

# Residential and Civil Construction Alliance of Ontario (RCCAO)

## General Membership Meeting

Wednesday June 18, 2014

Copper Creek Golf Club, 11191 Highway 27, Kleinburg ON

Presentation by Michael Fenn

### ***“Ideas for Keeping the ‘Smart’ in Growth Smart”***

Let me begin by thanking you, the members of RCCAO, for this invitation. But especially, thank you for supporting research that addresses real issues facing Ontario, and that builds on your own experience.

When I was senior public servant, one of the most powerful elements of the RCCAO's work and advocacy was your reputation. Your credibility was increased because your members had the courage and confidence to commission objective, expert work on important issues, before you knew the outcome of the studies. Too often, organizations and professionals only seem to cite and listen to those with whom they agree, and that the media favour. The RCCAO's approach is unique – and its messages and its credibility are more powerful because of it. Your studies – on EAs and soils, on bridges and transit, on the impact of government actions on housing affordability, and on funding infrastructure and attacking gridlock – are all good examples of this.

We're all looking forward to the release of your current study on tools to finance new transit and transportation infrastructure and operation in the GTHA. And as the issue of housing affordability for the middle-class increasingly heard these days, your past research on the impact of government-imposed costs on housing should be must reading for our newly elected MPPs.

### **The goals of smart growth...**

While it now is known as the *Greater Golden Horseshoe Growth Plan* and the *Places to Grow* legislation, you will recall that our current urban development policy began life at the turn of the Millennium as Smart Growth Ontario. Like many of you, I was around for the birth and early days of smart growth in Ontario.

As you will recall, smart growth across North America aimed to do four things:

- (1) preserve agricultural land and protect our environmental and natural heritage from encroachment by residential growth;
- (2) build communities that would be easier to service and more inclined to use public transit;
- (3) build communities where work and home were not hours apart, and where gridlock did not add to our cost of doing business and erode our quality of life; and,
- (4) spend public funds and set tax policy in ways that favoured and reinforced these goals.

After some initial work on design and marketing to adapt to Ontario's situation, these became popular ideas. They received support from all three political parties, and from Mayors whose views were as diverse as

Hazel McCallion, Rob Maclsaac, and David Miller. The planning profession and environmentalists loved smart growth, and the transit industry saw a new day dawning with transit-supportive development.

### **Smart growth: looking back and looking forward...**

But, as they say, the “Devil’s in the details”. Now that we have had fifteen years of smart-growth policy, let’s take stock...

It turns out that the public, outside of downtown Toronto, seems to like high-rise residential and more transit use – for their neighbours across town, but not so much for themselves. Or in Rob Maclsaac’s memorable phrase: “The only thing the public hates more than sprawl, is intensification”.

When asked to contribute more for infrastructure and transit services through property taxes or user charges like tolls and transit fares, the public takes the view that they are already paying too much for what they are getting from municipalities and the Province.

And when governments spend our tax money for hospitals or colleges or GO Transit parking garages and GO service-extensions, the projects often seem to bear little relationship to smart growth principles – but those projects do meet with great public acceptance.

When builders and developers propose new developments in the shrinking number of greenfield and brownfield parcels available for development in the GTA, they increasingly face stiff opposition to any development. Especially in an election year, municipal and provincial politicians have heard that message clearly.

The opposition to development often ignores the economics of developing land in a market-constrained environment. And in some cases, those opposing development make those tough economic realities work against development, through protracted processes, costly approval conditions on development projects, and expensive development charges and front-ending regimes.

At the same time, Ontario’s fiscal and economic outlook is not as rosy as it was in the 70s and 80s when we developed tools to harness uncontrolled urban growth and built much of our current civic infrastructure in the 905 region.

The current fiscal situation for Ontario is very challenging. The future financial position of many municipalities is not much better. The only fiscally healthy government, the Government of Canada is apparently now only interested in episodic involvement in Canada’s urban development, such as one-off subway grants or following through on recession-fighting infrastructure projects. And as for the public, the mantra of “no new taxes” and “no tolls” are heard loudly and clearly by governments of all stripes, and at all levels.

So, what are we to do?

I think there are three ideas that might offer some encouragement. To some extent, these three ideas are borrowed from the RCCAO and its members – the industries and trades that have made our current standard of living possible for the past half-century.

### **Who pays for growth and infrastructure?...**

First, we are not going to hear public support for raising taxes and fees any time soon, even for much needed public and community infrastructure. Likewise, the level of development charges and building permit fees seem to be approaching the point where they are sending a clear message of discouraging urban development of all kinds.

The RCCAO, the *Toronto Star*, Anne Golden's Blue-Ribbon Panel and others, including Professor Harry Kitchen, have made the case for revenue tools to support infrastructure and transit investment in very persuasive terms. But in my view, and apparently in the view of most successful politicians, we're not "winning the hearts and minds" of the voters for more money from their pockets.

So, if we cannot readily generate new revenues from citizens and businesses, what can we do? The obvious answer, borrowing from Australia and Europe, is to find ways to "leverage" the valuable public assets that we already have. That's where the idea of "public asset recycling" steps in.

### **Meeting our density and housing targets...**

Second, if the way we are meeting our smart-growth density targets is failing to find community acceptance or the evolving needs of the marketplace, what can we do? Our implementation objectives need to be as smart as our smart growth goals. I doubt that we can have a generation of Ontarians living their whole lives in downtown Toronto condominiums, or their Markham or Mississauga high-rise equivalents.

We need to find ways for people to realize their dreams of living in a home in southern Ontario that is scaled to their needs and that is reasonably affordable, especially for young families, new immigrants and low-income households, even when interest rates start to rise – in fact, *especially when interest rates start to rise*.

We need smart growth policies that encourage economic activity in Ontario, not just to assume it is coming our way as it has in the past. We also need policies that allow a variety of housing consumers to dictate – and to afford – their preferred residential lifestyles. Those preferences should not simply be dictated by governments, land-economics and municipal planning philosophy. Of course, we do still need to meet our density targets, or find other ways to accommodate and encourage growth in a sustainable fashion.

In the GTA we can keep trying to meet those targets by copying Manhattan, Hong Kong and the Toronto Railway Lands. There remains a market for that style of development. But we could also meet many of those same density goals by "laying high-rise on its side", like Paris, Amsterdam or Siena. Medium-rise timber-frame construction, pioneered by members of your industry, points the way, in my view.

### **Getting things built with public support...**

Finally, we need to have a look at the way that we engage the public on infrastructure and urban development. Our current consultation model is inspired by Jane Jacobs' legendary fight with the great New York infrastructure-builder Robert Moses. In the GTA, it led to David Crombie's 45-foot height by-law and the Stop-Spadina movement. Since then, our society and our opinion leaders have celebrated the victories of

neighbours over bad policy and bad development, to the point where it has become an article of faith in our civic culture.

But as President Obama said recently in another context: *“Just because we have the world’s best hammer, doesn’t make every problem a nail”*. Our planning processes were designed to restrain the impact of development on settled neighbourhoods and to develop sustainable new neighbourhoods. Our public engagement processes were never developed to design whole new communities, including industrial and commercial development, nor to build intra-urban, regional and inter-urban infrastructure. And our legislation and processes certainly predate any thought of the impact of the Internet.

In a world of social media, our existing processes make it remarkably easy and risk-free to take opposition to a whole new level, whether it is airport express trains, or disposing of surplus school sites, or even gas-fired power plants. Planning Committee meetings and public meetings, Municipal Board hearings and environmental assessments give a wide array of opponents a range of convenient vehicles for their opposition, often at little risk or cost to them, despite their impacts. Clearly, NIMBY risks graduating to what the British term “BANANA” (build absolutely nothing anywhere near anybody).

Are our children going to have the kind of modern infrastructure and economic growth that our parents built and on which we have relied for our prosperity and quality of life?

Not at this rate.

Clearly, we need to find better ways to balance the political and public policy implications of major projects that serve thousands or tens of thousands, but that injure or displease a few. We need to be able to serve the broader interests of society and the busy, largely voiceless folks who commute to work or seek employment or worry about water and electricity, while still respecting the legitimate concerns of those directly and materially affected by progress.

When it comes to our techniques, processes and legislation governing public consultation and citizen engagement, I think that we need some fresh thinking before we lose a generation to delay and deferral.

### **Are there new ideas?**

You all will have ideas on each of these topics. Some of you will even object to some of the things that I have said. But let me leave you with a few thoughts on those three priorities I mentioned earlier: asset recycling; achieving our smart growth targets; and, modernizing public participation.

### **Recycling Public Assets...**

First, we need to embrace public asset recycling. Governments and the people they serve need to assess critically the billions in assets that we own as a society, from the LCBO, OLG and OPG, to infrastructure – including data assets and public lands and buildings – to see if it still makes sense to own them. If not, can we sell them in whole or in part, perhaps including their monopolies, to pay for the infrastructure we need for the long-term?

We may even find that these public assets are worth more to the taxpayer in private hands. For example, could we sell the LCBO and still earn the same net revenues for taxpayers and assure responsible a liquor trade? I think we could; but others don't. It worked for Teranet. Maybe we should test the market seriously before we reject the idea.

In any major program of asset recycling, the sale proceeds or avoided costs would allow us to build desperately needed new and refurbished public infrastructure. This is not selling the furniture to pay for the groceries, as some suggest. It is more akin to selling your used car to help pay for your new car, or selling the ATV of your youth to pay for your daughter's dental braces. It's all a question of setting priorities.

And remember, in this historically low-interest-rate environment: the value of these public assets will likely never be greater than they are today, in current dollar terms.

Properly structured, asset recycling can be used at each stage of the asset's lifecycle, from asset acquisition by P3s or concessions, through asset management by private operators, and finally, to the full or partial sale, lease or joint venture as part of a government disposition of non-core public assets.

Of course, governments need to be smart about the asset recycling process, but that is mainly a matter of the design of the deal, not the principle of recycling. Overall, Teranet has been a great financial success for the government and the private operation of Bruce Power has helped us to assure our electricity future. And the OMERS pension fund has earned solid returns for its 400,000 members through both of those deals.

On the other hand, 407 ETR is often seen by the public as a case of the government being outsmarted by a private consortium. Likewise, the privatization of water-testing in 1990s apparently failed to provide a commonsense requirement to report problems, even though the Walkerton water system itself was a public utility.

In my view, it is all a matter of the terms and conditions, and effective negotiations and ongoing oversight.

But at a time when we in Ontario spend over \$10B each year for debt service, paying for new infrastructure with asset dispositions – rather than by borrowing abroad and using taxes to pay the debt-service costs – has much to recommend it. In a study produced by the Mowat Centre at U of T in April, we outlined the concept in greater detail. I would encourage you to have a look at it.

<http://mowatcentre.ca/recycling-ontarios-assets/>

### **Alternatives to high-rise density**

My second recommendation is that we should re-think our approach to smart-growth targets. If high-rise residential faces either market or municipal opposition, we should look to mid-rise development to achieve much of the same density. Mid-rise, timber-frame construction appears to have the potential to produce attractive, sustainable and economical building models and neighbourhoods.

Of course, if a municipality decides it does not want to grow, or won't support growth initiatives, perhaps we should relent. Many communities across southern Ontario would welcome new residential and non-residential growth, and new transportation and communications technologies make those choices realistic as

never before. Gridlock makes ex-urban communities across southern Ontario viable for manufacturing and warehousing, as do high-speed inter-urban trains and universal rural broadband. Perhaps our prohibition on “sprawl” needs to be re-imagined as the opportunity to create new “garden cities” or New Towns, drawn from the UK’s town-planning tradition? In fact, I see that Prime Minister Cameron’s Government in Britain announced this month that they are considering those ideas once again.

Above all, the smart-growth ‘test’ is not “density” or greater use of transit – those are measures and surrogates, not policy outcomes. The outcome sought by smart growth is sustainable urban communities that preserve a viable agricultural economy and protect the environment, in ways that respect the taxpayer’s dollar. There is more than one route to that destination.

### **Putting more of the ‘public’ in public decision-making**

Finally, all of this is just fanciful talk if we cannot achieve social progress in a way that respects public input, but without permitting the few to veto benefits for the many. We need to find ways to marshal social media and contemporary communications in support of good residential and commercial development, and to support revitalized and expanded infrastructure. We must find ways to give political leaders the capacity to champion good projects without risking their political careers.

The prescription likely requires a combination of changes in law and regulation, a new approach to technology and communications, and the introduction of incentives and disincentives for various styles of public engagement and litigation. Above all, it will require a renewed effort to enlist all citizens, not just the adversely affected and the special interests, in passing judgment on initiatives and developments that claim to serve the greater common good.

I guess this subject matter must sound a little like chipping out of a sand trap. But from what I have been told, a number of you have some experience with that. So I’ll just say that I appreciate your patience and your invitation to discuss these issues.

Thank you!

*(The views expressed here are personal and do not necessarily reflect the views of the organizations with which Michael Fenn is associated. Check against actual delivery.)*

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