City of Brampton – Opportunities, City-Wide, for Appropriate Community Improvement Plan(s) - Employment

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N. Barry Lyon Consultants Limited

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City of Brampton
Opportunities, City-Wide, for Appropriate Community Improvement Planning: Employment

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Executive Summary

The City of Brampton retained N. Barry Lyon Consultants Limited (NBLC) to explore opportunities, city-wide, for the appropriate use of community improvement plans ('CIP') to incent employment growth and the delivery of affordable housing. This report assesses employment growth, whereas opportunities to address affordable housing is dealt with under separate cover.

The purpose of this study is to assess if the use of a CIP is appropriate for the City of Brampton under current market conditions, and if so, articulate possible strategies for where, when, and how a CIP could be established and implemented to help achieve the City's vision, strategic municipal goals, and desired development outcomes.

The following highlights the key findings of this study.

What is a CIP?

A Community Improvement Plan allows a municipality to offer financial and other assistance to the private sector to achieve a specific objective such as employment growth, neighbourhood intensification, affordable housing, and many others.

A CIP offers a range of powers that can enhance a municipality's ability to encourage private investment that is consistent with broader community objectives. It also reinforces municipal tools such as powers of expropriation, land assembly, and preparation of land for revitalization. This means that a municipality can stimulate investment and revitalization through their own activities and in partnership with the private sector. CIP's typically offer financial tools, including incentives, that are intended to mitigate development risks and improve the financial viability of projects that are desirable from a community building perspective.

A 'toolbox' of potential non-financial and financial programs is adopted as part of a CIP and brought into effect by implementation guidelines, application processes, and allocation of funds. The tools provided in a CIP can stimulate a host of enduring benefits, such as job creation, tax revenue and/or an overall improvement to quality of life for residents.

However, it is important to appreciate that commercial markets are highly mobile and impacted by various macro-economic factors such as recessionary cycles, trade uncertainty or imbalances, interest rate changes, consumer confidence, technological disruption, shifting employment characteristics, and many others. Ownership and business models of different developers and occupants will also vary and impact interest in a community. These influences on demand are difficult to predict, as is the level and timing of future investment. While it is critical to understand the balance between market forces and alignment with desired development outcomes, the effectiveness of a CIP and uptake of a suite of financial tools is not always easy to predict.

Similarly, there are many factors that influence the location of commercial investment and not all factors can be addressed through financial incentives. A strong public realm, access to walkable urban amenities - especially transit, as well as a deep pool of tenants and talented labour will influence the desirability of a location for new employment investment.

Brampton's Industrial Market

Brampton's has enjoyed strong industrial market conditions, both historically and presently. Currently, Brampton's industrial market supports continued investment in large-format industrial uses like warehousing, distribution, logistics, and various other light and heavy industrial activities. Bram West and other highway adjacent communities have displayed immense strength in recent years. These projects are often occupied by a small number of larger tenants at relatively low employment densities. Overall, there is no obvious need to incent this form of development as Brampton is already highly attractive to these uses.

However, other sectors that fall under the general umbrella of industrial, such as film, creative industries, advanced manufacturing, aerospace, and innovation and technology are not occurring at the same scale and could therefore be the target of a CIP program. Like office development, these sectors can provide good employment totals and strong compensation for employees but often occur in more industrial settings. The City of Brampton is interested in pursuing these uses with the use of incentives, which is justified based on the analysis in this report.

Brampton's existing older industrial areas also present challenges for reinvestment due to the obsolescence of the building stock, smaller land parcels that do not match current large format development patterns, land contamination, and other challenges as identified in this report. In these situations, the achievable rental rates do not justify capital investments to upgrade the building. Offering incentives to these areas can spur redevelopment or building improvements to attract a wider range of possible tenants and activities. The City of Brampton is also interested in pursuing these outcomes with the use of incentives.

Brampton's Office Market

Overall, the City of Brampton has not been attracting a significant amount of office development over the past decade, which is largely because office development has become increasingly concentrated within Downtown Toronto and a select few suburban nodes. This market shift poses a risk for achieving the city's intensification objectives and employment targets.

As also identified in other studies, Brampton lacks a clearly defined office node, relative to other locations in the GTHA such as Toronto (downtown), Mississauga (Meadowvale, Airport Corporate Centre), and Vaughan (Metropolitan Centre). The dispersed nature of office investment in Brampton presents several key 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.

Notwithstanding the weaknesses in Brampton's office market, the emergence of locations such as the Vaughan Metropolitan Centre should provide some optimism of what can be achieved through the right combination of transit investment, planning framework (mixed-use master plan with a focus on office, residential, and retail), financial incentives, and developers buying into the long-term vision of the area.

Overall, the findings of our research indicate that direct municipal intervention through a CIP is necessary to improve the attractiveness of office development in Brampton. Financial incentives would be best targeted to both multi-tenant and owner-occupied projects, with the former being best positioned to provide high-quality space to businesses looking to locate in Brampton but are unable to find space suitable to their needs. Incentives that target both capital (development charges, application and building permit fees, capital grants, parking solutions) and operating costs (property taxes, tax increment grants) are all necessary to shift current development patterns in the GTHA.

However, other strategies are also necessary. This includes continuing to advance many of the positive city-building, infrastructure, and other capital improvements that Brampton is currently engaged in. Optimistically, Brampton is already making good progress on many of these factors that will improve the attractiveness of the community for office development (e.g. GO RER, Riverwalk, Downtown University and the Innovation District, BRT and LRT, etc.).

The Incentives Landscape

Many municipalities across Ontario offer financial incentives to encourage employment growth. Examples include the City of Mississauga's downtown CIP, City of Hamilton downtown CIP, City of Vaughan CIP for the Vaughan Metropolitan Centre ('VMC'), and the City of Toronto's IMIT incentive program. Some of these programs apply to a specific geography in the city (i.e. downtown) while others apply City-wide with the objective of broad employment growth.

The VMC offers a directly comparable situation to Brampton, as Vaughan largely had no clear office node. Through direct intervention, the City created a new downtown from an area largely dominated by big box retail and low-density industrial uses. The City took an aggressive approach to planning a high-density and mixed-use downtown consisting of residential and office towers, parks, retail, and walkable urban amenities that are all anchored by a new TTC subway station. In addition to the master plan and implementing secondary plan, the City also provides an incentive program through a CIP (DC deferral, DC locked in at 2013 rates, 10-year TIEG, Cash-in-Lieu of parkland reduction) to assist with office development.

The City of Toronto's IMIT program is also comparable to the City of Brampton in that it targets a broad range of employment uses (e.g. office, industrial, technology, creative, film, etc.) across the entire City with broad employment growth being the primary objective. The program offers a ten-year tax increment grant ('TIEG') to offset Toronto's high commercial property tax rate, in addition to the generous development charge exemption on multi-storey buildings.

Recommendations for Brampton to Better Compete for Employment Growth and Commercial Investment

Based on current market conditions, including the impacts of the COVID -19 pandemic, the Brampton commercial real estate market requires some level of intervention to help stimulate employment growth. A CIP and package of financial incentives is considered one of many approaches to help achieve this end. The lack of investment in new space to accommodate well-paying and stable employment is the primary factor that requires attention, and therefore should be the primary target of any future Employment CIP program and associated incentives.

Based on the analysis and findings of this report, NBLC has consulted with various departments at the City of Brampton to determine the most appropriate path forward. City staff have indicated the desire to see an incentive program apply to the entire City, with additional incentives offered in strategic areas that are planned to accommodate employment growth. A program of this nature would be able to address the broad City/planning objectives and deficiencies in Brampton's employment market by offering a package of incentives that can address everything from capital repairs of older industrial buildings to the development of major office projects. A program of this nature will allow the City to be nimble and opportunistic as different opportunities arise, which could be a successful approach given some of the forecasted impacts of COVID-19 that might result in more dispersed employment growth across the GTHA. On the other hand, COVID-19 could stall commercial investment over the short to mid-term, which would affect the near-term success of any incentive program.

Over time, especially as work in the downtown (e.g. Riverwalk, parking solutions) and Bramalea GO (e.g. RER, new master plan) are completed, it is recommended that the CIP be revised to be more focused and concentrated to these specific geographic areas, as well as other key nodes such as Bram West and future transit corridors. A master plan for Bramalea GO in advance of, and conjunction with, financial incentive tools could also go a long way to transform this part of the city and take advantage of rail and highway connectivity over the longer term.

Section 7 of this report highlights the recommended approach and design of the incentive program to meet the City's broad employment objectives.

1.0 Introduction

The City of Brampton retained N. Barry Lyon Consultants Limited (NBLC) to explore opportunities, city-wide, for the appropriate use of community improvement plans (CIPs) to incent the delivery of affordable housing and employment growth.

1.1 Project Purpose and Report Scope

The purpose of this study is to assess if the use of a CIP is appropriate for the City of Brampton under current market conditions, and if so, articulate possible strategies for where, when, and how a CIP could be established and implemented to help achieve the City's vision, strategic municipal goals, and desired development outcomes.

NBLC's assessment is focused on two sectors: affordable housing and local employment growth. This report focuses on employment growth – specifically looking at the local industrial and office markets. While the same legislative context and principles apply, opportunities to incent the delivery of affordable housing is dealt with under separate cover. This analysis does not focus on achieving environmental objectives.

1.2 Strategic Objectives

Brampton is one of the most diverse, educated and rapidly growing cities in Canada. However, its employment growth has occurred in largely suburban, space expansive formats resulting in a relatively low employment density. While such low-density industrial uses generally have low employment totals (per acre) relative to office, they do assist with property tax diversification. This is considered positive from a tax assessment perspective, and important to municipalities, but it offers limited employment potential for its residents.

Most of Brampton's labour force commutes out of the City for work. Brampton has acknowledged that it must shift the pattern of employment from a suburban to a more urban model. The Vision document, Brampton 2040, reflects the strategic objective for the City reducing the outbound commuting pattern and creating opportunities for closer live / work relationships.

The benefits of creating an environment that will attract a much wider range of employment opportunities, in terms of increased high-density employment, improved economic competitiveness, quality of life, and overall achievement of its municipal goals and strategic objectives are well understood.

1.3 What is a Community Improvement Plan?

A CIP is a planning tool that is enabled under Section 28 of the Planning Act. Section 28 sets out legislation that allows a municipality to develop a comprehensive plan for community improvement within a predefined community improvement project area.

A community improvement project area is a predefined area that "in the opinion of the council is desirable for revitalization because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason" [S.28(1)].

A community improvement project area can be city-wide or targeted to a specific planning area within a municipality such as a downtown or employment district.

1.4 What is the Benefit of a Community Improvement Plan?

A CIP offers a range of powers that can enhance a municipality's ability to encourage private investment that is consistent with broader community objectives. It also reinforces municipal tools such as powers of expropriation, land assembly, and preparation of land for revitalization. This means that a municipality can stimulate investment and revitalization through their own activities and in partnership with the private sector. CIP's typically offer financial tools, including incentives, that are intended to mitigate development risks and improve the financial viability of projects that are desirable from a community building perspective.

A 'toolbox' of potential non-financial and financial programs is adopted as part of a CIP and brought into effect by implementation guidelines, application processes, and allocation of funds. The tools provided in a CIP can stimulate a host of enduring benefits, such as job creation, tax revenue and/or an overall improvement to quality of life for its residents.

1.5 When should a Community Improvement Plan be used?

Any incentives offered by a municipality to encourage private development should be used to help attract investment that would not otherwise occur. Offering tools that improve the feasibility of development when market conditions already support the achievement of desired outcomes would be an inefficient use of public resources. As an example, it is not considered necessary to incent private development of retail or professional / medical-related services that directly meet the needs of a population. This is because retail investment will naturally follow population-growth, and therefore, there should be no need for intervention by a municipality. As such, incenting this type of development and employment growth is not explored further in this report.

The key steps in assessing the appropriate use of a CIP include:

- identifying the preferred type of development.
- evaluating the market forces at play and identifying areas of weakness.
- identifying and testing the impact and feasibility of potential incentives/programs.
- selecting incentives/programs that offer the best return on public dollars.

Ultimately, a CIP can work with market forces to direct change and establish new patterns of development. As such, an assessment of the market forces at play in Brampton is provided early-on, helping to “set the stage”. This will help the City evaluate if the strategic use of incentives can address market failures that are disincentivizing preferred development patterns, or rather, gauge if a CIP is appropriate to encourage employment growth at all.

Since the need for CIP’s are largely driven by market factors, if utilized, programs require constant monitoring and updating as economic and municipal resources shift.

1.6 Brampton's Central Area CIP

The City of Brampton introduced a CIP in 2000. The current extent of the CIP project area is its Central Area, as illustrated in Figure 1. Significantly enhanced in 2007, the Central Area CIP and its programs are still in place. Over the last 11 years, $25 million in relief has been awarded across 10 projects. However, only one is an office project (located at 490 Bramalea Road). This project is a multi-tenant office building, totalling 38,000 sf and is occupied by a wide range of tenants (e.g. medical, legal, real estate and personal service clinics). There is also an approved office application – the Atlas Healthcare Centre (located at 241 Queen Street East). However, this project has not advanced to construction because of broader business issues. Overall, the existing CIP has had only modest success attracting office employment in the Central Area.

Figure 1 – Central Area CIP Boundary

Source: City of Brampton

1.7 CIP Limitations

It is important to appreciate that commercial markets are highly mobile and impacted by various macro-economic factors such as recessionary cycles, trade uncertainty or imbalances, interest rate changes, consumer confidence, technological disruption, shifting employment characteristics, amongst other factors. Ownership and business models of different developers and occupants will also vary and impact interest in a community. These influences on demand are difficult to predict, as is the level and timing of future investment. While it is critical to understand the balance between market forces and alignment with desired development outcomes, the effectiveness of a CIP and uptake of a suite of financial tools is not always easy to predict.

Similarly, there are many factors that influence the location of commercial investment and not all factors can be addressed through financial incentives. A strong public realm, access to walkable urban amenities - especially transit, as well as a deep pool of tenants and talented labour will influence the desirability of a location for new employment investment.

2.0 Current Economic and Employment Conditions

Economic and employment conditions will have an impact on the overall environment for investment, and the possible need to incent private development. This section provides an overview of such conditions, as well as the City's economic development objectives.

2.1 The Regional Employment Context

The current employment context is dominated by the COVID-19 Pandemic. The depth of impact on the regional and provincial economies is not fully understood but it is clear even now that certain industries will suffer long-term impacts. Most experts agree that the GTA economy, due to its highly diversified nature, will be the most resistant to negative impacts and the first to recover, but the timing of a full recovery is not known.

However, the fundamentals that underpin the regional economy are strong. The appeal of the region as a place to invest has only improved through the pandemic as governments have taken a responsible and effective approach to battling the virus. As the virus wanes, through a vaccine and/or herd immunity, these fundamentals will reignite business activity.

While employment conditions in 2020-21 will inherently be challenged as a result of mass unemployment due to COVID-19, it is expected that FIRE (finance, insurance, real estate), manufacturing, innovation and technology, warehousing and distribution sectors, as well as support services, are more likely to recover in a shorter period of time relative to other industries. The rebounding of June 2020 employment numbers supports this notion. This is particularly expected relative to a prolonged recovery period for businesses engaged in hospitality, travel, and retail-trades. A more prolonged recovery period is expected for businesses engaged in hospitality, travel, and bricks and mortar retail and commercial services. However, one significant external factor impacting the overall trajectory of economic growth will be the Ontario's trade ties to the United States, and uncertainty with respect to their handling of the crisis and the associated economic recovery. This factor alone could impact the timing of a return to a new economic 'normal' across all sectors.

As a result of the above conditions (e.g. job loss, business instability, trade uncertainty), shorter-term demand for office space across the region may stall, resulting in higher vacancies and reduced office investment interest over the short-term.

We also expect that COVID-19 could result in some permanent changes to the nature of work. This likely will involve increased working from home and telecommuting, which would reduce demand for physical office space moving forward. While this trend has been occurring over the past ten years (to be explored later in this report), the experience of COVID-19 is likely to accelerate it.

On the other hand, some economists predict that COVID-19 might increase demand for office space as companies seek to create more 'flex' satellite offices in suburban areas to reduce long periods of exposure on transit and the time lost to commuting that employees currently enjoy while working from home, as well as the creation of less dense office environments to assist with social distancing.

Many retail stores, restaurants, and small businesses are facing significant challenges due to COVID-19. While the retail industry has been facing challenging economic conditions for over a decade, the economic shut down has put extraordinary pressure on this sector. The economic shut down has also forced many small businesses and restaurants to completely shut down. We understand many of these businesses may not survive.

The Provincial and Federal governments have implemented measures to support businesses that provide emergency relief, low/no interest financing, rent assistance, wage subsidy, and other programs. Early reporting indicates that these measures are likely not sufficient on their own to support all businesses.

However, a CIP is typically used to offset the costs of development and/or physical improvement to an area – not intended to support existing businesses with no corresponding 'improvement'. While a legal opinion pertaining to Section 28 of the Planning Act and its use to assist COVID-19 challenges should be sought, it does not appear that a financial tool available through a CIP would directly help in this recovery.

While economic fluctuations and recessionary cycles are difficult to predict, it is important to appreciate that demand for industrial and office space will almost certainly fluctuate over time. Over the long-term, overarching economic fundamentals point to long-term economic resiliency in the region, the eventual return to a new economic normal, continued employment growth, and support for new office and industrial investment.

2.2 Brampton's Employment Profile

Much like the rest of the GTA, Brampton's long-term economic and employment trajectory appears to be on good footing. This is the result of a growing number of new businesses and employment opportunities, as well as having a young and diverse labour force of approximately 320,000 persons as of 2018 (compared to 240,000 persons as of the 2016 Census). In addition, an increasing proportion of working age residents benefit from post-secondary education, and the City also supports entrepreneurs and growth in innovation through such services as the Ryerson-Brampton Innovation Zone (Start-Up Incubator), and the Brampton Entrepreneur Centre (Ideation and Co-working space). The Brampton Entrepreneur Centre is also expanding, recently adding the Research Innovation Commercialization Centre (RICC), which provides technology-focused support and 'Entrepreneur-in-Residence' services. Furthermore, the City's Economic Development department is actively working towards the establishment of a University in its historic downtown, as well as recently signing an agreement to increase enrollment at the existing Algoma College from 100 to 1,000 students over the coming years.

Brampton's geography has also driven much of its historical success in attracting employment growth and this will continue to play strongly into its future. Key locational features include:

- its proximity to Lester B. Pearson International Airport.
- accessibility to 400-series highways.
- proximity to Toronto's Downtown Core and other strategic nodes in the GTHA.

A result of its labour force, economic development activities, and favorable locational attributes, Brampton has been successful at attracting local business activity and jobs. Based on a City of Brampton Employment Survey of approximately 9,800 local businesses conducted in the Summer of 2019 and the Peel Region Employment Survey, Brampton has attracted about 157,000 private-sector jobs and 175,000 total jobs. These private-sector jobs are distributed across a wide variety of industries, with about three quarters of jobs in service-producing versus goods-producing sectors. This diversified range of employment is a positive feature as it supports a more resilient local economy.

Brampton is unique in the regional economy, with greater specialization in good-producing, export-oriented sectors compared to the rest of the GTA and Province. This specialization is particularly pronounced in the Manufacturing, Transportation and Warehousing, and Wholesale and Retail Trade sectors.

Export-oriented sectors are considered important aspects of Brampton's economic base as they are significant contributors to wealth generation. These industries have high multiplier effects in terms of generating and retaining positive GDP and labour impacts given their heavy reliance on other local industries, commercial, and professional services. The employment multiplier for such industries can be amongst the highest, with job multipliers ranging upwards of 6.0 for every $1.0 million of output generated by a business in manufacturing. This means that for every $1.0 million generated locally in manufacturing, another 6.0 jobs may be created in supportive industries in the local economy. This is before estimating additional induced impacts from improved household incomes and the possibility of greater consumer spending to meet day-to-day needs, entertainment, etc. within Brampton.

2.3 Goals and Economic Development Objectives

The City's 2040 Vision generally states that in the next twenty years Brampton will be a mosaic of vibrant centres offering its residents quality jobs, a rich range of activities, and integrated living opportunities.

The City's 2040 Vision recognizes a need to improve the population to job balance, generally increasing the proportion of the city's labour force that both live and work in the community. Achieving this end, to some extent, will require that Brampton transition to a greater proportion of higher density employment, likely by attracting more office investment.

Office development provides the greatest opportunity for increasing job density while also providing the greatest possibility for place making, encouraging a greater concentration of uses (with potential synergies / networking opportunities), shifting the current population / job balance, as well as increasing overall household incomes.

Aligning with Vision 2040, Brampton's Economic Development Plan identifies key goals for its future success, including improving the city's overall competitiveness and level of investment activity. A strategic objective to accomplish this end is to develop policies and programs (i.e. a CIP with financial and non-financial tools) to help foster job creation and investment.

While encouraging office development is one approach to increasing employment growth, another approach is to target investment in a few priority sectors with high potential multiplier effects.

The City of Brampton's Economic Development department has identified the following priority sectors:

- Advanced Manufacturing.
- Food and Beverage.
- Health and Life Sciences.
- Innovation and Technology.

To help link these priority growth sectors with land use and job density, a general description of each high priority sector, location preferences, building and parking standards, and performance indicators are provided on the following pages.

2.4 Overall Observations

Brampton has and continues to attract employment investment; however, the City hopes to attract a greater share of higher density employment that can offer residents greater employment choice and improve current commuting patterns. While the industrial sector continues to be attractive for investment, most industrial and related sectors are employing fewer and fewer people every year. On the other hand, the office market faces demand and supply-side challenges, limiting the amount of higher density employment investment in the City in recent years.

The COVID-19 crisis will slow investment throughout the region but may offer opportunities as businesses rethink how they operate. This, along with the City's transit initiatives, could present opportunities for the City to attract satellite offices.

The sections to follow evaluate both the industrial and office sectors to understand the market dynamics at play and if incentives are an appropriate tool to meet City planning and economic objectives.

Advanced Manufacturing

- *Brampton currently has 900 companies and 35 k persons employed in Advanced Manufacturing.*
- *Businesses engaged in advanced manufacturing typically seek locations in traditional employment areas, clustering with other sensitive land uses, and often prefer large lots to allow for future expansion, access to freight rail and/or highways. The leading companies listed above are all located in the city's Highway 410/Steeles and Bramalea Industrial areas.*
- *Examples of leading companies by number of employees in this sector are ABB Inc., Almag Aluminum, Brannon Steel, Fiat Chrysler Automobiles Canada, Massive Die-Form, MDA Space Missions, and Velcro Canada.*
- *Building requirements will vary depending on manufacturing equipment and resulting interior column spacing. Clear heights of greater than 30 ft. are not necessarily required, as is the case for warehousing and logistics space. Also based on a comparison of typical industrial building types by Urban Land Institute, market preferences for parking tend to be lower than other building typologies at around 2 spaces per 1,000 sf of gross floor area (GFA).*
- *Looking at all companies engaged in this sector from the Employment Survey, total space need by business also appears to vary widely, from as little as 1,000 sf to 965,000 sf, averaging around 42,000 sf.*
- *An almost equal number of businesses are in multi-tenant industrial buildings (42%) vs single-tenant industrial buildings (53%).*

Food and Beverage

- *There are currently 153 companies and 9,000 persons employed in this sector.*
- *Businesses in this sector are generally engaged in food testing, processing and packaging as well as transportation, packaging design, equipment and refrigeration storage.*
- *Examples of leading companies in Brampton are Coca-Cola Refreshment Canada, Maple Lodge Farms, Loblaw Companies, Italpasta Ltd., Sun Rich Fresh Foods, Maple Leaf Poultry Canada, Frito-Lay Canada (Pepsico).*

Food and Beverage Cont'd

- *Locational preferences and requirements of food and beverage establishments can be like advanced manufacturing. Where warehousing and distribution is a part of a business operations, clear heights of between 30 to 32 feet are preferred plus an adequate number of loading bays and circulation areas.*
- *While most business establishments engaged in this sector are also located in the 410/Steeles and Bramalea Industrial areas, both Maple Lodge Farms (1975) and Loblaws (2008) sought out and remained within Bram West industrial lands likely for larger lot sizes that would allow for expansion of larger freestanding (owner occupied) industrial spaces, as well as highway access and a general level of prestige associated with this area as a result of carefully curated tenants, higher level of design and overall branding of a 'clean' industrial area.*
- *Removing businesses engaged in retail, the majority of companies engaged in this sector in Brampton are within single-tenant industrial buildings (63%), followed by multi-tenant industrial buildings (30%), with unit sizes ranging from 1,200 sf to 669,000 sf each, averaging 80,000 sf.*
- *Parking preferences will vary depending on the amount of warehouse and manufacturing space, but typically are from 1 to 2 spaces per 1,000 sf of GFA.*

Health and Life Sciences (focusing on prevention and wellness)

- *A total of 800 companies and 12k persons are employed in this sector.*
- *This sector generally includes business engaged in the widest range of activities, with variable space needs and location preferences as a result. Business ranges from those engaged in pharmaceutical and equipment manufacturing to research and health services (e.g. physician offices, out- and in-patient care centres and hospitals).*
- *Leading companies are Medtronic, Canadian Blood Services, Dynacare, William Osler Health System, Loblaws, Canon, MDA, Erinoakids, Taro.*
- *By virtue of the range of companies fitting into this category, companies tend to locate across both traditional industrial areas with similar space needs as industrial uses, as well as being integrated in communities and/or clustered in office or flex spaces near hospitals.*
- *Being near a hospital allows for possible synergies (e.g. clinical trials) as well as end-user convenience, amongst other efficiencies.*

Innovation and Technology

- *A total 200 companies and 12k persons are employed in this sector.*
- *Companies in this sector are generally engaged in the design, development and introduction of new products, sometimes involving manufacturing processes. The sector includes both hard and soft tech businesses.*
- *Businesses engaged in this sector may prefer industrial (freestanding or multi-tenant industrial properties). Where warehousing and distribution are partially or entirely part of business operations (e.g. Amazon and other fulfillment centres), much larger building sizes (up to 1.0 million sf) may be desired with clear heights of greater than 32 feet, plus adequate number of loading docks and superior access.*
- *Examples of leading companies in Brampton are Rogers Communications, Air Canada Operations Center, Canon Canada, Amazon (fulfillment centre), Technicolor Canada, Q9 Networks, IT Weapons, Entertainment One.*
- *Many businesses engaged in this sector are heavily knowledge-based as well, and therefore may seek office space [e.g. Canon (175,000 sf), Air Canada Operations (75,000 sf)]. While these businesses have a range of permissible locations, they have generally selected locations at the edge of traditional industrial areas (e.g. designated Business Corridors), and in the two examples provided, are freestanding owner-occupied office properties.*

3.0 Brampton's Industrial Market

Nearly all priority growth sectors, except for Health and Life Sciences, locate by necessity or choice within traditional industrial areas. For Brampton to continue to attract businesses and employment growth in these sectors there needs to be an appropriate supply of "development ready" land and buildings that meet the requirements of the market. This means appropriately zoned and serviced properties in a range of sizes and locations. Buildings also need to meet contemporary requirements (e.g. high clear ceiling heights, access to freight rail and highways).

This section of the report provides an assessment of the overall supply and demand conditions in the local industrial market to understand if such conditions support investment.

3.1 Factors Driving Location Decision Making

The factors that influence the development of industrial properties, either those that build speculative space or purpose-built industries, can be varied and complex. However, the following two factors have the greatest influence.

- Location: proximity to markets and suppliers, transportation links, prestige and character of the site, 400 series highway exposure; and,
- Long Term Operating costs: rent, taxes, utilities, and labour.

Development costs, such as the costs of construction, while important, play less of a role as these costs can be controlled, are relatively equal across the GTA, and can be capitalized over the duration of the operation. Industrial tenants/owners/landlords are typically more concerned about enduring taxes and utility costs that cannot be controlled and typically increase over time.

A product of lower job density and increasing reliance on automation, access to labour has become less important over time in making locational decisions for the industrial market. This is especially true relative to office developers and community investment decisions. As a result, industrial developers are the first to move to the edge or outside of a major urban centre if these areas have both positive locational attributes and lower land values. For this reason, Milton, Halton Hills, and Waterloo Region have grown over the past 15 years to be major competitors to traditional western GTA employment land markets.

3.2 Regional Market Conditions

It is important to appreciate that the possible search area for a prospective investor or tenant can be very wide. Therefore, understanding conditions in the regional marketplace is particularly important to understand the trajectory of industrial employment growth in Brampton. In other words, Brampton has and will continue to compete with its neighbours for a share of this type of employment growth.

Based on a review of CBRE data over the last five years, the entirety of the GTA industrial market appears to exhibit highly positive market fundamentals with increasingly positive net absorptions, decreasing availability, and strong pricing growth.

3.2.1 Total Inventory

Currently, the GTA has over 787 million sf (square feet) of existing industrial space, increasing in size by about 0.9% or 6.9 million sf on average per year over the last five years.

3.2.2 Net Absorption Activity

As of Q4 2019, the GTA experienced nearly five years of positive net absorption activity, consistently averaging around 10.7 million sf per year. Net absorption activity includes the leasing of all new and existing space minus vacancies.

High net absorption activity is currently supported by strong pre-leasing / pre-sale activity; whereas, earlier in the decade, there had been a greater level of speculative development as a result of rapidly increasing land values and landowners seeking to capitalize on market gains, coupled with lower interest rates.

3.2.3 Availability and Vacancy

In part, because of a greater level of pre-leasing / pre-sales activity, availability and vacancy rates across the region are steadily declining, now at a low of 1.4% and 0.8% respectively as of Q4 2019.

While there is no industry standard for what is considered balanced, brokers interviewed noted that availability and vacancy rates have not exceeded 6.0% in the GTA since collecting data. Since tenants seeking space indicate insufficient choice, it is likely that 3.0% to 4.0% availability would be considered balanced or more ideal.

Overall, the growing level of construction and continued lack of choice across both existing and new inventory, points to a market where new supply is not keeping pace with demand.

3.2.4 Pricing (Rent and Sale Value)

Overall, the above market dynamics have put upward pressure on pricing, with net asking rents up as much as 20% from 2018, averaging $8.62 per square foot (psf) across the region. This is compared to 11% rent growth between 2017 and 2018.

The appreciation of sale prices has been even more pronounced. Sale values increased between 24% to 31% per year, over the last five years, averaging $253.25 per sf of gross floor area (GFA) across the region as of Q4 2019.

3.3 Brampton Market Conditions

Historically, the Toronto West submarket (Peel and Halton Region) has performed particularly well in the GTHA as a result of strong access to the most prime highways – Highways 401, 407 and 400 – freight rail, proximity to the Airport and the United States border, as well as being centrally located to the largest possible labour pool.

Within the Toronto West submarket, Brampton's industrial market particularly benefits from:

- access to 400-series highways.
- access to two of the busiest intermodal facilities in the country— the CP Yard Vaughan and the CN Yard in Brampton.
- the Lester B. Pearson International Airport.
- the U.S. Border crossings in Niagara and Fort Erie.
- possibility for synergies with existing businesses.
- a supply of vacant, unencumbered employment land.
- regionally competitive pricing.

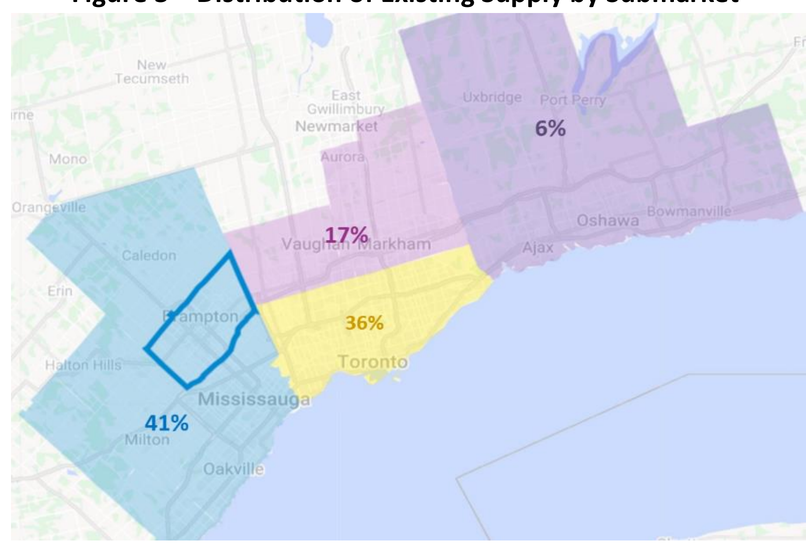
3.3.1 Total Existing Inventory

Brampton's existing industrial space inventory is notably one of the largest in the GTA – third in size only to that of Mississauga and North York. Currently, the city's inventory of industrial space accounts for approximately 11% of all industrial space in the GTA and 26% of space in the Toronto West submarket. The Toronto West submarket is inclusive of all of Peel and Halton Regions.

Between 2015 and 2019, Brampton experienced high construction activity, averaging just under 1.1 million sf of new GFA each year.

Figure 2 - Market Attributes

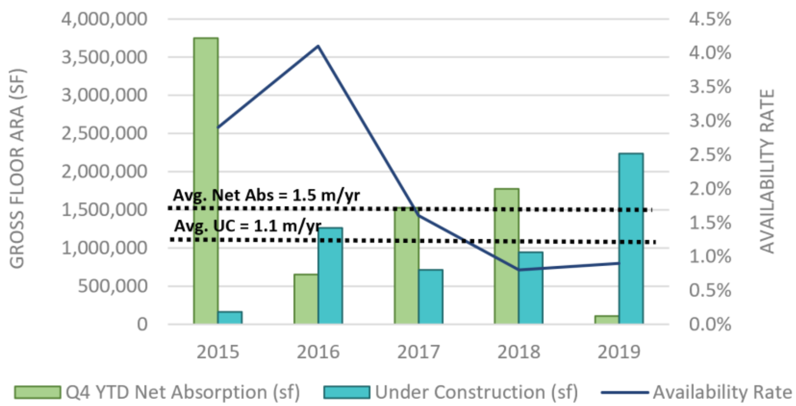
Figure 3 – Distribution of Existing Supply by Submarket



3.3.2 Net Absorption Activity

Recent development activity has coincided with positive absorption activity, averaging just over 1.5 million sf per year since 2015. Overall, these dynamics suggests that the addition of newly constructed industrial properties (averaging 1.1 million sf per year) has been met by equal or greater demand.

Figure 4 – Brampton Industrial Market Supply Conditions



Source: CBRE, N. Barry Lyon Consultants Ltd.

In keeping with past trends, Brampton is capturing about 24% of new absorption activity in the Toronto West submarket, overall.

CBRE notes that of the buildings recently completed in the Toronto West submarket, almost all were pre-leased / pre-sold (8) and nearly all were design-build (6). These conditions appear to be similar in Brampton, with landowners actively marketing development opportunities on vacant land. Investment and private development driven by such pre-leasing or design-build opportunities for a single tenant may be limited to only larger tenants / end-users with deeper pockets, as opposed to meeting the needs of a full range of potential businesses considering the Brampton market.

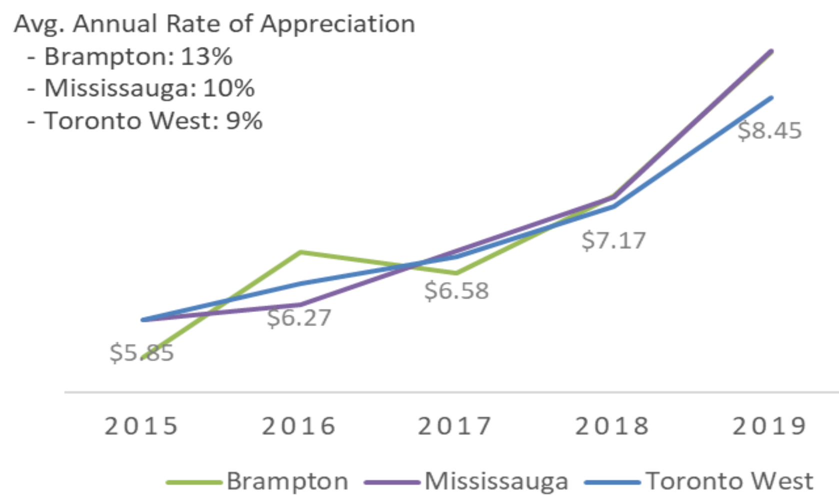
3.3.3 Vacancy and Availability

Brampton is also experiencing particularly low availability and vacancy of 0.9% and 0.1%, respectively, as of Q4 2019. This is compared to the rest of the Toronto West submarket with moderately better availability (1.7%) and vacancy (0.8%) – albeit still a strong landlord's market.

3.3.4 Pricing (Rents)

Brampton's industrial market is also attractive for regionally competitive pricing. Net asking rents in Brampton are typically lower than more central neighbours – namely Mississauga and Vaughan – but the annual average rate of appreciation over the last five years has been greater. This is positive for attraction of new tenants, as well as investor activity.

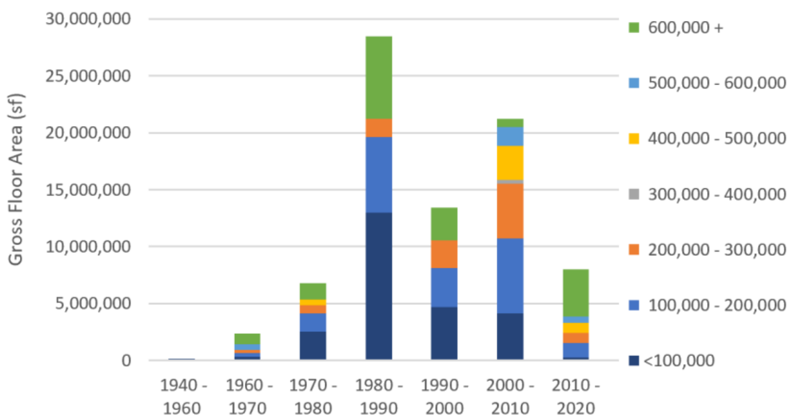
Figure 5 – Asking Rents in the Toronto West Submarket



3.3.5 Investment Activity

Brampton's popularity as a location for industrial investment is long-standing. Peak industrial investment generally occurred in Brampton between the 1980s and 1990s, with building sizes typically under 100,000 sf each. It is important to appreciate that the city's existing inventory would also experience variable levels of reinvestment because of age, quality / attractiveness to tenants.

Figure 6 – Brampton Industrial Building Size (Total GFA) by Built Year



Source: Costar, N. Barry Lyon Consultants Ltd.

In more recent decades, building sizes have increased significantly, now averaging around 300,000 sf each across all inventory. This average is skewed upward by attracting tenants with the largest possible space needs, such as fulfillment centres, which can be nearly 1.0 million sf each.

In total, NBLC tracked 29 new projects built between 2010 and 2020, totalling 8.6 million sf of new space, or about 860,000 sf of new space per year.

Of the new space, about 5.5% of inventory was available as of January 2020. While the above noted availability rate for the newer inventory is higher than the City's average, this is considered healthy. With projects being larger in size, however, there are only three available spaces of between 25,000 and 160,000 sf. So, while the overall availability rate is 'healthy', there is still limited choice. This may be problematic if a new business were to 'shop around' for existing space and were considering Brampton over another municipality with higher availability.

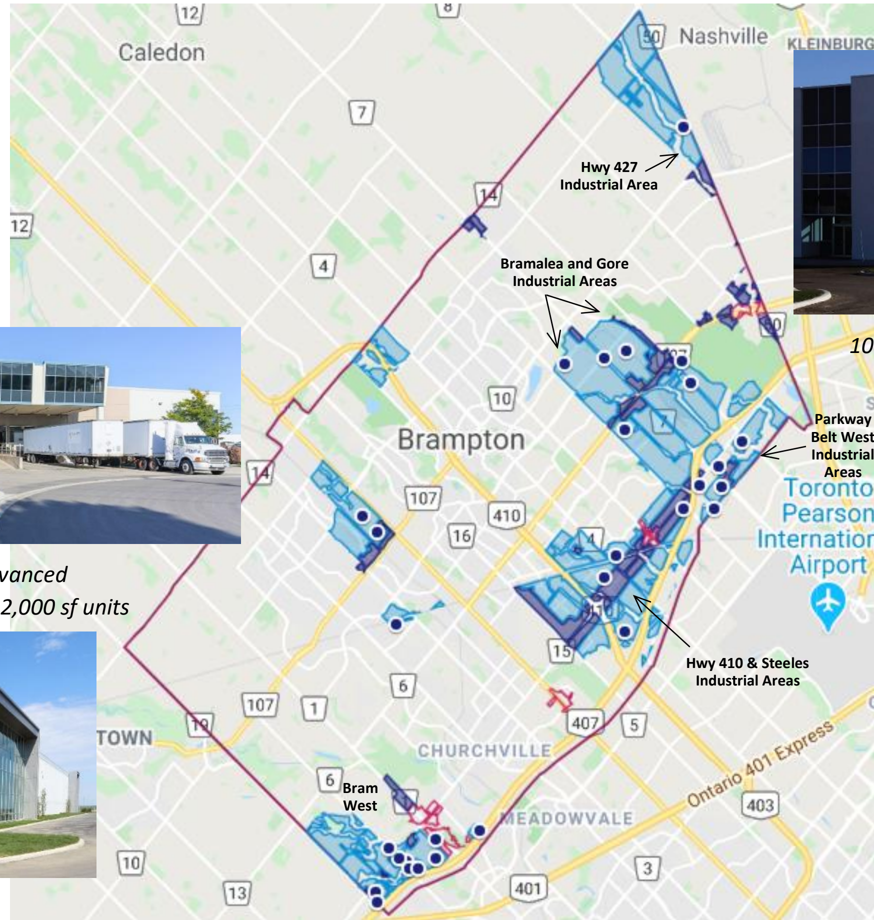
This level of investment and low availability indicates there is appetite for more contemporary industrial spaces and market conditions which naturally attract investment.

3.3.6 The Location of Investment and Reinvestment Activity

It is also important to appreciate that key performance indicators, new construction activity, and reinvestment are not the same across the city.

Over the last five years, new construction has been concentrated in the Bram West area (60%), just north of Meadowvale Business Park Corporate Centre, in Mississauga. The Meadowvale Business Park has been particularly popular over the last two decades at attracting corporate head offices and top-tier industrial tenants (e.g. Microsoft, Bosch, Baxter, Maple Leaf Foods).

Figure 7 – Location of New Construction (2010 – 2019) and Examples of Reinvestment Activity within Employment Lands



100 Ironside Drive, Multi-Tenant (Logistics) – 290,000 to 440,000 sf units

40 Holtby Ave, Multi-Tenant (Retail / Advanced Manufacturing Warehouse) – 6,000 to 22,000 sf units

$120 million addition / reinvestment

7825 Winston Churchill Blvd

8 Cadetta Rd. (Complete 2012) – Multi-Tenant (Advanced Manufacturing) – 17,000 to 25,000 sf units

8050 Heritage Rd., Amazon Fulfillment Centre (Complete 2015), 870,000 sf, 40 ft + Clear Heights

55 Hereford Rd. – Multi-Tenant (Advanced Manufacturing) – 5,000 to 25,000 sf unit

Bram West has been popular for a host of reasons, but generally a result of:

- positioning in the marketplace as a prestige business park in the GTA, with both industrial and office opportunities.
- the Airport.
- near immediate access to Highways 407 and 401.
- proximity to the intermodal railyard facilities.
- already being home to carefully curated tenants (including some of the City's largest employers - Amazon, Loblaws, Medtronics, Technicolor, Air Canada Operations, Canon).
- emphasis placed on designing and building modern, clean, and attractive industrial areas.
- taken together, potential for a positive brand image.

As result of the above, Bram West has gained market momentum and will likely continue to attract other desirable tenants over the long term, as well as with support industries (e.g. accounting firms, lawyers, engineers).

Bram West is also the location of the largest supply of vacant employment lands in Brampton, currently totalling around 960 acres, with earthworks underway on some of these lands to accommodate additional speculative or purpose-built prestige industrial space. Notwithstanding the above, we are aware that Maple Leaf Foods owns a significant proportion of the above vacant lands, and there are no known intention to develop or intensify these lands through their continued operation in the area or sale to a future investor.

Likely owing to larger block sizes (e.g. often upwards of 20 ha each), new projects in Bram West have been larger, averaging around 525,000 sf, and have attracted warehouse and logistics type facilities, such as new Amazon fulfillment centres, which are closer to 1.0 million sf in total. The area has also attracted some multi-tenant space, such as 7825 Winston Churchill Blvd, occupied by Metro, TLS and Emblem logistics, with unit sizes from as large as 200,000 to 377,000 sf each.

7825 Winston Churchill Blvd (Complete 2015), Occupied by Metro, Emblem Logistics and TLS, Units from 200,000 to 377,000 sf, 36 ft Clear Heights.

Likely a product of building scale, existing industrial space in Bram West tend to have lower asking rents than in Central or East Brampton's more established industrial areas, but sale prices are notably higher compared to the city average, by about $60 per sf, averaging around $260 per sf as of Q4 2019. In part, this would be the result of the prestige of the area but also expansion potential.

Given possible limitation on development ready lands, the ability to continue to accommodate such forms of space expansive uses through greenfield development, especially to the same extent as recent years, could be limited.

Some modest new construction and reinvestment activity has also occurred in the more Central or East Brampton industrial areas, such as improvements to The Gap facilities and construction of a 130,000 sf space (home to The Stevens Company), generally north and northwest of Downtown Brampton.

NBLC also observed the redevelopment of some older industrial spaces. This type of activity is relatively rare in the GTA and is a highly positive sign of the attractiveness of Brampton to industrial investors.

An example of this is at 8875 Torbram Road in the Bramalea Industrial Area, now occupied by MEC, TJX Canada and Accuristix, and redeveloped by Carterra in 2015. This site was previously occupied by an 855,000-sf warehousing space, built in 1975, with clear heights as low as 20 ft. The building on site now offers 38 ft plus clear heights and 235 industrial trailer parking stalls / loading bays, amongst other positive market attributes.

Overall, the more limited amount of activity in the Central and East Brampton industrial areas is to be expected due to constrained land supply and more challenging (infill) development sites.

8875 Torbram Rd.(Complete 2015). Occupied by MEC, TJX, Accuristix. 994,000 sf, 38 ft Clear Heights.

While limited signs of investment and reinvestment activity in older employment areas may present a challenge moving forward, it is important to appreciate that these areas may also provide an important function in the local economy – owing to lower rents, and a greater range of unit sizes – by virtue of their age. The importance of their function is exhibited by low vacancy and availability levels (1.6% and 2.0% as of March 2020).

These older industrial areas provide relatively lower total monthly operating costs with available spaces as of February 2020 ranging from $7.50 to $12.50 psf for smaller unit sizes of 2,000 sf to 46,000 sf. These spaces provide an important, relatively affordable price point, which encourages a greater range of business establishments, especially for those just starting out.

3.4 Key Observations and Considerations

Overall, industrial market conditions in Brampton support continued investment in new construction, in the form of larger sized industrial properties (e.g. fulfillment, distribution, warehousing etc.) in Bram West and other highway adjacent locations. These projects are often occupied by only a few, larger tenants at relatively low employment densities. Overall, there appears to be no need to incent this form of development.

However, other sectors that fall under the general umbrella of industrial, such as film, creative industries, advanced manufacturing, aerospace, and innovation and technology are not necessarily occurring at the same rate or scale of investment , and could be the target of the CIP program depending on available funds. Like office development, these sectors can provide good employment totals and strong compensation for employees but occur in more industrial settings. If the City wishes to target these sectors with incentives, which would be justified based on the analysis, strict parameters of the types of development that could be eligible would need to be clearly identified, like in Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT) program, so that typical manufacturing use – warehousing and logistics – are not eligible.

Furthermore, some incentives could be considered in refined geographic areas with more challenged development contexts. As the supply of greenfield and 400-series employment land erodes over the next decade, sustaining the above type and level of investment may be a challenge. Given this, it is logical that Brampton will increasingly need to position its infill or older traditional employment areas (possible redevelopment sites) to compete with other areas in the region that have a greater supply of future (vacant) employment areas, such as the:

- Vaughan Enterprise Zone.
- Derry Green Business Park.
- Other new/strategic employment lands in Milton, along Highway 407.
- 407 East / Airport / Seaton Employment Lands in Pickering.

Brampton will also increasingly compete against other older employment areas that are likely facing similar demand / supply issues.

Strategies that would support the marketability of infill or redevelopment sites, largely located in Brampton's older industrial areas, cold also be considered. A key issue in these areas is the functional obsolescence of older buildings. This occurs where lower rents do not support capital improvements to upgrade facilities to contemporary standards, and as a result, these spaces become increasingly unattractive and difficult to lease. This may be particularly a concern for sites abutting designated Business Corridors or Office nodes, which could reduce the overall attractiveness of investment in these areas planned for a greater range of high-density (office) employment uses.

There are also several possible barriers to entry in the local industrial market, which may limit this type of employment growth and supporting Brampton 'Ecosystem of Innovation', such as:

- investment and private development driven by pre-leasing or design-build opportunities for a single tenant, generally limited to larger tenants / end-users with deeper pockets.
- a landlord market wherein there is a general trend towards longer-lease terms and significant price appreciation.
- delivery of larger / fewer flexible properties.
- redevelopment thwarted by environmental issues (i.e. contamination).
- a limited number of landowners / developers, not necessarily specializing in delivery of the widest range of industrial spaces.

While market conditions suggest it is unnecessary to incent new industrial development, on a city-wide basis, it may be appropriate to consider incenting capital improvements to existing buildings for the City's target priority sectors and/or adaptive re-use or conversion to more labour-intensive development in appropriate locations.

The City may consider incenting:

- Capital improvements to existing properties to allow for adaptive re-use or conversion, or physical improvements (e.g. upgraded signage along Hwy 410 or 407) – which typically is provided on a match-funding basis to a cap. However, incentives should not be offered to existing owners to make improvements in the hope that they will attract a better tenant, as the market evidence does not suggest this is a necessary step at the current time.
- Investment in established employment areas, specifically infill development and redevelopment that helps transition these areas to a more urban structure (e.g. office development, where appropriate).

In the latter instance, there may be some possible employment density gains by improving existing, older industrial areas. Some employment growth and unrealized density may occur if the City can assist owners and tenants with necessary building upgrades, tenant fit-up / improved space efficiency, and / or second storey or other additions. This could also include activation of a complementary assistance with brownfield studies and remediation, as appropriate, to encourage re-investment in such areas or adaptive re-use.

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 metres, and constructed prior to 1996 [By-Law No. 129-2019, Section 24.(3)(i)].

To allow for greater re-investment, consideration could be given to change the square metre limitation to a higher threshold. Municipalities with high industrial vacancy and modest market demand, such as Windsor, have allow for this type of exemption to assist with lowering the vacancy rate and encouraging investment. However, given Brampton's very low vacancy rate, this might not yet be an appropriate direction.

It is important to appreciate that these areas currently have very low availability/vacancy and appear healthy from a variety of market indicators. These areas, while low intensity, appear to serve an important function in the city's overall prosperity and offer space for startups, innovation, technology, film, and other similar sectors that are seeking low cost accommodation.

Similarly, until Brampton begins to exhaust the supply of vacant and well-located employment land, this strategy might not be appropriate yet. Over the longer-term, the above types of assistance to reinvest in existing industrial properties could assist in the redevelopment of smaller flex-commercial spaces that are suitable to a range of small start-up to medium-sized companies, while making use of underutilized space.

Further, when deciding what and where to incent, it is important to consider that most industrial and related sectors are employing fewer and fewer people every year due to technological disruption and changing labour dynamics. Most manufacturing and light industrial uses accommodate employment densities below 30 jobs per hectare, with some notable exceptions such as the Amazon fulfillment centre discussed previously. Notwithstanding the positive benefits of industrial development discussed throughout this report, this might not represent the best value for money given current market dynamics and expected employment totals.

4.0 Brampton's Office Market

The following chapter analyzes demand and supply conditions in the GTA office market, with emphasis on how Brampton fits into the '905' suburban office context.

4.1 Factors Driving Location Decision Making

Like industrial markets, office markets are comprised of both multi-tenant developers seeking to build and rent space, as well as purpose-built projects where a business constructs and occupies the building.

- Owner-occupied buildings typically construct a building to fulfill the business/operation side of the business, and therefore do not consider rental rates when deciding where to build. These businesses make a capital investment to support their business and are largely concerned with capital and operating costs when deciding where to locate (e.g. land value, parking, development charges, property taxes, etc.), as well as locating in an area with a deep pool of accessible labour. Projects of this nature include Canon's head office constructed in Bram West, as will be discussed to follow.
- Multi-tenant office developers look at an investment as a form of annuity that will generate income over an extended period. These developers seek to build a building and rent the space to tenants over the long-term. These office developers are therefore seeking locations that will attract the highest possible rents and occupancy rates. These locations typically are high profile, offering the greatest exposure and access to the widest range of possible tenants (employers/employees) and clients to help increase overall absorption levels. In these situations, the income of the building must be high enough to justify the initial capital investment, cover all operating costs, and provide a return.

The site selection priorities of businesses that require office space will naturally vary, but the fundamental preferences of prospective tenants and office developers tend to be similar. The following subsections provide a more detailed description of the key drivers of demand for office space.

4.1.1 Access to Labour and Talent

Locating in the most central locations of the GTA is a natural choice for many business establishments, in part this is a result of the opportunity to draw talent from a labour force of upwards of 4.7 million persons, as well as talent coming out of some of the country's top universities that are located in the GTA.

4.1.2 Agglomeration Effect

Related to the notion of the 'multiplier effect', many businesses gain efficiencies by locating near each other given greater opportunities for networking and cross-fertilization of ideas, as well as creating a node of talented workers in similar industries. Often, retail and amenities will also locate in an area with a critical mass of employment uses, furthering the appeal of an area.

4.1.3 Lifestyle Preferences and Walkable Communities

Millennial and the next generation of employees are increasingly showing preference to working and living in the same community. As a result of the above, plus a greater concentration of living opportunities within walkable communities, office tenants are increasingly gravitating towards spaces in the densest urban centres that are part of established or emerging mixed-use communities.

While likely relocating for multiple factors, evidence of this shift includes Microsoft's announcement to move its Canadian headquarters to CIBC Square in Downtown Toronto from the Meadowvale Business Park. Liberty Village in Toronto has also increased in popularity and vibrancy. In recent years, Liberty Village has seen the addition of multiple new office buildings, following the influx of many millennials and retailers moving into the area beginning in the late-2000s. Liberty Village contains a vibrant mixed-use environment and is serviced by both GO rail transit and the streetcar system.

4.1.4 Access to Transit

Office spaces that are walkable to higher-order transit (BRT, LRT, GO rail or subway, in a dedicated right-of-way) are increasingly popular amongst employers for the same reasons discussed above. This is because multi-modal access widens the possible labour shed from which an employer can attract talent. From an employee perspective, they can work in such a location and still maintain a more balanced live / work lifestyle by reducing overall commute times.

Above: 80 Atlantic, new office, Liberty Village.
Below: Mixed Use (Retail/Office) Addition, Liberty Village.

Those locations which offer the fastest, most reliable, and frequent service (e.g. subway), and are nearest to Downtown Toronto and Union Station, will be in highest demand and have the highest possible rent.

With average commuting times of around 70 minutes across the GTA, improved service and sites nearest to existing or planned higher order transit in non-Downtown Toronto locations will expand what is considered a reasonable commuting distance, offer an alternative to automobile dependency, and improve in attractiveness as a place of employment. However, it is important to keep in mind that there are many areas in the GTA that have and will benefit from improved transit service levels, and these areas will compete against each other to attract a share of suburban office demand.

Illustrating the above, there has been significant uplift in new office development within the Vaughan Metropolitan Centre (VMC), adding approximately 460,000 sf of new space between 2012 and 2016 in anticipation of the opening of a new TTC subway station. Since opening, an additional 305,000 sf has been delivered, in addition to a new 600,000 sf office building (SmartCentres Phase 2) proposed adjacent to the subway station. In Mississauga, signs of this activity are occurring, but are generally limited to new office completions that are adjacent to stations along the Mississauga Transitway (e.g. The Hub at Spectrum Square), which opened in late-2017. However, transit would only be one factor impacting employment growth in this area, as it is also proximate to Lester B. Pearson International Airport, and Highway 401, 403, 410 and 400.

PwC Tower in the VMC (TTC Subway Adjacent) and the future SmartCentres Phase 2 (TTC Subway Adjacent).

5015 Spectrum Way (Adjacent to Spectrum BRT Stop and Highway Proximate)

4.1.5 Access to Highways

Notwithstanding any of the above, highways are still the most popular and expansive regional transportation option in the GTA, outside of Toronto. Being proximate to highways allows employers to draw employees from the widest possible labour shed. Many businesses may also rely on regional travel (e.g. visiting clients or customers) and require highway access. The search area for an office tenant can be very wide, and as a result of this, a large number of suburban office nodes will complete against each other for a share of office growth, particular if higher value is placed on access to highways (and parking).

Mississauga tends to be most attractive in this regard, being in the west-central portion of the GTA and having access to multiple 400-series highways. This continued preference is demonstrated repeatedly in Mississauga over the last decade where nearly all new office development has occurred in the city's Airport Corporate Centre, the Gateway Corporate Centre (along the Hurontario corridor) and Meadowvale Business Park. Brampton also benefits from strong highway access, with immediate access to Highways 410 and 427 and the tolled-Highway 407 and is about 15 minutes to Hwy 401 and 403 outside of peak-travel.

4.1.6 Exposure and Visibility

Office and/or signage visibility to the traveling public is also an important consideration for many businesses who use their real estate as part of their marketing and branding strategy. For example, potential office locations in Brampton that front onto Highway 407 and 410 or major arterial roads near highway interchanges would be preferred by some anchor tenants.

4.1.7 Surface Parking and Large Vacant Lots

Combined with access to highway, many prospective tenants still value access to affordable (ideally free) parking. Access to surface parking or other affordable parking solutions (e.g. standalone structured or integrated podium parking) can be important for businesses that rely on customer convenience, have employees who regularly travel off-site for work, and/or entertain client meetings. It is also particularly important where high-order transit is not within walking distance (500 to 800 meters or 10 minutes).

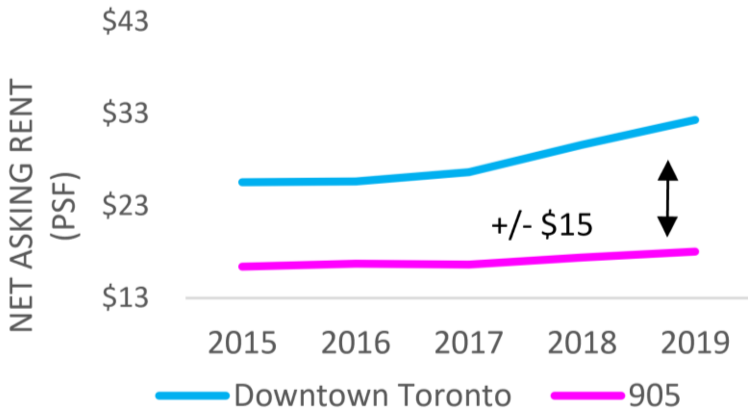
Office developers (both multi-tenant developers and owner-occupied buildings) will seek locations that can accommodate surface parking to reduce capital costs. Significant underground parking (often ranging from $50,000 to $100,000 per space) can significantly erode the attractiveness of an investment.

While this comparative advantage is likely to disappear over time as greenfield land is depleted and land values increase, for many tenants, parking is still an important consideration when selecting an office location in a suburban context, including those considering Brampton. Overall, this dynamic supports the continued demand for new office space in suburban business parks/the edge of traditional industrial areas, as opposed to more urbanized areas that require underground parking as a matter of urban design principles and policy or property size.

4.1.8 Regionally Competitive Pricing

While offices located nearest to highways tends to lack an amenity rich and other favorable market attributes, they tend to offer regionally competitive pricing. Overall, prospective tenants considering a suburban office location will be more difficult to attract from an investor perspective and may naturally expect to trade off walkability, and many of the other positive locational attributes identified above, for reduced monthly rent.

Figure 8 – Net Asking Rent by GTA Location



Source: N. Barry Lyon Consultants Limited; Costar.

4.2 Historic Trends in the GTA Office Market

Prior to the 1980s, the majority of office development occurred in Toronto's Downtown as well as select locations along the subway system and other non-transit areas adjacent major highways. This largely included major office development in Toronto's Financial District, with the establishment of Commerce Court and the TD Centre, as well as along the North Yonge Corridor. Some development was also occurring in Mississauga, and smaller scale buildings in Markham and Vaughan, but to a lesser extent.

Between the 1980s and 1990s, office development continued to occur in the most central areas, but significant office development also began to occur in suburban locations in the '905' region – due to the popularity of the suburbs as a housing option, ease of commuting by car, GO rail expansion, favourable tax rates, and worker preferences for suburban office parks at the time.

By the mid-2000s, office development yet-again shifted back to Toronto, but this time Toronto's South Core (south of Union Station). Between 2011 and 2016, Toronto accounted for 72% of all new office space added to the GTA market. Of this, over 85% was in Downtown Toronto.

The predominance of the Downtown Toronto office market is generally a result of this area being able to 'tick' the greatest number of boxes for prospective tenants – namely, proximity to talent, greater networking opportunities, amenity rich environments, cultural, recreation, entertainment opportunities, walkable residential opportunities, and access to higher order transit. Locating near Union Station, the hub of the Regional GTA transit network, also expands the labour pool to the suburbs and reduces the need for costly parking with reduced transit-support standards. This combination of positive attributes has generated significant market momentum, resulting in increasingly more end-user tenant and investment interest in Downtown Toronto.

Today, Downtown Toronto is near record low availability (around 3.0%); with a vacancy of between 5.0% and 8.0% considered healthy or balanced. In other words, supply is not keeping up with demand. As a result of these dynamics, construction activity has greatly picked up in recent years with about 90% of all office space under construction in the GTA occurring in Downtown Toronto.

This dramatic shift back to Downtown Toronto is partly aided by growth and expansion of tech firms and other creative industries, and (re)location of national headquarters to Downtown Toronto (e.g. Microsoft, Shopify, Google, Index Exchange), enabling private office investors to secure significant anchor tenants early-on and reduce project risk. Anecdotally, smaller tech and creative businesses gravitate to be near major players in the industry, putting greater demand pressure in a very few concentrated areas of the region, which has further helped to accelerate pre-leasing activity. This includes larger coworking tenants / intermediaries in the marketplace such as Regus, Spaces, WeWork, etc.

Albeit with upwards of 11.0 million sf coming online between late-2020 and beyond, the current conditions are not expected to markedly change. This is because an increasing proportion of space is pre-leased, and for increasingly longer terms (e.g. upwards of 15-years, in some instances). While older space will open-up upon occupancy of new buildings allowing for some tenant movement, this relief is unlikely to satisfy demand.

These very strong market conditions will continue to strengthen a landlords' position in the Downtown Toronto office market.

Despite this concentrated growth, pricing in downtown Toronto has become very expensive. Net asking rents in Downtown Toronto have increased beyond $60 psf for much of the higher quality space, whereas average net asking rents in the GTA are currently below $40 psf. It is possible that some demand will shift new office development to less expensive suburban locations as business are priced out of the core.

4.2.1 Office Densification

It is also important to appreciate that while a small number of market areas are absorbing a sizeable proportion of overall office demand, new office buildings are developing more efficiently than ever before. This is largely due to more efficient office layouts. Employee dense co-working office space is also becoming more prominent and it is expected that telecommuting and “work from home” will continue to become more accepted. These trends are resulting in an overall lower GFA being required per worker to satisfy future employment growth. In other words, there is decreasing demand for physical office space per employee, despite growing overall employment levels. This trend is most pronounced in Downtown Toronto but also plays a role in projecting future employment growth in the suburbs. While the implication of shifting office demand as a result of the COVID-19 pandemic has yet to play-out, and will not for some time, Brampton will compete against all other GTA municipalities to attract a share of what may be shrinking demand for office space on a per worker basis.

4.3 Competitive Suburban Office Nodes

Today, about half of the total suburban office inventory in the GTA is in Toronto (outside of Downtown Toronto) and the other half is in '905' suburban areas. This equates to approximately 85.0 million sf of suburban office space in the '905'.

The distribution of space within the '905' is, however, not evenly distributed. Rather, office development illustrates preferences for concentrated development in specific suburban locations, as discovered by research prepared by the Neptis Foundation (Neptis) and Strategic Regional Research Alliance (SRRA). Three quarters of the Region's office growth over the past 25 years has occurred in three major clusters. This includes:

- the previously discussed Financial District and fringe Downtown Toronto locations.
- a few key Mississauga office nodes (Airport Corporate Centre, the Hurontario Corridor / Mississauga Gateway, and the Meadowvale Business park).
- Markham and Richmond Hill, predominantly near the Highways 407 and 404 corridors.

At the same time, many established suburban office parks and other lands designated for major office that are located outside of these major nodes have struggled to attract new investment. Neptis refers to this trend as the "hyper-concentration of employment", identifying that Downtown Toronto gained over 67,000 core employment jobs between 2006 and 2016, which are defined as jobs that bring revenue and income into a region and drive growth (e.g. manufacturing, warehousing, finance, professional office, government, higher education, culture/tourism, etc.)[1]. The Airport Corporate Centre and Meadowvale Business Park also displayed growth (1,525 and 6,770 core jobs respectively), whereas the remaining '905' employment nodes either lost employment or remained stable.

The subsections below update this research, specifically focusing on the delivery of new space and key performance indicators across a select number of established '905' office nodes. These nodes are important to understand as Brampton directly competes with these areas to attract a share of employment growth.

4.3.1 Existing Supply

As of Q4, the five largest suburban office nodes in the '905' are in the west and north ends of the GTA. They are:

[1] *Neptis Foundation (2018): Planning the Next GGH; SRRA (2014): The Future of Office Development in the GTHA*

- Airport Corporate Centre (Mississauga) and Airport (Toronto) – 12.5 million sf.
- the North Yonge Corridor (Toronto) – with 9.5 million sf.
- Highway 7 and Highway 404 (Richmond Hill and Markham) – with 6.4 million sf.
- Meadowvale Business Park – with 6.1 million sf.
- Steeles Avenue and Highway 404 (Markham and Toronto) – with 5.9 million sf.

Except for Meadowvale, the majority of existing inventory within the surveyed projects would have been developed in the mid-1980s and 1990s, when suburban office investment was gaining in popularity. All the established nodes would have been highly popular given their access and exposure to 400-series highways, the availability of land for low cost parking fields, and some agglomeration effects.

A prime example of this is growth experienced in the Highway 7 and Highway 404 node with IBM locating here in the 1980s, and the Airport Corporate Centre with many national and regional headquarters locating here around the same time by virtue of proximity to the Airport. These areas were also located near rapidly growing and relatively affordable residential areas, offering grade-related housing options, when congestion was less a concern.

Unique amongst the above nodes, the North Yonge Corridor would have also benefited from subway access along Line 1 – the Yonge / University Line.

4.3.2 New Supply

While the delivery of new office space has been less pronounced within the '905' suburban office market over the last decade, between 2000 and 2014, many of the previously successful suburban office nodes experienced renewed investment interest. One exception is the North Yonge Corridor - owing to challenging development sites and increasing land costs. Other newer '905' suburban office nodes have also gained in popularity.

The following are the top five suburban office nodes in terms of inventory growth, more recently, from 2015 to 2019.

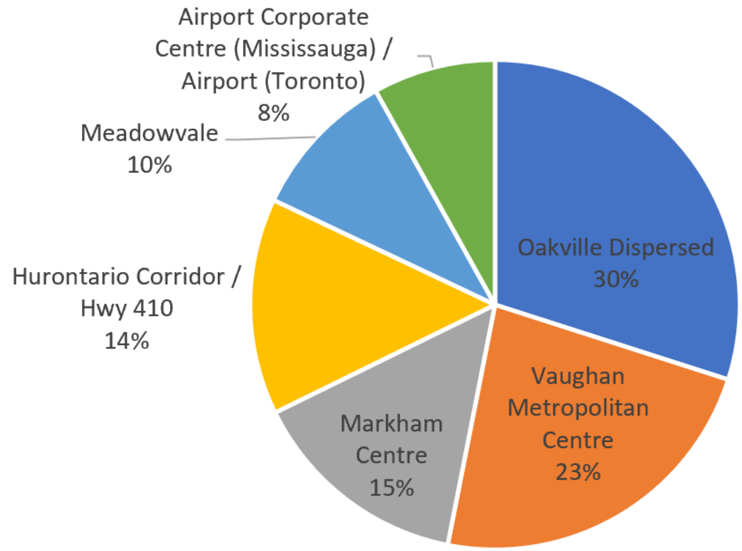
- Vaughan Metropolitan Centre ("VMC") – adding 585,000 sf.
- Markham Centre – adding 370,000 sf.
- Hurontario / Hwy 410 Corridor – adding 360,000 sf.
- Meadowvale Business Park – adding 250,000 sf.
- Airport Corporate Centre – 204,000 sf.

Together, these areas have added 1.7 million sf of office space to the region over the last five years, with the majority occurring in Mississauga. For comparison, Brampton added about 64,000 sf of inventory across the entire city, over the same five-year timeframe, with no clear office node emerging.

These areas are generally gaining in popularity for many of the same reasons as more established nodes (e.g. regionally competitive rents, highway access), and in some instances, the option of existing or future higher-order transit and some level of amenities – albeit typically in a horizontal, mixed-use context (e.g. the Airport Corporate Centre and VMC). One exceptional growth area is Oakville, which continues to see relatively dispersed office investment, like Brampton. In this instance, Oakville benefitted from the appeal of QEW highway exposure, proximity to Toronto's core as well the affluence of the local community. Oakville has seen an addition of approximately 757,000 sf of new office space, largely along north-south service roads over the past five years.

In almost all instances, new suburban office investment is characterized by standalone buildings, on larger lots with surface or structured parking. The only exception is the VMC. However, new construction in the VMC benefits from subway, a master planned mixed-use community, as well as many development incentives that will be evaluated in the following chapter.

Figure 9 –Suburban Office Investment by GFA, 2015-2020



Source: N. Barry Lyon Consultants Limited; Costar.

Figure 10 –New Office (20,000 sf +) and the Top Five Suburban Office Nodes by Investment Activity, outside Downtown Toronto, 2015- 2020

Source: N. Barry Lyon Consultants Limited; Costar.

4.3.3 Availability

While delivery of new supply is a key indicator of investment interest, or an indication of success in some areas of the region over others, the ability of an area to absorb new space is important to consider. To further understand the attractiveness of the above growing suburban office nodes, NBLC collected availability rates. The following are the suburban office nodes with the lowest availability rates as of Q4 2019.

- Vaughan Metropolitan Centre – 1.1%
- Markham Centre – 3.4%
- Steeles and Highway 404 (Toronto and Markham) – 5.2%
- Highway 7 & Highway 404 (Markham & Richmond Hill) – 7.1%
- Oakville Dispersed – 10.7%

By comparison, the availability across the GTA suburban office market was 8.3%.

In part, these rates would be low due to successful pre-leasing activity and demand for contemporary office spaces in such places as the VMC and Markham Centre. However, this is not always the case. By comparison, the Highway 7 and 404 nodes offer relatively more affordable rents by virtue of the older age and quality of properties, coupled with superior access to highways.

4.3.4 Pricing (Rents)

Over the last five years, some gains have been made in terms of annual rent appreciation in the suburban office market, increasing by about 2.0% per annum, over the last five years, averaging around $17.81 psf net as of January 2020.

Notwithstanding the above, it is important to appreciate that rents are well below Downtown Toronto locations. While overall land pricing will be significantly less in suburban submarkets (reducing barriers to assemble land), new supply typically has net asking rents around $20.00 to $25.00 psf. In part, this pricing is because new suburban space competes against older space that is much more affordable (closer to $15.00 psf).

These rents present a challenge shifting from more suburban forms of office development to supporting inclusion of underground or structured parking and infill development in a '905' context. Typically, NBLC would expect to see revenues at least in the high-$20.00 psf range (e.g. $26 - $30 psf) to offset the cost of under-ground parking. Furthermore, even with achievable rents in the high-$20s, underground parking will significantly impact the attractiveness of investment, or project risk, and the ability of a project to move forward, which might result in a developer selecting another location. This is likely why so few private office buildings, outside of Toronto, accommodate underground parking. This challenge will be explored in greater detail in Section 6.0 of this report. With effective net rents not exceeding $30 psf, most new office space in the '905' suburban office market relies on surface parking.

Surface Parking at the New Multi-Tenant TJX Canada Office, 60 Standish Court, Mississauga.

4.4 The Brampton Office Market

To understand how Brampton fits into the '905' suburban office market, NBLC inventoried all office properties over 20,000 sf with an emphasis on new investment activity.

4.4.1 Inventory

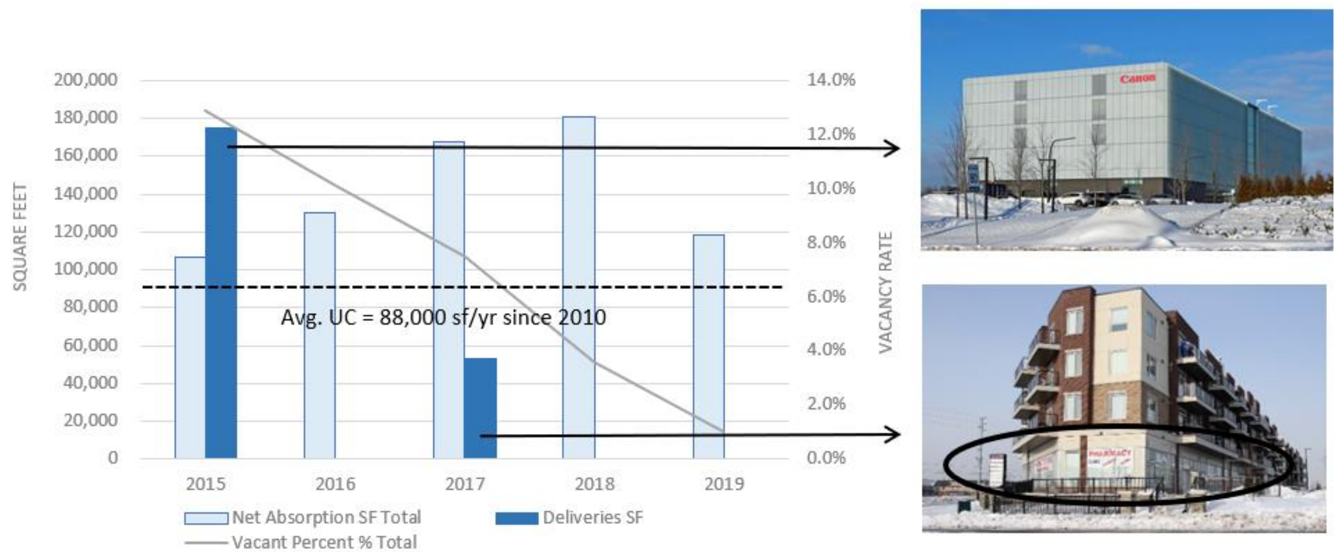
As of Q4 2019, Brampton has an approximate inventory of 4.62 million sf of existing office space. Apart from public sector investment in Downtown Brampton (e.g. City of Brampton Administrative Buildings) and the South Fletcher's Courthouse node (e.g. new and expanded Provincial Courthouses), the city's office inventory is highly dispersed. In other words, there are no clear high-density office nodes, and no benefiting agglomeration economics.

4.4.2 Net Absorption Activity

In total, 1.76 million sf or 38% of the total inventory in Brampton was built over the last twenty years. This growth equates to delivery of about 88,000 sf of new office supply per year, on average. This level of demand has been consistent, with new construction activity averaging around 87,000 sf per year since the 2008 recession.

However, new supply over the last five years has dropped off considerably to only 64,000 sf in total, across the two buildings illustrated below, or about 13,000 sf per year, with mixed-use project at 50 Sky Harbour Drive largely accommodating population-related commercial uses.

Figure 11: Brampton Office Market Supply Conditions



This development activity generally equates to about 1 to 2 projects per year of about 55,000 sf to 60,000 sf each and 3-storeys in terms of project scale. Such projects can generally be characterized as standalone, low-density office space like elsewhere in the '905'. However, the recent drop off in development activity is a concern.

Notwithstanding this concern, except for York Region, new development activity has dropped off over the last five-years across the '905' suburban office market. This drop-off has been somewhat less pronounced in York Region because of positive activity at a select few office projects in the VMC and Weston/Hwy 7 Area following the introduction / integration of subway and BRT service. This drop-off in demand for new suburban office space across suburban office markets is likely tied to stronger demand for office in downtown and fringe-downtown Toronto locations and unprecedented delivery of new space in these prime areas.

4.4.3 Availability and Vacancy

With limited multi-tenant rental properties (majority of office development has been owner-occupied), the current availability and vacancy rate across the city is very low at about 1.9% and 1.0% respectively. These findings are positive, as a high vacancy rate in the existing supply would be a significant market challenge for new investment.

The availability rate within newer properties is somewhat lower than the city rate, at around 1.2%. This indicates some modest demand for contemporary office space.

4.5 Pricing

Current average net asking rents in Brampton are approximately $16.83 psf across all inventory (see Figure 12). Based on limited availability, average net asking rents within projects built within the last few years is around $22.50 psf. These rents would generally not attract significant investment interest from the development community, especially where underground or some form of standalone or integrated structured parking is required. Again, this issue will be explored in more detail later in this report, including through use of hypothetical financial proformas.

Figure 12 - Competitive Net Asking Rents in Neighbouring Municipalities

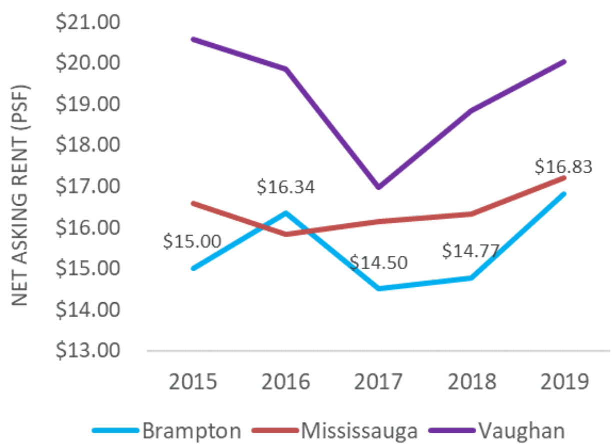
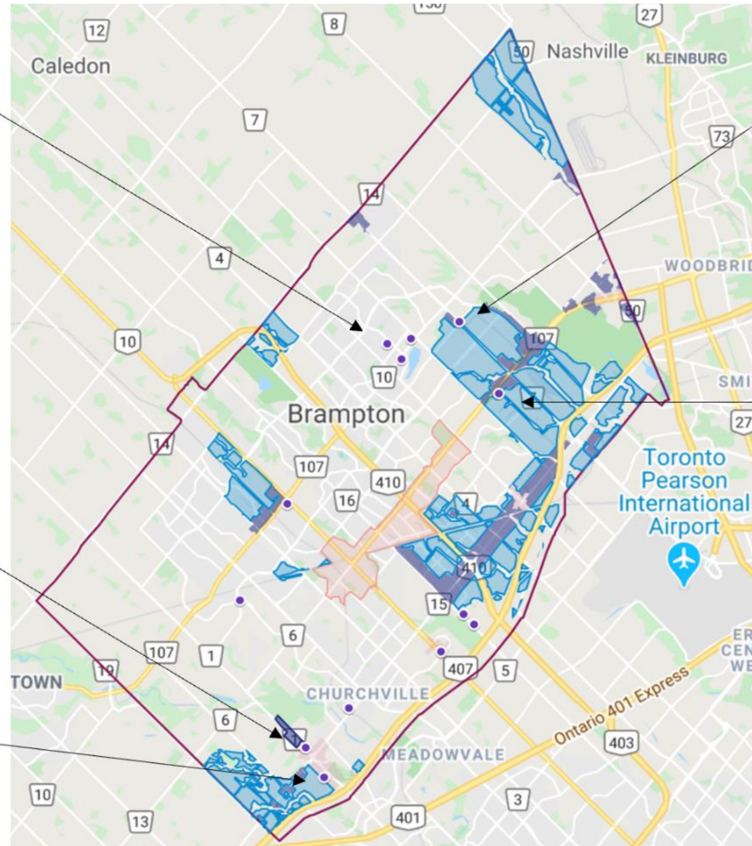


Figure 13 – Location of New Office Development in Brampton, 2010 to 2020

Sunny Meadows Condominium Office, 54,000 sf

7735 Kennedy – Rice Development HQ, Owner-Occupied 6,000 sf



10 Cottrelle, Blvd, Condominium Office, 65,000 sf

Gateway Blvd, Monterey Park, Multi-Tenant, Not Owner-Occupied, 50,000 sf

Source: N. Barry Lyon Consultants Limited; Costar.

4.6 New Investment Activity

Most new office projects in the Brampton market have also been in the form of standalone, lower density owner-occupied buildings (e.g. Canon Canada and Air Canada Global Operations along the Bram West Business Corridor / at Mississauga Road and Steeles) in what would have been considered a greenfield development area. As noted previously, these types of projects are not assessing rental rates to justify an investment return. While the decision to locate is based on a combination of some positive locational attributes, it is largely the ability to accommodate cost effective parking solutions and keep operating costs relatively low.

One of few office nodes to experience the addition of a multi-tenant office building in Brampton is the South Fletcher's Courthouse node. The area contains a significant number of institutional buildings, such as the Provincial Offences Office, the A. Grenville & William Davis Courthouse, and Peel Regional Police Headquarters. These uses have driven demand for supportive commercial services within several nearby older office buildings.

A 7-storey 78,000 sf multi-tenant office building, anchored by TD Financial and constructed by Kallo Developments, was added to the centre of this node in 2013. Despite finishing construction seven years ago, the project had 13,700 sf of space remaining to be leased as of Q4 2019, indicating an overall absorption rate of about 7,600 sf annually. This would not be considered a healthy absorption and illustrates the general lack of this demand for office space in the Brampton market.

The current asking rent at this project had been around $21.00 psf net at the last time of survey.

This level of absorption and rents points to a challenge attracting investment over the shorter-term in what is increasingly an urban infill location. In this instance, it is important to appreciate that the viability of this project may have been aided by low land costs as well as the developer occupying 5,600 sf of space within the building to accommodate their head office. Furthermore, the project relied on the assembly of multiple lots to provide some surface parking.

Along with the promise of LRT service, the agglomeration of private and public-sector establishments is likely to help slowly drive up demand and rents to a level that should attract greater investment levels.

7685 Hurontario St. – TD Bank Bldg.

Some condominium office has also been developed in Brampton. These commercial spaces are typically targeting professional services including health related tenants and tend to be close to hospital facilities. Condominium office developments have struggled to gain appeal in the market as they require smaller businesses to “tie up” capital that could otherwise be used in operating the business. They also limit the ability of a business to grow or retract.

4.6.1 Active Development Applications

There does appears to be some evidence of developer interest in multi-tenant office projects in Brampton. This includes office projects concentrated in Brampton’s Central Area, specifically within the Queen Street Corridor Secondary Planning Area, just east of Downtown Brampton. In this area, some standalone and mixed-use higher-density office project are being pursued, such as:

- the Atlas Healthcare Centre, at 241 Queen St. E. (the former location of a car dealership), proposing a 132,000-sf stand-alone medical arts centre – now approved for CIP incentives – but we are aware that the advancement of this project has been impacted by on-going financial challenges associated with existing business operations and other sites in the developer/owner’s portfolio.
- a similarly sized project is also proposed at 174-184 Queen St. However, there is no indication this project will advance any time soon.
- a three-tower mixed-use project at 253 Queen St. E, proposing about 87,000 sf of office space as part of a 1.0 million sf project) that is currently pre-registering as U Condominiums.

Clockwise, from left to right: 174-184 Queen St. E., 241 Queen St. E., 253 Queen St. E proposed projects.

4.7 Regional Competitiveness

In summary, office investment in Brampton appears to currently be driven by:

- owner-occupied businesses selecting Brampton for prestige employment areas outside of Toronto.
- the availability of properties capable of accommodating surface parking.
- affordability of employment lands and reduced development complexity at the edge of traditional industrial areas.
- population growth, resulting in the delivery of condominium or freehold office that targets medical and other population serving uses.

However, the office market is highly competitive among established office districts in the '905', such as the Airport Corporate Centre and the Highway 7 corridor in Markham/Richmond Hill. These areas attract demand because they can charge rents that support the investment requirements. The future competitiveness of Brampton's office market, at least over the shorter term, will continue to be its value proposition and lower operating costs (rents, taxes) relative to competing suburban office nodes.

4.7.1 Operating Costs

In this context, being able to offer the lowest possible effective gross rent is a paramount consideration. Effective gross rent is what an office tenant will negotiate based on their perceived value of one location over another, plus all other monthly costs – tax, maintenance and insurance. Since, maintenance and insurance of new buildings will generally be comparable across jurisdictions, the applicable tax rate can be either an advantage or disadvantage in terms of attracting growth in less prime office locations.

A comparison of office commercial tax rates applicable to new office development by GTA suburban municipalities is provided in Table 1. Assuming a 75,000-sf building, Brampton has a $1.06 million commercial tax advantage over Toronto, over the twenty-year period, holding tax rates constant. However, Brampton has an office commercial tax rate disadvantage of between $440,000 to $960,000 over the same period compared to other Peel municipalities. Historically, York Region municipalities have the lowest office commercial tax rates amongst all GTA municipalities.

Table 1

2020 Property Tax Impact of a Hypothetical 75,000 sf New Office Building				
	Tax Rate [1,2]	Estimated Annual Payment	20 Year Tax Total (2% Inflation)	Brampton Min. Saving / Loss
Brampton	1.982804%	$458,028	$11,128,869	-
Mississauga	1.904916%	$440,036	$10,691,708	($437,161)
Caledon	1.812104%	$418,596	$10,170,782	($958,087)
Toronto[4]	2.171809%	$501,688	$12,189,696	$1,060,827
Vaughan	1.579067%	$364,764	$8,862,817	($2,266,052)
Richmond Hill	1.562880%	$361,025	$8,771,965	($2,356,904)
Markham	1.529688%	$353,358	$8,585,668	($2,543,201)

Notes:

1) Includes municipal general, hospital, education and Region property tax rates (as applicable).

2) As applicable, assumes new office construction (full - no excess land)

3) Assumes 75,000 sf new commercial office building, average net asking rent of $20 psf per year, and a cap rate of 6.5% or hypothetical assessment value of $23.1 million.

4) Commercial general tax rate, which includes municipal, education and City

4.7.2 Development Charges

Development charges (DCs) represent one of the most significant soft costs in high-density office development. These fees alone can often render the most modest projects unfeasible, especially in weaker market areas. The relaxation or elimination of these charges in areas where intensification of office development is being encouraged can have a significant impact on the viability of the project.

A comparison of the lowest possible one-time total DC rates by local municipality applicable to new office is provided in Tables 2 and 3. The tables assume the charges that would be applicable to a 75,000 and 40,000-sf building that is not to be occupied by population-driven office uses, such as medical or dental services. The fees noted are inclusive of local, upper-tier, education, special charges, and exemptions.

Currently, Toronto offers one of the most substantial DC exemptions by applying the total charge to only the ground floor portion of a new office building. Outside of Toronto, Peel municipalities generally have the lowest rates relative to York Region, with Brampton holding slight advantage over Mississauga.

However, as of June 14th, 2019, Brampton Council also adopted a new DC bylaw that exempts charges for office construction above 50,000 sf that is not to be used for population-related commercial-office uses. Where this is the case, Brampton currently has one of the most favorable office rates. As this incentive is relatively new, its effectiveness is not yet known. NBLC is aware of one speculative office project located at the northeast corner of Queen Street East and Gore Road that has taken advantage of the new Office DC exemption. However, it is unclear to staff whether the advancement of this application was due to the new DC incentive or a result of moving forward with planning approvals, which had been underway for a long period of time already.

Table 2

Comparison of Non-Residential Development Charge Rates for Hypothetical New 75,000 sf Office, Effective February 1st, 2020	Development Charge Rates / SM				Total DC Rate / SM	Hypothetical Total DCs	Min. Savings/Loss
	City / Lower-Tier Charge	Regional Charge	Education Charge	Other Charge			
Brampton	$0.00	$227.82	$9.69	-	$237.51	$1,654,904	-
Mississauga[1]	$116.11	$231.66	$9.69	$14,965.00	$357.52	$2,491,075	$836,171
Caledon	$57.10	$230.11	$9.69	-	$296.90	$2,068,718	$413,813
Toronto[2]	$390.82	-	$12.06	$36.88	$402.88	$401,018	($1,253,886)
Vaughan[3]	$156.53	$246.39	$12.17	-	$415.09	$2,892,233	$1,237,329
Richmond Hill[4]	$64.53	$246.39	$12.17	-	$323.09	$2,251,202	$596,298
Markham[6]	$118.59	$246.39	$12.17	-	$377.15	$2,627,877	$972,973

Notes:

1) Includes Storm Water Management Development Charge as per ha rate for Mississauga under "Other". The total rate adjusted to included SWM, assuming 0.4 ha site for office. 2) Includes Toronto Green Standard Program - TIER 2, 3 and 4 CAP - prior to potential rebate - under "other" and calculates hypothetical total based on ground floor area only. 3) Excludes area specific rate - VMC rate is an additional $5.39 to $8.04 per sm GFA for sanitary improvements and $781,197 per ha for SWM Pond Retrofit works; 4) Excludes area specific charges; 5) Excludes area specific rate for Markham Centre of between $8,712 to $1,635,025 depending on the precinct. 6) Before any additional area specific changes.

Table 3

Comparison of Non-Residential Development Charge Rates for Hypothetical New 40,000 sf Office, Effective February 1st, 2020	Development Charge Rates / SM				Total DC Rate / SM	Hypothetical Total DCs	Min. Savings/Loss
	City / Lower-Tier Charge	Regional Charge	Education Charge	Other Charge			
Brampton	$117.08	$227.82	$9.69	-	$354.59	$1,317,699	-
Mississauga[1]	$116.11	$231.66	$9.69	$14,965.00	$357.52	$1,328,573	$10,874
Caledon	$57.10	$230.11	$9.69	-	$296.90	$1,103,316	($214,383)
Toronto[2]	$390.82	-	$12.06	$36.88	$402.88	$213,876	($1,103,823)
Vaughan[3]	$156.53	$246.39	$12.17	-	$415.09	$1,542,524	$224,825
Richmond Hill[4]	$64.53	$246.39	$12.17	-	$323.09	$1,200,641	($117,058)
Markham[6]	$118.59	$246.39	$12.17	-	$377.15	$1,401,535	$83,836

Notes:

1) Includes Storm Water Management Development Charge as per ha rate for Mississauga. Total rate adjusted to included SWM, assuming 0.4 ha site for office. 2) Includes Toronto Green Standard Program - TIER 2, 3 and 4 CAP - prior to potential rebate - as "other" and calculates hypothetical total based on ground floor area only. 3) Excludes area specific rate - VMC rate is an additional $5.39 to $8.04 per sm GFA for sanitary improvements and $781,197 per ha for SWM Pond Retrofit works; 4) Excludes area specific charges; 5) Excludes area specific rate for Markham Centre of between $8,712 to $1,635,025 depending on the precinct. 6) Before any additional area specific changes.

4.7.3 Land Value

Some office investors will make location decisions with a view to keep land costs as low as possible. This is particularly true for owner-occupied buildings, in less developed and intensified areas of the city. Lower land values would also be an expectation where an office site offers few positive market attributes, and therefore, lower rents. As illustrated in Table 4, commercial-office land in Brampton tends to be amongst the lowest in the GTA.

Table 4

Comparison of Office Land Values for for Hypothetical Four Acre Develpment Site, As of Q1 2020

	Avergage Price Per Acre	Avergage Price Per SF	Estimated Purchase Price	Min. Savings/Loss
Brampton	$1,070,000	$25	$4,280,000	-
Mississauga	$1,220,000	$28	$4,880,000	$600,000
Toronto	$13,360,000	$307	$53,440,000	$49,160,000
Vaughan	$1,740,000	$40	$6,960,000	$2,680,000
Richmond Hill	$1,600,000	$37	$6,400,000	$2,120,000
Markham	$3,200,000	$73	$12,800,000	$8,520,000

Source: Costar and N. Barry Lyon Consultants Limited. Notes: Includes only commercial land transaction from 2015 to Q1 2020, with the proposed use identified as possibly including office, excluding mixed-use (residential office).

4.7.4 Summary of Economic Competitiveness

As noted, Brampton currently offers competitive development charge rates and land values, however property taxes are higher than directly comparable locations aside from Toronto. Brampton also has lower rents than other competing nodes. The implications are that Brampton is generally competitive from a cost/value perspective, however rents are too low to justify significant investment, and operating costs (i.e. property taxes) likely further exacerbate this issue.

Incentives that further reduce operating costs, capital costs, and improve revenue could be considered to further improve the City's competitiveness. But it also highlights the other factors necessary for office investment that are not directly linked to financial considerations.

4.8 Competitiveness Looking Forward

Below is a discussion of potential shifts in future demand.

4.8.1 Shifting Demand

NBLC anticipates that, overtime, many tenants will be priced out of the most popular office nodes – namely the Downtown Toronto and the 'brick and beam' Downtown East and West nodes. Tenant demand may therefore redistribute to Downtown Fringe and alternative suburban office nodes, particularly from small to medium sized business. Many regional headquarters may reconsider location, as we have seen in Vaughan, to be more proximate to affordable housing options for both employees and employers, NBLC is already seeing this in Toronto, for example, with some creative industries being priced out of Liberty Village and now looking a short distance to the north in the Junction Triangle, with Ubisoft and Hines recently investing in this neighbourhood. A similar move to properly planned and attractive suburban office nodes could also be possible, especially as many employees seek a better work / life balance with or without the possible impacts of the current COVID-19 pandemic on office markets.

4.8.2 Other Emerging Office Nodes

The above shift may be positive for Brampton's office market, but it is important to appreciate that various existing and emerging suburban office nodes will compete against each other to attract a share of future growth.

While there is no new construction underway in the surveyed established and growing suburban office nodes, there are a number of 'alternative office locations' that are intended to develop over the next decade and may present a threat to Brampton's ability to attract an increasing share of regional office demand. Some of these nodes are:

- Downsview / PSP / Northcrest Lands (Toronto)
- East Harbour /CF, Former Lever Site (Toronto East)
- Mississauga City Centre / Oxford Redevelopment
- Buttonville Airport (Markham) – currently at LPAT and for sale
- Christie Site (Lakeshore East GO – Toronto West)
- Inspiration Port Credit (Lakeshore East GO – Mississauga)
- Don Mills and Eglinton (Eglinton LRT, Ontario Line)
- Yorkdale Shopping Mall (Toronto)

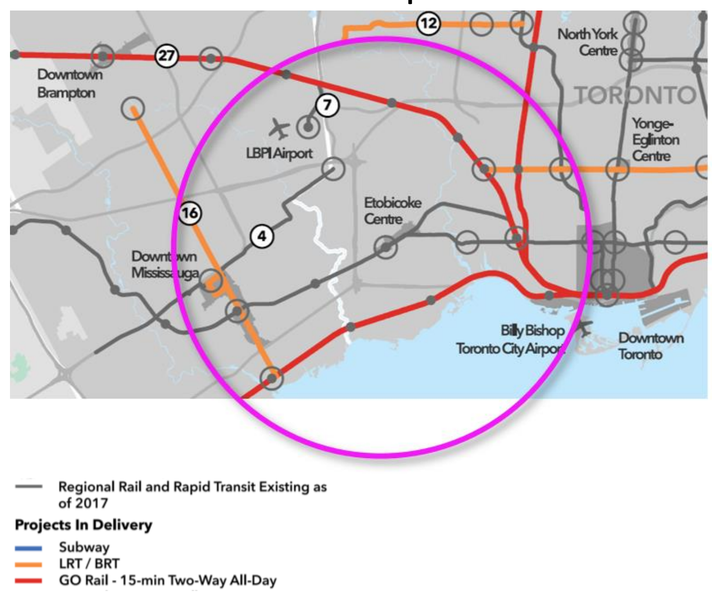
While all the areas listed above are suburban infill locations, many are notable as they are well-connected, central and large sites that are intended for a paradigm shift in terms of the land use mix and density, as well as introduction of multiple modes of higher order transit in some instances.

By virtue of also being subject to developer-led master planning process that will reset the underlying land use permissions, many potential investors may be attracted to these areas over the longer term given greater certainty with regards to the development potential and overall community vision at full-build out. This trend pinpoints the need to fulfill several factors influencing office investment aside from financial considerations such as a walkable and mixed-use community centred on high-order transit. Many suburban locations are planning for this environment as a strategy to attract office investment, with the VMC being the latest node to find success.

Below: Downsivew / Former Bombardier / PSP Future Development Lands; Above: Mississauga City Centre / Oxford Lands

It is also important to appreciated that the Province and area-municipalities are currently investing in transit infrastructure across the GTA. Many strategic real estate markets or nodes within the GTA will be impacted by improved transit service levels, with some portion of office demand directed to these areas. While many market attributes need to be in place to attract a share of future office growth, higher order transit nodes which are closest to the most dense employments zones in the region – namely Downtown Toronto and the Airport Megazone – are most likely to respond positively in terms of attracting interest in major office development.

Figure 14 – Future RER and Other Higher Order Transit Station Locations Downstream of Brampton or Closer to Union Station



Source: Metrolinx, 2041 Regional Transportation Master Plan.

4.9 Key Drivers of Change in Brampton

Beyond the current market context and overall competitiveness within the suburban office market, there are several other factors beyond rents and operating costs that will have a bearing on the attractiveness and absolute level of office demand in Brampton over the next decade. Many of these factors (e.g. transit, public realm improvements) may be a further catalyst to improved market conditions and indirectly guide office investment to some areas of the city over others.

Depending on the impacts on commercial real estate markets, these future influences on demand may present an opportunity to align financial and non-financial incentives and encourage greater office investment and overall market momentum in a few strategic areas – improving efficiency of public spending – or conversely, meaning that such incentives are not needed or only needed over a brief period of time. A map illustrating the location of current planned capital improvement, infrastructure and other planning projects is provided on the following page and described to follow.

Of note, many of these initiatives relate to the improvement of areas in the city that are also part of 2018 to 2022 Term of Council Priorities – namely, aimed at stimulating revitalization of the Downtown Brampton and development of Uptown Brampton.

4.9.1 Improved Transit & Impacts on Real Estate Markets

The introduction of future higher order transit and potential impacts on real estate markets is perhaps most important to understand in terms of attracting greater major office investment in Brampton.

It is generally understood that new rapid transit can have significant impacts 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. Land use and planning issues will naturally vary along new transit corridors or around Major Transit Station Areas (MTSAs), and as such, each will experience varying levels of investment interest, pressure for land use change, and timing of redevelopment at different urban densities.

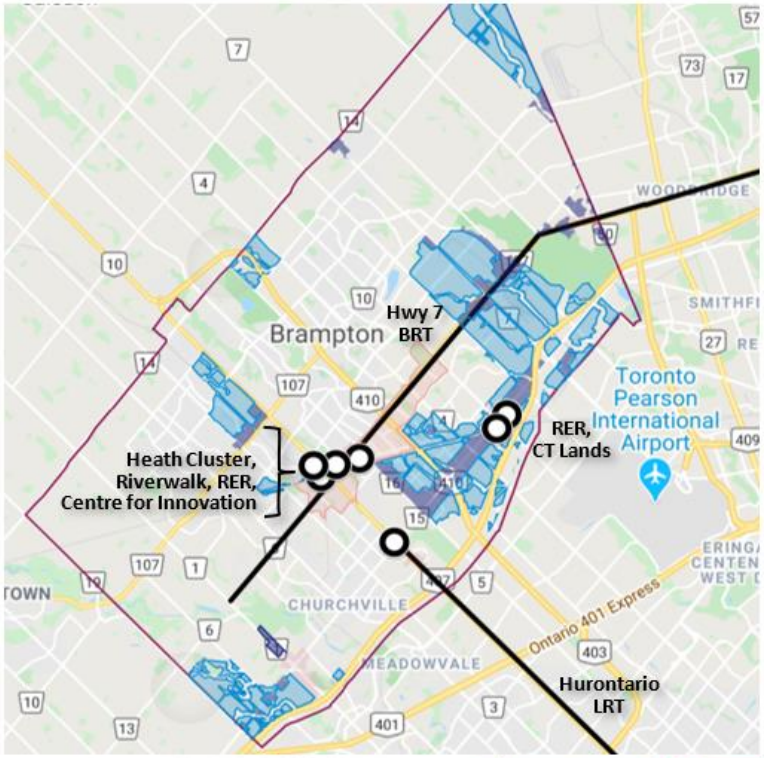
Office investment will likely only occur in any significant way once new transit service has committed funding, and evermore, when service is operational.

Demand for office spaces will also be greatest where there is multi-modal higher order transit and/or also offering the best possible access to highways. This is because the possible commuter shed will be much larger to draw from. As discussed in Subsection 4.1, access to labour and attracting / retaining talent is one of the most important drivers of demand for office space.

The Hurontario LRT

The future Hurontario LRT will be complete by 2023, which runs approximately 18-kilometres in a dedicated right-of-way, with 19-stations, from Port Credit to Brampton Gateway at Steeles. Demand for a range of office type uses along this corridor, including in South Fletcher's Courthouse, is likely to grow over the longer-term due to the presence of LRT. This is assuming there is a supply of suitable development sites.

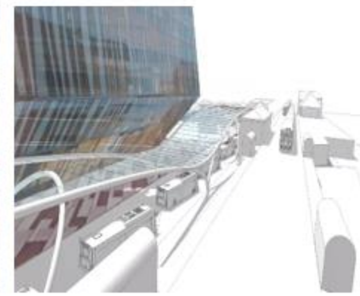
Figure 15 – Location of City Building, Infrastructure, Capital Improvement Projects, and other Potential Key Drivers of Change



Future dedicated right-of-way, road widening and public realm improvements along Queen Street East. Source: City of Brampton / Cicada Design

Artistic Rendering of a future Centre for Innovation

Riverwalk valley land naturalizing and public realm enhancements and Downtown Intensification potential.



Bus / Transit Integrated Development at the future Centre for Innovation

Proposed Shoppers World redevelopment. Source: Development application concept plan, 2019-9-26.

RER & Multi-Model Transit

William Osler Health System – Peel Memorial Centre for Integrated Health and Wellness.

Central Area
Office
Business Corridor
Industrial

Possible evidence of office investment along this corridor is already occurring with an increase in construction primarily in the Mississauga portion of the Hurontario Corridor / Mississauga Gateway. this area has recorded significant new supply over the last two decades, growing by 2.8 million sf. Of the 2.8M sf of inventory, nearly 500,000 sf is located within a cluster of four new buildings that occupied around 2015, in what is called the Gateway Centre, flanking the future Hurontario LRT corridor.

In this instance, it is assumed that the presence of higher-order transit will put upward pressure on demand across all real estate markets and rents, and encourage a greater intensity of development over time, and need for a full range of traditional office, professional / medical population-serving uses, and other commercial amenities in the South Fletcher's Courthouse office node and extending upwards to the existing Shoppers World site at Steeles and Hurontario. The Shoppers World node is currently contemplating the addition of three-office towers of 11 storeys within the context of a larger mixed-use (residential and retail-led) redevelopment of the mall.

Notwithstanding this proposed transformation, it is important to appreciate that the LRT primarily connects riders to employment and residential areas to the north (Old Brampton) and south (Mississauga), and therefore, will not be viewed as a market attribute to all future office tenants. As a result, access to affordable parking will likely continue to be equally important along this corridor. This is already suggested by reliance on surface parking (no structured or underground parking) within Gateway Centre.

Regional Express Rail

In total, sixty-four GO Rail stations currently serve thousands of customers daily throughout the GTA and Hamilton. With work already underway to build a connected transit network that supports more frequent, electric (30% faster), uninterrupted (two-way, all-day, every 15-minute) regional transportation service, Metrolinx is looking at a number of locations for potential new stations and station renovations to support more frequent, electrified train service. This type of two-way, all-day service will change the nature of service today, from commuter-service primarily serving persons working in Downtown Toronto, to encourage destination (employment, mixed-use) stations upstream of the core.

These service level enhancements, referred to as RER or GO Expansion, include the Kitchener Line. The Kitchener Line currently provides commuter rail service to Brampton residents at Bramalea, Brampton (Downtown) and Mount Pleasant GO Stations. While all stations are / will receive improved train frequency, the RER (two-way, all-day, every 15-minute) service is currently expected to terminate at Bramalea Station. This means that along the Kitchener Line, over the shorter-term, the Bramalea Station area has the greatest potential for positive impacts on real estate markets (encouraging greater density of use – major office) – as well as downstream stations along the same line (e.g. Malton, Etobicoke North, Weston and Mount Dennis).

The current planning at Bramalea Station does not permit residential uses and is not an area with a strong public realm given its primarily industrial context, which is likely to limit investment in higher density office development. However, this area also contains large parcels containing industrial uses, and therefore has a built-form structure supportive of new suburban office development. A context similar to VMC could be possible here, however significant improvements would be required to leverage the improved transit service and create a mixed-use environment with a strong public realm.

RER service is not currently funded to the Brampton GO Station, as significant design challenges exist in terms of introducing additional rail lines to accommodate train electrification and/or sharing the corridor with CP rail. However, NBLC is aware that discussions are underway to resolve these issues and it is possible RER service could eventually be extended to Downtown Brampton, changing overall conditions for major office investment.

Queen Street / Hwy 7 Bus Rapid Transit

The Province is also working with the City of Brampton, Brampton Transit, Peel Region, and York Region to develop a framework for advancing rapid transit along the Queen Street-Highway 7 corridor. Existing Züm (Brampton) bus services on Queen Street would transform to a full rapid transit standard – in a truly dedicated right-of-way. Planning for BRT in dedicated lanes will improve reliability of service for riders, along with adding improved east-west connections across the region. Upon completion, the BRT would be connected to the Viva (York) BRT rapidway, which runs from the most western edge of Vaughan and will eventually terminate in Markham Stouffville in York Region.

The current projected timeframe for implementation is five to ten years, albeit subject to funding and approvals. This improvement would add to intermodal connections in Downtown Brampton.

4.9.2 Public Realm Improvements – The Central Area

Major infrastructure investment, such as introduction of improved transit, presents an opportunity to introduce some public realm enhancements particularly most efficiently where roads, utilities, etc. are being moved, improved or replaced already. This would include possible public realm improvements along the improved Queen Street / Highway 7 BRT corridor and around future RER stations.

Along the Queen Street corridor, a Master Plan has recently been completed that envisions long-term revitalization and urbanized intensification. Overall, the completion of the master plan is positive from a market perspective in terms of providing a roadmap or greater level of clarity to existing landowners and potential investors in terms of achievable density and preferred built-form when the local market increasingly supports investment and private-landowners consider redeveloping their lands.

4.9.3 Other Capital Projects – Downtown Brampton

The City of Brampton and local community stakeholders (e.g. Business Improvement Area BIA and its members, Toronto and Region Conservation Authority TRCA, CN Rail, amongst others) are actively working together to improve conditions in Downtown Brampton. This work builds on previous and on-going municipal investment such as the relocation and development of new office towers to accommodate City of Brampton Administration and Council, development of the Rose Theatre, streetscaping improvements at the historic Four Corners, as well as the recent completion of the Peel Memorial (Hospital) Centre for Integrated Health and Wellness. It also builds on the existing architectural character of Brampton's traditional main street.

Riverwalk

A key challenge for investment in the downtown has been the fact that it lies within the Etobicoke Creek floodplain. Provincial policies around hazard management have restricted the type, location and amount of development that can occur in this area.

The Riverwalk project is a major capital project initiated by the City that is intended to provide an innovated engineering solution to flood risk in the area. Not only should this unlock some urban growth potential, by virtue of increasing the range of uses and reducing development costs, it will also enhance access to the creek as a renewed amenity and market attribute for area residents and workers.

Through an on-going Environmental Assessment process, the TRCA and City of Brampton are working together to find possible solutions to protect Downtown Brampton from future flood events while improving potential for revitalization of the area. The result of this process is a preferred Alternative Solution. A preferred Alternative Solution Design has been identified and is currently under review. Project components present opportunities to enhance the social environment in the downtown by improving the character, image and programable areas, as well as remove significant areas (19 hectares) for the existing Regulatory Flood Plan from Special Planning Area 3 (SPA 3), located north of Wellington Street.

While new development densities have yet to be identified, this regulatory change generally will increase opportunities for a full range of residential and commercial development. Introduction of a greater range of uses and densities, overall, would enhance activity and vibrancy in the downtown and have the indirect impact of improving the overall marketability of the downtown for greater office development. Upon completion, the greatest incumbrance on development in general will be site-specific development limitation on project scale, heritage impacts, feasibility of parking and circulation.

Brampton Innovation District

While Provincial funding commitment to establish a Ryerson University campus in Downtown Brampton was cancelled in 2018, efforts continue to develop a full ‘Innovation Ecosystem’ that would support entrepreneurs seeking assistance in Brampton, at every stage of business development. This is being done by providing spaces designed to bring people together, enable brainstorming opportunities, help kickstart of new projects, etc. Primarily led by Ryerson in terms of providing access to mentorship and networking opportunities, to date, advancement has included the establishment of:

- the Rogers (Ryerson) Cyberspace Catalyst.
- Brampton Entrepreneur Centre (Ideation and Co-working space) at 41 George Street in Downtown Brampton.
- a Research Innovation Commercialization Centre (RICC) program, which provides technology-focused support and ‘Entrepreneur-in-Residence services
- the Ryerson-Brampton Innovation Zone (Start-Up Incubator).

Of note, the City also signed an agreement with Algoma College to increase enrollment from only 100 to 1,000 students over the coming years.

The above services are occupying existing city properties in the downtown. Overall, the accommodation of these services in Downtown Brampton is viewed as a continued step towards eventual opening of a post-secondary campus in the area.

A particularly successful example of the City providing support is providing space at the City Hall – West Tower to accommodate a new co-working space. While offered for free for 12-months, as a pilot project, this co-working space has fully occupied since opening its doors and has a waiting of local entrepreneurs interested in its services. The ultimate vision is to build a Centre for Innovation as a partnership with Ryerson and Sheridan College adjacent to an enhanced Downtown Brampton GO Station.

The popularity of the Co-working space demonstrates demand from small start-up size business's, preferably in the downtown and Queen Street Corridor, and future need for additional space which allow them to scale-up.

4.9.4 Large Private Landowners

There are also a number of owner/occupants within the city that, by virtue of their large landholdings could transform different parts of the city if interested. This notably includes RioCan's Shopper's World site and the former Canadian Tire distribution site adjacent to Bramalea GO Station.

- By virtue of such a large land base (intensification potential), single ownership, and in this instance, developer interest and potential for integration with a terminus station, the Shoppers World project suggests possible market support for mixed use intensification (not necessary commercial-office in initial stages), and overall, could single handily be a 'game changer' for Uptown Brampton, sending positive market signals to surrounding private landowners and accelerating overall investment interest.
- Depending on landowner interest, business plan, and a revised planning framework, another significant site in Brampton which could present a catalyst for intensification (including some component of commercial development) is the Canadian Tire distribution site. While still appearing to be used for some warehousing and distribution, this site is generally under-utilized for its current purpose and is also located adjacent to Bramalea GO Station with future RER service. However, the property does not permit mixed-use and residential permissions and is unlikely to generate market interest for an office development given current planning and market context.

4.9.5 Municipal Development Corporation

NBLC also understands that the City is exploring the potential of a Municipal Development Corporation to assist the City's Realty Services team in maximizing the City's real estate assets and implement municipal objectives through strategic acquisitions and partnerships, which may lead to potential focus on municipal investment / intervention in strategic areas in the city. Areas under consideration include:

- Downtown Brampton, as a result of recent public investments in transit, post-secondary institutions, the new Library and Riverwalk; the CAA lands (also in Uptown Brampton); the Civic Centre; lands in vicinity of Gore Meadows; and, the Flower City Community Campus.

4.10 Key Observations

Overall, the City of Brampton has not been attracting a significant amount of office development over the past decade, which is largely because office development has become increasingly concentrated within Downtown Toronto and a select few suburban nodes.

This market shift poses a risk for achieving the city's intensification objectives and employment targets overall. Based on office employment projections provided in the City's most recent Development Charges Background Study (2019), it was anticipated that Brampton could attract demand to support an additional 6.8 million sf of major office space (or 378,000 sf annually) from 2019-2041, at a benchmark of 250 sf per office worker. This represents more than four times the amount of activity that has occurred over the past ten years.

Based on planning permissions and policies in current secondary plan areas, the achievement of these targets would generally occur through the intensification of the Central Area, Office Nodes, and Business Corridors planned for intensification given a supportive planning framework (e.g. Hurontario – Main Corridor, Bram West, Downtown Brampton and Queen Street Corridor, Bramalea Road South Gateway and Bram East SPAs). However, this has not occurred in a significant way, aside from some growth at the edge of a select few designated Business Corridors (at the edge of traditional industrial areas).

In Brampton, even properties that are well serviced by transit are likely to require parking over the short to medium term. This will require that developers seek large properties that can accommodate surface parking. It is likely that areas requiring significant underground parking will remain challenged in terms of attracting new investment and the delivery of new projects.

Brampton's main competitive advantage is regionally competitive pricing. However, this marketing advantage is also its Achilles heel from an investment stand-point, particularly to support high-density, mixed-use infill and multi-tenant spaces in places like the Central Area (including Downtown Brampton) or designated Office nodes with fewer vacant parcels (i.e. South Fletcher's Courthouse node). This is evident by the fact that only two multi-tenant office projects (non-condominium tenure) have been delivered in Brampton over the last decade.

The office market in Brampton is also highly dispersed, with no concentrated node of investment occurring. The dispersed nature of office investment presents a key challenge in terms of:

- generating market momentum and creation of agglomeration economics.
- shifting away from dispersed suburban office paradigm to higher-density job growth.
- animating densely populated employment areas and supporting viability of retail and other amenities.
- ultimately, achieving the desired people to job target.

To re-direct growth and encourage higher density office development, Brampton Council has adopted a CIP for its Central Area. However, the existing financial program offered through the CIP appears to have had very limited success in terms of helping investors overcome market conditions (i.e. low absorption levels and rents) and the costs of construction. The lack of success could also be attributed to the location and context of the Central Area that either does not meet the demand characteristics of tenants and investors, requires underground parking, is limited by heritage or other planning issues, and/or the presence of the floodplain.

Building off the above, Brampton already has Regionally competitive land prices and development charges relative to its key competitors. Further, the City offers development charge relief and other incentives through the existing Central Area CIP. Notwithstanding this, there have been few projects to take advantage of this context and limited office development overall. This issue speaks directly to the discussion throughout this section, that there are many factors that influence where high-density commercial investment occurs, and many are not directly tied to financial considerations.

The emergence of locations such as the VMC should provide some optimism of what can be achieved through the right combination of transit investment, planning framework (mixed-use master plan with a focus on office, residential, and retail), financial incentives, and developers buying into the long-term vision of the area.

The VMC offers a directly comparable situation to Brampton, as the City largely had no clear office node. Through direct intervention, the City created a new downtown from an area largely dominated by big box retail and low-density industrial uses. The City took an aggressive approach to planning a high-density and mixed-use downtown consisting of residential and office towers, parks, retail, and walkable urban amenities that are all anchored by a new TTC station. In addition to the master plan and implementing secondary plan, the City also provides an incentive program through a CIP (DC deferral, DC locked in at 2013 rates, 10-year TIEG, Cash-in-Lieu of parkland reduction) to assist with office development. While the CIP is complementary, the major driving force leading to the success of the area was the planning and infrastructure investment, which clearly established the area as the City's location for new high-density investment. The key challenge moving forward for this area will be how to accommodate parking underground as infill development continues to occur.

Overall, the findings of our research indicate that direct municipal intervention through a CIP is necessary to improve the attractiveness of office development in Brampton. In particular, financial incentives would be best targeted to multi-tenant office buildings to offset the challenges these projects face, as discussed in this section, as well as to encourage a greater supply of owner-occupied projects that Brampton has been experiencing in recent years. Incentives that target both capital (development charges, application and building permit fees, capital grants, parking solutions) and operating costs (property taxes, tax increment grants, construction financing) should be considered, and will be evaluated in more detail in the next section of this report.

However, other strategies are also necessary. This includes continuing to advance many of the positive city-building, infrastructure, and other capital improvements previously discussed. Optimistically, Brampton is already making good progress on many of these factors that will improve the attractiveness of the community for office development (e.g. GO RER, Riverwalk, Downtown University and the Innovation District, BRT and LRT, etc.). Financial incentives could be targeted to areas already part of the Term of Council Priorities, particularly where investment conditions are most challenged, including in the Downtown, followed by Bramalea GO that will benefit from two-way, all-day GO in the short to medium term, and portions of the Queen Street Corridor that are within the UGC. A master plan for Bramalea GO in advance of, and conjunction with, financial incentive tools could also go a long way to transform this part of the city and take advantage of rail and highway connectivity over the longer term.

5.0 The Incentive Landscape in Ontario

Despite lower operating and capital costs relative to other 905 competitors, market rents and demand for office space in Brampton is generally low and often not sufficient to attract significant development activity. A growing desire to see parking underground in urban areas, such as in Downtown Brampton or along the future Hurontario LRT corridor, presents further economic challenges. There are tools however that have been developed in other jurisdictions that have helped address these issues and supported new office investment to a varying extent. These tools have also been used to attract a greater share of owner-occupied office buildings.

5.1 Incentive Program Best Practices

The following is a best practice review of other incentive programs and the typically tools being offered across Ontario by regional, single and lower-tier municipalities and some examples of their application and a rationale for using each. Table 4 lists the programs designed to encourage employment growth. A more detailed evaluation is provided in Appendix A.

- A *one-time rebate of processing fees* (e.g. Planning Act application fees, building permit fees) is often found in CIPs. The intent of such relief is to reduce upfront development costs and improve development feasibility for office investment.

Table 5: Select Incentives Offered for Office Investment in Across Ontario

Incentive Programs	Toronto	Region of York	Vaughan	Markham	Richmond Hill	Peel	Mississauga	Brampton	Hamilton	Oakville	Halton Hills	Region of Waterloo	Waterloo	Kitchener	Niagara Region	Niagara Falls	Welland
Rebate of processing fees							X				X		X				X
Environmental testing and other initial due diligence										X			X				
Grants or tax relief - brownfield remediation	X									X							
Development charge deferrals		X	X						X								
Development charge reduction or grants			X					X							X		
Tax Increment Equivalent Grants (TIEGs)	X		X		X		X		X				X		X	X	
DC Bylaw waivers / exemptions / reductions	X			X				X	X			X					
Other*			X				X			X				X			

Notes: * such as parking reduction or other progams, CIL parkland reductions, aquistion / disposition strategies, tenancy assistance.

- *Grants for environmental testing and other initial due diligence* can help an investor better understand the nature of the development site prior to making any major investments and allowing for better capital planning. This can be particularly valuable if employment growth is to be directed or encouraged in established areas (e.g. Brampton's Central Area) where there is a legacy of possible contamination (e.g. car dealership and service stations, paint and other chemical distribution / warehousing, etc.)

  Like the above, grants or tax relief can also be offered to offset costs of Brownfield remediation if such a project is further pursued.

- Perhaps most common amongst financial incentives are *deferrals or grants in lieu of development charges*, which can significantly reduce the soft costs associated with any development thereby improving the bottom line of the project, increasing profitability to acceptable levels.

- Below are successful examples of the use of such financial incentives:

  - In 2014, the City of Vaughan began preliminary work to develop criteria for a CIP to attract major office to its downtown – the VMC. With incentives retroactively applied to eligible developments, a 'toolbox' of incentives came into effect, including a development charge reduction program as a limited time offering. In this instance, the DC rates are set at 2013 rates (a 38% reduction) for office buildings or office component in a mixed-use building if over 75,000 sf. Thus far, four office-only projects have been awarded this grant, equating to delivery of 724,000 sf total (or 1/2 of allocated funds and intensification target).

  - The above DC reduction for the VMC is complemented by a Development Charge Deferral program offered by the Region of up to 18-months, with two office projects of 760,000 sf of new space delivered with assistance of this program. While a new Large Office Buildings Development Charge Deferral – Pilot Policy project has just been approved by Regional Council to provide greater deferral inducements according to office project size, it has yet to be utilized.

  - The above scenario points to the possible need for a Regional Municipality to match funds to overcome significant market hurdles and competitiveness with other office nodes (e.g. the VMC). This is partly the impetus behind York's Large Office Buildings DC program. In effect, without Regional incentives, it is understood that the City portion of the deferrals will not likely be enough to attract interest.

  - Recognizing the above, the Regional Municipality of Peel is now exploring appropriateness of a Major Office financial incentive program to also assist lower-tier municipalities achieve greater employment growth.

- Overall, it is important to appreciate that such *development charge deferrals or waivers* can also be used without a CIP to incent office development through use of a Development Charge Bylaw – either city-wide or area specific.

  - As previously mentioned, an example of this is Toronto offering one of the most substantial DC reductions by applying the total charge to only the ground floor portion of a new office building. This alone would have significant reduced soft costs for some of the largest office projects in the City (often upwards of 750,000 sf per building). Appreciating the changing economic of development, the above 'discounted' method of calculating the total development charge levy for office is under study.

  - Brampton's waiver for some new office over 50,000 sf could achieve the same end. Over the past decade, Brampton has seen the addition of 14 new office developments, and 10 have been over the 50,000-sf threshold. However, the waiver is only applied to new buildings containing office uses other than neighbourhood commercial, which serve the general population and do not require an incentive to encourage growth. Of the 10-abovereferenced projects, over half are condominium in tenure that are directly marketing as medical arts buildings or are imbedded in community areas with neighbourhood type commercial uses. As such, it is likely few would have qualified for the current DC waiver.

- While many other upper- and lower-tier municipalities also offer DC reductions (e.g. Markham – 25% discount on DC for the portion of new office over 100,000 sf) and deferrals (e.g. York Region, Markham, Richmond Hill), like Brampton, these financial incentives are relatively new. As such, there has been no uptake and they have yet to be fully tested.

- Overall, these upfront financial inducements will reduce initial development costs and could take pressure off the need for short term and expensive mezzanine or secondary financing. As a result, where utilized, they could have a significant impact on the negotiations for primary financing, as interest cost represent a significant component in the development proforma.

- One of the other most common financial incentives are also *Tax Increment Equivalent Grants* (TIEGs). TIEGs allow the increase in municipal property tax to be refunded in full or partially over a period of time. A TIEG will generally function in one of two ways:

  - Owner Occupied Buildings: A TIEG will directly reduce the property tax paid, thereby reducing the project's operating costs over the length of the program. This can make Brampton an even more appealing location for these projects.

  - Multi-Tenant Buildings: A TIEG will reduce the property tax paid, which will reduce the gross rent paid by a tenant through a typical "triple-net lease" arrangement. In this arrangement, a tenant pays a net rent to the landlord in addition to the gross rent that covers items such as insurance, utilities, and property taxes. A TIEG therefore will lower the effective gross rent paid by a tenant, which can significantly improve the marketability of the project. This "pass through" benefit to a future tenant assists the developer with marketing space and can positively impact their decision to move forward with a project.

- The main advantage of TIEG is that it does not require annual allocation of funds for the financial incentive itself, as a developer will pay the full property tax amount owed each year, and the City will refund the amount net of the pre-development tax amount. The City therefore continues to collect the pre-development tax amount for the property, and the full amount of the post-development tax once the TIEG has expired.
  - Notwithstanding the above, the cost to deliver a TIEG is the foregone revenue that would have been collected otherwise if the TIEG was not in place. Development generates additional operating and infrastructure maintenance/replacement costs (Transit, Fire, Public Works, etc.). Foregoing revenues places a higher burden of taxes on existing taxpayers, and is therefore, like providing a grant.
  - The City of Toronto's Imagination, Manufacturing, Innovation, Technology (IMIT) Property Tax Incentive program is an example of a successful TIEG program. IMIT was introduced in 2008 by way of three separate CIPs in response to slow employment growth. This program was designed to target Toronto's key industry sectors, economic development objectives, and unlock the development potential of contaminated sites. Amongst other factors, the IMIT program has been a catalyst for transformation of Downtown Toronto. However, with vacancy at historic lows and rapidly escalating rents, incentives are now unlikely to be a deciding factor in whether to invest in Downtown Toronto, and its continued need is being re-assessed.
  - Over time, barriers to investing in Downtown Toronto (e.g. high commercial tax rates, land costs, and development complexity) have been offset by both higher commercial service levels, lifestyle amenities, overall tenant attractiveness to Toronto's Downtown, particularly its Financial and South Core, lower availability and higher rents. The result has been an increasingly attractive location for investment. Appreciating the changing economic of development, as of 2020, IMIT program has been re-assessed and amended (appealed to the LPAT) and is to no longer apply to the downtown.
  - A TIEG is also an effective choice as it largely incents tenants, rather than the developer, by reducing gross payable rent. This has the effect of improving demand and attractiveness of the space, leading to quicker lease-up, rather than putting money directly into the developer's pocket.
- *Façade and signage improvement programs* are very common too, particularly within Business Improvement Areas (BIAs). Such building improvement loan/grant programs are typically used to help mitigate risk associated with public perceptions of retail or service commercial developments and areas that may not have the resources for exterior improvements. The net gain of such a program is generally an improvement to the overall character of a commercial area, which is positive for the overall enjoyment of the public realm and community building. As mentioned, such programs could however be extended to improve highway signage / attractiveness of traditional employment areas. They typically would be

offered on a match funding basis, with a cap. However, these types of programs do not add additional commercial space to accommodate employment growth. While these programs may complement incentives targeting the addition of commercial space, these programs are not discussed further for the purpose of this report.

- *Capital improvement grants* are also used to allow for the adaptive re-use of underutilized properties and conversion of existing industrial/residential/commercial-retail space to office use, but often on match funding basis between the owner or occupant and the municipality to a maximum of eligible costs; necessitating valuation and review of the work planned and undertaken. Like DC grants, these types of programs also serve to offset upfront development costs and can be used to help an existing stock of commercial space from falling below contemporary or market standards, avoid state-of-good repair and functional obsolescence issues, and generally contribute to the revitalization of an area.
- A capital grant can also be used in-lieu of a grant or incentive tied to individual fees and charges (e.g. development charges). This would involve providing cash to a developer rather than reducing or refunding development charges or property taxes.
- Alternatively, as previously discussed, the City could consider amending its current *Change of Use Exemption* in its DC By-Law to encourage conversion from industrial to non-industrial uses, but the utilization of such reductions is typically limited where vacancy level are already healthy.
- It is important to appreciate a CIP also allows for non-financial incentives to stimulate or attract investment through their own activities. Section 28 of the Planning Act reinforces municipal *powers of expropriation*, as well as assembly and preparation of land for the expressed purpose of encouraging revitalization. Practically, these powers provide a Council with the authority to purchase key properties in a predefined CIP project area with the intent to prepare them to a point where they become more attractive to the development community. This could include a Council ability to: *purchase and hold lands; prepare lands (e.g. land assembly, site cleanup and associated studies, lot reconfiguration, planning preparations, demolition, clearing of land, grading, improvement); construction of buildings and other infrastructure; and marketing and disposition of municipally improved properties.*
    - For example, the Regional Municipality of Waterloo adopted a CIP for its Central (LRT) Transit Corridor, which includes all of the local growth centres, and implemented a Regional Reurbanization Facilitation Program (RRFP). This program provides Regional Council with the authority to purchase key properties in the CTC with the intent to prepare them to a point where they become more attractive to the development community. The criteria for identifying sites generally compares the potential for urbanization and community building versus obstacles to development.

NBLC has also observed some less common incentive programs. These include, but are not limited to:

- *Podium parking program* at the VMC / Hwy 7 / Weston area in Vaughan (e.g. Centro Square buildings).
- *Reduced parking standards*, as appropriate (e.g. KPMG Tower at the VMC). However, we caution, there needs to be appropriate multi-modal rapid transit in-place and market buy-in from tenants to enable the success of such a program.
- A *municipal parking programing* committing to the construction of a municipal parking garage with spaces leased/rented at below market rates in Mississauga City Centre (MCC). Alternatively, the City may co-locate a portion of municipally owned parking within a private office building development. The City would retain ownership of the facility/spaces for the long term. This tool has not yet been utilized.
- The Start-Up Landing Pad Program in Kitchener.
- Major vs Minor (Office) Activity Grants in Uptown Waterloo.
- Interest Free, Mezzanine Financing Assistance Program in Hamilton; albeit only utilized for high-density residential projects thus far.

5.2 Central Area CIP and Financial Incentives

Some of the above referenced financial incentives have already been tested, as the City of Brampton was the first local municipality in Peel to introduce a CIP bylaw, implementation guidelines and programs, starting in 2000, which is now applicable to its Central Area. While significantly enhanced in 2007, the CIP by-law and its programs are still available for use.

The Development Charge Incentives Program (DCIP) was introduced in 2000, but capped at residential units that could participate, as well as having a program expiry date of December 30, 2006. As of June 12th, 2006, an amendment was made to remove the expiry date and unit restriction, allowing Council to determine the program details. The programs made available by the amended (2007) CIP are:

- the DCIP;
- Façade Improvement Program;
- Development Application Fee Equivalent Grant Program;,
- Brownfield Tax Assistance Program;
- Tax Increment Based Grant Program (TIEG);
- Façade, Building Improvement Loan / Grant Program;
- Sign Permit Fee Subsidy Program; and
- Direct Investment / Development Partnership.

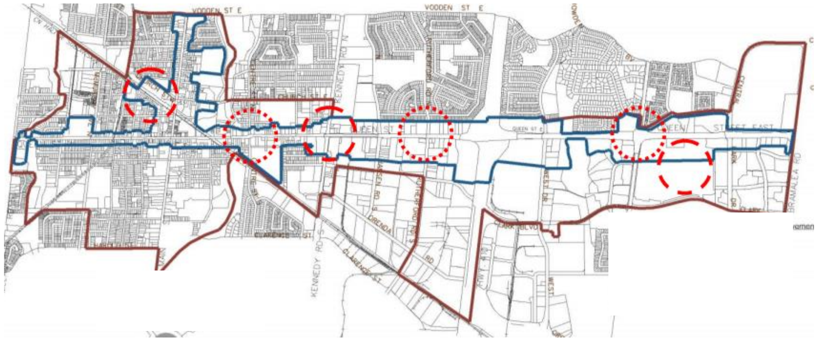
While a wide range of programs are available for use under the Central Area CIP, only a few have been activated with implementation guidelines and budget allocation. This includes the DCIP, Façade Improvement Program, and Building Improvement Loan / Grant programs.

Figures 16 and 17, on the following page, illustrate the boundaries of the Central Area project area, as well as the specific geographies for the DCIP and Building Improvement programs. While significant support has been awarded across 10 projects over the last 11 years, only one is a complete office project (490 Bramalea Road). There is an approved office application – the Atlas Healthcare Centre – but as previously discussed, not yet under-construction. Overall, the existing program has had very limited success in terms of incenting employment growth.

Brampton has since proposed an amendment that would add flexibility to the application of the DCIP program, specifically removing the restriction that limits their current DCIP program from only covering a portion of the City's development charge to allow Council to pay or defer some or all of the development charge required by other agencies. As these expanded development charge waivers are relatively new, the ability to encourage development has yet to be fully assessed.

As stated throughout this report, it is important to appreciate that the provision of financial incentives is not the complete solution. As illustrated in Figure 18, Brampton already offers a competitive commercial tax rate, possibility of some of the lowest development charges, and reduced land values. Many non-financial inducements may have a greater influence on the decision of investors, such as a strong public realm and walkable urban amenities, and high-order transit as planned the Central Area.

Figure 16 – CIP Project Area (Brown), DCIP Program Boundary (Blue), and Priority Major Transit and Intermodal Nodes (Red)



Source: Central Area CIP 2007 Development Charges Incentive Program Guide

Figure 17 – Downtown Brampton Building Improvement Program Boundary and Eligible Laneways (Grey)

Source: Downtown Brampton Building Improvement Program Implementation Guidelines

5.3 Administrative and Program Design Best Practices of Major Employment Incentive Programs

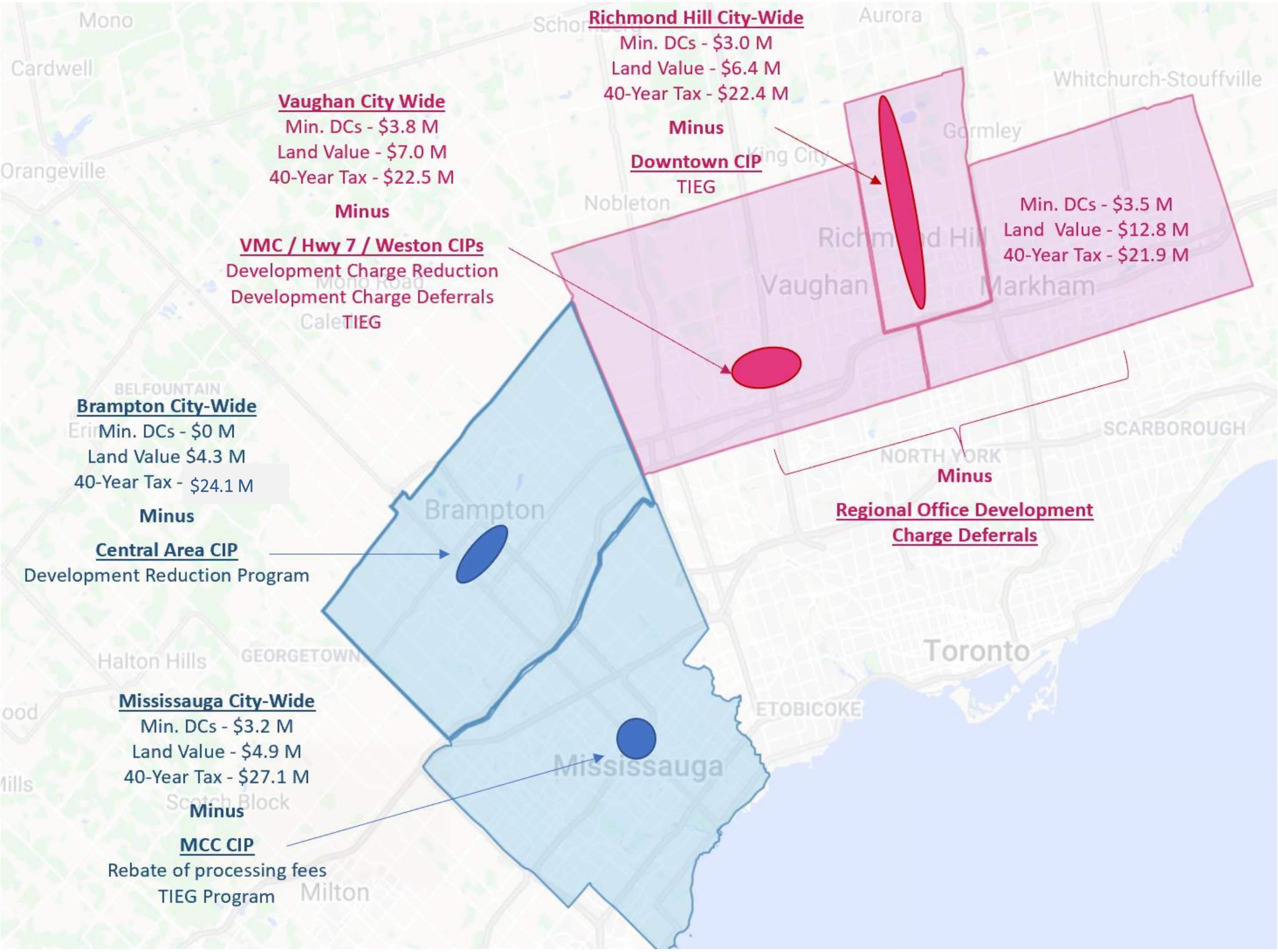
Non-financial and financial incentive program that are easy to navigate may also have a bearing on their success. Appendix A summarizes non-financial and financial incentives targeting employment growth that are utilized throughout Southern Ontario. This includes incentives implemented through a CIP, as well as development charge deferrals and waivers outside of a CIP intended to meet the same end. Based on this review, many incentive programs that are delivered through a CIP will have similar requirements. This generally include:

- A property not in tax arrears or having any other outstanding liens against it, including other municipal fees and levies;
- An applicant it not involved in any litigation with the municipalities; and,
- A proposed development is in conformity with a municipality's official plan and any relevant secondary plan policies, urban design guidelines. This requirement stresses the importance of having a clear planning vision and regulatory regime that takes into consideration market feasibility, the trajectory of growth, and is supportive of the desired form of community renewal and revitalization, and Council priorities from the outset of implementing a CIP and offering financial incentives.

It is important to recall that incentives programs will not create demand and employment growth, rather they are only one consideration when a private developer decides if, where , and when to invest, there are some best practices that can be learned from other jurisdictions.

- Incentive programs are typically tied to built form, GFA (min. or max) based on desired development and employment outcomes. In some instances, greater inducements are offered for larger projects. However, minimum GFA requirements would typically relate to market conditions (e.g. market demand supports minimum project scale) to increase the likelihood a tool is utilized.
- Programs sometimes target specific uses, target sectors, and geographies. However, they can also be offered for all non-residential uses and city-wide with the targeted use or geographies adjusted over time.
- Marketing tools, implementation guidelines, and applications are as concise as appropriate.
- Approval processes are streamlined, for example, with projects under a certain construction value not requiring Council approval.
- While cross-jurisdictional review panels are often assembled with personnel from Planning and Development, Economic Development, Recreation and Parks, Transportation and Public Works, for example, there is typically an assigned CIP administrator responsible for responding to request for information and conducting all pre-consultation and monitoring.

Figure 18 – Comparison of Tax, DC, Land Values for a Hypothetical (75,000 sf) Office Building and Future (4.0 Acre) Development Site, plus Potential Financial Incentive Programs Activated by CIP Project Area



- Program success (or lack of success) is tracked including the number of approved and complete projects, net new jobs generated, as well as the taxes gains vs grants or reductions provided – the net municipal gains.
- Point values can be used to allocate funds relate to the most critical economic development objectives and may be linked to plans to achieve or actual achievement of these objectives by monitoring key performance indicators. An example of this is the requirement of an Employment Plan that encourages local training and hiring, with successful applicants subsequently monitored.
- Where appropriate, complementary programs are also offered to offset extra-ordinary costs for eligible projects (e.g. brownfield support study and remediation grants).
- Many CIP programs often have clearly defined expiry dates, which are sometimes tied to the earlier of the achievement of a desired outcome (e.g. adding a cumulative total of "x" sf of GFA across a project area) or by a pre-determined date. While Council has the option to cancel or extend these programs at any times, a pool of funds is available to be drawn upon throughout this time which provides some level of certainty to an applicant considering use of a program. Programs may even be made available retroactively for those projects which submitted a development application after the use of an CIP was being evaluated by staff but before activation of programs.

6.0 Direction for an Employment CIP

Based on current market conditions including the impacts of the COVID -19 pandemic, the Brampton commercial real estate market requires some level of intervention to help stimulate employment growth. A CIP and package of financial incentives is considered one of many approaches to help achieve this end. The lack of investment in new space to accommodate well-paying and stable employment is the primary factor that requires attention, and therefore should be the primary target of any future Employment CIP program and associated incentives.

However, as discussed at the outset of this report, there are many influences on demand that cannot be controlled or foreseen (e.g. macro-economic conditions, unique business plans of each investor, etc.). As such, the effectiveness of a CIP and uptake of a suite of financial tools will be difficult to fully predict. As identified in the previous section of this report, many CIP programs in Ontario have experienced modest take-up from the development community, which has also been the experience of Brampton's current CIP for office development.

The following section explores the key directional elements of an employment CIP. Each element will be assessed relative to the City's objectives, the best practice research, and the market and economic discussion found throughout this report. The discussion will explore the topic and possible ways the City could address the issues. Chapter 7 will provide our recommended approach and preliminary program design, which will allow the City to move forward with developing a new Employment CIP.

To frame this discussion, we have solicited feedback from a steering committee of municipal staff from the City's Economic Development, Planning and Development, Policy Planning, Finance, Environmental Planning, and Cultural Service Departments. NBLC also presented market observations and these initial recommendations to City Council during a workshop held on June 29th, 2019.

6.1 Employment Sectors & Uses to Target

NBLC recommends the City design an Employment CIP to help in the delivery of new employment space across a wide variety of sectors. However, incentives should not be available to sectors that grow naturally or are already performing well without any inducements. This would mean continuing to exclude population-serving uses from accessing funds (as is the case for the current DC reduction offered for office uses of at least 50,000 sf and two storeys). This direction should also exclude applicants proposing many large format industrial uses as discussed in Chapter 3 of this report.

6.1.1 Office Uses

Notwithstanding the appropriateness of targeting multiple employment sub-sectors, a central challenge for Brampton is the attraction of employment uses requiring major office development; whether developed as a stand-alone office building or incorporated as part of a mixed-use residential project. Such office employment uses could include corporate headquarters, small and mid-size businesses, and incubator spaces – all engaged in knowledge-based industries, such as scientific research and development, software development, finance, insurance, real estate, as well as creative and cultural activities; as oppose to the production of goods and personal services.

Office markets typically accommodate many types of knowledge-based industries and do so at high employment densities and provide good paying jobs to residents. As such, providing incentives that target the development of greater office space will naturally present one of the greatest opportunities to stimulate employment growth. Available space will also allow Brampton's Economic Development staff to better leverage the City's assets to attract major employers.

As discussed throughout the report, encouraging major office development also aligns with achieving the City's core priority – increasing employment levels and improving the quality of life for its citizens. Encouraging a greater supply of major office development can enable the possibility of a better live / work balance – as it can best contribute to an improved population to job balance, development of vibrant mixed use communities, and can align with transit-supportive development objectives in a select few strategic growth areas in Brampton.

The City's current DC By-Law exempts office projects over 50,000 square feet and two storeys from paying development charges. Possible enhancements through a CIP could include:

- Lowering the eligible size of a building (e.g. 25,000 square feet).
- Allowing an office component to be included in a mixed-use project, whereas the City's DC By-Law currently requires that the building be 'freestanding'.
- Lowering the minimum square footage would be particularly appropriate if mixed-use projects were permitted, as a modest office component could be in the podium or lower floors of a residential building. Incentives would only apply to the office component.
- Offering additional incentives to expand the financial offering and increase the attractiveness of investment (expanded on to follow).

6.1.2 Other Eligible Sectors/Uses

A key message of our report is that Brampton's industrial market is strong, as evident by new absorption activity and very low vacancy. However, most of this investment is in large warehousing and logistic space that provides low-employment density. Overall, there is no obvious need to incent this type of activity.

Other sub-sectors that fall under the general umbrella of industrial, and may include some component of office space, are not occurring at the same rate or scale and could also be the target of an Employment CIP program. These sectors can provide good employment totals and strong compensation for employees but can occur in more industrial settings. If the City wishes to target these sectors with financial incentives, which would be justified based on our market analysis, the City would need to develop strict parameters for the types of development that could be eligible, much like Toronto's IMIT program, so that typical industrial uses - warehousing and logistics – are not eligible. The current target sectors set by Brampton's Economic Development could be used, which are:

- Advanced Manufacturing;
- Food and Beverage;
- Health and Life Sciences; and,
- Innovation and Technology.

Other sectors such as creative-based businesses, incubators, and other knowledge-based sectors can also be targeted. While some of these uses might locate in an office building, others will require/ prefer a more industrial setting.

NBLC recommends targeting these specific sectors/uses with a package of incentives (expanded on to follow). However, clear definitions and eligibility requirements must be developed, such as, but potentially not limited to:

- Definitions of each sector must be developed (expanded on in Chapter 7).
- Projects must result in the construction of a new building.
- Consideration could also be given to substantial renovation and/ or expansion of an existing structure. This would achieve the City's desire to see more investment in existing industrial buildings, however only if the investment addresses one of the target sectors.
- Minimum construction value and/or size requirement (e.g. $1.0 million permit value, 10,000 square feet).

6.2 Locations in the City to Target

A key component of designing an appropriate CIP and incentive program also starts with locational considerations. The ultimate decision of where the CIP should apply will be influenced by the City's desired objectives of the program. For example, if broad employment growth is the primary objective, the CIP could apply City-wide like Toronto's IMIT program. If the City would prefer to see a specific area(s) built-up with a concentration of employment uses, a similar approach to Vaughan's VMC could be pursued.

Our research indicates that a targeted approach is the most appropriate, especially for a market like Brampton that does not have a distinct high-density office node. Establishing an agglomeration of business establishments in a denser urban environment can be particularly important over the long-term to gain market momentum, attract greater tenant and investor interest, and transform the underlying nature of employment in Brampton over the longer term. The two most obvious candidates for establishing a higher-density employment node identified by NBLC, but also other studies (Cushman & Wakefield Office Strategy for the City of Brampton – 2016), include:

- Downtown Brampton; and,
- the Bramalea GO station area.

By selecting these areas, the City would be leveraging the planning and infrastructure investments made over the past several years as well as the more significant investments underway or planned to occur.

- For example, Downtown Brampton is already attractive for its heritage context and walkable urban fabric, an agglomeration of institutional uses, plus major infrastructure improvement projects that are already underway (e.g. Riverwalk, Rapid Transit and associated public realm improvements, and a growing Innovation and post-secondary District).
- In the case of Bramalea GO, the Province is already investing in station and service level improvements as identified in Chapter 4. This area also has large parcels of land that allows for the flexibility to accommodate many different types of employment uses and office projects, which could also include some industrial sub-sectors such as research and technology industries that can have notable multiplier effects. As identified by others, including Cushman & Wakefield in their 2016 Office Strategy, the Bramalea GO area is also highlighted for having many of the key locational attributes employment sectors seek (e.g. highway access, large parcels, visibility, etc.).
- Combined with financial incentives, these two areas may offer some of the best possible advantages over other areas in Brampton to attract office investment, as well as having the best possible market positioning to complete with other municipalities. They also offer an opportunity to make the most efficient use of municipal resources and spending. This strategy was most recently proven with the VMC.

However, these two-candidate areas still have many challenges to overcome. Over the shorter term, these shortcomings cannot be resolved with financial incentives alone.

- For now, Downtown Brampton is challenged by flood plain restrictions and the Riverwalk project is still several years away from completion. Parking solutions in the Downtown also remain a significant challenge.
- While the Bramalea GO area could transform into a new high density mixed use node that is centred on transit, it will first require a significant master planning exercise that will enable residential and commercial permissions (perhaps protecting for a certain percent of employment growth) and turn the area into a walkable centre. This type of work may be a preliminary first step, but it is critical to encourage investment interest. Initiation of such work should be sought as soon as possible, and later complemented by financial incentives, targeted at the most optimal development applications that align / contribute to the preferred form of development for Bramalea GO. It is important to note that the VMC only implemented incentives once the master plan for the area was completed and construction on the TTC subway station began. Notwithstanding the above, incentives were retroactively offered to projects that had begun construction upon initiation of the design of a CIP that ultimately met the planning policy and CIP requirements.

Secondary nodes to target with financial incentives are viewed as the rest of the Queen Street corridor (rest of the Central Area covered by the existing CIP), the South Fletcher's Courthouse node, and existing employment areas in Bram East and Bram West. While these areas are viewed as less strategic from a long-term employment growth perspective relative to the downtown and Bramalea GO, the City has identified these areas as employment growth nodes. These areas, especially Bram West and the Queen Street corridor, are particularly well-suited to accommodate employment growth while planning and infrastructure investments in the downtown and Bramalea GO advance.

Therefore, over the near-term, NBLC recommends a city-wide approach for a defined period. For example, the duration of a city-wide approach could be for up to five years, or as otherwise appropriate, to align with completion of many of the major community improvement, infrastructure, and other planning projects that are underway in Downtown Brampton and at Bramalea GO.

While the City could provide a targeted approach upfront or wait to implement an Employment CIP until such planning and infrastructure projects catch up, it is likely that the City would see the same progression of commercial investment and employment growth as it sees today – limited investment activity beyond that which is population-serving, the under-achievement of major office employment targets, and an increasingly challenged population to job balance.

A central concern of a targeted approach too early is that an investor (developer or business) may approach the City but is interested in a site just outside of a targeted area or in another area of the City entirely. If offering a financial incentive would improve the odds of selecting Brampton as a place for investment, amending the boundaries would likely be far too cumbersome a process to provide an inducement. This kind of opportunity may be lost.

Allowing the program to apply city-wide, on a temporary basis, would cast as wide a net as possible to attract as much employment investment over the short-term, especially considering the impacts of COVID-19, which may push more investment to the suburbs.

While at-first, NBLC recommends a city-wide approach for a pre-defined period, the incentives offered more imminently can be tiered to direct more significant investment to targeted areas over the shorter-term. For example, the City can offer a modest package of incentives across the entire City with additional incentives offered in strategic areas.

6.3 Other Objectives

In addition to employment outcomes, the City might also hope to see other objectives realized, such as environmental, accessibility, urban design, cultural, on-site amenities, and others.

While these are valuable objectives, it is important to also appreciate that these items (e.g. LEED standard, public art contribution, ground floor amenities) can directly add costs and complexity to a project. In weak markets like Brampton, incentives are necessary to attract investment, which can create a contradictory framework when the CIP also requires these other objectives (i.e. the CIP and incentives attempting to lower development costs, other requirements increasing development costs).

The above issue can be mitigated by requiring only a select few objectives (i.e. environmental standard) or by scoring applications and/or tiering the incentive offered based on how the project meets these various standards. The latter is how Brampton's current CIP is administered, where applicants receive a higher incentive depending on how the project scores against urban design, sustainability, community benefits, and others. NBLC does not recommend this approach at the current time as this results in significant uncertainty for the developer regarding the incentive they might qualify for, which will directly influence viability, risk, and the overall attractiveness of the program. Rather, we recommend requiring only specific objectives that the City values most, such as environmental sustainability.

Toronto's IMIT program for example requires that developer's meet the City's Green Standard but have limited other requirements outside of employment/development related criteria.

We understand the City of Brampton uses the Sustainable Community Development Guidelines (SCDG's), which provides direction to developers and acts as the basis for the City to review development against environmental sustainability. The program has guidelines and metrics related energy conservation, electric vehicle charging, green roofs, and other similar items. A minimum sustainability score is required for all block plans, subdivisions, full site plans, and zoning by-law amendments. Applications proposing commercial/employment uses are required to achieve at least the bronze score.

We understand that Staff are currently working on an update to the program, and an action item from the City's Community Energy and Emissions Reduction Plan is to require all new development in Urban Centres to achieve a sustainability score of a silver threshold. The City could therefore require that all projects approved through the CIP be required to achieve a score of silver. However, understanding how these requirements impact the proforma of a project is outside of the scope of this study, and for NBLC to conduct this additional analysis, we would require consultation with an architect and cost consultant experienced in assessing these issues.

6.4 Type and Magnitude of Incentive Required

To test the appropriate use of a suite of financial tools to incent employment growth, NBLC has prepared a few hypothetical proforma analyses that are specific to a major office project and market conditions in Brampton to illustrate the economics of development. This includes an office building that is 40,000 sf vs 75,000 sf, with both scenarios assessed with surface parking and with underground parking. These scenarios illustrate the financial challenges with developing a new office project under current market conditions in Brampton.

The proforma model is then replicated with various financial incentives turned on, illustrating the type and magnitude of incentives that might be necessary to incent investment, as well as their cumulative impact.

The following subsections briefly describe the results of our hypothetical analysis, with results illustrated in Table 6. The full pro-forma is available as an appendix to the report.

6.4.1 Residual Land Value Analysis

A residual land value analysis subtracts all development costs (hard and soft) from the total revenue of the project. Revenue is calculated by applying a capitalization rate of 6% to the estimated net operating income of the building (based on $23 per square foot net rent).

For Brampton, the supportable land value (including profit to the developer) is negative in every scenario. This means that if the developer built an office building and sold it at stabilized occupancy, they would not make a profit.

This type of short-term investment is not typical of office development, as the revenue associated with the project is often unable to cover all development costs and support a profit.

6.4.2 Internal Rate of Return (IRR)

We have also assessed the IRR of each scenario, which indicates the average rate of return of an investment over a holding period. In this scenario, we have calculated a ten-year IRR that assumes equity into the project, the cash flow for the ten-year investment, and the sale of the building in year 11.

This longer-term investment horizon is more typical of office investment, where commercial developers hold the building over many years and collect revenue through rent paid by tenants. Since owner-occupied buildings are not assessing rental rates and a cash flow for the project to justify their investment, these models and discussion are specific to multi-tenant buildings.

The results of the analysis yield some interesting findings, which support many of the observations and discussion found throughout this report:

- The IRR for a 40,000 and 75,000 sf office building in Brampton with surface parking is just over 2% and 3%, respectively, which would be unlikely to motivate an investor to undertake the project. There would be many other investment vehicles, that would also carry significantly less risk, that could yield a higher rate of return than this investment relative to the equity being invested.

Table 6

Pro-Forma Summary Market Performance - No Incentives					
Scenarios	Building/Site Statistics			Short Term Investment (sale at occupancy)	Long Term Investment (10 year)
	Gross Floor Area (square feet)	Building Height (storeys)	Site Size (acre)	Residual Land Value + Profit (present$)	Internal Rate of Return
Brampton Surface Parking	75,000	6	3.26	-$4,202,368	3.29%
Brampton Underground Parking	75,000	6	1.50	-$8,517,790	-1.47%
Brampton Surface Parking	40,000	3	1.96	-$2,575,894	2.22%
Brampton Underground Parking	40,000	3	1.50	-$3,716,502	-2.45%
Brampton net rents $23 per square foot. 1.5 acre site assumed for underground parking scenario. For surface parking scenario, site size is calculated by accounting for building footprint and a 30% gross-up to accommodate all surface parking. Parking requirement is 1 space per 30 square metres per Brampton zoning by-law.					

- When the same office project in Brampton includes underground parking, which can cost anywhere between $40,000 and $100,000 per space, the IRR becomes negative The revenue associated with the project is simply not high enough to cover the capital costs of the project. This form of investment in a suburban context is therefore relatively rare and explains the predominance of owner-occupied buildings with surface parking in Brampton.

6.4.3 Impact of Incentives on Development Economics

Offering Incentives can directly impact the pro-forma in several ways. By waiving or reducing development fees, this reduces the capital cost of delivering a new building. By reducing the capital costs, the amount a developer is required to finance and front-end with equity is reduced, thus improving both the short and long-term investment outlook of the project.

Despite disadvantaged market characteristics of a location relative to a competing site (e.g. VMC, Mississauga Gateway), lower development costs could sway either an owner-occupied project or a multi-tenant project to locate in one area over another.

The tables to follow illustrate the impact that could result if certain incentives were offered. This analysis assesses the impact of the following incentives:

- Development charges.
- Cash-in-lieu of parkland.
- Planning application and building permit fees.
- A TIEG (ten years).
- Matching Regional incentives where applicable.
- Capital grant to offset underground parking requirements.

As illustrated in Tables 7-9, the IRR of each prototypical project improves as additional incentives are added. With City development charges waived (Table 7), the performance of each project improves marginally. However, once City and Regional development charges are waived, the IRR of both case studies with surface parking improves significantly, to well over 6% and 4% for the 75k and 40k square foot building, respectively. The performance of these projects improves even further as the cash-in-lieu of parkland, application and building permit fees, and TIEG is added (Table 8). This package of incentives appears to push the economics of an office building with surface parking into a viable position, especially when both Regional and Local incentives are applied.

However, the economics of an office building with underground parking remains challenged even with the full package of incentives offered (Table 8). We have therefore also assessed the full package of City and Regional incentives, and also added a grant of $15,000 and $25,000 to offset the costs of underground parking (Table 9). With a $25,000 grant, the incentives appear to push the economics into a viable position for the 75,000 square foot building.

In addition to a parking program, this analysis indicates that Regional participation in the CIP will be critical to program success. The Region of Peel recently adopted staff and NBLC direction to support local CIPs to encourage office investment at the July 23rd Council meeting. Brampton should begin consulting with the Region as the CIP moves towards implementation.

Table 7

Pro-Forma Summary Market Performance - City Development Charges Waived					
Scenarios	Building/Site Statistics			Short Term Investment (sale at occupancy)	Long Term Investment (10 year)
	Gross Floor Area (square feet)	Building Height (storeys)	Site Size (acre)	Residual Land Value + Profit (present$)	Internal Rate of Return
Brampton Surface Parking	75,000	6	3.26	-$3,412,109	4.28%
Brampton Underground Parking	75,000	6	1.50	-$7,727,530	-0.90%
Brampton Surface Parking	40,000	3	1.96	-$2,154,422	3.10%
Brampton Underground Parking	40,000	3	1.50	-$3,295,031	-1.94%
Brampton net rents $23 per square foot. 1.5 acre site assumed for underground parking scenario. For surface parking scenario, site size is calculated by accounting for building footprint and a 30% gross-up to accommodate all surface parking. Parking requirement is 1 space per 30 square metres per Brampton zoning by-law.					

Pro-Forma Summary Market Performance - City and Region Development Charges Waived					
Scenarios	Building/Site Statistics			Short Term Investment (sale at occupancy)	Long Term Investment (10 year)
	Gross Floor Area (square feet)	Building Height (storeys)	Site Size (acre)	Residual Land Value + Profit (present$)	Internal Rate of Return
Brampton Surface Parking	75,000	6	3.26	-$1,990,084	6.38%
Brampton Underground Parking	75,000	6	1.50	-$6,305,505	0.23%
Brampton Surface Parking	40,000	3	1.96	-$1,396,008	4.93%
Brampton Underground Parking	40,000	3	1.50	-$2,536,617	-0.94%
Brampton net rents $23 per square foot. 1.5 acre site assumed for underground parking scenario. For surface parking scenario, site size is calculated by accounting for building footprint and a 30% gross-up to accommodate all surface parking. Parking requirement is 1 space per 30 square metres per Brampton zoning by-law.					

Table 8

Pro-Forma Summary Market Performance - City Incentives (DCs, CIL Parkland, Application and Permit Fees, TIEG)					
Scenarios	Building/Site Statistics			Short Term Investment (sale at occupancy)	Long Term Investment (10 year)
	Gross Floor Area (square feet)	Building Height (storeys)	Site Size (acre)	Residual Land Value + Profit (present$)	Internal Rate of Return
Brampton Surface Parking	75,000	6	3.26	-$3,066,321	6.48%
Brampton Underground Parking	75,000	6	1.50	-$7,442,492	0.42%
Brampton Surface Parking	40,000	3	1.96	-$1,909,397	5.23%
Brampton Underground Parking	40,000	3	1.50	-$3,056,743	-0.61%
Brampton net rents $23 per square foot. 1.5 acre site assumed for underground parking scenario. For surface parking scenario, site size is calculated by accounting for building footprint and a 30% gross-up to accommodate all surface parking. Parking requirement is 1 space per 30 square metres per Brampton zoning by-law. TIEG lowers vcancy and bad debt from 10% to 6% at stabilized occupancy.					

Pro-Forma Summary Market Performance - City/Region Incentives (DCs, CIL Parkland, Application and Permit Fees, TIEG)					
Scenarios	Building/Site Statistics			Short Term Investment (sale at occupancy)	Long Term Investment (10 year)
	Gross Floor Area (square feet)	Building Height (storeys)	Site Size (acre)	Residual Land Value + Profit (present$)	Internal Rate of Return
Brampton Surface Parking	75,000	6	3.26	-$1,644,295	8.43%
Brampton Underground Parking	75,000	6	1.50	-$6,020,467	1.69%
Brampton Surface Parking	40,000	3	1.96	-$1,150,984	6.99%
Brampton Underground Parking	40,000	3	1.50	-$2,298,329	0.23%
Brampton net rents $23 per square foot. 1.5 acre site assumed for underground parking scenario. For surface parking scenario, site size is calculated by accounting for building footprint and a 30% gross-up to accommodate all surface parking. Parking requirement is 1 space per 30 square metres per Brampton zoning by-law. TIEG lowers vacancy and bad debt from 10% to 6% at stabilized occupancy.					

Table 9

Pro-Forma Summary Market Performance - City/Region Incentives (DCs, CIL Parkland, Application and Permit Fees, TIEG + $15k underground parking grant)					
Scenarios	Building/Site Statistics			Short Term Investment (sale at occupancy)	Long Term Investment (10 year)
	Gross Floor Area (square feet)	Building Height (storeys)	Site Size (acre)	Residual Land Value + Profit (present$)	Internal Rate of Return
Brampton Underground Parking	75,000	6	1.50	-$3,920,398	3.96%
Brampton Underground Parking	40,000	3	1.50	-$1,747,733	1.42%
Brampton net rents $23 per square foot. 1.5 acre site assumed for underground parking scenario. For surface parking scenario, site size is calculated by accounting for building footprint and a 30% gross-up to accommodate all surface parking. Parking requirement is 1 space per 30 square metres per Brampton zoning by-law. TIEG lowers vacancy and bad debt from 10% to 6% at stabilized occupancy.					

Pro-Forma Summary Market Performance - City/Region Incentives (DCs, CIL Parkland, Application and Permit Fees, TIEG + $25k underground parking grant)					
Scenarios	Building/Site Statistics			Short Term Investment (sale at occupancy)	Long Term Investment (10 year)
	Gross Floor Area (square feet)	Building Height (storeys)	Site Size (acre)	Residual Land Value + Profit (present$)	Internal Rate of Return
Brampton Underground Parking	75,000	6	1.50	-$2,520,352	5.85%
Brampton Underground Parking	40,000	3	1.50	-$1,380,669	2.08%
Brampton net rents $23 per square foot. 1.5 acre site assumed for underground parking scenario. For surface parking scenario, site size is calculated by accounting for building footprint and a 30% gross-up to accommodate all surface parking. Parking requirement is 1 space per 30 square metres per Brampton zoning by-law. TIEG lowers vacancy and bad debt from 10% to 6% at stabilized occupancy.					

6.4.4 Reducing Property Taxes

Reducing property taxes through a TIEG can also assist a developer with attracting tenants, as previously discussed, as the effective gross rent would be significantly reduced. This incentive is often viewed favourably by a municipality because it allows a municipality to continue to collect pre-development taxes and the incentive is generally passed along to a tenant through a reduced gross rent (see chapter 5 of this report). The TIEG in this analysis assumes a ten-year program that reduces by 10% each year (e.g. 100% waived in year 1, 90% year 2, 80% year 3, etc.

It is important to appreciate that a TIEG will not impact the proforma as linearly as a capital cost reduction. Rather, the TIEG can significantly lower the risk of a project advancing to stabilized occupancy and maintaining a healthy vacancy rate because the gross rents can be reduced, which helps a developer find and keep a tenant. This will be especially important in markets like Brampton that have experienced a significant demand-side challenge. For owner-occupied buildings, a TIEG will directly lower their operating costs, which can be very attractive for these types of projects and could result in greater investment activity too.

A TIEG has also been accounted for in this analysis by reducing the vacancy and bad debt of the project from 10% to 6% at stabilized occupancy, which is appropriate based on the experience of the Kallo office building discussed earlier in this report.

6.5 Cost of Providing Incentives

The following assesses the cost to the municipality of providing incentives. The tables to follow assume the 75,000 square foot building (6,967 square metres) on a 3.84-acre (1.55 hectare) property as assessed in Table 6, 7, 8 and 9.

As presented in these tables, the Region's primary contributions would come through development charges and property taxes (TIEGS). The education portion of property taxes and development charges are assumed to still be payable. The assessed value for the purpose of calculating cash-in-lieu of parkland and the TIEG is based off the adjusted assessed values of other relevant office buildings in the City.

Based on this analysis, the City's portion of incentives would equate to approximately $1.9 million per project, excluding the parking grant. If the parking were included, the amount would increase to $6.7 million per project. This represents approximately $25 and $90 per square foot respectively, based on the 75,000 square foot building template.

Discussion with Brampton finance staff indicate that incentives would be funded through the property tax base and/or strategic reserves. Each of the incentives would likely require a direct contribution from the City (e.g. development charge payment is refunded to the developer, with the City funding the development charge reserve by a matching amount). The only exception to this would be the TIEG, as Brampton's finance staff indicate that this would be considered future foregone revenue.

Table 10

Cost of Providing Incentives (Development Charges)			
	City	Region	Total
Development Charges (per square metre)	$119.05	$231.66	$350.71
Charge per 75,000 square floor building (6,967 square metres)	**$829,421**	**$1,613,975**	**$2,443,397**

Cost of Providing Incentives (Planning Application and Permit Fees)			
	City	Region	Total
Rezoning (base fee)	$9,834	-	
Rezoning (charge per hectare)	$6,936	-	
Rezoning (charge assuming 1.55 ha)	$10,751	-	
Rezoning Total	**$20,585**	**$12,000**	**$32,585**
Site Plan (base fee)	$4,060	-	
Site Plan (charge per sm)	$1.63	-	
Site Plan (charge assuming 6,967 sm)	$11,356	-	
Site Plan Total	**$15,416**	**$1,000**	**$16,416**
Building Permit Fee (per sm)	$16.65	-	
Building Permit Fee (charge assuming 6,967 square metres)	**$116,001**	**$0**	**$116,001**

Cost of Providing Incentives (CIL Parkland)	
	City
Estimated Assessed Value per acre	$5,000,000
Site Size (acres)	3.84
Estimated Assessed Value	$19,200,000
CIL Payment (% of assessed value)	2%
CIL Payment	**$384,000**

Cost of Providing Incentives (Underground Parking Grant)		
	City	Region
Parking Ratio	1 space per 30 square metres	
Building Size	6,968	
Required Parking	233	
% Underground	70%	
# Underground Spaces	163	
$15,000 per space grant	**$2,446,500**	
$25,000 per space grant	**$4,077,500**	

Cost of Providing Incentives (Property Taxes)			
	City	Region	Total
Site Size (acre)	3.84		
Estimated Assessed Value Pre-Development ($0.5M per acre)	$1,920,000		
Estimated Assessed Value Post-Development ($5M per acre)	$19,200,000		
Office Building New Constructon Property Tax Rate	0.56%	0.48%	1.04%
Pre-Development Tax	$10,775	$9,156	$19,931
Post-Development Tax	$107,754	$91,557	$199,311
Difference in Value	$96,979	$82,401	$179,380
Year 1 (Full rebate)	$96,979	$82,401	$179,380
Year 2 (90% rebate)	$87,281	$74,161	$161,442
Year 3 (80% rebate)	$77,583	$65,921	$143,504
Year 4 (70% rebate)	$67,885	$57,681	$125,566
Year 5 (60% rebate)	$58,187	$49,441	$107,628
Year 6 (50% rebate)	$48,489	$41,200	$89,690
Year 7 (40% rebate)	$38,792	$32,960	$71,752
Year 8 (30% rebate)	$29,094	$24,720	$53,814
Year 9 (20% rebate)	$19,396	$16,480	$35,876
Year 10 (10% Rebate)	$9,698	$8,240	$17,938
Total TIEG Value (present$ - no inflating or discounting in the above)	**$533,383**	**$453,205**	**$986,588**

6.6 Budgeting and ROI

For budgeting purposes, it is important to understand the possible annual cost of such a program. While the uptake of the incentives cannot be guaranteed, we have estimated the cost based on a 'status quo' base case versus achievement of major office employment targets.

- As outlined in Section 4.0 of this report, continuing to achieve the same level of investment that as has occurred over the last decade would equate to about 90,000 sf of new office space per year – or one to two new projects.
- To achieve major office employment targets to 2041, the City would need to attract approximately 380,000 sf per year – or four to six new projects.
- For estimation purposes, we have assumed both office and the other target sectors identified in this section of the report would count towards these totals.

Assuming the above range in office investment is attracted to Brampton each year, and assuming the $25 - $90 per square foot incentive value assessed in Section 6.5, this could equate to a required City of Brampton annual budget of:

- Without Parking Grant ($25 per square foot): $2.25 million to $9.5 million.
- With the Parking Grant ($80 per square foot): $7.2 million to $30.4 million.

While reduced parking standards could also be offered to lower development costs and need to fund a parking program, we do not believe that developers would pursue this option given the limited multi-modal transit service levels currently available and current market conditions. Alternatively, consideration could be given to inclusion of podium parking to reduce the cost of implementing a parking program, but only if site conditions allow appropriate screening and other design considerations.

Until Brampton's infrastructure and planning investments discussed in this report are in place, we do not anticipate that investment activity will significantly increase beyond recent trends, even with a significant package of incentives. Further, it is impossible to predict if projects coming forward will pursue underground parking and how much parking they might require. The most successful suburban office node over the past five years has been the VMC, as discussed in Section 4.3.2. Even with a mixed-use master plan, CIP, and TTC subway station, the area has achieved 585,000 square feet of office between 2015-2019 (the most achieved of all suburban office nodes).

As such, we recommend that the City budget for achieving an employment target of 200,000 square feet per year, which could include major office as well as the other target sectors identified. However, it is unlikely that all these projects would require underground parking. Assuming one out of every four projects would require underground parking, an annual budget of approximately $8.0 million would be necessary ($40 per square foot in incentives x 200,000 square feet of new employment space). As the City proceeds with developing the CIP, the incentives offered can be assessed relative to the GFA targets to establish and refine the program budget.

From a return on investment perspective, assuming one job per 250 square feet of space, this could equate to an annual employment growth of 800 jobs. These jobs would be well paying and significantly improve a number of quality of life attributes highlighted by the Brampton 2040 vision document and other factors leading to the procurement of this study (e.g. employment growth and momentum, commuting patterns, assessment growth and diversification, residential intensification adjacent to jobs, transit expansion, urban design, and others). Other benefits that accrue to the City that are difficult to quantify but are nevertheless valuable include:

- More efficient use of land, protecting for improved long-term patterns of growth.
- Capturing outbound commuters to both live and work in Brampton, enhancing the liveability of the community.
- Greater retention and attraction of young, educated talent.
- Greater capture of social, economic and health benefits of reduced commuting by residents.
- Potential for more efficient use of community infrastructure.
- Capturing spin-off economic activities that support the office function and consumer needs of the tenants.
- Encouraging local transit ridership.
- Increased civic engagement and pride.

6.7 Administration and Other Resource Consideration

Many employment related community improvement plans are administered by Economic Development staff (Toronto IMIT, Hamilton, VMC). Economic Development is charged with supporting businesses of all sizes to launch, locate, or expand within the City of Brampton. As such, they are often one of the first points of contact by interested investors and are also often proactively seeking investment opportunities for businesses seeking to locate in the GTHA. Economic Development is also often the first point of contact for existing businesses. As such, they are the best positioned with on-the-ground intelligence about current opportunities and on-going community improvements. Economic Development is also often aware of other incentives available from other levels of government that are separate from a City's CIP.

Reliance on Economic Development is particularly important to help improve the potential uptake of an Employment CIP and suite of incentives, as commercial investment is highly mobile, extending beyond local and international borders. It is particularly important for staff to respond fast and comprehensively and be in the best position to market their respective municipality. Local economic development staff also often travel abroad to conferences and to make possible connections to attract foreign investment and talent. Staff can also equally connect interested investors to other appropriate staff at the City (e.g. Planning and Development).

It is therefore logical that this department would also be responsible for administering of the CIP, as this would best position them to communicate and advertise the City of Brampton and the incentives offered.

The most effective economic development related CIP programs would likely require one individual that is dedicated to the promotion, administration, and assessment of the program. Administrative tasks are those related to the development and delivery of the program, for example the staff time required for processing applications, marketing and promotion, and auditing performance measurement. The City should undertake an evaluation of existing resources prior to hiring a new staff member.

6.8 CIP Length and Monitoring

We recommend that the City proceed with the CIP for five years, which will provide enough time for RER and the other planning and infrastructure projects to advance. At that time, we recommend that the geographic scale of the program be reconsidered to a more focused area(s) and the incentive package be re-evaluated to reflect changing market conditions.

Annual monitoring should also be undertaken to understand what is working and what is not working, and to respond to market shifts over this period. Monitoring should involve an assessment of the applications received and approved, the most popular incentives, experience of developer's who have not applied to the program but have proceeded with an employment project, and consultation with the development community.

6.9 Brampton's Existing CIP and Incentive Policies

Brampton's current CIP has experienced a modest amount of success at encouraging 'market price' residential intensification. However, the office component of the CIP has been lackluster. It is our expectation that the proposed new Employment CIP would replace the existing Central Area CIP for office objectives.

The existing Central Area CIP could therefore remain in place to continue to encourage residential intensification in the Central Area. It could also be expanded to achieve a range of other objectives.

The existing Central Area CIP could also be adjusted to encourage affordable housing. However, if the City also decides to participate in the Region's Affordable Housing Incentive Program, this might not be necessary.

This report also assumes the existing exemption for office uses in the DC By-Law will remain. It will also be included in the new Employment CIP, as referenced. If at any point it is removed from the DC By-Law, it should be activated within the Employment CIP. Integrating it into the Employment CIP now will eliminate any administrative burden that would materialize if the DC By-Law exemption were eliminated. This direction would also allow the Region of Peel to offer DC incentives through Brampton's CIP.

6.10 Conclusions and Direction

The City of Brampton currently exempts office buildings above 50,000 square feet from paying development charges across the entire City. We recommend integrating this incentive into the CIP and expanding the range of permissions. This would include allowing smaller office buildings, and office uses within mixed-use buildings to also be eligible for a development charge grant.

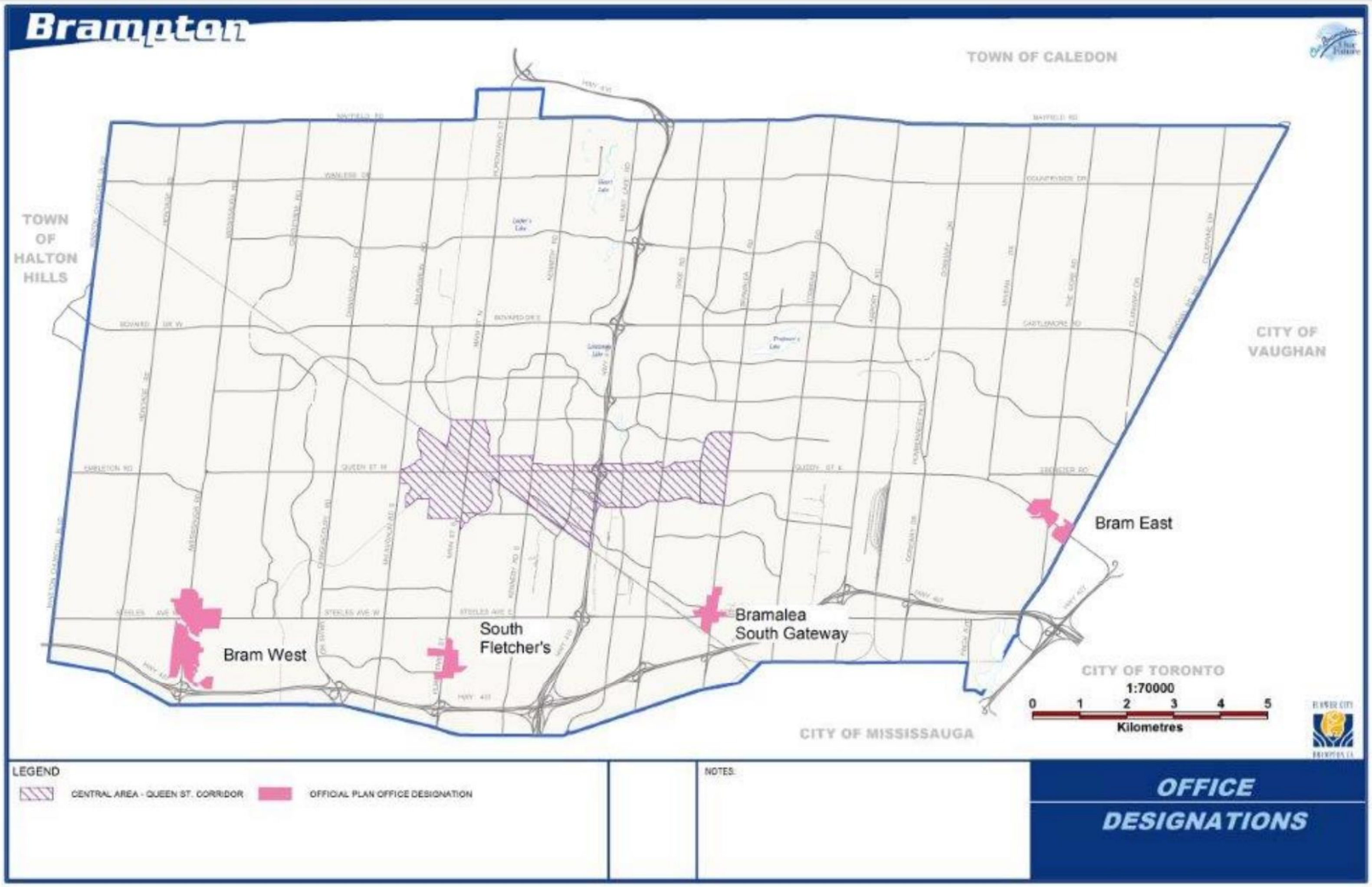
It is also recommended that development charge grants apply to the other target sectors across the City, which would allow for investment in existing industrial areas. In these situations, development charges would not be payable for new buildings but also the expansion of existing buildings that are occupied by any one of the targeted sectors (e.g. Advanced Manufacturing, Food and Beverage, Health and Life Sciences, Innovation and Technology, Creative-based Sectors, Incubators, Other Knowledge-based Sectors). Similarly, extensive renovation (with a minimum capital expenditure) where a property is shifting in use from industrial sectors to one of the targeted sectors should also be eligible. This would allow for a range of interesting opportunities in the City's older industrial areas (and other areas of the City) where a range of advanced manufacturing, creative, tourism, technology, and other uses might choose to invest.

The above would continue the City's current practice of extending development charge offsets across the entire City.

However, additional incentives should also be offered within the City's planned office nodes, which include Bram West, South Fletcher's, Bramalea South Gateway, Bram East, and the Central Area (Figure 19). Additional incentives should include a TIEG, grants to offset cash-in-lieu of parkland, development applications, building permit fees, and underground parking costs. Over time, the CIP should be adjusted to refine the incentives to only strategic areas as infrastructure and planning investments in Bramalea GO and Downtown Brampton advance.

It is also recommended that the City create a process that is easy to administer with as much certainty regarding the incentive offering as possible. It is therefore recommended that incentives be offered on a first come, first serve basis and all desired outcomes be mandated as an eligibility requirement, rather than scoring applications or tiering the incentive based on qualitative metrics.

Figure 19: Brampton Office Designations



7.0 Implementation Recommendations for an Employment CIP

To conclude, the following are our recommendations regarding how the program could be implemented and administered.

7.1 Eligible Uses/Sectors

7.1.1 Office Investment

Office Buildings: means 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 is the processing and/or storage of information rather than the production and distribution of a good or service (***Brampton DC By-Law***).

A building may be freestanding or integrated within a mixed-use building, but only the office portion of the GFA would be eligible for incentive. A mixed-use building is defined as a single building with multiple uses (i.e. residential and office) and not a mixed-use property (i.e. big-box retail centre with a small office component). Multiple buildings on a shared podium would also be considered a mixed-use building.

The following requirements would also apply:

- The building or structure has a total floor area of at least 25,000 square feet;
- The building or structure is not condominium in tenure; and,
- Through audit and delivery of an occupancy report, the building or structure does not contain any personal service facilities including, but not limited to, medical health clinics, dental, optometrist and optician offices and aesthetic clinics.

7.1.2 Investment in Other Key Sectors

Other Eligible Uses: means land, buildings or structures used or designed or intended for use for or in connection with the following: Advanced Manufacturing; Food and Beverage; Health and Life Sciences; Innovation and Technology; Creative; Incubators; and, Other Knowledge-Based Industries.

As possible, key sector definitions are based on descriptions provided in marketing materials prepared by Brampton's Economic Development and utilized to attract investors. All other definitions are based on a review of definitions used in other jurisdictions, as well as common industry understanding.

- **Advanced Manufacturing:** means businesses engaged in the integration and utilization of technologies in a system of production to improve processes and techniques to produce goods and services faster, cheaper and cleaner, where the adoption of new technologies play a significant role in the competitive positioning.
- **Food and Beverage:** means business engaged in in food testing, processing and packaging as well as transportation, packaging design, equipment and refrigeration storage.

- **Health and Life Sciences:** means business engaged in pharmaceutical and equipment manufacturing to research but excluding health services (e.g. physician offices, out- and in-patient care centres and hospitals).
- **Innovation and Technology:** means business engaged in the design, development and introduction of new products, sometimes involving manufacturing processes. The sector includes both hard and soft tech businesses.
- **Creative-based Sectors:** means businesses which rely on individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property, including: arts and crafts; broadcasting; design; film, video and photography; music and the visual and performing arts; publishing; software, computer games and electronic publishing; film studio; tourism.
- **Incubators:** means businesses that have a mandate for entrepreneurship development and job creation that provides start-up companies with a combination of a business address and physical space dedicated to business incubation, and offers regular start-up business and professional development training and other value-added programs and services that support entrepreneurial / small business growth including strategic partnerships and a service provider network.
- **Other Knowledge-based Sectors:** including, but not limited to, business engaged in financial services and real estate, which have a potential for wealth and job creation through the generation and exploitation of intellectual property.

The following requirements will also apply:

- Minimum construction value of $1,000,000 as evidenced on application and the main building permit.
- The development must be one of, or a combination of:
    - A new building.
    - Expansion to an existing building (minimum construction value applies).
    - Substantial rehabilitation to an existing building (minimum construction value applies).
- Through audit and delivery of an occupancy report, the building or structure is relied upon to undertake any of the above business activities, but does not contain any personal service facilities, large format industrial, manufacturing, storage, logistics, and other similar uses that are ineligible.

7.2 Other Base Eligibility Requirements

Other standard eligibility requirements across all uses/sectors should require:

- The property must not be in tax arrears.
- An applicant is not involved in any litigation with the City or Region.
- The project conforms to all City processes and permits.
- A building must receive a score of Silver from the Sustainable Community Development Guidelines.

7.3 CIP Project Area

The CIP will apply across the entire City of Brampton. However, incentives will be tiered to allow for additional incentives in the following "Strategic Areas":

- Schedule A of the Official Plan 'General Land Use Designations' could be used to define these geographies, particularly for:
    - Office designations (e.g. Bram West, Bram East, Bramalea South Gateway, South Fletcher's); and
    - The Central Area.

7.4 Available Incentives

The following incentives will be made available.

7.4.1 City-Wide Incentives

- **Development charge exemption** for office buildings above 50,000 square feet as currently permitted by the City's development charge by-law.
- **Development charge grant** for office buildings above 25,000 square feet and other eligible sectors. The Region of Peel may offer matching grants through this CIP.
    - Development charges are paid at the time of permit and will either be exempt through the City's DC by-law or refunded through the CIP.
- **Expedited planning review**. The City will provide 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.

7.4.2 Additional Incentives in the "Strategic Areas"

Additional incentives will be available within the identified Strategic Areas. Additional incentives offered in these areas will include:

- **10-year TIEG**, staggered to reduce by 10% each year.
    - The TIEG will refund the increase in municipal property taxes over a 10-year period. The TIEG will provide a grant covering the entire increase in year 1, 90% in year 2, and continue to decrease by 10% until the it becomes extinguished (Table 10).
    - The approved applicant will be required to pay the applicable property tax each year and will be refunded through the grant structure identified 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.
- **Capital grant** to offset underground parking costs.
    - For projects pursuing underground parking, a capital grant of $25,000 per parking space can be requested.
    - This grant will only be made available in locations the City determines underground parking is a desirable outcome and where more cost-effective solutions (surface, podium parking) is not possible. Consultation with the

municipality will be necessary to confirm budget and the City's support for the application.

- An alternative to the above approach to an underground parking grant program would be a City Parking Partnership Program.
  - The City would consider partnering with developers by financing the underground parking component of an office development subject to its size, design, cost, and location.
  - The City would secure financing, in part though strata ownership of the underground parking, but would lease back the parking space on a cost recovery basis for a negotiated period, but not less than 15 years.
  - At the termination of the negotiated period, the City would sell or lease the space at market rates. The owner of the building would have first right to purchase the parking space.
  - While requiring a greater amount of administration on the part of the City, this strategy would reduce upfront capital contributions by the City and provide an opportunity for cost recovery and possibility of improved municipal parking supply in strategic areas.
  - The approach also presents more risk and uncertainty to the City, and likely would require significant negotiation and planning for every unique project.
- **Development application and building permit fee grant**. A grant to offset 100% of the costs associated with a rezoning and site plan application will be offered, in addition to a grant covering building permit fees.
- **Cash-in-lieu of parkland grant**. A grant to offset 100% of the costs associated with cash-in-lieu of parkland requirements.
- The Region of Peel may offer **matching grants** through this CIP.

7.4.3 Other Non-Financial Incentives

The CIP should also include language that allows for inclusion of non-financial incentives, such as:

- Language to allow the City powers of land acquisition and disposition, which would allow for the preparation of sites that could be offered to the development community that might otherwise be considered bonusing.
- Connected with the above, also the ability to provide parking solutions in the area through a municipal or joint venture parking garage (like Mississauga's Downtown CIP – and as described on this page). This can be especially impactful in Brampton's downtown. This power should be utilized as applications come forward and where partnerships are sought, therefore being investigated as opportunities arise.

7.4.4 Timing of Incentives

Incentives will be released as payment is required. The City will offer grants for eligible costs; however, they will not refund amounts already paid (e.g. development application fees).

7.5 Program Administration

Economic Development should be the program administrator.

7.6 Approval Process

Guidelines and applications should be prepared that clearly articulate a streamlined and clear path to approval if eligibility requirements are met and funds remain available. The below are the recommended steps leading to potential approval.

7.6.1 Step 1: Application Submission

- Applicants are required to have a pre-application consultation meeting with municipal staff to determine program eligibility.
- Applicants are the required to submit a completed application including supporting documentation. Materials to be requested through the application should include:
  - Details of the applicant and company.
  - Property information.
  - Description of the project including capital costs and employment projections.
  - Confirmation of all eligibility requirements.

7.6.2 Step 2: Application Review and Evaluation

- Staff review and evaluate application and supporting documentation against eligibility requirements. Staff may request clarification or additional supporting documentation.
- Funding is made available on a first come, first served basis, up to the annual funding made available to the program.
- Assuming all eligibility requirements are met, applications will be approved. This will ensure the process is as simple as possible from an administrative perspective and provides the greatest certainty to the development industry.

7.6.3 Step 3: Incentive Approval

- Upon clearance of eligibility requirements, City staff will confirm if the project is eligible for all incentives requested and if budget is available for the project.
- City staff will prepare a recommendation report on the application and forward the recommendation report to Council for consideration.
- All incentives will be made available at the time of payment, which is typically at building permit. Planning application fee grants and TIEGs will be an exception to this.
- If approved, a contribution agreement will be signed and registered against the title of the property.

7.7 Program Length

The CIP should be in place for five years. At that time, all aspects of the program should be evaluated to understand what is working and what is not working, and to respond to market shifts over this period.

Annual monitoring should involve an assessment of the applications received and approved, the most popular incentives, experience of developer's who have not applied to the program but have proceeded with an employment project, and consultation with the development community.

7.8 Program Budget

An annual budget of $8 million might be able to incent upwards of 200,000 square feet of new employment space each year depending on the uptake in the program. However, the specifics of each project and overall market demand will influence this factor. There would be no obligation to spend this budget is suitable projects do not come forward.

7.9 Implementation Considerations

As the City moves forward towards implementing a new Employment CIP, the following must be considered:

- Work with the Region of Peel to understand how they might integrate and participate in the program. Ensure the City's Official Plan and new CIP By-Law contains language to allow Regional participation.
  - If the Region of Peel decides to not participate, the City of Brampton can consider covering Regional fees and charges with the use of a capital grant, which is permitted by a CIP.
- Ensure the City's Official Plan has enabling policies and schedules to permit the employment CIP.
- Craft the implementing CIP by-law, following the legislative process and public meeting requirement.
- Craft the program description, guidelines, application form, and webpage. These documents should be easy to understand and interpret. These documents should also enable Economic Development staff to easily market and advertise the City of Brampton and available incentives. Preparation of simplified guidelines / marketing materials may be appropriate.
- Secure local and regional budget for the program.
- Establish the monitoring program. Key performance indicators for monitoring the program should include, but not be limited to, the following:
  - Number of projects to take-up the program.
  - Total construction value.
  - Total employment floor area.
  - Owner-occupied vs. multi-tenant project.
  - Total City incentive offered.
  - Increase in assessment value.
  - Total jobs created.
  - Industry/sector to move forward through the CIP.
  - Location of the project (e.g. downtown, growth area, transit area, etc.).
  - Types of projects the CIP has / has not successfully supported.
  - Rate of employment growth pre-CIP vs. post-CIP.

Appendix A: Incentive Program Case Studies

Table 11 – Comparison of Incentive Targeting Employment Growth in Southern Ontario

City of Toronto				
Chronology of Office Incentives				
▪ The City of Toronto's Imagination, Manufacturing, Innovation, Technology (IMIT) Property Tax Incentive program was established in 2008 by way of three separate community improvement plans (CIPs) in response to slow employment growth compared to surrounding 905 municipalities. Designed to also support Toronto's key industry sectors, economic development objectives, and unlock the development potential of contaminated sites, the IMIT program has been highly successful. Amongst other factors, the IMIT program has been a catalyst for transformation of Toronto Downtown, particularly south of Union Station, in the South Core. However, with vacancy at historic lows and rapidly escalating rents, incentives are now unlikely to be a deciding factor in whether to invest in Downtown Toronto. By contrast, employment growth has not experienced to the same extent across the city (outside of the Downtown) and by sector. Non-office sectors and uses (e.g. manufacturing, creative industries, information and technology) represent only a small percentage of committed IMIT grants, and suburban office nodes outside of the Downtown (e.g. North York, Scarborough, and Etobicoke) have not seen a resurgence in employment growth. These areas still face significant barriers to office development, particularly with Toronto's commercial tax rates being the highest amongst GTA municipalities but offering similar rents to 905 municipalities and very limited opportunities for more cost-effective surface parking solutions. ▪ The IMIT program has been regularly reviewed and amended since it was first rolled out. It was amended in both 2012 and in 2017; in the latter instance, most significantly given major market shifts. A new IMIT By-law was approved as of June 30, 2018 but it has since been appealed to the Local Planning Appeal Tribunal (LPAT). As such, the 2012 IMIT By-laws is still in effect. Amongst many changes, the approved but no yet in-force and effect by-law seeks to: - replace the three existing CIPs with a single CIP - eliminate eligibility for office buildings within the city's Financial District - phase out development grants at the Liberty (King Liberty SmartTrack Station) and Queen/Carlaw (East Harbour SmartTrack Station) zones - eliminate enhanced grants available in employment areas and replace the program with a sector-based enhanced grant specifically for Manufacturing, Food and Beverage Wholesaling, Creative Industries, Film Studio Complexes, Convergence Centres and Incubators - Outside of the Financial District, simplify eligibility for office buildings by removing requirements related to employment sectors and rapid transit proximity ▪ Starting as of October 1, 2019, City Council also approved a points-based system as part of the IMIT program, which provides a menu of options of City-endorsed local hiring and training activities to help applicants prepare their Local Employment Plan. Each option has a corresponding point value and tracking indicator, which impacts the amount of allocated funds to each applicant. ▪ While not part of the IMIT program, the City of Toronto also exempts most non-residential development from paying development charges (DCs). Industrial development is entirely exempt, while other forms of non-residential development – office – only pay development charges on the ground floor of a project. ▪ While Toronto currently offers a significantly reduced rate for office development, the City does notably have a substantially higher municipal taxes on these properties. As well, land costs, building forms, the planning process, ease of construction are significantly more challenging. Made possible by unmatched access to multiple-modes of higher-order transit and increasing value placed on such access by tenants, development cost have partly been reduced by allowing for low to no parking in some locations. Overtime, these barriers to investing in Downtown Toronto has also been offset by both much higher commercial service levels, lifestyle amenities, overall tenant attractiveness to Toronto's Downtown Core, lower availability and higher rents. The result has been an increasingly attractive location for investment. Appreciating the changing economic of development, as of 2020, the above 'discounted' method of calculating the total development charge levy for office is under study.				
Incentive Tool	**Name: DC By-Law 515-2018** **Status:** adopted by Council January 24, 25, 26 and 27, 2018 **Duration / Expiry:** duration of by-law, subject to 5-year review			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**

DC Reduction	- citywide	- the non-residential DC for new buildings or structure is calculated according to the amount of non-residential gross floor area (GFA) located on the ground floor of such building or structure	- achieves Tier 1 of the Toronto Green Standard Program	- ?
Toronto Green Standards Program Credit	- citywide	- a partial DC refund is provided if Tier 2, 3 and 4 requirements are met by multiplying the applicable ground floor GFA by a reduced amount set out in the bylaw	- the City has certified all the Tier 2, Tier 3 or Tier 4 requirements or successor program have been met	- ?
Incentive Tool	**Name:** CIP By-law No. 1323 2012 (Citywide), By-law 1325 2012 (Waterfront) and By-law 1324-2012 (South of Eastern District) **Status:** adopted by Council October 2, 3, and 4, 2012, and B **Duration / Expiry:** regularly reviewed and amended			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Imagination, Manufacturing, Innovation, Technology (IMIT) Property Tax Incentive	- citywide	- A TIEG grant is offered to offset incremental increase in property taxes from new construction which: o begins at a 100% grant in year 1 o declines by 9% annually, and o ends with a 20% grant in year-10 - The average grant over the 10-year period is 60% - For projects located in Employment Districts and other designated employment areas, the incentive is increased to 70% over the 10-year period	- The program is only available to buildings that will be wholly occupied by eligible target sectors or uses[1] - Office development within the Financial District are not eligible except for national and international corporate headquarter developments with a minimum GFA of about 107,639 sf - Application must include a Local Employment Plan to support local hiring and/or training - construction values exceeding $150 million require City Council approval - construction value must be at least $1.0 million total to qualify - new construction must not be demolished over the term of the grant	- 46 projects approved, adding 16 million sf of office space and 70,000 jobs - estimated to yield $950 million in new taxes over the grant period, while they will be eligible to receive $589 million in grants, which equal to a net gain of $361 million
	- waterfront (East Bayfront, West Don Lands, and Port Lands)		- same as above (citywide) but manufacturing and film studio uses is restricted to the Port Lands, while uses such as offices, colleges, and tourism attractions are restricted to the West Don Lands and East Bayfront	
	- South of Eastern District		- Same as citywide but eligible uses exclude tourism attractions	
Brownfield Remediation Tax Assistance (BRTA)	- focus areas (Financial District, Focus Area A, Focus Area B)	- the program complements IMIT by providing an additional incentive to support the remediation of contaminated land associated with development projects for employment uses in the CIP project areas - it provides for the cancellation of up to three years of property taxes, capped at the lesser of 100 % of the total increment over a three-year period or the total cost of remediation - when combined with a Brownfield Remediation Tax Assistance (BRTA) program, the IMIT incentive can increase	- The applicant must submit a Phase II Environment Site Assessment confirming it does not meet standards, a signed declaration respecting funding from other sources, and a statement of costs to be incurred in connection with remediation	- approved 8 applications under the TIEG and BRTA program as of 2018

		to a 77 % tax reduction grant and extend to over a 12-year period for eligible projects - grant can cover such matters as costs incurred for remediation within 12 months prior to the submission of an application, environmental studies, environmental remediation, environmental insurance premiums, environmental testing costs, demolition or removal relating to remediation		
- Notes: 1) Targeted sectors are: Biomedical, Creative, Financial, Information and Communication, Manufacturing, Tourism. Targeted uses are: Broadcasting, Call Centres Computer Systems Design and Services Convergence Centres Corporate Office, Corporate Headquarters, Film Studio Complex, Food and Beverage Wholesaling, Office Building, Incubators, Information Services and Data Processing, Scientific Research and Development, Software Development, Transformative Project				

York Region

Chronology of Office Incentives – Upper and Local Municipalities

- Starting in 1998, the Regional Municipality of York (the Region) offered a DC discount for non-residential construction through its first development charge bylaw. During this time, the average discounted rate to the non-retail portion was about 40%. The Region's 2007 DC by-law discontinued the reduction to the percentage of the incentives until they were completely phased-out by mid-2010.
- In 2010, the Region introduced an 18-month development charge deferral incentive instead.
- Between 2013 and 2015, staff reviewed appropriateness of offering financial incentives to encourage greater office development, which would be in addition to the DC deferral program but decided not to move forward. At this time, it was determined that the Region's office market was already competitive to neighboring suburban municipalities and financial incentives alone would not generate enough demand to capture a share of growth from Downtown Toronto; particularly in light of their significant incentive program – DC's on only the ground-floor, coupled with IMIT.
- Between 2015 and 2018, the local municipalities of Vaughan, Markham and Richmond Hill introduced various incentives to encourage office development by way of a combination of DC By-law reductions and CIP programs.
  - In 2014, Vaughan began preliminary work to develop criteria for a CIP, which focused on attracting major office to the VMC and other intensifications areas. As of November 2015, the City passed a CIP for the VMC and the Weston Road & Highway 7 Primary Centre (Weston & 7), combined. However, incentives would be retroactively applied to eligible developments with building permits issued on or after January 1, 2014 – coinciding with the beginning of preliminary CIP work.
  - In 2017, Markham passed a new DC bylaw and introduced a new discount for office use greater than 100,000 sf.
  - In 2018, Richmond Hill adopted a CIP bylaw, most notably offering a 10 Year TIEG program for office use only.
- The Region has recognized that to have a greater impact on commercial real estate markets and offset Toronto's many advantages, matching local municipalities may be necessary.
- In the Fall of 2019, the region was to consult with stakeholders on potential financial incentives to promote major office development in the Region's Centres and Corridors., and a new DC deferral pilot policy program to incent large office building, by way of a DC by-law update, was adopted by the Region as of October 17, 2019.
- The Region does not intend to offer incentive by way of a CIP.
- As of April 2019, the Town of Newmarket started an Official Plan Amendment process to add a policy to the Town's Official Plan to allow the Town to partner and participate in any matching incentives offered by the Region.

Current Incentives - Regional Municipality of York				
Incentive Tool	**Name:** Development Charge By-Law No. 2017-3 **Status:** approved October 17th, 2019 **Duration:** Regional by-law available for duration of by-law, subject to 5-year review, and pilot policy available for three years and capped at 1.5 million sf			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Development Charge Deferral	- regionwide	- an 18-month deferral of DC levies owed is available starting at the date of the issuance of a building permit by a local municipality	- must be office use - must be a min. 4-storeys - must provide a letter of credit	- 2 projects or 760,000 sf total have been

				delivered utilizing this program
Large Office Buildings Development Charge Deferral – Pilot Policy	- regional Centres and Corridors - specific Local Centres	- The length of the deferral agreement is based on size of development, set at: o 5 yrs for buildings between 75,000 and 150,000 o 10 yrs for 150,000 to 250,000 sf o 15 yrs for 250,000 to 400,000 sf20 yrs for 400,000 sf + - No interest is charged	- same as above - plus the Region will only enter an agreement if local municipality has provided similar, if not better, incentive - applies only to office buildings in excess of 100,000 sf	- no take up, new program
Current Incentives – City of Vaughan				
Incentive Tool	**Name:** VMC & Weston and Hwy 7 CIP **Status:** approved November 17th, 2015 **Duration / Expiry:** valid from January 1, 2014 until November 17, 2020 or until total office building permits issued reach 1.5 million sf of office space, extended up to two years (November 2022) to coincide with the region's DC deferral pilot policy program			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Development Charge Reduction	- VMC and - Weston / 7	- The DC rate for new office development is set at 2013 rates, as opposed to current rates, which is approximately 38% lower than the current rate	- must be office use - office component must be 75,000 sf or larger - the building permit must be issued before expiration of the CIP by-law - an appraisal must be submitted, no more than 6 months prior building permit approval	- 4 projects, or delivery of 724,000 sf total (1/2 of allocated funds)
Cash-in-Lieu (CIL) of Parkland Exemption / Reduction	- VMC and - Weston / 7	- provides exemption from cash-in-lieu of parkland (CIL) fees, equivalent to 2% of the land value for office space - for mixed use buildings, a discount on CIL fees is applied at $4,400 per residential units for every 750 sf of office space built on the same development site	- same as above	
Increment Equivalent Grant (TIEG)	- VMC and - Weston / 7	- Begins with a 70% grant in year 1, and, - declines to a 7% grant in year 10. - The average grant over the 10-year period is 38%	- same as above	
Development Charge Deferral	- VMC only	- the applicant can defer payment of City portion of the DCs for up to 18-months after the issuance of a building permit, matching program to region	- same as above	
Podium Parking Incentive	- VMC only	- up to two storeys of integrated above-grade parking may be excluded from the total density calculation of a building, with the intent to limit Section 37 contributions - Section 37 contributions may be required if the height exceeds two additional storeys	- A minimum of two below grade parking levels are provided	-
Expediated Development Approvals	- citywide	- provides an expedited development approval process for office and mixed-use development process with dedicated staff team to meet with the applicant, its tenant(s) and/or its consultants	- Office uses must be the prevalent use	-

Current Incentives – Town of Markham				
Incentive Tool	**Name:** DC By-law 2017-117 (Citywide Soft Costs) and DC By-law 2017-116 (Hard Costs) **Status:** approved December 12, 2017 **Duration/Expiry:** duration of by-law, subject to 5-year review			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Development Charge Discount	- citywide	- allows for 25% reduction of citywide development charge rate for office GFA above 100,000 sf	- Must be office use - Min. of 100,000 sf	- no take up, new reduction
Current Incentives – City of Richmond Hill				
Incentive Tool	**Name: Richmond Hill CIP –** Richmond Hill Centre, Regional mixed-use Corridor designated lands, Yonge/16th Avenue KDA, Yonge/Bernard Key Development Area (KDA), Downtown Local Centre, Oak Ridge's Local Centre, Newkirk Employment Area, Beaver Creek Employment Area **Status:** approved February 20, 2018 **Duration / Expiry:** reviewed and amended as appropriate			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Increment Equivalent Grant (TIEG)	- all CIP project areas (see above)	- begins at 90% grant in year 1, - declines by 10% annually, and, - ends with a 0% grant in year 10. - the average grant over the 10-year period is 45%	- must be minimum of approximately 17,222 sf GFA	- no take up, new program
Building Renovation Grant Program	- Oak Ridges Local Centre, Newkirk Employment Area, Downtown Local Centre and Beaver Creek Employment Area	- provides minimum grant of $10,000 and maximum grant of $50,000 for conversion of existing industrial/residential/commercial space to office space, on a matching funds basis to a maximum of 50% of eligible costs	- requires that two quotes are prepared demonstrating the valuation of the works/eligible costs - excludes general tenant fit-up and systems upgrades associated with existing uses	- no take up, new program

Peel Region

Chronology of Incentive Programs

- The Regional Municipality of Peel (the Region) currently does not offer non-residential (office) development incentives, except for standard industrial intensification exemptions.
- As mentioned, the City of Brampton was the first local municipality to introduce a CIP bylaw, implication guidelines and programs, starting in 2000, now applicable to its Central Area. While significantly enhanced in 2007, the CIP by-law and its programs are still available for use.
- While Mississauga's Downtown was once the largest and most popular office location in the region, there had been no additional office projects added to the area for nearly a thirty-year period. Recognizing a need for a mix of residential and non-residential uses as part of the evolution of a maturing downtown, the City approved a CIP for its Downtown Core in 2017 to attract new office development specifically.
- Concurrently, Council requested that the Region develop a Regional CIP to support office development in their Downtown Core. While Peel Region does not have development incentives specific to new office, staff are in the earlier stages of investigating appropriateness of an Office CIP or other means to achieve the same outcome.

City of Mississauga				
Incentive Tool	**Name:** Downtown Community Improvement Plan **Status:** approved July 5, 2017 **Duration/Expiry:** valid until July 4, 2022			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Increment Equivalent Grant (TIEG)	- Downtown Core Character Area	- details of the grant are determined after an application is deemed acceptable by the Review Panel (composed of relevant City directors)	- applies to standalone office or pro-rated to apply to the office component of mixed-use buildings - must be a minimum of 3-storeys - must be a minimum 50,000 sf - the project must include transportation demand management measures	- no take up
Development Processing Fees Grant	- Downtown Core Character Area	- provides a one-time grant equivalent to development application fees and building permit fees, in whole or in part, for the office component of a development		
Municipally Funded Parking Program	- Downtown Core Character Area	- allows the City to contribute equity to a project in the form of municipal parking, either in a stand-alone structure or as part of a private development, to reduce project parking requirements and provide parking at reduced cost		
Municipal Property Acquisition and Disposition	- Downtown Core Character Area	- allows the City to contribute equity to a project in the form of land at affordable price to developers - the City may purchase, participate in public-private-partnerships (P3s) or sell municipal land for office development		
City of Brampton				
Incentive Tool	**Name:** Central Area CIP **Status:** approved November 2007, Amended June 2010 **Duration/Expiry:** subject to regular review and amendment, programs offered on first-come, first-serve basis, subject to annual allocation of funds			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Development Charges Incentives Program (DCIP)	- reduced DCIP program boundary within Central Area	- provides relief from all or part of the City's portion of development charge - relief is provided for up to a maximum of 1,500 square metres (sm) per site (or 16,146 sf), and to a maximum of 9,000 sm (or 96,875 sf) in any given year - the amount of relief provided is based on a scoring system tied to planning and urban design objectives - however, if an applicant meets the set-out requirements, they are eligible for at least 50% relief - the higher the project scores against the set of criteria (location, preferred type of development, high quality physical environment, community benefit and sustainability) the greater the additional 50% discount	- only major residential, office or mixed use development - only new construction or adaptive reuse - designated "Central Area Mixed Use", and "Medium High/High Density Residential" land use designations prescribed by the Brampton Central Area Secondary Plans (The Downtown Brampton Secondary Plan (SP 7) and Queen Street Corridor Secondary Plan (SP 36)) - for office application of 3-storeys or greater	- while $25 million in relief has awarded across 10 projects over the last 11 years, only one is a complete office project (490 Bramalea Road) and one is an approved office application but not yet under-construction (Atlas Healthcare)
Building Improvement Loan / Grant Program	- reduced program area within Central Area (Downtown Brampton) for	- provides either a loan or grant to capital improvements for: o tenant "fit-up" of internal space and comprehensive improvements to building systems for the purposes of	- only in reduced downtown area	-

	properties from on Queen and Main, plus some eligible laneways	activating previously unused space or to make the buildings more attractive to potential lessors; ○ installation/upgrading of fire protection systems and structural repairs; ○ improvement to private patio space including appropriate fencing, lighting and landscaping; ○ screening of utilities and mechanical equipment; ○ entrance modifications to provide barrier-free access; ○ other improvements related to health and safety; and, ○ design fees for the preparation of drawings necessary to undertake the proposed works up to maximum of 10% of the grant amount.		
Incentive Tool	**Name:** DC By-law 129-2019 **Status:** adopted June 17, 2019 **Duration / Expiry:** duration of by-law, subject to 5-year review			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Major Office Exemption	- citywide	- buildings containing office uses other than neighbourhood commercial office buildings and structures which serve the general population in the immediate neighbourhood are exempt from payment of development charges	- applies to a building or structure that is freestanding with a total floor area of at least 50,000 sf - applies to project proposing a minimum of two storeys - does not contain any personal service facilities (medical health clinics, dental offices, optometrists and opticians' offices and aesthetic clinics)	- no take up

City of Hamilton

Chronology of Incentive Programs

- Originally implemented in 2002, the Downtown Hamilton CIP has been offering various financial incentives with limited success. By 2015, private sector investment began to pick up in the downtown, with several condominium apartment projects and other smaller scale commercial investments occurring.
- In 2015, 2017 and 2019, the City undertook a review of its CIP programs to determine if incentives were still a crucial element of development viability.
- As part of the City's development charge update, the 2017 review eventually concluded that while financial incentives are still a crucial element of development viability in Hamilton's downtown, they were becoming less necessary and could be reduced.
  - The 2019 review informed the final development charge rates and reductions were incorporated into the updated development charges by-law.
  - While incentives for market housing were scaled down, it was determined that office development still required a package of incentives.
- In addition to the Downtown CIP, Hamilton has also introduced the ERASE (Brownfield) CIP. While not specific to land use, programs available under this CIP may further support feasibility of office development where contemplated. The ERASE CIP programs include the: ERASE (Environmental Site Assessment II and III) Study Grant, Redvelopment Grant, Education Tax assistance, The Hamilton Downtown or West Harbourfront Remediation Loan program, municipal acquisition and partnership, and further development charge reductions.

Incentive Tool	**Name:** Downtown and Community Renewal CIP – Downtown, Ancastor Village, Binbrook, Dundas, Downtown Stoney Creek, Waterdown, Barton Village, Concession Street, Locke Street, Ottawa Street, Westdale, Mount Hope Airport Gateway, and various pre-defined Commercial Corridors **Status:** adopted May 11, 2016 **Duration:** reviewed and amended as appropriate			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**

Hamilton Tax Increment Grant Program (TIEG)	- Downtown Hamilton, Community Downtowns, Mount Hope/Airport Gateway - BIAs - properties designated under the Ontario Heritage Act	- begins at max. of 100% in year 1, - declines by 20% annually, and, - ends with a 20% grant in year 5. - The grant is assignable to a condominium unit owner	- must provide plans, estimates, contracts and other details as may be required to satisfy the City of the cost of the project	-
BIA Commercial Property Improvement Grant Program	- BIAs	- provides financial assistance to commercial property owners and owner-authorized tenants	- The existing use is in conformity with the current zoning by-law regulations	-
Commercial Property Improvement Grant Program	- Downtown Hamilton - Community Downtowns - Mount Hope/Airport Gateway	- provides grant to improve the physical appearance of properties, including façade improvements, and support property and business owners with limited (no more than 50% of available grant, up to $5,000) for rehabilitation of interior space, and assist in creating a barrier-free and accessible environment - a maximum of $3,000 grant is available for related permits and fees - grants are provided on a matching basis up to: o $10,000 per property o $12,500 for corner properties	- only eligible for one grant every five years - applicant must be property owners or authorized tenants - a pre-inspection by the City Building Inspector is required	-
Office Tenancy Assistance Program	- Downtown Hamilton, Community Downtowns, Mount Hope/Airport Gateway, Business Improvement Areas (BIAs) and some commercial corridors	- Provided to help improve attractiveness and marketability and reduce vacancy - provides financial assistance to either building owners or tenants for eligible leasehold improvements to office buildings	- office only	-
Incentive Tool	**Name:** DC By-law 19-142 **Status:** by-law approved June 12, 2019, and DC deferral program effective January 22, 2020 **Duration / Expiry:** partial exemptions available for the duration of by-law, subject to 5-year review, and deferral program on first-come first-serve basis			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Downtown CIPA Partial Exemption	- Downtown CIP project area	- provides Class A office development within the boundaries of the Downtown CIP with a 70% DC discount for only the portion of development within prescribed height restrictions - development in excess of height restrictions is subject to full DC rate	- Must be a minimum of 20,000 sf	-
Partial Exemption	- Downtown CIP project area and BIAs	- for any non-industrial development or office development, other than expansion, DCs are calculated by paying	- must be minimum of 5,000 sf - Excludes medical clinic or any part of an industrial development	

		○ 50% of applicable DCs on the first 5,000 sf ○ 75% of applicable DCs in excess of 5,000 sf and under 10,000 sf ○ 100% on the amount exceeding 10,000 sf		
DC Deferral Program	- citywide	- applicants can defer payment of City portion of the DCs for five-years - applicant request the amount to be deferred to the City	- must be a minimum of $50,000 levy - only non-residential, high density residential or mixed-use buildings can apply	-

Halton Region

Chronology of Incentive Programs

- The Regional Municipality of Halton's (Halton Region) official plan (OP) contains policies that permit the Region to use CIPs as a tool to implement the policies of the ROP. The Region's approach is premised on providing grants to local municipalities in support of individual applications in their CIP programs (match funding), provided grants available from local municipalities support the policies of the Regions OP (e.g. intensification, brownfield and Greyfield redevelopment). The Region does not have a CIP per se.
- Since April 2010, the Town of Halton Hills identified the entirety of the Town of Halton Hills as a Community Improvement Project Area, and prepared a Comprehensive CIP and complementary incentive programs for eight sub-areas: Guelph Street; Downtown Georgetown; Georgetown Community Node; Downtown Acton; Agricultural/Rural Lands; the Georgetown Industrial Park; and, Acton Industrial Park. The CIP also has multiple Brownfield redevelopment incentives specific for Georgetown GO Station Lands, South Acton Special Study Area (the former Beardmore Tannery lands) and other Brownfield sites.
  - Programs activated for Brownfield sites include an: Environmental Site Assessment Grant, Brownfield Tax Assistance Program, Brownfield Redevelopment Grand, and Brownfield Development Charge Reduction.
  - The town wide CIP has been amended since to extend incentives with a Brownfield Parkland Dedication Program, and also allow consideration of some financial programs summarized below outside of eligible areas, on a case-by-case basis.
- While the Town of Oakville does not have a CIP specifically targeting the development of office, a Brownfield CIP was approved by Town Council on July 9, 2018 that focuses on encouraging development in multiple areas of the city, with the first priority being all designated Employment Areas, Major Transit Station Areas (MSTA) and Midtown Oakville, followed by all designated Nodes and Corridors, and lastly, the Rest of the Town's Urban Area.
  - Programs activated by the Brownfield CIP include: Environmental Study Grant (ESG), Tax (Cancellation) Assistance, and a TIEG program – the latter of which uses the priority area rank order to determine the percentage and length of grant, as well as other factors such as other project achievements (employment growth, design, sustainability).

Town of Halton Hills

Incentive Tool	**Name:** Comprehensive CIP – Georgetown Community Node (Guelph Street), Downtown Georgetown, Downtown Acton, Brownfield Sub-Areas, and Georgetown and Acton Industrial Park Sub-Areas **Status:** approved April 2010, amended November 2017 **Duration/Expiry:** CIP indicates suggests duration of 10 years for all programs			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Municipal Leadership Program	- All areas	- provides pre-consultation meetings with applicants, reviewing and evaluating all CIP incentive program applications and supporting materials against program requirements, presenting recommendations to Council for consideration ○ made up of representatives from Planning and Development, Economic Development, Recreation and Parks, Transportation and Public Works, plus an	- located in CIP project area - application must be submitted prior to any works or study related to the proposed development and issuance of a permit - must include plans, estimates, contracts, reports and other details with respect to costs and conformity with the CIP	-

		assigned CIP administrator, which collectively make up the CIP Review Panel ○ the CIP Review Panel works with the Region with respect to match funding of financial incentives, including approvals and agreements	- declaration of other sources of government and/or non-profit organization funding	
Revitalization Grant Program	- Georgetown Community Node, Downtown Georgetown, Downtown Acton	- provides a grant equal to 80% of the municipal property tax increase created by the project for up to 10 years after project completion		-
Comprehensive Planning Grant Program		- provides for 50% of the cost of draft plans and professional urban design studies/drawings to a maximum of of $7,500 per project		
Landscape Improvement Grant Program	- Georgetown and Acton Industrial Parks	- provides grant equal to 50% of the cost of eligible fencing, landscaping and screening of industrial properties to a maximum of $12,500 per property		-
Town of Oakville				
Incentive Tool	**Name:** DC By-law 2018-001 **Status:** approved 27th day of February 2018 **Duration/Expiry:** duration of by-law, subject to five-year review			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Caps on Coverage	- townwide	- where there is non-residential development, the development charge payable is calculated at 50% of the levy owed for the portion of the total floor area greater than 2.0 times the area of a lot	- must be non-residential use - must have a minimum FSI of 2.0 x the lot area, including separate lot if assembled for required parking	-

Waterloo Region

Chronology of Incentive Programs

- The Regional Municipality of Waterloo Official Plan allows for designation of Community Improvement Project Areas and adoption of Regional CIPs as it relates to infrastructure that is in the Region's jurisdiction, as well as land and buildings within and adjacent to Existing or Planned Transit Corridors that have potential for higher density reurbanization, and also allows the Region to provide grants, loans or other assistance as Council deems appropriate in this area. While the Region identified the entire corporate boundary as the Community Project Area in its Official Plan, the Region has adopted a Region of Waterloo Reurbanization Community Improvement Plan that only applies to land in what is called the Central Transit Corridor (CTC). Generally following the corridor of existing (new) and future LRT service, the Region recognized there were several under-utilized properties within the CTC with potential for reurbanization but areas were often complicated by faulty arrangement and unsuitable buildings. Despite their availability for reurbanization, these individual properties may not be large enough to accommodate higher density buildings. The cost and time of preparing the land for redevelopment would likely be onerous to the development community, particularly when compared to greenfield land free of any complications. The RRCIP was adopted as of xxxxx, and sets out the guidelines for a Regional Reurbanization Facilitation Program (RRFP) to help increase the number of development ready sites and incent involvement of the development community in this process.
- While the RRCIP currently does not include provisions for financial incentives per se, the Regional Official Plan policies contain language that allow Council to provide match funding to financial incentives for the purpose of carrying out local municipal CIPs.
- Today, Cambridge, Kitchener and Waterloo all adopted CIPs.
- In addition to CIPs for respective downtowns, local municipalities have introduced a Tax Increment Grant (TIG) program to encourage brownfield clean up in partnership with the Region.
    - The TIG program generally provides a grant for remediation of brownfield sites, with payments made after remediation with the total grant based on all eligible costs, and payment provided over a 10 years period.

- From 2009 to 2019, 20 projects across the Region have used incentives through regional development charge exemptions and TIGs. The majority (11) were in Kitchener, along with six in Cambridge, two in Waterloo and one in Woolwich Township.
- Repealed as of February 28th, 2019, the Region offered DC exemptions for projects in the downtown areas in Cambridge, Kitchener and Waterloo, with the City of Kitchener also waiving the City portion, however, this exemption has since expired. The Region currently offers a DC reduction for office uses in urban growth centres where such use is 20,000 sf or more. The region had previously Regional DC exemption for the downtown areas in Cambridge, Kitchener and Waterloo.

Regional Municipality of Waterloo				
Incentive Tool	**Name:** Region of Waterloo Reurbanization Community Improvement Plan (RRCIP) **Status:** Effective August 1, 2019 **Duration/Expiry:** duration of by-law, subject to five-year review			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Regional Reurbanization Facilitation Program (RRFP)	- Central Transit Corridor (including regional growth centres)	- provides Regional Council with the authority to purchase key properties in the CTC with the intent to prepare them to a point where they become more attractive to the development community - for example, the program authorizes Regional Council to: purchase and hold lands; prepare lands (e.g. land assembly, site cleanup and associated studies, lot reconfiguration, planning preparations, demolition, clearing of land, grading, improvement to and construction of buildings, marketing and disposition of properties)	- criteria for identifying sites generally compare the potential for urbanization vs obstacles to development - the RRCIP overlaps with local CIPs and works with area municipalities to identify sites and confirm to policy directions	-
Incentive Tool	**Name:** Regional DC By-law 14-046 **Status:** Effective August 1, 2019 **Duration/Expiry:** duration of by-law, subject to five-year review			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Regional Redevelopment Charge Allowance	- regionwide	- redevelopment allowances are given in recognition of the value of services previous provided to the site and are valid for up to 7 years from the date of issuance of a demolition permit may be entitled to a credit. - is only applied against regional DCs	- not applicable to former residential uses and some former non-residential or mixed-use developments	-
Development Charge Reduction (Major Office)	- regional urban growth centres	- provides a 50% discount for the portion of an office building that is the third floor and above	- located in an urban growth centre - minimum of 3-storeys - proposed development is greater than 20,000 sf (excluding podium portion of building) - podium does not have residential uses - a minimum of 75% of GFA making up the office portion of the building is dedicated to office space and associated facilities (e.g. reception, meeting rooms)	

	Geography	Description	Criteria / Requirements	KPIs
City of Waterloo				
Incentive Tool	**Name:** Uptown Waterloo **Status:** approved in 2013 **Duration/Expiry:** programs to expire December 2020			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Major Activity Grant	- Uptown Waterloo	- provides grant for large reurbanization projects that create new space for office employment - grant is equal to the portion or full amount of the property tax increase as the property is redevelopment and reassessed - 80% to 100% of the potential grant is provided based on achievement density, designation of heritage resources and achievement of LEED certification or other sustainable design and construction standards	- the project is over 5,000 sf	-
Minor Activity Grant		- provides grant for small reurbanization projects that create new office space for employment - a minimum of $25.00 psf is offered to maximum of $20,000 per project, where minimum requirements are met. Up to $400 psf or $50,000 per project is provided where there are there is a designated heritage resource and achieves LEED certification or similar	- for projects between 400 sf and 5,000 sf	-
Parking Exemption		- reduced parking standards for office expansions	- provided where developer is unable to provide the on-site parking as required by the city's zoning bylaw	-
Study Grant		- provides grant for professional urban design studies and drawings, heritage feasibility studies and assessments - provided as matched funding of up to $3,000 per project	-	-
Fee Grant		- provides a grant to offset planning and development fees, up to $10,000 per project	- for renovations and small expansions only	-
City of Kitchener				
Incentive Tool	**Name:** Downtown CIP **Status:** Adopted January 20, 1997, amended March 31, 2014 **Duration/Expiry:**			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Startup Landing Pads program	- Downtown Kitchener	- helps start-up companies transition from accelerator programs, incubator facilities, and short-term lease space into more permanent locations - assists property owners and tenants with the financing of interior leasehold improvements and/or accessibility improvements - enables the city to repair, rehabilitate or improve buildings on land it holds or acquires, and to sell, lease or dispose of	- for 2nd storey properties and above - the occupant, start-up company is endorsed by a program partner	-

		any such buildings and land for the purpose of establishing start-up landing pads;		

Niagara Region

Chronology of Incentive Programs

- Starting adoption of Amendment 2 to the Regional Policy Plan in 2009, which first introduced the Niagara Economic Gateway, policies were put in place to for employment landsstating that the Region would work in partnership with the Province, local municipalities and economic development agencies to develop a comprehensive funding strategy to create an attractive investment climate f through such measures improving appearance, infrastructure, and reducing the cost of servicing industrial lands and exploring opportunities for developing environmentally sustainable industrial buildings.
- The Niagara Gateway Economic Zone and Centre CIP was prepared as the main tool for the Region and local municipalities to achieve regional policy goals. In consultation with the five affected local municipalities (Fort Erie, Niagara Falls, Thorold, Welland, Port Colborne) and other key stakeholders, Niagara Region led and coordinated the preparation of this "Master Gateway CIP" for employment lands in the Gateway Economic Zone, with the Region endorsing the “Master Gateway Plan” and all local municipalities approving the final Economic Gateway CIP to provide the legislative basis and comprehensive policy framework for the provision of incentive programs.
- This approach has ensured consistency amongst municipalities, but still has allowed local municipalities to provide their own grants with partial funds from the Region. For example, a Tax Increment Based Grant (TIBG) program are established in the Master Gateway CIP and applies only to municipal property taxes - including the Regional portion, and the local portion and lower-tiers since each has opted to participate – plus the City of Niagara Falls provides addition financial incentives to TIBG approved projects (e.g. application fee rebates and study fee grants), as does the City of Welland (e.g Planning Application Waivers). These complementary Economic Gateway CIPs are in addition to CIP for traditional downtown areas, providing other incentives to these targeted areas (e.g. capital improvement grants, site remediation and other improvements).
- The City of Welland has established a Downtown and Health and Wellness Cluster CIP to promote the revitalization of this area, and reinforce the Downtown as a mixed use, transit supportive area, and encourages uses in the Health and Wellness Cluster that strengthen Welland's health and wellness resources. The CIP includes a Public Realm Improvement Plan which identifies opportunities to improve the overall image and sense of community within the Project Area. Several financial incentive programs designed to stimulate private sector investment activity in the revitalization and redevelopment of the Project Area, notably including a development charge reduction of 75% to 100% of the city-portion depending on the number of Smart Growth Features achieved.

Regional Municipality of Niagara				
Incentive Tool	**Name:** The Niagara Gateway Economic Zone and Centre CIP **Status:** adopted February 2012 **Duration/Expiry:** effective 2015, no expiry provided			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Tax Increment Based Grant Program (TIBG)	- entire CIP project area	- provides an incremental tax rate rebate of a percentage of the post-project values for a period of 5 or 10 years period depending on the location of the project - a rebate is provided for 5-years for project within the CIP project area but outside of strategic areas for investment or 10-years for strategic areas	- for projects proposing employment land uses and businesses in the targeted sectors identified in the Niagara Gateway Economic CIP - retail and residential uses are not eligible - if conversion to retail uses occurs prior to cessation of a grant payment, the amount remaining for payment is adjusted to reflect non-retail space remaining - the applicant must submit a business plan	- more than $36 million in relief awarded between 2015 and 2017
Regional Development Charge Grant Program	- entire CIP project area	- provides a grant to offset development charges related to the investment - projects that score 14 points or more according evaluation criteria receive greater relief from Regional DCs, with payments capped at $1.5 million	-	

		- additional relief of up to $1.5 million from regional development charges is provided for exceptional projects - exceptional projects achieve a higher standard with regard to economic performance and environmental design		
City of Niagara Falls				
Incentive Tool	**Name:** Niagara Fall Gateway Economic Zone and Centre CIP **Status:** adopted November 2015 **Duration/Expiry:**			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Municipal Employment Incentive Program (MEIP)	- entire CIP project area	- provides supplemental incentives to the TIBG local and regional rebate, including: Planning Application Fee Waivers, Building Permit Fee Rebates, Study Grants - Study Grants are based on 50/50 match funding up to a maximum of $5000 per study or $50,000 per applicant	- received approval for the TIBG by the Region	-
City of Welland				
Incentive Tool	**Name:** City of Welland Gateway Economic Zone and Centre CIP **Status:** adopted February 2014 **Duration/Expiry:**			
	Geography	**Description**	**Criteria / Requirements**	**KPIs**
Planning Application Grant Program	- entire CIP project area	- provides supplemental incentives to the TIBG local and regional rebate in the form of Planning Application Fee Waivers	- received approval for the TIBG by the Region	-

Appendix B – Proforma

Hypothetical Office Proforma Example - Brampton with Surface Parking

Assumptions	Office 75k	Office 40k	NBLC makes every effort to ensure the data is correct but cannot guarantee its accuracy. NBLC assumes no responsibility for losses sustained as a result of implementing any recommendation provided in this analysis. The analysis is not to be used for any other purposes, or by any other party without the prior written authorization from N. Barry Lyon Consultants Limited.
Site and Project Statistics			
Site			
Site Area (ac)	3.26	1.96	*Estimate to accommodate all parking as surface*
Site Area (ha)	1.32	0.79	
Site Area (sf)	142,143	85,476	
Building			
Floorplate Size	12,500	13,333	
Number of Storeys	6	3	
Commercial			
Office Gross Constructible Floor Area (sq. ft.)	75,000	40,000	*per NBLC*
Office Gross Constructible Floor Area (sq. m.)	6,968	3,716	
Office Net to Gross Efficiency Ratio (%)	90%	90%	*per NBLC*
Office Net Leasable Area	67,500	36,000	
Floor Space Index	0.5	0.5	
Parking			
Non-Residential Parking Stall Ratio (per sq. m)	0.0333	0.0333	*per Brampton zoning*
Required Commercial Parking	232	124	
Area Required for Surface Parking (sf)	87,000	46,500	
Estimated Area per Stall (sq. ft.)	375	375	*Per NBLC*
Total Parking Area Required Underground (sq.ft.)	0	0	
Storeys of Below Grade Parking	0.00	0.00	

Revenues			
Office			
Gross Lease Rate (per sq. ft.)	$33	$33	*Estimate*
TMI (per sq. ft.)	$10	$10	*Estimate*
Cap Rate	6.00%	6.00%	*CBRE Estimate for suburban class B office*
Net Office Rent (psf)	$23.00	$23.00	*Per NBLC*
Office Vacancy Rate	10.0%	10.0%	*Per NBLC*
Revenue for parking (per space per month)	$0	$0	*Per NBLC*
Absorption			
% Leased prior/During Construction	30%	30%	*Estimate*
% Leased at Completion	70%	70%	*Estimate*
Costs			
Hard Construction Costs			
Surface Parking Construction Cost (per sq. ft.)	$15	$15	*Per Altus Canadian Cost Guide 2020*
Commercial Construction Cost (per sq. ft.)	$230	$230	*Per Altus Canadian Cost Guide 2020 Class B*
Below Grade Construction Cost (per sq. ft.)	$125	$125	*Per Altus Canadian Cost Guide 2020*
Servicing Connection Cost (lump sum)	$50,000	$50,000	*Estimate*
Landscaping & Hardscaping (per sq. ft.)	$10	$10	*Estimate*
Site Preparation/ Demolition (per sq. ft.)	$10	$10	*Estimate*
Contingency (% of total hard costs)	5%	5%	*Estimate*
Cost Inflator	3.0%	3.0%	*Estimate*
Soft Costs			
Commercial Cash-in-Lieu of Parkland Dedication (% land value at time of permit)	2%	2%	*Per City of Brampton*
Section 37 Fee	$0	$0	*Estimate*
City Office Development Charge (per sq. m.)	$0	$0	*Per City of Brampton - inclusive of education, GO*
Region Office Development Charge (per sq.m.)	$0	$0	*Per Region of Peel*
Building Permit Fee (per sq.m)	$16	$16	*Per City of Brampton*
Property Tax Rate	1.59%	1.59%	*Office Building Excess Land Rate*
Consultants (% of hard costs)	5%	5%	*Estimate*
Development Project Management (% total hard costs)	3%	3%	*Estimate*
Construction Management (% of total hard costs)	3%	3%	*Estimate*
General Legal & Administration(lump sum estimate)	$50,000	$50,000	*Estimate*
Planning Application Fees (lump sum estimate)	$125,000	$125,000	*Estimate*
Insurance (% of total hard costs)	1.0%	1.0%	*Estimate*
Marketing Cost (% of total revenue)	2.0%	2.0%	*Estimate*
Construction Loan Interest Rate	4.95%	4.95%	*Estimate*
Construction Loan to Cost	75%	75%	*Estimate*

Lender's Administrative Fee (% of total costs)	0.8%	0.8%	*Estimate*
HST Rate	0%	0%	*Per CRA - HST is paid through rents, no deemed disposition*
HST Rebate	$0	$0	*N/A*
Development Rates & Timing			
Profit Margin (% spread on cap rate)	0.75%	0.75%	*Estimate*
Discount Rate	6.00%	6.00%	*Estimate*
Years Prior to Land Sale	0.00	0.00	*Assumption*
Prelease Timeline (To 70%)	1.0	1.0	*Estimate*
Years to Begin Marketing (Planning Approval Time)	1.0	1.0	*Estimate*
Construction Period (years)	2.5	2.5	*Estimate*
Lease up Period/Stabilization (years)	1.5	1.5	*Calculated*
Occupancy Period beyond Construction (years)	0.0	0.0	*Estimate*
Completion Date	4.5	4.5	*Calculated*
Construction Loan Interest Cal Period	4.0	4.0	*Calculated*
Revenue & Cost Calculations	**Office 75k**	**Office 40k**	**Notes:**
Revenues			
Revenue from Commercial Space	$27,806,493	$14,830,130	*At Stabilization*
Revenue from Parking	$0	$0	
Total Development Revenue	**$27,806,493**	**$14,830,130**	
	$371	$371	
Costs			
Hard Costs			
Surface Parking Construction Cost	$1,384,475	$739,978	
Underground Parking Construction Cost	$0	$0	
Commercial Construction Cost	$18,300,525	$9,760,280	
Servicing Connection Cost	$53,045	$53,045	
Landscaping & Hardscaping	$1,507,994	$906,817	
Site Preparation/ Demolition	$1,507,994	$906,817	
Contingency	$1,137,702	$618,347	
Total Hard Cost	**$23,891,733**	**$12,985,283**	
Soft Costs			
Residential Cash-in-Lieu of Parkland Dedication Levy	$163,157	$98,113	*Based on a $2.5M per acre value*
Section 37	$0	$0	
City Development Charges	$0	$0	
Region Development Charges	$0	$0	
Building Permit Fee	$135,638	$79,340	
Property Tax	$355,092	$213,531	*Based on a $1M per acre assessed value - tax paid during holding/construction*
Planning Application Fees	$132,613	$132,613	
Consultants	$1,194,587	$649,264	
Development Project Management	$716,752	$389,559	
Construction Management	$716,752	$389,559	
General Legal	$57,113	$57,113	
Insurance	$238,917	$129,853	
Marketing Cost	$556,130	$296,603	
Construction Loan Financing Costs	$2,234,718	$1,223,831	*including lender administration fee, including interest up to stabilization*
HST	$0	$0	
HST Rebate	$0	$0	
Total Soft Cost	**$6,501,469**	**$3,659,377**	
Total Development Cost	**$30,393,203**	**$16,644,661**	
	$405	*$416*	
Land Budget	**Office 75k**	**Office 40k**	**Notes:**
Residual Land Value and Profit			
Total Residual Land Value and Profit (future$)	**($2,586,710)**	**($1,814,531)**	
RLV and Profit PSF of GFA	($34)	($45)	
Total Residual Land Value and Profit (present$)	**($1,990,084)**	**($1,396,008)**	
RLV and Profit PSF of GFA	($27)	($35)	

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Hypothetical Office Proforma Example - Brampton with Surface Parking

Cash Flow

Disclaimer

Every reasonable effort has been taken to ensure that the information, analysis, conclusions, and recommendations in this report are accurate and timely. No responsibility for the information, analysis, conclusions, or recommendations is assumed by N. Barry Lyon Consultants Limited or any of its employees or associates.

Scenarios

	Office Development
Gross Floor Area	75,000
Net Floor Area	67,500
Office Rental Rate (psf per year)	$23.00
Revenue Inflator (Pre and During Construction)	3%
#Parking Spaces	232
Construction + Stablization Period (Years)	5
Discount Rate	6.0%
Exit Cap Rate	6.0%

Costs

	Office Development
Land Cost (assume $1.0M per acre)	$3,263,145
Hard Cost	$23,891,733
Soft Costs	$6,501,469
Total	**$33,656,348**

Permanent Loan Eligible

	Office Development
Minimum Debt Coverage Ratio	1.25
Stablized NOI	$1,623,612
Maximum Annual Debt Service to Support DCR	$1,298,889
Interest Rate	4.00%
Term	10
Amortization	35
Max Loan to Cost	0.75
Loan To Value	0.75
Loan Amount	**$24,243,265**
Actual Loan to Cost %	72%
Annual Loan Payment	**-$1,298,889**

Funding Sources

Developer Equity (Cash)	$9,413,082
Developer Equity (%)	*28%*
Construction Loan	$24,243,265
Total	**$33,656,348**

Office Development

Net Operating Income Calculation to Stabilization		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Annual Rental Increase			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Vacancy Rate and Bad Debt		50.00%	25.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Operating Costs (% of Rent) - not covered by gross rent		30%	30%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Rental Income (annual)		$1,773,369	$1,808,836	$1,845,013	$1,881,913	$1,919,552	$1,957,943	$1,997,102	$2,037,044	$2,077,784	$2,119,340	$2,161,727
Parking Revenue (annual)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
OPX+Vacancy+Bad Debt		$1,418,695	$994,860	$221,402	$225,830	$230,346	$234,953	$239,652	$244,445	$249,334	$254,321	$259,407
Annual Net Operating Cash Flow (before debt)	**-$33,656,348**	**$354,674**	**$813,976**	**$1,623,612**	**$1,656,084**	**$1,689,205**	**$1,722,990**	**$1,757,449**	**$1,792,598**	**$1,828,450**	**$1,865,019**	**$1,902,320**

Payment Schedule

Start Year	End Year	Term Length, Years	Amortization, Years	Interest Rate Increase	Interest Rate	Min DCR	NOI	Annual Payment	Beginning Balance	Ending Balance
3	12	10	35	0.00%	4.00%	1.25	$1,623,612	$1,298,889	$24,243,265	$19,804,117

10-Year Rental Cash Flow - Leveraged

	0	1	2	3	4	5	6	7	8	9	10	$11
NOI	-$9,413,082	$354,674	$813,976	$1,623,612	$1,656,084	$1,689,205	$1,722,990	$1,757,449	$1,792,598	$1,828,450	$1,865,019	$1,902,320
Debt Service	$0	$0	$0	-$1,298,889	-$1,298,889	-$1,298,889	-$1,298,889	-$1,298,889	-$1,298,889	-$1,298,889	-$1,298,889	
After Debt Cash Flow	-$9,413,082	$354,674	$813,976	$324,722	$357,195	$390,316	$424,100	$458,560	$493,709	$529,561	$566,130	$11,901,212

Capitilized Value of NOI	*$31,705,329*
Remaining Balance of Loan	*$19,804,117*
Asset value at end of term (net of outstanding loan)	*$11,901,212*
Leveraged IRR	**6.38%**
Equity Multiple	**1.8**