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Subject: **Recommendation Report – Next Steps for the Central Area Community Improvement Plan’s Development Charges Incentive Program**

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Recommendations:

1. That the report from Melinda Yogendran, Policy Planner I, Integrated City Planning, Planning Building & Growth Management to the Committee of Council meeting of October 11, 2023, re: **Recommendation Report – Next Steps for the Central Area Community Improvement Plan’s Development Charges Incentive Program** be received; and,
2. That any approved funds for the DCIP be proportionally distributed to all applicants of the program, and the program be discontinued in light of relief provided through recent legislative changes and work on the development of city-wide incentives.

Overview:

- The purpose of this report is to recommend next steps for the administration of the **Central Area Community Improvement Plan’s Development Charges Incentive Program** (hereby referred to as “DCIP”).
- The DCIP is an incentive program in the **Central Area Community Improvement Plan** established in 2007 to attract and promote more intensive forms of development in the Central Area. The program was updated in December 2021 to phase out condominium residential

development applications, and provide Development Charges (DC) waivers only to purpose-built rental apartment units within eligible residential apartment or mixed-use developments.

- The Council-approved limit for City contributions to the DCIP is capped at \$1.56 million annually for 25 years, for a total of \$39 million. To date, \$30 million has been granted through the DCIP. This leaves room to grant approximately \$9 million to applicants of the program before the Council-approved limit for the 25-year period has been allocated.
- In November 2022 Bill 23 introduced new exemptions and discounts for affordable and attainable housing and purpose-built rental housing that is estimated to cost the City \$440 million in development charge revenue loss.
- Planning and Finance staff recommend that the approved \$9 million be distributed proportionally to all of the applicants of the program, and that the program be discontinued, given the implications of Bill 23 on the City's finances. In addition, the main objectives of the DCIP – to incentivize purpose-built rental housing and office uses – will be integrated into the upcoming City-wide Housing Incentive Program and the recently established City-wide Community Improvement Plan for Office Employment.

Background:

Brampton's Central Area Community Improvement Plan

The [Central Area Community Improvement Plan](#) - 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 Community Improvement Plan established a toolbox of programs designed to promote more intensive forms of development that could change and shape the character of Downtown Brampton and the Queen Street Corridor. A map of the program area is included as Attachment 1.

Incentive programs contained in the Central Area Community Improvement Plan can be activated or terminated subject to Council approval. The following is a list of the incentive programs that were originally considered as part of the CIP's development in 2007:

- Façade Improvement Program
- Development Charges Incentive Program
- 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

Each of the foregoing incentive programs are established by way of approval of implementation guidelines and a corresponding budget 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.

Of the incentive programs noted above, only two have been activated through implementation guidelines and budget approval:

1. The Development Charges Incentive Program, and
2. Façade and Building Improvement Programs.

This recommendation report focuses on the Development Charges Incentive Program.

Development Charges Incentive Program (DCIP):

Development charges are fees collected from new developments to help offset the cost of growth-related infrastructure. The Implementation Guidelines for the DCIP were approved on November 28, 2007 and came into effect the day the CIP came into force.

Upon approval, the DCIP provided relief from payment of DCs for office uses, hotels, medium-high and high-density residential, entertainment uses, mixed-use developments, and commercial space.

The City of Brampton was the first local municipality in Peel to introduce a CIP by-law and programs to its Central Area, and overall, the existing program has had success in inciting growth and promoting development in the Central Area. The program has highlighted that there is considerable interest from the development community to participate in the City's efforts to realize the Brampton 2040 Vision for the Central Area through the creation of vibrant urban centers.

Over a period of 20 years, the City has provided \$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. However, it was [determined at the December 6, 2021 Planning and Development Committee meeting](#) that it is no longer necessary for the City of Brampton to incentivize new market condominium development due to the current economics of development. As a result, Council approved an update to the Implementation Guidelines to phase out the application of the program for condominium residential developments, and re-orient the program to apply only to purpose-built rental

apartment units within eligible residential apartment or mixed-use developments ([PDC 198-2021](#)).

This was a refunctioning of the DCIP to shift away from market condominium incentives and focus on purpose-built rental housing developments as a key priority for the funds. The strategic refocus to rental residential developments was intended to ensure that the limited annual funding from the Reserve is used to incent a higher number of rental apartment developments to support the growing need for rental housing in the city.

The aforementioned report did not propose any changes to the office related criteria within the DCIP Implementation Guidelines. Office uses continued to be eligible to receive DC incentives through the DCIP, as well as additional incentives such as tax increment grants through the [recently established City-wide CIP for Office Employment](#).

Current Situation:

Program Funds

The Council approved limit for City contributions to the DCIP is capped at \$1.56 million annually for 25 years, for a total of \$39 million under the program. To date, the DCIP has granted \$30 million in DC waivers. This leaves room to grant approximately \$9 million to applicants of the program before the Council approved limit for 25 years is met.

Implications of Bill 23

On October 25, 2022, the Minister of Municipal Affairs and Housing (“the Minister”) introduced Bill 23, the *More Homes Built Faster Act* to the legislature with widespread changes to ten Provincial Acts, including the *Planning Act*, *Municipal Act*, *Development Charges (DC) Act*, *Ontario Heritage Act*, *Conservation Authorities Act*, *Ontario Land Tribunal (OLT) Act*, and the Ontario Building Code.

On November 23, 2022 staff brought a report titled [Bill 23 – More Homes Built Faster Act and Implications for the City of Brampton](#) to Committee of Council, providing an analysis of the significant impacts that the Bill will have on the City of Brampton and specifically highlighting the cumulative financial challenges to the City coming from the proposed changes. On November 28, 2022, Bill 23 received Royal Assent.

Bill 23 introduced new DC exemptions and discounts, as well as the phasing-in of new DC charges over five years (starting with 80% of the calculated charge). The aforementioned report highlighted the following:

- It is estimated that changes through Bill 23 could cost the City \$440 million in development charge revenue loss alone.

- Based on the Bill’s impacts to DCs, CIL Parkland and additional infrastructure needs, the City could lose the accumulated equivalent revenue of a property tax increase of approximately 80%.

This is a significant reduction to the City’s revenue. In addition, the new DC discounts introduced through Bill 23 provide purpose-built rental units with a tiered discount on development charges, depending on the unit type:

- 5% discount for a 1-bedroom unit or smaller,
- 20% for a 2-bedroom unit, and
- 25% for a 3+ bedroom unit.

Therefore, any development applications containing purpose-built rental units that would be eligible for the DCIP will receive DC discounts as a result of Bill 23. However, it should be noted that the DC discounts range between 5-25%, which may not provide a significant amount of relief for purpose-built rental projects.

Recommendations:

Subject to Council direction, staff recommend that the approved \$9 million be distributed proportionally (as illustrated in the chart below) to all of the finalized applications submitted to the Development Charges Incentive Program that are received by November 1, 2023.

Application	DC Relief Eligible for Through DCIP	% of Total DC Relief	Estimated DCIP Funding
Applicant 1	17M	68%	6.12M
Applicant 2	8M	32%	2.88M
<i>Total</i>	<i>25M</i>	<i>100%</i>	<i>9M</i>

Chart 1. Example of how the proportional distribution of funds would be executed

As a requirement, applicants:

- Must have an active site plan application with the City as of the date of endorsement of this report in order to be eligible to submit an application to the DCIP; and
- Will only receive funding if the Building Permits for the proposed development are issued within 2 years from the application deadline of November 1, 2023.

If Building Permits are not issued within 2 years of the application deadline, the funding allocated for the proposed development will not be distributed by the City. However, the City’s new Housing Incentive Program is planned for implementation in 2024, through

which incentives will be available for purpose-built rental housing and affordable housing developments city-wide.

Once the 2-year eligibility period for Building Permits to be issued has expired, and/or following the distribution of the approved funding, staff recommend that the DCIP be discontinued, given the changes introduced through Bill 23 and the need to streamline the City's incentive-based programs.

The recommendations contained in this report do not seek to make changes to the Central Area Community Improvement Plan's Façade and Building Improvement Programs, and if necessary, the City has the ability to re-establish the DCIP through the Central Area Community Improvement Plan in the future, if the need arises.

City-Wide Community Improvement Plans:

As previously mentioned, one of the main objectives of the DCIP – to incent purpose-built rental projects – will be integrated into the City's upcoming City-wide Housing Incentive Program. Currently, staff are working to establish the City-wide Housing Incentive Program, a directive of Brampton's housing strategy. The program will include a toolbox of incentives in alignment with incentives provided through Bill 23 to support market developers, non-profits, and charities in the provision of purpose-built rental housing and affordable housing in the form of mid-to-high density projects, as well as other desired housing types identified in Housing Brampton. The program will be carefully managed considering the implications of Bill 23 and the need to address the housing affordability crisis in Brampton. Included in the toolbox of potential incentives will be DC waivers for rental housing. The City-wide Incentive Program will strategically refocus the City to incentivize a range of housing choices and tenure.

Lastly, Brampton's City-wide Community Improvement Program for Office Employment was established in September 2022 to help deliver new employment space across a wide variety of sectors. The City-wide CIP for Office Employment includes three incentives:

- 1) Tax Increment Equivalent Grant (TIEG): A grant or rebate to offset the increase in property tax from the new construction the owner will face with development.
- 2) Region of Peel Matching Grants: The Region of Peel's Major Office Incentive Program is offering grants to match the City's TIEG incentive.
- 3) Expedited Planning Review: The expedited review of development applications by Brampton Planning staff.

In the future, there are other incentives that may be considered for implementation, depending on the uptake of the proposed City-wide CIP for Office Employment and the economic market conditions at that time. Incentives that may be considered for future implementation through the CIP for Office Employment include:

- 1) Development Charge Relief
- 2) Capital Grant to Offset Parking Costs
- 3) Development Application and Building Permit Fee Grant
- 4) Cash-in-lieu of Parkland Grant

Corporate Implications:

Financial Implications:

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 current annual payment amount is \$1.2 million.

Council will be apprised of the details of the distribution of the \$9 million balance, along with the respective amortization schedule at the time of each grant approval.

In addition, changes introduced through Bill 23 will have significant financial impact on the City of Brampton, including an estimated loss of \$440 million in development charge revenue. The recommendations contained in this report are proposed in consideration of the financial impacts of DC relief and discounts introduced through Bill 23.

Should Council direct staff to proceed with an alternative option, any financial implications will be discussed in a future report to Council.

Other Implications:

The recommendations in this report will support the City in discontinuing the DCIP to allow for the DC incentives for rental housing to be folded into the upcoming City-wide Housing Incentive Program, and incentives for office uses to be provided through the recently established City-wide CIP for Office Employment.

Strategic Focus Area:

This report directly aligns with the Strategic Focus Area 'Growing Urban Centres & Neighbourhoods' by focusing incentives for strategic growth and the Strategic Focus Area 'Government & Leadership' by proposing effective management of municipal services and a more streamlined incentive framework to achieve service excellence and efficiency.

Conclusion:

This report provides an overview of the current status of the Development Charges Incentive Program, and recommends next steps for the administration of the program.

This report recommends the distribution of the approved funds for the DCIP followed by the discontinuation of the program. Given the implications of Bill 23 on the City’s revenue, there is a clear benefit to discontinuing the program. In addition, the main objectives of the program – to incentivize purpose-built housing and office uses – will be integrated into the upcoming Housing Incentive Program and the recently established CIP for Office Employment, which are not limited to the boundaries of the Central Area. The recommendations included in this report allow Brampton to effectively manage municipal finances and streamline the City’s incentive-based programs.

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Attachment 1 – DCIP Program Area Map