

June 10, 2020

Delivered Via: Email

City of Chestermere
105 Marina Road
Chestermere, AB T1X 1V7

Attention: Mr. Karl Mielke

**Reference: Chestermere Land Use Bylaw Amendment Part 2
Impact of Side Yard Setbacks on Property Tax Assessment**

Dear Karl,

Reductions in side yard setbacks are among the changes proposed in Part 2 of the Land Use Bylaw Amendment. For the City of Chestermere's consideration, and in support of the proposed amendments to the City's Land Use Bylaw, Qualico Communities offers the following information on the impact side yard setbacks have on property tax assessments.

The frontage of any fee simple residential lot can be divided into two categories: 1) Side Yard Frontage, and 2) Building Frontage. Intuitively, because improvements cannot be made within the side yard setback of a lot, it is recognized that the side yard frontage retains less value than the building frontage. Qualico undertook an analysis to quantify the difference in valuation between these two categories of frontage.

Unique circumstances in Qualico's community of Redstone provided the opportunity to evaluate valuation differences between side yards and building frontage, while controlling for external factors. In 2016/17, two phases in Redstone were selling analogous laned homes simultaneously, in that the homes were constructed by the same builders, and the same models were offered in both phases. The only factor that varied between the two phases was the side yards. The product in one phase was all traditional lots with 4' side yards on each side of the home, while the product in the other phase was all zero lot line, with a 5' side yard on one side.

Qualico pulled tax assessments for all homes in both phases (note both phases are fully built out and all lots are occupied). The gross tax-assessed value of the lots was compared to the frontage to determine the value per unit of frontage. Further, the total frontage was separated into side yard frontage and building frontage, to determine the unit valuation of each. This exercise suggested that building frontage has a value **4.85** times higher than side yard frontage. Qualico would be happy to share the information used to calculate this ratio, should the City wish to evaluate in further detail.

Based on the above, we can calculate the incremental tax-generation potential of reducing minimum side yard setbacks from 5' to 4' in the various Land Use Districts in Chestermere. The increased valuation, per unit of frontage, for the minimum lot width in the R-3, R-1PRL and R-1 districts are as follows (detailed calculations attached):

District	Product Type	Impact to Lot	Change in Assessed Value Per Front Foot
R-3	20' Laned Half Duplex	25' Lot Reduced to 24'	3.07% Increase
R-1PRL	20' Laned Home	30' Lot Reduced to 28'	5.14% Increase
R-1	36' Front Drive Home	46' Lot Reduced to 44'	3.41% Increase

A decrease of the minimum side yard setback results in an increase in tax assessed value per unit of road frontage, offering the City an opportunity to generate additional tax revenue without increasing the tax rate.

Qualico further analyzed how a reduction in minimum side yard setbacks might impact valuation across a typical block. Multiple comparisons were generated by lotting out a typical block with common housing products using current side yard setbacks and potential alternatives. The various comparisons and resulting impacts to tax valuation are as follow (detailed calculations attached):

District	Product Type	Contemplated Change	Impact to Lot	Change in Assessed Value Per Front Foot
R-3	20' and 22' Laned Half Duplexes	Reduction of Side Yard from 5' to 4'	Same Product Lots Reduced by 1'	3.71% Increase
R-1PRL	20' and 22' Laned Homes	Reduction of Side Yard from 5' to 4'	Same Product Lots Reduced by 2'	5.89% Increase
R-1PRL	20' and 22' Laned Homes	Permit Zero Lot Line Product (5' Side Yard on one side only)	Same Product Lots Reduced by 5'	14.72% Increase
R-1	36' and 38' Front Drive Homes	Reduction of Side Yard from 5' to 4'	Same Product Lots Reduced by 2'	2.89% Increase
R-1 to R-1PFD	28' Front Drive Homes	Change from 45' R-1 Lots to 36' and 38' R-1PFD Lots	Lots Are Tailored to the Desired Product Type	15.12% Increase

A municipality will incur the cost to maintain public roads and sidewalks regardless of the configuration of the lots they service. We would suggest it is in the best interest of a municipality to maximize the assessed value and by extension, the tax revenue-generating potential of those lots. In Chestermere's case, reducing side yards from 5' to 4' increases a community's potential for tax revenue-generation by reducing low-value side yard frontage in favor of high-value building frontage.

Given the information above, we trust the City will see the benefits of adopting the proposed changes to side yard setbacks. We appreciate the City's willingness to explore mutually beneficial policy amendments, and look forward to additional opportunities to affect positive change. We look forward to ongoing collaboration. Should the City or Province require anything further, I can be reached at 403-212-6301 or cpiechotta@qualico.com.

Sincerely,

Waterbridge Developments Inc.

By its managing partner,

Qualico Developments West Ltd.



Clark Piechotta, P.Eng.

Associate Director of Development

Attachment: Tax Assessment Calculations

cc. John Popoff, City of Chestermere
Jeff Gibeau, City of Chestermere
Claudio Palumbo, Qualico Communities
Thilo Kaufmann, Qualico Communities
David Symes, Stantec

Single Family Home - Scaled to \$600,000 home on 46' lot

Sideyard Assessed Value per Front Foot: \$3,250.27 Home to Sideyard Ratio: **4.85**
 Home Assessed Value per Front Foot: \$15,763.81

Semi Detached Home - Scaled to \$425,000 home on 33' lot

Sideyard Assessed Value per Front Foot: \$3,018.47 Home to Sideyard Ratio: **4.85**
 Home Assessed Value per Front Foot: \$14,639.58

Comparison: Tax Generation Current R-3 Duplex Lot vs. Amended Lot with 4' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Assessed Valuation Per Front Foot	% Increase
20' Home - 5' Side Yards	20	5	25	\$ 292,791.59	\$ 16,251	\$ 309,042.94	\$ 12,361.72	
20' Home - 4' Side Yards	20	4	24	\$ 292,791.59	\$ 13,001	\$ 305,792.67	\$ 12,741.36	3.07%

Comparison: Tax Generation Current R-1PRL Lot vs. Amended Lot with 4' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Assessed Valuation Per Front Foot	% Increase
20' Home - 5' Side Yards	20	5	30	\$ 315,276.19	\$ 32,503	\$ 347,778.89	\$ 11,592.63	
20' Home - 4' Side Yards	20	4	28	\$ 315,276.19	\$ 26,002	\$ 341,278.35	\$ 12,188.51	5.14%

Comparison: Tax Generation Current R-1 Lot vs. Amended Lot with 4' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Assessed Valuation Per Front Foot	% Increase
36' Home - 5' Side Yards	36	5	46	\$ 567,497.14	\$ 32,503	\$ 599,999.84	\$ 13,043.47	
36' Home - 4' Side Yards	36	4	44	\$ 567,497.14	\$ 26,002	\$ 593,499.30	\$ 13,488.62	3.41%

Single Family Home - Scaled to \$600,000 home on 46' lot

Sideyard Assessed Value per Front Foot: \$3,250.27 Home to Sideyard Ratio: 4.85
 Home Assessed Value per Front Foot: \$15,763.81

Semi Detached Home - Scaled to \$425,000 home on 33' lot

Sideyard Assessed Value per Front Foot: \$3,018.47 Home to Sideyard Ratio: 4.85
 Home Assessed Value per Front Foot: \$14,639.58

Comparison: Tax Generation - Semi-Detached in Current R-3 District vs. Amended District with 4' Side Yard:

660' Block: Semi-Detached with 5' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 20' Laned Duplex	20	5	25	21	420	105	525	\$ 6,148,623.39	\$ 316,939	\$ 6,465,562.74		
Type B - 22' Laned Duplex	22	5	27	5	110	25	135	\$ 1,610,353.75	\$ 75,462	\$ 1,685,815.50		
Totals				26	530	130	660	\$ 7,758,977.14	\$ 392,401.10	\$ 8,151,378.24	N/A	N/A

660' Block: Semi-Detached with 4' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 20' Laned Duplex	20	4	24	8	160	32	192	\$ 2,342,332.72	\$ 96,591	\$ 2,438,923.76		
Type B - 22' Laned Duplex	22	4	26	18	396	72	468	\$ 5,797,273.48	\$ 217,330	\$ 6,014,603.32		
Totals				26	556	104	660	\$ 8,139,606.20	\$ 313,920.88	\$ 8,453,527.08	\$ 302,148.85	3.71%

Comparison: Tax Generation in Current R-1PRL District vs. Amended District with 4' Side Yards:

660' Block: R-1PRL with 5' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 20' Laned Home	20	5	30	22	440	220	660	\$ 6,936,076.18	\$ 715,059	\$ 7,651,135.58		
Type B - 22' Laned Home	22	5	32	0	0	0	0	\$ -	\$ -	\$ -		
Totals				22	440	220	660	\$ 6,936,076.18	\$ 715,059.40	\$ 7,651,135.58	N/A	N/A

660' Block: R-1PRL with 4' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 20' Laned Home	20	4	28	15	300	120	420	\$ 4,729,142.85	\$ 390,032	\$ 5,119,175.25		
Type B - 22' Laned Home	22	4	30	8	176	64	240	\$ 2,774,430.47	\$ 208,017	\$ 2,982,447.75		
Totals				23	476	184	660	\$ 7,503,573.32	\$ 598,049.68	\$ 8,101,623.00	\$ 450,487.42	5.89%

Comparison: Tax Generation in Current R-1PRL District vs. Amended District with 4' Side Yards:

660' Block: R-1PRL with 5' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 20' Laned Home	20	5	30	22	440	220	660	\$ 6,936,076.18	\$ 715,059	\$ 7,651,135.58		
Type B - 22' Laned Home	22	5	32	0	0	0	0	\$ -	\$ -	\$ -		
Totals				22	440	220	660	\$ 6,936,076.18	\$ 715,059.40	\$ 7,651,135.58	N/A	N/A

660' Block: R-1PRL Product in City of Calgary Zero Lot Line Configuration

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 20' Laned Home	20	5	25	21	420	105	525	\$ 6,620,799.99	\$ 341,278	\$ 6,962,078.34		
Type B - 22' Laned Home	22	5	27	5	110	25	135	\$ 1,734,019.05	\$ 81,257	\$ 1,815,275.80		
Totals				26	530	130	660	\$ 8,354,819.04	\$ 422,535.10	\$ 8,777,354.14	\$ 1,126,218.56	14.72%

Comparison: Tax Generation in Current R-1 District vs. Amended District with 4' Side Yards:

660' Block: R-1 with 5' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 36' Front Drive Home	36	5	46	6	216	60	276	\$ 3,404,982.85	\$ 195,016	\$ 3,599,999.05		
Type B - 38' Front Drive Home	38	5	48	8	304	80	384	\$ 4,792,198.09	\$ 260,022	\$ 5,052,219.69		
Totals				14	520	140	660	\$ 8,197,180.94	\$ 455,037.80	\$ 8,652,218.74	N/A	N/A

660' Block: R-1PRL with 4' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 36' Front Drive Home	36	4	44	15	540	120	660	\$ 8,512,457.13	\$ 390,032	\$ 8,902,489.53		
Type B - 38' Front Drive Home	38	4	46	0	0	0	0	\$ -	\$ -	\$ -		
Totals				15	540	120	660	\$ 8,512,457.13	\$ 390,032.40	\$ 8,902,489.53	\$ 250,270.79	2.89%

Comparison: Tax Generation 28' Homes in R-1 vs. R-1PFD District

630' Block: Semi-Detached with 5' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 28' Front Drive	28	8.5	45	14	392	238	630	\$ 6,179,413.32	\$ 773,564	\$ 6,952,977.58		
Totals				14	392	238	630	\$ 6,179,413.32	\$ 773,564.26	\$ 6,952,977.58	N/A	N/A

630' Block: Semi-Detached with 4' Side Yards

	Home Width (ft)	Side Yard Width (ft)	Lot Width (ft)	Number in Block	Total Home Frontage (ft)	Total Side Yard Frontage (ft)	Total Lot Frontage (ft)	Home Tax Valuation	Side Yard Tax Valuation	Total Tax Valuation	Increase in Assessed Value	% Increase
Type A - 28' Front Drive	28	4	36	8	224	64	288	\$ 3,531,093.33	\$ 208,017	\$ 3,739,110.61		
Type B - 28' Front Drive	28	5	38	9	252	90	342	\$ 3,972,479.99	\$ 292,524	\$ 4,265,004.29		
Totals				17	476	154	630	\$ 7,503,573.32	\$ 500,541.58	\$ 8,004,114.90	\$ 1,051,137.32	15.12%