

Date: 2021-02-16

Subject: Request for a Development Charges Deferral from Vandyk Properties for a Residential Townhouse Development

Contact: Mark Medeiros, (Acting) Treasurer, Corporate Support Services, mark.medeiros@brampton.ca

Report Number: Corporate Support Services-2021-242

Recommendations:

1. That the report titled: **Request for a Development Charges Deferral from Vandyk Properties for a Residential Townhouse Development**, to the Committee of Council meeting on March 10, 2021, be received; and
2. That Council deny the request for the deferral of development charges as the project represents a for-profit development, does not contribute to a strategic goal of the City, does not provide for an overall public benefit, and would set a precedent for all future development applications.

Overview:

- **Vandyk Properties (“Developer”)** is a privately owned real estate development company and is in the process of constructing a 342-unit stacked townhouse development on its land.
- **At its meeting on November 18, 2020, Committee of Council received a delegation from the Developer requesting that consideration be given to defer the payment of development charges until such time that the construction is above-grade.**
- **This type of request for a DC deferral is rare, given that the project is a for-profit residential townhouse development.**
- **Historically, Council has only provided DC deferrals to projects that provide some form of public benefit (e.g. – long term care home provided by Holland Christian Homes, affordable rental building provided by the Bramalea Christian Fellowship).**
- **Granting this request to Vandyk would effectively result in the City providing financing services to a for-profit developer, which is more appropriately provided through the banking industry. In addition, deferring development charges would reduce the City’s cash flow**

available to fund growth projects and would set a precedent for future developers to request the same financial benefit.

Background:

Development charges (“DCs”) are the primary revenue tool used by municipalities to fund growth-related infrastructure. The principal behind DCs is that “growth pays for growth” so that the burden of costs related to new development does not fall on the existing community in the form of increased property taxes and/or user fees. DCs help to ensure that municipalities have funding to invest in the necessary infrastructure in order to maintain service levels as the City grows.

Vandyk Properties (“Developer”) is a privately owned real estate development and investment management company with over 40 years of expertise in the North American real property sector. The Developer submitted a site plan application to the City to construct a townhouse development at 10304 Heart Lake Road consisting of 342 stacked townhouse units. The Developer delegated before Committee of Council on November 18, 2020 to request that the payment of development charges be deferred until such time that the construction is above-grade.

The intent of a deferral agreement is to postpone the payment of DCs to a date after it would be otherwise payable. For this particular development, DCs would be payable upon the issuance of the building permit for the foundation of each individual structure/block.

As mentioned by the delegate, this type of deferral request is unusual given that it is a for-profit residential townhouse development. In the past, Council has authorized the execution of DC deferral agreements to the following applications:

1. Bramalea Christian Fellowship

The Bramalea Christian Fellowship is a local church that was established in Brampton in 2010. The development provided for a 90 unit, 6-storey affordable housing project. The project is intended to remove 45 families from Peel Region’s Centralized Wait List for affordable housing by providing rents at 60 per cent of Average Market Rent (AMR), and the balance of the units provides for rent at 100 per cent of AMR.

2. Holland Christian Homes

Holland Christian Homes is a not-for-profit entity providing homes for seniors. The development comprised of building a new long term care facility for 120 residents and the repurposing of one of their existing long term care facilities into a seniors community facility that will consist of a community adult day program center, respite care beds, convalescent care beds, a palliative care unit, physiotherapy clinic for

seniors and dwellings designed for seniors with special care/special needs who are still able to live independently.

There were two other DC deferral agreements executed in the recent past for temporary structures that would not be erected for longer than a period of 8 months.

Current Situation:

In the Developer's letter of request to the Chief Administrative Officer, they explain that their development lands contain deep deposits of peat. As a result, the peat deposits must be removed from the lands and replaced by an engineered fill material thereby increasing the site remediation costs.

While this is true that there are additional costs to be incurred by the Developer due to the peat deposits, it should be noted by Committee that as part of any due diligence completed prior to the purchase and development of land, the applicant should hire an engineering firm to advise on such geotechnical issues. The due diligence exercise is even more pertinent in this case as the lands are adjacent to a natural feature, that being a wetland.

Additionally, the Developer included a PowerPoint presentation as part of their delegation that outlined the peat issue. It is noted on Slide 7 of the presentation that they retained the engineering firm of WSP to examine the peat issue. The geotechnical investigation undertaken by WSP for the Developer is dated March 2017. That would have provided the Developer with ample time to examine their pro-forma to include the site remediation costs and to analyze the overall financial feasibility of the project.

From the City's perspective, the overall collection of DCs has been compromised due to changes stemming from Bill 108 to the DC Act. Any planning application received by the City after January 1, 2020 has their DC rates frozen at the time the application is deemed complete. Whereas previously, DCs were calculated and charged at the rate that was in effect at the time of building permit issuance. This change, plus the statutory DC deferrals for rental and institutional developments, is extremely detrimental to the fiscal health of municipalities.

The City's DC cash flow position, while healthy in some service areas, is currently in a deficit position in four services areas. That being; Library, Fire, Public Works and Transit Services. This is of concern to Finance staff as there are many capital projects in each of these service areas that are planned to accommodate growth.

Finally, it should be noted that there is no provision in the *Planning Act* to defer the payment of cash-on-lieu of parkland ("CIL"). The *Building Code Act* requires that CIL be paid prior to building permit issuance.

Corporate Implications:

Financial Implications:

Granting the request to Vandyk would effectively result in the City providing financing services to a for-profit developer, which is more appropriately provided through the banking industry.

At the prevailing DC rates, the DCs payable amount to roughly \$7,575,000. Deferring the payment of the City's DCs to the above-ground permit would delay receipt of DC revenues, provide a financing benefit to this developer and effectively reduce the City's cash flow.

Furthermore, granting this request would establish a precedent for future developments and hinder the City's ability to collect DC's timely.

Term of Council Priorities:

This report achieves the Term of Council Priority of Brampton as a Well-run City through strict adherence to effective financial management policies and supports Brampton's 2040 Vision by ensuring sustainable financial revenues.

Conclusion:

Staff recommend that Council deny the request for the deferral of development charges for the reasons as set out in the report.

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