Study of Parkland Dedication and Cash-in-Lieu Policies in the GTA

Independent Real Estate Intelligence

February 22, 2019

Altus Group

Study of Parkland Dedication and Cash-in-Lieu Policies in the GTA

Prepared for:

Building Industry and Land Development Association (BILD)

Prepared by:

Altus Group Economic Consulting

33 Yonge Street Toronto Ontario M5E 1G4

Phone: (416) 641-9500 Fax: (416) 641-9501

economics@altusgroup.com

altusgroup.com

February 22, 2019

EXECUTIVE SUMMARY

Altus Group Economic Consulting was retained by the Building Industry and Land Development Association ("BILD") to review parkland dedication policies and cash-in-lieu contribution rates in municipalities across the Greater Toronto Area ("GTA").

The report presents estimates of parkland dedication and cash-in-lieu of dedication contributions for hypothetical low-rise and high-rise developments in municipalities across the GTA.

The *Planning Act* allows for a condition to be placed on development, that land in an amount not exceeding 5% of the land to be developed to be conveyed to the municipality for park or other public recreational purposes. Alternatively, land may be conveyed at a rate not exceeding 1 hectare per 300 dwelling units. Municipalities may authorize payment in lieu (also known as "cash-in-lieu" or "CIL") of provision of parkland, often based on the value of the land that would have otherwise been dedicated. If CIL is provided, the amount is calculated based on the new provincial maximum rate is 1 hectare per 500 dwelling units.

Findings

We have found that for low-rise development, while the amount of parkland that would be dedicated has remained relatively stable since 2006, because of increasing land values, the cash-in-lieu contributions have increased significantly, where the median change is 248% over the 2006-2018 period. The median CIL contribution for a 200-unit low-rise subdivision has increased from $1.7 million (or $8,486 per unit) in 2006 to $6.0 million ($29,600 per unit) in 2018.

For high-rise development, changes to the *Planning Act* regarding CIL contributions under the alternative dedication rate, from 1 hectare per 300 units to 1 hectare per 500 units have moderated the CIL contributions in several municipalities, in many cases at a rate below the changes seen in land values. However, as of 2018, these CIL contributions can be significant, ranging upwards of $20,000 to $30,000 per unit, or more depending on the density of the building being constructed.

Relationship Between Density and Cash-in-Lieu Contributions

In municipalities without a cap on CIL contributions, the amount of the CIL contributions increase on a per unit basis as the density of a prospective development increases for high-density residential projects. In a "no cap" scenario, as the density of the building increases via smaller site sizes, or for smaller unit sizes in the same building envelope, the per unit CIL contribution increases. At a certain point, the value of the CIL contribution to exceed the value of the land. A policy that results in higher per unit costs because of higher densities will discourage intensification and the transit-supportive densities desired at many key locations in municipalities throughout the GTA.

Where caps are applied the CIL contributions are held at a constant per unit rate as the density of the building increases. The implementation of a cap on CIL contributions would result in a more equitable way to generate funding for parkland acquisition and other public recreational needs.

Significant Disparities Created by CIL Contributions

A fundamental issue with cash-in-lieu of parkland is the significant disparity in CIL contributions both between and within municipalities. It is expected that differences in land values between municipalities will lead to some variance in CIL contributions. However, there are several other factors causing issues of fairness with how municipalities are imposing CIL payments from developments.

Disparities Between Municipalities

The disparities between municipalities (which sometimes run counter to the differences in land values) is often due to varying policy approaches used by municipalities in levying cash-in-lieu of parkland.

For example, in our high-rise development scenario, a high-rise building built at 5.0 FSI would result in a developer paying $16,189 per unit in Downtown Toronto, but $53,820 per unit in Markham.

For low-rise developments, CIL contributions can also vary significantly from one municipality to the next. For example, within Peel Region, a developer would pay $11,547 per unit for CIL on a 200-unit subdivision in Brampton but would pay $47,064 per unit for CIL on the same development in Mississauga.

Disparities Within Municipalities

The disparities within municipalities can result in housing units of the same built-form paying differing amounts depending on the density of the buildings they are contained within. All else being equal, a unit in a denser development would pay more than a unit in a less dense development.

For example, in our scenarios, an apartment unit in Burlington within a building built at 2.0 FSI would pay $10,800 per unit, while a unit within a building built in Burlington at 3.0 FSI would pay $16,100 per unit, and $21,500 per unit in a 4.0 FSI building, and so on.

To avoid these disparities, some municipalities have instituted caps on CIL contributions, while others have set fixed per unit rates for some unit types, particularly high-rise units. We would recommend that municipalities place a percentage cap on cash-in-lieu of parkland contributions, so that transit-supportive developments in intensification areas are encouraged and treated fairly.

TABLE OF CONTENTS

Page

1 INTRODUCTION

1.1 Retainer

Altus Group Economic Consulting was retained by the Building Industry and Land Development Association ("BILD") to review policies related to parkland dedication and cash-in-lieu contribution rates in municipalities across the Greater Toronto Area ("GTA").

1.2 Approach

This report reviews the changes in legislation relating to parkland dedication and cash-in-lieu payments over the 2006-2018 period and provides an estimation of the requirements imposed on development. This estimation will be based on simplified low-rise and high-rise development scenarios to assess how provisions of parkland and cash-in-lieu contributions required from development have changed over time.

For the low-rise analysis, we have reviewed policies in 29 municipalities across the GTA, including all lower-tier municipalities in the regions of York, Peel, Halton and Durham, as well as select municipalities in southern Simcoe (Barrie, Bradford West Gwillimbury, Innisfil and New Tecumseth), and the City of Toronto.

For the high-rise analysis, we have examined policies in 11 municipalities, including select municipalities in the regional municipalities that have a history of high-density development (Mississauga, Oakville/Burlington, Markham, Richmond Hill, Vaughan, Ajax and Oshawa). We have also looked at three different locations within the City of Toronto:

- Downtown Toronto;
- The periphery of Downtown and the Urban Growth Centres (Yonge/Eglinton, North York Centre, etc.); and
- Suburban Toronto (Etobicoke, Scarborough)

1.3 Caveat

The conclusions of this report should be used with caution. This report summarizes extensive research into current and historic parkland dedication/cash-in-lieu policies in numerous municipalities across the Greater Toronto Area. Every effort has been made to ensure accuracy in the

application of municipal policies and by-laws to the hypothetical development scenarios contained in this report. However, there may be instances where certain policies or clauses within by-laws were interpreted differently by Altus Group than they would be by municipal staff.

The report relies upon research undertaken on low-rise and high-rise land values, and changes in those land values over the 2006-2018 period. Given the constraints with data sampling in some areas of the GTA, and the variable land values often seen within different parts of municipalities, the data used to formulate these estimates may not be applicable to all areas of a given municipality. Therefore, the estimated values used in our modelling are not to be used as estimates of land values in a given municipality.

The results of the modelling summarized in this report are based on the specific characteristics of the development scenarios used, and so should not be assumed to be applicable generally to all developments of similar size or scale.

2 OVERVIEW OF PARKLAND DEDICATION

2.1 Legislative Authority

The *Ontario Planning Act* allows municipalities to acquire parkland and other forms of open space through parkland dedication requirements imposed on new developments. Alternatively, the *Planning Act* states that municipalities may require a payment in lieu of the value of land otherwise required to be conveyed (referred to as "cash-in-lieu" or "CIL").

2.1.1 Parkland Dedication Rates

The *Ontario Planning Act* states that as a condition of development or redevelopment of land, that land in an amount not exceeding 5% of the land to be developed may be conveyed to the municipality for park or other public recreational purposes. Alternatively, for residential developments, land conveyed to the municipality may also be provided at a rate not exceeding 1 hectare per 300 dwelling units. In 2006, the relevant clauses in the *Planning Act* regarding parkland dedication were essentially the same as they are today.

2.1.2 Cash-in-Lieu of Dedication Rates

Currently, municipalities may authorize payment in lieu of providing the land for parkland to the municipality, to the value of the land otherwise required to be conveyed. If the alternative rate of 1 hectare per 300 dwelling unit were to have applied to the provision of parkland, the payment in lieu is to be calculated using a rate of 1 hectare per 500 dwelling units, or some other lesser rate.

In 2006, the *Planning Act* did not provide a reduced rate for the payment in lieu under the alternative rate of 1 hectare per 500 dwelling units, instead requiring the payment in lieu to be made equivalent to the alternative dedication rate, up to 1 hectare per 300 dwelling units.

According to the *Planning Act*, the value of land "shall be determined as of the day before the day the building permit is issued in respect of the development or redevelopment…". Therefore, payment is based on the value of the parcel being developed – typically determined via an appraisal of the value of the lands by a qualified appraiser.

All money received by a municipality through CIL contributions are to be held in a special reserve fund. As per the *Planning Act*, these funds are to be spent on the acquisition of parkland or land for other public recreational purposes.

2.2 Factors in Calculating Land Dedication or Cash-in-Lieu

Given the legislative authority granted to municipalities in the *Planning Act*, there are various policy choices municipalities can make when implementing parkland dedication policies. Municipalities can choose to set parkland dedication rates, cash-in-lieu of parkland rates, and whether or not to set a cap on the amount of parkland to be dedicated.

2.2.1 Dedication Rate

Most municipalities within the GTA have parkland dedication policies set at the maximum rates permitted by *Planning Act*, 5% of the total land area or 1 hectare per 300 dwelling units. Most municipalities include in their policies both the per-unit and land area-based method of calculation and provide some indication on which method is to apply in which cases.

In many municipalities, policies indicate that the method yielding the greater amount of land will be used. A few municipalities differentiate whether the 5% land area or 1 hectare per 300 dwelling unit method will be applied based on the density or form of the new development. Typically, policies will require that developments with lower densities calculate parkland dedication as 5% of the total site area, while developments with higher densities calculate by applying the rate of 1 hectare per 300 units.

A few municipalities have policies which allow the two rates to be applied on a block-by-block basis within plans of subdivision in order to yield the largest land conveyance. It is also common that the choice between the two rate methods will be a determined on a case-by-case basis by city council.

The City of Toronto is the only municipality that sets parkland dedication rates lower than the maximum permitted by the *Planning Act*, with an alternative rate of 0.4 hectares per 300 dwelling units. The towns of Richmond Hill and Newmarket also take a unique approach to their parkland dedication policies, by establishing a rate of land per new resident expected to live in the new development. To determine the number of new

residents expected of developments, the policies for these two towns provide persons per unit (PPU) factors for each type of housing unit.

In instances where parkland dedication is required and can only be partially satisfied on the development site, municipalities may require both the conveyance of land and the payment of cash-in-lieu equal to the value of the land conveyance. The City of Mississauga's policy is unique because it does not establish a parkland dedication rate for medium or high-density developments, rather only providing a rate at which cash-in-lieu is to be collected.

2.2.2 Cash-in-Lieu of Parkland Rates

Most GTA municipalities have cash-in-lieu policies corresponding to the maximum rates permitted by the *Planning Act*, at the value of 5% of the land area or 1 hectare per every 300 or 500 units (some municipalities have not yet updated their parkland policies to comply with the changes to the Planning Act provisions regarding cash-in-lieu rates). Similar to parkland dedication policies, many policies require that whichever rate of the two yields the greatest amount is used. In several municipalities, it is at the discretion of city council on a case-by-case basis to determine which of the two rates is applied.

Some municipalities, such as Milton and Vaughan, have policies that cash-in-lieu will be considered by Council, as opposed to providing specific rates. It is unclear in these cases whether cash-in-lieu is collected at the rates provided in the *Planning Act*, or at a lesser rate.

Generally, policies stipulate that the value of the land will be the current market value of the fully-serviced development site as determined by an appraisal report. In some municipalities, such as the City of Brampton a prescribed land value is provided.

In a few municipalities, such as the Township of King or the City of Mississauga, cash-in-lieu by-laws prescribe specific per-unit prices as an alternative to rates, depending on the development density. The Town of

Ajax had a unique cash-in-lieu policy in 2006, in that it set an established front-foot rate for each development density lower than high-rise.[1]

2.2.3 Inclusion of a Cap on Dedication or Cash-in-Lieu

Two municipalities, Newmarket and Toronto, currently have policies establishing a cap which limits the required amount of parkland dedication. Caps are typically used to remove the disincentive that site area-based parkland dedication rates pose for higher density developments on smaller sites.

Both the Toronto and Newmarket's policies limit the portion of developable land area that can be dedicated as parkland on a site. The Town of Newmarket sets the maximum of 25% of the site area, while the City of Toronto sets maximums of 10-20% depending on the size of the site.

The City of Toronto also caps the value of cash-in-lieu requirements, based on the size of the development site. Depending on the size of the site, the cash-in-lieu requirement may not exceed 10-20% of the value of the development site.

2.2.4 Inclusion of a Minimum on Dedication or Cash-in-Lieu

In addition to a cap on parkland dedication and cash-in-lieu, Toronto also has policies requiring a minimum dedication requirement. This policy states that parkland dedication or cash-in-lieu must always be of a value greater than 5% of the value of the development site.

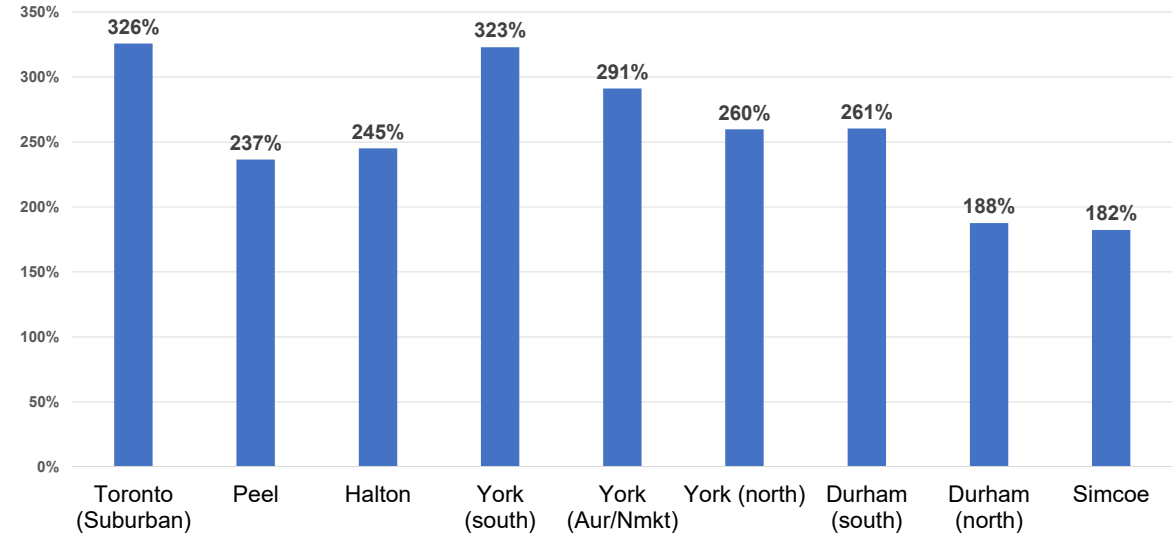
2.2.5 Land Values

2.2.5.1 Low Rise Land Values

The low-rise land values used for this report are based upon MCAP Residential Land Value Market Reports from June 2018 and November 2006, and the values for 36-foot front lots quoted in each report. In municipalities that were not tracked by one or both MCAP reports, values and/or changes in values in adjacent municipalities were used as proxies.

[1] However, the Town's by-law 79-2006 has a clause saying that instead of the set CIL rates, a formal appraisal may also be accepted. Given the disparity between land values and the per front-foot rate in the Town's by-law, we will use the estimated land values in this report.

Figure 1 **Average Change in Lot Values, 2006-2018, by GTA Region**



Source: Altus Group Economic Consulting based on MCAP data from 2006 and 2018

Since 2006, lot values have increased significantly, from 137% to 383% - these changes in lot values translate into higher land values, which in turns puts significant upward pressure on parkland cash-in-lieu contributions.

2.2.5.2 *High Rise Land Values*

Based on analysis by land appraisal team at Altus Group, the land values for high-density residential have changed significantly since 2006 – increasing by upwards of 300%+ over the 12-year period.

As expressed in terms of value per buildable square metre, the price in Downtown Toronto has increased from $463 per m^2 to $2,024 per m^2. Using this metric allows for the inflation of land values in our analysis as the density of a development project changes – higher density equates to higher land values when expressed on a per hectare basis.[2]

[2] For example, at a land value of $500 per buildable square metre, a 16,000 square metre building on a 0.80-hectare site would have a per hectare land value of $10 million. If the 16,000 square metre building is built on a 0.40-hectare site instead, the per hectare land value would be $20 million per hectare.

Figure 2 **Summary of High-Density Land Values, Greater Toronto Area**

	Average Price / Square Metre Buildable			
	2006	2018	Change	% Change
	Dollars per Square Metre			*Percent*
Toronto (Downtown)	463	2,024	1,561	337%
Toronto (Downtown Periphery/Centres)	409	1,281	872	213%
Toronto (Suburban)	226	958	732	324%
Halton (Oakville/Burlington)	151	269	118	79%
Peel (Mississauga)	129	312	183	142%
York (Vaughan / Richmond Hill / Markham)	194	538	344	178%
Durham (southern municipalities)	118	258	140	118%

Source: Altus Group

3 MODELLING AND ANALYSIS

To understand how parkland rates and cash-in-lieu contributions have changed over time, this report models rates and contributions associated with hypothetical development scenarios in the GTA.

3.1 Low-Rise Development

3.1.1 Assumptions

The low-rise development scenario is based on a hypothetical development of single-detached dwelling units. For the purposes of modelling, we have applied several assumptions:

- **Residential Units** - we have assumed 200 single-detached dwelling units would be built through the low-rise scenario;
- **Site Area** – the gross site area of the new development is assumed to be 11 hectares, with a gross-to-net area ratio of 70% (resulting in a net area of 7.7 hectares);
- **Density** – based on the number of units and site area assumptions, the density of the low-rise scenario is roughly 26 units per hectare;
- **Persons per Unit** – the persons per unit (PPU) factor is assumed to be 3.1; and,
- **Frontage of Single-Detached Lots** – the lot for each single-detached house is assumed to have a frontage of 36 feet.

This report models the low-rise scenario in 29 municipalities throughout the GTA. In Toronto, the low-rise scenario is modelled only within a suburban context (such as Scarborough, North York or Etobicoke).

3.1.2 Results

While the amount of land to be dedicated via low-rise development has not changed much over the 2006-2018 period, similar to how land values have increased, cash-in-lieu contributions have also increased significantly, by as much as 329%.

Figure 3

Estimated Parkland Dedication Amounts, or Cash-in-Lieu Contribution Requirements, Greater Toronto Area, 2006 & 2018

Hypothetical Low-Rise Development - 200 units, 11 gross hectares

	Parkland Dedication Amount		Parkland Cash-in-Lieu Contribution		
	2006	2018	2006	2018	% Change
	Hectares		*Dollars*		*Percent*
Toronto (Suburban)	0.55	0.55	2,828,571	12,048,000	326%
Mississauga	0.55	0.55	2,880,000	9,412,795	227%
Brampton	0.67	0.55	2,462,338	2,309,450	-6%
Caledon	0.55	0.55	2,181,905	7,457,143	242%
Oakville	0.67	0.55	3,335,065	10,028,571	201%
Burlington	0.67	0.67	2,337,662	6,643,247	184%
Milton	0.67	0.67	2,212,987	8,103,896	266%
Halton Hills	0.55	0.55	1,114,234	4,080,295	266%
Aurora	0.55	0.55	1,697,143	7,281,114	329%
East Gwillimbury	0.55	0.55	1,697,143	6,685,714	294%
Georgina	0.55	0.55	1,234,286	3,471,429	181%
King	0.55	0.55	1,697,143	6,962,223	310%
Markham	0.55	0.40	2,494,286	8,789,610	252%
Richmond Hill	0.55	0.55	2,828,571	11,571,429	309%
Vaughan	0.55	0.55	2,802,857	10,542,857	276%
Newmarket	0.55	0.40	1,697,143	4,376,811	158%
Whitchurch-Stouffville	0.55	0.55	1,697,143	6,018,115	255%
Ajax	0.55	0.55	1,748,571 [1]	6,171,429	253%
Brock	0.55	0.55	771,429	1,821,614	136%
Clarington	0.55	0.55	1,260,000	4,885,714	288%
Oshawa	cash rate	cash rate	695,000	1,240,000 [2]	78%
Pickering	0.55	0.55	1,902,857	5,914,286	211%
Scugog	0.55	0.55	771,429	1,821,614	136%
Uxbridge	0.55	0.55	1,260,000	4,885,714	288%
Whitby	0.55	0.55	1,645,714	5,914,286	259%
Barrie	0.67	0.55	1,496,104	3,471,429	132%
Bradford West Gwillimbu	0.55	0.55	2,057,143	5,785,714	181%
Innisfil	0.55	0.55	1,234,286	3,471,429	181%
New Tecumseth	0.67	0.55	1,911,688	4,435,714	132%
Median	0.55	0.55	1,697,143	5,914,286	248%

[1] Cash-in-lieu amount for Ajax in 2006 based on $2,800 per front foot of residential lots if CIL is used, or based on formal appraisal. We have assumed a formal appraisal approach would be used.

[2] City of Oshawa currently imposes a CIL rate of $6,200 per unit

Source: Altus Group Economic Consulting based on MCAP Lot Value Reports, various municipality parkland by-laws and policies

The median parkland dedication amount, if land is to be provided is unchanged at 0.55 hectares (or 5% of the 11 gross hectare site). However, the median cash-in-lieu contribution has increased by 248%, from $1.7 million to $6.0 million. This translates to an increase in the median per unit amount of CIL, from approximately $8,486 per unit in 2006 to $29,571 per unit in 2018.

Figure 4

Estimated Per Unit Cash-in-Lieu Contribution Requirements, Greater Toronto Area, 2006 & 2018

Hypothetical Low-Rise Development - 200 units, 11 gross hectares

	Parkland Cash-in-Lieu Contribution		
	2006	2018	% Change
	Dollars per Unit		*Percent*
Toronto (Suburban)	14,143	60,240	326%
Mississauga	14,400	47,064	227%
Brampton	12,312	11,547	-6%
Caledon	10,910	37,286	242%
Oakville	16,675	50,143	201%
Burlington	11,688	33,216	184%
Milton	11,065	40,519	266%
Halton Hills	5,571	20,401	266%
Aurora	8,486	36,406	329%
East Gwillimbury	8,486	33,429	294%
Georgina	6,171	17,357	181%
King	8,486	34,811	310%
Markham	12,471	43,948	252%
Richmond Hill	14,143	57,857	309%
Vaughan	14,014	52,714	276%
Newmarket	8,486	21,884	158%
Whitchurch-Stouffville	8,486	30,091	255%
Ajax	8,743 [1]	30,857	253%
Brock	3,857	9,108	136%
Clarington	6,300	24,429	288%
Oshawa	3,475	6,200 [2]	78%
Pickering	9,514	29,571	211%
Scugog	3,857	9,108	136%
Uxbridge	6,300	24,429	288%
Whitby	8,229	29,571	259%
Barrie	7,481	17,357	132%
Bradford West Gwillimbury	10,286	28,929	181%
Innisfil	6,171	17,357	181%
New Tecumseth	9,558	22,179	132%
Median	8,486	29,571	248%

[1] Cash-in-lieu amount for Ajax in 2006 based on $2,800 per front foot of residential lots if CIL is used

[2] City of Oshawa currently imposes a CIL rate of $6,200 per unit

Source: Altus Group Economic Consulting based on MCAP Lot Value Reports, various municipality parkland by-laws and policies

3.2 High-Rise Development

3.2.1 Assumptions

The analysis of parkland dedication rates and cash-in-lieu contributions for high-rise developments is based on four hypothetical apartment building

development scenarios within each municipality. In each scenario, the number of dwelling units and gross floor area are held constant:

- **Residential Units** – we have assumed 200 apartment dwelling units would be built;
- **Unit Size** – each unit is assumed to have a gross floor area (GFA) of 80 square metres, inclusive of all hallways and common areas, meaning the building will have a total gross floor area of 16,000 square metres. This equates roughly to an average interior unit size of approximately 65 square metres (700 square feet).

The variable element in the four high-rise scenarios are the land areas associated with the site in each scenario – this is meant to show how parkland dedication or cash-in-lieu contributions change as the floor space index of a prospective development changes. Therefore, the base scenario (Scenario 1) is based on a Floor Space Index[3] ("FSI") of 2.0, it being based on 16,000 square metres of buildable area assumed to be constructed on an 8,000 square metre (0.80 ha.) site.

Scenario 2 is based on an FSI factor of 3.0, meaning that the 16,000 square metre building will be constructed on a 5,300 square metre site (0.53 ha.). We will also study scenarios with FSI factors of 4.0 (Scenario 3) and 5.0 (Scenario 4).

Figure 5

Assumptions of Various High-Density Scenarios

High-Rise Scenarios	Units	GFA per Unit *Sq. m.*	Building GFA *Sq. m.*	Density *FSI*	Site Area *ha*
Scenario 1	200	80	16,000	2.0	0.80
Scenario 2	200	80	16,000	3.0	0.53
Scenario 3	200	80	16,000	4.0	0.40
Scenario 4	200	80	16,000	5.0	0.32

Source: Altus Group Economic Consulting

This report includes the analysis of each of the four high-rise scenarios as applied to the parkland dedication and cash-in-lieu policies in nine (9)

[3] Floor Space Index is the ratio of building area to site area.

municipalities throughout the GTA, including three distinct areas of the City of Toronto.

3.2.2 Results

The cash-in-lieu of parkland contributions have in many cases changed significantly over the 2006-2018 period. In several cases, the changes in CIL contributions are consistent with the changes in land values (Toronto, Burlington, Vaughan, Richmond Hill, Oshawa, and Ajax).

Figure 6 **Change in Cash-in-Lieu of Parkland Contributions, 2006-2018, High-Density Development at Varying Densities**

	2006					
	2.0 FSI	3.0 FSI	4.0 FSI	5.0 FSI	Average	
			Dollars per Unit			
Toronto (Downtown)	3,703	3,703	3,703	3,703	3,703	
Toronto (Downtown Periphery/Centres)	3,272	3,272	3,272	3,272	3,272	
Toronto (Suburban)	1,808	1,808	1,808	1,808	1,808	
Halton (Oakville)	3,014	3,014	3,014	3,014	3,014	
Halton (Burlington)	10,046	15,069	20,093	25,116	17,581	
Peel (Mississauga)	8,611	12,917	17,222	21,528	15,069	
York (Vaughan)	12,917	19,375	25,833	32,292	22,604	
York (Richmond Hill)	12,917	19,375	25,833	32,292	22,604	
York (Markham)	12,917	19,375	25,833	32,292	22,604	
Durham (Oshawa)	900	900	900	900	900	
Durham (Ajax)	7,894	11,840	15,787	19,734	13,814	
	2018					
	2.0 FSI	3.0 FSI	4.0 FSI	5.0 FSI	Average	% Change in Average
			Dollars per Unit			
Toronto (Downtown)	16,189	16,189	16,189	16,189	16,189	337%
Toronto (Downtown Periphery/Centres)	10,247	10,247	10,247	10,247	10,247	213%
Toronto (Suburban)	7,664	7,664	7,664	7,664	7,664	324%
Halton (Oakville)	10,764	16,146	21,528	26,910	18,837	525%
Halton (Burlington)	10,764	16,146	21,528	26,910	18,837	7%
Peel (Mississauga)	8,870	8,870	8,870	8,870	8,870	-41%
York (Vaughan)	8,500	8,500	8,500	8,500	8,500	-62%
York (Richmond Hill)	10,000	10,000	10,000	10,000	10,000	-56%
York (Markham)	21,528	32,292	43,056	53,820	37,674	67%
Durham (Oshawa)	1,550	1,550	1,550	1,550	1,550	72%
Durham (Ajax)	10,333	15,500	20,667	25,833	18,083	31%

Source: Altus Group

In one case, the increase in CIL payments have significantly outpaced the change in land values for various reasons:

- **Oakville** – the CIL payments increased by 525%, but land values increased by only 78%. The difference was caused by the Town eliminating its maximum contribution of 25% on the value of the lands being developed. The Town's current policies have no such cap, meaning that the full 1 hectare per 500 unit is applied.

There are also instances where the increases in land value exceeded the change in CIL payments:

- **Markham:** The City has moved from a standard 1 hectare per 300 dwelling unit rate to a CIL contribution that is capped at 1 hectare per 500 dwelling units.

There are also several cases where the CIL contributions, on a per unit basis, have declined since 2006:

- **Mississauga:** for instances where CIL payments are made in respect of medium- or high-density developments, currently a fixed rate of $8,870 per unit is charged by the City. In 2006, the City received CIL payments equivalent to the land value of 1 hectare per 300 dwelling units. This has led to the average CIL payment falling by 41%, with the decline even greater as the density increases, due to the flat rate now being applied to each unit
- **Vaughan:** for instances where CIL payments are made in respect of high-density developments, a CIL unit rate of $8,500 per units is now used[4], whereas previously the base 1 hectare per 300 dwelling units was used, based on land value;
- **Richmond Hill:** The Town had moved from a standard 1 hectare per 300 dwelling unit rate to an approach that takes the lesser of 1 hectare per 300 dwelling units or 1 hectare per 730 persons, where the number of persons generated by a development is based on prescribed persons per unit factors – for apartment units this factor is 1.92 persons per unit. More recently, however, the Town adopted a set CIL rate for multi-residential buildings of $10,000 per unit[5] – this adopted recommendation has been used in the modelling within this report;

3.2.3 The Relationship Between Density and Parkland Requirements

Figure 7 illustrates how in municipalities without a 'cap' on the amount of cash to be provided in lieu of dedication, the CIL contribution increases on a per unit basis as the density of development increases.

In the scenarios, based on a building of equal size, and a constant land value per buildable square metre (in this case $500 per buildable square metre), the total land value is constant at $8,000,000, but with reduced site sizes as the density increases, the land value per hectare increases.

[4] City of Vaughan By-law 205-2012

[5] Town of Richmond Hill, Committee of Whole, January 21, 2019

With the cash-in-lieu of parkland rate a static 1 hectare per 500 units, it results in a dedication or CIL equivalent to the value of 0.40 hectares in each scenario, regardless of site size. In Scenario 3, this dedication amount is equal to the development site size. In Scenario 4, this dedication amount is greater than the size of the development site.

If the 0.40 hectares used as the basis for the CIL contribution is unchanged as the density increases, and the land value per hectare increases with that additional density, it results in a CIL per unit that increases as density increases.

Figure 7

Cash-in-Lieu of Parkland Amounts under Various High-Density Scenarios

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Gross Floor Area per Unit (sq. metres)	80	80	80	80
Number of Units	200	200	200	200
Gross Floor Area (sq. metres)	16,000	16,000	16,000	16,000
Density (Floor Space Index)	2.0	3.0	4.0	5.0
Site Area (hectares)	0.80	0.53	0.40	0.32
Land Value per Buildable SM ($/sq.m.)	500	500	500	500
Land Value (dollars)	8,000,000	8,000,000	8,000,000	8,000,000
Land Value per Hectare ($/hectare)	10,000,000	15,000,000	20,000,000	25,000,000
Parkland Dedication (hectares)	0.40	0.40	0.40	0.40
CIL Amount (dollars)	4,000,000	6,000,000	8,000,000	10,000,000
CIL per Unit ($/unit)	20,000	30,000	40,000	50,000
CIL per sm of GFA ($/sm)	250	375	500	625

Source: Altus Group Economic Consulting

As can be seen from Figure 6, as the density of the 200-unit building increases (via smaller site sizes), the CIL contribution increases from $4 million at 2.0 FSI, to $10 million at 5.0 FSI, despite no additional units being built, and the need generated by residents remaining the same in either case. In Scenario 4, the value of the CIL contribution ($10,000,000) exceeds the value of the land ($8,000,000). The CIL contribution on a per unit basis increases from $20,000 per unit at 2.0 FSI to $50,000 per unit at 5.0 FSI.

From an economic perspective, a policy that results in higher per unit costs because of higher densities will discourage intensification and the transit-supportive densities desired at many key locations in municipalities throughout the GTA.

Figure 8 shows the same scenarios as the previous figure but models the amount of parkland to be dedicated (or cash-in-lieu) to be provided where a cap is utilized. In this case, a 30% cap on the amount of land to be dedicated (upon which CIL payments would be calculated) is applied.

This results in the CIL payment to be held constant at $2,400,000, or $12,000 per unit. In no instance will the value of the CIL payment exceed the value of the land being developed.

Figure 8 **Cash-in-Lieu of Parkland Amounts under Various High-Density Scenarios, with Cap**

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Gross Floor Area per Unit (sq. metres)	80	80	80	80
Number of Units	200	200	200	200
Gross Floor Area (sq. metres)	16,000	16,000	16,000	16,000
Density (Floor Space Index)	2.0	3.0	4.0	5.0
Site Area (hectares)	0.80	0.53	0.40	0.32
Land Value per Buildable SM ($/sq.m.)	500	500	500	500
Land Value (dollars)	8,000,000	8,000,000	8,000,000	8,000,000
Land Value per Hectare ($/hectare)	10,000,000	15,000,000	20,000,000	25,000,000
Parkland Dedication (ha) - Cap of 30%	0.24	0.16	0.12	0.10
CIL Amount (dollars)	2,400,000	2,400,000	2,400,000	2,400,000
CIL per Unit ($/unit)	12,000	12,000	12,000	12,000
CIL per sm of GFA ($/sm)	150	150	150	150

Source: Altus Group Economic Consulting

4 STATUS OF CASH-IN-LIEU RESERVES BY MUNICIPALITY

Each year, municipalities report to the Ministry of Municipal Affairs and Housing on their financial performance (via the "Financial Information Return" submissions), which includes disclosures regarding the end-of-year balances in various reserves and reserve funds.

As of 2006, the 29 municipalities reviewed in this report had a total combined surplus of $314 million in their parkland reserve funds, which is where the cash-in-lieu of parkland contributions would be directed to. The largest surpluses in 2006 were in the City of Toronto ($121 million), the City of Mississauga ($75 million) and the City of Vaughan ($32 million).

Figure 9

End of Year Balance in Municipal Parkland Reserve Funds, 2006-2017

	End of Year Balance			
	2006	2017	Change	%Change
Municipality		*Dollars*		*Percent*
Toronto	120,945,510	674,434,342	553,488,832	458%
Brampton	23,646,240	102,352,134	78,705,894	333%
Mississauga	75,141,969	70,981,896	(4,160,073)	-6%
Vaughan	31,658,407	63,483,795	31,825,388	101%
Richmond Hill	16,799,208	57,119,407	40,320,199	240%
Oakville	11,725,648	39,564,534	27,838,886	237%
Markham	7,426,364	37,539,965	30,113,601	405%
Burlington	4,299,492	20,449,594	16,150,102	376%
Aurora	4,668,703	7,139,787	2,471,084	53%
Milton	1,750,093	7,000,128	5,250,035	300%
Whitby	1,430,224	5,841,575	4,411,351	308%
King	900,563	5,324,497	4,423,934	491%
Barrie	719,539	5,192,497	4,472,958	622%
Caledon	380,858	4,981,842	4,600,984	1208%
Halton Hills	1,189,204	4,748,219	3,559,015	299%
Pickering	1,993,928	4,532,056	2,538,128	127%
Innisfil	751,450	2,558,652	1,807,202	240%
Whitchurch-Stouffville	2,445,871	2,261,147	(184,724)	-8%
Clarington	n.a.	2,198,198	n.a.	n.a.
Ajax	1,232,384	2,075,382	842,998	68%
Uxbridge	685,594	1,747,207	1,061,613	155%
Georgina	208,959	1,451,514	1,242,555	595%
New Tecumseth	368,608	1,412,675	1,044,067	283%
Oshawa	627,422	1,084,224	456,802	73%
Bradford West Gwillimbury	677,481	826,387	148,906	22%
Scugog	530,856	667,046	136,190	26%
Newmarket	1,381,316	373,415	(1,007,901)	-73%
Brock	285,418	191,711	(93,707)	-33%
East Gwillimbury	132,746	45,121	(87,625)	-66%
Total	314,004,055	1,127,578,947	811,376,694	258%

Source: Altus Group Economic Consulting based on 2006 and 2017 Financial Information Returns

As of 2017, the combined surplus among these municipalities increased by 258% to a total of $1.13 billion. The largest surplus was again the City of

Toronto's, at $674 million (+458% since 2006), followed by the City of Brampton ($102 million, up 333% from 2006), and the City of Mississauga ($71 million, down slightly since 2006).

On a per capita basis, the Town of Richmond Hill has the highest amount of reserves, at $293 per capita, followed by the City of Toronto ($247 per capita) and King Township ($217 per capita). On average, the per capita parkland reserves have increased by 125% over the 2006-2018 period.

Figure 10 **Per Capita Municipal Parkland Reserve Fund Balances, 2006-2017**

	Parkland Reserve Funds Per Capita			
	2006	2017	Change	%Change
Municipality		*Dollars per Capita*		*Percent*
Richmond Hill	103	293	190	184%
Toronto	48	247	199	411%
King	46	217	171	370%
Vaughan	133	207	75	56%
Oakville	71	204	133	188%
Brampton	55	172	118	216%
Aurora	98	129	31	31%
Markham	28	114	86	302%
Burlington	26	112	85	327%
Mississauga	112	98	(14)	-12%
Uxbridge	36	83	47	131%
Halton Hills	22	78	56	261%
Caledon	7	75	68	1022%
Innisfil	24	70	46	190%
Milton	32	64	31	96%
Pickering	23	49	27	118%
Whitchurch-Stouffville	100	49	(51)	-51%
Whitby	13	46	33	254%
New Tecumseth	13	41	28	210%
Barrie	6	37	31	555%
Georgina	5	32	27	548%
Scugog	25	31	6	25%
Clarington	n.a.	24	n.a.	n.a.
Bradford West Gwillimbury	28	23	(5)	-17%
Ajax	14	17	4	27%
Brock	24	16	(7)	-31%
Oshawa	4	7	2	53%
Newmarket	19	4	(14)	-76%
East Gwillimbury	6	2	(4)	-70%
Average	40	88	50	125%

Source: Altus Group Economic Consulting based on 2006 and 2017 Financial Information Returns and 2006 and 2016 Census Data

5 CONCLUSIONS

5.1.1 Cash-in-Lieu Contributions are Increasing Rapidly

Most municipalities within the GTA have parkland dedication policies set at the maximum rates permitted by *Ontario Planning Act*, 5% of the total land area or 1 hectare per 300 dwelling units. The City of Toronto is the only municipality which sets parkland dedication rates lower than the maximum permitted by the *Planning Act.*

Most GTA municipalities have cash-in-lieu policies corresponding to the maximum rates permitted by the *Planning Act*, at the value of 5% of the land area or 1 hectare per every 500 units. Only two municipalities within the GTA (Newmarket and Toronto) currently have CIL policies that place a percentage cap on the required amount of cash-in-lieu payments. Caps allow municipalities to avoid the disincentive that sees CIL contributions per unit increase as the density on a given development site increases.

To understand how parkland dedication rates and cash-in-lieu contributions have changed from 2006 to 2018, low-rise and high-rise development scenarios were developed for numerous municipalities in the GTA based on their respective policies at the start of the study period and as they presently stand.

- Under the low-rise scenario, the amount of land to be dedicated has not changed much over the study period, however the median CIL contribution has increased from approximately $8,500 per unit in 2006 to $29,600 per unit in 2018, an increase of 248%. This increase has largely been driven by increasing land values used to determine the quantum of CIL payments.
- In the high-rise scenario, the CIL contributions have shifted in varying directions:
    - In some cases, per unit CIL contributions have **increased** significantly over the study period, either **at or above the corresponding change in land values**, due to a combination of increasing land values and/or municipal policy change (in the case of Oakville, the elimination of a 25% cap);
    - The per unit CIL contributions on high-density development in some municipalities have **decreased** (Mississauga, Vaughan,

Richmond Hill), mostly due to the move from a land-value based calculation to a fixed per unit rate;

- In other municipalities, CIL contributions have **increased**, but **at a slower pace than the change in land values** (Oshawa, Ajax, Burlington), due to some combination of changes to the Planning Act, the implementation of fixed per unit rates, and other local policies related to CIL payments.

5.1.2 There is a Need for a Cap, so as to Not Discourage High Density Development

In municipalities without a cap on CIL contributions, the amount of the CIL contributions increase on a per unit basis as the density of a prospective development increases for high-density residential projects. In a "no cap" scenario, as the density of the building increases via smaller site sizes, the per unit CIL contribution increases. At a certain point, it is possible for the value of the CIL contribution to exceed the value of the land. A policy that results in higher per unit costs because of higher densities will discourage intensification and the transit supportive densities desired at many key locations in municipalities throughout the GTA.

Where percentage caps are applied the CIL contributions are held at a constant per unit rate as the density of the building increases. The implementation of a percentage cap on CIL contributions would be an equitable way to generate funding for parkland acquisition and other public recreational needs.

5.1.3 The Current System Results in Disparities in Cash-in-Lieu both Between and Within Municipalities

Another fundamental issue with cash-in-lieu of parkland is the significant disparity in CIL contributions both between and within municipalities. It is expected that the differences in land values between municipalities will lead to some differences in CIL contributions, however there are several other factors that are causing CIL payments to significantly vary from one municipality to the next.

Disparities **between** municipalities (which sometimes run counter to the differences in land values) are often due to differing policy approaches in levying cash-in-lieu of parkland.

- For example, in our high-rise development scenario, a building built at 5.0 FSI would result in a developer paying $16,189 per unit in Downtown Toronto, but $53,820 per unit in Markham. This is driven by the City of Toronto having a percentage cap on CIL payments, as well as an alternative rate of 0.4 hectares per 300 dwelling units.
- CIL contributions can also vary significantly from one municipality to the next. For example, within Peel Region, a developer would pay $11,547 per unit for CIL on a 200-unit subdivision in Brampton but would pay $47,064 per unit for CIL on the same development in Mississauga. This is driven by the City of Brampton having a fixed CIL rate, while the City of Mississauga bases CIL contributions on appraised land values.

Disparities **within** municipalities can result in housing units of the same form paying different amounts depending on the density of the buildings they are contained within. All else being equal, a unit in a denser development would pay more per unit than one in a less dense development.

- For example, in our scenarios, a unit in Burlington within a building built at 2.0 FSI would pay $10,800 per unit, while a unit within a building built in Burlington at 3.0 FSI would pay $16,100 per unit, a unit in a 4.0 FSI building would pay $21,500 per unit, and so on.

To avoid these disparities, some municipalities have instituted caps on CIL contributions, while others have set fixed per unit rates for some unit types, particularly high-rise units. We would recommend that municipalities place a cap on cash-in-lieu of parkland contributions, so that transit-supportive developments in intensification areas are encouraged and treated fairly.