

FEDERAL AND PROVINCIAL ROLES

Other orders of government influence what municipal governments can achieve in restraining future sprawl. This influence occurs in two manners: limits on the legal authority of municipal governments, and alignment of provincial and federal policies.

MUNICIPAL AUTHORITY

Municipal governments have a number of policy instruments at their disposal for addressing sprawl.¹⁶³ However, these instruments are limited in scope by provincial legislation. Being creatures of provincial statutes, municipal governments have no independent constitutional authority to pass legislation.

Most municipal government powers are found in statutes of general application, such as Ontario's Municipal Act, 2001,¹⁶⁴ Alberta's Municipal Government Act,¹⁶⁵ and B.C.'s Local Government Act.¹⁶⁶ Some local governments receive a broader range of powers through special statutes (often called "charters"), such as the Vancouver Charter,¹⁶⁷ the City of Toronto Act¹⁶⁸ or the City of Winnipeg Charter.¹⁶⁹ Hundreds of additional statutes and regulations provide further powers to local governments. These statutes – in scores to hundreds of sections – each provide, shape and limit local government powers over property taxation, fees and levies, and other matters.¹⁷⁰

The constraints on municipal revenue-raising powers restrict municipalities' ability to balance their books, let alone achieve important policy goals like reducing the future growth of sprawl. For example, provincial governments restrict the authority to collect development charges.¹⁷¹ Ontario limits the municipal costs of development that can be recovered by development charges, as follows:¹⁷²

- Only capital costs of growth can be included. Operating and infrastructure rehabilitation costs cannot be included, even if they are imposed by the new development.

- Several types of capital costs are excluded, even if the new development creates a need for them:
 - cultural or entertainment facilities, including museums, theatres and art galleries;
 - tourism facilities, including convention centres;
 - the acquisition of land for parks;
 - hospitals;
 - capital costs related to waste management services; and
 - office space for administration of municipalities and local boards.
- There is a mandatory 10% reduction in recovering the capital costs that are subject to development charges.

One historical rationale for maintaining a tight leash on municipal revenue-raising powers is that municipal governments could, due to lack of capacity, make errors that are costly to citizens, businesses, themselves or the provincial government. However, this has not deterred provincial governments from downloading greater responsibilities to municipalities, some of them unfunded. Moreover, many cities are now larger than, and as competent as, many provincial governments.

The types of powers now enjoyed by charter cities such as Vancouver, Winnipeg and Toronto could be extended to all large cities. Beyond this, it would be reasonable for provincial governments to explore options for empowering smaller cities to raise revenue commensurate to the challenges they face and the responsibilities they have been given. In addition to development charge reforms, provinces could consider a range of reforms, including enhancing municipal capacity to employ property taxation, parking pricing and fuel taxation. If there are real or perceived municipal governance risks remaining, other methods can be employed to manage them, such as avenues to appeal decisions and supermajority voting requirements on some issues.

POLICY ALIGNMENT

It is important that federal and provincial policies not undermine municipal goals and policies relating to managing sprawl. Key reforms that could be undertaken at higher levels of government in order to support municipal management of sprawl include carbon pricing, highway tolls and improved regional governance.

Carbon Pricing. The case for carbon pricing¹⁷³ is clear. Scientists have determined that we need to reduce climate change emissions quickly and deeply, and economists note that carbon pricing is the most economically efficient way of doing so. Canadian business leaders and firms are onside, including those in the energy and automotive sector.¹⁷⁴

In addition to the national and international reasons normally discussed for pricing carbon, there are good reasons tied to municipal sprawl objectives. Underpriced or unpriced climate change emissions constitute a subsidy to motor vehicle use, and thus to sprawl. If federal and provincial governments wish to support municipal governments in achieving their goals related to sprawl and liveable communities, they need to put a meaningful price on carbon.

Highway Tolls. In addition to municipal road pricing, discussed above, many highways managed by other orders of government could be priced, particularly those used as commuter routes in sprawling suburban areas.

Highway 407, a toll highway in southern Ontario, provides an example. Apart from problems with the private contractor running the 407, the tolling system has been widely regarded as a success, with an expansion coming shortly. New highways being built can be tolled from the outset, as with the 407. Existing highways can have tolls phased in, with prices rising gradually to enable users to adjust more easily.

Improved regional governance. A challenge for municipalities seeking to reduce the future growth of sprawl is that they may see themselves as being in “competition” for new development with neighbouring municipalities and counties. As noted earlier, what they may be competing for is actually debt rather than net revenues.

However, some may feel the need to facilitate sprawling development because other jurisdictions are doing so, and may thus be weakening their own development standards and revenues in order to poach development from other jurisdictions. This type of policy competition has been termed the “race to the bottom.” It not only results in less-sustainable development patterns and foregone revenues, it may not even be effective. Evidence suggests that “businesses are relatively immobile in response to changes in local tax differentials, even over a period of several years.”¹⁷⁵ Weak or absent regional governance facilitates this

competition, which results in fragmentation and low-density sprawling development. Effective regional governance enables municipalities to co-operate, rather than compete, and to maintain the development standards and revenues necessary to meet their community goals. Some cities and surrounding areas in a number of provinces have been combined into regional municipalities, also termed “upper tier” municipalities.

INFRASTRUCTURE: SHIFTING TO A DEMAND MANAGEMENT APPROACH

Certain types of public infrastructure have been managed over the last several decades purely by supplying more and more infrastructure. The problem with this approach, apart from sheer cost, is that when a good is provided for free, the demand for that good becomes excessive. Providing more of it in response further exacerbates the demand: as the saying goes, “build it and they will come.” This has been the case particularly for roads, and supplying more road space (most often at zero cost to users), generally has failed to resolve the problem of congestion over the long term.

Managing demand is a more economically efficient approach than simply always providing more supply. All levels of government could benefit from adopting a more comprehensive approach to infrastructure: managing not only the supply side, but also the demand side of the equation.

When it comes to demand management techniques, pricing is cost-effective. In contrast, demand management programs that rely on educating users about cost savings and other benefits require ongoing effort and resources. And, of course, they don’t generate revenues.

Pricing allows users to make their own decisions and can quickly bring demand into alignment with supply, reducing overuse and associated maintenance and repair costs. In the case of roads, pricing also reduces smog and climate change emissions, and future expansion of sprawl.