

Date: 2021-02-24

Subject: **RECOMMENDATION REPORT**
City-wide Community Improvement Plan Program for
Employment (RM11/2019)

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Report Number: Planning, Bld & Ec Dev-2021-347

Recommendations:

1. THAT the report titled Recommendation Report: City-wide Community Improvement Plan (CIP) Program for Employment presented to the Committee of Council be received;
2. THAT the Employment Study prepared by NBLC and attached to this report (Appendix 1) be endorsed;
3. THAT staff prepare a City-wide Community Improvement Plan (CIP) for Employment; and, forward the final document to the Ministry of Municipal Affairs and Housing for review and comment prior to holding a Statutory Public Meeting;
4. THAT staff be directed to develop implementation guidelines for a Tax Increment Equivalent Grant (TIEG) program for Office Employment for Council approval, in order to launch the City-wide CIP program for Employment;
5. THAT based on Council's feedback staff review the financial implications of the balance of the incentives/tools summarized in the Employment Study and report back; and,
6. THAT staff coordinate Brampton's City-wide Office Employment TIEG program with the Region of Peel's Tax Increment Equivalent Grant Program that is planned to be launched in Q2 2021 to maximize development opportunities for Office Employment City-wide in Brampton.

Overview:

- **The Employment Study by NBLC recommends that the City proceed with implementing a City-wide Community Improvement Plan (CIP) for Employment for a prescribed period of time with a full suite of incentives (tools).**
- **Staff recommend moving forward with the Employment CIP and bringing forward a City-wide Community Improvement Plan for Employment and Implementation Guidelines for Office Employment.**
- **In Q2 2021 staff will bring forward a By-law to adopt the City-wide Community Improvement Plan for Employment and Implementation Guidelines to activate the incentives for Office Employment.**
- **As suggested in the report the City-wide approach will be taken for a prescribed period of time (i.e. 5 years) and reviewed annually to ensure the goals and objectives of the City's employment needs are being met.**
- **Staff have reviewed the various tools recommended in the Employment Study and recommend activating the Tax Increment Equivalent Grant (TIEG) at this time. TIEG Implementation Guidelines for Employment Office, which can include complementary research/lab space, will be prepared for Council's consideration in Q2 2021.**
- **The preliminary report findings of both studies (employment and affordable housing) were presented at a Council Workshop held on June 29, 2020.**
- **The City could potentially see one to two office developments annually dependent on the pace of development and other factors.**
- **By implementing the City-wide TIEG for Office Employment the City will be able to access the Region's TIEG being offered through their Major Office Program, expected to launch in 2021. The Region would only be able to provide grants to the Council of the lower-tier municipality that has a TIEG program for Office Employment in place.**
- **The recommended CIP is consistent with the City's Economic Recovery Strategy, which aims to bring resiliency and a competitive advantage to the Brampton economy.**
- **Activation of the balance of the tools recommended in the Employment Study will be reviewed as part other related studies and considered in future reports.**
- **The existing Central Area Community Improve Plan will remain in effect with the launch of the City-wide CIP for Employment. The Central Area CIP will be updated by staff as needed to reflect current initiatives and alignment with the Integrated Downtown Plan.**
- **The affordable housing report will be forthcoming in Q2 2021 as part of Brampton's Housing Strategy which will recommend a variety of incentives/tools.**

Background:

On January 23, 2019, City of Brampton Council passed a motion (C024-2019) which directed staff to develop a report for Council's consideration as part of budget deliberations for a potential City-wide Community Improvement Plan (CIP). The City-wide CIP will assist in attracting additional employment development and redevelopment in Brampton's key sectors (Innovation and Technology, Entrepreneurship, Advanced Manufacturing and Health and Life Sciences, Green and Sustainable Technology and Manufacturing Businesses) to attract and revitalize specific uses (such as office, mixed use, industrial manufacturing).

On May 8, 2019, Council passed Resolution PDC056-2019 providing the following direction for staff in regards to the development of a new Community Improvement Plan (s) and amendments to the Central Area Community Improvement Plan:

1. *THAT staff be directed to undertake City-initiated Amendments to the existing Central Area Community Improvement Plan, including the holding of a public meeting, to immediately implement technical amendments to allow additional financial support for high-density mixed-use office projects;*
2. *THAT staff be directed to produce an Invitational Request for Proposal (IRFP) to hire a consultant to undertake a study to explore opportunities, city-wide, for appropriate Community Improvement Plan(s) to designate Community Improvement Plan Project Zones, and propose a package of financial and non-financial tools that will most effectively attract employment development, affordable housing and support the City's economic development and employment goals as described in this report; and,*
3. *THAT staff be directed to report back with results of the study.*

This report presents the work that was completed in response to items 2 and 3 of Council resolution PDC056-2019. The proposed amendments to the Central Area Community Improvement Plan, noted in item 1, were brought forward in September 2019 and endorsed.

The purpose of the Employment Study was to explore opportunities city-wide for the appropriate use of community improvement plans (CIP) to incent employment growth and deliver affordable housing. Two separate reports were prepared one for employment and the other for the delivery of affordable housing. This report only details the employment piece. The affordable housing piece will come at a later date following Council's endorsement of Brampton's Housing Strategy in Q2 2021.

An internal Steering Committee was established with representation from Planning, Economic Development, Finance, Environmental Planning and Culture to review the Employment Study findings.

Subsection 28(2) of the *Planning Act* allows the Council of local municipalities to designate the whole or part of an area covered by an official plan to be designated as a community improvement project area.

Provincial Policy Framework

The Employment CIP aligns with Section 1.7 of the 2020 Provincial Policy Statement (PPS), Long-Term Economic Prosperity, by promoting opportunities for economic development and community investment readiness.

Regional Policy Framework

On July 23, 2020, Regional Council passed a motion: that a Regional major office employment community improvement plan not be established based on a 'Feasibility Assessment of a Regional Major Office Employment Community Improvement Plan' completed by their consultant (NBLC); that the Region of Peel support local municipal major office employment community improvement plans by contributing tax increment equivalent grants; and, that staff report back to Regional Council with detailed recommendations for establishing an office incentives program that uses tax increment equivalent grants (TIEG), including a framework and project criteria for enabling Regional participation in local Community Improvement Plans.

Staff from the Region advised the local municipalities that based on Section 28(7.2) of the *Planning Act*, the Region can only contribute a TIEG to the locals if they also offer the TIEG as an incentive of their CIP. The Region would only be able to offer the grant to the Council of the lower-tier municipality and not directly to the applicant.

In late 2020, the Region of Peel began to meet with area municipalities to receive input on developing a framework for enabling Regional participation in local office CIPs. Regional staff are targeting to bring a report forward to Regional Council that outlines the framework in Q2 2021.

Brampton's Central Area Community Improvement Plan

The Central Area Community Improvement Plan (CIP) was initially approved in 2000 and significantly revamped and expanded in November 2007, came into force in January 2008 and was amended in June 2010. The Central Area CIP establishes a toolbox of programs designed to support specific planning objectives by aligning financial incentives with the identified planning goals. Individual incentive programs are established by way of approval of Implementation Guidelines and corresponding budget. The following is a list of the current incentives/tools in the CIP:

- Façade Improvement Program
- Development Charges Incentive Program
- Feasibility Study Grant Program
- Development (Planning & Building) Application Fee Equivalent Grant Program
- Brownfields Tax Assistance Program
- Tax Increment Based Grant Program
- Building Improvement Loan/Grant Program

- Direct Investment/Development Partnerships

There are only two incentive programs in the Central Area CIP that have been activated through the approval of a Budget and Implementation Guidelines, the Development Charges Incentive Program and Façade and Building Improvement Programs. Developers can receive up to 100% waiver on the City's portion of development charges as part of the DC Incentive Program. In April 2019, Council included endorsing affordable housing as one of the community benefits that could be encouraged through incentive programs but has not been activated.

To date, the City has waived over \$30 million in DCs which has helped to create roughly 2,750 residential units and over 40,000 square feet of commercial/office space through the Downtown Incentive Program. In order to replenish the waived DC's, the City is currently transferring \$1.2 million annually from the General Rate Stabilization Reserve to the DC reserves.

Current State:

Employment Community Improvement Plan Study Summary

The Employment Study evaluated the appropriateness of preparing a CIP to incentivize employment growth under current market conditions and recommended possible strategies for where, when and how a CIP could be established and implemented to help achieve the City's vision, strategic goals and desired outcomes. A CIP allows a municipality to offer financial and other assistance to the private sector to achieve a specific objective such as, employment growth. Any incentive offered by the municipality to encourage private development should be used to attract investment that would not otherwise occur.

Brampton's industrial market for warehousing, distribution logistics, and various light and heavy industrial activities have been relatively strong. The Employment Study concluded that there is no need to incent industrial uses such as, large warehousing and logistic space that provides low-employment density. However, other sectors that fall within the industrial category such as, film, creative industries, advance manufacturing, health and life sciences, aerospace, and innovation and technology are not occurring at the same scale and therefore, could be incentivized through the CIP program. If the City wishes to target these sectors, or others, with financial incentives, they will need to be justified based on their market analysis. Staff will bring forward for Council's consideration such incentives and developments based on strict parameters for eligibility as required.

Brampton's existing older industrial areas also present challenges for reinvestment that could be addressed through a CIP such as, the obsolescence of building stock, smaller land parcels, land contamination, and others. The City may consider capital improvements to existing properties to allow for adaptive re-use, conversion, or physical improvements and investment in established employment areas. The City could also

consider amending its current Change of Use Development Charge (DC) Exemption. The current DC by-law allows for minimal conversions from industrial to non-industrial uses without paying for a DC top-up, provided that the floor area to be converted is less than 1,000 square meters and is constructed prior to 1996 (By-Law 129-2019). The City could consider changing the square meter limitation to a higher threshold. Staff can report back to Council on whether the City should consider additional tools applied to the conversion of industrial uses to non-industrial uses in the City.

Brampton's office market has not been attracting significant development over the past decade because of office development becoming increasingly concentrated within downtown Toronto and a select few suburban nodes. Another challenge is that Brampton lacks a clearly defined office node relative to other locations in the GTHA (i.e. Mississauga, Toronto, and Vaughan). The dispersed nature of office development in Brampton presents challenges such as, generating market momentum, creating agglomeration economics, and transforming a central location supported by transit into a highly desirable node for commercial investment.

The Employment Study highlighted that as of Q4 2019, Brampton had approximately 4.62 million square feet of existing office space, excluding public sector investments in downtown Brampton and the South Fletcher's Courthouse. In total, 1.76 million square feet (sf) or 38% of the total office inventory was built over the last twenty years equating to approximately 88,000 sf of new office space per year. It also notes a significant drop in new office space over the past five years to only 64,000 sf in total equating to about 13,000 sf per year. This drop in new office has been seen across the '905' suburban office market, except for York Region because of VMC and Weston/Hwy 7 area following the integration of the subway and BRT.

According to CoStar data, the City has experienced an office vacancy rate of approximately one percent over the past three years.

The Employment Study indicated that direct municipal intervention through the CIP is necessary to improve the attractiveness of office development in Brampton. However, other strategies are also necessary such as, continuing to advance many positive city-building, infrastructure, and other capital improvements (i.e. GO RER, Riverwalk, other investment downtown such as the post-secondary expansion and innovation zone, BRT, LRT, etc.).

The Employment Study recognizes there are several other factors beyond rents and operating costs that will have an affect on Brampton's office demand over the next decade. It's understood that new rapid transit can have significant impact to real estate markets. However, the level of impact is a function of a host of interrelated factors such as, local economic conditions, a supportive planning framework, environmental issues, the existing pattern and type of land uses, the supply of properties, and the frequency, cost and reliability of the transit service provided. The demand for office space will also be greatest where there is multi-modal higher order transit and/or also offering the best possible access to highways. The future Hurontario LRT that will be completed by 2023,

which will run 18kms in a dedicated right-of-way, with 19 stations, from Port Credit to the Brampton Gateway at Steeles, and demand for a range of office types uses along this corridor will continue to grow.

Immediate Implementation Recommendations

The Employment Study recommends the City design an Employment CIP to help in the delivery of new employment space across a wide variety of sectors that would otherwise, not grow naturally. Attracting office development/markets typically accommodates many types of knowledge based industries with high employment densities and well-paying jobs. Therefore, providing incentives that target office space development present one of the greatest opportunities to stimulate employment growth.

The Employment Study also considered developing a targeted locational approach for the CIP program to see a specific area(s) built-up with a concentration of employment uses. However, there are many challenges to overcome that providing financial incentives alone cannot resolve and therefore, over the near-term the Employment Study recommends a City-wide approach for a defined period (i.e. 5 years) of time. This would allow for the completion of major community improvement, infrastructure and other planning projects that are underway. Also, a City-wide approach would allow the City to attract as much employment investment, especially considering the impacts of COVID-19, which may push more investment into the GTA municipalities.

The incentives would apply for office investment either free-standing or within a mixed-use building, but only the office portion of the gross-floor area. The Employment Study also recommends potentially offering incentives in other key sector areas such as: Advanced Manufacturing to improve processes and techniques to produce goods and services faster; Food and Beverage engaging in food testing, processing and packaging as well as transportation; Health and Life Sciences for businesses engaged in pharmaceutical and equipment manufacturing to research but excludes health services (i.e. physician offices); Innovation and Technology for businesses engaging in design, development and introduction of new products; Creative-based sectors relying on individual creativity, skill and talent that have the potential for wealth and job creation; Incubators for businesses that have a mandate for entrepreneurship development and job creation; and, other Knowledge-based sectors for businesses engaged in financial services and real estate that have potential for wealth and job creation.

Below outlines a list of potential incentives that can be offered through the City-wide CIP for Employment as recommended in the Employment Study. There are additional incentives tiered to target strategic areas in the City. Appendix 2 provides a further detailed review of each incentive and outlines which ones require further review and analysis.

At this stage, staff are only recommending the pursuit of the 10-year TIEG for Office Employment while evaluating other incentives and reporting back to Council. This will allow the City to be in a position to leverage Peel Region's TIEG Office Matching Grant

program expected in Q2 2021. As noted previously in this staff report, these incentives are to be viewed as complementary to infrastructure and planning investments which are the driving factor of attracting new office employment to an area.

1. **10-year TIEG (Tax Increment Equivalent Grant)** – offers a grant or rebate to property owner to offset a portion of the property tax increase the owner will face as a result of the redevelopment, typically over a 10-year period for the office space component of the building. The TIEG for Office Employment may also consider complementary uses such as, research and laboratory space. The TIEG will provide a grant covering the entire tax increase in year one, 90% in year two, and continue to decrease by 10% until it becomes extinguished. The approved applicant will be required to pay the applicable property tax each year and will be refunded through the grant structure highlighted above. If a project is found to not follow any of the eligibility requirements after project completion, as determined through the annual occupancy report, the TIEG will be cancelled.
2. **Region of Peel offering matching grants** - through the roll-out of their TIEG for Major Office Program which is currently under review and anticipated to be implemented in Q2 2021.
3. **Expedited planning review** – the City provides a dedicated staff team to meet with the applicant, its tenant(s) and/or its consultants to ensure that the project is delivered as expeditiously as possible. However, approval through the CIP does not guarantee planning application approval.

Future Implementation Considerations

1. **Development charge grant** - enhancements to the current DC By-Law exemption could be realized at the time of the next DC Study update by lowering the eligibility size of the building to 25,000 square feet and including the office component of a mixed-use project. In the interim a Development Charge grant could be considered as part of the City-wide CIP for Employment.

The development charge grants, should it be approved, budgeted, and implemented, in the future, would apply to other target sectors across the City, which would allow for investment in existing industrial areas. In these situations, development charges would be payable for the expansion of existing buildings that are occupied by any one of the target sectors (i.e. Advance Manufacturing, Food and Beverage, Health and Life Sciences, Innovation and Technology, Creative-based Sectors, Incubators, other knowledge-based sectors). This would allow for a range of interesting opportunities in the City's older industrial areas where a range of advanced manufacturing, creative, tourism, technology, and others might choose to invest.

The City's Development Charge 2019 By-law exemption will continue to remain in place and offered for office buildings above 50,000 square feet that are at least two storeys in height and does not include personal service facilities.

2. **Capital grant** – The Employment Study explored offsetting underground parking costs as part of a CIP program. The average cost of underground parking ranges from \$50,000 - \$100,000 per parking stall, which can significantly impact investment attractiveness. For projects pursuing underground parking, a capital grant of \$25,000 per parking space can be requested should this tool be approved, budgeted and implemented in the future. It was envisioned this grant would only be made available in strategic locations of the City where underground parking is the desired outcome and more cost-effective solutions (i.e. surface or podium parking) are not possible. The City-wide Parking Study that is currently underway will determine alternative parking approaches and will be considered in the Study.
3. **Development application and building permit fee grant** – a grant to offset 100% of the costs associated with a rezoning and site plan application could be offered should this tool be approved, budgeted, and implemented in the future.
4. **Cash-in-lieu of parkland grant** – a grant to offset 100% of the costs associated with cash-in-lieu of parkland requirements could be offered should this tool be approved, budgeted, and implemented in the future.

Non-financial Incentives could also be provided such as, land acquisition and disposition, and providing alternative parking solutions.

Program Length & Monitoring

The Employment Study recommends that the City-wide CIP program for Employment be maintained for a predefined period of time such as, five years. At that time, all aspects of the City-wide CIP program for Employment should be evaluated to understand what is working and what is not, and respond accordingly. The Employment Study also notes that annual monitoring of applications received and approved should be undertaken to evaluate the effectiveness of program's incentives/tools, including feedback from the development community.

Corporate Implications:

The Employment Study by NBLC notes that continuing to achieve the same level of investment that has occurred over the last decade would equate to approximately 90,000 square feet (sf) of new office space per year, one to two new projects. To achieve the employment targets in Brampton's 2040 Vision the City would need to attract approximately 380,000 sf per year, four to six new projects. The Study notes that if the City were to offer an incentive value of \$25 per square foot (excluding the parking

grant) a budget of \$2.25 million to \$9.5 million would be needed to attract 90,000 to 380,000 sf of new office investment. If the City were to consider including a parking grant the incentive value would be \$80 per square foot equating to a budget of \$7.2 million to \$30.4 million to attract 90,000 to 380,000 sf of new office investment.

Based on the employment targets set out in the Brampton 2040 Vision, the Employment Study recommends that the City allocate an annual budget of \$6 million that may be able to incentivize upwards of 200,000 square feet (\$40 per square foot in incentives) of new employment space each year depending on the uptake in the program, which could include major office as well as other target sectors. The CIP program will focus on attracting high quality and well paying jobs aligning with Brampton's 2040 vision. Funding should be made available on a first come, first served basis, up to the annual funding made available to the program. The budget can be assessed on a regular basis depending on the uptake of the program and the employment targets.

It should be clearly noted that proposed office development is not attracted to an area because of CIP incentives only but a complement of other contributing factors such as, infrastructure and public amenity space investment.

Appendix 3 provides financial details and benefits of offering a 10-year TIEG for new office development. For a new office development of approximately 120,000 square feet the estimated amount of City taxes collected (based on a commercial tax rate of 0.56%) over 10-years would be \$2,770,593. If the project qualified for a 10-year TIEG, the City would provide an estimated \$1,383,140 in grants and collect \$1,387,452 over the 10-year period. Following the expiry of the TIEG program for office development, the City would acquire over \$302,392 in annual property taxes for an office development. Therefore, demonstrating the benefit of offering this incentive as part of the City-wide CIP for Employment.

Financial Implications:

The Employment Study, by NBLC recommends a Community Improvement Plan with various tools to provide \$8.1 million of incentives annually over a five year period, with the City contributing \$6.0 million and the Region contributing \$2.1 million. This investment is estimated to attract 200,000 square feet of development annually. Appendix 4 of this staff report provides a breakdown of the various tools, estimated annual financial impact, preliminary financing considerations and associated reserve balances.

Of the various tools recommended through the Employment Study, staff are currently focused on recommending the TIEG for Office Employment to be activated, while the remaining tools require further due diligence. As noted earlier in the staff report, Peel Region is completing a Major Office TIEG by Q2 2021 that will be leveraged provided that Brampton has an Office Employment TIEG in place.

Should Council support the activation of the City-wide Office Employment TIEG, staff will develop Implementation Guidelines, including application and evaluation criteria, approval process, agreement rules, regulations and calculations, management responsibility over the 10-year period and funding mechanisms.

Economic Development Implications:

The City's Economic Development office support the recommendations of this staff report and moving forward with an Employment City-wide CIP as soon as possible, to attract employment growth. Economic Development staff are approached on a regular basis by companies or their agents looking for readily available office space. Domestic and international leads are looking for quicker turnaround times and are requesting Grade "A" office space to fulfill their needs.

In addition, over the past couple of years the City has done extensive work to build a foundation of entrepreneurship with a network of incubators to help mentor, advise and provide the skill sets necessary for small business to be successful. Incubators within the Innovation District such as the Cybersecure Catalyst, Ryerson Venture Zone, RICC, BEC and the soon to be opened BHIVE are anticipated to turn out a number of new businesses and ventures. Once these business complete their programs and incubation period, they need space to move into. The tools recommended in this report could be used to create that space.

The City-wide Employment CIP will be tailored to attract employment uses in multiple settings. Part of the City's value proposition is that it still has multiple options for new development when decisions to locate or relocate are contemplated. The City continues to have traditional suburban space with access to parking, transit, visibility and highways. Mixed-use urban communities with access to higher order transit, pedestrian friendly and amenity rich environments are being designed to be investment ready.

Economic Development staff have been approached by a major investor & landowner with a clear intent to develop office with complementary research/lab space in 2021 but needs the assistance of a City-wide Office Employment TIEG to make it all come together. With such interest already expressed, Economic Development staff anticipate that the recommended CIP program will lead to more investments and employment growth in the near future. The recommended CIP is consistent with the City's Economic Recovery Strategy, which aims to bring resiliency and a competitive advantage to the Brampton economy.

Other Implications:

There are no other implications to be brought forward in this report.

Term of Council Priorities:

The City-wide Employment CIP program aligns with the Term of Council Priority of a City of Opportunities by improving livability and prosperity of the City through employment opportunities, neighbourhood services and programs and investment strategies for the jobs of the future.

Conclusion:

Staff recommends that the Employment Study, prepared by NBLC and titled: Opportunities, City-wide for Appropriate Community Improvement Plan(s) - Employment dated November 2020 be endorsed. The recommended CIP is consistent with the City's Economic Recovery Strategy, which aims to bring resiliency and a competitive advantage to the Brampton economy. Following the Employment Study's endorsement staff will move forward with preparing a City-wide Community Improvement Plan for Employment recommending to initially proceed with the 10-year TIEG as the financial incentive to launch the program and potentially adding other incentives to the toolkit depending on Council's input.

To activate any incentive program Council is to approve a budget and supporting implementation guidelines to ensure success of the CIP program. The final CIP will require review from the Ministry of Municipal Affairs and Housing prior to proceeding with the Statutory Public Meeting and adopting the By-Law to establish the CIP. Therefore, staff are targeting that the Office Employment CIP program be established in late Q2 2021 to match the timing of Peel Region's TIEG Office Matching Grant program.

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Attachments:

Appendix 1: City of Brampton – Opportunities, City-wide, for Appropriate Community Improvement Plan(s) – Employment (November 2020) N. Barry Lyon Consultants Limited

Appendix 2: Incentive Summary Table – NBLC's Employment Study for a City-wide CIP

Appendix 3: Scenario B – Property Tax, TIEG, DC Rebate & CIL Parkland Grant Estimates

Appendix 4: Financial Considerations of NBLC's Recommendations