

Date: 2021-11-12

Subject: Recommendation Report: Updates to the Central Area Community Improvement Plan's Development Charges Incentive Program

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Recommendations:

1. **THAT** the report titled **Updates to the Central Area Community Improvement Plan's Development Charges Incentive Program Implementation Guidelines** to the Planning and Development Committee meeting of December 6, 2021, be received;
2. **THAT** staff be directed to update the Development Charges Incentive Program Implementation Guidelines, including Section 2.3 Eligibility Requirements and Appendix 5.4 Scoring Summary, as per the recommendations in this report.

Overview:

- **The purpose of the review is to update the Development Charges Incentive Program (hereby referred to as "DCIP") Implementation Guidelines.**
- **The proposed update has regard for the City's financial frameworks and supports new initiatives such as Housing Brampton's 'Big Move 1' to increase supply of purpose-built rental housing.**
- **New eligible apartment developments within the DCIP will continue to be eligible for program only if the proposed residential units are of a rental**

tenure. Rental units that are part of a mixed use development will also be eligible.

- The updates will be applicable upon Council endorsement of this Recommendation Report and will apply to all new pre-consultation and complete development applications received by the City. Transition clauses will allow applications currently under review, recently approved rezoning applications and recent pre-consultation applications to continue to avail of the DC incentives, with conditions, even if they propose condominium units.
- The proposed updates will not affect the provision of DC incentives to all other eligible developments (including office developments) under the current Implementation Guidelines.
- The proposed strategic focus on incentivizing purpose-built rental housing within the DCIP area will encourage the provision of a variety of housing options geared towards students, singles and families. It will help meet housing needs of the downtown area with anticipated post-secondary developments and of the Queen Street area with anticipated transit oriented communities planned around Major Transit Station Areas. It will help create housing diversity and meet tenure targets in a key intensification area of Brampton.

Background:

Brampton's Central Area Community Improvement Plan

The [Central Area Community Improvement Plan \(CIP\)](#) was initially approved in 2000 and significantly revamped and expanded in November 2007, came into force in January 2008 and was amended in June 2010 and September 2019. The Central Area CIP establishes a toolbox of programs designed to support specific planning objectives by aligning financial incentives with the identified planning goals. Individual incentive programs are established by way of approval of Implementation Guidelines and corresponding budget.

The following is a list of the current incentives/tools in the CIP:

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

- Building Improvement Loan/Grant Program
- Direct Investment/Development Partnerships

There are only two incentive programs in the Central Area CIP that have been activated through the approval of a Budget and Implementation Guidelines: the Development Charges Incentive Program and Façade and Building Improvement Programs.

- *Development Charges Incentive Program (DCIP):*

Development charges are fees collected from new development at the time a building permit is issued, to help offset the cost of growth-related infrastructure. The DCIP program provides relief from payment of DCs for intensification and mixed-use development. There is also support for smaller scale adaptive reuse along Queen Street West in the Main Street North area, as well as support for reuse of upper floor space in the historic commercial core. The [Implementation Guidelines for the DCIP](#) were approved on November 28, 2007 and came into effect the day the CIP came into force. The guidelines set out the rules, eligibility criteria, process requirements, monitoring and other matters related to the governance of the program.

- *Facade and Building Improvement Programs:*

The aim of the two programs is to support the ongoing revitalization of the downtown core by providing matching grants for façade and building improvements. The maximum grants under each program are \$20,000 for buildings with a single address, \$30,000 for buildings with multiple addresses or on a corner lot, and \$50,000 for designated heritage resources.

Implementation Guidelines Amendment Process

The Implementation Guidelines outline the objectives of the specific incentive program identified in the CIP, specific details, limitations, criteria, process, application forms and monitoring program. They are a ‘companion document’ to the CIP. The Implementation Guidelines do not form part of the CIP. Approval of the Implementation Guidelines and amendments to the Implementation Guidelines can be undertaken at Council’s discretion and will not require a formal amendment to the CIP.

Adjustments to Programs

Programs contained in the Central Area CIP can be activated or terminated subject to Council approval. Due to the limited funds available in any given year for the programs, the City may suspend or discontinue any of the program(s) if, over the course of a given year, the number of applications and/or the magnitude of the projects proposed for the CIP exceed available funds for that year. In such instances, applicants with approved grants and/or loans will still receive said grant and/or loan, subject to meeting the general and program specific requirements, and applicants with approved loans will still be

required to repay their loans in full. Applications which have been received but not yet approved at the time of program suspension/discontinuation will continue to be processed in the standard manner, and if approved, will be put in a queuing sequence with priority being established in the order that the applications were received. Upon suspension or discontinuation of a program, no new applications will be accepted.

Proposed City-wide Community Improvement Plan for Employment

In March, 2021, Council endorsed the establishment of the City-wide CIP for Employment and the final document to be forwarded to the Ministry of Municipal Affairs and Housing for review and comment prior to holding a Statutory Public Meeting. Council directed staff to develop implementation guidelines for a 10-year Tax Increment Equivalent Grant (TIEG) program for Office Employment for Council approval, in order to launch CIP for Employment. The incentives would apply for office investment either free-standing or within a mixed-use building, subject to certain parameters. The Central Area Community Improvement Plan will remain in effect with the launch of the City-wide CIP for Employment.

The background study for the CIP for Employment by the consultant (NBLC) analyzed the performance of Brampton's Central Area CIP and commented that the 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 the consultant's expectation that the proposed new Employment CIP would help the City achieve office objectives. The study recommended that the Central Area CIP could also be expanded to achieve a range of other objectives such as 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 does not propose any changes to the office related criteria within the DCIP Implementation Guidelines. Office uses will continue to receive the benefits of the DC incentives in the DCIP as well as receive additional incentives such as tax increment grants in the upcoming CIP for Employment.

Proposed City-wide Community Improvement Plan for Housing

In keeping with its goals of promoting housing affordability, the City of Brampton has committed to integration with the Region of Peel Incentives Pilot Program, which is designed to incentivize affordable rental housing with a priority for larger units. Brampton intends to provide capital grants as a stacking option to the Region's grants to affordable rental units in the Program.

Apart from this, Housing Brampton, the City's newly endorsed housing strategy and action plan, also identifies a larger, city-wide need for a range of housing choices and tenure, including purpose-built rental housing, affordable rental housing and affordable ownership housing for many household typologies such as youth, single parents, seniors, and large households. Moreover, the upcoming Inclusionary Zoning regime may require

consideration of offsets for market developments located in Major Transit Station Areas and Community Planning Permit System Areas.

Housing Brampton recommends the establishment of a new City-wide Community Improvement Plan for Housing. The City-wide CIP will support market developers, private non-profits and charities in provision of purpose-built rental housing and affordable housing in the form of mid-high density projects.

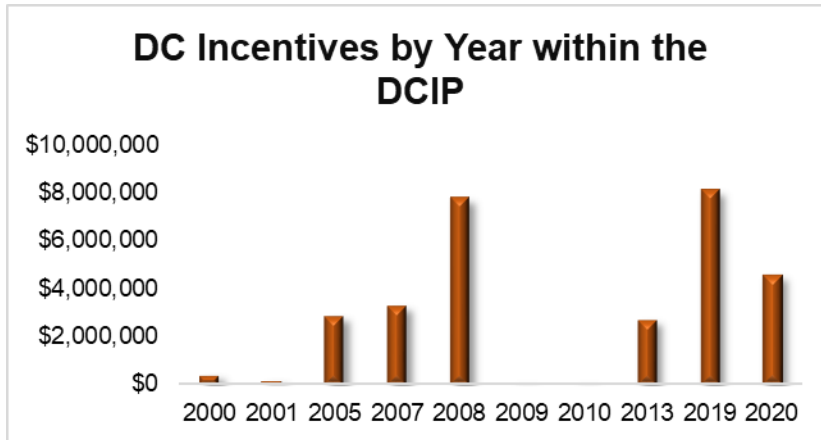
In 2022, staff will prepare a report outlining a toolbox of Incentive Programs to be included in a new City-wide CIP for Housing. That report will provide an analysis of the effectiveness and financial implications of the different types of incentives, identify what types of development would be eligible, and identify a recommended budget for potential new incentive programs.

This report does not propose affordability criteria to be included in the updates to the DCIP Implementation Guidelines. A comprehensive review of affordable housing incentives will be undertaken and implemented through the upcoming City-wide CIP for Housing, in alignment with Inclusionary Zoning policies in Brampton. When the City-wide CIP for Housing will be established, a determination will be made if the Central Area CIP's DC Incentives for rental housing should continue or be folded within the City-wide CIP.

Current Situation and Analysis:

On September 23, 2019, a City-initiated Amendment to the Central Area Community Improvement Plan was endorsed. It provided greater flexibility in the types of potential incentives and added affordable housing as an objective of the Plan. The 2019 Report committed to a future detailed analysis of the potential incentives enabled in the Central Area CIP, the financial impact to the City and whether the benefit from a potential incentive warrants the financial cost. This report implements a part of the said analysis by evaluating the financial viability of providing DC incentives to residential developments within the DCIP (see Appendix 3).

As shown in Appendix 2, to date and over a period of 20 years, the City has provided over \$30 million in DC incentives, which has helped to create roughly 2,750 residential units and over 40,000 square feet of commercial and office space through the DCIP. The City currently funds \$1.2 million annually to make the DC reserve funds whole, by way of the General Rate Stabilization Reserve.



The distribution of the incentives by development type is as under:

Development	DC Amount in \$
Residential	29,951,776
Commercial	80,537
Office	74,524
Total	30,106,837

Within the residential development, the distribution of units supported is as under:

Residential Tenure	Units
Condominium	1104
Rental	1299

Judicious Use of a Community Improvement Plan

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.

The key steps in assessing the appropriate use of a CIP or its programs 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.

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 can help the City

evaluate if the strategic use of incentives can address market failures that are deterring preferred development patterns, or rather, gauge if a CIP is appropriate to encourage the desired 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.

Strong Development Activity

There is considerable interest from the development community to participate in the City's efforts to realize the Brampton 2040 Vision. Across the city, Brampton currently has 39,510 residential units in the approvals pipeline and 4,971,979 square feet of office and industrial developments awaiting approval. Apartment units account for 55% of all residential units in the above, as the City shifts from greenfield development towards intensification of the built up areas.

Within the CIP boundary, since the CIP was created, 13 apartment projects (including 5 rental projects) have received permits. Since January 2019, 2 apartment (no rental) projects have received building permits.

Within the DCIP boundary, since the CIP was created, 11 apartment projects (including 4 rental projects) have received permits. Since January 2019, 3 apartment (including 2 rental) projects have received building permits.

Within the DCIP boundary, currently, there are 12 apartment or mixed use projects that include apartments are under review (Official Plan and Zoning amendments). These projects propose approximately 3800 residential units in all.

Central Area CIP and Financial Incentives

The City of Brampton was the first local municipality in Peel to introduce a CIP by-law, implementation guidelines and programs, to its Central Area. Some of the financial incentives have already been tested through this CIP. Overall, the existing program has had success in incenting residential growth but 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. As development activity has increased City-wide in recent years, the focus of the city has fully encompassed the creation of complete communities. The provision of financial incentives is not the only solution to incent growth. Brampton already offers a competitive commercial tax rate, development charges in line with large municipalities in the Greater Toronto Area, and relatively lower 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 in the Central Area.

City Investment in the Central Area

The Brampton 2040 Vision depicts a more sustainable, urban, and innovative direction for the City. Brampton is on a transformational trajectory towards a modern, urban,

walkable, affordable and transit-friendly city. In the Central Area, the City is proactively undertaking significant city-building projects such as improving regional connections through the Hurontario-Main Street Light Rail Transit and the Queen Street Bus Rapid Transit projects; moving forward with the downtown flood mitigation project – Riverwalk- which is expected to unlock massive re-development; advocating for post-secondary expansion projects in downtown Brampton; incentive programs targeting office investment in strategic areas. As a partner in growth, the development industry also benefits from the City’s investment and has an important role to play in improving the quality of life of residents.

In the Downtown area in particular, the City has initiated the Integrated Downtown Plan (IDP), which builds on the bold initiatives in the Brampton 2040 Vision. The IDP is a strategic road map for transformational action to revitalize and redevelop the Downtown, including City and Regional investment into key infrastructure upgrades, urban design, land use and programming interventions. The Downtown is planned to be an economic driver with the emerging Innovation District anchored with the future Centre of Innovation and a Regional transportation and cultural hub.

This report aligns with a key objective of the IDP, which is to update the DCIP to incentivize development opportunities that increase housing affordability by providing a range of housing mix, tenure and affordability.

Development Viability in DCIP Area (with and without Incentives)

As mentioned above, infrastructure investments are bound to improve development viability and marketability of projects within the Central Area. A previous Analysis Report on Inclusionary Zoning by the Region of Peel identified the downtown area as a stronger market area of Brampton. To test the appropriate continued use of a Development Charge incentive as a financial tool to incent residential growth, the City approached a consultant (NBLC) to analyze the financial viability of residential projects (both ownership and rental tenures) in the DCIP area to illustrate the current economics of development. Appendix 3 provides an expert opinion from NBLC that it may no longer be necessary for the City of Brampton to incentivize new market condominium development, however, purpose-built rental projects will continue to benefit from supports in the form of incentives. NBLC recommends that Brampton phase-out the incentive in a manner consistent with the nature of the current application activity. This strategy will ensure that supply is not interrupted in the near-term, where developers might otherwise delay or cancel an ongoing project that had been counting on the incentive. The proposed transition policies in this staff report address this recommendation.

Purpose-built Rental Development

Primary, purpose-built rental housing has an integral role in Brampton’s housing system, providing more stable, secure and relatively more affordable rental options than Brampton’s secondary rental market (e.g., rented condominiums). Given market influences over the past several decades, the creation of new purpose-built rental housing

within Brampton has remained minimal, with the demand for rental outpacing supply. There is a widespread shortage of purpose-built rental housing in Brampton that is appropriate for low- and moderate-income people, including seniors and families. A lack of purpose-built rental housing is creating a pressure on the existing low density residential areas, leading to a proliferation of second units and lodging houses. Purpose-built rental housing is well-regulated from a safety perspective, and relatively more affordable to middle income households than secondary rental (condominiums that are rented out by owners).

Housing Brampton focuses on new policies to encourage and incent the supply of new rental housing. “Purpose-Built Rental Housing” is one of the four priority “Big Moves” outlined in the Strategy and Action Plan. The objective of this Big Move is to increase the supply of adequately sized purpose-built rental housing for low and middle-income households.

In addition, the Region’s Housing and Homelessness Plan (Peel Housing and Homelessness Plan, 2018) identifies 5 strategies to achieve their housing targets. Strategy 3 identifies the need to support the development of affordable rental and diverse housing types. The plan includes a target for 25% of all new housing development to be rental. The Region’s commitment to increase purpose-built rental housing developments through building incentives recognizes that all levels of government have an important role to play in ensuring a full mix and range of housing options for residents.

The DC Act now permits rental buildings to pay the DCs in installments over a 6-year period, starting at occupancy. While this is an incentive in itself, by providing the DC incentives under the DCIP, Brampton can demonstrate leadership in further encouraging rental housing, as recommended within Housing Brampton.

Density Bonusing

Brampton recently initiated the implementation of Section 37 (Density Bonusing) within the transition period of Section 37. All rezoning applications for mid to high density residential development across Brampton, that propose an increase in density and/or heights from the existing zoning permissions, will be eligible for S.37 density bonusing and will provide benefits to the tune of 20-60% of the uplift value. The City intends to prioritize affordable housing, transit and park improvements within the benefits derived, and cash contribution will be allowed in lieu of in-kind contributions.

Requiring developers to pay for community benefits under density bonusing while providing Development Charge incentives under a DCIP is counterproductive. It may also result in an additional administrative workload of adjusting the bonus contribution to include the equivalent of the DC incentives. The proposed updates to the DCIP Implementation Guidelines in this report will ensure that the principles of density bonusing are adhered to.

Recommendations:

The review of the DCIP program and its Implementation Guidelines support the continuation of the existing program with one major change. In response to the market analysis and emerging City priorities as identified above, staff recommend modifications to the existing DCIP Implementation Guidelines, in order to provide greater support to purpose-built rental housing while ensuring that City finances are utilized in a targeted and responsible manner.

Development Charges (DCs) are one-time fees levied on development to recover municipal growth-related capital costs. DCs enable municipalities to recover from growth, in a one-time, equitable, and non-distortionary manner, the portion of capital costs that cannot be recovered by efficient property taxes and user fees. DCs account for only about 7 percent of new housing prices in the Greater Toronto Area (Altus 2019). As the Greater Toronto Area generally exhibits the highest growth and DC rates in Ontario, that estimate is consistent with the 5 percent to 7 percent range recently estimated province-wide by the Municipal Finance Officers' Association of Ontario (MFOA 2019). While DCs constitute such a small share of housing prices, they facilitate considerable benefits in the form of municipal services and other community amenities extended to growth (Adam Found, IMFG Papers on Municipal Finance and Governance No.56, 2021). As such, Brampton can benefit from a judicious use of DC incentives.

City staff recommend a strategic refocus of the DCIP to be limited to rental residential developments and not available to ownership residential developments. As shown in Appendix 2, to date and over a period of 20 years, the City has waived over \$30 million in DCs. If the eligible developments are exempted from paying DCs for their developments, the City is still required to ensure DC funding for the required infrastructure or make whole the DC funding gap. The City currently funds \$1.2 million annually to make the DC reserve funds whole, by way of the General Rate Stabilization Reserve. A majority of the developments that benefited from the DCIP over the past 20 years were ownership condominiums. The trend towards condominiums in Brampton is expected to continue, and therefore a strategic reorientation of the DCIP to incent rental developments will ensure the City does not utilize funds from the General Rate Stabilization Reserve to incent development that does not need incentives to proceed. Rather, it will ensure that the limited annual funding from the Reserve is used to incent a higher number of rental apartment developments.

The proposed modifications to the Central Area Community Improvement Plan Development Charges Incentive Program's current [Implementation Guidelines](#) are:

- A. Adding the following wording (in bold italics below) to Section 1.1) "Financial Incentives for New Development" Program in Previous CIP:

On [the date of endorsement of this report], Council approved an update to the Implementation Guidelines to phase out the application of the program for condominium residential developments, as per 2.3.11.

- B. Adding the following wording (in bold italics below) within 2.3.2 of Section 2.3) Eligibility Requirements

2.3.2 The program shall apply to new construction only or the adaptive reuse of an existing structure where the payment of development charges would normally apply. ***Further, the program shall only apply to purpose-built rental apartment units within the eligible residential apartment or mixed-use developments.***

- C. Adding the following wording (in bold italics below) within 2.3.3:

2.3.3 iii) High density ***purpose-built*** residential uses having a minimum density of 98 units per hectare (40 units per gross acre)
v) Mixed Use Developments having a minimum building height of 3 storeys, containing any two or more of the following uses: entertainment; retail/commercial (including hotel); office; residential (***purpose-built rental***)

- D. Replacing the current Transition Policies within Section 2.3 with the following (in bold italics)

2.3.11 Transition Policies

With respect to 2.3.2, applications for condominium tenure apartment developments will not be eligible for participation in the program, unless these applications were:

- ***Complete Official Plan Amendment, Zoning By-law Amendment or Site Plan applications that were submitted and are under review as of [the date of endorsement of this report];***
- ***An application following from a pre-consultation application received after January 1, 2020;***
- ***A Site Plan application following from a rezoning application approved after January 1, 2016;***
- ***The applications noted in this section will only be eligible if the Building Permits for the proposed development are issued within 5 years from [the date of endorsement of this report].***

- E. Replacing the tenure in Appendix 5.4: Scoring Summary to rental (as shown in bold italics below):

2. PREFERRED TYPE OF DEVELOPMENT: Is the residential component ***rental?***

- F. Updating the title of the document to:

Central Area Community Improvement Plan Development Charges Incentive
Program Implementation Guidelines *(Updated December 2021)*

Similar modifications are proposed to the the accompanying documents- the Program Guide and the Application Form.

Implementation

The above-referenced updates will be applicable upon Council endorsement of this Recommendation Report and will apply to:

- all new pre-consultation and complete development applications that are received by the City from the date of endorsement of this report.

As an application requirement for new applications, the developer will be required to provide a Housing Analysis indicating the proposed tenure of the development.

Applications for condominium tenure apartment developments will not be eligible for participation in the program, unless these applications were:

- Complete Official Plan Amendment, Zoning By-law Amendment or Site Plan applications that were submitted and are under review as of the date of endorsement of this report;
- An application following from a pre-consultation application received after January 1, 2020;
- A Site Plan application following from a rezoning application approved after January 1, 2016;
- The applications noted in this section will only be eligible if the Building Permits for the proposed development are issued within 5 years from the date of endorsement of this report.

Legal mechanisms such as potential covenants against rental conversion in the DCIP agreements, and Official Plan policies that prevent rental conversions if the City's vacancy rate is below a healthy rate, will ensure that purpose-built rental incentivized by the DCIP maintain the tenure over years.

It should be noted that, based on the current annual repayment of \$1.2 million by way of the General Rate Stabilization Reserve to the DC reserve funds, as well as the Program's approved annual contribution limit of \$1.56 million, the City can only approve up to an additional 391 large apartment units as per the City's Development Charges rate as at February 2022. The equivalent in small apartment units (e.g. - units having a floor area equal to or less than 750 square feet) would be to provide an incentive up to 679 small apartment units. These unit caps are based upon the application receiving a 100% incentive score.

The DCIP, once updated, will be monitored closely and further modifications, if required, will be addressed through future reports to Council. The City-wide Community Improvement Plan for Housing and Inclusionary Zoning policy work will also be key milestones for a review of the DCIP's rental incentives.

Corporate Implications:

Financial Implications:

There are no financial implications directly associated with this report. The City is required to make an annual contribution to the Development Charge Reserves for the DCIP incentives provided, which is funded from the General Rate Stabilization Reserve over a 25-year term. The approved annual limit for the contributions is \$1.56 million for the entire DCIP program. The current annual expense pertaining to projects approved in the past amounts to approximately \$1.2 million. Any new applications or changes required to the annual limit will be discussed in future reports to Council, pending Council approval.

Other Implications:

There are no other implications in this report. The updates to the DCIP implementation Guidelines will support the City in targeting taxpayer money towards incenting much-needed purpose-built rental housing, in addition to office developments.

Term of Council Priorities:

This report directly aligns with the Council priorities of 'Creating Complete Communities' by focusing incentives for strategic residential growth; and the priority that 'Brampton is a Well-Run City' by proposing effective management of municipal finances.

Conclusion:

This report provides a recommendation on an amendment to the Implementation Guidelines of the DCIP of the Central Area CIP. The proposed amendment would allow the City to target the incentives specifically to the policy objectives such as prioritizing purpose-built rental housing, in addition to providing continued support to non-residential projects including office developments.

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Attachments:

1. Central Area CIP and DCIP Boundary Map
2. DCIP Development Charges Summary 2000-2021
3. CIP- DCIP Market Analysis Opinion (by N. Barry Lyon Consultants Limited)