

Date: March 11, 2022	Originator's files:
To: Chair and Members of General Committee	
From: Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer	Meeting date: March 30, 2022

Subject

Development Charges Grants for Eligible Non-Profit Developments

Recommendation

1. That a grant equivalent to the City portion of development charges to support non-profit organizations who provide long-term care homes, hospices, shelters and transitional housing be approved, as outlined in the corporate report dated March 11, 2022 from the Commissioner of Corporate Services and Chief Financial Officer entitled "Development Charges Grants for Eligible Non-Profit Developments".
2. That the Development Charges Grants for Eligible Non-Profit Developments corporate policy attached as Appendix 1 to the corporate report dated March 11, 2022 from the Commissioner of Corporate Services and Chief Financial Officer entitled "Development Charges Grants for Eligible Non-Profit Developments" be approved.
3. That a grant be provided to Trillium Health Partners in the amount of \$9,917,802.51, equivalent to the City's portion of the development charges for their development providing 632 long-term care beds at 2180 Speakman Drive.
4. That the City advocate to the Province that they include proposed legislative changes to provide non-profit long-term care homes, hospices, shelters and transitional housing units with statutory development charges exemptions.

Executive Summary

- There are a number of non-profit organizations that play an important role in providing vital community care and infrastructure in Mississauga. Uses such as long-term care homes, hospices, shelters and transitional homes are important social services needed by vulnerable populations in the community.
- Development charges are currently levied on long-term care homes, hospices, shelters and transitional homes and determined by the number of units and unit type.

- There have been two recent requests to the City to waive development charges on non-profit long-term care and hospice developments. One from Trillium Health Partners for a long-term care facility with 632 beds at 2180 Speakman Drive. The other from Heart House Hospice in partnership with Trillium.
- A corporate policy is proposed that would allow for grants for eligible non-profit developments, including long-term care homes, hospices, shelters and transitional homes. The grant is intended to reimburse non-profit organizations on the City portion of development charges paid on eligible developments. The proposed corporate policy does not include non-profit affordable housing.
- The grant would need to be recovered from an alternate funding source to make up the lost DC revenue.
- The cost of the grant to Trillium is \$9.9M. The cost of the grant for other anticipated developments is estimated to be \$6M (or \$0.6M annually over 10 years).

Background

The City of Mississauga recognizes the important work that non-profit organizations play in providing vital community infrastructure and the unique financial needs of these organizations. This includes the development of long-term care (LTC) facilities, hospices, shelters and transitional housing in Mississauga. The City of Mississauga has one of the lowest ratios of LTC beds to population in the province and is the largest community without a residential hospice. The COVID-19 pandemic has brought to light the deficiencies and lack of supply of LTC facilities and their provision has become a priority for many levels of government.

There are a number of non-profit organizations seeking assistance to construct long-term care facilities, hospices and shelters which provide a different type of housing to those in need. The City has received a number of requests for financial offsets or incentives equivalent to the City's portion of development charges to support non-profit developments that target vulnerable communities in Mississauga.

Developments are required to pay a number of fees and charges at various stages of the planning and building process. One of which is development charges (DCs), used to support infrastructure and services related to growth. Non-profit organizations are challenged with sourcing enough funds to support their projects, more so than for-profit organizations because of their limited ability to access funding from banks and investors. These organizations often approach the City with requests to waive DCs.

Recently, Finance staff has dealt with three such requests (Trillium for long-term care beds, Armagh for transitional housing and Heart House Hospice). Because of the non-profits' limited access to up-front capital and the importance to support vulnerable populations in the community, staff are proposing that the City provide financial relief in the form of a grant equivalent to the City portion of DCs to aid in the development of these types of non-profit

developments (not including non-profit affordable housing). The parameters of such grants would be outlined in a Corporate Policy and would eliminate the need to take a number of one-off reports to Council for approval. Also, this approach would allow the City to properly budget for such grants on an annual basis.

Last year, the City issued a building permit for the Armagh development for ten transitional housing units for victims of domestic violence. Council had previously approved a DC waiver for the City portion of these charges (\$199,035.09).

Comments

DC Rates

Development charges are generally collected at the time of building permit issuance for the associated development. Under Mississauga's existing DC By-law 0096-2019, LTC home, hospice, shelter and transitional housing units are classified as residential dwelling units and a development charge is imposed based on unit type (i.e. apartments or small units). Predominately these types of units fall under the small unit category with current rates (February 1, 2022) of \$15,955.00/unit. The current DC by-law does not provide any exemptions for these types of developments.

There has been recent changes to the *Development Charges Act* (DCA) which has altered when development charges are calculated and payable for certain institutional developments and non-profit housing. For example, all long-term care homes (for-profit and non-profit) are now legislatively able to defer development charge payments over a number of annual instalments (Section 26.1 of the DCA¹). For-profit LTC developments are deferred over six annual payments and non-profit LTC developments over 21 annual payments. Any non-profit development, such as hospices, shelters or transitional homes, would be able to defer their DC payments over 21 annual payments. Council adopted Corporate Policy "Development Charges Interest Rates and Associated Payments" in February 2021, which establishes a zero per cent interest charge on these deferrals.²

Proposed Corporate Policy

No DC exemptions for LTC, hospice, shelter or transitional housing developments are being proposed within the new DC by-law. This is because these exemptions would be considered discretionary (subject to Council approval) and not because of legislation (statutory, included in the DC Act). As discretionary exemptions they could not be funded through a higher DC charge, but instead the City would either need to reduce our growth projects or fund the projects through taxes to make up the loss of DC revenue through an exemption.

¹ Corporate Policy – Development Charge Interest Rates and Associated Payments

² As of 2023, \$2.8M is planned to be budgeted for annually to covered off the lost DC revenue associated with the 0% interest on the deferred DC charges for eligible applications.

DC grants, equivalent to 100 per cent of the City portion of development charges, are being proposed outside of the by-law and would be administered under a new corporate policy. The policy would apply to only non-profit LTC facilities, hospices, shelters or transitional housing. This proposed policy will rely on eligibility of “non-profit” LTC as determined by the Ministry of Long-Term Care. Non-profit hospices are eligible if they meet the criteria set out in Provincial Regulation O.Reg 454/19 s. 3 (1). Eligible non-profit developments will be required to submit proof of their non-profit status as well as any other documentation requested by the City.

Budget for the grant will be reviewed annually for inclusion into the budget process. For accounting purposes, the applicant will be required to pay the City’s DCs and then a grant will be issued afterwards. If applicants do not have the funds to make this payment, Finance staff (at the discretion of the Commissioner of Corporate Services) will consider entering into a deferral agreement with the applicant. The draft policy is provided in Appendix 1. A summary of municipal benchmarking can be found in Appendix 2.

The draft policy has been reviewed by all departments, including Legal Services, Internal Audit and Risk Management and all issues have been addressed.

LTC Development at 2180 Speakman Drive, Trillium Health Partners

The City of Mississauga entered into a DC payment agreement with Trillium Health Partners on May 12, 2021 for a new 632 bed LTC building at 2180 Speakman Drive. Trillium Health Partners initially requested a full waiver of DCs, however at the time of the request they did not want to delay building permit issuance for this request to be dealt with at Council first. The DC payment agreement entered into by Trillium Health Partners, deferred DCs over six annual installment payments as provided for under new legislation in the *Development Charges Act*. The first deferred installment payment for 2180 Speakman Drive is due on May 12, 2022 in the amount of \$1,826,107.20 (Mississauga DCs) and a further \$2,600,277.36 is due for Region of Peel and GO Transit DCs. The total City portion of DCs calculated in the DC payment agreement for 2180 Speakman Drive is \$9,917,802.51.

Total Development Charges – 2180 Speakman Drive	
City of Mississauga	\$9,917,802.51
Region of Peel	\$13,983,501.46
GO Transit	\$138,910.11
Total	\$24,040,214.08

Staff are requesting Council approval to provide a grant to Trillium to cover the outstanding development charges for the long-term care home on Speakman Drive.

Heart House Hospice

In a letter to the City dated July 20, 2021, the Heart House Hospice indicated that they are seeking an exemption to DCs for a hospice development adjacent to 2180 Speakman Drive, in

partnership with Trillium Health Partners. Heart House Hospice indicated that they will be pursuing a new 4,158 sq.m. (44,760 sq.ft.) facility with construction of the facility starting in fall 2022. No site plan application has been submitted to date.

Revenue Implications

Other than staff's experience with Armagh, there is less information available in terms of anticipated shelters or transitional housing planned in Mississauga in the future. Staff do not expect many and therefore, the expected value of a grant would not be as significant as those provided to larger developments such as LTC facilities.

A grant is foregone DC revenue and the grant cost must be made up through other non-DC funding sources (e.g. tax). It is proposed that grant monies will be paid out of a separate reserve fund with an annual tax funded budget to transfer funds into this account.

In addition to the new Trillium LTC facility under construction a further 839 new LTC beds have been announced for Mississauga by the Ministry of Long-term Care. It is unclear how many non-profit hospice, shelter or transitional housing units will be built in Mississauga in the future, however, not many are expected.

Staff recommend, that as part of our advocacy to the Provincial Government, that the Development Charges Act be amended to provide non-profit long-term care homes, hospices, shelters and transitional housing units with statutory development charges exemptions. This would provide greater clarity to these providers, the development industry and the City on eligibility and would not require the City to make up the lost revenue from another funding source (i.e. taxes).

Engagement and Consultation

Staff have engaged with Regional staff to discuss the proposed grant policy and to request that the Region also provide adopt a similar policy. A report entitled "Interim Financial Incentive Program for New Long-Term Care Homes and Hospice Development in Peel" was presented to Regional Council on March 10, 2022. Regional staff recommended a grant be provided to non-profit long-term care homes and hospices. The report proposes \$4M be approved to provide funding in 2022, with similar contributions to be reviewed and funded as a tax pressure in future budgets.

Trillium Health Partners and the Heart House Hospice were contacted to notify them of staff's proposed grant policy for non-profit LTC homes, hospices, shelters and transitional homes.

Financial Impact

Of the 839 new LTC beds announced, the assumption is 491 of those beds would be developed by a non-profit entity, adding to the 632 non-profit LTC units under construction at 2180 Speakman Drive, would bring the total non-profit LTC units to 1,123.

A grant is foregone DC revenue and the grant cost must be made up through other non-DC funding sources (e.g. tax). It is proposed that grant monies will be paid out of a separate reserve fund with an annual tax funded budget to transfer funds into this account. The Trillium grant equating to \$9,917,802.51 will be paid out in 2022. The estimated DC costs for the remaining units would equal approximately \$6M³ over a ten-year period, resulting in an annual budget of \$0.6M to cover the costs of grants for eligible non-profit developments. This calculation is used as an estimate as it is not clear how many non-profit hospice, shelter or transitional housing units are expected in the near future.

2022 budget adjustments will be recommended within a separate year-end report to General Committee at the end of April.

Conclusion

Staff recommend providing grants in the amount of the City's portion of DCs payable for eligible non-profit developments including LTC facilities, hospices, shelters and transitional homes to help support these more vulnerable members of the community. The cost of the grant would be funded through a non-DC funding source. The cost in 2022 would be approximately \$10M to cover the grant to Trillium Health Partners for 632 long-term care units at 2180 Speakman Drive. A remaining \$6M is estimated over the next 10 years for future non-profit developments eligible under this proposed grant program with an annual budget of \$0.6M.

Attachments

Appendix 1: Development Charges Grant for Eligible Non-Profit Developments Corporate Policy
Appendix 2: Summary of Municipal Benchmarking



Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Shahada Khan, Manager, Development Financing

³ Based on the proposed Special Care Unit rate at one person per unit to be included in the Draft 2022 DC Background Study.