BRAMPTON

Report
Staff Report
The Corporation of the City of Brampton
3/19/2025

Date: 2025-03-18

Subject: **Recommendation Report: Office Development Charge Deferral and Waiver Pilot Program**

Contact: Carolyn Crozier, Strategic Leader, Office of the Commissioner, Planning, Building and Growth Management

Amit Gupta, Senior Manager, Revenue, Corporate Support Services

Amanda Leard, Expeditor, Economic Development, Office of the CAO

Report number: Planning, Bld & Growth Mgt-2025-260

RECOMMENDATIONS:

1. That the report from Carolyn Crozier, Strategic Leader, Office of the Commissioner, Planning, Building and Growth Management, Amit Gupta, Senior Manager, Revenue, and Amanda Leard, Expeditor, Economic Development to the Committee of Council meeting of March 19, 2025, re: **Recommendation Report: Office Development Charge Deferral and Waiver Pilot Program** be received;

2. That Development Charge Deferral and Waiver Pilot Program be approved as the mechanism to incentivize Office Development;

3. That staff prepare a report for the April 2nd Committee of Council meeting, to formalize the program details for the Development Charge Deferral and Waiver Pilot Program
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OVERVIEW:

- **In July 2024, Council approved the 2024 Development Charges Background Study and By-laws (CSS-2024-339).**
- **To encourage employment generation in key sectors of the economy, Council approved a "Major Office Exemption", exempting sector-specific office uses with a minimum total floor area of 20,000 square feet from**

payment of Development Charges (DCs). This was a reduction from the previous by-law that exempted a minimum of 50,000 square feet.

- **This exemption has supported the development of Canadian aerospace company, MDA Space, with developer Kaneff Group, saving the company approximately $2.5 million in the building of MDA Space's state-of-the-art head office and R&D centre at Financial Drive & Highway 407, which resulted in 1000 highly skilled jobs.**
- **Pearl Development at 150 First Gulf benefited from an approximate $450,000 Development Charge exemption, supporting a development resulting in 150 jobs.**
- **Since the enactment of this exemption, evolving market and economic trends (ongoing tariffs from the United States) along with input from industry and end-users, indicate to staff that the 20,000 square foot requirement is limiting investment opportunities for broader office-related development in the City.**
- **There is demand for smaller office footprints and, given the current economic climate, incentivizing additional office formats is an important step in Brampton diversifying its economy, given that during times of trade strife, office product is the least effected.**
- **At the February 19, 2025, Committee of Council meeting, Item 12.3.3 referred a discussion on Development Charges for Office Space to the February 26, 2025, Council meeting.**
- **At the February 26, 2025, Council meeting, direction was given to:**
    - **Initiate a DC By-law Amendment process and;**
    - **Report back on the financial implications of exempting all office spaces across the City from development charges**
- **Staff from Planning, Finance and Economic Development, in collaboration with Hemson Consulting Inc., estimate that the financial impact of exempting all office use from DCs would result in an annual revenue loss of up to a $4~5 million to the current DC revenue levels.**
- **Staff have also identified significant implementation risks of a blanket exemption for all office.**
- **Consequently, staff recommend implementation of a pilot DC deferral and waiver program that expands opportunities for Development Charge exemptions for office use, to further Council's intention of encouraging much needed job generation and employment diversification while addressing risks.**
- **This option will be offered in addition to the existing Major Office Exemption.**
- **This report provides information on next steps to implement the Office DC Deferral and Waiver Program.**

BACKGROUND:

Development charges (DC) are the primary revenue tool used by municipalities to fund growth-related infrastructure. DCs help ensure that municipalities have funding to invest in the necessary infrastructure to maintain services levels the City grows.

Any policy change that reduces the amount of DC revenue collected has a direct impact on the funding available for both approved and forecasted capital projects – requiring decisions to reprioritize, reduce, delay or remove capital funded projects.

According to the Q3 2024 Colliers Commercial Report, Brampton's office market has a total inventory of 4.2M square feet, representing less than 2% of all office in the GTA. The current office vacancy rate is under 2%. The combination of low overall availability and low vacancy, coupled with lasting impacts to the sector from the pandemic, and more recently the US tariffs, underscore the need for the City to protect existing office space and attract new office spaces.

The 2024 DC Background Study report prepared by Hemson, forecasts 3.3M square metres of non-residential to 2034. This forecast is further delineated by employment type:

- **Population-Related Employment:** Over the 10-year planning period to 2034, about 1.1 million square metres of building space is forecast to be added in this category.
- **Major Office Employment:** Approximately 318,000 square metres of major office space is forecast to be added by 2034.
- **Employment Land:** Approximately 1.9 million square metres are forecast to be added by 2034.

While the projections outlined in the DC study are anchored to achieve Brampton's City building goals and targets contained within Brampton Plan, the City's recent development trends have been lower than those projected.

DC Exemptions in the High Growth Brampton Context

While the foregone revenue associated with the Major Office exemption could be substantial pending on the uptake moving forward the parameters of the existing Major Office Exemption are, in the short term, appropriate in the Brampton context. As a high growth, maturing City looking to spur specific employment opportunities in an economically challenging environment that will provide substantial economic spin off to the broader community, the financial 'trade-offs' of the Major Office Exemption are financially supportable on a short-term time horizon.

The DC revenue collected from other employment-related development, in addition to residential DC revenue are required to address the infrastructure needs of a growing community.

Any additional exemption to DC revenues will create revenue shortfalls for needed and necessary infrastructure required to support a community projected to grow by an additional 41% by 2051. With revenue generation for municipalities like Brampton limited to DCs and property tax collection, DC exemptions will cause gaps in infrastructure delivery that would need to be shifted to the property tax base.

CURRENT SITUATION:

The DC By-law defines office use as:

"The use of land, buildings or structures used primarily for, or designed or intended for use primarily for or in connection with conducting the affairs of businesses, professions, services, industries, governments, or like activities, and where the chief product of labour within that use if the processing and/or storage of information rather than the production and distribution of a good or service."

Section 26. of the DC By-law provides an exemption for "Major Office." The exemption is provided so long as the building contains a minimum total floor area of 20,000 square feet of office space, and links the use of these spaces to specific sectors:

- Research and lab space;
- Advanced manufacturing;
- Food and beverage processing;
- Health and life sciences;
- Innovation and technology; or,
- Professional services.

The by-law provides an exemption for accessory uses that are part of or attached to the primary office uses noted above, provided that the area of that use is less than the area of the primary office use.

Additionally, the DC by-law provides exemptions for converting industrial space built prior to 2004, to non-industrial (commercial & office) without needing to pay the top-up, which is the difference between the industrial and non-industrial rate.

Also note that currently, the entire industrial building is charged the industrial development charge (DC) rate, even if a portion of the space is used for office purposes, if industrial is the primary use of the building. In Brampton, it is common for industrial buildings to include a smaller office component. Given that the industrial rate is nearly 50% lower than the office rate, there is no need to offer additional incentives in these cases.

The status quo scenario and structure of the by-law scopes the exemption and ensures only qualifying space is exempt from the payment of DCs which certain loopholes would be closed where applicants can suggest spaces are offices but are using them for nonoffice purposes; i.e., mezzanines, population-based employment uses, commercial purposes, etc.

Maintaining the status quo will not impact the City's capital budget planning as the unrealized revenue is already considered into the current budget projections and allocation of DC monies assuming a similar office uptake realized in recent years remains unchanged.

Council directed staff to report back on the financial implications of exempting all office spaces across the City from development charges.

Operational Constraints to Ensuring Office Development

To expand a DC exemption to all office uses, as defined by the DC By-law, an amendment would be required as the current by-law only provides exemptions to developments of a certain size and sector specificity.

All 'all office' exemption has far-reaching implications as there are significant financial risks and procedural hurdles to implement a blanket DC exemption for all office uses.

The DC By-law dictates that the payment of DCs is required when the first building permit is pulled by an applicant. The first permit pulled is typically a conditional permit for foundation work or building shell.

At this stage, there can be limited information provided to determine the ultimate interior layout and intended end use of the building. The applicant is required to complete a Financial Contribution Form that indicates the "Intended Use" of the building to determine the amount of DCs they are required to pay.

The applicant could select "Office" and receive the exemption without any mechanism for the City to determine the veracity of this statement beyond the declaration provided by the applicant.

There is risk that an applicant could identify that all of their building will be used for office but then choose to lease or rent spaces to companies that do not meet the City's definition of office.

In a mixed-use development, an applicant could identify that all at-grade space will be dedicated to office space, with residential development above.

To address this risk, the City could establish an 'end-user inspection process' to ensure that the objectives of the exemption are being met. This would require additional staff resources to ensure compliance. Additionally, a strategy and resources to deal with non-compliance would need to be established, including mechanisms to ensure the City is able to enforce repayment of any DC exemption.

Financial Exposure

As end-users are often not identified until post-construction/occupancy, it is difficult to ascertain the range of financial exposure/lost DC revenues. Since 2017, the City's non-industrial DC revenues for have fluctuated from approximately $3 million to $6 million per annum. In the most extreme case, based on the City's recent 3-to-5-year DC collections from the non-industrial charges (after rate/inflation adjustments), about $4.0-5.0 million per annum ($40-$50 million over 10-years) could be at risk under existing collections and growth patterns. As development patterns change and development increases to be more in line with the City targets (as outlined in the Brampton Plan), the revenue loss would increase proportionately.

Coupled with this financial impact, without adding any control parameters to address operational issues as note above, there is no assurance or guarantee that the City would achieve the desired type of office and office related jobs as the current Major Office Exemption achieves. Furthermore, some population-related driven employment developments might receive the exemption even though they would have proceeded with the development irrespective of DC exemption provided.

A Path Forward – Office Development Charge Deferral and Waiver Pilot Program

Through a review of various implementation options, financial exposure implications and the operational constraints noted above, staff have determined that establishing an Office DC Deferral and Waiver Pilot Program will provide the right balance of financial incentive to encourage a broader range of office development across the City, while provided safeguards to mitigate risks.

Office DC Deferral and Waiver Pilot Program

In an effort to limit financial and other negative City-building risks posed by a blanket exemption to all Office DCs, staff have identified an opportunity to establish an Office DC Deferral and Waiver Pilot Program. The Program would leave the current Major Office Exemption in effect and generally applies to office uses below 20,000 square feet.

Like the Toronto Green Standard Program, where the City of Toronto rebates DCs for developments that meet certain green development standards, the City can establish an incentive program that would see developers enter into a deferral agreement with the City, which would then transfer into a full DC waiver upon the developer's satisfactory submission of evidence that, in alignment with the City's establish criteria, the end user of the space meets the 'office use' requirements of the program. Such evidence may include a long-term lease and a site visit from City staff.

A deferral-to-waiver program would allow the City to realize the spin-off benefits of incentivizing office related development and related employment opportunities, while minimizing operational constraints as noted above and reducing the risk of mis-use of the program.

An additional benefit is that Council could direct a maximum cap for the deferral-to-waiver program, further reducing financial exposure.

Modest staff resources would be required to initiate and operate the rebate program. Determination of the financial exposure for such a program would be dependent on any caps or limits Council may choose to include.

Economic Development

Brampton's office vacancy rates remain exceptionally low, ranging from 1-2%, even post-COVID, making it one of the lowest in the GTA. This shortage presents a challenge for businesses outgrowing their current spaces or facing displacement, as landlords may have alternative uses in mind for the sites.

To address this, Brampton is offering financial incentives that align with its long-term vision to attract businesses, create high-value jobs, and remain competitive with other regions. These incentives enable developers to reduce costs and position Brampton as a prime location for office space investments. Whether for dedicated office buildings or mixed-use developments, this initiative helps businesses reinvest in their growth while contributing to a vibrant economy.

Encouraging office development not only drives job creation and economic growth but also supports the retention and expansion of existing businesses. Available office space is critical to Economic Development's work in attracting investments and supporting local employers.

Brampton continues to position itself as a hub for innovation and business excellence. However, the ongoing space shortage poses a significant challenge. As businesses grow, they struggle to find the space they need, often having to relocate outside the region. In some cases, businesses must search for new locations because landlords are repurposing their properties for alternative uses. This can result in the loss of valuable jobs, talent, and innovation.

The lack of commercial real estate also hampers Brampton's ability to attract new businesses. If space is scarce or too expensive, potential companies may look elsewhere, missing out on opportunities to bring in fresh industries and investments.

The shortage also affects the long-term sustainability of Brampton's innovation ecosystem. Startups graduating from the innovation district partnership often require larger, more specialized facilities. Without available space, these businesses may seek alternatives in other regions, undermining Brampton's efforts to foster homegrown innovation and business growth.

To ensure Brampton remains a competitive business hub, it is crucial to prioritize the development of new high quality commercial spaces that meet the evolving needs of both emerging and established businesses. Addressing this space shortage is key to retaining existing businesses and attracting new ones to drive future economic growth.

To support these efforts, Brampton's Economic Development Office, in partnership with the Strategic Communications Department, has launched a targeted international marketing campaign to promote the office incentive and expand its reach to a wider audience.

Next Steps

To avoid the need to conduct a new DC Background Study, which expires April 19, 2025, the following legislated steps and timelines are required to pass a new Amending Development Charges By-law to operationalize the recommended Office DC Deferral and Waiver Pilot Program.

Staff advise that, in anticipation of Council direction, the required Public Notice as noted below has been published.

Task	Description	Timing
Advertise Public Meeting	Public notice of the statutory meeting	March 12, 2025 - **Complete**
Release Proposed Amending DC By-law	Draft of the proposed amending by-law made available to the public	March 19, 2025
Hold Statutory Public Meeting	Receive public submissions and amend the By-law as needed	April 2, 2025
DC By-law Passage	Council considers and adopts the amending By-law	April 9, 2025
Deadline for Notice of By-law Passage	Public notification of the adopted By-law	Within 20 days of By-law passage
Deadline for Appeal Period	Note: Appeals can be submitted but only as it relates to the amending item (i.e. the existing By-laws are not subject to appeal).	40 days from By-law passage

This report contains as an appendix, a draft by-law amendment that would facilitate as the Office DC Deferral and Waiver Pilot Program as described. Also included in the draft amendment are two housekeeping matters to refine the "office" definition and add a definition for "personal services." These amendments will aid in the interpretation and application of the entire DC By-law.

Staff note that the Office DC Deferral and Waiver Pilot Program details will be available and shared at the statutory public meeting of April 2, 2025.

CORPORATE IMPLICATIONS:

Staff are recommending a Development Charge Deferral and Waiver Pilot Program as the preferred method to incentivize future Office Development, as opposed to a blanket exemption of all office development charges.

The Development Charge Deferral and Waiver Pilot Program would allow the City to target incentives for office development by deferring and ultimately waiving office DC's, based on a defined program. This program is envisioned to be consistent with prior Development Charge Incentive Programs, where the program is capped at an amount approved by Council and repaid through property taxes via an internal loan.

Should the recommendations in this report be approved, staff will report back at the April 2nd Committee of Council meeting, including options on funding levels for the pilot program, along with the tax repayment implications.

This approach is preferrable to a blanket office exemption, as the financial risk to the City is limited and well-defined at an amount approved by Council and also ensures that office developments are in operation prior to full waiver.

Development charges (DC) are the primary revenue tool used by municipalities to fund growth-related infrastructure. DCs help ensure that municipalities have funding to invest in the necessary infrastructure to maintain services levels the City grows.

Any policy change that reduces the amount of DC revenue collected has a direct impact on the funding available for both approved and forecasted capital projects – requiring decisions to reprioritize, reduce, delay or remove capital funded projects.

The blanket office exemption was reviewed by staff and identified a risk of up to approximately $4M-$5M on an annual basis or $20M-$25M over the 5-year Capital Budget recently adopted by Council.

Other Implications:

There are no other implications associated with this report.

STRATEGIC FOCUS AREA:

This report aligns and supports the strategic focus areas of:

- **Growing Urban Centres & Neighbourhoods**: Focusing on an economy that thrives with communities that are strong and connected.

CONCLUSION:

The purpose of this report is to recommend to Council that an Office DC Deferral and Waiver Rebate Program be establish to incentive broader office development across the City, while mitigating operational and financial risks for the City.

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Attachments:

- Attachment 1 – Draft DC Amending By-law