



THE CORPORATION OF THE CITY OF BRAMPTON

BY-LAW

Number _____ - 2022

To Appendix 1_Proposed CIP By-Law.docx

WHEREAS pursuant to subsection 28(2) of the *Planning Act*, R.S.O. 1990, c. P.13, as amended (the "*Planning Act*") the City of Brampton has been designated as a Community Improvement Project Area;

AND WHEREAS, subsection 28(4) of the *Planning Act* provides for the adoption of a community improvement plan with respect to areas designated as a community improvement project area;

AND WHEREAS, the City of Brampton Official Plan contains provisions for the establishment of a community improvement area as outlined in this by-law;

AND WHEREAS, Section 365.1 of the *Municipal Act, 2001*, S.O. 2001, c25, as amended (the "*Municipal Act*") states that a "community improvement plan" and "community improvement project area" have the same meanings as in subsection 28(1) of the *Planning Act* that is in effect containing provisions with respect to tax assistance;

AND WHEREAS, a public meeting was held in accordance with the *Planning Act*;

NOW THEREFORE the Council of The Corporation of the City of Brampton **ENACTS** as follows:

1. The community improvement plan attached to and forming part of this by-law as Schedule "A" is hereby adopted as the City-wide Community Improvement Plan for Office Employment.

ENACTED and PASSED this [enter date] day of September, 2022.

Approved as to
form.
2022/09/day
[S.Ross]

Patrick Brown, Mayor

Approved as to
content.
2022/09/day
[A. McNeill]

Peter Fay, City Clerk

(file reference, if applicable, or delete)

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Schedule "A"

A City-wide Community Improvement Plan for Office Employment

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1. Project Area and Summary

Project Area

The Community Improvement Plan will apply to all office developments and supporting ancillary uses City-wide, including the area designated as part of the Central Area Community Improvement Plan.

Why is the CIP needed?

A Community Improvement Plan (CIP) is necessary to assist the City in attracting major employment uses where the City has not been able to attract as much as forecasted or planned for development because of cost and other competitive markets such as, the City of Toronto absorbing much of development activity in the office market from pre-COVID-19 demand, and pre-approved builds, as well as, generating office options for scaling start-up companies working in innovative technologies.

Purpose of a Community Improvement Plan

There are many challenges of attracting new office development to the City. A Community Improvement Plan (CIP) is a planning tool that is enabled under Section 28 of the *Planning Act* that allows municipalities to develop a comprehensive plan to support strategic community investment priorities. A CIP provides a framework for public investment opportunities in the public realm and the provision of incentive programs to assist the private sector to stimulate redevelopment and to facilitate property improvements.

A CIP offers a range of powers that can enhance a municipality's ability to encourage private investment that is consistent with the broader community objectives. Municipalities can stimulate investment and revitalization through their own activities and in partnership with the private sector. CIP's typically offer financial tools intended to mitigate development risks and improve the financial viability of projects that are desirable from a community building perspective. There are also non-financial tools that can be implemented such as, infrastructure improvements, public space and municipal property acquisition.

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

Planning Framework

A Community Improvement Plan (CIP) is a tool established under Section 28 of the *Planning Act*. The Plan must consider and conform to other policy plans and studies and prepared in accordance with the requirements of the *Planning Act*. This section briefly discusses the City's basis for preparing a CIP.

Legislative Authority

This Plan is prepared in accordance with the *Planning Act*, which provides the legislative authority for the Municipality of Brampton to prepare a CIP. Section 28 of the *Planning Act*, 1990, gives the Municipality the legislative authority to define a community improvement project area and prepare a community improvement plan for that area.

The Plan must be prepared in accordance with the community improvement policies of the Municipality's Official Plan and the specific powers granted under the *Planning Act*. In accordance with subsections 106(1), (2) and (3) of the *Municipal Act*, the Municipality may not provide financial assistance or bonusing to a commercial or other industrial

enterprise, unless the assistance is provided through a CIP prepared in accordance with the *Planning Act*.

Community Improvement Plan

Section 28(1) of the *Planning Act* defines community improvement as:

“...the planning or re-planning, design or redesign, subdivision, clearance, development or redevelopment, construction, reconstruction and rehabilitation, improvement of energy efficiency, or any of them, of a community improvement project area, and the provision of such residential, commercial, industrial, public, recreational, institutional, religious, charitable or other uses, buildings, structures, works, improvements or facilities, or spaces therefore, as may be appropriate or necessary” and includes the provision of affordable housing under Section 28(1.1).

Transfer of Grants between Upper and Lower-Tier Municipalities

Section 28 (7.2) speaks to the allowance of upper-tier municipalities to participate in the funding for local CIP Programs. Section 28 (7.2) states: “The council of an upper-tier municipality may make grants or loans to the council of a lower-tier municipality and the council of a lower-tier municipality may make grants or loans to the council of the upper-tier municipality, for the purposes of carrying out a CIP that has come into effect, on such terms as to security and otherwise as the council considers appropriate, but only if the official plan of the municipality making the grant or loan contains provisions relating to the making of such grants or loans.”

In preparing the Community Improvement Plan, Council may consider utilizing one or more of the following tools to attract employment to designated areas:

- Providing guidelines for the expenditure of public funds in the form of grants or loans for community improvement activities including clearance, development or redevelopment;
- Supporting efforts and provide guidance for the rehabilitation and redevelopment of existing buildings and structures;
- Upgrading the existing level of municipal services for the purpose of stimulating private investment;
- Acquiring, holding, clearing, grading or preparing land for community improvement;
- Constructing, repairing, rehabilitating or improving buildings on municipal land in the community improvement project area in conformity with the community improvement plan and sell, lease or dispose of such buildings;
- Selling, leasing or disposing of municipal land in the community improvement project area for use in conformity with the community improvement plan; and,
- Providing grants, loans or tax assistance to owners, tenants and their assignees of lands and buildings within the community improvement project area to pay for the cost of rehabilitating lands and buildings in accordance with Section 28(7) of the *Planning Act* and Section 365.1 of the *Municipal Act*.

BACKGROUND

In January 2019 Council directed staff to investigate the potential for a Community Improvement Plan (CIP) to attract additional employment in key sector such as, Innovation & Technology, Entrepreneurship, Advance Manufacturing, Health & Life Sciences. This led staff to prepare a public Invitational Request for Proposal to hire a consultant to undertake a study to explore an opportunity for a city-wide CIP in May 2019.

NBLC was brought on-board in late 2019 and reviewed Brampton’s employment landscape and recommended Brampton bring forward a CIP to incentivize office development throughout the City to supplement the Central-Area Community

Improvement Plan. NBLC's employment study was endorsed by Council in March 2021 and staff proceeded to prepare the attached City-wide CIP for office employment.

Brampton 2040 Vision

The Brampton 2040 examines the vision for the City to re-invent itself in the next twenty-years. The vision brought forward ten transformations to consider as the City moves forward, including:

- A heart to draw everyone and shift the balance of local jobs – new Uptown and reset the Downtown; and,
- Jobs within communities with the five new Town Centres.

The ten transformations resulted in seven targeted vision statements addressing each one of the transformations. Vision 2 noted that in 2040, Brampton will be a mosaic of vibrant centres with quality jobs, a rich range of activities, and integrated living. Each vision resulted in a number of catalytic actions. The first effort is to target having sixty-percent of residents work within the community. This CIP helps the City support these efforts of creating high-quality jobs.

City of Brampton Official Plan (2020 Consolidation)

Section 5.13 of the City's Official Plan outlines Council's ability to establish Community Improvement Plans, planning policies, development standards or financial assistance programs to stimulate or support development within the City. In designating an area(s) under a CIP program the following shall be taken into consideration:

- Whether, in the opinion of Council, the community improvement of the proposed project area is desirable because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or any other environmental, social or community economic development reason;
- The importance of the proposed area to the overall social and economic health and integrity of the City;
- The degree of intervention or assistance required to stimulate rehabilitation and redevelopment to establish and maintain the health of the proposed area; and,
- The likelihood that such intervention or assistance will achieve the desired result.

Economic Recovery Strategy

In May of 2020, Council endorsed the City's Economic Strategy as a framework to move the City forward. The Strategy is organized into four cornerstones: Innovation, Technology and Entrepreneurship; Investment; Arts Culture & Tourism; and, Infrastructure.

The 'new normal' that is being created throughout the economy will provide opportunities as companies renew and restructure their operations and supply chains. The City will seize these opportunities by supporting local companies as they adapt to new realities, building on our strategic advantage such as, logistics, and looking internationally for companies that would benefit from investing in Brampton.

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.

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. Additionally, the post-COVID 19 market is showing that suburban office vacancy is lower than Toronto's downtown vacancy, a trend never witnessed before in Canadian commercial real estate.

The COVID-19 crisis disrupted investment, but now in recovery may offer opportunities as businesses rethink how they operate. This, along with the City's transit initiatives, present real opportunities for the City to attract satellite offices.

Helping new entrepreneurs become established and providing small companies with the ability to scale up is essential to economic recovery. Small start-up companies such as those graduating from the Innovation District partnerships need places to grow and establish themselves. Office developers will need an anchor and/or the impetus to move forward with development in order to provide for the future homes of these growing businesses.

Region of Peel Regional Major Office Incentives Program

On April 22, 2021, Regional Council approved resolution 2021-453 and adopted the Regional Major Office Incentives (MOI) Program allowing the Region to track and facilitate grants through a Tax Increment Equivalent Grant to support local municipal Community Improvement Plans. As part of this resolution a one-time transfer from the Tax Rate Stabilization Reserve to the Regional Major Office Incentive Reserve in the amount of \$100,000 to provide seed funding for the Region's Major Office Incentives Program. The funding will be administered through execution agreements and provide granting payments to local municipalities for projects that qualify for the local CIP program. The intent is to have the Region's Tax Increment Equivalent Grant (TIEG) match the local municipal TIEG structure.

Regional staff will continue to work with local municipal staff to develop detailed administrative processes, agreements and budgeting requirements to implement the MOI program.

Current Economic and Employment Conditions

While the current employment context was dominated by the COVID-19 pandemic the depth of the impact on the regional and provincial economies in the long-term has not been fully realized.

Employment conditions in 2020-21 inherently were challenged as a result of mass unemployment due to COVID-19, it is expected that FIRE (finance, insurance, real estate), 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. This is particularly expected relative to a prolonged recovery period for businesses engaged in hospitality, travel, and retail-trades.

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.

New Market and Policy Developments

Brampton is well positioned to capitalize on office opportunities that are aligned with life sciences and innovation, including cyber security. The province is moving forward with a life sciences strategy to generate significant jobs in the coming years. The Brampton Innovation District already has a national centre of excellence in cybersecurity.

Brampton's Industrial Market Can Generate Flex Spaces

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 Region. Between 2015 and 2019, Brampton experienced high construction activity, averaging just under 1.1 million sf of new GFA each year.¹

In total, 29 new projects built between 2010 and 2020, totaling 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.²

The 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.

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. Retention and expansion of existing businesses are key drivers behind job growth.

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; and investing 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).

Until the City 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.

Brampton's Dispersed Office Market

¹ NBLC, City of Brampton – Opportunities, City-wide, for Appropriate Community Improvement Plan(s) – Employment, November 2020

² *ibid*

As of Q4 2019, Brampton has an approximate inventory of 4.62 million square feet (ft.) 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 with the exception of Mississauga Road and Steeles Avenue where office developments with larger footprint requirements have been attracted to because of availability of sites.³

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.⁴

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 five-year drop-off to create new suburban office space across suburban office markets is likely tied to stronger historic market factors that generate office in downtown and fringe-downtown Toronto locations and the unprecedented delivery of new space in these prime areas.

With limited multi-tenant rental properties (majority of office development has been owner-occupied), the current availability and vacancy rate across the City is now 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 demand for contemporary office space.

Recent Office Developments

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, Medtronic and Loblaws 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

³ ibid

⁴ ibid

7,600 sf annually. The building was fully occupied as of 2020. 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 per square foot net at the last time of survey.⁵

This level of absorption and rents points to a challenge attracting investment over the shorter-term in what is increasingly an urban infill location pre-COVID-19. 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.

Objectives of the Community Improvement Plan

The primary objectives of this CIP is to attract office employment in the key targeted sectors identified below across the City of Brampton. The CIP supports:

- i. The City's ability to promote economic development and competitiveness by providing opportunities for a diverse economic base as noted in Section 1.3.1 – Employment of the Provincial Policy Statement 2020.
- ii. The ability to participate in the Region's Major Office Incentives Program adopted on April 22, 2021 (Resolution 2021-453).
- iii. The Brampton 2040 Vision of being a mosaic of vibrant centres with quality jobs to promote residents to work within the community.
- iv. The City's Official Plan to establish Community Improvement Plans, planning policies and financial assistance programs to stimulate and/or support development in the City and promote overall social and economic health (Section 5.13).
- v. The City's movement of supporting local companies building on strategic advantages and looking internationally for companies that would benefit from investing in Brampton, as outlined in the City's Economic Recovery Strategy.

Community Improvement Plan Incentive Tools & Target Sectors

Tools of the CIP Program

The following highlights the tools that are being implemented as part of the City-wide CIP to incentivize office development and bring highly skilled jobs to the City in a highly competitive market in the GTA.

i. Tax Increment Equivalent Grant (TIEG)

One of the most common financial incentives is the 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.

⁵ *ibid*

- 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. The 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.

The target sectors eligible for the annual grant include:

- Advance Manufacturing
- Food and Beverage
- Health and Life Sciences
- Innovation and Technology

ii. Region of Peel Matching Grants

In 2020, Regional Council directed Regional staff to explore the feasibility of establishing a Regional community improvement plan (CIP) for major office development. It was recommended that the Region support local municipal major office employment CIPs by contributing the Tax Increment Equivalent Grants (TIEG) for office developments of 20,000 sq. ft. (1,858 sq. meters) or above.

Regional Council directed staff to develop detailed recommendations for establishing an office incentives program that uses TIEG, including a framework and project criteria. In 2021, the Region of Peel adopted their ‘Regional Major Office Incentives Program’ in accordance with Section 28(7.2) of the *Planning Act*. The Region’s incentive will function as a grant to the local municipalities who are also providing TIEG CIPs, who will then be provided both Regional and local grants to developments approved for the program.

The proposed major office incentives program is planned to be open to receive applications for a period of five years, subject to a cap on the total gross floor area up to 92,903 square meters (1,000,000 square feet) of major office gross floor area eligible for the Major Office Incentives (MOI) Program. The new reserve titled the ‘Major Office Incentives Program Reserve’ was established with \$100,000 of seed funding for the program. In principle, the Region’s grant will be a TIEG that matches the local municipal TIEG by structure.

iii. 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.

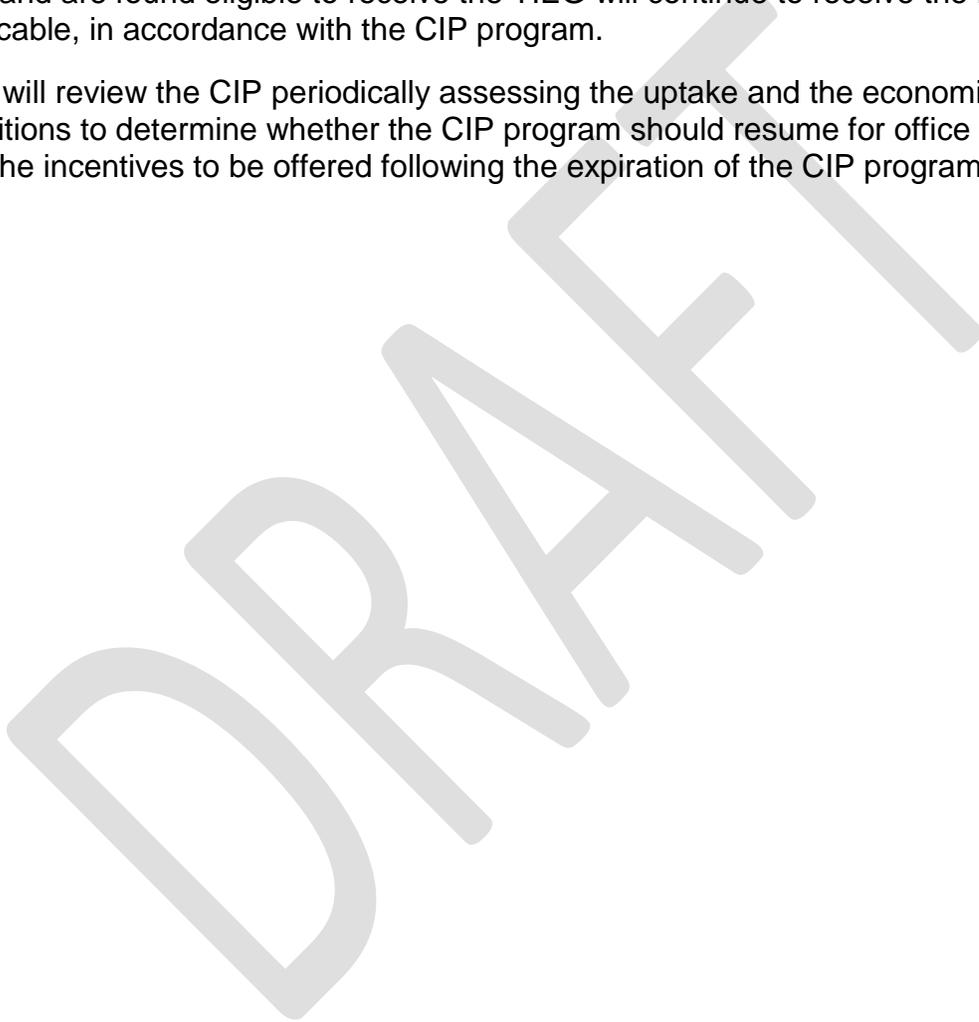
Financial Incentives Agreements

As a condition of both grant programs described above, property owners shall enter into an agreement with the City, to be registered on title (hereinafter referred to as the “Financial Incentives Agreement”). The Financial Incentives Agreement will set out the terms and conditions of the City’s Tax Increment Equivalent Grant and the Region of Peel Major Office Incentives Program, as applicable. Terms and conditions of the Financial Incentives Agreement will compliment and may expand upon, but in no way detract from the conditions set out herein.

CIP Expiry and Review

The CIP plan will expire on April 22, 2026, to align with the Region of Peel Major Office Incentives (MOI) Program. Upon expiry of this CIP, the City will no longer accept new applications for the TIEG incentive program. Applications received prior to the expiration date and are found eligible to receive the TIEG will continue to receive the incentive as applicable, in accordance with the CIP program.

Staff will review the CIP periodically assessing the uptake and the economic market conditions to determine whether the CIP program should resume for office employment and the incentives to be offered following the expiration of the CIP program.



APPENDIX 1: Tax Increment Equivalent Grants (TIEGS)

i. Introduction

The Tax Increment Equivalent Grants program is designed to provide assistance in the form of a series of annual grants to eligible owners who undertake development for office employment in the following target sector: Advance Manufacturing, Food and Beverage, Health and Life Sciences and Innovation and Technology. The grants are designed to stimulate building construction and expansion within these key targeted sectors of the economy. This office development will help the City to achieve economic and employment objectives set out in the Brampton 2040 Vision, the Official Plan, the City's Economic Recovery Strategy and other relevant policy documents.

The grants will be funded from a portion of the Municipal Tax Increment, by way of a Tax Increment Equivalent Grant (TIEG).

Prior to receiving the TIEG, property owners must enter into a Financial Incentives Agreement with the City.

Purpose of the TIEG

The purpose of the TIEG is aimed for attracting office employment including complementary (ancillary) uses such as, research and lab space. The TIEG is a grant or rebate meant to offset the increase in property taxes from new construction the owner will face with development.

Development

To be eligible for the TIEG properties must undergo development. Development is investment that results in the productive use of lands and/or buildings within the CIP area satisfying the uses and requirements described below.

The property owners may also qualify for the Region of Peel Major Office Incentives Program by qualifying for the City's TIEG.

Targeted Sectors

The grants will be offered to office developments targeted in the following development sectors:

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

Definitions

- i. **Advanced Manufacturing** – is the use of innovative technology to improve products or processes, with the relevant technology being described as “advanced”, “innovation”, or “cutting edge”. Advanced manufacturing industries “increasingly integrate new innovative technologies in both products and processes. The rate of technology adoption and the ability to use that technology to remain competitive and add value to define the advanced manufacturing sector.”⁶

⁶ (Source: https://en.wikipedia.org/wiki/Advanced_manufacturing)

- ii. **Food and Beverage** – a premise used for the sale of food and beverages to retailers or other businesses, but not including the sale of food and beverages directly to the public. No retail operations or warehouse clubs will be eligible for incentives, even if ancillary to the main use.⁷
- iii. **Health and Life Sciences**
 - a. Medical Devices and Equipment – examples of medical devices include pacemakers, artificial heart valves, diagnostic and imaging equipment, in vitro diagnostics, dialysis equipment, hip and knee implants, synthetic skin, surgical tools, infusion pumps, life support machines, catheters, bandages, prosthetics and artificial body parts.
 - b. Health Information and Communication Technologies.
 - c. Research, Innovation and Education, Testing and Medical Laboratories, Wet labs.
 - d. Drugs and Pharmaceuticals
- iv. **Innovation and Technology** - is the process where an organization (or a group of people working outside a structured organization) embarks on a journey where the importance of technology as a source of innovation has been identified for increased market competitiveness. The wording "technological innovation" is preferred to "technology innovation". "Technology innovation" gives a sense of working on technology for the sake of technology. "Technological innovation" better reflects the business consideration of improving business value by working on the product or services' technological aspects.⁸

Eligibility Requirements

- The building or structure has a total new floor area of at least 25,000 square feet (2,323 square meters);
- The building or structure is not condominium in tenure;
- 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;
- Minimum construction value of \$1,000,000 as evidence on application and the main building permit;
- The development must be one of, or combination of:
 - A new building
 - Expansion to an existing building (minimum construction value applies)
 - Substantial rehabilitation to an existing building (minimum construction value applies)
- In a mixed-use development or structure, only the new major office component as defined will be eligible for the incentives;
- Change of use from warehouse to office located in area-specific MTSA (Major Transit Station Areas), boulevards and intensification areas);

⁷ (Source: <https://www.toronto.ca/legdocs/bylaws/2008/law0516.pdf#:~:text=BY-LAW%20No.%20516-2008%20To%20designate%20the%20City%20of,Brownfield%20Remediation%20and%20Development%20of%20Prescribed%20Employment%20Uses.>)

⁸ (Source: https://en.wikipedia.org/wiki/Technological_innovation)

- Major Office areas as identified in the Brampton Official Plan (aka Brampton Plan) or directed to Urban Town Centres and major corridors;
- The property must not be in tax arrears; and,
- The applicant is not involved in any litigation with the City or Region
- The project conforms to all City processes and permits
- The building must receive a score of Silver from the Sustainable Community Development Guidelines
- Complementary (ancillary) office uses such as, lab space/wet labs, research space, health information and communication technologies, innovation and education, testing and medical laboratories, drug and pharmaceuticals, may be considered eligible for the program.

Details:

- The effect of the program is to provide a grant for the City portion of the property taxes on behalf of the owner of land in the subject area who initiates and completes a development project through to initial occupancy.
- The amount of which is subject to Council approval is in an amount not exceeding the increase in municipal realty taxes (the Grant).
- Grants are equal to a percentage of the municipal tax increment on a declining rate basis for a maximum 10 year period.
- The increase in municipal realty taxes for the City portion will be based on either the year in which the building permit that initiated the development / redevelopment was issued or the first full year in which the property is reassessed.
- The building or structure is not condominium in tenure.
- MPAC must assess the new structure. Before any grant is provided to the Applicant for a property for which a satisfactory grant application has been received and approved, realty taxes are required to have been paid as billed each year as billed and the accounts remain in good standing.
- An Applicant will enter into an agreement with the City, Grant applications will not be accepted if there is an outstanding Request for Reconsideration through the Municipal Property Assessment Corporation (MPAC), outstanding Assessment Review Board appeal, outstanding divisional court appeal or an outstanding *Municipal Act* appeal, relating to the assessment of the Property or in respect of taxes related to the Property. The Grant application will only be accepted once the above has been settled and the revised (if applicable) property taxes have been calculated.

Ineligible Uses

If a proposed development is not an eligible use as prescribed herein, then it will be considered ineligible to receive the TIEG.

Live/work units are not an eligible use, even in circumstances where the “work” component falls within an eligible sector/use category.

How will the TIEG work?

The TIEG will function in one to two ways: owner occupied buildings to directly reduce the property tax paid thereby, reducing the project’s operating costs over the length of the program; or multi-tenant buildings reducing the property tax paid, which will reduce the gross rent paid by the tenant through a typical “triple-net lease’ arrangement.

Grants shall be calculated based on the office GFA (as provided by MPAC) of a building and shall not apply to other uses located in the same building that the office use occupies, such as other non-residential uses (including parking garages, parking lots or parking areas) or residential uses.

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 it becomes extinguished. The table below provides an example of an office building 75,000 sq. ft. (6,967 square meters) in size located on a 3.84 acre site (1.55 hectares) qualifying for the TIEG incentive.

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

Target Area:

City-wide

Program Administration:

- Applicant meets with Economic Development and Planning staff to discuss the details of the development proposal to determine if they are eligible.
- Applications for grants must be made prior to the issuance of the first above grade building permit for the development.
- Applicant is required to submit a proposed TIEG payment plan with their CIP application for review and approval by City staff.
- Each application qualifying for the TEIG incentive under the CIP program requires Council approval.
- Agreement is to be entered into with the City, which is prepared by Legal, which will specify the terms of the grant.

- The applicant must be the owner of the property or have the owner's written authorization to apply for the grant.
- The owner must enter into an agreement with the City to be registered on title, pursuant to Section 28(7) and 28(11) of the *Planning Act*.
- The property owner must not be in arrears of property taxes or other fees and charges on the day the agreement is signed.
- Applicant is required to submit the final MPAC property re-assessment along with the final TIEG payment plan to the City for approval prior to finalizing the execution agreement.
- The MPAC re-assessment must be received and the application must be approved by the City prior to October 1st to be considered for funding in the upcoming fiscal year budget.
- The applicant is required to submit a letter to the CIP administrator annually noting their development has maintained the office use component as approved in the approved through the CIP program or advising staff of any changes to the office use square footage prior to October 1st.
- All proposed developments must conform to all City by-laws, policies, and processes, and all improvements must be made pursuant to an approved building permit, and conform to the *Ontario Building Code* and applicable zoning requirements and development approvals.

TIEG Agreement:

Shall be in compliance with the Program's requirements and conditions as set out in the TIEG Agreement the Applicant will be required to enter into with the City. Conditions in the Agreement include but are not limited to:

- The total value of the eligible grant provided under the Program will be reduced by 10% each year to year 10. In year 11 the applicant will be required to pay full municipal taxes.
- MPAC must assess the new structure.
- The amount by which property taxes have been cancelled or reduced for the subject property pursuant to any other City programs (i.e. vacancy rebates) or tax appeals under Sections 357 and 358 of the *Municipal Act*.
- The amount by which property taxes have been cancelled or reduced for the subject property pursuant to a Request for Reconsideration.
- The amount by which property taxes have been reduced or cancelled for the property pursuant to any relief or reduction permitted under any legislation or order of any court or the Assessment Review Board.
- If the Applicant, third party or the municipality has appealed the change in the property assessment, the grant will not be advanced until the appeal has been finally determined through the Assessment Review Board or Courts and revised property taxes have been calculated and adjusted.
- The first year of the grant is payable at the end of the calendar year in the first full year of reassessment, post completion, of the redevelopment/ development (subject to taxes being paid in full and no pending appeal or confirmation that the assessment will not be appealed). There must be no outstanding taxes, work orders or other fees owed to the City with respect to the property.
- The applicant agrees to provide annual updates with respect to the status of occupancy prior to receiving the grant for that year.
- Projects are to be in compliance with the City's Official Plan policies, other By-Laws and policies, including but not limited to zoning site plan approval and

design guidelines. If an Official Plan Amendment and Zoning By-law Amendment is required it must be applied for by the owner and approved by Council.

- There are no other outstanding terms or conditions or any violations of the executed TIEG Agreement.

Funding Source:

Any rebates provided resulting from this program will be funded from property taxes and budgeted in the Planning, Building & Growth Management Operating Budget, pending Council approval.

Staged Developments

In the case of a staged development, where one portion of a property is developed in advance of others, each portion of the property will be treated as a separate property. The first component of the Development Grants will be based on the Municipal Tax Increment arising from the increased assessment on the first portion of the development. As other portions of the property are developed, and which result in further assessment increases, the property owner may apply for additional Development Grants based on the additional Municipal Tax Increment, subject to the continued availability of the incentive program and the eligibility requirements and grant entitlements in place at that time.

Adjustments

The proportion of the Municipal Tax Increment upon which the annual grant will be based will be the lesser of:

- a) the proportion of gross floor area occupied by the eligible use(s) or user(s) in the first year in which the Development Grant is payable; or
- b) the proportion occupied by the eligible use(s) or user(s) for the year in which the grant is calculated.

Grant amounts will be adjusted to reflect:

- the amount of any applicable rebate of municipal taxes paid to the property owner; and,
- any subsequent changes in the total municipal taxes payable in any year due to reductions resulting from assessment appeals. Where such tax changes occur after grant amounts have been paid, future year grant entitlements will be reduced accordingly. Any overpayment of grant amounts arising from subsequent reassessment or tax reductions will be deemed to be a debt owing to the municipality.

Duration

All grants will cease if during the grant period the building is converted to an ineligible use or if the building is demolished except to expand an eligible use. Grant amounts that would have been payable in the year in which the demolition occurs or the ineligible use commences will be adjusted on a pro-rated basis to reflect the date of the demolition or the City of Brampton By-law ____-2022 ineligible use.

Payment

Grants are paid once annually, in the last quarter of the year, provided that:

- a) There are no outstanding taxes or other sums owed to the City or Region with respect to the property;

- b) There are no outstanding work orders and/or orders or requests to comply from any municipal or provincial entity; and,
- c) The owner is in compliance with the financial incentives agreement and all eligibility criteria and conditions are met.

Grants will not be applied as tax credit against property tax accounts.

In case of an assessment appeal, the City reserves the right to withhold and forthcoming Development Grants pending final disposition of the appeal.

Program Adjustments and Termination

The monitoring results (empirical, qualitative and feedback from applicants) will be used to improve the program by recommending adjustments to the eligibility requirements and the administration process. Therefore, the City may periodically review and adjust the terms and requirements of the program, or discontinue the program, without amendment, to the CIP for Office Employment. Changes will be implemented by way of Council approval of revised Program Implementation Guidelines.

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APPENDIX 2: THE REGION OF PEEL MAJOR OFFICE INCENTIVES PROGRAM (MOI)

i. Introduction

The Region's Major Office Incentives (MOI) Program is a partnership program between the Region of Peel and its three local municipalities (Brampton, Caledon and Mississauga) to provide financial incentives to encourage major office development and support the Region's employment forecast targets.

Eligibility Requirements:

When a local municipality provides a Tax Increment Equivalent Grant (TIEG) for an eligible office development, the Region will contribute a financial incentive via a TIEG that matches the reimbursement percentage and the duration of the local TIEG provided that it satisfies the Regional Office Incentives Program criteria.

- The project/application must be proposing the development of major office within the Region of Peel and specifically within a designated Community Improvement Area in one of Peel's local municipalities.
- A new standalone major office development or a new major office component that meets the Region of Peel's definition of Major Office employment of 20,000 square feet (1,858 meters square) or above (up to 10% less will be considered as well).
- In a mixed-use development or structure, only the new major office component, as defined will be eligible for incentives.
- The project/application must conform to the Regional Official Plan and the subject local municipality's Official Plan.
- Owner-occupied or multi-tenant buildings can be eligible.
- Only new major office construction or the adaptive reuse of non-office buildings to major office uses, where the payment of increased property taxes would apply, are eligible.

Details:

The Region's grant will be a TIEG that matches the local municipal TIEG by structure, within the following thresholds:

- The TIEG starting percentage must be no higher than 100%
- The TIEG must decline by no less than 7% each year.
- The TIEG will be in place for up to ten years.

The MOI Program will be open to receive applications for a period of 5 years from Council Approval and subject to annual monitoring and program outcomes.

Application Process:

The process flow chart below highlights the Region's application process.



Target Area:

Region-wide (Brampton, Caledon and Mississauga)

Program Agreement:

The Region of Peel will coordinate with the City to prepare the final agreements after the post-construction property tax assessment is available, with the TIEG value informing the Regional Council budgeting for the MOI program.

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