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**GLOBAL CHANGE, LOCAL  
CHALLENGE: ISSUES FACING  
CANADIAN CITIES INTO THE 21ST  
CENTURY**

# ***GLOBAL CHANGE, LOCAL CHALLENGE: ISSUES FACING CANADIAN CITIES INTO THE 21ST CENTURY***

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"Global Change, Local Challenge: Issues Facing Canadian Cities  
into the 21st Century"

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I. Introduction and Overview

Cities are no longer purely local creatures. They are part of the global economy. They are also vitally important parts of the Canadian political economy and of the political economy of the provinces and regions within which they are located. As a result, cities must be thought of as both affecting as well as being affected by these larger national, provincial and regional spatial units of which they are key components. Thus, there are two-way linkages which must be accounted for when thinking about cities from either a local or national perspective. Below, I will talk about these as micro-macro links and as we will see they are first cousins of the well known NIMBY ("Not In My BackYard") and NIMTE ("Not In My TErm") phenomena currently plaguing local and provincial policymakers. Therefore, just as the actions of individual neighbourhoods can have significant aggregate (and negative) impacts on urban housing supply, choice, and price, so can the actions of local and regional governments aggregate to significant provincial and national economic and social impacts.

Accordingly, in this paper, I would like to sketch out major macro and micro issues likely to face Canadian cities in the next decade and into the next century. In keeping with the macro-micro schemata outlined above, I have organized the discussion that follows roughly into top-down (macro) and bottom-up issues (micro), and two-way (micro-macro) linkages.

This framework was chosen specifically so that I could conclude the discussion by suggesting some policy ideas which could be appropriate for the federal government. The micro-macro classification should help to identify the circumstances in which local and even provincial urban policy is unlikely to be effective and where federal urban and regional policies may be called for. Similarly, this analytic structure should enable us to identify the sorts of micro urban effects that result from macro national urban and other policies.

## II. Macro Issues

In economic parlance, urban economies are "open" meaning they are dependent to a very large degree on their ability to export goods and services to pay for needed imports. This derives from the relatively small scale of urban economies and the resulting inability to produce economically a very wide array of goods and specialized services. Openness in turn leads to considerable cyclical instability (as typified by local housing price cycles) when the export demand for the urban region's goods and services change. Urban regions therefore rely for their economic well being almost totally on external (and typically national) economic forces and policies.

A similar kind of openness faces urban physical environments where air and water pollutants do not honour municipal boundaries. Thus, the urban physical environment is greatly affected by activities and events outside its borders (in the extreme outside the borders of the nation as with acid rain falling on Southern Ontario cities but originating in the U. S. Mid-West).

Openness of both sorts has taken on a new meaning however, with the increasing globalization of markets so that not only are urban economies subject to the vagaries of domestic national economic and political forces, but they are increasingly subject to the vicissitudes of global economic, political and

environmental factors. Accordingly, I want to examine the most macro elements impacting Canadian cities, namely those occurring on a global scale before zeroing in on national macroeconomic and demographic forces.

a. Globalization of financial and manufacturing markets

Nations can no longer make domestic economic policy independent of the global marketplace, nor have they really been able to do so for most of the past two decades. This is equally true for firms, especially those in financial services where the globalization and integration of world financial markets proceeds at a sometimes worrying pace (Hamilton (1986); Kaufman (1986); and Wachtel (1986)). Much of this integration has taken place among the developed countries of the European Community and North America, although considerable and rapid regional integration of financial markets has also been occurring in Asia (Tan and Kapur (1986)). As a result of this integration there is a growing network of urban regions that have evolved as "international financial centres" (IFCs) where the world's financial decisions are increasingly being concentrated (Reed (1981)). The evolution of this network of IFCs in turn argues strongly all by itself for the growing integration of the world's major urban property markets located in these IFCs.

Looking at globalization from a more local level, one has only to look at the core of major cities anywhere in the world to



see the symbols of multinational enterprise and international financial firms to get some indication of the local consequences of the globalization of economic activity (Daniels (1986); O'Connor and Edgington (1987)). Global financial capital flows cannot and will not readily be separated from other international investment flows even in areas long thought to be insulated such as urban property markets and the related urbanization and urban development processes (Daly (1982); and McGee (1984)).

b. Globalization of property markets

A growing body of evidence suggests that the driving forces of yield enhancement and diversification that are at work in financial and non-financial markets are also globalizing urban property markets so that they are no longer the sole purview of local developers and investors. Some evidence follows.

Beginning with qualitative evidence, the mass media and professional magazines carry numerous stories not just about foreign investment in Canada, but also about offshore real estate markets and the opportunities they may represent (Cu-Uy-Gam (1989); Daniels (1990); De Mont and Fennell (1989); Gates (1990); Horvitch (1990); Mitchell (1989); and Stoffman (1989)). Hard and fast numbers on the dollar value of offshore investment though, are extremely difficult to obtain (Goldberg (1985)). Thus, it is necessary to rely on much more fragmentary evidence to paint a picture of offshore investment in Canadian property markets.

McKenna (1987) suggested that in 1985 \$6.5 billion were invested in real estate or 2% of total foreign investment in Canada. The largest investors were Americans with the British and Dutch next and the Japanese back in the pack but gaining (Gates (1987)).

In Vancouver, it is estimated that ethnic Chinese have amassed about C\$4.0 billion in real estate to date. A problem with numbers such as these is that it is often difficult to ascertain whether or not ethnic Chinese investment is foreign or domestic given the extensive family ties among Southeast Asian ethnic Chinese and their North American relatives.

c. New International Division of Labour and The Global City

The new international division of labour (NIDL) asserts that production is increasingly being organized and managed on a global scale, tying previously independent rural agrarian economies directly into the global marketplace (Frobel, Heinrichs and Kreye (1980); and Cohen (1981)). This new mode of global production is in turn closely related to the emergence of the global corporation which can: internalize many specific product markets; allocate capital globally to the most profitable locales; and finally which can (and must) gather, process and communicate information on a global scale to carry out its functions ((Taylor and Thrift (1982); and Thrift (1983)). These functions virtually force global corporations into cities creating global cities which in turn promote the rise of global

corporations. (A similar simultaneity exists between IFCs and global corporations leading to the not surprising result that most global cities are also IFCs).

d. Physical Environment

Global, national and local movements to protect the health and ensure the enjoyment of a high quality physical environment, is a macro force of growing strength which will profoundly affect the development and future of cities. Increasing public concern about environmental issues will force policymakers to take land use and transportation and related development decisions which do not degrade the physical environment, and which will be called upon to remedy past sins, such as a renewed emphasis on public transportation accompanying land use policies which decrease air and noise pollution.

e. Structural Economic Change

One facet of structural economic change has already been touched on, the new international division of labour (NIDL). Not unrelated to NIDL is the dominance of the service sector in advanced economies such as Canada's and the relative (and in some cases absolute) decline of the goods producing sector. Goods production is not only leaving because of higher wages but because it is also being confronted here, and in other developed nations, with more stringent environmental controls. These factors combine with rapid technological change to greatly reduce

the number of jobs in goods producing industries which have often been tied, in their location to cheap transportation, labour, and/or resources. The service economy, however, is much more footloose and able to locate where people want to live. This is the reverse of the usual location situation facing firms. It suggests that locational choice will be increasingly quality of life driven because of the unwillingness of local areas to accept polluting goods producing industries, and because of the desire of employees and management to locate in high quality physical settings.

f. Demographic Change

The changing demographic structure of Canada's population is a macro feature albeit at the national (and not the global) level which is already having enormous and fundamental impacts on Canadian cities. The aging population, the relative paucity of births, and the increasing importance of international and interprovincial migration are all parts of the demographic reality of the future that will shape our cities and housing markets. They are important departures from past demographic features and forces and thus need to be carefully and explicitly considered in any set of future urban and housing policies either at the national, provincial or local level.

g. Open and cyclical nature of urban economies

All of the foregoing factors will tend to reinforce and

exacerbate the already open and cyclical nature of urban economies. Globalization suggests that urban areas will increasingly be impacted by economic shifts occurring in other countries. These economic changes will impact urban economies directly through the demand for goods and services produced locally and also through shifts in global real estate investment patterns.

Migration flows, themselves not unrelated to global economic forces, will subject urban areas to further cyclical fluctuations and instabilities. International population flows will be increasingly difficult to monitor and influence as recent refugee issues and family reunification policies are proving in Canada. Internal population movements are guaranteed under the Charter of Rights and Freedoms and can also be expected to put periodic pressure on urban housing, land and transportation infrastructure.

#### h. Recapitulation

The previous discussion suggests that urban policy of the future will have to take into account a much broader range of issues than it had to in the past. The urban policymaker of the twenty-first century will need to be much more attuned to international and national forces and will need to see their efforts as taking place not merely in a local setting but in a broad national and international setting as well.

### III. Micro Issues

There are really three sets of issues here that I want to address. The first two issues concern access, the first economic the second physical or spatial. The third issue spans both these areas and deals with transportation and land use.

#### a. Economic Access

There are two areas where economic access will be of increasing concern. The first is access to suitable housing and the second is access to suitable jobs.

##### 1. Access to housing

Housing is the most important asset held by the typical Canadian household. It is also the most important single purchase made by the typical household. As a result it is not surprising that access to housing is such a politically loaded issue and that access, particularly for low income, special needs, and first time purchaser households.

Access to suitable housing will be a continuing issue for low income households. Restrictive land use controls which discourage the development of medium and higher density housing are one source of difficulty since such restrictions in supply necessarily raise the costs of housing, in particular the land component since the effective supply of land is a function of land use controls as well as the physical attributes and nominal

supply of land. The normal functioning of the housing market, is increasingly dominated by two income households or households with equity in their existing housing unit. This contemporary demographic fact tends to further raise prices by increasing the effective purchasing power of these households, in the process adversely affecting such low income groups as single parent and elderly households.

Finally, access to the changing employment base (see below) will necessarily impact negatively on those people who lose their jobs and/or do not have requisite skills to meet the needs of the new jobs that are being created in new economic sectors. This is compounded in Canada by persistent regional development issues which condemn households in these regions to be confronted with enduring low incomes and poor access to quality and appropriate housing.

## 2. To jobs

As noted earlier, the global economy is changing dramatically and inexorably into a more tightly knit and integrated system. As part of this integration there has been a shift in traditional manufacturing jobs to less developed countries with developed nations becoming increasingly dominated by service and managerial activities. The manufacturing that remains is typified by high levels of capital intensity (equated with minimal and/or decreasing employment opportunities) and

advanced educational and job skills.

This suggests that traditional employment opportunities in relatively high paying unionized jobs are decreasing. Therefore, access to employment which was taken for granted during the 1960s and 1970s can no longer be assumed. Employees in future will need higher levels of education, more frequent job retraining, and likely greater willingness to relocate to those regions where employment has a natural comparative advantage. This last point follows because increasingly international competition, rulings under GATT and the US free trade agreement, and general fiscal stringency being experienced by all levels of government, all combine to argue against the sorts of regional development and job subsidies which were rampant in an earlier era.

The implications of these job-related issues are significant. First, they imply that there will continue to be a weighty portion of the labour force unemployed as a result of so-called structural factors. This in turn affects housing access as noted previously. Second, the increasing reliance on market forces to create jobs in economically viable locations, suggests that the "have" regions will experience continued population and income growth with resulting pressure on housing price and availability and on regional transportation and related infrastructure. The donor regions will experience further declines with resultant diminution in the ability to pay for



adequate housing and/or housing maintenance and repairs. Accordingly, housing issues can be expected to be increasingly regional in nature and not national, arguing for a very different approach to national and regional housing policy than that which has been practiced in the past.

b. Spatial Access

Physical access among the different land uses and neighbourhoods is a growing concern across the country. Such cities as Toronto that have (legitimately in my view) prided themselves in largely overcoming the transportation failures typified by American urban metaphors, are now facing levels of congestion, air pollution and crowding that are unacceptable to urban residents. Areas such as Vancouver which had not faced these issues in the past to the same degree as Toronto, Montreal and Edmonton and Calgary, are finding that they must. Access to road and public transit systems is increasingly difficult as these systems become overloaded, as development occurs farther and farther out on the urban fringe, and as environmental concerns relating to air, noise and automobile pollution grow.

There are basically four kinds of access urban area residents require and all stem from the physical separation of land use resulting from single purpose zoning and from consumer preferences to have housing and jobs located in different parts of the urban region. The four sources of demand for urban access

include access to: housing; jobs; shopping; and recreation.

These access issues feedback to affordability and economic access and forward to the transportation and land use issues to be considered next. Rising congestion and transportation costs will adversely affect those already on the margin of economic well being and force further trade-offs with respect to housing. These households will have to absorb higher travel costs and endure longer travel times (also essentially a higher travel cost) straining household budgets and quality of life. It will make it increasingly difficult for these households to locate near their potential sources of employment, and indeed exacerbate the difficulties that marginal employees will face in finding suitable employment in the future.

Accordingly, physical and economic access are closely related. They need to be seen as strongly complementary and considered in this context, which we do in the next section where the complementarity of transportation (physical access) and land use (economic access) are dealt with jointly.

### c. Transportation and Land Use

The transportation impacts of land use development and the land use impacts of transportation investment have been greatly studied by urban planners and economists who have long known and talked about the complementarity of transportation and land use.

However, land use-transport interactions have been more honoured in the breach than in practice.

The complementarity implies that not only are transportation and land use development likely to be mutually reinforcing, but that each can be used to complement policies originating in the other. For example, a decade ago the Toronto Transit Commission observed that its Yonge Street Subway line was used to capacity inbound in the morning and outbound in the evening while the reverse trip was well underutilized. The TTC reasoned that a solution to its capacity constraint (eg. a transportation problem) was to try to encourage office employment in North York to promote counterflows to soak up this excess capacity. They did this by working with the North York municipality to rezone what is now the North York office corridor and by putting in an additional station between the Finch and Lawrence Stations. This is one of the few instances where land use development was explicitly used to treat a transportation issue.

More typically transportation investment has been called upon to stimulate land development as in the case of freeways and suburbs (as in virtually every American and most Canadian cities) or subways and office/residential nodes (as in the Yonge Street corridor). Either approach however is doomed to fail if the complementary impacts are not appreciated at the outset. Thus, the American penchant for freeway development has not reduced

travel times in general since freeways merely stimulated peripheral land development which in turn increased the demand for freeway travel and so on.

In view of the foregoing, it is essential that urban policymakers recognize explicitly the complementarity of transportation and land use development so that a diversity of transportation and land use policies be developed and implemented which jointly seek to achieve complementary and mutually attainable goals. The heyday of transportation planning being done by engineers and land use planning being done by urban planners is long gone and can no longer be tolerated in any event. Public resources are just too limited to allow such costly and often counterproductive and self-defeating policies as freeway development and single use zoning to continue where the transportation system has enormous significant land use consequences and where single use land development creates enormous demands for travel to overcome the spatial separation of these separate uses. Systemic and coordinated planning is a must in future.

#### IV. Two-Way Linked Issues

The two-way nature of transport and land use interaction has been discussed previously. It serves to illustrate that simple one-way (eg. top-down or bottom-up) causal links are inadequate to deal with the complexities of the Canadian city. Other examples follow, all of which call for a systemic approach to urban policy which acknowledges the two-way linkages that exist when considering most high profile urban issues facing and likely to face policymakers over the coming decade.

##### a. Quality of Life and Urban Environmental Issues

Quality of life issues increasingly are coming to dominate the urban and national policy scene. However, it must be realized that as we seek ever higher standards of living that we necessarily put strains on the physical environment. First, higher standards of living are associated with greater levels of resource extraction and use which in turn creates or worsens existing pollution or the degradation of natural environments. Second, as people migrate to urban areas and regions which possess abundant desirable natural amenities, the ensuing growth endangers the very amenities which drew people to these areas in the first instance.

##### b. NIMBY blown large

The NIMBY phenomenon is a pernicious one. When localities (be they cities, neighbourhoods and city blocks) argue against

development in their area the effects in the aggregate are potentially much broader spatially and can be long lasting. This derives from the fact that what holds for a small entity does not necessarily hold for a larger collection of these entities (so-called "fallacies of composition" in economics and philosophy). Thus, while it may appear rational for a neighbourhood to argue for demolition control and downzoning to try to preserve lower cost older rental housing, such policies usually wind up having the reverse effect when aggregated with similar policies and NIMBY demands from other neighbourhoods. Thus, there is a two-way link between neighbourhood decisions and larger urban and regional issues such as housing shortages. This two-way linkage is usually overlooked, despite the fact that it is essential to see NIMBY as a looming fallacy of composition if it is to be treated.

#### 1. Example: Sydney, Australia

A dramatic example is provided by the case of Sydney, Australia in the late 1980s. Local councils in the Sydney area consistently fought higher density housing and office development leading to the possibility of a significant decline in supply of both during a period of dramatic growth of the Sydney, New South Wales and national economies. The state government removed the local councils and essentially put them in receivership replacing elected officials with an appointed three-person governing body. The state government reasoned that the Sydney economy was too important for the state and the nation to have it held in check

by parochial local interests, so that state acted to break the fallacy of composition by imposing broader state and national concerns on top of the localized interests (Laurence (1987); and Simper (1987)).

## 2. Housing and Jobs interact too

Similarly, we can envision circumstances where NIMBY-like local actions significantly curtail the supply of higher density housing in the medium term thus raising, and not lowering, the price and availability of housing in a whole metropolitan region. Not only would such actions lead to the reverse of their intent (eg. less affordable and not more affordable housing), but they would also have negative consequences on the job market as national and international firms by-passed the region because of its high cost and limited housing supplies. The growth control advocates need to be aware of these sorts of larger regional undesirable consequences of their local actions.

### c. Breaking the NIMBY cycle

The fallacies of composition induced by local NIMBY actions can be broken. However, to do so requires commitment and leadership by all involved.

First, senior government intervention is required. The case of Sydney, Australia cited earlier provides one example. The creation of UNICITY in Winnipeg provides a Canadian example.

Such senior government intervention needs to be tempered though through local execution and refinement of policy.

Second, there is a need to equate the marginal costs and marginal benefits of development, growth, and infrastructure investment. Thus, governments should consider shifting of marginal costs onto the private sector through proper pricing of land use controls and development permits (eg. like the old land use contracts which existed in British Columbia through the 1970s). The Lions Gate Bridge connecting Vancouver and West Vancouver provides an interesting example which contrasts markedly with the US approach where roads and water have been heavily subsidized by the federal government with enormous impacts on the national urban system and on the distribution of people and income within urban areas. The Lions Gate Bridge was completed in 1938 by the Guinness family in order to open up to development large tracts of land that the family owned in West Vancouver. They built the bridge and subsequently developed one of Canada's most prestigious residential areas, The British Properties. The principle illustrated by the Lions Gate Bridge can and should be expanded.



## V. Policy Suggestions Resulting from the Preceding Discussion

### a. Need for land use and housing policy flexibility

In view of the foregoing discussion there is a large and rapidly growing need to develop more flexible land use and housing policies which are capable of absorbing the changes that are likely to face urban policymakers in the coming decade. Specifically, changes in tastes, in technology, and in global and national economic, political and cultural forces will have to be taken into account and dealt with.

In summary form, the following would be policy areas which, in my view, are most likely to be in need of greater diversity and openness to innovation.

#### 1. Building stock

Of particular concern here is the fact that the building stock is durable and capable of providing useful housing and commercial services for decades, if not centuries. There is an ongoing need to upgrade, modify and adapt the existing stock to changing tastes and requirements and to build new stock that is better suited to contemporary needs. In housing, this requires the development of new housing forms and changes to the standing housing stock that cater to the changing population and its changing preferences. In commercial and industrial buildings greater attention to mixed use developments is a must. So is the need to accommodate changing economic activities as we move from

a goods to a service producing economy and from a quantity to a quality oriented society.

## 2. Land use controls and densities

The changes noted above will necessitate a new approach to land use controls and a new willingness to accept and accommodate greater density of land uses through better planning and design. There will also be a much greater need to coordinate land use policies with infrastructure policies, both so-called "hard services" (such as roads, water and sewers, and energy) and "soft services" (such as educational, social and recreational services).

## 3. Transportation infrastructure

The most critical of all of the infrastructure services will be transportation since it interacts so closely with land use as to make them virtually perfect complements as discussed earlier. Environmental issues also are closely related to transportation as automobile and truck exhausts are major causes of urban air pollution and scrap tires and automobiles are major contributors to solid waste disposal problems.

With respect to transportation investments and policies of the coming decade and century, a much greater diversity of modes and a much denser interconnections set of nodes connecting the various transportation modes needs to be put in place.

Additionally, each mode will have to be capable of considerably greater flexibility and redundancy to be able to accommodate changing and somewhat uncertain future demands.

4. Attitudes of policymakers/public to cope with change

However, the largest change required of urban policy analysts and decisionmakers will be changes in their own attitudes and those of the general public. Specifically, there will be a much greater need for openmindedness with a much increased willingness to entertain and implement a wider range of policies than in the past. The public and its hired technicians and policymakers will have to be more aware of the systemic and societal consequences of local actions (NIMBY again) and be much more willing to share the burden locally of needed systemic developments such as roads, transit guideways, denser housing and waste treatment and disposal facilities.

b. Policy suggestions: general elements

1. Greater flexibility in urban land use policymaking

In keeping with this general theme there are several specifics which will illustrate the point and provide a point of departure for policymakers. For example, in the land use policy area much greater use needs to be of flexible land use controls that allow several uses for a site or for several different uses

over time without the time consuming and costly need to refer back to often opened and extremely lengthy public hearings and local council debates. Allowing broad density caps under which several land uses could be built as dictated by local market conditions and needs would be a place to start. Thus, developers could build medium density housing and/or commercial retail as suited to local circumstances. Alternatively, various kinds of performance zoning could be used with the performance measures capable of change through regulation rather than legislation providing for the encouragement of those changing uses and mixes deemed desirable. By marginal extension, current zoning bonus schemes could be made considerably more adaptable by having the bonus levels and the bonused uses also subject to change by regulation and administrative determination rather than by lengthy legislative change.

Efforts should also be made to identify small areas where dramatically higher densities and new uses might be tried as experiments. As an example, a major intersection where auto and transit routes cross might be set aside for an experiment where in an area say 100 feet in any direction from the intersection could be developed for any use or combination of uses at densities of perhaps two to three times those presently allowable. Such intersections can usually handle increased density because of their excellent transit and auto access (particularly the transit element) and because they are usually a

mixture of commercial land uses so that the introduction of new uses and densities would not be seen as deleteriously affecting the present uses.

By extension, the foregoing idea also should be extended through time to be able to cope with different policy needs brought on by different phases of market cycles. As a result, urban policymakers would encourage innovation during market upswings (when the market is most likely to absorb new ideas), and use downturns as times to plan for the next upswing. This is regrettably, almost the reverse of the present ideology.

Finally, policy flexibility must recognize that in a country as large and geographically and climatically diverse as Canada, we must allow for a great deal of variation in policymaking approaches and standards across jurisdictions. The administrative and bureaucratic convenience of uniform rules, standards, and policy processes is just not well suited to Canada's highly varying reality. A greater sensitivity to local conditions needs to be built into federal and provincial urban policy processes.

## 2. Balancing flexibility and responsiveness

Under a more flexible and innovation oriented policy regime a balance will need to be struck between greater flexibility (eg. essentially reactive and positive approaches to policy as discussed immediately above) and traditional urban master

planning, design, and bold visionary thinking (eg. proactive and largely normative approaches to urban policymaking). Allowing for a healthy tension between the reactive and proactive requires a major change in mindset since these two are typically seen as being at odds with each other. In fact, they should be seen as highly complementary, each providing for ranges of ideas that the other cannot generate or accommodate. Thus, along with greater flexibility in land using activities at specific sites should go a greater ability to identify longer term those pressures that the urban area will need to accommodate. The specific local area experiments and pockets of land use flexibility should be placed in a larger planning context that explores the long term needs of the entire urban region. A mixture of greater local autonomy and broad regional coordination would be the result of such an approach, so that local areas and regional bodies would share land use responsibilities, the local area flexibility providing for innovation, the broad regional context providing for a NIMBY avoidance device.

### 3. Make policy to exploit market forces and strengths

The general idea here is a straightforward variant of the farming adage "Make hay when the sun shines." For example, urban policymakers could encourage housing and public good developments during up phases of market cycles to maximize developer willingness and ability to provide public goods such as social, family and rental housing and public recreational amenities like

parks, pools and community centres. In contrast, present policy typically moves in a cycle so that during boom and growth phases a range of growth controls are imposed that discourage development and the extraction of boom economic rents for the public good. Thus, governments lose a vitally important opportunity to add to the stock of public goods at very little cost to the tax base.

c. Specific policy suggestions

Following up on this last point the policy suggestions below all incorporate the notion of a less combative and confrontive approach to urban land and housing policy. In one way or another each of the policies suggested here argue for greater cooperation between the public and private sectors, and greater understanding of and willingness to work with, not against, market forces.

1. Public-private cooperation

a. Public private joint ventures should increasingly be sought. In these cooperative ventures the public could contribute: density or land use change bonuses; public land; fast track and simplified approvals processes; reductions in development cost or impost charges. For its share, the private sector could contribute its capital and development, marketing and management expertise.

b. Density bonuses should be actively developed, bonusing developments for desired public goods. In particular, bonuses could be provided for the development of social, rental and special needs of housing. These could be combined with fast track and simplified approvals processes and reductions in development cost or impost charges as noted above. Other bonused and specially approved activities could include public open space, public art, and public recreational facilities.

## 2. Contractually link bonuses and public goods

The public sector should link by contract bonuses and preferential development approvals to the provision of the desired public goods (eg. social, rental and family housing). A bond should ensure that the developer's obligations will be met. This approach goes right to the core of replacing the present growth control and regulatory views which usually discourage development and reduce the public goods that developers can afford to provide.

## 3. Re-examine land use contract prototype from B.C.

In the 1970s the province of British Columbia pioneered a land use planning device called a "land use contract." Land use contracts were essentially spot zonings which municipalities sold to developers. The municipality agreed to certain uses and densities and approvals schedules while the developer agreed to an array of public goods ranging from schools and community



centres to road improvements. Land use contracts were flexible and administratively straightforward devices. Regrettably, early excesses and bureaucratic abuses by municipalities led to a move by developers to ban them from the B. C. Municipal Act which succeeded in 1977. Shortly after their demise developers realized what they had given up. The basic concept was ideally suited to meet the needs of a changing and growing urban area. Unfortunately, the proverbial baby got tossed out with the bathwater. Serious consideration should be given to reintroducing the land use contract to achieve the foregoing public need for large infrastructure like roads and bridges and also for more local infrastructure like community centres, parks, schools, public art and social housing.

4. Local governments should actively encourage cyclical overbuilding

Moving local councils to actively encourage periodic overbuilding (especially of housing) during market upswings can help to keep pressure off local housing markets and provide ample supplies of a diversity of housing types. Once again such an approach stands in marked contrast to present growth control and supply limiting regulatory policies.

5. Use periodic oversupply for public benefit

When periodic oversupply conditions exist, the public and non-profit sectors can take advantage of these oversupply

conditions in order to purchase and/or finance housing purchase for (or by) low income households in a countercyclical fashion. Such a policy approach would work with market forces to achieve publicly desired ends as compared with present crisis-based procyclical panic policies which seek to supply tight markets at the peak of the cycle when it is most costly and difficult to do (eg. as Vancouver has been seeking to do during 1990).

#### 6. Density is the key to housing affordability

With limited supplies of serviced, well located, and properly zoned land it is imperative that better use be made of these scarce urban resources. Much greater efforts need to be expended by all levels of government to educate the public about the virtues of density. Governments also need to take a much more proactive stance in developing high quality denser living environments so that the public comes to see well designed denser housing as providing new residential opportunities that do not exist today. Here I want to stress that I am not suggesting Hong Kong densities just higher densities than those that exist in most Canadian urban areas today. Greater density allows the land component of housing development to drop considerably by functionally expanding the supply of land available. It must be stressed that density increases need to be systemic and not limited to small areas since it is only through large-scale broadly based density increases that significant increases in potential housing supplies can be achieved thereby reducing the

price of building rights and the cost of housing that households face in the marketplace.

7. Commercial densities also need to be increased

Once again, density is also key to office, industrial and retail viability through keeping land costs per buildable foot reasonable and internationally competitive. By ensuring adequate densities and commercial land supplies, cities can significantly help their competitive position in national and global markets. Here too, the issue is not density per se, but rather density and design, so that density can be seen as a means for providing new commercial opportunities while potentially also assisting transportation and other hard service infrastructure planning.

8. Transportation and land use integration is essential

Transportation investments are going to be absolutely critical for Canadian cities. Without adequate transportation investment it will be difficult to develop new outlying areas to keep accessible land supplies increasing without ever higher land prices. Without public mass transportation urban air and water quality are likely to deteriorate rapidly. Finally, without careful coordination of urban transportation and land policy, costly transportation improvements may find themselves facing inadequate demand. In the absence of increased land development and density, public transportation especially will find itself severely disadvantaged with low levels of potential ridership

resulting from underutilization of land and increased sprawl.

This last point is critical. As discussed at some length earlier in this paper, transportation and land use policy go hand in hand with each other and with greater densities. Transportation and land use are not only complementary, but more fundamentally they can be seen and used as substitutes to deal with issues facing each other. For example, the cooperation between the Municipality of North York and the Toronto Transit Commission (TTC) cited earlier provides a model for the explicit integration of transportation and land use policy to mutually reinforce each other.

At the other end of the spectrum, failure to account for land use and transportation interactions can have serious negative impacts for cities. For example, the RAND Corporation found in a 1973 study in St. Louis, that freeways were primarily responsible for the decline of the central city since freeways robbed the central city of its primary attribute: centrality. Freeways also had the effect of greatly increasing the supply of readily accessible land in the metropolitan area, driving down prices in the central city and setting in motion a series of highly negative expectations about land prices which led to disinvestment and heightened decline.

Finally, the positive impacts of transportation investment

can be readily used by the public sector to finance the transportation improvement and thus help to realize the benefits of the investment at little or no cost to the public. The Hong Kong Mass Transit Railway (MTR) is an excellent case in point, as its development was paid for by the public sector being able to extract the increase in land values created by the improved accessibility brought about by the MTR (eg. there was a two way impact: MTR made density possible, and density paid for MTR).

9. Urban environmental planning must build on above

Specifically, there is a strong linkage between high quality urban environments and the creation of significant economic rents associated with urban growth and development and environmental quality. The public sector should extract a significant portion of these rents from developers in payment for creating them. In some sense urban areas will have to create and protect these urban environmental amenities if they are to remain internationally and interregionally competitive. Livability (including affordability of housing and office space) will be the ultimate competitive weapon for cities in the future and urban policymakers need to see this now so that they can take appropriate public action to enhance their competitive position.

d. CMHC's Possible Roles

In the policy environment sketched out above, a new mix of global and national forces combine with the need for more

flexible and responsive local action to create a rather different setting than that faced in the past. This changed environment calls for a changed role for national housing and urban policy. In particular, the national government will have to take a more proactive stance with respect to monitoring and influencing local and regional housing and land markets. At the same time CMHC will need to acknowledge that it is local action that will be able to deal most effectively with these essentially local issues. The most important role of national government will be to provide a systemic overview that no local or regional agency can or will do. The specific roles set out below for CMHC address this overview and monitoring function in a variety of ways.

1. Provide national overview to overcome NIMBYs

In order to undo the fallacy of composition represented by local NIMBY attitudes, it is imperative that a higher level entity provide a systemic overview so that the systemic consequences of local actions can be ascertained. In such a role, CMHC can oversee in broad terms the operation of local housing and land markets and thus aggregate the locally and provincially based NIMBY fallacies of composition. In the process, CMHC will be able to help guide provincial and local policy to avoid the consequences of such fallacies of composition.

Specifically, CMHC might consider tying federal economic and cost sharing agreements to the willingness of provinces to encourage local governments to accept denser and more flexible development. CMHC might also consider using the possibility of similar economic sanctions(sticks) and grants(carrots) to persuade local governments to act to break NIMBYs themselves.

2. Provide research and data on state of aggregate supply conditions

As part of its monitoring and oversight function, CMHC should broaden the scope of its monthly housing market reports to include estimates of the effective potential land and housing supplies that pertain under various local government capacity constraints. Such a broadened research and monitoring role will help to demonstrate the fallacy of composition aspect of local development controls. It should also help to demonstrate that these same fallacies of composition are at work with respect to local development incentives such as those in the economic and industrial development spheres.

3. Provide federal housing assistance countercyclically

Federal funds for social and/or low income housing should be provided on a countercyclical basis to encourage purchase of excess units when the market is glutted, public pressure for action is lowest and prices are moderate. Such a policy would contrast with present costly and usually counterproductive

procyclical crisis management approaches.

4. Identify localized impacts of national policies

The federal government almost routinely embarks upon seemingly aspatial national policies (such as those relating to energy development) which in fact have enormous and highly localized (spatial) impacts on local real estate markets. In these cases CMHC should develop programmes, or have the authority beforehand, to mitigate some of the adverse price and availability consequences of such national policies. In this vein, CMHC's ability to conduct research into the state of affected local housing and land markets is centrally important. It is also an area where CMHC has a proven track record and great credibility which can be built upon and readily broadened. The Centre and its visitors are examples that come to mind immediately. CMHC might also consider (yet again), the development and sponsorship of a national urban policy and applied research journal or magazine to complement CMHC statistical publications, Canadian Building, Canadian Housing, and university work.

5. Develop a new countercyclical and stabilization role for national urban and housing policy

CMHC should use the above knowledge base to help create and guide national policies to provide greater stabilization of local land and housing markets. For example, exploring a range of



locally countercyclical federal decentralization activities would nicely complement local procyclical forces such as NIMBY growth control efforts. Such locally market cycle sensitive federal policies would greatly help to stabilize urban economies and broaden the spatial dimensions of Canada's economic base.

6. Develop specific incentives/penalties to undo NIMBYs

Servicing and density grants and bonuses would top the list here. Such federal financial carrots as helping local governments deal with growing infrastructure expansion and replacement, in return for density increases and more flexible land use controls, could significantly ease NIMBY policies by directly linking easing the political pain of higher taxes for local residents with the willingness to endure some local pain for higher densities and more innovative land uses. The local citizen seldom sees the direct link between their NIMBY actions and broader systemic issues. By letting local citizens face the trade-off of lower taxes for infrastructure upgrading in return for higher densities, the decision is thrust back where it belongs on the local taxpayer. This will be particularly apparent in the critical transportation area where local and even provincial governments will find it increasingly difficult to fund the sorts of massive investments that will be needed in public transportation and roads improvements. The federal government can readily tie cost-sharing arrangements to the development of suitable land use plans and densities needed to

ensure the viability of the public transportation investment. Transportation and other infrastructure might be linked to each other as well as to more flexible and denser land use controls.

Greater use can and should also be made of surplus or marginally used Canadian government lands as part of joint venture activities noted above. The federal government could become a joint venture partner using its land on the condition that the local government rezone to a higher and/or innovative land use. Minister Redway has made a similar offer to Vancouver which was greeted with some hostility. The federal government should be a bit firmer on such issues to drive home the point that federal urban lands are scarce and valuable resources which the federal government will not allow to be wastefully used through low and inefficient densities. Again, the link between a benefit (federal lands for local joint ventures) and local pain (rezoning) needs to be established so that local residents appreciate that their NIMBY stances incur direct costs for them (eg. the loss of federal participation).

Finally, a somewhat more draconian approach might be based on devising a series of penalties as set out earlier. Specifically, links might be established between the continuation of federal grants to local and provincial governments on the condition that more regionally sensitive local land use policies be implemented. Additionally, the federal government might

restrict decentralization of federal employment and decisionmaking to communities that are willing to maintain adequate supplies of diverse housing through flexible land use controls and urban development policies.

## VI. Conclusions in a North American Perspective

### a. Conclusions

The environment within which urban housing and land policy will be made in the coming decade is changing dramatically. Policymakers must face simultaneously two powerful, and often conflicting forces.

First, the macro policy environment includes not just regional and national economic, political and social forces, but increasingly international pressures as well. With the growing globalization of financial and real property markets, urban policymakers can no longer ignore global flows of capital and information, and global economic and political factors when making policy decisions.

Other macro forces at work relate to changes in demography and tastes which will require new and more varied and denser forms of housing and urban development. However, existing land use controls and development policies largely preclude such innovation and density.

At the same time that these larger macro forces are impinging on policy decisions, there is growing local pressure that seeks to act in the narrowest interests of highly localized neighbourhood and citizens groups. This "not-in-my-backyard" (NIMBY) syndrome flies in the face of this growing global

reality. It is also usually self defeating since the larger systemic consequences of NIMBY actions often aggregate to lead to the exact reverse of the locally intended result.

Policy, whether at the local, regional, provincial or national level, will have to accommodate and be built upon these two often conflicting pressures. Central to the development of effective urban land and housing policies is the understanding of the global systemic consequences of local actions. Policymakers will need to be cognizant of the inconsistency of local actions and local desired outcomes. The burden however will fall disproportionately on senior governments, the provinces and the federal government, to overcome the fallacies of composition brought about by NIMBY based local policies. It is only senior governments that have the needed systemic overview and policy tools to challenge and overcome the negative consequences of NIMBY policies. It is also only these governments that have the perspective to be able to clearly place local areas in their increasingly global context.

Accordingly above, we have sketched a range of local and senior government policies to help accommodate the changing policy environment. A more flexible, diverse and innovative stance needs to be taken to successfully cope with the changes facing Canadian cities and their residents in the coming decade and century. A number of policy suggestions were presented to

illustrate the sorts of policies that might be developed to better deal with this changed environment by both local and federal policymakers.

b. The Canadian Urban Future in a North American Perspective

Lest we get overwhelmed by the challenge facing Canadian urban policymakers over the coming decade, it is useful to place our urban future in the context of that of North America. The issues that we face and our record in dealing with past urban challenges, both in absolute terms and relative to our southern neighbour, should give rise to considerable optimism about our ability to rise to the challenges of the 1990s and the twenty-first century (Goldberg (1989); Goldberg and Feldman (1989)).

For starters, the U.S. urban system will be subjected to virtually all of the issues set out here. Global economic forces such as the growing integration of financial, product and property markets is just as much in evidence in the U.S. as it is in Canada. Similarly, environmental issues and concerns reside just as high on the U.S. political agenda as they do here.

Staying with macro issues, but getting a bit more micro, national economic and demographic change will confront American public policymakers with every bit the challenge faced by their Canadian counterparts. On the economic front, the U.S. faces

ever heightening pressure on its manufacturing industries as well as new and growing threats to its high tech sectors. The global economic forces moving advanced economies out of goods production and into service and knowledge-based industries are just as inexorable south of the forty-ninth parallel as north of it.

Turning to demographic issues, Americans are aging at roughly the same rates as Canadians and reproducing just as slowly. In both countries international and internal migration are critical issues, especially facing cities where most international migrants settle. However, there the similarities start to get fuzzy. Canada will not have to cope with the enormous numbers of Hispanic immigrants so many of whom entered the U.S. illegally. Nor will Canada have to deal with huge associated issues of poverty and the development of a permanent underclass of these visible minority immigrants. Canada has tended to be much more successful than the U.S. (perhaps because of its mythical mosaic) in handling culturally different immigrants than has the U.S. (Goldberg and Mercer (1986)).

Getting down to the microscale issues at the level of the city, Canadian and American cities will face some similar challenges, but vastly different ones too. For example, Canadian housing markets have been remarkably free of the sorts of institutional racial discrimination that has typified all too many of the housing markets in the United States. Thus, access

to housing here is much a function of income than race or nationality, allowing us a considerable advantage in dealing with the already difficult problem of housing access for low income and special needs households. We are also well ahead of the U.S. concerning public transportation as our mass transit system and its patronage by the public is several times that of the U.S. (Goldberg and Mercer (1986)). Thus, we have a much better starting point for weaning people from automobiles. The same holds for land use planning in general since the notion of planning and public intervention in markets is well accepted in Canada giving us a broadly held ideological basis for intervention that does not exist among Americans.

We also need to put our NIMBY and NIMTE woes in perspective. Growth controls and environmental restrictions on urban development are at least as worrying in the U.S. as they are in Canada, if not worse. Fortunately, the Canadian federal government has not been involved to any degree in urban development issues. However, this does not hold for the American federal government where a host of environmental powers under the Clean Air and Clean Water Acts give the federal government significant say in local development. This additional, and distant, level of government adds considerably to the costs and complexities of urban development in the U.S. and provides local NIMBY proponents with a powerful legal basis for challenging denser and innovative developments, a circumstance that does not



obtain in Canada.

Finally, the institutional basis for urban development controls and policy is vastly different from that in the United States, and I think superior. This superiority derives in my view from several sources. First, we have pioneered regional governments to deal with regional issues, creating in the process a unique governmental form that is very well suited to making effective policy for the functional urban area: the metropolitan region. A second and related strength is the role played by provincial governments, the final arbiters of urban issues under our constitution. Provinces have repeatedly demonstrated a willingness to tackle urban issues by creating new governmental forms (like regional governments), by amalgamating municipalities into larger more efficient units, and by imposing financial discipline on local governments by prohibiting them from running operating deficits. Third, and last, we do not face the awesome problem of urban decay and crime faced in the U. S., again giving us a big edge in coping with the issues of the coming decade.

In sum, Canada's past ability to successfully confront the problems and opportunities faced by rapid urban growth outshines by a wide margin the record in the U.S. Indeed, Canada has probably handled urban issues as well as any nation, and certainly better than the vast majority. Given this history as prologue, the challenges of the future are clearly not daunting.

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