

Date: 2023-06-22

Subject: Kaneff Group of Companies – Development Charges Deferral

Contact: Paul Aldunate, Expeditor, paul.aldunate@brampton.ca

Report Number: CAO's Office-2023-600

Recommendations:

1. **THAT** the report from Paul Aldunate, Expeditor, Economic Development, Office of the CAO, dated June 22, 2023, to the Council Meeting of June 28th, 2023, re: “**Kaneff Group of Companies – Development Charges Deferral**” be received;
2. **THAT** the Mayor and Clerk be authorized to execute a Development Charge deferral agreement with Kaneff Group of Companies, as permitted under Section 27 of the Development Charges Act, with content satisfactory to the City Treasurer and in a form satisfactory to the City Solicitor or delegate, to further defer the payment of City of Brampton development charges for the expansion of MDA’s Global HQ located at 7600 Financial Drive.

Overview:

- **The current Development Charges By-law provides an exemption to the City’s portion of Development Charges for major office developments if the building or structure is freestanding with a total floor area of at least 50,000 square feet and the building or structure is at least 2-stories in height.**
- **Kaneff is currently constructing a 200K sqft facility for MDA’s new global headquarters at 7500 Financial Drive, which features a 5-storey 120K sqft office facility with an adjoining 80K sqft of research and lab space. This development qualified for the DC exemption.**
- **The recent success of MDA has led them to expand their HQ even further, but it will not be an adjoining building, it will instead be located on a parcel to the north that was severed in 2021.**

- **The new facility will be one storey in height and a minimum 50K sqft of office built for MDA. Given that the building is less than two storey's it does not qualify for the DC exemption.**
- **The purpose of this report is to request a deferral of payment of approximately \$730,000 in City's DCs until the new DC by-law can be approved in 2024, to provide staff with sufficient time to review the exemption provided to major office developments under the current bylaw.**
- **Given the significance of the benefits provided to the City by major office developments, staff recommend entering into a deferral agreement with MDA as permitted under Section 27 of the DC Act, till the expiry of the current bylaw on August 1, 2024.**
- **This report is consistent with the "A City of Opportunities" theme in the Term of Council Priorities. It supports the creation of high valued jobs and attracting investment to Brampton.**

Background:

MDA is a global leader in space missions, robotics, satellite systems, and geointelligence. With over 50-year history of groundbreaking achievements, they continue to push boundaries on planet Earth and beyond.

In 2022 MDA announced their intention to locate their new global headquarters in Brampton on lands owned by Kaneff Group of Companies at the northwest corner of HWY 407 and Financial Drive. The new facility will encompass a 4-storey 120K sqft office building adjoined by an 80K sqft research and lab space. This facility will be home to over 700 highly skilled jobs.

The decision to locate in Brampton and work with Kaneff followed several months of deliberation and negotiations between Kaneff and MDA. Finance played a key component given the costs to develop a state-of-the-art facility in keeping with MDA's vision for a global HQ. To help facilitate investment of this size and stature, the City of Brampton has approved strategic financial incentives.

The current Development Charges By-law provides an exemption to the City's portion of Development Charges for major office developments if the building or structure is freestanding with a total floor area of at least 50,000 square feet and the building or structure is at least 2-storeys in height. This exemption was implemented given the overall increase in DCs for office development across the City, which was seen as an obstacle to attracting major investments. This exemption can potentially include accessory uses depending on the nature and size (e.g., Advanced Manufacturing, R & D.). In addition,

the building must be at least 2-storeys in height. The MDA facility including the research and lab space were eligible for the DC relief. The facility is under construction and the first phase is expected to be completed by the end of 2023.

A Citywide CIP to attract office development was also introduced, which included a Tax Incremental Equivalent Grant (TIEG). The MDA project will also be taking advantage of this program.

Northerly Parcel

In 2021, to facilitate the development of the MDA facility, a consent application was approved to sever the lands. Just over 3 acres would be available for development to the north of the MDA site at a future date.

Following the severance Kaneff revealed that there was potential for the severed lands to be developed for warehouse uses given the permissions of the zoning by law and current market conditions. A warehouse abutting MDA's new global HQ is not considered ideal from the City or MDA's perspective.

Current Situation:

MDA continues to experience success and the HQ is well under construction. As a result of MDA's continued growth, in consultation with Kaneff they decided that the parcel to the north makes more sense as additional office space for MDA. Cost is a factor, but Kaneff and MDA agree to build an additional 50K sqft of office space, because that allowed them to take advantage of the DC exemption. However, neither party accounted for the clause that requires the office to be minimum 2-storeys in height. MDA and Kaneff only want 1-storey. With the addition of this office space a total of 1,000 jobs are expected to be brought to this campus.

For the simple reason that the 2-storey height requirements have not been met, the development does not qualify for the DC exemption.

The reason for the minimum 2-storey requirement was to influence the quality of the end user and secondly to incent higher densities along intensification corridors. A single storey was thought to attract lower end users and strip plazas that would argue for DC exemption. However, in the case of MDA this is not the case. This project lines up with the City's goals and the intent of the DC bylaw, which was to attract a major office development with significant employment numbers and highly skilled jobs that are well paying. MDA's new global HQ will also cascade to further investment and job growth in Brampton.

Staff are recommending a deferral agreement until the expiry of the current bylaw on August 1, 2024, providing staff with the time required to conduct a review of the exemption for major offices provided under the current bylaw and implications of any proposed change.

Corporate Implications:

Financial Implications:

Should Council decide to execute a Development Charge deferral agreement, the development charges would be collected on August 1, 2024, at the rates in effect at the time of issuance of the first building permit. This will not result in any adverse implications for the tax base; however, it will impact the timing of Development Charges collection. Based on the current available information and an approximate estimate of 50,000 sq feet development, approximately \$730,000 will be deferred to be collected by August 1, 2024.

The financial implications of any changes to the major office exemption under current bylaws will be communicated to Council in future reports to Council.

Term of Council Priorities:

This report directly aligns with the “A City of Opportunities” theme in the Term of Council Priorities. This application is also consistent with the “City of Opportunities” theme. It supports the building of complete communities to accommodate growth for people and jobs. The development makes more efficient use of land and resources and takes advantage of existing infrastructure.

Conclusion:

The recommendations of this report align with the City’s priorities to attract major corporations that provide highly skilled and well-paying jobs. This report aligns with the intent of the overall intent of the DC by-law, which is to incent major office investments such as a new global HQ for MDA.

Authored by:

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Reviewed and Approved by:

Clare Barnett, Director, Economic Development

Submitted by:

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Attachments:

Appendix A - Combined Site Plans & Rendering Extract for MDA Campus

Appendix B - 2022-Annual-Report - MDA Page