a fee rebate program would function as a grant, wherein planning fees are collected and rebated to an eligible applicant. Planning application fees, which are collected on a cost-recovery basis, form a constituent component of the Planning and Regulatory Services budget. Rebating such fees may result in lost revenue for Planning and Regulatory Services and, more importantly, may not impact the bottom line of an office development in a significant way given the monetary value of such a program.

Further analysis conducted by Town Staff and feedback received through consultation indicated that loans and planning fee rebates may not be appropriate incentives for consideration in Richmond Hill. Loan programs are typically offered in municipalities with much different local economic conditions than Richmond Hill, and typically to meet specific needs (such as the attraction of a tenant to an economically challenged area). Likewise, planning fee rebates may result in foregone revenue for the municipality without significant impact on the bottom line of an office development. Ultimately, however, the need for, and design of, any financial programs would be further reviewed and determined through a CIP study.

### **Other Tax Based Options (Tax Rates and Vacancy Rebates)**

Other tax based options, including an assessment of tax rates and vacancy rebates, were identified as incentive opportunities as part of this study. Each is discussed below.

The tax ratio for each property class (such as commercial, which includes office) represents the amount of taxation to be borne by that class relative to the residential class. To ensure a coordinated and competitive approach to taxation, property tax ratios are applied evenly across every local municipality in York Region by a Region-wide tax policy. Further, over the past several years, Regional Council has reduced the relative burden on the commercial and industrial classes which has helped to strengthen the Region's competitive position.

Financial Services Staff have prepared a comparison of tax ratios (see Table 2, below). This table demonstrates that the ratios for the commercial and industrial classes ("business classes") in York Region are currently lower than comparable regions in the GTA. For example, the Town's commercial tax ratio is nearly three times lower than that

of Toronto and nearly half a point lower than Mississauga, and Halton and Durham Regions. As a result, the tax ratios in York Region for business classes remain competitive and, as a result, function as an incentive for office development.

Tax Ratio	Mississauga	Brampton	Toronto	York	Halton	Durham
<i>Residential (R)</i>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
<i>Commercial (C)</i>	1.409816	1.2971	3.159772	1.1172	1.4565	1.4500
<i>Industrial (I)</i>	1.570762	1.4700	3.159772	1.3124	2.3599	2.2598
<i>Multi-Residential (M)</i>	1.778781	1.7050	3.224000	1.0000	2.2619	1.8665
<i>Managed Forest (T)</i>	0.250000	0.2500	0.250000	0.2500	0.2500	0.2500

**Table 2 - Comparison of Tax Ratios, 2012**

Richmond Hill's Vacancy Rebate Program is authorized by Section 364 of the *Municipal Act, 2001*. As part of this program, property owners may apply to the Town for vacant unit rebates twice a year. Following this, Financial Services Staff review the application and send it to the Municipal Property Assessment Corporation (MPAC) to identify the assessment value of the vacant portions which is then used to calculate a rebate. The rebate is calculated by applying a discount of 35% for industrial properties or 30% for commercial properties against all three portions of the tax bill (local, Regional and educational) associated with the vacant area.

Financial Services Staff have indicated that over the past five years, the rebate program has assisted approximately 120-140 commercial property owners annually, with rebates worth approximately \$1 million dollars. Staff work closely with eligible property owners to ensure annual applications are acceptable and that vacancy rebates are issued. Consultation among major office owners earlier in the study indicated that there may be an opportunity to improve awareness of this program. Therefore, it is recommended that the Town promote its competitive tax rates and vacancy rebate program to new and existing office users.

### **Development Charges Review and Assessment**

The *Development Charges Act, 1997* authorizes municipalities to use development charges to recover the net cost of capital expenditures attributable to growth. The Act also requires municipalities to undertake a background study before contemplating any changes to existing rates. Development charge rates contemplated in the background study would be invoked and administered by a new development charges bylaw, which would establish new rates that reflect the capital requirements associated with growth forecasts.

Any contemplated changes to existing development charges for office development would need to be justified through the Development Charges Background Study undertaken in accordance with the *Development Charges Act*. If deemed appropriate, the changes to existing charges would be assessed comprehensively and forecasts would be adjusted accordingly. As with tax-based incentives, any programs related to development charges would only apply to the municipal portion of the charges collected. The greater share of such charges is collected by York Region.



Overall feedback and consideration by Town Staff has indicated that reductions or exceptions in development charges or financial programs related to the Town's portion of development charges may not be financially viable. Notwithstanding the foregoing, a development charges deferral program may be an alternative for consideration. Such a deferral program could be implemented to assist with the cash flow of start-up costs for an office development and would not require development charge revenue to be foregone. Instead, development charges could be deferred in a particular amount and for a prescribed period time for office development. Municipalities with similar programs include Newmarket, Halton Hills, Oshawa, Brantford and Sudbury, among others.

It should be noted that a development charges background study is currently being undertaken by Financial Services Staff and Watson & Associates Economists Ltd. In this regard, it is recommended that a development charge deferral program be considered through the current Development Charges Background Study update project.

### **Tax Increment Financing (TIF)**

TIF provides municipalities with a way to harness future revenues to pay for current expenditures associated with a publicly-initiated project. The *Tax Increment Financing Act, 2006* permits municipalities to enter into an agreement to receive funding for a proposed project from the Provincial Government that is based on the education tax increments expected to occur as a result of the project.

Though Town Staff identified further implementation of the *Tax Increment Financing Act, 2006* as an incentive opportunity, there currently are only two pilot projects authorized by the Province: the West Don Lands brownfield redevelopment in Toronto and the extension of the Spadina Subway into York Region. Monitoring of this legislation by Town Staff would be required to determine any opportunities for application and implementation within Richmond Hill.

Currently, Town Staff in Strategic Initiatives monitor new financial and non-financial incentive related actions, including grants. Monitoring of opportunities under the *Tax Increment Financing Act* should also be considered. Another consideration identified through consultation is the continued monitoring of transit investments (i.e. Yonge Subway extension) as a major incentive-related action that may support office development in Richmond Hill. In this regard, the monitoring of the *Tax Increment Financing Act* and new transit investments, along with general grant monitoring undertaken by Town Staff, is encouraged by this study.

### **Continued Economic Development Programs**

The Town's Economic Development Strategy, Sector Strategy and Marketing Strategy have been implemented to effectively position Richmond Hill as a community rich with opportunities for both new and existing businesses. As part of the implementation of these strategies, Economic Development Staff undertake a number of activities to attract new businesses to Richmond Hill and to support the existing business community. Through the corporate calling program, for instance, Town Staff contact and visit businesses to exchange information and assess the needs of the business community.

Marketing represents another core function for Economic Development. Using the brand "The Smart Place for Business", the goal of the Town's economic development marketing is to promote the advantages of Richmond Hill to businesses who are considering locating or expanding in the Town. The marketing strategy was approved in 2011, and since then all of Richmond Hill's marketing materials and the Economic Development website have been redesigned to align with the new brand. Implementation of the marketing strategy is currently focusing on distributing the redesigned marketing materials through direct mail campaigns, meetings with potential leads, and attendance at key industry events. In addition, a series of testimonial videos are being developed to further enhance the Town's online presence.

Consultation has indicated a positive response to Richmond Hill's economic development marketing and branding efforts. In addition to continued implementation of such programs, this study has also indicated that information sharing between Planning and Regulatory Services and Strategic Initiatives regarding Official Plan, zoning and other information, would further assist in promoting the Town in economic development. For example, consultation highlighted opportunities for increased information sharing about the Town's vision for the business parks and the Yonge Street corridor as identified in the Official Plan. A direct result of this opportunity was the preparation of a Vision Brochure for the Richmond Hill Centre that was completed by Economic Development Staff in early 2013.

Building on this approach, there is an opportunity to market and promote the incentives and incentive-related actions recommended as part of the Office Incentives Study. The recommended incentives could be marketed as being part of a "menu" or collection of various tools which cumulatively may strengthen the Town's competitive position and make its office market more attractive to new and expanding businesses. By offering and promoting a "menu" of financial and non-financial incentives, Richmond Hill may continue to be a leader in its economic development efforts and assist in attracting office development to Richmond Hill.

## **RECOMMENDED INCENTIVES AND IMPLEMENTATION STRATEGY:**

Based on this cumulative analysis of the incentive opportunities outlined through this study, consultation and feedback, and analysis by Town Staff, the following incentives are recommended for consideration. Next steps for implementing the recommended incentives are also identified.

### **1. Community Improvement Planning**

Through the Office Incentives Study, Town Staff confirmed that the CIP study process undertaken in accordance with Section 28 of the *Planning Act* is the appropriate process through which incentives can be comprehensively assessed, developed and implemented. Without a CIP in place, incentive programs such as grants (including Tax Increment Equivalent Grants), loans and rebate programs would not be permitted based on the restrictions outlined in the *Municipal Act* and the *Planning Act*. Accordingly, it is recommended that Town Staff be directed to undertake a CIP in accordance with the *Planning Act*.

### **Implementation**

The process for a CIP study is generally set out in the Ministry of Municipal Affairs and Housing's Community Improvement Plan Handbook. Generally, the steps include the following:

- **Preparation of a terms of reference for a CIP Study.** Town Staff will prepare of a terms of reference that sets out the study approach, proposed administration and target dates.
- **Identification of community needs.** Town Staff would be required to identify community needs based on the *Planning Act* definition of "community improvement" and "community improvement project area." To do this, Staff will analyze and gather data on the physical, economic, social and environmental characteristics of the study area to identify key opportunities and challenges, and consider how these can be addressed. Staff will also conduct background analysis of planning, land use and other policies and strategies applicable to the study area and draft municipal actions, programs and implementation policies that address identified problems and/or goals.
- **Determination and design of incentive-based programs.** Incentive-based programs, if deemed appropriate, would be drafted at this stage. As part of this, detailed administration and implementation parameters for each incentive-based program will be developed, including:
  - program goals and duration;
  - eligibility criteria;
  - terms of incentive;
  - application and compliance requirements;
  - written agreement requirements;
  - program administration;
  - monitoring; and
  - resource requirements.

A detailed work plan is also required, detailing matters such as:

- required staff resources and department responsibilities;
  - resources needed to develop program guidance/procedural material including forms and agreements;
  - screening, reviewing and approval of applications and methods for issuing financial assistance payments;
  - cost estimates for establishing each program; and
  - timing for each task identified in the work plan.
- **Consultation and statutory requirements.** Staff will be required to consult with the public, the Ministry of Municipal Affairs and Housing and hold a public meeting

pursuant with the *Planning Act*. Once a decision by Council is made with respect to a CIP and notice is given, and if there are no appeals within 20 days, the decision is final. Should Council adopt the CIP, Staff would be required to implement the CIP and periodically monitor uptake of incentives.

## **2. A Tax Increment Equivalent Grant (TIEG) program, considered through a CIP.**

The Office Incentives Study has indicated that despite impacting only the local portion of taxes, the potential cumulative impact of a TIEG program can be and should be assessed through a CIP study.

### **Implementation**

Should a TIEG program be considered, general implementation parameters and considerations include:

- **Program administration.** The optimal process and related costs for administering a TIEG would be determined through a CIP study. Administration of a TIEG will require the expertise of Town Staff in several departments. For instance, before formal receipt of a planning application, Staff from Planning and Regulatory Services may be able to assess eligibility of projects during the Pre-Consultation Meeting. Expertise from Strategic Initiatives and Financial Services Staff will also be required in the processing and implementation of the TIEG.
- **Program scope.** The scope and design of a TIEG will also need to be considered. In this regard, the amount of the grant (that is, the percentage of the tax increment that is granted back) will need to be determined.
- **Project and applicant eligibility.** Consideration will need to be given to the types of projects that may be eligible for a TIEG. For example, Financial Services Staff note that eligible projects should be scoped to office developments beyond a certain size (minimum threshold).
- **Program duration.** The program duration, or the period during which a TIEG is offered, will need to be determined. Typical financial incentives for CIPs in comparable municipalities are implemented in 5 year cycles and reassessed. Grants are typically issued over 10 year periods, so the implementation of TIEGs may continue even if a program is not renewed after a 5 year cycle and new applications are no longer accepted.
- **Legal matters, such as agreements.** A TIEG program will require the applicant and the Town to enter into a legal agreement which stipulates any conditions, requirements and outlines a payment schedule. Such a legal agreement would need to be prepared by Town Staff.
- **Requirements and conditions.** The Town may determine the requirements and conditions that must be met by an applicant before being eligible for a TIEG. These may include matters such as the requirement for a pre-submission meeting prior to the receipt of an application for a TIEG, the submission to the Town of a complete application with a detailed description of any works undertaken and a business plan demonstrating that the TIEG is required to make the project financially viable.

### **3. Promotion of the Town's competitive tax rates and vacancy rebate program to new and existing office users.**

The Office Incentives Study has determined that the Town's existing tax rates are competitive regionally and that there is interest in the existing vacancy rebate program, with over one hundred applications being processed annually. Consultation has indicated that there may be opportunities to improve awareness of the Town's competitive tax rates and its vacancy rebate program.

#### **Implementation**

Opportunities for implementation of this recommendation include:

- Promotion of the Town's competitive tax rates through the website and print material, comparing rates among comparator Regions and municipalities; and
- Promotion of the Town's vacancy rebate program through the website and print material.

### **4. Review of methods of development charges deferral as part of the current Development Charges Review Background Study and update project.**

Feedback from Town Staff has indicated that changes in development charges or financial programs related to the Town's portion of development charges may not be a financially viable incentive. However, Financial Services Staff have indicated that a review of methods of development charges deferral may provide a preferable alternative to reductions in development charges.

#### **Implementation**

To implement this recommendation, information from this study will be provided for consideration in the Development Charges Background Study to assess and analyze the methods of development charge deferral.

### **5. Continued implementation of Economic Development Programs.**

The Economic Development Marketing Strategy provides a platform for the promotion of Richmond Hill. Through this strategy, there is an opportunity to promote the incentives and incentive-related actions recommended as part of the Office Incentives Study.

#### **Implementation**

From a marketing perspective, the incentives recommended in this report can be approached as part of a "menu" or collection of tools that may make the Town's office market more attractive to new and expanding businesses. Opportunities for implementation include:

- Preparation of promotional material regarding the "menu" of financial and non-financial incentives recommended through this study (and implemented through a CIP);

- Enhancement of the ongoing targeting of site selectors by including information regarding incentives in direct mail material and on the Economic Development website; and
- Provision of information about the Town's office incentives when meeting with businesses with expansion plans in the area.

#### **6. Continued monitoring for new financial and non-financial incentive opportunities by Town Staff.**

The Office Incentives Study has highlighted opportunities for the monitoring of new financial and non-financial incentives, including the application and implementation of the *Tax Increment Financing Act* beyond the current pilot project phase.

#### **Implementation**

Consideration should be given to the monitoring of new financial and non-financial incentives and incentive-related actions, including grants. This action is currently being undertaken by the Division of Strategic Initiatives, which monitors new grant opportunities, and will continue.

#### **SUMMARY OF RECOMMENDATIONS:**

Accordingly, based on the findings of the Office Incentives Study, it is recommended that Town Staff:

- 1. Be directed to undertake a Community Improvement Plan (CIP) in accordance with the *Planning Act*;**
- 2. Consider the development, implementation and administration of a Tax Increment Equivalent Grant (TIEG) program through the CIP process;**
- 3. Promote the Town's competitive taxes and vacancy rebate program to new and existing office users;**
- 4. Review methods of Development Charge deferral as part of the current Development Charges Review Background Study and update project;**
- 5. Continue implementing Economic Development programs; and**
- 6. Continue to monitor for new financial and non-financial incentive opportunities.**

#### **NEXT STEPS**

Should Council approve the recommendations as set out in this report, Town Staff will report back to Council on a Terms of Reference for a Community Improvement Plan study in accordance with Section 28 of the *Planning Act*. The CIP study will comprehensively consider the implementation of the incentives identified in this report. Further, Staff will implement the incentive-related actions recommended in this report by promoting the Town's competitive taxes and vacancy rebate program to new and existing office users, providing direction to the Development Charges Review Background Study

to consider the assessment of a Development Charges Deferral Program, continuing to implement the Town's current economic development programs, and continuing to monitor for new financial and non-financial incentive opportunities.

#### **FINANCIAL/STAFFING/OTHER IMPLICATIONS:**

There are no immediate financial or staffing implications as a result of this report. Staff will identify any financial costs necessary to undertake a Community Improvement Plan (CIP) study as part of the Planning and Regulatory Services budget submission to Council for approval.

#### **RELATIONSHIP TO THE STRATEGIC PLAN:**

The Town's Strategic Plan (2009), A Plan for People, A Plan for Change, provides strategic direction for the development of the community. One of the four goals outlined in the Strategic Plan calls for better choice in Richmond Hill; an anticipated outcome of this goal is better options for working and doing business. To achieve this outcome, supporting actions include the development of an Economic Development Strategy (completed in 2010), the encouragement and attraction of more wealth-creating jobs in the employment corridor between Leslie Street and Highway 404 and the facilitation of business development along Yonge Street. The Richmond Hill Office Incentives Study aligns with this outcome and its supporting actions.

#### **CONCLUSION:**

This report represents the completion of the Office Incentives Study. It recommends incentives and incentive-related actions to encourage, attract and retain various forms of office development within Richmond Hill. It is recommended this recommendations report and implementation strategy as outlined within this report be endorsed. This report contributes to the implementation of the Official Plan (July 2010) by recommending incentives and incentive-related actions for office development within Richmond Hill.



## **APPENDIX “A” – CONSULTATION AS PART OF THE OFFICE INCENTIVES STUDY**

As part of the Richmond Hill Office Incentives Study, a number of local business community consultation sessions have taken place. Consultation has included:

1. Business Leadership Council Presentation and Engagement (March 2012);
2. Office Incentives Questionnaire (April 2012)
3. Richmond Hill Chamber of Commerce Workshop (June 2012);
4. Release of Background Report (June 2012);
5. Interviews with Major Office Tenants (August 2012);
6. Consultation with Internal Steering Committee (September 2012);
7. Interviews with Developers (October 2012);
8. Release and Receipt of Feedback on the Opportunities for Incentives Report (Fall 2012);
9. Further consultation with Internal Steering Committee (February & July 2013); and,
10. Release of the Recommendations Report and Implementation Strategy.





## APPENDIX “B” – INCENTIVE OPPORTUNITIES IDENTIFIED IN SRPRS.12.171.

### 1. Community Improvement Planning (CIP)

- Authorized under Section 28 of the *Planning Act*, CIPs provide the framework for implementing financial incentives, including grants (such as Tax Increment Equivalent Grants), loans and rebate programs. It should be noted that such programs would otherwise not be permitted based on the restrictions outlined in the *Municipal Act* and the *Planning Act*.
- To initiate a CIP, a municipality must first have CIP policies in its Official Plan (OP). Richmond Hill's OP (2010) contains the required policies and a study process could be initiated in accordance with the *Planning Act*.
- Advantages of CIPs include:
  - Flexibility in the scope of the CIP. A CIP may be designed to be Town-wide or area specific;
  - Providing the framework to implement incentives which support the local office market and which would otherwise not be permitted under the *Municipal Act* and *Planning Act*;
  - Flexibility in the design of incentives, including grants (such as Tax Increment Equivalent Grants), loans and rebate programs to reflect local goals and needs; and
  - Relative ease of administration, as Richmond Hill Staff have previous experience with implementing financial incentives through a CIP (Façade Improvement Grant).
- Constraints of CIPs include:
  - A requirement for further study through a CIP process prescribed in the *Planning Act* which would determine the scope of the CIP and type of incentives to be administered and implemented by the Town; and
  - The inability to predict uptake and effectiveness of any incentives that may be offered through the CIP.

#### a. Tax Increment Equivalent Grants (TIEG)

- A TIEG program is implemented through a CIP and is authorized under Section 107(1) of the *Municipal Act* and Section 28 of the *Planning Act*.
- Designed to offset property taxes to be paid following increases in the market value of a development, a TIEG provides a grant equal to the full amount, or a portion of the full amount, of the estimated property tax 023

increase (or "increment") that a property experiences after it is developed or redeveloped.

- Typically, a TIEG is granted in instalments over a 10-year period with a rebate issued in the first year and declines in value by a set percentage over the prescribed time period.
- Advantages of TIEG programs include:
  - i. The tool is attractive to Ontario municipalities because it is the only way to help subsidize development under the *Planning Act*;
  - ii. Increased implementation across the Greater Toronto Area (GTA) has demonstrated positive uptake among developers and the business community;
  - iii. It is a relatively flexible financial incentive, as TIEGs can be designed to provide relief in different ways and may be combined with other incentives;
  - iv. It is assumed that the collected property tax revenue that is granted back, at a declining rate over a specific time period in the form of a TIEG, would otherwise not have been collected without the incentive; and
  - v. After the grant period, the municipality may collect full property taxes that contribute to the tax base.
- Constraints include:
  - i. The requirement for a completed CIP to be in place and to identify a TIEG as a preferred program through the process;
  - ii. The TIEG would only apply to the municipal portion of the taxes paid by an office developer and/or office tenant. The greater share of property taxes is collected by York Region and the school board(s); and
  - iii. Equity issues which may result in only one type of built form being supported by a TIEG program.

#### **b. Loans**

- Authorized under Section 28 of the *Planning Act* (through a CIP), loan programs require a municipal council to set aside sufficient funds at the onset of a program to fund it over its lifespan. Typically, a municipality is required to find a financial sector partner with which an agreement is initiated to administer the loan program. The municipality, or the financial institution, may administer the loan program for eligible works. Eligible works are typically scoped, so loans are provided for a very specific purpose and are generally underwritten by the municipality to be below market rate or interest free.

- Advantages of loan programs include:
  - Repayments can help establish a revolving fund for future loans (compared to grants, which are not recouped); and
  - Existing businesses, in addition to new businesses, could potentially benefit from a low-interest loan program that could assist with the costs of business and/or office expansion and/or relocation.
- Constraints include:
  - The requirement for a completed CIP to be in place and to identify a loan program as a preferred program through the process;
  - Sufficient funds must be set aside at the onset of a program or on an annual basis to fund the loan program;
  - Loan programs may require additional administration. CIP-based loan programs typically require a municipality to find a financial sector partner, such as a major bank, to administer the program for any eligible works. This may give a municipality less oversight of the program;
  - Loan programs have typically been used for specific purposes where there is an identified need (i.e. expansions to existing office of relocation of an office to an economically depressed area) as opposed to new development; and
  - The provision of a loan program or office development may raise equity issues for other development.

#### **c. Planning Fee Rebates**

- Section 69 of the *Planning Act* permits a municipality to establish tariffs and fees for planning applications on a cost recovery basis. Any changes to existing fees would require Council to amend the Town's existing Tariff and Fee Bylaw.
- Given the provisions established in the *Municipal Act*, fees in receipt of applications for planning approval cannot be waived outright.
- Where appropriate, and where an office development meets the intent of the official plan, there may be an opportunity to rebate certain application fees for office development through a fee rebate grant program established under a CIP authorized by Section 28 of the *Planning Act*.
- Advantages of a planning fee rebate programs include:
  - Potentially offsetting certain upfront costs associated with office development where such development satisfies the Town's official plan;
  - Flexibility in designing the rebate program (providing the municipality to determine which types of development applications could qualify

for a rebate and/or at what percentage of the cost the rebate would be set); and

- Ease of implementation and administration.
- Constraints include:
  - Planning application fee rebates may not impact a pro forma analysis or business plan in a significant way if offered in isolation;
  - Though collected on a cost-recovery basis, fees collected will be foregone revenue for the municipality, particularly the Planning and Regulatory Services budget; and
  - The rebating of fees for office development may raise equity issues for other development.

## **2. Other Tax-based Options**

- Consultation has identified that local tax rates, in addition to other tariffs and fees, were considered by businesses selecting new office locations. The Town's tax rates are competitive with other jurisdictions and at a Regional level, fare well when compared to the City of Toronto, among others.
- Advantages include:
  - The opportunity to provide relief for certain types of development, such as office.
- Constraints include:
  - The perception that the rest of the municipality's taxpayers subsidize businesses by bearing a larger portion of the tax burden;
  - Consultation with Financial Services Staff has indicated that the local municipal portion of property tax (versus that of York Region) would yield only 15%-17% of the total property taxes to be paid;
  - Implementation of a lower tax rate for the existing commercial category or creating a new office category with a lower tax rate may raise concerns regarding "equity" issues between businesses not located in offices; and
  - Changes to the tax rate or the creation of a new property tax class will require corporate and strategic direction, staff resources as part of the budgeting process and Council approval.

## **3. Development Charges Review & Assessment**

- The *Development Charges Act, 1997* authorizes the use of development charges and requires municipalities to undertake a background study before contemplating any changes to existing rates.

- The background study needs to explain the municipality's approach to the calculation of the development charges rates and must include stakeholder consultation and a public meeting.
- Development charge rates contemplated in the background study would be invoked and administered by a new development charges bylaw, which would establish new rates that reflect the capital requirements associated with growth forecasts.
- Any potential opportunities for reductions in development charges for office development may help to lower input costs for office developers and other costs that may be transferred onto office tenants and/or businesses in the initial stages of business relocation or development.
- Advantages include:
  - The timing of this study dovetails with the prescribed Development Charges Study as required by the *Development Charges Act*, 1997. This permits Town Staff to investigate development charge rates for office development and/or investigate opportunities for programs related to such charges; and
  - The opportunity to investigate the potential of lowering of input costs for office developers and/or major office tenants.
- Constraints include:
  - The completion of the background study under the *Development Charges Act*, 1997 to determine the feasibility of any reduction(s) in rates;
  - Changes to the amount of development charges collected for office would need to be assessed against the overall capital forecast in order to avoid a reduction in municipal revenue;
  - Any identified reduction would only apply to the municipal portion of the development charges paid by an office developer. The greater share of property taxes is collected by York Region and the school board(s);
  - Any reductions in development charges for office development may need to be offset by increased development charges for other forms of development, specific areas or by other means; and
  - Providing a reduction in development charges for office development may raise equity issues for those looking to develop other uses.

#### **4. Tax Increment Financing (TIF)**

- TIF provides municipalities with a way to harness future revenues to pay for current expenditures associated with a publicly-initiated project. The *Tax Increment Financing Act*, 2006 permits municipalities to enter into an agreement to receive funding for a proposed project from the Provincial Government that is based on the education tax increments expected to occur as a result of the project.

- Currently, there are only two pilot projects authorized under the provisions of *Tax Increment Financing Act, 2006*: the West Don Lands brownfield redevelopment in Toronto and the extension of the Spadina Subway into York Region.
- Monitoring of this legislation by Town Staff would be required to determine any opportunities for application and implementation within Richmond Hill.

## **5. Continued Economic Development Programs**

- Following the completion of the Town's Economic Development Strategy in 2010 and Sector Strategy in 2011, the Marketing Strategy was implemented to effectively position Richmond Hill as a community rich with opportunities for both new and existing businesses. The marketing strategy was rolled out in 2012 and consultation with major office tenants has indicated a positive response.
- Consultation has also highlighted opportunities for increased information sharing about the Town's vision for the business parks and the Yonge Street corridor. Additional visuals of the potential development of the Town could help in sharing the Official Plan and economic development vision for the future.