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A Playbook for Inclusive Cities

The NYUSPS Schack Institute of Real Estate Urban Lab develops new understanding of the economic and real estate trends that are shaping our cities.

2018

SCHACK INSTITUTE OF REAL ESTATE | NYUSPS URBAN LAB

Ontario's Playbook for Inclusive Cities |

In the wake of a global recession, Ontario suffered from declining infrastructure, low levels of employment, and a severe loss of manufacturing jobs. More than a decade later, the province has reclaimed its status as Canada's leading economic engine. Today, Ontario benefits from a diverse workforce, expanding tech sector, and top-ranking universities, among other competitive assets.

At the heart of this transformation is Premier Kathleen Wynne, whose progressive agenda focuses on two elements: fairness and opportunity. In just a few short years, Wynne has jumpstarted major changes to Ontario's infrastructure, expanded its access to education and medicine, and balanced its budget for the first time in a decade. To date, her crowning achievements include a universal basic income pilot program and minimum wage hike.

But Ontario's struggle with inequality is far from over. As the province becomes increasingly attractive to new businesses and residents, its major cities are confronting a decline in affordable housing and the displacement of local residents. Like many regions, Ontario is also witnessing a populist backlash against open borders, national governance, and globalism at large. On February 7, Premier Wynne visited the [NYUSPS Urban Lab at the Schack Institute of Real Estate](#) to brainstorm solutions to these challenges. Before a crowd of students, thought leaders, policymakers, and professionals, Wynne outlined a playbook for inclusive prosperity in cities around the world.

Maintain access to free trade.

Rather than defining economic progress in terms of budgets and balance sheets, Wynne views the economy as "the environment that we live in." The most economically vibrant cities, she argues, are "places of diversity" that remain open to new companies and residents. This mode of thinking has had a heavy influence on her approach to international trade.

Before her arrival at the Schack Institute, Wynne met with lawmakers in Washington, D.C. to discuss Canada's free trade agreements with the U.S. In recent weeks, Wynne has spoken out against U.S. efforts to undermine NAFTA, which has been integral to the growth and expansion of Canadian businesses. While visiting New York City, the Premier also rallied against the state's "Buy American" law, which requires state agencies to prioritize American-made iron and steel in major infrastructure projects. While calling for Ontario to be granted an exception, Wynne said her province would counter with "proportionate" legislation.

“[When it comes to trade] we’re not just dealing with local uncertainty; we’re dealing with global uncertainty,” Wynne says. “Businesses and workers in Ontario expect us to respond when there is a threat to their ability to ... grow and export.” Indeed, the Premier is not alone in her thinking. Research [has shown](#) that traded-sector businesses—those that export goods and services outside of their immediate geographic area—are important catalysts for regional economic growth. In today’s increasingly globalized landscape, the free exchange of goods and ideas is a key ingredient for successful and creative cities.

While governments have had a major hand in preserving these rights, businesses play a significant role as well. According to Wynne, businesses that may lose jobs as a result of the “Buy American” law—including major companies like Wal-Mart, Ford, and Chrysler—must be willing to stand up to politicians. By emphasizing the devastating effect of local job loss, companies can hold tremendous sway over local policy.

Establish a universal basic income.

In addition to foreign trade restrictions, wage disparities pose a significant threat to the long-term vitality of cities. “North America’s fundamental challenge is the hierarchy of work,” Wynne says. In Ontario and elsewhere, this is typified by the low wages of manual laborers, along with female educators and support workers. As urban areas suffer from rising levels of poverty and unemployment, many economists, politicians, and even [businessmen like Mark Zuckerberg](#) and Elon Musk, have proposed universal basic income as a solution.

After more than three decades of consideration, Ontario has finally heeded this advice. In November, the province launched a universal basic income pilot program featuring 4,000 local participants. The program, which allocates up to \$17,000 for single residents and \$19,000 for couples over the span of three years, is a first for any modern North American government. While some fear the repercussions of raising wages ahead of an inevitable economic downturn, Wynne is eager to take advantage of the market. To measure the program’s success, she plans to look at student achievement, job retention, and health improvements, among other outcomes.

Many non-government entities have adopted a similar mindset. In the U.S., local incubators like the Silicon Valley’s Y Combinator have unveiled their own basic income initiatives. In September, Y Combinator [announced](#) that it would provide 1,000 residents with \$1,000 a month for five years, and another 2,000 residents with \$50 a month over the same time period. While these subsidies are far less than Ontario’s \$150 million, they offer critical insight into the effects of universal basic income on the lives of urban residents.

Engage developers in affordable housing.

According to [a report](#) from the research firm Demographia, the Toronto metro has surpassed Greater New York City in terms of housing prices. In 2016, the median price of a home in New York was just under \$400,000, while the median price of a home in Toronto was more than \$464,000. This lack of affordability extends to rental prices as well. As of December 2016, the median rent for a one-bedroom apartment in Toronto was about \$1,400 per month. Although this is significantly cheaper than rental prices in New York City, many residents—including those [earning above minimum wage](#)—struggle to afford Toronto housing.

To address these concerns, Ontario turned to a few key strategies. To start, Wynne introduced legislation that would allow for inclusionary zoning, which requires developers to set aside a given share of new construction for low- or moderate-income residents. As part of this approach, Ontario freed up much of its surplus land for affordable development. At the same time, the government instated a 15 percent tax on residential properties purchased by foreign companies or residents. Since implementing the tax in April, Wynne says it has had a “cooling effect” on the housing market.

But the issue of steep rental prices still remains. Under former Ontario Premier Mike Harris, buildings built after 1991 were not subject to rent control, making residents vulnerable to sudden rent increases. In May, however, the province passed legislation that expanded rent control on private rental units—including those in newer buildings. The move sparked concern that developers would soon cancel their rental plans and build condos in place of apartments. But Wynne insists her government has effectively called their bluff: From 2003 to 2013, very little rental stock was built in Ontario, despite the 1991 loophole.

Modernize existing infrastructure.

As cities wade further into the digital age, they must take extra precautions not to neglect their infrastructure. After years of dealing with an outmoded electrical grid, Ontario recently invested \$50 billion in power lines and electricity infrastructure. In 2013, the government also shut down the last of Ontario’s coal-fired power plants and outlawed coal-burning as a means of conducting electricity. Together, these changes caused electricity prices to spike, inciting local criticism. While Wynne says it would have been “irresponsible” to ignore the province’s dated electrical system, her government was sympathetic to these concerns. To [lessen the burden](#) for taxpayers, Ontario refinanced its investment and lowered electricity bills by 25 percent, while assuming the cost for many of its clean energy programs.

The province's next goal is to make broadband more accessible to outlying residents. One of the biggest challenges, Wynne finds, is reaching Northern communities whose financial strength rests on their ability to digitally connect. In October, Ontario partnered with the Canadian government to provide up to \$69.2 million worth of broadband to five indigenous, or "First Nation," communities in the North. By expanding connectivity in these areas, Ontario hopes to improve their access to education, skills training, and job opportunities.

Raise public awareness.

In October 2017, Sidewalk Labs, Google's urban innovation branch, announced its plan to build a 12-acre innovation district along Toronto's eastern waterfront. Based on the company's proposal, the district promises to be a test bed for many of Ontario's inclusive prosperity goals. When it comes to clean energy, Sidewalk Labs plans to install a thermal grid that would recycle energy from sources other than fossil fuels. The neighborhood will also feature high-speed internet and a "[digital layer](#)" that monitors air quality, traffic, waste disposal, and energy usage.

As with any major development, the district runs the risk of driving up nearby housing prices, increasing congestion, and displacing local residents. There's also the issue of privacy: Since Sidewalk Labs will use sensors and other methods of data collection to measure its performance, many are worried about their personal information becoming public. But Wynne says these concerns are predominantly due to lapses in information. "There's a big public awareness campaign that needs to happen," she says. "The more concrete [the development] gets, the more people will buy into it."

Illuminating a project this complex will require heavy coordination between Sidewalk Labs and the governments of Toronto, Ontario, and Canada. But it will also require close attention to local needs. While her playbook for inclusive prosperity involves sweeping changes to Ontario's infrastructure, employment, trade deals, and more, Wynne worries about neglecting individual neighborhoods. "I've always struggled with that balance between smart, progressive development and change and local decision-making," she says. Despite these concerns, Wynne's agenda is a model for prioritizing both.

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NYU SPS SCHACK INSTITUTE OF REAL ESTATE

The NYU School of Professional Studies Schack Institute of Real Estate was founded in 1967 at the initiative of prominent members of the New York City real estate community, who encouraged NYU to establish an academic center that would provide a world-class education for industry professionals. Nearly 50 years later, the Schack Institute is at the forefront of real estate education and is recognized globally as one of the world's leading centers of real estate research and pedagogy. Across the Institute's graduate degree programs—notably the MS in Real Estate, the MS in Construction Management, and the MS in Real Estate Development—as well as a rapidly expanding undergraduate degree program, enrollment has grown to nearly 1,000 full- and part-time students from across the United States and nearly 50 other countries. In addition to its flagship degree programs, thousands of working professionals enroll in the Schack Institute's executive education, diploma, and career advancement programs each year.

An anchor of real estate academia's engagement with industry, the Institute is home to the REIT Center, the Center for the Sustainable Built Environment (SBE), and the newly established Urban Lab. In addition, the Institute hosts national industry events, including annual conferences on real estate capital markets and the REIT sector. Under the direction of the Schack Institute's faculty members, ongoing applied research at the Institute spans an exceptional range of issues in real estate development and investment, urban economics, and market structure and regulation. For more information about the NYUSPS Schack Institute of Real Estate, visit sps.nyu.edu/schack.

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