

Community Association - Community Contribution Position

# CLIFF BUNGALOW-MISSION COMMUNITY ASSOCIATION

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Date: June 10, 2021

Re: LOC2020-0048 and DP2020-3757

Address: 306-312 25 Avenue SW

## **Valuation of incremental buildable area: 306-312 25 Avenue SW**

### *Summary*

Using comparable sales for land parcels in the neighborhood of Cliff Bungalow-Mission, we arrive at a market metric of \$56-\$78 per square-foot buildable. The Applicant has applied to increase the site's FAR from 3.5 to 4.5, which equates to an additional 13,000 s.f. of buildable area based on the parcel size. This results in an implied market valuation of buildable area at \$728,000-\$1,014,000. **The Community Association is requesting a community contribution of \$728,000, which is based on the most conservative of its valuation estimates (outlined below).**<sup>1</sup>

### *Approach: using comparable sales to derive the "price per square-foot buildable"*

There are several methods of determining the value of developable land. The most transparent method is to analyze similar parcels which have recently sold. Using these comparable sales, we are able to derive the price per square-foot buildable. We can then apply this metric to the additional buildable square feet the Applicant has requested to calculate the market price of this additional buildable area.

There is no public policy or economic rationale for the public to accept a discount to market value; thus, the Community Association is requesting a community contribution equal to the market value of the additional buildable area requested by the Applicant.

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<sup>1</sup> **Arguably, incremental density should be priced at a premium to market value:** Additional density provides the developer with two additional benefits vs simply buying more raw land. The first is more scale, which reduces per unit costs (both for building construction and for operating costs). The second is that it allows for a higher number of floors, with higher floors typically selling at higher prices. As a result, if additional density is available at the "market price," developers have an incentive to seek increased density vs developing additional land. In contrast, larger buildings have negative externalities for the community of Cliff Bungalow-Mission, because the larger setbacks and more human sized buildings are character defining elements of the neighborhood. For both these reasons, incremental density should be priced at a premium to market value. The Community Association strongly considered asking for a premium to the market valuation of \$728,000, but felt that doing so risked being seen negatively and added too much complexity to this process, particularly given the time-constraints the Applicant and City Administration are under.

*Comparable sales over past 10-years*

The Community Association has compiled comparable sales of land in the community of Cliff Bungalow-Mission over the past ten years using a data set compiled from land titles, Altus Data Solutions and the Community Association’s internal list of proposed developments over the past decade. This data set is summarized in the table below.

Address	Project	Land Size	FAR	Price	Price per buildable sqft (\$)	Transaction date	Comment
323 20 Avenue SW	Tribeca	30,896	3.5	4,450,000	41	Aug-11	Mission
305-309 19 Avenue SW	District	20,150	3.5	3,075,000	44	Mar-12	Mission
311-319 22 Avenue SW	Tela	17,875	3.5	3,300,000	53	Feb-13	Mission
304 26 Avenue Sw	XII	5,966	5	2,225,000	75	Mar-13	Mission
318-322 25 Avenue SW	Scollen House	13,000	3.5	3,400,000	75	Jul-14	Mission
206 26 Avenue SW	The Windsor	13,500	5	4,650,000	69	Oct-14	Mission
110 18th Avenue SW	Duke	19,500	3.5	2,535,000	37	Nov-15	Mission
314-322 19 Avenue SW	Matrix	19,500	3.5	3,712,500	54	Nov-15	Mission
303 23 Avenue SW	Gloria Court	6,000	3.5	1,200,000	57	May-17	Mission
119-121 24 Avenue SW	Bergin	6,500	3.5	1,250,000	55	Jun-17	Mission
1801 1st Street SE	Nest	5,000	11	2,900,000	53	Feb-18	Mission
536-538 23 Avenue SW	Beverley	9,900	2.5	N/A	N/A	Jul-18	Cliff Bungalow
528 25 Avenue SW	Riverwalk	20,400	7.5	11,146,275	73	Aug-18	Cliff Bungalow
318-322 25 Avenue SW	Elva	13,000	3.5	3,550,000	78	Aug-20	Mission
	Average (past 10-years)				56-59 <sup>a</sup>		
	Average (past 5-years)				61-63 <sup>a</sup>		

<sup>a</sup> The higher bound of the average is compiled by using all comparables. The lower bound of the average is compiled by excluding Scollen House (potential double counting), Riverwalk (unusual transaction) and Beverley (incomplete data) from the calculations

*Most recent comparable is a near perfect analog and suggests a community contribution of ~\$1,014,000*

On July 21, 2020, the site at 318-322 25<sup>th</sup> Avenue SW was sold in a market transaction for \$3,550,000. The parcel has dimensions of 100ft by 130ft, equating to a total parcel area of 13,000 sf. The site also has a density of 3.5 FAR.

Using these inputs, we arrive at a valuation of \$78 per square-foot buildable. This calculation is outlined below:

$$Price\ per\ s.f.\ buildable = \frac{(Price\ paid\ for\ parcel)}{(Parcel\ area) \times (FAR)}$$

$$Price\ per\ s.f.\ buildable = \frac{(\$3,550,000)}{(13,000\ s.f.) \times (3.5)}$$

$$Price\ per\ s.f.\ buildable = \$78.02$$

The transaction for 318-322 25 Avenue SW is a near perfect analog for 306-312 25 Avenue SW:

- **Near identical location.** The two sites are located on the same block face, and are less than 100ft apart.
- **Identical parcel size.** The two sites are of the same parcel size.
- **Identical zoning.** The two sites have the same zoning.
- **Recent transaction date.** Transaction date for 318-322 25 Avenue SW took place in July 2020.<sup>2</sup>

<sup>2</sup> The transaction date of July 21, 2020 is worth expanding on. This transaction date occurred in the middle of the COVID-19 pandemic, suggesting the transaction price may have been depressed in terms of market values. And in fact, using the MLS HPI

The Applicant for 306-312 25 Avenue SW is requesting an incremental 13,000 buildable square-feet. Based on an implied market value \$78 per square-foot buildable, the market value of the incremental density rights would be \$1,014,000. This calculation is outlined below:

*Market value of incremental density = (Price per s.f. buildable) x (Parcel Area) x (Incremental FAR requested)*

*Market value of incremental density = (\$78) x (13,000 s.f.) x (1)*

*Market value of incremental density = \$1,014,000*

*Valuation using comparable sales over the past-5 and past-10 years suggests a community contribution of* Within the source data, we have provided an outline of all pertinent land sales in Cliff Bungalow-Mission over the past-10 years. The implied value of land in Cliff Bungalow-Mission is \$56-\$59 per square-foot buildable based on the past-10 years of sales data and \$61-\$63 per square-foot buildable based on the past-5 years of sales data. This implies a market valuation between \$728,000-\$819,000 based on the Applicant's request for 13,000 additional square-feet buildable.

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Benchmark Price Index, we can see that condominium prices in Calgary have increased substantially since this time (from ~\$260,000 in July 2020 to ~\$290,000 in May 2021). This implies that the market valuation of \$78 per square-foot buildable may underestimate the value of buildable area in today's economic environment.

## Appendix 1 – Discussion around policy of density bonusing

To our knowledge, the City of Calgary does not have a formalized policy to pass zoning by-laws involving increases in the height or density in return for the provision by the owner of community benefits. We thus looked to Section 37<sup>3</sup> of the City of Toronto for guidance on this matter. Below are some of the most pertinent policy considerations:

1. **The proposed development must represent good planning.** An owner/developer should not expect inappropriately high density or height increases in return for community benefits and the City should not approve bad development simply to get community benefits.
2. **Good architecture and good design are expected of all developments, as a matter of course, and are not eligible Section 37 benefits.** If the City were to accept good architecture and/or good design as eligible Section 37 benefits, it would be signalling that lower standards are appropriate in developments where Section 37 is not used, which is definitely not the case.
3. **No citywide formula, or quantum, exists in the Official Plan or these Guidelines for determining the level of Section 37 benefits.** An example of such a formula would be that the cost of community benefits should be at least 30% of the increased land value resulting from the density increase. An approach that institutionalized a rigid, value-based formula, or quantum, across the entire City, would likely be challenged in court, and might not survive the challenge on the basis that it constitutes an illegal tax. As a result, most Section 37 agreements are negotiated on a case-by-case basis, and the amount or value of the community benefits in relation to the value of the density or height increase varies from project to project or from one area of the City to another.
4. **Section 37 community benefits should be specific capital facilities, or cash contributions to achieve specific capital facilities.** This principle contains two important sub-principles: a) community benefits should be capital facilities; and b) those capital facilities should be specific capital facilities, not general or indeterminate facilities. Community benefits should be durable.
5. **There should be an appropriate geographic relationship between the secured community benefits and the increase in height and/or density in the contributing development.** The priority location for community benefits should be on-site or in the local area.
6. **The Ward Councillor should always be consulted by City Planning staff prior to any negotiation of S.37 community benefits.** The Ward Councillor has a role, if he or she wishes, in determining what benefits should be the subject of negotiation between the City and the developer/owner, and should always be consulted prior to negotiations with the applicant.
7. **City Planning staff should always be involved in discussing or negotiating Section 37 community benefits with developers/owners.** City Planning staff has a particular responsibility to ensure that the Official Plan policies are being complied with, and must recommend an appropriate package of S.37 community benefits when the staff report recommending approval of the proposed development is forwarded for Community Council consideration.

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<sup>3</sup> <https://www.toronto.ca/wp-content/uploads/2017/08/8f45-Implementation-Guidelines-for-Section-37-of-the-Planning-Act-and-Protocol-for-Negotiating-Section-37-Community-Benefits.pdf>

## Appendix 2 – Discussion of proposed community benefit

There is a parcel of land located on the northeast corner of 25<sup>th</sup> Avenue and 1<sup>st</sup> Street SW that was successfully used for a community garden in 2020 (“Jardin Possible”), but remains privately owned. The Community Association proposes using the proceeds from the community contribution to purchase this parcel for the purpose of making it permanent greenspace for the community.

### *About the land*

The address of the parcel is 140 25 Avenue SW. The parcel size is 3,476 square-feet and it was last advertised for sale on the MLS system for \$849,000 in January 2020.

### *Rationale for adding a third community garden for the neighborhood:*

- 1. Durable Benefit.** The purchase of greenspace for a community garden would be forever. The land will not depreciate or wear-out over time. Land is also extremely adaptative to reuse if demand for community garden plots wanes over time. The durable nature of this proposed community amenity is line with the best practices outlined in Section 37 of Appendix 1.
- 2. Located within the local area.** The parcel is located along the same Avenue as the proposed development and is located less than two blocks away. As a result, this parcel will benefit those around the proposed development, including residents of adjacent sites and future residents of 306-312 25 Avenue SW. The location of this proposed community amenity is line with the best practices outlined in Section 37 of Appendix 1.
- 3. Increases green space and park space, which is in line with the objectives outlined within the MDP.** Section 2.3.4 of Calgary’s Municipal Development Plan outlines its vision for “parks, open spaces and outdoor recreation” while the entirety of Section 2.6 is dedicated to “Greening the City”. A stated objective of the MDP is to “Create quality public parks, open spaces and other community amenities to make leisure and recreation activities available to all Calgarians,” and a stated policy of the MDP is to “Encourage high-quality parks near high-density residential buildings to act as a local amenity and places for community gathering, with greater focus on site design qualities than the quantity of park space.” The Community Association believes the creation of green space and the addition of a third community garden in Mission would contribute to achieving this objective.
- 4. Contribute to sense of community.** The identity of Cliff Bungalow – Mission is informed both by its history and its connection with nature. The neighborhood is bounded on the west by the Cliff Bungalow escarpment and to the East and South by the Elbow River. The neighborhood’s bike paths, large front setbacks, ample tree foliage, lilacs and community garden plots are all part of the community’s identity. Adding a third community garden to the neighborhood would thus positively contribute to the community’s identity and sense of place.
- 5. Identified need by community association.** Each year, many aspiring gardeners are left on a waitlist with not enough garden beds to go around. The increasing density of Cliff Bungalow – Mission suggests that the demand for garden plots and green space will increase over time.

*History of Jardin Possible*

In the Spring of 2020, the Community Association reached out to the City of Calgary and received unqualified support for a temporary garden on privately owned land within the community. Everyone the Community Association spoke with was excited about the idea. The community's City Liaison, Brenda Annala, immediately began researching bylaws, making connections, and lending advice. Cst. Derek Havens of the CPS offered encouragement. Ron Buchan from the Parks Department weighed in with much needed advice and a donation offer of soil and mulch. Our City Councillors, Jeromy Farkas and Evan Woolley with EA Jill Mawer stepped up with offers of help.

Separately, Travis Oslanski, a former member of the CBMCA and Mission gardener, was looking for ways to use his lot in Mission. The 2013 flood had damaged the foundation of the house on the lot and it had to be torn down in 2015. Since then, the lot had sat vacant. On a break from this work, Travis Oslanski sent an email to the CBMCA, reading in part, "I have recently found myself motivated to put in a bit of work to ... spruce up that corner for the summer at the very least. With that said, I wanted to reach out to see if there if there was any interest in using any of the space on the lot for members to garden?"

The CBMCA met with Travis Oslanski and shortly thereafter had signed agreements in hand and a shared vision for the lot. Next, the CBMCA sent an email to the waitlist gardeners, and the response was overwhelming and enthusiastic – everyone on the waitlist still wanted a garden, and all of them were happy to help set it up.

- Of the gardeners, Hana Gohill and Amber Yeo stepped forward to manage the garden, and Geraldine Gray offered to lend her experience to guide the project.
- The soil was delivered by the City of Calgary and Soil Kings.
- Travis Oslanski trucked in dozens of fence posts to construct the garden beds and, guided by Amber and Geraldine, garden volunteers built the physically distanced beds and moved hundreds of pounds of soil to fill them.
- Mulch was delivered by the City and Travis Oslanski and spread over the site.
- Green Calgary and The Barrelman provided rain barrels.
- Tracey and Carissa from Rainbow Greenhouses donated nearly 200 flower and vegetable seedlings.
- Local artist Dean Stanton create a sign, and local artist Derek Mah created garden markers.
- Georgina Jameson from the Mission Garden offered seeds, advice, and use of tools, and Sue Gryzenhout and Natasha Kuzmak from the Cliff Bungalow Garden lent their knowledge and support.
- Travis Oslanski purchased (from his own pocket) a trailer load of gravel, and together with Amber and Hana laid the weed barrier, trenched posts, and shifted the gravel to complete the path.
- A raised bed for the mobility challenged was added.
- Someone donated a lovely bench, and a wee garden gnome mysteriously appeared in one of the beds.

Since the project began, dozens of people have helped to make it a reality. This has truly been a collective effort, and it continues to be. Together, the community made the improbable possible. And so, the garden is named 'Possible Garden, or 'Jardin Possible' in French (paying homage to Mission's Franco-Albertan roots). Making the garden permanent would be a positive outcome for the community.