

**HEADING:**

**Parkland – A Disincentive to High Density Residential Housing**

*In his report, **John Ghent**, Senior Associate with Weston Consulting, provides compelling arguments on why there are problems with the methods used by municipalities to calculate parkland contributions for high density residential developments, and suggests how these practices should be changed.*

## Introduction

High density residential housing will become an increasingly important cornerstone shaping the urban areas of Ontario. This form of development has long been a prominent component of the Toronto core, but not so much in the Toronto hinterland and in other municipalities across Ontario. Factors influencing this trend include provincially mandated policy direction to intensify urban areas, protect the Green Belt, preserve agricultural lands, sustain public transit, provide for affordable housing and make efficient use of existing and planned infrastructure. The goal is to make better use of existing urban areas.

In dealing with residential development applications, the Planning Act permits municipalities to take parkland either at the rate of 5% of the land area involved in the application, or at a rate not to exceed 1 ha of parkland for every 300 dwelling units. In both cases the municipality may choose to take cash in lieu of parkland and this is a common practice whenever development projects are located on lands where the municipality does not require additional park space.



The way in which the ratio formula for taking parkland (1 ha per 300 dwelling units) is applied is a major issue for high density projects and will undoubtedly become a substantive issue if parkland is calculated at the maximum rate. At the extreme end of the scale, cash-in-lieu of parkland can be equal to or greater than the value of the land. For landowners, the negative financial impact to proposed projects is significant. For municipalities, this has been the source of funds for significant park development.

Some key questions relating to this matter are:

- What are the primary objectives underlying the provision for parkland in the Planning Act and are these objectives being achieved?

- Is the use of the ratio formula for taking parkland or cash-in-lieu of parkland at the maximum rate reasonable and equitable when compared to how parkland is taken for other forms of residential development?
- What are the possible effects of applying the maximum rate of 1 ha of parkland per 300 dwelling units on achieving development objectives, meeting growth levels, and providing for a diversity of housing forms including affordable housing?
- How are municipalities generally implementing the parkland provisions for high density residential projects – both in calculating park area and in taking cash-in-lieu of land?
- Upon what principles should a reasonable parkland contribution policy be based?

## Background

In dealing with development applications, the Planning Act (at Section 42 (1) to (6) and Section 51.1 (1) to (5)) provides for two methods of taking parkland (or cash-in-lieu of parkland). For residential land uses, parkland may be taken at the maximum rate of 5% of the area of the land. When appropriate policy statements are included in the Official Plan, the alternative method is to take parkland at the maximum rate of 1 ha per 300 dwelling units. This alternative method appears to have been introduced into the Planning Act in the mid 1970's. There is no provision in the Planning Act or in any provincial policy documents indicating which method is to be applied, the analysis that should be undertaken, or criteria that should be satisfied when using the alternative method.

Generally, municipalities apply the 5% rate when dealing with low density residential projects. The alternative ratio formula is designed to apply to high density land uses – either at the maximum rate or at some reduced standard. Most municipalities in Southern Ontario have Official Plan policies that enable them to use the alternative method. For medium density development, both methods of calculating parkland have been used.



The financial impact of taking the maximum parkland rate can substantially affect the economic viability of a development project. Consider the following simplified example:

- Lands to be developed – 1 ha
- Permitted uses – residential, high density (300 units per ha)
- Proposed development – 300 units
- Parkland contribution (at 1 ha per 300 units) – 1 ha

In this example, the proponent's cash-in-lieu contribution would be **equal** to the value of the land. At densities higher than 300 units/ha, the financial impact arising from the parkland contribution becomes greater.

### **Objectives of the Parkland Provisions in the Planning Act – a Planning Perspective**

The provision of adequate parkland is of fundamental importance to the way our towns and cities function. People need places to gather, to recreate, and to enjoy communal activities. At the core of our being, we are relational creatures and parks provide space to satisfy that need. They also provide space for sporting activities and allow for a variety of exercise. Parks provide a sense of place and are an element around which neighbourhoods can be organized. Simply put – parks enhance our quality of life.

Not only is the adequate provision of parkland important, but so to, is the provision of park facilities that respond appropriately to the changing demographic characteristics.

The basic underlying purpose of the parkland provisions established in the Planning Act is to provide municipalities with the means to ensure adequate parkland and facilities are available to existing and future residents. This assists in achieving the goal of creating healthy, vibrant and complete communities.



For low density residential developments, allocating 5% of the land area has been the general standard upon which the provision of parkland is based to satisfy this objective. The introduction of the alternative ratio formulae was in recognition that in the case of high density development, 5% of the land area was not sufficient for the population that would be

generated. On a given hectare of land, low density development might generate 60 to 75 people. With high density housing, the same area of land might generate 130 to 500 people, or more – a much greater load placed on park spaces. The inadequacy of taking parkland solely on the basis of a percentage of land area becomes very evident.

Obviously there is a need to relate number of people generated by a given development to the provision of parkland. The Planning Act has used the number of dwelling units as the mechanism to proportionally equate the amount of parkland that would be generated from high density housing to what is generated from low density housing. This was introduced in an attempt to achieve a measure of fairness in parkland contributions across different housing forms.

### **Comparative Analysis of the Methods for Taking Parkland**

For comparative purposes, the following examples are used to provide a benchmark of how much parkland is generated from low density development developments. Typical low density development at three density scenarios is used.

| <b>Parkland Generated from Low Density Development – 5%</b> |                              |                             |                                      |
|---|------------------------------|-----------------------------|--------------------------------------|
|   | Low end of Low Density       | Medium range of Low Density | High end of Low Density              |
| area of land  | 1 ha                         | 1 ha                        | 1 ha                                 |
| density   | 15 u/ha                      | 22 u/ha                     | 29 u/ha                              |
| units generated   | 15 detached dwellings        | 22 detached dwellings       | 29 units (detached or semi-detached) |
| population generated @ 3.2 persons per unit                 | 48 residents                 | 70 residents                | 92 residents                         |
| parkland generated @ 5%                                     | 500 m <sup>2</sup>           | 500 m <sup>2</sup>          | 500 m <sup>2</sup>                   |
| parkland provided per person                                | 10.4 m <sup>2</sup> / person | 7.1 m <sup>2</sup> / person | 5.4 m <sup>2</sup> / person          |

Note: The persons per unit were taken from the Development Charge Background Study prepared for the Town of Oakville by Hemson Consulting Ltd, June 2009 – Appendix A- Table 2. This data was derived by Hemson from Statistics Canada census information.

In this example, when using the 5% of land area calculation, it is seen that for typical low density projects, the total amount of parkland remains constant but the amount of parkland generated per person varies considerably – from 10.4 m<sup>2</sup> of parkland per person to 5.4 m<sup>2</sup> of parkland per person. As the density increases (and the population correspondingly increases), the amount of parkland generated per person decreases to almost half. This is a deficiency in this method of taking parkland – the amount of parkland generated from low density housing does not directly relate to the number of people living in the units.

For high density housing, the alternative ratio method of calculating parkland is typically used (1 ha per 300 dwelling units). Using this method, if the maximum rate was applied, the amount of parkland generated per person increases substantially over what is generated by low density developments.

| <b>Parkland Generated from High Density Development – 1 ha/300 dwelling units</b> |                         |                              |                          |
|---|-------------------------|------------------------------|--------------------------|
|   | Low end of High Density | Medium range of High Density | High end of High Density |
| area of land  | 1 ha                    | 1 ha                         | 1 ha                     |
| density   | 75 u/ha                 | 150 u/ha                     | 300 u/ha                 |
| units generated   | 75 apt units            | 150 apt units                | 300 apt units            |
| population generated at 1.7 persons unit  | 127 residents           | 255 residents                | 510 residents            |
| parkland generated @ 1 ha per 300 dw units  | 2,500 m <sup>2</sup>    | 5,000 m <sup>2</sup>         | 10,000 m <sup>2</sup>    |
| parkland per person   | 19.6 m <sup>2</sup>     | 19.6 m <sup>2</sup>          | 19.6 m <sup>2</sup>      |

Note: The persons per unit were taken from the Development Charge Background Study prepared for the Town of Oakville by Hemson Consulting Ltd, June 2009 – Appendix A- Table 2. This data was derived by Hemson from Statistics Canada census information.

In this example, although the number of units increases significantly, and the total amount of parkland correspondingly increases, the amount of parkland generated on a per person basis remains constant at 19.6 m<sup>2</sup> per person. The amount of parkland generated from high density housing relates directly to the number of people living in the units.

In comparing the parkland generated from high density development to low density development, there are some key insights.

- It is reasonable that calculating parkland for high density development not be the same as the “percent of land area” basis used for low density development.
- The number of people in various housing forms change and therefore the need for and use of parkland will change as the type of unit changes. A unit of one form of housing is not comparable to a unit in a different form of housing. High density housing generates significantly fewer residents per unit than low density development.
- Applying parkland contributions on the basis of the number of people actually using the park space appears to be a more equitable method of taking parkland than basing it the number of units.
- High density development generates a disproportionately high amount of parkland on a per person basis than what is generated from low density development.

For medium density development, the same general principles apply. If parkland is taken at the percentage rate, the amount of land taken is a constant and therefore the parkland per person decreases as the density increases across the medium density range (from 5.3 m<sup>2</sup> of parkland per person at 35 units/ha to 4.1 m<sup>2</sup> per person at 45 units/ha). If parkland is taken under the ratio method, the amount of parkland increases as density increases, but the amount of parkland per person remains a constant (12.3 m<sup>2</sup> per resident). Note: The “persons per unit” used for medium density housing is 2.7.

### **Effects of Applying the Maximum Rate of Parkland on High Density Projects**

The concern is that when the parkland contributions are applied under the ratio-based formula at the maximum rate, there could be a strong disincentive to proceed with development projects. Because of the negative financial impact inherent in these conditions, the development project may be delayed, entirely scrapped, or significantly modified to decrease the number of units (frequently making the units larger) in an attempt to decrease the impact of the parkland contribution.

The effect of these potential responses can be unfortunate and could thwart municipal and provincial objectives. The following may occur:

- Development may not proceed in as timely a manner as what would be expected. In some cases, the delay of key pieces of land, critical for the ongoing development of an area, may compromise other projects.
- The intensity of land use is reduced, thereby diminishing the growth objectives of the municipality.
- Public transit may not be as well supported as would be achieved with more density.
- Existing and planned infrastructure would not be as well used making the cost of this infrastructure on a per unit basis more expensive.
- Affordable housing is less likely to be achieved when units are made larger to avoid higher parkland contributions.

As these effects relate to one project, the impact to a municipality is relatively negligible. However, when the parkland policy is applied broadly across a municipality or a number of municipalities, and over a long period of time, the cumulative impact would be substantive and could effectively defeat the purpose of the intensification policy.

### **Implementation of the Ratio Formula for taking Parkland by Municipalities**

In preparing this report, there has not been an exhaustive survey undertaken of how municipalities have generally implemented the alternative provision for taking parkland dedication. It would not be surprising that some municipalities have recognized either the inequity in taking the full rate or are aware of the negative consequences of taking the full rate and accordingly, have sought to mitigate the impact.

In this regard, several municipalities have introduced policies that take less than the maximum contribution. The approaches taken include the introduction of a cap in land area to be taken that applies either across the municipality or to a specific area.

## **Basis for a reasonable application of the parkland contribution policy**

The alternative parkland contribution provided in the Planning Act which allows for a maximum of 1 ha for every 300 dwelling units seeks to supplement the percentage of parkland contribution on the basis of the greater number of units that are generated from high density housing. However, the flaw in this method of calculating parkland contribution is that not all unit types generate the same number of people.

The reasonable and equitable application of parkland contributions for high density housing should be based on the principle that people, not units, use parkland - that the number of people in various unit types change, and therefore the demand for parkland will change based on the unit type. Parkland contribution should be based on the number of people generated from the development.

A second principle is that the amount of parkland contribution for all residential housing forms should be taken in a reasonably fair and equitable manner across the municipality.

Based on the above, an appropriate adjustment to high density residential development would be a ratio-based parkland contribution ranging from 1 ha for every 550 to 700 dwelling units. This would result in parkland contributions from high density housing ranging from 10.6 m<sup>2</sup> of parkland per person to 8.4 m<sup>2</sup> per person. This provision for high density housing would be reasonably equivalent to the parkland generated from typical low density development which generally ranges from approximately 10 m<sup>2</sup> to 5 m<sup>2</sup> of parkland per person.

## **Cash-in-Lieu of Parkland**

There are two components to the parkland issue – the first is how the land area for park space is calculated and this is addressed in the preceding section. The second is how cash-in-lieu of parkland is administered. If neither component is addressed, there would be a compounding negative effect on the provision of high density housing.

The direction given in the Planning Act is that cash-in-lieu of parkland is calculated based on the value of the land involved in the application. Cash-in-lieu of parkland from high density development would be based on high density land values. The basis for this calculation is that presumably park space may be needed in the immediate vicinity of the proposed development.

The problem with this approach is that high density residential land usually has a higher value than other land uses including land designated/zoned for low density residential uses. While it is sometimes the case that parkland is purchased in the immediate area with the same designation and zoning, it is also frequently the case that the cash-in-lieu funds go into a general parkland account and may not be used to acquire land, or are used to acquire lands of lower value.

As a case in point, in 2009 the Town of Oakville had an inventory of 1294 ha of parkland and open space which is valued at \$476.34 million based on land value, the construction of sports fields and playground equipment, small outdoor buildings and special facilities (Source: Development Charge Background Study prepared for the Town of



Oakville by Hemson Consulting Ltd, June 2009). The parkland component (excluding open space of 857 ha) is approximately 437 ha (Parks, Recreation, Culture and Library Master Plan June 2006). If the value of the open space lands are extracted (estimated value of \$13,000 per ha), the value of the parkland and facilities is approximately \$465.2 million. This calculates to a value of approximately \$1.06 million per ha or \$106 /m<sup>2</sup>. If it is accepted that a reasonable amount of parkland would be 10.5 m<sup>2</sup> per person (which works out to

17.8 m<sup>2</sup> per apt unit), then a reasonable cash-in-lieu of parkland valuation for high density housing that would allow the municipality to develop parkland at the same standard as what exists would be in the order of \$1,900 per unit.

Based on the foregoing, it would be reasonable to introduce an upper limit to the amount of cash-in-lieu of parkland that could be taken by the municipality. Some municipalities have taken steps to address this problem by either establishing a pre-determined cash-in-lieu value per unit (i.e., \$5,500 to \$6,700 per unit), or they have provided a cap on the amount that will be taken (i.e., 10% to 25% of the value of the land).

Taking a predetermined cash-in-lieu amount per unit also allows the municipality to encourage certain forms of housing. For instance, affordable and special purpose housing could be exempted from the parkland contribution.

## **Conclusion**

There is a fundamental unfairness in the way parkland contributions for high density residential housing is calculated, if the maximum rate is taken. A parkland standard that would be more equitable would range between 1 ha for every 550 to 700 dwelling units. Taking parkland within this range would result in providing parkland at 10.7 m<sup>2</sup> to 8.4 m<sup>2</sup> per person.

With respect to calculating cash-in-lieu of parkland, an upper limit of \$5,000 to \$8,000 per unit to a maximum of 25% of the land would be reasonable.

In this report a range is provided both in the parkland area calculation and the cash-in-lieu amounts to reflect variables in land values, the value of parkland facilities to be constructed, and any minor adjustments to actual persons per unit statistics that reflect local characteristics. These factors could influence parkland contribution.

Until this matter is addressed, there will be continued concern among land owners involved in high density projects. These concerns could be expressed in a number of ways including delay of projects, the under-development of sites or appeals to the conditions of approval of applications.

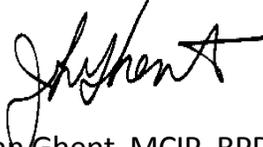
To redress this matter properly, an amendment to the Planning Act would be required. However, this is not likely to be undertaken in the short term.

A second option to address this issue could include an amendment to the Provincial Policy Statement which is currently under review. The Provincial Policy Statement could provide policy direction that places controls on the ratio formula for parkland.

A third option is for municipalities to proactively take steps to reform the way parkland is taken. There are several municipalities that have embarked on this course and it is recommended that other municipalities consider introducing similar policy initiatives.

If the above steps are not taken, and municipalities have not provided sufficient justification, in the way their parkland policies are administered, developers of high density housing have the option of having their concerns addressed by challenging the Official Plan policies, seeking to have the matter reviewed through other tribunals.

Prepared by:

A handwritten signature in black ink, appearing to read "John Ghent". The signature is fluid and cursive, with a prominent initial "J" and a long horizontal stroke at the end.

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