Region of Peel
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REPORT
Meeting Date: 2023-03-23
Regional Council

For Information

REPORT TITLE:	Development Charges – MAC Olive Grove Private School Redevelopment
FROM:	Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner of Corporate Services

OBJECTIVE

To provide Council with information related to the deputation from the Muslim Association of Canada seeking development charges relief for the proposed development of altering an existing industrial building to a private school.

REPORT HIGHLIGHTS

- The Muslim Association of Canada applied for a building permit proposing the change of use of an existing industrial building and mechanical area located at 2270 Speakman Dr., Mississauga, into a private school.
- There is no development charge (DC) exemption available to this building permit in accordance with the *Development Charges Act* (DC Act) and Region's DC By-law 77-2020.
- The Region's DC By-law imposes development charges on industrial to non-industrial change of use developments, based on the rate differences between the non-industrial DC rates and industrial DC rates. The DC owing at current rates is $423,406.52.
- The City issued a Building Code Act Order to Comply, in November 2021, to address the change of use and occupancy as the premises has been operating as a private school without the benefit of a building permit.
- Council does not have authority to grant an exemption, and any financial relief granted would need be funded from a non-DC funding source which would result in shifting the burden of funding growth-related capital infrastructure to taxpayers.

DISCUSSION

1. Background

On Jan. 28, 2020, the Muslim Association of Canada (the "Applicant"), a not-for-profit organization, applied for a building permit (BP 3ALT 20-331) with the City of Mississauga (the "City"). The application proposed interior alterations at 2270 Speakman Dr., which entailed the conversion of 680.19 m^2 of mechanical space into non-industrial private school use. City records at the time indicated that the remaining 3,250.17 m^2 of the building was classified at its original industrial use, prompting further review of the application. The City's review identified that a building permit was required to permit the private school use of the entire building and ensure compliance with the Ontario Building Code.

On April 26, 2021, City staff contacted the Applicant requesting further clarification of their application in order to accurately assess development charges ("DC") for BP 3ALT 20-331 and asked the Applicant to complete a "Change of Use" declaration form. The Applicant completed the form (Appendix I) and returned it to Region and City staff on April 27, 2021, which detailed that the conversion would be of the entire floor area (3,930.36 m^2) from its existing industrial and mechanical use to non-industrial use to be used as a private school.

Based on the information provided by the Applicant, an invoice for DC was generated resulting in $334,028.00 in Regional DC owed at the rates in effect at the time (Aug. 1st, 2021). The Applicant did not proceed with obtaining the permit at the time and sought avenues for DC dispute.

As of writing of this report, DCs have not yet been paid on this application, nor has the building permit been obtained. The City issued an updated invoice on March 3rd, 2023, which identifies the amount now owing on this permit to be $423,406.52 at current effective rates (Feb. 1st, 2023).

2. Analysis

a) DC Act and Regional By-law Treatment of Private School Developments

Both the DC Act and the Region's DC By-law outline certain conditions for DC exemption. Staff have reviewed the conditions with Legal Services and concludes that none of those conditions have been met under this building permit.

b) DC Application to this Building Permit

There are two components to the conversion included in this redevelopment:

1. Change of Use

   DC are calculated by allocating the cost of growth-related infrastructure to the benefitting type of development (i.e. residential vs. non-residential). The Region's schedule of DC includes four different rates by type of residential dwelling, and two different rates for non-residential development. The types of non-residential development are industrial and non-industrial. Table 1 summarizes the current rates for industrial and non-industrial development DC as per By-law 77-2020.

Region of Peel Non-Residential DC Rates ($ per m^2) as per February 1, 2023			
Program	**Industrial**	**Non-Industrial**	**Difference**
Total	**$231.29**	**$298.99**	**$67.70**

   The Region imposes DC on change-of-use redevelopments from industrial use to non-industrial use primarily due to the increased demand that non-industrial developments place on Regional roads infrastructure. This increased demand is driven by the fact that non-industrial buildings, such as retail, recreation, or private education facilities, will inherently generate more traffic from public use than an industrial building such as a manufacturing plant. The DC Rates difference between the two different types of non-residential development is $67.70 per m^2.

2. Expansion of Building

   Part of the alterations included an additional 680.19 m^2 of new space. This space was formerly mechanical space in which DC are not imposed. This conversion to usable non-industrial space will trigger an additional DC for both the City and Region.

3. Invoice

   The following is a breakdown of the DC applicable to this building permit:

BP 3ALT 20-331 (As at Feb 1, 2023 Rates)				
Development Type	**Use**	**GFA (m^2)**	**Rate**	**Total**
Industrial Area				
Change of Use	Non-Industrial	3,250.17	$298.99	$971,768.33
Change of Use	Industrial (Credit)	-3,250.17	$231.29	-$751,731.82
Industrial Area Payable				**$220,036.51**
Mechanical Area				
Addition	Non-Industrial	680.19	$298.99	$203,370.01
Mechanical Area Payable				**$203,370.01**
Total Payable				**$423,406.52**

FINANCIAL AND RISK IMPLICATIONS

Council does not have the authority to exempt DC that have been determined in accordance with the Region's DC By-law. Any financial relief for DC provided outside of the DC By-law would need to be provided in the form of a grant from a non-DC funding source. This would shift the burden of funding necessary growth-related capital infrastructure to the taxpayer. Additionally, allowing for such grant would set a precedent that would impair the Region's ability to consistently apply the Region's DC By-law on future developments in the Region.

CONCLUSION

Regional development charges included on the March 3rd, 2023, invoice for this building permit have been correctly calculated, and the application of the Region's DC By-law is appropriate. Providing a discretionary DC grant would put pressure on the Region's already strained financial conditions due to factors such as Bill 23 and changing economic conditions.

APPENDICES

Appendix I – Non-Residential Redevelopment/Change of Use Declaration Form

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