

The Land Economist

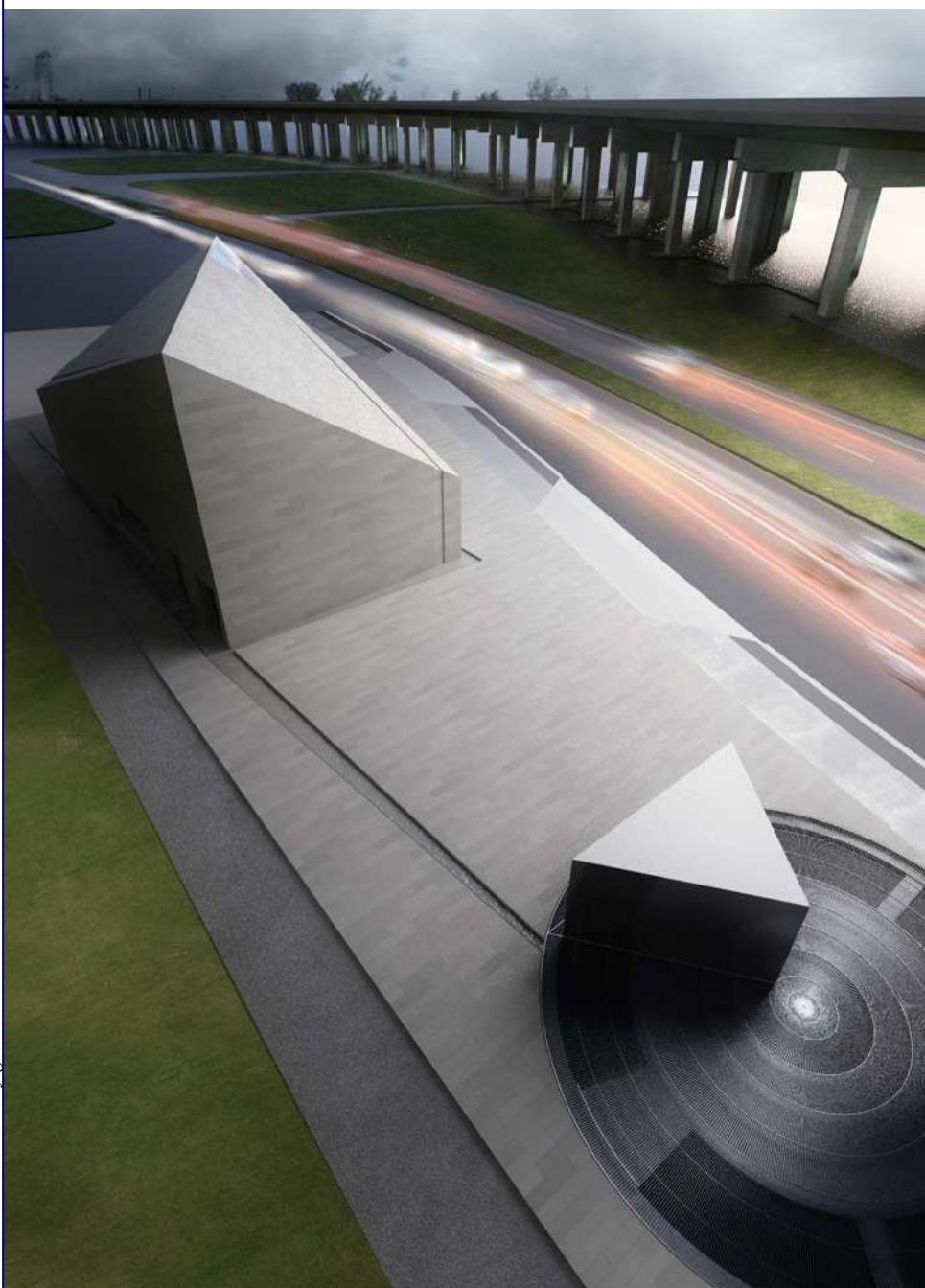


ILLUSTRATION courtesy gh3 Architects

Dramatic simplicity of design that both “fits in and stands out” among adjacent rail line and expressways won Waterfront Toronto’s Storm Water Quality Facility, designed by gh3 Architects and Landscape Architects and R.V. Anderson Ltd., an award of excellence from Canadian Architect magazine in December. Part of an innovative \$30 million storm water system, the facility “transforms an urban ecological infrastructure from act into art,” said one jury member. “A concise urban insertion, exquisitely polished and set with lapidary precision into the site,” said another. Page 4 has more on the 3 winning projects from Toronto.

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Professional Journal of the

**Association of
Ontario Land
Economists**



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NEWS BRIEFS

New Code requirements for energy efficiency

For building permit applications on or after January 1, 2012, construction must comply with Ontario's enhanced energy efficiency requirements.

Houses and other Part 9 residential buildings must meet a performance level equal to EnerGuide 80, as outlined in Supplementary Standard SB-12. An update issued in December made several amendments. One important change recognizes the Energy Star for New Homes technical specifications (January 2011 edition) as an acceptable compliance method.

Other buildings (e.g. commercial and Part 3 residential) must achieve a level 25% above the 1997 Model National Energy Code for Buildings, or exceed ASHRAE 2010-90.1 by 5 per cent, or meet prescribed modifications to ASHRAE 90.1. See www.mah.gov.on.ca/Page9714.aspx

Property values in China

Analysts are showing concern that moves in China to halt a property value bubble may create big problems. Average prices fell 0.3 per cent in December, the third month to see declines. The National Bureau of Statistics reported declines in 53 of the country's 70 biggest cities.

"Used homes in Wenzhou dropped at an annualized rate of 45 per cent," the UK's Telegraph newspaper reported in January. It added that "price-to-income ratios have reached 16 to 18 in East coast cities and shut millions out of the market". (For comparison, the US and UK property bubbles burst at ratios between 5 and 6.)

One wonders what impact this will have on property purchases in Canada -- where Chinese buyers have been a strong force.

Flatiron building sells for \$15.29 M

Commercial Realty Group announced in December that it had bought the Flatiron building in downtown Toronto for \$15.29 million, or \$797 per square foot. It plans to issue a call for offers from potential tenants for the 19,193 square feet of rentable space on February 8.

The Front and Wellington icon was originally built in 1892 by architect David Roberts Jr. for George Gooderham, former president of the Bank of Toronto and owner of Gooderham and Worts distillery. Wikipedia reports the cost back then was \$18,000. After falling into obscurity in the mid 20th century, it was lovingly restored by the late Paul Oberman of Woodcliffe Landmark Properties in the 1990s. According to the Toronto Star, the building sold in 1999 for \$2.2 million and again in 2005 for \$10.1 million.



ILLUSTRATION courtesy Brightstar Group

WELCOME NEW MEMBERS

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PHOTO courtesy Ontario Home Builders' Association

Building Homes and Futures. Last November, in probably its most memorable conference ever, the Ontario Home Builders' Association brought a planeload of members and their families to the Dominican Republic. In 4 days, they built new homes and a better chance at life for six families - plus new insights and memories for a lifetime. See OHBA's humanitarianbuild.com and thestar.blogs.com/galebeeby/2011/11/index.html

RESORTS: Shared Interest in Shared Ownership

Consumer acceptance of shared ownership of resort properties is growing rapidly, three industry experts told AOLE's September 14 education session.

"With time shares, you don't own the land or anything you can deed," said well known consultant and past president of the Canadian Resort Development Association, Gloria Collinson. "With fractional ownership you get a share - usually 1/10 - of a corporation that owns the cottage. You can pass that on to your children." Or you can sell it: "we have yet to sell one for less than the purchasers paid for it.

Collinson pointed to reports from Ragatz Associates putting the number of active projects in Canada at 53. "And 17 of the truly active ones are in Ontario," she said, in Muskoka, the Kawarthas and some in the Ottawa area. Her examples ranged from one project with prices for 5-week shares of \$55,000 and maintenance fees of \$2,700, to another with prices and fees up to \$210,000 and \$6,500, respectively.

There are more young purchasers too, "in the 28/30 to 40 age group," she said. "They are often high tech. They remember going to the cottage with their families and want to give that experience to their children."

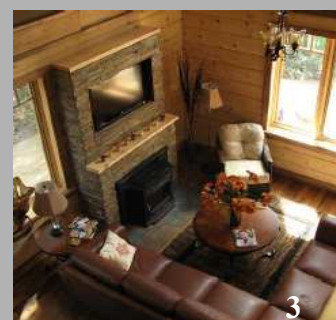
Long-time fractional developer John Puffer recalled the 1970s, when "there were a lot of family-run cottage operations that couldn't make money, but municipalities didn't want to lose the commercial tax income - and didn't want a lot of new owners - and wouldn't allow them to sever."

Puffer went to Les Mason, partner in Shibley Righton lawyers, who put together a new type of structure. In this, the fractional ownership properties are set up as not-for-profit incorporated associations. The association owns the property and the purchasers buy memberships rather than shares.

"Think of joining an exclusive golf club," Mason told the session. "You don't get a share certificate, you get a certificate of membership. The agreement of purchase and sale "includes a cottage owners agreement, which spells out the relationship between the members." The Association has a small Board; the developer is not typically a voting member, although they may be on it as an advisor.

Question period raised some interesting issues:

- Multi-unit properties owned by one corporation are generally assessed as commercial.
- The Ministry of Revenue has decided that membership in this type of association qualifies as ownership, so land transfer tax applies.
- If the incorporated non-profit association is ever sold, members get a proportional share of the net return.



1) Inaski Shores, Kawartha (\$55-70,000, 5-week fractions) 2) Pier gazebo, The Muskokean, Port Carling (\$110-210,000) 3) Whitewater Village, Ottawa River Valley (\$89-98,000) 4) View from within the audience on Sept. 14.

- Projects registered as condominiums can give owners a registered deed, but the condo agreement documentation is extensive and very complex.

Puffer gave some pointers on developing successful projects:

- Don't choose a location beside a highway.
- Avoid close neighbours.
- Don't rely on commercial financing if at all possible.
- Don't listen to people who say you need to put 50% of your budget into marketing. Just get the right product.
- Don't expect to sell the cottages for any more than 20% over the market price for individual ownership.

Shared ownership opens up new opportunities in the market. "It costs \$20-30,000 a year to maintain a million dollar cottage," Puffer said. "I think fractional will be around for a long time."

Architecture awards

In December, Canadian Architect magazine published its 2011 awards of excellence. Three of the eight winners were from Toronto - and the shadow of the Gardiner Expressway had a strong influence on two of those. Award highlights:

1. Fort York Visitor Centre

Budget: \$12.3 million. Patkau Architects in joint venture with Kearns Mancini Architects Inc. Scheduled completion: 2012. Jury member comment: This project “takes the difficult underbelly of the expressway as the raw foil for an architecture of robust simplicity ... (that) speaks to the ongoing exploration of the history of the site.”



For more details see www.canadianarchitect.com/Awards/Winners.aspx

2. SWQF (Storm Water Quality Facility)

in the West Don Lands. Budget \$1.5 million. gh3 Architects and Landscape Architects and R.V. Anderson Associates Ltd. See cover for more details.

3. Ryerson University Student Learning Centre

Budget: \$60 million. Zeidler Partnership Architects in joint venture with SNØHETTA. Scheduled completion: 2014. Jury member comment: “The transparent glass skin fritted with intriguing patterns ... will serve as a great visual portal into the activities of the student centre, opening up the university to the city.”



Rental Market data

Private rental apartment vacancy rates continued to fall in most major Canadian municipalities, says the December issue of the Altus Group Housing Report.

For institutional investors, total return (both return on income and capital growth) on residential rental investment properties increased to 9.9% as of October 2011, up from 5.9% in 2010 and nil in 2009. However, it did not keep pace with the returns on “all property types”. That indicator lagged over the past two years, but reached 13.9% in 2011.

In general, vacancy rates for rental condominium apartments were similar to those in the purpose-built stock.

In Toronto, vacancy rates fell from 1.7% in 2010 to 1.1% in 2011. Rental condominiums made up approximately 16% of the total rental universe, and 22% of the total condo universe. At 30% of condos in the “core” area, rental condos in Toronto - while high - are appreciably below Vancouver (43%), and Edmonton (34%).

Average rent for a 2-bedroom unit in Toronto was \$1,149. In fact, Altus says, the addition of more than 9,000 condo units to the rental stock over the past year has kept rent increases to a minimum there.

In Ottawa, vacancy rates fell from 2.0% in 2010 to 1.4% in 2011. Rental condomini-

ums made up 8% of the total rental universe, 19% of the total condo universe and 22% of the condos in the “core” area. Average rent for a 2-bedroom: 1,086.

Both cities are now listed with Tight rental markets (vacancy rates <1.5%). Kingston (vacancy rate of 1.1% and average rent of \$965), and Guelph (1.1% and \$903) are also in this list.

Thunder Bay (1.7 and \$772), Kitchener (1.7 and \$889), Barrie (1.7 and \$1,001), Oshawa (1.8 and \$941) and Brantford (1.8 and \$792) are considered to have Balanced markets.

St. Catharines (3.2 and \$833), Hamilton (3.4 and \$884), Peterborough (3.5 and \$899), and London (3.8 and \$881) are classified as Soft markets, although vacancy rates for all four have fallen since 2010.

Mixed Expectations for 2012

If it wasn't for things like the financial uncertainty in Europe, slowing commodities demand from China and emerging economies, and ongoing concerns about the flat US housing market, prices in the GTA's condo market, the level of household and public debt, and mixed economic signals, Ontario's economy would look relatively healthy.

The composite leading indicator for Canada "has picked up momentum and is showing the best performance in over a year," Anderson Economic Research says.

"Gains are also broadly based. Eight of the 10 components of the leading indicator index increased in the latest month," the firm says in its Canadian Housing Industry Economic Update for February. "Manufacturing activity is picking up, which is good news for Ontario ... Canadians are more confident now and ... retail sales of durable goods show a string of consecutive monthly gains."

Bloomberg also noted that Canadian freight volumes accelerated in Q4 to their fastest pace in 2011 - another leading indicator for growth.

With central banks focusing more on potential deflation than inflation, the signs are that interest rates will remain low for the next year or two - also good news.

But labour market figures from Statistics Canada show employment in the province increased 0.7% (+44,000) January 2011-2012, all the growth occurred in the first half of the period. The province's unemployment rate now stands at 8.1%, higher than the country's average 7.6%.

And while stronger January figures in the automotive sector in both the US and Canada appeared encouraging, industry analyst Dennis DesRosiers, for example, was recently quoted reaffirming the more conservative 1 - 2% growth projections for vehicle sales.

Housing prices - particularly those for Toronto's booming condominium market - have received a lot of press. The Economist reported in November that housing in Belgium, Canada, France and Australia "looks more overvalued than it was in America at the peak of its bubble." It calculated Canadian housing was overvalued by 71% measured against rents, and by 29%

measured against per capita disposable income.

Bank of Canada Governor Mark Carney and Finance Minister Jim Flaherty have expressed concerns about levels of household debt, speculation, and home equity lines of credit.

However, it looks as though the low interest rates that created the problem may remain in place long enough to help people resolve it as well.

Unemployment Rate - Canada



SOURCE: Statistics Canada

For the global scene, Canada's Alex Carrick notes that financial institutions have been increasing capitalization to lessen the potential blow of default in Europe.

China's slowing growth and the reduction in demand for minerals and metals may hurt investment in Canadian resource projects - although China itself is buying.

The steady growth in US employment is positive, although the US "is not welcoming our exports to the same degree as in the past."

Growth Outlook for Ontario CMAs

The Conference Board of Canada released its Metropolitan Outlook - Winter 2012 report in January. Ontario highlights:

Despite the slow U.S. recovery and the strong Canadian dollar, manufacturing sectors in Toronto and Oshawa are expected to post decent gains this year. Nevertheless, manufacturing output in both cities will remain well below peak levels. In addition, construction activity in both CMAs will be dampened by the winding down of public infrastructure spending.

Oshawa (+2.7%)

Its manufacturing sector will receive a boost from production start on a new General Motors model.

Toronto (+2.6% in 2012; +4% in 2013)

As world markets recover, the Toronto economy should see a modest improvement in 2011, and stronger 2013, with growth widespread across all sectors.

Ottawa-Gatineau (+1.8%)

This CMA will see only a slight improvement in growth over 2011. Belt-tightening by the federal government will have a noticeable effect in 2012. Public administration employment fell by two per cent in 2011, and is forecast to decline by 3.6 per cent this year—a cumulative loss of 9,000 jobs.

Kitchener-Waterloo (+2.5%)

Although the region's manufacturing sector is in transition, it is expected to post another year of steady growth. The CMA will also continue to benefit from

sound population growth, which will support housing demand and consumer spending.

Windsor (+2.5%)

The \$1.4 billion Windsor-Essex Parkway project will lift overall economic growth. In addition to double-digit growth in construction output, employment is forecast to increase by an average of 2.3 per cent in 2012 and 2013.

Hamilton (+2%)

The manufacturing sector will be limited by the shaky global economy, producing only a slight increase from 2011.

London (+1.7%)

London continues to face a slow recovery from the 2008-09 recession. Its growth forecast is still well below the long-term annual average of 2.5%.

Kingston (+1.5%)

Weakness in the construction sector will limit growth in 2012, the fourth year in the past five that the CMA's real GDP will increase by less than two per cent.

St. Catharines-Niagara (+1.4%)

A drop in construction output will restrict economic growth in 2012.

Sudbury (+2%)

Moderate growth in the mining and construction sectors will help this CMA.

Thunder Bay (+1.7%)

Although low, this will represent the highest growth rate in the CMA over the past 12 years.

Staying the Course

The best-laid plans often go awry, a Globe columnist recently noted, quoting Robbie Burns. “We can develop all the brilliant strategies and goals we want, but without effective implementation, they likely won’t amount to much.”

With that in mind, AOLE joined with the Canadian Urban Institute and the University of Toronto’s Cities Centre to look at what planners have learned about implementation.

Taking place on November 8 - World Planning Day — the expert panel presented homegrown and international examples of the good and not-so-good.

Here are a few highlights:

Ken Greenberg, principal, Greenberg Consultants Ltd. discussed a Minneapolis-St. Paul’s example where the Mayor said “we have to set this up so it will last beyond my term.” Key elements were a wide stakeholder stewardship group with different viewpoints working together, vested outside city hall, with terms of office that were not coincident with municipal terms, and city staff working on city building seconded one day a week to a streetfront office open to the public. Other areas also coordinate land use and transportation planning much better, he said. In many parts of the world, planners do both.

Anne McIlroy, MCIP, RPP, principal, Brook McIlroy Ltd. talked about the ongoing planning process for Toronto’s Dundas-Bloor ‘Avenue’ area. Physical modelling and digital images helped create tremendous buy-in for a plan to encourage high-quality, context-appropriate development, she said. “Support of the community, who came to an OMB hearing and were able to speak knowledgeably” really helped uphold the bylaw against proposals for a much larger condominium. Now, work for a new mobility hub is “creating a fantastic opportunity.”

Eric Miller, PhD, Director, The Cities Centre, University of Toronto, outlined the sorry history of unimplemented transportation plans in the Greater

Toronto areas, including filled in tunnels and “plan by announcement”. People have to think regionally and commitment is vital, he said. “I think we have to get behind MetroLinx, put funding behind it and get all the politicians on-side.”

Frank Lewinberg, FCIP, RPP, partner, Urban Strategies Inc., outlined five key elements for successful plans: urgent purpose; consensus derived from that; connectedness to the city; as much diversity as possible; and “getting approval while it’s still warm and you still have consensus.”

Once the people are on board, said Paul Bedford, FCIP, RPP, Urban Mentor, and man behind Toronto’s Official Plan, “start with something that’s simple and make it happen.” Waterfront Toronto’s wave decks, and the short closing off of Queen’s Quay to demonstrate what the

waterfront could become, got people inspired, he said. When it was threatened, councillors and staff were inundated with people saying “why can’t we do this?”

Bedford recommended people “start with having some principles,” and stick with them. “Chicago had one core principle for its waterfront: that it should remain forever public.” Finally, “we’ve got to make choices and accept the consequences. The fact of the matter is most of the growth is going where we want it. Would you rather be Detroit?”

RM



PHOTO: Canadian Urban Institute

AOLE 2011 AGM

The 2011 Annual General Meeting of the Association of Ontario Land Economists was held on November 8 at the Innis Town Hall, Toronto. Andrea Calla, 2010-11 President, called the meeting to order at 5:30 pm.

Naomi Irizawa, Treasurer, tabled the 2010-11 statements and the budget for 2012.

The audited statements, emailed before the meeting, show revenues of \$44,928, about 10% higher than budget, primarily due to membership growth. Expenditures were \$40,110, also higher than budget, primarily due to higher administrative costs. This produced an excess of revenue over expenses of \$4,818. Fund balance at the

end of March was \$37,116.

The proposed budget anticipates revenues of \$42,700, with most of the decrease coming from lower revenue from meetings. Expenditures are anticipated to fall more than 10% to \$34,600, as compared to 2010-11 actual figure, dropping \$2,650 in administration and almost \$2,000 in stationary, printing and The Land Economist Journals.

John Morrison, Registrar and Membership Chair, reported that AOLE has 220 members, including 12 new members. Membership categories are being reviewed. The Association also plans to update the website application process.

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Legislative Beat

.. cont'd from Page 8

Water Opportunities Act

Even though the Water Opportunities Act was passed in late 2010, the province never brought forward regulations during 2011.

In his annual report, Environmental Commissioner of Ontario (ECO) Gord Miller refers to this as a "missed opportunity" to achieve greater water conservation through pricing measures.

In a critique of the process, the ECO notes that it took MOE nearly six months to post a decision on the Registry from passage of legislation on Nov. 29, 2010. He writes that "MOE's failure to post the decision notice in a timely fashion undermines the function of the Registry as a relevant and reliable source of public information."

Also in a review of major comments by environmental groups, municipal governments and local utilities as well as industry associations, he points out that despite the number of recommendations that were made to amend Bill 72, relatively few substantive changes were made to the final legislation.

Andy Manahan, Executive Director of the Residential and Civil Construction Alliance of Ontario, is a member of AOLE's Board of Directors and its Legislative Chair.

2011 AGM .. cont'd from Page 6

Mike Cane, Program Chair, reported on AOLE's events, including the popular 2010 Christmas party, the April session on Union Station Revitalization, the September session on Resort Shared Ownership, and the co-sponsored Staying The Course session on Planning following immediately after the AGM (see page 6).

The main proposed substantive change in Jon Hack's bylaw review clarifies membership categories. A new draft will be finalized and sent for legal review. The intent is to circulate that to the membership for comments, with approval in 2012.

Journal Chair Keith Hobcraft reported that two full issues of The Land Economist were published in the past year, and reminded members that comments, suggestions, news, photos or proposed articles are welcome.

Andrea Calla reported for Andy Manahan that he'll be watching Ontario's new minority government closely and will keep AOLE informed of important issues.

Mike Real, Internet Chair, reported there have been more than 2,600 visits to the website. The most-visited page is the member listing, and next is the page with membership information. This year, the

site was moved to a new host. In 2012, AOLE will be working to introduce e-commerce, so that people can pay for dues and events online.

On motions, the membership approved the change in head office to 55 St. Clair Ave. W, Ste 205, Toronto M4V 2Y7, and ratified the actions of the Board.

Nominating Chair Bonnie Bowerman asked if there were any nominations for the Board of Directors from the floor. There being none, she proposed the persons named in the Nominating Committee report be acclaimed (see above for the full list of Directors).



The Legislative Beat

By Andy Manahan PLE

Provincial Election – Results

After eight years of majority rule, the McGuinty Liberals received a mandate to lead a minority government on October 6, 2011, with 53 of 107 seats.

In total the opposition has 54 seats, with the PCs garnering 37 seats and the NDP 17 (representing increases of 11 and 7 seats, respectively, over the 2007 result). The only other party to field 107 candidates, the Green Party, did not win any seats. In a disappointing downward trend, only 47.6% or 4.3 million of Ontario's eligible voters bothered to cast a ballot.

Perhaps to reflect the fact that austerity is the operative watchword at Queen's Park, the Cabinet has been slimmed to 22 members from 28 previously. The Premier billed it as an "experienced" Cabinet as all have held ministerial positions before. Certain key roles remain unchanged: Dwight Duncan in Finance, Deb Matthews in Health & Long-Term Care and Bob Chiarelli in Infrastructure (with the addition of Transportation).

In November, Liberal MPP Dave Levac was elected by a secret ballot of all members to be Speaker of the House. Although there is always a risk that the government could be defeated in a non-confidence vote (such as the budget), the financial position of both opposition parties is likely to result in sober thinking about triggering another election. Plus, it is quite likely that the public would punish a party that precipitated a return to the polls, especially if it is over a matter deemed to be

trivial or overtly partisan. No coalitions are in the offing but there will be compromises and horse-trading that could result in opposition success with pet projects.

More complex manoeuvring will be experienced at the legislative committee level as, to date, agreement has not been reached on seat allocations.

Simcoe Sub-Area Amendment

Amendment 1 to the Growth Plan for the Greater Golden Horseshoe, 2006, was announced by Minister Chiarelli on January 19, 2012.

As a result of extensive consultation (see Vol. 41, No. 1), incorporating the advice of a Provincial Development Facilitator, a growth management framework has been established for Simcoe County. It includes alternate intensification targets and designated greenfield area density targets for all lower-tier municipalities.

A significant amount of growth will be directed to the following primary settlement areas in order to more effectively take advantage of infrastructure investment:

- Barrie
- Orillia
- Midland-Penetanguishene
- Collingwood
- Bradford
- Alliston
- Alcona (the latter area on the west shore of Lake Simcoe was not previously identified).

The bulk of the growth will be accommodated by the City of Barrie with a projected population of 210,000 out of total 667,000 by 2031.

By minimizing urban expansions, the Province aims to protect agricultural lands and green space. In addition, four key employment areas have been identified.

Even though the policies in the proposed amendment relating to employment lands remain unchanged, Amendment 1 now permits municipalities to request that the Minister consider a review of location, boundaries and appropriate uses within an employment area.

Greater flexibility has been provided for the approval of developments in settlement areas. For example, the concept of an interim settlement area boundary has been removed. Simcoe County and lower-tier municipalities will be required to establish and implement a phasing policy to ensure the orderly and timely progression of development on lands designated for urban uses.

For more detail on these matters and transitional provisions, go to www.placestogrow.ca.

Commission on the Reform of Ontario's Public Services

Don Drummond was appointed by the Premier in early 2011 to provide advice to the Province on how to rein in government spending in order to eventually eliminate a \$16 billion annual deficit.

Toronto Star columnist Martin Regg Cohn has called the Province's goal of a balanced budget by 2017-2018 "a target date without data", and noted that all parties "blithely embraced" the same timetable but "were equally vague about how to achieve it."

Expectations around Queen's Park are high for a transformative document by Drummond on how services could be better delivered across important sectors such as health care and education.

The Legislative Beat continues on page 7