

Executive Summary

The central question this report seeks to answer is: *How should community benefit charges apply when higher density is granted for a parcel of land, in order to generate the maximize revenue for the municipality, in the most efficient way without discouraging higher density development where desired?* The underlying assumption is that Toronto's current method of negotiating with developers on a case-by-case basis, and without consideration of real estate economics is not generating the optimal revenue that could be generated from community benefits.

Methodology

This report is made of two components. The first component, the literature review is designed to explore the planning justifications behind charging community benefits when rezoning is granted for a parcel of land (leading to higher density or change in land use), to identify different ways community benefits can be applied when rezoning is granted, and to examine legal limitations pertaining to community benefits in Ontario. The second component which forms the main element of the research methodology is proforma analysis of three real estate projects in the Yonge-Eglinton neighbourhood of Toronto for which higher density has been granted through a zoning amendment. The goal of the proforma analyses is to identify the community benefits collection method that provides the most benefits to the municipality in the most efficient manner without rendering the projects unfeasible.

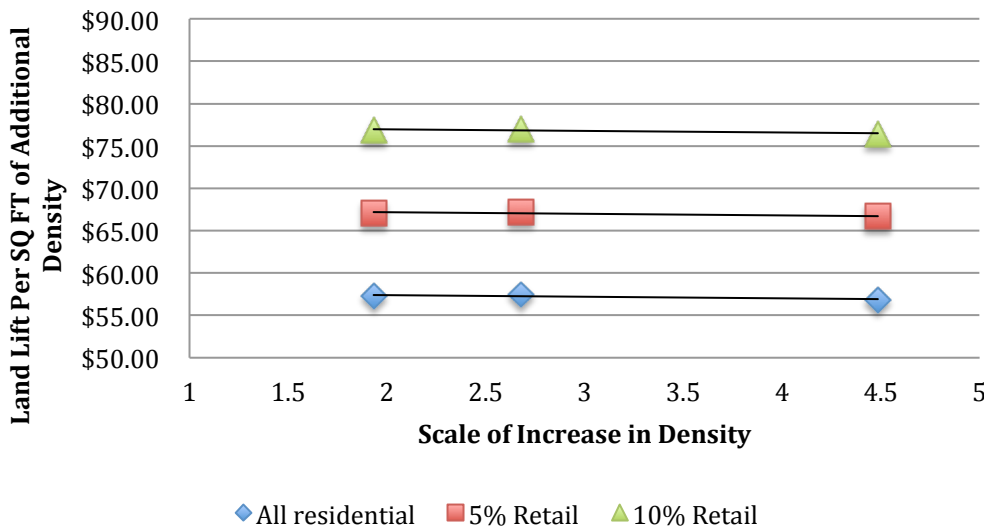
Findings & Analysis

In all the three case studies conducted in this report, developers returned only 4-9% of the land lift as community benefits, minimal compared to the 75% charged by some municipalities in British Columbia. It is however worth noting that the rezoned properties

were sold for significantly more than their assessed values at the time of the transaction, meaning:

1. Land lift calculated through the proforma analysis is not an accurate reflection of the value received by the developers through rezoning.
2. The original owners of the sites captured most of the land lift.

The land lift analysis of the three case studies reveals that land lift per square foot of additional GFA is the same for properties that have the same use, regardless of the 'scale of increase in density' (FAR after rezoning/ FAR before rezoning). This indicates that it is possible to have a flat rate (\$X per square foot) applied to zoning amendments in order to charge community benefits without over or under charging developers in an unreasonable way.



Recommendations

Based on an analysis of the findings, I recommend the following actions be taken by the City of Toronto:

1. Adopt a flat rate method (\$x/ sq ft of additional GFA) to apply community benefit charges to developers when they request higher density. The rate should be different for each neighbourhood of Toronto to reflect the real estate market characteristics of that particular neighbourhood. A real life case study or a hypothetical one (or both) can be conducted in each neighbourhood to estimate the land lift rate. Findings may then be generalized to all developments in that neighbourhood. The selected rate should be lower than the land lift per square foot to maintain incentives for developers to pursue higher density developments.
2. The selected rate for each neighbourhood should be publically available, and the new rules should be effectively communicated to sellers and real estate developers.
3. The rates should be updated annually to reflect changes in the real estate market.
4. For mixed-use projects, and in rezoning cases involving change in land use, proforma analysis should be conducted on a case-by-case basis, and the percentage of land lift that will be captured by the City should be clearly communicated to the public.
5. Mixed-use projects with minor commercial space (i.e. retail at grade) should be treated as residential projects to improve efficiency when applying community benefits charges. Although these types of projects are likely to have a slightly higher/lower land lift rate than purely residential projects (depending on the neighbourhood), the small amount of potential extra/lower revenue is not worth the efforts of conducting proforma analysis on a case-by-case basis.