Housing Affordability and the Standard of Living in Saskatoon

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The Survey is sponsored in Canada by the Frontier Centre for Public Policy.

He has written and spoken widely on the role of housing affordability in the standard of living and poverty reduction, including national speaking tours of Australia and numerous international presentations.

He is author of War on the Dream: How Anti-Sprawl Policy Threatens the Quality of Life, and a co-author with Richard Vedder of The Wal-Mart Revolution: How Big-Box Stores Benefit Consumers, Workers, and the Economy. In addition to these books, he has been a frequent book chapter contributor and is also author of a regular column in newgeography.com.

Wendell Cox is also author of the widely cited Demographia World Urban Areas, which is the only compendium of population, land area and population density for all known urban areas (population centres) in the world of 500,000 or more population.

He served nine years as a visiting professor at the Conservatoire National des Arts et Metiers, a Paris university and holds a BA in Government from California State University, Los Angeles and an MBA from Pepperdine University in Los Angeles. Mayor Tom Bradley appointed him to three terms on the Los Angeles County Transportation Commission, which was the top policy body in both highways and transit in the largest county in the United States. He was also appointed by Speaker of the United States House of Representatives Newt Gingrich to fulfill the unexpired term of New Jersey Governor Christine Todd Whitman.

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Executive Summary

Housing affordability has deteriorated markedly in the Saskatoon metropolitan area since 2006. While Saskatchewan has had the largest increase in households of any province over the past five years, house prices have escalated at a far greater rate. As a result the share of Saskatoon households that could qualify for a mortgage for the average priced house has dropped approximately 20 percent. Things could get even worse if the city of Saskatoon continues its efforts to implement compact cities (urban containment) policies. Urban containment policies severely restrict residential development, driving up prices. Wherever there are exceedingly high house prices relative to incomes in the Western world, there are urban containment policies.

This poses a challenge for policy makers and households. Housing costs are the largest element of household budgets. If housing costs rise faster than income, there will be a reduction in the standard of living and it is likely that poverty will increased.

Over the past two centuries, the world has become urban, as people have moved to the cities to better their lives. Yet the results of the dominant strain of urban planning urban containment policy, works against the economic aspirations of households (which is why households moved to cities in the first place). Urban containment policy seeks to limit or prohibit development on or beyond the urban fringe, which creates land scarcity and raises house prices. Since housing is the largest item in household budgets, this materially reduces discretionary incomes, leading to a lower standard of living and higher rates of poverty.

Where urban containment policy is the strongest, such as in Vancouver, Sydney, Auckland and London (UK), house prices have doubled or tripled relative to incomes. Moreover, urban containment policy has been associated with generally negative economic impacts, including lower population, lowered real incomes and lower levels of employment.

Urban containment policy is now spreading across Canada, which could lead to substantial losses in household discretionary income unless stopped. A number of metropolitan areas, such as Saskatoon have such an opportunity.

The Bank of Canada and international credit rating agencies have expressed concerns about the rising levels of household debt, which could interfere with economic growth. These levels are principally driven by the large mortgages that are necessitated by higher house prices. The monetary instruments of the Bank of Canada are largely incapable of controlling house price increases that are driven by urban containment policy that is implemented at the provincial or regional level.

Based on his research, Paul Cheshire at the London School of Economics indicates that urban containment policy is incompatible with housing affordability. Because of the importance of housing costs in the household budget, urban containment policy is also incompatible with maintaining or improving the standard of living.
The Housing Market in Canada: Since World War II, the median multiple (median house price divided by median household income) has tended to be approximately 3.0 or less in Canada, Australia, New Zealand and the United States. The exception is metropolitan areas that have adopted strong urban containment policies. As late as the early 2000’s, four of the six largest metropolitan areas had median multiples of approximately 3.0. However, as urban containment policy has spread, housing affordability has declined. The median multiple in Saskatoon was below 3.0 in 2006, but is now estimated at 4.2.

Saskatchewan in Context: For most of the last century, Saskatchewan has experienced only modest growth, with little or no growth in recent decades. However, all of that is changed significantly since 2006. Saskatchewan now enjoys strong growth. Saskatchewan had the strongest increase in median household income of any province between 2006 and 2011.

The Saskatoon Metropolitan Area: During the last half-century, Saskatoon has grown to become the largest metropolitan area in Saskatchewan. Like the province, growth has been modest in the last few decades, but has increased substantially since 2006. Between 2007 and 2012, Saskatoon grew faster than any other metropolitan area in the nation. Population projections indicate that strong growth will continue.

The Saskatoon Metropolitan Area Housing Market: House prices have escalated strongly in Saskatoon relative to incomes since 2006. This appears to be principally the result of a shortage of finished lot production and increases in developer fees and levies. The construction costs have not risen inordinately. Rents have also increased far more than the overall cost of living.

Land Use Policy in the Saskatoon Metropolitan Area: The city of Saskatoon, which dominates the metropolitan area, has adopted a strategic plan indicating an objective, as a part of its vision, to “create wealth and prosperity.” This is the very economic purpose of cities and is consistent with the theme of this analysis, which is to maintain or improve the standard of living and reduce poverty.

The city has had a long-term preference for “compact city” (urban containment) policy and new urbanist designs. These policies have been associated with higher house prices elsewhere, which have led to particular burdens for lower middle income and lower income households. At the same time, the city has announced a new “50 Year Strategic Plan” process, which offers the opportunity to moderate policies to improve housing affordability and the standard of living.

Housing Affordability Assessment in the Saskatoon Metropolitan Area: The regulatory system in the Saskatoon metropolitan area worked well to produce housing affordability until very recently. Yet, as Saskatchewan enjoyed the largest increase in median household income of any province between 2006 and 2011, house prices escalated well beyond incomes. The net effect is that the lower-cost detached house has become a thing of the past. The higher house prices that developed between 2006 and 2012 are estimated to have disqualified approximately 20 per cent of Saskatoon metropolitan area households from purchasing the averaged price existing house. In the more expensive new house market, it is estimated approximately 15 per cent of
households that would have qualified in 2006 would not today because of the higher prices.

Maintaining and Improving the Standard of Living: Housing affordability is crucial to maintaining and improving the standard of living and reducing poverty. The municipal jurisdictions in the Saskatoon metropolitan area should commit to housing affordability as the first principle of urban planning. It is recommended that each of the municipalities in the metropolitan area (1) implement policies that permit restoration of the less expensive detached house market, (2) establish and monitor housing affordability standards, and (3) implement infrastructure finance options that improve housing affordability. It is also recommended that the city of Saskatoon undertake an objective review of its developer fees and levies.

“The municipal jurisdictions in the Saskatoon metropolitan area should commit to housing affordability as the first principle of urban planning.”
1. Housing affordability, the standard of living and poverty

Throughout history, people have flocked to the city to better their lives. Cities offered better opportunities because households could expect to enjoy greater discretionary incomes than in rural areas, and there were greater opportunities for upward economic mobility.

Yet, the emergent and now dominant strain of urban planning, “urban containment” policy, works against this fundamental objective of the city, by increasing house prices relative to incomes. Higher house prices work against the very reason that people have moved to the city – a higher standard of living.

“Urban containment” policy, which has been advocated for at least seven decades,¹ is also referred to by terms such as smart growth, compact city policy, growth management, livability, densification and other terms. These policies seek to limit the expansion of urban areas (pejoratively called urban sprawl), by severely restricting or prohibiting development on or beyond the urban fringe, and by other restrictions. The resulting land scarcity drives up the price of land for residential development, just as the rationing of demanded goods or services raises prices, other things being equal. This leads to higher house prices. Stringent land use regulation has also been associated with negative impacts on metropolitan economies.² For example, Jensen and Mills conclude that:

“Stringent land use controls raised house values, and high house prices depressed population, real incomes and employment.”³

Where urban containment policies are most stringent, house prices relative to incomes have doubled and tripled, such as in Vancouver, Sydney, Auckland and London (UK).

The house price increases have occurred across the spectrum of areas with urban containment policies, from the most vibrant to those that have experienced significant industrial decline. In some metropolitan areas, households may pay from $100,000 to $200,000 more for the average priced house than they would without urban containment policies.

With the exception of Vancouver (and British Columbia), Canada’s urban containment policies are comparatively recent, making it easier to arrest further house price escalation and retardation of the standard of living.⁴ The Saskatoon metropolitan area and others where housing affordability has been diminished still have an opportunity to avoid more severe house price increases by implementing policy corrections to make housing affordability a principal objective.

At the same time, the Bank of Canada and international credit rating agencies have raised concerns about the rising level of household debt. The higher house prices that are likely to occur from urban containment policy will increase the demand for household debt through larger mortgages, and could lead to economic instability.
The fundamental problem for the Bank of Canada is that its monetary instruments have little potential to moderate the house price increases that result from urban containment policies implemented at the regional or provincial level.

In reducing discretionary incomes urban containment policy results in a lower standard of living and greater real poverty, because households have less left over after paying for necessities, with housing being the most expensive element. This occurs, because of the association between urban containment policy and higher house prices.

The case for urban containment rests on fragile foundations. Much of the justification for urban containment policy is the reduction of greenhouse gas emissions. Yet, urban containment policy is a grossly expensive and ineffective means for achieving this goal (Appendix A).

The economic consequences of urban containment policies have not been genuinely debated as such policies were adopted. Yet, as London School of Economics Professor Paul Cheshire has concluded that urban containment policy is incompatible with housing affordability. Given the importance of housing affordability in household budgets, this means that urban containment policy is incompatible with maintaining or improving the standard of living.

As we suggest in Urban Policy: Time for a Paradigm Shift, there is a need to focus on the fundamental objectives of maintaining or improving the standard of living and reducing poverty. Urban planning should be evaluated on its contribution to these objectives.

The focus of this report is land use and housing policy and its impact on the standard of living in the Saskatoon metropolitan area. Given the importance of housing affordability in household budgets, this means that urban containment policy is incompatible with maintaining or improving the standard of living.
2. The housing market in Canada

Housing costs represent the largest share of household budgets, which makes housing affordability an important economic and public policy issue.

2.1. Measuring housing affordability

There are various methods for measuring housing affordability. This report will use the median multiple for comparisons between metropolitan areas. The median multiple is the median existing house price divided by the median household income. This measure has been widely used, including by the World Bank, the United Nations and the Organization for Economic Cooperation and Development (OECD).

Housing affordability categories have been established, using the median multiple, and are now widely used (Table 1):²

<table>
<thead>
<tr>
<th>Rating</th>
<th>Median Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severely Unaffordable</td>
<td>5.1 and Over</td>
</tr>
<tr>
<td>Seriously Unaffordable</td>
<td>4.1 to 5.0</td>
</tr>
<tr>
<td>Moderately Unaffordable</td>
<td>3.1 to 4.0</td>
</tr>
<tr>
<td>Affordable</td>
<td>3.0 and Under</td>
</tr>
</tbody>
</table>

As noted above, Saskatoon area house prices have escalated sharply relative to incomes since 2000. As late as 2006, the Saskatoon metropolitan area had a median multiple (median existing house price divided by median household income) of 2.6. This at near the middle of the normal median multiple range of 2.0 to 3.0 which has been typical in the metropolitan areas of Canada, Australia, New Zealand, United States, Ireland and the United Kingdom for most of the period since World War II. This is indicated in Figure 1, from the Reserve Bank of Australia, that nation’s central bank, which indicates that housing affordability at or below the median multiple of 3.0 into the late 1980s and early 1990s in each nation.
### Chart 1

**Price to Income Ratios 1985-2007**

*Reserve Bank of Australia Data*

<table>
<thead>
<tr>
<th>Year</th>
<th>Australia</th>
<th>Canada</th>
<th>Ireland</th>
<th>New Zealand</th>
<th>United Kingdom</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>2.5</td>
<td>2.3</td>
<td>2.8</td>
<td>2.7</td>
<td>2.4</td>
<td>2.2</td>
</tr>
<tr>
<td>1991</td>
<td>3.0</td>
<td>2.8</td>
<td>3.2</td>
<td>3.1</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>1995</td>
<td>3.5</td>
<td>3.2</td>
<td>3.6</td>
<td>3.5</td>
<td>3.4</td>
<td>3.3</td>
</tr>
<tr>
<td>1999</td>
<td>4.0</td>
<td>3.8</td>
<td>4.0</td>
<td>3.9</td>
<td>3.8</td>
<td>3.7</td>
</tr>
<tr>
<td>2003</td>
<td>4.5</td>
<td>4.3</td>
<td>4.5</td>
<td>4.4</td>
<td>4.3</td>
<td>4.2</td>
</tr>
<tr>
<td>2007</td>
<td>5.0</td>
<td>4.8</td>
<td>5.0</td>
<td>4.9</td>
<td>4.8</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Various combinations of median and mean measures of house prices and incomes used depending on availability.

Sources: ABS; BIS; Bureau of Economic Analysis; Central Statistics Office Ireland; Communications and Local Government (UK); National Statistics website; OECD; REIA; Reserve Bank of Australia; Reserve Bank of New Zealand; Statistics Canada; Statistics New Zealand; Thomson Financial.
2.2. Housing affordability in Canada

Housing affordability was the rule, rather than the exception across the nation as late as the middle 2000s. In 2004, Calgary’s median multiple was 3.0. Ottawa’s median multiple was 2.9 and Montréal had a median multiple of 3.1. In 2005, Edmonton’s median multiple was 2.8, while Winnipeg’s was 2.4. Since that time, housing affordability has deteriorated substantially in Calgary, Montréal and Toronto. There have also been more modest declines in affordability in Edmonton and Ottawa. Vancouver, which has experienced severe levels of housing on affordability for decades, experienced a house price to income increase from a median multiple of 5.3 in 2004 to 9.5. In 2012, Vancouver ranked as the most unaffordable metropolitan area, except for Hong Kong, out of 337 metropolitan areas in seven nations covered in the Demographia International Housing Affordability Survey. The decline in housing affordability has not escaped notice. Bank of Canada officials have expressed concern about the rising level of household debt, which is largely attributable to rising house prices. Nearly all of the major banks have experienced credit rating downgrades within the last year, with rising mortgage debt being a principal factor.

The Bank of Canada is tasked with the monetary policy goal of keeping “inflation near 2 per cent.” This can be challenging in a market of rapidly rising house prices. Yet house prices are not rising principally because of normal market forces. The increases are principally the result of provincial and metropolitan urban containment policy. Thus, the largest item of consumer spending, and potentially a driver of inflation, is largely under the control of regional and provincial land use authorities and beyond the policy purview of the Bank of Canada. This constraint on the Bank of Canada’s power may be a matter for parliamentary concern.

2.3. Housing preferences

As in the other New World nations of Australia, New Zealand and the United States, more Canadians live in detached housing than in the semi-detached or multifamily housing. This trend continues to grow, as is indicated by the 2011 census.

Data from the Statistics Canada National Household Survey indicates that in 15 of the 20 largest metropolitan areas, the detached share of new housing between 2006 and 2011 was greater than the share of such housing in 2006. In three of the six metropolitan areas with more than 1,000,000 population, the share of detached housing also grew between 2006 and 2011. The smallest detached build rate was in Vancouver, where urban planning regulations have made such housing difficult to build (Chart 2).
The urban planning literature sometimes implies that higher density, multi-family housing can be readily substituted among households who prefer detached housing. However, housing preferences vary significantly between households. Restricting housing choice, such as by discouraging detached housing, can make a metropolitan area less attractive for people from other parts of the nation or world.14

This nationwide trend is counter to assertions that households are losing interest in detached housing. Indeed, the province’s Housing Strategy, indicates that in its consultation process: “It was stated over and over again that it is not a sustainable vision to assume that the housing norm is a single family home.” The reality, however, is that detached housing and improving technology has made detached housing and its automobile oriented land-use development form sustainable (See Appendix A.4).

**CHART 2**

**Housing Preferences 2006-2011**

**Selected Metropolitan Areas**

<table>
<thead>
<tr>
<th>City</th>
<th>2006 Detached Percentage</th>
<th>2006-11 Detached Addition Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calgary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edmonton</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montreal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ottawa, ON-QC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toronto</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vancouver</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saskatoon</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Housing Preferences in Saskatoon:** The Saskatoon metropolitan area mirrored this trend. Between 2006 and 2011 the Saskatoon metropolitan area experienced a huge increase in the demand for detached housing, with 72.9 per cent of the new occupied housing being detached.
3. Saskatchewan in context

For the past two centuries, a rural world has gradually become more urban. This is illustrated by the transformation of Canada from a rural to an urban nation. Pre-confederation Canada was only 13 per cent urban. By 1931, 54 per cent of the population was urban, a figure that rose to 81 per cent in the 2011 census.

Similarly, much of the population growth in Saskatchewan has been in the urban areas. In 1901, only 16 per cent of the population in present area of Saskatchewan was urban. As late as 1951, only 30 per cent of Saskatchewan residents lived in urban areas, less than one-half that of Canada at the time (62 per cent). By 2011, 67 per cent of Saskatchewan residents lived in urban areas, more than double the 1951 rate (Chart 3). Saskatchewan remains less urban than the nation as a whole, which is to be expected as a result of its strong role in agriculture.

Saskatchewan has experienced very slow population growth throughout most of its history. In the early years, there was fast growth, as the population rose from 490,000 in 1911 to 920,000 in 1931. However, through the years of the Great Depression and World War II, the province lost 90,000 residents. After recovering to slightly above its 1931 population by 1961. The population gradually rose to 1,010,000 by 1986. Over the next 20 years, however, the population declined to 968,000. This trend was reversed, however, between 2006 and 2011, when the population grew to 1,031,000, the highest ever recorded in a census, as the province prospered from energy and potash. The growth accelerated in 2012, with an annual population increase of 22,000 (Chart 4, next page).
Over the past five years, Saskatchewan has been the second fastest growing province, trailing only Alberta. The population growth has been concentrated in the two large census metropolitan areas (CMAs) of Saskatoon and Regina, with more than 80 per cent of the growth. It is expected that the substantial population growth will continue. However, it would be a mistake to take Saskatchewan’s growth for granted. For example, in the first quarter of 2013, there was a modest loss in interprovincial migration.\(^1\)

The recently released National Household Survey indicates that median household incomes increased at a greater rate in Saskatchewan than in any other province (Chart 5).\(^2\)

\begin{figure}
\centering
\includegraphics{chart4.png}
\caption{Saskatchewan Annual Population Trend 2000-2012}
\end{figure}

\begin{figure}
\centering
\includegraphics{chart5.png}
\caption{Median Household Income 2005-2010}
\end{figure}
4. Growth in the Saskatoon Metropolitan Area

Saskatoon has recently emerged as the nation’s fastest growing metropolitan area.

4.1 Saskatoon growth in context

Overall, Saskatoon has grown strongly since World War II. The metropolitan area has grown by more than 2 1/2 times the rate of Canada’s population increase since 1951 (Chart 6). While approximately 440,000 residents were being added to the urban areas of Saskatchewan from 1951 to 2011, the Saskatoon metropolitan area added more than 200,000 residents, more than 45 per cent of the total.

However, population growth in the area slowed considerably during the 1990s and early 2000s (Figure 7). Growth accelerated after 2006. The average annual population growth from 2006 to 2011 was 6,400, four times the annual rate from 1991 to 2006. In 2012, population growth reached 11,200. Between 2007 and 2012, Saskatoon grew faster than any metropolitan area in the nation.¹²

![Chart 6: Saskatoon Metropolitan Area Growth 1951-2011 Compared to Canada 1951-2011](image)

Source: Statistics Canada
4.2 Growth within the Metropolitan Area

Saskatoon continues to have the largest share of the metropolitan area population. In 2011, the city of Saskatoon had approximately 85 per cent of the population. Warman and Martensville each had approximately 3 per cent of the population. Martensville was the second fastest growing municipality in the nation between 2001 and 2006, while Warman ranked sixth. The percentage growth in the metropolitan area outside the city was 21.2 per cent between 2001 and 2006, more than double that of Saskatoon, at 9.9 per cent.

4.3 Projected population growth

The city of Saskatoon issued population projections through 2032 both for the city and the metropolitan area. Strong growth is expected to continue. Under the median scenario the metropolitan area is expected to grow from 272,000 in 2012 to 460,000 in 2032. The high-growth scenario would take the population to 508,000 residents, while the low scenario would result in a population of 417,000.

CHART 7  
Annual Growth: Saskatoon CMA  
1991-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Population Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-1996</td>
<td>1,621</td>
</tr>
<tr>
<td>1996-2001</td>
<td>1,374</td>
</tr>
<tr>
<td>2001-2006</td>
<td>1,527</td>
</tr>
<tr>
<td>2006-2011</td>
<td>6,433</td>
</tr>
<tr>
<td>2012</td>
<td>11,237</td>
</tr>
</tbody>
</table>

Source: Statistics Canada
5. The Saskatoon Metropolitan Area housing market

Historically, Regina has been an affordable market for housing. But that has changed, as house prices have risen strongly since 2006.

5.1: Recent house price history

The average house price has tripled since 2000 and doubled since 2006 (Chart 8). House prices have increased well in excess of household incomes. The average house price rose 4.5 times the increase in average weekly earnings between 2006 and 2012 (Chart 9). This is despite Saskatchewan’s highest median household income increase over the similar 2005 to 2010 period among the provinces.

As a result, housing affordability has been retarded for middle income households, whose earnings now purchase less and for lower income households, many of whom have seen the opportunity of home ownership slip away.

![Chart 8: Saskatoon Average House Prices Annual 2000-2012](source: Saskatoon Region Association of Realtors)
Saskatoon area house prices have escalated sharply relative to incomes. The most significant price increases occurred following 2006, when the Saskatoon metropolitan area had a Median Multiple (median house price divided by median household income) of 2.6. This is well within the maximum Median Multiple of 3.0 which has been typical in the metropolitan areas of Canada, Australia, New Zealand, United States, Ireland and the United Kingdom for most of the period since World War II. In 2012, it is estimated, based on the Saskatoon Regional Association of Realtors and the new National Household Survey data from Statistics Canada, that the median multiple in Saskatoon is 4.1.21

5.2. Shortage of new housing and lots

Even as population growth has accelerated, there has been little or no increase in the construction of detached housing.22 From 2003 to 2006, new detached housing production was approximately 1.2 times the number of new households. In more recent years, the rate of new detached housebuilding has fallen to less than half the number of new households (Chart 10).

At the same time, the finished lots23 on which home builders rely for construction did not keep up with demand. For example, finished lot production by the city of Saskatoon Land Branch24 was comparatively flat, both before and after the area’s huge population increase that began in 2007 (Chart 11).25 Data are not readily available for the private developers, but the overall rate of home building was insufficient to meet the increased demand from population growth. There may also have been some reluctance to increase finished lot production due to the Great Financial Crisis, which began at about the same time that Saskatoon’s population growth increased so substantially.
This shortage of finished land appears to have contributed to the rising house prices in the Saskatoon area and the loss in housing affordability, as demand outstripped supply. For example, the price of finished lots sold by the city of Saskatoon rose from approximately $77,000 in 2006 to $135,000 in 2012, an increase of 75 per cent, at the same time as lots have been substantially reduced in size (Chart 12, next page). This increase is 2.5 times the rate of general inflation.
5.3. Construction costs

Despite the increases in house prices, unit construction cost increases may not have been significant. According to the R. S. Means construction index, construction costs declined in Saskatoon relative to the rest of the nation from 2000 to 2010 (Chart 13). Construction costs in Saskatoon are somewhat lower than in other metropolitan areas of Western Canada (Chart 14).
Local jurisdictions charge levies and fees (sometimes called impact fees) to land developers, to offset the costs of offsite municipal improvements that serve new subdivisions. These levies and fees can be substantial.

Currently, city of Saskatoon levies and fees are approximately $30,000 for the average new lot. This fee is routinely included in the price charged to the homebuilder and eventually to the purchaser of the house. Between 2002 and 2012, levies and fees for a typical 15 meter lot nearly tripled. This increase is approximately eight times the increase in general inflation over the same period, measured by the Consumer Price Index (Chart 15).
Fees and levies are a contentious issue. Developers and builders often claim that the charges are too high and that they fund functions that should be paid out of property taxes. Municipal jurisdictions defend the validity of their fees and levies.

The city has been able to generate substantial surpluses above its expenditures for land purchases and the installation of infrastructure, indicating that levies and fees may be too high. This is indicated by the fact that approximately $66 million in “net proceeds” from the Willow Grove and Hampton Village neighborhoods has been allocated to the City Council, for investment “back into the community” and assisting “the City in maintaining the AAA credit rating and reduces the need for external borrowing,” according to the Land Branch. This could represent a cross-subsidization of the rest of the community by new house buyers. This would have had a punitive effect on new house purchasers, raising prices unnecessarily.

Economist Claude Gruen notes a number of difficulties with fees and levies, such as the fact that public service provision tends to be less expensive in newer suburban communities, and that repair and upgrading (required for increasing densities) of infrastructure is more costly in more dense, established areas.

Finally, more expensive building lots and higher impact fees lead to higher cost new housing, to match the preferences of the smaller more affluent buyers market and to maintain competitive returns on investment.

5.5. Rents

The cost of rental housing has also increased substantially in the Saskatoon metropolitan area. The cost of rental housing rose 33.9 per cent, between 2006 and 2013 (Chart 16). This is 2.3 times the increase in the cost of living. Economic research indicates that rental housing costs tend to rise along with the costs of owned housing.

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**Chart 16**

**Saskatoon: Inflation and Rents 2006-2013**

*From Consumer Price Index (July)*

<table>
<thead>
<tr>
<th>Percentage Increase from 2006</th>
<th>Cost of Living</th>
<th>Rental Housing Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>35%</td>
<td>14.7%</td>
<td>33.9%</td>
</tr>
</tbody>
</table>

Source: From Statistics Canada
5.6. The provincial interest in housing

Housing affordability is important to the continued economic and social progress of Saskatchewan and its metropolitan areas. The province has adopted a *Housing Strategy and Housing Action Plan*. These documents address important issues of housing affordability, such as construction costs and regulatory barriers. The *Housing Action Plan* indicates the intent of the problems to “support the creation of additional housing supply across the province.” The *Housing Strategy* indicates concern over rapidly rising house prices and rental rates. There is also a commitment to increase the accuracy and availability of housing data.

This provincial expression of interest is appropriate especially given the role that housing affordability plays in encouraging or discouraging migration from other parts of the nation and the world. A competitive Saskatchewan requires housing that is affordable to newcomers and to young households.
6. Urban land use policy in the Saskatoon Metropolitan Area

This section summarizes urban policy in the Saskatoon metropolitan area. With 239,000 residents, the city of Saskatoon comprises 85 per cent of the metropolitan area population (284,000 in 2102). As a result, the city is the principal driving force in planning.

6.1. The Saskatoon Official Community Plan and Philosophy

The city of Saskatoon’s land-use planning policies operate within the framework of the Official Community Plan (OCP), which was adopted in 2011. Under the OCP, the city of Saskatoon seeks a “compact city form”, with “orderly development” occurring on the urban fringe through “suburban development areas” (SDAs). In this objective, the OCP mirrors the Future Growth Final Report (2000).

The OCP is supplemented by other documents, such as the Strategic Plan 2012-2022, the Integrated Growth Plan, the Immigration Action Plan and the Housing Business Plan 2012 and others. These documents contain much that is admirable. For example:

- The OCP commits the city to the provision of a supply of land for new residential development to meet future demand.
- The OCP commits the city to monitoring the supply and demand for housing.
- A principal focus of the Strategic Plan 2012-2022 is to “create wealth and prosperity,” which is the very purpose of cities and consistent with the theme of this report.33
- The Housing Business Plan 2012 expresses the city’s concern about seriously retarded housing affordability over the last decade.
- The Housing Business Plan 2012 also expresses concern rising rental prices, which have risen along with house prices.
- The Immigration Action Plan notes the importance of both migration and immigration to the city and indicates an intention to “develop a definition of “affordability,” using targeted objectives (price range, income, other benchmarks)...”
- The Integrated Growth Plan notes import and transportation improvements that will result in better road traffic flows, including the future Perimeter Highway and a new bridge between the city’s west side and the north side. These improvements are in addition to the new Circle Drive South Bridge and completion of the freeway standard southern Circle Drive loop. This plan, which sought to accommodate 500,000 residents will, it appears, be replaced by a longer term strategic planning process (below).
More recently, in July of 2013, the city announced a 50-year planning effort, which was just beginning as this report was prepared. The city released a map showing a “Proposed Long Range Urban Growth Boundary,” which was substantially expanded from earlier maps. It is intended that this area, which would extend to the north of both Warman and Martinsburg, would eventually accommodate a population of 1,000,000 (Section 6.3).

**The City and Housing Affordability:** The city has expressed both interest and concern about housing affordability.

The City of Saskatoon is currently working with homebuilders to secure land and encourage the construction of more entry-level housing in all new neighbourhoods.

Further, the city’s Land Branch has a “primary focus is to ensure adequate levels of serviced residential, institutional, and industrial land are available at competitive market value to meet demand.”

Despite these intentions, however, house prices have escalated strongly in the city, which the city notes has taken the greatest toll on lower income households:

“Saskatoon has been experiencing greater demands for appropriately priced housing for the City’s lowest income groups and most vulnerable population as a result of the discrepancy between increases in housing costs and increases in income.”

### 6.2. Compact City Policy

For nearly 15 years, the city has favored “compact city” policy (urban containment policy), which seeks to substantially increase population densities and reduce automobile use. These policies are being implemented in many metropolitan areas. A principal justification of urban containment policy is sustainability, especially the reduction of greenhouse gas emissions (Appendix A.1).

However, there are difficulties with compact city policies. They have often slowed or severely limited the volume of new housing to a level well below demand. The result, as is indicated in voluminous economic literature, is more often than not to raise house prices. This is consistent with the economic principle that when supply is less than demand, prices tend to rise. Economists Richard Green and Stephen Malpezzi summarize the issue:

> When the supply of any commodity is restricted, the commodity’s price rises. To the extent that land – use, building codes, housing finance, or any other type of regulation is binding, it will worsen housing affordability.

Compact city policy has been associated with substantial house price increases both in the academic research and actual experience. Additional research associates slower job creation and economic growth with urban containment policy. These issues are described in further detail in *Urban Policy: Time for a Paradigm Shift.* Other similar metropolitan areas of similar size to Saskatoon have implemented compact city
policies that have led to substantial losses in housing affordability (Appendix B).

The city of Saskatoon’s land use policy has evolved to require virtually all new residential areas to follow a sequential land development plan. This raises land prices, because it slows the rate at which land can be developed and directs purchasers to a more limited group of sellers. This heightened competition for developable land relative to a smaller supply leads to higher land prices, which can be substantial. For example, research in Portland and Auckland (New Zealand) indicates virtually across the road differences in raw land costs of at least 10 times, with even greater disparities in the London (UK) area. The critical role in land costs is illustrated by comparison house construction costs in Saskatoon with the very expensive Vancouver market. According to R. S. Means, the cost of construction a comparable house in Vancouver is only 13 percent higher than in Saskatoon. Yet, house prices relative to incomes are more than double that of Saskatoon.

In any policy that seeks to control or direct growth, it is important for a municipality to ensure that policies do not retard housing affordability. This point was made by in a Brookings Institution policy analysis by a team lead by urban containment advocate Arthur C. Nelson of the University of Utah.

“... the housing price effects of growth management policies depend heavily on how they are designed and implemented. If the policies serve to restrict land supplies, then housing price increases are expected (emphasis in original)”

They further point out that growth management policies have been associated with higher house prices in California.

Finally, the higher density neighborhoods spawned by compact city policies lead to greater traffic congestion (Box and Section A.4). This could occur in Saskatoon from the higher densities being sought by the city.

New Urbanism: Consistent with its interest in compact city policies, the city has generally favored new urbanist neighborhood designs, which resemble housing designs of the early 20th century and placing garages behind detached housing, making it necessary to build alleys or “laneways” for access to garages. Proponents of New Urbanist designs note that it is popular in the market. Song and Knapp indicate that:

Specifically, we find that residents are willing to pay premiums for houses in neighborhoods with more connective street networks; more streets, shorter dead-end streets; more and smaller blocks; better pedestrian accessibility to commercial uses; more evenly distributed mixed land uses in the neighborhood; and proximity to operating light rail stations.

Research indicates, generally that “new urbanist” housing designs, tend to be more expensive than conventional suburban housing. Such designs can add as much as from 15 to 30 per cent to construction costs. Research by the Planning Design Group indicated that:

... these additional costs result primarily from enhanced architectural design,
increased infrastructure associated with the addition of alleys (paving/drainage), and a greater emphasis on including high quality parks and civic spaces in the community’s design. In addition to up-front costs, there are additional operations and maintenance costs associated with some of the amenities. Early in the planning of Baldwin Park, the developers made a commitment to high quality parks and open space that requires a more frequent and more expensive maintenance schedule.

This is despite the fact that new urban housing tends to be smaller than conventional suburban housing.

It is not inappropriate to appeal to the tastes of households who are willing to pay more for a product. However, not all households have the luxury of being able to afford higher cost purchases. Public policies that require more expensive designs can lower the standard of living.

**Urban Containment and Social Exclusion:**

One of the principal purposes of urban containment policy, according to many proponents, is to reduce the social exclusion of lower income households by making housing more affordable.

Yet in Portland, despite its “model” urban containment policies, owned and rental housing costs has escalated substantially in higher poverty areas relative to average price increases, even as the metropolitan area has seen extraordinary house cost increases relative to incomes.  

Professor Emily Talen, herself a strong advocate of both urban containment and new urbanism, found that 90 per cent of a sample of more than 150 new urbanist developments in the United States would not be affordable to a person on a teacher’s salary. She notes that:

> This is unsurprising, as two decades of

---

### The Connection between Higher Density and Traffic Congestion

Increasingly, the city has been using plans for new neighborhoods to increase population densities. This is illustrated in the Blairmoor and Holmwood sector plans, which anticipate overall population densities of approximately 4,000 per square kilometer. This is more than double the present density of the city of Saskatoon and more than double the density of the Willow Grove and Hampton Village neighborhoods.

Continued development at such high densities could lead to an intensity of traffic congestion that has not been known before in Saskatoon (Appendix A.4). For example, Western European urban areas of the size to which Saskatoon aspires (500,000 to 1,000,000 population) have much higher densities than Saskatoon. If the present plans are implemented over the longer term, the population density of the Saskatoon urban area will be similar to that of the European urban areas. Generally, these urban areas have substantially greater traffic congestion, as reported by the INRIX Traffic Scorecard.
New Urbanist developments have demonstrated that providing a quality public realm, a mix of unit types, good walkability and community facilities can quickly result in housing priced out of reach of the very mix of society it was intended to foster.

6.3. The New 50 Year Strategic Plan

The city’s new 50 year strategic planning process offers the opportunity to adopt policies that can ensure future housing affordability for households in the Saskatoon area. This is important to improving regional competitiveness and economic performance, while maintaining or improving the standard of living and minimizing poverty. The “Proposed Long Range Urban Growth Boundary” map\(^{48}\) (Chart 17) released by the city contains sufficient land for development to restore the competitive supply of land and housing affordability.

**CHART 17**

**Saskatoon: Long Range Urban Growth Boundary Map**
7. Housing affordability assessment: Saskatoon Metropolitan Area

Saskatoon’s housing market and regulatory system performed well to facilitate a higher standard of living for residents following World War II and until the growth spurt of the middle 2000s. However, the market for finished lots and new single-family housing did not respond quickly enough as growth increased substantially. The market supplied fewer lots for building in relation to the substantial increase in demand from the new population growth.

At the same time, the city of Saskatoon’s higher fees and levies on housing are likely to have retarded housing affordability. The city’s commitment to compact city policies, new urbanist designs and more plan driven, rather than market driven land development could have had raised house prices as well. The international economic literature suggests a strong probability that these policies will lead to even higher house prices relative to incomes in the future.

7.1. Consequences

The less expensive home has been placed out of reach for most middle income and lower income households in the Saskatoon metropolitan area. Saskatchewan led the nation in household income growth between 2005 and 2010. Yet, housing prices have risen even further. The following analysis estimates the human toll. Between the 2006 and 2012, a substantial number of households who would have qualified for mortgages in 2006 would no longer qualify:

- Comparing the 2012 average resale house price with the 2006 figure, adjusted for the increase in household income, the share of households that would be qualified for purchasing the average existing house has dropped from between 57 per cent to approximately 36 per cent. This is approximately 23,000 (Figure 18) out of the approximately 109,000 households, or 21 per cent of Saskatoon households.

- Comparing the 2012 average new house price with the 2006 figure, adjusted for the increase in household income, the share of qualified households would be reduced from 40 per cent to 24 per cent. This is approximately 17,000 (Figure 19) out of the approximately 109,000 households, or 16 per cent of Saskatoon households. This is a lower percentage than the loss in qualifying households for existing houses, because new houses are more expensive and the market of buyers is thus smaller.
**CHART 18**

Households Qualifying for Existing Houses
Saskatoon Metropolitan Area

Total Households | 2006 Price/Income Ratio | 2012 Price/Income Ratio
---|---|---
108,600 | 61,600 | 39,100

Source: Estimated from 2011 NHS data. At CMHC qualification standards.

**CHART 19**

Households Qualifying for New Houses
Saskatoon Metropolitan Area

Total Households | 2006 Price/Income Ratio | 2012 Price/Income Ratio
---|---|---
108,600 | 43,300 | 26,400

Source: Estimated from 2011 NHS data. At CMHC qualification standards.
7.2. Future challenges

Finally, there is reason to be even more concerned about the future of housing affordability. Mortgage interest rates have been the historical lows during the recent period of house price escalation. It is likely that in the longer run interest rates will return to more normal levels. This could result in substantial increases in mortgage payments. For example, interest rates were to rise to 7 per cent, which is less than the average over the last few decades, a household with a 4 per cent mortgage on a house of the average value (approximately $350,000) would experience a mortgage payment increase of more than $600 per month.

Younger households are likely to have greater financial constraints, with many facing substantial student loan debt. This will make home purchases more difficult and is an imperative for housing affordability.

Further, much of Saskatoon’s growth is from international migration. Housing affordability is becoming a greater problem for newer immigrants, as incomes have been falling relative to those who migrated in previous decades.51

The Saskatoon metropolitan area’s continued growth is likely to be, at least in part, dependent upon the ability of new residents to obtain their preferred housing at affordable prices. There is an imperative to improve housing affordability. Even more, there is an imperative to prevent further house price increases relative to incomes.
8. Maintaining and improving Saskatoon’s standard of living: Recommendations

If house prices continue to increase greater than incomes in the Saskatoon metropolitan area, the standard of living could decline and real poverty could be increased. This would be expected should the present policy directions of the city of Saskatoon be imposed throughout the metropolitan area. As was noted above (Section 7.1), restoring housing affordability, especially for many middle income and lower middle income households will require the development of smaller houses on less expensive lots in more modest neighborhoods than are required by today’s city policies.

In the longer run, it is to be hoped that the city of Saskatoon would be open to sufficient flexibility to restore and maintain housing affordability. There is also a role for other jurisdictions. The fast growing municipalities of Martensville and Warman, as well as the Rural Municipality of Corman Park could provide additional opportunities through skilled policies that place housing affordability and the standard of living at the top of the policy agenda.

The following recommendations are offered:

Municipal Recommendations: Housing affordability should become a principal overall objective in each jurisdiction in the Saskatoon metropolitan area. Specifically, housing affordability should be the principal objective of planning, subject to adequate environmental standards.

To accomplish this objective, each municipality should:

• Take immediate steps to allow restoration of the less expensive new detached house market. This would include authorization of developments that do not require the more expensive amenities of new urbanism nor plan driven geographical constraints. This would permit the city of Saskatoon to continue its present neighborhood development strategies, but not as the only method to produce new housing. The city of Saskatoon’s 50-year strategic planning process offers an excellent opportunity in this regard.

• Establish and monitor housing affordability standards. It is recommended that, at a minimum, the standards adopted by the jurisdictions seek to ensure no further deterioration in housing affordability, based upon the median multiple (Section 2). Following any year that this standard is exceeded, jurisdictions should permit development of sufficient additional finished lots to achieve a sufficient balance between demand and supply to restore the housing affordability standard.

• Implement infrastructure finance options that could improve housing affordability. For example:
• Bonding for Fees and Levies: Municipalities could issue bonds to finance levies and fees, with the principal and interest paid by the residents of new housing.\textsuperscript{52} This would improve housing affordability by reducing initial sale prices, which is also likely to lead to more modest existing house price increases.\textsuperscript{53}

• Municipalities could permit establishment of special housing districts or utility districts that could be offer self-contained public services and utilities, following models in Texas, Colorado and California and New Zealand.\textsuperscript{54} This would remove the burden of providing services for such new developments, for example, from the city of Saskatoon, while permitting restoration of the lower cost new home market. At the same time, developers and home builders would have an incentive to minimize the costs of such infrastructure to attract buyers.

In view of the surplus of city of Saskatoon Land Branch revenue, as noted above, there is a need for an objective review of the city’s levies and fees. This review should consider the levy and fee schedules, to ensure that each of the uses is appropriately priced and necessary.

**Provincial Recommendations:** It is recommended that the province of Saskatchewan amend its housing strategy documents to include the following:

- Citation of the necessity to restore and maintain competitive land prices for all types of housing throughout municipalities.

- A requirement for municipalities to adopt housing affordability standards and monitor housing affordability, with annual public reports. This should include an owned housing standard (median multiple) and a rented housing standard.

- Inclusion of housing affordability data in the “Municipal Information Data Portal” webpages.\textsuperscript{55}

These policy initiatives could improve the standard of living for virtually all Saskatoon residents, by making housing affordability a prerequisite to urban design objectives (emphasizing outcomes over inputs). As noted above (Section 1), people have moved to cities, including the Saskatoon metropolitan area, for a higher standard of living. If housing is insufficiently affordable, fewer migrants, inter-provincial and international are likely to arrive.

The ultimate test of urban planning is the extent to which it contributes to a higher standard of living and lower poverty levels. There is a need for a new paradigm in public policy, which appropriately places people and households above urban design. Improved and sustained housing affordability is likely to contribute to the strong growth sought by the area.
Appendix A: Sustainability

The principal goals of a higher standard of living, with less poverty does not contradict sustainability. This section describes sustainability issues that are often raised in objection to more liberal land use regulations (as opposed to urban containment).

A.1. Greenhouse Gas Emissions

Urban containment policy, which is largely favored in urban planning, generally favors higher densities, opposes detached housing and seeks to transfer travel demand from cars to transit is of long standing. This thrust stretches back at least to the British Town and Country Planning Act of 1947 and later initiatives, especially in the 1970s in Vancouver, Sydney and Portland.

In more recent years, these initiatives have been strengthened by the concern for reducing greenhouse gas emissions. It was generally thought that greenhouse gas emissions could be substantially reduced by substituting higher density housing for detached housing, and by discouraging automobile use.

The expectation that urban containment policy would contribute substantially to the objective of reducing greenhouse gas emissions has proven to be disappointing. Comprehensive studies indicate that the potential reduction is not only minimal, but it is also prohibitively expensive. Reviews in the United States have indicated that urban containment policies are generally capable of reducing greenhouse gas emissions no more than 5 per cent from the elevated levels that will occur from increased driving and new housing construction by 2050.56

Even worse, these strategies would achieve their modest results only at great cost. The United Nations Intergovernmental Panel on Climate Change (IPCC) has indicated that sufficient greenhouse gas emission reductions can be achieved at a range of from $20 to $50 per ton. Yet the cost of reducing greenhouse gas emissions through transit alternatives has been estimated at $1000 per ton,57 and the additional housing costs incurred to reduce greenhouse gas emissions have been estimated at nearly $20,000 per ton.58 Obviously, such lavish expenditures are not only unnecessary in but could also seriously retard economic growth and increase poverty.

Meanwhile, new regulations are projected to reduce greenhouse gas emissions much more, even as driving continues to increase (Chart 20, next page). Importantly, these gains are projected to be achieved costlessly – the vehicle operating cost savings are projected to exceed the additional cost of the regulations.59 Other sources project even greater savings, based upon more conservative driving volumes. Moreover, these projections assume no regulatory actions to improve greenhouse gas emissions after 2025. Similar regulations are under consideration in Canada.

Further regulations are likely and there is considerable potential for other technological advances to improve automobile fuel efficiency beyond current projections. The potential progress is indicated in a New York University research report: “The advent
of a new generation of automobiles – cars that do not harm the physical environment – represents a major turning point in urban mobility." Door-to-door automobile transportation, which is plays such a large role in economic growth and job creation (Section 8.4) has emerged as sustainable.

Similarly, substantial improvements have been made in reducing greenhouse gas emissions from lower density housing. According to the Canadian Home Builders Association, the residential sector has experienced a 5 per cent net reduction in GHG emissions since 1990, while overall GHG emissions have risen 18 per cent. This improvement in housing GHG emissions is despite a substantial increase in housing units and an increase in average new house size.  

A.2. Urban area density and infill

The Saskatoon urban area (the area of continuous urban development) is dense. The Saskatoon urban area is more than 60 per cent denser than the average urban area in Canada and nearly double the density of the average US urban area. Saskatoon has approximately 10 per cent greater density than Portland Oregon, which is renowned for its urban containment policies. It is approximately 30 per cent more dense than Edmonton and only 5 per cent less dense than Calgary. Saskatoon’s density is particularly great in comparison with the smaller urban areas of Saskatchewan (those outside Saskatoon and Regina) at more than three times as dense (Chart 21).
Urban Density in Context: It is often claimed that urban areas consume too much land, or that they are insufficiently dense. As is noted in Section 1.1, urban areas around the world have expanded spatially as has been permitted by urban transport technology.

The world’s largest urban areas exhibit a great range of land area and population density. For example, the Dhaka (Bangladesh) urban area is the highest urban density megacity\textsuperscript{62} in the world, at 45,000 per square kilometer.\textsuperscript{63} This is nearly 25 times the average urban population densities in the six largest metropolitan areas (1,900 per square kilometer).

In contrast, the New York urban area covers more than 11,500 square kilometers and is the world’s \textit{least} dense mega-city, at fewer than 2,000 persons per square kilometer. The US average for major urban areas has even lower densities, at 1,200 per square kilometer. Some large urban areas have below 1,000 per square kilometer, such as Boston and Atlanta.\textsuperscript{64} In these urban areas (and some others in the US), the low population densities have been driven by urban planning regulations requiring large minimum lot sizes. These regulations, which produce below-market population densities, have not generally been adopted in Canada.

There are no standards for minimum urban density, and as Appendix A.5 indicates, there is no shortage of land for urban development. As noted above, the objective of policy should be on maintaining and improving the standard of living and reducing...
poverty. Efforts to mandate density levels should be evaluated based on their impact on this objective. As is noted in Section 1, urban containment policy is associated with lower standards of living and greater poverty.

**Infill Policy in Context:** Similarly, there is no standard with respect to “infill” versus “greenfield” development. As with density mandates, infill mandates can limit the housing developed in greenfield areas, producing scarcity. This leads to higher house prices. Like density mandates, the test of infill mandates is the impact on housing affordability and the standard of living.

### A.3: Regional Planning

Some level of regional planning is necessary in any metropolitan area. The arterial road system and design of utility systems are examples.

Regional planning can improve or retard the standard of living. Like any other public policy, the success of regional planning depends on the skillfulness of its implementation. With respect to land use and transportation planning, regional planning can be beneficial to the extent that it facilitates a better standard of living. In other words, the evaluation is based on results, not design or intentions.

Regrettably, a number of regional planning efforts have had negative impacts on both the standard of living and poverty, by their association with rising house prices. Regional (or national) imposition of urban containment policies have driven house prices higher in Vancouver, Toronto, Portland and virtually all of the major metropolitan areas of Australia and New Zealand, in the United Kingdom. Most of the metropolitan areas that have experienced the most significant losses in housing affordability have had strong regional planning. Nonetheless, urban containment policies at the sub-regional level can also result in a significant loss of housing affordability.

Thus, regional planning needs to strike a balance between the sufficient provision of adequate infrastructure and coordination of cross boundary services and a flexibility that allows retention of a competitive supply of land for development. Like urban planning, regional planning should place maintenance and improvement of the standard of living as a principal goal. This requires housing affordability.

### A.4: Transportation

Much of urban containment policy is based on the assumption that light vehicle use should be replaced by transit, the bicycle and walking.

The reality is much more complicated. In every metropolitan area of Canada, Western Europe, the United States, Australia and New Zealand, the overwhelming majority of motorized travel is by car. Further, there are no cases where there is a substantial decline underway in the market share of motorized travel. Moreover, no metropolitan area has serious plans that would materially reduce the share of
travel by automobiles (which here refers to automobiles, sport utility vehicles and pickup trucks). That is because most of the modern metropolitan area cannot be accessed by transit, cycling or walking in travel times that are competitive with automobiles. An exception is some trips to the largest downtown areas. These areas represent a minority of employment, averaging approximately 15 per cent in the major metropolitan areas of Canada. Approximately 14 per cent of employment in the Saskatoon metropolitan area was downtown in 2006.67

Considerable attention is given to transit in city planning documents. Yet, the overwhelming majority of travel in the Saskatoon metropolitan area by light vehicle. In 2011, the Saskatoon metropolitan area had an automobile driver one-way work trip market share of 76.5 per cent, up from 73.9 per cent in 2006. Between 2006 and 2011, car travel increased by 16,900 daily one way trips, The total transit increase was 1,700 one way trips between 2006 and 2011. This increase was nearly offset declines in carpool passengers, walking and cycling as well as people working at home. The result was that nearly 95 per cent of the new travel to work was by car (Chart 22).

**CHART 22**

Change in Transit Work Trip Market Share
Saskatoon Metropolitan Area 2006/2011

![Chart showing change in transit work trip market share](image)

Source: From Statistics Canada data.
Overall, approximately 4.6 per cent of one way work trips were on transit in 2011. This is up from 4.0 per cent in 2006. Regina’s transit market share is far below those of the largest areas, at less than 1/5 that of Toronto, less than 1/4 that of Vancouver and less than one third that of Calgary (Chart 23).

**CHART 23**

**Transit Work Trip Market Share 2011**

*Selected Metropolitan Areas*

<table>
<thead>
<tr>
<th>Share of Work Trips by Transit</th>
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</thead>
<tbody>
<tr>
<td>Toronto</td>
</tr>
<tr>
<td>Vancouver</td>
</tr>
<tr>
<td>Calgary</td>
</tr>
<tr>
<td>Edmonton</td>
</tr>
<tr>
<td>Winnipeg</td>
</tr>
<tr>
<td>Regina</td>
</tr>
<tr>
<td>Saskatoon</td>
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</tbody>
</table>

Source: From Statistics Canada data.

Working at home accounts for greater employment access than transit in the Saskatoon metropolitan area (5.0 per cent versus 4.2 per cent). Working at home is the ultimate sustainable form of work access, because it totally eliminates the work trip. Statistics Canada research indicates that working at home has been especially successful in suburban areas of the larger metropolitan areas, where transit access is less substantial. Yet, despite the considerable opportunities for expanding working at home due to information technology advances, this mode of access declined over the last census period.

One of Saskatoon’s competitive advantages is its short average one-way commuting time, which averages 19.9 minutes and considerably less than the nation’s larger metropolitan areas (Chart 24, next page).
Further, as in the rest of the nation, automobile drivers spend considerably less time commuting to work than those who use transit. In 2011, automobile drivers averaged 17.7 minutes commuting, compared to a nearly double 32.2 minutes for transit commuters in Saskatoon. At the national level, the ratio is similar, with automobile commuters taking 23.2 minutes each way commuting to work and transit users commuting 42.2 minutes (Chart 25).
There may be an expectation that improvements to transit, such as rapid busways or light rail might improve on automobile travel times. Yet, door-to-door transit travel times are inherently longer than by car, virtually throughout the Western world. This is regardless of population density and regardless of the extent of transit investment. Even in Toronto and Vancouver, with their high-quality rail based mass transit systems, automobile travel is, on average, much faster for the average commuter than transit travel.

Comparing Saskatoon with Calgary and Portland

Saskatoon has often been compared to Calgary, which was similar in size as late as 1961, but has since increased to over 1 million persons. Calgary has had strong urban containment policies, including an urban growth boundary and the development of North America’s most successful new light rail system. Even so, new data from the National Household Survey indicates that Calgary had the largest increase in the share of people commuting to work by driving of any major metropolitan area in Canada between 2006 and 2011. Among the major metropolitan areas, Calgary has the highest driver market share, except for Edmonton.

Similarly, in Portland, with some of the strongest urban containment policies in the world, transit share of work trips is one third below its level before the metropolitan area began operating its first of five light rail lines, during the early years of its urban growth boundary. The Portland urban area remains less dense than the Saskatoon urban area (population centre). Portland’s traffic congestion has intensified considerably, and now ranks 6th worst in the United States out of 100 of the largest urban areas, compared to its much lower congestion level in 1982, when it ranked 39th. Portland’s high ranking in traffic especially notable, since it is only the 23rd largest urban area in the United States.

Traffic and Density: The view is sometimes expressed that higher densities will induce people to use transit rather than cars. In fact, car usage increases almost at the same rate that population density increases. Often cited research on the subject, by Robert Cervero of the University of California and urban containment proponent Reid Ewing of the University of Utah indicates that a 10 per cent increase in population density leads to only a 0.4 per cent reduction in kilometers traveled per person. This means that in an area that increases its density by 10 per cent, total travel by automobile can be expected to increase by 9.6 per cent (Figure 26). Further, international data indicates that traffic congestion is more intense and work trip travel times are longer in more dense urban areas.

In short, urban containment policy appears to be structurally incapable of materially reducing automobile use. However, the increased traffic congestion is likely to slow travel times, thereby imposing costs on the economy, which leads to less employment, lower discretionary incomes and more poverty. Quick commutes throughout a metropolitan area an important driver of economic growth and job creation, according to the economic literature. Greater mobility – the ability to travel quickly throughout
the metropolitan area – improves the economic performance of cities.\textsuperscript{76} This broadens affluence and reduces poverty. Prud’homme and Lee (University of Paris), Hartgen and Fields (University of North Carolina-Charlotte), Cervero (University of California) and others, who have shown that the more jobs people can reach in a fixed period of time (such as 30 minutes), the more economically productive the metropolitan area is likely to be.\textsuperscript{77}

\section*{A.5: Agriculture}

Concerns have been expressed that expanding urbanization is reducing agricultural land and could threaten food security. As is indicated in \textit{Urban Policy: Time for a Paradigm Shift},\textsuperscript{78} the reduction in Canadian farmland has far exceeded the total urbanization in the four centuries of European settlement. The agricultural land that is been taken out of production exceeds the total land area of the Maritime provinces (New Brunswick, Nova Scotia and Prince Edward Island). Yet, agricultural productivity has improved substantially. Moreover, urban land areas are very small compared to agricultural lands. The total urban land area is approximately 3 per cent of the combined agricultural and urban land area.

Saskatchewan has by far the largest agricultural land area of any province, at approximately 250,000 square kilometers. This is more land area than all of the United Kingdom. Saskatchewan’s agricultural land dwarfs the area covered by urbanization, which is only 0.3 per cent of the combined agricultural and urban land.
Since 1966, Saskatchewan has seen its agricultural land reduced by approximately 15,300 square kilometers. This is nearly 20 times the land area of all of the 2011 urbanization in the province and more than 100 times the 150 square kilometers of urbanization in Saskatoon (Chart 27).²⁹

Urbanization is not a threat to agricultural production or the supply of rural land.

CHART 27  
Farm Land and Urbanization in Saskatchewan  
RUrbanization Compared to Farm Land Reduction  

Source: Statistics Canada.
Appendix B: Similar metropolitan areas

The loss of housing affordability that has been experienced in larger metropolitan areas that have adopted urban containment policies has been repeated in smaller metropolitan areas as well. Metropolitan areas of similar size to Saskatoon that have had longer term urban containment policies have experienced substantial reductions in housing affordability. In each case, the cost or value of a median priced house was three times or less median household income before urban containment policies were adopted. For example:

**Victoria** (population 350,000) has had strong urban containment policies for some time, including a strict urban containment boundary. By 2009, the median house price was 7.9 times the median household income (“median multiple”). More recent data indicates a median multiple of 6.3. Smaller Kelowna, BC (population 180,000), which is subject to similar land-use policies, has even less affordable housing than Victoria, with a median multiple of 6.9.

**San Luis Obispo**, California (population 270,000), has been subject to a mesh of state, local and municipal urban containment policies for some time. The most recent data indicates a median multiple of 7.5, indicating that house prices are now 2.5 times the housing affordability standard. The median multiple was under 3.0 before the adoption of stringent land use regulations.

**Christchurch**, New Zealand (population 550,000), has imposed urban containment land-use policies over the last two decades. Now, the median house price is 6.6 times the median household income. While Christchurch is somewhat larger than Saskatoon, the same loss of housing affordability has occurred across New Zealand, in virtually all markets by virtue of the near universal adoption of urban containment policies by regional authorities. The median multiple was under 3.0 before the adoption of stringent land use regulations.

**Wollongong** (New South Wales), Australia (population 280,000), has been subject to strong state urban containment policies. The median house price is now 7.5 times the median household income. Urban containment policy has been imposed principally from the state or territory level, virtually throughout Australia. Geelong, Victoria (population 140,000) has a median multiple of 6.5. Port Hedland, in the land rich mining area of Western Australia has only 15,000 residents, yet has a median multiple of 6.4.

At the same time, not all metropolitan areas that have imposed urban containment policies have been subject to this level of house cost escalation. For example, the state of Tennessee imposed urban containment policies for its metropolitan areas. However, these appear to have had little impact on the housing prices in the two largest metropolitan areas. For example, in Memphis (population 1,325,000), the
urban growth boundary has been drawn liberally enough to maintain a sufficient land supply and, as a result, competitive land prices and housing affordability.

Finally, urban containment policy can have devastating impacts on housing affordability even in metropolitan areas that are growing slowly or declining. For example, by far the slowest growing major metropolitan area in Australia is Adelaide (population 1,100,000), yet the median multiple has reached 7.5 in recent years. Liverpool, in England (population 1,350,000) and Glasgow in Scotland (1,775,000) have experienced population decline and relative economic decline growth since before World War II, yet urban containment policies have driven median multiples to above 5.0 in recent years. The role of urban containment policy in driving up the cost of housing in the United Kingdom was documented more than 40 years ago by Sir Peter Hall, and more recently by Kate Barker, who was a member of the Monetary Policy Committee of the Bank of England. Current U.K. Planning Minister Nick Boles has called Britain’s housing affordability “the biggest social justice crisis we have,” and called it bigger than education and unemployment.
Endnotes

1. Much of current urban planning theory can be traced to the British Town and Country Planning Act of 1947.

   per cent20space_per cent20supply_per cent20restrictions_per cent20in_per cent20britain.pdf, B. Lewis, M.
   Ballek, C. Craig, V. Harris, B. Levi, H. Mullings, I. Osborne, S. Anthoy, D. Bugrov, J. Kondo, V. Palmade,
   J. Rames, S. Fidler, N. Lovegrove & M. Baily (1998), Driving productivity and growth in the UK economy,
   and_growth/driving_productivity_and_growth_in_the_uk_economy, R. E. Saks (2005), Job Creation and
   Housing Construction: Constraints on Metropolitan Area Employment Growth, Federal Reserve Board,
   and W. Vermeulen and J. Van Ommeren (2008), "Does Land Use Planning shape Regional Economies?"


4. The most recent Demographia International Housing Affordability Survey showed all rated British Columbia
   markets (Vancouver, Victoria, Kelowna and Abbotsford) to be severely unaffordable, with median multiples
   above 5.0 (ranging from Victoria, at 6.3 to Vancouver, at 9.5).


8. The report largely focuses on the city of Regina, since the city represents most of the metropolitan area
   population.


12. Reserve Bank of New Zealand Deputy Governor Grant Spencer recently told a parliamentary committee
    that the monetary policy tools available to his central bank were not sufficient to restrain the growth of
    house prices in Auckland, which has strong urban containment policy (See: http://money.msn.co.nz/

13. Calculated from Statistics Canada data.

    nid=3F931C91A37ED7A508706B27612E8460.d03t02?deniedAccessCustomisedMessage=&userIsAuthentica
    ted=false.


17. Based on Statistics Canada annual population estimates.

18. Calculated from Saskatoon Region Association of Realtors data.


20. Calculated from 2011 National Household Survey data (Statistics Canada).

21. 2011 income adjusted to 2012 using weekly earnings.

22. Estimated from Statistics Canada and CMHC data.

23. Finished lots are fully prepared for building a house. Land developers convert raw land (unfinished land) to
    finished land by building streets and supporting infrastructure (such as utilities), which is later dedicated
    to a municipality or utility companies. Finished lots are then purchased by homebuilders (some developers
    may build houses on their own finished lots).

24. The city of Saskatoon is unique as a municipality in owning a land development enterprise.

25. Data from City of Saskatoon Land Branch Annual Report 2012.

26. Data from City of Saskatoon Land Branch Annual Report 2012.

27. http://www2.canada.com/saskatoonstarphoenix/news/homes/story.html?id=2b4f311f-8ea6-41d4-ba3b-
    ec783f460ec3.

28. A developer will not proceed with a project unless there is a good prospect of recovering all costs, plus a
    return on investment, from the sale of finished land (and eventual house).

29. City of Saskatoon Land Branch Annual Report 2012.

30. There is insufficient data in reviewed city reports to determine the extent, if any, of this diversion.

33. This mirrors the policy focus of this paper, which is to maintain and improve the standard of living and to reduce poverty.
35. City of Saskatoon Land Branch Annual Report 2012.
46. Calculated from the sector plans.
50. Estimated from the broad pre-tax income categories in the 2011 National Household Survey (Statistics Canada) and applying the CMHC mortgage qualifications, assuming a 4 per cent interest rate, 25 year amortization and a 10 per cent down payment. See http://www.cmhc-schl.gc.ca/en/co/buho/hostst/hostst_002.cfm.
53. Less price escalation in new housing is likely to moderate cost escalation in the existing housing stock.
55. This would be appropriate in the “growth and development” section. (http://municipal.gov.sk.ca/Growth-Development).
62. A megacity is an urban area or metropolitan area over 10,000,000.
64. In Boston and Atlanta, the unusually low population densities have been driven by urban planning regulations requiring large minimum lot sizes. Other US urban areas have had similar regulations to a lesser degree. These regulations, which produce artificially low population densities have not generally been adopted in Canada.
65. For example, Vancouver, Portland, Sydney, Melbourne, Auckland, Hong Kong and others.
66. Such as in the San Francisco Bay area and the Washington, DC area, where urban containment policies are pervasive at the local level, producing house price increases of a magnitude that would be expected from regional planning.
69. From National Household Survey 2011 (Statistics Canada).
71. Calculated from 2006 Census and 2011 National Household Survey (Statistics Canada).
73. From examination of Statistics Canada population centre (2011) and US Census Bureau urban area (2010) data.
79. Calculated from Statistics Canada data.
Further Reading

December 2013

Housing Affordability and the Standard of Living in Regina
By Wendell Cox


July 2013

Urban Policy: A Time for a Paradigm Shift
By Wendell Cox


May 2012

Improving the Competitiveness of Metropolitan Areas
By Wendell Cox


For more see

www.fcpp.org

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