

# Healthy Parks, Healthy People, Healthy Communities

*Assessing the Proximate Value of Parks  
and Open Space to Residential  
Properties in Alberta*

*Executive Summary*

*July, 2007*



ARPA is a provincial charitable not-for-profit organization with a voluntary board of directors dedicated to the promotion of recreation and parks and their benefits to the quality of life of all Albertans.

## Our Vision...

"A province, and communities within, that embrace and proactively use recreation and parks as essential means for enhancing individual well-being and community vitality, economic sustainability and natural resource protection and conservation."

## Our mission...

ARPA strives to build healthy citizens, their communities and their environments throughout Alberta.

For more information on ARPA, our programs or services, or the benefits of recreation and parks, please visit our website at <http://www.arpaonline.ca>.

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- City of Calgary
- City of Medicine Hat
- City of St. Albert
- Strathcona County
- Town of Okotoks
- Town of Drayton Valley

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Dr. John Crompton, Distinguished Professor, Texas A @ M University and author of “The Proximate Principle, The Impact of Parks and Open Spaces and Water Features on Residential Property Values and the Property Tax Base”.

### Executive Summary

ARPA (The Alberta Recreation and Parks Association) recognizes that the increasing urbanization of Alberta has significant implications for parks planning, quality of life and economically sustainable communities. ARPA, with funding from the Alberta Real Estate Foundation, commissioned Serecon Consulting Group to conduct a study of the proximate value of park space in newer urban subdivisions in this province. The underlying premise and conceptual framework used in this study is based on work completed in other jurisdictions by Dr. John L. Crompton of Texas A&M University.

The premise, upon which the Proximate Principle is based, is that residential properties located near an amenity such as a park, open space or water way, will attract a higher capitalized value than will properties that do not have access to such an amenity. Further, the higher level of capitalized value will result in incrementally higher levels of municipal property taxes, which when aggregated, are theorized to be sufficient to pay for the annual costs related to the development and maintenance of this amenity.

It is recognized that parks are valued for many other human and environmental benefits, many of which can be measured in economic terms. These other benefits are not captured directly in this analysis, however it can be argued that they are indeed reflected in property market values.

The results of this study are intended to advance the recognition of the value of park spaces by community planners, developers, realtors, assessors, elected officials, parks' managers as well as the public.

The methodology encompassed the selection of representative communities and parks contained within six urban municipalities of varying size, a qualitative assessment (site visitations, literature review, and interviews) as well as a quantitative analysis. The latter process involved an inventory and cost assessment for each park, an analysis of market, individual assessment and group assessment values of properties proximate to the parks along with their associated property tax revenues and an operating cost recovery calculation.

The participating communities were Calgary (large urban), Strathcona County (Sherwood Park), St. Albert and Okotoks (small to mid urban/commuter), Medicine Hat (mid urban), and Drayton Valley (small urban in rural setting). All communities were selected to represent complete but newer mainly single family residential developments with average socio-demographic profiles. None of the communities were directly influenced by major regional parks. The focus of the analysis was on parks designated as Municipal Reserve (MR) including a mix of active parks, parks associated with schools/playing fields, linear parkways and smaller neighbourhood "tot lot" parks. A mix of home situations relative to the parks were considered (backing on, across the street, one block removed).

### Findings

Dr. Crompton's work addresses three key questions

1. Do parks and open space contribute to increasing proximate property values?
2. To what distance does the impact extend?
3. To what degree of magnitude?

His work also addresses the Proximate Principle in the context of waterways, greenway trails and golf courses.

The table below summarizes the conclusions from Dr. Crompton's work and the corresponding situation in Alberta as determined from the qualitative research.

<b>Dr. Crompton's Work</b>	<b>Alberta Context</b>
<ul style="list-style-type: none"> <li>▪ Proximate values are higher for passive than active parks due to noise, congestion and negativity.</li> <li>▪ A 20% premium on single family homes is</li> </ul>	<ul style="list-style-type: none"> <li>▪ Confirmation that "premium" lots have views backing onto passive, natural green space, especially with walkouts.</li> <li>▪ Proximate values on active parks are higher where landscaped buffer zones are incorporated.</li> </ul>

<b>Dr. Crompton's Work</b>	<b>Alberta Context</b>
<p>suggested as a starting point for passive parks.</p> <ul style="list-style-type: none"> <li>▪ The premium applies to home and lot.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Applications of the Proximate Principle in Alberta are on land values only.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Proximate values vary with the quality and upkeep of the parks:               <ol style="list-style-type: none"> <li>1. 15% Exceptional</li> <li>2. 10% Above Average</li> <li>3. 5 % Average</li> <li>4. Below Average</li> <li>5. Dispirited</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>▪ MR community and neighbourhood parks are developed and maintained to municipal standards. These “average” parks are the focus of the Alberta study.</li> <li>▪ “Above average” or “exceptional” applies to regional parks, special spaces or in communities with a resident’s association fee.</li> <li>▪ Dispirited does not apply to MR parks in newer Alberta subdivisions.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Proximate values extend up to three blocks beyond the park, and possibly further.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Developer lot prices and market value based property assessment models apply an overall premium to a community with enhanced park or recreational amenities.</li> <li>▪ Premiums appear to be applied to lots abutting or fronting green space only.</li> <li>▪ Park development guidelines in many communities have a standard that any residence is within a maximum set distance of a park.</li> <li>▪ Dispersed park designs diminish the proximate affect past the first row of homes because of competing influences.</li> <li>▪ It has been suggested that the proximate value of properties not on a park are more influenced by the enhanced property values and standard of care of homes on the park lot, than by the access to the park. “Estate” cells are often centered around a park or other amenity.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Proximate values vary with supply and demand.</li> </ul>	<ul style="list-style-type: none"> <li>▪ All communities studied met the 10% MR requirement and are removed from the adjacent impact of a major regional park.</li> <li>▪ MR “supply” in a community is enhanced by incorporation of MR with ER, school sites or PUL.</li> <li>▪ Newer communities in larger urban centres are being developed to a higher density, thus impacting private green space and the ability to establish urban forest.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Homes abutting greenway trails net no proximate value.</li> <li>▪ Studies analyzed were based on greenways that do not offer views.</li> <li>▪ The value of the buffer zone between properties is offset by the potential for negative behaviour and intrusion on privacy.</li> <li>▪ The value of the greenway trail is in the functionality and access it provides, which is not captured in the proximate analysis.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The greenway trails or linear parkways studied in the Alberta context are associated with premiums that are considered comparable to open passive park space.</li> <li>▪ Linear parkways are favoured by developers because of the “edge” factor.</li> <li>▪ Linear parkways must have a purpose and meet a minimum width standard.</li> <li>▪ They are often integrated with ER (Environmental Reserve) or PU (Public Utility Lot).</li> <li>▪ Negative social behaviour and intrusion on private space may discount the value for poorly designed pathway systems.</li> <li>▪ Fence styles also impact values.</li> <li>▪ Narrow “finger parks” or walkways sandwiched between fence lines with minimal green space/landscaping do not appear to offer a premium.</li> <li>▪ Increasingly, the value of linear parkways is being promoted by municipalities to provide linkages to their parks system and to alleviate vehicular traffic.</li> </ul>

<b>Dr. Crompton's Work</b>	<b>Alberta Context</b>
<ul style="list-style-type: none"> <li>▪ Water Features: Proximate premiums range from 10% for partial vistas to 100% for full ocean views.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Anecdotally, views of natural wetlands are most highly valued.</li> <li>▪ Storm ponds are increasingly being integrated into naturalized MR sites to provide a combination of private and public access.</li> <li>▪ Innovative approaches to stormwater management, such as canal systems and bioswales are being incorporated into park space.</li> <li>▪ Proximity to stagnate storm ponds can have a negative effect.</li> <li>▪ Homes backing on to private access recreational lakes demand a very high premium, but these features are supported with resident association fees.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Golf Courses: Proximate premiums range from 25-30% for homes abutting golf courses.</li> <li>▪ Golf course communities studied are year round.</li> <li>▪ Golf course layout ideally lends itself to maximizing “edge”.</li> <li>▪ The proximate value does not extend beyond the first row of homes because there is no access benefit.</li> <li>▪ Because only about 30% of households in golf course communities have golfers, developers may be better served developing “ambient open space”.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Findings are confirmed.</li> <li>▪ Alberta golf courses offer the advantage of non-use in winter with the benefit of enhanced wildlife use.</li> <li>▪ Golf courses may be constructed in new communities as an alternative use of undevelopable land (e.g. reclamation site, buffer zone to ER area). Golf courses provide a future revenue stream to maintain the green space to a higher standard than might otherwise be achieved with open space maintained by the municipality.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Alternate capitalization and taxation models apply in some areas, e.g. special assessment districts, tax increment financing.</li> <li>▪ “View taxes” are cited in other research.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capital costs are returned to the developers.</li> <li>▪ Infrastructure levies are being applied to new communities in Calgary.</li> <li>▪ Alberta municipalities do not link tax revenue to parks spending.</li> <li>▪ It can be argued that resident association fees are a form of tax, but these fees are applied equally to all residents in a community.</li> <li>▪ The value of parks is recognized to be beyond direct tax revenue generation; i.e. integral to the contribution to quality of life needed to support economic development.</li> <li>▪ There is recognition that spending on parks, including programming, is a deterrent to negative social behaviour.</li> </ul>

The quantitative analysis indicated there is a wide variation in the proximate premiums between communities and of parks within the Alberta communities studied. The proximate premiums found ranged from a high of up to 15% to a low of less than 1% on the total property (home and lot combined).

A key characteristic of high premium parks combine MR with ER and PUL (i.e. well managed stormwater features) because of the massing of the park area and the positive environmental impact. The value of the benefit is expressed by the view, as well as the privacy afforded by the park. The presence of a contiguous pathway, but set away from the property line further enhances the value.

At the other extreme, parks with very low proximate premiums of 1-2% tend to be smaller, active parks and associated with noise or privacy intrusion. Typically, property views are obstructed by solid wooden privacy fences. To some degree, negativity can be mitigated by landscaped buffer zones.

Mid ranged premiums of 5-8% or more are typical of smaller mixed-use neighbourhood and tot-lot style parks.

Some of the factors that drive these wide variations are:

- Sampling errors
- Supply of park space by type within the local and extended area
- Community demographics and corresponding uses of park space
- The maturity of the landscaping and degree of naturalization
- The size of the park and privacy afforded to the individual homeowner
- The level of investment in park infrastructure

A reasonable expectation is that annual operating costs be fully recovered by the collective property tax premiums derived from homes adjacent to parks that do not have any serious negative characteristics and have at least some significant view benefit of a natural area, the latter having lower maintenance costs relative to manicured parks or high use playing fields. Further, full recovery is only realistic for non-irrigated parks, those without high usage (i.e. low need for grooming and litter pick up) and those without significant winter requirements for pathway snow clearing and skating rink maintenance. Such parks must also offer enough property exposures for the size and shape of the park to contribute sufficient collective tax premiums. The highest collective tax revenue premium contribution is exhibited for primarily passive parks of moderate size (1-4 hectares) that maximizes “edge” or individual property exposure to the parks. In this regard, elongated parks are associated with higher collective proximate premium contributions.

A caution should be noted here – the application of the Proximate Principle alone should not drive policy decisions on park design to the detriment of the development of active parks; a mix of parks is required to satisfy the diverse needs of all residents and provide the required balance of private benefit, aesthetics, public access and recreational opportunities necessary for a healthy community. Further, over-emphasis on maximizing the edge effect or developing more of the green space in smaller, dispersed parks is inconsistent with the requirement for sufficient massing of naturalized areas to support biodiversity and the ability of remnant natural areas to regenerate.

## Trends

Some of the key trends in subdivision and parks planning that may limit the application of the findings in this report to newer communities include the following:

- **Higher residential building densities**, the overall trend to larger building footprints, smaller lots and mixed use zoning will reduce private green space and increase demands on public green space. Proximity to neighbourhood tot lots may have higher value in future as individual lots cannot accommodate play structures. The value of proximity to any treed open space, including boulevards, may increase as small private lots become less and less able to accommodate large shade trees and the benefits they provide.
- There will be more requirements for **effective stormwater management** as higher percentages of hard and built surfaces in communities lead to increased runoff. This presents opportunities for innovative and integrated naturalized wetland/dry pond development incorporated with traditional park (MR) lands, offering both maximum property exposures and public access if linked by pathway systems. More substantial and better engineered stormwater management systems, the ability to support greater biodiversity, and evolving public acceptance, may increase the proximate premium associated with lots adjacent to integrated park/stormwater management ponds in future.
- In some jurisdictions, there is an increasing trend toward **resident association fees** being collected to offset park operating costs beyond municipal standards. These resulting parks may be rated as “exceptional” by Dr. Crompton’s scale. It is unclear if these exceptional parks, that really offer a private benefit, will enhance the proximate value, to what extent, and whether resident’s fees are viewed as “double” taxation in this context or may even deter from the market value because proximity to the park reflects a continuing liability. The question of whether resident’s association fees collected in some communities have the potential to create a two-tiered parks system and community wide premium differentials is also at issue.
- The Proximate Principle values properties in relation to their defined distance from a park and does not address the **value of access**. There is a trend toward further development of linear parkways with parks and open spaces located at the nodes within these systems, and contiguous (regional) pathway systems offering

alternative transportation routes. It may be that proximity to access points to these systems may have an enhanced and recognized market value in future.

- Many communities in Alberta have been plagued by high rates of property inflation. **Affordability in housing** is a key theme in municipal sustainable development directives. Developers are increasingly under pressure to provide affordable housing which may mean compromising the level of park and open space development, thus reducing the potential collective proximate premium to be derived in a new community. Home buyers may increasingly tradeoff proximity to desirable parks and open space at a higher market cost for affordability, including the expectation of lower annual property taxes. The decision may come down to avoidance of a negative feature (such as being located on a busy collector road with a utility box on the property) rather than selection of a positive lot feature. Ultimately, market needs and the ability to pay will drive the level of the proximate premium that is realized.
- Increasingly, park planning principles that **deter negative social behaviour** are being implemented. More open street visibility means fewer homes backing on to these parks and therefore a dilution of the potential “edge” contribution, discussed in this report.
- One legacy of the Urban Parks Program and the tendency of new subdivisions developed in the latter half of the 20th century to be uniformly zoned (e.g. R1 single family) is that parks planning is increasingly concerned with **life cycling**, infrastructure maintenance, refurbishment, and meeting the needs of aging community demographics. Discouragement of high levels of park development or multiple (small) tot lot type parks may reduce the initial proximate premium associated with the lot sale and may ultimately result in depressed opportunities for realizing the full proximate premium (and maximizing resulting tax revenue) in future.
- In some municipalities, inner-city tree plantings have reached maturity and tree replacement programs are underway. New subdivisions are increasingly being developed on previously farmed land with limited opportunity to integrate existing stands of native trees. In the near future, properties in proximity to green space with mature tree stands may exhibit higher premiums because of the limited supply and high demand.

## Implications

The conclusion derived from this review is that the Proximate Principle, as it has been studied in more established urban areas in the United States and the United Kingdom, has limited direct applicability to parks in new sub-divisions in Alberta communities. The key reasons for these differences relate to exposure to open rural lands adjacent to new developments, ready access to major regional, provincial, and national parks, fundamental cultural differences, and the age of the parks studied. Nevertheless, there are still several applications of the Proximate Principle to the Alberta context. The most important message in this report is the need for balance in parks planning – balance in terms of public versus private benefit, meeting diverse user needs in the immediate and longer term, maintaining ecological integrity and the cost/revenue balance given willingness and ability for the market to pay.

**For park planners** the Proximate Principle underscores the value of parks and parks' systems in satisfying society's needs for a basket of benefits including views, access, recreation and exposure to the natural environment. In short, the market is willing to pay, to a point, for these benefits. The value of these benefits in turn help to create a saleable image for a community; an important point when negotiating land use with developers.

**For developers**, the application of the Proximate Principle is to maximize the number of properties exposed to parks and open space, while also recognizing that a total community premium may exist for the collective parks system within a new subdivision. It goes without saying that municipal directives for land use, parks, open space and recreational planning must be met. Greater understanding of the Proximate Principle may assist developers in the preparation of area structure plans and negotiating land use designations to expedite the municipal development approval process. Further, given municipal requirements for infrastructure lifecycling and limiting future maintenance costs, the argument that the annual proximate (tax) premium may cover some or all of the cost of maintaining that park can assist the developers in planning park development, as well as in the negotiation of operating endowments. Finally, inexperienced developers may use the findings to support lot pricing decisions, recognizing that pricing is based on what the market will bear as well as the rate of absorptions.

**For parks operations** the Proximate Principle creates another argument for justifying parks maintenance budgets. It is not reasonable to use this argument, however, to increase the total amount of taxes collected so that more can be spent on parks. It should be noted that ultimately it is up to the rate payers to decide on the level of taxes they are willing to pay, given their expectations for the level of community parks' maintenance, and competing requirements for other municipal service priorities including major regional parks and recreation facilities. In applying the Proximate Principle, parks operations must also be prepared to justify budgets on other grounds, or refute cost constraints in situations where the taxes generated from the Proximate Principle do not cover the operating costs for that park.

**For tax assessors and rate payers**, the application of the Proximate Principle in Alberta provides data to support realistic assessed values. In situations where direct market comparables of properties on parks are unavailable, the results of this study provide a more defensible guideline for adjusting market values using comparables situated off parks, to account for proximity to parks. Importantly, one premium cannot be fairly applied to proximity to all parks and open spaces. Specific adjustments depend on park type, and size and the level of development as illustrated by the range of proximate premiums found in this study. More appropriate application could lead to fewer challenges of assessed values by the property owners, and also provide assurance to homeowners that they are being assessed taxes on a fair property valuation.

**For residents' associations** (that are established by the developer at the outset) the application of the Proximate Principle may provide justification for adjusted fee structures, such as higher fees for immediate proximity and private access, and lower fees for access without views. In this way, residents that are denied the benefits of direct proximity to the park will not be "subsidizing" those that are, as might be the case with a flat fee structure.

**Realtors** may use the Proximate Principle to calculate listing prices in situations where direct market comparables of properties on parks are unavailable.

### ***Further Study***

The limitation of this study was that it was narrowly focused on the application of the proximate premium on a property by property basis in newer subdivisions. It is suggested that the focus of the Proximate Principle theory and analysis, would best be orientated to the measuring the proximate value on the basis of communities, and not individual homes or properties within a community. One possible area of future study and analysis would be to undertake an evaluation of the differences in proximate values between communities. This type of analysis would help to better identify all those factors that make one community have higher overall assessed values (higher proximate premiums) versus other less valued communities. Knowing the relative impact of community parks' systems vis a vis these other factors might be supportive of the planning and design efforts of town and city planners, and for private developers.