

**Appendix 7B: Hub Economic and Fiscal Analysis, HR&A Advisors**  
See attachment



# BRAMPTON COMMUNITY HUB

ECONOMIC IMPACT OF A COMMUNITY HUB

AUGUST, 2021

HR&A  
Analyze. Advise. Act.

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# Executive Summary

# Introduction: Building a Community Hub will be a key element of the creation of a walkable and accessible community in Brampton

The City of Brampton is seeking to understand key differences between the current approach and a new model (the “impact case”).

Base Case Process	Impact Case
<ul style="list-style-type: none"><li>• The following were used to inform Base Case Analysis:<ul style="list-style-type: none"><li>• Proposed development plans for the Shoppers World area for expected development over the next 15 years</li><li>• Current cost estimates for service provision</li><li>• Hub Programming as a guide for anticipated service space needed in a base case scenario</li><li>• Historic construction cost trends</li><li>• Anticipated timeline from the city for typical services to be developed</li></ul></li><li>• The above were used to estimate tax revenues, development charges, and costs of building out public services in the future</li></ul>	<ul style="list-style-type: none"><li>• The following were used to inform Impact Case Analysis:<ul style="list-style-type: none"><li>• Proposed development plans for the Shoppers World Study for expected development over the next 15 years</li><li>• Research regarding impact on property values related to public service provision, particularly schools.</li><li>• Hub Programming as a guide for costs allocated to each service provider</li><li>• Historic construction cost trends</li><li>• Alternate Impact scenarios to compare results if the development program does not occur as expected</li></ul></li><li>• The above were used to estimate tax revenues, development charges, and costs of building out the hub which were then compared with the Base Case scenario</li></ul>

# Building a Community Hub will be a key element of the creation of a walkable and accessible community in Brampton

## Fiscal Benefits:

- **Increases** tax revenues
- **Lowers** public costs by creating operational efficiencies
- **Additional** local spending associated with use diversity

## Quality of Life Benefits

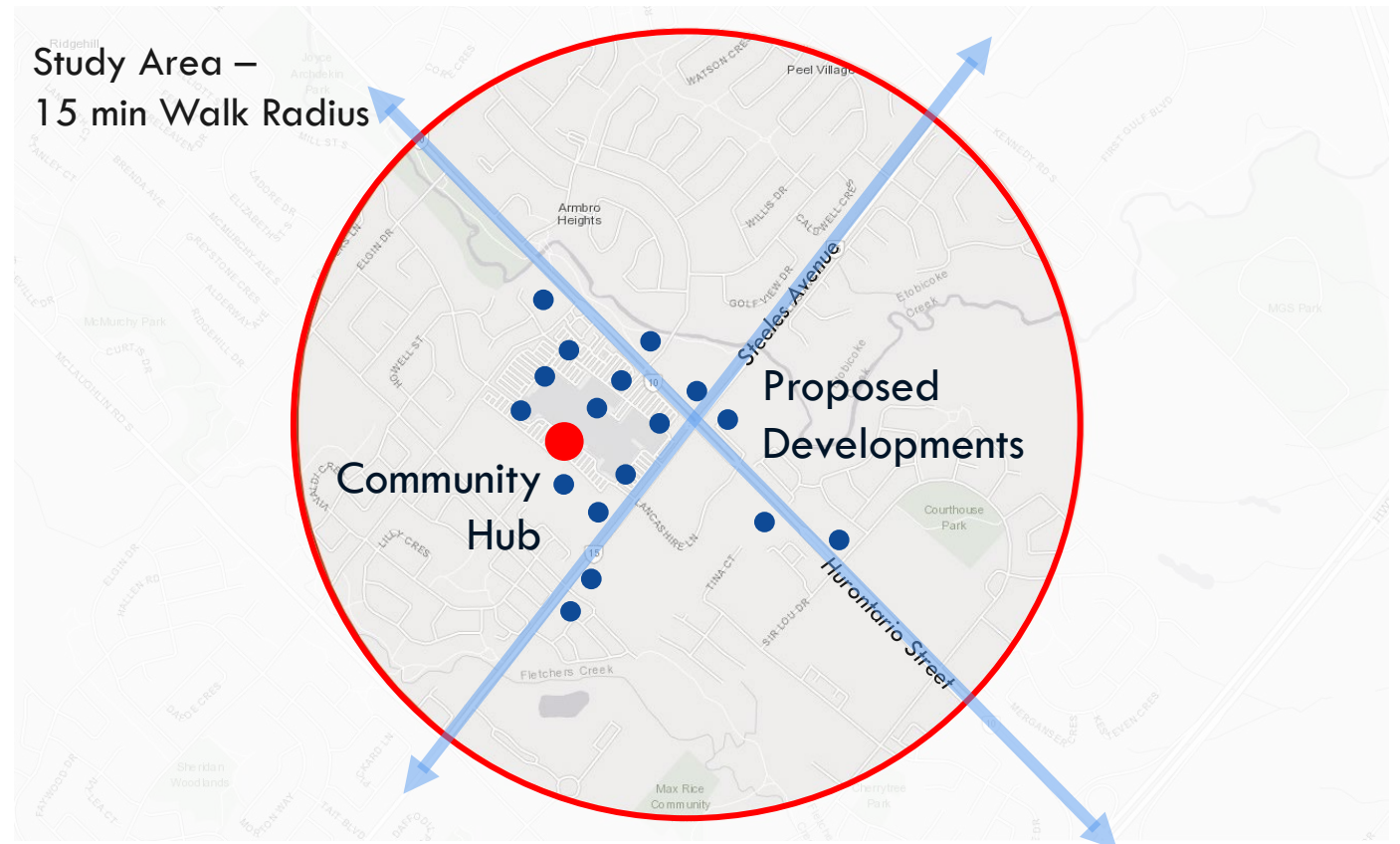
- **Supports** newly-developed transit
- **Improves** access to community facilities
- **Integrates** education and other public services
- **Creates** new business and job opportunities
- **Enhances** inclusive growth

# The Hub will be located in an area in the middle of profound transformation

The Study area is expected to experience significant growth in the next fifteen years including:

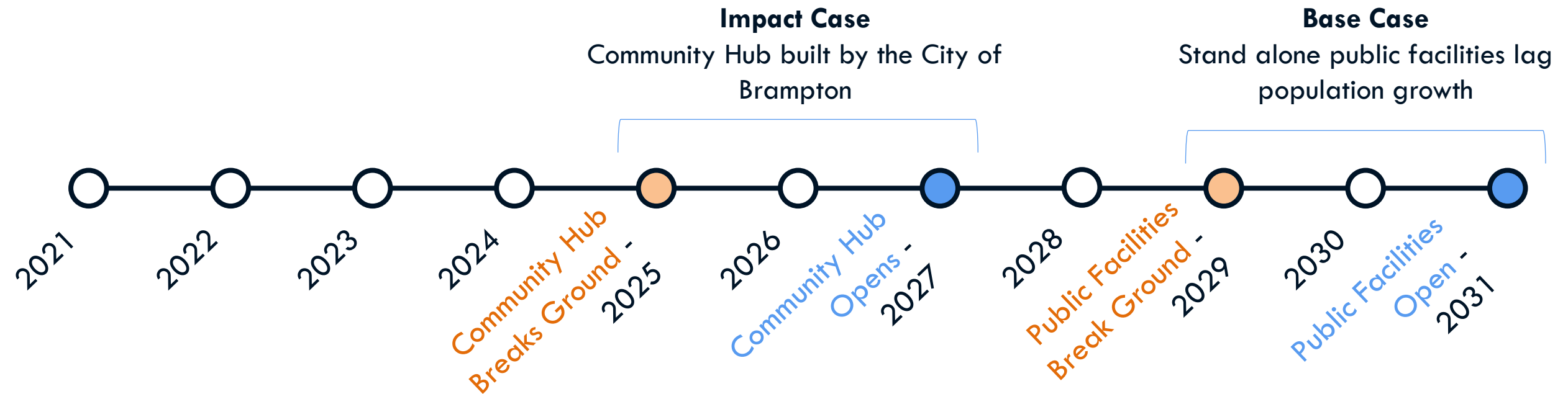
- **14,730 Residential Units**
- **486K SF Office Space**
- **682K SF Retail Space**
- **New Light Rail Extension**

Location of Hub With Respect To Study Area and Adjacent Development



A key question for Brampton is when and how to provide services for this growing neighborhood.

HR&A's approach defines a **Base Case** and an **Impact case** to measure potential benefits and costs of developing the Community Hub .





## Key Analysis Takeaways – Significant Benefits from a Hub

1. There is a **lower cost to build the Community Hub** upfront compared to ad hoc provision of services
2. The Community Hub **aligns public service delivery** with population growth
3. The Hub provides a lab for **innovative delivery of public services**
4. The Hub can be **publicly financed through a pragmatic approach** to costs and revenues
5. The Hub provides additional private and public financial benefit through **enhancing property values**

# 1. There is a lower cost to build the **Community Hub** upfront compared to ad hoc provision of services

Building the Hub upfront avoids four years of construction and land cost escalation (*\$30-90 million*).

Consolidating services in a single building is a more efficient use of local land and infrastructure.



## 2. The Hub aligns population growth and public services to meet the needs of a growing population.

Accelerated delivery will provide services to residents of Brampton as they're needed as opposed to after existing resources are exceeding capacity

Providing a new model for civic services will create efficiencies across departments for construction and operations



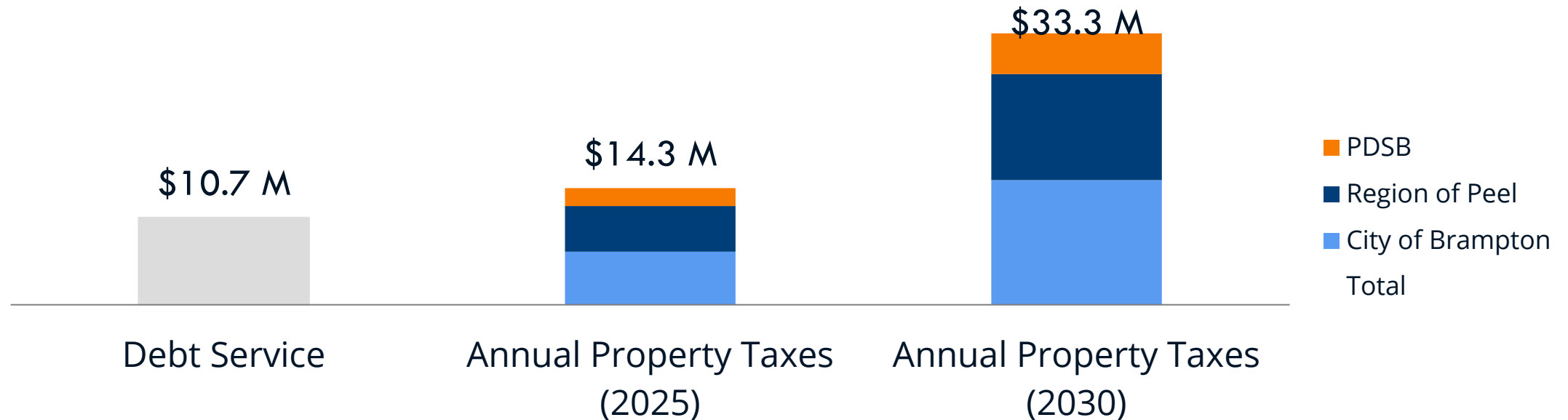
### 3. The Hub provides a lab for **innovative delivery of public services**

Brampton can establish a scalable model for development city-wide, and establish a new standard in the region. Local officials have already begun exploring this opportunity, which will allow for efficiencies in operations and increased collaboration between departments:

- School departments and local officials are exploring new educational approaches
- Local and regional government officials are exploring ways to integrate delivery of public services
- Government as the landlord will allow for the adaptation of services that occupy the Community Hub to respond to resident needs
- Flexible space within the building allows for more efficient use across services

## 4. The Hub can be **publicly financed through a pragmatic approach** to costs and revenues

The Community Hub project **can be financed with public revenues** generated from the Site, such as taxes from proposed development



5. Location of the services to be included in the Hub provides a private and public benefit by **enhancing property values**
- With the hub in place, **local residential property values will increase** by 4.5%, contributing up to \$1.8M in incremental property tax revenues annually by 2035.
  - **The mix of local development will diversify** as offices and larger apartments are attracted by a walkable urban environment.

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# Introduction

# Building a Community Hub will be a key element of the creation of a walkable and accessible community in Brampton



## Economic Benefits:

- **Increases** tax revenues and lowers public costs.

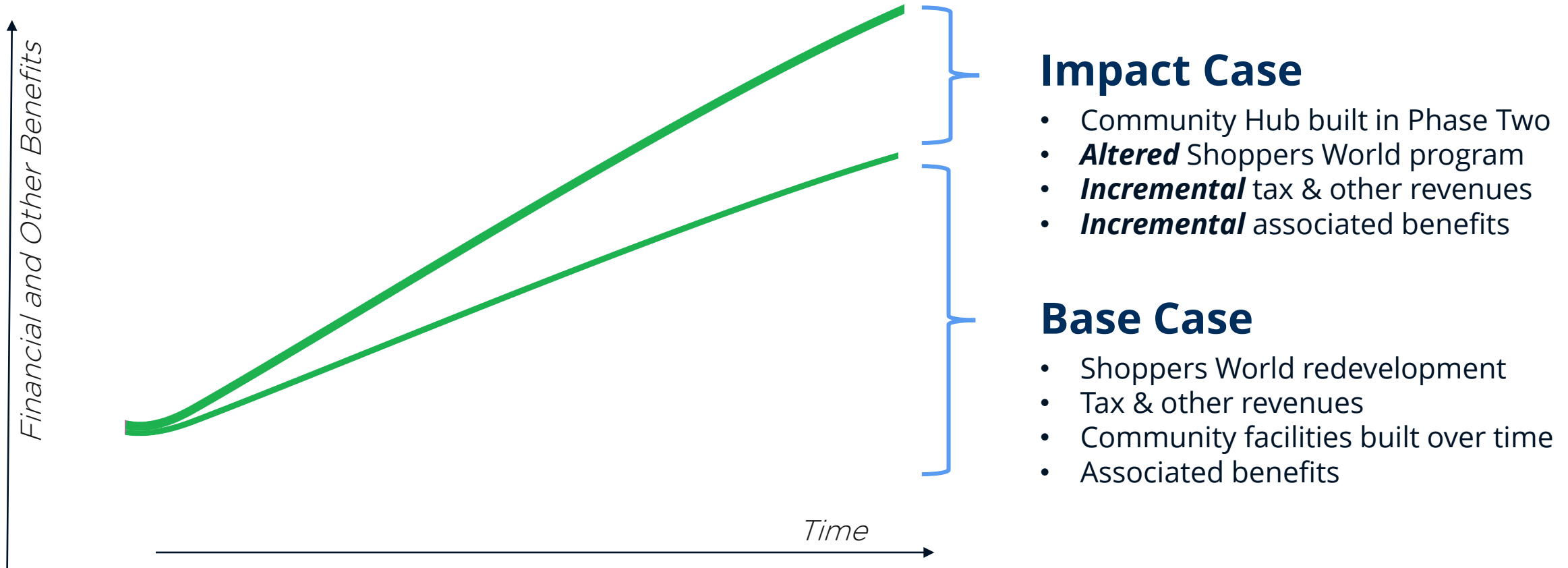
## Quality of Life Benefits

- **Supports** newly-developed transit
- **Improves** access to community facilities
- **Integrates** education and other public services
- **Creates** new business and job opportunities
- **Enhances** inclusive growth



# HR&A's analysis focuses on the economic benefits of the Community Hub

**HR&A is measuring the incremental benefits** associated with the creation of a Community Hub over an already remarkable base case scenario.



# What are we measuring?

## Beneficiaries

- Current and future residents
- City of Brampton
- Peel District School Board (PDSB)
- Other Government

## Benefits

- Increased public revenues
  - One-time development charges
  - Ongoing property taxes
- Decreased public service costs
- Quality of Life Benefits
  - Supports newly-developed transit
  - Improves access to community facilities
  - Integrates education and other public services
  - Creates new business and job opportunities
  - Enhances inclusive growth

# Why measure incremental benefits?

**Provide an effective decision-making tool** for policymakers to compare potential public investment decisions across the city and region

**Encourage responsible stewardship of public resources** by providing a thoughtful accounting of the projected incremental net benefits of the project

**Spur a forward-looking and more efficient model** of public services investment



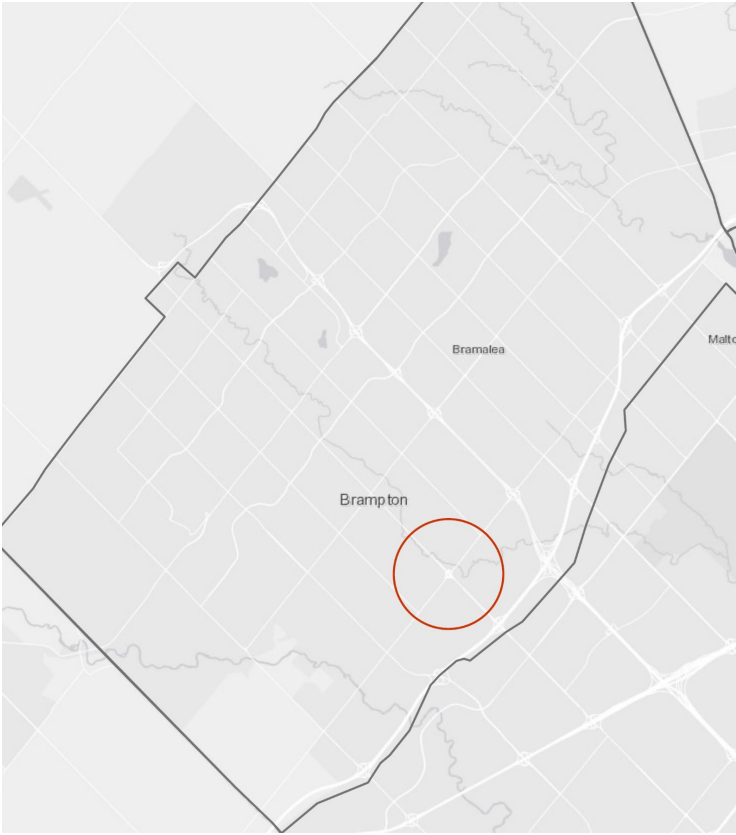
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# Base Case – What if we Don't Build the Hub?

## Private Development Activity

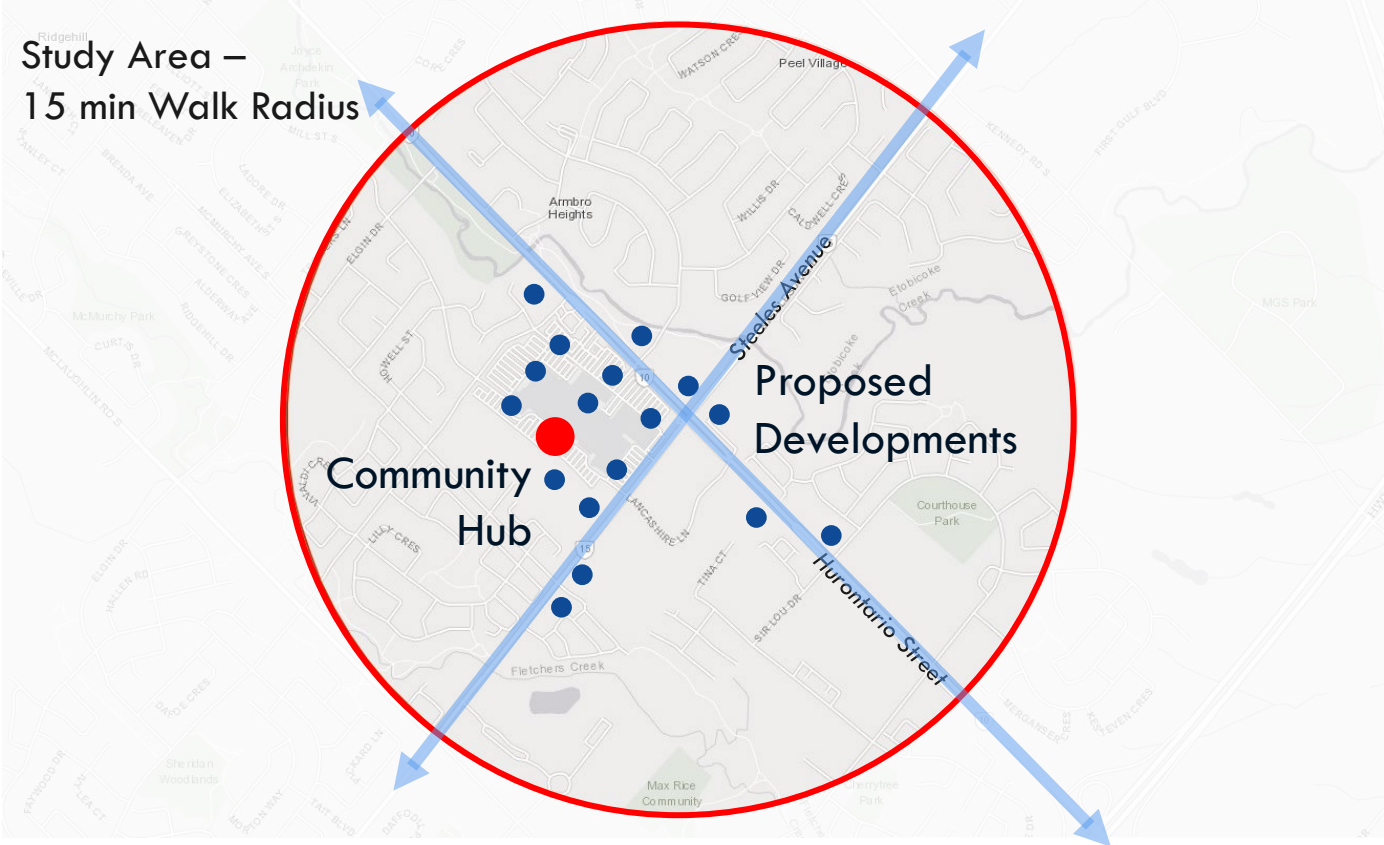
# Context: The Community Hub will be within the current Shoppers World site

Location of Study Area within Brampton



Source: City of Brampton Planning  
HR&A Advisors, Inc.

Location of Hub With Respect To Study Area and Adjacent Development



DRAFT

HR&A Analysis of private development rests on four components:



**Population Growth**



**Planned Development**



**Property Values**



**Unit Mix & Type**



Brampton's population has grown twice as fast as the rest of the GTA and Region of Peel over the past 10 years

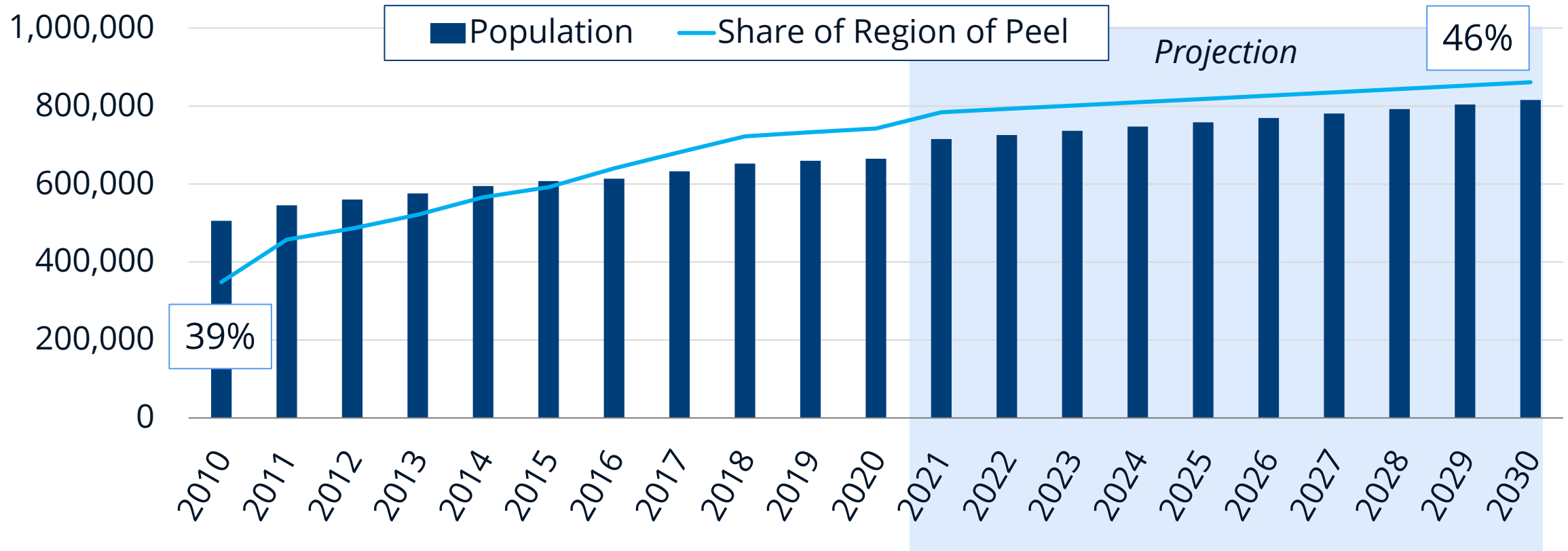
<b>Total Population (2020)</b>	<b>GTA</b> <b>6,197,000</b>	<b>Peel Region</b> <b>1,497,826</b>	<b>Brampton</b> <b>664,948</b>
<b>10 Year Growth (2011 – 2020)</b>	<b>GTA</b> <b>10.8%</b>	<b>Peel Region</b> <b>10.9%</b>	<b>Brampton</b> <b>21.9%</b>

Sources: Region of Peel Population and Household Estimates, Statistics Canada, Census Program



# Brampton's population is projected to grow steadily and account for a growing share of the Region of Peel total

Brampton Population and Share of Regional Total, 2010-2030



Sources: Brampton Draft Growth Scenarios, Region of Peel Population and Household Estimates, Statistics Canada, Census Program, HR&A Analysis

HR&A Advisors, Inc.

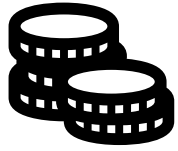




Planned development in the study area includes 14,690 new residential units, 20% of the projected citywide total between 2021 and 2035

Shoppers World Study Area Planned Development

	<b>Short Term (2021 - 2023)</b>	<b>Medium Term (2024 - 2028)</b>	<b>Long Term (2029 - 2035)</b>	<b>Total</b>
New Residential (Units)	3,498	7,801	3,431	<b>14,730</b>
Retail	86,000 sf	241,000 sf	355,000 sf	<b>682,000 sf</b>
Office	39,000 sf	69,000 sf	378,000 sf	<b>486,000 sf</b>



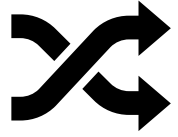
Existing regulations provide one-time and ongoing revenues associated with new development

## Public Revenues per Unit of Development

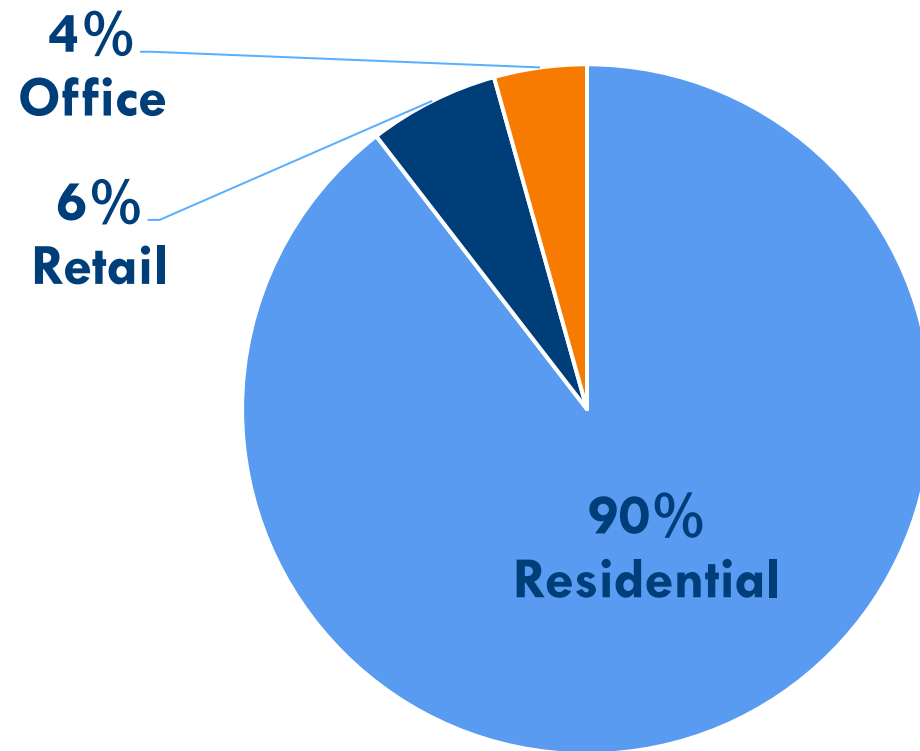
Use	Development Charges PSF	Existing Property Taxes (2021)
Townhome	\$82,376 (per unit)	\$3.71 psf
Condo	<i>See Unit Size</i>	\$4.12 psf
Rental	<i>See Unit Size</i>	\$2,003 Per Unit
Studio	\$41,693 (per unit)	N/A
1 BR	\$41,693 (per unit)	N/A
2 BR	\$72,658 (per unit)	N/A
3 BR	\$72,658 (per unit)	N/A
Retail	\$33.56 (psf)	\$3.97 (psf)
Office	\$33.56 (psf)	\$5.18 (psf)

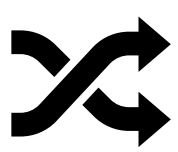
Source: MPAC, City of Brampton Planning and Development

HR&A Advisors, Inc.



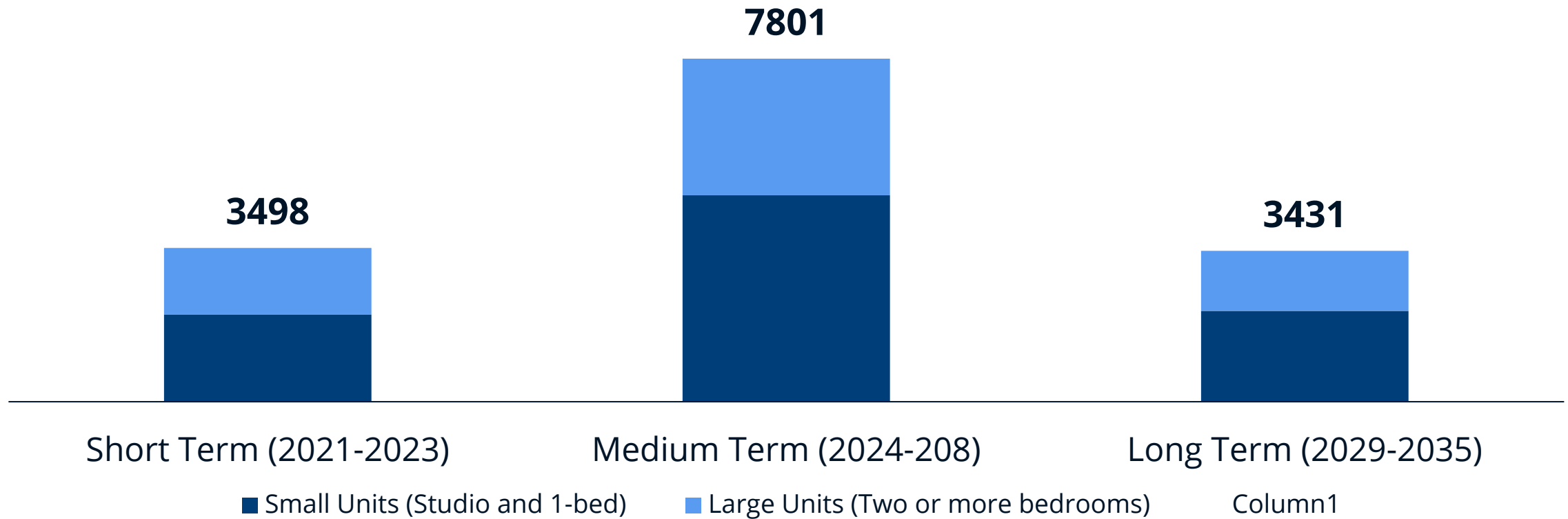
Residential uses represent approximately 89% of development planned in the area around the Hub





More than 90% of planned housing units are multifamily; studio and one-bedroom units comprise 60% of the total

### Projected Multifamily Units by Size, 2021-2035

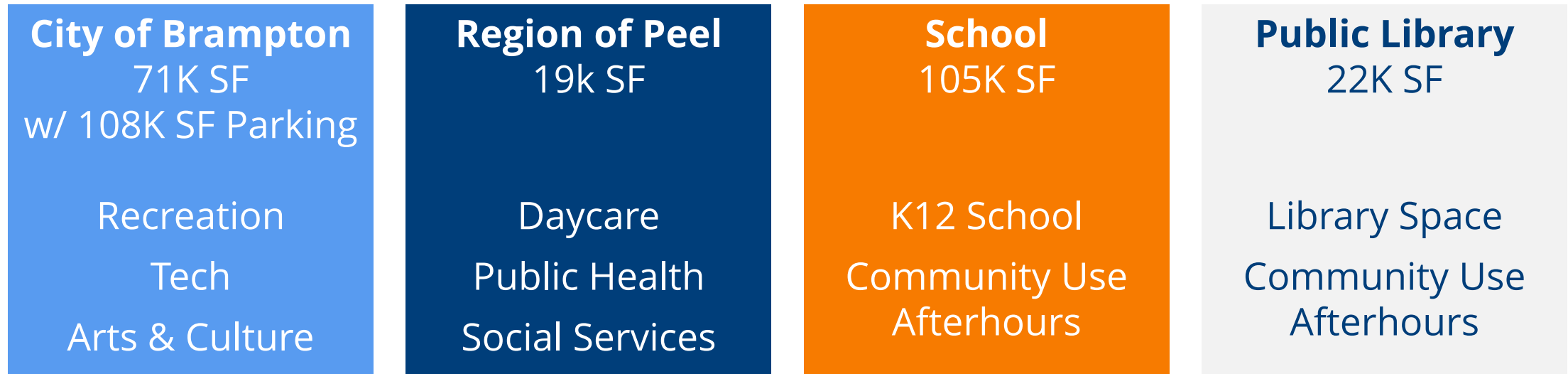


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# Base Case – What if we Don't Build the Hub?

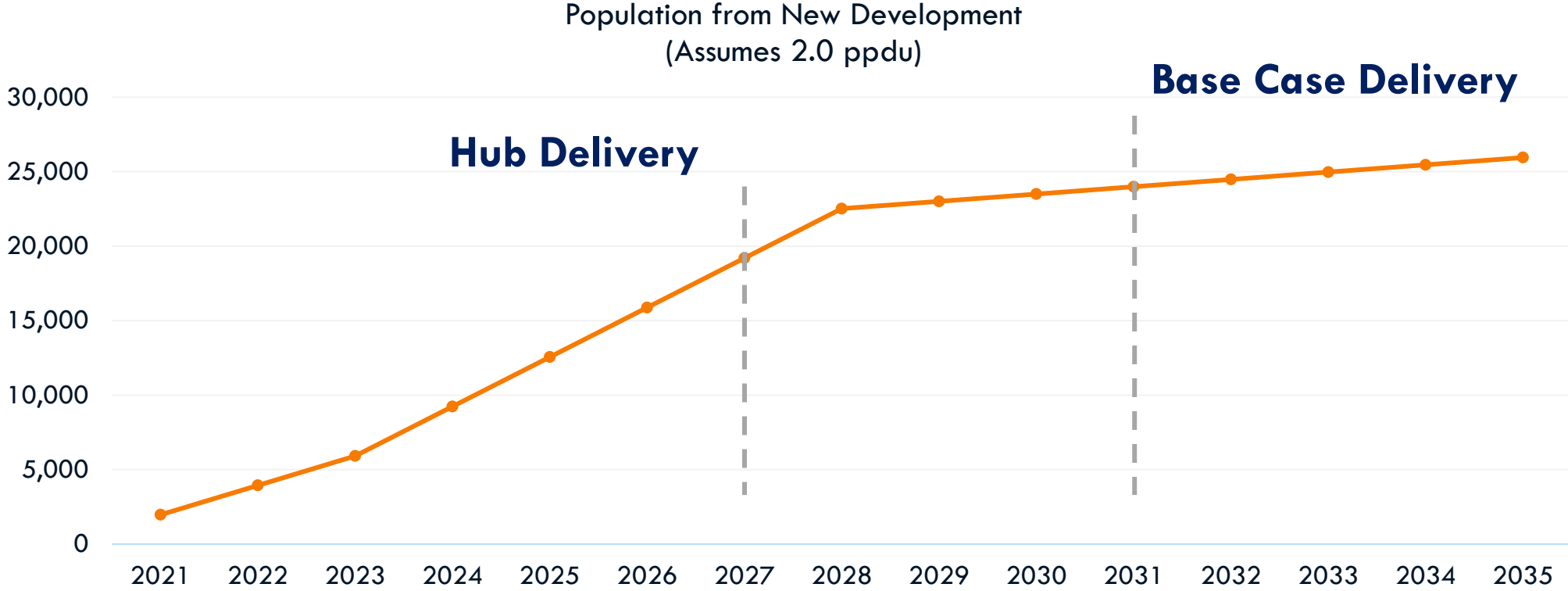
Public Services Lag Demand

Base Case assumes public service providers expand capacity at their own cost and on a timeline that lags need



With no investments currently planned, **the Base Case assumes public service expansions begin construction in 2029.** Facilities equivalent to those designed for the Hub are funded at the end of the medium-term phase of proposed development.

In the base case, the study area is projected to add 24,000 residents before new public services can be sited.



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# Base Case – What if we Don't Build the Hub?

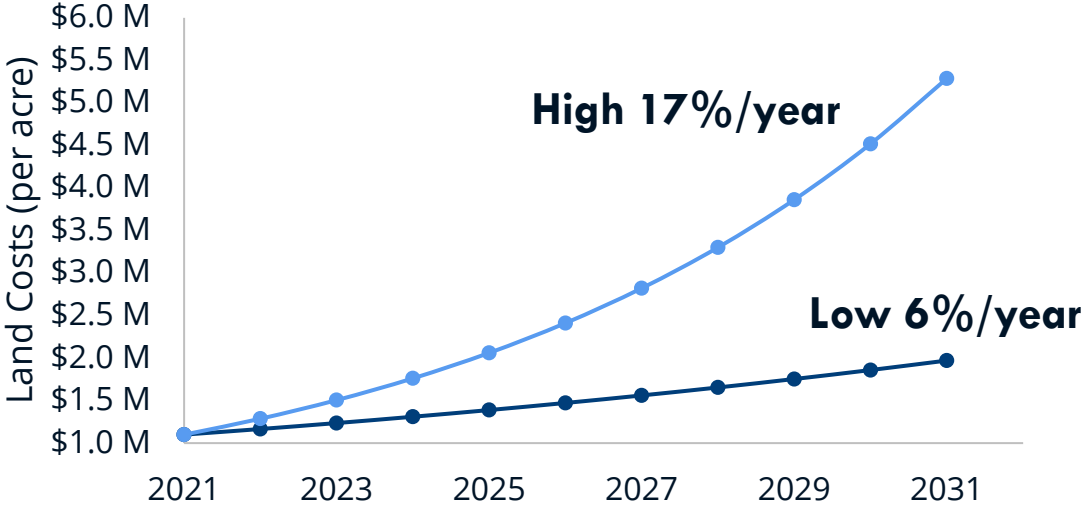
Public Services are More Expensive



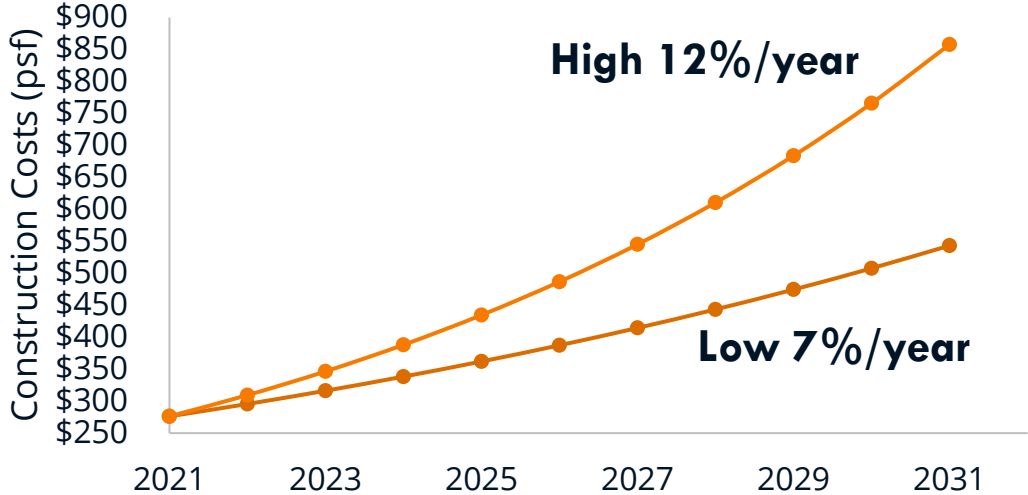
# In the Base Case, inflation in the cost of land and construction increases the cost of public service facilities.

HR&A estimated growth for land and construction costs based on recent growth rates. Due to Escalation between the Impact Case construction in 2025 and the Base Case construction in 2029, land costs could see increases of between 26% - 87% and construction costs increases of between 31% - 57%.

Growth of Land Value Based on HR&A Low and High Assumptions



Growth of Construction Costs Based on HR&A Low and High Assumptions



Sources: City of Brampton Planning, City of Brampton Department of Finance, Altus Group Construction Costs, HR&A Analysis

High Land Value Growth Estimate: [City of Brampton 2012 – 2016 residential land value growth](#)

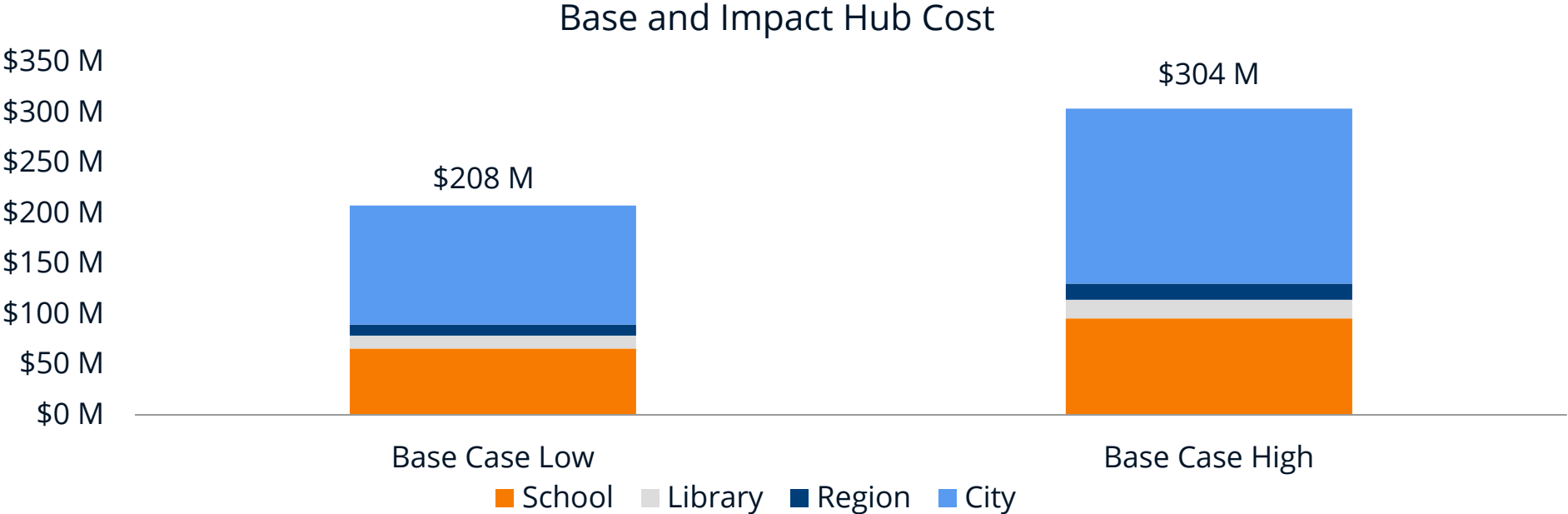
Low Land Value Growth Estimate: [City of Brampton 2012-2016 commercial land value growth](#)

High Construction Cost Estimate: [City of Brampton](#)

Low Construction Cost Estimate: [Altus Group Construction Costs](#)

# In the Base Case, overall costs are between \$208 - \$304 mm.

The range is based on low and high annual escalation estimates for land and construction costs and discounted 3% annually to 2021 dollars.

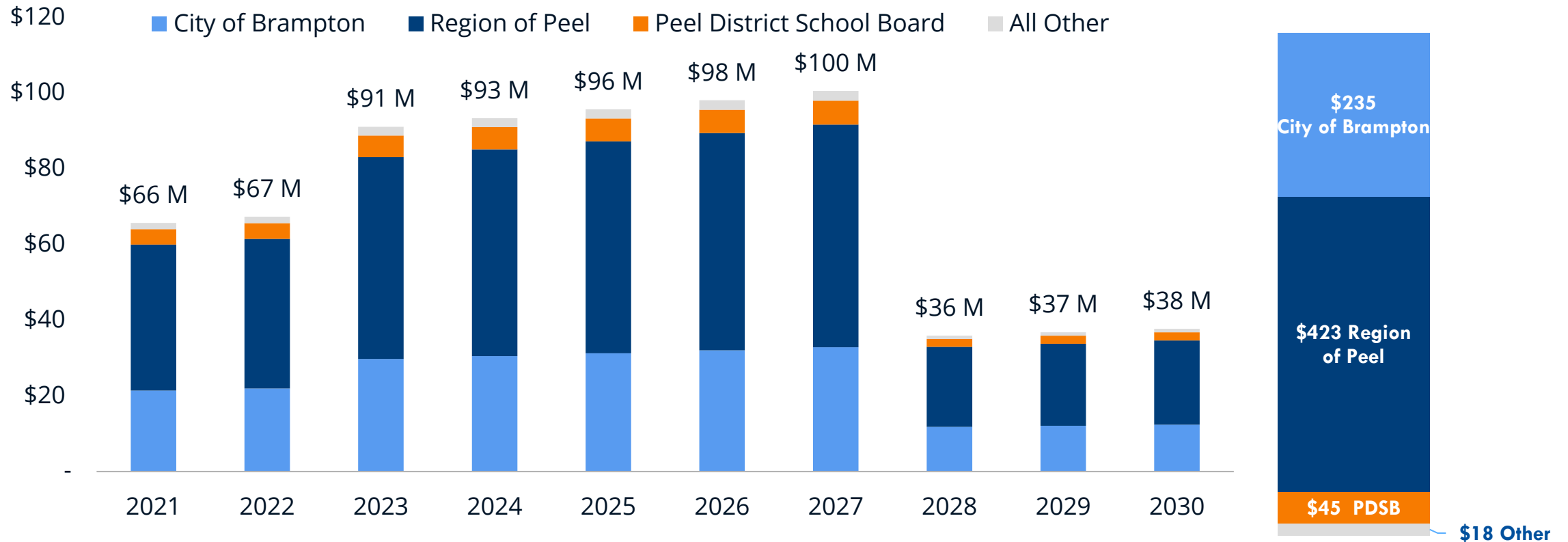


Sources: City of Brampton Planning, City of Brampton Department of Finance, Altus Group Construction Costs, HR&A Analysis  
[High Land Value Growth Estimate: City of Brampton 2012 – 2016 residential land value growth](#)  
[Low Land Value Growth Estimate: City of Brampton 2012-2016 commercial land value growth](#)  
[High Construction Cost Estimate: City of Brampton](#)  
[Low Construction Cost Estimate: Altus Group Construction Costs](#)

# The Base Case is expected to produce \$721 million in development charges, mainly accruing to the City and Region

*For Illustrative purposes only, analysis does not assume the Development Charges are in any way related to the funding of the Hub.*

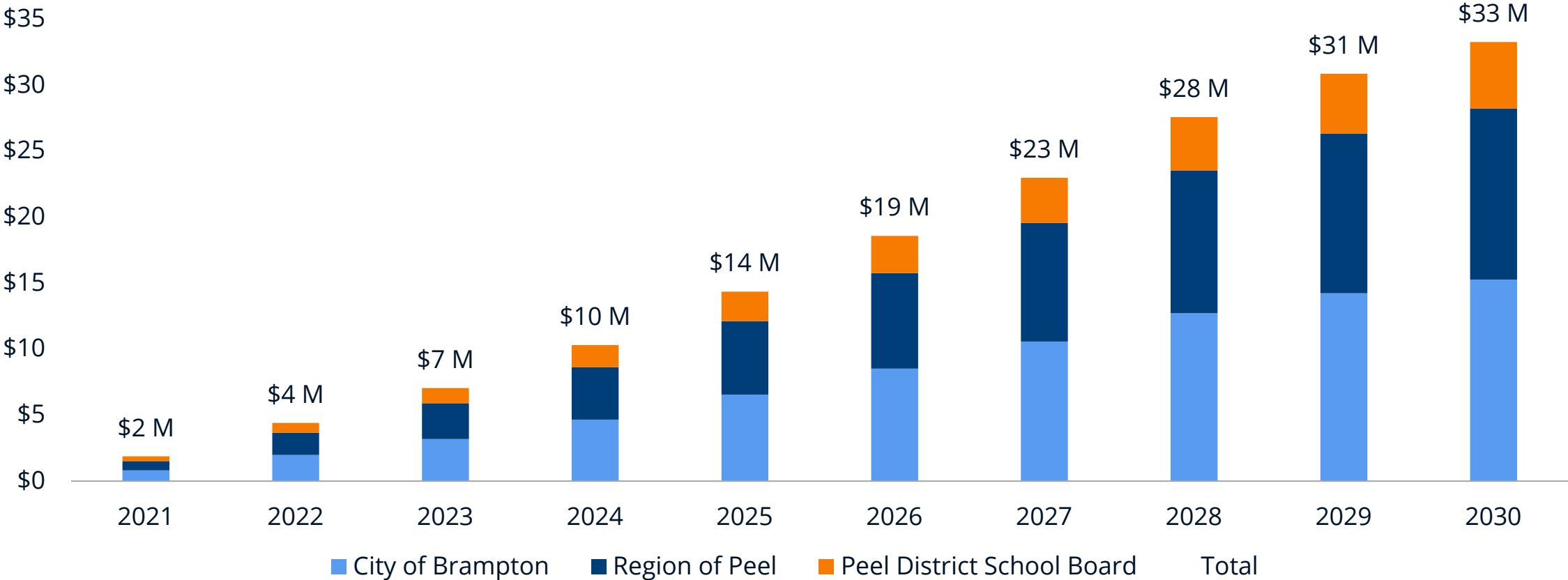
Projected Development Charges, 2021-2030



Inflation is assumed at 2.5%. The development charges analysis is presented as one way of understanding the Base Case.  
 Sources: City of Brampton February 2021 Development Charges, City Of Brampton Department of Planning

# The Base Case projects new development generates \$33 million annually in City, Regional, and School property taxes by 2030

Projected Tax Revenue, 2021-2030



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# Impact Case – The Hub as the Center of the New Neighborhood

Public Services are Integrated  
Through a Community Hub

# The Hub will create an opportunity for innovative services delivery.

Local officials have already begun discussions to explore this opportunity, which will allow for efficiencies in operations and collaborations between departments:

- School departments and local officials are exploring new educational approaches to address educational needs for future generations
- Conversations have also started among local and regional government officials regarding powerful models for integrating delivery of public services
- The buildings indoor and outdoor common spaces will create an opportunity for the Hub to serve as the heart of the community.

# The Hub will create an opportunity for Brampton to be dynamic in delivering public services to residents.

By creating a permanent Community Hub for social services, the City can leverage the building for generations to come:

- Government as the landlord will allow for the adaptation of services that occupy the Hub to respond to resident needs
- The Hub will allow for the development of space that is flexible and more efficient
- Government service needs will be protected from future rent cost increases
- There is an opportunity for operating expenses to be amortized across multiple users

# The Hub sets a scalable standard for how Brampton can grow equitably and sustainably.

This initial Hub will establish a template for how future development activity in the City can occur:

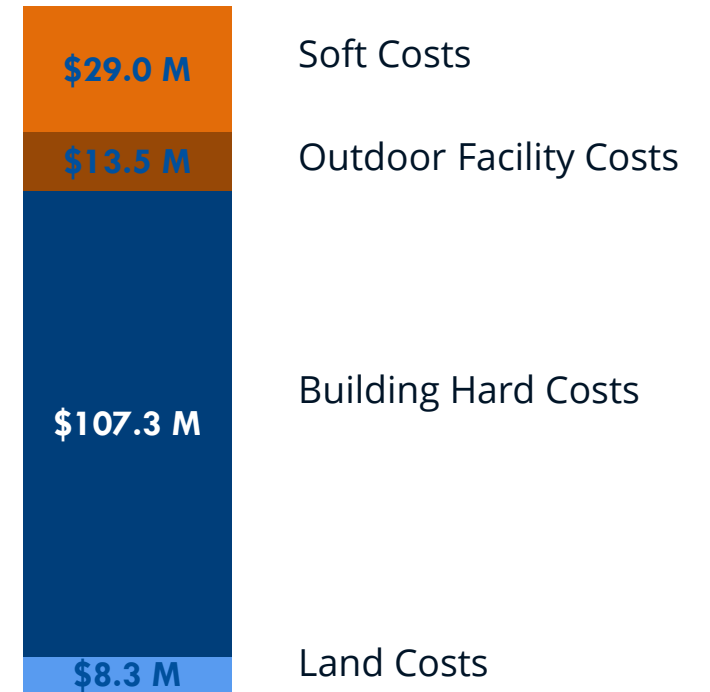
- Community needs are centered at the heart of a development, and built-in with Phase I.
- Relationships across government and a structure for ownership, management and building operations and established and operating.
- Establishes Brampton as a leader in the region for public/private development and public services.
- Private development is supported by ensuring high-quality public service is in place on project delivery.



A Community Hub with 280k SF of public use space and 107k SF of parking by 2027 is projected to cost \$158 million in current \$.



**\$158M**



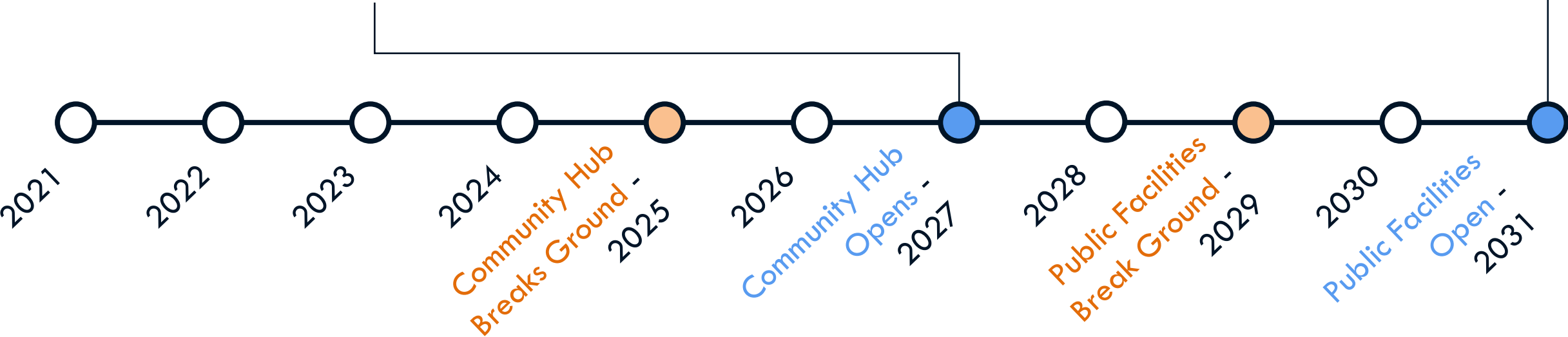
Sources: City of Brampton Planning, Costs in 2021 dollars

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Unlike in the Base Case, service delivery is coordinated and accelerated.

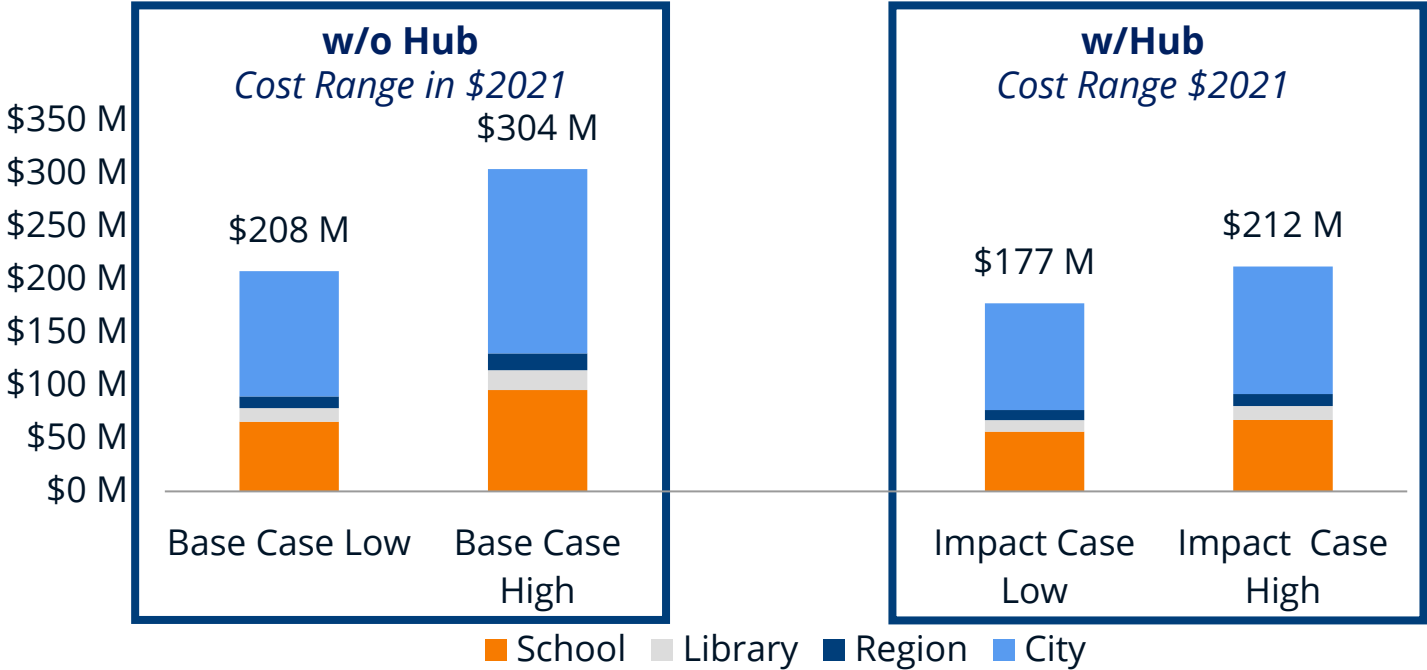
The **Community Hub is constructed early in the local redevelopment, saving millions of dollars** in construction cost and land value escalation related to the project.

The Base Case assumes **each service provider constructs a separate facility opening in 2031** to meet the demand generated from new residents and workers.



# Completing the Community Hub on an accelerated timeline can save \$30-\$90 million versus building separate facilities in 2031

Costs below represent the Base Case build year assumption of 2029 and the Impact build year assumption of 2025 and discounted at 3% to 2021 dollars. This represents a potential savings in the Impact case ranging from \$30m-\$90M in 2021 dollars.



### Cost Escalation Assumptions

**Low**

6% Land / 7% Const

**High**

17% Land / 12% Const

*This analysis does not consider any difference in operating expenses, based on the understanding that public services will be provided to the growing population in either case.*

Sources: City of Brampton Planning, City of Brampton Department of Finance, Altus Group Construction Costs, HR&A Analysis

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# Impact Case – The Hub as the Center of the New Neighborhood

The Hub Adds Value to Surrounding Property

# The Hub will increase the value of private development, leveraging town center planning and transit service expansion

For measurement of incremental benefits to the public from private development, HR&A's analysis focused on two primary quantitative benefits:

- **Higher property values per unit of development** - reflecting proximity to high-quality open spaces, schools, and other public services
- **Broader product mix** characterized by increased commercial office occurring earlier in the life of the project and helping to sustain a vibrant, mixed-use neighborhood

The Impact Case assumes new residential development will exhibit a 4.5% value premium owing to its proximity the Hub

**Generally, the closer a home is to a school, the higher its value.** Studies from the United States and Canada show positive relationships between home values and proximity to schools resulting from the ability to walk to a neighborhood school, access to recreational opportunities such as playgrounds and ball fields and community-based programming, and lower crime.

Studies have shown **value premiums ranging from 2% to 12%** for properties within one mile of a school, with higher premiums seen for homes proximate to elementary schools.

The **Impact Case assumes homes in the study area will see a 4.5% value premium** with the delivery of the Community Hub at the heart of a newly created neighborhood.

The Hub is also expected to generate broader product mix, consistent with mixed-use, urban neighborhoods.

Product mix is expected to be enhanced in three ways, which are tested in scenarios that follow:

- 1. Accelerated Commercial Office Buildout** assumes delivery of the Hub encourages a more balanced mix of uses and shifts some Phase 3 office development into Phase 2
- 2. Expanded Commercial Office Program** assumes that in addition to encouraging an earlier balance of uses, the Hub enhances Brampton's image to potential office tenants and results in an increased commercial office program. This increase of 189k sf corresponds to a potential increase of 1,050 additional jobs in the immediate area.
- 3. Increase in Larger Units within Residential Development** assumes that the Hub boosts demand for larger residential units and increases the share of two- or more bedroom units in the study area

# To explore the implications of the Impact Case on development of the study area, HR&A considered four impact case scenarios

These alternatives were in addition to the planned development program and assumed the following:






## ***Impact Cases - 4.5% Value Premium***

*A value premium was applied new construction of 4.5% upon the opening of the Hub for all Impact Scenarios*

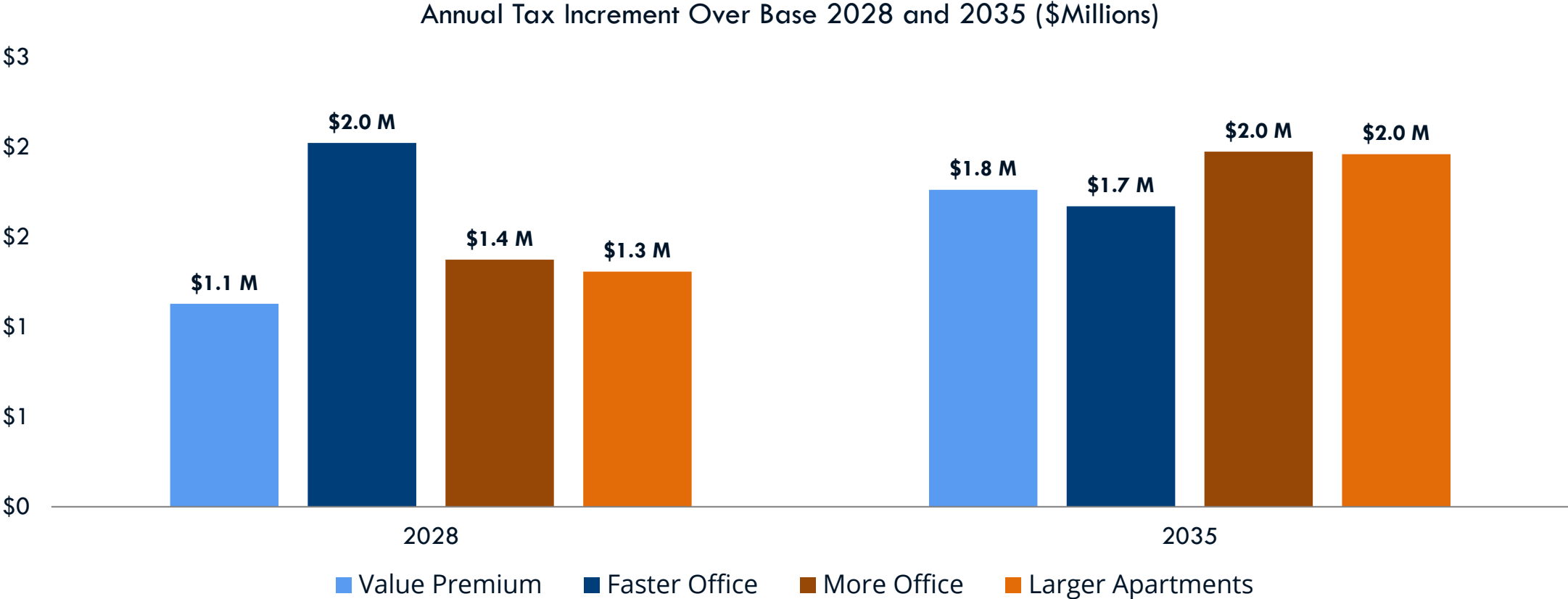
- Sc.1 - 4.5% Value Premium Only** A value premium was applied to new construction of 4.5% for the duration of the analysis
- Sc. 2 - Accelerated Office Development** Half of Phase III development was assumed to occur during Phase II
- Sc. 3 - Increased Office Development** Residential development was decreased by 282 apartments and office development was increased by 189,000 sf during phase II
- Sc. 4 - Increased Large Residential Unit Development** Unit Counts remained the same but distributed as 65% large units (two and three bedrooms) and 35% small units (studios and 1 bedrooms)



Impact Cases resulting in positive financial benefits are summarized in the table below

	Base Case	Impact Case			
		Value Premium	Faster Office	Increased Office	Larger Apartments
Residential Program	14.7k units <i>(approx. 40% 2+ BR)</i>	-	-	<b>-282 Units</b>	<i>Approx. 65% 2+ BR</i>
Commercial Office Program	486k SF	-	-	<b>+189k SF</b>	-
Phasing	Phase 1 - 2023 Phase 2 - 2028 Phase 3 - 2035	-	 Half of Ph. 3 office occurs in Ph. 2	-	-
Hub Value Premium (+4.5%)	None				

The tax increase over the base case scenario primarily results from the 4.5% value premium as a result of the Hub opening.



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# Impact Case – The Hub as the Center of the New Neighborhood

## Potential Risks

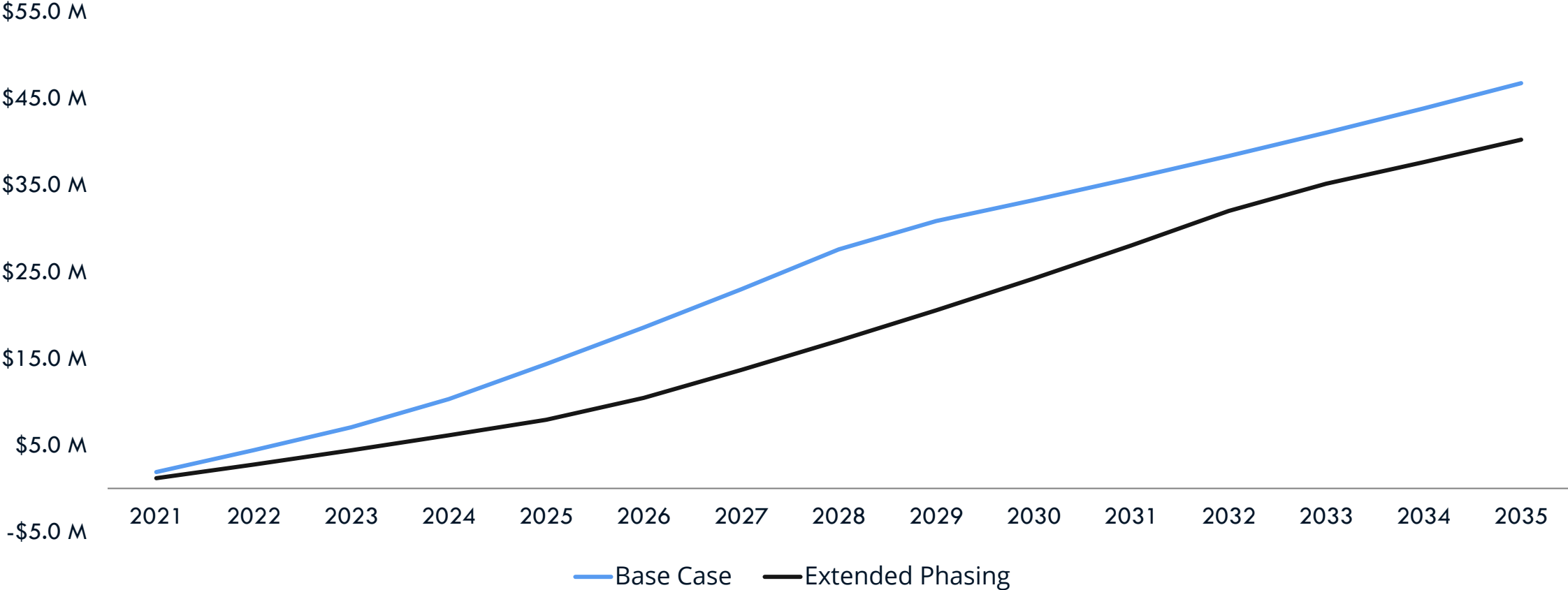
# To aid local decision making, HR&A also considered potential financial risks for Brampton.

Given recent market conditions, the primary risk for the City is that the aftereffects of COVID-19 and other market developments slow the pace of development and reduce the revenues forecast in the Base Case Scenario. In order to take this into account an Extended Phasing scenario was modeled to look at a potential longer-term horizon for the anticipated program development.

**Extended Phasing** considers the potential external factors may result in the delayed delivery of planned private development and increase the total development timeline from 2035 to 2040.

If the currently proposed development doesn't materialize in the timeline expected this would reduce revenues to the City.

Tax Revenues by Scenario 2021 - 2035 (\$Millions)



Tax revenues for 2025 and 2030 are significantly decreased due to extended phasing of development.

	<b>2025 Revenues</b>	<b>2030 Revenues</b>
Base Case	\$14.3M	\$33.2M
Extended Phasing	\$7.9M	\$24.2M

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# A Rational Financing Approach for the Hub

# Financing the construction of the Community Hub

With a projected cost of **\$205M in 2025**, Brampton must consider reasonable financing approaches for the Hub.

Illustrated here is an approach tied to municipal financing, with an approximate annual bond payment of **\$10.7M** based on 3.17% interest for 30 years. **\$3.6M is estimated as payable through rent** from tenants currently identified.

Annual financing costs do not include capital reserves; instead, this assumes each tenant will maintain responsibility for repairs and ongoing maintenance of occupied space.

Analysis does not include differential operating costs between the base and impact case. This analysis assumes that operating costs are funded in either scenario to address needs of a growing population

Total Cost in 2021:

**\$158M**

Total Cost in 2025:

**\$205M**

Term and rate:

**30 years at 3.17%**

Annual Debt Service:

**\$10.7 - \$3.6 = \$7.1**



The remaining \$7.1 mm is a conservative estimate and is well within local property tax revenue estimates.

UPSIDE OPPORTUNITY:

- Parking revenue will likely be well above debt service minimums presented here
- Future public service tenants will be protected from rent increase risk

DOWNSIDE RISK:

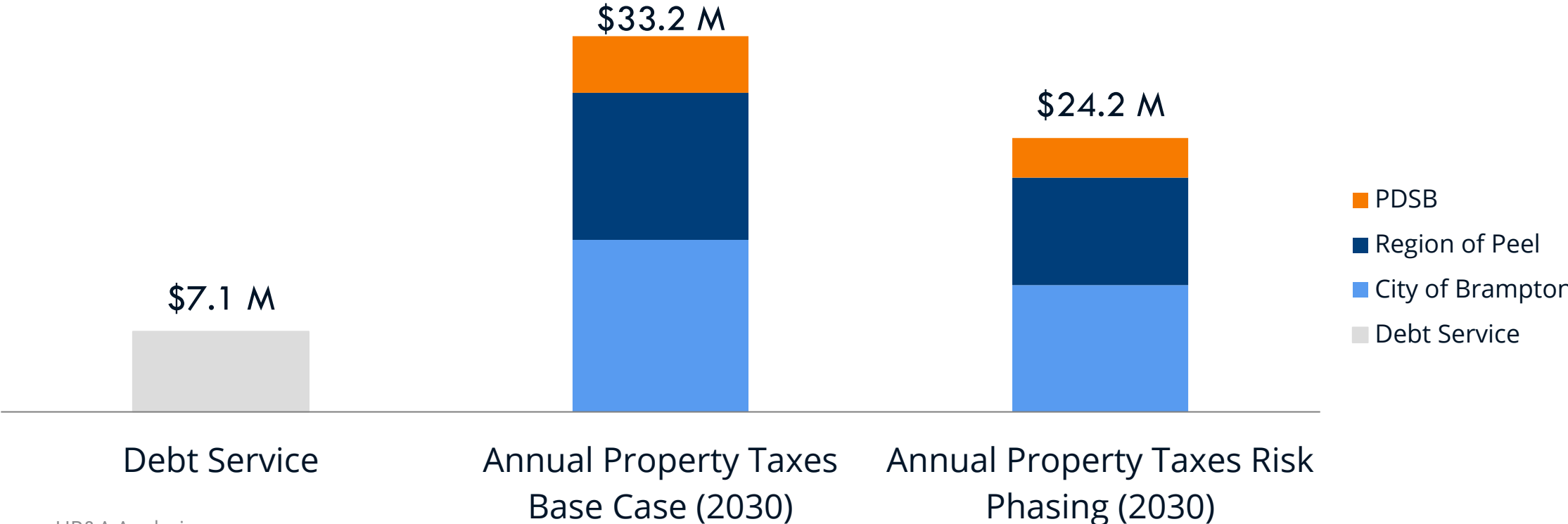
- These are estimated taxes based on yet to be realized development proposals



Sources: HR&A Analysis

HR&A Advisors, Inc.

The downside risk scenario significantly decreases revenues to the city but still provides sufficient funds for the Hub's debt service.



Sources: HR&A Analysis  
HR&A Advisors, Inc.

# Conclusion: The Hub can be a model for innovative and cost effective service delivery for Brampton

Key takeaways from the analysis are below:

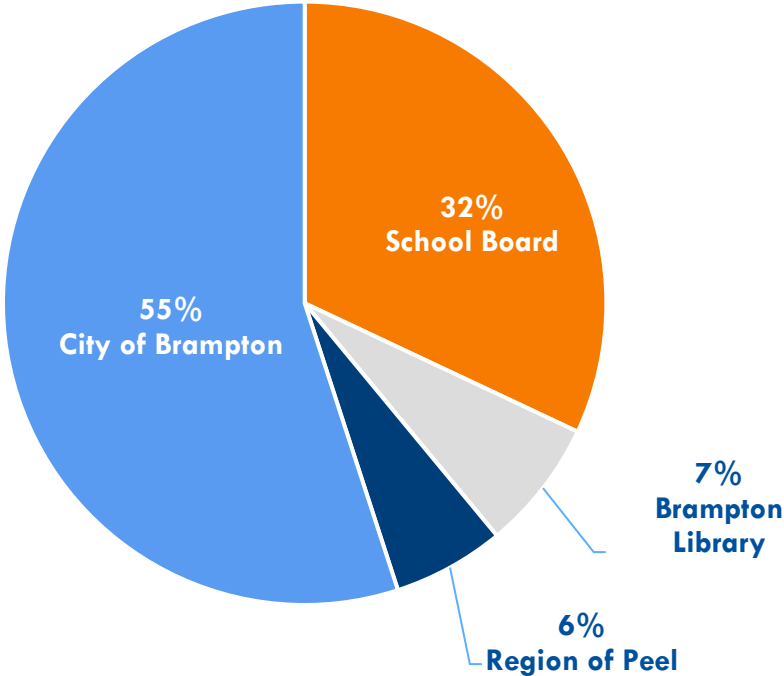
- Both the Impact Case and Base Case **produce substantial tax revenue from developments already projected to occur.**
- Accelerated development of community services in the form of a Community Hub will **save costs by providing services sooner** and avoiding future cost escalations.
- The hub will **allow public services to collaborate with each other** in a communal setting and use the hub to share resources, creating efficiencies in service provision.
- There is **risk underpinning these assumptions** as they are based on development that has not yet occurred and may be impacted by market changes.

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# Appendix

An initial concept allocates 55% of the Community Hub to the City, 32% to a school, and the balance to the Region and library

Entity	Allocation of Space	Cost of Space (current \$)
School Board	32%	\$50.0M
Brampton Library	7%	\$9.7M
Region of Peel	6%	\$8.3M
City of Brampton*	55%	\$89.9M
Total		\$158M



**\*Includes parking area to be managed by the City of Brampton**

Sources: City of Brampton Planning  
HR&A Advisors, Inc.

# Tenants could support repayment of the debt used to build the Community Hub through annual rent payments

Under this approach, the City of Brampton serves as the “landlord” of the Community Hub and will structure leases for users of the space. The table below shows *HIGHLY CONSERVATIVE* estimates for illustrative rent payments for long-term anchor tenants—the School Board, library, and parking operator—based on a long-term, triple-net lease structure. Annual rents are calculated by amortizing the allocated cost of the Community Hub space over a 25-year period (i.e. 4% of total construction cost for tenant space).

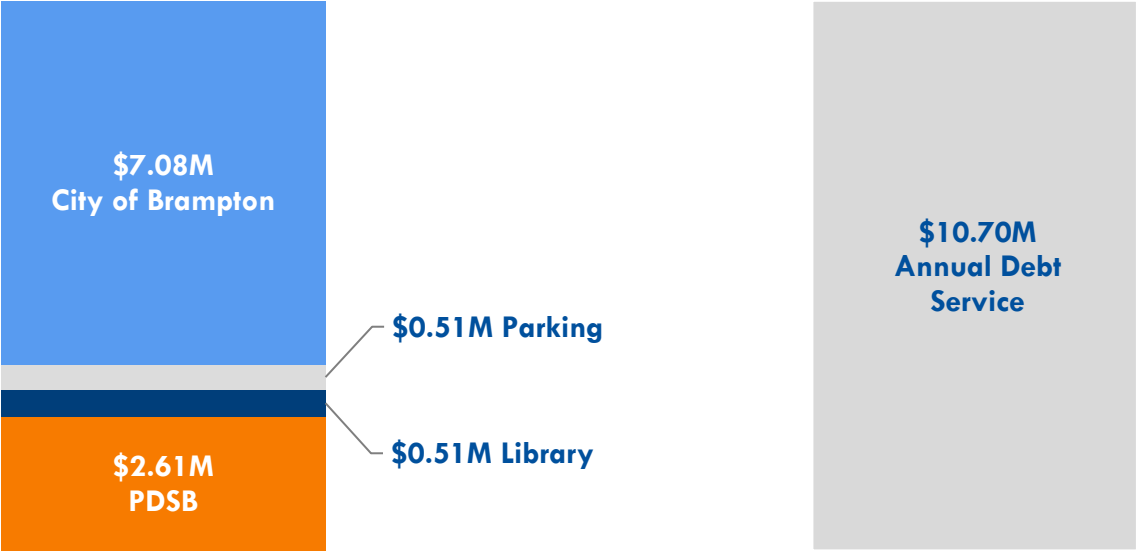
	<b>Allocated 2025 Cost of Hub</b>	<b>Assumed Annual Rent as % of Cost</b>	<b>Annual Payment</b>
<b>Peel District School Board</b>	\$65.3M	4%	\$2.6M
<b>City of Brampton Library</b>	\$12.7M	4%	\$0.5M
<b>City-owned Parking*</b>	\$12.7M	4%	\$0.5M
<b>Subtotal</b>	<b>\$90.7</b>		<b>\$3.6M</b>

\*Parking garage to collect revenue on City's behalf and be managed by the City of Brampton

Sources: HR&A Analysis

# City general revenues would cover the remaining \$7 million in debt service costs

The conservative estimates of rent cover \$3.6M of the annual debt service for the Community Hub. The remaining \$7M can be paid by the City through other sources of revenue such as taxes or through additional tenants who would sub-lease the additional space.



Sources: HR&A Analysis  
HR&A Advisors, Inc.