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## The Canada-Wide Costs of Suburban Sprawl

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### Media Backgrounder

*Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations*

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- **Edmonton:** the cost of just 17 of more than 40 new planned developments are expected to exceed revenues by nearly \$4 billion over the next 60 years.
- **Calgary:** adopting a denser growth pattern that uses 25 per cent less land could save \$11 billion in capital costs alone.
- **Halifax:** recently found that it could save hundreds of millions of dollars by reducing the expansion of low-density sprawling development and opting for more dense urban development.
- **Across Canada:** Governments spend almost \$29 billion annually on roads, but recover only \$17 billion in road-related taxes. The balance is subsidized from other revenue sources, including local tax on property owners.

These are just a few examples of the true cost of suburban sprawl highlighted in a new report, *Suburban Sprawl: Exposing Hidden Costs, Identifying Innovations*, by Sustainable Prosperity, a national think tank based at the University of Ottawa and focused on market-based approaches to build a greener economy.

The report says while many of the costs of suburban sprawl are hidden, they are nevertheless “real and substantial” and the time has come for Canadians to challenge the myth that sprawl is cheaper than denser development closer to urban cores.

Undercharging developers for the municipal costs of new greenfield developments provides subsidies that artificially distort the market in favour of sprawling development. All residents eventually pay for the subsidies in the form of higher taxes.

**Businesses** pay the costs of sprawl every working day. Long commutes and the mental and physical health problems associated with sprawl increase employee absenteeism and reduce productivity. Roads congested by commuter traffic delay freight and raise delivery costs.

**Homeowners** in sprawling areas are dependent on automobiles for transportation. A fairly economical car costs \$10,000 per year to own; over the life of a house that can add up to several hundred thousand dollars of additional costs from living in the suburbs. And there are other trade-offs such as longer commutes, increased emissions, higher risk of road accidents, fatigue resulting in reduced productivity at work, and impaired quality of life and family time. Full development costs are often under-recovered

by municipalities and then passed on to tax payers throughout the region. Compact neighbourhoods with lower municipal infrastructure costs end up subsidizing low-density areas through the structure of development charges.

**Governments** pay many of the costs of development directly such as new roads, pipes and other infrastructure and services used by developments. These costs are often higher per unit for sprawling neighbourhoods than the costs for denser, central neighbourhoods, but this premium is rarely reflected in higher development charges or property taxes. This sprawl-cost premium leaves a legacy liability for governments: infrastructure maintenance costs continue indefinitely, and rise over time. Governments also pay indirectly, for example federal and provincial governments covering the health care costs related to the diseases linked to sprawl. Municipal governments are spending money on climate change impacts caused partly by excessive automobile use, and on preparing for and adapting to climate change.

The publicly-built, free-use road networks, for example, brought suburban development to greenfield areas and created the current market in suburban housing. That market is propped up by ongoing spending on road maintenance, repair, replacement, expansion, clearing, lighting, policing, emergency medical services and other costs.

But the ongoing failure to internalize the externalities of road use such as illness, injuries, and climate change amounts to a subsidy to automobile use that makes suburban sprawl possible. Without these subsidies, the price of transportation to and from suburban locations would be much higher, and today's suburban housing market would not exist.

Undercharging developers for other municipal costs of their new greenfield developments provides further subsidies that artificially distort the market in favour of sprawling development. Utility pricing that fails to reflect the higher costs of servicing sprawling areas is another subsidy.

While developers pay for some of the infrastructure needed for new developments, many of the costs are covered by the municipality, which in turn passes them on to taxpayers through property taxes.

For example, in Edmonton, the City picks up all the capital costs of fire and police stations and portions of the cost of some roads and recreation facilities. It covers all the costs of maintenance, repair and renewal of the infrastructure, including pipes and roads. What this means is that across just 17 of more than 40 planned new developments, costs to the City are expected to exceed revenues by nearly \$4 billion over the next 60 years. Taxpayers will pick up the tab.

A study for Halifax Regional Municipality calculated that it could save over \$700 million to 2031 by increasing the number of new dwellings sited in the urban core. Calgary found that by adopting a denser growth pattern that used 25 per cent less land it could save \$11 billion in capital costs alone. Calgary recently increased its financial charges on new developments. Peel Region in Ontario recently completed an analysis that showed that new development was not paying for itself, and as a result doubled its development charges. Other municipalities are following suit.

Additionally, utilities can be priced to reflect the higher costs of delivering services to far-flung areas. And municipal and other governments can save billions per year across Canada by reducing road subsidies, which are far larger than the subsidies to all other transportation modes.

Getting the prices right means municipalities can save tax dollars while they breathe new life into communities. Many communities worldwide are 'retrofitting suburbia:' redeveloping and revitalizing vacant lots, abandoned malls and big-box stores, inner-city surface parking lots, brownfield sites and decaying older suburbs. With another 6 to 14 million Canadians needing to be housed in the next 24 years, there is a tremendous opportunity to achieve urban development goals that many Canadian municipalities have started to adopt, but have not yet been fully implemented.

**The full report is available at [www.thecostofsprawl.com](http://www.thecostofsprawl.com)**