



 **Watson**
& Associates
ECONOMISTS LTD.

Parkland Dedication and Payment-in-lieu of Parkland Analysis

Municipality of Thames Centre
February 29, 2024

Agenda



- Introductions
- Legislative Overview
- Parkland Policies
- Current Policy & Practice
- Summary of the Analysis and Observations
- Preliminary Recommendations
- Next Steps
- Questions

Parkland Dedication Analysis



Purpose:

- Allows municipalities to grow their park systems in tandem with their community, providing essential parkland for their residents.
- The dedication of parkland is a requirement under *the Planning Act*
- Changes to the legislation via Bill 23 have reduced a municipality's ability to recover parkland/PIL



Why Review Parkland Dedication Policies?

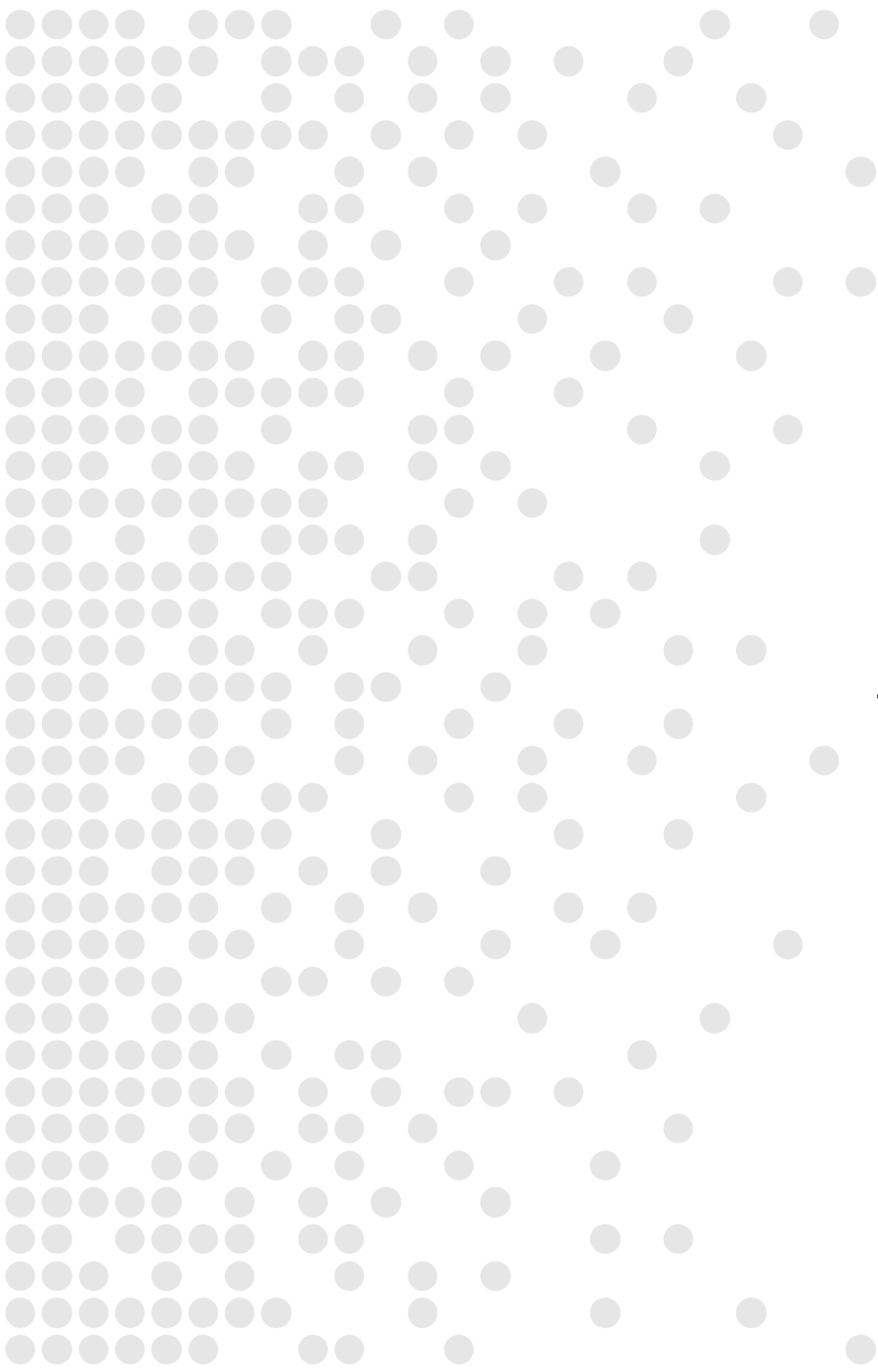


- Based on targets set out in the parks and recreation master plan or other documents, there may be a significant financial impact in achieving these targets
- In light of discounts and exemptions applied to other revenue tools (e.g. Bill 23 and development charges), maximizing recovery of parkland dedication will reduce impact on taxpayers
- A Parkland Dedication By-law is required to utilize the alternative rates for dedications or payment-in-lieu

Parks Plan Analysis and Draft By-law



- All analysis provided herein is based on the Parks Plan memorandum prepared by Watson & Associates Economists Ltd., dated January 7, 2024
- A draft parkland dedication by-law is included as Appendix D to the Parks Plan memorandum



Legislative Overview

Parkland Legislative Overview



- The Planning Act provides municipalities with the authority to impose conditions on development and redevelopment to receive parkland or payment-in-lieu of parkland.

S. 51.1

For subdivisions

- No by-law required (impose as condition)
- 5% for res and institutional and 2% commercial/ industrial
 - Dedication
 - PIL
- Alternative rate for residential
 - Dedication (1ha for 600* units)
 - PIL (1ha for 1,000* units)
- Timing of PIL – day before approval of draft plan

S. 42

For all development and redevelopment

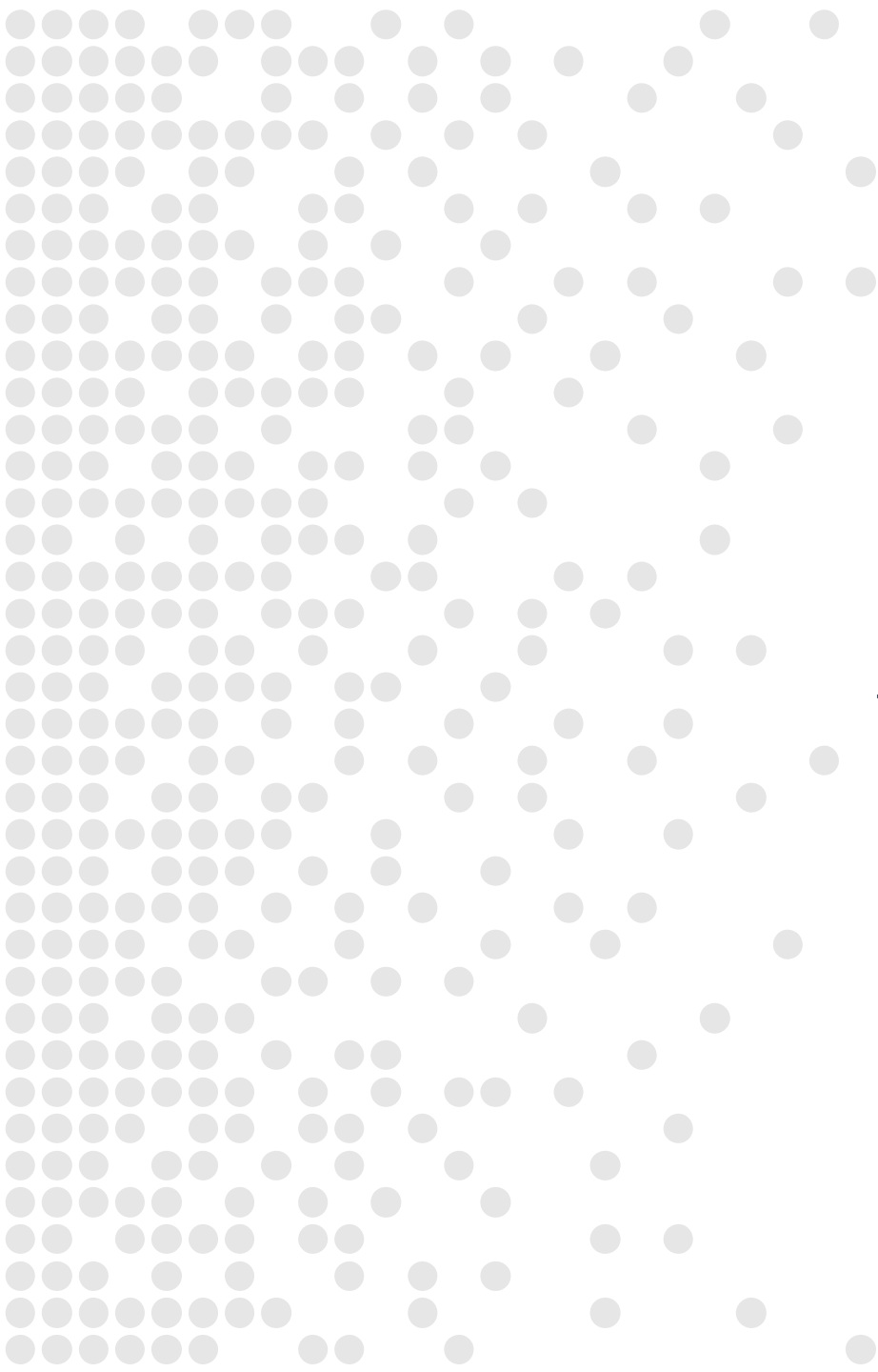
- by-law required
- 5% for res and institutional and 2% commercial/ industrial
 - Dedication
 - PIL
- Alternative rate for residential
 - Dedication (1ha for 600* units)
 - PIL (1ha for 1,000* units)
- Timing of PIL – day before building permit

***Revised as per Bill 23**



Parkland Impacts from Bill 23

- Rate Freeze applies similar to DCs (site plan and zoning by-law amendment)
- Exemptions for additional residential units (similar to DCs)
- Exemptions for Affordable, Attainable, and Inclusionary Zoning units (similar to DCs)
- Exemption for Non-profit Housing units (similar to DCs)
- Requirement to allocate 60% of the monies in a reserve fund at the beginning of the year (similar to DCs).
- Alternative Residential Dedication and PIL Rate cut in half, only calculated on incremental units, and capped
 - Dedication – 1ha for 300 dwelling units now 1ha for 600 net residential units
 - Payment-in-Lieu – Value of 1ha for 500 dwelling units now Value of 1ha for 1,000 net residential units
 - Capped at 10% for land 5ha or less and 15% for land greater than 5ha
- Parks Plan now required to pass a parkland dedication by-law
- Allows for encumbered lands to be included in land dedicated to the municipality



Parkland Policy Discussion

Impacts of Bill 23

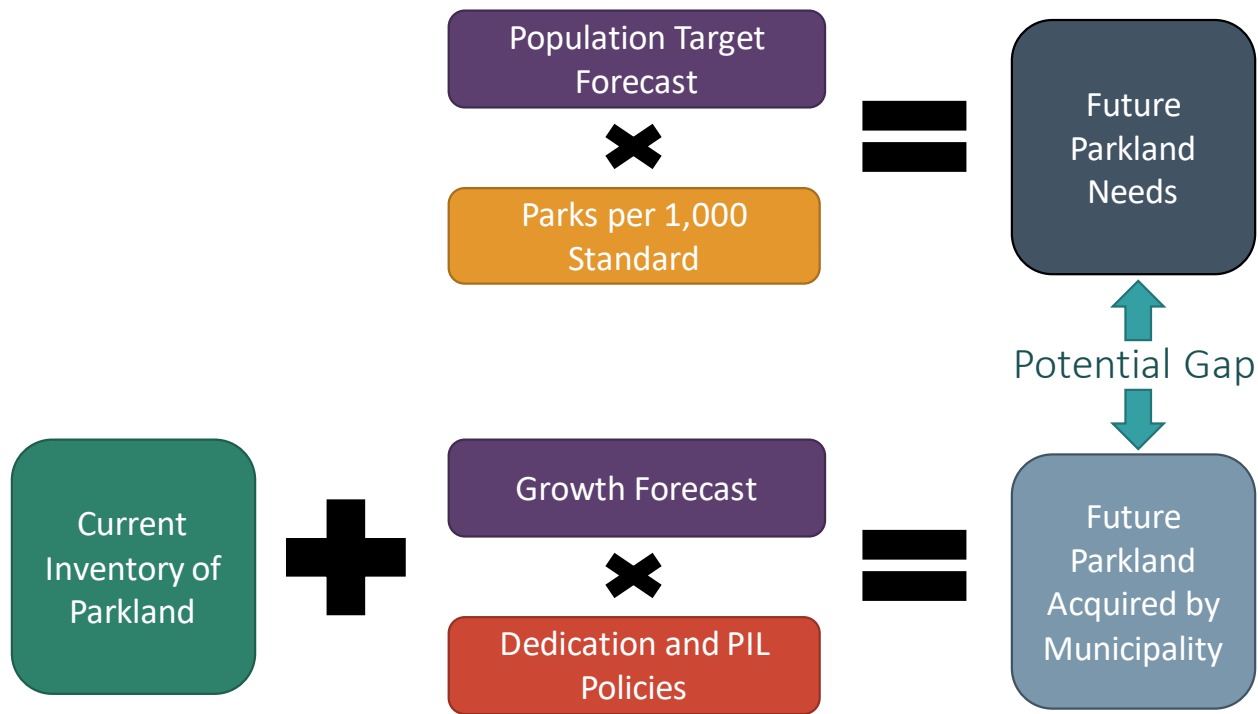


Parkland Impacts from Bill 23

Parks Plan

- Parks Plan now required to pass a parkland dedication by-law
 - Wording in Act states: “Before passing a by-law under this section, the local municipality shall prepare and make available to the public a parks plan that examines the need for parkland in the municipality”

Parks Plan Approach





Parkland Impacts from Bill 23

Rate Freeze

- For site plan and zoning by-law amendments only, Rate Freeze applies similar to DCs (i.e. rate frozen at time of submission of **complete** application)
- The value of land is still determined in accordance with the by-law. This means that if you use s. 42, the value would be the value of the proposed type of development the day before building permit issuance
- **Would recommend the requirement of the property appraisal to be deemed a complete application**



Parkland Impacts from Bill 23

Reduced Alternative Rate

- Alternative Residential Dedication and PIL Rate cut in half, only calculated on incremental units, and capped
 - Dedication – 1ha for 300 dwelling units now 1ha for 600 net residential units
 - Payment-in-Lieu – Value of 1ha for 500 dwelling units now Value of 1ha for 1,000 net residential units
 - Capped at 10% for land 5ha or less and 15% for land greater than 5ha

Dedication	
Assume 20ha Development	
5% =	1 ha
1ha for 600 units	600 units on a 20ha development area
=	30 units per hectare
OR	12 units per acre

Payment-in-lieu	
Assume 20ha Development	
5% =	1 ha
1ha for 1,000 units	1,000 units on a 20ha development area
=	50 units per hectare
OR	20 units per acre



Parkland Impacts from Bill 23

Reduced Alternative Rate – High Density

Example:

Land Area: 1ha
Units: 120 units
Density: 120 units/ha

Dedication at
1ha/500
=
0.24ha*

Dedication at
1ha/1,000
=
0.12ha*

Dedication
Capped at 10%
=
0.10ha*



Loss of 50% from Pre-Bill 23 – Greater loss with 10% cap

Increased density = increased losses due to cap



Parkland Impacts from Bill 23 Exemptions

- Additional residential units (similar to DCs)
 - 1% or one unit in existing rental residential buildings (4 or more rental units)
 - 2nd and 3rd additional dwelling unit in single, semi, or row house (can be two (2) in main house or one (1) in house and one in ancillary residential building)
- Non-profit Housing units (similar to DCs)
- Affordable, Attainable, and Affordable Inclusionary Zoning Units (similar to DCs)
 - Not yet in force
- Exclude exempt residential units to only capture New Residential Units:

$$\frac{\text{Non-exempt residential units}}{\text{Total residential units}} \times 5\%^* = \text{Applicable Parkland Dedication \%}$$

*Dedication rate

Parkland Impacts from Bill 23

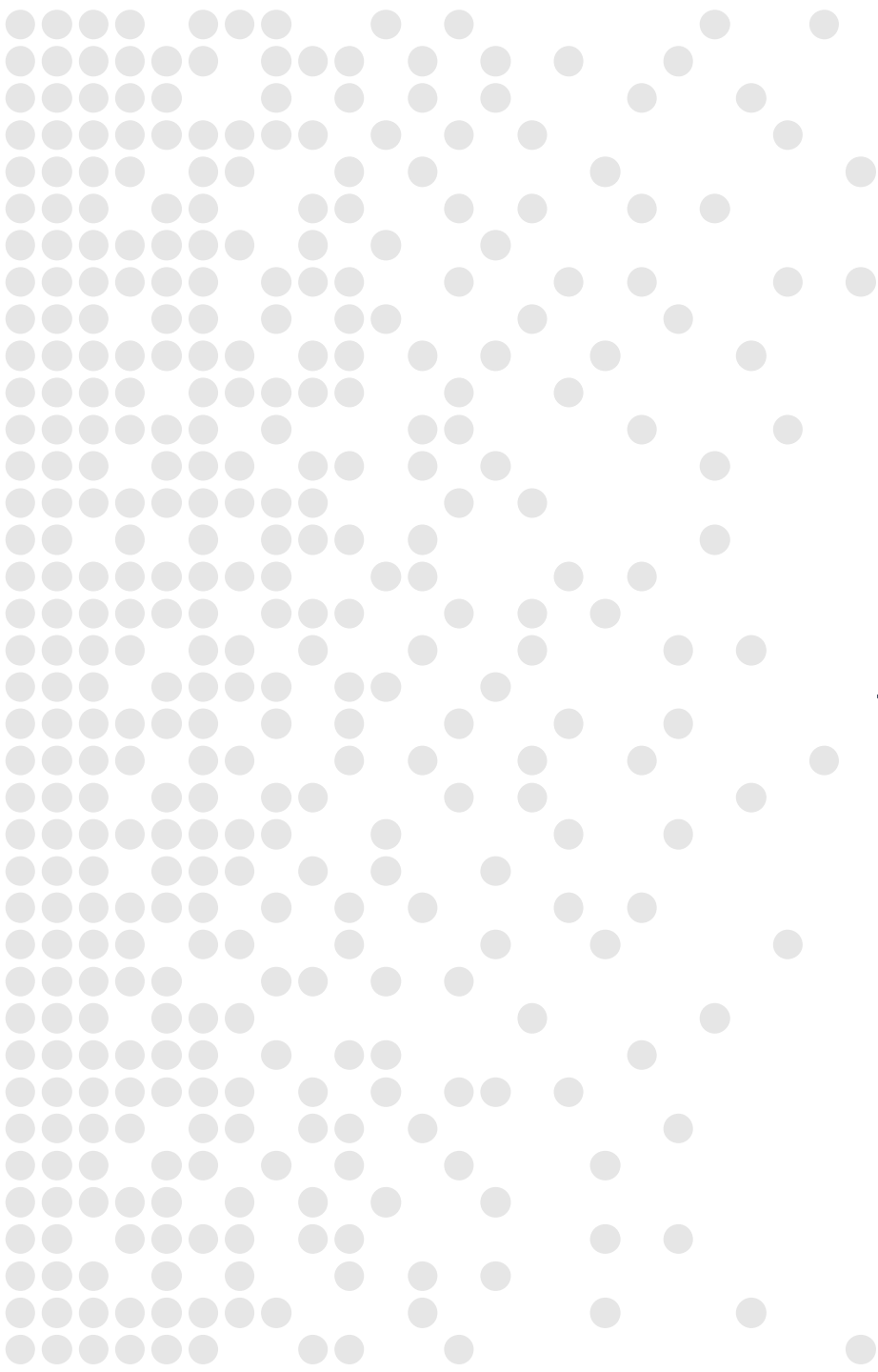
Other



Administrative Impact

- Requirement to allocate 60% of the monies in a reserve fund at the beginning of the year
- This aligns with similar requirements for Development Charges and Community Benefit Charges
- Note: Section 42(15) of the Planning Act provides the applicable uses for parkland dedication funds:

“...shall be paid into a special account and spent only for the acquisition of land to be used for park or other public recreational purposes, including the erection, improvement or repair of buildings and the acquisition of machinery for park or other public recreational purposes”



Current Policies and Practice



Current Policies and Practice

Parkland Dedication

- The O.P. allows for the requirement of land to be dedicated (or Payment-in-Lieu) at:
 - **Residential:** which ever is greater;
 - 5% of land for residential developments; or
 - utilize the alternative rate of 1 hectare of land for each **300** dwelling units at their discretion.
 - **Non-Residential:** 2% for industrial and commercial developments

Note: As per Bill 23, this has changed to one (1) hectare for each 600 net residential units.



Current Policies and Practice

Payment in Lieu of Parkland

- There are three (3) approaches to imposing payment in lieu of parkland on development and redevelopment in the Municipality:
 - **Consents and Severances:** impose a rate of \$4,000 per lot for residential development and \$1,600 per lot for non-residential development;
 - **5%/2% Rates :** impose the equivalent value of 5% of the land area for residential and the equivalent value of 2% of the land area for commercial, and industrial development; and
 - **Alternative Rate:** impose the equivalent value of one (1) hectare of land for each **500** net residential units for residential development.

Note: As per Bill 23, this has changed to one (1) hectare for each 1,000 net residential units.



Current Practice

Payment-in-Lieu of Parkland – Review of per lot fees

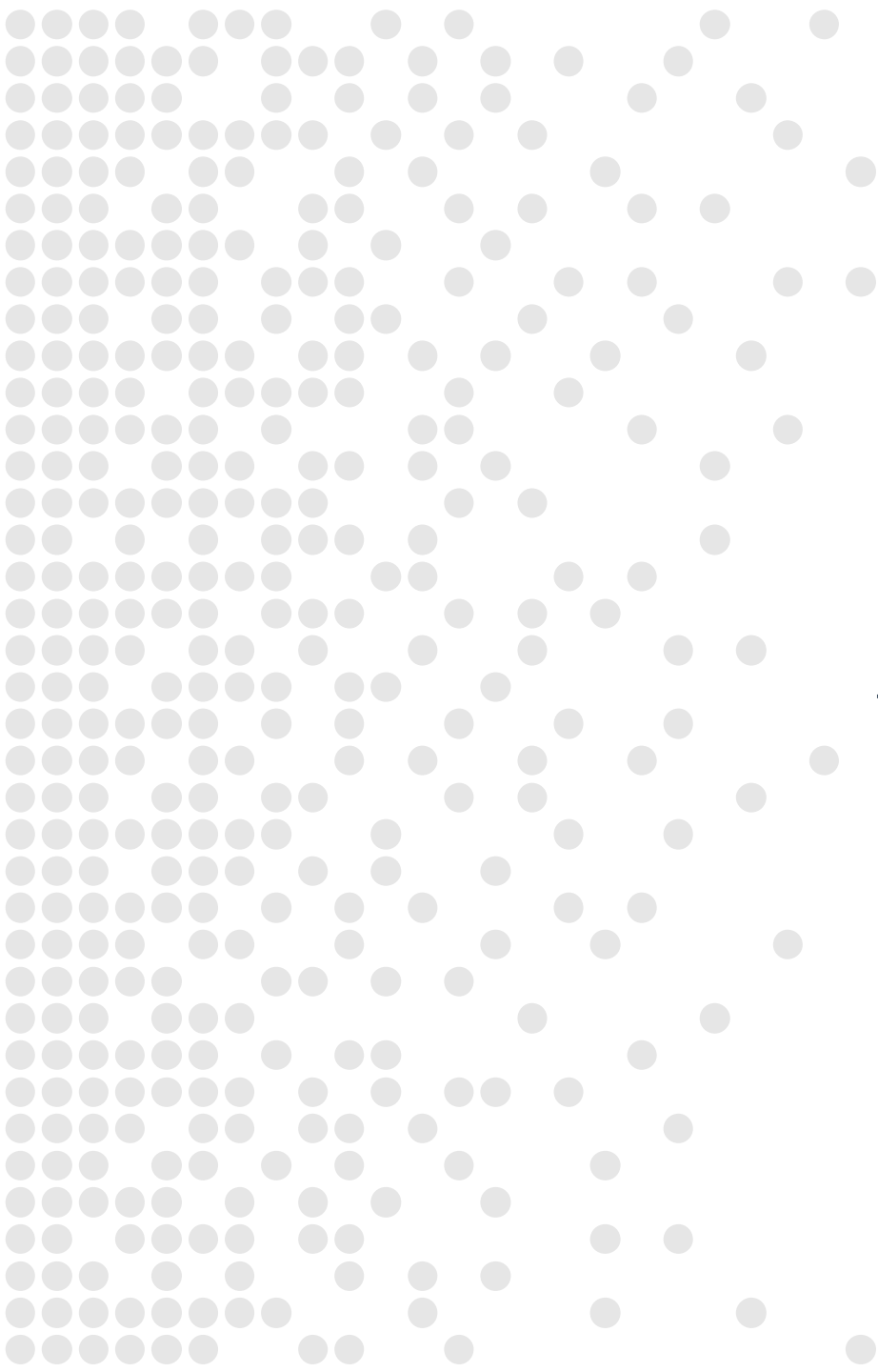
- As noted, the base provisions of the Planning Act allow for a dedication requirement of the value of 5% of the land. Based on historical per lot fees, the assumed land value would be as follows:

Area	Per Lot Fee	Equivalent Lot Value at 5%
Urban Residential Lots	\$4,000	\$80,000

- Based on a review of vacant lands recently sold in the Municipality, the value of land is significantly higher. This means the Municipality may consider increasing the per lot fee to closer align with the 5% provision in the Planning Act:

Estimated Lot Value*	Provision in the Planning Act	Estimated Per Lot Fee at 5%
\$209,000	5%	\$10,450

*note: this value represents the value of a serviced lot the day before building permit based on review of recent MPAC sales data



Summary of the Analysis



Required Parkland by 2046

- The Municipality’s 2023 Community Services and Facilities Master Plan identified a recommended service level of **3.9 hectares of parkland for per 1,000 residents.**
- Based on the anticipated population growth to 2046, the Municipality would need to receive (or purchase) an additional **25.70 acres** of parkland.

Parkland Requirement Calculations	Current Parkland Inventory	Area Required in 2046 Based on a Population of 21,231	Additional Parkland Needed
Active Parkland (ha)	57.10	82.80	25.70



Summary of Analysis

Parkland Dedication

- Under the **current policy of 5% for Residential and 2% for Commercial and Industrial** the Municipality could acquire 4.90 hectares of land.
- With the base provisions of **5% for Residential and Institutional /2% for non-residential parkland dedication rate**, the municipality would receive 5.28 hectares of land.
- With the **alternative residential rate**, the Municipality could receive 4.85 acres of land.

Summary	Current Policy: 5% Residential and 2% Commercial and Industrial	Base Provisions: 5% Residential / Institutional and 2% Commercial / Industrial	Alternative Rate and 2%/5%
Residential Acres	10.99	10.99	9.92
Non-Residential Acres	1.11	2.06	2.06
Total Acres Dedicated	12.10	13.05	11.97
Total Hectares Dedicated	4.90	5.28	4.85



Summary of Analysis

Payment-in-Lieu of Parkland

- Using a **Per Lot Fee** for all residential development, the Municipality would receive \$9.01 million.
- With the **5%/2% parkland dedication rates**, the Municipality would receive approximately \$19.57 million.
- With the **alternative residential rate**, the Municipality would receive approximately \$11.58 million.

Summary	Per Lot Fee Only	5% / 2% Rates	Alternative Rate and 2%/5%
Residential Recovery	\$9.01 M	\$18.35 M	\$10.37 M
Non-Residential Recovery	-	\$1.22 M	\$1.22 M
Total Payment-in-Lieu	\$9.01 M	\$19.57 M	\$11.58 M



Summary of Analysis

Payment-in-Lieu of Parkland – Sensitivity Analysis

- The analysis on the previous slide identifies the amount of Payment-in-Lieu the Municipality may receive from new development
- When the Municipality purchases parkland, a conservative estimate would be to assume it is purchased at the value of the lots the day before building permit
- However, alternative assumptions have been presented in the Parks Plan memo to identify the funds needed to purchase the 25.70 hectares of parkland required to meet the standards

Summary of Analysis

Payment-in-Lieu of Parkland – Sensitivity Analysis



Summary	Per Lot Fee for Residential	5% for Residential and 2% for Commercial and Industrial and 5% for Institutional	1 Hectare for 1,000 Dwelling Units, 2% for Commercial and Industrial and 5% for Institutional
Residential Recovery	\$9,012,000	\$18,353,300	\$10,365,944
Non-residential Recovery	\$0	\$1,216,174	\$1,216,174
Total	\$9,012,000	\$19,569,474	\$11,582,118
Total Ha Required	25.70	25.70	25.70
Scenario 1 - \$4.13M per hectare or \$1.67M per acre			
Total Value of Land Required	\$ 106,144,717	\$ 106,144,717	\$ 106,144,717
Deficit / (Surplus) (\$)	\$ 97,132,717	\$ 86,575,243	\$ 94,562,599
Scenario 2 - \$2.00M per hectare or \$809,000 per acre			
Total Value of Land Required	\$ 51,401,800	\$ 51,401,800	\$ 51,401,800
Deficit / (Surplus) (\$)	\$ 42,389,800	\$ 31,832,326	\$ 39,819,682
Scenario 3 - \$1.00M per hectare or \$405,000 per acre			
Total Value of Land Required	\$ 25,700,900	\$ 25,700,900	\$ 25,700,900
Deficit / (Surplus) (\$)	\$ 16,688,900	\$ 6,131,426	\$ 14,118,782
Scenario 4 - \$0.50M per hectare or \$202,000 per acre			
Total Value of Land Required	\$ 12,850,450	\$ 12,850,450	\$ 12,850,450
Deficit / (Surplus) (\$)	\$ 3,838,450	-\$ 6,719,024	\$ 1,268,332

Observations of the Analysis



- As a result of the analysis, the following observations are provided:
 - Use of a combination of the base provisions (5%/2%) and the alternative residential rate provides the most acceptance of land and/or payment-in-lieu of parkland.
 - The historical per lot fee is less than 5% of residential land values the day before building permit.
 - The Municipality should seek to maximize recovery of parkland dedication and payment-in-lieu as payment-in-lieu of parkland fees are used for the rehabilitation of existing parks as well as purchasing new parkland. This will minimize future impacts on taxes.

Preliminary Recommendations



- As a result of the analysis, the following observations are provided:
 - **Parkland Dedication:**
 - Utilize the alternative rate for residential development (where the alternative rate provides for more dedication)
 - Consider revising the O.P. to identify the 5% dedication rate for institutional developments and include in a future parkland dedication by-law
 - **Payment-in-Lieu:**
 - Utilize per lot rates only for residential consents and severances
 - Council to consider increasing the per lot fee for all residential lots (with indexing) – subject to phasing
 - Consider revising the O.P. to include 5% for Institutional Development

Next Steps



- Before passing a parkland dedication by-law, a municipality must prepare and make available to the public a Parks Plan which identifies the need for parkland in the municipality
- A presentation to the School Boards is required and the municipality may consult others as deemed appropriate
- This consultation session includes representatives from the local School Boards as well as the development community
- Subsequently, staff will bring back feedback from this engagement session and a recommended parkland dedication by-law for Council's consideration.

Questions?