

RESEARCH REPORT



The Role of Planning: The Impact of Regulations on the Provision of Low-Income and Affordable Housing



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OECD GROUP ON URBAN AFFAIRS

"THE ROLE OF PLANNING: THE IMPACT OF REGULATIONS
ON THE PROVISION OF LOW-INCOME AND AFFORDABLE HOUSING"

Prepared for

*CANADA MORTGAGE
AND HOUSING CORPORATION*

By

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1.0 INTRODUCTION

1. Despite overall improvements over the past few decades in the standard of living in member states of the Organisation for Economic Co-operation and Development (OECD), these countries are experiencing increasing social polarisation. The wide divide between the "haves" and the "have-nots" ". . . threatens the societies of OECD countries and is one of the more visible unsustainable aspects of our present urban systems".¹

2. As the number of the homeless and the impoverished grows, it is clear that current housing delivery systems are failing to provide many citizens with a basic human need — decent, affordable housing. Society has changed dramatically in the last 30 years; existing housing stocks and urban environments have not kept pace with these fundamental changes. Structural transformations in the economy and social and demographic changes have resulted in smaller households, more single-parent families and single-person households, and an increasing number of the elderly, of diverse ethnic and cultural groups, and of homeless people. The housing requirements of all these groups need to be adequately met.

3. In addition, there is an increasing awareness that our future economic and social well-being is strongly dependent on the state of the natural environment. To put the concept of sustainability into practice, planning and housing policy-makers must take into account the impact of their decisions not only on built and social environments, but on the natural environment as well. Fundamental to sustainable development is improved quality of life, opportunity, and equity for present and future generations; in other words, the opportunity for people to participate fully in the economic, social, and cultural life of cities so that all human resources are effectively used.

4. These concerns led the OECD Group on Urban Affairs to commission several issue papers as part of a four-year mandate to examine the role of cities in sustainable development. This issue paper, "The role of planning: the impact of regulations on the provision of low-income housing", recognizes the important role of planning and regulations in the provision of low-income housing. This paper will highlight opportunities in the current regulatory system to improve the provision and integration of low-income and affordable housing within the context of sustainable development. Comments will also focus on regulatory constraints to attaining these goals.

2.0 STATEMENT OF THE PROBLEM

5. Planning decisions influence the distribution of resources among a city's neighbourhoods, among activities, and among community members. A key to making our cities more sustainable is to view planning as a mechanism to distribute resources so as to minimize social and economic inequities and to protect the natural environment. Planning regulations can be a major policy tool in achieving an

¹Organisation for Economic Co-operation and Development (1990) *Housing Policies and Social Integration in Cities: Issue Paper*.

adequate supply of affordable housing choices and in fostering social integration. Unfortunately, many planning regulations and procedures have had an adverse, often unintended, impact on these objectives. The focus of our investigation, therefore, will be to identify some of the issues that must be addressed before the regulatory framework can be redefined to both increase access to affordable housing, and create an environment that supports the integration of diverse social, economic, and cultural groups.

6. Existing planning regulations have been developed primarily with physical objectives in mind. Insufficient consideration has been given to the broader social, economic, and environment implications of regulations. For example, low-income housing is often constructed at the edge of a city to take advantage of lower land costs. However, the peripheral location of such housing leads to decreased access to employment and services, and higher transportation costs for residents. In addition, the isolation and concentration of particular groups also give rise to unnecessary economic and social costs to the individual and to society. Furthermore, the resulting urban sprawl, reliance on private automobiles, and air pollution are damaging to the environment.

7. In summary, there is a consensus that planning regulations have not been used as efficiently, effectively, and economically as possible to meet the requirements for low-income and affordable housing, and sustainable communities. Planning regulations can be improved and refined to provide greater housing choice and affordability and to meet the challenge of sustainable development.

3.0 THE GOALS OF AN INTEGRATED PLANNING APPROACH

8. This paper emphasizes the importance of an integrated approach to the provision of both low-income and affordable housing. An integrated planning approach is one that takes fully into account the complex interrelationships of socio-cultural, economic, environmental, and technological concerns in the planning and building of human settlements.

9. In order to determine how, and in which way, the planning regulatory system is to be redefined, we must first ask ourselves what a sustainable community looks like, and how it can be achieved. The examination of key planning regulatory issues should take place with some general goals in mind:

- the provision of affordable housing that meets the needs of all members of society in a sustainable way;
- the integration of diverse socio-economic and ethnic groups into the fabric of the city;
- the integration of housing, employment, and services to lessen the negative social and environmental impacts of the built environment; and

- the optimal utilization of the existing built environment by intensification and reuse.

4.0 THE CONTEXT FOR A REDEFINITION OF THE REGULATORY FRAMEWORK

10. Various housing policy measures currently in use in many OECD countries — including rent control regulations, housing programs targeted to households with special needs, and tax and subsidy policies — aim to meet housing needs not addressed through the normal workings of the market. However, these and other urban policies sometimes produce unintended, negative effects. Some relevant policy trends are outlined below to provide an understanding of the context in which the regulatory issues identified in section 5.0 are being raised.

- Increased need to protect the natural environment, and to respond to global or national environmental goals, such as the reduction of greenhouse gases, the protection of the ozone layer, and waste reduction.
- Greater interest in the renewal of older, inner city areas and the preservation of open space. This has led to policies that seek to revitalize older residential areas, to protect the built environment, and to reduce "out-migration" to the suburbs.
- A shift from policies that focused on increasing the quantity of housing to policies having an emphasis on improving housing and living conditions.
- A change in emphasis from the direct provision of social housing to maintaining and upgrading existing rental stock and to the privatization of the social housing stock. In many industrialized countries, the shortage of affordable housing has been aggravated by the disappearance of affordable, private rental accommodation due in part to gentrification and urban renewal policies.
- Decentralization (to regional and local levels) of responsibility for housing provision and related services.
- Increased public participation in the residential development process.
- Increased emphasis on public/private sector partnerships. With the need to make more effective use of limited government resources for low-income housing programs, there has been a shift towards policies that seek to harness the initiative and resources of the private and voluntary sectors for low-income housing provision.

5.0 PLANNING REGULATIONS AND LOW-INCOME HOUSING: SIX KEY ISSUES

5.1 Approach

11. Governments develop regulations and procedures related to the production and use of housing and land for a variety of reasons. Common government policy objectives are to ensure public health and safety; to permit the effective management of housing and land within communities; to improve housing quality; and to achieve aesthetic goals. If used imaginatively, planning regulations can also be used to encourage the development of sustainable communities. However, current regulatory frameworks raise a number of important issues related to the achievement of sustainable community development. These issues have been grouped under six headings:

- Issue 1. *Regulations and sustainable communities*: what is the role of planning in balancing the need for economic and community growth with the need to conserve and protect the natural environment?
 - Issue 2. *Regulations and (the conservation of) existing housing and communities*: how can planning regulations be used to maximize the utilization of existing housing and communities, while preserving the architectural heritage of our cities?
 - Issue 3. *Regulations and housing affordability*: how can planning regulations be redefined to increase the supply of low-income housing, while fulfilling other planning objectives, such as controlling the quality of housing and the built environment?
 - Issue 4. *Regulations and housing choice*: how can planning regulations be modified to increase the number of housing options?
 - Issue 5. *Regulations and socio-economic/ethnic integration*: how can land use be redefined to promote the intra- and inter-neighbourhood interaction of different socio-economic and ethnic groups?
 - Issue 6. *The process of developing and implementing regulations*: how can planning procedures be improved to facilitate the attainment of the general goals of an integrated planning approach?
12. In the overview of these broad issues, there will be a discussion of
- opportunities and barriers presented by planning regulations to the provision and integration of low-income and affordable housing;
 - the context in which regulations are made and implemented; and

- instructive examples of current regulatory initiatives concerning the provision and integration of low-income and affordable housing, drawing on OECD examples.

In addition, as a step towards the development of Terms of Reference, some pertinent questions follow the discussion of each issue.

13. For the purposes of this issue paper, the regulatory areas to be addressed will be regulatory instruments with a basis in legislation, and the procedures employed to develop, implement, and enforce them. Regulatory instruments to be discussed include development control standards; building standards; zoning by-laws; site-servicing and -planning standards; and land development and building approval processes.

5.2 Discussion of Key Issues

Issue 1: Regulations and sustainable communities

14. "Sustainability" implies a steady improvement in social equity, opportunity and quality of life, and recognizes a strong interdependence between social, economic, and ecological systems. Land use regulations, zoning in particular, can segregate economic and residential uses, undermining a holistic approach to urban development. Planning a sustainable community involves taking into account the locational characteristics of housing, such as access to services. There is a need to develop mechanisms that will enable people to fully participate in, and contribute to, the economic and social development, and the environmental improvement, of their communities.

15. Regulations and the distribution of housing, employment opportunities and services. An effort must be made to ensure that all citizens have equal access to decent education, employment, and housing in order to increase their contribution to the economy. Land-use plans, if not prepared in a holistic manner, can limit the accessibility of jobs, and urban services and amenities and increase transportation costs.

16. An integrated approach recognizes the spatial dimension of housing. In order to achieve goals of economic advancement and social integration in conjunction with the provision of low-income housing units, plans and regulations must allow for the development of a city in which mutually supportive activities are no longer separated and dispersed, but are instead available locally. For example, land-use regulations can be redefined to permit the integration into housing projects of commercial development as well as the provision of places of employment. Planning regulations must also recognize that given the changing technological environment and demographic and social realities, homes can be a place for a wider range of activities (i.e., employment).

17. The housing unit and sustainable development. The need for housing that responds to changing household needs has already been clearly stated. Other aspects of the design and construction of individual housing units can have significant implications for our ability to achieve sustainability. Other key house-specific issues are:

- fostering durable construction and incorporating a life-cycle product approach to new housing development;
- removing regulatory barriers to the development of innovative building materials and techniques that are more energy and resource efficient and that reduce chemical contaminants; and
- creating a regulatory environment that fosters the development of housing designs that are more energy and resource efficient and produce fewer and less harmful wastes.

18. The urban fabric and the environment. In many OECD countries, regulations have already been instrumental in lessening mankind's negative impact on the natural environment: these regulations include emission and pollution controls, district or block heating from cogeneration, and district cooling. However, planning regulations that have contributed to the development of urban forms, which consume vast tracts of land for single-detached housing or which physically distance urban activities from each other, have created an important obstacle to urban sustainability. The consequences of these patterns of urban development include economic inefficiency, intensive consumption of natural resources, greater pressure on the natural environment, and various negative social consequences.

19. To achieve sustainability, regulatory systems need to recognize the environmental advantages of more compact urban settlement patterns and the greater integration of different land uses. Planning regulations can be redefined to promote urban development that optimizes the use of natural resources (including land) and minimizes chemical contamination; for example, regulations that favour the intensification of existing communities, higher residential densities, land-use patterns that minimize transportation energy consumption and related air pollution, and housing and urban design that foster energy efficiency and lower resource use.

20. What does a sustainable community look like? How can the current planning regulatory framework be modified to adequately direct the location, and control the form, of residential development so as to create sustainable communities? How do we assess the alternative ways of meeting housing needs, i.e., re-using or renovating empty buildings, redeveloping existing residential neighbourhoods or building new apartments, rowhouses or houses? The location should also be assessed: should the dwelling be sited on a vacant developed lot or at the periphery of the city; near to or distant from employment centres? On a smaller scale, what are the energy implications and ecological impacts of different construction materials and methods?

Was the process that produced the building materials sustainable? How do we devise a system of building regulations that is sufficiently flexible to permit innovation, while stringent enough to control the quality of development? These are some of the issues that need to be addressed.

Issue 2: Regulations and (the conservation of) existing housing and communities

21. As noted above, in pursuit of the wider goal of sustainable development, it is necessary to make better use of the existing housing stock and the built environment. This would curtail the spread of urban sprawl into valuable agricultural lands and sensitive areas, limit the negative impact of urbanization on the environment, and provide a greater choice of housing types and tenures. The need to revitalize existing housing and communities becomes a priority in light of the substantial physical, social, economic, and environmental deterioration of inner city areas experienced in many OECD countries. Building and planning regulations can be revised to effectively respond to this situation.

22. Regulations and the rehabilitation and maintenance of existing housing stock and neighbourhoods. Given that a significant proportion of the housing stock in OECD countries is aging, regulations should be revised to encourage residential rehabilitation and maintenance. A necessary activity is to identify regulatory barriers to upgrading housing and neighbourhoods. Current building standards and land-use regulations, in particular, frequently pose a significant obstacle to the rehabilitation of housing and other building types, particularly in inner city areas, to more efficient use of the existing stock, and to more environmentally appropriate patterns of development.

23. Current building codes and zoning by-laws may bear little or no relationship to residential units built before the regulations were updated. In many jurisdictions, building regulations and the approval process are identical for new construction and renovation. Inflexible regulations and the time and costs involved in the approvals process may increase the cost of rehabilitation, discouraging people from renovating. To encourage the rehabilitation of existing buildings, some cities have adopted a "renovation code" to deal specifically with renovation. Other measures to prevent residential renovation projects from being unduly delayed include: exempting minor works from the approval process; assigning staff specifically to handle residential renovations; and providing a same-day permit service for small- or low-value projects.

24. Care must be taken, particularly in many European cities, to balance the need to streamline regulatory procedures with the desire to ensure the preservation of heritage buildings and the historic character of some neighbourhoods. In the Netherlands a method of regulatory control called "residential environment regulations" has been designed for existing older residential areas for which there is no other type of plan, and which are threatened by urban decline. These regulations are intended as an interim, stabilising measure. They define unwelcome buildings and uses and provide stronger controls over demolition.

25. Intensification of existing housing and communities. Intensifying the use of existing housing and neighbourhoods simultaneously serves three related goals: creating a more sustainable community, preserving the architectural heritage of older areas, and revitalizing deteriorating neighbourhoods. Intensification can be achieved by revising land-use regulations, in particular. Regulations could be designed, at the same time, to be more flexible in terms of permitted uses, and to control aesthetic aspects. Regulations could be modified to increase opportunities for infill housing, permit secondary apartments in single-family zones, provide more affordable housing, and favour urban patterns that reduce the negative impact of development on the environment.

26. Conversion of existing housing to more appropriate housing types and tenures. One opportunity to increase housing choice and to make more efficient use of existing resources, buildings and serviced land, is to revise regulations to permit the conversion of existing dwellings to more appropriate housing types and tenures. Some likely conversions include rental housing to condominiums and cooperatives; non-residential buildings to residential uses; and single-family houses to include rental units. Although these are appropriate measures to meet present-day housing needs, care must be taken to minimize negative side effects, such as the displacement of low-income residents in the process of converting rental units to home-ownership.

27. In summary, planning and building regulations should consider the sometimes conflicting needs of the maintenance and renovation of existing housing, heritage properties in particular, and the intensification and reuse of existing dwelling units and residential areas. On what basis do we decide whether to demolish or renovate? How can the needs of existing residents be balanced with those of potential residents? What increased demands will intensification place on municipal infrastructure? Does the local infrastructure have the capacity to satisfy a greater demand on local services?

Issue 3: Regulations and housing affordability

28. Although building standards and planning regulations have no doubt contributed to a steady improvement in housing quality in OECD countries and have allowed for a measure of control over housing and land development, recent studies have questioned whether current regulatory frameworks permit the development of the kind of housing people need, want, and can afford. A certain level of regulation is necessary to ensure adequate housing standards. However, some regulations, by stipulating large minimum lot and house size, single-family detached housing, the use of expensive building materials, and so on, restrict development to expensive housing. Such excessive regulations also limit redevelopment and intensification activities, such as the addition of accessory apartments. This kind of development practice tends to exclude those who cannot afford, or do not demand, large houses.

29. Modifying excessive and redundant regulations. Residential development standards often exceed public health and safety requirements, or are outdated and overly complex. Such overregulation affects the affordability of housing by restricting the supply of land available for housing (low-income and affordable housing in

particular), and by raising costs of construction and rehabilitation by employing high standards for buildings and infrastructure. Not only do excessively high building and land-use regulations add to the cost of new and rehabilitated housing, they also tend to increase operating costs for homeowners, tenants, and ratepayers. Components of housing development that tend to be overspecified or oversized in zoning and subdivision by-laws and in building codes include lot sizes, setbacks, minimum unit sizes, street widths, parking requirements, water and sewer lines, and construction materials and techniques.

30. In Canada, the A•C•T (Affordability and Choice Today) Program was initiated in 1990 with a three-year mandate to encourage municipalities and private and non-profit builders and developers to work cooperatively to eliminate excessive residential regulations and to streamline the development approval processes. Grants are awarded to projects that seek to reduce the time and effort involved in obtaining approvals and to demonstration projects that show how changes to regulations can increase housing affordability and choice without adversely affecting quality.

31. An Australian example of a comprehensive regulatory reform initiative is the Joint Venture for More Affordable Housing, or the Green Street Project. The mandate of the Project is to identify and demonstrate the advantages and cost savings of new residential land planning and engineering practices. A "model code of practice" has been prepared, which includes siting, planning, and engineering standards for residential development.

32. Regulations and land supply. The price and availability of land have major repercussions for housing markets. Zoning regulations governing density and permitted uses have a major influence on land costs; this affects not only the cost of new housing, but that of existing properties as well. Regulations should favour development that optimizes land use, especially underutilized, developed land. As noted under Issue 4, definitions of optimal urban land use are required.

33. Some issues that need to be addressed are: which building standards and planning regulations present barriers to the provision of low-income and affordable housing, and under which circumstances? How can regulations be redefined to improve housing affordability without jeopardizing the ability to meet other planning objectives, such as protecting the environment or the existing housing stock? Another issue is how to identify which standards are appropriate, and when.

Issue 4: Regulations and housing choice

34. Changing housing demands require responsive regulations. Planning regulations should be more responsive to changing demographics, family structures, lifestyles, and economic realities. Recent demographic changes, such as a decline in household size, an increase in the number of childless and single-person households, and a growing number of elderly households all have created a substantial potential demand for small, affordable housing units. Excessive standards and inflexible requirements impede the housing delivery system's ability to supply smaller units and other types of housing appropriate to current economic and social conditions. The

challenge is to tailor regulations to more effectively respond to changing housing demands, while maintaining an acceptable level of quality.

35. Regulations and security of tenure. Regulations that limit the availability and choice of affordable housing may force people out of their dwellings and communities when their financial means and housing needs change.

36. The current regulatory framework and residential innovation. Building standards and land development regulations often inhibit innovative approaches to housing and community design and construction, even though these approaches reflect changes in household composition, size, and lifestyle. For example, some building code provisions pose a barrier to innovation in building materials and techniques. Performance standards, rather than prescriptive standards, may better serve to promote the development of innovative construction techniques and materials.

37. Building standards and land-use regulations should be made more *flexible* in order to encourage housing that is *adaptable* to changing tenures and forms. Regulations should also permit housing that is *expandable*, to permit incremental increases in finished space as families grow and financial means improve. Unfortunately, many innovative residential forms, such as convertible houses — units designed to adapt to changing household needs, which may be altered to include one, two, or more units — do not fit into many cities' land-use categories. "Granny flats", a concept that originated in Australia, is another example of an innovative housing form that is difficult to get built in many jurisdictions. A granny flat is a pre-fabricated unit that is temporarily installed on the lot of an existing home, generally to house the elderly parent(s) of the homeowner.

38. Which regulations act as barriers to, and opportunities for, meeting a community's needs? The existing land-use planning process can be reworked to provide for a variety of housing in communities, by establishing zones that permit a wide range of housing types and by modifying zoning that precludes the distribution of a variety of housing throughout the municipality. In addition, the removal of proscriptive regulations might stimulate more efficient use of the existing housing stock and developed land, for example, by facilitating the conversion of larger units into smaller units or permitting the addition of accessory apartments. What housing choices should be made available, and what are the costs of not providing appropriate options?

Issue 5: Regulations and socio-economic/ethnic integration

39. To create a balanced, integrated community, it is vital to address the social and economic aspects of land use. In particular, it is essential to formulate urban development policies that reduce the economic and social costs of segregation, and are sensitive to the needs of the poor, the homeless, and the underprivileged, especially with respect to decent, affordable housing.

40. Regulations can encourage tenure mix and social integration. Current zoning regulations, more than any other regulatory mechanism, act as a major barrier to social integration. Exclusionary zoning segregates people by income levels and consequently by ethnicity (because many ethnic groups often fall into lower-income categories). Exclusionary regulations, by increasing the cost of housing beyond the reach of the poorer members of society, may prevent some groups from joining a community or may drive them out of the community in which they already live. This, in turn, contributes to the already limited access by economically disadvantaged groups to better educational and employment opportunities, recreation facilities, public transport, and other urban services.

41. It is time to reexamine the motivation behind the current definition of land-use categories. Land-use regulations not only are mechanisms that determine permitted and forbidden buildings and activities, and classify parts of cities by housing type and density, but are also the "organizing principles for relationships among land users".² Just as zoning creates and preserves land value, thereby providing some stability for communities, it can also serve to protect the interests of current residents. In two recent landmark cases in the United States (*Mt. Laurel I and II*), the court overturned exclusionary zoning ordinances that severely limited multifamily housing and required minimum lot sizes. The decision opened the door for more flexible zoning by obligating communities to regulate land use so as to provide realistic opportunities for low-income and affordable housing.³

42. Creating zones strictly for single-family detached housing, which is primarily owner-occupied, limits rental opportunities in such neighbourhoods. Young couples who require extra income to help pay the mortgage, the elderly who wish to remain in their community but are no longer able to maintain a large house, people who prefer renting, single mothers who wish to live near their parents but cannot afford the housing prices: none of these people's housing needs will be met without introducing greater flexibility in land-use regulations that govern housing type, and thus, tenure.

43. "Zoning must go beyond neutrality and take an aggressive, positive role in remedying the damage inflicted by the existing distribution of land, income, and capital in metropolitan housing markets".⁴ Regulations can be redefined to permit a variety and mix of housing types and tenures across communities, and to break down the walls that segregate the affluent from the disadvantaged. For example, the development of inclusionary zoning mechanisms, such as mixed-use districts, bonus zoning, floating zoning, mandatory set-asides of a given percentage of affordable units in a residential development, and planned unit developments (P.U.D.s), represents an effort to take into account the social and economic aspects of land use.

²Perin, C. (1977) *Everything in its Place: Social Order and Land Use in America*. Princeton, N.J.: Princeton University Press, p. ix.

³The National Association of Home Builders (1986) *Low- and Moderate-Income Housing: Progress, Problems and Prospects*. Washington, D.C.: National Association of Home Builders, p. 79.

⁴Merriam, D. et al. (1985) *Inclusionary Zoning Moves Downtown*. Washington, D.C.: Planners Press, American Planning Association, p. 5.

44. Planning regulations and the concentration of disadvantaged groups. One visible consequence of segregation along socio-economic and ethnic lines is the concentration of disadvantaged groups in certain neighbourhoods. This phenomenon creates a myriad of economic and social costs that are difficult to quantify, and which are therefore not normally factored into the cost of providing housing, especially social housing. Areas of concentrated poverty encourage impoverished social and environmental conditions, higher crime rates, and reduced educational and employment opportunities, as well as a diminished local tax base.

45. Regulations and the resistance to change within existing neighbourhoods: the "Not In My Back Yard" (NIMBY) syndrome. Despite a significant evolution in the design of low-income housing projects — present day projects are typically much smaller scale, designed to blend in architecturally with the community and to provide a greater mixture of income levels — neighbourhood resistance remains one of the chief obstacles to the provision of affordable housing. Neighbourhood resistance has stymied modifications to regulations to permit the construction of smaller homes or more appropriate housing forms, and to allow the subdivision of land into smaller plots. Regulations have, instead, been used to maintain the *status quo* in existing neighbourhoods, thereby limiting housing choice for lower-income households and fostering social segregation.

46. Why do changes in land-use categories meet with such widespread resistance? One important reason is that the regulatory system is rooted in local political realities. Local officials are elected by current residents who wish to defend their interests at the expense of potential residents. In addition, because property taxes are a principal source of their revenue, municipalities may have a vested interest in maintaining the *status quo*. Moreover, because home equity constitutes the principal wealth of most households, people tend to fear any real or imagined threat to property values. Public education is crucial to changing people's attitude towards affordable housing (both market and assisted housing). A recent Canadian report prepared for the Ontario Ministry of Housing concluded that low-income housing projects have no overall negative impact on the value of surrounding properties.⁵ Other studies indicate that mixing densities also has no negative effect on property values.⁶

47. How can neighbourhood resistance to low-income and affordable housing projects be reduced? As noted below, one response is to examine present mechanisms for public consultation, and the influence of these mechanisms on residential development. Ways need to be identified to represent those whose housing needs have not yet been adequately met and incorporate their views into the public consultation process.

⁵Ekos Research Associates Inc. (1989) *Evaluation of Property Value Impacts: Non-Profit Housing*. Prepared for the Ontario Ministry of Housing, Canada.

⁶Mosena, D. (1984) "Downsizing gracefully", *Planning*, January, pp. 9-15.

Issue 6: The process of developing and implementing regulations

48. The challenge for planners is to streamline regulatory procedures, while retaining the capability to improve the quality of the built environment and meet other societal goals. In general terms, delays in the planning process must be weighed against the corresponding long-term costs and benefits. For example, in the case of larger projects, an environmental impact assessment study is desirable, despite the additional time required to carry it out.

49. Streamlining regulatory procedures. The length of time involved in land development and building approval processes affects both housing cost and choice. Delays increase the cost of housing construction, and act as a barrier to the development of innovative housing types, materials, and site plans. Delays in the housing delivery system also result in wasted capital, delayed production, postponed employment, and lower profitability.

50. Reasons for delays in the development approval process include complicated and uncoordinated building permit application and review procedures, inadequate information and unclear application forms, lack of trained staff, competing jurisdictional authorities, overlapping jurisdictions between government departments, and ineffective mechanisms for public consultation. Some approaches to eliminate undue delays in development permission include application tracking systems; team review processes; staff training and education; improved information dissemination and public consultation; and central application and information centres.

51. Reevaluation of the development and implementation of planning regulations. To adopt an integrated planning approach, there is a need to not only streamline the formal administrative and legal framework within which planning is conducted, but to make the planning framework sufficiently sensitive, flexible, and practical to allow for a variety of types and degrees of integration. The planning process may be used to encourage smaller-scale, incremental, more organic development for more appropriate, sustainable, human-scale cities.

52. a) *Identifying and measuring costs and benefits.* Current planning systems may require wide-ranging changes to cope with the demands of an integrated planning approach. A project's short- and longer-term social and environmental costs must form an integral part of its assessment. The need to fully value environmental and social costs in the decision-making process will entail a new method of accounting for the costs and benefits of planning decisions. This implies a shift from an emphasis on short-term sectoral policies to the inclusion of longer-term environmental and social costs and benefits in the economic equation. For example, the decision to build a low-income housing project using an energy-saving design may entail a higher initial capital outlay, but may also mean lower long-term operating costs and obvious environmental benefits.

53. How does one measure a project's "external" costs and benefits that are much more difficult to quantify, such as reduced quality of life, economic injustice or social isolation? How does one account for both a project's short- and long-term environmental impacts, such as increased automobile use, the lower energy efficiency

or greater material use of certain housing forms, or the disappearance of natural wildlife habitats due to urban sprawl? Tools that take such factors into account need to be developed.

54. Once these costs are identified, it will be necessary to "internalize the external costs" of the regulations. For example, the impact on resources of single-detached housing is greater than that of rowhouse development. The amount of land needed per unit is greater, as is infrastructure, such as transportation, water, and sewer. Per-unit energy costs are also greater. Urban sprawl due to lower population densities increases dependency on private automobiles and reduces the viability of local services and facilities. Methods must be found to internalize these costs in the costs of housing and land development.

55. b) *Who pays for the external costs of development?* Should the developer or the public sector be required to meet the short- and long-term social and environmental costs arising from the development? In the U.S., Canada and Australia, methods, such as development impact fees and conditional zoning, have been developed to reallocate the costs of development infrastructure (such as schools and public open space) between public and private sectors, with developers having to meet part or all of the costs of their developments. In addition to directly related infrastructure, the developer might be required to contribute towards community and transport services.

6.0 TOWARDS THE IMPLEMENTATION OF AN INTEGRATED APPROACH TO URBAN DEVELOPMENT

56. An extensive discussion about how to implement an integrated planning approach to provide affordable housing and to promote sustainable communities is outside the scope of this issue paper. However, to illustrate some of the important issues, two aspects of an effective planning approach will be briefly discussed: (a) the role of the key players in the planning process, and (b) the role of education and information sharing.

57. *The roles of the key players.* The following groups have a major stake in the planning process: (1) government authorities; (2) residents and interest groups; and (3) housing industry professionals, such as developers, builders, planners, and architects. Planning must seek to reconcile the conflicting interests and priorities of these three groups in order to satisfy social needs and to create harmonious development. Integrated planning is concerned with resolving conflicts between different societal goals, and it seeks to set, through wide participation, parameters within which changes can take place.

58. a) *The roles of local, regional, and national governments.* The roles of the various levels of government involved in the development and implementation of regulations must be well defined and better coordinated. In most cases, local governments are best situated to assess local housing needs, demands, and problems. Unfortunately, development decisions made at a local level may be overly influenced by short-term political motivations and community resistance. Some areas

of regulatory control may be better invested in higher levels of government. For example, building codes are better implemented at a national scale to ensure consistent standards and ease of interpretation by builders and local planning officials.

59. Regional governments are best positioned to develop growth strategies and to plan for shared infrastructure, such as transportation networks. It is also important to recognize the interrelationship between the growth and decline of neighbourhoods, cities, and regions. Hence, development must be examined from a broader perspective (regional or even national), rather than from a local one.

60. b) *The role of the community.* Current public hearing processes often lead to long delays in the approval of, or prevent the construction of, innovative and lower-income housing. One way to combat this problem is to involve interested parties at the early stage of the planning process. This type of community consultation, which permits public input into design and other issues, may succeed in lessening community resistance to low-income housing projects and may ultimately improve project design. This, in turn, may foster the integration of lower-income groups into the community.

61. Effective mechanisms must be found for encouraging and integrating citizen participation in policy formulation. To use public consultation and participation effectively, it is necessary to establish administrative and institutional arrangements that facilitate communication between those involved in the planning process.

62. c) *Partnerships in implementation.* Because of the complex nature of an integrated planning approach, it is vital to encourage co-operation between key players. Partnerships may vary widely in range and form. Such co-operation includes partnerships between metropolitan authorities and other government levels, and partnerships between government departments. Public-private partnerships are also important to the success of urban development projects, especially in the context of restrained public budgets. To this end, the process of developing and implementing regulations can be an enabling tool with which to stimulate the involvement and resources of the private building sector and voluntary and non-profit housing and social organizations.

63. *Education and the exchange of information.* In an integrated planning approach, the level of knowledge about a project's social, economic, and environmental impact is of central importance to achieving optimal results. The interested parties need to clearly understand and identify the potential implications of planning decisions. Communication plays an important role in successful public consultation. Equal access to information is vital to the empowerment and integration of disadvantaged groups.

7.0 CURRENT REGULATORY INITIATIVES

64. Presented below are some illustrative OECD examples of current regulatory initiatives that take an integrated approach to the provision of low-income housing.

65. *Enterprise Zones.* The Enterprise Zone (EZ) concept, applied in the United Kingdom and in some developing countries (as "free zones"), and more recently in the United States, is a free enterprise approach to revitalizing declining urban areas. The concept aims to promote economic rejuvenation in blighted areas by removing government obstacles and disincentives to private initiatives, including tax policies, zoning ordinances, and building codes. By doing this, the intention is to create a climate for enterprise and innovation to bring new jobs for local residents, new neighbourhood businesses, and a mixture of residential and commercial uses.

66. *The HOPE Initiative: Housing Opportunity Zones.* One example of an integrated approach to housing provision is the HOPE (Homeownership and Opportunity for People Everywhere) Initiative, which was recently adopted by the U.S. Department of Housing and Urban Development (HUD). This initiative recognizes that inadequate housing is only one problem associated with poverty. By using a combination of measures — such as tax incentives, enterprise zones, home-ownership grants, education and training, provision of child-care facilities and lifting regulatory barriers — the program intends to harness private initiative and resources to expand home-ownership and affordable housing opportunities as well as create jobs and economic opportunities. An important component of the HOPE program is the Housing Opportunity Zone. These zones are established by HUD to encourage state and local governments to reduce regulatory and tax barriers in order to stimulate the construction of affordable and low-income housing in urban areas that contain significant amounts of vacant land or vacant buildings.