

Date: 2022-08-24

Subject: **Recommendation Report**

Secondary Title: **Community Benefits Charges Strategy and By-law**

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Recommendations:

1. **THAT** the report titled Recommendation Report – Community Benefits Charges-Strategy and By-Law to the Planning and Development Committee meeting of September 12, 2022, be received;
2. **THAT** the Community Benefits Charges Strategy (**Appendix1**) prepared by Hemson Consulting Ltd. be approved;
3. **THAT** Council adopt the Community Benefits Charges By-law (**Appendix 2**); and
4. **THAT** Council approve the renaming of existing Section 37 Reserve Fund #33-Community Benefits to “Reserve # 33 Community Benefits Charges Reserve Fund” and that the amended reserve fund by-law (**Appendix 3**) be enacted.

Overview:

- A Community Benefits Charge (“CBC”) is a new growth-funding tool (“GFT”) that authorizes a municipality to collect CBCs against land to pay for the capital costs of facilities and services required as a result of development or redevelopment.
- The CBC as the new incremental revenue tool can be levied in addition to development charges (“DC”)s and collections under Section 42/51 of the Planning Act and under the provisions and restrictions of the Act. Municipalities can use CBCs to fund a wide-range of capital costs, of any public service, that are related to the needs associated with new growth if those costs are not already recovered from development charges and parkland levies.
- A CBC can only be levied against developments that are five or more storeys, and contain 10 or more residential units.
- The City is required to enact a CBC By-law, supported by a CBC strategy, before it can collect CBCs.
- The City retained a consulting firm- Hemson Consulting Ltd. to undertake the Community Benefits Charge Assessment, Strategy and By-Law for Brampton.
- The latest draft CBC Strategy and the By-law itself were made available to the public in August 2022. Prior to that, the City held a Council Workshop on June 27th and two meetings with BILD in June and July.
- The draft CBC strategy (**Appendix 1**) proposes that the City establish a CBC rate of four per cent of appraised land value of eligible development and redevelopment applications. The City of Brampton will levy CBCs prior to the issuance of a building permit, or the first permit if the development requires multiple permits. The charges will be applied on a City-wide basis to all eligible developments.
- Subsection 37 (45) of the Act requires that a single CBC special account be established. The City has already established Reserve #33 Community Benefits on July 07, 2021 which will now be renamed to “Reserve #33 Community Benefits Charges Reserve Fund”, upon Council approval. The funds in the CBC reserve will include all CBC monies collected.

Background:

The Community Benefits Charge (“CBC”) is a new growth-related funding tool (“GFT”) established through Bills 108 and 197, which were introduced and enacted by the provincial government in 2019 and 2020, respectively. The authority for municipalities to levy the CBC is found in Section 37 of the Planning Act (The Act), which was rewritten

through Bills 108 and 197. The 'new' Section 37 of The Act replaces language in the 'old' Section 37 that previously gave municipalities the authority to grant increases in height and/or density in exchange for community benefits ('density bonusing'). The shift from a density bonusing regime to a CBC regime is intended to provide a more predictable environment for property developers to pay for, and municipalities to fund, growth-related infrastructure and services.

Municipalities can use CBCs to fund a wide-range of capital costs, of any public service, that are related to the needs associated with new growth if those costs are not already recovered from development charges and parkland provisions. A CBC can be used to fund services provided for under a DC by-law, and for parkland acquisitions, as long as there is no duplication of recovery of the same capital costs under another GFT.

A CBC can only be levied against higher density residential development, limited by the Act to developments that are:

- Five or more storeys, and
- Contain 10 or more residential units.

The regulations to s.37 of the Act, O. Reg. 509/20, also provide for a number of statutory exemptions from the payment of a CBC, namely:

- Long-term care & retirement homes;
- Colleges, universities and post-secondary indigenous institutes;
- Royal Canadian Legion;
- Hospice for end of life care;
- Non-profit housing.

Given Brampton's growth, the need for CBCs as a revenue source to fund capital projects and public community amenities is immense in Brampton. GFTs allow municipalities to require development or redevelopment to pay for infrastructure and services required as a result of growth in population and employment to support complete communities. The principle that was articulated by the Province is that growth should pay for growth. This ensures that growth costs are not born by existing taxpayers in the form of higher property taxes or user rates and that service levels are not adversely affected as the City grows.

The City's comprehensive Housing Strategy and Action Plan ("Housing Brampton") was approved by City Council on May 10, 2021. One of the recommendations included the timely advancement of various regulatory tools to support the provision of affordable housing, such as Section 37 (Density Bonusing and/or Community Benefit Charge). As a result, City staff brought forward a report and proposal to pursue density bonusing as originally prescribed under S.37 of the Planning Act, as an interim measure until the establishment of a CBC Strategy and By-law. The City planned to pursue density bonusing until the earlier of September 18, 2022 or the establishment of a Community Benefits Charges Strategy and By-law, the subject of this report.

Current Situation:

The City retained a consulting firm-Hemson Consulting Ltd to undertake the Community Benefits Charge Assessment, strategy and by-law for Brampton. Staff from various City departments participated in this plan.

The consultant had to review several key steps in order to levy CBCs. They included:

- Preparing a development (growth) forecast;
- Determining the increased need arising from development;
- Determining how these costs are attributed to CBC development;
- Identifying any excess capacity that exists; and
- Estimated benefit to existing shares, grants, subsidies or other contributions.

The CBC Capital Program identifies approximately \$309.5 million of capital costs related to the eligible mid-high-density development between 2022-2031. The net CBC eligible cost of the capital program is \$22.5 million. However, as the total forecasted revenue identified is approximated at \$6.3 million based on the 4% cap, it is evident that the capital needs cannot be fully funded by potential CBC revenues over the 2022-2031 period. However, the incremental revenue from this new tool will help alleviate some of the cost for growth related capital projects.

It is evident that there is not sufficient CBC revenue anticipated to be collected under the 4% cap to meet the increased needs arising from CBC-eligible development. As such, through the work with various City divisions, a priority list of service categories have been identified. The list is based on projects that have lost eligibility for DC funding, projects that have been tax funded (but growth-related) or projects that would have attracted S.37 density bonusing collections.

The following services have been identified as beneficiary services under CBC:

- Affordable Housing;
- Public Realm;
- Community Facilities;
- Active Transportation;
- Parks & Trails;
- Parking;
- Heritage Assets; and
- CBC Administration

The consultant has prepared a draft strategy (**Appendix 1**) where proposed CBC rate is 4% of appraised land value of eligible development and redevelopment applications. The identified CBC-eligible project costs for these services are beyond the costs anticipated to be funded through other growth funding tools, including development charges and parkland dedication. However, the CBC is a new incremental revenue tool that should help alleviate some of the cost for growth related capital projects. It is noted that the CBC capital program is a point-in-time analysis of the needs anticipated over the 2022-2031

planning period. It is recognized that these needs may change over time through the City's normal annual budgeting processes. While certain projects, and types of projects, are listed within the CBC capital program, the identified capital project listings within each of the service categories do not preclude the City from assigning CBC funds to another facility or project under that service.

In accordance with the requirements of the Planning Act, the City completed a draft CBC Strategy (**Appendix 1**) prior to working on a draft CBC By-law (**Appendix 2**). The 2022 CBC Strategy and By-law was made available to the public in August, 2022. The City held a Council Workshop on June 27th and two meetings with BILD were organized in June and July. This provided the various stakeholders with the opportunity to comment on the proposed 2022 CBC Strategy and By-law. Further, the City has continued to address BILD's recent comments on the draft CBC Strategy and By-law. (Response to BILD is **Appendix 4**)

The commencement of the by-law will be on the date the by-law is passed or the date specified in the by-law, whichever is later in accordance with subsection 37 (11) of the Act.

Subsection 37 (45) of the Act requires that a single CBC special account be established to keep the CBC monies. The City has already established Reserve #33 Community Benefit on July 07, 2021 and this account will be renamed to Reserve# 33 Community Benefits Charges Reserve Fund, upon Council approval with a corresponding amendment to the By-law (**Appendix 3**).

The funds will be collected city wide and can be used to fund projects city-wide. The allocation of revenues on a project specific basis is to the City's discretion however, annually, the City must allocate or spend 60 per cent of the funds in the special account to CBC-eligible projects. CBC's will be allocated during the annual budget process. Staff will report back to Council on an annual basis with an update on the CBC revenue received.

As with all the estimates in this report, the actual impact will depend on the level of development activity and land valuations. Further, additional growth-related costs will continue to be identified through growth studies and infrastructure needs assessments which may further increase the financial pressures associated with growth.

To authorize use of the new CBC authority by September 18, 2022, which is the expiration of the current Section 37 Density Bonusing regime, this report recommends approval of the CBC Strategy, adoption of a CBC Bylaw; and renaming of the legislatively required CBC Reserve Fund through **Recommendations 2, 3 and 4** respectively.

It may be required that the CBC Strategy be reviewed within the 5-year period to coincide with the preparation of a new DC Study in 2024. Furthermore, Council shall review this CBC by-law and pass a resolution as to whether a revision to the by-law is needed within

five years of the date it is first passed, and every five years after the previous resolution was passed

Corporate Implications:

Financial Implications:

There are no financial implications associated with this report. Staff will report back to Council on an annual basis with an update on the CBC revenue received and deposited into Reserve #33. The allocation of CBCs to eligible projects will be identified as part of the capital budget process, pending Council approval.

Other Implications:

There are no other implications in this report.

Term of Council Priorities:

This report directly aligns with the Council Priority to “Create Complete Communities”.

Conclusion:

The CBC is a new incremental revenue tool municipalities can leverage to recover growth-related costs that are not covered by DCs and parkland provisions. Once approved, CBC will enable the City to apply a growth related charge across a broad range of residential development, regardless of location and zoning permissions and alleviate some of the cost towards growth related capital projects.

The City of Brampton will levy CBCs as a per cent of land value of the development prior to the issuance of a building permit, or the first permit if the development requires multiple permits. The proposed CBC rate has been set at 4% of land value.

The endorsement of the CBC Strategy and adoption of the CBC By-law will enable Brampton to utilize CBC as a tool to help create complete communities within the intensification framework and provide for a more transparent process in calculating growth related fees. The City can use the CBC to fund some important development related capital projects identified for the next 10 years across the City without duplication of recovery of the same capital costs under another GFT.

The City of Brampton 2022 Community Benefits Charge Strategy is presented as part of the process to lead to the approval of a CBC By-law in compliance with the Planning Act, 1990 (the “Act”).

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Attachments:

Appendix 1-Draft CBC Strategy prepared by Hemson Consulting Ltd.

Appendix 2-Draft CBC By-law

Appendix 3-Amended By-law to rename Reserve #33 – Community Benefits Pursuant
to Section 37 of the Planning Act

Appendix 4- City Response to BILD's comments on draft CBC Strategy and By-law