

FINANCE & ADMINISTRATION COMMITTEE JUNE 18, 2012

CASH-IN-LIEU OF PARKLAND DEDICATION HIGH DENSITY RESIDENTIAL DEVELOPMENT

Recommendation

The Commissioners of Legal and Administrative Services, Community Services, Finance, and Planning, recommend:

1. That a by-law be enacted to provide that the current formula of 1hectare/300 units for the determination of cash-in-lieu of parkland dedication continue to be used, and that on an average of medium density values, the unit rate for high density residential development shall be \$8,500.00 per unit.
2. That Council provide direction regarding the preferred implementation option.
3. That the current formula for estimating parkland credits, being “area of parkland dedicated x 300 u/ha equals the number of units to be deducted from total units on which cash-in-lieu is payable” continue to be used.
4. AND That staff be directed to complete a review of appropriate parkland credits within the intensification areas being the Vaughan Metropolitan Centre and the Yonge/Steeles Secondary Plan area and report to a future Committee.

Contribution to Sustainability

Section 6.4 of the “Active Together Master Plan”, recommends that the City develop a policy for dealing with higher density developments as it relates to Parks and Open Space. The plan supports a policy of Cash-in-lieu of park land as it accommodates the sustainable development of communities by encouraging denser development, encouraging alternative transportation and requiring reduced servicing.

Economic Impact

A higher per unit rate for high density residential development will result in increased cash-in-lieu revenue to the municipality. The higher rate would come into effect and be applied upon enactment of the by-law by Council on June 26, 2012.

Communications Plan

Council decision’s will communicate to applicants through the development process. A copy of this report has been provided to BILD. Staff will be meeting with representatives from BILD on June 13, 2012, and will provide further comments to the June 18, 2012 Finance & Administration Committee.

Purpose

The purpose of this report is to provide information on policies, practices, and issues concerning the collection of cash-in-lieu of parkland dedication for high density development and to seek approval to increase the per unit rate for cash-in-lieu of parkland.

Background

Cash-in-Lieu is the primary source of revenue

Cash-in-lieu is an important source of revenue for municipalities to establish a fund to ensure the provision of parkland appropriate to meet the needs of the residents. Cash-in-lieu is generally required to be paid by developers of land where the developer would have insufficient lands to be able to convey the land otherwise required to be conveyed as parkland under the legislation. Under the Planning Act, this is 5% of the area of land proposed for residential development, and 2% for commercial or industrial development. Alternatively, a rate of 1 hectare per 300 dwelling units may be utilized.

Council may require payment of cash-in-lieu, being the value of the lands otherwise required to be conveyed. Valuation is determined as of the day before the building permit is issued pursuant to Section 42.

Generally, municipalities apply 5% for low density residential and 1 ha/300 units or some reduced standard for high density residential development. For medium density development, both methods are being used by municipalities.

The Vaughan Official Plan 2010 will usher in a more urban form of development, and it is timely for staff to undertake a review of the City's cash-in-lieu policies. GSI Real Estate & Planning Advisors Inc. were retained to review current policies and practices and provide a comprehensive report regarding the City's Cash-in-lieu of Parkland Policies specifically for high density development and values.

The goal was to identify alternative methodologies used for cash-in-lieu calculations, and current trends in other municipalities. Emerging issues for high density development were reviewed and the development industry concerns are discussed in this report. The analysis led to proposed policies that will maximize revenue opportunities to protect the current parkland standard while staying competitive in encouraging appropriate development.

Legislative Framework Establishes Cash-in-Lieu Requirement

The Planning Act provides the authority for municipalities to require the dedication of parkland or a cash payment in lieu of parkland dedication as follows:

As a condition of development, redevelopment, draft plan approval, site plan, and severance, parkland or cash in lieu is required at a rate of 2% for industrial or commercial and 5% for residential of the land proposed to be developed, draft approved or severed.

Alternatively, parkland or cash in lieu may be required at a rate of up to 1 hectare per 300 dwelling units proposed

City of Vaughan Policy Contains Appropriate Authorizing Provisions

The City's current Official Plans and Vaughan Official Plan 2010 contain provisions authorizing the use of the alternative requirement of 1 ha/300 units for residential development above low density.

In June 1991, Council authorized that for the purpose of estimating land that would be required to be conveyed on the basis of 1 hectare for 300 units, a fixed unit rate was to be applied for high density development. In 1994 this amount was set at \$2,200 per unit, and Bylaw 211-2005 changed the rate to \$4,100/unit.

This rate was based on an "average" low-density raw residential acreage value. It was similar in methodology and rates being used by other large GTA municipalities. The theory behind this rate

per unit is that municipalities normally purchase low density residential land for park purposes and not land designated for high density.

Supply of Parkland May Fall Short of Current Target Service Level

The main objective of a cash-in-lieu policy is to ensure that there are sufficient revenues collected to acquire the parklands necessary to meet City standards.

Vaughan's current parkland dedication policies require the provision of new parkland for all residential development at the rate of 5% of the total gross land area for low density and 1 hectare of parkland per 300 dwelling units for medium and high density land.

The Active Together Master Plan provides an overview and long-term strategy to guide planning for parks, recreation, and other facilities. In terms of service levels, the City is providing 4.19 hectares of active and passive parks and open space for every 1,000 residents. Within this overall target, the objective is to achieve 2.5 hectare of active parkland per 1,000 residents. Vaughan's current ratio of active parkland is 2.85 hectares per 1,000 residents.

Under the existing Parkland criteria only lands classified as Regional District parks, neighborhood parks and public squares are eligible for dedication under the development process. Parks and public squares must be visible with prominent public street frontage and such parkland must be free of all encumbrances including utilities, easements, underground parking facilities or any buffer land adjacent to rail or hydro corridors.

In addition, current parkland supply includes woodlots, open space areas, and shared facilities. These areas are acquired through the development process, but not the parkland dedication process.

There are currently communities that do not meet the recommended standard of 2.5 ha/1000 of active parkland. Based on current population forecasts, the Active Together Master Plan estimated that additional active parkland will be needed by build out in 2031 to achieve the current standard. Active parkland at the current service level may be unattainable in light of high land costs. The Active Together Master Plan is currently under review.

High Density & Residential Intensification Areas

Under Provincial legislation (i.e. Place to Grow Act) Vaughan has been identified as a community that will be allocated significant new growth through new Greenfield development and intensification. In addition, the Provincial Policy Statement also requires all urban areas to establish intensification targets within all settlement areas. The objective is to produce a more compact urban form that encourages the efficient use of lands, mixed land uses, transit options, and reduced infrastructure. The result will be smaller lots, higher densities and more mixed use developments.

Section 7.3.3.2 of Vaughan Official Plan 2010 requires the provision of new parkland for all new residential development at the rate of 5% or 1ha/300 units, or a combination thereof, whichever is greatest. Cash-in-lieu of parkland dedications or a combination of cash-in-lieu and parkland may be considered where such contributions may be more effective in achieving local parkland targets and the objectives of the Active Together Master Plan, such as intensification areas where parcels may be too small to result in an effective parkland dedication. Another section provides direction for considering alternative means of establishing parkland such as land purchases or partnership.

It is the policy of Council and the Vaughan Official Plan 2010 to consider the parkland objectives and targets of the Active Together Master Plan, in the application of parkland dedication requirements in the development process.

Cash-in-Lieu Methodologies

1. Fixed Unit Rate

- A dollar cap per unit based on the market value of 1 ha of low or medium density residential development land, divided by 300 units.

2 (a) P.P.U. Model – Using Site Specific High Density Values

- Area of the parkland requirement is calculated using a person-per-unit (PPU) multiplier applied to 1-bedroom and 2-bedroom units included in the proposed development. The value of the land used to calculate the 'cash-in-lieu' is based on the estimated market value of the specific development site (i.e. Markham model outside Markham Centre). This method generates a requirement which is less than 1 ha/300 units, for example 1.1214 ha/1000 population.

2 (b) P.P.U. Model – Using Less Than High-density Values

- Area of the parkland requirement is calculated using a person-per-unit (PPU) multiplier applied to 1-bedroom and 2-bedroom units included in the proposed development. The value of the land used to calculate the 'cash-in-lieu' is based on the estimated Markham Centre values of medium to high density development land (i.e. Markham model inside Markham Centre).

3. Percentage of Land Values

- Method uses a fixed percentage of the estimated Market Value of the specific High Density Development Site. (Toronto model – currently 10% of land value for majority of sites).

4. Fixed Percentage of Land

- This method refers to the 5% of gross land area usually used for low density sites.

Practices in GTA Municipalities

As the real estate market is relatively consistent in the GTA suburbs, particularly Brampton, Richmond Hill and Markham, the practices of those municipalities were surveyed and are summarized in the following chart.

#	Municipality	Method for Calculating the CIL Charge	Rate per Unit (Suite)	Credit for on-site Parkland
1	Vaughan	FIXED RATE: Market Value of medium density land divided by 300 units.	\$8,500.00 (proposed)	Yes (conveyance only)
2	Markham	Market Value of the high density site based on 1.2141 ha. per 1,000 population.	Typically equates to \$4,900 to \$7,800 per unit	Yes
3	Richmond Hill	FIXED RATE: Recently passed a fixed rate charge. Previous rate was based on 5% of the market value of the site.	\$10,000	Yes (conveyance only)
4	Mississauga	FIXED RATE: Market Value of medium density land divided by 300 units.	\$7,800	Yes (not significant given small site size)

5	Toronto	10% to 20% of the Market Value of the high density site	\$5,000 to \$10,000	No
6	Brampton	FIXED RATE: Market Value of low density land divided by 300 units.	\$3,300 (<i>is reviewing CIL</i>)	Yes (<i>conveyance only</i>)

Markham applies a pre-set land value to development occurring in Markham Centre. This value reflects the market value of all lands in Markham Centre. Mississauga rates are based on medium density land values.

Toronto's cash-in-lieu charge is equal to 10% - 20% of the market value of the development site depending on the size of the site (smaller site = 10%, larger site = 20%). Given the typical size of a development site in the City, most are charged 10%.

Rates

As illustrated, most municipalities collect cash-in-lieu based on either a "fixed rate per unit" or on the basis of a "percentage of market value of the development site". These methods recognize that collecting cash-in-lieu based on the market value of 1 hectare of high density land is cost prohibitive to development given current development densities, declining P.P.U. rates and unit sizes.

In 2009, Toronto and Richmond Hill considered changing cash-in-lieu using the 1 ha/300 units formula based on high density land value. In 2011, Richmond Hill passed an interim by-law for 1 year, pending review, charging \$10,000 per unit.

Vaughan and Brampton collect the fixed rate charge based on the market value of low density land while Mississauga bases the rate on medium density land. This recognizes that parkland is usually acquired in low and medium density areas. Markham uses a formula that considers the population using persons per unit (ppu) multiplier.

Brampton, Richmond Hill and Markham are reviewing their cash-in-lieu policies. Within the GTA, real estate values tend to be higher in Mississauga and as such, the \$7,800/unit should represent the highest rate. However, the \$10,000/unit in Richmond Hill may set a new standard. It is noted that the \$10,000/unit was set without using a specific method, and appears to represent an estimate based on medium density values.

Credits

Most municipalities do not have a written policy regarding the methodology for determining the value of on-site parkland to be conveyed.

Except for Toronto, municipalities provide credits for on-site parkland to offset the cash-in-lieu amount. Municipalities, except for Markham, require that on-site parkland be conveyed to the municipality. To date, only Markham accepts parkland under strata-title which is evaluated on a case-to-case basis. Markham also provides credits for on-site parkland improvements. However, over-improving on-site parkland increases the value and overall appeal of the units thereby resulting in a benefit to the developer and less cash contribution. Such credits impact the overall net cash-in-lieu amounts.

Concern has been expressed by the development industry that large sites can accommodate some parkland (10% - 20%) while smaller sites cannot due to size constraints. The issue is that the larger sites are not losing development density as the density is simply transferred to the remaining site and yet the parkland area offsets the cash contribution.

The Vaughan Official Plan 2010 provides for parkland dedication credits through the development process for Regional, District, and Neighbourhood parks and public squares. Within the

Intensification areas, neighbourhood parks and public squares may be smaller and accommodate less intensive uses.

The formula used by Vaughan is “area of parkland multiplied by 300 (ha x 300) equals number of units” to be used as a credit. Richmond Hill is using the same formula.

There are four (4) methods for determining the value of credits for the conveyance of on-site parkland.

Richmond Hill – In a recent situation, the land area was converted back to a unit equivalent using the 1 ha/300 unit formula and subtracted it from total number of units. This method is similar to the City’s method. Richmond Hill is using this method on an interim basis and intends to review other methods.

Vaughan – The area of the on-site parkland to be conveyed is multiplied by a development density of 300 units per 1 hectare, and the resulting yield (i.e. number of units) is deducted from the total units.

Mississauga – The area of the on-site parkland to be conveyed is multiplied by the development density of the specific development (as proposed; say 500 units over 1 hectare based on recent developments), and the resulting yield (i.e. number of units) is multiplied by the fixed rate charge for cash-in-lieu of parkland.

Markham – Markham is the only municipality surveyed that provides credit for on-site parkland without the requirement that the land be conveyed to the municipality. The methodology for determining the credit for on-site parkland begins with a calculation of the gross area of parkland required from the proposed development (based on 1.2141 hectares per 1,000 people) and then deducts the area of the on-site parkland (including strata-title area). The cash-in-lieu of parkland charge is then based on the market value of the “net” parkland requirement as determined by an appraiser or pre-set value). Markham’s methodology often results in the highest credit for on-site parkland relative to other GTA-based municipalities.

City of Toronto – Toronto does not provide a credit for on-site parkland. Given the small size of the vast majority of high density development sites in Toronto, there is extremely limited opportunity to provide on-site parkland.

Values

a) High Density Land

The City’s appraiser reviewed high density land sales that occurred in the 2007 to 2011 period in the GTA suburban market. The analysis included the anticipated development density on the basis of the FSI and units per hectare (UPH). Wherever possible, the anticipated development reflected the proposed development or alternatively density within the area.

Based on this data, the estimates are:

- The current market value of high density development land is within the range of approximately \$8,000,000 to \$13,000,000 per hectare or \$3,500,000 to \$5,500,000 per acre. (Density of 3.5 x to 5.0 x FSI).
- On a per unit basis, the current market value of high density residential development land is approximately \$25,000 per unit.
- On a per square foot (PSF) of buildable gross floor area (GFA) basis the current market value of high density residential development land is approximately \$25.00 PSF.

- Recent development proposals suggest an average development density of 450 units per hectare (UPH), which is 50% higher than the 300 UPH envisioned under Section 51.1(2) of the Planning Act. Based on our review of several recent development proposals, development densities can reach as high as 600 UPH (100% higher than the 300 UPH envisioned in the Planning Act). We anticipate similar development densities for Vaughan Metropolitan Centre.

The market value of vacant high density development land is typically set through a “land residual” approach to value, whereby a developer will estimate the gross revenue generated through the sale of finished units, and deduct from this amount the costs associated with development and required profit; the remaining balance represents the land residual value or purchase price for the site. According to the land residual approach, an increase in municipal fees (including an increase in the payment for cash-in-lieu of parkland) will result in a lower land value. Typically, an increase in overall market inflation tends to offset the negative impact that additional municipal fees have on the value of development land.

b) Low Density Residential

The City retained an appraisal firm who completed an appraisal report estimating the value for low density residential land in the fall of 2011. In addition to raw land sales, a notional subdivision approach to value was included using a density of 7 lots per net acre which is slightly higher than typical 35 – 40 foot frontage lot in subdivisions. Lot values were estimated and deductions made for time between servicing and receipt of cash, hard services, all levies, development engineering, overhead, planning costs, etc. and profit.

The net value per acre produced by a range of lot prices was then used to arrive at an average per acre value. The median per acre value based on an average lot of 40 foot frontage is \$885,000 per acre. This value assumes the City would acquire unserviced land. An infill site or high efficiency site can sell for more.

Based on the City’s existing cash-in-lieu formula, the calculation is as follows:

Price per acre	\$885,000 x 2.471	= \$2,187,000 ha (rounded)
Number of units per ha		= 300
Average charge per unit		= \$7,300 (rounded) Based on low density residential

In summary, if Vaughan continues to use the existing formula based on low density residential values, then this value estimate sets the lowest per unit rate applicable at \$7,300.

Issues and Analysis

Cash-in-lieu Increase Must Be Balanced To Achieve Intensification Objectives

Under Section 42 of the Planning Act, the conveyance of parkland in high density areas at the 1ha/300 unit formula creates issues that need to be addressed.

Due to increasing development densities and escalating land values combined with the inability to provide on-site parkland as a result of the small size of most high-density development sites, the alternative of paying cash-in-lieu of parkland must be realistic to achieve the objective of intensification areas. Some of the issues are summarized below:

Industry concerns - Establishing a Reasonable Basis for Land Area and Values

Concerns

The Planning Act requires land to be conveyed for park purposes at a rate of 1 ha/300 unit or at such lesser rate as may be specified.

The development industry is concerned that the application of the 1ha/300 units alternative at the maximum rate for calculating the parkland dedication results in a significant area and/or financial burden on high rise developments, potentially creating project delays or appeals to conditions of approval.

Historically the 1 ha/300 units alternative was introduced into the Planning Act in the 1970's in recognition of development trends towards reduced single-family lot frontages and increased densities i.e. townhouses. The land area generated at 5% would not be sufficient for the increase in population. Whereas 5% of the area of a plan yields a larger parkland dedication in a subdivision of low density single-family homes, the alternate calculation method of 1 ha/300 units (or 300 uph) yields a larger dedication for developments with densities greater than 15 units/1 ha.

This use of this formula produces a significant amount of parkland dedication requirement. For example in Yonge-Steeles area, a 2.28 hectare parcel assuming development at 3.5 times density would require parkland dedication of about 2.04 hectares; a 7.3 hectare parcel at 3.5 times density would require 3.85 hectare parkland dedication. The land required to satisfy the parkland dedication can be so substantial that it effectively prohibits such development.

In today's market, developments can reach densities of 500 – 600 units per hectare rather than the 300 units per hectare envisioned in the Planning Act. Theoretically, at 600 units per hectare the density can result in a parkland dedication requirement equivalent to twice the size of the land for the proposed development. This is the industry basis for the position that a lower land requirement should be used.

The industry is also concerned that “the value of the land” will be interpreted as the value of “high density land”.

The development industry takes the position that to use high density land values in the calculation could result in a cash-in-lieu payment so excessive that it might strain a project's financial feasibility and act as a disincentive to high density development.

Response

GTA municipalities have recognized that charging cash-in-lieu based on 1 ha of high density value per 300 units may be cost prohibitive to development, and therefore have used low/medium density values or have reduced the land requirement.

In estimating the value of land for the purposes of establishing a rate, comparisons need to be made regarding low density, medium density or high density land values.

In the past, municipalities such as Mississauga, Brampton and Vaughan have used a rate per unit based on low-medium density residential acreage rates, and Richmond Hill used an escalating/density calculation. The trend is now towards using average medium density values to calculate a unit rate.

Financial Framework for Development Industry

Concern

The financial industry requires that the majority of units be pre-sold prior to obtaining overall project financing. In order to determine the unit selling price, a pro-forma is completed which outlines land costs, construction costs, financing costs, development charges, parkland charges and a series of other components which equal total costs to create the product. A reasonable return on the capital outlay is also forecasted. Although recent sales have been active, it may

take one year to achieve sufficient pre-sales to satisfy criteria and an additional 18 months for construction plus one year for registration of the condominium plan.

The development industry bears any risks that costs may escalate for construction after the pre-sales. For the developer, this includes uncertainty related to unexpected increases in cash-in-lieu or development charges.

In summary, the development industry position is that significant increases in the City's cash-in-lieu of parkland dedication will adversely affect development.

Response

From a public perspective, however, the City and the Region have invested significant resources in infrastructure upgrading including transit systems in order to accommodate intensification, and the future residents will require the parkland level of service to be delivered.

Further, municipalities have implemented reasonable rates to encourage high density development.

Market's Ability to Absorb

Concern

The development industry believes that land acquired prior to an unanticipated increase may not have the time for the increase to be absorbed by the market. An absence of significant inflation in the retail price of the units could undermine the financial viability of a project.

Response

According to valuation theory, an increase in fees will result in a lower land value; however, overall inflation tends to offset this negative impact. While the development industry may argue this issue, there is room for the market to absorb the increase, and there is no need to grandfather any developments. In fact Vaughan's current rate has been absorbed into the market. Market trends are changing and an increase can be absorbed.

A rate of \$7,300/u calculated on the basis of the average low density residential land sets the low end of a justifiable range for the unit rate.

Further, municipalities acknowledge that any increase that reflects the value of high density land (i.e. \$3M/ac = \$24,710/u or \$7,413,000/ha divided by 300) may not be absorbed into the land market.

Person Per Unit Ratio

Concern

Some members of the development industry believe that the PPU formula accounts for current development trends, including declining person-per-unit ratio, smaller suite size and increasing development densities.

Response

Markham uses this formula which is based on the market value of 1.2141 ha (3 ac) of parkland per 1,000 residents generated from the development. The population yield is calculated using PPU multipliers referenced in their Development Charge Background Study. Then, the total population count is divided by 1,000 persons and multiplied by 1.2141 ha to arrive at the parkland dedication area. This area is then multiplied by the value of the site. Further, the area of the parkland requirement is reduced for on-site parkland, strata-title parkland and off-site parkland conveyance is permitted, thereby effectively reducing the per unit rate.

In Markham Centre the same formula is applied to calculate cash-in-lieu requirements except that a pre-set land value (presently \$1.5/ac) is used rather than a site specific value. The pre-set value is reviewed annually and includes a mix of medium and high density land values. The pre-set value is significantly lower than the value of high density development land located outside Markham Centre (\$3M/ac to \$4M/ac). Thus, high density development along Yonge Street will pay a higher amount than development within Markham Centre.

If Vaughan used the same formula with an average medium/high density value and the City's current PPU then the per unit rate is between \$9,500 to \$10,000 and higher than Markham. This method has numerous variables which may affect the outcome.

Credits

Concern

The development industry expects credits for parkland to be applied against cash-in-lieu payments.

As previously noted, only Toronto does not give credits for on-site parkland. Historically, the development industry has been given credits for parkland dedication. Richmond Hill and Vaughan use a similar method based on 1 ha/300 units. Mississauga applies the specific site density to arrive at a unit yield and a higher credit.

Markham accepts parkland under strata-title at 100% of the fee simple value when calculating credits for on-site parkland. And in estimating credits, the on-site parkland area is deducted from the gross parkland requirement thereby yielding the highest credit.

Response

Larger developments can usually provide 5% to 10% of the site area for parkland whereas smaller ones cannot. Offering credits to offset cash-in-lieu requirements benefits the developer as the site does not lose development density. Most municipalities except Markham credits upon conveyance of fee simple interest only. However, based on existing municipal practices Vaughan should continue using the current method of estimating parkland credits, being "area x 300u/ha equals number of units to be deducted from total units as a credit." It is also noted that strata title issues and parkland credits in intensification areas will require further review.

Commercial Component

Concern

Higher density development sites often incorporate a commercial component which are generally accessible to the public.

Most developers are of the opinion that the commercial value is incorporated in the market value of the high density land rate. Therefore, this area should not be subject to an additional 2% charge for commercial.

Response

Separate pricing in the value of the land is rarely specified for the commercial area given that a blended price per buildable area is the most common measurement of value and the commercial may not be a significant component of value.

As provided for in the Planning Act, this area may be subject to 2% cash-in-lieu payment. Vaughan has applied a 2% calculation for the commercial component on a smaller mixed use

developments such as live work units. Other municipalities consider this component as part of the overall rate, however it is under review.

The commercial area cannot be marketed as a separate entity on the open market. Therefore, a suitable method of valuation would be comparison with free-standing development and adjusting for shared/reduced parking, exposure, use restrictions, zoning, size, etc. Typically, coverage ratios of 25 – 30% recognize these factors.

On high density development, staff agree with the development industry and consider the commercial component to be part of the overall development provided it is a small component.

Analysis of Alternatives

Municipalities use slightly different methodologies when calculating the cash-in-lieu of parkland requirement and credits for on-site parkland. Alternative formulas and corresponding rates for cash-in-lieu calculations based on market data and land values specific to the City of Vaughan were done as part of the City’s background research. In order to provide a comparison between the formulas, estimates for cash-in-lieu payments were predicted upon a high density development of 1,100 units over 2 ha (550 uph, 4.6 FSI) with 0.2 ha of on-site parkland to be conveyed. Except for Toronto, and Brampton, the applicable rates were within a range of \$7,300 to \$10,000/u.

Most of the municipalities are increasing rates by using medium density values or a combination rather than strictly low density values. In Vaughan, the low and medium density rates are as follows:

#	Alternative	Gross Unit Levy
1	Value of 1 ha. of low density land per 300 units with Vaughan’s current formula for determining credits for on-site parkland	\$7,300
2	Value of 1 ha. of medium density land per 300 units, at the high end of the range, with Vaughan’s current formula for determining credits for on-site parkland	\$10,000.00
3 Recommended	Value of 1ha of medium density land per 300 units, at the median of the value range, with Vaughan’s current formula for determining credits for on-site parkland	\$8,500.00

Alternative #1 formula reflects the current methodology used in Vaughan to determine the fixed rate. It is based on the current average market value of low density residential land. On-site parkland provides credit, but usually serves the residents of the development and often increases the value of the units.

Alternative #2 mirrors the Mississauga and Brampton model, of using average medium density land values. Medium density land in Vaughan was estimated at about \$1.2M/ac or \$3M/ha.

The analysis justifies a range of \$7,300/u based on low density residential value to \$10,000/u for high end of medium density values.

While the Town of Richmond Hill has passed a fixed rate of \$10,000 per unit, appeals are underway, which may compromise the rate on a go forward basis.

Staff recommend Alternative #3 at a fixed rate of \$8,500 per unit for cash-in-lieu of parkland for high density development. This fixed rate is based on the market value of over \$2,500,000/ha for an average of medium density land at a ratio of 1 hectare per 300 units as permitted under the Planning Act. Based on the analysis, this value at over \$2,500,000/ha (\$1M/ac) reflects the median of the market value range.

Staff also recommend that the current method of estimating parkland credits, being “area x 300 u/ha equals number of units to be deducted from total units as a credit” continue to be used in the formula.

Given the escalation in the market value of high density residential units over the 2005 to 2012 period and the rates successfully collected by other municipalities, applying the rate of \$8,500 per unit is reasonable and justified relative to the marketplace.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council in the Green Directions Vaughan, community Sustainability Environmental Master Park Plan.

- Goal 2, Objective 2.2: To develop Vaughan as a City with maximum green space and an urban form that supports our expected population growth.

Regional Implications

None

Conclusion

Staff are continuing to do further review on strata title arrangements and appropriate parkland credits, particularly for the VMC and Yonge/Steeles Secondary Plan Areas. Staff have reviewed the methodologies available and the practices of surrounding municipalities. Staff have also undertaken consultation with the development industry to identify concerns and clarify the City's methodology and values. Staff have looked at concerns regarding the performance of a high density residential market; slower economic growth and overall economic uncertainty. Municipalities have applied alternative methodologies that produce realistic and attainable rates.

Based on the analysis in the report staff recommend that the current formula of 1 ha/300 units continue to be used and that on an average of medium density values, the unit rate for high density residential development be \$8,500.00 per unit.

Based on the above, there are options for implementation:

1. Implementation to be effective July 1, 2012 at the rate of \$8,500/unit.
2. Implementation of the \$4,100/unit increase be phased as follows:
 - July 1, 2012, increase by \$1,000/unit
 - September 1, 2012. increase by \$1,700/unit
 - November 1, 2012, increase by \$1,700/unit
3. Implementation to be effective September 1, 2012 at the rate of \$8,500/unit.

Attachments

None

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