

PART 5: THE STATE OF OLDER CENTRES

5.1 OVERVIEW

There are two municipalities in the GTA that had concentrated populations in 1951, Toronto (the municipalities that make up the new amalgamated City) and Oshawa. In addition, Hamilton just outside the GTA, also was at that time a sizeable city. What happens to these municipalities in the future, will have a significant impact on the GTA Region. If these cities, in particular Toronto because of its importance in the Region, are unable to maintain and increase their existing population in the urbanized areas, then there will be significant adverse effects for the whole GTA.

The City of Toronto has had a declining share of the GTA's population, jobs, and shopping over the past few decades. This is understandable since, as the Region has rapidly grown in size, much of the population increase has been outside of the boundaries of the City of Toronto. The City is essentially built out and can only increase its population through redevelopment, a much slower and more difficult process than growing on previously undeveloped land. Likewise it makes sense that jobs and shopping will move to where the new population is. So, as Toronto's share of the Regional population drops below 50 percent, its share of jobs and retail space will drop as well, although not at the same rate.

Nevertheless, Toronto's population continues to grow with an increase between 1991 and 2001 of about 206 thousand people¹ or 9 percent. If these 206,000 additional people had not been housed in the City they would have had to be accommodated elsewhere in the Region.

The former City of Hamilton has performed almost as well as the City of Toronto. The population of the City of Hamilton increased by 40,000 people between 1991 and 2001, an increase of 8.5 percent² while the number of new housing units built in the ten years from 1991 to 2000 was 6,687. However, much of this growth was on greenfield areas adjacent to the already built up area.

Population is growing faster in the new City of Hamilton than in central Hamilton which has many urban facilities and good infrastructure. Meanwhile, neighbouring Halton Region grew by 20 percent from 1991 to 2001, mostly in greenfield locations. It would appear to be theoretically possible to increase the population in the existing areas of Hamilton by about 200,000 people if intensification initiatives were successful. To achieve this will require a combination of regulation, policy initiatives and other incentives.



Source: Economic Development Services Branch, City of Oshawa
An older building in Oshawa that has been purchased to develop live/work spaces.

³⁰ Statistics Canada, Census and Ontario Finance Department Population Projections

³¹ Ibid



Source: Urban Development Services, City of Toronto

5.2 WHAT HAS HAPPENED TO JOBS AND UNEMPLOYMENT LEVELS IN OLDER AREAS?

While the number of people in the City of Toronto has increased, the number of jobs have not. Between 1990 and 1996 Toronto suffered net job losses of about 11 percent. Since 1996 there has been employment growth, but the City of Toronto still does not have as many jobs at

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the end of 2000 as it did a decade earlier. This is likely to increase the need for commuting out of the City in search of jobs, particularly less skilled and lower paying jobs. If this happens, these employees are those who are least likely to have access to a car and therefore not be able to get to these outlying and dispersed jobs. Still Toronto remains an “employment rich” area compared to other GTA Regions.

There is some evidence that unemployment has increasingly become concentrated in the City, particularly in the City’s suburban ring, as opposed to other parts of the GTA. Prior to 1996 unemployment was more evenly distributed around the GTA.³²

Car ownership is a prerequisite to living in most municipalities outside the City and so those who can afford a car move there and those who cannot afford a car tend to settle in the City. These suburban residents are, therefore, more likely to find and take the highly dispersed and automobile accessible jobs that are being created in large numbers across the GTA Regions.

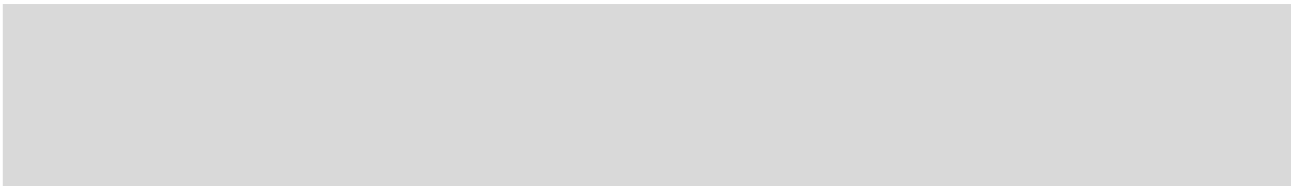
5.3 CHANGES IN RETAIL ACTIVITY

The City of Toronto, and in particular its downtown, has declined in importance as a shopping area. The “downtown while still the most important agglomeration of commercial nodes in the GTA despite decentralization, the malling of the metropolis and the ongoing big-box attacks”³³ has seen the number of service stores/retail outlets drop from 4,078 in 1993 to 3,812 in 1999. It appears that the retail sector in the downtown has declined in real or constant dollars in the early part of the 1990s –declining from 1989 to a trough in 1993 then increasing slightly since then.

This is to some extent understandable given the locational pattern of the growing population. With more and more people living further away from the downtown core, retailers will increasingly locate their new facilities closer to population centres. What is important, however, is that in recent years downtown retail activity did not decline in absolute terms, but rather increased. For example, retail employment in downtown Toronto increased between 1993 and 1999 from 23,698 to 25,936. In terms of sales, the downtown represents

³² Yeates, Maurice, *The GTA@Y2K: The Dynamics of Change in the Commercial Structure of the Greater Toronto Area* (Toronto: City of Toronto, 2000) and Research Report 2000-1 a report for the Centre for the Study of Commercial Activity (Toronto: Ryerson Polytechnic University, 2000).

³³ Gertler, Meric, *A Region in Transition*, a report prepared for the Neptis Foundation (Toronto: Neptis Foundation, 2000), See maps on Geography of Unemployment



7 percent of the regional market. Only Chicago and New York have a higher proportion of regional sales in their downtown areas.³⁴ What this suggests is that there is an important role for both existing and new future downtowns in the Toronto Region as centres of retail activity if managed and designed properly.

The Hamilton downtown has not fared as well although the City of Hamilton is trying to revive its downtown through such measures as grants for the construction of rental housing and the waiving of all development charges.³⁵

The City of Oshawa also has a downtown with a struggling retail sector.

5.4 COSTS OF MAINTAINING OLDER CITIES

The older cities in the GTA have financial problems that affect their ability to compete with other GTA area, and this difficulty is most extreme in the City of Toronto since most of the buildings and infrastructure in the City were constructed many years ago.

Suburban municipalities pay for much of their new infrastructure from development charges and do not have substantial costs for upgrading existing infrastructure that must be paid for out of property taxes. Maintenance costs are low on the relatively new infrastructure and it is very rare that new infrastructure has to be replaced. In the Region of York, current estimates are that 70 percent of new infrastructure needs (excluding transit) will be paid for out of development charges, whereas in Toronto only 0.03 percent of the capital budget is covered by development charges.³⁶ Seventy-one percent of Toronto's capital budget of \$1.120 billion was for state of good repair type projects while 29 percent was for growth or expansion projects.

At the same time Toronto's revenue sources are not increasing. More than 50 percent of Toronto's revenues currently come from property taxes, with a further 23 percent coming from user fees and only 20 percent from transfer payments.³⁷ The main source of revenue, the property tax, cannot grow without increasing the tax rate. In the suburban regions a much larger share of revenues come from development charges. In addition, as new property is brought onto the market the assessment continues to grow and tax revenues increase (see Figure 5).

³⁴ GHK International (Canada), *The Future of Downtown Toronto, Background Studies* (Toronto: GHK International, 2000); See also City of Toronto Urban Development Services, *Retail Activity in Toronto* (Toronto: City of Toronto, 2000).

³⁵ City of Hamilton, *Downtown Hamilton Community Improvement Plan* (Hamilton: City of Hamilton, 1997).

³⁶ City of Toronto, *Capital Budget 2001 Details, Backgrounder*, May 1, 2001.

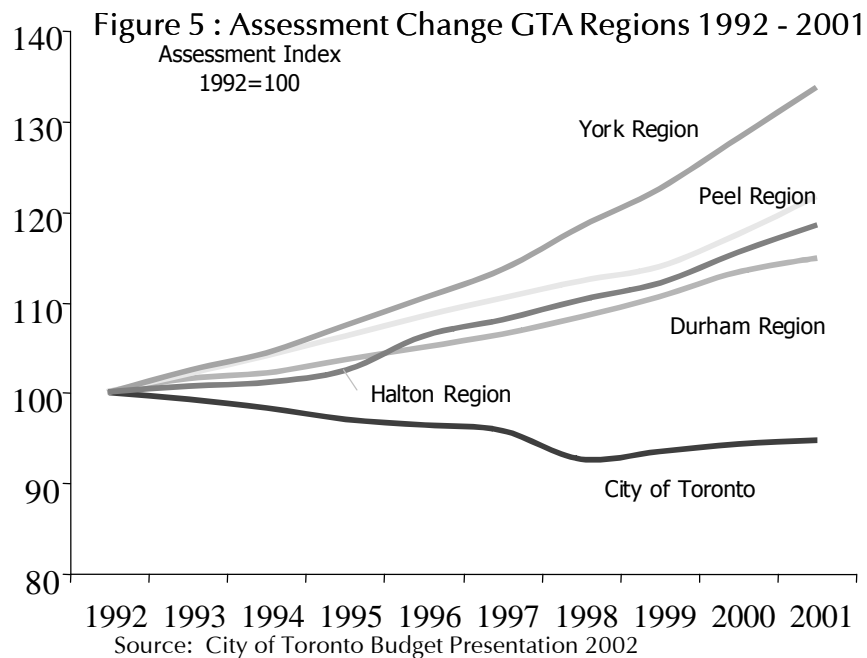
³⁷ *Ibid.*



Source: Urban Development Services, City of Toronto



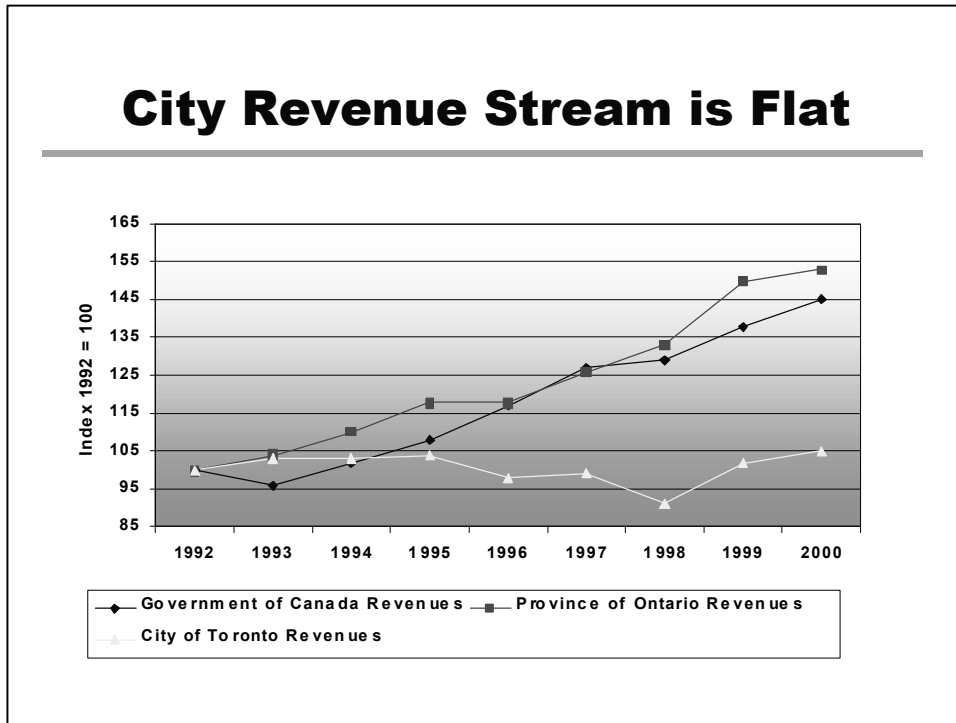
Source: City of Hamilton



Meanwhile, the senior levels of government, which have access to income and consumption taxes, have seen their revenues increase because household incomes and household expenditures have risen over the past few years. As we have seen recently, when the economy is growing, revenues based on consumption and income taxes can increase even if tax rates are cut.

This is not a sustainable financing situation for the City. Without access to a share of growing revenue sources (income and/or consumption taxes), Toronto's financial future looks bleak.

Figure 6: Revenue Stream: Canada, Ontario and Toronto

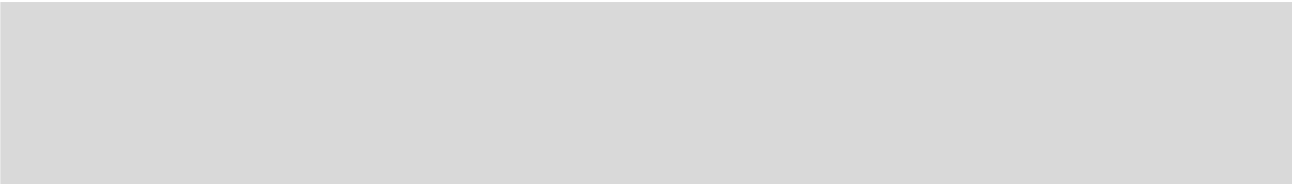


Source: City of Toronto, Economic Development

At the same time, older cities with ageing infrastructure have considerable costs for such things as roads, that must be paid entirely out of property taxes. The City of Toronto for example, finds that to minimize overall costs, roads should be resurfaced on a regular basis and then reconstructed. Roads are resurfaced depending on use and original surface after 20 to 45 years, and reconstructed usually when they are about 40 to 45 years old but a significant proportion of roads are up to 65 years old or older when reconstructed. Reconstruction costs about 3 times as much as resurfacing.

Eighty three percent of all of the Toronto roads are over 20 years old and 42 percent are over 40 years old. Property taxes must fund the repair and reconstruction of these roads. The cost of keeping these roads in good repair is \$180 million a year. New suburban municipalities must pay for only a relatively small percentage of this cost for their roads, although as these municipalities age they will face a similar problem in the future.

Furthermore, a recent study by the City of Toronto found that there are high costs to replacing water mains and sewer systems in Toronto. The lifespan of sewers is between 80 and 130 years and 7.5 percent of sewers are over 80 years old. Therefore many of these need rehabilitation or even replacing (particularly the 2.8 percent over 100 years old). The life span of water mains depends on the materials (and other factors) — cast iron water mains in Toronto have a life expectancy of approximately 100 years and ductile water mains of 50-70 years.



In the City of Toronto 7 percent of water mains are over 100 years old and will need replacing, and another 13 percent are over 80 years old. Each year more of these pipes reach the end of their life span and need replacement. The cost of keeping sewers and water mains, although not constant because there were certain periods in which more of the city was built, is about \$170 million a year. These costs are again not borne by newer municipalities because they have very little, if any, older infrastructure that needs replacement now or in the near future. Once again, as with roads, this is currently a deferred cost since over time these newer municipalities will face similar problems, particularly if these are not planned for in reserve funds.

The ongoing rehabilitation/reconstruction of existing road, water and wastewater infrastructure is essential to maintain adequate service in established urban areas. However, these investments can also benefit growth because much of this infrastructure can also serve new infill development, development along arterial roads and provide for development intensification in general.

Similarly, city owned buildings and parks infrastructure are older than similar infrastructure in suburban municipalities. The result is that these significantly higher costs for maintenance and repair of the City's infrastructure and buildings are reflected (or will have to be soon) in the tax bill or water bill, making the City a comparatively expensive place to live or do business. If these infrastructure costs are deferred, as they have been to some extent, they will lead to a deteriorating quality of life (e.g. poor street surfaces are unattractive and harder to navigate) as well as to a big bill in the future to bring the City up to standard.

5.5 IMPLICATIONS OF FINANCING

Over time as municipalities age and new development represents a smaller percentage of the total urban area, maintenance and replacement costs will increase. Eventually old and currently newer municipalities alike will find that very little of their capital costs are paid for out of development charges and most are paid for out of taxes. Mississauga is now entering the phase of its evolution where less and less of its infrastructure costs will be paid for through development charges and more of its budget will have to be spent from a flat revenue source for maintenance and upgrading of previously built infrastructure.

In the meantime, those municipalities with a large proportion of their urban area that is more than 25 years old are at a disadvantage in attracting new development for two reasons:

- 1) the tax and water rates are higher (and will have to increase further to keep infrastructure in good repair due to deferred replacement and repair that must be taken care of); and
- 2) the municipality looks older and more run-down.

The financing of municipal requirements is a complicated web, made even more so as a result of the recent Provincial changes to municipal financing arrangements. For example, social welfare costs are pooled across the Region, causing resentment amongst Regional municipalities since a large proportion of the recipients of social welfare services live in the City of Toronto. At the same time, Toronto serves as a magnet for many people from

across the Region who need assistance because of the services located in the area, the relative ease of access by transit and the attraction of the “bright lights” of the downtown.

More than thirty percent of Toronto’s population lives below the poverty line; much higher than in the other Regions in the GTA and higher than Ontario at 21.7 percent and Canada at 24.4 percent. Toronto has a higher percentage of its population over 65 at 13.4 percent compared to 12.2 percent in Canada and 12.4 percent in Ontario. It also has a much higher percentage of poor seniors and a higher proportion of social housing stock compared to the surrounding Regions.³⁸

On the other hand, the City of Toronto provides or funds many institutions and services that are of importance to the whole Region and that increase costs for the City versus its neighbours. These include the Metro Toronto Zoo, the Toronto Islands, as well as funding contributions to Regional arts institutions such as the Toronto Symphony, numerous theatres and dance companies. In fact, Toronto’s downtown serves as the Region’s downtown with most significant regional facilities located there adding to the stress of coping with huge daily influxes of commuters.³⁹

Sorting out how to fairly allocate costs for Regional services across the Regional municipalities from the property tax is a difficult, perhaps impossible proposition. The only fair way to address these issues would be to allocate a portion of the income and/or consumption tax to municipalities in accordance with a formula based on a consistent set of criteria applied equally to all.



Source: Urban Development Services, City of Toronto

³⁸ City of Toronto, Capital Budget 2001 Details, Backgrounder, May 1, 2001.

³⁹ GHK et al, *The Future of Toronto’s Downtown*, June 2001.

5.6 THE IMPORTANCE OF KEEPING OLDER CENTRES COMPETITIVE

The GTA needs to ensure that the older urban areas retain and increase their population. If this does not happen either the Region as a whole will go into decline and/or additional land will be required to house those who will leave the central city. Unfortunately this appears to have happened in Hamilton which has seen the population of the old part of the City below the escarpment fall slowly but consistently from 1981 on, losing over 5 percent of its population, during a period in which the pre-amalgamation City of Toronto grew by 9 percent. The loss of Hamilton's inner city population has been mitigated economically to some extent by greenfield growth and amalgamation.

Central cities and inner-suburban municipalities that begin to lose population find themselves in a downward spiral of rising taxes to maintain the same (or lower) level of services, which tends to encourage the further flight of people and jobs.

If the City of Toronto were to just maintain its population each year instead of growing as it has, it would mean that the GTA Regions would have to grow by an additional 20,000 people each year. A worse case, but not an inconceivable scenario in which the City of Toronto lost 1 percent of its population a year for the next several years would mean that, if the GTA as a whole was to continue to prosper and grow as projected, then the GTA Regions would have to grow by an additional 45,000 people a year. Not only would the impact of this additional growth in the GTA Regions be very costly and hard to manage, but worse would be the impact on the millions of people left behind in a declining urban core.

As already mentioned, the older areas of Hamilton, Oshawa and Toronto are based on an urban form that makes transit service and usability more effective and efficient. Since this is one of the key ingredients to addressing road congestion, it makes sense to take advantage of this by establishing programs to re-invest in these older areas and trying to increase the population there.