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UNDERSTANDING THE FUNDAMENTALS OF THE GROWTH PLAN

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INTRODUCTION

The Province of Ontario has launched consultations for the 10-year review of the [Growth Plan for the Greater Golden Horseshoe](#). The outcome of this review may be to leave the Plan as it is, or to modify it. Many individuals and groups want to have a say in this decision.

The [Neptis Foundation](#) has been a close observer of the creation and implementation of the Plan since 2001. Neptis research helped inform the discussions that led up to its creation in 2006, and Neptis researchers have monitored its implementation since then.



This explanatory **Brief** with context provided by Neptis research has been created for three reasons:

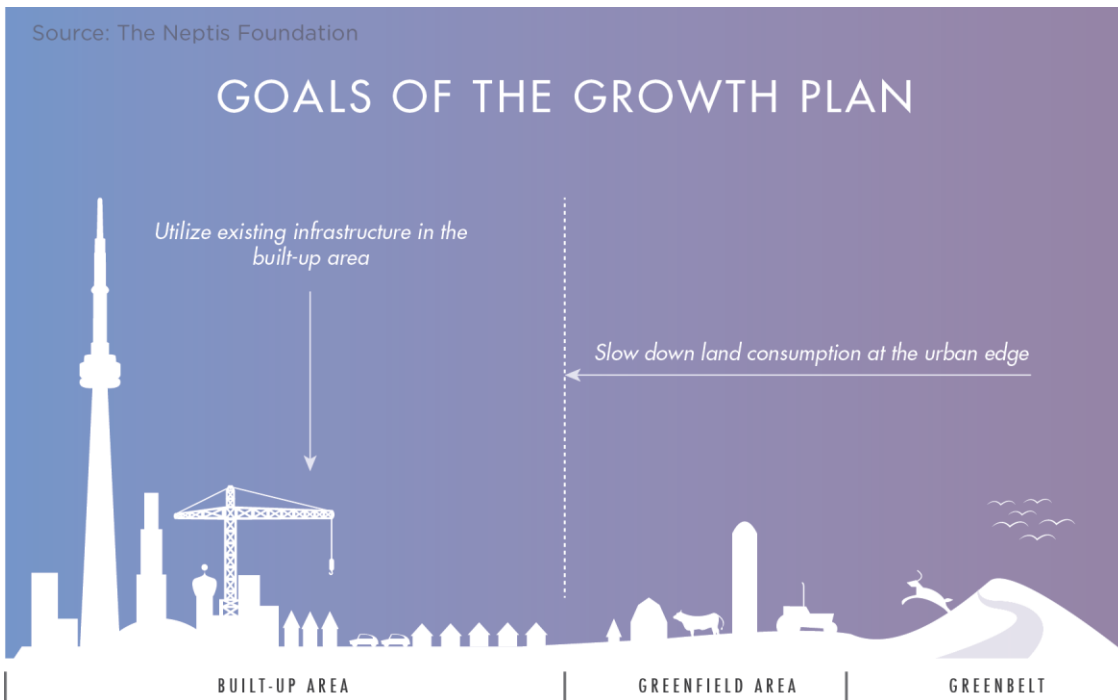
1. Many people are unclear about exactly how the Plan works. Central to understanding the Plan is knowing that it sets in motion a process of “land budgeting” by municipalities that is opaque and poorly understood by the general public. This guide explains the fundamentals of this process and the assumptions used to designate land to accommodate projected growth.
2. Controversy has also arisen over the question of how much land is available for development, and whether the region is “running out of land” for development. To answer this question, Neptis researchers looked at municipal Official Plans and found that 107,100 hectares of land have been designated for urbanization across the Greater Golden Horseshoe; about 56,000 hectares lie within the more urbanized Greater Toronto and Hamilton Area. Neptis has also studied the actual urbanization of land in the Greater Toronto and Hamilton Area (which the Plan calls the “Inner Ring”) from 1991 to 2011. That research also indicates how much of the land set aside for future development in the GTHA has been used since the Plan was established in 2006 and provides further insight into the land supply question.
3. The original purpose of the Plan was to reduce the rate of land consumption compared with business-as-usual patterns (such as those that prevailed in the 1980s and 1990s). Neptis researchers have studied the rate of urbanization over 20 years in fast-growing urban regions across Canada and found evidence that the rate of urban expansion – i.e., land consumption at the edge – has slowed down in recent years. The research, however, also shows that in the GTHA in particular, much greater effort can be made to create a more diversified housing stock in newly developed suburban areas. The findings suggest possible future directions for the Growth Plan’s 10-year review.

Neptis hopes that this Brief will provide a guide to how the Plan works, evidence about its results to date, and useful comparisons to suggest what more could be done. This Brief is intended to contribute to the important consultations and debates taking place in 2015.

1

WHAT THE PLAN CONTAINS

When the “Smart Growth” discussions, which preceded the Growth Plan in 2006, took place, the conversation was as much about money as it was about the environment. The need to grow more compactly, in appropriate locations, isn’t just about preserving natural heritage, reducing commuting times, or maintaining agricultural lands, it’s also about money, and the well-documented “costs of sprawl.”¹



The Plan states: “New infrastructure is being built to service lower-density areas, while existing infrastructure in the older parts of our communities remains under-utilized.”

The Plan linked the infrastructure deficit facing the Toronto region and its economic competitiveness with “the degradation of our natural environment, air quality and water resources, as well as the consumption of agricultural lands and other resources.”

¹ The *Costs of Sprawl* was the title of a 1974 publication by the Real Estate Research Corporation, which compared servicing costs for low-density developments with those for higher-density developments. Since that time, this research has been updated and refined and applied to a range of localities. For a recent update on this literature, see Hamidi, S., Ewing, R., Preuss, I., and Dodds, A., (2015) Measuring Sprawl and Its Impacts: An Update, *Journal of Planning Education and Research* 35 (1): 35–50.

To direct growth more efficiently, the Plan contains policies and population and employment projections. All are crucial to its implementation. But the Province of Ontario did not set up a public and transparent process for monitoring the implementation of these policies and projections by municipalities. As a result, it is difficult to assess whether the Growth Plan is working or not.

Growth Plan policies deal with land use ("Where and How to Grow"), servicing ("Infrastructure to Support Growth"), and the environment ("Protecting What Is Valuable").

The Plan provides population and employment projections and allocates the expected growth to the 21 upper- and single-tier municipalities in the Greater Golden Horseshoe.

The original projections for the Greater Golden Horseshoe were for the period 2006 to 2031 with a forecast population of 11.5 million people in 2031, up from 8.1 million in 2006. Land to accommodate this future population has already been set aside – the 107,100 hectares referred to earlier.

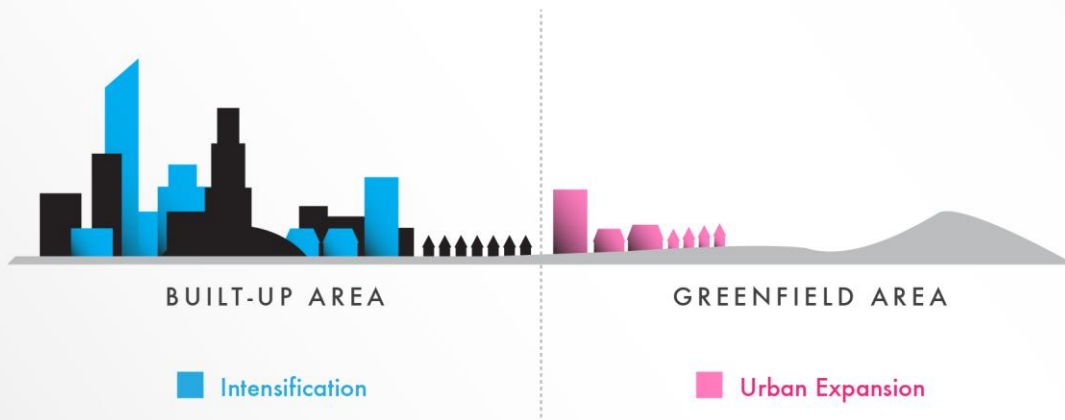
In 2013, the Province enacted Amendment 2 to the Growth Plan, which extended those projections another decade to 2041 with a forecast population of 13.5 million people in the Greater Golden Horseshoe. Essentially, another 2 million people were added as a part of the 2041 projections. The process of setting aside even more land to accommodate the new projections has begun in some municipalities, but is not yet complete.

MAIN POLICY LEVERS

1 At least 40% of new residential development must be in the form of *intensification* (within the built-up area)

The remaining development occurring in the greenfield area must achieve a *density of 50 people and jobs/hectare*

2



Among the many policies in the Plan, two measurable targets intended to prevent urban sprawl and excessive land consumption stand out. Both tools are applied at the level of upper- and single-tier municipalities.

- **Intensification:** The Plan states that by 2015, and each year thereafter, municipalities must ensure that a minimum of 40 percent of all residential development will be within the part of the municipality that is already urbanized.
- **Density:** New development on previously undeveloped land (greenfields) will be planned to accommodate no fewer than 50 residents and jobs combined per hectare, averaged over each single- or upper-tier municipality.

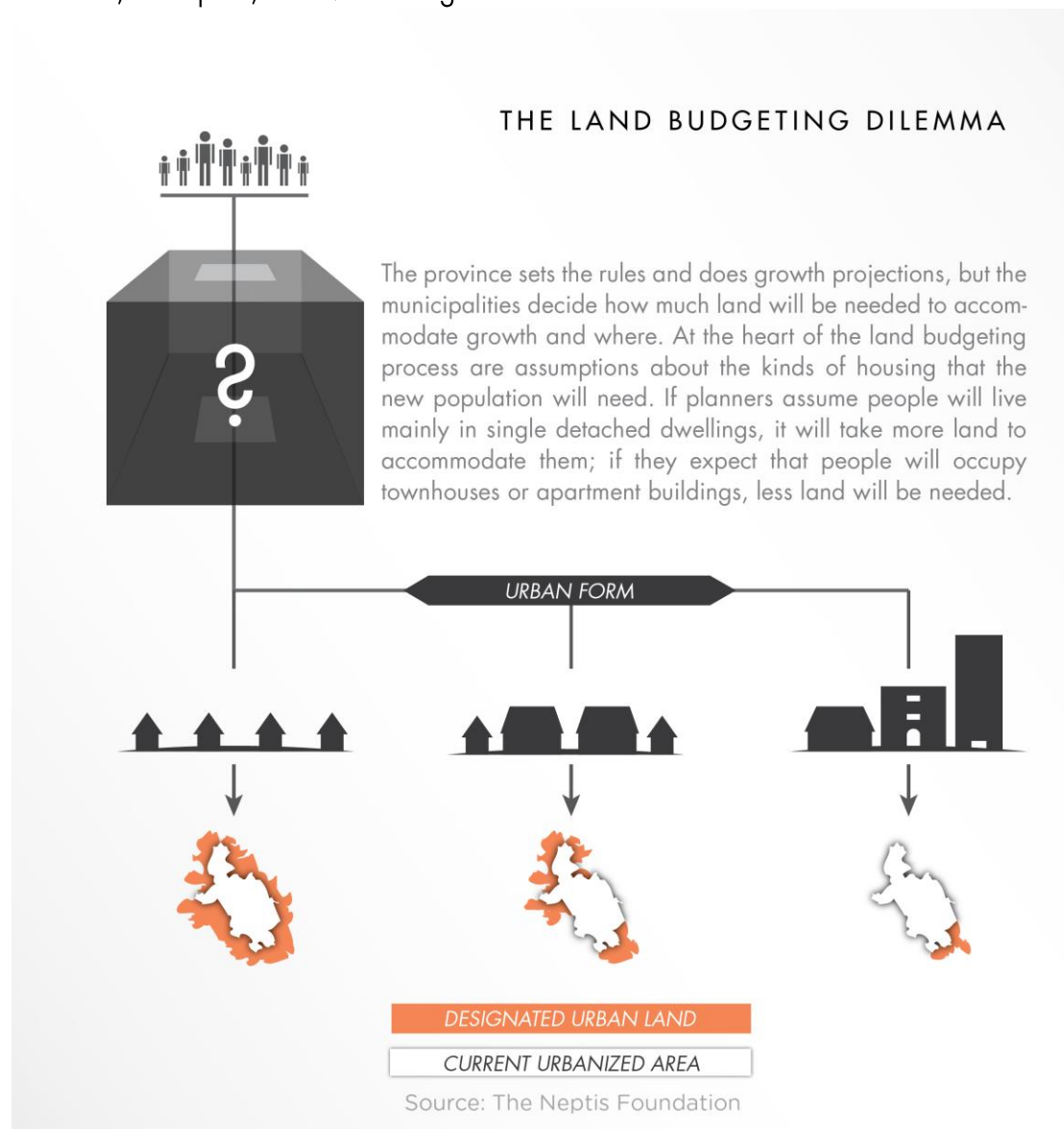
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THE LAND BUDGETING DILEMMA

Land budgeting is the crucial link between the population projections and the amount of land designated for development, but as noted, the process is opaque and varies from municipality to municipality. This makes it difficult for observers to grasp how the process works.

2.1 Allocating population projections

As part of the Growth Plan implementation, municipal planners in the upper- and single-tier municipalities allocate the population and employment projections among their constituent lower-tier municipalities. For example, Peel Region allocates the regional projections to Caledon, Brampton, and Mississauga.



2.2 Housing types and employment

There is no one-size-fits-all approach to land budgeting and the Province did not provide any guidelines to municipalities as part of the Plan. This means that the municipal planners or planning consultants who prepared the land budgets used a variety of assumptions about how to accommodate growth. These differences are reflected in the amount of land finally set aside for urbanization by different municipalities.

For example, Halton, Durham, and York regions set aside land for urban expansion based on an anticipation of continuing high demand for single detached houses, assuming a continuation of past trends in housing demand.

In contrast, Waterloo Region forecast an increased demand for medium- and high-density housing and assumed that much of the demand for detached housing could be met by existing houses that will be vacated over time as their owners age. Because of these assumptions, the Region set aside relatively little new land for greenfield development.²

Whether municipalities try to address changing demographic shifts or assume a continuation of historical trends in deciding what type of housing new residents will occupy in the future has a direct impact on the amount of land that is zoned as urban.

Municipalities also set aside land for employment purposes based on Growth Plan projections for 1.8 million jobs across the Greater Golden Horseshoe. The assumptions used to forecast employment projections are more rudimentary than those for residents but as a paper on planning for employment under the [Plan states](#): “The general approach in the guideline is based on linking future population projections to future job creation. Population growth is forecasted and employment growth is derived from that using a simple jobs-to-people ratio. The total employment growth is then broken down into the three basic categories of employment: major office employment, population-related employment, and employment lands.”

How much land is set aside matters. Infrastructure investments costing billions of dollars are made based on the projections. Municipalities and the Province may face financial challenges [if the projections don't materialize](#) because of structural changes to the economy.

It's also worth keeping in mind that there is a link between municipal land budgets and projections for future municipal revenues, especially because the majority of municipal revenue comes from property taxes. In rapidly growing municipalities, development charges for new housing are also an important source of revenue. If the methods used to allocate land do not reflect current demographic trends or changes in the economy, the mismatch can be costly.

2.3 The intensification target

² The Waterloo Region plan was challenged by developers who claimed that more land should be designated for development at the edge of the region. The Ontario Municipal Board ruled in favour of the developers, but the OMB decision has been appealed by the Region. As of early 2015, the matter has not been settled.

As part of the land budgeting exercise, municipalities must also take into account the Growth Plan's intensification requirement. It applies to residential *development*, not population. In most cases, the requirement is to direct 40 percent of all new residential development to already urbanized areas. However, in parts of the Outer Ring, some municipalities were given exemptions.

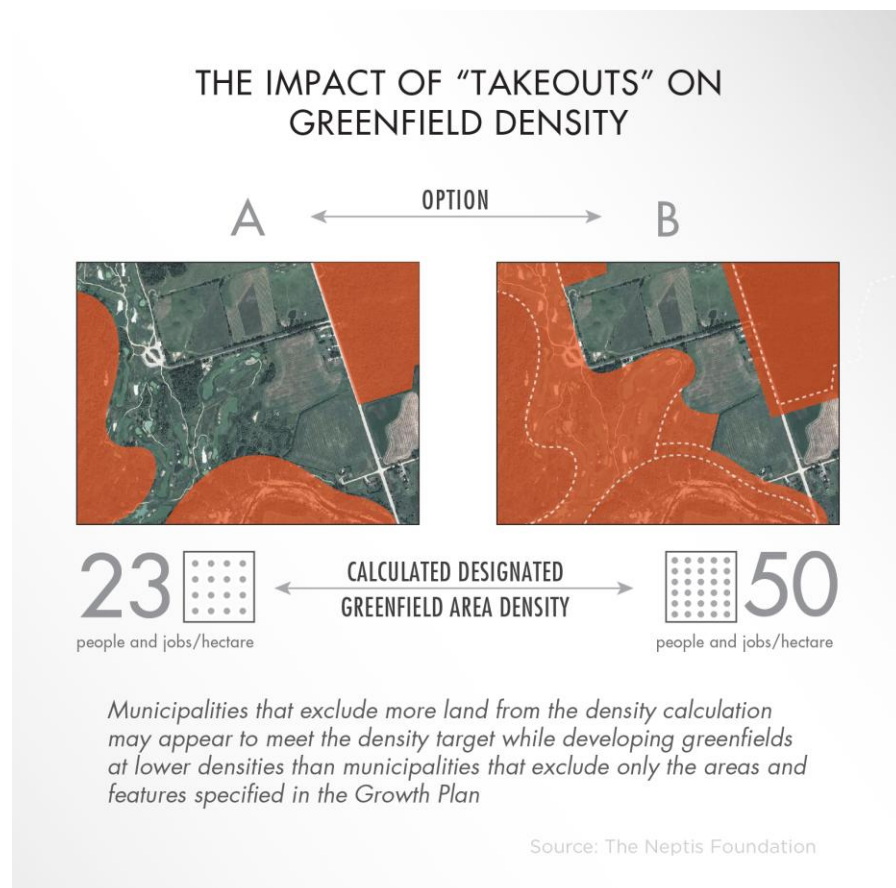
In his [2014 report](#) about the effectiveness of Growth Plan for the Greater Golden Horseshoe, Ontario's Environmental Commissioner questioned these exemptions:

Despite concerns that the default targets were themselves potentially insufficient to alter the status quo of low density development, as of November 2013, the Minister had approved alternative lower targets for 9 of the 15 (60 per cent) upper- and single-tier outer ring municipalities (see Table 5.3.1). For example, in 2011, the Minister approved an alternative intensification target for Brant County of just 15 per cent. Likewise, the ministry has approved alternative greenfield density targets for the majority of outer ring municipalities; these alternative density targets are below the level that the Ministry of Transportation suggests is needed to support "basic transit service."

2.4 The greenfield density target and the impact of "takeouts"

Finally, the Plan requires that the new greenfield areas accommodate the projections at an average density of 50 people + jobs per hectare. The inclusion of jobs adds further uncertainty to this process, since very little is known about existing employment densities. Moreover, as with the intensification target, several municipalities in the Outer Ring have been granted permission to use lower average densities in the calculation as well as lower intensification targets (for example, 35 people + jobs per hectare in Brant County).

In determining the amount of greenfield land needed to accommodate growth, planners and consultants also make



assumptions about land that cannot be developed – these areas are known as “takeouts” because they are taken out of the calculation of density (people + jobs/hectares of land). The Growth Plan allows environmentally sensitive areas such as wetlands, woodlands, and valleys to be excluded from land budget calculations. Some municipalities go beyond these requirements and “take out” other land that is unavailable for development, such as hydro corridors, golf courses, roads, and cemeteries.

This is not an academic exercise; these “takeout” numbers matter as to whether a municipality is adhering to the spirit of the Growth Plan or not.

[Neptis researchers found](#) that by using one method of calculating greenfield density, accommodating 15,000 people and jobs on 1,000 total hectares would lead to a calculated density of 23 people + jobs/hectare, while another method yields a figure of 50 people + jobs/hectare. Yet the same number of people are accommodated on the same amount of land in both cases. The difference lies in how much designated greenfield area land is excluded from the density calculation. The greater the areas of the “takeouts,” the easier it is to achieve the 50 people + jobs/hectare target.

All these factors have an impact on the determination of how much land is needed to accommodate growth. Municipalities that exclude more land from the density calculation are effectively able to develop designated greenfield area land at overall lower densities compared with municipalities that exclude only the areas and features specified in the Growth Plan.

It’s no wonder that people find this process difficult to understand and that the outcomes can vary widely. To summarize, the final land budget, which determines how much land gets designated, varies according to:

- Assumptions about housing diversity (more or fewer detached houses or apartments)
- Assumptions about expected types of employment and their land requirements
- Variations in the intensification target in Outer Ring municipalities
- Variations in the amount of land considered undevelopable and omitted from the calculations (“takeouts”)
- Variations in the greenfield density target in Outer Ring municipalities

So what has this process accomplished? How much land have municipalities designated for growth to 2031? Do they need to designate more to accommodate the population projections between 2031 and 2041 contained in Amendment 2?

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MORE THAN ENOUGH LAND

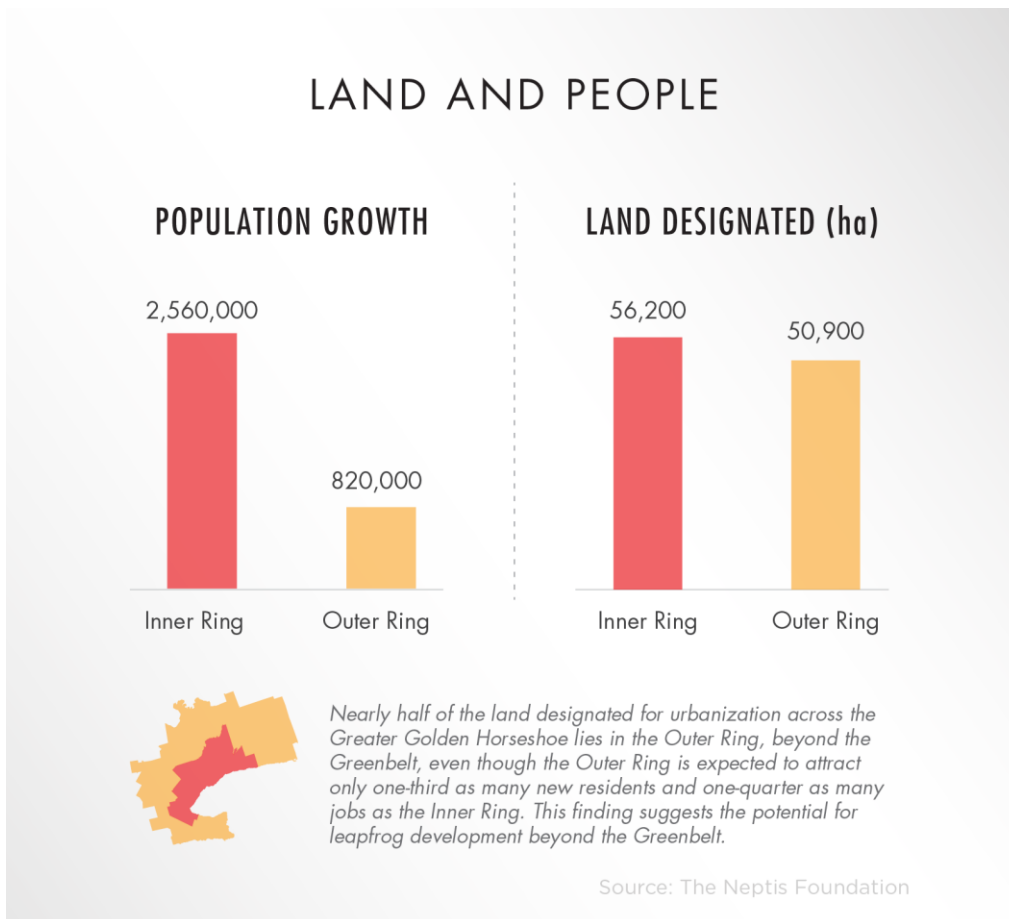
Neptis researchers reviewed the Official Plans of municipalities across the Greater Golden Horseshoe and found that approximately [107,100 hectares \(1,071 square kilometres\)](#) have been designated for future urbanization by municipalities in the region as a whole.

It is important to note that about 88,000 hectares or 80 per cent of the total had already been designated for urbanization even before the Growth Plan came into existence. The remainder was added as part of the land budgeting process. This leads some to argue that the potential for business-as-usual development is great because the Plan was already compromised at its start with so much land already in the pipeline; while others say that the relatively small amount of land set aside for future expansion shows the Plan is working.

3.1 Where has the land been designated?

Here's how this total breaks down:

- Inner Ring: **56,200 hectares**
- Outer Ring: **50,900 hectares**



Nearly half of the land designated for urbanization across the Greater Golden Horseshoe lies in the Outer Ring, beyond the Greenbelt, even though the Outer Ring is expected to attract *only one-third as many new residents and one-quarter as many jobs as the Inner Ring*. This finding suggests the potential for leapfrog development beyond the Greenbelt.

It also means that the Outer Ring municipalities, many of which do not offer transportation alternatives to the private automobile and do not have well-developed water, sewer, and other infrastructure, will be permitted to reproduce the kind of low-density, car-oriented development patterns that have led to problems in the Inner Ring.

3.2 When will land designated for urbanization be developed?

This supply of land is meant to accommodate population growth up to 2031. As a result, the region is now planned to 2031. The land designated for urbanization will never be “unzoned.”

But the type of housing that goes into these 2031 lands can be rethought and policy changes to create a more diverse housing stock can still happen.

There is usually a time lag between the designation of land for urban use and the time that land is serviced with sewer, water pipes, and other infrastructure and ultimately built upon. In some cases the lag can last for more than a decade, so it is not readily apparent to residents that an area has been designated for urban use.

A time lag for the implementation of the Growth Plan can also occur because of the appeal of a municipal Official Plan to the Ontario Municipal Board. Because of these delays, almost ten years after the Growth Plan was established, there are still many municipalities where the Growth Plan is not yet in effect. The Province is currently considering new rules that will extend the review of new municipal official plans to 10 years, instead of the current five-year cycle, and limit appeals to the OMB.

Although a municipality may have created a land budget and proposed changes to its Official Plan to reflect the Growth Plan targets, these updated Official Plans are not yet in force if they are appealed to the OMB. The consequences of this time lag may lead to planning decisions that run counter to the intent of the Growth Plan.

For example, in Markham on Highway 7, a controversial proposal for a mid-rise condo and townhouse units opposed by area residents went to the Ontario Municipal Board after council failed to make a decision on the matter. A settlement between the City of Markham and the developer at the Board allowed for three mid-rises of 393 units and 12 townhomes, but the developer later downzoned the application to one for 55 townhouse units. It is worth noting that there are other mid-rise condos on the same road and a shopping mall just across the street. A York Region planner was quoted in *Novae Res Urbis* saying that there is a policy in York Region’s new Official Plan that would have prevented such downzoning outside a

comprehensive review, but the policy is under appeal at the Ontario Municipal Board so it is not in effect.³



3.3 What is Amendment 2?

There is also the issue of [Amendment 2 to the Growth Plan](#) introduced by the Province in 2013. This amendment forecasts another 2 million people in the region by 2041. As noted earlier, this essentially extended the life of the Growth Plan for another decade from 2031 to 2041.

Amendment 2 provides an opportunity to make a difference, because although the population has been directed to the upper- and single-tier municipalities, the land budgeting process has not yet been completed. This provides for an opportunity to make the land budgeting process more transparent and to take a more strategic approach aligning population with existing infrastructure such as sewers, water, roads and transit.

The Province claimed that the 2041 forecasts were needed to ensure a 20-year supply of land for development. In fact, the Provincial Policy Statement has traditionally required municipalities to maintain a land supply of "up to" 20 years, which some argue can be considered a maximum, not a minimum. Extending the forecasts to 2041 (more than 25 years

³ Novae Res Urbis, 3rd December 2014: *Downzoning in Markham*

away from now), means that the process of setting more land aside will begin before the effectiveness of Growth Plan policies are known.

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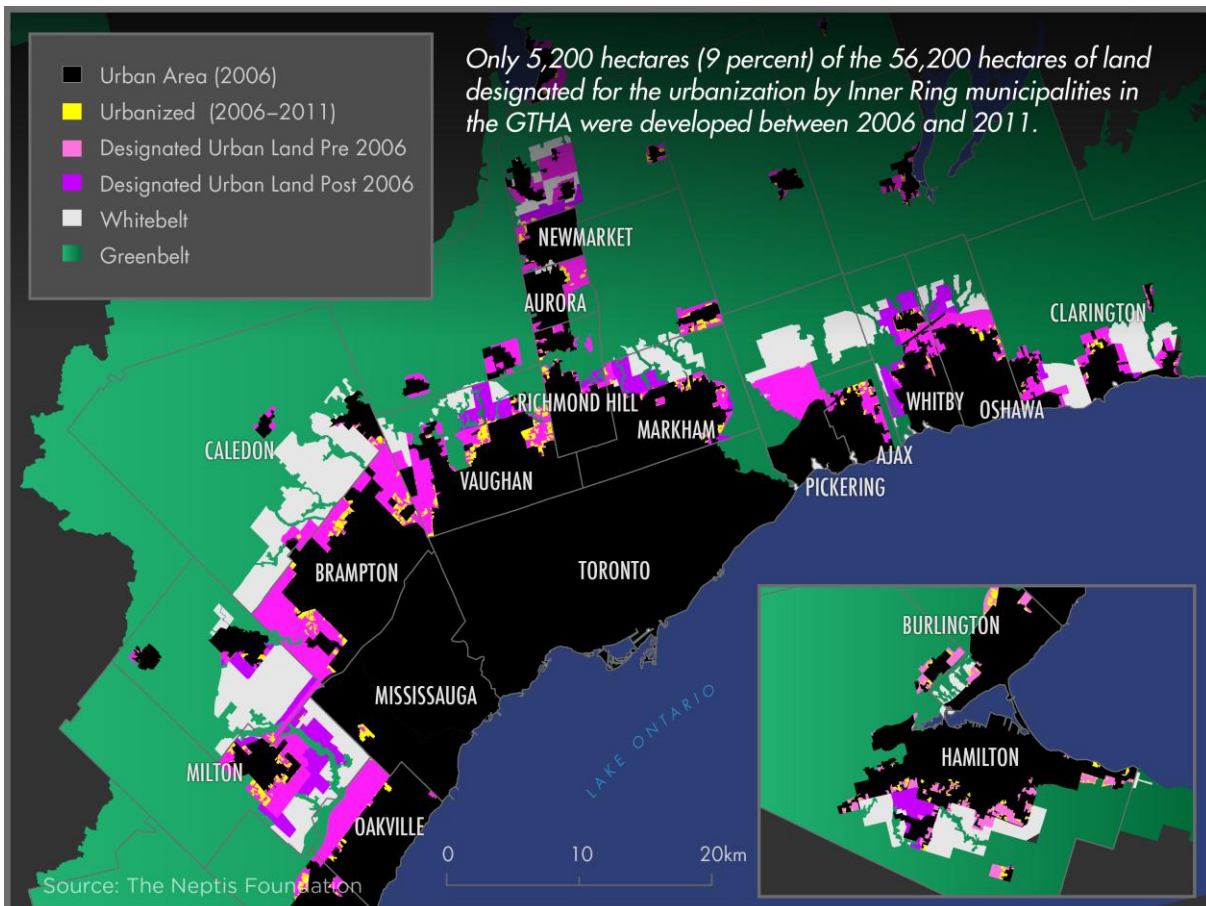
HOW LONG WILL DESIGNATED LANDS LAST?

Answers to questions of whether the land currently designated for development will last beyond 2031 and how much longer it will last depend on many different factors.

Neptis research into the Growth Plan addresses four areas that will have an impact on the land supply question and the question of whether we need to designate more land or not.

4.1 Amount of designated land urbanized since 2006

We know how much land was actually built on between 2006 and 2011 in the Greater Toronto and Hamilton Area (the Inner Ring). Similar information is not yet available for the Outer Ring.



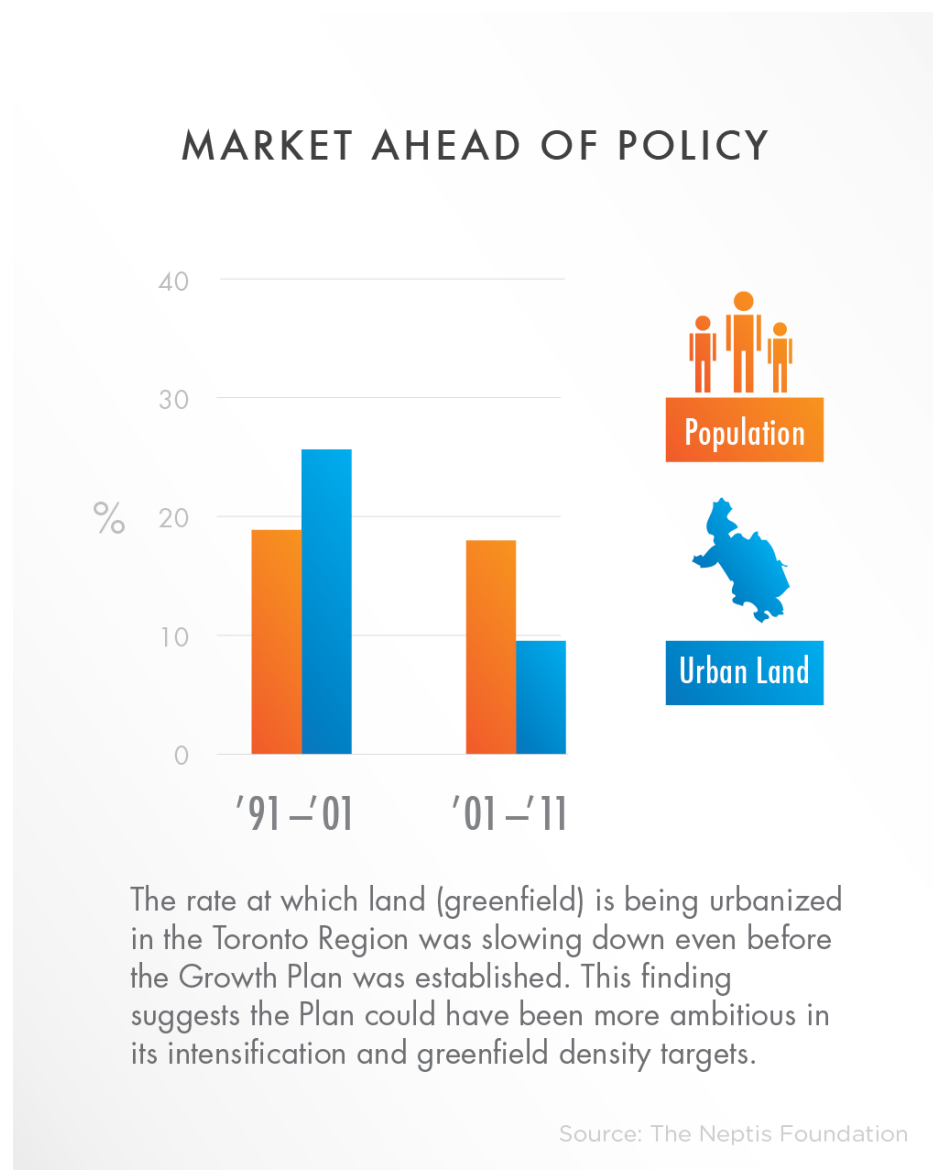
[Neptis researchers calculated the amount of designated urban land in the GTHA that was built between 2006 and 2011](#) is only 5,200 hectares or 9 percent of the 56,200 hectares of land already designated in the Inner Ring. Knowing how much land is being developed gives a clearer picture of how long the currently designated and available land supply will last.

4.2 Rate of land consumption (1991-2011)

The Growth Plan was created to reshape development relative to the trends that prevailed in the 1990s. However, even while policy makers were crafting the provisions of the Plan, those trends were changing.

[Recent Neptis research](#) has shown that the rate at which new land was being urbanized (greenfield development) in the GTHA began slowing down after 2001.

- Between 1991 and 2001, the population of the GTHA grew 19 percent, while the urban area expanded by 26 percent.
- Between 2001 and 2011, the population of the GTHA grew by 18 percent, but the urban area expanded by only 10 percent.



This means that developers were *already* creating more compact communities, even before the Growth Plan. This finding raises questions about whether the Growth Plan could have been more ambitious with its targets for intensification and new development on greenfields.

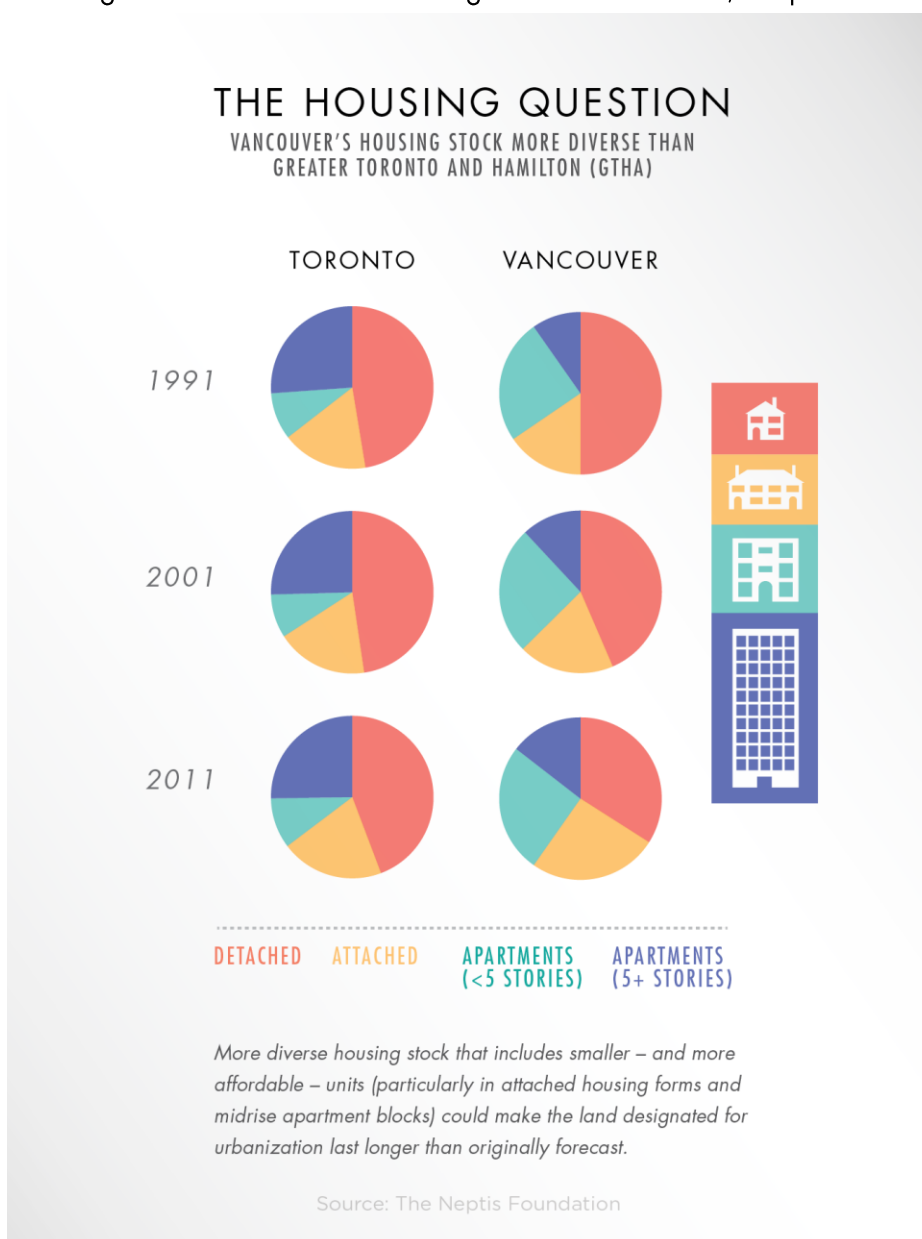
4.3 The need for diversification of housing stock

Although the rate at which new land is being developed was declining even before the Growth Plan was established, the composition of the housing stock was not changing very much. Most of the new housing in the GTHA consists of single detached houses, despite the need for a variety of forms such as townhouses, semis, and midrises, which are usually more affordable for young families, newcomers, and those on modest incomes.

A [recent TD report](#) cites this imbalance as one reason why the GTHA has a housing affordability issue. This issue should be a focus of study during the review of the Growth Plan.

Neptis researchers compared Toronto's housing stock to that of Vancouver, because Vancouver has achieved considerable success in reducing its rate of land consumption and outward growth.

What they found is that the GTHA's supply of single detached homes has remained stable between 1991 and 2011. By comparison, the amount of detached housing as a proportion of all housing is falling in Vancouver.

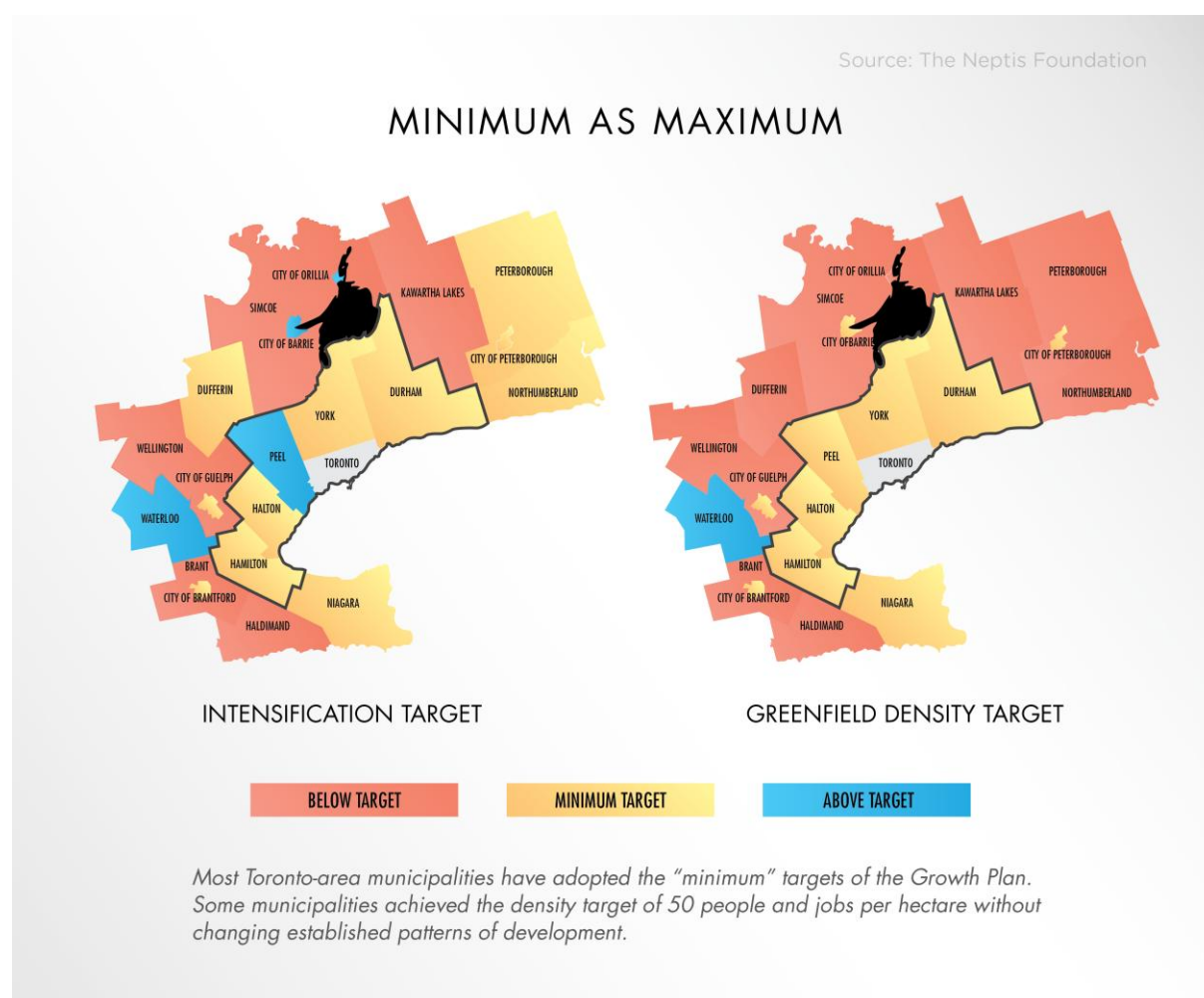


There were also differences in the number of attached homes, mid-rises and high-rise buildings that showed that the Toronto region's housing stock is less diverse than that in the Vancouver region.

By diversifying the housing stock to include a higher proportion of smaller and more affordable units (particularly in attached housing forms and midrise apartment blocks), the municipalities in the Greater Golden Horseshoe might be able to make the existing land supply last longer than originally forecast and increase affordability at the same time.

4.4 Change in intensification and greenfield density targets

A change in intensification and greenfield density targets could also make the land currently designated last longer.



In the 2013 report, [Implementing the Growth Plan for the Greater Golden Horseshoe](#), Neptis researchers found that most municipalities did not plan to exceed the targets set out in the Growth Plan.

The 107,100 hectares set aside to accommodate the forecast increase in population (estimated at 3.7 million people by 2031), shows that in fact, sufficient land has been set

aside to accommodate population and employment at average densities similar to those that are typical today. If those densities were to increase, the current land supply would last even longer.

The review also found that most municipalities have adopted the “minimum” intensification and greenfield density targets of the Plan. Very few municipalities have followed the encouragement in the Plan to exceed the targets. Moreover, some municipalities achieved the density target of 50 people-and-jobs-per-hectare target without changing established patterns of development.

5

WHY THE REVIEW MATTERS

The Growth Plan Review is an opportunity for the Province to work with municipalities to review the implementation of the Plan and refine any policy levers to meet the strategic goals of the Plan.

Through its commitment to the *Big Move*, the Province will be spending billions of dollars to improve transportation by transforming the GO Rail system to a frequent transit network with all-day, two-way 15-minute service on many lines. The 10-year review of the Growth Plan is an opportunity to better integrate the region's land use and transportation plans by directing growth to areas around stations on the network.

It is worth noting here that Metrolinx is embarking on a 10-year-review of the Big Move this year, although the land budgeting process under Amendment 2 will not be complete until long after the review process is over.

The Neptis findings raise questions that need to be answered in the 10-year review of the Growth Plan:

- As municipalities begin to plan for the population and employment forecasts in Amendment 2 of the Growth Plan, is it necessary to designate more land for development, given evidence that outward expansion has already slowed down?
- How can we better integrate and align the region's land use and transportation plans?
- Should municipalities that make their land supply last beyond 2031 be rewarded with priorities in transit investment? Linking infrastructure with the implementation of Growth Plan priorities was part of the early conversation around the Growth Plan.
- How can municipalities account for shifting demographic trends in their land budgets and make the process more transparent and understandable?
- Are the targets helping municipalities achieve the wider goals of the plan?
- How can policies encourage a greater diversity of housing forms (including those that may be more affordable than the current stock)?
- What research is needed on the relationship between population and employment forecasting and municipal debt if Ontario is to continue its approach to planning for future growth in a fiscally responsible fashion?
- How will the Province begin to monitor the implementation of the Growth Plan in future? Will a monitoring framework be one outcome of the Growth Plan review?

For questions related to information contained in this Neptis brief, contact Marcy Burchfield, Executive Director, Neptis Foundation (mburchfield@neptis.org).