OPINION

Shift from freeway city lowers costs

Higher density helps boost development

This is the third in a series of opinion pieces dealing with the Plan It initiative put forward by the City of Calgary's planning department.

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For the Calgary Herald

City officials are in the midst of their bold Plan It initiative — which is a comprehensive study and public engagement process to find ways to reduce the physical and ecological footprint of our rapidly growing city.

There are plenty of benefits for city council and administration because it gives them a means of following through on their adopted vision and key city objectives.

There is also much in it for Calgary residents, who could start to enjoy a more compact and vibrant city, with better opportunities for public transit and other services and amenities.


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But what is in this vision for the development and housing industry?

For starters, it is important to keep in mind what drives city growth.

It all starts with population growth, which is a combination of people having children, and new families moving to Calgary from elsewhere.

Natural growth from childbirth is fairly constant, while in-migration is usually a response to economic growth.

New housing projects flow from population growth, which means that whether the city is compact or spread out, there will be the same demand for new housing.

With Calgary being the head office for many large energy projects, the long-term prospects for continued population growth are high, meaning that new housing demands will continue for years to come.

Given that the number of new homes required over the long term is somewhat assured, we can elevate this discussion to consider what kind of growth is good for the city — and indeed, what is good for the industry.

New developments that have mixed-use, higher-density land uses represent a more productive use of land.

Simply put, in the system of land development that has typified Calgary's growth for the past half century, each hectare of land is developed to accommodate about 17 homes.

However, in mixed-use higher density models, that same hectare could accommodate 35 to 50 homes, plus retail shops and offices.

Clearly, a developer will earn more revenues from the hectare that houses more variety and volume.

As with any business, it makes sense to maximize the productivity of a company's core asset.

Some will counter that higher density will push more people away from the city, to surrounding country residential and smaller town options.

However, evidence from other cities simply does not support this claim.

The most vivid is Vancouver, a city that stopped building roads into the city, improved transit services, and opened up and encouraged mixed-use zoning.

As a result, Vancouver has become more vibrant, alive and attractive.

Even in Calgary, there are plenty of success stories that illustrate the appeal of higher density mixed-use development models (for instance, The Bridges project in Bridgeland on the site of the demolished Calgary General Hospital, or Garrison Woods on the site of a former military base).

Consumer values are changing, with demand moving in support of a keener interest in good urban design and more ecologically friendly patterns of growth.

Further, by adopting form-based planning principles over segregated land-use districts, developers will be able to adapt to changing market conditions more readily.

This reduces the risk of NIMBY (Not In My Backyard) reactions to changing plans, ensuring the pre-planned form will result in high-quality, vibrant neighbourhoods.

Transportation systems are also critical to successfully achieving more compact forms of development.

In general, freeways encourage sprawl, while transportation networks grounded in public transit encourage more vibrant and walkable local neighbourhoods.

Again, it is easy to see how the costs are greatly reduced by not having to build and maintain expensive freeway infrastructure.

As a curious aside, we hear criticism that transit-oriented developments require too much government intervention to limit car traffic while encouraging transit.


Photos, Calgary Herald Archive
Freeways encourage urban sprawl, while transit boosts walkable neighbourhoods.

In fact, there is currently significant government intervention through the building of large hostile freeway systems that leave people who cannot afford, or choose not to own, a car in a situation where they are lost in their own city.

Government intervention exists today, biasing the individual car owner over transit riders, bicyclists and walking commuters.

This intervention also provides free access to big-box retailers, in the form of tax-based freeway subsidies that kill small local shops and make more vehicular traffic an undesired necessity.

This is not a question of introducing government intervention, but a realization that intervention exists and is mis-matched with respect to the values and important characteristics of great cities.

In summary, a more compact new development pattern will increase productivity on a per hectare basis, which will improve developer revenues per hectare.

Shifting away from huge freeway infrastructure, combined with more efficient use of infrastructure on a per-hectare basis, will reduce costs per unit.

Higher revenues and lower costs add up to more profit, and a more sustainable future for developers.

Need we say more?

In our next and final article in this series, we will share some ideas on how developers can take full advantage of the pending opportunity by being first-movers and market leaders, while bridging the gap to city planners.


An aerial view of a Calgary suburb.

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BY THE NUMBERS

Mortgage payment calculation chart

Monthly investment in a mortgage per $1,000

%		25 YEAR		15 YEAR
3.5	=	5.01	=	7.15
4.0	=	5.28	=	7.40
4.5	=	5.56	=	7.65
5.0	=	5.85	=	7.91
5.5	=	6.11	=	8.14
6.0	=	6.40	=	8.40
6.5	=	6.70	=	8.67
7.0	=	7.01	=	8.94
7.5	=	7.32	=	9.21
8.0	=	7.64	=	9.49
8.5	=	7.96	=	9.77
9.0	=	8.28	=	10.05
9.5	=	8.62	=	10.33
10.0	=	8.95	=	10.62
10.5	=	9.29	=	10.92

For example:
A $100,000 mortgage over 25 years at 3.5% is $5.01 x 100 = $501 monthly payment

Income, home price and down payment guide

This table gives you a rough idea of the maximum home price you can afford. These estimates take into account household income and down payment amount. They assume a mortgage interest rate of 8%, 25-year amortization, average tax and heating cost in Canada, and the mortgage an average Canadian would qualify for based on a 32% debt-service ratio.

NOTE: This table is presented for informational purposes only and may not apply to your specific situation; see your lending institution for detailed figures.

Household Income	10% down payment	Maximum home price	25% down payment	Maximum home price
$50,000	$15,800	$158,000	$47,400	$189,600
$60,000	$19,600	$196,000	$58,800	$235,200
$70,000	$23,400	$234,000	$70,100	$280,800
$80,000	$27,200	$272,000	$81,500	$326,400
$90,000	$31,000	$310,000	$92,800	$372,000
$100,000	$34,800	$348,000	$104,400	$417,600
$120,000	$42,400	$424,000	$127,200	$508,800
$140,000	$50,000	$500,000	$150,000	$600,000
$160,000	$57,600	$576,000	$172,800	$691,200
$180,000	$65,200	$652,000	$195,600	$782,400
$200,000	$72,800	$728,000	$218,400	$873,600

Figures are rounded to the nearest $100

Mortgage rates

Effective March 13, 2008. Rates expressed in per cent.

	Variable Rate	6 mo. open	6 mo. closed	1 year open	1 year closed	2 year closed	3 year closed	4 year closed	5 year closed
Chartered banks									
Bank of Montreal	c 4.796	8.900	7.100	9.500	7.250	7.300	7.300	7.190	7.290
Bank of Nova Scotia	c 4.750	8.900	7.050	9.350	7.200	7.300	7.300	7.200	7.290
Bridgewater Bank	c 5.000	-	-	-	6.700	6.200	6.150	-	5.690
CIBC Mortgages	c 4.880	8.900	7.100	9.500	7.250	7.300	7.300	7.190	7.290
Canadian Tire Bank	c 4.600	7.700	-	-	5.500	5.500	5.500	5.900	5.700
Canadian Western	c 4.750	8.900	7.100	9.400	7.250	7.300	7.300	7.190	7.290
Citizens Bank of Cda	c 5.000	7.100	6.100	7.100	6.100	6.100	6.100	6.100	5.940
HSBC Bank Canada	c 4.750	8.900	7.050	9.350	7.250	7.300	7.300	7.190	7.290
ICICI Bank Canada	c 5.250	-	-	-	5.700	5.750	5.800	5.850	5.750
ING Direct	c 5.150	-	-	-	5.950	6.050	6.050	6.050	5.840
Laurentian Bank	c 5.250	8.900	7.050	9.400	7.100	7.300	7.300	7.200	7.250
Manulife Bank	5.250	-	6.100	7.100	6.050	6.000	5.900	5.900	5.850
National Bank	c 5.250	8.900	7.100	9.500	7.100	7.300	7.300	7.200	7.250
Presdnt'sChoice Fin'l	c 4.800	-	7.070	-	6.540	6.000	5.900	5.900	5.840
Royal Bank	c 4.650	8.900	7.100	9.400	7.250	7.300	7.300	7.190	7.290
TD Canada Trust	c 5.250	-	7.050	9.400	7.250	7.300	7.300	7.190	7.290
Trust Companies									
Concentra Financial	-	8.900	7.100	9.500	7.250	7.300	7.300	7.200	7.290
Equitable Trust	-	8.900	-	9.400	7.250	7.300	7.300	7.190	7.290
FirstLine Mrtgs	c 5.625	-	7.800	-	7.200	6.450	6.350	6.250	6.240
Home Trust Co.	-	-	-	-	7.250	7.300	7.300	7.190	7.290
Investors Grp Trust	c 4.250	8.900	7.050	9.400	7.250	7.300	7.300	7.190	7.290
Peace Hills Trust	-	-	7.050	-	7.250	7.300	7.300	7.190	7.290
ResMor Trust	c 4.750	-	-	-	5.990	5.990	5.990	5.990	5.740
Other institutions									
AMA Financial	c 4.950	-	-	-	6.650	6.150	6.100	6.040	5.640
ATB Financial	c 4.750	8.900	7.050	9.400	7.250	7.300	7.300	7.190	6.230
CommonWealth Credit U	c 4.750	8.900	-	9.400	6.650	6.050	6.050	6.120	6.220
First Calgary Savings	-	8.900	7.100	9.400	7.250	7.300	7.300	7.190	7.290
First National Fin'l	c 5.150	-	7.050	-	5.500	5.500	5.500	6.050	5.790
GMAC Residntl Fund'g	c 5.910	-	-	-	-	-	6.100	-	5.990
Key Savings & Credit U	5.250	8.900	6.850	9.500	7.000	6.950	6.900	6.790	6.790
London Life	c 4.250	8.900	7.050	9.400	7.250	7.300	7.300	7.190	7.290
MCAP Mrtg Corp.	c 4.850	-	7.100	9.400	7.250	7.300	7.300	7.300	7.300

Variable rates are open unless indicated by a 'c.'

This table was prepared by CANNEX Financial Exchanges on March 13, 2008. For current rates, please visit the CANNEX website at www.cannex.com. **All rates are for informational purposes only, and should be confirmed by the company quoted.**