



BACKGROUND

Why development matters: Productivity & Knowledge

The British Property Federation notes, in *'The economic impact of high density development and tall buildings in central business districts'*, that “adding employment density can only be commercially viable by adding a few relatively tall buildings, rather than adding a few storeys across many buildings.” The report states that increased density leads to increased productivity in five key ways:

- Increased specialization [sic].
- Knowledge spillovers, leading to increased innovation.
- Competition, as the presence of many firms offering similar products spurs competition, innovation and efficiency, as well as many buyers to compete for.
- Larger labour markets offer choices for employers and the opportunity to recruit staff with specialist skills.
- Economies of scale are created by serving larger markets.

The report continues: “These impacts are commonly referred to as agglomeration impacts. Importantly this link between density (or agglomeration) and increased output has been extensively researched and quantified. In essence the research shows that a doubling of employment density within a given area can lead to a 12.5% additional increase in output per worker in that area. For the service sector the figure is far higher at 22%.”

Management writer Michael Porter states that “wealth is actually created at the microeconomic level...in the ability of firms to create valuable goods and services using productive methods.” He notes four factors that make up a ‘diamond’ of a quality business environment, one of which is the extent to which local suppliers form clusters.

The Victoria (British Columbia) Transport Policy Institute’s *'The Value of Downtown'* report notes a number of things that are ‘special’ about the downtown. Among those things are Agglomeration Efficiencies. Its commentary notes “land use density and clustering provide *agglomeration efficiencies*, which increase productivity due to improved accessibility and network effects. This attracts industries that require frequent face-to-face interactions, such as finance and retailing, and increases the efficiencies of businesses located in such areas, making them more competitive.”

The Martin Prosperity Institute report *'The Geography of Immigration in Canada: Settlement, Education, Labour Activity and Occupation Profiles'* notes that “Canada has a growing demand for high-skilled and well-educated labour force as regions shift from more traditional industries

into knowledge intensive industries.” St. John’s and the province are seeing a shift to knowledge industries and ensuring that the infrastructure is in place to meet the needs of knowledge workers, a significant sub-group of which are immigrants, is vital to innovation and sustainable sectors in business.

A strong commercial district is important because it builds business relationships, creates knowledge transfer, and allows for economies of scale. This is both achieved and desirable in the downtown.

Reference documents

British Property Federation report <http://www.bpf.org.uk/topics/document/23467/the-economic-impact-of-high-density-development-and-tall-buildings-in-central-business-districts>

Michael Porter paper http://www.isc.hbs.edu/Micro_9201.pdf

VTPI Value of Downtown report <http://www.vtpi.org/downtown.pdf>

Martin Prosperity Institute report <http://www.martinprosperity.org/media/pdfs/Geography-of-Immigration-in-Canada-KKing.pdf>