

Region of Peel

**Phase 2 Regional Office Incentives
Implementation Considerations**

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nblc
N. Barry Lyon Consultants Ltd.

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Implementation Considerations**

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Disclaimer:

The conclusions contained in this report have been prepared based on both primary and secondary data sources. NBLC makes every effort to ensure the data is correct but cannot guarantee its accuracy. It is also important to note that it is not possible to fully document all factors or account for all changes that may occur in the future and influence the viability of any development. NBLC, therefore, assumes no responsibility for losses sustained as a result of implementing any recommendation provided in this report.

This report has been prepared solely for the purposes outlined herein and is not to be relied upon, or used for any other purposes, or by any other party without the prior written authorization from N. Barry Lyon Consultants Limited

1.0 Introduction

The Region of Peel is moving forward with Phase 2 of the proposed Regional office incentive analysis. Phase 1 included a detailed analysis from N. Barry Lyon Consultants (“NBLC”) that recommended the Region participate in existing (City of Mississauga), underway (City of Brampton), and future (Town of Caledon) Community Improvement Plans (‘CIP’) that direct financial incentives to encourage major office investment. This direction was proposed for many reasons as detailed in the Phase 1 report, relative to the option of creating a separate Regional office CIP. Regional Council accepted these recommendations and directed staff to further investigate the integration of Regional funding to local CIPs. Regional Council further directed staff to investigate the use of Tax Increment Equivalent Grants (“TIEGS”) as the source of Regional funds.

As the Region of Peel moves towards implementing the recommendations, NBLC was again engaged to provide guidance as to how the Region might participate in the local CIPs. The recommendations and discussion in this report are based on the analysis and research from our Phase 1 work, additional research and analysis, and consultation with both local and Regional staff.

At the current time, the Regional definition of major office is “employment occurring in freestanding office buildings of 1,860 square metres (or 20,000 square feet) or more”.

2.0 Tax Increment Equivalent Grants

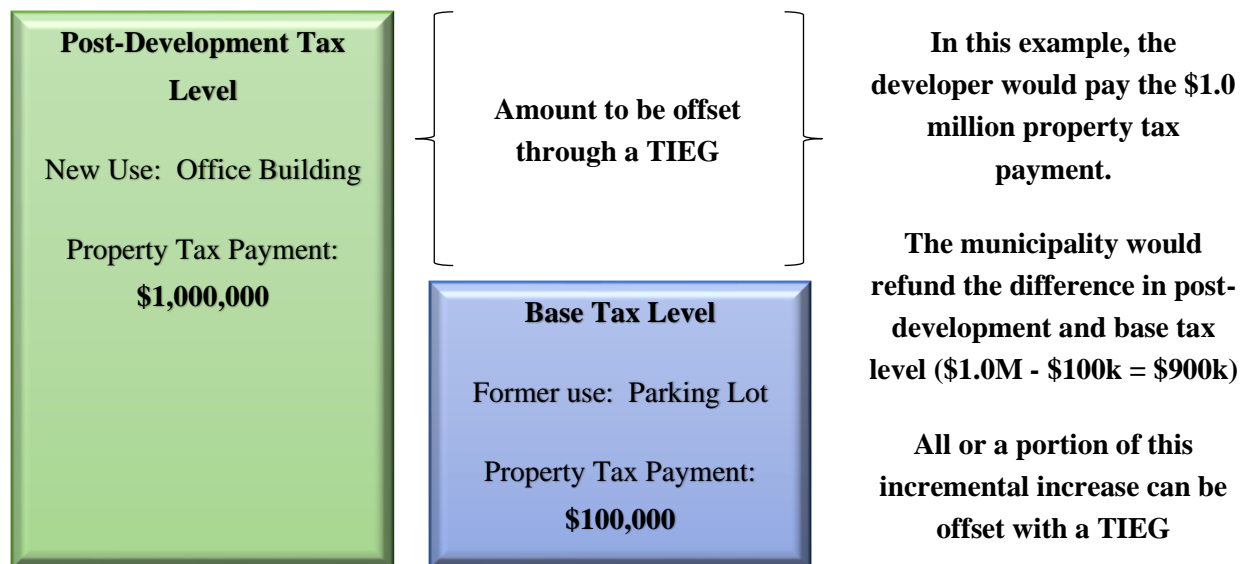
The Region of Peel is interested in providing a TIEG to support local CIPs targeting major office investment. The following section provides an overview of what TIEGs are and how they work, how other municipalities structure their TIEG to encourage office investment, and how local and regional municipalities in Ontario have worked together to provide a TIEG.

2.1 What is a TIEG?

TIEGs are one of the most common financial incentives used in Ontario to achieve a wide variety of objectives such as office investment, affordable housing, commercial improvement, and many others. As illustrated by **Figure 1**, a TIEG generally functions as follows:

- **Determine the Base Tax Level:** What is the current assessed value, tax rate, and property tax payment of the property prior to development/improvements occurring.
- **Determine the Post-Development Tax Level:** What is the newly assessed value, tax rate, and property tax payment of the property once development has occurred and the property has been reassessed.
- **What is the Incremental Difference:** Determine the difference between the base and post-development tax level.
- **Refund All or a Portion of the Incremental Difference:** A TIEG can refund all or a portion of this incremental increase. Municipalities structure their TIEG differently across the Province, as will be assessed in the following section of this report.

Figure 1: Function of a TIEG



Source: NBLC, all numbers are hypothetical

TIEGs therefore offset the increase in property taxes due to new development or other improvements to a property. The total amount of a TIEG may not exceed the eligible costs associated with a project, which include items such as site assessment, remediation, development, construction, and other relevant costs identified by the Planning Act.

Office markets are comprised of both multi-tenant developers seeking to build and rent space as well as purpose-built projects where a business constructs and occupies the building. TIEGs will impact these two forms of investment differently:

- **Owner Occupied Buildings:** The building owner and tenant are the same entity. A reduction in property taxes will therefore directly reduce the operating costs of a building over a finite period, which will enhance the attractiveness of an area for new office investment.
- **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 (i.e. owner of the office building) 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.

TIEGs can therefore positively impact the investment decision of both forms of office investment, which is why they are used frequently in Ontario to encourage employment growth. Other benefits of a TIEG include:

- TIEGs do not require an 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.
- Once the TIEG has expired, the municipality will begin to collect the full post-development tax amount. If it is assumed that the investment would not have occurred without the TIEG, the enduring benefit (post-TIEG tax amount) in addition to other benefits (e.g. job growth) are often viewed to outweigh the short-term cost of providing the TIEG.
- Notwithstanding the above, the cost to deliver a TIEG is the foregone revenue that would have been collected otherwise if the TIEG was not in place. Development generates additional operating and infrastructure maintenance/replacement costs (Transit, Fire, Public Works, etc.).
- A 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.

2.2 How do Other Municipalities in Ontario Utilize TIEGS to Encourage Office Investment?

The following briefly assesses how other municipalities use a TIEG to incent office development. The City of Mississauga, Town of Caledon, and City of Brampton CIPs are evaluated in more detail in the following section of this report and are therefore not discussed here.

2.2.1 City of Toronto IMIT Incentive Program

The City of Toronto offers incentives to encourage employment investment across the entire City through a CIP that is referred to as the Imagination, Manufacturing, Innovation and Technology (“IMIT”) program. The program was implemented in 2008 and was recently reviewed in 2017. Of note, the City removed the downtown from the CIP project area during the 2017 review given the strength of the downtown employment market, however this has been appealed by the development community. The sectors that are eligible for the incentives include a wide range of industries such as major office, film and studio complexes, call centres, wholesaling, information services and broadcasting, technology, manufacturing, and other similar uses. The CIP therefore targets a wide variety of employment investment and is not solely focused on office. General eligibility requirements include:

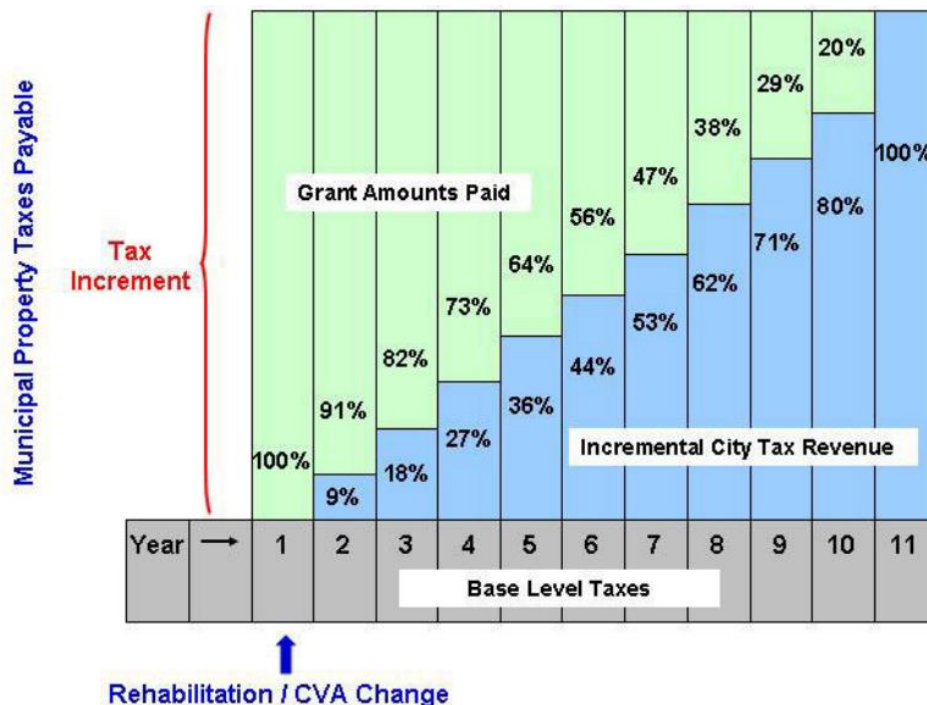
- Must be an eligible use.
- Must be in an eligible location, which is currently the entire City of Toronto. However, additional incentives are available for Brownfield remediation as well as projects within the City’s designated Employment Areas. As noted, the downtown is proposed to be removed from the CIP project area.
- Can include both new building as well as expansion or substantial rehabilitation to an existing building. Any expansion must increase the eligible use by at least 500 square metres.
- Applications must have a construction value of at least \$1.0 million.
- Application to the CIP must occur prior to the issuance of the main building permit.
- The property cannot be in tax arrears and the project must meet the minimum Toronto Green Standard.
- If construction value exceeds \$150M, Council approval is required.

The City therefore offers incentives to encourage employment growth through the development of new buildings or substantial renovations / expansion of existing buildings. The only incentive offered through the IMIT program is a TIEG, which is structured as follows:

- The TIEG refunds the difference in value between the current unimproved property tax amount (i.e. the base tax level from **Figure 1**) and the new property tax payment once development is complete and the property has been reassessed (i.e. post-development tax level).

- The property owner will pay the required property tax amount and will be refunded a portion of the difference between the base tax level and post-development tax level.
- The City provides a ten-year TIEG that declines in value each year. As illustrated in **Figure 2**, the City refunds 100% of this difference in Year 1, 91% in Year 2, and continues to decrease so that by Year 11 the property owner is responsible for paying the full tax amount. Over the course of the entire ten-year term, the TIEG refunds approximately 60% of the cumulative municipal tax increment increase for the eligible project.
- The City fixes the base tax level when an application has been approved and the TIEG agreement is signed. The City then fixes the post-development tax level as soon as the property is reassessed when development is complete. Regardless of any changes in assessment throughout the length of the TIEG, the City does not make any changes to the refundable amount. This allows the City to better plan and budget for the TIEG and mitigate risk of higher assessment values in the future.
- Of note, if a project is proposed in the City’s designated Employment Areas, the TIEG is increased to approximately 70% of the of the cumulative municipal tax increment increase. If the property is remediating a brownfield site, the TIEG is increased to 77% of the of the cumulative municipal tax increment increase.
- Notwithstanding the above, the City also waives development charges for non-residential development above the first floor, however this is administered through the development charges by-law and not the IMIT CIP.

Figure 2: City of Toronto IMIT TIEG Structure (Source City of Toronto)



Overall, Toronto’s program has been highly effective. Since 2008, IMIT has secured 31 total projects across 11.1 million square feet of development that has created nearly 48,000 jobs. Most of this investment has been through office investment. The financial benefits of these projects are substantial: it is estimated that the 31 approved projects will yield \$889 million in new taxes over the 10-year grant payment period while they will be eligible to receive \$566 million in grants. On an annual basis, the City can expect to receive an average of \$29 million in net new tax revenue from these developments during the grant payment period. Following this, the developments will generate \$79 million in annual new tax revenue (in 2016\$).

2.2.2 City of Vaughan CIP for the Vaughan Metropolitan Centre

The City of Vaughan initiated a mixed-use master plan centred on a new TTC subway station for their new downtown referred to as the Vaughan Metropolitan Centre (“VMC”). In support of the new Secondary Plan, background analysis completed by the City identified that high-density residential development was likely to occur with the new land use and density permissions and transit infrastructure. However, it was determined that office investment was likely to be challenged, with many of the same reasons cited as identified by NBLC in our Phase 1 report for the Region of Peel.

The City therefore implemented a Community Improvement Plan for the VMC in 2015 that offers a package of financial tools that would most effectively attract office development and support the City’s economic development and employment goals for the VMC. The CIP study made recommendations for incentive tools to achieve up to 1.5 million square feet of office space, and the tools will be available for up to five years, whichever occurs first. The program was recently extended to 2022.

The CIP offers incentives for office development above 7,000 square metres (75,347 square feet) within the VMC and Weston / Highway 7 Primary Centre. A building permit must be issued prior to the expiry of the CIP regardless of when the incentives were approved.

Incentives offered by the CIP include:

- **Development Charge Grant/Reduction:** Development Charges (“DC”) are ‘frozen’ at the rates in effect before the enactment of the 2013 City-wide DC by-law. The DC rate freeze is only applicable to the office portion of mixed-use development. Residential, retail, commercial and institutional uses do not qualify for the DC rate freeze.
- **Development Charge Deferral:** For development sites located within the VMC area, applicants are eligible to defer payment of the City’s DCs for a period not exceeding 18 months, from time of building permit issuance in alignment with the York Region deferral program. The deferral is only applicable to the City portion of development charges; however, York Region also offers DC deferrals, but this must be secured separately from the City’s CIP.
- **Cash-in-Lieu (“CIL”) of Parkland Exemption / Reduction:** An exemption of CIL Parkland fees for office development projects, equivalent to 2 per cent of the land value for office space.

- **Podium Parking Incentives:** Within the VMC office buildings, with a minimum of two storeys of below-grade parking, up to two storeys of integrated above-grade parking, located within the podium of the building may be excluded from the calculation of the total height and density of a building, thereby not requiring Section 37 contributions for up to two storeys of additional building height.
- **Expedited Development Approvals:** The City of Vaughan will undertake an expedited development approval process for office and mixed-use development process where office uses are deemed to be the prevalent uses. 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. No warranties can of will be made on behalf of external review agencies.
- **TIEG:** The TIEG functions as described in Section 2.1 and **Figure 1** and applies only to the City’s portion of property taxes. As illustrated by **Figure 3**, the TIEG is offered for a 10-year term and offsets 70% of the increase in property tax in the first year, decreasing by 7% each year until it expires. By Year-11, the developer would be responsible for paying the full increase in property tax. The developer is responsible for paying the full property tax amount each year and is refunded based on the schedule noted in **Figure 3**.
 - The structure of this TIEG offsets the total increase in property tax by approximately 38.5% over the ten years (compared to 60% for Toronto’s IMIT program).

Figure 3: VMC TIEG Structure

Year	Grant % ¹	Net Taxes Payable %
1	70	30
2	63	37
3	56	44
4	49	51
5	42	58
6	35	65
7	28	72
8	21	79
9	14	86
10	7	93

¹ Expressed as a percentage of the calculated Property Tax Increment

The application process for the VMC is as follows:

- **Step 1 - Application submission:** Applicants are required to have a pre-application consultation meeting with municipal staff to determine program eligibility. Applicants are required to submit a completed application including supporting documentation to the Development Planning department.
- **Step 2 - Application review and evaluation:** Staff review and evaluate application and supporting documentation against eligibility requirements.

- **Step 3 - Grant approval:** Staff will determine grant(s) approval at building permit issuance. A signed CIP Agreement is received from property owner. The CIP Agreement is executed and registered on file/title.

Overall, the program has been successfully attracting office investment since the program was implemented in 2015. Between November 2015 and January 2020, the CIP has received applications accounting for nearly 725,000 square feet of office space, of which 80% has been constructed.

2.2.3 City of Hamilton Downtown Incentive Program

The City of Hamilton has several Community Improvement Plans that apply to various areas across the City. The discussion to follow focuses only on the TIEG offered for office investment.

Within the downtown and other strategic nodes envisioned to accommodate office investment, the City offers a 5-year TIEG that functions as described in Section 2.1 and **Figure 1** and applies to only the City’s municipal property tax. The TIEG offsets 100% of the increase in property taxes in the first year, declining by 20% each year until it is expired (**Figure 4**). By Year-6, the developer would be responsible for paying the full increase in property tax.

The increase in municipal realty taxes (City portion only) will be based on either the year in which the building permit that initiated the development / redevelopment was issued or, for properties where the proposed development / redevelopment does not require a building permit, the year in which City Council approved the grant amount, and, the first full year in which the property is reassessed. For purposes of determining the eligible amount of the increase in municipal realty taxes, special charges, including BIA levies, are excluded from the calculation.

Approval of the application and estimated Grant amount is subject to City Council approval. Such applications shall be submitted and only received if it is prior to the Applicant’s commencement of improvements / rehabilitation to their property and shall include plans, estimates, contracts and other details as may be required. Other incentives include a variety of grants.

Figure 4: Downtown Hamilton Office TIEG Structure

<i>Year</i>	<i>Grant %</i>	<i>Net Taxes Payable</i>
1	100%	0%
2	80%	20%
3	60%	40%
4	40%	60%
5	20%	80%
6	0%	100%

2.2.4 Richmond Hill

The City of Richmond Hill offers incentives for office investment within the City’s designated centres and corridors as well as the older business parks. The primary objectives of the CIP are to:

- Encourage new office development and re-development by providing grants to applicants located in the defined improvement area.
- Ensure the availability of a range of office space to businesses to provide more opportunities for local employment that supports intensification and a live/work balance in Richmond Hill.
- Allow businesses to better access the highly educated workforce living in Richmond Hill.

The City offers grants for the renovation of existing buildings in specific locations and offers a TIEG to encourage the development of new office development across all areas identified by the CIP improvement area. The TIEG therefore applies to the development of new office buildings (stand-alone or as part of mixed-use developments) and is structured as follows:

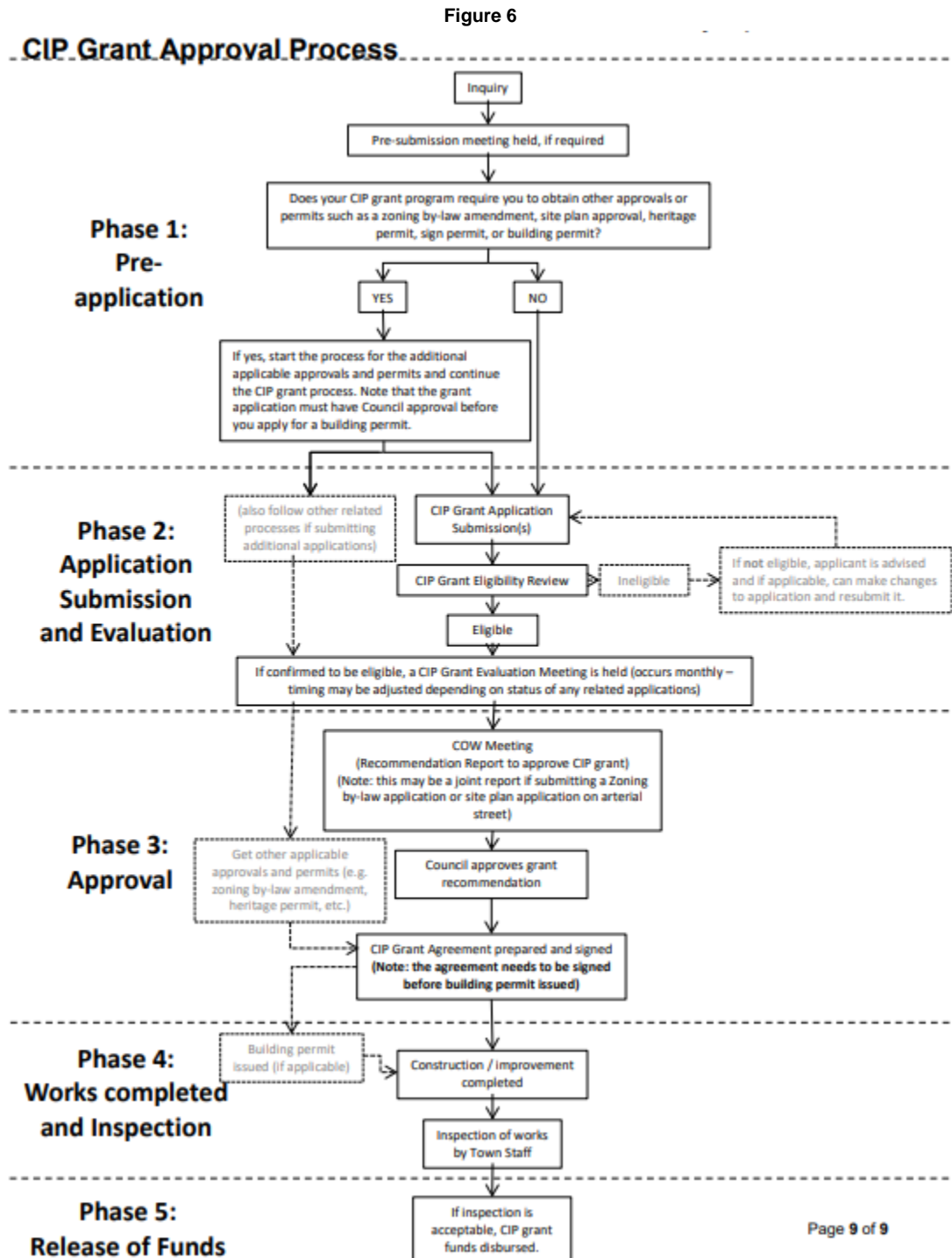
- The TIEG is structured as described in Section 2.1 and **Figure 1**.
- The TIEG extends over a 9-year period and offsets 90% of the increase in property taxes in the first year, declining by 10% each year until it is expired (**Figure 5**). By Year-10, the developer would be responsible for paying the full increase in property tax.
- The TIEG does not include the Regional or education portion of the property tax.
- The property owner is responsible for paying the full property tax amount and will be refunded a corresponding amount through the TIEG as identified by the schedule in **Figure 5**.

Figure 5: Richmond Hill TIEG Illustration

Illustrative Annual Grant-Back Share/Amount				
Duration/ Period	Grant Share	Annual Tax Increment on Municipal Portion	Grant Value Payable	Taxes Retained by Town
Year 1	90%	\$50,000	\$45,000	\$5,000
Year 2	80%	\$50,000	\$40,000	\$10,000
Year 3	70%	\$50,000	\$35,000	\$15,000
Year 4	60%	\$50,000	\$30,000	\$20,000
Year 5	50%	\$50,000	\$25,000	\$25,000
Year 6	40%	\$50,000	\$20,000	\$30,000
Year 7	30%	\$50,000	\$15,000	\$35,000
Year 8	20%	\$50,000	\$10,000	\$40,000
Year 9	10%	\$50,000	\$5,000	\$45,000
Year 10	0%	\$50,000	\$0	\$50,000
Total		\$500,000	\$225,000	\$275,000

Eligibility criteria for the program include a minimum of 1,600 square metres (17,225 square feet) of new office space in stand-alone or mixed-use development. In mixed-use developments, the grant shall reflect and apply only to the tax increment associated with the office portion of the development. Like the VMC CIP, Regional DC deferrals are available that must be secured separately outside of this CIP.

The grant approval process is illustrated by **Figure 6**.



2.2.5 Niagara Region

Niagara Region has a CIP for the Niagara Gateway Economic Zone that supports projects that revitalize, strengthen, and diversify strategic zones within five Niagara municipalities. Eligible projects can receive a TIEG to offset the increased taxes driven by higher property values at project completion as well as grants to offset development charges related to the investment.

The TIEG functions as described in Section 2.1 and **Figure 1**. However, the length and rebate proportion is structured uniquely relative to the other case studies evaluated:

- The TIEG will be five-years in length for all properties in the CIP area. However, in areas identified as “Strategic Locations for Investment”, the TIEG will be ten-years in length.
- The annual percentage of municipal property tax “rebated” will be based on the total project score out of 20. A maximum of 20 points is available, with 15 points allocated for economic performance and 5 points allocated for environmental design performance.

Economic Performance:

- Construction Value
 - \$200,000 – \$1,999,999 = 1 Point
 - \$2,000,000 – \$9,999,999 = 2 Points
 - \$10,000,000 – \$39,999,999 = 3 Points
 - \$40,000,000+ = 4 Points
- Full-time Jobs Created or Retained
 - 1 – 9 = 5 Points
 - 10 – 19 = 6 Points
 - 20 – 34 = 7 Points
 - 35 – 50 = 8 Points
 - 51 – 74 = 9 Points
 - 75 – 100 = 10 Points
 - 101+ = 11 Points

Environmental Design Performance

- Level of LEED Certification

- Certified = 2 Points
- Silver = 3 Points
- Gold = 4 Points
- Platinum = 5 Points
- Smart Growth Design Criteria
 - Conforms with 3/6 Criteria = 2 Points
 - Conforms with 4 /6 Criteria = 3 Points
 - Conforms with 5/6 Criteria = 4 Points
 - Conforms with 6/6 Criteria = 5 points

The CIP Score determines the TIEG amount as noted below:

- | | |
|------------------|-------------|
| ▪ 0-7 = No Grant | ▪ 14 = 70% |
| ▪ 8 = 40% | ▪ 15 = 75% |
| ▪ 9 = 45% | ▪ 16 = 80% |
| ▪ 10 = 50% | ▪ 17 = 85% |
| ▪ 11 = 55% | ▪ 18 = 90% |
| ▪ 12 = 60% | ▪ 19 = 95% |
| ▪ 13 = 65% | ▪ 20 = 100% |

The TIEG therefore can extend between five and ten years and rebate between 40% and 100% of the increase in Regional property taxes depending on the score received and location within the CIP project area. Approximately \$36.0 million in incentives were approved between 2015 and 2017.

Of note, the City of Niagara Falls participates in this program. For administration considerations, see the following subsection.

2.2.6 Niagara Falls

Niagara Falls also participates in the Region of Niagara Gateway Economic Zone CIP described in the previous subsection. The City of Niagara Falls follows the exact same process as the Region’s program but will offset the local municipal portion of the TIEG. Approved projects are therefore likely to receive a TIEG for both the Regional and Local property taxes.

The administration of the TIEG is a shared or joint process between the City of Niagara Falls and Niagara Region. While Local Municipal CIP coordinators receive applications for the TIEG, Regional staff are involved in pre-application meetings (as required), and Regional staff also review applications to ensure all program requirements, Regional information, and other requirements have been met.

Scoring of the applications using the performance matrix is done in consultation between the Regional Incentive Programs Coordinator (Expeditor) and the Local Municipal CIP coordinator. Once the project has been scored, a grant agreement and a recommendation report are prepared. This recommendation report is first forwarded to the Local Municipal Council (or Council's designate) for consideration and then to Regional Council (or Council's designate) for their consideration. Once the grant is formally approved by the respective Councils, and the grant agreement has been fully executed, the project can commence.

Once the project is complete and occupied, the Local Municipal CIP Coordinator and the Regional Expeditor receive completion information and reports from the applicant and inspect the project (as required) to determine as-built project performance and adjust the TIEG accordingly. The Local Municipal CIP Coordinator and the Regional Expeditor then request an annual or periodic report on project performance and/or conduct an inspection of the facility. Again, the TIEG could be adjusted depending on ongoing project performance. Ongoing reporting is necessary given the environmental performance criteria.

The Regional Expeditor, in cooperation with the City CIP Coordinators, takes the lead in monitoring and reporting both project performance and Regional and Local funding of the incentive programs. The Region likely takes the lead on this item because the CIP is a Regional program driven by Regional policy and direction.

2.3 Regional and Local Participation in a TIEG

The only example found in the jurisdictional scan of a lower and upper-tier municipality coordinating on a TIEG through an office specific CIP was the Niagara Region and Niagara Falls example. The following provides an example of how the City and Region of Waterloo have participated in a TIEG to encourage brownfield remediation.

2.3.1 Region of Waterloo and City of Waterloo Joint TIEG Program

The Region and City of Waterloo coordinate through a CIP to remediate brownfield (contaminated) properties in the City. The City and Region offer a joint TIEG that is designed to offset the costs of remediating brownfield sites through the provision of municipal grants.

The TIEG functions as describes in Section 2.1 of this report and covers both the Local and Regional portion of the increase in property tax due to development/remediation. The TIEG will run for ten years, or until the total TIEG payment equals the eligible costs of the project, whichever comes first. The TIEG therefore offsets 100% of the increase in property tax over a ten-year period. The CIP applies to all brownfield lands across the entire City of Waterloo.

In March 2013, City of Waterloo Council recognized the need for staff resources to be directed to the brownfields portfolio by identifying a Brownfield Coordinator. As it relates to the City of Waterloo / Region of Waterloo Joint TIEG Program, this staff person has the following responsibilities:

- Act as the first point of contact for inquiries regarding the program;
- Receive and review applications for financial assistance under the program;
- Provide complete applications to the Region of Waterloo for their review;
- Prepare reports for City Council consideration regarding complete applications under the program; and,
- Assist with formal legal agreements required to implement Council approval of complete program applications.

In terms of program administration, the following process is followed:

- All TIEG applications are submitted to Waterloo's Brownfield Coordinator (City) prior to the issuance of the applicant's first building permit. While TIEG applications can be submitted at any point prior to or during remediation, the cost of any work undertaken more than 12 months prior to a TIEG application is not eligible. TIEG applicants are encouraged to consult with City staff prior to submitting the application.
- The City of Waterloo's Brownfield Coordinator will review the application. Once deemed to be complete, the application is date stamped to establish the cost eligibility date.
- The application is reviewed for eligibility by the City of Waterloo in consultation with the Region of Waterloo. If the TIEG Program eligibility requirements are met, the Brownfields Coordinator, in consultation with the City's Finance Division and the Region of Waterloo, will determine the estimated annual TIEG amount and payment schedule.
- City of Waterloo and Region of Waterloo Councils will consider recommendation reports submitted by their respective staff to approve or refuse their portion of the grant.
- All successful TIEG applicants will enter into a formal legal agreement with the City of Waterloo and the Region of Waterloo. The Agreement will specify the terms and conditions of payment, obligations of the property owner(s), and default and remedy specifications. If the applicant does not comply with all conditions of the TIEG Program Agreement and other relevant municipal requirements, all financial incentives, assistance and grant provided will be repaid to the City of Waterloo and Region of Waterloo, with interest, when demanded by the City of Waterloo and Region of Waterloo.
- Upon completion of the site remediation, the applicant files for a Record of Site Condition with the Ministry of the Environment. The applicant will provide a copy of the Ministry's acknowledgement and Record of Site Condition to the Region of Waterloo.

- The applicant will provide invoices of all eligible costs in relation to site remediation to the City Brownfield Coordinator, which will be forwarded to the Region of Waterloo by City staff.
- Once the development is complete and the property has been reassessed by MPAC, the applicant will be issued a new tax notice based on the post-improved assessment value. The applicant will submit the reassessed tax notice to the City Brownfield Coordinator, which will be forwarded to the Region of Waterloo by City staff.
- The actual annual and total TIEG payments are established by the City of Waterloo and Region of Waterloo, and the formal legal Agreement is modified accordingly.
- After the property owner has paid the taxes in full for one (1) full year, the City of Waterloo will confirm that the property is not in tax arrears and that all other requirements of the TIEG Program Agreement and Community Improvement Plan have been met.
- The City of Waterloo issues the first annual payment of the TIEG to the property owner. The owner continues to pay property taxes for the site at its post-construction assessment value. Annual TIEG payments continue until the end of the 10th year or until all eligible costs are reimbursed, whichever occurs first.

3.0 Local Community Improvement Plans in Peel Region

Each of the local municipalities in Peel Region have one or more CIPs, however only Brampton and Mississauga have a CIP that is intended to encourage major office investment. Caledon has three CIPs that intend to achieve smaller scale commercial investment that does not align with the Region's definition of major office.

This section provides an overview of the Brampton and Mississauga CIP.

3.1 City of Mississauga

Mississauga approved a CIP in downtown Mississauga (**Figure 7**) in 2017. The CIP offers incentives to attract office development to the downtown, which was once a powerful office node but has struggled to achieve any significant office development in over 20 years. The sole objective of the CIP is therefore to stimulate private sector office investment through grant programs aimed at reducing development costs and increasing the appeal of the downtown for employment growth. The upcoming Hurontario LRT will further support office investment in the area.

The eligibility criteria for the incentive program includes:

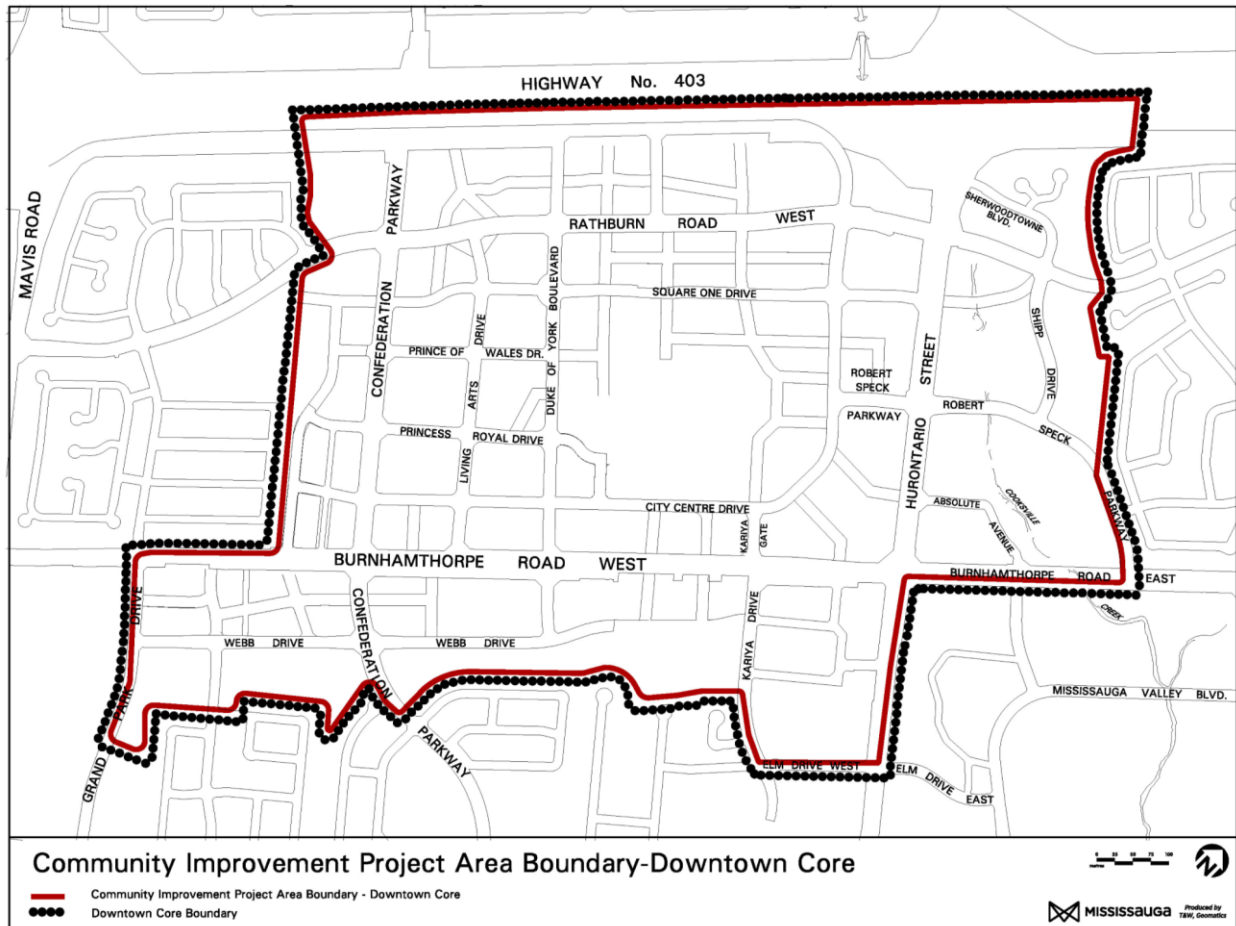
- Must be within the CIP project area (**Figure 7**);
- Projects must be either new construction or the adaptive reuse of existing office buildings, where the payment of increased property taxes would apply. Incentives will not be granted to office uses that are considered accessory to another use;
- Minimum building height of three storeys and minimum size of 50,000 square feet;
- If within a mixed-use building, only the office portion of the building is eligible;
- Transportation demand measures, as noted in the City's Official Plan, must be included; and
- The Property cannot be in a position of tax arrears at the time of agreement and throughout the entire length of the agreement.

The CIP offers a Toolbox approach, which provides several incentives designed to encourage office investment. The incentives include:

- **Development Processing Fees Grant:** Projects will receive a grant to offset municipal planning application fees related to Official Plan and Zoning By-Law amendments, Committee of Adjustment applications, site plans and site plan amendments, and plans of subdivision. The grant applies only to the City's portion of processing fees (Regional fees still apply).

- TIEG: The City offers a TIEG for the municipal portion of property taxes, which functions as described in the previous section of this report. However, unlike the examples highlighted in the previous section, Mississauga’s TIEG is unstructured. The TIEG does not have a predetermined length of time or offsetting grant amount. Rather, the City asks the developer to request a TIEG structure that works for their project and negotiates until a formal program agreement can be secured.
- Municipal Parking and Land Acquisition Program: The City also has the power of land acquisition and disposition (at below market rates) and the power to build and own a municipal parking garage to offset the costs of providing parking in the downtown.

Figure 7: Downtown Mississauga CIP Boundary



The CIP is structured to allow developers to apply and request one or more of the incentives available in the toolbox. This also allows a developer to request a TIEG structure as noted above. Negotiation of the requested incentive is undertaken between the City and the developer; however, the incentives require approval by City Council or its delegate. The following terms and conditions also apply:

- The merits of providing financial incentives will be considered on a case-by-case basis. The decision to provide financial incentives is entirely at the discretion of the City of Mississauga Council or that of its delegate;

- A formal agreement between the City and landowner, tenant or authorized agent is required to establish the terms of the incentive package and obligations of the City and recipients. This agreement will specify the terms, conditions, duration, and default provisions of the incentive to be provided;
- The development proposal meets all legal and financial obligations of the agreement;
- The subject property may not be in a position of tax arrears at the time of agreement and throughout the entire length of the agreement's duration;
- Where other sources of government and/or non-profit organization funding (Federal, Provincial, Municipal, Canada Mortgage and Housing Corporation (CMHC), Federation of Canadian Municipalities, etc.) are anticipated or have been secured to cover a portion of redevelopment, these must be declared prior to the approval of the agreement by Council or its delegate;
- If the recipient fails to comply with the conditions of the agreement with the City, the City may delay, reduce or cancel the approved incentive, and require repayment of the approved incentive;
- All proposed works approved under the financial incentive programs shall conform to all municipal by-laws, policies, procedures, standards and guidelines;
- All works proposed under one or more of the financial incentive programs shall be in conformity with Mississauga Official Plan and other planning requirements and approvals at both the local and regional level;
- All improvements made to buildings and/or land shall be made pursuant to a Building Permit, and/or other required permits, and constructed in accordance with the Ontario Building Code and all applicable zoning requirements and planning approvals;
- All works completed must comply with the description of the works as provided in the application form and/or contained in the program agreement with any amendments as approved by the City;
- When required by the City, outstanding work orders, and/or orders or requests to comply, and/or other charges from the City must be satisfactorily addressed prior to the approval/payment of the incentive;
- City staff, officials, and/or agents of the City may inspect any property that is the subject of an application for any of the financial incentive programs offered by the City; and
- No incentive funds will be dispensed by the City until the development has been completed and received final inspection from the Planning and Building Department.

The City requires both a pre-consultation and formal application form that confirms both qualitative and quantitative details of the proposed project and the requested funding amount. The application process is as follows (**Figure 8**):

- The Downtown CIP will be administered by the Planning and Building Department. The Planner shall be the initial point of contact for applicants interested in seeking incentives under this Plan. The Planner will coordinate the review of the application within the City, which may include:
 - City staff from City Planning Strategies, Development and Design, Economic Development, Finance, Revenue, Legal, and other divisions as appropriate.
 - The Downtown CIP Review Panel - Director of City Planning Strategies; Director of Development and Design; Director of Economic Development Office; Director of Finance; Director of Revenue and Materiel Management; Director of Legal Services; and Other directors as appropriate or their delegates.
 - The City's Leadership Team, City Manager, City Council.
- The Downtown CIP application process begins with the submission of a Pre-Application Form. It will be reviewed by staff and the Planner will coordinate a Pre-Application Meeting with the applicant and the City's Review Panel (relevant City Directors). The Pre-Application Meeting is an opportunity for the applicant to present the project concept, supported by preliminary concepts and discuss project eligibility. The meeting will allow the Review Panel to ask questions and provide feedback.
- If the applicant chooses to proceed with their application after the Pre-Application Meeting, an Application Form must be completed and submitted to the Planner. Upon receipt of the application, the Planner will notify the Review Panel, Leadership Team, and Members of Council of the submission.
- Staff confirm eligibility and other criteria. Should an application meet all the eligibility criteria, staff will score the application based on the scoring criteria outlined to follow (**Figure 9**).
- Finance staff will calculate an estimate of the financial impact of the application.
- Staff will prepare a recommendation report for the Leadership Team, which will be circulated to the Review Panel in advance of the Leadership Team meeting, to provide an overview of the application, its eligibility, score, and estimated financial impact.
- The decision to provide incentive(s) to any project(s) is at the discretion of City Council or its delegate and subject to budget availability. Accordingly, even applications that score favourably and have the general support of staff are not guaranteed to receive incentive(s). Of note, the City Manager has the authority to approve applications under 500,000 square feet for the TIEG and processing fee grant.
- In order to ensure certainty and avoid speculation, certain time limits are to be met to ensure that the project moves through the development approval stages and to construction. These time limits also ensure that projects cannot hold onto a commitment indefinitely. If timelines are not met, the commitment will be lost. Time limits will be set at the time of Downtown CIP application.

- If approved, City legal staff will be advised to prepare the required agreement(s) in conjunction with City finance staff. The incentive is dependent upon the applicant entering into an agreement with the City on terms satisfactory to the City.

Figure 8

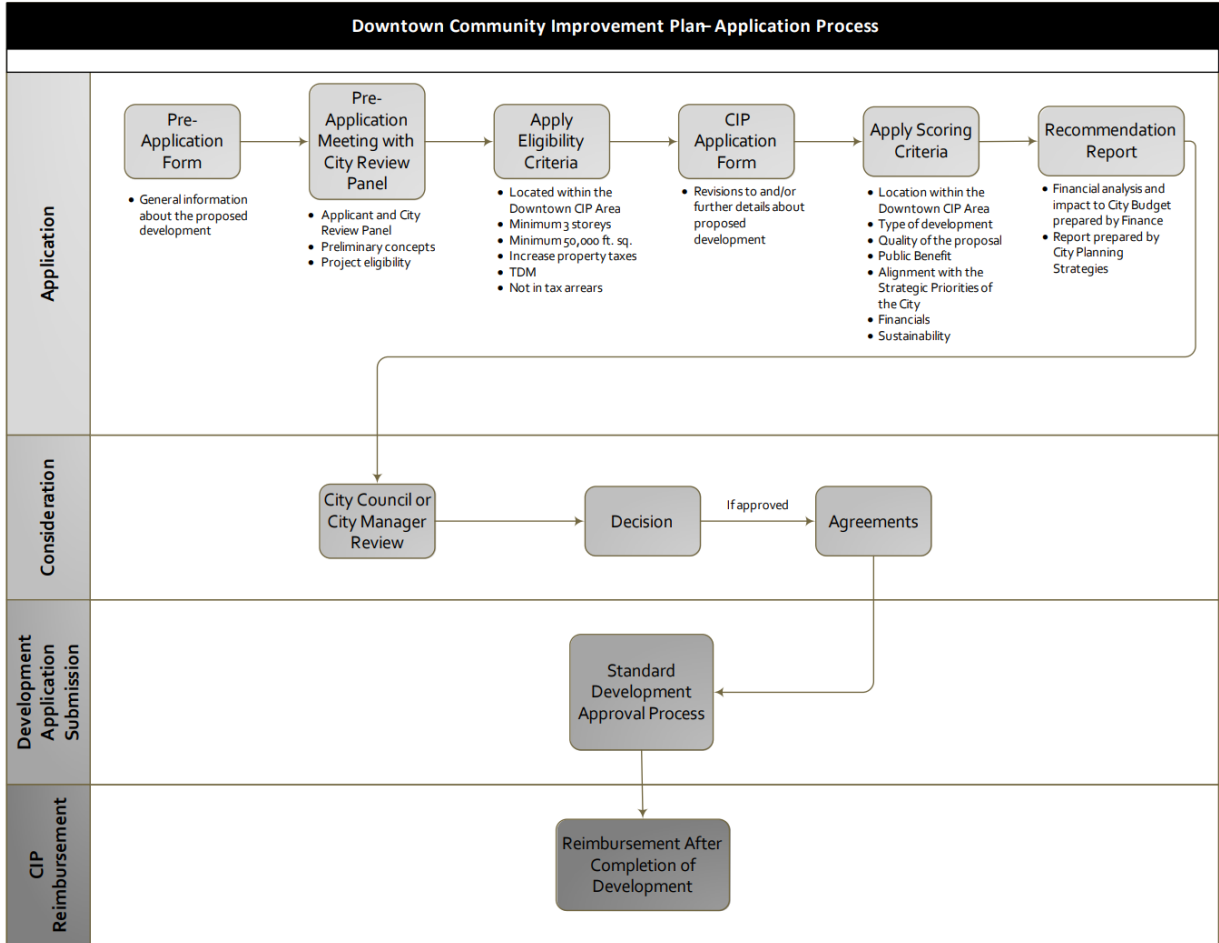


Figure 9: Mississauga downtown CIP Scoring Criteria

Criteria	Factors	Rating	Score
General Eligibility	<ul style="list-style-type: none"> Located within the Downtown CIP Area Minimum of three (3) storeys Minimum of 5,000 m² of office space Increase property taxes Includes TDM measures (MOP 8.5) Not in tax arrears 	No	Ineligible
		Yes	Eligible
All General Eligibility Criteria must be met in order to proceed with application			
Balancing Growth	How many new jobs will the project create?	0 1- 50 51 - 100 101 - 250 250 - 500 >500	(0) (2) (4) (6) (8) (10)
	How much new office space will the project create?	5,000 - 20,000m ² 20,001 - 50,000m ² 50,001 - 100,000m ² 100,001 - 250,000m ² >250,000m ²	(2) (4) (6) (8) (10)
	How much existing office space will the project renovate?	5,000 - 50,000m ² 50,001 - 100,000m ² >100,000m ²	(1) (3) (5)
Balancing Growth			/25
Type of Office Development	Are the proposed office uses aligned with the City's Economic Development Strategies and key sectors ?	No Yes	(0) (5)
Type of Development			/5
Location within the Downtown CIP Area	Is the project within 150m of a higher order transit stop?	No Yes	(0) (5)
	Is the subject site identified as office in the Downtown21 Master Plan ?	No Yes	(0) (5)
Location within the Downtown CIP Area			/10
Quality of the Proposal	Does the project conform to the Downtown Built Form Standards ?	No Yes	(0) (5)
	Is the project anticipated to be complete in the next 3 years?	No Yes	(0) (2)
Quality of the Proposal			/7

Figure 9 continued: Mississauga downtown CIP Scoring Criteria

Public Benefit	<ul style="list-style-type: none"> What percent of the entire project includes space for arts, culture, recreation activities, institutions, entertainment, or other employment uses? 	0% (0) 1 - 10% (1) 11 - 20% (2) 21 - 30% (4) >30% (5)
Public Benefit		/5
Alignment with the Strategic Priorities of the City	<ul style="list-style-type: none"> How much new public road network will the project create? 	0m (0) 1 - 250 m (1) 251 - 500 m (2) 500 - 750m (3) >750 m (5)
	<ul style="list-style-type: none"> What percent of the frontage will be active? 	0 - 20% (0) 21 - 40% (1) 41 - 60% (3) 61 - 80% (4) >81% (5)
	<ul style="list-style-type: none"> How many transit routes are or will be accessible at stops within 100m of the project? 	0 (0) 1 (1) 2 (2) 3 (3) >4 (5)
Alignment with the Strategic Priorities of the City		/15
Sustainability	<ul style="list-style-type: none"> How many sustainable development features are being incorporated into the project? <ul style="list-style-type: none"> LEED certified Green roof Energy saving elements Sit development standards (e.g. bioswales, permeable paving, sustainable stormwater management) 	0 features (0) 1 feature (1) 2 features (2) 3 features (3) 4 features (4) >5 features (5)
	<ul style="list-style-type: none"> Will the project include district energy? 	No (0) Yes (3)
Sustainability		/8
Total Score		/75

The program is committed for five years in length and will run through to 2022. Up to this point, the City has received interest and pre-consultation meetings, but no project has secured funding. Monitoring of the CIP, program participation and performance is conducted by the Planning and Building Department annually to provide the basis for decisions regarding program design and funding. Potential monitoring items and metrics include:

- Number of applications by program type and number of units/square footage constructed
- Amount of the incentive
- Increase in assessed value of participating properties

- Increase in municipal property taxes of participating properties
- Office vacancy rates
- Value of building permits issued
- Hectares/acres of land
- Value of private sector investment leveraged (\$)
- Jobs created, persons plus jobs, and population to jobs ratio
- Increase in office gross floor area
- Amount of space added for arts, culture, recreation activities, institutions, entertainment or other employment uses
- Qualitative assessment of improvements in streetscape
- Increase in road network
- Other criteria as deemed appropriate

3.1.1 Considerations

The CIP program is therefore unique from the examples reviewed in the previous section. Mississauga's CIP is an enabling tool that allows the City to consider applications on a case-by-case basis, including negotiation with individual applicants, rather than explicitly stating the incentives available and offering these to projects that meet the eligibility requirements (subject to available budget and approval). The Region of Peel must first decide if they are comfortable with this approach to an unstructured TIEG. Benefits of the approach is that it is flexible and it allows the municipality to work with an applicant to determine a TIEG that will result in a viable project. Challenges of the approach are uncertainty regarding costs and budget and the requirement to negotiate with developers on development economics.

3.2 City of Brampton

The City of Brampton has a CIP in the downtown that aims to achieve several objectives including residential development, office, small scale commercial improvements, and others. The City is currently in the process of investigating an employment CIP across the entire City, which NBLC has been assisting with. The following describes both programs.

3.2.1 Brampton Central Area CIP

The City of Brampton initiated the CIP in 2008 and amended it in 2010. The program provides financial and other incentives to meet the City's Central Area land use planning objectives. The City is committed

to revitalizing and redeveloping the Central Area into a vibrant, mixed-use, pedestrian-friendly area that acts as the heart of the City of Brampton. The Central Area CIP allows for a wide range of possible financial programs, such as:

- Development Charge Incentive Program (DCIP);
- Façade Improvement Program;
- Development Application Fee Equivalent Grant Program;
- Brownfield Tax Assistance Program;
- Tax Increment Grant Program (TIEG);
- Façade, Building Improvement Loan / Grant Program;
- Sign Permit Fee Subsidy Program; and
- Direct Investment / Development Partnership.

However, only the DCIP, Façade Improvement Program, and Building Improvement Loan / Grant programs have implementation guidelines and have been activated thus far. By their nature, some programs target the revitalization of existing buildings and others target the development or expansion of new space. Therefore, while the CIP does allow for a TIEG, it is not currently enabled. Of note, the City has recently amended their Development Charge By-Law to exempt office building (with no population serving component) with at least 50,000 square feet from paying development charges.

The CIP has typically targeted both residential (with no affordability requirement) and office development. Since the TIEG program is not enabled, there are no implementation guidelines at the current time. The CIP therefore currently targets building improvements to revitalize the historic downtown (grants for improvements, sign, and façade) and grants to offset development charges. The Development Charges Incentive Program seeks to support intensification and mixed use development in targeted areas within the Central Area, by providing relief from City Development Charges. The level of DC reduction is established by way of a scoring system (**Figure 11**). The higher the project scores against the set of criteria (location, preferred type of development, high quality physical environment, community benefit and sustainability) the greater the discount. There is also support for smaller scale adaptive reuse along Queen Street West in the Main Street North area, as well as support for reuse of upper floor space in the historic commercial core. However, as mentioned previously, the City now exempts office buildings above 50,000 square feet from paying development charges as-of-right through the DC by-law. The City's definition of the office exemption is as follows:

- Buildings containing office uses other than neighbourhood commercial office buildings and structures which serve the general population in the immediate neighbourhood, are exempt from the payment of development charges provided that they meet all of the following criteria:
 - (a) the building or structure is freestanding with a total floor area of at least 50,000 square feet;
 - (b) the building or structure is at least 2 storeys in height; and
 - (c) the building or structure does not contain any personal service facilities including, but not limited to, medical health clinics, dental offices, optometrist and optician offices and aesthetic clinics.

- By comparison, the City’s CIP offers a DC grant for office buildings above three storeys to a maximum of 1,500 square metres per site (16,145 square feet).

While support has been awarded across 10 projects over the last 11 years, only one office project was approved and constructed (490 Bramalea Road), receiving a DC exemption. An additional office project has been approved for a DC exemption as well (approx. \$760,000 total) but has yet to be constructed. The latter project is referred to as the Atlas Healthcare Centre project, located at 241 Queen Street East. The remaining projects approved through the CIP have all been residential.

Figure 10: Brampton CIP Project Area

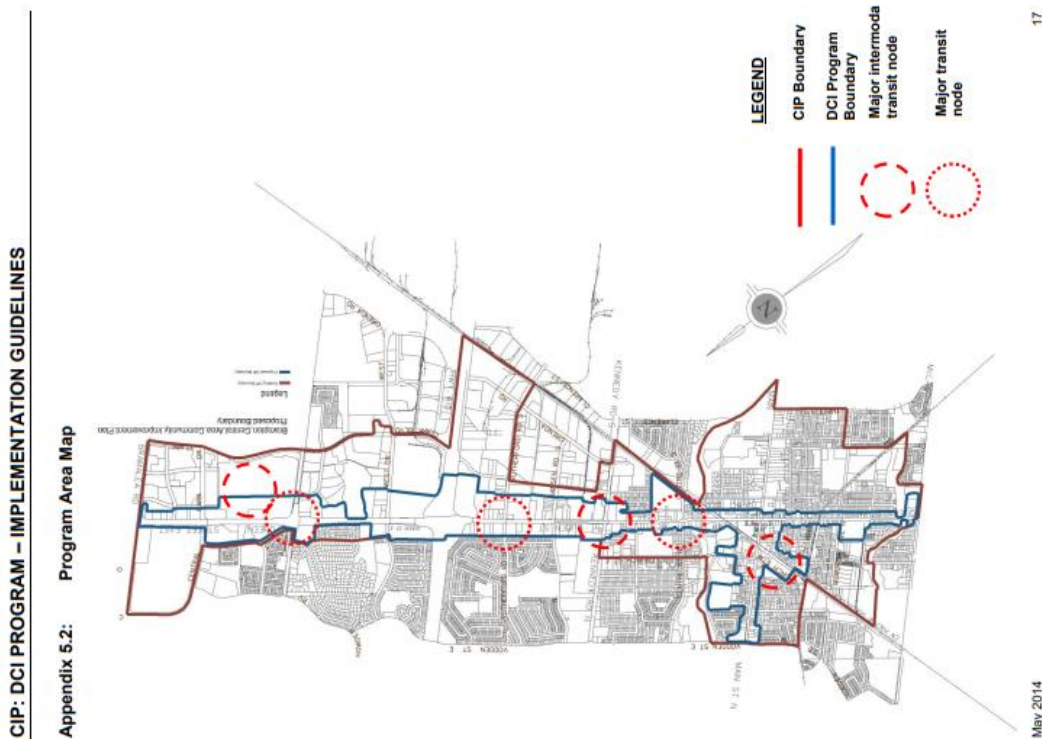


Figure 11: Scoring Criteria for Brampton CIP DC Incentive Grant

Criteria	Factor	Yes or No	Rating	Scoring
0. Pre-requisites	The project meets the eligibility criteria			50%
1. LOCATION	- Is the project max. 150m from major intermodal transit node (GO station, Kennedy) OR - Is the project max. 150m from major nodes (see map)		+Up to 10% OR +Up to 5%	(Max 10%)
2. PREFERRED TYPE OF DEVELOPMENT	- Is the project mixed-use (e.g. residential + retail; office + retail; hotel + retail)? - Are active uses provided at grade? - Is greater than 50% of the property frontage on a major street, active retail/commercial uses - Is the residential component condominium?		+10% +5% +2.5% +2.5%	(Max 20%)
3. HIGH QUALITY PHYSICAL ENVIRONMENT*	- Does the project respond <u>creatively</u> to design policies and CA Vision – does the massing and articulation of the project complement in an exceptional manner with the existing or desired character of the area? AND - Does the project exhibit a very high order of architectural quality through urban design and the use of high quality materials?		+Up to 5% +Up to 5%	(Max 10%)
4. COMMUNITY BENEFIT	- Does the project preserve or restore a heritage building or resources OR - Does the project incorporate public realm improvements, e.g. Public art contribution, public space/high quality streetscape contribution		+Up to 5% OR +Up to 5%	(Max 5%)
5. SUSTAINABILITY	- Does the project incorporate sustainable development features (e.g. LEED-certified, green roofs, energy-saving elements, site development standards (bioswales, permeable paving, sustainable stormwater management)?		+Up to 5%	(Max 5%)
TOTAL				100%

3.2.2 Upcoming Employment CIP

The City of Brampton is also currently considering a new CIP for office and other employment opportunities. At the current time the City is considering a local TIEG, available City-wide, for a period of ten years and decreasing by 10% each year until it expires by year eleven. City council approved this direction at the March 31st, 2021 Council meeting and directed staff to prepare the CIP and implementation guidelines for the TIEG in Q2 2021. At this time, it is believed the TIEG will be made available to major office and other targeted employment uses.

3.2.3 Considerations

For new major office development, Brampton has two primary incentives, in addition to a future program as noted in the previous sub-section:

- DC By-Law: Full exemption from development charges through the DC by-law for building over 50,000 square feet and two storeys in height that does not include any personal services or medical uses, regardless of location within the City.
- Existing Central Area CIP: Full or partial exemption from development charges (dependant on scoring) up to a maximum of 1,500 square metres (16,145 square feet) within the CIP area.
- Upcoming City-wide Employment CIP: A 10-year TIEG depreciating by 10% each year for major office and other targeted employment uses.

The Region's TIEG could stack with the underdevelopment local office TIEG, in addition to the other development charge incentives offered by the City.

4.0 Key Considerations for a Regional TIEG

The following are the key considerations the Region of Peel must address if moving forward with the stacking of incentives within local CIPs.

4.1 Definition of Office

The Region must define the specific type of office investment to incent. In the case of Mississauga, the base eligibility requirement is 50,000 square feet and over three-storeys with limited other considerations. If Peel is accepting of this threshold, it can remain unchanged within Mississauga's CIP. If Peel prefers a lower or higher threshold, as well as other considerations, this could also be incorporated into Mississauga's CIP as a condition of receiving Regional funding. This strategy, where Mississauga sets a minimum requirement of 50,000 square feet, and Peel Region sets a minimum requirement of 20,000 square feet, overcomplicates the process and is likely unnecessary.

With Brampton and Caledon however, and any future CIP in Mississauga, Peel should establish a base minimum eligibility criterion that clearly communicates the type of investment Peel Region is interested in incenting. For example, this could include minimum square footage and built-form outcomes (e.g. minimum number of storeys, excluding medical office and population related services, ancillary office to industrial, etc.). This will allow each local municipality to clearly understand what component of an employment CIP the Region would participate in. If the local CIP incorporates eligibility criteria that exceeds the minimum Regional criteria, the more onerous criteria should be used (e.g. Region establishes a minimum office building size of 20,000 square feet, Brampton establishes a minimum size of 50,000 square feet in the CIP, the larger size should be used for both Brampton and Regional funding).

This approach allows the local municipality to determine the most appropriate criteria for the specific market and economic development objectives of the municipality, while also allowing Peel the opportunity to determine the minimum project criteria they would consider incentivizing.

Regarding mixed-use development (e.g. office within podium of residential tower) this should be permitted and is frequently addressed in other CIPs. The TIEG can apply to only the office component of the building.

4.2 Locational Considerations

Mississauga's CIP currently only applies within the downtown, which would also apply to any funding allocated by Peel Region. We understand both Brampton and Caledon are moving forward with new/reviewed CIPs in 2021. While the locational extent of these CIPs are not known at the current time, they could apply municipality-wide. Peel could provide locational requirements (e.g. near transit, within growth areas, etc.) as a condition of receiving Regional funding in these situations. This would add complexity and nuance to the CIP and is likely not necessary given that office investment is likely to gravitate to strategic nodes regardless of this action.

4.3 Other Eligibility Criteria

The Region of Peel could also layer on additional eligibility criteria, such as environmental conditions, urban design requirements, accessibility conditions, and many others. Like above, this would add complexity and nuance to the CIP, but if these are high priorities for the Region they can be added if necessary if they are not already addressed by the local CIP.

4.4 TIEG Structure

As noted in the previous section of this report, an unstructured TIEG has advantages and disadvantages. Advantages include that the TIEG is flexible and allows the City to work with developers to determine an incentive amount that works for the specific project and allows the City to evaluate different developers, different objectives and financial returns, different project objectives, etc. However, some disadvantages are noted:

- You must negotiate with developers on development economics.
- There is no certainty regarding the TIEG amount and length, making budgeting and funding very difficult.
- There is no certainty to the developer regarding the incentive they might receive, which adds risk to purchasing a property and proceeding with an investment.

Consultation with an internal Regional working group determined that an unstructured TIEG is undesirable. A structured TIEG is therefore recommended, with a 10-year declining program being the most common as identified in Section 2 of this report. This TIEG structure is common for several reasons:

- A structure where the TIEG declines by 10% each year (or some other amount) allows the municipality to begin to collect a portion of the post-development tax after the first year, limiting the financial impact.
- It also allows the developer to incrementally begin to pay a higher portion of the taxes each year, allowing them to slowly adjust their operating and lease structures each year rather than a large and sudden impact.
- A ten-year program will typically allow a developer to continue receiving the grant through two lease signings, as a typical lease will run between three and seven years depending on the tenant and the operator.
- A ten-year program also allows a developer to reach stabilized occupancy. While office buildings in strong market areas (e.g. Toronto) tend to be pre-leased prior to construction commencing, observations in Brampton (and other suburban markets) show multi-tenant office buildings taking many years to fully lease.

While there is no required structure for a TIEG in the Planning Act, it is recommended that Peel proceed with a ten-year TIEG that declines annually for the reasons noted above and given the direction taken by most municipalities in Ontario. Notwithstanding this, a longer TIEG, or a TIEG that does not decline each year, can be done if desired.

4.5 Allocation of Funding to each Local Municipality

Allocating Regional funding to each local municipality can be a complicated procedure, especially if funding is not made equally available to each. As stated in our Phase One work, one way to navigate this issue is to match the funding made available by each local municipality. This would be viewed as a fair approach, as each local municipality would receive an incentive amount similar to the incentive they are offering.

This is complicated by the fact that Mississauga currently offers an unstructured TIEG. Given that Peel is most interested in a ten-year declining TIEG, a hybrid to our originally suggested approach could be:

- The Region of Peel will match a TIEG offered by the local municipality up to a maximum ten-year TIEG that declines by x% each year.

This may present challenges if the local municipality does not offer a TIEG. We understand the City of Brampton is likely to introduce a TIEG in their CIP, but Caledon is an unknown at the current time. Strategies for addressing this issue could include:

- Only offering a matching TIEG to local CIP that already provides a local TIEG.
- Offering a Regional TIEG to local CIP with no local TIEG:
 - In this situation, the Region could calculate the estimated value of all local incentives offered and then structure the Regional TIEG to roughly match the local offering.
 - Use discretion to determine the TIEG to be offered based on the incentives offered in the local CIP. For example, York region offers a DC deferral in their Affordable Housing CIP, but it requires an equal or greater incentive by the local municipality to be unlocked. What is considered equal or greater, in the event that an incentive other than a matching local DC deferral is offered, is left to the discretion of the Region.

4.6 Process for Future CIPs

Establishing a framework for participating in Mississauga's existing CIP is important, but establishing a framework for participation in future CIPs is equally important. It will be critical for each local municipality to understand the incentive available from the Region, the possible structure of the TIEG, and any eligibility or other qualifying conditions that must be met to unlock Regional funding.

4.7 Administration Considerations

There are several administrative considerations that that Region must also assess, which are discussed to follow:

4.7.1 Application Review, Process, and Approval

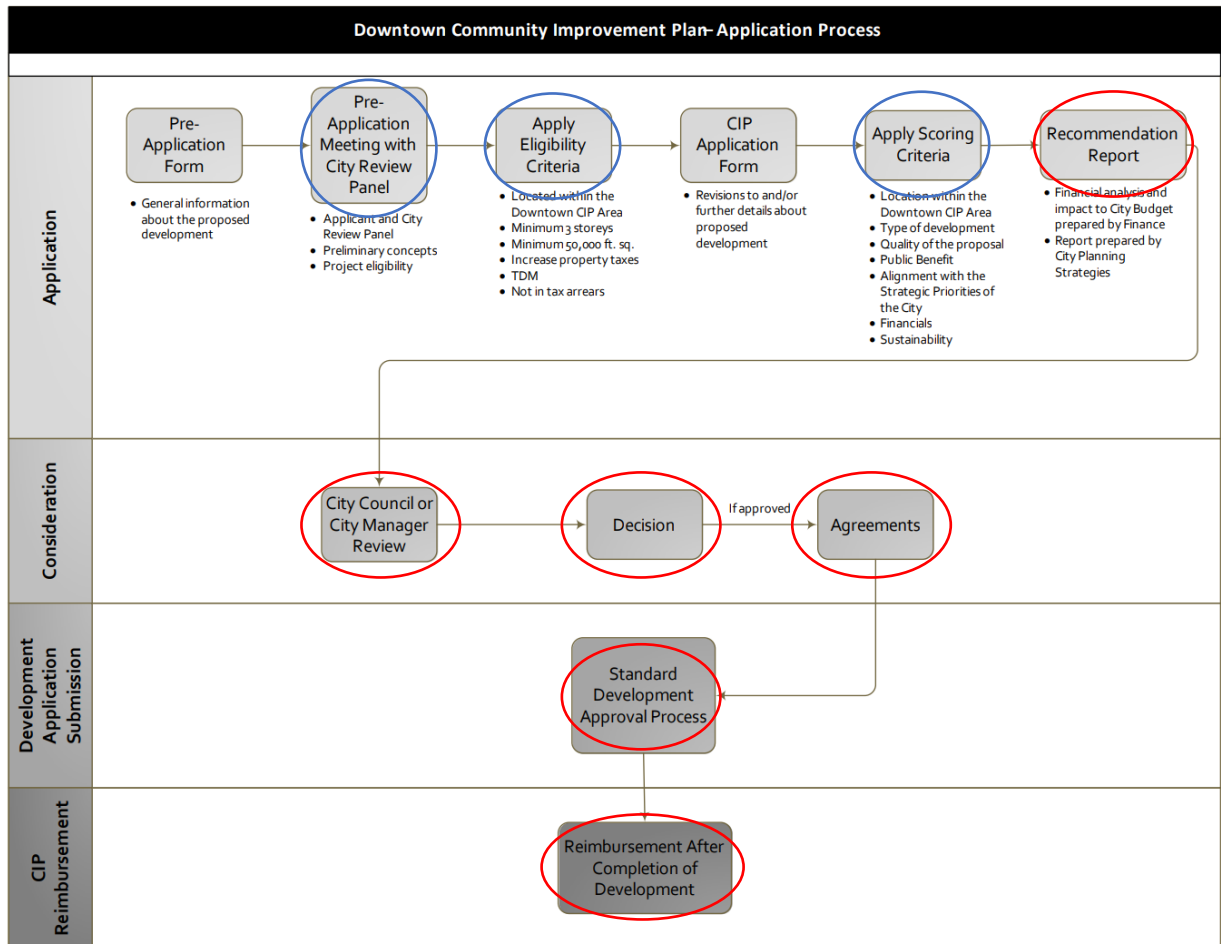
As discussed in our Phase One work, one of the primary benefits of participating in a local CIP is that much of the administrative burden can continue to be borne by the local municipality. Tasks such as developing the webpage, preparing program guidelines and application forms, preliminary discussions with applicants, detailed application review, and many others are all aspects that can be handled by local municipal staff.

The scale of Regional involvement is entirely dependant on what the Region is comfortable with. If the eligibility criteria and other elements of the local CIP is acceptable to the Region, very little involvement could be possible. However, based on discussion and consultation with Regional staff, some level of involvement in the review and processing of applications is a desirable outcome.

Unlike application review however, the approval of applications and allocation of Regional funding will require direct Regional involvement. Approval can be made through Regional Council or an appropriate delegate, as observed with Mississauga's CIP. Coordination with Regional and local finance will be necessary to determine the property's pre-development tax level and an estimate of the post-development tax level to estimate the cost of administering the TIEG over the length of the grant. Once the project has completed and MPAC has officially reassessed the property, a formal TIEG and budget can be prepared. As noted in the best practice review, many examples (including Toronto IMIT program) formalize the TIEG at reassessment and limit the grant to that amount, therefore not allowing the TIEG to increase or decrease due to MPAC reassessment and/or property tax rate changes over the length of the grant. This limits the risk to the municipality of cost overruns during the length of the TIEG, which could occur over a ten-year grant.

Figure 12 on the following page illustrates the application and approval process for Mississauga's CIP, which was presented in Section 3 of this report. The blue circles indicate where the Region could be a participant and the red circles indicate where the Region is likely required to participate. Based on our discussions with Regional staff, and the discussion in Section 2 of this report, it is likely that the Region should be involved in the pre-application meeting, participating in the scoring/prioritizing of applications, the selection of recommended projects, and the preparation of a recommendation report. However, local municipal staff are likely able to apply the eligibility criteria without Regional involvement.

Figure 12: Mississauga Downtown CIP Application and Approval Process (blue circles indicate where the Region could participate, red circles indicate where Region is likely required to participate)



4.7.2 Program Championing

While many administrative aspects can be handled by local municipal staff, the Region should still consider championing the program whenever possible. This includes identifying the program to developers as necessary (e.g. development application / pre-consultation meetings), presenting the program at industry events (e.g. OPPI, ULI), engaging in stakeholder consultation, creating a Regional webpage for the incentives, and other strategies.

4.7.3 Program Monitoring and Evaluation

The City of Mississauga already has a process in place to evaluate and monitor their CIP as noted in Section 3 of this report. Monitoring metrics include:

- Number of applications by program type and number of units/square footage constructed
- Amount of the incentive

- Increase in assessed value of participating properties
- Increase in municipal property taxes of participating properties
- Office vacancy rates
- Value of building permits issued
- Hectares/acres of land
- Value of private sector investment leveraged (\$)
- Jobs created, persons plus jobs, and population to jobs ratio
- Increase in office gross floor area
- Amount of space added for arts, culture, recreation activities, institutions, entertainment or other employment uses
- Qualitative assessment of improvements in streetscape
- Increase in road network
- Other criteria as deemed appropriate

The City of Brampton also has a monitoring program for their downtown CIP, and NBLC recommended a monitoring program for the new Brampton CIP that might come forward next year. The Region of Peel should use these reports as the basis for their own annual reporting, which will save significant administrative resources. The Regional report should utilize the local CIP report, with an increased emphasis on Regional matters (e.g. Regional incentive offered, achievement of TOD objectives, other Regional priorities).

4.8 Implementation Considerations

To move forward with implementation, several considerations must be addressed:

- The Regional Official Plan appears to have adequate policy language to allow the Region to participate in local CIPs. Confirmation that each local CIP also has adequate language should be determined.
- The Region must determine if a Regional by-law is necessary for the Region to participate in a local CIP. Similarly, it should be confirmed if any amendment to the local CIP by-law or CIP guidelines will be necessary and the corresponding requirement to formally amend the CIP with a statutory process.

- Building off of the above, Mississauga’s CIP appears to already account for Regional participation, but notes that the Region is not participating at the current time. Specific language and an associated process for integrating with this CIP must be determined. Given that Brampton is currently in the process of preparing a new CIP, and Caledon may consider doing so in the future, consultation with these municipalities during the development of the CIP will be crucial to ensure Regional participation is adequately incorporated.
- Peel must also consult with their legal team to determine how approval could be structured (Council or delegate, separate by-law for each approved project, etc.) and if a separate contribution agreement is necessary for both local and Regional TIEGs.
- Similarly, Peel must determine the process for property tax collection and the refunded grant. It was noted during consultation that the local municipalities collect property taxes on behalf of the Region, which might require that the local municipalities also provide the TIEG on behalf of the Region.

4.9 Case Study Evaluation of a Potential TIEG

NBLC, together with the Region and local municipalities, have developed three case studies to understand the potential impact and corresponding cost of a Regional TIEG. Three case studies across the Region have been selected, which are summarized below.

Of note, each case study was prepared for illustrative purposes only. Individual application details and policy/legislative requirements will determine the grants.

4.9.1 Existing Office Building on a Transit Corridor, Brampton

CASE STUDY I <i>Existing Office Building on a Transit Corridor, Brampton</i>	
This site is a 7-storey standalone office building in an office employment area and transit corridor.	
Location	Office Employment Area & Transit Corridor
Pre-development Details	
Land Use	Vacant (Commercial vacant / Excess Land)
MPAC Assessment Value	\$ 1,482,781
Regional Property Tax Rate	0.41%
Regional Property Tax Payable	\$ 6,010
Post-Development Details	
Land Use	Office (Commercial)
Structure & Storeys	1 tower of 7 storeys
Eligible Office Component	73,500 ft ² (6,828 m ²)
MPAC Assessment Value	\$ 11,503,000
Regional Property Tax Rate	0.48 %

Regional Property Tax Payable	\$ 54,853
Tax Incremental Difference	\$ 48,843

CASE STUDY A - REGIONAL TIEG Structure (Assessment value and Tax Rates from 2020)				
Year	Portion Impacted by TIEG	% Refunded	Property Tax Refunded ¹	Property Tax Retained ²
1	\$48,843	100%	\$48,843	\$6,010
2	\$48,843	90%	\$43,958	\$10,894
3	\$48,843	80%	\$39,074	\$15,779
4	\$48,843	70%	\$34,190	\$20,663
5	\$48,843	60%	\$29,306	\$25,547
6	\$48,843	50%	\$24,421	\$30,431
7	\$48,843	40%	\$19,537	\$35,316
8	\$48,843	30%	\$14,653	\$40,200
9	\$48,843	20%	\$9,769	\$45,084
10	\$48,843	10%	\$4,884	\$49,969
Total	\$488,427	49%²	\$268,635	\$279,894
11	\$48,843	0%	\$0	\$54,853

¹ This portion is set at year one and will not change despite changes in tax rate and assessment value.

² This portion could change based on year-to-year changes in tax rate and assessment value.

Note: All values are present dollars. No inflation or discounting has been applied.

Cost to the Region over the 10-Year TIEG	\$268,635
Regional Property Tax Collected Over the 10-Year TIEG ²	\$279,894
Annual Regional Property Tax Once TIEG Expires ²	\$54,853
% of Regional Property Taxes Refunded over Life of 10-Year TIEG ²	49%

4.9.2 Existing Office Building on a Transit Corridor, Mississauga

CASE STUDY II <i>Existing Office Building on a Transit Corridor, Mississauga</i>	
This site is a 3 storey standalone office building in a corporate centre and employment area, in close proximity to transit. Please note that this location is outside the bounds of the current Mississauga Downtown CIP area but is included to demonstrate another realistic major office development.	
Location	Gateway Corporate Centre & Transit Corridor
Pre-development Details	
Land Use	Vacant (Commercial vacant / Excess Land)
MPAC Assessment Value	\$ 3,793,972
Regional Property Tax Rate	0.41 %
Regional Property Tax Payable	\$ 15,409
Post-Development Details	
Land Use	Office (Commercial)

Structure & Storeys	1 building of 3 storeys
Eligible Office Component	51,764 ft ² (4,809 m ²)
MPAC Assessment Value	\$ 11,106,000
Regional Property Tax Rate	0.53 %
Regional Property Tax Payable	\$ 59,237
Tax Incremental Difference	\$ 43,828

CASE STUDY C - REGIONAL TIEG Structure (Assessment value and Tax Rates from 2020)

Year	Portion Impacted by TIEG	% Refunded	Property Tax Refunded ¹	Property Tax Retained ²
1	\$43,828	100%	\$43,828	\$15,409
2	\$43,828	93%	\$40,760	\$18,477
3	\$43,828	86%	\$37,692	\$21,545
4	\$43,828	79%	\$34,624	\$24,613
5	\$43,828	72%	\$31,556	\$27,681
6	\$43,828	65%	\$28,488	\$30,749
7	\$43,828	58%	\$25,420	\$33,817
8	\$43,828	51%	\$22,352	\$36,885
9	\$43,828	44%	\$19,284	\$39,953
10	\$43,828	37%	\$16,216	\$43,021
Total	\$438,278	51%²	\$300,220	\$292,150
11	\$43,828	0%	\$0	\$59,237

¹ This portion is set at year one and will not change despite changes in tax rate and assessment value.

² This portion could change based on year-to-year changes in tax rate and assessment value.

Note: All values are present dollars. No inflation or discounting has been applied.

Cost to the Region over the 10-Year TIEG	\$300,220
Regional Property Tax Collected Over the 10-Year TIEG ²	\$292,150
Annual Regional Property Tax Once TIEG Expires ²	\$59,237
% of Regional Property Taxes Refunded over Life of 10-Year TIEG ²	51%

4.9.3 Potential Future Office Building, Mississauga

CASE STUDY III <i>Potential Future Office Building, Mississauga</i>	
This site is a 19 storey office building with ground floor retail in a mixed use area and transit corridor in the downtown core.	
Location	Downtown Core & Transit Corridor
Pre-development Details (2020)	
Land Use	Retail
MPAC Assessment Value	\$ 5,500,000
Regional Property Tax Rate	0.53 %

Regional Property Tax Payable	\$ 29,336
Post-Development Details	
Land Use	Office Tower with ground floor retail (Commercial)
Structure & Storeys	1 tower of 19 storeys: 413,000 ft ² (38,000 m ²) of office and 14,000 ft ² (1,300 m ²) of retail space
Eligible Office Component	413,000 ft ² (38,000 m ²)
MPAC Assessment Value	\$ 145,000,000
Regional Property Tax Rate	0.53 %
Regional Property Tax Payable	\$ 773,400
Tax Incremental Difference	\$ 744,064

CASE STUDY D - REGIONAL TIEG Structure (Assessment value and Tax Rates from 2020)				
Year	Portion Impacted by TIEG	% Refunded	Property Tax Refunded ¹	Property Tax Retained ²
1	\$744,064	100%	\$744,064	\$29,336
2	\$744,064	93%	\$691,979	\$81,420
3	\$744,064	86%	\$639,895	\$133,505
4	\$744,064	79%	\$587,810	\$185,589
5	\$744,064	72%	\$535,726	\$237,674
6	\$744,064	65%	\$483,641	\$289,758
7	\$744,064	58%	\$431,557	\$341,843
8	\$744,064	51%	\$379,472	\$393,927
9	\$744,064	44%	\$327,388	\$446,012
10	\$744,064	37%	\$275,304	\$498,096
Total	\$7,440,637	66%²	\$5,096,836	\$2,637,159
11	\$744,064	0%	\$0	\$773,400

¹ This portion is set at year one and will not change despite changes in tax rate and assessment value.

² This portion could change based on year-to-year changes in tax rate and assessment value.

Note: All values are present dollars. No inflation or discounting has been applied.

Cost to the Region over the 10-Year TIEG	\$5,096,836
Regional Property Tax Collected Over the 10-Year TIEG ²	\$2,637,159
Annual Regional Property Tax Once TIEG Expires ²	\$773,400
% of Regional Property Taxes Refunded over Life of 10-Year TIEG ²	66%

4.9.4 Results of the Case Study Analysis

As illustrated in the case studies above, a Regional TIEG would lower the amount of property tax paid over the 10-year period, upon which the owner of the land will be required to pay the full property tax bill. As discussed in this report, the TIEG would lower the building’s operating expenses, allowing lower net rents and/or improved operating budgets that would improve the attractiveness of the investment.

The actual TIEG will be influenced by the difference between the pre- and post-tax assessment value, which will differ from site to site. For example, in the first two case studies identified above, this difference is relatively modest at approximately \$45,000. In this situation, the Region would refund approximately 50% of the property tax payable over the 10-year period. However, in the third case study in Mississauga's downtown, the difference is a greater magnitude (i.e. \$744,064) given the high assessment value expected of a high-density office building in this market area, in combination with the lower yearly decline in the TIEG (7% vs 10% in the Brampton case study). In this situation, the Region would refund approximately 66% of the property tax payable over the 10-year period.

Under the premise that office investment will not occur without the TIEG, as justified by development patterns in the Region over the past decade, the long-term property tax payments will more than make up for the temporary grant. In each scenario, it is estimated that the foregone revenue over the course of the 10-year grant will be recaptured within 5 – 6.5 years upon the grant expiring, with continued revenue to the Region after this point (e.g. Case Study 3 - \$5.096M in foregone revenue over the TIEG / \$773,400 in annual property taxes once the grant expires).

5.0 Conclusions

This report provides direction to the Region as they consider developing and advancing a TIEG to support major office investment in strategic areas of the Region. Based on NBLC's analysis of the office market in Peel Region, incentives, and specifically a TIEG was recommended to provide additional support to local area incentive programs. This report has provided additional details, commentary, case studies, and directions for the Region to consider.