

July 12, 2022

Memorandum to: City of Guelph City Council

From: Daryl Keleher, Senior Director  
Altus Group Economic Consulting

**Subject: Guelph Parkland By-law Review**  
**Our File: P-6889**

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Altus Group Economic Consulting was retained by Guelph District Home Builders' Association to review the City of Guelph's proposed parkland by-law and associated Parks Plan. This memorandum provides an overview of a key concern with the approach set out in the City's draft parkland by-law.

### **Inclusion of Abutting Properties in Calculation of Land Value for Determining Parkland Cash-in-Lieu of Dedication Payments**

The calculation of Parkland CIL is set out in the by-law as follows (using Downtown as an example):

*Where Land is located within the Downtown and is to be Developed or Redeveloped for residential purposes, the payment required in lieu of the conveyance of a portion of the Land for Parkland shall be the greater of:*

- i. The equivalent Market Value of 1 hectare (1ha) per five-hundred (500) Dwelling Units proposed to be added by the Development or Redevelopment, but in no case to exceed twenty-percent (20%) of the total Market Value of the Land, or;*
- ii. Five-percent (5%) of the total Market Value of the Land.*

The definition of "Land" in the Parkland by-law is as follows:

*(k) "Land" (or "Lot") means, for the purposes of this By-law, the lesser of the area defined as:*

- i. The whole of a parcel of property associated with the Development or Redevelopment and any abutting properties in which a person holds the fee or equity of redemption in, power or right to grant, assign or exercise a power of appointment in respect of, or;*
- ii. The whole of a lot or a block on a registered plan of subdivision or a unit within a vacant land condominium that is associated with the Development or Redevelopment;*

...

The definition of Land, by including "abutting properties" in the definition against which "Market Value" of the land is to be calculated, would likely cause significant issues with the financial prospects for intensifying underutilized parts of larger land parcels throughout the City.

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The table below depicts a hypothetical example of a large 5-hectare parcel where a portion of the parcel (0.4 hectares) otherwise underutilized (for a use such as surface parking) is being sought to be redeveloped with a 300-unit residential building.

Based on our calculations and assumptions set out, the inclusion of land value for the abutting site that is not subject to the redevelopment proposal would, in this scenario, inflate the Parkland CIL payable by **191%, or \$23,000 per unit more** than if the calculation of Parkland CIL was using the value of the redevelopment parcel alone. Our methodology is described in more detail in the bullet points below:

- If the land value of the development parcel itself is used as the basis for determining Parkland CIL, the development would pay \$3.6 million in Parkland CIL, equivalent to 30% of the value of the 0.4-hectare parcel being redeveloped, based on the increased value of the approved residential density value it would be approved for. This results in a CIL per unit of \$12,000;
- If the value of the entire existing parcel outside of the development parcel itself is added into the increased value of the development parcel, the value of the entire 5-hectare parcel increases from \$25 million to \$35 million. The application of 30% Parkland CIL to the value of the entire parcel results in a total Parkland CIL payable of \$10.5 million, or \$35,000 per residential unit being proposed, an increase of 191% compared to if the development parcel only was included in the calculation of market value of the land.
  - As a percentage of the value of the redevelopment parcel alone (valued at \$12 million), this approach to determining the “Land” area subject to the CIL calculation would result in the Parkland CIL representing 87.5% of the value, well above the 30% cap the City utilizes otherwise;
  - At the 1 hectare per 500-units rate set out for Parkland CIL in the Planning Act, the 300 units in the hypothetical development would be required to provide equivalent value of 0.60 hectares (300 units x 1 ha. per 500 units). Under this example, the 1.5-hectares yielded from including the abutting site would violate the provisions of the Planning Act, exceeding the Planning Act maximum of 1ha/500 units by a factor of 2.5-times.

The City’s approach would significantly affect the prospects for redevelopment of underutilized lands in the City. Including the value of abutting properties not subject to redevelopment is not consistent with provincial policy that seeks to intensify built-up urban areas and generally promote affordability. To the extent that the City’s approach to abutting properties would recover funds that could not or were not yielded from older developments, the City’s Parkland By-law should not be used to place additional burden on new homeowners to make-up for existing parkland deficiencies that may exist.

The City’s approach to the definition of “Land”, would also discourage intensification of underutilized properties, and work to undermine the City’s targets for intensification of lands in the existing built-up area of the City as set out in the Official Plan.

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**Figure 1 Implications of Including Value of Abutting Land Parcels to Redevelopments, City of Guelph Parkland By-law, Hypothetical Redevelopment of Underutilized Part of Large Parcel**

<b>Prior to Redevelopment of Portion of Site</b>		
Parcel Size	<b>A</b>	5.00 hectares
Land Value Assumption	<b>B</b>	\$ 5,000,000 per hectare
Land Value - Parcel	<b>C = A x B</b>	\$ 25,000,000
<b>Redevelopment of Underutilized Portion of Larger Parcel</b>		
Parcel Size - Partial Redevelopment Portion	<b>D</b>	0.40 hectares
Land Value Benchmark	<b>E</b>	\$ 50 per buildable SF
Residential Units	<b>F</b>	300 units
Gross Floor Area per Unit	<b>G</b>	800 sf / unit
Total Gross Floor Area	<b>H = F x G</b>	240,000 sf
Land Value - Redevelopment Parcel	<b>J = E x H</b>	\$ 12,000,000
Land Value per Ha - Redevelopment Parcel	<b>K = J / D</b>	\$ 30,000,000 per hectare
Parcel Size - Remaining Part of Site Not Redeveloped	<b>L = A - D</b>	4.60 hectares
Land Value Assumption - Remaining Area	<b>M = B</b>	\$ 5,000,000 per hectare
Land Value - Remaining Area	<b>N = L x M</b>	\$ 23,000,000
Total Increased Value of Both Parcels Combined	<b>O = J + N</b>	\$ 35,000,000
Total Land Value per Hectare	<b>P = O / A</b>	\$ 7,000,000 per hectare
<b>Determination of Parkland CIL Payable</b>		
Parkland CIL Cap (Non-Downtown Sites)	<b>Q</b>	30% of site area
<b>Scenario 1: Applied to Redevelopment Parcel Only</b>		
Land Area Subject to CIL	<b>R = D x Q</b>	0.12 hectares
Land Value per Hectare - Redevelopment Parcel	<b>S = K</b>	\$ 30,000,000
<i>Parkland CIL Payable</i>	<b>T = R x S</b>	\$ 3,600,000
<i>CIL Payable per Unit</i>	<b>U = T / F</b>	\$ 12,000
<b>Scenario 2: Applied to Redevelopment Parcel and Abutting Parcel</b>		
Land Area Subject to CIL	<b>V = A x Q</b>	1.50 hectares
Land Value per Hectare - Increased Value of Entire Parcel	<b>W = P</b>	\$ 7,000,000
<i>Parkland CIL Payable</i>	<b>X = W / V</b>	\$ 10,500,000
<i>CIL Payable per Unit</i>	<b>Y = X / F</b>	\$ 35,000

Source: Altus Group Economic Consulting