

# Chapter 4

## ENTERING A NEW ERA

This period began and ended with both a City Plan and a Planning Act. The intervening years were characterized by steady and accelerating growth. Everything, it appeared, got bigger and grander. People earned more; drove bigger cars on wider roads, and lived in more expensive houses. Calgary's subdivisions rolled like a wave towards the snow-capped Rockies in the northwest. They threatened to encircle Nose Hill in the north, and by the mid-1970s had thrust north of Forest Lawn across the Trans-Canada Highway to the flats east of the airport. To the south they advanced on a three-mile front and by the end of the period were south of Glenmore reservoir and beyond Fish Creek. If there was a downside, it was the fast-rising prices, especially after 1973. Land prices more than doubled between 1961 and 1971. Housing was particularly affected. A modest bungalow in an average suburb that cost \$12,000 in 1960 was worth over \$20,000 a decade later and around \$70,000 by 1978.<sup>1</sup> The complex and sometimes contradictory relationship between the City of Calgary and the land developers is probably best explained when set against this background of escalating costs.

For the City the most significant trend lay in the formalization of its growth policies. This was manifest in three areas. First the General Plans of 1963, 1970, 1973, and 1978 set out the principles on which the City based its decisions respecting future growth. The intent of these general

**TABLE 5**

<b>Comparative Housing Costs, 1963 &amp; 1973</b>			
	<b>1963</b>	<b>1973</b>	<b>% Increase</b>
Price of average bungalow 1100-1200 sq ft.	\$15,099	\$29,281	97.5%
Construction Costs per square foot	\$10.69	\$18.11	79.0%
Land Serviced	\$2,882	\$7,584	163.0%
Monthly Payments	\$110	\$227	106.0%
Downpayment	\$2,634	\$4,579	74.0%
Gross Income per month	\$354	\$597	68.5%

Source: Planning and Building Department

plans was articulated through sector plans and design briefs. All three were designed to give the City control over the growth process. Their effectiveness, though, was prejudiced by several factors, including current philosophy, developer influence, and deficiencies in the way the plans were interpreted.

The Provincial Planning Act, which received royal assent on March 29, 1963, increased the City's power to control residential development.<sup>2</sup> The Act provided for the preparation of regional plans by regional planning commissions. The Act also provided for the establishment of Municipal Planning Commissions comprised of senior administrators to advise Council on planning matters, approve subdivisions, and implement zoning or development control bylaws. City officials received more leeway in interpreting reserve requirements. Civic powers were also increased with respect to zoning caveats and development control. Decisions from the Calgary Planning Commission could be appealed to a Development Appeal Board comprised of one alderman and citizens at large. Any subsequent appeal went to Council for ultimate disposition. Stipulations respecting the subdivision of land were loose. Civic approval bodies retained wide discretion with regard to the land's suitability for the purposes intended and its conformity to existing or proposed general plans.

The City continued its policy of shifting financial burdens to the developer. Here the greatest success came through acreage assessments. Development agreements became more complex and differentiated. High housing prices in the 1970s brought the City and the developers together in the City's first concerted attempt to deal with the issue of affordable housing. Attitudes towards green space in subdivisions remained

unchanged. Finally, density transfer emerged as a vehicle to enhance higher densities.

The rapidly increasing land values after 1970 brought more money to the development industry and widened the developer's role to include large-scale land assembly. One result was a renewed interest in annexation. Indeed, nowhere was developer influence more visible and sustained than in the annexation debates in the period 1972–1978. Though the City seemed to buy into the developers' arguments, their different rationales mirrored those of the earlier period.

The popularity of single family residences remained. In 1972 it was contended that a short-lived shift to higher density preferences had run its course and that the market was returning to its familiar land-hungry mode. Certainly, tighter mortgage moneys and the availability of urban renewal funding in the 1966–70 period had their impact on single family dwellings. In 1971, only 3,000 of the 8,000 units added to the city's housing stock were single family dwellings, and between 1967 and 1970, they had counted for 40 percent of all additions to the housing supply.<sup>3</sup> The new General Plan of 1973 reflected this trend when it recommended higher and mixed densities in residential areas. However, even as the Plan was released, the tide seemed to be turning. In 1972 single family dwellings had climbed back to over half of all residential construction.<sup>4</sup> The number constructed between 1971 and 1974 was over 70 percent more than in the previous three years.<sup>5</sup> Vacancy rates reflected the change. In 1973, the vacancy rate for single family dwellings was 1.9 percent as compared with 6.8 percent for duplexes, 9.1 percent for apartments, and 14.4 percent for townhouses.<sup>6</sup> In early 1976, Lyle Frodsham of Keith Homes said that there was a waiting list of ten persons for every single family residence that the company would build that year.<sup>7</sup> The market demand for condominiums was so small that they were not included in the city's building statistics up to 1975.<sup>8</sup> Between 1965 and 1975, except for a brief period in the late 1960s, the vacancy rates for apartments in Calgary were well above the national average. In 1973, for instance, Calgary had the second highest apartment vacancy rate in the top 25 cities in Canada and was over three times the national average.<sup>9</sup> In 1974 the Housing and Urban Development Association of Calgary (H.U.D.A.C.) observed that the single family residence was "necessary for the preservation of Calgary's accepted lifestyle."<sup>10</sup> While skyrocketing housing prices after 1975 dampened this trend, single family residences continued to be the ideal.

Attitudes towards zoning remained inflexible. Property values were to be protected as much as possible. Opportunities to diversify the residential

profile of existing districts through the judicious use of development control were lost. For example, a Planning Department report in 1966 was adamant that high density zoning must be confined to either peripheral areas of downtown, commercial complexes, or shopping centres.<sup>11</sup> On the other hand, recognition of the implications of continued low-density development resulted in modest experiments and changes that addressed but did not counter urban sprawl.

The heated debates over Nose Hill and Fish Creek Parks demonstrated the emerging role of the public in influencing decision making, a voice not welcomed by either the developers or the City. The developers saw citizen participation as another delaying factor. In 1972, *Canadian Building* editorialized that “there is no question that anti-development forces (which are organized minorities of ratepayers mostly seeking their own selfish ends without regard for the welfare of the community) are getting more of a hearing now from municipal governments than they ever have had.”<sup>12</sup> A.E. LePage president Gordon Gray maintained that an anti-developer attitude in the form of organized citizen groups pervaded most Canadian cities.<sup>13</sup> City officials were no less critical. Planner M.V. Facey wryly noted in 1974 that “the very actions that a home owner takes to preserve the quality of life in his neighbourhood under the guise of public participation drives up the price of houses and causes him to complain.”<sup>14</sup> The motives of citizen groups was held suspect. In 1976 a scandal erupted over accusations that certain community groups were demanding cash gifts of up to \$100,000 in exchange for supporting developers’ projects at public hearings.<sup>15</sup> Rod Sykes summed up the dilemma precipitated by public input into civic decision making when in reference to a controversial high-rise condominium in an older neighbourhood, he observed: “On one hand people were fighting against responsible densities and on the other they were opposed to urban sprawl.”<sup>16</sup>

The period witnessed a significant change in the city’s development industry. The role of the developer as an extension of the Calgary construction industry gave way in part to the large operator who assembled significant tracts of land on the city’s environs in anticipation of development. By the end of the period there were three major players in Calgary. The first was the Carma–Nu–West group. Carma Developments had been a very strong presence in the city since its incorporation in 1958 and had grown significantly in the 1960s. In 1971 Carma recorded pre-tax profits of \$1.6 million on gross sales of \$8.2 million, and in the following year when it went public the company upped its sales to \$17 million and its profits to \$4.8 million. After it became a public company in 1969,

Nu-West Development Corporation Ltd. recorded an average annual growth rate of 27 percent and in 1973 reported sales of \$67.8 million. By 1975, Nu-West was grossing over \$100 million on sales. Both Carma and Nu-West concentrated on development in the north part of the city.

The second dominant force was represented by Genstar Ltd., a powerful conglomerate with international connections.<sup>17</sup> Nationally it was a force. With gross sales of \$360 million in 1972, Genstar was among the top 32 firms in the country. Genstar's presence in Calgary was mainly through a major subsidiary. British American Construction and Materials Ltd. was incorporated in 1961. The Winnipeg-based company, by merging the interests of several companies active in land development and construction, soon became a heavyweight in the industry in its own right. Its first involvement in Calgary came in 1966 when it purchased the prominent Calgary land developer and builder, Engineered Homes. After changing its name to BACM Industries in 1967, the company became a Calgary developer under its own name a year later. BACM's success was noted by Genstar, which wanted a presence in the western Canadian real estate and construction market. In 1968 Genstar acquired a majority of BACM shares, and two years later completed the acquisition at a cost of \$40 million. Through BACM, Genstar went on a \$30-million buying spree. Calgary acquisitions included Consolidated Concrete (1968) and Borger Construction Co. Ltd. (1971). In 1971 Genstar paid \$5.6 million for Kelwood Corporation Ltd. Later in the decade another major player in north Calgary, the Abbey Glen Corporation, entered the fold. Genstar wisely allowed its acquisitions to continue to operate under their own names. Many homeowners in the south for example continued to identify the house building industry with Kelwood and Keith Construction.

Another major developer to arrive in Calgary was the Vancouver-based Daon Developments Corporation. Its entry into Calgary was solicited by Mayor Rod Sykes, who felt that the added competition would be beneficial to the industry.<sup>18</sup> While Daon preferred condominiums, office buildings, and shopping centres to the residential housing market, it also saw the merit in capitalizing on Alberta's hot economy to acquire large land blocks in anticipation of extensive housing development. In 1969, the corporation acquired a sizable land bank of 1,450 acres in northeast Calgary. Known as the Properties, this land now contains the suburbs of Rundle, Whitehorn, and Pineridge. Later Daon obtained control over another large tract totalling 4,250 acres in southeast Calgary outside the city's limits. Unlike Genstar, Daon had no interest in building houses. Its policy of contracting out the entire house-building component to local builders

made it popular with smaller operators, who openly supported the corporation's efforts. For example, Daon contracted land in the Properties to 27 builders and developers. By the end of this period Toronto-based Markborough Properties had bought land in southwest Calgary preparatory to developing the subdivision of Woodbine, for which it paid a reputed \$30 million. With assets of \$141 million of which over \$62 million were in undeveloped lands, Markborough was the last major developer interested in building houses to operate in Calgary during this period.

The rising price of housing was the dominant issue of the 1970s, and more so after 1974. The price of a new house rose more than threefold between 1968 and 1977. Prices escalated rapidly after 1974. A house that cost \$33,200 in 1974 went for \$62,709 in 1976.<sup>19</sup> The reasons were hotly debated. Developers blamed the increases on rising land prices attributable to a chronic shortage of developable land. Some City officials believed that it was linked to rising costs in the industry generally.<sup>20</sup> Another view held that prices were being driven up by speculators moving from stocks into land and housing as a hedge against inflation. This opinion was reinforced by Carma, which argued that speculative land prices in most areas of the city were too high to allow development. Critics of developers thought otherwise. They attributed the rapid rise in the cost of a house to excessive profit taking by developers, who had also succeeded in achieving a strong monopoly presence in the city. The unfavourable image of the land developer was born during this period.

James Lorimer claimed that the price increase on suburban house lots was due to "astonishing increases in the profits made by developers on those lots."<sup>21</sup> Quoting the fruits of his own research in Calgary, Lorimer wrote: "My research that summer (1976) indicated that Calgary's land developers were making a profit of about \$20,000 on every house lot they sold over and above normal profits earned in the construction of the house itself, and in servicing the land."<sup>22</sup> Using a specific house in Marlborough as an example, Lorimer quoted figures to show that the profit on the lot was \$12,642.<sup>23</sup> Lorimer's point is buttressed by two examples which suggest that land prices were related to what the market would bear. Carma secured a good deal from the City in West Thorncliffe in the land swap for park purposes in Nose Hill. According to Mayor Rod Sykes, Carma acquired the land at an equivalent price of \$50 per frontage foot. Yet Carma sold the lots at \$345 a frontage foot, a gesture which Sykes described as "clear evidence of a very irresponsible attitude towards land development."<sup>24</sup> In 1974 Daon sold 19 lots in Whitehorn Phase III, to Engineered Homes at \$170 per frontage foot. A few months later Engineered Homes

resold the land for \$238 per frontage foot. Like Sykes, Daon executives were not pleased. R.A. Nunn described the deal as “reprehensive in view of the status and image that Daon is attempting to maintain in the properties.”<sup>25</sup> Arguably, given the fact that both income and profits were on a spiral in this period, the rise in house prices could be directly attributed to market demand based on increasing disposable income.

On the other hand, evidence suggests a more confusing picture in relation to profits. Carma’s profits in the high-rolling mid-1970s were easily eclipsed by national companies operating in other business sectors.<sup>26</sup> Nu-West claimed 3 percent profit on operating costs in 1972, while Carma declared only 2.5 percent profit on assets worth \$200 million in the first half of 1976.<sup>27</sup> In breaking down the cost components of a building lot in 1976, City Planner Len Fox assumed a not-so-exorbitant 6 percent profit for building contractors and 15 percent for developers.<sup>28</sup> According to a 1978 study by Basil Kalymon, a professor in the Faculty of Management Studies at the University of Toronto, profits from real estate during this period did not deviate significantly from those in other industries.<sup>29</sup> Kalymon noted the high ratio of fixed to total assets in the real estate industry as compared to those in the non-financial sector, and concluded that real estate income as a percentage of capital employed was much less. In a remarkable claim, Kalymon pointed out that in 1976 Nu-West’s operating profit as a percentage of sales was only 0.1 percent after assessing the effects of taxation on pre-adjusted inflation profits. Kalymon attributed rising land prices to general inflation and indicated a significant level of government control in real estate, higher than in any other sector save possibly the oil and gas industry. Maurice Chornoboy, a manager and later vice-president with Qualico, agreed that 6 percent was a normative profit but that in some years, builders had to settle for 3 percent. He recalled a situation where he had no buyers for 140 houses in Queensland Downs, built and ready for occupancy.<sup>30</sup> Up to 1975, developers profited from claiming the carrying costs of land as a tax deduction. The loss of this privilege hurt them significantly. According to the *Herald* in 1976, Abbey Glen and Daon had been deferring a very high percentage of their taxes in carrying costs. The dollar figure given for Carma was \$7.9 million.<sup>31</sup> Finally, there is the degree to which the developers themselves were responsible for the excessive profit taking that critics argued were pushing house prices up. As noted above, it is quite likely that the contractors to whom the developers sold the lots were equally culpable. According to a City Planner, some building contractors were reaping over 30 percent profits on lots bought from developers.<sup>32</sup>

The question of monopoly in the industry was very real. On several occasions the City expressed concern over the fact that a few developers were dominating the market. Over the five year period 1973–1978, 80 percent of residential building permits were issued to six developers.<sup>33</sup> Of the 19,490 lots at the outline stage in January 1976, Carma, Daon, and the Genstar group controlled 13,860.<sup>34</sup> This dominance was even more pronounced since the above “big three” tended to concentrate in specific areas of the city. Moreover, formal ties existed between the major developers. Nu-West was Carma’s major shareholder (35.4%) and for a time during this period the two were considering a merger. In 1974, Ralph Scurfield, Nu-West President, was also Chairman of the Board at Carma. BACM was also a 7 percent shareholder in Carma through its ownership of Engineered Homes.

While it is inviting to speculate on the financial and other implications of this monopoly presence, and indeed to find some resonance with James Lorimer, some qualification is warranted.<sup>35</sup> First, no hard evidence points to price collusion. In the highly controversial BACM-Genstar inquiry in 1974, only the implications of monopoly were shown. According to a 1977 research report prepared for the Ontario Economic Council by a team of economists from the University of Western Ontario, the monopolistic pressure exerted by developers was one of the least significant factors behind skyrocketing housing costs in Canada. Instead the report blamed unanticipated increases in demand, a shortage of utility trunk-serving capacity, and the tendency of municipalities to hold back land for development. In referring to the nation’s strongest monopoly presence in Ottawa and Calgary, the report noted that “even in these cities it (monopoly presence) it is not great enough to have a big impact on prices.”<sup>36</sup>

When discussing monopolies, the difference between owning and controlling land should also be considered. It is true that some developers bought land well in advance of development. This was possible only if the land was relatively cheap, and the developer’s all-important cash flow remained unaffected. Faced with rising interest rates, developers did not wish to hold undeveloped land for extended periods, a fact compounded by uncertainty over civic decisions as to when and where expansion would take place. According to Carma, the annual carrying costs of undeveloped land were over 13 percent.<sup>37</sup> Referring to the hard-line policies of Canadian banks, one developer noted, “it’s not when the tide comes in that you worry. It’s when it goes out.” Thus it was not surprising to find that “options to purchase” was a common practice, especially in the early period. Deposits were advanced and agreed-upon prices negotiated often

on an annual basis, with the land changing hands at the time of pending development. For example, in 1971 Nu-West controlled land worth over \$3 million with less than \$300,000 in option deposits. A year later, Carma deposited \$64,000 in order to control land tracts worth over \$1.5 million.<sup>38</sup> Given City uncertainty over when and where land would be released for development, holding land on option placed constraints on developers with respect to priority and market readiness.

A City survey on landownership taken in 1978 qualifies some of the popular assumptions about monopoly control. The survey was taken on land just within and adjacent to the corporate boundaries in six directions: north, northeast, northwest, south, southeast, and west. The results were revealing.<sup>39</sup> Over 150 landowners were listed in the 27,000 acres surveyed. Of this amount, speculative interests held only about 4,500 acres, of which about half was under option to purchase. Approximately 11,000 acres, or around 47 percent, were under the control of the eight largest developers, with the Genstar group and Carma accounting in equal part for about 64 percent of that total. Daon and Melcor each held about 1,000 acres; Qualico, 900; Markborough, 660; Nu-West, 500, and Jager, 400. Of the eight, only Genstar retained direct ownership over all its holdings. Jager, Melcor, Nu-West, and Daon held the majority of their lands on options to purchase. Carma owned 2,200 acres of the 3,600 under its control. While it is true that this developer concentration was in the growth corridors, it was more diffuse than believed. Moreover, abundant land remained under private ownership and, officially at least, was beyond developer interest or control. Interestingly, in the same 1976 report that documented 70 percent control of lots in the outline or processing stage by Carma, Daon, and the Genstar group, the same three controlled less than 50 percent of lots in the tentative or formulation plan stage.<sup>40</sup>

Builders also competed with each other. Carma still had to distribute lots to its builder-members, who vied for business. Nu-West, Kelwood, BACM, and Engineered Homes guarded the integrity of their names and marketed themselves as independents to attract buyers. Keith Construction, for example, stressed its individuality. The company had its own tree farm so it could live up to its reputation as “the builder with the trees.” Finally, it should also be remembered that a certain degree of industry dominance had always existed. In the mid-1950s Kelwood’s builders were constructing around 40 percent of Calgary’s houses. In 1961 Carma and Kelwood controlled over 60 percent of the local housing market. Yet, there was no public clamour about house prices during this period.

Accusations about excessive profit taking and monopoly aside, the fact remains that the potential homeowners were being penalized the most by rising land values. It is true that inflationary influences had driven up housing prices generally. The costs of construction more than doubled between 1968 and 1977. Servicing costs were up by 380 percent during the same period. These figures, however, paled before the cost of land. The price of a lot in 1977 had increased over 600 percent since 1968. Implications associated with this indisputable fact pushed the developers into the public light for the first time.

The absence of consensus over the cause of escalating land values, and the presence of a scapegoat, made certain conclusions inevitable. Public fears about monopoly control and excessive profit taking in the development industry were evidenced by the increasing level of citizen participation. A general mistrust of land developers was one enduring result. Yet, while they were sometimes misinformed and often too emotional in their battles with City Hall and the developers, the various citizen groups in the 1970s were responding to an emerging reality. For despite the inflationary trends that characterized the decade, and the rising land values in cities generally, the arrival in Calgary of the corporate big-name land developer during these years was proof positive that the “real money” was here for a very good reason.