



# Live Where You Go

Encouraging location-efficient  
development in Ontario

July 2012

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Climate Law LLP

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A project by the Cool Communities group

Canadian Environmental Law Association

Ecojustice Canada

The Pembina Institute

Zizzo Allan Climate Law LLP

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*Sustainable Energy Solutions*

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*Live Where You Go: Encouraging location-efficient development in Ontario*

A project by the Cool Communities group: Ecojustice Canada, the Canadian Environmental Law Association, The Pembina Institute and Zizzo Allan Climate Law LLP

July 2012

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## About the Cool Communities group

**The Pembina Institute** is a national non-profit think tank that advances sustainable energy solutions through research, education, consulting and advocacy. It promotes environmental, social and economic sustainability in the public interest by developing practical solutions for communities, individuals, governments and businesses. The Pembina Institute provides policy research leadership and education on climate change, energy issues, green economics, energy efficiency and conservation, renewable energy, and environmental governance.

**Zizzo Allan Climate Law LLP** is Canada's first climate change law firm. We develop innovative solutions to complex environmental law and policy challenges. Our firm helps public and private clients respond to climate change issues using interdisciplinary teams. In addition to our policy and stakeholder research work, we have advised some of Canada's top carbon brokers, international energy producers, global manufacturing companies and industry associations.

**Ecojustice** is Canada's leading non-profit organization of lawyers and scientists devoted to protecting the environment. Since 1990, we have helped hundreds of groups, coalitions and communities expose law-breakers, hold governments accountable and establish powerful legal precedents in defence of our air, water, wildlife and natural spaces.

**The Canadian Environmental Law Association** works to protect human health and our environment by seeking justice for those harmed by pollution and by working to change policies to prevent such problems in the first place. For 40 years, CELA has used legal tools to increase environmental protection and safeguard communities.

## Acknowledgements

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# Live Where You Go

## Encouraging location-efficient development in Ontario

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# Live Where You Go

Encouraging location-efficient development in Ontario

July 2012

## What is location-efficient development?

### Live where you go, work and play

- Convenient distance from workplaces, amenities, stores and urban hubs
- Access to rapid transit
- Short commute times
- Realistic opportunities to use transit, walk or cycle to where you go, work and play

## Report Summary

Residents in Ontario and elsewhere increasingly prefer to live in locations that are walkable and have access to rapid transit. A recent study by the Royal Bank of Canada and the Pembina Institute found that, if home price were not a factor, more than 80 per cent of homebuyers would give up a large house and yard and a long car commute for a modest or attached dwelling where they can walk to amenities, take rapid transit to work and enjoy a commute of less than 30 minutes.

However, while the preference for location-efficient living may be increasing, affordable location-efficient options are not. Developers continue to build in sprawling greenfields because it is often cheaper and easier than building developments in walkable, transit-oriented neighbourhoods. Lack of supply

means homebuyers are priced out of location-efficient neighbourhoods and literally driven to the urban fringes, where long and stressful auto commutes are required. Even worse, transportation and other costs can cancel out lower prices for remote homes.

# Finding ways to encourage location-efficient development

*Live Where You Go* identifies five policy tools that could be put in place now to encourage more location-efficient development in the Greater Golden Horseshoe region — creating more affordable choices for homebuyers to live where they go, work and play.

Location efficiency encompasses commercial as well as residential development. Businesses and employment hubs can increase location efficiency by locating in areas accessible to transit and population centres rather than in sprawling greenfields.

## Five top policy tools to encourage location-efficient development in Ontario's Greater Golden Horseshoe

- 1. Develop a location cost calculator** to inform and educate homebuyers about the cost of their location choices — including all location and transportation costs (e.g., gas, insurance, parking, maintenance) not just debt (e.g., car loan).
- 2. Change development charges** so that location-efficient development costs less, while removing the subsidy that currently supports expensive-to-service urban sprawl. Charge developers for the actual costs of servicing new development using a zoned approach, and amend the Development Charges Act so municipalities can get more money for a broader range of services (such as improved transit).
- 3. Tax surface parking at higher rates.** Low taxes encourage wasted space and amount to a subsidy for surface parking; higher taxes on the land would make location-efficient developments relatively more attractive.
- 4. Remove or reduce minimum parking requirements for new developments,** allowing developers and municipalities to provide parking according to the market and based on a neighbourhood's unique mix of uses and transit service. This would reduce the cost of location-efficient development and maximize land efficiencies.
- 5. Under the Metrolinx Act, use transit funding to support location efficiency** — for example, by requiring areas around mobility hubs to be pre-zoned to support density before funding is approved.



## Read the report

Download the full report from the Pembina Institute, available at [www.pembina.org/pub/2354](http://www.pembina.org/pub/2354).



# Introduction

## *Location efficiency: Live where you go, work and play*

Location-efficient development can most easily be described as the opposite of urban sprawl. Location-efficient homes are a convenient distance from workplaces, amenities (such as schools, stores and urban hubs) and/or rapid transit. They provide residents with shorter commute times and realistic opportunities to use transit and active transportation, such as walking or cycling, when traveling to workplaces and amenities. Commercial development is also part of location efficiency. Businesses and employment hubs can locate in areas accessible to transit and population centres rather than sprawling into greenfields.

## **Saving money, reducing pollution and improving quality of life**

Location-efficient homes are part of compact, well-planned communities, which are cheaper to service. According to the CD Howe Institute, infrastructure costs for location-efficient communities can be up to 70% less than for sprawl development.<sup>1</sup> A study of the Toronto region predicts transportation and operating cost savings ranging from 18–29% if the region is able to move toward more compact growth patterns.<sup>2</sup>

Location efficiency also results in less time behind the steering wheel, which reduces local air pollution, global climate change, fuel dependency and vulnerability to gas price peaks. Where a home is located actually has a bigger impact on reducing climate change pollution than whether or not it has been retrofitted or built to high environmental standards — although energy efficiency in homes is also of significant environmental benefit.<sup>3</sup>

The environmental benefits of location efficiency can be increased further when adequate transit is available along with active transportation infrastructure such as bike lanes and walkable paths and sidewalks.

Helping people spend less time in cars has important implications for quality of life as well. It supports good health, reduces stress from commuting and increases time available for leisure, family and work — all of which can raise the economic competitiveness and productivity of a region and make it a better place to live. A recent study calculated that replacing 50% of short vehicle trips with



**Less time spent commuting can mean better quality of life.**

Photo: "Very Slowly" by worldwidewebdomination (Adam Muise), Flickr, CC BY-NC-SA 2.0

bicycle trips would save 1,295 lives per year and result in a combined benefit from improved air quality and physical fitness for five Midwestern states in excess of US\$8.7 billion/year, which is equivalent to about 2.5% of the total cost of health care of that region.<sup>4</sup>

## Where are we now?

A new study by the Royal Bank of Canada and the Pembina Institute found that residents in the GTA would give up a large house and yard to live in a mixed-use walkable neighbourhood, with a shorter commute and access to frequent rapid transit. Taking housing costs out of the picture, 83 percent of respondents would choose a modest house, town-home or condo in a city or suburb that is walkable to stores, restaurants and other amenities and has good access to frequent rapid transit. But even taking into account the price of a home, 54% of residents would still choose walkability, short commutes and access to rapid transit even if it cost more to own or rent and they had to trade off size for convenience.<sup>5</sup>



**A mixed-use walkable neighbourhood is attractive to most people.**

Photo: Kevin Sauvé, The Pembina Institute

A 2008 study by the Sustainable Urban Development Association shows strong support for transit proximity among homebuyers and increasing preference for attached housing in the GTA.<sup>6</sup>

However, while preference for location-efficient living may be increasing, affordable location-efficient options are not keeping pace. Developers continue to build in sprawling greenfields because it is often cheaper and easier than building developments in walkable, transit-oriented neighbourhoods. Lack of supply means homebuyers are priced out of location-efficient neighbourhoods and literally “driven” to the urban fringes, where long and stressful auto commutes are required. Even worse, transportation and other costs can cancel out lower prices for remote homes.<sup>7</sup> The cost of a home is still the determining factor in 79% of GTA residents in terms of choosing where to live.<sup>8</sup>

A similar preference can be seen in a 2011 survey by the National Association of Realtors<sup>9</sup> in the U.S., which found 58% of respondents would prefer living in a community with a mix of houses

and stores within an easy walk and 59% said they would choose a smaller house if it meant a commute time of 20 minutes or less. However the study also noted that policies and housing stock are not reacting to this interest.

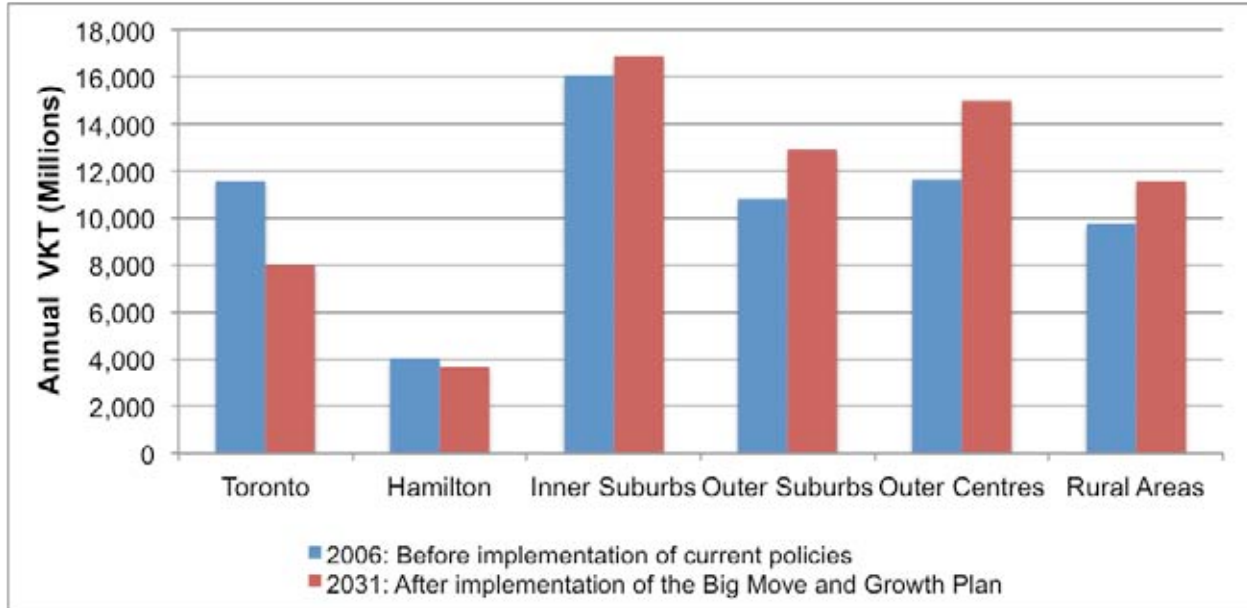


**Figure 1. The Greater Golden Horseshoe**  
 Source: Ontario Ministry of Infrastructure<sup>10</sup>

Similarly, in the Greater Toronto Area and the Greater Golden Horseshoe we need to create more options for homebuyers to live where they go, work and play. Nearly a quarter of Canada’s population resides in the Greater Toronto Area (GTA) and 70% of Ontario’s population lives in the sprawling Greater Golden Horseshoe (GGH) (see Figure 1). The GGH is predicted to grow from a population of 8.4 million in 2006 to 11.5 million in 2031, an increase of approximately 37%.<sup>11</sup> With such dramatic population growth forecasted, it’s important to ensure that development and financial policies will allow the region to absorb its new inhabitants without becoming overrun by congestion, smog and unsustainable servicing costs.

## Current planning policy

The Ontario government has enacted important legislation to enable better land use and transportation planning in Ontario, in particular the *Greenbelt Act, 2005* and the *Places to Grow Act, 2005*.<sup>12</sup> Under the authority of the *Places to Grow Act, 2005*, the Ontario government has established the Growth Plan for the Greater Golden Horseshoe.<sup>13</sup> Further, Metrolinx has created a regional transportation plan entitled *The Big Move: Transforming Transportation in the Greater Toronto and Hamilton Area*.<sup>14</sup> Modelling by the Pembina Institute shows these policies, if fully and effectively implemented, will reduce the amount of time each driver spends behind the wheel in 20 years.<sup>15</sup> This will result because the Growth Plan for the GGH and the Big Move together will help focus more growth around urban centres and transit hubs, and more transit will exist as an alternative to highways.



**Figure 2. Comparison of vehicle kilometres travelled in the Greater Golden Horseshoe in 2006 and in 2031**

Source: Burda et al, *Driving Down Carbon*<sup>16</sup>

Unfortunately, these policies will not reverse increasing amounts of urban sprawl and traffic congestion overall. Figure 2 shows that total amount of driving will increase in 20 years simply due to projected population growth and the increased total number of cars on our roads. Much of this growth will occur in the outer suburbs where highways will be needed to serve new sprawl.

In the GTA, more cars on the road will only increase congestion and potentially negate the effect of reduced individual time from the policies discussed above. Already, congestion in the GTA results in \$6 billion in lost productivity, with an average commute time of 45 minutes one way.<sup>17</sup> Two-thirds of drivers surveyed in the GTA said that traffic was taking away from personal time and diminishing their quality of life.<sup>18</sup>

## Barriers to location-efficient development

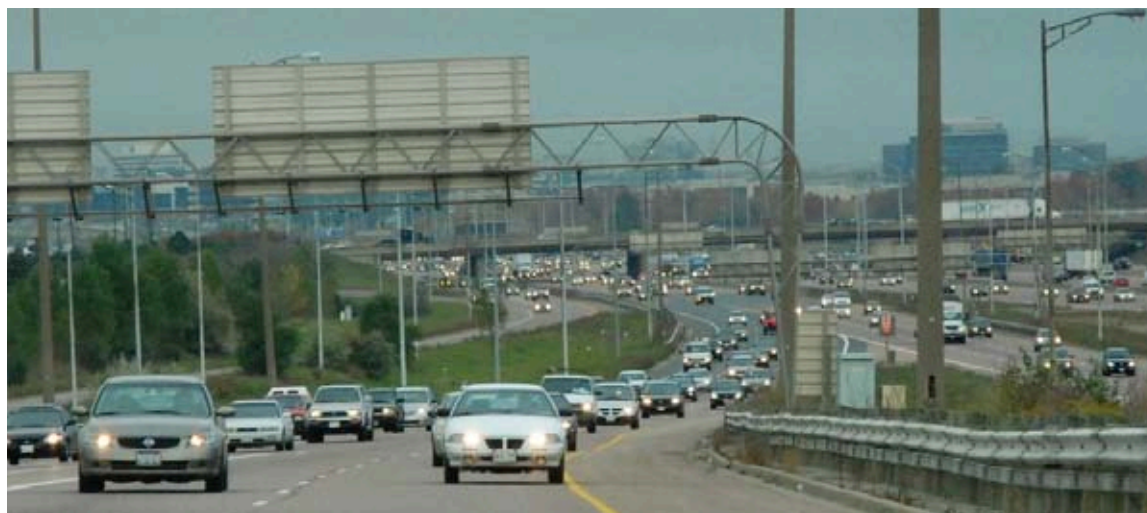
Ontario's land use and greenbelt protection policies are laudable. Unfortunately, they do not go far enough to balance the sprawl vs. location-efficient development equation. In many cases, even legislation and policy that are meant to be complementary further limit location efficiency.

The Ontario government has enabled provincially-led municipal land use planning. The Provincial Policy Statement,<sup>19</sup> issued under the *Planning Act*,<sup>20</sup> provides direction on land use planning and development issues such as the efficient use of infrastructure and protection of the environment at the municipal level. The *Planning Act* itself delegates a great deal of local planning authority to municipalities. Among other things, municipalities are responsible for creating official plans and enacting local bylaws, both of which impact the location efficiency of development. Municipal land use decisions must comply with the law (e.g., the *Planning Act* and the "good planning" standard), be consistent with the Provincial Policy Statement (the *Planning Act* requires a "shall be consistent with" standard) and conform with any provincial plan,



including the Growth Plan for the GGH (the *Planning Act* requires a “shall conform with” standard). With all these requirements, there needs to be some assessment of the interaction of all the policies and plans. As it stands, municipal approaches vary and there is no requirement for a unified approach. There are few hard targets (rather there are mainly guidelines) that would result in location-efficient development, and current targets lack rigor and full compliance.<sup>21</sup>

One way to support location efficiency is to look at why consumers choose, and developers build, sprawling developments. Studies show that current development and pricing policies in Ontario — including property taxes, development charges and service fees — tend to encourage low-density sprawl development, while making it more expensive for developers, planners and municipalities to build location-efficient communities, homes and employment hubs.<sup>22</sup> In effect, location-efficient development is being financially penalized, while poorly planned, sprawl development is more affordable and in some cases subsidized. This perverse incentive is exacerbated by relatively low housing supply in the GTA and GGH, which leads to high housing prices, particularly around urban cores (where development tends to be more location efficient). One recent U.S. study found that only 10% of housing stock consists of walkable urban properties and these, on a square-foot basis, cost 40–200% more than suburban homes.<sup>23</sup>



**Transportation expenditures rise as one moves out from the centre of a city.**

Photo: Roberta Franchuk, The Pembina Institute

Research also reveals that many homebuyers underestimate the costs of living further away from a city centre. Researchers at the Neptis Foundation found that, while housing prices (the listing prices paid for houses) decrease with distance from the city centre, the amount spent on other housing costs (like maintenance, property taxes, utilities and insurance) increases. More importantly, however, as housing expenditures rise as one moves out from the centre, transportation expenditures rise even faster.<sup>24</sup> This important research supports the idea that homebuyers may be trading short-term gain (lower house price) for longer-term pain (higher housing costs and transportation costs) that will make them worse off overall.

Poor incentives and a tendency to underestimate the cost of living in a sprawling neighbourhood are likely working against sound Ontario legislation and policy tools (discussed above), limiting the demand for and supply of location-efficient housing. Fortunately, these problems can likely be solved or minimized. To do so, tools are needed to balance the tax and pricing distortions, to

offer incentives to homebuyers and developers to choose location-efficient housing and to help homebuyers understand the actual costs of sprawl more easily, so they can make more informed housing choices. The Pembina Institute, Zizzo Allan Climate Law LLP, Ecojustice Canada and Canadian Environmental Law Association have collaborated to produce *Live Where You Go: Encouraging location-efficient development in Ontario*, which investigates a range of policy options and presents those that make sense for Ontario at this time.



**Poor incentives — and a tendency to underestimate the cost of living in a sprawling neighbourhood — are working against sound Ontario policies.**

Photo: Kevin Sauvé, The Pembina Institute

# Methodology and objectives

## *Finding ways to reward location-efficient development*

*Live Where You Go* is the result of a year-long project, the Cool Communities project that seeks to explore the best policies, incentives and financial tools to encourage more location-efficient development in Ontario, particularly within the GTA and the GGH.<sup>25</sup>

There are many possible solutions that could help Ontario reward and encourage location-efficient development. Some options include financial tools, policy levers or voluntary incentive programs. In particular, we examined policy tools that would:

- Improve upon current policies such as the Growth Plan for the GGH and the Big Move
- Provide new mechanisms such as financial incentives, market-based tools and reforms to financial policies
- Build upon what is effective elsewhere
- Be effective and/or politically feasible in Ontario
- Apply to the GGH area, with a focus on the GTA
- Apply to the location and form of new development; encourage location-efficient buildings (such as infill, attached housing or higher density) rather than sprawl in greenfields and whitefields
- Influence the rewards from and charges for current development to encourage building improvements or support homebuyers in their location choices

## Methodology

Policies were identified, researched and scrutinized with the help of key experts and stakeholders — planners, developers, realtors, municipalities and business leaders — through a detailed consultation process. Our process was as follows:

1. Through preliminary research, identify potential policies and best practices
2. Identify and consult with more than 20 experts and stakeholders in individual interviews where we discussed broad concepts and our five identified policy areas
3. Incorporate input and suggested research and best practices from consultations into the development of a summary report of policy tool options for our consultations workshops
4. Conduct three workshops to collect feedback on the effectiveness and feasibility of options from experts and stakeholders
5. Based on workshop feedback, develop a final list of immediate and medium-term recommendations

Our consultation process was designed to address the complexity of dealing with sprawl in the GGH. Any policy change proposed is likely to involve issues of economics, planning, marketing or consumer behaviour, and law (both residential and, in many cases, commercial). Discussions with industry experts quickly revealed that some ideas, while attractive from a theoretical

perspective, are unlikely to result in a significant increase in location-efficient development because of interactions with other market or political factors. Where possible, we've flagged conflicting opinions we received during consultations, to present a balanced perspective.

Input from our consultations is cited throughout this report and is not attributed to individuals. A full list of experts and stakeholders consulted is presented in Appendix A. We have also summarized comments from the individual consultations referenced above in step 2 of our process in Appendix G.

We wish to emphasize our gratitude to those we consulted for their insightful and practical input and opinions. Any errors in *Live Where You Go* are our own.

## A flexible goal that benefits Ontarians

Throughout this process it has been critical to be clear about the intent of location efficiency policy. Some important points about the analysis and policy goals of location efficiency are presented here.

### 1. It's not about towers vs. houses

Location efficiency includes a range of building types, not just residential towers. The kind of incremental increases in density needed to build location-efficient communities can occur with an increase in the number of attached, medium- and high-rise buildings that respect neighbourhood character, while also prioritizing higher densities around transit hubs and amenities. One important question is: what level of transit is best for a given area? Higher densities are needed to support higher-order transit.



**Location-efficient development can come in many forms.**

Photo: "Toronto Town House" by MsAnthea, Flickr, CC BY-ND 2.0

Currently, the Growth Plan for the GGH calls for a minimum density of 50 people and jobs per hectare for greenfield areas.<sup>26</sup> However, modelling conducted by the Region of Waterloo found that even increasing greenfield density to 60 and 70 people and jobs per hectare would not change the look and character of most suburban neighbourhoods, with the exception of an increase in the heights of some of the buildings.<sup>27</sup> However, an increase in density of this scale would have a significant impact on the capacity of developed greenfield areas to support transit.

The Growth Plan for the GGH's current density target of 50 people and jobs per hectare has been shown to represent the



minimum transit-oriented development threshold of conventional bus service with a 30-minute headway.<sup>28</sup> “Headway” is a common measure of the distance or time between vehicles on the same line in a transit system and represents the minimum wait time for transit users, with shorter headways meaning more frequent service. Improved service with a 15-minute headway could be supported by a minimum density of 78 to 80 people and jobs per hectare.<sup>29</sup> As shown in Table 1 below, even a neighbourhood of attached residential housing would supply enough density (98 people and jobs/hectare) to facilitate transit of this frequency.

**Table 1: Density of different types of development**

Description	Density (units/ha)	Population/ha	Jobs/ha	People and jobs/ha
Low-density residential	25.6	55.8	10.1	65.9
Attached residential	37.0	78.8	19.2	98.0
Low-rise residential	118.9	206.7	52.9	259.6
Mid-rise mixed use (residential/commercial)	151.0	245.3	297.7	543.0
Corridor mixed use (residential/commercial)	155.3	273.4	111.3	384.7

Source: Data from *City of North Vancouver 100 Year Sustainability Vision*<sup>30</sup>

## 2. It’s not about downtown Toronto vs. the ‘burbs

Location efficiency can occur outside of the urban Toronto core. For example, as Markham grows commercially and residentially, some of its neighbourhoods around employment hubs are becoming walkable, allowing people to live and work in the same community. Other neighbourhoods are accessible by rapid transit, allowing commuters to efficiently move from home to job without getting stuck in traffic. Location efficiency can also occur in places like central Aurora, with a GO train line for commuting to jobs located in Toronto and a walkable urban centre.



**Current policies support less location-efficient, sprawling alternatives.**

Photo: Kevin Sauvé, The Pembina Institute

Unfortunately, just like downtown Toronto, these areas are becoming too expensive for the average homebuyer to afford, as a result of many of the policies discussed in this report (such as development charges, property taxes, outdated parking rules and approvals). Homebuyers are thus turning to less location-efficient, sprawling alternatives, which come with a lower price tag up front but which typically result in more time spent behind the wheel.

In addition, homebuyer perception may play a role in this problem. Homebuyers often see a restricted choice: either a high-rise condo in the downtown core or an affordable house with a yard in the outer suburbs, likely requiring one or more car(s). As discussed above, research by the Neptis Foundation suggests that while the suburban house may seem cheaper, it can actually make the homebuyer financially worse off. The increase in travel costs resulting from moving to the urban fringe more than outweighs the savings in house prices, without even considering time lost travelling or environmental consequences.<sup>31</sup>

Choice for homebuyers — and developers — means location-efficient development that provides suitable housing for all incomes, family sizes and age demographics in communities that are a convenient distance from workplaces, amenities and rapid transit. Location-efficient communities can occur throughout the GGH, not just in the dense core of a city. Appropriately planned attached, semi-detached, or even smaller, more concentrated dwellings, can have a significant impact on location efficiency and affordability.

In fact, findings from the Pembina–RBC study show that ‘location’ preferences for homebuyers do not line up in terms of city versus suburbs. Preferences are overwhelmingly for walkable, mixed-use neighbourhoods with access to frequent rapid transit, whether it be in the 905 or the 416, a suburb, an urban residential area or the downtown core. The survey asked GTA residents to imagine they were moving to another home: “Of the following three options, please select the location where you would prefer to live, if the cost of housing in each was equally affordable to you?” The results are presented in Table 2.

**Table 2. Homebuyer preferences for home location**

Option (Home costs held equal)	Respondent preference
<p><b>Option A: Detached home on large private lot</b></p> <ul style="list-style-type: none"> <li>• Far from the town or city centre; need car to get to most destinations</li> <li>• Commute to work of more than 30 minutes, with no access to fast transit</li> </ul>	18%
<p><b>Option B: Detached house on a modest lot size or a townhouse or condo</b></p> <ul style="list-style-type: none"> <li>• Suburban location where you can walk or bike to stores and amenities in the local town centre</li> <li>• Commute to work of more than 30 minutes, but with access to rapid transit such as the GO train</li> </ul>	39%
<p><b>Option C: Condo, townhouse or modest house on a smaller lot</b></p> <ul style="list-style-type: none"> <li>• In a city with easy access to stores and amenities</li> <li>• Commute to work of less than 30 minutes; possible to get to work by bike, walking or transit</li> </ul>	42%

Source: Pembina–RBC<sup>32</sup>

# Research and findings

## *Policy options to encourage location-efficient development*

### Preliminary analysis

The Cool Communities project included research and consultations that explored five key policy areas, which encompass a range of new tools, both carrots and sticks, as well as ways to reform current policies. The policy areas cover various development and home buying stages as follows:

1. **Homebuyer benefits:** How to make more location-efficient choices available to homebuyers and leverage the participation of the lending and real estate sectors.
2. **Development charge reform:** How to make development charges fair by removing subsidies for sprawl development, while also giving municipalities more revenue to pay for the costs of servicing new development.
3. **Property tax reform:** How to make property taxes more fairly reflect the location footprint of residential development.
4. **Parking policies:** How to make location-efficient developments more cost effective, while reducing the space wasted on and the under-valuation of surface parking.
5. **Approvals process opportunities:** How to prioritize and facilitate location efficiency when development and transit planning decisions are being made.

For each of the above location efficiency policy areas, we examined a number of specific options to reform, amend or develop new policy, legislation and tools. Some ideas are specific to the GTA, while others have been adapted from best practices elsewhere.

The detailed analysis of each of the five policy areas, including consultation input, is presented in Appendix B and forms the body of research for our final policy recommendations. Table 2 below presents all of the specific policy tools we examined and provides a brief analysis of each as well as identification of our policy priorities.

**Table 3: Summary of policy tools assessed and identification of policy priorities**

Policy Area 1: Homebuyer benefits	
Specific policy tool	Summary analysis
Use a location cost calculator to inform and educate homebuyers about their choices	<b>Identified as a priority policy</b> A homebuyer educational tool, but also as a prerequisite for any additional reformative policies such as location efficient mortgages, assessment process reform, or rebates.
Mandate walk scores on real estate listings	Limited in its impact; may simply drive up price of current desirable locations. Also, agreeing on a scoring system will present a challenge. That said, this tool may be useful to remind homebuyers about the importance of walkability.

**Research and findings**

Encourage location efficient mortgages	Benefit for homebuyers is a higher borrowing capacity for location-efficient properties, but this is a boutique mortgage. It may be more effective to reform the assessment process so that it more accurately incorporates location costs in risk assessment overall.
Modify Canadian Mortgage and Housing Corporation (CMHC) insurance to encourage location-efficient homes	For location-efficient properties, allow mandatory CMHC insurance to be paid over a period of 10 years before the premium is applied. This would increase the affordability of location-efficient properties, putting them into the price range of more people, including first-time homebuyers who are often driven to sprawl. However, this increase in borrowing capacity could open borderline borrowers up to even more risk.
Reform mortgage risk assessment process to include location costs	<b>Identified as a medium-term priority policy</b> Reform the assessment process province-wide to factor all transportation and location-related costs into mortgage assessment. Requires development of location efficiency criteria and metrics and comprehensive study of increased credit worthiness based on location efficiency criteria.
Provide rebates or tax credits for location-efficient properties	Offer homebuyers a cash rebate on the cost of a location-efficient property. This policy would have low relative impact.
<b>Policy Area 2: Development charges</b>	
<b>Specific policy tool</b>	<b>Summary analysis</b>
Encourage municipalities to assess development charges based on predetermined zone-specific costs	<b>Identified as a priority policy</b> Zone-specific development charges would reduce subsidies to location inefficient development and help pass on the true costs of sprawl to homebuyers/developers.
Allow municipalities to charge for a broader range and quantity of costs required to service development by amending the <i>Development Charges Act, 1997</i>	<b>Identified as a priority policy</b> Would allow municipalities to charge for the actual costs of servicing new development, including better capital investments for transit. If zone-specific policies are enacted, could significantly improve cost of location-efficient development vs. sprawl, helping homebuyers afford location-efficient homes.
Require municipalities to levy development charges that cover full cost/range of services for new development	<b>Identified as a medium-term policy</b> Reform would dramatically reduce potential for “race to the bottom” but may face significant municipal opposition by removing municipal discretion to set development charges.
Make development charges transparent for homebuyers on homebuyer advertising/information	Useful as a means of enhancing the effect of the first two policy tools by ensuring homebuyer is aware of the cost of sprawl.

<b>Policy Area 3: Property taxes</b>	
<b>Specific policy tool</b>	<b>Summary analysis</b>
Allow two-rate property tax system where buildings and improvements are taxed at lower rate than land	Encourages densification and revitalization of urban cores while discouraging holding land for speculative purposes (as tax burden would be higher for land without the economic benefits associated with development).
Allow differential tax rates for single-family vs. multi-family dwellings	Addresses hidden subsidization and encourages densification as apartment and condominiums typically cost municipalities less to service on a per capita basis.
Incorporate location efficiency metrics into tax assessment	Encourages location-efficient development by decreasing the comparable tax burden to homebuyers who choose these properties; however, requires significant legislative amendment.
Lower property tax and earmark for shared essentials; increase user fees.	Since many direct services are cheaper to provide as density increases, residents in more dense locations will have a cost savings compared to those in more location inefficient locations. Homeowners facing higher costs have increased incentives to conserve and ability to influence carrying costs.
Implement charges or rebates based on location efficiency criteria	Surcharges or rebates to reflect whether a property is location efficient would not require as fundamental a change in the property tax regime but would allow for accounting of various location efficiency related cost differentiations to provide municipal services.
<b>Policy Area 4: Parking</b>	
<b>Specific policy tool</b>	<b>Summary analysis</b>
Reduce or remove minimum parking requirements	<b>Identified as a priority policy</b> Allow developers to provide the amount of parking the market demands, according to a neighbourhood's unique mix of uses and transit service (up to a maximum). This has the potential to reduce the cost of location efficiency to both developer and consumer by allowing developers to build less parking if residents do not demand it.
Unbundle parking costs from purchase or rental costs	Important to increasing the affordability of location-efficient properties, while also reducing parking demand.
Reform property tax for parking lands	<b>Identified as a priority policy</b> Provides the ability to correct for cost and land usage disparities between location-efficient and sprawl developments, and would reduce tendency for landowners to hang onto underdeveloped location-efficient land.
Charge for parking in strategic suburban areas	<b>Identified as a medium-term policy</b> In order to level the playing field for merchants, employers, employees and consumers, reverse the trend toward peripheral commercial and retail development, and encourage location-efficient development.

Policy Area 5: Development approval process	
Specific policy tool	Summary analysis
Create a location efficiency checklist	<b>Identified as a priority policy</b> Checklist with location efficiency criteria, such as density, proximity to transit and availability of local amenities, would be used as a pre-screen for development approvals and an incentive tool (tying high scores to incentives/rewards).
Encourage pre-zoning around mobility hubs	<b>Identified as a priority policy</b> Encourage municipalities to use their statutory authority to strategically pre-zone, facilitating greater density and mixed land uses needed to support transit and encourage location efficiency.
One-window approach, fast-tracking and policy consistency for municipal approvals	Location-efficient projects could be guided through the approval process more seamlessly by a facilitation manager, bringing more clarity and certainty to the process.
Encourage use of density bonus	<b>Identified as a medium-term policy</b> Municipalities should be encouraged to make greater and more transparent use of their density-bonusing powers to support location-efficient development.
Metrolinx utilizes Transportation Planning Policy Statement (TPPS) and new land use planning authority	<b>Identified as a medium-term policy</b> Ministry should establish the TPPS to encourage intensified mixed-use development in and close to mobility hubs and along corridors of new and proposed Metrolinx funded transit lines. Metrolinx could also be granted additional powers to halt development that does not conform to transit planning goals (this requires legislative amendment).
Metrolinx links funding to pre-zoning for development around transit hubs	<b>Identified as a priority policy</b> Funding from Metrolinx should be contingent on location efficiency principles, such as pre-zoning for densification in and near mobility hubs or other assurances that development with location efficiency criteria will be encouraged.

## Identification and discussion of policy priorities

We explored an extensive menu of policy choices that are available to encourage location efficiency in the province. Our goal was to identify a list of top policy tools to encourage location efficiency in the short and medium terms and build support from experts around these tools. Our consultations, therefore, were critical in identifying risks and shortcomings of policy options as well as identifying those that are potentially most effective, politically feasible and can be supported by stakeholders.

For instance, although those consulted generally agreed that property tax reform has the potential to be an effective driver towards location efficiency, there was overwhelming feedback that property tax reform is extremely complex and the current property tax system is legally, politically and economically entrenched. Broad property tax reform, therefore, is not a realistic option in the short and medium terms.

Likewise, there was agreement from those we consulted that a better understanding of costs and benefits associated with location efficiency is needed, therefore elevating the homebuyer incentive tools of a location cost calculator and metrics to understand and track location efficiency.

The results of the consultation were summarized in our dot poll exercise, for which both the experts/stakeholders and the project partners were asked to identify their top policy options. While those identified options did not automatically become our policy priorities, this exercise helped to reinforce our research and conclusions and prompted us to re-examine and reconsider policy options. The results of the dot poll exercise are presented in Appendix F.



# Policy recommendations

## Priority policies to encourage location-efficient development in Ontario

Priority policies are those location efficiency tools that stand out as feasible, practical and effective and that were supported by most experts and stakeholders. Priority policies are short term (can be implemented within one to four years) and include reforms or shifts to existing policies, as well as new incentive-based tools.

This chapter presents the five policy tools that rise to the top as best to implement in the short term. Some of the policy recommendations use more than one of the specific policy tools identified through our research and consultation. Although these top five are numbered, they are not ranked. In addition to the top five, we also present top policies for medium-term implementation that can follow and build on the short-term priorities.

## Top priority policies

### Priority Policy One: Location cost calculator

A GTA study found that residents spent a greater percentage of their income to live in the suburbs and in urban areas, due to high travel costs (see Table 4). Buyers of location-efficient housing often have the option of living with fewer or no cars and, as a result, they tend to have lower transportation expenses. Location efficiency also increases financial resiliency. Owners of location-efficient housing who choose to commute via car for convenience may be able to switch to lower-cost transit in the event of a job loss or other financial interruption.<sup>33</sup>

**Table 4. Housing location cost comparison**

	Urban region	New suburb
Housing costs as percentage of income	18.8	18.3
Travel costs as percentage of income	13.0	18.4
Combined as percentage of income	31.8	36.7

Source: Data from Neptis Foundation, *Travel and Housing Costs*<sup>34</sup>

However, it can be challenging for homebuyers to finance location-efficient homes, even if the higher purchase price of a location-efficient home will be more than outweighed by decreased transportation costs. Current mortgage assessment practice underestimates this and other benefits of location-efficient homes, in part because it accounts for debt<sup>35</sup> and costs associated with servicing that debt, such as car payments, but does not include the costs associated with vehicle use such as gas, insurance, parking and maintenance.



Consequently, assessment may undervalue the available cash flow of buyers of location-efficient homes who have fewer cars and lower transportation costs, while overestimating the cash flow of those who spend less on a home and more on transportation.<sup>36</sup> This may increase demand for sprawl and greenfield development.

### **Work with realtors and lenders to educate and inform homebuyers via a location cost calculator and other consumer education tools**

In advance of more substantial reforms — such as reforming the mortgage assessment process — a calculator tool to measure and compare costs for homes based on location could be developed and used to inform and educate homebuyers. Lending and real estate agencies could be required to provide this information to prospective homebuyers as part of sales materials, or lenders could take the lead on developing the tool and offering the service.

Homebuyers may be unaware of how their true monthly and overall costs depend on the location of their property purchase. When all location costs are taken into account and provided to the homebuyer, their choices and preference may actually change.

Experts and stakeholders consulted for this report expressed resounding interest and support for the development of a location efficiency calculator tool — for use in itself as an educational tool, but also as a prerequisite for any more reformative policies such as location efficient mortgages, assessment reform or rebates. Methodology and metrics to measure location efficiency and/or location costs must be evidence based.



**A calculator tool would help homebuyers to measure and compare costs for homes based on location.**

Photo: Kevin Sauvé, The Pembina Institute

## **Measuring location efficiency**

In over 300 urban areas in the United States, location efficiency is measured using metrics for both housing and transportation affordability (The H + T Affordability Index). The analysis is based on the study of location efficiency, which identifies both the neighbourhood and household characteristics that determine the demand for transportation. Subsequent analysis revealed that the ‘drive ‘til you qualify’ phenomenon, where less-expensive housing is located at the periphery of cities and towns, has raised the cost of transportation as high or higher than the cost of shelter.<sup>37</sup>

For example, an analysis of people living in metropolitan Milwaukee, Wisconsin, found the percentage of income spent on housing and transportation costs decreases as the number of cars per household decreases. This is true even for households that spend more per year on housing. Moving from an area requiring three cars per household and 35,000 vehicle miles of travel per year to one where a household needs just one car and has transit access increases the housing costs by \$5,000 but reduces transportation costs by \$12,000, for a net reduction in the cost of living of 18.3%.<sup>38</sup>

In the Ontario context, a similar metric can be established and used not only for homebuyer financial benefits but for educational tools such as:

- Location cost calculator for prospective homebuyers that provides a relative cost comparison on transportation and housing costs over a period of time based on location. Information can be presented in the form of a table that breaks out various costs and compares them to an average or an ideal set against a proposed home price.
- Borrowing capacity comparison based on location — a simple table can be provided by lenders to demonstrate to homebuyers the relative monthly costs of their location choices and impact on borrowing capacity.

Please see Appendix D for more detailed information on location calculation tools.

## **Establish a location efficiency checklist**

While a location cost calculator would measure the costs associated with a given location, specific inputs or metrics are needed to conduct this analysis. These metrics can be put together into a location efficiency checklist, which was identified as a valuable tool in the development approval process policy area. Adherence to location efficiency criteria, such as density, proximity to transit and availability of local amenities, could be used as a pre-screen or a precondition for development approvals. Local governments could use a location efficiency checklist as an incentive tool, tying a high score on the checklist to rewards such as permit and development charge reductions, relaxation in parking requirements, and application fast-tracking.<sup>39</sup>

## **Priority Policy Two: Development charge reform**

Development charges allow municipalities to charge developers some of the costs of providing municipal services.

Sprawling development is typically more expensive to service than location-efficient development.<sup>40</sup> A properly designed development charge regime would pass increased servicing costs for sprawl development on to sprawl developers and, eventually, homebuyers so that those who choose sprawling development are required to pay for the extra costs they are foisting on their municipality. Such a system would align economic incentives with planning and environmental rules promoting location efficiency.



**Municipalities should pass on the real costs of servicing new development, particularly sprawl development, to developers.**

Photo: Kevin Sauvé, The Pembina Institute

Unfortunately the way development charges currently operate in Ontario does not encourage location efficiency for two reasons:

- In most municipalities, development charges are allocated by building type, not location.
- The *Development Charges Act, 1997* (the “DCA”) does not allow municipalities to charge the full costs of servicing development.

Currently, most development charges are based on building type, even though cost of servicing depends to a great extent on location of development. This regime subsidizes location inefficient development by undercharging for services provided to sprawling development and overcharging for services provided to dense development.

**Encourage municipalities to assess development charges based on predetermined zone-specific costs**

A better solution would be to assess development charges based on zones that correspond to average service levels within different areas of a municipality. This policy option recognizes that the costs of providing certain services, such as roads and sewers, will tend to be similar, on average, for similar building types in specific zones. This approach gives the appropriate

incentives to developers and homebuyers, while avoiding the huge administrative burden that would be required if development charges were assessed on every home individually. An added bonus: municipalities (like the City of Ottawa, which charges different rates for development within and outside of its greenbelt<sup>41</sup>) already have the legal authority to implement this reform.

### **Amend *Development Charges Act* to allow municipalities to pass on the real costs of servicing new development**

The DCA distorts real estate development by:

- Restricting the services for which a municipality can assess development charges (typically, ‘soft costs’ such as parkland are not permitted),<sup>42</sup>
- Requiring that municipalities discount some capital costs charged via development charges by 10%,<sup>43</sup> and
- Basing cost maximums on the average level of service provided by the municipality in the 10 years preceding the assessment<sup>44</sup> (the 10-year service level restriction).

The 10-year service level restriction creates a serious problem, preventing municipalities from recovering the true cost of growth, especially in high growth areas. It hampers municipalities’ abilities to improve their services. For example, a municipality with a severe traffic congestion and smog problem, historically limited transit service and significant development pressure is prevented from using development charges to fund much-needed transit improvements if they are above the 10-year average service level. In contrast, the same municipality may be able to use funds from development charges to invest in new roads that work against its planning objectives.

Amending the DCA to remove the 10-year historical average, 10% discount and limit on soft costs would not be complicated and would allow municipalities to pass on the real costs of servicing new development, particularly sprawl development, to developers. The current system typically results in a subsidy from other municipal ratepayers and location efficient developers to sprawl developers, which works against planning and environmental goals.

### **Priority Policy Three: Tax surface parking based on area**

Policies that encourage or allow an oversupply of parking (such as in suburban commercial centres) increase the amount of surface area devoted to parking, at the expense of location-efficient development and greenspace. As well, less costly parking in suburban fringes creates an unfair advantage as suburban commercial centres often have free parking, while town centres and main streets have charged, on-street parking.

Residentially, since suburban lots are bigger and cost less per area, cost for extra surface parking spaces is likely to be less than in location-efficient developments, although these extra parking spaces are more likely to be superfluous.

Property tax reform for residential or commercial development is politically challenging, although important in the long term. In the immediate term, reforming the way parking land is taxed can help correct cost and land usage disparities between location-efficient and sprawl



developments, and reduce the tendency for land owners to hang onto underdeveloped location-efficient land.

The province has the jurisdiction to mandate that municipalities assess parking lands at a higher rate. Municipalities have the jurisdiction to set their own variable rates for different classes of property, and should be encouraged to define a new property class for parking lands and amend local bylaws in order to increase property tax rates applicable to parking lands. Therefore, the carrying costs associated with surface parking would be increased, and more efficient use of the land encouraged.



**Reforming the way parking land is taxed can help correct cost and land usage disparities between location-efficient and sprawl developments.**

Photo: Kevin Sauvé, The Pembina Institute

## Priority Policy Four: Remove minimum parking requirements

The financial cost of providing parking is driven by three variables: the number of parking spaces, the opportunity cost of land used for parking, and the cost per parking space.<sup>45</sup> In denser, location-efficient areas, structured garage parking costs approximately \$30,000 per space, and underground parking approximately \$60,000 per space, compared to \$2,000–\$8,000 for surface parking.<sup>46</sup> This adds to the costs for buyers of homes and commercial buildings — especially if developers are required to build more spaces than are actually needed — making location-efficient developments relatively more expensive, and driving developers and buyers to more affordable regions.

Parking standards and zoning regulations in most municipalities require developers to provide a minimum number of parking spaces according to the size (area) or number of units in a proposed development. In some cases, however, particularly in location-efficient areas, the minimum number of parking spaces required is more than the market demands, since many residents or workers may walk and/or take transit in the area. The minimum parking requirements thus increase the cost for residents who are required to account for the costs associated with developing extra spaces or to purchase parking spaces they do not need. This type of automobile-

oriented standard prioritizes space for cars over other uses such as public space and additional residential or commercial space.



**Required parking adds to the costs for buyers of homes and commercial buildings. Structured garage parking costs approximately \$30,000 per space.**

Photo: Kevin Sauvé, The Pembina Institute

Reducing minimum parking requirements would allow developers to provide what they believe the market will want (subject to a maximum), according to a neighbourhood's unique mix of uses and transit service, and thereby maximize budget and land use efficiencies.

Research into best practices indicates that this policy is feasible and effective; it has been widely adopted elsewhere (see Appendix E).

### **Amend the *Planning Act***

Reform to the current parking space requirement policy would involve amending the *Planning Act* to lower and/or remove minimum requirements in particular areas (such as commercial shopping complexes and catchment areas around higher order transport) and to promote the reduction of minimum parking requirements more broadly.

The *Planning Act* grants both the province and municipalities the power to enact zoning bylaws that deal with parking minimums/maximms, which municipalities can change to allow for less parking. Landowners and developers can also contract with municipalities to install less parking for an in-lieu fee or service (per section 40 of the *Planning Act*) or they can get a minor variance or bylaw amendment as required.

## **Priority Policy Five: Metrolinx approvals**

Location efficiency depends strongly upon adequate transit services and options that create connectivity between communities, residences and work places. Although land use and transit

are well integrated in provincial policy and planning, this is less true at the municipal level. There is an enormous opportunity to intensify development along the rapid transit lines proposed in the Big Move via the Growth Plan for the GGH and municipal Official Plans. Unfortunately, the Growth Plan for the GGH currently contains no defined or enforceable targets for mobility hubs and corridors.<sup>47</sup> The Big Move and the Growth Plan for the GGH are intended to work together; however, with both initiatives fully implemented, over 95% of the VKT reductions are attributed to The Big Move.<sup>48</sup> By strengthening the targets in the Growth Plan for the GGH, new populations can be more effectively located close to the transit that will be created under the Big Move.

Metrolinx, a provincial agency,<sup>49</sup> has the objective of improving transportation in the Greater Toronto and Hamilton Area. There is an opportunity to better integrate transportation development by Metrolinx with land use development to help ensure they complement and support the same goals.

### **Link Metrolinx funding to pre-zoning around hubs**

Metrolinx should utilize its legislated funding authority to encourage location-efficient development. It should only fund and build proposed transit lines and/or provide third party financing in accordance with location-efficient development principles. For example, transit funding should be contingent on pre-zoning for densification within and at a given distance around mobility hubs and along corridors, or on other assurances that densification and other location efficiency criteria will be encouraged in the area.



**Location efficiency depends strongly upon adequate transit services and options that create connectivity between communities, residences and work places.**

Photo: Ontario Growth Secretariat, Ministry of Energy and Infrastructure

## Top medium-term policies

While the priority recommendations of *Live Where You Go* focus on those options that are most politically feasible and can be effectively implemented within one to four years, we have also identified a number of medium-term policy options. These policy options will either take longer to develop and implement or be contingent on priority policies being first introduced.

### Medium-Term Policy One: Reform mortgage risk assessment process to include location costs

Residents spend a greater percentage of their income to live in the suburbs, due to higher transportation costs; the higher purchase price of a location-efficient home is often outweighed by decreased transportation costs. Yet current mortgage assessment does not account for this and can give more favourable treatment to applications from those who spend less on the cost of a home and more on transportation.<sup>50</sup>

The assessment process could be reformed province-wide to factor all transportation and location-related costs into mortgage assessments, including not just car payment debt but also the costs associated with vehicle use such as gas, insurance, parking and maintenance, encouraging more location-efficient, less car-dependent home choices. This assessment reform could also reduce foreclosure risk, which is more highly associated with sprawl locations.

The proposed priority policy of a location cost calculator would set the groundwork for mortgage assessment reform by determining metrics and criteria for the assessment process. Reforming assessment could also include taking into account location efficiency factors that can impact housing affordability and a homeowner's financial risk:

1. The need and expense associated with travel in different locations;<sup>51</sup>
2. The connections between mortgage performance, reduced risk of foreclosures and the characteristics of location-efficient neighbourhoods (i.e., access to transit, walkability and compact urban form);<sup>52</sup>
3. Stability and/or growth in property values in location-efficient neighbourhoods.<sup>53</sup>

### Medium-Term Policy Two: Encourage use of density bonus

Local governments should be encouraged to use their discretionary rezoning decision-making power to provide density bonuses, which offer key advantages for location-efficient development. A density bonus allows developers to build to a level of density higher than the normal allowable Floor Area Ratio in exchange for providing amenities that advance goals for location-efficient development (including designated public spaces, affordable housing, green development and heritage preservation). This tool promotes densities that can support transit and commercial development and is most effective where land costs are high.<sup>54</sup>



## Medium-Term Policy Three: Require municipalities to levy development charges that cover full cost/range of services for new development

In the consultation process for this report, it was suggested that municipalities may not be willing to reform their current inefficient development charge systems due to concerns that they will lose development to neighbouring municipalities. One solution to this issue would be to require (not merely allow) municipalities to amend their development charge policies to recognize the different costs of servicing different zones. Such an approach would likely be controversial because it would constrain municipal authority, but it could help municipalities avoid a “race to the bottom” by preventing hidden subsidies for inefficient, sprawling development. In addition to supporting planning and environmental objectives, this approach would reduce the chance that existing ratepayers have to subsidize sprawl development.

## Medium-Term Policy Four: Charge for or reform parking in strategic suburban areas

Charging for parking in strategic suburban areas (e.g., shopping centres) will help level the playing field for merchants, employers, employees and consumers across the GTA, and over time, it will encourage location-efficient development. This could potentially be accomplished through the creation of suburban parking authorities to charge for parking in strategic areas.

Another option is to reform how parking lands are valued and utilized. For instance, Mississauga’s Downtown 21 Master Plan (part of their municipal strategic plan) will transform Square One Shopping Centre to a new “downtown”, that is, a vital, mixed-use, pedestrian-friendly, walkable area, accessible by public transit. The plan will entail eliminating the mass parking lots, requiring careful management of traffic and parking by the city. The changes to rationalize the supply and use of parking will be incremental and interim uses applied. These parking lots are viewed in Downtown 21 as a “physical opportunity to use the large area of existing surface parking lots to create a more sustainable pattern of transit-oriented growth within a new urban structure.”<sup>55</sup>



**Mississauga's Downtown 21 Master Plan will transform current structure to a vital, mixed-use, pedestrian-friendly, walkable area, accessible by public transit.**

Image: City of Mississauga<sup>56</sup>

Reforming how parking is authorized and charged in suburban areas is identified as a medium-term priority, as there is a lack of best practices and further research is required. Priority Policy Three (area-based taxes on parking lands, discussed above), if implemented, would have a positive impact on suburban parking land and employment lands in the interim.

## Medium-Term Policy Five: Metrolinx utilizes Transportation Planning Policy Statement and new land use planning authority

The province should explicitly mandate consistency of goals and objectives across development decisions. The *Metrolinx Act, 2006* enables the Minister of Transportation to prepare a Transportation Planning Policy Statement (TPPS) that sets out transportation planning objectives.<sup>57</sup> The Minister should prepare a TPPS that gives Metrolinx greater influence over land use planning decisions. The TPPS should require and encourage intensified (mixed-use) development at and within a given distance from mobility hubs and along corridors of new and proposed Metrolinx funded transit lines, and/or encourage municipalities to provide incentive programs for development in these zones. Preparing a strong TPPS would help establish the Metrolinx vision and broaden its influence over the integration of land use and transit planning. Timeframes for municipal compliance should be established along with clear enforcement measures — the TPPS should not become merely another provincial policy that requires conformity but lacks enforcement power due to time and cost constraints.

Additionally, or alternatively, Metrolinx could be given land use planning authority to have the power to halt development that conflicts with good transit planning (such as low densities around mobility hubs and corridors). This would require a regulatory amendment to expand Metrolinx's legislated authority.

# Appendix A. Experts and stakeholders consulted

Name	Title	Organization
Subhi Alsayed	Project Director	Tower Labs @MaRS
Paul Bedford	Adjunct Professor, Urban and Regional Planning; Former Toronto Chief City Planner	University of Toronto, Ryerson University and City of Toronto
Antoine Belaieff	Director, Innovation	Metrolinx
Pamela Blais	Principal	Metropole Consultants Ltd.
Martin Blake	Vice President	The Daniels Corporation
Beate Bowron	President	Beate Bowron Etcetera
Murray Boyce	Senior Coordinator of Planning Policy	Town of Markham
Gary Davidson	President	The Davidson Group
Pino Di Mascio	Partner	Urban Strategies Inc.
Iain Dobson	Co-founder	Real Estate Search Corporation
Eleanor Reynolds-Barrett	Director, Brand Communications	RBC
Paul Golini	Executive Vice President	Empire Communities Ltd.
Joshua Engel-Yan	Senior Advisor, Strategic Policy and Systems Planning	Metrolinx
Jamie James	President/Director	Tower Labs @MaRS
Larry Jacobs	Head of Marketing, Home Equity and Personal Lending	RBC
B.N. (Raj) Mohabeer	Planning Lead	Parsons Brinckerhoff Halsall
Aaron A. Moore	Postdoctoral Fellow, Institute on Municipal Finance and Governance, Munk School of Global Affairs	University of Toronto
Karen Nasmith	Managing Director, Co-Founder	Project Neutral
Chris Ouellette	Senior Manager, Sustainable Business	RBC
Jim Ritchie	Senior Vice-President, Sales and Marketing	Tridel

## Appendix A. Experts and stakeholders consulted

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Mark Salerno	Corporate Representative, National Management Team	Canadian Mortgage and Housing Corporation (CMHC)
Lisa Salsberg	Manager, Strategic Policy and Systems Planning	Metrolinx
Jeanhy Shim	VP Strategic Planning and Marketing	Mattamy Homes
Enid Slack	Director, Institute on Municipal Finance and Governance and Adjunct Professor, Munk School of Global Affairs	University of Toronto
Dan Stone	Manager of Economic Development and Sustainability	Town of East Gwillimbury
Dave Thompson	Director of Sustainable Communities	Sustainable Prosperity
Emma West	Lead Planner	planningAlliance

# Appendix B. Detailed policy options and analysis

The following pages present detailed research, findings, and consultation input into the entire menu of policy options that were examined for this report. The Cool Communities project included research and consultations exploring five key policy areas that encompass a range of new tools, both carrots and sticks, as well as ways to reform current policies.

The policy areas cover various development and home-buying stages:

1. **Homebuyer benefits:** How to make location-efficient choices more available to homebuyers and encouraged by the lending and real estate sectors
2. **Development charge reform:** How to make development charges fair by removing subsidies for sprawl development, while also giving municipalities more revenue to pay for the costs of servicing new development.
3. **Property tax reform:** How to make property taxes more fairly reflect the location footprint of residential development.
4. **Parking policies:** How to make location-efficient developments more cost effective while reducing the space wasted on and under-valuation of surface parking.
5. **Approvals process opportunities:** How to prioritize and facilitate location efficiency when development and transit planning decisions are being made

For each of the above location efficiency policy areas, we examined a number of specific options to reform, amend or develop new policy or legislation, or explored new mechanisms or practices, some specific to the GTA situation and some adapted from best practices elsewhere. The following section presents all of these.

## Policy Area 1: Homebuyer benefits

### *How to make location-efficient choices more available to homebuyers and encouraged by the lending and real estate sectors*

Policy options considered in this section	
<ol style="list-style-type: none"> <li>1. Use a location cost calculator to inform and educate homebuyers about their choices</li> <li>2. Mandate walk scores on real estate listings</li> <li>3. Encourage location efficient mortgages</li> <li>4. Modify Canadian Mortgage and Housing Corporation Insurance to encourage location-efficient homes</li> <li>5. Reform mortgage risk assessment process to include location costs</li> <li>6. Provide rebates or tax credits for location-efficient properties</li> </ol>	
Top policy options identified:	
Priority policies	Medium-term priorities
<ul style="list-style-type: none"> <li>• Develop a location cost calculator to be used for homebuyer education — and provide methodology for longer-term reforms</li> <li>• Define criteria and metrics for location efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Reform mortgage risk assessment process to include location costs</li> </ul>

### Overview of current policy

Because they have walkable neighbourhoods and live close to public transit, homebuyers choosing location-efficient housing often have the option of living with fewer or no cars. As a result, they tend to have lower transportation expenses. Location efficiency also increases financial resiliency. Owners of location-efficient housing who choose to commute via car for convenience may be able to switch to lower-cost transit in the event of a job loss or other financial interruption.<sup>58</sup>

A GTA study found that residents spent a greater percentage of their income to live in the suburbs and in urban areas, due to high travel costs.

	Urban region	New suburb
Housing costs as percentage of income	18.8	18.3
Travel costs as percentage of income	13.0	18.4
Combined as percentage of income	31.8	36.7

However, it can be challenging for homebuyers to finance location-efficient homes, even if the higher purchase price of a location-efficient home will be more than outweighed by decreased transportation costs.

Current mortgage assessment practice underestimates this and other benefits of location-efficient homes, in part because it accounts for debt<sup>59</sup> and costs associated with servicing that debt, such as car payments, but does not include the costs associated with vehicle use such as gas, insurance, parking and maintenance. These additional costs comprise a significant proportion of overall transportation costs. Consequently, assessment may undervalue the available cash flow of buyers of location-efficient homes who have fewer cars and lower transportation costs, while overestimating the cash flow of those who spend less on a home and more on transportation.<sup>60</sup>

In addition to mortgage assessors, many consumers underestimate the true costs of location inefficient housing, particularly transportation costs. This may increase demand for sprawl and greenfield development.

## Policy options to encourage location-efficient development

### 1. Use a location cost calculator to inform and educate homebuyers about their choices.

In advance of more substantial reforms, a calculator tool to measure and compare costs for homes based on location could be developed and used to inform and educate homebuyers. Lending and real estate agencies could be required to provide this information to prospective homebuyers as part of sales materials, or lenders could take the lead on developing the tool and offering the service.

Research conducted in Ontario shows that transportation costs for suburban locations are up to twice as high as for urban areas, and that combined housing and transportation costs for suburbs are higher per income percentage than in location-efficient areas.<sup>61</sup> Homebuyers may be unaware of how their true monthly and overall costs depend on the location of their property purchase. When all location costs are taken into account and provided to the homebuyer, their choices and preference may actually change.

### 2. Implement walk scores on real estate listings.

Walk Score is a simple online tool<sup>62</sup> that already exists to rate the walkability of any address. Walkability takes into account proximity to transit stations and key amenities including schools, libraries, community centres, grocery stores, cafes, restaurants, parks, book stores and bars. Although the rigour of Walk Score's methodology to measure location efficiency is not known, it is a convenient tool for homebuyer education.

In the U.S., the real estate sector is increasingly incorporating the walk score into its feature sheets, and some realtors in Ontario are opting to provide this information voluntarily. The walk score can easily be incorporated into Ontario real estate listings.

While promotion of a walkability score may increase preference for location-efficient homes, causing price increases in the short term, it is hoped that increasing consumer awareness of the



benefits of location-efficient homes will eventually lead to increased supply of location-efficient housing options.

This option is limited in its impact, as it provides a rating as a feature and may actually result in further increasing the value — and cost — of desirable and walkable location-efficient properties, rather than helping to level the playing field. However, some metrics that underlie the walk score could be factored into a more comprehensive location efficiency cost and assessment methodology.

### **3. Encourage location efficient mortgages.**

A framework for location efficient mortgages should be created that recognizes the savings available to people who live in location-efficient neighbourhoods, and incorporates location cost factors into the assessment of mortgage risk and available credit. Under such a system, prospective homebuyers in location-efficient areas would receive benefits as a result of reduced transportation expenses, typically by being able to borrow more money. Location efficient mortgages are intended to improve the options of buyers, particularly middle to low-income households. In the absence of special financing, these buyers would likely have to purchase property on the periphery with lower purchase costs, but with higher transportation needs and associated costs.<sup>63</sup>

In the United States, location efficient mortgages incorporate a location efficiency value of an area (from a geo-coded database) into the qualifying ratio of fixed housing costs to income. The extra credit available from these programs was estimated to be between \$12,000 and \$50,000. In programs in Chicago and Seattle, the mortgages performed well compared to the rest of the loan market — between 2001 and 2004, out of 41 such mortgages in Chicago, and 24 in Seattle there were zero delinquencies or defaults, and no foreclosures on the properties. See Appendix C for more details on location efficient mortgages.

While the primary benefit for homebuyers derived from a location efficient mortgage is a higher borrowing capacity, the mortgage itself is still a boutique product. It may instead be more effective to reform the assessment process so that it more accurately incorporates location costs in risk assessment overall (see option 5 below)

### **4. Modify Canadian Mortgage and Housing Corporation insurance to encourage location-efficient homes.**

The Canadian Mortgage and Housing Corporation (CMHC) insures mortgages that are deemed to be higher risk, i.e. that have a smaller percentage down payment.<sup>64</sup> Modification of the CMHC insurance could favour location-efficient properties by either reducing the insurance premium or allowing it to be paid over a period of 10 years. This would increase the affordability of location-efficient properties, putting them into the price range for more people, including first-time homebuyers who are often driven to sprawl.

However, this increase in borrowing capacity could open borderline borrowers up to even more risk. A more robust approach could reform the assessment process in general to enable broader uptake of location-efficient properties across the board.



## **5. Reform mortgage risk assessment process to include location costs.**

A higher-level option than location efficient mortgages or revamping CMHC insurance is to reform the mortgage risk assessment process province-wide to factor in all transportation and location-related costs.

Reforming assessment could include taking into account location efficiency factors that can impact housing affordability and a homeowner's financial risk:

1. The need and expense associated with travel in different locations;<sup>65</sup>
2. The connections between mortgage performance, reduced risk of foreclosures and the characteristics of location-efficient neighbourhoods (i.e. access to transit, walkability and compact urban form);<sup>66</sup>
3. Stability and/or growth in property values in location-efficient neighbourhoods.<sup>67,68</sup>

## **6. Provide rebates or tax credits for location-efficient properties.**

Rebates or tax credits for location-efficient properties are potentially the simplest of the proposed policy tools for encouraging location-efficient development, in that they offer homebuyers a cash rebate on the cost of a location-efficient property. Details on terms and conditions (such as avoiding flipping) would need to be developed by experts. Lenders and/or CMHC could adopt the same principle of rebate for green energy mortgages and apply it to location-efficient properties. Examples of green energy mortgages include:

- TD Canada Trust Green Mortgage — offers 1% discount off the posted interest rate on a five-year fixed rate mortgage for energy efficient improvements. Cash rebates are available for 1% of the amount borrowed for ENERGY STAR products or CSA-certified solar panels.
- RBC Energy Saver Mortgage — offers borrowers a \$300 rebate on a home energy audit.
- CMHC Mortgage Insurance refund — borrowers required to purchase mortgage insurance can qualify for a 10% refund on purchased insurance with the completion of energy efficient upgrades, and an extended amortization period without surcharges.

## Policy Area 2: Development charges

### *How to make development charges fair by removing subsidies for sprawl development, while also giving municipalities more revenue to pay for the costs of servicing new development*

Policy options considered in this section	
<ol style="list-style-type: none"> <li>1. Assess development charges based on building location and cost of services, either:                             <ol style="list-style-type: none"> <li>a. True costs incurred for a development or</li> <li>b. Predetermined zone-specific costs</li> </ol> </li> <li>2. Permit or require municipalities to levy development charges that cover the full cost and the full range of services for new development</li> <li>3. Make development charges transparent to homebuyers</li> </ol>	
Top policy options identified:	
Priority policies	Medium-term priorities
<ul style="list-style-type: none"> <li>• Encourage municipalities to assess development charges based on predetermined zone-specific costs</li> <li>• Allow municipalities to charge for a broader range and quantity of costs required to service development (including better transit service and “soft costs”) by amending the <i>Development Charges Act, 1997</i></li> </ul>	<ul style="list-style-type: none"> <li>• Remove the potential for “race to the bottom” development charges by requiring municipalities to charge the full cost of servicing new development</li> <li>• Ensure that any subsidies for new development are explicit, rather than via lower development charges</li> </ul>

### Overview of current policy

Development charges allow municipalities to charge developers some of the costs of providing municipal services. The *Development Charges Act, 1997*<sup>69</sup> (the DCA) permits municipalities to charge for capital costs, which include the costs associated with acquiring and improving land.<sup>70</sup> Some of the services for which capital costs may be charged include water, electricity, police and fire, although municipalities in practice do not always include these.<sup>71</sup>

#### **Limitations in the DCA**

The current development charge regime subsidizes location-inefficient development by undercharging for services provided to sprawling development and over-charging for services provided to dense development. The inherent restrictions in the DCA and its limited application by municipalities make it ripe for improvement.

The DCA distorts real estate development by:

1. Restricting the services for which a municipality can assess development charges (typically, ‘soft costs’ such as parkland are not permitted);<sup>72</sup>
2. Requiring that municipalities discount some capital costs charged via development charges by 10%<sup>73</sup>; and
3. Basing cost maximums on the average level of service provided by the municipality in the 10 years preceding the assessment<sup>74</sup> (the 10-year service level restriction).

The 10-year service level restriction creates a serious problem, preventing municipalities from recovering the true cost of growth, especially in high growth areas. It also hampers municipalities’ abilities to improve their services. For example, a municipality with a severe traffic congestion and smog problem, historically limited transit service and significant development pressure is prevented from using development charges to fund much-needed transit improvements. In contrast, the same municipality may be able to use funds from development charges to invest in new roads that work against its planning objectives. This rule works against location efficiency, both by reducing the ability of municipalities to expand transit connectivity (which could increase the location efficiency of new development) and by undercharging developers of location inefficient properties if those properties will, or should, be connected to transit.<sup>75</sup>

### ***Problems in development charge assessment by municipalities***

Compounding issues with the DCA, many municipalities in Ontario choose not to provide price signals to developers or homebuyers that reflect the cost of servicing their specific developments. While there is considerable flexibility to calculate development charges under the DCA, the most common method of calculating a development charge in Ontario is based on the type of unit built. This model takes no account of the relationship between housing size and location and the cost of providing municipal services. In the residential context, it is generally applied uniformly (adjusted for building type) across the municipality. As a result, a single-detached home may pay the same development charge whether it is built on an already existing lot as infill or in a greenfield with no existing services nearby.

Uniform development charges result in a subsidy from denser building forms, which tend to be cheaper to service, to sprawling building forms, which tend to be more expensive to service.<sup>76</sup> This approach can have the perverse effect of working against urban planning objectives, such as creating compact, transit-oriented developments.<sup>77</sup> It can also result in oversupply of expensive-to-service, location-inefficient development.<sup>78</sup>

## **Policy options to encourage location-efficient development**

### **1. Assess development charges based on location**

Uniform development charges incent location-inefficient development and make location-efficient development more expensive.<sup>79</sup> Municipalities could be required to adopt a site-specific development charge policy that would correct or at least reduce this problem.

### ***Charge true costs incurred for particular development***

“Marginal cost development charges” charge a developer the exact additional capital costs that will be incurred in servicing its particular development. Marginal cost development charges could take into account efficiencies in individual developments, for example reducing the component of a development charge assessed for stormwater management where a development includes permeable surfaces or green roofs.

Marginal cost development charges tend to be attractive from a theoretical economic perspective because, when designed correctly, they remove inappropriate subsidies to greenfield development.<sup>80</sup> The main argument against exact marginal cost development charges is that they create significant administrative costs, which may reduce their efficiency as a policy option.<sup>81</sup>

### ***Charge predetermined zone-specific costs, accounting for relative efficiencies***

“Area-specific development charges” assess different development charges for different zones within a municipality. This policy option recognizes that the costs of providing certain services, such as roads and sewers, will tend to be similar, on average, for similar building types in specific zones (for example, the City of Ottawa charges different rates for development within and outside of its greenbelt<sup>82</sup>). Certain service costs that do not vary with location would likely remain uniform.

Unlike marginal cost development charges, area-specific development charges can be calculated similarly to uniform development charges, based on the average servicing costs required for the whole municipality. They can then be modified to allocate capital costs in a way that better reflects actual costs that will be incurred by the municipality in a specific zone. Such an approach could also be used to support planning objectives, rather than working against them, as the status quo tends to do. The accuracy of the cost allocation is likely to increase with the granularity of the zone chosen, but so are administration costs.<sup>83</sup>

## **2. Permit or require municipalities to levy development charges that cover the full cost and the full range of services for new development**

Amendments to the DCA could permit or require municipalities to charge for the full costs of necessary new services. The following could be part of the amendment package:

- Remove the 10% forced discount for many services and the listed service area exclusions. In addition, important services such as transit could be expressly included.<sup>84</sup>
- Remove the 10-year service level restriction, which hinders municipalities when congestion, environmental concerns and municipal financial pressures create urgent needs for increased investments in services, especially transit. A legislative amendment to the DCA could allow improved service levels and may complement other policies proposed in this project, such as improved transit planning for new developments.
- Require municipalities to levy the full value of service fees for new development, rather than keeping it optional.

Mandating full development charges could have a number of benefits:

- It would amplify price signals, particularly in conjunction with a more location-specific development charge regime (as discussed below) because it would increase charges for sprawling developments, while further reducing charges for location-efficient developments.
- It may be fairer to existing ratepayers if a shortfall in capital investment for new development is currently being paid out of property taxes.
- It would reduce the temptation for municipalities to set low development charges — which compromise their ability to finance services — in an effort to attract development.<sup>85</sup> If municipalities still wanted to subsidize development, they could do so with explicit and targeted subsidies, rather than municipality-wide discounted development charges.<sup>86</sup>

### **3. Make development charges transparent to homebuyers**

Making development charges more transparent to consumers could be an inexpensive way to supplement the policy options discussed above. Our consultations indicated that many homebuyers are not aware of development charges because the charges are typically levied early in the development process (when building permits are issued or subdivision planning finalized), before homebuyers are involved.<sup>87</sup> It is also possible that changes to development charges may not be passed on to consumers because they may result in counter-balancing changes to land values, or developers may simply absorb them. Numerous consultations have suggested that development charges (as a percentage of total housing prices), particularly in and around the City of Toronto, tend to be too low to drive development decisions, particularly in light of high demand for housing.<sup>88</sup> While other market factors could reduce (or in some cases increase) the effect improved development charges would have on the supply of location-efficient housing, it is equally true that leaving development charges the same will continue the perverse subsidies described above. In addition, it may be possible to increase the effect of changes to development charges by increasing their visibility to consumers.

For example, it may be useful for the provincial government to require developers to provide all prospective homebuyers with the value of a home's development charge prominently as part of any marketing materials to ensure homebuyers are aware of the financial consequences of a home's proximity to existing municipal services. Such a measure could even include a comparison to an average or best in class development charge for a given building type to allow homebuyers to make an informed decision.

#### **Further research needed: How development charges impact location decisions**

Because of municipal funding constraints, it is assumed that any proposed amendment to development charges would either maintain or increase municipal revenues. As a result, amendments to the structure of development charges would either increase development charges paid by all developers, or increase development charges paid by location inefficient developers, while decreasing the charges paid by location efficient developers.

As noted above, expert/stakeholder consultations repeatedly stressed that development charges in their current state are not high enough to dramatically influence location-efficient development. In addition to questions as to who pays development charges in situations of excess demand or supply for housing, some experts/stakeholders expressed doubt that small changes in development charge rates would be of any interest to homebuyers.

Thus, a question that requires additional research is the level of development charges that would most meaningfully support land use planning objectives and infrastructure investment needs within the Golden Horseshoe. No less important is the question of whether such a level would be politically feasible. In British Columbia, research has shown that area-specific development charges have effectively created large differences in development charges across zones. In a study of area-specific development charges in Kelowna, Nanaimo and Surrey in 2004, it was found that development charges for apartment units varied by as much as \$6000 between zones.<sup>89</sup>

## Policy Area 3: Property taxes

### *How to make property taxes more fairly reflect the location footprint of residential development*

Policy options considered in this section	
<ol style="list-style-type: none"> <li>1. Revising property tax assessment structure through:                             <ol style="list-style-type: none"> <li>a. Two-rate system (tax buildings and/or improvements at a lower rate than land)</li> <li>b. Differential tax rates for single-family vs. multi-family dwellings</li> <li>c. Incorporation of lot size and other “location efficiency” metrics</li> </ol> </li> <li>2. Lower property tax and earmark for shared essentials; increase user fees</li> <li>3. Implement charges or rebates based on location efficiency criteria</li> </ol>	
Top policy options identified:	
Priority policies	Medium-term priorities
<ul style="list-style-type: none"> <li>• Make property tax on parking lands area-based to encourage more efficient use of the land (see Policy area 4: Parking)</li> </ul>	<ul style="list-style-type: none"> <li>• Reform property tax structure towards a two-rate system that tax buildings and/or improvements at a lower rate than land</li> <li>• Differentiate tax rates for single-family vs. multi-unit dwellings</li> <li>• Assess property tax based on location efficiency metrics</li> </ul>

### Overview of current policy

Property taxes are the main source of revenue for municipal governments, accounting for about 57% of total revenue.<sup>90</sup> The legal basis of property taxation is the current value of the property (land and buildings with all fixtures), as determined by section 19(1) of the *Assessment Act*, which states that, “[t]he assessment of land shall be based on its current value.”<sup>91</sup>

Under Ontario’s current system, municipalities do not have the ability to modify the basis for property tax assessment. Moreover, many related statutes, policies and guidelines refer to the Act’s treatment of property assessment for tax purposes.<sup>92</sup> As a result, a single amendment to the Act could transform the entire system for property tax assessment in Ontario. Our consultations suggested that while such an amendment could appear relatively simple, modifications to property tax assessment could have legal and economic impacts that require a thorough analysis.

There are three main concerns with the current system:

4. **Subsidizing sprawl.** Under the current property tax system, owners of higher valued (often urban) properties subsidize services for less dense communities. This occurs because it generally costs less per household to provide municipal services in locations



with greater residential density, as a greater number of taxpayers share the economic burden of services. Such hidden subsidies to less-dense communities result in inefficient urban development patterns and make location-efficient properties relatively more expensive.<sup>93</sup>

5. **The risk of perceived tax increase.** In addition to legal concerns, the political and equity concerns raised during consultations suggest that property tax reform should be handled carefully. We start from the assumption that any changes to the property tax system must be revenue neutral or positive for municipalities. As a result, amendments to property taxation could be politically risky. There is a concern that many ratepayers will view amendments as attempts to increase taxes (which are politically unpopular). This is particularly true for those who will end up paying more as a result of burden shifting.
6. **Equity concerns.** Property tax reform also has important distributive implications. Since property taxes are currently based on assessed market value, the most tax is collected from those who have more valuable real estate (assuming a uniform mill or tax rate). At the same time, property taxes may thwart policy goals; for example, when zoning and low-income housing subsidies are aimed at promoting mixed housing within an area, an increasing tax burden can push low-income households to cheaper areas and defeat the policy objective.<sup>94</sup> Basing taxes on a different rate or assessment structure could result in a shift of tax burden from those who hold expensive property to those who hold less-expensive property. This is relevant to the policies proposed below, because of the high positive correlation between low-cost and low-density in residential real estate in Ontario. Making such a shift after people have already built and purchased homes under the current system could create large equity concerns. For this reason, some experts/stakeholders have suggested that property tax may be too blunt an instrument to accomplish development policy goals.

Workshop participants expressed the belief that to achieve a solid understanding of this policy option, further analysis should be carried out to examine how property tax reform that impacts carrying costs would affect lender risk-assessments and borrower behaviour. This analysis is outside of the scope of the current study.

### **Conclusions and policy recommendations**

Although there are potentially very effective outcomes associated with property tax reform, the policy tool is too politically and legally entrenched to merit further attention at this stage. More research needed to understand how property tax reform impacts risk assessment and lending decisions. As discussed in further detail in the section on parking reforms, reforming property tax associated with parking lands should be a priority; however, general property tax reform is likely not politically feasible at this time and should be a longer-term endeavor.

## **Policy options to encourage location-efficient development**

Property tax reform, despite being controversial, has the potential to influence location efficiency by changing price signals to land speculators and homebuyers, thereby potentially impacting real estate development. Since the delivery of many municipal services covered by property tax (such as police and schools), and the maintenance and replacement of capital initially funded through development charges varies with density, property tax reforms also have the potential to correct

many of the fairness issues discussed at length with respect to development charges in Policy Area 2 above. The following options are presented as potentially complementary options to support location efficiency.

In light of the equity concerns addressed above, it may make sense to ease into property tax reforms, applying the changes in tax structure only after a transaction, or some other trigger.

## **1. Revising property tax assessment structure**

Moving away from a one-rate and/or value-based property tax system could address the implicit subsidies currently being provided to inefficient development, and encourage location-efficient development. We have identified some options for more efficient assessment below.

### ***Two-rate system (tax buildings and/or improvements at a lower rate than land)***

A two-rate assessment system where land is taxed at a higher rate than buildings encourages densification and revitalization of urban cores,<sup>95</sup> promoting location efficiency. By increasing the carrying costs of land prior to development, it also discourages developers from holding greenfield properties for speculative purposes. Legislative amendments would be required to implement such a change. Safeguards for farmland, conservation lands and vulnerable populations would be required.<sup>96</sup> Additionally, this reform would work best if packaged with other municipal and planning policies that support intensification. More economic modeling and legal research is needed to determine if Ontario would be likely to experience the success of other jurisdictions that have attempted similar reforms. For example, in Pennsylvania municipalities have utilized a split-rate property taxation system to encourage more desirable development patterns, reducing vacant structures and resulting in more rapid economic growth and development in urban cores.

### ***Differentiate tax rates between single-family homes and multi-unit dwellings***

Taxing single-family homes at a higher rate than more dense housing options would encourage location efficiency by making it comparatively more affordable to live more densely. Because apartment and condominiums typically cost municipalities less to service on a per capita basis, this option would reduce the hidden subsidy paid by apartment and condo owners to single family homeowners. However, condominium and apartment units for families (i.e. more than 2 bedrooms and family-orientated buildings/amenities) are in short supply in the GTA<sup>97</sup>. As a result, families may not be able to take advantage of the relatively lower cost apartment and condominium options available to people without children, raising additional equity concerns.

### ***Tax based on lot size or other location efficiency metrics***

Assessing properties for tax purposes by location efficiency criteria such as lot sizes, frontages, proximity to transit and other amenities could provide lower tax costs for properties that are more location efficient. This would discourage inefficient development by increasing the comparable tax burden to homebuyers who choose inefficient properties. This type of assessment change would be politically difficult to implement in our current legislative system but, as discussed above, may require only relatively simple legislative changes. Due to the ingrained

nature of the definition of "current value" in the Act and throughout related statutes and case law, a simple amendment to this definition could transform the entire system.<sup>98</sup> That said, this simple change would turn property tax assessment on its head and has potential ramifications throughout the economy, and so should be carefully considered.

## **2. Lower property tax and earmark for shared essentials; increase user fees**

One method of reducing the impact of property tax increases necessitated by property tax reform is to levy accurately assessed user fees for direct services that were formerly paid for out of general property tax revenues. Since many direct services are cheaper to provide as density increases (such as garbage collection, snow removal and fresh water delivery), accurate marginal cost pricing would further incentivize location-efficient development.<sup>99</sup> At the same time, homeowners facing higher costs for services because of their inefficiently located homes could save money through conservation measures.

Some municipalities in the GTA have already increased the number of services for which user fees are charged.<sup>100</sup> Our consultations indicated, however, that municipalities must guard against taxpayer opposition from shifting too far towards user fees by ensuring constituents perceive value for property tax.

## **3. Implement charges or rebates based on location efficiency criteria**

Providing property tax surcharges for new development that does not satisfy location efficiency criteria, or providing rebates for new development that is location efficient, could provide incentives for developers and homeowners alike. This policy option would not require the same wholesale changes to the entrenched property tax structure in Ontario but could have similar benefits. The surcharges/rebates could take the form of additional user fees and/or rebates to account for various location efficiency-related cost differences in providing municipal services. This policy would have to be carefully crafted to avoid increasing costs to those who cannot bear them (e.g. those with low income, seniors) and would be best applied to new development only. Furthermore, such a policy would have to be carefully designed to protect revenue neutrality.

## Policy Area 4: Parking

### *How to make location-efficient developments more cost effective while reducing the space wasted on and under-valuation of surface parking*

Policy options considered in this section	
<ol style="list-style-type: none"> <li>1. Reduce or remove minimum parking requirements</li> <li>2. Unbundle parking costs from purchase or rental costs</li> <li>3. Reform property tax for parking lands</li> <li>4. Charge for parking in strategic suburban areas</li> </ol>	
Top policy options identified:	
Priority policies	Medium-term priorities
<ul style="list-style-type: none"> <li>• Make property tax on parking lands area-based to encourage more efficient use of the land</li> <li>• Remove minimum and maximum parking requirements to reduce the cost of developing and buying location-efficient properties that require fewer parking spaces</li> </ul>	<ul style="list-style-type: none"> <li>• Charge for or reform parking in strategic suburban areas</li> </ul>

### Overview of current policy

Current parking policy has two negative effects on location-efficient development.

- Minimum parking requirements in location-efficient areas increase the cost of living for residents who need fewer parking spaces than they are required to purchase; and
- Policies that encourage or allow an oversupply of parking (such as in suburban commercial centres) increase the amount of surface area devoted to parking, at the expense of location-efficient development and greenspace.

The financial cost of providing parking is driven by three variables: the number of parking spaces, the opportunity cost of land used for parking, and the cost per parking space.<sup>101</sup> In denser, location-efficient areas, structured garage parking (at approximately \$30,000 per space) and underground parking (at approximately \$60,000 per space) are more expensive than surface parking.<sup>102</sup> This adds to the costs for buyers of homes and commercial buildings — especially if developers are required to build more spaces than are actually needed — making location-efficient developments relatively more expensive, and driving developers and buyers to more affordable regions.

Surface parking is the least expensive form of parking construction but requires a large amount of land. Cost estimates range from \$2,000 to \$8,000 per space. Most often, surface parking does

not contribute to location-efficient areas that encourage working and living with close access to everyday activities, transit and a pedestrian environment.<sup>103</sup> As well, less costly parking in suburban fringes creates an unfair advantage as suburban commercial centres often have free parking, while town centres and main streets have charged, on-street parking. Residentially, since suburban lots are bigger and cost less per area, cost for extra surface parking spaces is likely to be less than in location-efficient developments, although these extra parking spaces are more likely to be superfluous.

These issues arise not because the province has insufficient statutory authority to solve them; rather they result from a failure to use existing authorities in a manner that supports location-efficient development. The *Planning Act* grants both the province and municipalities the power to enact zoning bylaws that deal with parking minimums/maximums, which municipalities can change to allow for less parking. Landowners and developers can also contract with municipalities to install less parking for an in-lieu fee or service (as dictated in section 40 of the *Planning Act*) or they can get minor variance or bylaw amendment as required.

## Policy options to encourage location-efficient development

Parking policies have the potential to raise municipal revenues, influence behavior of commuters (mainly drivers) and encourage location-efficient development. For the purpose and scope of this study, we explore only parking policies that have the potential to encourage location efficiency and reduce sprawl. These may or may not produce an added benefit of influencing commuter behaviour and/or generating revenue.

### 1. Reduce or remove minimum parking space requirements

Parking standards and zoning regulations in most municipalities require developers to provide a minimum number of parking spaces according to the size (area) or number of units in a proposed development. In some cases, however, particularly in location-efficient areas, the minimum number of parking spaces required is more than the market demand, since many residents or workers may walk and/or take transit in the area. This type of automobile-oriented standard prioritizes space for cars over other uses such as public space and additional residential or commercial space.

Reducing minimum parking requirements allows developers to provide what they believe the market will want, according to a neighbourhood's unique mix of uses and transit service, and thereby maximizes budget and land efficiencies.

Some options for regulatory or legislative reform include:

1. **Amend municipal bylaws to reduce minimum parking requirements or allow in lieu fees or services.** Possible amendments include:
  - Establish lower municipal parking ratio standards and charge developers a per-space cost for every unit above a set minimum — and pay a credit for every unit below;
  - Amend zoning regulations to allow in lieu parking options whereby developers opt to pay fees in lieu of providing parking, and the municipality in turn applies these funds to the provision of public parking, car share parking, or improved infrastructure (such as transit) to support location efficiency; and

- Amend municipal zoning regulations to allow on-street parking, which is currently illegal in some jurisdictions. This enables less unit-based parking and externalizes the costs of parking (to the cost of a location-efficient home).
2. **Amend provincial *Planning Act* to improve zoning and regulatory powers.** While municipalities have the primary responsibility for zoning, section 47 of the *Planning Act* allows the province to set minimum and maximum parking spaces for particular areas. The *Planning Act* could be amended to lower and/or remove minimum requirements in particular areas (such as commercial shopping complexes and catchment areas around higher order transport) and to promote the reduction of minimum parking requirements more broadly. Since municipal planning authorities must accord with the interests set out in Section 2 of the Act, an amendment to this section that explicitly encourages more efficient parking could achieve this.
  3. **Amend and strengthen *Places to Grow Act*.** Location efficient parking requirements should be incorporated into growth plans through the *Places to Grow Act, 2005*. The current growth plan for the Greater Golden Horseshoe Area requires municipalities in the region to intensify and support transit especially in employment areas, but has no specific parking requirements to support intensification.

Research into best practices indicates that the policy of reducing minimum parking requirements is feasible and effective. While the research focused on minimum requirements, a majority of consultations stressed that reducing maximums for developers should be included in reforms, and this is reflected in our policy recommendations.

## 2. Unbundle parking costs from purchase or rental costs

Unbundling parking from the other costs associated with the purchase or rental of residential or commercial properties can make development in location-efficient areas more affordable to the consumer. Reducing the cost of a residential unit by approximately \$30,000 (the cost of building a structured surface parking spot) can mean the difference between a homeowner locating in a suburban area that requires an automobile versus an area that may be more expensive but has access to transit and daily amenities without the reliance on an automobile.

Unbundling parking from the cost of purchase or rental property, which is already being done in some municipalities in the Greater Golden Horseshoe Area, can reduce parking demand by 10–20% depending on the price, demand, and convenience of parking in the area. The provincial government could use its authority to encourage other municipalities to achieve similar progress by unlinking development approvals from parking minimums and encouraging the use of contracts for ‘in lieu of parking’ contributions. Furthermore, municipal governments could require that parking be unbundled from the rental or sale of residential uses in transit-connected developments.<sup>104</sup> At the municipal level, the municipal transportation authority or regional authority (Metrolinx) could allot credits to developments willing to unbundle parking. Such a program has been successfully used in Los Angeles;<sup>105</sup> similar programs could be applied to solutions beyond unbundling.

Consultations claim that unbundling parking is already happening voluntarily at a wide scale already in Toronto. Reducing minimum and maximum requirements would encourage unbundling further.

### 3. Reform property tax for parking lands

One way to reduce the inappropriate incentives for excess surface parking, particularly outside the urban core, is to change how parking land is taxed. One proposed method is to use an area-based (land value tax or variant) approach, rather than the current ‘value plus property class’ approach, encouraging more efficient use of land and discouraging owners from holding onto and under-developing parking property. Land-based parking taxes could also correct for cheaper greenfield land that drives developers to the “big box” fringes and creates a disadvantage to developers and merchants in town centres where land is more expensive.

For example, municipalities could amend their taxation and zoning policies to require developers to pay per square foot of development application (gross floor area).

Property tax reform for residential or commercial development is politically challenging, although important in the long term. In the immediate term, reforming the way parking land is taxed can help correct cost and land usage disparities between location-efficient and sprawl developments, and reduce tendency for land owners to hang onto underdeveloped location-efficient land.

The province has the jurisdiction to mandate that municipalities assess parking lands at a higher rate. Municipalities have the jurisdiction to set their own variable rates for different classes of property, and should be encouraged to define a new property class for parking lands and amend local bylaws in order to increase property tax rates applicable to parking lands.

### 4. Charge for or reform parking in strategic suburban areas

Charging for parking in strategic suburban areas (e.g., shopping centres) will help level the playing field for merchants, employers, employees and consumers across the GTA, and in time encourage location-efficient development. This could potentially be accomplished by creating suburban parking authorities to charge for parking in strategic areas. Another option is to reform how parking lands are valued and utilized. Mississauga’s Downtown 21 Master Plan, part of their municipal strategic plan, envisions the area surrounding Square One Shopping Centre as a the new “downtown”, that is, a vital, mixed use, pedestrian friendly area, accessible by public transit and walkable, The plan will entail eliminating the mass parking lots in favour of a “transformation ... into the nucleus of a walkable, attractive Downtown community”.

At present Mississauga does not have a parking authority, and the large parking lots surrounding Square One Shopping Centre offer free parking. Pursuit of the Downtown 21 vision will require careful management of traffic and parking by the city. The changes to rationalize the supply and use of parking will be incremental and interim uses applied. These parking lots are viewed in Downtown 21 as a “physical opportunity to use the large area of existing surface parking lots to create a more sustainable pattern of transit-oriented growth within a new urban structure.”<sup>106</sup>

This option will require further research since this inexpensive parking in suburban areas is a major barrier to many transportation reforms.



## Policy Area 5: Development approval process

### *How to prioritize and facilitate location efficiency when development and transit planning decisions are being made*

Policy options considered in this section	
<ol style="list-style-type: none"> <li>1. Streamline approvals and create incentives for location-efficient development                             <ol style="list-style-type: none"> <li>a. Location efficiency checklist</li> <li>b. Pre-zoning around transit hubs</li> <li>c. One-window approach, fast-tracking and policy consistency for municipal approvals</li> <li>d. Density bonus</li> </ol> </li> <li>2. Ground and align development decisions in transit planning                             <ol style="list-style-type: none"> <li>a. Metrolinx utilizes Transportation Planning Policy Statement and new land use planning authority</li> <li>b. Metrolinx links funding to pre-zoning for development around hubs</li> </ol> </li> </ol>	
Top policy options identified:	
Priority policies	Medium-term priorities
<ul style="list-style-type: none"> <li>• Establish a location efficiency checklist to prioritize efficient development</li> <li>• Mandate pre-zoning around transit hubs and make this a precondition for Metrolinx funding</li> </ul>	<ul style="list-style-type: none"> <li>• Creation of a Transportation Planning Policy Statement and new land use planning authority for Metrolinx</li> <li>• Encourage use of density bonus</li> </ul>

### Overview of current policy

Ontario’s current land use planning framework is complicated. It allows for variations among the way municipalities implement policies, and lacks a unified approach. The provincial government has ultimate authority on local planning issues yet delegates much of this jurisdiction to municipalities.<sup>107</sup> Among other things, municipalities are responsible for creating official plans and enacting local bylaws, both of which impact the location efficiency of development.

Various pieces of legislation set the larger framework for development in the province, providing protection for sensitive areas,<sup>108</sup> and setting priorities for growth.<sup>109</sup> Provincial policies and interests must be considered and in some cases confirmed with when municipal planning decisions are made.<sup>110</sup> However, these pieces of legislation contain mainly guidelines rather than hard targets, few of which lend themselves to location-efficient development; current targets lack rigor and full compliance.<sup>111</sup> Numerous approvals may be required for site development.<sup>112</sup> As a result, the approvals process can be frustrating, difficult to navigate and time consuming.

Despite integrated consideration of land use and transit within provincial policy and plans, at the municipal level there is a lack of coordination between land use planning and transit planning.

There is an enormous opportunity to intensify development along the rapid transit lines proposed in the Big Move via the Growth Plan and municipal official plans, but currently the Growth Plan contains no defined or enforceable targets for mobility hubs and corridors.<sup>113</sup> The Big Move and the Growth Plan are intended to work together; however, with both initiatives fully implemented, over 95% of the VKT reductions are attributed to The Big Move.<sup>114</sup> By strengthening the targets in the Growth Plan, new populations can more effectively be located close to the transit that will be created under The Big Move.

Metrolinx, a provincial agency,<sup>115</sup> has the objective of improving transportation in the greater Toronto and Hamilton Area. However, transportation development by Metrolinx is not as effectively integrated with, nor planned in concert with, land use development as it could be.

## Policy options to encourage location-efficient development

### 1. Streamline approvals and create incentives for location-efficient development

Increasing communication and education among government bodies, providing tangible incentives and realigning policies with location-efficient development priorities will encourage location-efficient development. Improvements to general planning authorities (e.g., official plans and bylaws) are important, but are not the subject of our policy suggestions.

#### ***Location efficiency checklist***

Adherence to location efficiency criteria, such as density, proximity to transit and availability of local amenities, could be used as a pre-screen or a precondition for development approvals. Local governments could use a location efficiency checklist as an incentive tool, tying a high score on the checklist to rewards such as permit and development charge reductions, relaxation in parking requirements, and application fast-tracking.<sup>116</sup>

#### ***Pre-zoning around transit hubs***

Municipalities should strategically pre-zone key sites, such as areas around mobility hubs, to allow for the greater density and varied land uses required for location efficiency. This would ensure municipal planning proceeds with a vision that is consistent with location-efficient development and provide more certainty for developers. This power is presently available through under the *Planning Act*'s development permit system, but, despite some early pilots, is not currently used. Efforts should be made to educate and mandate the use of these pre-zoning powers.<sup>117</sup>

#### ***One-window approach, fast-tracking and policy consistency for municipal approvals***

Pre-screened location-efficient projects could be ushered through the municipal approval process more seamlessly. For example, a facilitation manager could navigate eligible stakeholders through the approvals process by providing access to information, connecting applicants with the appropriate resources at partner ministries, agencies and governments, and setting up a coordinated meeting to discuss project requirements. Public consultation (through access to

information and opportunities for public comment) would be integrated into this streamlined process. The approvals process is inherently political, therefore public involvement is necessary to provide developers and decision-makers with information on community needs and concerns. Together, these changes would bring more certainty and clarity to the approvals process and facilitate location-efficient development.<sup>118</sup>

### ***Density bonus***

Local governments should make greater and more transparent use of their discretionary rezoning decision-making power to provide density bonuses. Density bonuses provide key advantages for location-efficient development. Developers can build to a level of density that surpasses the allowable Floor Area Ratio in exchange for the provision of amenities that advance goals for location-efficient development (including designated public spaces, affordable housing, green development, heritage preservation). This tool promotes densities that can support transit and commercial development and is most effective where land costs are high.<sup>119</sup>

## **2. Ground and align development decisions in transit planning**

### ***Metrolinx utilizes Transportation Planning Policy Statement and is given new land use planning authority.***

The Ministry of Transportation should establish a Transportation Planning Policy Statement (TPPS) and incorporate policies that give Metrolinx greater influence over land use planning decisions. Such policies should: (i) require that land use planning decisions be consistent with the TPPS, (ii) prohibit the passage of bylaws that conflict with the TPPS, and (iii) require consultation by the municipality with Metrolinx over Transportation Master Plans. The TPPS should require and encourage intensified (mixed-use) development at and within a given distance from mobility hubs and along corridors of new and proposed Metrolinx funded transit lines, and/or encourage municipalities to provide incentive programs for development in these zones.<sup>120</sup> Preparing a strong TPPS would help establish the Metrolinx vision and broaden its influence over the integration of land use and transit planning. Timeframes for municipal compliance as well as clear enforcement measures should be established along with clear enforcement measures — the TPPS should not become merely another provincial policy that requires conformity but lacks enforcement due to time and cost constraints.

Additionally, or perhaps alternatively, Metrolinx should be given land use planning authority to have the power to halt development that conflicts with good transit planning (such as low densities around mobility hubs and corridors). This would require a regulatory amendment to expand Metrolinx's legislated authority.<sup>121</sup>

### ***Metrolinx links funding to pre-zoning for development around hubs***

Metrolinx should utilize its legislated funding authority to encourage location-efficient development. It should only fund and build proposed transit lines and/or provide third party financing in accordance with location-efficient development principles.<sup>122</sup> For example, transit funding should be contingent on pre-zoning for densification within a given distance around mobility hubs and along corridors, or on assurances that densification and other location efficiency criteria will be encouraged in the area.

# Appendix C: Examples of location efficient mortgages

## Location Efficient Mortgage® — Chicago, Seattle, San Francisco, Los Angeles

### *How it works*

Location Efficient Mortgages® (LEMs) incorporate a location efficiency value of an area into the qualifying ratio of fixed housing costs to income. LEMs were promoted through a partnership of three organizations: the Center for Neighborhood Technology, the National Research Defense Council, and the Surface Transportation Policy Project.

In early 2000 a pilot project was approved by the U.S. Federal National Mortgage Association (Fannie Mae) and offered in Chicago, Seattle, Los Angeles, and San Francisco. The initial allocation for the LEMs was \$100 million.

The partner organizations developed geo-coded data bases of location efficiency values in order to promote policy development, demonstrate reduced risk in lending practices, and methodology that could be used in an underwriting experiment.

A location efficiency value is used to estimate a fixed location related benefit that offsets the traditional estimation of fixed costs (see Appendix D for a discussion of how transportation costs associated with different locations are factored into mortgage calculations).

The formula for the location efficiency value included several key variables that can impact travel demand: net residential density; frequency and type of transit service and its connectivity; household size, income and distance to employment. These metrics were used to predict vehicle ownership and extent of use, and incorporated into a geo-database for the four pilot cities. Participating mortgage lenders accessed the database to determine the location efficiency value for an applicant's prospective home.<sup>123</sup>

For example, a household earning \$50,000 a year could qualify for a \$163,000 mortgage under lending practices in early 2000. A household that saved \$200 per month as a result of living in a compact, transit-accessible and pedestrian supported neighbourhood compared to counterparts living in suburban homes could qualify for a \$213,000 home.<sup>124</sup>

### **Benefits realized**

The credit stretch available from the LEM was estimated to be between \$12,000 and \$50,000. In both Chicago and Seattle, the mortgages performed well compared to the rest of the loan market — between 2001 and 2004, out of 41 LEMs in Chicago, and 24 LEMs in Seattle there were zero delinquencies or defaults, and no foreclosures on the properties.

In Chicago after the first year of the program, 30% of the borrowers had sold one or more automobiles, and VMT reduction was pronounced as significant.<sup>125</sup> A survey that reviewed

transportation habits of 21 out of 27 LEM mortgage participants indicated these homeowners had reduced driving as a result of their home location, and had increased their transit use.<sup>126</sup>

### **Barriers faced**

The location efficient mortgage concept was innovative in the late 1990s, and preceded mortgage-lending incentives that have been developed in the last five years to encourage energy efficiency. Several barriers prevented full testing of the pilot program:

- Reorganization and staff turnover at Fannie Mae
- Complex modelling and calculations — The location efficiency value was the key metric developed by the partners to be used in the calculation of extra credit available to borrowers. Senior management in Fannie Mae perceived this calculation to be complex and the coding for modelling the location efficiency values in each pilot city not easily understood. Only the location efficiency values were available for use by Fannie Mae and secondary mortgage lenders, provided in a simple-to-use geo-coded database.
- Lack of enthusiasm by secondary lenders in two of the pilot cities (San Francisco and Los Angeles) — Countrywide Mortgage was the lead lender for the pilot programs in San Francisco and Los Angeles and this company lacked enthusiasm for promoting the product
- Tension between Fannie Mae’s commodity business of providing liquidity to the national market through large mega regional purchase offices and the newer network of partnership offices set up to promote innovation: for example, lenders for the LEM needed to be approved by head office, and not the partnership offices more familiar with the regional situation.
- The pilot project was driven by top-down decisions by the leading secondary market lender, but there could have been greater uptake and success in the LEM if it was simultaneously offered by other GSEs (i.e. Freddie Mac, Federal Home Loan Banks, Ginnie Mae).
- The location efficient Partnership was not a lending institution, and therefore was not a customer of Fannie Mae
- There was no transparent mechanism for a full evaluation of program results.

LEMs were offered in early 2000 as a pilot project in four cities, but the program did not proceed past the initial pilot. Fannie Mae introduced a Smart Commute mortgage product shortly after the LEM pilot (see below).<sup>127</sup>

### **Take the T Home Mortgages — Boston**

The Take the T Home Mortgage program is a collaborative effort of MassHousing, the Massachusetts Bay Transportation Authority (MBTA) and community banks in the area. MassHousing is a non-profit association with a mission to support affordable home ownership amongst Massachusetts residents with a low income.

The program was designed to assist low- and moderate-income homebuyers who are regular riders of MBTA and who wish to purchase homes that are convenient to public transportation. The program offers 100% financing, expanded debt ratios and underwriting standards that recognize the financial benefits of taking public transportation to work. To qualify for the

program, borrowers must meet income and loan limits that vary by city or town and are required to demonstrate regular transit ridership through monthly pass purchase or membership in a carshare or vehicle rental program.<sup>128</sup>

The credit stretch that was enabled by the Take the T Home Mortgage was approximately \$50,000. An assessment of the program from 2001 to 2004 showed the loans performing well against default and foreclosure: out of 53 mortgages, there was one default and no foreclosures. This indicates that the credit stretch offered by the program was relatively low risk for mortgage lenders.<sup>129</sup>

The available analysis and information about the Take the T Home Mortgage does not provide indications of if the program and associated access to higher credit limits has impacted housing choice in the area.

### **Fannie Mae – Smart Commute Mortgage**

Fannie Mae introduced the Smart Commute Mortgage to increase homeownership in communities close to public transit. Participating lenders in the program recognize the potential transportation savings as qualifying income for the buyers who purchase a home near public transit.

The Smart Commute pilot project was offered across the country to borrowers purchasing a house within one-quarter mile of a transit stop, or one-half mile from a public transit rail stop. The pilot program also offered a low down payment options of 3% of the property value, or in some cases just \$500 in an upfront payment.<sup>130</sup>

The qualifying ratio for the Smart Commute mortgage offered between \$200 and \$250 per month for borrowers purchasing housing close to transit stops. This allowed borrowers an estimated credit stretch of between \$10,000 to \$17,000. It is unclear if this extra amount was enough to increase homeownership in transit serviced areas.

Mortgage volume generated by Fannie Mae's Smart Commute program was modest. Anecdotal reports suggest approximately 30 to 50 mortgages were awarded in each of 40 locations. An assessment of mortgage performance between 2001 and 2004 showed better performance than the wider market; out of 100 Smart Commute mortgages in San Antonio there were no defaults or foreclosures.<sup>131</sup>



# Appendix D: Calculating location efficiency

As discussed in the report, determining if a home qualifies for a location efficiency benefit requires a method for calculating location efficiency. Pilot projects with mortgage lenders in the United States have used two different methods of quantifying and including transportation costs associated with different locations in mortgage calculations. The two methods are explained below.<sup>132</sup>

1. A location efficiency value is used to estimate a fixed location related benefit that offsets the traditional estimation of fixed costs

$$\frac{\text{fixed costs (principal, interest, taxes, insurance)} - \text{location efficiency value}}{\text{income}}$$

is less than or equal to a benchmark amount

2. A fixed amount of savings associated with proximity to a transit stop is added to a potential borrower income. The principle a borrower would be eligible for can be modified by:

$$\frac{\text{fixed costs (principal, interest, taxes, insurance)}}{\text{income} + \text{location savings}}$$

is less than or equal to a benchmark amount

Both types of calculations have different benefits and challenges. The use of a location efficiency value facilitated the incorporation of a number of different variables that impact transportation into the mortgage calculation, such as:

- net residential density
- frequency and type of transit service and its connectivity
- household size
- income
- distance to employment

In general, a location efficiency value takes into account the expected annual travel demand per household and the expected automobile ownership of households in the immediate vicinity of the proposed purchase.

By contrast, the second calculation uses the proximity to a transit stop as the only metric to determine a homeowner's expected transportation choices and costs. However, using transit stop proximity as a measure of location efficiency has been shown to be inaccurate in predicting the true benefits and value of location-efficient neighbourhoods and the reduction in transportation costs as a result of location.

The use of a location efficiency value as described in the first calculation gives greater weight to the benefits of transportation. By subtracting transportation savings from fixed costs, the first calculation allowed credit stretches from \$12,000 to \$50,000 for both the LEM and Take the T Home Mortgages (see Appendix C for a discussion on these mortgage types). In contrast, the second method of calculating transportation benefits for mortgages is a more conservative approach, and adds a fixed amount of transportation ‘savings’ to overall income. Credit stretches for mortgages using this approach typically range from \$10,000 to \$17,000.<sup>133</sup>

# Appendix E: Examples of parking policy changes

**Reducing minimum parking — Los Angeles, California:** A Los Angeles example reveals that, when left to their own devices, developers will provide less parking than what would be required by city regulations. Minimum parking requirements mandating that all parking must be on-site have delayed the revitalization of inner-city areas in L.A. where buildings simply lack the room to comply with the regulations.<sup>134</sup> Therefore, the City of Los Angeles recently relaxed parking regulations through an adaptive reuse ordinance in order to encourage the conversion of buildings into housing in downtown L.A. This allowed observations of development choices in light of unregulated parking,

**Reducing minimum requirements — Marin County, California:** A 2007 test case in Marin County, California resulted in lower parking requirements, improving the affordability of units for the consumer as well as the developer. A three-storey project with two parking spaces vs. one parking space generates a per unit sales prices of \$459,000 versus \$417,000. A four-storey building with two parking spaces rather than one generates a per unit sales price of \$402,000 compared to \$360,000. This example illustrates how higher density coupled with lower parking ratios can combine to improve the affordability of the units and reduce the price per unit.<sup>135</sup>

**In lieu parking — B.C.:** In 2009 the Province of British Columbia introduced Bill 27, giving local governments authority to change how off-street parking was delivered. In situations where developers are allowed to pay money to the municipality in lieu of providing off-street parking spaces, Bill 27 enabled local governments the opportunity to use that money instead for transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation.

The legislative changes also allowed parking bylaws to impose requirements for parking (i.e. minimum requirements) on the basis of transportation need as assessed at the time of a development is approved, and according to criteria specified in the bylaw, instead of on the basis of predetermined parking ratios for particular classes of land use. This shifted the available parking legislation towards flexible and variable standards in order to help reduce sprawl and encourage location-efficient development.<sup>136</sup>

**In lieu parking — Car share:** Another option is for development applications to include proposals for dedicated car share parking — that is, developments provide fewer parking spaces but offer an auto share service on site, saving both the developer and homebuyer (and potentially renter) money and making it more affordable to choose location-efficient living, while providing effective transportation alternatives. In some municipalities, fewer tenant spaces are provided than car share spaces, since car share would be used by numerous tenants. In terms of policy, the municipality could create a maximum parking rule and charge developers for exceeding a given number of spaces, while providing a credit to those that provide car share options.

In 1999, Donald Shoup published research comparing how close to 50 cities make use of in lieu fees to encourage more effective parking distribution. In 2005, IBI Group presented its report on the potential of car-sharing in the City of Toronto. Both of these articles provide insight into the costs and benefits of reducing parking demand. However, the IBI report stated in reference to Toronto: “In re-writing it’s [sic] zoning by-law, the City has made it clear it is not interested in eliminating parking requirement minimums,”<sup>137</sup> and suggests an alternative to legislatively prohibiting or reducing parking availability may be to focus on assisting car share programs to receive legislated assistance, thereby reducing the burden on cities to provide parking spaces.

**Relaxed Zoning — Long Beach:** Requiring more parking than the market demands can add substantial costs to development/redevelopment. For example, a prime commercial location in Long Beach, California was maintained as a parking lot, bringing minimal revenue for both the owner and the City. Several developers considered developing a commercial or residential property, but could not reconcile the high cost of building a parking garage to fulfill the city’s minimum parking requirement. Eventually, the city worked with one developer to relax the parking burden, which allowed the site to be developed as a hotel and retail complex.<sup>138</sup>

**Property tax reform for parking lands — Montreal:** Reforming the taxation of parking lands can reduce inappropriate incentives for excess surface parking. For example, Montreal implemented a special tax on parking spaces. The tax is levied on parking lots located in non-residential zones. The tax rate applied is dependent on location and whether the parking lot is indoors or outdoors.<sup>139</sup> Parking lots in residential areas are taxed at a lower rate than in the central business district, and surface parking is taxed at a higher rate than structured parking. The city expects to collect around \$20 million dollars per year which is earmarked for improving public transit.

**Property tax reform for parking lands — Vancouver:** In 2006, Translink<sup>140</sup> (Vancouver’s regional transportation authority) implemented a parking site tax. The tax rate was specific to parking lands, and was applied annually per square metre of non-residential parking facility.<sup>141</sup> This tax was later replaced by a sales tax.<sup>142</sup>

# Appendix F: Dot poll results

Table 5 presents the results of our dot poll exercise, for which both the experts/stakeholders and the project partners were asked to identify their top policy options. While those identified options did not automatically become our policy priorities, this exercise helped to reinforce our research and conclusions and prompted us to re-examine and reconsider policy options.

**Table 5. Top policies identified by experts and stakeholders**

In a “dot poll” conducted during consultation workshops, participants were asked to place dots on policies that they judged to be the most effective and most politically feasible. Participants were also permitted to choose entire policy areas if they wanted to choose all of the policies contained therein.

● = politically feasible   ● = effective   — = received no votes

Tool	Dot Poll Results
<b>Policy Area 1: Homebuyer benefits</b>	—
1. Use a location cost calculator to inform and educate homebuyers about their choices	●●●●●●●●●●●●●●●● ●●●●
2. Mandate walk scores on real estate listings	●●● ●
3. Encourage location efficient mortgages	●●●● ●●●●
4. Modify Canadian Mortgage and Housing Corporation Insurance to encourage location-efficient homes	●●●● ●●●
5. Reform mortgage risk assessment process to include location costs	● ●●●●
6. Provide rebates or tax credits for location-efficient properties	●
<b>Policy Area 2: Development charges</b>	●● ●●
1. Assess development charges based on location and cost of services, either:	
a. True costs incurred for a particular development; or	●●
b. Predetermined zone-specific costs	●● ●●●●
2. Permit/require municipalities to levy development charges that cover full cost/range of services for new development	●●
3. Make development charges transparent to homebuyers	●●●●●● ●●●
<b>Policy Area 3: Property taxes</b>	●●●●●●●●
1. Revising property tax assessment structure through:	
a. Two-rate system (tax buildings and/or improvements at a lower rate than land)	●●





# Appendix G: Consultation comments

This appendix presents the consolidated comments from expert/stakeholder consultations and workshops.

## General comments

Municipalities should find ways to **encourage location-efficient development**, rather than the current practice of making it less attractive to developers.

High-density, multiuse properties, which consider the housing cycle are important for long-term sustainability of any community.

**Densification** and not new development is the most important direction and goal.

We must provide homebuyers with more high-density **options**.

- Three bedroom condominiums in the downtown.

The first step to achieving location-efficient development is to **define** what we mean by location-efficient development.

**Planning** is an important step that is being missed. We must plan first then determine land use to serve these plans.

- We should create villages around transit stations.
- We must consider the effects of the coming cultural shift in the GTA.
  - The value of single-family units may decrease.

To maximize land use, developers will need to learn to **build communities**, not just residences.

**Greenfield development** will become necessary as the population of the Greater Toronto Area expands.

- This will maximize the importance of smart land use.

Without changes to pricing incentives, nothing will get done.

- The problems in the Greater Toronto Area result from poor land use and poor transit.
- Poor price incentives cause both these problems.
- The most transformative change is one that addresses price incentives.

To increase acceptance of location-efficient development, **focus on the economic incentives**.

Toronto needs **forward thinking policies**, not aversion to change. Cities that do not change, die.

## Homebuyer incentives

**Cost** is the most determining factor in homebuyer decisions. Anything that impacts price will affect buying behaviour.

**Consumer education** is vital for consumer consideration of location efficiency in home buying. Some recommendations are to,

- break down mortgage costs so the consumer can see exactly where the costs are coming from,
- create a formula that allows consumers to calculate the true cost of living in different areas, by factoring in driving distances, traffic, gas, and vehicular expenses, or
- publicize existing benefits for those in location-efficient living arrangements, such as CMHC's mortgage rate reductions for homeowners with two or more legal suites in their home.

**Banks** should use mortgage rates to incentivize location-efficient living.

- Give lower mortgage rates based on the substantial savings and lowered risk for those who do not need a vehicle.
- The difficulty is that banks move slowly, and programs of this nature tend to be very difficult to navigate, and not widely publicized.

**Standards** are an important tool for changing homebuyer behaviour.

- There are many provincial tools available to implement standards that require location efficiency and reduced sprawl.
  - The *Development Charges Act, 2005, Planning Act*, The Building Code
- The problem is that these tools are not applied in ways that encourage location-efficient development.
- Proper application of these tools is the best way to affect homebuyer decisions.

Introducing **community-wide incentives** would allow use of incentives to plan development based on location efficiency.

- Current programs target individual homebuyers. The benefit of these programs are that they engage the consumer.
- This benefit can be paired with planning by creating incentives for entire communities.
- A good example is to create Energy Star communities.

The **current challenge** is the lack of research into impacts of homebuyer's incentives.

- It is difficult to convince any municipality to be the first with so little data.
- Best solution is to find a willing test community that is willing to try out one program. Use these results to entice others.

## Development charges

The current development charge model, a uniform rate across the municipality, **incentivizes inefficient development.**

### Reform recommendations

- Location specific charges based on cost of services.
- Charge based on distance from the source.
- Charge based on personal use.

The average homeowner is not concerned with development charges. Developers **include them directly into the price of the house** before the consumer sees it.

Instituting development charge reform will cause an **immediate shift toward location-efficient development**.

- The reforms will change price signals and incentives for development.
- The supply side will shift as developers will pursue more cost effective, location-efficient developments, rather than the traditional inefficient forms of development.

Development charge reform is **easy to institute** relative to other types of reform.

- Municipalities can implement this change, without approval from the province, subject only to the Provincial *Development Charges Act*.
- Most municipalities, by law, must review their development charges every 4-5 years.

An emphasis on **accurate pricing** and **revenue neutrality** is essential to selling development charge reform to citizens and municipalities.

- Pay the actual cost, not the subsidized cost.
- Allow the market to operate.
- Reforms will change the source of the revenue, not the amount.
- With this focus, the reforms will sit well with a Conservative audience as well.

The biggest challenge to instituting development charge reform is **informational not political**.

- Planners do not understand the connection between development charges and growth.
- Municipal policy makers are concerned only with revenue, and not impact on urban form.
- Neither of these parties understands the impacts location efficiency financial instruments can have.
- But, if municipal decision makers understood that development charge reform would not negatively impact their ability to attract development, they would not be opposed.

A sustainable model is one where **"growth pays for growth."**

- Anything less and the municipality loses money.
- Anything more raises fairness concerns of regarding who should pay repair costs of existing infrastructure, and future costs that the homebuyer may not benefit from.
- There is pushback on efforts to include more services into development charges.

### Examples and Test Cases

- The best way to push for development charge reform is to be able to show municipalities positive examples, as due to lack of understanding, many are hesitant to institute these changes.
- Markham provides an example of successful development charge reform.

- Ottawa provides an example of unsuccessful development charge reform.
- Good test case communities must be stand-alone and mid-sized. Guelph, Kitchener, or Hamilton are good options.

## Property taxes

Property tax reform is a **good long-term solution**, but implementation will be very challenging.

- Successful institution of a land-based property tax would result in an immediate change in homebuyer preferences from single-family dwellings to apartments and condominiums.
- It may be more trouble than it is worth.
- Other mechanisms may be favourable.

**Only the provincial government** may implement property tax reform; institution of reforms is through amendment to the *Assessment Act*.

Property tax reform is a **politically treacherous**. A substantial challenge is finding a willing provincial government to institute the change.

A transition from value-based taxation to land-based taxation may be difficult to implement. Two proposed **alternative solutions** are:

- Maintain value-based taxation, but add in a land-based charge.
  - This option is politically less controversial.
  - This option does provide much of the benefit of a shift to a land-based system.
- Separate user fees from property taxes, and charge lower property taxes, but make individuals pay for use of services. This option comes with suggestions and warnings:
  - Separate based on public goods (police, fire, local roads), and private goods, (garbage).
  - Guard against complete devaluation of property taxes. People must feel they are benefitting from these payments.

The most important concern in instituting a land-based property tax is **penalization of the poor**.

- Often low cost and low density coincide.
- This increases the potential burden on the poor in moving away from a value-based tax system.
- We must avoid penalization of low-income individuals.
- **Suggested Solution:** Reforms apply only to new developments and re-sales, not to existing homeowners.

In support of property tax reform

Under the current system, **high-density areas subsidize low-density areas**.

Carrying costs (including property tax) are a very important aspect of affordability. Tax reform has the potential to be pervasive but there is a need to better understand how tax reform could impact decision making of lenders and buyers.

Both high and low density areas require the same infrastructure, but the higher the density, the more homeowners bear the costs of that same infrastructure.

Under the current system, **property taxes do not raise enough money** to pay the costs of required infrastructure.

- The majority of the losses impact soft costs, (community centers, parks, etc.); services all communities value.
- Amendment is necessary. We must either raise more property taxes, or decouple user fees from property taxes.

Consider phasing in taxes (initial tax breaks) to incent commercial enterprise (e.g. grocery stores, other amenities that lead to more location efficiency). Understanding that the establishment of these amenities has a greater impact on the success of the community than the lost property tax

Remember: Higher **density equals lower property taxes**. As more individuals use and contribute to the same services, the burden on any one tax payer decreases.

## Parking

**Reliable, convenient transit** is the most important factor in decreasing parking spaces.

- This is a practical issue. Without viable alternatives, people need to drive, and need to park.
- Without better transit, fees for parking will be seen as penalizing suburban dwellers who have no alternatives.

**Municipalities are conservative** when it comes to changes to parking, such as unbundling.

- No municipality wants to deal with the public backlash.
- The car mentality remains ingrained in the minds of much of the public.
- Many municipalities do not want street parking, and cannot find a way to reconcile unbundled parking and no street parking.

Parking is heavily subsidized.

- The \$30-40 000 charged for urban parking spaces covers the cost of parking, not the costs associated with developing the parking.
- Parking uses up huge amounts of land that otherwise could be used for development.
- "Free" parking imposes substantial social costs that are not born by the user.
- Users do not see the connection between their behaviour and the social costs.

Recommendations for Reform

**Unbundled parking** is successful in urban areas, but not yet in suburban areas.

- Both, transit and community mentality are responsible.
- We must change the mindset, and provide alternatives to suburban dwellers, as currently parking is a substantial incentive to suburban homebuyers.

**Allow developers more freedom** to determine parking space ratios in new developments.

- Developers want the freedom to base parking decision on the market.
- Developers prefer unbundled parking.
  - Both the units and the parking spaces are easy to sell off separately.

We must allow for **more creativity** in determining parking ratios.

- Under the current model, the city counts the number of bedrooms and applies a ratio.
- Consider other factors:
  - the family unit,
  - access to transit, and
  - the number of nearby parking spaces.

Municipalities should charge for parking in suburban commercial areas.

- Large above ground commercial lots contribute to sprawl.
- Structured parking is a better option, but is more expensive.
- If a municipality charged for use of above ground parking, the need for parking would decrease substantially, and the income collected could be put toward structured parking or investment in transit.
- Downtown merchants could be natural allies.

## Development approval process

Create a **simplified approval process** for location-efficient development.

- Current process is frustrating and hampers location-efficient development because
  - it requires re-zoning developments that increase density of an area,
  - it requires approval from many different departments, between which there is no unified vision,
  - it is political, with local politicians and constituencies having great influence. “Horsetrading” plays a major role in development,
  - it is very time consuming.

The solution is to establish a **unified vision of growth** and an overall plan that determines the location of future development. Do not let development determine the location of future development. There is a need for increased predictability, transparency and coordination across agencies.

It is important to focus on incentives, that is, policies that impact price to encourage the mixed use desired. Up front costs are a deciding factor for both developers and purchasers of residential and commercial property.

More education is necessary to inform (both the public and municipal governments) of the benefits that will be realized with location-efficient development.

*Views diverge on which body should take the lead:*

A. The provincial government should institute **mandatory minimums on density**.



- The policy is already in place for this option.
  - *Places to Grow Act, 2005*
  - *Metrolinx Act, 2006*
- As it stands it is already incumbent on the City of Toronto to create more density around transit stations, but the argument is difficult to make without a mandatory minimum to point to, and these arguments must be made to the OMB.
- Mandatory minimums would streamline the process.

B. Provide **more information and support to municipalities** so they can exercise the existing tools to plan for location-efficient development.

- Municipalities have the tools to achieve location-efficient development.
- Leave the province out of the conversation to avoid further complications to the process.

C. **Municipalities need provincial support** to institute location-efficient development policies.

- A regional structure is essential.
- Otherwise there is risk of a "race to the bottom," where developers elect to develop municipalities where there are no location-efficient development policies in place.

*Points of agreement*

**Planning** is the necessary. Do not let development to determine location of future development.

- A plan will allow location-efficient development.
- A plan will enable municipalities to stand up to developers where development does not benefit the city.

Densification around transit nodes, "ecodensity," is essential.

- There are various provincial policy directions to encourage identification around major transit stations (e.g. the Growth Plan for the Greater Golden Horseshoe).
- "Contingent density", where municipalities agree to a specified amount of density in exchange for a transit hub is a good option.
- A defined plan will allow development of communities around future transit nodes to support future transit growth.

**Development as a right** provides a direct solution to the bureaucratic challenges of densification of land use.

- Allows for changes to zoning of one type of land to another, without the laborious approval process.
- This reduces the burden on developers who want to build higher storied buildings in areas designated for lower buildings.

Additional thoughts

While density bonuses can be a useful tool, concern was raised during our consultations with regards to their current application. It was suggested that without careful examination, reform and strategic application, density bonusing can further erode transparency in land use planning.

Section 37 resources<sup>143</sup> have the potential to both inappropriately benefit constituents who don't contribute, and be too limited in their application. It was suggested that reform was needed, including a reconsideration of eligible community benefits.

## Endnotes

- <sup>1</sup> Enid Slack, *Municipal Finance and the Pattern of Urban Growth* (Toronto: C.D. Howe Institute, 2002).
- <sup>2</sup> Paul Cheshire & Stephen Sheppard, “Land Markets and Land Market Regulation: Progress Toward Understanding” (2004) 34 *Regional Science and Urban Economics* ; quoted in Pamela Blais, *Perverse Cities: Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010).
- <sup>3</sup> Jonathan Rose Companies, *Location Efficiency and Housing Type—Boiling it Down to BTUs*, prepared for the U.S. EPA (2011), online: [www.epa.gov/dced/pdf/location\\_efficiency\\_BTU.pdf](http://www.epa.gov/dced/pdf/location_efficiency_BTU.pdf).
- <sup>4</sup> Maggie L. Grabow and Scott N. Spak et al, "Air Quality and Exercise-Related Health Benefits from Reduced Car Travel in the Midwestern United States" (January 2012) 120 *Environmental Health Perspectives* 76 at 73.
- <sup>5</sup> Cherise Burda and Graham Haines, *RBC-Pembina Home Location Study: Understanding where Greater Toronto Area residents prefer to live* (2012) online: [www.pembina.org/pub/2354](http://www.pembina.org/pub/2354).
- <sup>6</sup> John Stillich and Sandeep Kumar Agrawal, *Housing Alternatives Acceptability Study* (Sustainable Urban Development Association and Ryerson University, 2008) online: <http://www.suda.ca/HAAS.html>.
- <sup>7</sup> Eric Miller et al., *Travel and Housing Costs in the Greater Toronto Area: 1986-1996* (2004) online: [http://www.neptis.org/library/show.cfm?id=51&cat\\_id=19](http://www.neptis.org/library/show.cfm?id=51&cat_id=19).
- <sup>8</sup> Cherise Burda and Graham Haines, *RBC-Pembina Home Location Study: Understanding where Greater Toronto Area residents prefer to live* (2012) online: [www.pembina.org/pub/2354](http://www.pembina.org/pub/2354).
- <sup>9</sup> Belden, Russenello and Stewart LLC, “The 2011 Community Preference Survey: What Americans are looking for when deciding where to live” online: <http://www.brspoll.com/uploads/files/2011%20Community%20Preference%20Survey.pdf>.
- <sup>10</sup> *Ibid.*
- <sup>11</sup> Ontario Ministry of Infrastructure, “How is the Growth Plan Working So Far?” online: [https://www.placestogrow.ca/index.php?option=com\\_content&task=view&id=270&Itemid=84](https://www.placestogrow.ca/index.php?option=com_content&task=view&id=270&Itemid=84).
- <sup>12</sup> *Greenbelt Act*, 2005, SO 2005, c 1, online: [http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_05g01\\_e.htm](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_05g01_e.htm) and *Places to Grow Act*, 2005, SO 2005, c13, online: [http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_05p13\\_e.htm](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_05p13_e.htm).
- <sup>13</sup> Ontario Ministry of Infrastructure, *Growth Plan for the Greater Golden Horseshoe* 2006, (Toronto, Queen’s Printer for Ontario, 2012) online: <https://www.placestogrow.ca/content/ggh/plan-cons-english-all-web.pdf>.
- <sup>14</sup> Metrolinx, *The Big Move: Transforming Transportation in the Greater Toronto and Hamilton Area* (2008) online: [http://www.metrolinx.com/thebigmove/Docs/big\\_move/TheBigMove\\_020109.pdf](http://www.metrolinx.com/thebigmove/Docs/big_move/TheBigMove_020109.pdf).
- <sup>15</sup> Cherise Burda, Alison Bailie & Graham Haines, *Driving Down Carbon: Reducing GHG Emissions from the Personal Transportation Sector in Ontario* (Drayton Valley, AB: The Pembina Institute, 2010).
- <sup>16</sup> *Ibid.*
- <sup>17</sup> Toronto Board of Trade, *Toronto as a Global City: Scorecard on Prosperity – 2011*, (2011) online: <http://www.bot.com/Content/NavigationMenu/Policy/Scorecard/Scorecard2011/default.htm>.
- <sup>18</sup> Cherise Burda & Graham Haines, *Drivers’ Choice: Options to manage gridlock and fund rapid transit in the GTA* (2012) online: <http://www.pembina.org/pub/2333>.
- <sup>19</sup> The current Provincial Policy Statement was issued under section 3 of the *Planning Act* in 2005. It is currently undergoing the mandated 5-year review (which was initiated in March 2010). Government of Ontario, *Provincial Policy Statement* (March 1, 2005) online: <http://www.mah.gov.on.ca/Asset1421.aspx>.
- <sup>20</sup> *Planning Act*, RSO 1990, c P13 online: [http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_90p13\\_e.htm](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_90p13_e.htm).
- <sup>21</sup> For example, the Growth Plan for the Greater Golden Horseshoe contains very few numerical targets that can be set, enforced and measured. Modeling of these targets shows that total VKT — a measure of sprawl — will not be reduced, nor location efficiency encouraged over the timeframe of the growth plan. For example, Greenfield density targets of 50 people or jobs per hectare is not dense enough to support 30-minute wait times (headways) between buses, which is too infrequent to appeal to commuters. See Cherise Burda, Alison Bailie & Graham Haines, *Driving*

*Down Carbon: Reducing GHG Emissions from the Personal Transportation Sector in Ontario* (Drayton Valley, AB: The Pembina Institute, 2010).

<sup>22</sup> Enid Slack, *Municipal Finance and the Pattern of Urban Growth* (Toronto: C.D. Howe Institute, 2002). Available online: [http://www.urbancentre.utoronto.ca/pdfs/elibrary/Slack\\_Mun-Finance-Urb-Growth.pdf](http://www.urbancentre.utoronto.ca/pdfs/elibrary/Slack_Mun-Finance-Urb-Growth.pdf).

<sup>23</sup> Christopher Leinberger, *The Option of Urbanism: Investing in a New American Dream* (Washington, DC: Island Press, 2009); quoted in Jonathan Hiskes, “How to make Smart Growth affordable” (August 5 2010) online: <http://grist.org/politics/2010-08-04-location-efficient-mortgages-smart-growth-housing-affordability/>.

<sup>24</sup> Eric J. Miller et al., *Travel and Housing Costs in the Greater Toronto Area: 1986-1996* (2004), online: [http://www.neptis.org/library/show.cfm?id=51&cat\\_id=19](http://www.neptis.org/library/show.cfm?id=51&cat_id=19).

<sup>25</sup> The contributors to this report are not urban planners (although we did consult with some as shown in Appendix A). The Cool Communities project is an exercise in law, economics and policy aimed at supporting the development goals already being advocated by many urban planners.

<sup>26</sup> “People and jobs per hectare” is a common measure of population density in Ontario based on its use in the Growth Plan for the GGH.

<sup>27</sup> Region of Waterloo, *Visualizing Densities Part II: Future Possibilities* (2007) at 55-75 online: <http://www.regionofwaterloo.ca/en/doingbusiness/resources/reurbvisualizingdensitiespart2.pdf>.

<sup>28</sup> Growth Plan for the GGH average density target of 50 persons and jobs per hectare corresponds to 18.5 units per hectare, which corresponds with 30 minute headways, according to data from IBI Group, *Central Okanagan Smart Transit Plan Transit-Supportive Guidelines* (2008) at 33, online: [http://www.sustainablecommunities.ca/files/capacity\\_building\\_transportation/smarttransitplan-transitsupgdlines-pub-e.pdf](http://www.sustainablecommunities.ca/files/capacity_building_transportation/smarttransitplan-transitsupgdlines-pub-e.pdf); and Ontario Ministry of Transportation and Ministry of Municipal Affairs, *Transit Supportive Land Use Planning Guidelines* (Toronto: Queen’s Printer for Ontario, 1992) at 18 online: <http://www.mah.gov.on.ca/AssetFactory.aspx?did=1179>.

<sup>29</sup> Based on IBI Group, *Transit Supportive Land Use Planning Guidelines*, prepared for Ontario Ministry of Transportation and Ministry of Municipal Affairs (1992), online: [www.mah.gov.on.ca/AssetFactory.aspx?did=1179](http://www.mah.gov.on.ca/AssetFactory.aspx?did=1179).

<sup>30</sup> Nicole Miller and Duncan Cavens, *City of North Vancouver 100 Year Sustainability Vision: GHG Measurement and Mapping*, (Victoria, B.C.: B.C. Ministry of the Environment, 2008) at Table 2, online [www.env.gov.bc.ca/cas/pdfs/ceei-nvan.pdf](http://www.env.gov.bc.ca/cas/pdfs/ceei-nvan.pdf).

<sup>31</sup> Eric J. Miller et al., *Travel and Housing Costs in the Greater Toronto Area: 1986-1996* (2004), online: [http://www.neptis.org/library/show.cfm?id=51&cat\\_id=19](http://www.neptis.org/library/show.cfm?id=51&cat_id=19).

<sup>32</sup> Cherise Burda and Graham Haines, *RBC-Pembina Home Location Study: Understanding where Greater Toronto Area residents prefer to live* (2012) online: [www.pembina.org/pub/2354](http://www.pembina.org/pub/2354).

<sup>33</sup> Natural Resources Defense Council (NRDC), “Reducing Foreclosures and Environmental Impacts through Location-Efficient Neighborhood Design”, *Energy Facts Sheet* (20 January 2010) online: NRDC <http://www.nrdc.org/energy/10012001.asp>.

<sup>34</sup> Eric J. Miller et al., *Travel and Housing Costs in the Greater Toronto Area: 1986-1996* (2004), online: [http://www.neptis.org/library/show.cfm?id=51&cat\\_id=19](http://www.neptis.org/library/show.cfm?id=51&cat_id=19).

<sup>35</sup> In Ontario, mortgage lenders assess a number of financial factors to determine the allowable mortgage size and rates for prospective homeowners. These factors include total household income, assets, debt load and credit history. Typically mortgage lenders use two common ratios to determine a homeowner’s mortgage risk:

Gross debt service (GDS) ratio — the percentage of a household’s total monthly income that is spent on housing (includes mortgage payments, municipal taxes and heating costs). Lender policy typically allows for a GDS of between 30% and 32%.

Total debt service (TDS) ratio — the percentage of a household’s total monthly income that is used monthly on housing and other debts like loans, car payments and credit cards. Most lenders assume that the TDS ratio should not exceed 42% of the household gross monthly income.

These two calculations are the basis for determining a potential homeowners maximum allowable mortgage, interest rate, minimum down payment and amortization options.

<sup>36</sup> Pamela Blais, *Perverse Cities – Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010) at ch 9.

<sup>37</sup> Scott Bernstein, “Using Linked Housing, Banking and Transportation Policy to Bring Home the Benefits of Livable Communities” (Statement to the Senate Committee on Banking, Housing and Urban Affairs, 29 March 2009) online: <http://www.cnt.org/repository/BernsteinSenBankingSympMar262009.pdf>.

<sup>38</sup> *Ibid.*

<sup>39</sup> The details from this section have been modeled after the from B.C. Climate Action Toolkit, “Sustainability Checklist” online: BC Climate Action Toolkit <http://toolkit.bc.ca/tool/sustainability-checklist>.

<sup>40</sup> Assuming similar service levels are provided for new development across a municipality. Studies indicate that sprawling new development is typically much more expensive to service on a per-capita basis. See John I. Carruthers and Gudmundur F. Ulfarsson “Urban sprawl and the cost of public services” (2003) 30: 4 *Environment and Planning B: Planning and Design* 503.

<sup>41</sup> See City of Ottawa, “Development Charges,” online: [http://www.ottawa.ca/en/licence\\_permit/dev\\_zoning/development\\_charges/index.html](http://www.ottawa.ca/en/licence_permit/dev_zoning/development_charges/index.html).

<sup>42</sup> DCA s. 2(4), exclusions include cultural facilities (excluding libraries), waste management, hospitals, administrative headquarters, parkland acquisition, tourism, and any other services as prescribed by the Lieutenant Governor in Council

<sup>43</sup> DCA s 5(1)(8).

<sup>44</sup> DCA s 5(1)(4).

<sup>45</sup> U.S. Environmental Protection Agency (U.S. EPA), *Parking Spaces / Community Places: Finding the Balance through Smart Growth Solutions* (Washington, DC: U.S. Environmental Protection Agency, 2006) online: <http://www.epa.gov/smartgrowth/pdf/EPAParkingSpaces06.pdf>.

<sup>46</sup> Metropolitan Transportation Commission (MTC), *Reforming Parking Policies to Support Smart Growth* (Oakland, CA: Metropolitan Transportation Commission, 2007) online: [http://www.mtc.ca.gov/planning/smart\\_growth/parking/parking\\_seminar/Toolbox-Handbook.pdf](http://www.mtc.ca.gov/planning/smart_growth/parking/parking_seminar/Toolbox-Handbook.pdf).

<sup>47</sup> The Growth Plan for the Greater Golden Horseshoe contains very few numerical targets that can be set, enforced and measured. Numerical targets exist for densities of urban growth centres and Greenfield areas and for intensification split between built up areas and Greenfield areas. The *Places to Grow Act* does not include targets for intensification areas which are along corridors or transit nodes.

<sup>48</sup> Cherise Burda, Alison Bailie & Graham Haines, *Bridging the Gulf: Changing the way Ontarians commute will cut oil demand, protect the environment and save money* (Drayton Valley, AB: The Pembina Institute, 2010).

<sup>49</sup> Created under the *Metrolinx Act, 2006*, SO 2006, c16, online: [http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_06g16\\_e.htm](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_06g16_e.htm).

<sup>50</sup> Pamela Blais, *Perverse Cities – Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010) at ch 9.

<sup>51</sup> Scott Bernstein, “Using Linked Housing, Banking and Transportation Policy to Bring Home the Benefits of Livable Communities” (Statement to the Senate Committee on Banking, Housing and Urban Affairs, 29 March 2009) online: <http://www.cnt.org/repository/BernsteinSenBankingSympMar262009.pdf>.

<sup>52</sup> Natural Resources Defense Council (NRDC), “Reducing Foreclosures and Environmental Impacts through Location-Efficient Neighborhood Design”, *Energy Facts Sheet* (20 January 2010) online: NRDC <http://www.nrdc.org/energy/10012001.asp>.

<sup>53</sup> *Ibid.*

<sup>54</sup> B.C. Climate Action Toolkit, *Diverse Zoning Strategies*, online: <http://toolkit.bc.ca/diverse-zoning-strategies-diverse-communities#process> See also Jake Waxman & Philip Schaffner “Green Zoning: Creating Sustainable Communities through Creative Zoning” (Boston, MA: Harvard Kennedy School: 2009) for a summary of U.S. density bonus case studies (pp 2, and 19-29): [http://www.hks.harvard.edu/var/ezp\\_site/storage/fckeditor/file/pdfs/centers-programs/centers/rappaport/paes/schaffner\\_waxman.pdf](http://www.hks.harvard.edu/var/ezp_site/storage/fckeditor/file/pdfs/centers-programs/centers/rappaport/paes/schaffner_waxman.pdf) See the B.C. Office of Housing and Construction Standards Guide for Density Bonus Provisions of the Municipal Act, which explains the use of density bonuses, and provides a model bylaw. An example of a successful density bonus program is provided by the City of North Vancouver.

- <sup>55</sup> City of Mississauga, “What can be expected of the Master Plan”, online: [http://www.mississauga.ca/portal/residents/downtown21?paf\\_gear\\_id=10200022&itemId=104802803n](http://www.mississauga.ca/portal/residents/downtown21?paf_gear_id=10200022&itemId=104802803n). See also City of Mississauga, “Downtown 21 Master Plan: Creating an Urban Place in the Heart of Mississauga” (2010) online: [http://www6.mississauga.ca/onlinemaps/planbldg/images/DT21/Downtown21\\_FINAL\\_2010-04-08\\_web.pdf](http://www6.mississauga.ca/onlinemaps/planbldg/images/DT21/Downtown21_FINAL_2010-04-08_web.pdf).
- <sup>56</sup> City of Mississauga, “Downtown 21 Master Plan: Creating an Urban Place in the Heart of Mississauga” (2010) at 10, online: [http://www6.mississauga.ca/onlinemaps/planbldg/images/DT21/Downtown21\\_FINAL\\_2010-04-08\\_web.pdf](http://www6.mississauga.ca/onlinemaps/planbldg/images/DT21/Downtown21_FINAL_2010-04-08_web.pdf).
- <sup>57</sup> *Metrolinx Act*, 2006, SO 2006, c 16, s 31.1.
- <sup>58</sup> Natural Resources Defense Council (NRDC), “Reducing Foreclosures and Environmental Impacts through Location-Efficient Neighborhood Design”, *Energy Facts Sheet* (20 January 2010) online: NRDC <http://www.nrdc.org/energy/10012001.asp>.
- <sup>59</sup> In Ontario, mortgage lenders assess a number of financial factors to determine the allowable mortgage size and rates for prospective homeowners. These factors include total household income, assets, debt load and credit history. Typically mortgage lenders use two common ratios to determine a homeowner’s mortgage risk:
- Gross debt service (GDS) ratio - the percentage of a household’s total monthly income that is spent on housing (includes mortgage payments, municipal taxes and heating costs). Lender policy typically allows for a GDS of between 30% and 32%.
- Total debt service (TDS) ratio — the percentage of a household’s total monthly income that is used monthly on housing and other debts like loans, car payments and credit cards. Most lenders assume that the TDS ratio should not exceed 42% of the household gross monthly income.
- These two calculations are the basis for determining a potential homeowners maximum allowable mortgage, interest rate, minimum down payment and amortization options.
- <sup>60</sup> Pamela Blais, *Perverse Cities – Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010) at ch 9.
- <sup>61</sup> Eric J. Miller et al., *Travel and Housing Costs in the Greater Toronto Area: 1986-1996* (2004), online: [http://www.neptis.org/library/show.cfm?id=51&cat\\_id=19](http://www.neptis.org/library/show.cfm?id=51&cat_id=19).
- <sup>62</sup> Walk Score, *Get Your Walk Score*, online: <http://www.walkscore.com/>.
- <sup>63</sup> Pamela Blais, *Perverse Cities – Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010) at ch 9.
- <sup>64</sup> In order to protect mortgage lenders against the risk of borrowers defaulting on payments, Canadian law dictates that lenders must insure any mortgage that amounts to more than 80% of the property’s value. This policy also enables consumers to purchase homes with a minimum down payment of 5% with interest rates comparable to those with a 20% down payment. To obtain mortgage loan insurance, lenders will pay an insurance premium, which is typically passed by the lender onto the customer. Premiums range from 0.50% to 2.90% and increase as the percentage of loan to property value increases. See Canadian Mortgage and Housing Corporation, “Mortgage Loan Insurance” (2011), online: <http://www.cmhc.ca/en/co/moloin/>.
- <sup>65</sup> Scott Bernstein, “Using Linked Housing, Banking and Transportation Policy to Bring Home the Benefits of Livable Communities” (Statement to the Senate Committee on Banking, Housing and Urban Affairs, 29 March 2009) online: <http://www.cnt.org/repository/BernsteinSenBankingSympMar262009.pdf>.
- <sup>66</sup> Natural Resources Defense Council (NRDC), “Reducing Foreclosures and Environmental Impacts through Location-Efficient Neighborhood Design”, *Energy Facts Sheet* (20 January 2010) online: <http://www.nrdc.org/energy/10012001.asp>.
- <sup>67</sup> *Ibid.*
- <sup>68</sup> Stephanie Rauterkus, Grant Thrall & Eric Hangen, “Location Efficiency and Mortgage Default” (2010) 2:1 *Journal of Sustainable Real Estate*, online: [http://www.costar.com/uploadedFiles/JOSRE/JournalPdfs/06.117\\_142.pdf](http://www.costar.com/uploadedFiles/JOSRE/JournalPdfs/06.117_142.pdf).
- <sup>69</sup> *Development Charges Act, 1997*, SO 1997, c 27.
- <sup>70</sup> Capital Costs include other costs, as well. See *Ibid.*, s 5(3).



<sup>71</sup> *Ibid*, s 5(5).

<sup>72</sup> *Ibid*, s 2(4), exclusions include cultural facilities (excluding libraries), waste management, hospitals, administrative headquarters, parkland acquisition, tourism, and any other services as prescribed by the Lieutenant Governor in Council.

<sup>73</sup> *Ibid*, s 5(1)(8).

<sup>74</sup> *Ibid*, s 5(1)(4).

<sup>75</sup> For example, because their development will increase congestion or smog.

<sup>76</sup> Assuming similar service levels are provided for new development across a municipality. Studies indicate that sprawling new development is typically much more expensive to service on a per-capita basis. See John I. Carruthers and Gudmundur F. Ulfarsson “Urban sprawl and the cost of public services” (2003) 30: 4 *Environment and Planning B: Planning and Design* 503. There are, of course, limited examples of situations in which dense buildings are not the cheapest to service. For example, if the introduction of a new residential tower in an already-developed neighbourhood requires major upgrades to a sewer or water system because existing facilities are already at capacity, it could lead to very high servicing costs.

<sup>77</sup> Pamela Blais, *Perverse Cities – Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010).

<sup>78</sup> Furthermore, if municipalities are competing for development, the uniform approach could amplify the negative effects of lowering development charges. For example, if a municipality wanted to draw development to a targeted growth area, lowering a uniform development charge would have the undesirable effect of also making it cheaper to develop in areas for which growth is not intended or for which there is relatively high demand. This would needlessly deprive the municipality of development revenue that may not be offset by increased development in the target areas.

<sup>79</sup> Where development charges are material to development decisions.

<sup>80</sup> See note 76.

<sup>81</sup> This effect would be worse if overall revenues from development charges remain static (from a uniform system), since the cost of administration would be increased, without a commensurate increase in development charges. One potential solution is to have a mixed system, with area-specific development charges for smaller developments and a marginal trigger for larger developments, such as subdivisions over a minimum number of units.

<sup>82</sup> City of Ottawa, Development Charges, online: [http://www.ottawa.ca/en/licence\\_permit/dev\\_zoning/development\\_charges/index.html](http://www.ottawa.ca/en/licence_permit/dev_zoning/development_charges/index.html).

<sup>83</sup> As experience with zoned development charges increases, municipalities may increase or decrease the number of zones based on their planning objectives and operational efficiency. In 2006, the Town of Markham initiated a review of its area-specific rates, reducing the number of zones from 27 to 19 and removing a number of services from area-specific zones into town-wide development charges. The study cited ‘administrative difficulties and inefficiencies’ as well as ‘equitability’ as reasons for the reduction. See Town of Markham, *Development Charges Background Study: Town-wide Hard Services and Area-Specific Charges*, prepared by Hemson Consulting (2008) at 1-2, online: <http://www.markham.ca/wps/wcm/connect/98df0f804526debb95169fbc660e546e/devcharges2008.pdf?MOD=AJPERES&CACHEID=98df0f804526debb95169fbc660e546e>.

<sup>84</sup> Legislative amendment would, in fact, be more consistent with the purpose of the *Development Charges Act, 1997*, s 2(1): “The council of a municipality may by by-law impose development charges against land to pay for increased capital costs required because of increased needs for services arising from development of the area to which the by-law applies”.

<sup>85</sup> As the current system allows municipalities to compete for development by offering relatively lower development charges.

<sup>86</sup> Municipalities that want to incentivize development in certain areas or overall could still be permitted to do so, but they would be required to provide an explicit subsidy, which would make it easier for ratepayers to decide if they supported subsidizing new development through their municipal taxes.

<sup>87</sup> *Development Charges Act, 1997*, s 26.

<sup>88</sup> Who bears the cost of development charges is a matter of some academic debate. For an interesting discussion of this issue see Pamela Blais, *Perverse Cities – Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010) at 97.

<sup>89</sup> Coriolis Consulting Corp., *Do development cost charges encourage smart growth and high performance building design? An evaluation of development cost charge practices in British Columbia*, (2003) at 35, online: <http://www.wcel.org/blackout/index.html?q=resources/publication/do-development-cost-charges-encourage-smart-growth-and-high-performance-buildi>.

<sup>90</sup> Enid Slack, *Municipal Finance and the Pattern of Urban Growth* (Toronto: C.D. Howe Institute, 2002) at 8.

<sup>91</sup> *Assessment Act*, RSO 1990, c A-31, s 19(1). Current value is defined to mean the amount of money a seller would realize if sold at arm's length to a buyer for the property.

<sup>92</sup> Enid Slack, *Municipal Finance and the Pattern of Urban Growth* (Toronto: C.D. Howe Institute, 2002). The case law supports and accepts this interpretation of the basis of property taxation in the *Act*. The following statement in *Dawson Properties Ltd. v Municipal Property Assessment Corp., Region No 32* (2003), 46 OMBR 147 at 42 is characteristic, "[a]ll taxpayers are entitled to have their property assessed at its current value. This is the fundamental right contained in the *Act*." There is no case law where this understanding has been challenged. Rather, any disagreements surround the way in which "current value" should be calculated.

<sup>93</sup> Pamela Blais, *Perverse Cities – Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010) at 101-102.

<sup>94</sup> Jean-François Wen, *Property Taxes and Triple Bottom Line Evaluation: A Review Essay*, (Calgary, AB: Institute for Advanced Policy Research, University of Calgary, September 2007) (ebook).

<sup>95</sup> Pennsylvania has allowed split-rate property taxation since 1913. Several municipalities have taken advantage of this opportunity, to encourage more desirable development patterns. They have benefitted from more rapid economic growth and downtown development relative to similar communities that have not adopted a split-rate tax. As a result of the split-rate system in Harrisburg, Pennsylvania vacant structures were reduced from 4,200 in 1982 to less than 500 today, and it was voted number two best investment city in the U.S. Pittsburg, Pennsylvania has also introduced a split-rate system, and this system is credited with increasing the value of building permits by 70% from 1960 to 1979 rates and 1980 to 1989 rates. See Pamela Blais, *Perverse Cities – Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010).

<sup>96</sup> To ensure that rates do not create a burden for these populations and that farming and conservation are adequately incentivized.

<sup>97</sup> During consultation with industry experts, the lack of high-density options for families was cited as a restriction on location efficient living. However, there is also a lack of market to drive more supply. This is a practical barrier that must be dealt with before differential rates on single and multi-unit homes can equitably be introduced.

<sup>98</sup> Enid Slack, *Municipal Finance and the Pattern of Urban Growth* (Toronto: C.D. Howe Institute, 2002), online: [http://www.urbancentre.utoronto.ca/pdfs/elibrary/Slack\\_Mun-Finance-Urb-Growth.pdf](http://www.urbancentre.utoronto.ca/pdfs/elibrary/Slack_Mun-Finance-Urb-Growth.pdf).

<sup>99</sup> See Pamela Blais, *Perverse Cities – Hidden Subsidies, Wonky Policy, and Urban Sprawl* (Vancouver: UBC Press, 2010) at 200-201. Industry experts consulted confirmed that this general assumption is true, however more research to test this assumption is required and is beyond the scope of this initial study.

<sup>100</sup> For example Toronto currently charges user fees for waste management based on bin sizes and volumes collected. The following link provides information on 2011 waste management rates "2011 Solid Waste Management" online: [http://www.toronto.ca/garbage/pdf/qa\\_2011\\_swm\\_rate.pdf](http://www.toronto.ca/garbage/pdf/qa_2011_swm_rate.pdf).

<sup>101</sup> U.S. Environmental Protection Agency (U.S. EPA), *Parking Spaces / Community Places: Finding the Balance through Smart Growth Solutions*, (Washington, DC: U.S. Environmental Protection Agency, January 2006), online: <http://www.epa.gov/smartgrowth/pdf/EPAParkingSpaces06.pdf>.

<sup>102</sup> Metropolitan Transportation Commission (MTC), *Reforming Parking Policies to Support Smart Growth* (Oakland, CA: Metropolitan Transportation Commission, 2007), online: [http://www.mtc.ca.gov/planning/smart\\_growth/parking/parking\\_seminar/Toolbox-Handbook.pdf](http://www.mtc.ca.gov/planning/smart_growth/parking/parking_seminar/Toolbox-Handbook.pdf).

<sup>103</sup> U.S. Environmental Protection Agency (U.S. EPA), *Parking Spaces / Community Places: Finding the Balance through Smart Growth Solutions*, (Washington, DC: U.S. Environmental Protection Agency, January 2006), online: <http://www.epa.gov/smartgrowth/pdf/EPAParkingSpaces06.pdf>.

<sup>104</sup> San Francisco Planning Department, *Central Waterfront Concept Plan: Parking*, online: <http://www.sfplanning.org/index.aspx?page=1738>. Note that the Central Waterfront Plan in San Francisco included a requirement that parking be unbundled from the rental or sale of residential uses. The plan includes unbundling parking in conjunction with a “residential permit parking zone”, metered parking, converting minimums to maximums in all locations within half mile to transit station.

<sup>105</sup> Metro, Los Angeles County Metropolitan Transportation Authority, *Congestion Management Program*, online: [http://www.metro.net/projects/congestion\\_mgmt\\_pgm/](http://www.metro.net/projects/congestion_mgmt_pgm/). Note that the L.A. County Metropolitan Transportation Authority (“Metro”) developed a policy to give congestion management program credits to projects willing to unbundle parking. Metro is the county transportation agency, and serves as a transportation planner and coordinator, designer, builder and operator. The L.A. County Congestion Management Program (CMP) was mandated by state statute, and links transportation, land use, and air quality decisions, as well as addressing the impact of local growth on the transit system. See also: Los Angeles County, Metropolitan Transportation Authority, *2010 Congestion Management Program*, online: [http://www.metro.net/projects\\_studies/cmp/images/CMP\\_Final\\_2010.pdf](http://www.metro.net/projects_studies/cmp/images/CMP_Final_2010.pdf).

<sup>106</sup> City of Mississauga, “What can be expected of the Master Plan”, online: [http://www.mississauga.ca/portal/residents/downtown21?paf\\_gear\\_id=10200022&itemId=104802803n](http://www.mississauga.ca/portal/residents/downtown21?paf_gear_id=10200022&itemId=104802803n). See also City of Mississauga, “Downtown 21 Master Plan: Creating an Urban Place in the Heart of Mississauga” (2010), online: [http://www6.mississauga.ca/onlinemaps/planbldg/images/DT21/Downtown21\\_FINAL\\_2010-04-08\\_web.pdf](http://www6.mississauga.ca/onlinemaps/planbldg/images/DT21/Downtown21_FINAL_2010-04-08_web.pdf).

<sup>107</sup> Environmental Commissioner of Ontario, *Land Use Planning in Ontario* (Toronto, ON: The Queen’s Printer for Ontario, 2012), online: <http://www.eco.on.ca/uploads/Reports-Staff%20Reports-and-Publications/Land-Use-Planning-in-Ontario.pdf>.

<sup>108</sup> *Niagara Escarpment Planning and Development Act*, RSO 1990, c N2, *Oak Ridges Moraine Conservation Act*, 2001, SO 2001, c 31, *Greenbelt Act, 2005*, SO 2005, c 1.

<sup>109</sup> The *Places to Grow Act, 2005*, allows the province to develop regional growth plans and deems the Act to prevail in cases of conflict with official plans or zoning bylaws. The Growth Plan for the Greater Golden Horseshoe was established in 2006. See also *Land Use Planning in Ontario*.

<sup>110</sup> Sections 2, 3 of the *Planning Act*. Section 2 of the *Planning Act* states that municipalities “shall have regard to” provincial interests and section 3 (5) states that municipalities’ decisions “shall be consistent with” provincial policy statements and “shall conform with” provincial plans. Note that decisions, as well as comments and submissions or advice affecting planning matters, by local bodies must be “consistent with” the provincial policy statements (ss. 3(5) and (6) of the *Planning Act*, online: [www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_90p13\\_e.htm#BK6](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_90p13_e.htm#BK6). See also *Land Use Planning in Ontario*.

<sup>111</sup> The Places to Grow “Growth Plan for the Greater Golden Horseshoe” contains very few numerical targets that can be set, enforced and measured. Modeling of these targets shows that total VKT — a measure of sprawl — will not be reduced, nor location efficiency encouraged over the timeframe of the growth plan. For example, Greenfield density targets of 50 ppl/jobs per ha. is not dense enough to support 30-minute wait times (headways) between buses, which is too infrequent to appeal to commuters. See Cherise Burda, Alison Bailie & Graham Haines, *Driving Down Carbon: Reducing GHG Emissions from the Personal Transportation Sector in Ontario* (Drayton Valley, AB: The Pembina Institute, 2010).

<sup>112</sup> These could include: official plan amendment, zoning bylaw amendment, minor variance, development approval, site plan control approval, plan of subdivision/condominium, consent for severance, part lot control exemption application. See the “Planning Act Approval Authority in Ontario”, (January 2011), online: <http://www.mah.gov.on.ca/Page1298.aspx>.

<sup>113</sup> The Growth Plan for the Greater Golden Horseshoe contains very few numerical targets that can be set, enforced and measured. Numerical targets exist for densities of urban growth centres and Greenfield areas and for intensification split between built up areas and Greenfield areas. The *Places to Grow Act, 2005* does not include targets for intensification areas which are along corridors or transit nodes.

<sup>114</sup> Cherise Burda, Alison Bailie & Graham Haines, *Bridging the Gulf: Changing the way Ontarians commute will cut oil demand, protect the environment and save money* ( Drayton Valley, AB: The Pembina Institute, 2010).

<sup>115</sup> Created under the *Metrolinx Act, 2006*, SO 2006, c 16, online: [http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_06g16\\_e.htm](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_06g16_e.htm).

<sup>116</sup> The details from this section have been modeled after the from B.C. Climate Action Toolkit, “Sustainability Checklist”, online: <http://toolkit.bc.ca/tool/sustainability-checklist>.

<sup>117</sup> *Planning Act*, section 70.2, online: [http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_90p13\\_e.htm#BK6](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_90p13_e.htm#BK6).

<sup>118</sup> This is modeled after the new approvals system under *Green Energy Act* for Renewable Energy Approvals. For more on how this process works and the role of the Renewable Energy Facilitation Office see: Guide: Provincial Approvals for Renewable Energy Projects, online:

[http://www.ene.gov.on.ca/stdprodconsume/groups/lr/@ene/@resources/documents/resource/std01\\_079527.pdf](http://www.ene.gov.on.ca/stdprodconsume/groups/lr/@ene/@resources/documents/resource/std01_079527.pdf).

<sup>119</sup> B.C. Climate Action Toolkit, *Diverse Zoning Strategies*, online: <http://toolkit.bc.ca/diverse-zoning-strategies-diverse-communities#process>. See also Jake Waxman & Philip Schaffner “Green Zoning: Creating Sustainable Communities through Creative Zoning” (Boston, MA: Harvard Kennedy School: 2009) for a summary of U.S.

density bonus case studies (pp 2, and 19-29), online:

[http://www.hks.harvard.edu/var/ezp\\_site/storage/fckeditor/file/pdfs/centers-](http://www.hks.harvard.edu/var/ezp_site/storage/fckeditor/file/pdfs/centers-)

[programs/centers/rappaport/paes/schaffner\\_waxman.pdf](http://www.hks.harvard.edu/var/ezp_site/storage/fckeditor/file/pdfs/centers-programs/centers/rappaport/paes/schaffner_waxman.pdf). See the B.C. Office of Housing and Construction Standards Guide for Density Bonus Provisions of the Municipal Act, which explains the use of density bonuses, and provides a model bylaw. An example of a successful density bonus program is provided by the City of North Vancouver.

<sup>120</sup> See s. 31.1 of the *Metrolinx Act, 2006*. More policy recommendations are included in the Metrolinx Staff Report *Report on Metrolinx Land Use Planning Authority at Mobility Hubs and GO Stations*, Memorandum from Leslie Woo, VP, Policy & Planning (23 November 2011), online:

[http://www.metrolinx.com/en/docs/pdf/board\\_agenda/20111123/November%2023,%202011\\_Report\\_Report%20on%20MX%20Land%20Use%20Planning%20Authority%20-%20FINAL.pdf](http://www.metrolinx.com/en/docs/pdf/board_agenda/20111123/November%2023,%202011_Report_Report%20on%20MX%20Land%20Use%20Planning%20Authority%20-%20FINAL.pdf).

<sup>121</sup> Metrolinx, *Metrolinx Land Use Planning Authority at Mobility Hubs and GO Stations*, 7.

<sup>122</sup> Metrolinx has the authority to fund transit under *Metrolinx Act, 2006*, s 6(1)(b). Metrolinx has the authority to provide financing to third parties under s. 18(1). Under s. 6(1)(c), Metrolinx has authority to promote and facilitate coordinated decision-making and investment in the regional transportation area among the governments of the municipalities in the regional transportation area and the federal and provincial governments in order to ensure the efficient and cost-effective resolution of matters of shared concern respecting transportation, including, (i) the provision and the optimal use and location of transportation infrastructure, including highway and transit infrastructure.

<sup>123</sup> Scott Bernstein, “Using Linked Housing, Banking and Transportation Policy to Bring Home the Benefits of Livable Communities” (Statement to the Senate Committee on Banking, Housing and Urban Affairs, 29 March 2009), online: <http://www.cnt.org/repository/BernsteinSenBankingSympMar262009.pdf>.

<sup>124</sup> National Resources Defense Council (NRDC), “Location Efficient Mortgages,” (April 13, 2009), online: <http://www.nrdc.org/cities/smartgrowth/qlem.asp>.

<sup>125</sup> Scott Bernstein, “Using Linked Housing, Banking and Transportation Policy to Bring Home the Benefits of Livable Communities” (Statement to the Senate Committee on Banking, Housing and Urban Affairs, 29 March 2009), online: <http://www.cnt.org/repository/BernsteinSenBankingSympMar262009.pdf>.

<sup>126</sup> National TDM and Telework Clearinghouse, National Center for Transit Research, University of South Florida. “Smarter Commuting: Fundamentals About Applications of a Location-Based Mortgage Strategy.” *TDM Review*, 2003.

<sup>127</sup> Scott Bernstein, “Using Linked Housing, Banking and Transportation Policy to Bring Home the Benefits of Livable Communities” (Statement to the Senate Committee on Banking, Housing and Urban Affairs, 29 March 2009), online: <http://www.cnt.org/repository/BernsteinSenBankingSympMar262009.pdf>.

<sup>128</sup> MassHousing, News Release, “T riders win with new, zero-down mortgage program from Masshousing and the MBTA,” (2002), online: <https://www.masshousing.com/portal/server.pt?mode=2&uuID=%7B7BF3C405-1C89-483B-9D6D-D032CA108568%7D#>.

<sup>129</sup> Scott Bernstein, “Using Linked Housing, Banking and Transportation Policy to Bring Home the Benefits of Livable Communities” (Statement to the Senate Committee on Banking, Housing and Urban Affairs, 29 March 2009), online: <http://www.cnt.org/repository/BernsteinSenBankingSympMar262009.pdf>.

<sup>130</sup> Fannie Mae, “Smart Commute Initiative,” (July 2005), online:  
<https://www.efanniemae.com/sf/mortgageproducts/pdf/sclndrfs.pdf>.

<sup>131</sup> Scott Bernstein, “Using Linked Housing, Banking and Transportation Policy to Bring Home the Benefits of Livable Communities” (Statement to the Senate Committee on Banking, Housing and Urban Affairs, 29 March 2009), online: <http://www.cnt.org/repository/BernsteinSenBankingSympMar262009.pdf>.

<sup>132</sup> *Ibid.*

<sup>133</sup> *Ibid.*

<sup>134</sup> Michael Manville & Donald Shoup, *The Price of Unwanted Parking*. UCTC Policy Brief, (February 2010), online:  
[http://www.mtc.ca.gov/planning/smart\\_growth/parking/Shoup\\_and\\_Manville\\_the\\_price\\_of\\_unwanted\\_parking.pdf](http://www.mtc.ca.gov/planning/smart_growth/parking/Shoup_and_Manville_the_price_of_unwanted_parking.pdf).

<sup>135</sup> Metropolitan Transportation Commission (MTC), *Reforming Parking Policies to Support Smart Growth* (Oakland, CA: Metropolitan Transportation Commission, 2007), online:  
[http://www.mtc.ca.gov/planning/smart\\_growth/parking/parking\\_seminar/Toolbox-Handbook.pdf](http://www.mtc.ca.gov/planning/smart_growth/parking/parking_seminar/Toolbox-Handbook.pdf).

<sup>136</sup> B. Buholzer, “British Columbia Local Governments and Climate Change,” In *Climate Change: Using the New Local Government Powers*, Simon Fraser University Continuing Studies Course, February 6, 2009.

<sup>137</sup> IBI Group, *Parking Standards Review: Examination of Potential Options and Impacts of Car Share Programs on Parking Standards*, (2009) at 24, online: [http://www.toronto.ca/zoning/pdf/car\\_share\\_2009-04-02.pdf](http://www.toronto.ca/zoning/pdf/car_share_2009-04-02.pdf).

<sup>138</sup> U.S. Environmental Protection Agency (U.S. EPA), *Parking Spaces / Community Places: Finding the Balance through Smart Growth Solutions* (Washington, DC: U.S. Environmental Protection Agency, 2006), online:  
<http://www.epa.gov/smartgrowth/pdf/EPAParkingSpaces06.pdf>.

<sup>139</sup> Ville de Montreal, *Financial Management, Parking Lot Tax*, online:  
[http://ville.montreal.qc.ca/portal/page?\\_pageid=44,57217573&\\_dad=portal&\\_schema=PORTAL](http://ville.montreal.qc.ca/portal/page?_pageid=44,57217573&_dad=portal&_schema=PORTAL).

<sup>140</sup> A regional transportation authority which builds and operates roads and bike paths, and public transport services, and which implemented the Parking Tax in 2006.

<sup>141</sup> Tod Litman, “Parking Taxes: Evaluating Options and Impact” (18 February 2011), online: Victoria Transport Policy Institute [http://www.vtpi.org/parking\\_tax.pdf](http://www.vtpi.org/parking_tax.pdf).

<sup>142</sup> This example was provided by the Victoria Transport Management Institute TDM Encyclopedia, “Parking Management: Strategies for More Efficient Use of Parking Resources” (2011), online:  
<http://www.vtpi.org/tdm/tdm28.htm>.

<sup>143</sup> The City of Toronto makes use of Section 37 of the *Planning Act* (R.S.O. 1990, c. P.13), which permits municipalities to authorize increases in permitted height and/or density through municipal zoning bylaws in return for community benefits, provided that there are related Official Plan policies in place. For more information, please see the City of Toronto, *Community Benefits and the Official Plan*, online:  
<http://www.toronto.ca/planning/section37.htm>.