

CALGARY'S STRATEGY FOR DENSIFICATION AND MIXED-USE: IS THIS THE CANADIAN TREND AND WILL MARKET FORCES SUPPORT AND SUSTAIN IT?

**Presentation by Larry Beasley, C.M. at the Calgary Real Estate Forum
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Introduction – 2 minutes

I am always glad to be back in Calgary – now officially recognized as one of the most liveable cities in the world. Calgary is among a list of Canadian cities that have been acknowledged globally for their quality and liveability – Calgary is tangible proof that, with all our problems and all our debates, we actually know how to build and manage cities in this country and we can all be proud of that as a starting point for all we still need to do in the future.

Today, I have been asked to talk about one aspect of that success for Calgary and for Canada – I have been asked to talk about the transformation of our inner-cities that is underway all across our country and that is being pushed here in Calgary – a transformation that is focussed primarily on adding housing back into the core of our cities as a major alternative for growth. Is this good

public policy? Is it viable in the market place? Can we bring these innovative urban ideas in line with market forces to create strong ongoing opportunities for building and selling this new urban vision? What does the public sector have to do? What does the private sector have to do? These questions will be my agenda today.

The public perspective – 5 minutes

Let me start with the public perspective.

As you all well know, Calgary's City Council and administration are actively trying to contain sprawl and change the environmental footprint of your city. Tapping underused downtown lands, their strategy calls for the creation of sustainable, higher density, mixed-use communities. They also want a variety of transport modes, unlike the expansive auto-centric approach of Calgary's past. The emphasis is on "live, work, play and learn". Well, I can tell you from engagement all over our country that this is widely understood and accepted as progressive public policy – as compared to just a few years ago, this is no longer seen as a debatable policy. Most people now see clearly that we have to reshape our

cities so we can manage them efficiently, renew them, and afford to pay for them; and, we also have to reshape them so they put less impact on the natural environment. Often not said is that we also have to change them to be more fulfilling for our citizens – most people would agree that over the last few generations our central cities have too often become places to escape from rather than to enjoy.

Most of you will also know that we generally call this “smart growth” and, at least for core cities and transit centres, there is a clear “smart growth” model that many local governments are pursuing and Calgary is no exception. Here it is. It is about both the structure and infrastructure of our cities; it includes many of the things I will be talking about today.

Well, for the last decade across this country local governments have been embracing this model and it is truly transforming our cities – Toronto’s core city is now well over 200,000 people, and climbing rapidly (Toronto is now building more apartments downtown than any other city in North America); Vancouver’s inner-city sits

at over 110,000 people, also still growing (this is the highest proportion of downtown housing compared to the total housing stock of any place in the country). Montreal has similar numbers; and the same can be said for cities from Halifax to Victoria – and for Calgary, with 37,000 people in the core and counting.

So, beyond a shadow of a doubt, from a public perspective, the “smart growth” model is seen as a good thing to do, at least for core cities and in transit centres. I have to say that we are not nearly so well pressing this agenda in our suburbs, which remains the biggest and most troubling truth of modern Canadian urbanism – but that is a story for another day.

The private market perspective – 3 minutes

But now, let’s turn to the private market perspective.

There is no question – and I am sure that many of you will remember this – that, at the beginning, there was some reticence about this public agenda because people in the industry rightfully questioned consumer interest in the

“smart growth” alternative, especially with its de-emphasis of the car – and most people within the industry still live in private homes and had trouble seeing how others might be inclined to shift away from that.

But, in most cities we have found that there is, in fact, a natural market potential to kick off a “smart growth” pattern – there is a natural vector of demand. The demographics are certainly in our favour: people are living longer and healthier and a lot of them want to get out of the big single family home, freeing up their money for other things; people are coupling later and having children later, so they have time and are inclined to pursue an urban lifestyle before they settle into the long-term family home. Immigration is also helping: many immigrants to Canada come from societies where multiple family, dense living is the norm and, for many of them, it remains the preference. The investor profile has also been important, although, as you all know, this is less about real demand than it is about the speculation of demand: nonetheless, it sells units, and many people continue to find the condo investment a good one. And, to some degree, even cultural shifts are helping: people

say that young people are showing a preference for walkable communities. Although, I think we'll have to wait and see how real or widespread that is.

But, is all this enough for a vibrant market for “smart growth” on an ongoing basis? Personally I have my doubts. With all the progress we made in my generation, in all the cities in the country, with “smart growth” in our core cities, we have only affected about a 5% shift in consumer preferences. As of today, over 60% of our people still choose the suburban, low-density, single-family, auto-oriented lifestyle. So, after the initial kick-start demand is satisfied, what next? My point is that we may soon hit a harsh plateau of demand that could frustrate Canada’s downtown revival. You certainly see this in many American cities. Yes, let’s continue to tap that “natural demand” and milk it for all it is worth – but, I think we also have to focus on building new demand by bringing whole new sectors of consumers into the “smart growth” sphere.

If the “natural demand” is about empty nesters and young singles and immigrants, where is the opportunity for new demand? Well, actually, most of the market is about households with children – what I will call “family” households. I think we all know that this group has not widely embraced “smart growth” to date; often they have seen it just as a “bad joke”; and there is no indication so far that they will spontaneously do that. Nonetheless, I think this is where we will find the new demand we need. So, what are our chances?

Well, to talk about families in the context of “smart growth”, I have to start by addressing several myths that are out there among the “smart growth” set that are creating real confusion. Let me quickly put these myths on the table.

First, many “smart growth” advocates say that the car is on the way out, especially with the passing of peak oil. Well, this is simply not true. I think the car is absolutely here to stay. Even people who say they want walkable communities often still want a car as well. The price of

gas is not as problematic as people said it would be – people simply pay more because personal mobility and free choice of mobility is valuable (look at Europe; look at emerging third world cities, where I have seen very modest income people go for a car even before they have decent housing or medical care or education).

Second, the same people also often say that the single family aspiration is on the way out. Again, I think there is little evidence to say that this is true. It seems that the single family dream, even if less people can actually achieve it with home ownership, is also here to stay. People will look at alternatives to single family units but they want many of the advantages they enjoy in single family homes – they like the identity, the space and the flexibility.

And, finally, you often hear people say the social order of neighbourhoods is on its way out. But I hear the opposite. Modern social networks, with the internet and social media, are way bigger than they used to be, but I think people still prefer to live in neighbourhoods. They care a

lot about schools and shops and community facilities and safety and neighbourliness.

My worry in bringing all of this up is that “smart growth” schemes are often put together with these myths as determining assumptions and so they miss the boat for the great majority of consumers. And, consumer trends are much more powerful in shaping our cities than all the polemics and theories and public policy imperatives put together. My point is that consumers are drawn to what they want not to what someone thinks is good for them – we have to start our invention of a new future from where consumers are at now, not from where we want them to be.

Can we do that for the high density, diverse, walkable core city so it will appeal to family households (in addition to other households) to the point that it will be competitive for these people, even with their traditional suburban preferences? Well, I must say that my Vancouver experience suggests this is absolutely possible (Vancouver got an early start in this and has focussed especially on the family demographic with quite good

results – almost 30% of inner-city households are families with children).

I want to take a sharp “city lens” today by talking specifically about what kind of inner-city community offering would be attractive for the widest cross-section of households – and especially what would be attractive for family households: what this might look like and how this can be achieved here in Calgary and in every Canadian city.

Smart growth for families – 6 minutes

-As you are hearing, I am a great believer that whether or not we are looking from a public or market perspective, the best way to start changing our cities is to take the consumer point of view.

Let me start by declaring that I think a key driver of consumption in modern life is an aspiration for positive “experience” – modern people buy not just for function and efficiency and price point; they want more than that and will pay to get more than that; they want a complete,

fulfilling experience – they want “soul” – and housing is no exception to this. To understand what are the preferred components of that experience of “home”, you have to ask a lot of questions – not just make a lot of guesses. You have to do genuine, fresh consumer research and build up your product profile from that research. That is what Apple does with its computers. That is what Ford does with its cars. That is what all modern business does. Bringing this back to our industry, in its own way, that is what Vancouver did many years ago when it set off to revitalize its inner city with what became known as its “living first” strategy. And the foundation of Vancouver’s specific success has been the empirical research that resulted in a policy document called “Housing Families at High Densities” – it did not cover everything but it set a good direction and showed in vivid terms that success is not just about the granite countertops and the open floor plans that HGTV always showcases.

So what do these guidelines talk about? In addition to the kinds of factors needed by all residents at higher densities, with or without children, such as noise and privacy and

security management as well as transit access, and just an overall high quality, the guidelines identified special needs for families with children such as:

- For the unit, appropriate bedroom count and separation from active living areas; child-proof finishes; private open spaces for supervised “outside time”; minimum storage provisions; and in-unit laundry – among other needs.

- For the building, clustering of family units for mutual support; secure and visible semi-public outdoor spaces for children’s play; family gathering and gardening and party facilities; some townhouse type of units for people who fear heights or want a dog or their own front door.

- For the neighbourhood, adequate numbers and quality of parks and schools and community facilities and childcare; safe areas without traffic cross-streets.

The fascinating thing is that none of these things are difficult to do or cost much more than what we now do. So the Guidelines have been well received and very useful.

But, I also have to say that, in hindsight, Vancouver has not gone nearly far enough. There is still a lot more to think about and every city in the country has a contribution to make. Let me give you just a few examples that could push demand significantly in our favour. A lot of it has to do with seeing the multiple-family unit as a surrogate for the single family home and trying to replicate as many features as possible.

-For example, we really need to update our thinking about arrangements for the car in the core city. Parking has to be completely rethought and the market needs to be carefully understood on this. For all practical purposes, suburban parking is free and flexible – that’s rarely true in the inner-city. I certainly think traditional residential parking standards need to go down, cutting housing construction costs – but we have to also be careful not to forget peoples’ desire for the car. In one early inner-city neighbourhood in Vancouver, we tried the “no-parking approach” and it was a blunt failure (we had to go back in and build parking structures to accommodate the cars people insisted on keeping). Even more importantly, we have to re-invent the urban garage to potentially be more than just a place

to store a car. Most multi-family, dense development needs grade-separated parking and this is so expensive that this space needs to be available for more than just car parking – think of what you do with the average garage in your single family home. Garages need to be as useable as any area in a home but to do this almost every regulation of multiple-family building has to be reformed.

-Or, let's talk about flexibility of space. Family needs are constantly changing during the lifecycle of a typical family. People need to be able to shift around their space as easily as they can in the typical single family home – more kids come, or a parent needs to be looked after, or a hefty mortgage needs the rent of a secondary suite for a few years. We have come to so tightly regulate multiple-family buildings that this sort of flexibility has been edited totally out. That needs to also be reformed.

-And then there is the biggest difficulty of all – affordability (this has certainly been the toughest challenge in the Vancouver agenda). There is no way we are going to significantly widen the demand profile for inner-city living unless we secure at least

some level of affordability. Of course, there has to be secure affordable supply for lower-income families but, most importantly in a successful city, for middle-income families – the Europeans have good models such as market-based, non-profit homeownership that we need to bring into our urban equation here in Canada.

I am not trying to give a definitive list here – I’m just saying that we still have a lot to learn to make the urban housing alternative singularly more competitive than the suburban housing choice.

How do we make “smart growth” happen? – 5 minutes

Now let’s turn from “what we need to do” to “how we need to do it”. How do we make this new kind of sustainable urban housing market the reality here in Calgary or any other Canadian city?

Well, I think the public and private sectors have to work together better than they have in the past. Separately, neither can achieve the richness of experience that

consumers look for in their “home” life: developers do housing; cities do neighbourhood infrastructure – together we can do both in a way that reinforces one another. But, even more importantly, we can arrange our public/private relationship to generate the kinds of quid pro quos that both moderate risk on the one hand and offer funding sources for public goods on the other hand – thus securing the lifestyle equation that has real potential to shift huge sectors of housing demand. This is about partnerships and doing things differently together.

Let me give you several examples.

Probably the most important thing about the “experientially shaped” city, as I call it, is quality liveability – and that has to be actually designed – from the ground up, cutting across public and private property lines, holistically. Public policy directions and general regulations are not good enough. Doing a cool job within the property lines is not good enough. This needs the physicality of great design at a community level that involves your city’s very best public and private design talent together around the drawing table – developers

have to empower their architects and landscape architects and the City has to unleash its urban designers. This needs lots of citizens involved and it needs your taste-makers involved. And out of it needs to come a clear blueprint that you can all work from as you go about creating your part of the equation.

The second thing that you have to do together is to figure out how to pay for these great new designs, which, I can tell you from experience, tend to be expensive and need new funding sources. A smart city will be articulate with a coherent plan for financing growth, so that services and amenities are paid for and delivered as new residents arrive, which certainly helps to cut the risk for everyone. But really smart communities are using their actual regulatory process to find new ways to pay for the things they need. In particular, they are reshaping zoning to be about more than just policing – this new kind of regulation, called “discretionary zoning”, is about facilitating preferred forms for the future through incentives that reward progressive production; and it is about wealth creation that generates genuine additional money in the hands of developers so they can afford to

invest in the public side of the agenda without touching their basic profits. This kind of system yields dramatic results; but it only works if both the public and private sectors buy in, take part, and enjoy the benefits.

And, finally, you have to work together in marketing the new models to a wide array of consumers. Government spokespeople have to sing the praises of the core city lifestyle every day and the development industry has to tap their best marketing experts not to just sell a particular project but, at an industry level, to market a great new way of living. I always remember a quote by a close friend and colleague of mine, Bob Rennie, one of Canada's most successful real estate marketing experts. Bob says that "...when the downtown lifestyle becomes truly 'hip' and 'chic', then the consumer shift will really begin – that is when it becomes a genuine social movement rather than just an interesting curiosity."

So, this brings me to my conclusion regarding Calgary’s downtown “living first” agenda.

To the question of the City of Calgary being on the right track in pursuing the high density, mixed-use, transit-oriented, walkable model for its core city, the answer in the context of Canadian and world experience is a resounding YES – in fact, as you move forward you will need to expand and diversify this trajectory to go beyond the confines of the core city to transit centres and other opportunities throughout the Calgary metropolitan area – all the big cities of Canada are headed this way and Calgary does not want to be left behind.

To the question of the economic viability of this “smart growth” trajectory over the long run, from a market perspective, the answer is a cool MAYBE – it depends on how you decide to approach it as a community. Like everyone else, you are already capturing the “natural demographic”; but you will have to do a lot better than that. Your continued success will depend upon your own creativity to reshape the preferences of Calgary

consumers and create stylish and attractive communities that a lot more Calgarians will spontaneously select over the conventional options – targeting beyond the easy minority households of empty nesters and singles to the much harder majority of families.

But the bottom line is that Calgary is in a better position than most cities to make progress on this agenda – you have an attractive and safe inner city (I think it is a place a wide population of people would really enjoy living in); you have positive growth; you have good government and a mature development and real estate industry; and, most of all, you have a smart and innovation-oriented population. I think it is likely that your people will be glad to happily embrace the “smart growth” model if you just give them the right choices.

Thank you very much.