

Date: 2022-05-25

Subject: **Request for a Development Charges Deferral from Umbria Developers Inc. for a Residential Townhouse Development**

Contact: Nash Damer, Treasurer
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Report Number: Corporate Support Services-2022-587

Recommendations:

1. That the report titled: **Request for a Development Charges Deferral from Umbria Developers Inc. for a Residential Townhouse Development**, to the Council meeting on June 1, 2022, be received; and
2. That Council deny the request for the deferral of development charges as the project is part of a for-profit development, does not contribute to a strategic goal of the City, does not provide for an overall public benefit, and would set a precedent for all future development applications.

Overview:

- **Umbria Developers Inc. (“Developer”)** is a privately owned, for-profit, land development company and is in the process of constructing a 148-unit stacked townhouse development on its land.
- **At its meeting on May 25, 2022, Committee of Council** received a delegation from the Developer requesting that consideration be given to defer the payment of development charges (“DC”) until such time that the construction is above-grade.
- This type of request for a DC deferral is rare, given that the project is a for-profit residential townhouse development.
- Historically, Council has only provided DC deferrals to projects that provide some form of public benefit (e.g. – long term care home provided by Holland Christian Homes, affordable rental building provided by the Bramalea Christian Fellowship).

- **The estimated DCs, based on current information available at the time of writing this report, amounts to roughly \$3,825,000. Deferring the payment of the City’s DCs to the above-ground permit would delay receipt of DC revenues, providing a financial benefit to this developer at a cost of \$88 thousand annually to the City due to loss of DC investment income on these revenues.**

Background:

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

Umbria Developers Inc. (“Developer”) is a privately owned, for-profit, land development company. The Developer submitted a site plan application to City to construct a townhouse development on Sheard Avenue consisting of 148 stacked townhouse units. The Developer delegated before Committee of Council on May 25, 2022 to request that the payment of DCs be deferred until such time that the construction is above grade.

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

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

1. Bramalea Christian Fellowship

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

2. Holland Christian Homes

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

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

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

Current Situation:

In the verbal delegation by the Developer, they cited the following reasons for their request for a deferral of the DCs:

- Economic hardships due to the COVID-19 pandemic;
- A shortage of materials and supplies; and
- Completion delays of the Developer's other projects.

While this is true that there are additional costs to be incurred by the Developer due to the reasons explained by the delegate, it should be noted that Umbria is not alone in this respect and the hardships due to COVID would be experienced by many, if not all, other developers and home builders. One would expect that due diligence be exercised by any business enterprise that would be venturing into a large scale project during the pandemic.

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

Corporate Implications:

Financial Implications:

Granting the request to the Developer would effective result in the City providing subsidized financing to a for-profit developer, which is more appropriately negotiated between the developer and the banking industry.

The estimated DCs, based on current information available at the time of writing this report, amounts to roughly \$3,825,000. Deferring the payment of the City's DCs to the above-ground permit would delay receipt of DC revenues, providing a financial benefit to this developer at a cost to the City of \$88 thousand annually due to loss of DC investment income on these revenues.

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

Term of Council Priorities:

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

Conclusion:

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

Authored by:

Reviewed by:

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Approved by:

Cynthia Ogbarmey-Tetteh,
Commissioner, Corporate Support
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Paul Morrison, Chief Administrative Officer
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Attachments:

Appendix A: Delegation request form from Umbria Developers Inc., at the May 25, 2022
Committee of Council meeting