

State of the Federation Conference  
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# DISTORTED INFRASTRUCTURE

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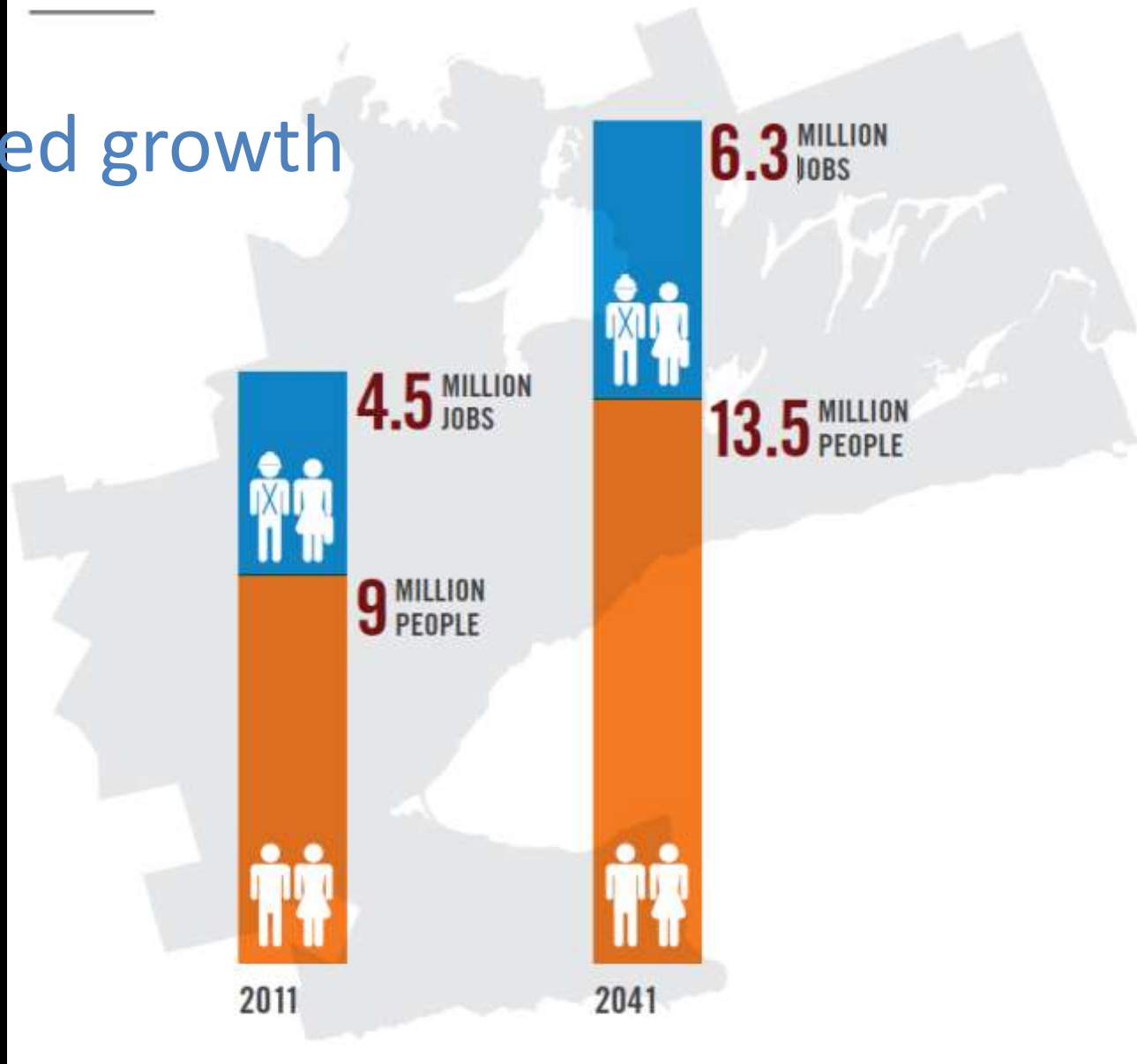
## GREATER GOLDEN HORSESHOE



Source: Schedule 1 of the Growth Plan

## PEOPLE AND JOBS IN THE GREATER GOLDEN HORSESHOE

Projected growth



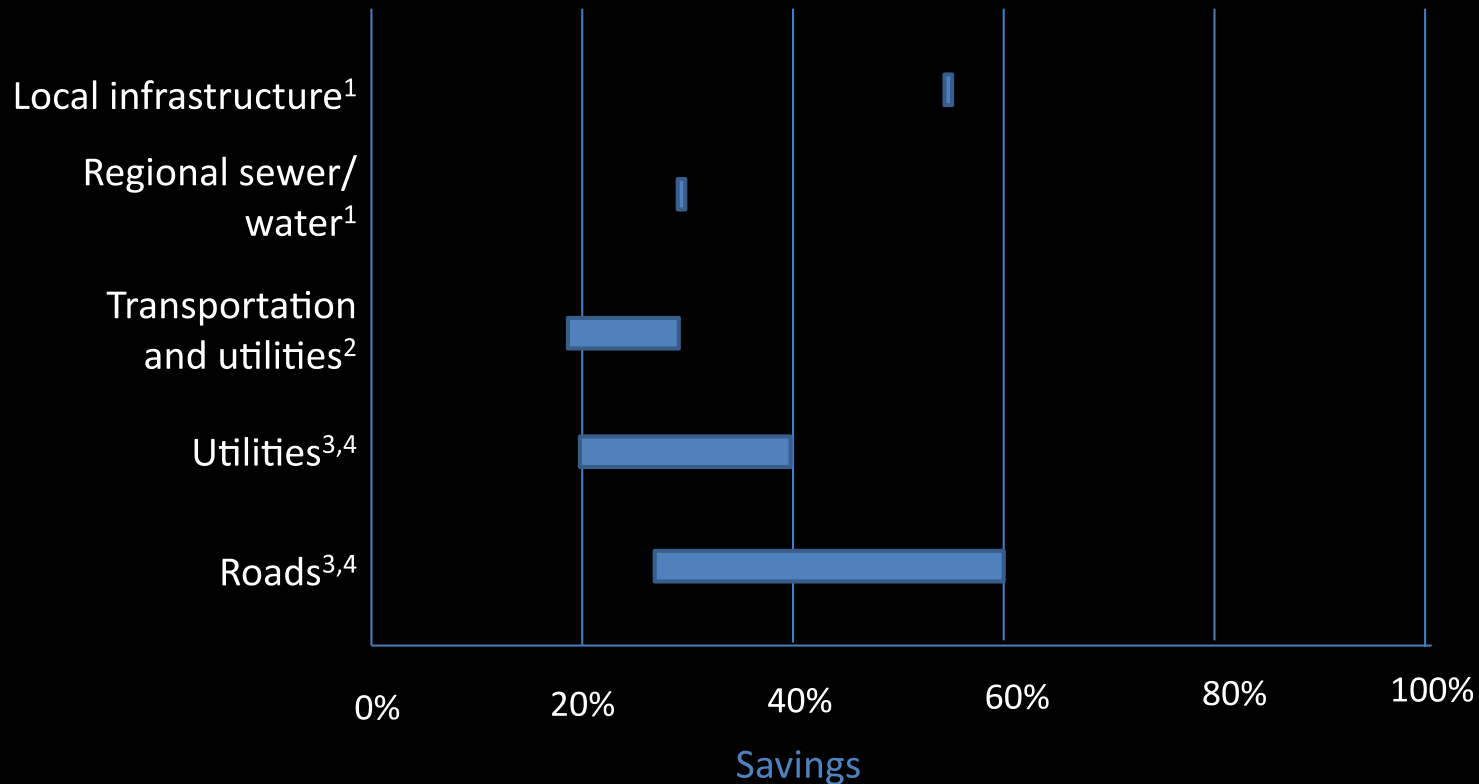
# PLANNING AIMS AND INFRASTRUCTURE

# The Growth Plan and infrastructure

- Optimize the use of existing and new infrastructure to support growth in a compact, efficient form
- Better use of land and infrastructure can be made by directing growth to existing urban areas.
- Concentrating new development in these areas also provides a focus for transit and infrastructure investments to support future growth.

# Urban form to support efficient infrastructure

## INFRASTRUCTURE COSTS VARY WITH URBAN FORM



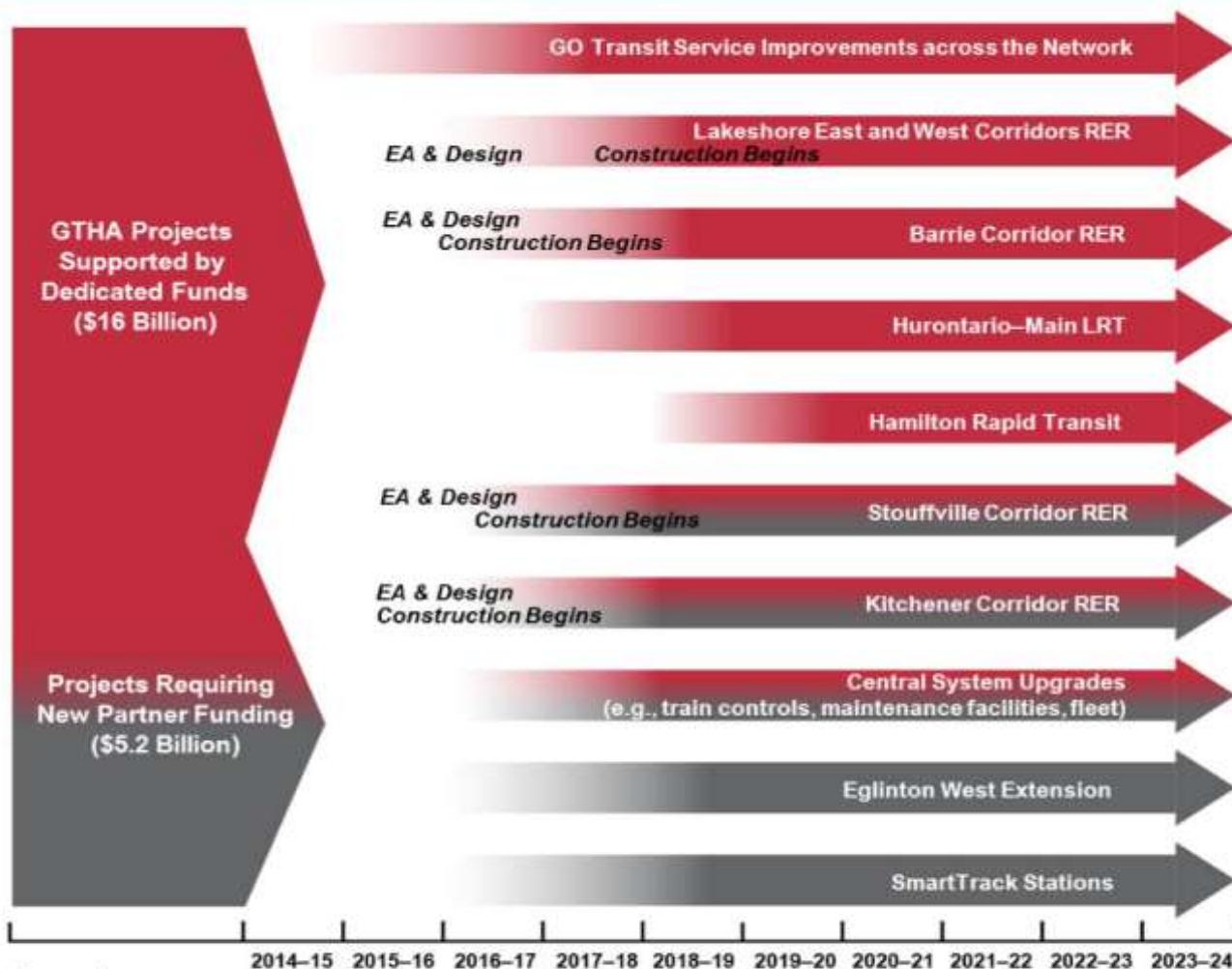
20 – 60% savings on infrastructure with compact urban form

1. CEE, Minneapolis; 2 Blais; 3 Burchell, 4 Duncan

# Urban form to support transit investment

- 2015 Ontario budget: \$130 billion/10 years
  - \$31.5 transit & transportation
- The Big Move – 25 year plan
- RER/GO electrification - \$13.5 billion
- Mississauga LRT
- Waterloo LRT - \$1.9 billion
- Hamilton LRT - \$1 billion

## Moving Ontario Forward – GTHA



### Legend

- █ Projects supported by Moving Ontario Forward dedicated funds.
- █ Regional Express Rail (RER) elements proceeding with Moving Ontario Forward dedicated funds. SmartTrack elements require new partner funding.
- █ Projects proceeding only if new partner funding is provided. Timing to be determined.



# PLANNING APPROACHES

- Urban growth centres
- Minimum density targets
  - UGCs
  - greenfield development
- Intensification target



# PROBLEMS WITH PLANNING

It's slow



“It is still early days”



Official Plan  
conformity

Supra-regional plan



Regional plan



Municipal plan

## GREATER GOLDEN HORSESHOE



Official Plan  
conformity  
2015

Supra-regional plan



Regional plan



Municipal plan

## GREATER GOLDEN HORSESHOE



Source: Schedule 1 of the Growth Plan

# Meanwhile, growth in the suburbs

GROWTH GGH 2006 – 2014

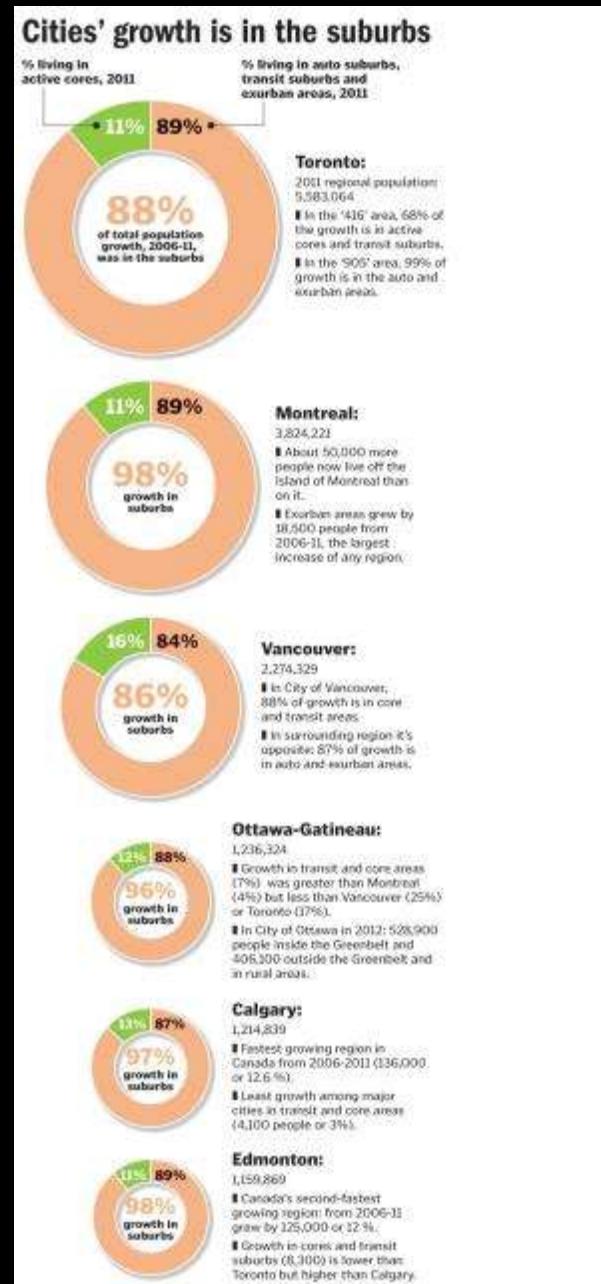
880,000

GROWTH CMA 2006 - 2011

Active core = 52,000

Transit suburbs = 26,000

Auto suburbs = 390,000

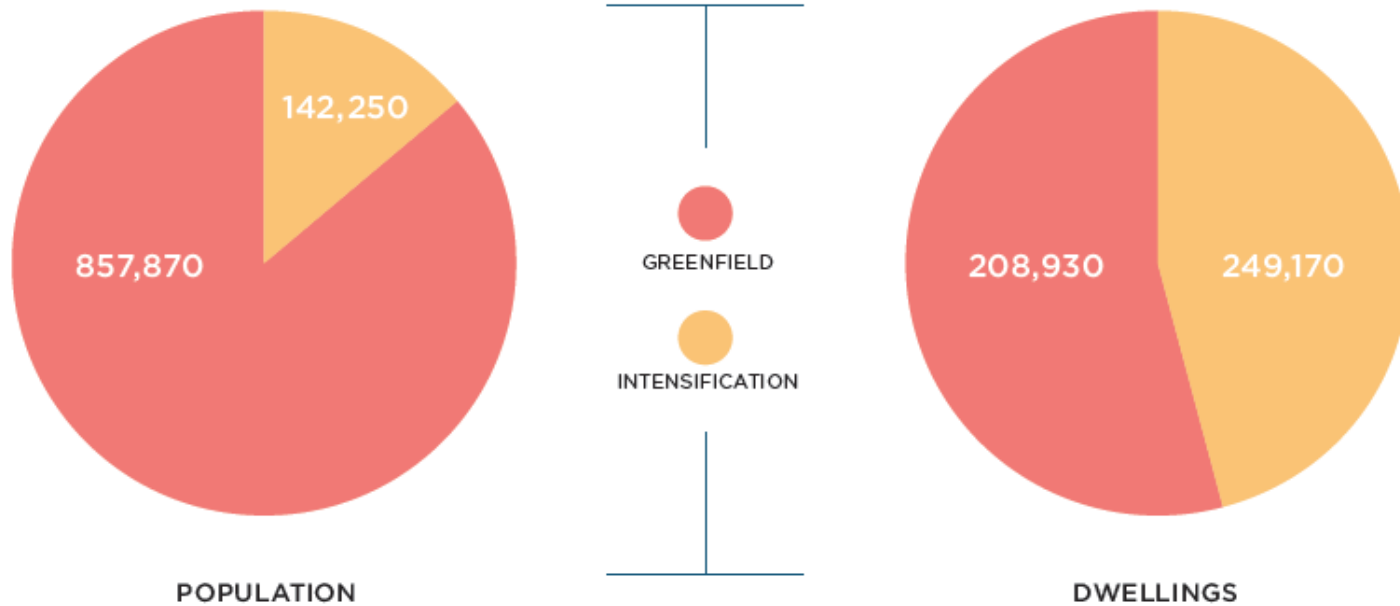


Source: David Gordon, Queen's University



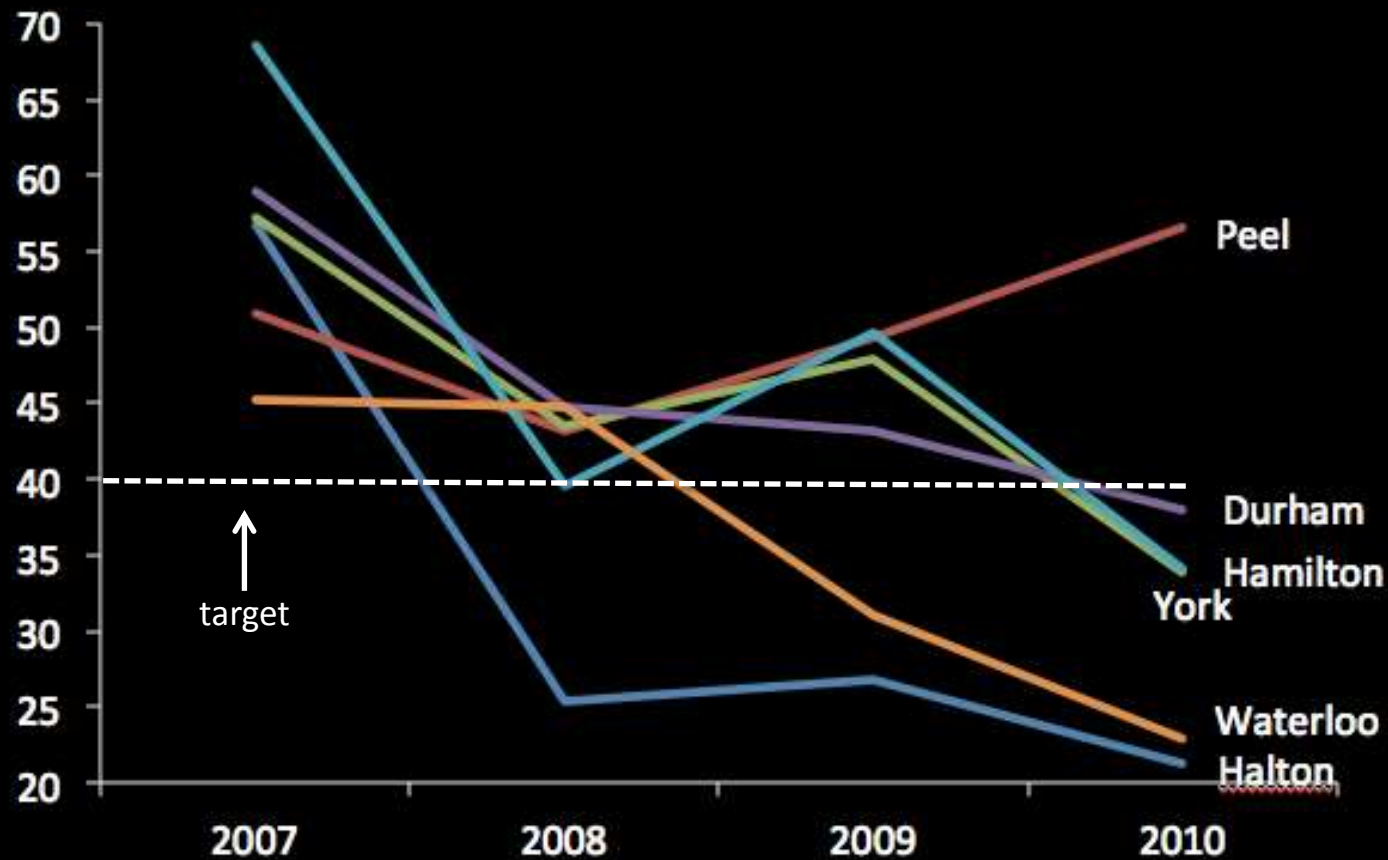
It has been of questionable effectiveness

**FIGURE NO. 7**  
**NET GAIN IN POPULATION AND**  
**DWELLINGS, GTHA, 2001-2011**



NOTE: DUE TO ROUNDING, TOTALS MAY  
DIFFER FROM SUBREGIONAL TOTAL.

*Growing Pains*, Neptis Foundation, 2015



## Intensification Rates 2007-2010

*Performance Indicators:* region-wide: 60% w/o Toronto: 44%

It's undermined by public sector (mis)price  
signals

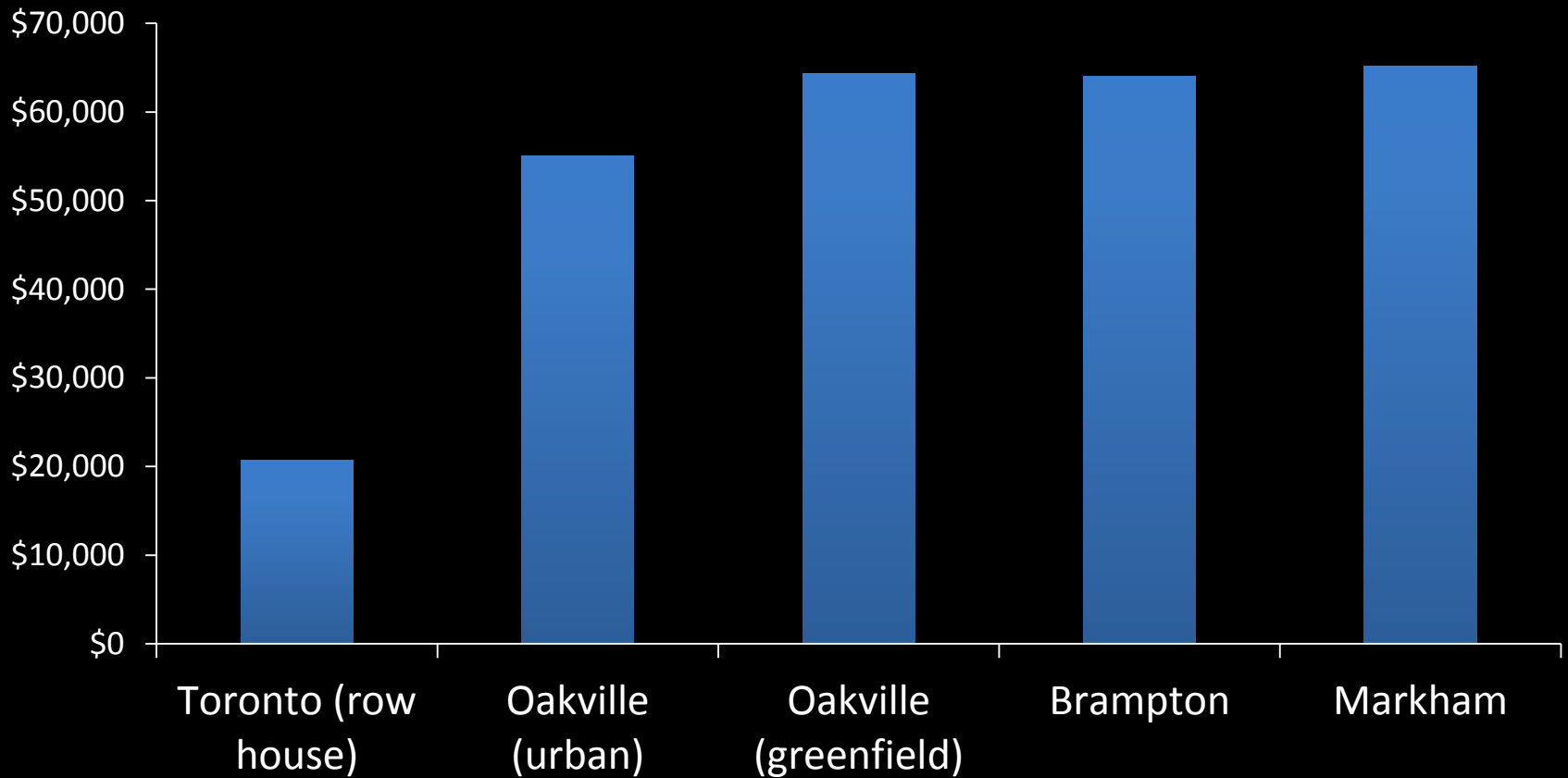
That subsidize inefficient development

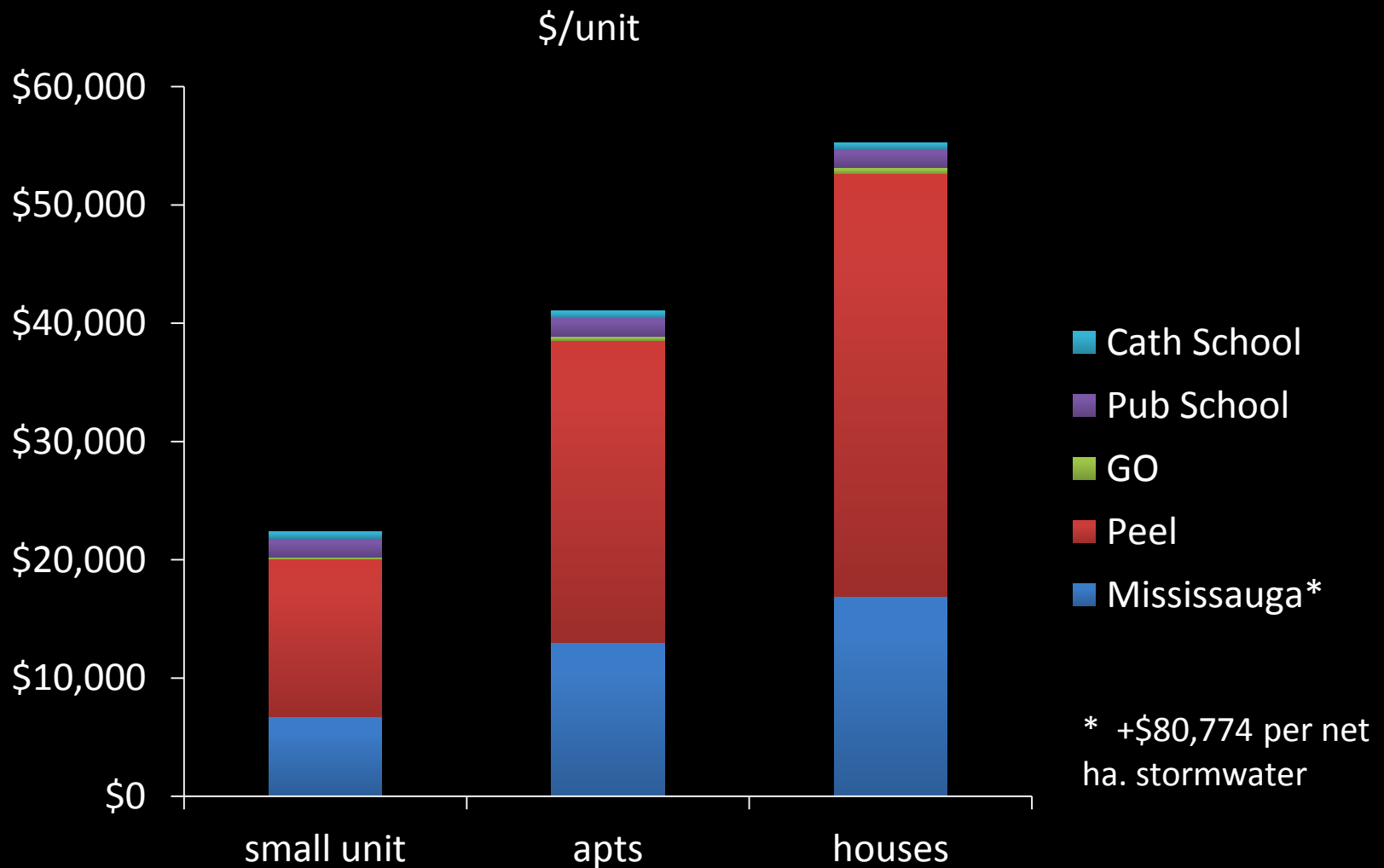


- Economics 101: prices should reflect costs for efficient allocation of resources
- Urban context: public sector “prices” should reflect costs, which vary with
  - density
  - location
  - type of land use

## DEVELOPMENT CHARGES IN SOME TORONTO AREA CITIES

\$/ SINGLE DETACHED UNIT





Current development charges: residential

## New suburban house



30' lot

Upper tier DC = \$31,000

**DC = \$1,033 per front foot**

## New suburban house



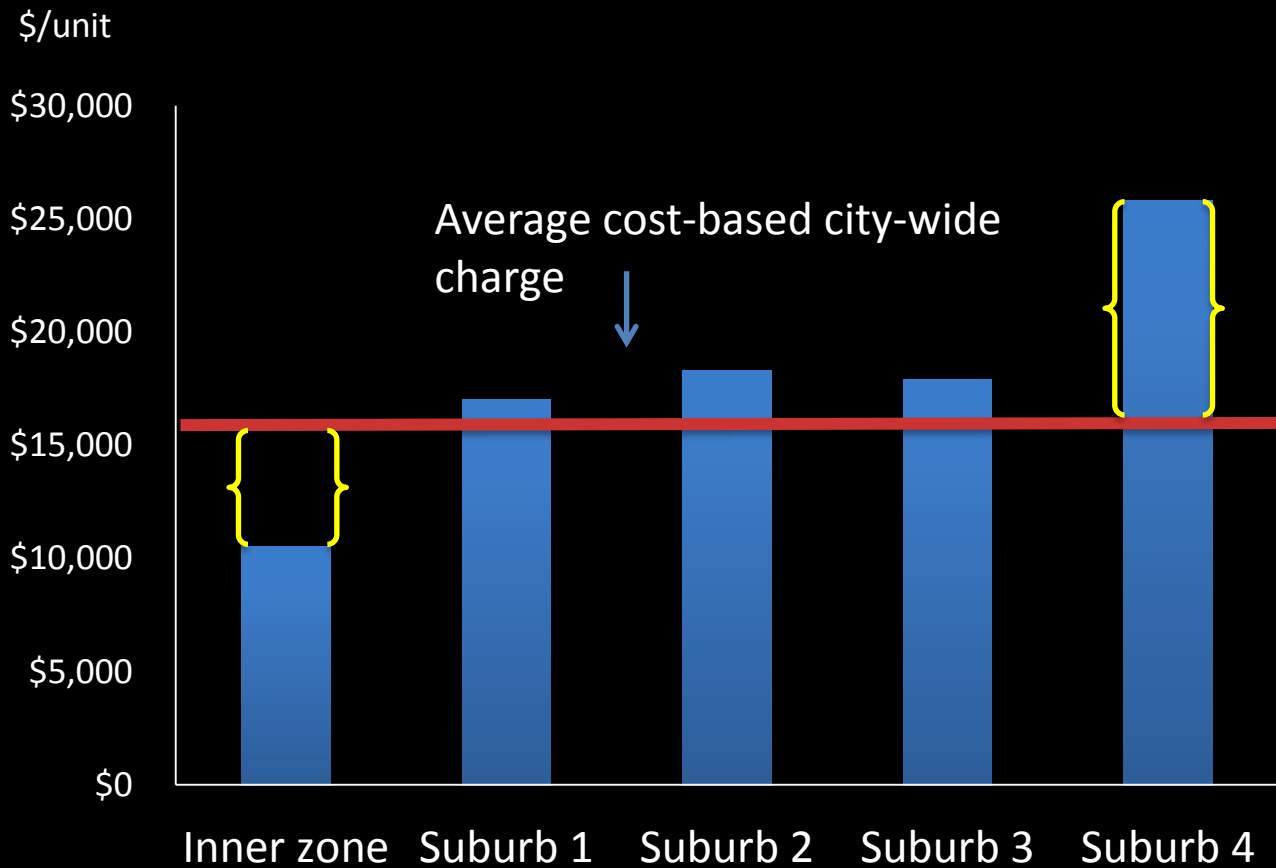
60' lot

Upper tier DC = \$31,000

**DC = \$516 per front foot**

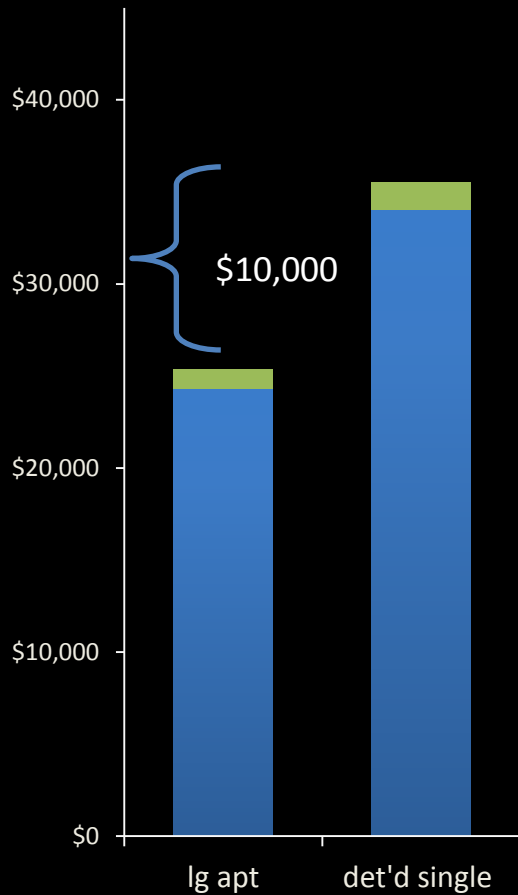
**Development charges do not account for effect of density on cost**



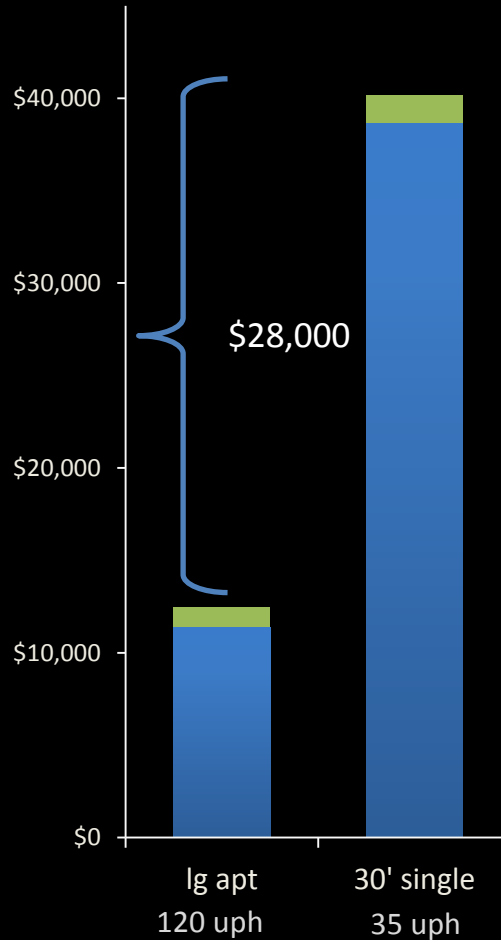


or how infrastructure costs vary with location

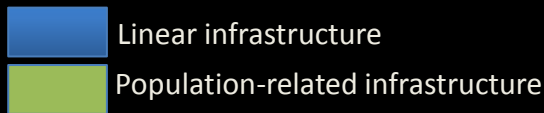
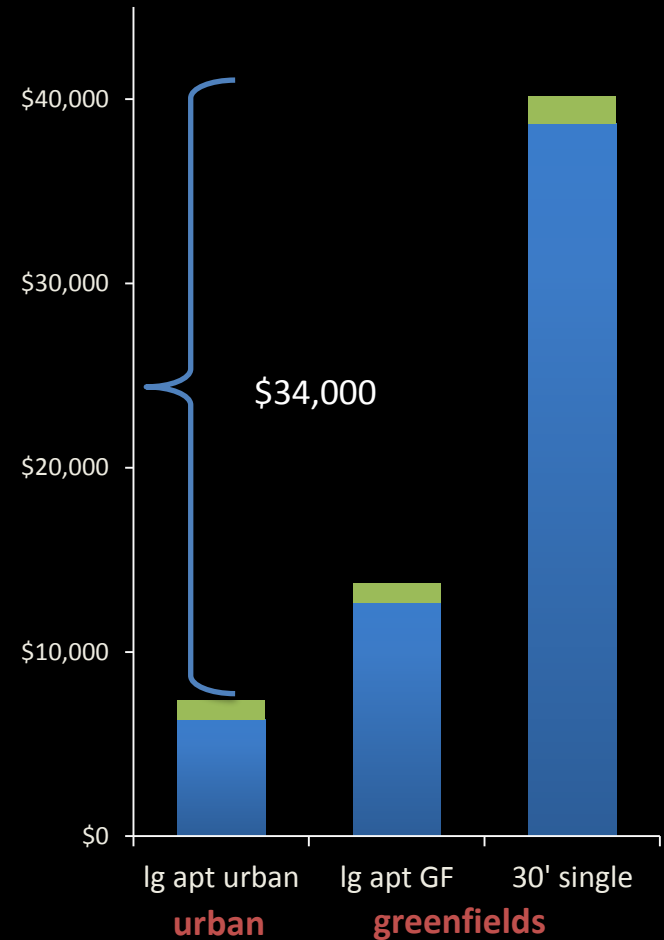
CONVENTIONAL, PER UNIT  
DEVELOPMENT CHARGE



REWORKED ON DENSITY BASIS



REWORKED TO INCLUDE  
DENSITY AND LOCATION  
EFFECTS



Reflect the effects of **density** and **location** on costs



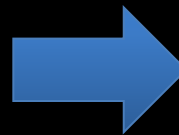
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Mispricing



overspending on municipal infrastructure

## Urban



28' wide lot

\$625,000

Property taxes = \$7,400 pa

Share network services: \$2,812

**Tax paid per frontage foot: \$100**

## Suburban



54' wide lot

\$408,000

Property taxes = \$4,750 pa

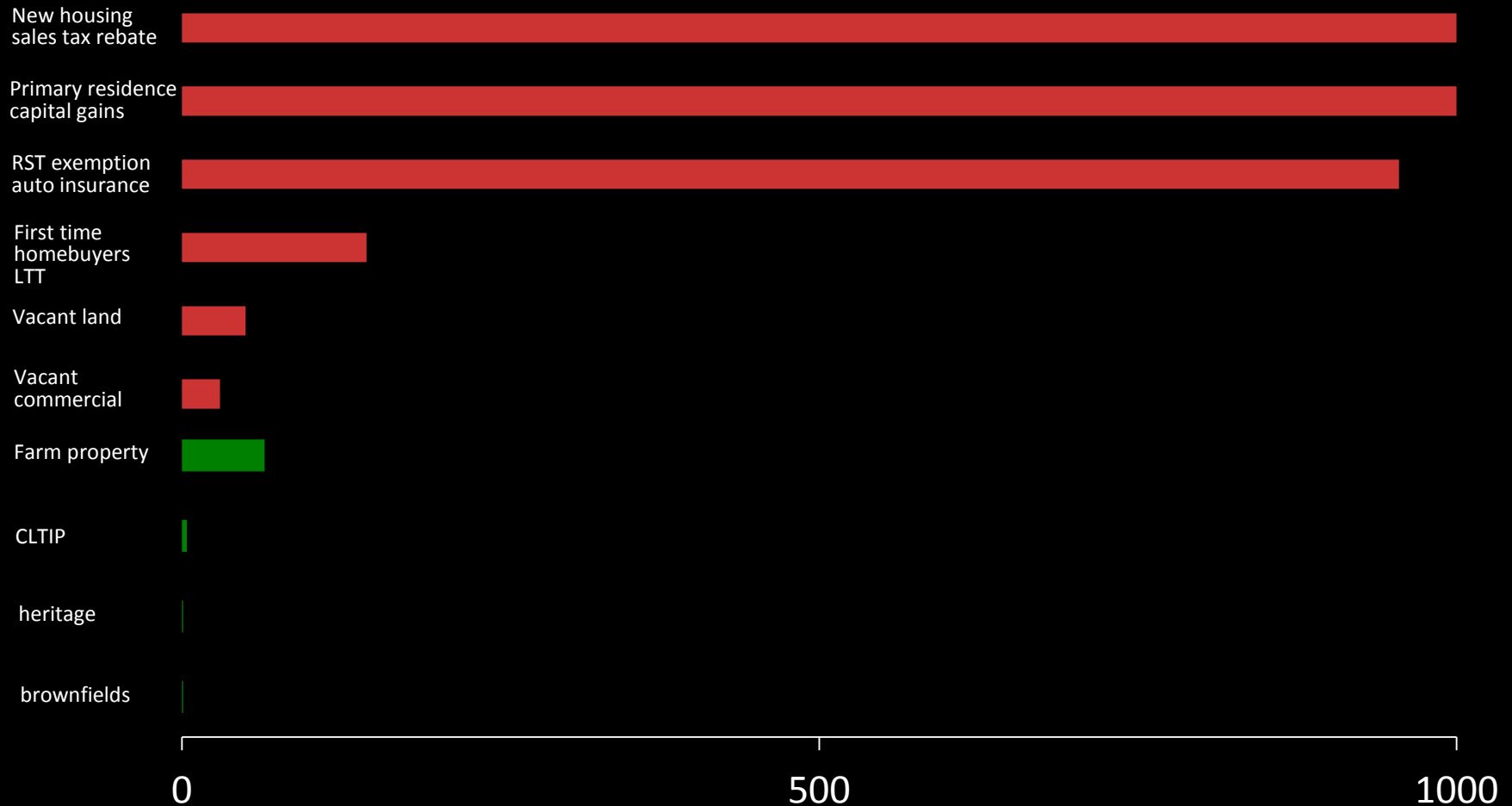
Share network services: \$1,805

**Tax paid per frontage foot: \$33**



Property taxes are unrelated to costs

## Select tax expenditures, Province of Ontario, 2011 (\$ millions)



Duelling subsidies

Public sector policies result in the  
underpricing of inefficient development and  
the overpricing of compact, sustainable  
development

## Financial disincentives:

- denser development
- reurbanisation/infill
- multi-unit buildings



## Financial incentives:

- low density
- greenfields



What are public sector price signals saying?





“It’s what people want”



But decisions are governed by prices, and  
prices are distorted by public policy

Incentives matter...  
public sector “prices” affect outcomes

- Infrastructure costs vary with urban form
  - density
  - location
  - type of land use
- Prices set in the public sector should reflect these variations
- Consider impact of tax structures
- An efficient, undistorted market will deliver compact urban form and efficient infrastructure

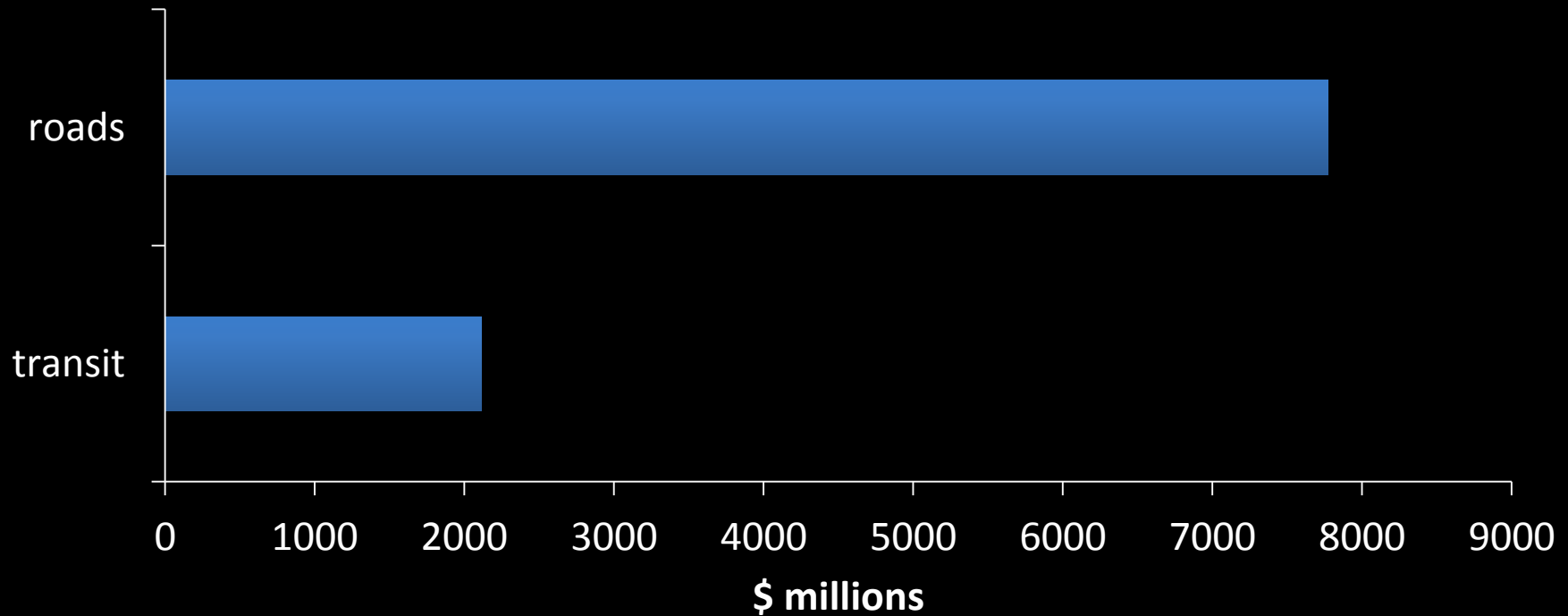
Getting the prices right



- User fees
- Property tax
- Development charges
- Federal and provincial taxes
- Homeownership incentives

Not only how we raise the money,  
but how we spend it

# Duelling subsidies: spending on roads and transit

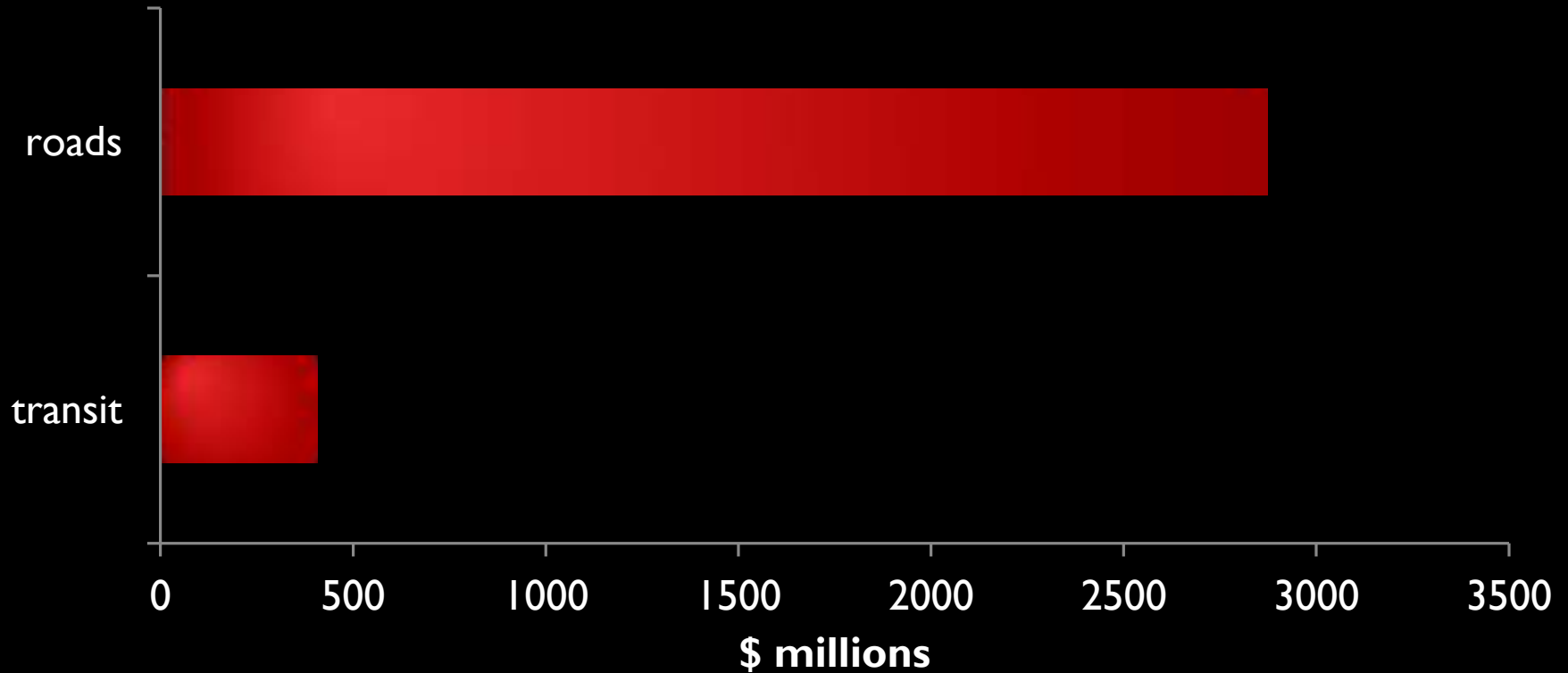


## York Region Growth-Related Capital Spending

total development-related capital program to 2031  
(\$2012)



# Fed/prov grants



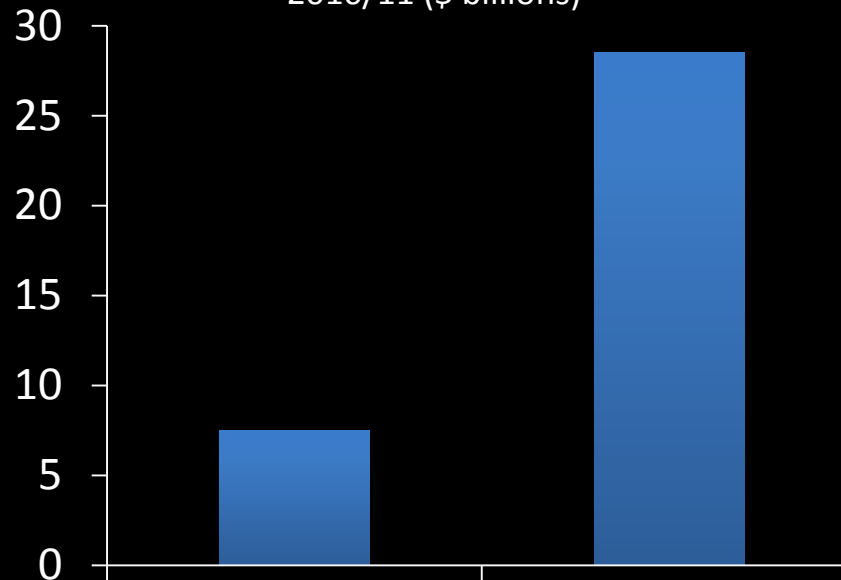
## York Region Growth-Related Capital Spending

total development-related capital program to 2031  
(\$2012)



## GOVERNMENT SPENDING ON TRANSPORT IN CANADA

2010/11 (\$ billions)



We haven't yet made the spending shift



In conclusion...

Growth Plan undermined by public sector  
(mis)price signals  
that subsidize inefficient development  
And misinvestment

Urban development patterns not achieved  
Resulting in overspending on infrastructure  
(20-60%)...

and/or possibility of  
underperforming infrastructure investments  
(esp. transit)

Planning necessary but not sufficient

Need to pay more attention to the effect of public sector “prices” on broader policy objectives

Pricing can be used to (more efficiently?) achieve planning objectives

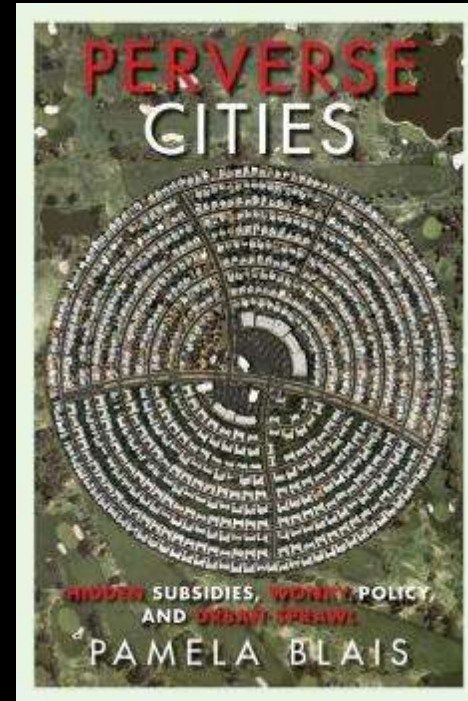
Need to consider how infrastructure investments work together in actual urban environments and

What spending shifts might be needed to realise policy objectives

Thank you!

[www.perversecities.ca](http://www.perversecities.ca)

[www.metropoleconsultants.com](http://www.metropoleconsultants.com)



- Municipal inf investments are multidimensional
- Shape urban development patterns and travel demand
- Environmental outcomes
- Economic development role
- Need to be considered multidimensionally