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April 15, 2024

City of Calgary Council
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Subject: Land-use Amendment to bylaw 1P2007 as outlined in Attachment 3, CPC2024-0213.

Your Worship, Honourable Members of Council,

I am writing to the City of Calgary's council today to express **my strongest opposition** regarding the blanket upzoning proposal before Council on April 22, 2024. I was born in Calgary and I have raised my family here. As a long time resident of Calgary, I love the many changes being made by our growing city. I've been an active community member of Mount Royal since 2005. I also operate a thriving business in Calgary and I hold a Master's degree in business and economics.

I share your concern about the cost of living challenges facing many Calgarians. According to the latest data published by Statscan, wages in Alberta are not keeping up with inflation-year-over-year wages have grown by 3.9% across all sectors and some sectors are worse-off than others, compared with inflation rate for that same time period being reported at 6.8%¹ so there exists a concern for growing income inequality and a lower standard of living resulting from higher interest rates and the inflationary pressures. In addition, the City of Calgary is facing a housing affordability crisis with higher prices and a limited availability of affordable housing. On March 7th, Calgary Planning Commission(CPC) reviewed recommendations from the Housing Affordability Taskforce which included a land-use change from RC-1 to RC-G in order expedite the development permit process with the goal to increase construction of affordable housing for the missing middle. However, there is strong evidence-based research that the proposed land-use change will leave the problem of housing affordability mainly unaddressed in Calgary. Mark Limb studied up-zoning in Brisbane, Australia over a twenty year period and his research found that; "despite these changes, 78% of sites with zoned capacity in the first period remained undeveloped. Higher rates of new housing supply are robustly related to higher prices despite demand arguably seeing a similar increase across locations."² This shows that increasing land supply by up-zoning didn't add new affordable housing supply and any new housing supply added was driven primarily by higher prices. Therefore, I strongly oppose this policy recommendation as I do not believe the broad application of up-zoning in the City of Calgary will address the root causes of the housing affordability crisis and may exacerbate social and economic challenges for our most vulnerable community members.

Economic Rent and Housing Demand

There is a famous quote by an economist, Ricardo, when discussing economic rent associated with land production; "The price of corn is not high because rent is paid, but rent is paid because the price of corn is high."³ The concept of economic rent emphasizes that the price of

¹ Statistics Canada, wages by Industry(annual)-Alberta
<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006401&pickMembers%5B0%5D=1.10&pickMembers%5B1%5D=2.2&pickMembers%5B2%5D=3.1&pickMembers%5B3%5D=5.1&pickMembers%5B4%5D=6.1&cubeTimeFrame.startYear=2019&cubeTimeFrame.endYear=2023&referencePeriods=20190101%2C20230101>

² Mark Limb, 2020 (PDF) [We zoned for density and got higher house prices: Supply and price effects of upzoning over 20 years](#)

³ Ricardo, D., & Kolthammer, F. W. (2004). The principles of political economy and taxation. Dover Publications.

housing is largely driven by demand rather than the cost of land. In many urban areas with high housing demand, the price of housing is driven up by various factors including; population growth, and economic activity. The supply for land is inelastic, meaning that increasing land availability will not significantly add to our housing supply or impact housing affordability any time soon. “There are intelligent ways to do these things that we need to start thinking about. Affordability has to be tackled directly; it’s not going to be created through aggregate supply and trickle-down.”⁴ Instead, the focus should be how to address stratified demand for housing since it’s more responsive to price.

Interest Rates and Market Dynamics

The recent rate hikes by the Bank of Canada led to a temporary decrease in housing prices. Since the Bank of Canada’s first rate hike, the average house price fell by 16.3% according to data from the CREA(Canadian Real Estate Board)⁵. Rents and housing prices reflect the buyer’s willingness to pay. These are substitute goods to each other so if housing prices are too high then the demand for rental properties increases and vice versa. This certainly represents the current economic conditions facing Calgarians today. Freemark researched the effect of up-zoning in Chicago over five years and his research found; “robust increases in values for transactions on parcels that received a boost in allowed building size. I also identify value increases for residential condominiums, indicating that upzoning increased prices of existing housing units. I find no impacts of the reforms, however, on the number of newly permitted dwellings over five years. As such, I demonstrate that the short-term, local-level impacts of upzoning are higher property prices but no additional new housing construction.”⁶ Faster market supply of land doesn’t mean housing for those most in need will be built because the market allocates land and housing according to the purchasing power of willing buyers. This was observed by the change in home prices, after the Bank of Canada paused the interest rate increases, which jumped back up by 13%⁷. The rebound in prices indicates other factors too such as, speculative real estate activity and buyer’s future outlook on interest rates are both playing a significant role in driving up house prices. However, incomes are not keeping pace with cost of living, lowering everyone’s standard of living but to a much greater extent, those families with the lowest incomes(when housing and food costs take up most of the household budget).

Zoning Rules and Market Dynamics

Blanket upzoning risks destabilizing established neighborhoods, leading to disinvestment and speculative redevelopment, undermining the stability and vibrancy of these areas. Zoning rules act as output quotas on land, and limiting the number of homes that can be built on a property is an allocatively efficient way to maintain stability in neighbourhoods. In most cases, a home is the single largest investment a person makes in their lifetime and a homebuyer seeks stability and chooses communities in which to buy for its desirability subject to their individual budget constraint. Blanket upzoning ignores the carefully planned mix of developments in newer communities and would disrupt the balance and stability of established neighborhoods. Zoning also acts as a mechanism for a thoughtful city planning response to changing demographics in our neighbourhoods; “The key thing here is that the public sector keeps control of the land forever. A city, essentially, is its land—and land is the most valuable resource in a city. When the public sector controls land, it has the ability to weigh in on the future of the city. Now, as cities are changing, that asset—which will only become more valuable and less affordable to the public sector over time—isn’t being given away to the private sector, but is instead being transformed in response to social and economic forces.”⁸ Established communities in the City of Calgary were designed for low-density housing and are not equipped to handle substantial densification without city planning involvement. The over 300,000 homes affected by this land-use change are currently zoned for a one-single detached residential home per property thus reducing developer profits without necessarily constraining

⁴ Michael Stroper, 2019 [Blanket Upzoning—A Blunt Instrument—Won't Solve the Affordable Housing Crisis | The Planning Report](#)

⁵ Housing market: Is the roller-coaster ride finally over? [Monthly Economic Letter - April 2024 | BDC.ca](#)

⁶ Yonah, Freemark , 2020 [Upzoning Chicago: Impacts of a Zoning Reform on Property Values and Housing Construction - Yonah Freemark, 2020](#)

⁷ Housing market: Is the roller-coaster ride finally over? [Monthly Economic Letter - April 2024 | BDC.ca](#)

⁸ Michael Stroper, 2019 [Blanket Upzoning—A Blunt Instrument—Won't Solve the Affordable Housing Crisis | The Planning Report](#)

market rate for new housing supply. Freemark found in his research; “that the short-term, local-level impacts of upzoning are higher property prices but no additional new housing construction.”⁹ By removing the RC-1 zoning bylaw, the City of Calgary will effectively transfer market surplus(a measure of the economic rent from land) from the City of Calgary to developers without any meaningful increase to the housing supply.

Social Welfare Effects and Income Inequality

Developers face a monopolistic competitive market and a downward decreasing demand curve. As such, they enjoy some price setting power, and they will take into account future price expectations in their decision-making (leading to speculative activity). This market behaviour tends to produce a lower quantity output of houses prioritizing profit maximization over meeting the housing needs of bottom quadrant income families. This causes deadweight loss and market inefficiency where some buyers willing-to-buy or rent can't because there is no housing available at a price that they can afford and eventually causing homelessness for those most sensitive to price increases. “...affordability and supply are not the same thing. In big, mature metropolitan areas like Los Angeles, affordability has to be produced through active housing market policy. That means directly targeting affordability and access for every group and every mix of housing.¹⁰” In transferring market surplus to developers, the choice of when, where, and what to build is left to the pricing system instead of the city planning department, as evidenced by Limb, “...that private housing markets will not rapidly supply new housing or cause significant price reductions, even if the planning system allows it.¹¹” Building permits approvals for residential building types have grown 35% year-over-year in Alberta¹². The welfare effects are firms profits are increased to abnormal levels in the short-run(builders who are already building will enjoy extraordinary profit without doing anything more to add to the expected housing supply) and harms consumer welfare through price discrimination using income distribution and rent burden as barriers to market entry, “it will favor those who can pay the price of housing in high-demand areas—marginally improving the housing prospects for highly skilled people at the upper end of the income distribution.¹³” Therefore, the current housing crisis and the problem of housing affordability today won't be solved in any meaningful way by this land-use amendment and if the benefits of development accrue disproportionately to wealthier individuals, and rental corporations, then this can lead to exploitation of the most vulnerable in our community.

Access to Federal Housing Infrastructure Fund

Based upon the public information sessions that I have participated in, it feels like this policy is being largely pursued to access the federal housing infrastructure fund. “The biggest problems are the tax systems that lead municipalities to be competitive with one another-¹⁴” The federal government should not be meddling in municipal city planning affairs. The \$6 billion dollars housing infrastructure fund should be allocatively distributed to provinces in a fair and equitable way¹⁵. Additionally, access to these tax dollars by the City of Calgary should be awarded monies on the basis of showing a housing plan that builds housing for those who need it the most and not conditional on an arbitrary land-use change which quite frankly, this is outside federal policy jurisdiction and may not produce any meaningful outcomes.

⁹ Yonah, Freemark , 2020 [Upzoning Chicago: Impacts of a Zoning Reform on Property Values and Housing Construction - Yonah Freemark, 2020](#)

¹⁰ Michael Stroper, 2019 [Blanket Upzoning—A Blunt Instrument—Won't Solve the Affordable Housing Crisis | The Planning Report](#)

¹¹ Mark Limb, 2020 (PDF) [We zoned for density and got higher house prices: Supply and price effects of upzoning over 20 years](#)

¹² Statistics Canada- Housing flows and stocks
<https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2023030-eng.htm>

¹³ Michael Stroper, 2019 [Blanket Upzoning—A Blunt Instrument—Won't Solve the Affordable Housing Crisis | The Planning Report](#)

¹⁴ Michael Stroper, 2019 [Blanket Upzoning—A Blunt Instrument—Won't Solve the Affordable Housing Crisis | The Planning Report](#)

¹⁵ Ottawa wants to tie federal funding to blanket upzoning: [Ottawa wants to tie access to \\$6B in new housing funds to fourplex approval](#)Global News.

Addressing Income Inequality

This land-use change will re-distribute market inefficiency in a harmful way causing negative social welfare effects to our most vulnerable groups through price discrimination and rent burden. Additionally, it contributes to income inequality by effectively pricing vulnerable community members out of the housing market because developers aren't building housing for the targeted income level. I believe this has the potential to increase homelessness with some probability. According to StatsCan, social housing accounts for only 2.6% of all dwelling types in Alberta¹⁶. Addressing income inequality through policy is worth exploring as a means to improve housing affordability. This involves all levels of government not just a land-use change at the municipal level adding little to increase the housing supply as shown. In 2022, employees with wages in the top 10% had an hourly wage at least 3.4 times higher than those in the bottom 10% in Calgary¹⁷ and the bottom 10% of income earners represents 22.4%¹⁸ of the total income groups in Calgary suggesting that a sizable portion of Calgary's population is facing financial challenges and struggling to make ends meet. We need to acknowledge that the income level most impacted by this housing crisis is the bottom quadrant and the burden of housing costs are significantly impacting the welfare of these families, affecting their financial stability, health, and overall well-being. Rental assistance programs can help families afford housing costs, during times of financial hardship or provide support and resources to help families achieve homeownership. The Alberta government can increase the minimum wage to support a living wage as other provinces have done within the last couple of years, similar to that of British Columbia. The federal government can consider income tax reform that is allocatively efficient to help the missing middle afford more- that's in their policy jurisdiction. The federal government can also pause or consider indexing the carbon tax so that in times of high inflation the carbon tax is reduced or alleviated in some sectors to ease the additional inflationary cost pressures associated with it on lower-income families and in producing agriculture products.

Other Ways to Increase Housing stock for those who need it the Most

Many Calgary neighborhoods already offer a variety of housing choices, and blanket upzoning may not necessarily increase housing choice and may not provide the housing needed for the most vulnerable groups in our communities. All levels of government need to support policies to increase housing stock in a meaningful way to meet the needs of our growing population targeting the most impacted income levels. There are other ways to build homes and new rental spaces so that housing is accessible for those in the most need without a land-use amendment. The City of Calgary can consider providing under-utilized public land to build rent-controlled publicly funded lower-income housing and cooperative apartments targeting the lowest income deciles attributing to approximately 22.4% of Calgarians¹⁹ rather than building homes only for those who are willing to pay higher prices. The use of thoughtful city planning so established communities benefit from changes to our neighbourhoods in a planful and organized way using the Municipal Development Plan and Local Area Plans under way.

Conclusion

In conclusion, a broadly applied land-use amendment will have limited impact in addressing the housing crisis or improve housing affordability but it will unfairly enrich the development community and this decision will come at an expense of some of Calgary's best communities in terms of liveability, social vibrancy and creates greater social and economic challenges for the City of Calgary to face in the future affecting everyone's quality of life. There are other ways to support families with housing affordability using more meaningful social welfare

¹⁶Statistics Canada, Housing flows and stocks:

<https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2023030-eng.htm>

¹⁷ Statistics Canada- wages by deciles

<https://www150.statcan.gc.ca/n1/pub/14-28-0001/2023001/article/00005-eng.htm>

¹⁸ Statistics Canada, Profile table- Calgary:

<https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/details/page.cfm?Lang=E&GENDERlist=1,2,3&STATISTIClist=1&HEADERlist=0&DGUIDlist=2021A00054806016&SearchText=calgary>

¹⁹ Statistics Canada, Calgary Profile table:

<https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/details/page.cfm?Lang=E&GENDERlist=1,2,3&STATISTIClist=1&HEADERlist=0&DGUIDlist=2021A00054806016&SearchText=calgary>

policies and other ways to increase housing stock for lower-income families and our most vulnerable community members.

Lastly, I greatly appreciate the work you are doing for Calgarians. At this time, I'm asking the council to vote down the proposed land-use amendments to bylaw 1P2007 as outlined in Attachment 3, CPC2024-0213 and instead find alternative solutions to increase housing supply and improve affordability. Please don't bow to federal pressure but instead find a better way forward respecting the spirit of our communities. Together we can address the housing crisis facing our city without sacrificing the vibrancy and livability of our neighbourhoods.

Sincerely,

Charlotte Kingsford