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Transit-supportive development and city-building

Brief 2: Tools for building the right economic conditions

Building the economic conditions

Even when rapid transit like a subway line is introduced, transit-supportive density targets — both residential and employment — can be difficult to meet if market conditions are not right. For example, development may not occur if there is a lack of developer interest, if land costs do not match development potential, or if existing ownership patterns are prohibitive. By regulating what can be built and how fast, municipal development policy can either attract or deter prospective development. Having an updated land use framework and zoning by-laws that provide for predictability is an important part in creating transit-supportive opportunities. Engaging business owners and developers early in the process can help planners understand the appetite of the market for new residential or commercial development and identify opportunities to improve conditions.[1]

In this brief, we review three specific tools and approaches that municipal planners and other authorities can use to build the economic conditions for transit-supportive development once transit is committed: a "flexible zoning" approach, parking regulations that support financial viability, and attracting anchor employer tenants. Beyond this, streamlining the development process to reduce the time lag between the planning and construction of the project is another important approach not explored in this brief.

Photo: Taryn McKenzie-Mohr, Pembina Institute

Transit-supportive development offers car sharing to local residents and workers.

The economic opportunity of transit-supportive development: The Crossrail in London, England

Leveraging transit, housing and places of employment together is one of the largest opportunities to fight climate change, build more compact and connected communities while creating new business opportunities. The Crossrail, a new 118 km underground transit line under construction in London, England, is a leading example. At a total cost of over $23 billion (Canadian), 60% of the cost is covered by local beneficiaries through an innovative funding structure, including a Business Rate Supplement (properties assessed over a specific amount contribute certain amounts) and a Community Infrastructure Levy (new developments contribute based on floor space, location and use.)

Set to open by December 2018, neighbourhoods across the line have already seen property value increases and development interest beyond original predictions. Compared to 2012 forecasts, property values in 2016 are, on average, 30% higher than expected. Based on permitted proposed development, the Crossrail could create up to $31.4 billion in new residential property and $560 million (Canadian) in new office space — 29% and 14% increases from 2012 forecasts, respectively.[2]

Tools and approaches

1. Implement zoning that is compatible with market demand

Conducting real estate and market studies is a crucial part of planning for transit-supportive development. Even so, in most markets, it can be difficult for municipalities to gauge future demand since there are many influencing factors outside of municipal control. Zoning that provides a degree of flexibility is one way to manage this uncertainty.

Flexible zoning

Ahead of the Confederation LRT opening in 2018, the City of Ottawa introduced a Transit Oriented Development zoning category (TD zones) for six station areas (about 100 hectares each in size). All six station areas will be required to reach transit-supportive densities of between 200 and 400 jobs and residents per hectare, along with other urban design and place-making elements.

Interestingly, a two-tier approach to the zoning rules allows property owners to respond to market conditions. While vacant land is required to meet the new TD zone regulations immediately, existing developments can choose to remain under the former zoning regulation. They can choose to do this even if they redevelop and renovate their site, which makes the arrangement different than typical "grandfathering" rules. When these properties redevelop in a way that either introduces a new land use or exceeds the building height or floor space index maximums of the former bylaw, they are required to meet new TD zone regulations. In all, this two-tiered TD zoning is helpful to create a flexible policy that allows owners to wait for the right market conditions while permitting higher and denser developments when possible.

It is still early to see the impacts of this approach. Some development applications geared towards the LRT have been initiated, and the city expects the development pressure to increase once the LRT opens later in 2018.

2. Establish financially-viable parking requirements

Parking regulations are a contentious issue for local residents and transit users, but they can make or break a development from an economic perspective. For many municipalities and transit operators, parking is a difficult balancing act. On one hand, sufficient parking is needed for businesses, residents and transit riders, but prioritizing parking uses valuable land that could support other uses and creates an incentive for driving to transit (rather than using other modes). Parking generates more vehicle traffic, which has implications for safety and congestion. Further, trends toward shared mobility call into question our assumptions about future parking needs.

Studies have demonstrated that the demand for parking in developments around stations can be much lower than established guidelines or regulations require because more people choose non-car modes of travel.[3] Developers, too, may have ideas about how much parking is needed that are based on outdated practices. Freeing up this land leaves more space for homes, shops and offices in these high-demand locations.

Maximum parking regulations

In the future **B-line LRT** corridor in the **City of Hamilton**, new parking regulations have been introduced in areas zoned as transit-oriented corridors, a new zoning designation developed in response to the LRT.[4] For the first time, the municipality chose to introduce maximum parking regulations for residential development. The limit is 1.25 spaces per unit. There are no maximum regulations for commercial parking, but minimums have been reduced. This approach achieves a balance between parking demand and transit-supportive infrastructure and design.

Further, Hamilton's new transit-oriented corridor zoning does not permit parking or vehicle access to be located at the front of buildings. Instead, buildings must be constructed to the front lot line to promote access for pedestrians. Likewise, car-oriented uses, such as auto repair shops, drive-thru restaurants and gas stations are not permitted. The zoning also requires developments to provide long-term, covered and secure bicycle parking in addition to short-term bicycle parking on streets.

Shift away from free parking

Throughout Durham Region, GO stations are surrounded by large surface parking lots, which limits access to stations by bike and foot. Though well-used by commuters, these free parking lots prevent the creation of transit-supportive communities around the GO stations. Redeveloping these types of surface parking lots is a major opportunity, and is much cheaper than infill or brownfield development. However, some fear the loss of parking would result in reduced GO ridership, especially if there is a lack of alternatives for getting to the stations.

Approved in 2017, Durham Region's new Transportation Master Plan calls for several key changes. First, it recognizes the importance of transit and its connection to the public realm, road design, walkability and cycling. The region is proposing to lead and develop a coordinated parking strategy across all area municipalities to address parking in a unified and predictable way. This may include zoning by-law amendments to reduce parking requirements, sett parking maximums or permit shared parking. Likewise, Durham Region is looking to support a shift away from free parking by both leading by example at municipal offices and by supporting Metrolinx in implementing paid parking around GO stations. Improved and new car pool lots throughout the region have also been identified as an opportunity to reduce congestion and parking needs around GO stations.

Photo: Roberta Franchuk, Pembina Institute

Improved requirements for protected bike parking should be written into transit-supportive zoning.

3. Attract anchor office/commercial tenants

Attracting employment in addition to residential development makes a transit project significantly more viable,[5] but has been extremely difficult in most areas outside of city centres.[6] Building the right economic conditions for employment growth — whether it be small businesses or large corporations — can take several different approaches.

Show the market what is possible

While the **City of Mississauga** has successfully attracted considerable corporate offices, commercial development has not occurred evenly throughout the city, or along the forthcoming **Hurontario LRT** corridor. In some parts of the route, like Cooksville, redevelopment has been slower where low-rise strip malls are present. Many of the buildings have a condominium ownership structure that includes multiple owners, further slowing redevelopment.

In response, during the master planning process in 2013, the city undertook the creation of "proof of concepts" showing potential redevelopment opportunities. Urban designers created examples of what possible redevelopments on a variety of sites including building height, massing and parking. As a result, the city has done some of the leg work traditionally left to landowners and developers. However, property values still need to rise in order to generate sufficient redevelopment interest.

Elsewhere along the Hurontario LRT, near the airport, the city is driving mid-rise office development by making changes to zoning. Long known for warehouses and industrial uses, the area around the airport cannot support sensitive uses like residential. However, its prime location makes it a good fit for more intense employment uses than the existing industrial ones. Now, the "Gateway Corporate Centre" character area is leveraging the LRT corridor by restricting industrial uses to promote more office redevelopment. Though a minimum two-storey height is in place, redevelopment would ideally take a mid-rise form and, given rising property values along Hurontario, more intense use of land is expected.

Incentives for employment

The City of Toronto encourages targeted employment uses through the Imagination, Manufacturing, Innovation and Technology business incentive. Qualifying developments can receive a Tax Increment Equivalent Grant (TIEG) for 60% of the increase in the municipal taxes over a 10-year period.[7] TIEGs are made possible through Community Improvement Plans, a planning act tool that municipalities can use to provide financial incentives to redevelopment in target areas.

As one the largest single developments of office space in Toronto in the last 30 years, CIBC Square received a $130 million TIEG for the "transformative nature" of the development. Transformative projects must meet minimum standards of size, investment value, job creation, provision of public amnesties, have the ability to become an anchor for the area and stimulate additional investment. A primary reason for approving CIBC Square's TIEG was that the development directly connected to transit. This includes the GO bus terminal and a connection to Union Station.

A third party review of the grant concluded that the development would not have been able to proceed in its current form without the incentive.[8] It is possible that without the grant, a smaller, more standard office development would have been pursued, without the same public amenities. Often, grants can lead to more transformative projects and enable greater public benefit.

Of course, these kinds of incentives are not feasible in all municipalities; many have lower land values and less appetite for employment development.

Some parts of the Hurontario LRT corridor already have high-rise offices, but in other parts of the corridor, the City is promoting office redevelopment to attract more jobs and transit riders.

Other economic considerations

Across North America, and certainly in Ontario, cities and transit agencies have struggled to align transit planning with real estate opportunities. To begin, the choice of transit routes has often been guided by a desire to minimize transit capital costs rather than spur viable real estate markets. Further, the lag time between transit route decisions and construction can lead to speculation that drives up land values prematurely.[9]

Land value capture (LVC) is a way to capture the uplift in the value of land and development generated by the improved accessibility that new transit brings.[10] LVC can be mutually beneficial for landowners and transit developers, and harness funding for transit that would otherwise be unavailable. Many regulatory and procedural barriers currently prevent LVC however, along with cultural barriers due to the fact that this approach is largely unfamiliar in Ontario.

To take transit and land use planning to the next level, we will need to incorporate these practices. Looking to areas where land around planned transit is publicly owned is a good place to start.

About this transit-supportive development series

This brief is the second in a series of three papers looking at transit-supportive development (TSD) in the Greater Golden Horseshoe and beyond. This brief includes a list of approaches and tools for building the economic conditions for residential and employment development along major transit lines, drawing from past and ongoing examples. These tools have been flagged by leading planners and practitioners working in this space. While the list is not comprehensive, it provides a starting point for planners and project teams.

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