



Report to: Development Services Committee

Meeting Date: July 21, 2021

SUBJECT: City of Markham - Interim Parkland Cash-in-Lieu Strategy

PREPARED BY: Lawrence Yip, Senior Planner, Urban Design, ext. 3363

REVIEWED BY: Parvathi Nampoothiri, Manager, Urban Design, ext. 2437

RECOMMENDATIONS:

1. THAT the report entitled, “City of Markham - Interim Parkland Cash-in-Lieu Strategy” be received;
2. AND THAT the City provide a reduction of up to 25% of the value of Cash-in-Lieu of Parkland Dedication for medium and high density residential apartments at the discretion of the Commissioner of Development Services;
3. AND THAT the Interim reduction of Cash-in-Lieu of Parkland for medium and high density residential apartments be effective immediately upon the approval of this strategy until a new Parkland By-law is adopted by Council;
4. AND THAT the Interim reduction of Cash-in-Lieu of Parkland only be applied to medium and high density developments where there is no other agreement with the City related to the conveyance of Parkland or payment of Cash-in-Lieu of Parkland.
5. AND THAT in situations where land is to be dedicated to the City for parkland and a balance is to be paid through cash-in-lieu of parkland, the value of the land dedicated be deducted from the total Cash-in-Lieu of Parkland calculated for the entire development.
6. AND THAT the reduction be applied only through development agreements to be executed subsequent to the adoption of this recommendation.
7. AND THAT staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

In recent years, the development industry has expressed concerns about the City’s current parkland dedication Cash-in-Lieu rates for medium and high-density residential developments comprised of apartments, which are currently higher when compared to other municipalities in the Greater Toronto Area (GTA) that have capped the maximum Cash-in-Lieu rates for such developments. As a response to these concerns, and as an interim approach until a new Parkland By-law is adopted by Council before September 2022 in response to Bill 197 (*COVID-19 Economic Recovery Act, 2020*), staff have explored opportunities to provide a Cash-in-Lieu reduction on an interim basis for medium and high-density residential apartments. This report provides key considerations and implications of the new methodology called the “Proximity Ring” approach and explain

how it could provide an interim Cash-in-Lieu reduction while allowing the City to achieve its parkland provision target as per the City's Official Plan.

PURPOSE:

The purpose of this report is to provide strategy for an interim parkland Cash-in-Lieu reduction for all medium and high-density residential apartments in the City, effective immediately until the new Parkland By-law is adopted by Council.

BACKGROUND:Markham's Parkland Provision Target and Dedication Rates

The City of Markham 2014 Official Plan ("Official Plan") has a City-wide parkland provision target of a minimum 1.2 hectares per 1,000 persons. In order to meet this target, the City has mechanisms in place to acquire public parkland through the development approval process in accordance with Section 42 of the *Planning Act*, parkland dedication policies in Section 10.8.2 of the Official Plan and the Conveyance of Parkland By-law No. 195-90. For medium and high-density residential apartments, the City requires dedication of 1 hectare per 300 units for parkland capped at 1.214 hectare per 1,000 people and/or 1 hectare per 500 units in the form of Cash-in-Lieu payment for portions of required parkland that could not be dedicated as land. The 1 hectare per 300 units for land dedication and 1 hectare per 500 units for Cash-in-Lieu are referred to as the "alternative parkland rate" under the *Planning Act*.

Markham's Parks and Open Space Study

The City of Markham's Planning and Urban Design department retained The Planning Partnership (TPP) in 2016 to undertake a Parks and Open Space Study to establish a sound approach to parkland dedication, acquisition and delivery for the City. The Study aimed to ascertain the existing level of service (amount of parkland per 1,000 people) for parks and open space facilities, identify a strategy for the acquisition of parks and open space for underserved areas and future development areas, and inform a Parks and Open Space Master Plan that would provide the City with a blueprint for the implementation of the Study's recommendations. It was intended that the Master Plan would guide the development of parks and open space to serve Markham's communities to 2031. TPP completed the background analysis and was in the process of developing the acquisition strategy in consultation with City staff. The study was paused, pending the City's review of *The More Homes, More Choices Act* ("Bill 108").

Provincial Regulations and Up-coming Parkland By-law Update

Bill 197, *COVID-19 Economic Recovery Act, 2020* ("Bill 197") which received Royal Assent on July 21, 2020, clarified the City's parkland dedication requirements, particularly in relation to the alternative parkland rate that applies to higher density residential apartments. As a part of the changes enacted in Bill 197, municipalities are required to

undertake a comprehensive parkland background study to determine their parkland provision target, the parkland dedication rate required and acquisition strategies to achieve such target. In order to justify the parkland dedication rate and acquisition strategies, Staff are in the process of retaining consultants along with the Planning Partnership to build on the Parks and Open Space Study that were initiated in 2016, and recommend an updated Parkland By-Law before September 2022.

Development Industry's Concerns and Municipal Comparisons

In recent years, the development industry has expressed concerns about the City's current parkland dedication Cash-in-Lieu rate for medium and high-density residential apartments. The current Cash-in-Lieu rate is calculated at 1 hectare per 500 units based on a land value determined on the day before a building permit is issued. Due to the increasing land values in Markham for medium and high density development land, this has amounted to rates up to \$28,000 to \$32,000 per unit to date. As land values continue to increase, it has been argued that high density residential developments such as those in intensification areas would no longer be financially viable due to the fact that Cash-in-Lieu rates can be approximately \$60,000 per unit. In addition, the Cash-in-Lieu rates in Markham are currently higher when compared to other municipalities in the Greater Toronto Area (GTA) that have capped the maximum Cash-in-Lieu rates for high-density developments. Those cash-in-lieu caps range from \$4,250 to \$10,720 per unit. It should be noted that these municipalities are currently reviewing their Cash-in-Lieu rate as part of their respective Bill 197 parkland studies, and some have indicated that the per unit cap will impede their ability to acquire sufficient parkland to achieve their municipality's parkland provision targets. For example, the City of Richmond Hill considered this similar issue in 2019 in response to a Councillor's motion to cap the Cash-in-Lieu of parkland rate of up to \$10,000 per dwelling unit for all residential units. The staff report in response to the motion stated that "if Council were to enact a \$10,000 per door rate for just two years, the Town would only be able to fund 26.4% of its parkland acquisition, park revitalization, park R&R, and new park projects needs".

However, Markham staff recognize the concerns raised by the development industry and the need to support intensification while ensuring Markham's growing communities continue to have adequate parkland. As a response to the concerns raised, and as an interim approach until the new Parkland By-law is adopted by Council, Markham staff have explored opportunities to provide a Cash-in-Lieu reduction on an interim basis for medium and high-density residential apartments, while allowing the City to meet its current Official Plan parkland provision target, as further discussed below.

INTERIM CASH-IN-LIEU APPROACH/ DISCUSSION:

Intensification and Parkland Provision Challenges

An increasing number of medium to high-density developments in Markham cannot fulfil their parkland dedication requirement solely through on-site park land conveyance, as

high-density developments are typically located on small parcels of land within the existing urban fabric. Once building location, circulation, private amenity areas and servicing are considered, there is very limited ability to provide functional park spaces and fulfil the parkland dedication requirements. As a result, a significant portion of parkland dedication obligation will need to be satisfied in the form of Cash-in-Lieu payments.

Meanwhile, the City often faces challenges utilizing Cash-in-Lieu funds to acquire parkland to meet the Official Plan parkland provision target near high density developments. These developments are generally located in intensification areas with existing adjacent uses, making it challenging to purchase and consolidate land parcels that are large enough to support recreational programming. Additionally, property values within intensification areas continue to increase, accelerated by market demand for housing, making land much more expensive and the Cash-in-Lieu funds inadequate to purchase lands within high density communities as time progresses.

New Methodology – “Proximity Ring” approach

In order for high-density developments to fulfil their parkland dedication obligation and to meet the current Official Plan parkland target of 1.2 hectare per 1,000 people, staff are proposing a new methodology called the “Proximity Ring” approach that would equally distribute parkland provisions in the following manner:

“Intensification & Adjacent Areas” - 1/3 of the required parkland dedication generated by medium and high density developments will be provided on site or within a 500 metres radius of the intensification area.

- Parks should be accessible by walking and cycling, and serve the immediate development and surrounding neighbourhoods

“Surrounding Areas” – 1/3 of the required parkland dedication will be provided within a 1 kilometre radius (500m-1.5km) from the periphery of the intensification and adjacent areas.

- Parks should be accessible by some form of active transportation, transit or a short drive, and serve some of the recreational needs for residents within intensification areas and surrounding communities.

“Rest of Markham” – 1/3 of the required parkland dedication will be provided in different parts of the City, or where parkland is needed most.

- Parks would be accessible to intensification area residents by car or public transit.
- These parks would provide destination recreation such as a group of soccer fields or baseball diamonds for play-in tournaments.

The “Proximity Ring” approach allows the City to achieve the prescribed Official Plan parkland provision target, and it also provides a reduction in the overall cost of parkland acquisitions since the value of land decreases as you move further away from the intensification areas.

The following table illustrates how 1.2 hectares of parkland would be equally distributed between the three “Proximity Ring” areas, each with 0.4 hectare of parkland. The cost of acquiring 1.2 hectares of parkland under the new “Proximity Ring” approach would result in an overall reduction in land value compared to the land value for the Intensification & Adjacent areas, thereby providing a discounted rate for Cash-in-Lieu obligations. The new discounted land value would become the basis for reduction in the value of the required Cash-in-Lieu of parkland.

Location	Average Land Value/Ha (Approximate)	Hectares (Ha)	%	Weighted Land Value Cost
Intensification & Adjacent Areas (500m radius)	\$30,000,000	0.4ha	1/3	\$12,000,000
Surrounding Areas 1km radius (500m – 1.5km)	\$15,000,000	0.4ha	1/3	\$6,000,000
Rest of Markham	\$7,500,000	0.4ha	1/3	\$3,000,000
		1.20ha	100%	\$21,000,000

The sum of the weighted land value cost at \$21,000,000 is approximately 30% less than the average land value of \$30,000,000 per hectare in “Intensification & Adjacent Areas”, as shown in the table above. This is just one example of a site in Markham. Staff looked at a number of different intensification areas throughout the City and the calculated discount varies depending on land value. Based on preliminary review, it is anticipated that a 25% reduction in existing Cash-in-Lieu rates would still allow the City to meet its parkland service levels.

New Methodology – Cash-in-Lieu Calculation

As mentioned in the background section of this report, the City currently collects parkland dedication at a rate of 1.214 hectare per 1,000 people for land conveyance, and at the rate of 1.0 hectare per 500 units for Cash-in-Lieu dedication. The City’s current practice is to first determine how much parkland the development could provide in the form of land conveyance with remaining obligation to be fulfilled through Cash-in-Lieu payment based on the assessed property value. This approach can be problematic because it is more beneficial to provide Cash-in-Lieu rather than land under the current methodology. For instance, cash-in-lieu is calculated at a reduced rate of 1 hectare per 500 units as per the *Planning Act*, which is the equivalent of 1 hectare per 1,000 people based on 2.0 persons per unit (ppu). When this cash-in-lieu rate is compared to Markham’s land conveyance requirement of 1.214 hectares per 1,000 people, it is more economical to provide cash-in-lieu, rather than land.

Under the new methodology, the City will first assume the total parkland required based on the Cash-in-Lieu rate of 1 hectare per 500 units and calculated using the 25% reduced property value. Based on preliminary work, this is still expected to provide the City with

sufficient funds to acquire parkland to meet the target of 1.2 hectare per 1,000 people as demonstrated in “Proximity Ring” approach section of this report. The value of any land conveyance will then be deducted from the total Cash-in-Lieu value. The new methodology provides a predictable parkland obligation number for any high-density development, as well as encourages land dedication by the developer as it fully acknowledges the value of land provided and eliminates the inherent advantage of Cash-in-Lieu versus land dedication in the current methodology. Staff have prepared a test scenario below to demonstrate this methodology.

New Methodology Test Scenario – Intensification Area

This hypothetical high-density development is located within an Intensification Area and applies the proposed interim Cash-in-Lieu methodology.

Development Summary

Approximate Land Value: **\$30,000,000 per hectare**

Total Site Area: **1.0 hectare**

Total Number of Units: **200**

Total population: **400** (based on 2.0 ppu)

Based on the above development statistics, the parkland dedication requirement at 1.2 hectare per 1,000 people is:

$$400 \times (1.2 \text{ ha} / 1000 \text{ people}) = \mathbf{0.48 \text{ hectares}}$$

If Parkland obligation is provided entirely through Cash-in-Lieu, the requirement based on 1 hectare per 500 units is:

$$(200 \times 1) / 500 = \mathbf{0.40 \text{ hectares}}$$

Current Methodology

As described above, the current methodology does not encourage developers to provide land dedication as it is cheaper to fulfil parkland obligation through Cash-in-Lieu payment.

If 100% of parkland obligation is fulfilled through Cash-in-Lieu, the total amount owed is:

$$0.40 \text{ hectares} \times \$30,000,000 = \mathbf{\$12,000,000}$$

Under the current methodology the per-unit Cash-in-Lieu rate based on 200 units is:

$$\$12,000,000 / 200 \text{ units} = \mathbf{\$60,000 \text{ per unit}}$$

New Methodology

Based on the “Proximity Ring” approach and staff recommendation of the 25% reduction, the per hectare land value to be used for the Cash-in-Lieu calculation is:

$$\$30,000,000 \times (1-0.25) = \mathbf{\$22,500,000}$$

The total value of Cash-in-Lieu required to fulfil the parkland obligation is:

$$0.40 \times \$22,500,000 = \mathbf{\$9,000,000}$$

Under the new methodology the per-unit Cash-in-Lieu rate based on 200 units is:

$$\$9,000,000 / 200\text{units} = \mathbf{\$45,000 \text{ per unit}}$$

The following table illustrates that regardless of the percentage of parkland being conveyed as lands, the development would result in the same total value of dedication.

Parkland Conveyed	Value of Conveyance	Cash-in-Lieu	Total Value of Dedication
0.0ha	\$0	\$9,000,000	\$9,000,000
0.1ha	\$3,000,000	\$6,000,000	\$9,000,000
0.2ha	\$6,000,000	\$3,000,000	\$9,000,000

In the end, even with a 25% reduction in Cash-in-Lieu payment, the City is still able to meet the parkland requirement of 0.48 hectare (ie. the City’s Parkland Dedication requirement for 400 units) by using the “Proximity Ring” approach. The City is also able to provide full credit for land dedication while meeting the parkland provision target of 1.2ha per 1,000 people, based on the preliminary analysis.

FINANCIAL IMPLICATIONS:

From now until Fall, 2022, the City anticipates approximately eight medium to high density residential developments comprising of apartment with CIL obligations to execute their development agreements. As a result, 810 units or 1.62 hectare of parkland obligations will be fulfilled by Cash-in-Lieu payment. Under the current methodology, the total Cash-in-Lieu to be collected will be approximately \$28.9 million. Based on the “Proximity Ring” approach and staff recommendation of the 25% reduction, the total Cash-in-Lieu to be collected will be approximately \$21.7 million.

Although the 25% reduction translates to approximately \$7.2 million less in Cash-in-Lieu collected by the City, it is still expected to allow the City to meet our parkland provision target and service levels. The above financial impact is hypothetical since it is difficult to

determine how many agreements would be executed if no Cash-in-Lieu reduction is provided. Additionally, the 25% reduction in Cash-in-Lieu payment could accelerate development to proceed in the interim period. Otherwise, developers may wait until an updated Parkland By-Law is in place before executing their agreement and proceed with development.

HUMAN RESOURCES CONSIDERATIONS:

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

The comments in this report on the proposed interim Parkland Cash-in-Lieu strategy, support the City's efforts to enable a strong economy, manage growth and, ensure growth-related services are fully funded, which are some of the key elements of Markham's strategic priorities related to Engaged, Diverse and Thriving City; Safe and Sustainable Community; and Stewardship of Money and Resources.

BUSINESS UNITS CONSULTED AND AFFECTED:

Urban Design, Park Development, Finance, Real Property, and Legal departments were consulted in the evaluation of the interim Cash-in-Lieu of parkland strategy and the preparation of this report.

RECOMMENDED BY:

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Acting Commissioner of
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Trinela Cane
Commissioner of Corporate Services