

**Date:** 2023-07-12

**Subject:** **City-wide Community Improvement Plan for Office – Tax Increment Equivalent Grant Application for 7600 Financial Drive, Kaneff Properties Limited, Ward 6**

**Contact:** Mirella Palermo, Policy Planner, Integrated City Planning  
Jeffrey Humble, Manager, Integrated City Planning

**Report Number:** Planning, Bld & Growth Mgt-2023-586

**Recommendations:**

1. That the report from Mirella Palermo, Policy Planner, Integrated City Planning to the Planning and Development Committee Meeting of July 31, 2023, re: **City-wide Community Improvement Plan for Office – Tax Increment Equivalent Grant Application for 7600 Financial Drive, Kaneff Properties Limited, Ward 6**, be received;
2. That staff move forward with the CIP application for 7600 Financial Drive and the City property tax grant being requested through the TIEG incentive program be approved in principle. The amounts are subject to change based on the final MPAC assessment and the dissolution of Peel Region in 2025:
  - I. The total grant amount approximated over ten (10) years representing the tax difference between pre and post-development is \$220,120, of the City property tax portion;
  - II. The first year of the property tax grant, compensating one hundred percent (100%) of the tax difference is \$40,022;
3. That staff work with the City's Finance and Legal Departments to prepare a financial incentives agreement for the TIEG Incentive through the City-wide CIP program for Office Employment;
4. That the City be authorized to sign the financial incentives agreement for the TIEG incentive when the content is satisfactory to Commissioner of Planning, Building and

Growth Management or designate and City Treasurer, and in a form acceptable to the City Solicitor or its designate;

5. That staff bring forward a report with the final rebate/grant amount for the TIEG incentive once the applicant provides the City with the MPAC assessment for the office development, and final TIEG payment plan to be approved by Council;
6. That staff include the approved annual payment as part of the annual budget process, pending Council approval; and,
7. That the administration of the program is managed by the Commissioner of Planning, Building and Growth Management.

**Overview:**

- **The purpose of the City-wide CIP is to attract high-quality office employment in the following key sectors: Advance Manufacturing, Food and Beverage, Health and Life Sciences, Innovation and Technology, and other knowledge-based sectors creating skilled jobs.**
- **The key incentive being offered through the CIP is the Tax Increment Equivalent Grant (TIEG). The TIEG program offers a grant/rebate to a property owner to offset a portion of the property tax increase that would be encountered as a result of redevelopment, typically over a ten (10) year period for the office component of the building and supporting complementary uses such as, research and laboratory space.**
- **The City launched the CIP program for Office Employment to take part in the Region of Peel's Major Office Incentive (MOI) Program. The Region's program was developed in partnership with the three local municipalities (Brampton, Caledon and Mississauga) to provide financial incentives to encourage major office development, supporting stable high-quality jobs in Peel.**
- **The Region of Peel paused its Major Office Incentive (MOI) Program as part of the recent Bill 23 amendments to the *Planning Act*. Once the changes are in full effect, the Region will no longer be able to participate in local municipal CIPs under the current program structure adopted on April 22, 2021.**
- **The Region and the City will evaluate the MOI and CIP programs in terms of clarifying the funding grant obligations as part of Bill 112 legislation to dissolve the Region of Peel.**

- **This report recommends the application submitted under the Office Community Improvement Plan (CIP) program at 7600 Financial Drive in Ward 6 of the City receive the Tax Increment Equivalent Grant (TIEG) incentive for a single-storey office building (51,720 square feet), which will become the headquarters for MDA.**
- **The TIEG will provide a grant covering the entire tax increase in year one, ninety percent (90%) in year two, and continues to decrease by ten percent (10%) until extinguished.**
- **Staff have reviewed the applicant's CIP submission that included the preliminary TIEG incentive rebate over the ten (10) years for the City portion of the property tax increase and would be rebated approximately \$220,120. The first year rebate of one-hundred percent (100%) of the tax difference is \$40,022.**

#### **Background:**

On September 26, 2022, Council endorsed a City-wide Community Improvement Plan (CIP) for Office Employment offering incentives to attract high-quality office developments to the City. The CIP program offers three incentives:

1. **Ten-year Tax Increment Equivalent Grant (TIEG)** that offers a grant or rebate to offset a portion of the property tax increase for the office space component the owner will encounter as a result of redevelopment. The TIEG for Office Employment may also consider complementary uses such as, research and laboratory space. The TIEG will provide a grant covering the entire tax increase in year one, ninety percent (90%) in year two, and continue to decrease by ten percent (10%) until it becomes extinguished. The property owner will be required to pay the applicable property tax in full each year by the due date and will be refunded through the grant structure as determined in the payment plan approved in year one of the project.

If a project is found to not follow any of the eligibility requirements and/or the terms of the executed agreement, the TIEG incentive program will be terminated for the subject property. The applicant will be responsible for repayment to the City of any grant funds received that are subsequently deemed ineligible.

2. **Region of Peel offering matching grants** – on April 22, 2021, the Region implemented a TIEG incentive through their Major Office Incentives (MOI) Program to match the incentives being offered by the local municipalities through their CIP program. This is the first time the Region of Peel has implemented a financial incentive to attract office development. However, it can only be

accessed by an applicant if the local municipalities implement a similar incentive program.

Due to the recent amendments to Bill 23 related to the *Planning Act* the Region paused the MOI program as once the changes are in full effect, the Region will no longer be able to participate in the local municipal CIPs under the current program structure ([ROP Report - April 27, 2023](#)).

The Region will evaluate this program as part of Bill 112 legislation to dissolve Peel that was passed on June 6, 2023. Regional and City staff will work with Auditors and the Transition Board to ensure a smooth transition to each local municipality in January 2025, and establish the final property tax base structure [ROP Bill 112 Report June 8, 2023](#).

3. **Expedited planning review** – the City plans to 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 program does not guarantee planning application approval.

A CIP application for the TIEG incentive program was received in January of 2023 for 7600 Financial Drive. The application is for the construction a new office building serving as part of MDA's headquarters, a Canadian space technology and robotics company. The single storey building will be a gross floor area of 4,805 square meters (51,720 square feet). The proposed development falls within the Innovation and Technology target sector of the City-wide CIP for office employment.

#### **Current Situation:**

To be considered for the CIP program for Office development the proposed application must fall within one of the four target sectors:

- Advanced Manufacturing (only as the complementary use component)
- Food and Beverage
- Health and Life Sciences
- Innovation and Technology

#### **Eligibility Requirements:**

The proposed application satisfies the eligibility requirements of the City's CIP program ([217-2022 By-Law](#)) as described below:

- Proposed use falls under the Innovation and Technology category identified as one of the target sectors in the City's CIP.
- The standalone building exceeds the minimum gross floor area of 25,000 square feet with a proposed floor area of 51,720 square feet.

- The proposed development is not a mixed-use development.
- The proposed development is a new construction build within the Office land use designation of the City's current Official Plan.
- Sustainability Score card submitted – Letter of intent to achieve bronze standard included (refer to Attachment 3)
- The property is not in tax arrears with the City.
- The applicant is not involved in any litigation with the City.
- The proposed development will bring a number of high quality tech jobs to the City.
- Commissioner of Oaths included.

Planning staff will work with the City's Finance Department to confirm the final TIEG payment plan once the applicant (Kaneff Properties Limited) submits the final MPAC assessment for the redevelopment of the lands to office use. The final TIEG payment plan will detail the funds that will be rebated to the applicant over the ten (10) year timeframe for the difference in City's property taxes, as established in year one of the TIEG Incentive Program.

The Tax Department must bill one hundred percent (100%) of the new assessment before the incentive program is initiated. The property owner will be responsible to pay their taxes in full by the due date and cover any inflationary property tax increases over the length of the program.

With the endorsement of Bill 112 the dissolution of Peel Region will change the property tax-base structure, which will take into effect in January 2025. At that time, staff will evaluate the City tax portion and determine whether any amendments are required to the TIEG program and bring forward a Council report for approval.

Planning staff will develop a process flow chart for administering the program and outlining the areas of responsibilities, which include, but not limited to the following:

#### Planning

- Determining eligibility of grant applications submitted
- Reporting to Council on eligible applications for consideration
- Administering the grants as per Council approved applications
- Monitoring compliance within the program

#### Finance

- Review, in conjunction with Planning, the final TIEG payment plan provided by the applicant upon final MPAC assessment
- Consult with Planning during the budget process to determine the budget required across all Council approved applications and timing of payments to ensure sufficient funding is available

**Corporate Implications:**

Financial Implications:

There are currently no direct financial implications associated with this report. Staff estimate the total grant amount over ten (10) years is approximately \$220,120 and \$40,022 for the first year of the payment. Upon Council approval of the final TIEG payment plan brought forward in a future report to Council, these rebates will be included in the Planning, Building & Growth Management operating budget and will be funded from property taxes, pending Council approval.

Estimated Grant Payment Schedule\*

<b>MDA South - 7600 Financial Dr</b>		
<b>Est. Assessment Value Pre-development</b>		<b>\$ 2,467,000</b>
<b>Est. Assessment Value Post-development</b>		<b>\$ 9,538,167</b>
Pre-Development Tax		\$ 13,963
Post-Development Tax		\$ 53,985
Diff. in Value		\$ 40,022
Year 1 (Full rebate)	100%	\$ 40,022
Year 2 (90% rebate)	90%	\$ 36,020
Year 3 (80% rebate)	80%	\$ 32,017
Year 4 (70% rebate)	70%	\$ 28,015
Year 5 (60% rebate)	60%	\$ 24,013
Year 6 (50% rebate)	50%	\$ 20,011
Year 7 (40% rebate)	40%	\$ 16,009
Year 8 (30% rebate)	30%	\$ 12,007
Year 9 (20% rebate)	20%	\$ 8,004
Year 10 (10% rebate)	10%	\$ 4,002
<b>Total TIEG Value*</b>		<b>\$ 220,120</b>

\*Subject to change upon final MPAC assessment & Regional dissolution

Legal Implications:

Once Council endorses approval of the CIP application for 7600 Financial Drive, Planning staff will work with the City's Legal Department and Finance to prepare the Financial Incentives Agreement for the property.

The agreements will be registered on title to the applicable lands, and will set-out the terms and conditions that the applicant must comply with to maintain the agreement in good standing, including conditions by which the City may terminate the agreement.

**Term of Council Priorities:**

The City-wide CIP for Office Employment aligns with the Term of Council Priority of a *City of Opportunities* by improving livability and prosperity of the City through employment opportunities, neighbourhood services and programs, and investment strategies for the jobs of the future.

**Conclusion:**

The purpose of this report is to move forward with the CIP application for 7600 Financial Drive submitted by Kaneff Properties Limited to receive the TIEG incentive and approve in principle the funds to be rebated over the ten (10) year period.

The total rebate amount approximated over ten (10) years is \$220,120 of the City property tax portion reflecting the difference of taxes between pre versus post office development. It's estimated that the City would rebate approximately \$40,022, compensating one hundred percent (100%) of the tax difference in the first year and decrease by ten percent (10%) each subsequent year until the program is completed. This grant amount is based on the current tax base structure that will change once the dissolution of the Region occurs in January 2025.

City staff will bring forward a Council report for budget approval once the applicant provides the final MPAC assessment for office use and any changes to the tax base are finalized to determine the final TIEG Incentive payment plan.

Authored by:

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**Attachments:**

- Attachment 1 – Complete Office CIP Application Form - 7600 Financial Drive
- Attachment 2 – Site Plan for 7600 Financial Drive
- Attachment 3 – LOI for Sustainability Metrics 7600 Financial Dr