

# The Land Economist

Fall 2003, Vol. 33, No.3

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Professional Journal of the



ASSOCIATION of  
ONTARIO LAND  
ECONOMISTS

1235 Bay Street, Suite 400  
Toronto, Ontario M5R 3K4

Tel: (416) 934-5166

Fax: (416) 969-8916

Website: [www.aole.org](http://www.aole.org)

E-mail: [aole@interactiveoffices.com](mailto:aole@interactiveoffices.com)



PHOTO: COURTESY OF SUSSEX STRATEGY GROUP

# Construction and Major Trades Costs for Toronto Area

Information provided by Pelican Woodcliff Inc.

## Commercial/Institutional Buildings

\$ cost/sq. ft. above grade

|      | <u>Office</u><br>above<br>grade<br>Class A | <u>Office</u><br>above<br>grade<br>Class B | <u>Undergrnd</u><br><u>Parking</u> | <u>Parking</u><br><u>Deck</u> | <u>Schools</u> | <u>Hospitals</u> | <u>Nursing</u><br><u>Homes</u> |
|------|--|--|------------------------------------|-------------------------------|----------------|------------------|--------------------------------|
| 2000 | 113  | 105  | 48                                 | 30                            | 110            | 200              | 113                            |
| 2001 | 125  | 116  | 52                                 | 32                            | 118            | 220              | 119                            |
| 2002 | 126  | 117  | 54                                 | 33                            | 121            | 231              | 123                            |
| 2003 | 128.5                                      | 119  | 55                                 | 33.5                          | 125            | 243              | 126                            |

## High Rise Residential

(with underground parking)

\$ cost/sq. ft. above grade

|      | <u>Downtown</u> | <u>Midtown</u> | <u>Suburban</u> | <u>Premium</u><br>9' ceiling | <u>Premium</u><br>units under<br>600 sq ft |
|------|-----------------|----------------|-----------------|------------------------------|--|
| 2000 | 104             | 102            | 99              | 3                            | 7  |
| 2001 | 114             | 111            | 108             | 3                            | 8  |
| 2002 | 120             | 115            | 112             | 3                            | 9  |
| 2003 | 126             | 119.5          | 116.5           | 4                            | 9  |

## Industrial/Retail Buildings

\$ cost/sq. ft. above grade

|      | <u>Warehouse</u><br><u>with office</u><br>20' clear ht. | <u>Strip</u><br><u>Mall</u> | <u>Big Box</u><br><u>Retail</u> | <u>Regional</u><br><u>Mall</u> |
|------|---|-----------------------------|---------------------------------|--------------------------------|
| 2000 | 35  | 34                          | 40                              | 34                             |
| 2001 | 39  | 36                          | 43                              | 36                             |
| 2002 | 40  | 37                          | 44                              | 37                             |
| 2003 | 41  | 38.5                        | 45                              | 38.5                           |

# Design &

by Dan O'Reilly

Despite the setbacks created by SARS, mad cow disease, and the August blackout, the prognosis for the Canadian economy, especially the design and building sectors, remains positive, participants at a recent CanaData construction industry forecasts conference in Toronto were told.

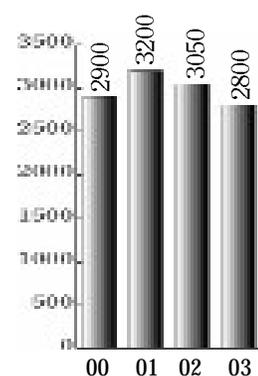
"Canada has been performing better than the U.S.," said CanaData economist Alex Carrick, one of a number of keynote speakers at the two-day conference.

"If the U.S. economy does recover there will be an impact on Canadian exports," Carrick said. He predicted the Bank of Canada will try to use its monetary policies to keep the Canadian dollar within the range of 72 to 74 cents American to avoid a negative impact on those exports — which in turn could hurt Canada's economy.

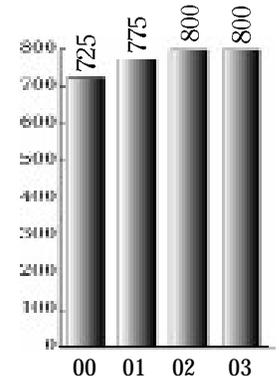
Some of the highlights of his forecast for 2003 included predictions national housing starts will hit 205,000 units, 36.5 million square feet of commercial construction starts and 33.5 million square feet in institutional construction.

Two other economists presented similar assessments: Glen Hodgson, vice president and deputy chief economist with Export Development Canada and Don Drummond, senior vice president and chief economist, TD Bank Financial Group. "Apart from non-Japan southeast Asia, the world economy outside of North America

Steel (\$/tonne)



Rebar (\$/tonne)



# building prognosis is positive

continues to struggle. But there is good news for Canada — after a two-year struggle, the U.S. economy is finally beginning to surge, buoyed by massive amounts of monetary and fiscal stimulus,” said Drummond.

Still, the audience of private sector builders, designers and consultants, and government officials received a diverse review of where the construction industry is headed.

## Office/commercial

That direction doesn't anticipate massive new office construction in Toronto as corporations reduce their demand for office space through layoffs, outsourcing and the growth of home offices, said John O'Toole, executive vice-president and managing director CB Richard Ellis Limited. With the layoffs that have occurred in office employment, tenants' vacant office space could rise to 20 per cent, he said, compared to the traditional seven.

But there are opportunities in the renovation and upgrade of older, less-efficient buildings for owners revamping those buildings to meet increased and changing tenant needs. As an example, O'Toole cited a tenant issue study his firm conducted that placed the need for daycare facilities and HVAC quality on a higher priority list than in a 1993 study. Another growth area is the renovation,

revamping and revitalization of shopping centres, the audience was told. To regenerate interest, malls are adding more amenities, restaurants and entertainment facilities, explained Adrienne Goddard, consultant with Kubas Consultants, a Toronto-based marketing research and consulting firm. One example is the \$40 million facelift of the Eaton Centre in Toronto.

## Infrastructure

The forecast for civil engineering construction was more mixed. Road and highway projects have slowed down during the past two years because of slower economic growth, said Lloyd Ferguson, general manager of Oakville-based Dufferin Construction Company and a Canadian Construction Association director.

“When this (slowdown) happens, capital spending projects tend to be among the first to be chopped in order to keep budgets in line. The easiest way to save a lot of money is to stop tendering projects.”

Compounding the slowdown is the federal government's “very ad hoc, unpredictable manner” of funding road and highway projects and the failure of the Ontario government to endorse the \$600-million Strategic Highway Investment Program (SHIP) announced in Ottawa's 2001 budget. But investments in road construction should increase if Paul

Martin follows through on his promise to dedicate a portion of the fuel taxes for municipal infrastructure when he becomes prime minister, Ferguson said.

Watermain and sewer construction in Ontario will also accelerate as municipalities work to restore those services as required by the province's new Sustainable Water and Sewage System Act, Ferguson added. (The act was one of the recommendations in Justice O'Connor's Walkerton Inquiry report).

Hospital, health care and school construction is another expanding sector, said Barbara Miszkiel, principal with Toronto-based Dunlop Architects Inc. The capital need in Ontario for acute care facilities is \$6 billion, said Miszkiel, citing Ontario Hospital Association statistics.

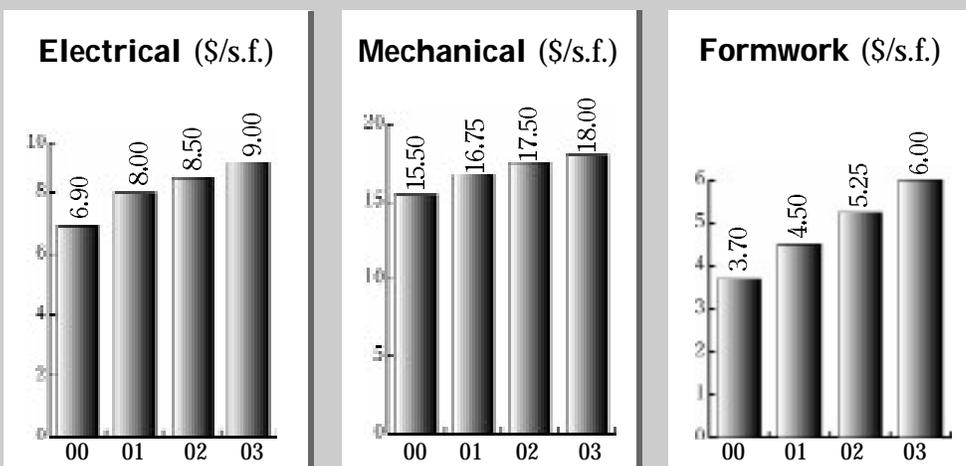
Carrick also pointed to the reverberations of the extensive arts and culture facility construction, mostly in Toronto, being driven in large part by the contributions of wealthy philanthropists.

## Residential

On the residential side, national housing starts this year should reach 206,900 units and then drop to 189,100 units in 2004 as housing demands are met, said Peter Norman, forecaster with Toronto-based Clayton Research. Housing construction has been the “shining star” while the rest of the economy has been slowing steadily since early 2002, he said.

However, better economic growth should be ahead. The US economy is improving, and the Canadian dollar is likely to decline, which will help spur exports. “In addition,” Norman said, “Canadian businesses are spending more money on inventories, machinery, equipment and construction in recent months — a sure sign of optimism.”

*Dan O'Reilly is a Toronto area freelance writer. His works appear in the Toronto Star, the Daily Commercial News and numerous trade magazines.*



# Island airport expansion qu

By Herb Ware

Although a number of steps still need to be completed, approval of a bridge to Toronto Island brings expansion of the island airport much closer to reality.

The present configuration of the Toronto City Centre Airport serves Air Canada's Jazz, general flights, and flight schools, and is an essential connection to the city's hospitals, providing more than 3,000 annual Medevac flights.

The airport is also a money-losing venture. In 2002, the airport was estimated to need 500,000 passengers annually to break even. It presently averages 108,200 and loses \$1 million a year. The planned expansion will turn that around, Bernie Morton told the annual general meeting of the Association of Ontario Land Economists.

Morton, Senior Associate at Sussex Strategy Group, said the proposal was the brainchild of Robert Deluce. Deluce is President and

CEO of Regional Airlines Holdings. The Deluce family has 50 years of experience owning, financing, restructuring, operating and managing regional airlines in Canada. Based on that experience, Deluce was convinced that the island airport was the place from which to launch a new airline.

Morton outlined the four key elements of the \$550 million planned expansion:

- A double bascule bridge (a draw bridge with two lifting sides) providing a fixed link with the airport
- A new passenger terminal located on the airport
- A new airline, home-based in Toronto with made-in-Toronto planes
- An express check-in facility at Union Station.

Five hundred million dollars will be invested in the fleet to build 15 new Q400 turbo-prop aircraft manufactured at Bombardier's deHavilland Downsview plant.

Morton said that the order would secure the long-term viability of a plant that employs 3,000 highly skilled and trained workers, 1,200 of whom are directly assigned to the Q400 program. The facility, which was close to shutting down, contributes \$5.5 million dollars in annual property taxes, and \$2 billion annually in economic benefits to the city. With the inception of the new airline, those benefits will continue, Morton said

The new airline's destinations will be within 90 minutes flying time of Toronto, and include up to 17 key cities in "America's Breadbasket".

The other \$50 million will be invested in infrastructure: \$30 million will be spent on the new terminal and \$20 million on the lift bridge. The bridge will open and close on a set schedule that Morton said would be "mindful of the needs of boaters using the western gap, but coordinated with the flight schedules." He also pointed out that, under the tripartite agreement reached in July with the city, the port authority, and the federal government, jets are banned.

The terminal will be a state-of-the-art facility designed to move people quickly and efficiently.

Within three years of startup, the new airline is projected to carry 900,000 to one million passengers annually, a ten-fold increase over present traffic..

One member of the audience asked how the new airline expected to survive when the industry in general is in such bad shape. Morton responded that the business model is based on successful airlines like WestJet who do not compete head-to-head with the likes of Air Canada. "The island airport would be a feeder airport (like Hamilton) with money made on short haul."

In response to further questioning, he explained: "the split between business and tourist will be 80/20. Traffic congestion at the foot of Bathurst Street will not be a problem because parking at the airport will be limited.

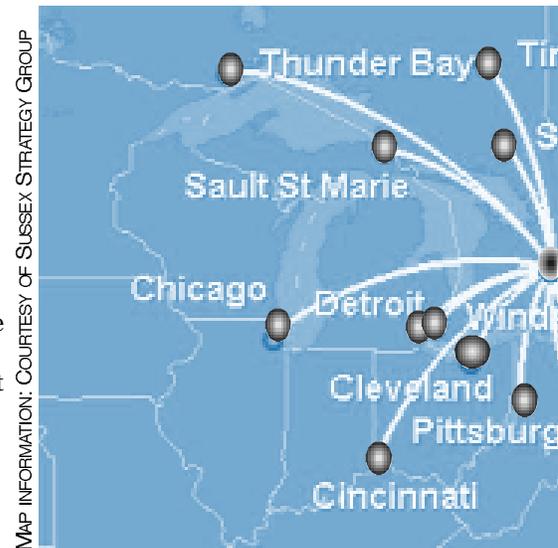
"The business model focuses on passenger shuttles from Bay Street to Union." He said passengers will have an express check-in at Union Station, hassle-free shuttle service to the airport and customs pre-clearance.

"Making Toronto a destination for business travellers who want to be able to fly right in to the downtown and be at their destination within 20 minutes of landing is the goal. These travellers will eat in



PHOTO: COURTESY OF SUSSEX STRATEGY GROUP

The proposed island-based airline fleet would be made up of the Q400, a turbo-prop built in Downsview.



MAP INFORMATION: COURTESY OF SUSSEX STRATEGY GROUP

The new airline could service 17 major cities with Centre airport.

# leuing up

downtown restaurants, sleep in downtown hotels, visit downtown theatres, and conduct the much-needed business with our Toronto businesses.”

A number of hurdles still have to be overcome:

- At least one candidate, David Miller, trying to make it a major issue in Toronto’s mayoralty race.
- The official city plan designates the property as public open space.
- EPA permits from four federal departments have to be arranged, including one under the Navigable Waters Protection Act.
- A citizen’s group is looking at the possibility of contesting the environmental assessment conducted for the bridge.
- The city has yet to issue a construction permit.

“Had Mr. Deluce known what was waiting for him by way of legislative approvals and hurdles, political bickering and filibustering, delays, and roadblocks, he probably would not have dedicated the last three years of his life to this project,” said Bernie Morton.

*Herb Ware is a freelance commercial writer in the Mississauga area.*



within 90 minutes of the expanded Toronto City

## News Briefs

### Healthy investment

Nov. 13 is a big day for Hamilton. That’s when the city (still glowing from the success of the World Road Cycling Championships) hears whether it will host the 2010 Commonwealth Games.

Its competition is New Delhi, India, which is playing a powerful card – that it’s time for the games to go to a country that is not part of the Western industrialized cabal. On the other hand, Hamilton was the inspiration and host of the first games in 1930 – and it would be fitting if it could host the 80th anniversary games as well.

If Hamilton’s bid is successful, the economic impact on Ontario could be more than \$1.4 billion. The city would build a major 42,000-seat stadium for the opening and closing ceremonies, enhance an aquatic centre that McMaster University already has in its plans, and build a new Sportplex.

McMaster would be a primary focus for the two-week event, expected to attract up to 6,000 athletes and officials. It would house many athletes, and host more than half of the sports. It would also benefit from \$50 million towards improving state-of-the-art sport and recreation facilities, innovative sport medicine research, and a variety of leadership and development programs.

The games are expected to cost about \$715-million. Ottawa and Ontario have pledged \$250-million each, the city of Hamilton \$80-million and McMaster University \$50-million. Organizers expect commercial revenues, including television rights, to make up the difference.

### Deep water cools towers

Enwave is in the final stages of connecting the largest deep-lake cooling system of its kind to several buildings in Toronto.

When it goes into service in the spring of 2004, the system will provide an alternative source of air conditioning with enough cooling capacity to service over 1,800,000 square metres of office space or about 100 office towers.

The company, co-owned by The City of Toronto and OMERS, already has several clients including Metro Toronto Convention Centre, Air Canada Centre, and 125 University Ave. One University Ave., an 18-storey building built in 1986 and owned by Oxford Properties Group, is presently being retrofitted to use the deep lake water cooling system.

The system starts five miles out in Lake Ontario where Enwave has sunk high density polyethylene pipe to draw water from the frigid bottom layer to use at Toronto’s island-based Water and Wastewater Services station. The pipes are actually used to draw water into the filtration plant. In exchange for providing the intake lines, Enwave will be permitted to transfer the cold temperature from the City water to its chilled water system. There is always physical separation between the City’s potable water and Enwave’s cooling loop.

### Five new malls?

The enclosed shopping mall is not the dinosaur that many believe, the Chair for Ryerson’s Study for Commercial Activity told a recent meeting of the International Council of Shopping Centres. In fact, Ken Jones said the Greater Toronto market could support up to five new regional enclosed malls. Potential is particularly high in the 905 suburbs which are growing by 100,000 people a year and now are dominated by big box stores and power centres.

Jones said Canada’s major mall developers have become risk-averse because they are owned by pension funds more interested in managing existing assets than in creating new ones. Cadillac Fairview is now owned by the Ontario Teachers’ Pension Plan Board while Ivanhoe Cambridge is owned by five pension funds.

Although Ivanhoe Cambridge recently broke ground on an innovative mall, it was a joint venture with a US-based developer. That points out the direction from which new growth will have to come, Jones said: “foreign investors.”

# 2003-2004 Council

**President**

**JOHN MORRISON**  
Associate Vice President  
Royal Lepage  
416-756-5419  
jmorrison@royallepage.com

**Past-President,  
Membership Chair &  
Internet**

**KONRAD KOENIG**  
Realty Services  
Go Transit  
416-869-3600 ext. 5340  
kk@rpf.com

**Treasurer**

**DAVID SANNA**  
Real Estate Appraiser/  
Negotiator  
Region of Peel  
905-791-7800 ext. 7638  
sannad@idirect.com

**Secretary**

**ELGIN DOUGLAS**  
Real Estate Appraiser  
416-214-5630  
welgindouglas@on.aibn.com

**Journal Chair**

**KEITH HOBSCRAFT**  
President  
Bosley Farr Associates  
416-486-9997  
hobcraft@ica.net

**Program & Education Chair**

**BONNIE BOWERMAN**  
Senior Underwriter  
Sunlife  
416-979-6343  
bonnie-bowerman@rogers.com

**Legislative Chair**

**ANDY MANAHAN**  
Development Promotion Rep.  
Universal Workers Union  
Local 183  
416-241-1183  
andymanahan@look.ca

**Publications Chair**

**MIKE J. REAL**  
Realty Tax Consultant  
The Altus Group  
416-221-1200 ext. 8245  
mreal@thealtusgroup.com

**Member at Large**

**CATHERINE HUESTIS**  
Senior Consultant  
The Altus Group  
416-221-1200 ext. 8242  
chuestis@thealtusgroup.com

**Member at Large**

**EILEEN OSTROWSKI**  
Vice President  
Derbyshire Consultants Ltd.  
905-455-5500  
eostrowski@derbytax.com

**Member at Large**

**EDWARD SAJECKI**  
Assistant Deputy Minister  
Municipal Affairs & Housing  
416-585-6600  
edward.sajECKI@mah.gov.on.ca

**Journal editor**

**ROWENA MOYES**  
Rowena E. Moyes Communications  
416-466-9829  
rmoyes@idirect.com

**Association services  
TO CONTACT OFFICE**

416-934-5166  
aole@interactive-ca.com

## ROM steel turns green in Scarborough

A commitment to “green” building, a good idea, perseverance, and some lucky timing have seen old steel from Toronto’s Royal Ontario Museum (ROM) get a new life at the University of Toronto at Scarborough’s new Student Centre.

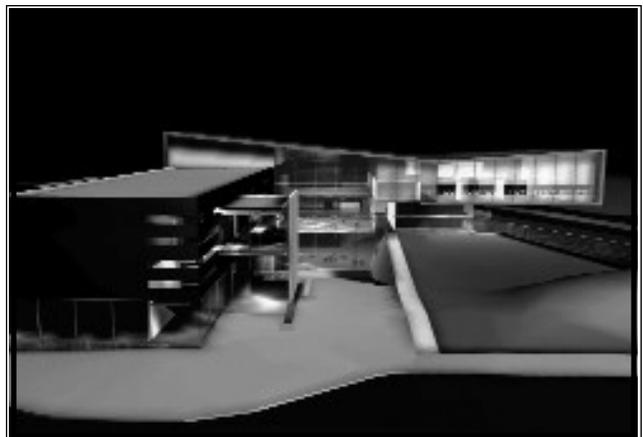
“Reuse is a key principle of sustainable design,” says Stephen Phillips, principal at Dunlop Architects Inc., which designed the new Student Centre. “But, unless you are willing to do expensive tests, you often have to assume that old steel is very low grade.

“In project discussions, we found out that the structural engineers for the Student Centre (Halsall Associates),

were also working on the ROM expansion – and they had actually been the engineers for the part of the ROM that was being demolished. So they knew exactly what steel was in there. And it was available.”

Last month, contractors carefully took down specific pieces of steel from the museum project, cleaned and prepared them for their new use. They were erected in

early October – using bolts, so they can potentially be unbolted and reused again in future.



*The new student centre at University of Toronto Scarborough will reuse steel from the Royal Ontario Museum.*

PHOTO: COURTESY DUNLOP ARCHITECTS INC.

# President's message

I appreciate Council's support in nominating me and I consider it to be an honour to serve as AOLE's President for 2003-2004. I look forward to continue working with returning council members. Their past contributions helped AOLE to grow into the respected Association that it is today.

I would also like to thank Konrad Koenig, our Past President for his leadership and commitment over the past year. Konrad worked diligently in ensuring that things happened smoothly and his email production was outstanding. Special thanks to Ed Bruce who resigned from the Executive following many years as our hard working Treasurer. The Association is fortunate in that Dave Sanna accepted the position in the Spring and has been working diligently since the outset.

## Revenue

Moving forward, I hope to ensure that the strong financial base that has been established over the past few years will continue.

Our biggest money generator by far is from membership revenue and we will continue to actively pursue new members. Membership currently stands at 250, an increase of approximately 10 per cent over 2001. We believe that this upward trend can continue at a time when the real estate market, which the

majority of us participate in, is in reasonably strong shape.

A membership review confirms that we represent a wide range of professional disciplines with Appraisers continuing to form the largest group.

## Invite guests

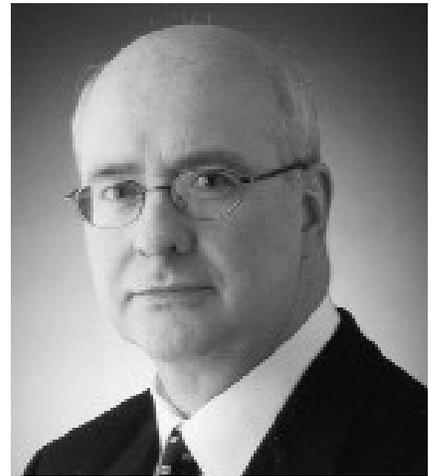
One avenue for growth is that members should continue to promote our Organization by inviting guests to our dinners. I suggest that members also promote membership to those friends, colleagues and acquaintances they believe would benefit from, and contribute to our Association.

We intend to continue to improve administrative procedures so as to make it a simpler and quicker process for prospective new members to apply for memberships and to receive a quick response from the Organization.

While we wish to be aggressive in the pursuit of new members, the Association will not sacrifice professional qualifications and experience requirements merely for the sake of increasing our membership numbers.

## Initiatives

During his Presidency, Konrad promoted a number of initiatives to commence dialogue with various International Professional Organizations with the idea of developing and promoting



relationships. The Association investigated the possibility of awarding a bursary to qualified students enrolled in a University Program that is Real Estate related. We will continue to develop these initiatives. In addition, AOLE's website continues to be upgraded, and for the nominal funds spent maintaining it, the website is a valuable resource.

Administration of the Association continues to be a challenge. Erika Czika from Interactive Office, who has been responsible for Administrative function has recently taken a maternity leave. We will work to ensure that everything operates as smoothly and efficiently as possible.

We intend to continue to produce the Journal and I thank Keith Hobcraft and Rowena Moyes who have been involved for many years in putting together this topical publication with interesting editorials and articles. I urge members to submit articles for consideration in the Journal.

Also, we will continue to present interesting and topical dinner speakers, addressing various issues directly related to our business. I wish to thank Bonnie Bowerman for arranging these dinners at various excellent venues and for agreeing to continue the task this year. Not only are they gastronomic delights, but they represent a wonderful networking opportunity for our members.

I look forward to meeting as many of you as possible at our functions and I welcome any comments or suggestions you may have. I can be reached at (416) 756-5419 or by e-mail at [jmorrison@royalpage.com](mailto:jmorrison@royalpage.com).

## Welcome New Members!

**Tristan Bock**  
**MIMA, CRA, PLE**  
Derbyshire Viceroy Consultants Ltd  
416-232-9999  
[tbock@derbytax.com](mailto:tbock@derbytax.com)

**Ian Graham**  
**RPP, MCIP, AICP, PLE**  
Urban Intelligence Inc/  
NRU Publishing Inc  
416-979-3360  
[iang@urbanintelligence.com](mailto:iang@urbanintelligence.com)

**Michael Kraljevic**  
**MCIP, RPP, PLE**  
Tridel Developments  
416-736-2540  
[mkraljevic@deltera.com](mailto:mkraljevic@deltera.com)

**Claude Lachance**  
**PLE**  
Derbyshire Viceroy Consultants Ltd.  
416-232-9999  
[clachance@derbytax.com](mailto:clachance@derbytax.com)

**Peter Maddalena**  
**M.PI, PLE**  
Public Works & Govt. Services Canada  
819-775-4524  
[peter.maddalena@pwgsc.gc.ca](mailto:peter.maddalena@pwgsc.gc.ca)

**Maynard Millman**  
**ACCI, P.App, PLE**  
Town of Oakville  
905-845-6601 ext. 3022  
[mmillman@town.oakville.on.ca](mailto:mmillman@town.oakville.on.ca)

## Election Results

On Oct. 2, the Liberals, led by Dalton McGuinty, won a stunning victory, capturing 72 of 103 seats across Ontario.

The ruling Progressive Conservative government was reduced to just 24 seats. The Liberals obtained a respectable 46.5 per cent of the popular vote, compared with 34.6 per cent for the PCs. Even though the NDP was able to capture 15 per cent of the popular vote, this translated into only seven seats. The NDP has fallen below the number of seats required for official party status (eight: it was nine prior to 1999). McGuinty has indicated that he will not amend the rules that would allow for Hampton and company access to a million dollar research budget.

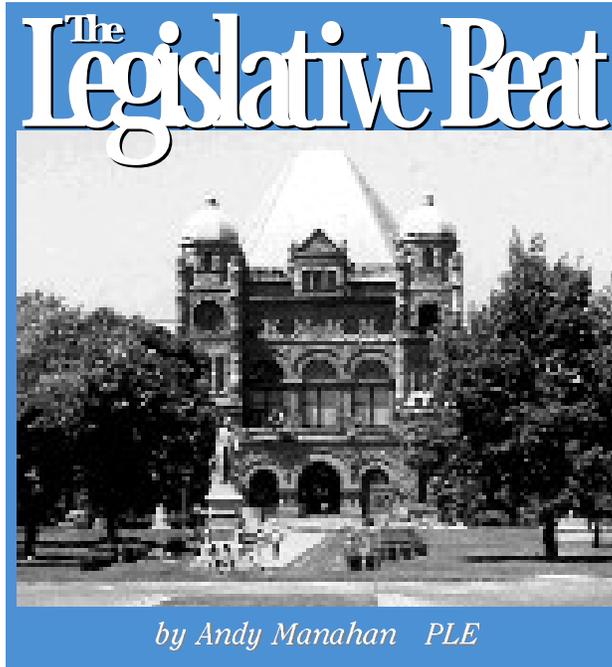
Well-known Queen's Park commentator Ian Urquhart wrote that had Ernie Eves called a snap election following his Tory leadership victory in March 2002 he would have been "unbeatable" (Toronto Star, Oct. 11, 2003).

While this theory is obviously difficult to prove, I would contend that Eves acted correctly at the time in wanting to demonstrate that his leadership style was different than his predecessor's prior to calling a general election.

In any case, voters might have been grumpy about going to the polls less than three years after the last provincial election in June 1999 and might have turfed the Tories anyway (remember the cynical mood of the electorate when former Liberal Premier David Peterson called an election in 1990 just three years into his mandate).

So, after about a year and a half as Premier, Eves will be stepping down to allow other potential candidates to rebuild the PC party. Expect previous contender Jim Flaherty, and former Finance Minister under Mike Harris, to be in the running.

The Liberals have not been in power for 13 years so there will be great anticipation as to the direction that will be taken by the expanded team.



## What to Expect

- A focus on urban issues
- Greater attention to environmental issues, with an emphasis on water and land use prerogatives
- Providing municipalities with a share of the fuel tax for transportation purposes
- No more tax cutting (this includes undoing Tory legislation that was to have gone into effect such as the education property tax credit for seniors)
- Maintaining programs such as Smart Growth, but with a rebranding to reflect the overall approach of the government
- More debate on how to manage growth in southern Ontario as well as how to pay for it
- Appointment of a provincial facilitator or mediator to deal with planning and development issues
- Better relations between the provincial and federal governments
- Better inter-ministerial coordination although there could be bumps along the way
- More cordial labour relations than previously
- First steps toward an immigration policy that recognizes Ontario's circumstances and priorities
- Action on health care and education portfolios, although the pre-election vision will be tempered by budgetary realities
- A continuation of certain P3 projects because fiscal constraints will not allow all worthwhile projects to be publicly funded
- No more forced municipal amalgamations
- Greater municipal autonomy – the Liberals will not contemplate anything that smacks of 'referendum' with respect to local tax increases
- Clearer rules for the Ontario Municipal Board, with potential override provision for municipal councils
- Rethinking of 'tenant protection' legislation – what does the implementation of 'real' rent controls mean?
- Undoing the hydro rate cap earlier than 2006 and other efforts to encourage the building of greater capacity in the system
- Conservation and alternate energy forms will gain prominence through incentives and other programs

**Note:** This list was prepared a week prior to the announcement of Cabinet postings — the make-up of Cabinet will provide a clearer indication of the priorities and direction that can be expected over the short to medium term by the Liberal government. In tandem with McGuinty's announcement, there will be a whole slate of new political staff as well as new public servants in key positions.

*Andy Manahan is Development Promotion Representative, Universal Workers Union, Local 183, and Legislative Chair for the Association of Ontario Land Economists.*