

A scenic view of the Toronto skyline featuring the CN Tower, modern residential buildings, and lush greenery in the foreground.

ACADEMIC

# Biodiversity finance for cities: The time is ripe for new financial tools for urban parks

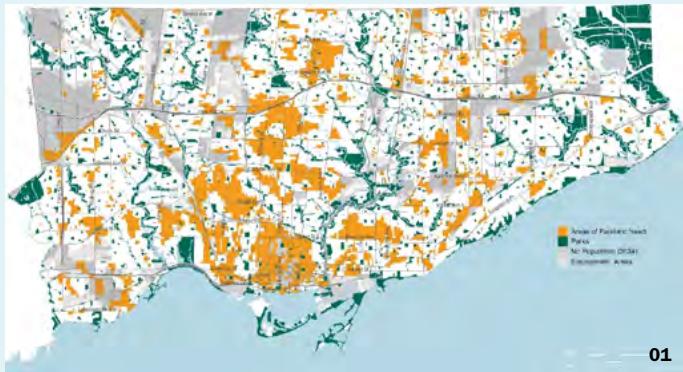
BY JEAN-FRANÇOIS OBREGÓN MURILLO

Why can't Toronto be known for its parks the way that Amsterdam is known for its canals? Parks became popular during the COVID-19 pandemic. A 2021 Park People report found an 82 per cent increase in park use. However, the city has grappled with financial shortfalls for operating its parks system. Meanwhile, the financial system has been innovating on tools to fund conservation.

## THE MRP

My Major Research Paper, *The Time is Ripe: New financial tools for the City of Toronto's Parkland Dedication Rate*, documents over 25 financial tools that municipalities could use for parkland acquisition. It focuses on Section 42 of Ontario's Planning Act, where development proposals must either convey parkland or cash-in-lieu

01 Parkland Study and Acquisition Priority Map in Toronto. Credit: City of Toronto  
02 IPCAs in Canada. Credit: Government of Canada



(CIL) contributions. The MRP also highlights how the City of Toronto can improve the parkland acquisition process.

### THE SITUATION

Municipalities across Ontario have reserve funds with CIL contributions. The City of Toronto had \$237 million (2019) in uncommitted funds that could be used for parkland acquisition. Meanwhile, Toronto has seen significant residential construction activity from onset of the COVID-19 pandemic. According to Toronto's Parkland Strategy Refresh 2022, the average parkland provision per person is projected to decline 10 per cent from 28 m<sup>2</sup> in 2019 to 25 m<sup>2</sup> in 2034.<sup>1</sup> High-density neighbourhoods are likely below the average and may be in areas considered parkland deficient (Figure 1). With these trends, the opportunity exists for new tools to address its parkland acquisition funding gap.

### THE CHALLENGES

Using existing CIL reserve funds is not an easy task. The City of Toronto must save up funds to purchase parkland. It cannot finance the acquisition. In other words, it cannot go to a bank and say: "We are \$20 million short. Can you give us a loan to buy this parkland, please?" Plus, the City does not move as fast as private actors. The silver lining is that it provides a starting point in the conversation for all parties to address the problem of moving faster to acquire more parkland.

### HOMEGROWN INNOVATIONS AND THE OPPORTUNITIES

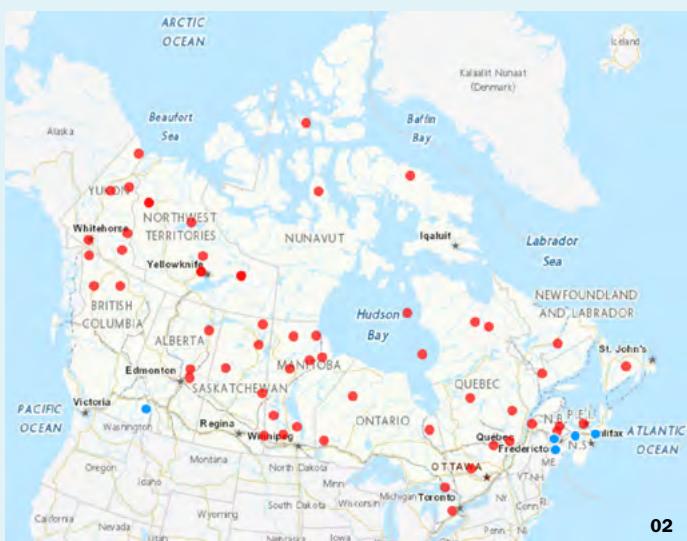
The City of Toronto has issued four green bonds cumulatively valued at \$780 million since 2018. Proceeds have been used to fund actions like tree planting at a streetcar yard and flood protection in the Port Lands. Payments to investors are funded through municipal general revenues.

What if we put a twist on it and issued an Urban Green Space Bond (UGSB)? According to conservationist Jeremy Guth, a UGSB would be CIL-backed. If we took the Parkland Acquisition Reserve Funds as of 2019 to back it, which was \$31.2 million, the City could borrow \$623.7 million and afford to pay a five per cent annual coupon. The bond could be used for the City to acquire parkland in a way that connects green space corridors and improves biodiversity. It is worth noting that current provincial legislation does not allow for such a bond to be issued. However, now is a time for bold ideas.

An UGSB should have social benefits. Areas of Toronto close to equity-deserving groups and with parkland need can be prioritized. An Indigenous Protected and Conserved Area (IPCA) could be established with the City of Toronto and an Indigenous Nation. An

IPCA allows Indigenous Peoples to use their knowledge to conserve land in partnership with governments. So far, five IPCAs have been established in British Columbia, New Brunswick, and Nova Scotia. The blue dots represent IPCAs in Figure 2.

We can take inspiration for a UGSB from Carolinian Canada Coalition's Deshkan Ziibi Conservation Impact Bond (DZCIB). The DZCIB was created to reverse habitat loss and accelerate growth of healthy landscapes in southwestern Ontario. It was launched in 2020 by the Deshkan Ziibiing (Chippewas of the Thames First Nation), VERGE Capital, Thames Talbot Land Trust, Ivey Business School, with the support of 3M. As of July 2021, the DZCIB pilot has supported 69 hectares (171 acres) of habitat that has been improved, 39,000+ native plants have been planted, and 450 people have been engaged.<sup>2</sup>



### THE WAY FORWARD

New tools are being developed in finance to address longstanding environmental issues. Why can't municipalities do the same? After all, cities are often on the frontlines of climate change. We are fortunate to see animals like deer, owls, and great blue herons in Toronto's parks. Without vision in parkland acquisition, those sightings may become rarer. I want to keep seeing animals in parks. The time is ripe to do things differently. ☺

<sup>1</sup> City of Toronto Parkland Strategy Refresh 2022: <https://www.toronto.ca/wp-content/uploads/2022/04/969f-Parkland-Strategy-Draft-April-2022-Refresh.pdf>

<sup>2</sup> Carolinian Canada Coalition: <https://caroliniancanada.ca/dzcib/report>



**Jean-François Obregón Murillo** is a 2022 graduate of Toronto Metropolitan University's Master of Planning program and a Research Assistant at the Ivey Business School at Western University. He also runs The Urban Hulk, a consultancy and blog focused on socially responsible investing and urban planning.