

**METROPOLE**

consultants

**Smart Development  
for Smart Growth:  
Workshop Report**

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for the  
Neptis Foundation

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## Preface

In early 2002, the Province established five Smart Growth Panels, each representing a Smart Growth “Zone”. The region extending from Niagara to Northumberland, and north to Haliburton and Georgian Bay was dubbed the “Central Ontario Zone”. It currently has a population of 7.5 million and 3.7 million workers. The Zone is expected to grow by some 3 million people over the next 30 years, and 2 million jobs. It was partly in response to this intense growth pressure that the Province established a Smart Growth Panel for the Central Ontario Zone.

The mandate of the Central Ontario Smart Growth Panel is to provide advice to the Minister of Municipal Affairs and Housing. A number of key approaches related to the physical evolution of the region were identified:

Unlocking gridlock and promoting livable communities requires cross-sectoral and inter-municipal approaches such as: increasing the density of development; directing investment toward brownfield sites; protecting significant natural areas; providing a wider range of housing options; and better integration of different modes of transportation, including road, rail and transit<sup>1</sup>.

Three sub-panels were subsequently established to provide recommendations on a smart growth strategy, gridlock, and waste management. These three sub-Panels report to the full Panel, which in turn will forward its advice to the Minister on the issues identified.

The Smart Growth Secretariat – the provincial body charged with coordinating and administering the Central Ontario Smart Growth Panel (as well as other Panels in the other Zones) – has asked the Neptis Foundation if it would contribute some research to assist the “strategy” sub-Panel in developing its recommendations, and the Foundation agreed.

The advice being developed by the sub-Panel will suggest smart growth approaches for managing and directing anticipated population and employment growth in the Zone over a 15 to 30 year time frame. It will focus on the physical aspects of growth, primarily related to the evolving structure of the region and the regional transportation network.

As input to the development of the strategy, Neptis commissioned a limited number of research papers to be prepared on issues that relate directly to the creation of a smart growth strategy for Central Ontario.

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<sup>1</sup> Central Zone Smart Growth Panel Priority Issues,  
[http://www.premier.gov.on.ca/english/news/archive2002/Smartgrowth021102\\_bd1.htm](http://www.premier.gov.on.ca/english/news/archive2002/Smartgrowth021102_bd1.htm)



One such issue paper addresses the relationship between development and the development process, on one hand, and the attainment of Smart Growth at the regional scale on the other.

Smart growth can only be achieved if it can be implemented “on the ground”, through the decisions made by builders, developers, homebuyers, business people, financiers, regulators and others that influence the kinds of buildings that get built in various locations across the Zone. Ultimately it is these decisions, multiplied over the hundreds of thousands of new housing units and the millions of square feet of commercial space that will be built over the next 30 years that will shape the form of the region and determine whether we succeed at achieving Smart Growth.

What does a “Smart Growth” approach to managing growth in Central Ontario imply for the kinds of buildings that are produced? Does the move to smart growth suggest a need to develop different types of buildings in key locations throughout the zone? Can these buildings be provided by the market? What are the current obstacles to Smart Development, and what can be done to overcome them? This is the broad set of issues to be addressed in the Smart Development Issue Paper.

The workshop discussion summarised in this report is a primary input into the Smart Development Issue Paper.



## Introduction

On November 22, 2002, some of the Central Zone's key developers and builders gathered to discuss from an industry perspective the implementation of Smart Growth at the development project level. A list of participants is provided in Appendix A.

The specific goals of the workshop were to:

- identify obstacles to the implementation of Smart Growth on the ground, and
- identify strategies and approaches that would support Smart Development.

Prior to the Workshop, participants were provided with a document which profiled a range of residential and commercial development projects that could be considered to be consistent with principles of Smart Growth (attached, Appendix B).

Participants were extremely supportive of improved transit and Smart Growth in general. Common themes that recurred throughout the discussion regarding the obstacles to achieving Smart Growth included: mixed signals from governments about their vision for urban development; a disconnect between high and low-level policies; perverse financial incentives resulting in undesired results; lack of leadership and willingness to make tough political choices. As for the role of the private sector, numerous opinions were heard to the effect that the industry is nimble enough to respond to change.

What follows is a summary of the key points raised at the Workshop. We have tried to capture the range and flavour of views and perspectives put forward at the Workshop, as they were expressed.

The comments are grouped under seven themes which emerged in the discussion:

- the planning framework
- parking
- transportation
- the political environment
- municipal finances
- construction costs
- financing.



A summary of the key points of the discussion around each of these themes is presented below. First, the obstacles presented are noted, followed by solutions discussed.

## The Planning Framework

### Obstacles Identified

“Nodes only work if you limit urban sprawl.”

#### **Too many nodes**

Future nodes are identified at the municipal and regional levels, without any Zone-wide coordination. This results in an over-supply of identified nodes and a dilution of the limited demand for denser forms of development across many nodes, making it very difficult to achieve the critical mass necessary to support transit in any one location. In addition, too many nodes have been identified in greenfield areas without first encouraging further intensification around existing concentrations and existing infrastructure like GO train stations.



#### **Land assembly in older nodes**

High priority should be given to developing where existing infrastructure is in already place, such as in established parts of the urban region where nodes are or can be designated around GO or rapid transit stations. However, land ownership can be fragmented in these areas, and an obstacle to comprehensive redevelopment.

#### **Demand for high density occurs towards the end of build out or beyond**

Demand for higher density forms of development in nodes can often occur towards the end of the build-out of new suburban areas, or beyond. Not allowing lands in designated nodes to be developed at low density earlier in the build-out process – thereby precluding higher density development - involves a cost to the developer, in essentially keeping the land off the market.

“To me, Smart Growth is stopping sprawl.”

#### **Too much land supply**

The substantial supply of development lands at the urban fringe depresses land prices in the region and removes incentives to intensification and higher net densities. As one participant put it, it is difficult to promote townhouses when a detached house can be had for \$199,999.

### Lack of clear vision and mixed signals

Municipal plans do not reflect a clear vision for how the region should grow. Municipal planning policies are not filtered down and incorporated in zoning and other local regulations.

- Visions articulated in Official Plans cannot be realised because lower-level regulations prevent their implementation. For example, mixing uses is too often made difficult, if not illegal. Parking requirements can be too onerous.
- In general, regulation inhibits innovation. Local codes are overly prescriptive and inhibit innovation in community design. For example, attempts at building streets with more efficient rights-of-way, units over garages or apartments over stores are often not permitted in existing regulatory frameworks.

### Unrealistic expectations

While a more proactive stance on the part of municipalities was identified as an important step in achieving desired goals, some municipalities and the Province instead adopt “gold-plated” urban design standards and unrealistic goals for mixed use. These objectives can be inconsistent with market forces. For example, requiring large amounts of parking in a car-dependent suburb *and* requiring structured parking results in development costs comparable to downtown Toronto, which is not feasible in suburban locations.

### Standards and public takings

Standards at the community and site level are becoming ever more stringent, which raises costs and prevents space-saving designs, such as narrower streets. Public land takings such as areas deemed environmentally sensitive or stormwater management ponds are also increasingly significant, with a large impact on total land consumption as a result. While net densities are improving in some areas, gross densities are falling because of public land takings, estimated to have increased from 30% to 50% of the land area of new development.

### Requiring mixed use

Planning policies sometimes require mixed use buildings, but market demand cannot always support this mix.



## Solutions discussed

### Establish priority development areas

Municipalities should attempt to reduce obstacles for developers and establish their priorities in areas where they wish to see strategic growth happen.

We need “radical measures to enhance densities in specified areas.”

### Identify key nodes at the regional level

Simply letting the market pick the most viable nodes will not work as development and transit infrastructure dollars will be diluted over too many nodes.

### Expand existing nodes instead of creating new ones

New nodes created in newly urbanising areas require significant new investment. Emphasis should be placed on directing development to areas with existing infrastructure investment, such as GO transit station area or subway stations.

### Comprehensive, proactive planning in and around nodes

Municipalities, the Province and other relevant agencies need to take a much more aggressive, proactive policy stance regarding the comprehensive development or redevelopment of areas around nodes. This is especially true for nodes in already-established areas with more complex land ownership patterns. Mechanisms such as those currently used in developing new suburban areas could be employed in the comprehensive redevelopment of nodes, for example, a modified block plan approach and landowner cost-sharing agreements. In some instances, expropriation might be warranted where necessary to support implementation of a comprehensive plan.

### Clearer links between employment and residential development

Establish a clearer, more strategic way of addressing the linkages between employment and residential development – on a local, municipal and regional basis.

## Parking

### Obstacles identified

#### High parking requirements

Although some developers voluntarily exceed required parking ratios on some projects, several participants quoted examples where they were required to provide more parking than demanded by the market or that they would otherwise have provided. Municipalities are not

“We have to solve the parking issue.”





responsive to arguments in favour of reducing parking requirements, in part because they are afraid of local resident backlash. High parking requirements can make intensification proposals unfeasible or result in significant increased costs for end buyers.

#### **Lack of adaptability**

Parking requirements are often city-wide and fail to acknowledge local conditions, such as varying levels of mixed use and access to transit.

#### **Prohibition of overnight on-street parking**

Suburban municipalities typically prohibit overnight on-street parking, thus requiring additional off-street parking which requires more land and adds to development costs.

#### **Need to replace existing parking in redevelopment**

Requirements that parking that might pre-exist on a site be replaced in the new development on that site are seen as an obstacle to redevelopment.



### **Solutions discussed**

#### **Create Parking Authorities**

Providing parking for non-residential development - particularly structured or underground parking in compact areas such as nodes - removes parking requirements on individual properties makes more efficient use of land. It can also remove a significant development cost for the developer which currently acts as a barrier to denser development in suburban locations. The creation of shared parking should be planned in conjunction with development of an area to be effective.

#### **Lower parking requirements and adapt standards to specific locations**

Parking standards should reflect area- or site-specific circumstances that would affect demand for parking, such as access to transit access or mixed use. In urban settings or nodes, close to transit, actual parking provision could potentially be much lower, improving the financial viability of projects, and resulting in significant savings for buyers while also promoting nodal development.

#### **Allow overnight on-street parking**

Suburban municipalities could allow overnight on-street parking. This could contribute to reduced off-street requirements and higher net densities.

### Front-end transit

It is difficult to lower parking requirements based solely on plans for transit expansion. If transit is established before development or is coordinated with development, parking requirements can be more credibly adjusted.

## Transportation

### Obstacles identified

#### Inadequacy of the current transit system

In many places, improvements to the existing transit system are necessary before more compact development can take place, either because the existing routes are at capacity, service is infrequent and routes do not go where people need to go, such that transit cannot compete with the automobile. Transit vehicles need to be given priority over cars, in their own rights-of-way. Participants also felt that existing routes could be improved before creating new ones, e.g. GO transit routes.

#### Absence of upfront investment

Developers are reluctant to proceed with investments in denser development based solely on the promise of future transit. Coordinating transit investment and development even if this means building the transit before development comes would be more effective.

#### Rigidity of current organisation

Transit systems are currently best at ferrying commuters on fixed, full-time schedules. The needs of shift workers and those with more varied work schedules are not well addressed.

### Solutions discussed

#### Plan and build an attractive, extensive and effective transit network

“No Mickey Mouse transit.”

Half-hearted solutions will be expensive and ineffective in achieving Smart Growth.

#### Tie transit investment to development in key locations

The expansion of the region’s transit system should be tied to clear and achievable development goals.



### **Improve the existing transit system**

The existing system should be improved before or while new routes are planned.

## The Political Environment

### Obstacles identified

#### **Lack of a consistent regional vision**

There is not a consistent vision at the regional level that would serve as a guide to developers and builders.

#### **Reluctance to making choices**

Politicians have not demonstrated a clear willingness to make the difficult choices that would prioritise major investments nor support a particular vision for the region. Investing in both extensive new road improvements *and* transit expansion programs at the same time is neither sustainable nor effective.

“If you try to dance at both weddings, you will run out of money.”

#### **Lack of leadership at all levels**

Smart Growth needs a leader and champion at the political level.

#### **Ratepayer opposition to change**

Intensification at existing nodes is routinely blocked by local ratepayer groups (e.g. Port Credit, Yonge and Eglinton). Local governments pander to local opposition, which often results in site-specific decisions at odds with previously announced policy goals and directions. Alternatively, they defer to the Ontario Municipal Board to make important planning decisions in their place.

### Solutions discussed

#### **Make choices, prioritise spending**

If unsustainable costs to taxpayers are to be avoided, a choice must be made between a road-centered growth scenario and a transit-centered one. Smart Growth must also be prioritised among other areas of government intervention.

#### **Show leadership at all levels**

Merely waiting for a consensus does not constitute leadership. Some participants felt that a leader will have to emerge and make the necessary decisions even if they are not popular with everyone, be it at the municipal or provincial level.

### Public education

Local and provincial governments can develop education programs to help the public and others understand the context for denser and nodal development. This might include explaining the need for higher density forms of development within a community to house that community's own population as it ages, or younger members of the same community buying their first house. Or, research on the real impacts of higher density on property values of surrounding development might be conducted and presented.

## Municipal Finances

### Obstacles identified

#### Structure of development charges

This was identified as an extremely important problem and a major determinant of current development patterns. As currently structured, development charges ("DCs") disregard the actual amount of land consumed. For example, the development charge for a detached home is the same if it is on a small lot or a large lot. As a result, DCs often discourage more efficient land use patterns.

In addition, clear and reasonable DC policies for innovative development, such as apartments over garages or medium density apartment buildings, do not exist at present.

And because location itself is typically not taken into account, there is no incentive for development to take place within areas with lower infrastructure costs, already-urbanised areas or nodes.

### Solutions discussed

The structure of development charges should be rationalised such that they reflect actual servicing cost variations.

#### Mandate area-specific and land-area based development charges

Municipalities should levy the hard infrastructure component of development charges (roads, water, sewer, transit) on an area basis, the actual cost impact of development in different areas.

In addition, for hard infrastructure costs only, the development charge should be based on land area, not building floor area or type of residential unit. This shift would reward the efficient use of land rather than act as a disincentive, as current charges do, while maintaining developer flexibility.



### **Deal with development charges for innovative development**

Develop a reasonable and consistent charge system for innovative development, such as apartments over garages or accessory units.

### **Enable Tax Increment Financing (TIF)**

TIFs have been effective in financing revitalisation of neighbourhoods and brownfields all over the United States. The tool should be adopted and used in Ontario.

## **Construction Costs**

### **Obstacles identified**

#### **Increased costs of mid-rise construction**

The economics of construction in Ontario mean that building mid-rise buildings – i.e. between 4 and 15 stories for residential – is often less economical than constructing smaller or larger buildings.

However, it was stressed that the real obstacle is constituted by unreasonable height limitations that prevent builders from achieving economies of scale.

#### **Parking costs**

Costs associated with providing structured or underground parking, which are key to creating viable nodes, are prohibitive in many suburban locations.

## **Financing**

### **Obstacles identified**

#### **Reluctance by lenders to finance mixed-use development**

Lenders often show little interest in financing mixed-use projects. While this is a gripe often repeated by municipal planners, it must be stressed that municipalities often overestimate the demand for commercial space, especially in a mixed-use setting. Lenders may merely respond to market demand and show reluctance to overbuild commercial space that may remain empty.

## **Summary and Next Steps**

Overall, there was strong support among developers and builders for Smart Growth in the Central Ontario Zone. However, a number of obstacles were identified that would need to be addressed in order to achieve Smart Growth on the ground, on a project by project basis.



A range of obstacles was discussed, but the most important ones were in the areas of:

- the planning framework
- parking
- transit planning and implementation
- the political environment
- the structure of development charges.

The results of this Workshop will be incorporated in the Smart Development Issues Paper, and provided through the Neptis Foundation to the Smart Growth Secretariat.



## Appendix A : List of Workshop Participants

### Smart Development for Smart Growth Workshop

November 22, 2002

#### *Participants*

*Rudy Bratty*, Senior Partner, Bratty and Partners

*Rudy Buczolits*, Vice-President, Land Development, The Remington Group

*Bruce Fischer*, Vice-President, Metrus Development

*Frank Giannone*, President, FRAM Building Group

*David Gibson*, President, First Gulf

*Mitchell Goldhar*, President and CEO, First Professional Management

*Robert Hill*, Sales Manager, Mattamy Homes

*Brian Johnston*, President, Monarch Construction Group

*Sid Kerrigan*, President, Brookfield Homes

*John Livey*, Chief Administrative Officer, Town of Markham

*Nick Sabat*, Senior Vice-President, Bentall Real Estate Services, Bentall Capital

*Chris Sherriff-Scott*, Senior Vice-President, Minto Homes

*Lucy Stocco*, Executive Vice-President, Tribute Communities

*Leslie Woo*, Executive Lead, Smart Growth Secretariat, Government of Ontario

*Tony Coombes*, Executive Director, The Neptis Foundation

#### **Project Team**

*Marvin Green*, President, The River Oaks Group

*N. Barry Lyon*, Senior Partner and President, N. Barry Lyon Consultants Ltd.

*Michael Spaziani*, Principal, Michael Spaziani Architect Inc.

*Antoine Belaiieff*, Planner, Metropole Consultants

*Pamela Blais*, Principal, Metropole Consultants



## Appendix B: Smart Development for Smart Growth Portfolio

