

## **Attachment 1: Summary of Options for potential changes to the Alternative Parkland Dedication Rate for Cash-in-Lieu of Parkland**

### **New rates can be city-wide or area-specific**

The City has the ability to adopt a new city-wide or a new area-specific rate, or a combination thereof. Under the *Planning Act*, implementation of a new rate structure requires the adoption of a Parks Plan that examines the need for parkland in the municipality. A Parks Plan provides the rationale for the alternative rate for land or cash-in-lieu. A Parks Plan can be city-wide or local, enabling the City to institute an alternative rate tailored to area-based and/or city-wide needs.

For example, there are areas of the city with larger parcel fabrics which present opportunities to acquire on-site parkland through the development approvals. Other areas including the City's higher growth areas, such as the Downtown, North York Centre, and Yonge and Eglinton, have smaller sites and are experiencing a higher intensity of development proposals. Updates to the City's approach to an alternative rate need to be responsive to these different contexts in the city. To that end, the options investigated through this study included consideration for approaches to the alternative rate that could be tailored to the demands for parkland caused by growth across Toronto.

### **Three options for an updated alternative rate for cash-in-lieu**

Eight representative developments from the Urban Growth Centres and one non-UGC location were identified on which to test the potential rate options. Actual developments were selected to reflect real land values, the range of site sizes, densities and periods of market absorption.

The representative developments were selected in the following areas of the city:

- Three submarkets of the Downtown:
  - *King-Spadina West*
  - *Downtown East*
  - *Bloor-Yorkville*
- Yonge-Eglinton Centre
- North York Centre
- Etobicoke Centre
- Scarborough Centre
- Eglinton East Neighbourhood Improvement Area (NIA)

### ***Alternative Parkland Dedication Rate Options for Consideration***

Three new alternative rate options were tested. These options were:

- Changing the current rate of 0.4 hectares/300 units to a needs-based rate, with no site value caps;

- Maintaining the current rate of 0.4 hectares/300 units, with a site value cap of 30 percent to be applied to all developments paying cash-in-lieu of parkland; and
- Maintaining the current rate of 0.4 hectares/300 units, and applying a graduated cap to development sites based on intervals of density bands.

Assessment of the impact of each of these rate options was based upon the eight representative developments and analysis of how each option would support Official Plan policy and emerging local planning frameworks.

### **Option 1: An un-capped rate: cash-in-lieu calibrated to parkland need**

An un-capped rate would be structured on an actual target for parkland acquisition. For the purposes of the analysis undertaken to date, the pro formas were modelled upon achieving the medium provision of 0.8 hectares/1,000 residents on net new growth under the Official Plan's current standard of the Local Parkland Acquisition Cells (LPAC); however, that target may change following the completion of the City-wide Parkland Strategy or locally based Park Plans.

Using an uncapped rate best represents the economic realities of providing parkland in an urban context on a land per unit basis. However, the rate would need to be calibrated to maintain development feasibility. This option could be considered in areas with consistent land values and as such may be best suited if applied to specific geographic areas.

### **Option 2: A flat cap: a single city-wide rate**

Within the study areas, more than 90% of sites are on parcels less than one hectare and would, under the current rate, be required to pay 10 percent of the value of the site if applying cash-in-lieu. Ninety seven percent of those sites are at densities in excess of the 75 units per hectare - at which the current 10 percent value cap captures actual new parkland demand. With the objective of closing that value gap, this scenario tested a flat cap of 30 percent across all development.

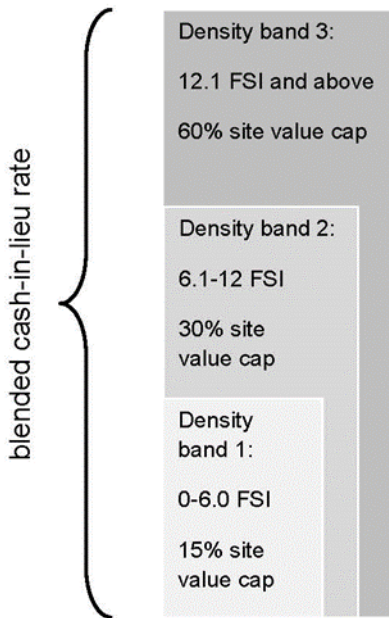
A 30 percent cap would increase the percentage of site value paid in cash-in-lieu by between 10-20 percent over what is required by the current caps depending on the site size. The 30 percent cap analysis indicates a potential increase in the amount of cash-in-lieu collected by approximately 160 percent. If the City were to use the total cash-in-lieu amount at time of payment to acquire sites, the potential area that could be purchased would be increased by 200 percent under the 30 percent cap. A flat cap if applied city-wide fails to reflect Toronto's various land markets and could affect the City's ability to achieve its other policy goals. For example, a cap of 30 percent would nearly triple the cost of the parkland contribution within the context of the NIA land market tested in this analysis. This higher rate may, in the short term, delay development along the City's *Avenues* or in areas where densities are typically lower, and where the cost of a 30 percent cap would be spread across less saleable area.

### **Option 3: A graduated cap: site value caps that adjust with density**

The City has the ability to more effectively use Section 42's alternative rate provisions with consideration for development feasibility at lower densities and/or the city's different land markets by applying a system of caps that increase with density, based on the residential component of a project's Floor Space Index (FSI).

A 'graduated cap' would better reflect an increased demand for parkland as density increases and more residents are introduced to an area. Further, the higher payment would bear a closer relation to the increase in local land values when other nearby sites that could be acquired for parkland are also assessed for potential high-density development. Lower density projects providing cash-in-lieu would qualify for a lower rate. The benefits of this structure is that it can be calibrated to reflect city-wide density trends, or tailored to local land markets that are within the boundaries of a local Parks Plan. In areas with higher densities and land values, the bands can be structured to capture higher percentages of site values.

For the analysis modelled in this review, an FSI of 6.0 times coverage formed the basis for the first band of site value cap, doubling that density to 12.0 times coverage was the second band of site value cap, and anything in excess of that formed the upper band. Regardless of what the bands are used in city-wide or in different geographies, projects would effectively be charged a blended rate, reflecting the amount of residential density that would fall between each FSI band. This rate structure is illustrated in Figure 1, below:



**Figure 1: Illustrative example of the graduated site value cap approach**

The analysis tested the structure of graduated cap as shown in Figure 2, and indicated a higher degree of equity in parkland purchasing power between higher and lower density projects. Very high density projects would pay an increased cash-in-lieu amount of over 200 percent over the current rate, while the example of a development along an Avenue in an NIA would pay an increase of 50 percent if both projects were under the same graduated cap policy. In the tested scenarios, the pro forma analysis showed that updating the alternative rate caps would have an impact on residual land value that could be tolerated by the local markets. The structure shown in Figure 2 was tested through the pro forma analysis to illustrate the potential impacts of this cap structure. The actual site value caps and density bands should be determined through the City-wide parkland strategy, or individual Parks Plans.