

Municipality Of Chatham-Kent

Finance, Budget, Information Technology & Transformation

Administration

To: Mayor and Members of Council

From: Gord Quinton, MBA, CPA, CGA
Chief Financial Officer / Treasurer /
GM, Finance, Budget, Information Technology & Transformation

Date: October 15, 2020

Subject: Safe Restart Agreement Fund Update

Recommendations

It is recommended that:

1. Chatham-Kent not apply for Phase 2 of the Safe Restart Agreement Fund.
2. Phase 1 Safe Restart Funding be used to cover any Covid-19 related 2020 operating deficits with remaining funds brought forward for Jan 1, 2021 to March 31, 2021 Covid-19 operating deficits.
3. Council endorse sending a letter to Steve Clark, Minister of Municipal Affairs and Housing requesting the following immediate Covid-19 actions:
 - a. Change the eligibility of Phase 2 Safe Restart Agreement Funds for unconditional use in the 2021 municipal budgets to keep property tax increases to a minimum
 - b. Fund 100% of Covid-19 expenses for Land Ambulance, Long Term Care and Public Health without impacting property taxes
 - c. Increase funding to municipalities to cost share in creating new affordable housing
 - d. Work with municipalities and the Federal Government on new revenue opportunities or share of the HST as we move to a more digital economy
 - e. Work with municipalities and the Federal Government to declare broadband internet an essential service and increase funding

Background

On October 1, 2020 the Province released details of the Safe Restart Agreement between the Federal and Provincial governments, and the eligibility requirements for applying for Phase 2 funding. Chatham-Kent has received \$5,817,800 of Phase 1 funding to cover 2020 Covid-19 related deficits. The letter from Steve Clark, Minister of Municipal Affairs and Housing, detailing Phase 2 eligibility is attached as Appendix A. In addition, a detailed financial information worksheet was provided to municipal staff to

complete if an application for Phase 2 funding was required, and training webinars were provided.

Comments

Administration has indicated to Council that the costs and lost revenues of Covid-19 were estimated to be in the range of \$2 million to \$5 million dependent on Provincial decisions for covering cost-shared deficits in Land Ambulance, Long Term Care and Public Health. While some information has flowed from the Province, it has yet to approve a 2020-2021 budget and details remain lacking. Transit Covid-19 losses have been covered by the Safe Restart Agreement – Transit stream. With estimates based on current information, a more accurate deficit is likely in the \$2 million to \$3 million range. This will be again updated in the October Variance report scheduled to come to Council at the December 14, 2020 meeting.

The Province has provided \$5,817,800 to cover the 2020 operating deficit. Any remaining funds from this grant are to be carried forward for early 2021 Covid-19 operating deficits, with reporting back to the Province required by March 31, 2021. In discussions with Provincial staff there are restrictions against providing direct property tax relief with the funds. The funds can only cover direct Covid-19 operating expenses or revenue losses. In addition, providing property tax relief to any one group of taxpayers could be challenged by Section 106 of the *Municipal Act, 2001*.

Assistance prohibited

106 (1) *Despite any Act, a municipality shall not assist directly or indirectly any manufacturing business or other industrial or commercial enterprise through the granting of bonuses for that purpose. 2001, c. 25, s. 106 (1).*

(2) *Without limiting subsection (1), the municipality shall not grant assistance by,*

- (a) giving or lending any property of the municipality, including money;*
- (b) guaranteeing borrowing;*
- (c) leasing or selling any property of the municipality at below fair market value; or*
- (d) giving a total or partial exemption from any levy, charge or fee. 2001, c. 25, s. 106 (2).*

Administration participates in bi-weekly discussions on Covid-19 matters with the Ontario Regional and Single Tier Treasurers (ORSTT), a group representing over 75% of Ontario's population. Only Ottawa has indicated to date a need to apply for Phase 2 funding due to the Federal Government shutdown impact. Similar to Chatham-Kent, ORSTT municipalities have indicated that on average only 50% to 75% of the Phase 1 allocations was needed to cover the allowed 2020 Covid-19 direct deficits.

The ORSTT group is recommending all municipalities provide a similar message to the Province on the need for unconditional funding to assist 2021 Budget preparations to keep the tax increases as low as possible for property taxpayers and consider new revenue streams for future years. Chatham-Kent and the Province are dealing with one of the most severe shocks to hit a modern economy in decades. Covid-19 has stressed the economy and the Municipality's citizens and institutions, and will continue well through 2021. Chatham-Kent needs to press the Provincial Government to help mitigate

the property tax impact of Covid-19 by providing predictable funding prior to 2021 budget deliberations. In Recommendation #3 there is a list of immediate Covid-19 related asks for the Province to consider.

The “Standing Committee on Finance and Economic Affairs – Fourth Interim Report: Economic Impact of Covid-19 on Municipalities, Construction and Building” is attached as Appendix B to provide general knowledge of the issues facing municipalities across the Province.

Note: The Municipality of Chatham-Kent has received Covid-19 related funding from the Province through other streams to support Transit, Land Ambulance, Social Services, Public Health, Long Term Care, and Emergency Shelter operations. Discussions are ongoing with the Province on details. This funding has reduced the 2020 general operating deficit.

Areas of Strategic Focus and Critical Success Factors

The recommendations in this report support the following areas of strategic focus:

Economic Prosperity:

Chatham-Kent is an innovative and thriving community with a diversified economy

A Healthy and Safe Community:

Chatham-Kent is a healthy and safe community with sustainable population growth

People and Culture:

Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community

Environmental Sustainability:

Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendations in this report support the following critical success factors:

Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

Has the potential to support all areas of strategic focus & critical success factors

Neutral issues (does not support negatively or positively)

Consultation

The Executive Management Team was updated and supports the recommendations.

Financial Implications

There are no financial implications of this report. The 2020 October Variance Report will be delivered to Council at the December 14th Council meeting where an estimate of remaining Phase 1 funds will be determined prior to 2021 Budget deliberations.

Prepared by:

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Chief Financial Officer
General Manager
Finance, Budget, Information Technology & Transformation

Attachments: Appendix A – October 1, 2020 Letter from Steve Clark, MMAH
 Appendix B – Standing Committee on Finance and Economic
 Affairs – Fourth Interim Report: Economic Impact of Covid-19
 on Municipalities, Construction and Building

P:\RTC\FBITT - Finance, Budget, Information Technology & Transformation \
2020\RTC015 Safe Restart Agreement Fund Update

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234-2020-4339

October 1, 2020

Dear Head of Council:

Under the federal-provincial Safe Restart Agreement, the Ontario government is providing up to \$4 billion in emergency assistance so that municipalities are supported as they respond to COVID-19. Funding for municipalities under the Safe Restart Agreement is being provided through four streams: the Social Services Relief Fund and Municipal Operating Funding that are being implemented by my ministry, as well as funding streams for public health and transit being administered by the Ministry of Health and Ministry of Transportation respectively. On August 12, 2020, I wrote to advise of your municipality's allocation under Phase 1 of the Municipal Operating Funding stream. The ministry is currently in the process of making those payments. Today, I am writing to provide information on applying for additional funding under Phase 2 of the Municipal Operating Funding stream.

Our government recognizes that municipalities play a key role in delivering the services that Ontarians rely on and are at the frontlines of safely reopening our economy. Through Phase 2, we are committed to providing further financial support to those municipalities that require additional funds to address extraordinary operating expenditures and revenue losses arising from COVID-19 in 2020, over and above the allocation provided under Phase 1.

Our government chose to distribute a very significant level of funding to municipalities under Phase 1 – \$695 million in total – because we wanted to ensure all municipalities across our province could continue to deliver the important services their residents and businesses rely on while supporting the safe reopening of our economy. For a majority of municipalities, I anticipate this Phase 1 funding, together with the actions you have taken to find efficiencies and address shortfalls, will be sufficient to manage 2020 financial pressures arising from COVID-19. However, for the group of municipalities that has been hardest hit financially by COVID-19, additional funding may be needed.

Requests for Phase 2 funding are due on October 30, 2020 and detailed information about how to apply is now available to municipalities through the Transfer Payment Ontario (TPON) system.

One of the requirements is a council resolution requesting financial assistance under Phase 2. I want to emphasize that councils are responsible for assessing the financial situation of their municipalities and proceeding with an application under Phase 2 only if further assistance is needed to address COVID-19 pressures in 2020. Municipalities that cannot demonstrate 2020 COVID-19 financial pressures in excess of their Phase 1 funding allocation will not be considered for additional funding under Phase 2.

In addition to a resolution of your municipal council, a reporting template must be completed by the municipal treasurer as part of a municipality's Phase 2 application package. This report is designed to provide an overall picture of the municipality's 2020 financial position and information about service adjustments, use of reserves, and other measures being taken to manage 2020 COVID-19 operating impacts. Our government will allocate Phase 2 funds to only those municipalities that need additional financial assistance. The report also asks for information about your municipality's strategies for finding efficiencies and modernizing services. I look forward to learning about the transformative work that I know is happening across Ontario's municipal sector and your efforts to keep taxes low for families in your communities.

We are not requiring municipalities to submit information about COVID-related costs and revenue losses on a line-by-line basis, and as such the program will not offer a direct line-by-line reimbursement for all COVID-related operating expenditures and revenue losses reported. The federal government has stepped up. Our government is providing an unprecedented level of provincial funding to support municipalities. And we recognize that municipalities also have a critical role to play in finding efficiencies and taking all available measures to address the financial challenges brought by COVID-19 so that they can continue to invest in infrastructure and deliver the services their communities rely on during this extraordinary time.

As noted above, detailed information about how to apply for Phase 2 funding is now available on Transfer Payment Ontario. The ministry will also offer webinars to support treasurers and other municipal officials in understanding Phase 2 application requirements and how to complete the required reporting template. **Please note that the deadline to submit applications is October 30, 2020.** Municipalities may request an extension November 6, 2020, but as noted in my letter of August 12, 2020, we will be unable to consider applications received after this date. I understand this timeline is tight, but it is necessary to allow us to allocate funds to municipalities prior to the end of the municipal fiscal year and meet our commitment to municipalities that need additional help to manage 2020 financial impacts arising from COVID-19. Municipalities who are eligible and approved to receive funding under Phase 2 will be informed before the end of the calendar year and can expect to receive a payment in early 2021.

I will continue to be a strong champion for municipalities as our government charts a path to a safe, strong economic recovery. I extend my thanks to all 444 municipal heads of council for your continued efforts to keep all of our communities across this province safe and to deliver the services your residents and businesses need. Working together, we will get Ontario back on track.

Sincerely,

A handwritten signature in blue ink that reads "Steve Clark". The signature is written in a cursive, flowing style.

Steve Clark
Minister of Municipal Affairs and Housing

c. Chief Administrative Officers and Treasurers

Legislative
Assembly
of Ontario



Assemblée
législative
de l'Ontario

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

FOURTH INTERIM REPORT: ECONOMIC IMPACT OF COVID-19 ON MUNICIPALITIES, CONSTRUCTION AND BUILDING

1st Session, 42nd Parliament
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Legislative
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Assemblée
législative
de l'Ontario

The Honourable Ted Arnott, MPP
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Finance and Economic Affairs has the honour to present its Report and commends it to the House.

Amarjot Sandhu, MPP
Chair of the Committee

Queen's Park
September 2020

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1st Session, 42nd Parliament

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Research Officers

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INTRODUCTION

The Standing Committee on Finance and Economic Affairs is pleased to present its fourth interim report on the *Economic and Fiscal Update Act, 2020*, and the impact of the COVID-19 crisis on the Ontario economy.

The report presents the Committee's findings and recommendations following its review of the impact of COVID-19 on Ontario's municipalities, and construction and building sectors. It reflects testimony received during public hearings held on July 13, 14, and 15, as well as written submissions delivered to the Committee Clerk as of 5:00 p.m. on July 22, 2020.

At the Committee's request, the Minister of Municipal Affairs and Housing appeared as the first witness on July 13. Following the Minister's update, the Committee received submissions from dozens of organizations, businesses, and individuals from across the province, representing Ontario's municipalities, and construction and building sectors.

Witnesses from all sectors expressed appreciation for the government's response to the COVID-19 pandemic.

In their testimonies, municipalities highlighted unexpected budgetary shortfalls due to the severe impact of COVID-19 on municipal revenue sources as well as a sudden increase in operating costs to maintain public health protocols. Municipalities stressed the need for provincial and federal funding to continue providing everyday services and urged the Province to give municipalities additional revenue generating powers and emergency funding.

The construction and building sector testified that it experienced immediate impacts in the wake of COVID-19, due to construction stoppages, supply chain issues and safety measures. Although the sector has modestly rebounded, witnesses stated that there will be residual impacts as delays in approvals, among other issues, decrease productivity.

This report is an overview of the main issues raised during the Committee's public hearings. For details of witness submissions, and their responses to questions from Committee Members, readers are referred to the official record of proceedings, as reported in *Hansard*, and to the written submissions themselves.

Committee recommendations and a list of witnesses appear at the end of the report.

COMMITTEE MANDATE

Motions adopted unanimously in the House on March 25 and May 12, 2020, established a two-part mandate for the Committee.

On March 25, 2020, when the House passed Bill 188, the *Economic and Fiscal Update Act, 2020*, it also adopted a motion providing that party leaders and independent Members may file letters with the Speaker, setting out their recommendations for economic and fiscal measures that should be included in the Bill. The motion further provided that when committees of the Legislature resume, the Standing Committee on Finance and Economic Affairs would be authorized to consider the Act, together with any letters filed by leaders and independent Members, and that the Minister of Finance would be the Committee's first witness when it commenced its review.

The motion passed on May 12, 2020, authorized the Committee to begin consideration of the matters that had been referred to it on March 25. In addition, it empowered the Committee to study the impact of the COVID-19 crisis on specific sectors of the provincial economy, including "measures which will contribute to their recovery." The sectors identified in the motion are:

- tourism;
- culture and heritage;
- municipalities, construction and building;
- infrastructure;
- small and medium enterprises; and
- other economic sectors selected by the Committee.

The Committee is specifically authorized to release interim reports, as it sees fit. Interim reports are to be presented to the House, and a copy of each report is to be provided to the Chair of Cabinet's Ontario Jobs and Economic Recovery Committee. Interim reports will not be placed on the Orders and Notices paper for further consideration by the House, and the Government will not be required to table a comprehensive response to them.

A final report will be tabled in the House, and a copy delivered to the Chair of the above-noted Cabinet committee, by October 8, 2020.

The Committee's mandate is reproduced in full in Appendix A to this report.

MUNICIPALITIES

Ministry Update

Ontario's Minister of Municipal Affairs and Housing, the Honourable Steve Clark, presented to the Committee on July 13, 2020. The Minister stressed:

Collaboration with municipalities was key to our response to COVID-19 in the early days and continues to be extremely important today. We'll keep working with our municipal partners to support local decision-making, strengthen our communities and maintain important local services that both residents and businesses rely on.

Provincial and Federal Funding

The Minister told the Committee that the provincial government had provided \$450 million to municipal partners thus far: \$350 million for the Social Services Relief Fund and \$100 million to municipalities for some of the public health expenditures they have had as a result of the COVID-19 pandemic.

The Minister said that he has joined the Federation of Canadian Municipalities (FCM) in calling on the federal government for emergency funding. The Ontario government's position was that the Province deserves a per capita share.

The FCM, the Canadian Union of Public Employees (CUPE) and the Association of Municipalities of Ontario wrote a joint letter calling on both the federal and provincial governments to reach a joint agreement.

On July 16, 2020, the federal government announced more than \$19 billion to help provinces and territories safely restart their economies over the next six to eight months through the Safe Restart Agreement. The funding will address seven priority areas and includes support for municipalities. This support will help municipalities implement precautions for public spaces and deliver essential services. In addition, there is a dedicated stream of funding for public transit – up to \$2 billion will be funded equally between Ontario and the federal government. On July 27, 2020, the Ontario government announced up to \$4 billion in one-time assistance to Ontario's 444 municipalities.

Ministry's Response

The Minister outlined several steps his Ministry has taken to address the effects of COVID-19 on municipalities:

- in March, worked with all parties to both introduce and pass, with unanimous consent, the *Municipal Emergency Act, 2020*, which included amendments
 - to allow members of councils to meet electronically and be counted for the purposes of quorum during emergencies, which supported the continuity of operations and making timely decisions (over 70% of municipalities opted to meet electronically);

- to support 24-hour delivery of goods like food, medication and household items to ensure that shelves remained stocked; and
- to provide municipalities with the flexibility to redeploy certain staff to critical municipal services, including child care, bylaw enforcement and public health services;
- announced a temporary pandemic pay increase for front-line workers that helped deliver services in places like emergency shelters and supportive housing facilities;
- temporarily suspended certain decision-making timelines under the *Planning Act* for municipalities and planning boards so that they could focus on local public health needs;
- regularly held many conference calls and Zoom meetings with mayors across the province; and
- established a technical table with the Association of Municipalities of Ontario and the City of Toronto to discuss issues related to COVID-19 and to identify any possible solutions.

Modernization of Municipalities

The Minister told the Committee that the response to COVID-19 has revealed a desire at the municipal level to modernize and provide services online, such as registration services. The Ministry is considering what the Municipal Modernization Fund and the Audit and Accountability Fund will look like in a post-COVID environment. The Minister stated that he thinks there will be an uptake to speed up the development approval and permitting processes, and perhaps even to automate them.

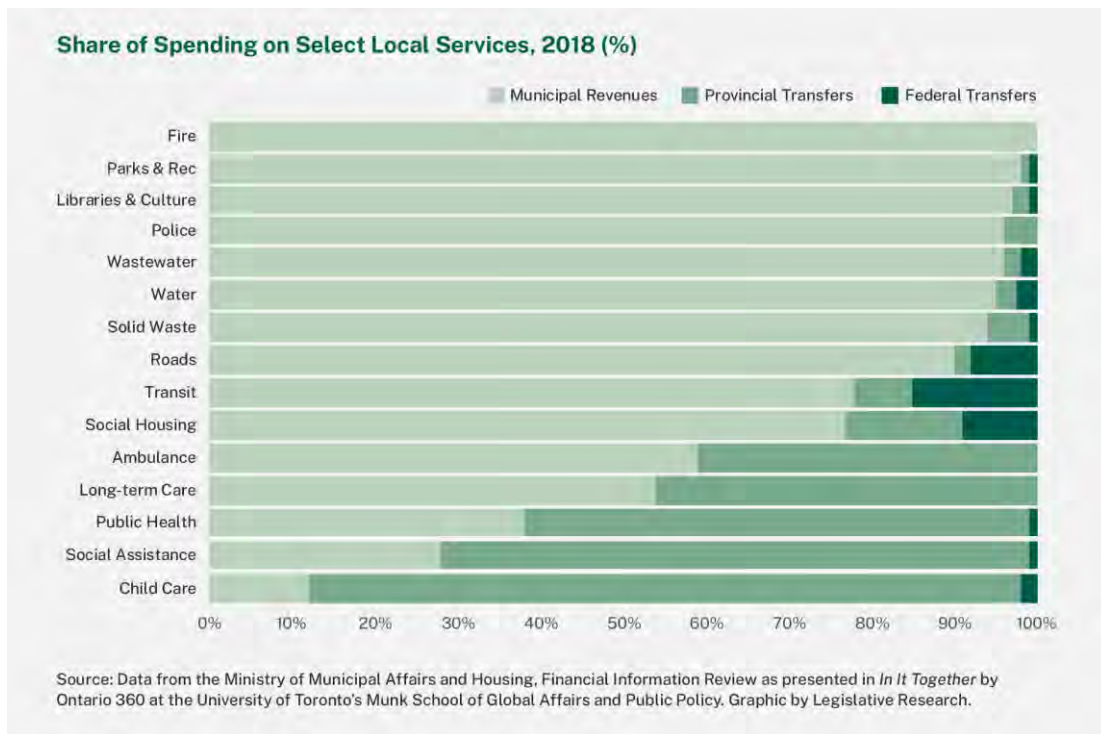
The Ministry is proposing amendments that would allow municipal councils and local boards to meet electronically at any time, not just during emergencies. Municipal councils would also have the choice to allow their members to vote by proxy in certain limited circumstances.

Financial Impacts on Municipalities

The Ministry's municipal services offices are examining the financial impacts of COVID-19. The Minister referred to amendments to the *Development Charges Act, 1997* found in Bill 197, the *COVID-19 Economic Recovery Act, 2020*, which expands the list of services for which a development charge can be imposed and sets out the relationship between development charges and the community benefits charges that can be imposed by by-law under the *Planning Act*. The Minister stated that these amendments will ensure that growth pays for growth, and that critical social infrastructure can be paid for through development charges rather than through the property tax base.

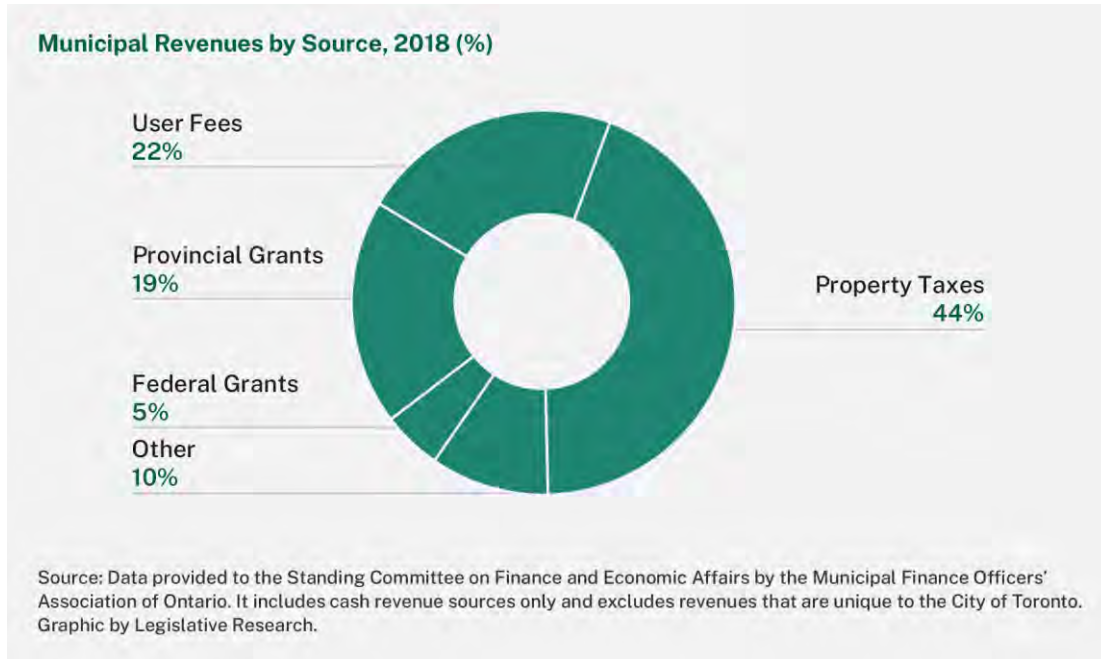
Sector Snapshot

Ontario has 444 municipalities, which are responsible for a number of “on the ground” services, including libraries, parks and recreation, fire services, public utilities, waste management, maintenance of local roads, public transit, police services, public health, and social housing. Forty-seven Ontario municipalities have been designated as service managers for the delivery of social assistance, child care, and social housing. Some of them are also responsible for land ambulance and other matters. In many cases, municipalities are responsible for funding the largest share of many of these services.



Ontario municipalities collectively spend more than \$64 billion every year on public services, including both operating and capital expenditures. As much as 80% of this funding is directly raised by municipalities from “own-source revenues.” The largest of these is the property tax, a portion of which is set by the municipal government to fund its operations. Additional revenue comes from user fees or non-tax revenue (e.g., parking fines). Combined, provincial and federal government grants and subsidies are the second largest contributor to Ontario’s municipal revenues.

The Province limits how much municipalities can borrow to ensure debt responsibility—municipalities cannot borrow for operating expenditures, only for capital works. A municipal deficit must be carried over into the following year and its repayment must be the first item on the budget agenda.



Prior to the COVID-19 pandemic, Ontario's municipalities were lobbying the Province for expanded access to revenue tools, and especially for more taxing abilities, in order to establish greater fiscal autonomy and to diversify their revenue sources. Toronto was granted additional revenue powers under the *City of Toronto Act, 2006*, including the power to levy a land transfer tax, a vehicle registration tax, an alcohol and tobacco tax, an entertainment tax, and a billboard tax.

Impacts

Delivering Essential Services

The COVID-19 pandemic has demonstrated the vital role municipalities play in daily life. The Committee heard from municipalities about the frontline support they have been delivering to their communities during the COVID-19 pandemic:

When you look at municipal essential workers, we're talking about unsung heroes: transit operators, waste collection, first responders, paramedics.

City of Brampton

Municipalities have played an essential role in the emergency response. We have kept communities safe, provided urgent assistance to the most vulnerable, kept emergency and other essential services running, such as transit and safe drinking water, and taken up the front line in public health, paramedic services, homelessness, shelters, child care and long-term care—but at a substantial cost. Municipal governments in every part of Ontario, rural and urban, large and small, have faced massive increased costs for human services.

Association of Municipalities of Ontario

These services are the foundation of civil society and are needed to maintain public health and societal functioning. During the darkest days of the pandemic, citizens never had to fear for lack of these essential services.

Town of Tecumseh

Municipal councils have been assessing and responding to the needs of their communities in their response to COVID-19. For example, the City of London created the Mayor's Economic Impact and Recovery Task Force and the Mayor's Social Impact and Recovery Task Force to obtain feedback and provide support to various local community groups and organizations.

Municipal Budgets

The Committee heard from municipalities across Ontario that COVID-19 has disrupted municipal finances due to losses of revenue and new expenses. While having mitigated their losses where feasible, municipalities have been left with budgetary shortfalls. In many cases, municipalities have used some of their capital reserves to pay for operating expenses resulting from the COVID-19 pandemic.

Many municipalities noted they have limited capabilities to raise funds and an inability to run deficits. The Committee heard that municipalities do not want increased borrowing abilities or deficit financing. Instead, they would like additional revenue powers and support from the provincial and federal governments.

The Association of Municipalities of Ontario (AMO) summarized the options municipalities are facing now as they work on their 2021 budgets if they do not receive adequate funding from the federal and provincial governments:

But without an adequate federal-provincial emergency relief program, we are instead looking at implementing property tax hikes, cutting services, laying off more of our workforce and delaying capital projects.

For example, the Committee heard from Orillia that it is projecting a shortfall of \$5.5 million in 2020. Without service cuts, Orillia estimates the city would require an approximate 9% increase in property taxes. The Region of Peel said that it is projecting a \$39 million operating deficit for 2020, after taking savings into account, largely due to an increase in operating costs for critical frontline services. The City of Vaughan estimates that the net financial impact of COVID-19 in 2020 and 2021 will be approximately \$45 million.

The Municipal Finance Officers' Association of Ontario told the Committee that a one-size-fits-all approach is not helpful to improve municipal finances. Instead, flexibility should be a guiding principle for assisting municipalities as they seek to maintain their levels of service without burdening them with debt. Several witnesses stated that the COVID-19 pandemic has resulted in deficits for municipalities in the immediate term but also raises important financial questions over the long term since permanent changes to how business is conducted will impact future revenues.

Municipalities expressed their support for the national effort of the Federation of Canadian Municipalities (FCM) to secure at least \$10 billion dollars in emergency operating funding for municipalities across the country, to be funded fully by the federal and provincial governments. According to the FCM, this funding would bridge municipalities' fiscal shortfalls for a six-month period starting in March 2020 and it would be comprised of at least \$7.6 billion for direct federation allocations to all municipalities and \$2.4 billion for those with transit systems.

According to the AMO, immediate relief funding from both levels of government will shore up the municipal sector, ensuring municipalities can lead the economic recovery locally in their communities with beneficial effects for provincial and national economies.

Revenue Losses

Deferrals, waived fees, and loss of user fees

Municipalities have sustained significant revenue losses as a result of the pandemic. The Committee heard that to assist with short-term liquidity pressures in the community, many municipalities have deferred the payment of property taxes, utilities, and rents, and waived public parking fees, traffic tickets, and penalties and interest on taxes. For example, the City of Mississauga deferred \$700 million in property and other taxes. Revenues have declined by \$12 million in Guelph and by \$2.9 million in Timmins.

Multiple witnesses stated their municipalities have sustained a loss of user fees such as registrations for recreational programs and rent for city facilities. Some of these losses are unrecoverable and the revenue shortfalls are anticipated to have a long-term impact.

Transit

Municipalities with public transit said that fare revenues have decreased significantly or altogether. For example, Waterloo Region reduced transit fares to reflect demand and provided free transit to essential workers. Other municipalities, such as Orillia, Windsor and Mississauga, have been running transit services without collecting fares due to rear-boarding and the need to keep drivers distanced from riders.

In its written submission to the Committee, the City of Toronto noted that the Toronto Transit Commission (TTC)—Ontario's largest transit operator—has experienced a significant decline in ridership, down by as much as 86% at the height of the pandemic at the end of April but slightly rebounding since then. As of mid-July, ridership and revenues were down by approximately 70%.

There has been an associated decline in TTC revenue of approximately \$21 million per week since emergency orders were initiated in mid-March. City of Toronto staff estimate the financial impact on TTC Conventional Service could be up to \$699 million at year-end primarily due to ridership revenue continuing to be significantly impacted by COVID-19.

Airports

Certain municipalities that receive income from their local airports, such as Mississauga, Timmins, and Windsor told the Committee they have seen a decline in those revenues due to significantly reduced passenger numbers and airport operations.

For example, the City of Mississauga receives Payment in Lieu of Taxes (PILTs) revenue based on a per passenger count from the Greater Toronto Airports Authority for the Toronto Pearson International Airport. The city receives this income with a 2-year lag, and anticipates an \$18 million loss in 2022 and \$17 million loss in 2023.

Development-related revenues

Municipalities are also facing reduced revenues connected to development. The Committee heard that Peel region is forecasting a significant shortfall in development charge revenues, estimated to be \$600 to \$700 million over the next five years, which will require the municipality to take on more debt. Sioux Lookout also told the Committee that its building permit revenues have declined by 87% compared to the same period in 2019. This represents a \$76,000 loss in permit revenue.

Infrastructure and Capital Projects

Some municipalities have used funds in their capital reserves that would have been used for capital expenditures, such as infrastructure replacement and growth, towards their COVID-19 response. Several witnesses told the Committee that their municipalities are deciding which infrastructure projects will go forward, be delayed, or canceled. For example, the City of Vaughan has deferred non-critical projects to 2021.

In Sioux Lookout, approximately \$75 million dollars in infrastructure projects has been delayed due to COVID-19. The \$1.6 billion Watay Power Transmission Line project was also delayed. The project's anticipated 250-person base camp could positively impact the local food, retail, and service industries.

Given that many infrastructure projects are interrelated, delays of some create a domino effect, impacting others. Peel Region told the Committee that these decisions will impact the ability of municipalities to provide supports for immigration, housing, and population growth and will have long-term consequences. Several municipalities said they have shovel-ready projects that are waiting for funding.

Increased Expenditures Related to the COVID-19 Pandemic

COVID-19's effect on municipalities has included an increase in certain operating expenditures. The Committee heard that municipalities have had to retrofit municipal facilities, including transit, to allow them to be safe while serving the public. This has included purchasing additional cleaning supplies, sanitizers, and personal protective equipment, and conducting screenings for COVID-19. For example, the City of Guelph has spent \$1.3 million on unbudgeted COVID-related costs. Kitchener said that moving some services online has also resulted in additional costs.

Multiple witnesses noted an increase in operating costs for critical frontline services, including public health, long-term care, paramedic services, and homelessness and shelter programs. For example, Waterloo Region rented a hotel to house unsheltered individuals and provided them with 24-hour programming of various health services. Niagara Region is anticipating a funding shortfall of \$7 million of incremental costs for the region's 957 long-term care beds.

Cost Reduction Efforts

Municipalities have made efforts to contain or reduce their costs. The Committee heard that numerous municipalities have let go part-time and seasonal staff and implemented hiring freezes.

Municipalities have reduced discretionary spending, including in areas such as travel, professional development, and non-essential materials and supplies. They have also realized some savings from reduced insurance benefits and utility costs. For example, Windsor realized \$3 million in savings on its Green Shield benefits for staff as a result of a significant reduction of claim draws during the height of the pandemic. Many said that despite undertaking cost-saving measures and efficiencies, they are still projecting deficits.

For example, the City of Mississauga has laid off 2,000 temporary workers, instituted a hiring freeze, and cut all discretionary spending. This has resulted in \$47 million in savings. However, the city is facing over \$60 million in unrecoverable losses in 2020.

Rural and Northern Communities

The COVID-19 pandemic has demonstrated the need for better broadband and cellular connectivity in rural and northern communities. For example, in Ear Falls, broadband connectivity is very poor, which has made remote learning difficult for students. There are concerns that if schools do not physically re-open, many students will be left behind. This issue is also important given that, as pointed out in Renfrew's presentation, more people are now working from home.

Tecumseh said that the Ontario Community Infrastructure Fund (OCIF), which provides funding for small, rural and northern communities to develop and renew their infrastructure, has been a good source of revenue for these communities.

Indigenous Communities

The Committee heard from the Ontario Aboriginal Housing Services that

there are over 400,000 Indigenous people in Ontario, and 86% live in urban and rural areas. . . Although Indigenous people account for 3% of Ontario's population, cities indicate that anywhere from 27% to 99% of people experiencing homelessness are Indigenous.

In its submission, Timmins noted that 90% of its homeless population is Indigenous people who have migrated into the city from the coast. The city pays 65% of the District Social Services Administration Board's budget, which is underfunded to adequately address homelessness and addictions issues. The urgency is anticipated to increase over the course of the COVID-19 pandemic.

Witness Recommendations

Municipalities that made submissions to the Committee put forward similar proposals on how to support municipalities through the pandemic, including increased funding, additional revenue streams and infrastructure investments, as summarized below.

- *Emergency funding*—Provide immediate emergency operating funding on an equitable basis to offset lost revenues and incremental service costs in order to fund current municipal operations, in accordance with a call by the Federation of Canadian Municipalities for at least \$10 billion.
- *Recovery plan*—Develop a comprehensive recovery plan to address COVID-related impacts for municipalities as they work to gradually reopen the economy.
- *Intergovernmental partnerships*—Create a longer-term partnership agreement between municipalities and the federal and provincial governments to create sustainable revenue streams for the future.
- *Infrastructure*—Accelerate both provincial and federal infrastructure programs, including the approval of Investing in Canada Infrastructure Program (ICIP) projects to get infrastructure funding flowing as soon as possible, particularly for shovel-ready projects.
- *Transit funding*—Increase the funding provided to municipalities through the Provincial Gas Tax Program to offset transit losses and to continue transit operations without fare increases.
- *Broadband expansion*—Improve upon Ontario's broadband action plan to ensure that high-speed broadband connectivity is available to everyone and explore the option of making broadband access an essential service and lobby the federal government for better access.
- *Revenue tools*—Engage municipalities in a discussion to explore new municipal revenue sources and tools to address fiscal imbalances of local communities.

- *Municipal services*—Invest in municipal services such as transportation and transit, affordable housing, child care, water and wastewater, flooding and stormwater management, energy and conservation, and others, which will get Ontarians back to work.
- *Regulatory review*—Review legislation and regulations, and eliminate administrative requirements to ensure municipalities are not unduly burdened.
- *Housing*—Explore opportunities to make home ownership more affordable (e.g., suspending the Land Transfer Tax).
- *Supply chains*—Use local labour and local supply chains efficiently.

THE CONSTRUCTION AND BUILDING INDUSTRIES

Ministry Update

Ministry's Response

As noted earlier, Ontario's Minister of Municipal Affairs and Housing, the Honourable Steve Clark, presented to the Committee on July 13, 2020. The Minister outlined steps the government has taken to address the effects of COVID-19 on the construction and building industries.

- The Ministry of Labour released guidance documents to help employers better understand their responsibilities and what is needed to prevent the spread of COVID-19, including with respect to on-site sanitation, tracking and monitoring of workers, and the importance of practicing social distancing on the job site.
- In April, the Ministry of Municipal Affairs and Housing temporarily limited municipal noise bylaws to extend construction hours to allow for safer, staggered shifts for construction workers for projects and services related to health care.
- An emergency order made it possible to build urgently needed temporary health and shelter facilities across the province.
- The Minister made changes to the Building Code to ensure that local building officials could keep reviewing building permits and conducting inspections so construction of new hospitals and housing projects could continue.
- In May, restrictions were eased on essential construction to allow more people to return to work.
- Changes permitted below-grade, multi-unit residential construction projects to begin, such as apartments and condominiums, and existing above-grade projects to continue.
- As the conditions improved and based on the advice of the Chief Medical Officer of Health, the government allowed all construction activities.

Building Code

The Minister made remarks about Bill 197, the *COVID-19 Economic Recovery Act, 2020*, which proposed changes to the *Building Code Act, 1992*. The Minister stated this bill, if passed (it subsequently passed and received Royal Assent on July 21, 2020), will

- enable the future creation of an administrative authority to help deliver faster and better services;
- make it easier to make changes to the Building Code when responding to urgent public safety matters; and
- achieve cross-country harmonization and timely adoption of construction codes as committed to under the Canadian Free Trade Agreement.

Minister's Zoning Orders and Greenbelt Protection

The Committee heard that the Ministry is also proposing to enhance the existing minister's zoning order authority to reduce approval delays on key projects that local communities need like those that will support the province's economic recovery and leverage its transit investments. The Minister stressed that the government's commitment to protecting the Greenbelt has not changed and that it will not consider any requests for development in the Greenbelt.

Housing

The Minister said that housing is an important determinant of health and that the Ministry has provided a total of \$350 million in social service relief funding to housing partners thus far.

In March, the government suspended residential evictions and announced \$200 million in initial social service relief funding. Of that amount, \$148 million was given to service managers and Indigenous program administrators to strengthen community programs, including their housing and their homelessness systems. This funding has been used to find ways for people to self-isolate, such as using hotels and motels, hiring extra staff for homeless shelters, bringing in protective equipment, and short-term rental assistance.

The Minister also announced that the government is doubling its investment for housing and homelessness supports under the Social Services Relief Fund with an additional \$150 million. The Minister told the Committee that the additional funds are critical because service managers have said that the initial investment is helping to save lives and this funding can also be used to help create longer term, innovative and more sustainable solutions by building on some of the ideas that are already out there.

Sector Snapshot

Ontario's construction and building industries comprise a major economic sector in Ontario. Statistics Canada estimates that 563,000 Ontarians worked in the sector in March, 2020, with 166,000 working in the closely related real estate, rental and leasing sector in 2019. Many of these jobs are concentrated in the Greater Toronto and Hamilton Area. In its testimony to the Committee, the Building Industry and Land Development Association (BILD) estimated that construction in the GTHA alone comprised 361,000 on and offsite jobs, contributing approximately \$22 billion annually in wages.

Witnesses noted the particular importance of the housing industry within the larger construction sector. The Ontario Real Estate Association (OREA) estimates that the housing industry generated approximately \$107 billion in economic activity in 2019.

The sector is broad, ranging beyond the trades directly engaged in construction activities. Other subsectors within or closely related to the construction sector include building material producers and distributors, trucking, and professional services such as real estate, finance, planning and engineering.

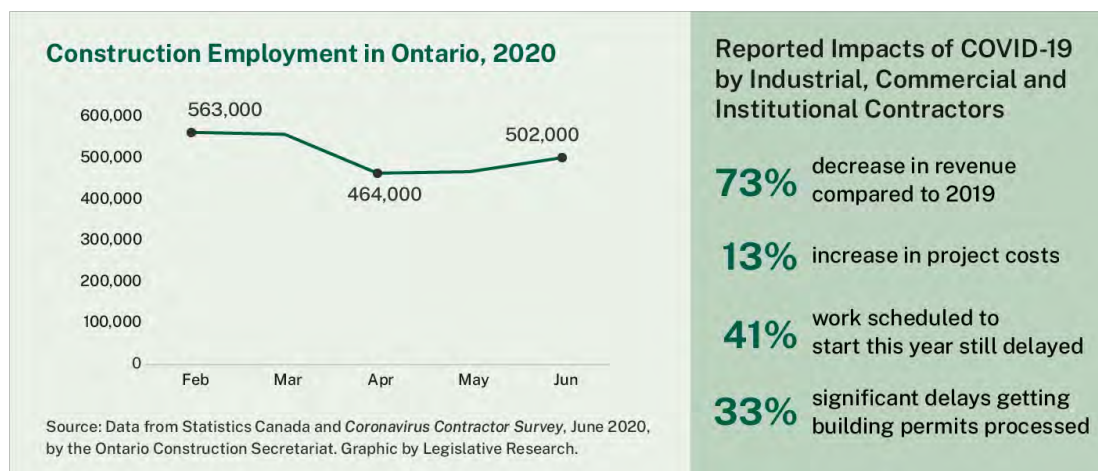
Impacts

The Committee heard that COVID-19 has had severe impacts on the construction industry due to delays, supply chain issues, and limits on the numbers of workers onsite, among other challenges. Some witnesses, such as the Residential Construction Council of Ontario (RESCON), noted that the sector managed to weather the immediate effects of the pandemic by quickly implementing measures to ensure job site safety. However, the Committee heard that despite a modest rebound in construction activity since the lockdown began, the pandemic will likely have knock-on effects in the months ahead, as delays in approvals and distancing measures will decrease the numbers of completed projects.

There is also uncertainty about whether scheduled projects will proceed, and the long-term impact of an economic slowdown on land development in Ontario. Some witnesses noted the impact of the 2008-2009 economic crisis on the housing supply, as economic uncertainty put downward pressure on the number of housing starts in the province. Some have reported that the industry did not fully recover from that previous crisis until early this year, just prior to the current lockdown.

The Committee heard that the commercial real estate sector is coping with uncertainty and additional costs as more people work from home. In addition, commercial operators have new requirements for office settings, such as extra cleaning, elevator management and other upgrades. The Real Property Association of Canada (REALPAC) testified that hotels, and restaurant and retail tenancies are especially precarious due to travel restrictions, social distancing and increased online shopping.

Many presenters, while offering recommendations for assistance to the construction industry, expressed gratitude for the government's early actions that allowed them to continue working, albeit at a reduced rate.



Construction Activity Slowdown

The initial impact of COVID-19 on the construction industry was a slowdown of activity between March and mid-May, as many construction sites, with some limited exceptions, were required to close. The Committee heard that there has been a modest rebound since that time, and many jobsites were able to put measures into place to ensure the safety of workers.

Despite the rebound, there have been overall decreases in economic activity when compared to last year. For instance, RESCON estimates that the residential construction industry is operating at between 75 and 95% of its normal capacity now, although this is an improvement from a low of 40 to 50% immediately after the lockdown began. Concrete Ontario noted that many of its members are back to near-normal production levels, but have experienced an overall decrease of about 20% in the amount of concrete produced in the province as a result of the lockdown.

Witnesses expressed concern about the potential long-term impacts of months of reduced activity, particularly in Ontario's shortened construction season. The London and District Construction Association (LDCA) told the Committee that the industry is "cash-flow efficient," meaning that it operates with slim margins. As such, slowdowns can limit the profitability of development, leading to less investment. In addition, construction financing is often stretched over long periods of time due to holdbacks and other mechanisms, meaning that the slowdown may reduce builders' ability to stay profitable over the long term.

Cash has to flow very efficiently for our members not to be harmed. And in . . . our sector of construction, it is generally a lot of cash flow going out, and you wait 30, 60, 90, 120 days to get paid; all the while, you are consuming your bank credit availability.

Witnesses testified that a prolonged economic slowdown could hinder new development and projects, if consumer confidence is diminished.



Supply Chain Issues

The construction sector relies on a complex global supply chain for its critical building materials. A recurring theme in the hearings was how supply chain disruptions caused delays that still continue to hamper projects, even after many restrictions have been lifted. One reason for the disruptions is that many materials and finished goods used in construction come from the United States or overseas, and travel bans and other restrictions have slowed their import. The Ontario Home Builders' Association (OHBA) testified that further supply chain issues may be expected in the fall, when current stockpiles of foreign-made supplies are exhausted. The OHBA specifically noted assembled goods such as furnace, window, door and lock supplies as being prone to disruption.

This issue was noted by other witnesses. For instance, the Heating, Refrigeration and Air Conditioning Institute of Canada said that most of the equipment used in that industry is made abroad, and that the Canadian trade is largely restricted to distribution and installation, rather than manufacturing.

Witnesses noted that the pre-pandemic shortage of truck drivers has been further exacerbated by the pandemic, driving up costs and lengthening delivery times in some instances. Walker Aggregates testified that while the Canadian Emergency Response Benefit (CERB) was a welcome relief early in the lockdown, it may have encouraged workers in the supply chain to stay home, adding to costs and delays.

Safety Measures

Many witnesses told the Committee that the sector had taken strict measures to prevent the spread of COVID-19, based on Ministry of Labour guidelines. Measures included:

- staggered shift times;
- sanitization regimens;
- making personal protective equipment (PPE) available to all employees;
- contact tracing; and
- striking health and safety committees.

However, the Committee heard that these measures, while helpful in keeping projects moving, added unanticipated costs.

Many witnesses expressed appreciation for the government's temporary extension of construction hours, noting that it helped to mitigate the lengthened project times and to practice distancing.

I think we successfully steered our way through that in construction, and that was in large part through the collaborative effort of industry, unions, employers and government.

Labourers' International Union of North America

Delays

Many of the impacts described above have resulted in project delays. The Committee heard that most residential projects have been delayed, with 32% of Greater Toronto Area (GTA) projects in the planning phase estimated to be delayed by six months or more. BILD quoted a study by the Altus Group, which estimated that residential construction delays could result in the loss of over 9,000 housing units over the next two years, with the delayed occupancy of over 8,000 units by the end of 2021.

The Committee heard concerns over delays or cancellation of public infrastructure projects. For instance, the Labourers' International Union of North America (LiUNA), noted the number of large transit infrastructure projects in the planning phase that have been delayed due to the pandemic.

The recent suspension of approvals timelines under the *Planning Act* was also cited as a cause for delays. The NHBA was concerned that the suspension would lead to increased costs, noting in particular the potential for increased development charges if delays push project completions into the next calendar year (when development charges typically increase).

Common Concerns and Recommendations for Recovery

A consistent refrain from witnesses was the need for a clear recovery plan that would leverage construction, particularly in homebuilding and infrastructure projects, to drive economic activity and support jobs. The Committee heard about sector-

specific actions that could facilitate a recovery. These include investing in infrastructure, reviews of the regulatory and tax framework, and incentives for building or renovating. A common theme throughout the recommendations is the need to remove impediments to construction and development, to expedite economic recovery.

Construction has a track record as the most reliable and the fastest engine for economic growth and can act as the foundation for economic stimulus. It can drive the post-pandemic development and is vital to stimulating medium- and long-term economic growth.

Cement Association of Canada

Leveraging Infrastructure Spending

Many witnesses noted the potential for leveraging infrastructure spending to boost the economy. The Committee heard that infrastructure projects could create jobs and spinoff economic activity, while building public assets. Witnesses emphasized the importance of existing infrastructure spending programs, because they already have funding and an inventory of approved projects.

Another theme was that the Province should strengthen its partnership with the federal government to build infrastructure, and to accelerate the funding commitments already made under the Investing in Canada Infrastructure Plan.

The public, we believe, doesn't want to tolerate further delay in developing our infrastructure, particularly in transit.

LIUNA

Witnesses stressed the importance of advancing “shovel-ready” projects to expedite recovery. For instance, the Building Industry and Land Development Association (BILD) asked that approvals be expedited for projects for which the federal government has committed funding. The Committee heard that infrastructure investments are also required to prepare land for residential development, especially outside of traditional growth centres. For instance, the Quinte Home Builders' Association (QHBA) told the Committee that the Quinte region expects new pressures from migrating GTA residents, especially as companies allow more employees to work remotely.

The Durham Region Home Builders' Association urged the government to prioritize four announced GO Transit stations in Durham Region. The stations could encourage residential construction activity in the region, which would provide more housing options for residents.

The Cement Association of Canada noted that infrastructure investments should also include “state-of-good-repair” activities and life cycle cost analysis. This is consistent with the testimony of municipal witnesses, who cited the challenges of maintaining existing assets.

Witness Recommendations

- *Infrastructure projects*—Proceed with infrastructure to drive economic recovery while providing jobs and building public assets. Focus on “shovel-ready” projects.
- *Maintenance*—Invest in maintaining existing infrastructure in a “state-of-good-repair.”

Regulations

The Committee heard about the challenges of navigating the province’s regulatory framework in order to bring housing and other developments to market. Witnesses noted the length of time that is required to secure approvals from municipal and provincial authorities, particularly for housing development. For instance, BILD told the Committee that housing projects can take over ten years from the approvals process through to completion. OREA noted that reducing red tape could improve housing affordability, and could be a “low-cost solution” for governments seeking to attract development.

Specifically, witnesses were concerned with the planning approvals process, which can add costs and delays to projects. The Committee heard that municipal zoning by-laws should be updated to reflect where growth is intended to occur, such as along major arteries, rather than requiring time-consuming zoning by-law amendments on a case-by-case basis.

Digital modernization was another theme, particularly in how the pandemic has accelerated the adoption of digital tools. For instance, REALPAC suggested digital tools could be used to streamline regulatory processes, such as for virtual inspections. The Ontario Building Officials Association (OBOA) estimated that 70% of all municipalities will have adopted online application submission options for various approvals by 2022. Further, the OBOA suggested that the Province focus on standardizing how information is transferred between provincial, municipal and other regulatory bodies.

If you would have asked me in January or February where this whole electronic platform was going, my answer would have been different than what it is today. . . But now COVID-19 has really forced us to make those changes.

OBOA

Some witnesses pointed to opportunities in harmonizing the Ontario Building Code with the National Building Code to increase certainty and familiarity. The OBOA

suggested that the Ontario Building Code could be made more user-friendly to increase public trust and understanding.

The National Elevator and Escalator Association (NEEA) told the Committee that Ontario does not currently have standards for the minimum number of elevators required in a building. The witness noted that this will be more important in a post-pandemic world, where social distancing may require extra elevator capacity. The NEEA pointed out that International Standards Organization (ISO) standards for elevator capacity have been adopted in many jurisdictions, and suggested that they could be directly inserted into the Building Code.

Witness Recommendations

- *Red tape reduction*—Reduce red tape to bring housing and other developments to market faster. This could reduce costs for developers and homebuyers, while freeing up capital for other projects.
- *Planning approvals*—Streamline the planning approvals process. Require that zoning be updated to reflect where growth is anticipated in official plans, and to allow for greater density where appropriate.
- *Building Code harmonization*—Harmonize the Ontario Building Code with the National Building Code to improve consistency and familiarity. Consider including elevator traffic standards in the building code, similar to ISO standards.
- *Digital modernization*—Digitize more processes, including applications, approvals and inspections. Standardize digital information so that it can be more easily shared between approvals authorities.

Taxes, Fees and Charges

Another common theme was the role of taxes and other fees and charges in incenting or discouraging economic activity. The Committee heard that approximately 25% of a new home's cost results from taxes and other related fees, including development charges, land transfer taxes, HST and community benefits.

The Committee heard that the Ontario Land Transfer Tax could be suspended temporarily to boost consumer activity. Some witnesses suggested putting caps on planning related fees, or freezing development charges (which are charged on a per-unit basis to help pay for increased municipal services). The NHBA suggested that development charges be indexed annually after a temporary freeze.

That's why we're recommending that the [Committee] look at a short-term land transfer tax holiday. . . It could inject some badly needed inventory, and . . . act as a moderating influence on those increases in prices.

Witnesses also told the Committee that the threshold for the HST rebate on new home construction should be increased to \$600,000 to reflect the costs of new homes and make them more affordable. The threshold is currently set at \$400,000. The Durham Region Home Builders' Association suggested that this could make new homes competitive with resale homes, which are not subject to HST.

Witness Recommendations

- *Tax review*—Review Ontario's taxes to better encourage development and investment.
- *Ontario Land Transfer Tax*—Temporarily suspend the OLTT to encourage activity in the housing market and encourage more listings.
- *HST rebate*—Increase the threshold to \$600,000 for eligibility for an HST rebate on a new home purchase to better reflect current housing prices, encourage activity in the new home market, and make new homes competitive with resale homes.
- *Planning related fees*—Put caps on planning related fees, such as development charges, to encourage development. Index fees to inflation for greater cost certainty.

Housing

Housing helped make Canada's economic revival following the recession of 2009, and we can do it again.

OREA

The Committee heard from many witnesses about the importance of housing, both as a public health matter, and as an economic driver. The importance of access to affordable and safe housing was a common theme, particularly during a pandemic that required people to remain at home. Witnesses shared the Minister's view that housing is a determinant of health, and recommended that the Province dedicate funding to supportive and affordable housing.

Another housing-related theme was the potential for the residential construction industry to drive economic recovery. Several witnesses noted the multiplier effect of housing investments, which can result in increased economic activity and jobs. For instance, Indwell estimated that each apartment unit creates one full year of employment. BILD noted that investments in housing, including through tax incentives, return dollars to the public coffers in the form of taxes generated by economic activity.

The Committee heard about the need to increase the province's housing supply in order to ensure affordability. For example, the Federation of Rental Housing Providers of Ontario (FRPO) estimated that 200,000 more rental units than are

currently planned need to be constructed to meet demand. Witnesses recommended that the government consider policies such as allowing greater density on existing properties, or, as described above, removing other regulatory impediments to development. The Co-operative Housing Federation of Canada suggested that the government take an “affordable housing first” approach when selling off surplus land.

Indigenous Housing

Ontario Aboriginal Housing Services (OAHS) told the Committee that the homeless and people living in congregate housing settings are more likely to contract COVID-19. The Committee heard that one in five Indigenous Ontarians do not have access to affordable housing. OAHS estimated that it costs approximately \$100,000 annually per person to deal with homelessness through the shelter system, hospitalization or incarceration, and told the Committee that the money could be more effectively spent on partnering with community organizations to provide appropriate housing. The witness testified that these kinds of investments have multiplier effects that drive economic activity.

Witness Recommendations

- *Housing supply*—Consider policies that will boost the province’s housing supply in order to make housing more affordable. These can include regulatory reform and tax incentives.
- *Surplus lands*—Release government surplus lands for affordable residential development.
- *Affordable housing*—Maintain and grow Ontario’s affordable housing stock.
- *Community partnerships*—Partner with community organizations to deliver affordable and supportive housing.

Domestic Building Supply Industry

The Committee heard that supply chain issues suggest a need for a stronger domestic building supply industry. For instance, Ontario has an opportunity to produce value-added wood products such as mass timber components to offset delays, and provide an economic boost for resource-rich regions like Northern Ontario. Some witnesses suggested that governments adopt local purchasing policies. However, the Association of Municipalities of Ontario noted that “buy local” policies may be limited due to restrictions in international trade agreements.

We absolutely need to do our best to secure the supply chain. . . we should be doing what we can to make sure that we have what we need.

Quinte Home Builders Association

Witness Recommendations

- *Domestic supply chain*—Encourage the development of domestic supply chains for building materials. This could boost economic activity in Northern Ontario and other regions that have natural resources required for building, such as timber. A domestic building industry could also provide some protection from disruptions in the global supply chain.

Home Renovation Tax Credit

Many witnesses suggested the potential for a home renovation tax credit to boost the renovation sector. A similar federal program had been initiated following the 2008-2009 economic crisis, and was pointed to as a successful model. The Committee heard that a home renovation tax credit could be tailored for specific policy outcomes, such as energy performance improvements, aging in place remodelling for seniors, or COVID-related upgrades, while supporting jobs.

The Committee heard that this type of credit could reduce the illegitimate underground renovation economy, which evades taxes and does not have health and safety oversight. By requiring homeowners to submit receipts in order to qualify, the NHBA suggested that a credit could put “more cash into the provincial coffers in the long run” because legitimate contractors would be paying tax on their revenues from the work. Statistics Canada had calculated that the federal program took \$800 million out of an estimated \$2 billion underground renovation economy, while generating \$4.3 billion in economic activity. The OHBA noted that, according to a study by the Altus Group, every dollar returned to a consumer through a tax credit generates between \$6 and \$7 in economic activity.

Witness Recommendations

- *Home renovation tax credit*—Encourage economic activity by creating a home renovation tax credit. The credit could be applied to energy performance improvements, aging in place renovations, or COVID-related upgrades. Consider making a tax credit permanent.

Surety Bonds

Municipalities commonly require developers to provide a letter of credit to ensure that certain work is completed on a development, such as roads, sewers or other infrastructure. The Committee heard that letters of credit reduce developers’ capacity to make further investments that could support jobs and other economic activity. The NHBA estimated that letters of credit account for \$750 million in frozen capital province-wide. As an alternative, witnesses suggested that the Province require municipalities to accept surety bonds instead of letters of credit. Surety bonds are contracts that bind the contractor and municipality to a third party guarantor, who, on behalf of the contractor, provides a financial guarantee that the work will be completed. The Committee heard that surety bonds could help developers retain

their liquidity and continue accessing credit for other projects, without additional costs to government.

So if that working capital could be opened up, it will create jobs, create more housing, create more affordable housing and housing affordability. That's a big, big issue that does not cost the Province, the municipality or the federal government one dime.

NHBA

Witness Recommendations

- *Surety bonds*—Require municipalities to accept surety bonds in place of letters of credit, in order to free up capital for other projects.

Addressing the Trades Shortage

The Committee heard that the pandemic may provide opportunities for retraining in the skilled trades. The shortage of tradespeople in Ontario is a perennial issue, and witnesses felt that the construction sector had the potential to absorb former tourism and hospitality workers who have been laid off due to COVID-19. For instance, the NHBA noted that the Niagara region, which is heavily reliant on tourism, has been especially hard hit by COVID-19, and it may present an opportunity to address the shortage. The Committee heard that retraining and local recruitment could form part of the tender process for large infrastructure projects, such as was done for Toronto's Eglinton Crosstown LRT.

Witness Recommendations

- *Retraining*—Provide opportunities for workers whose industries have been affected by the pandemic, particularly in the hospitality and tourism sectors, to retrain in the skilled trades. Encourage participation by underrepresented groups, like women and Indigenous people.
- *Recruitment*—Encourage the use of local labour and local supply chains for local infrastructure projects, where possible, through the request for proposal (RFP) process.
- *Apprenticeships*—Allow apprentices in the skilled trades to work for more than one company.

Witness Recommendations

The recommendations made by witnesses from the building and construction sectors are summarized below.

- *Infrastructure projects*—Proceed with infrastructure to drive economic recovery while providing jobs and building public assets. Focus on “shovel-ready” projects.
- *Maintenance*—Invest in maintaining existing infrastructure in a “state-of-good-repair.”
- *Red tape reduction*—Reduce red tape to bring housing and other developments to market faster. This could reduce costs for developers and homebuyers, while freeing up capital for other projects.
- *Planning approvals*—Streamline the planning approvals process. Require that zoning be updated to reflect where growth is anticipated in official plans, and to allow for greater density where appropriate.
- *Building Code harmonization*—Harmonize the Ontario Building Code with the National Building Code to improve consistency and familiarity. Consider including elevator traffic standards in the building code, similar to ISO standards.
- *Digital modernization*—Digitize more processes, including applications, approvals and inspections. Standardize digital information so that it can be more easily shared between approvals authorities.
- *Tax review*—Review Ontario’s taxes to better encourage development and investment.
- *Ontario Land Transfer Tax*—Temporarily suspend the OLTT to encourage activity in the housing market and encourage more listings.
- *HST rebate*—Increase the threshold to \$600,000 for eligibility for an HST rebate on a new home purchase to better reflect current housing prices, encourage activity in the new home market, and make new homes competitive with resale homes.
- *Planning related fees*—Put caps on planning related fees, such as development charges, to encourage development. Index fees to inflation for greater cost certainty.
- *Housing supply*—Consider policies that will boost the province’s housing supply in order to make housing more affordable. These can include regulatory reform and tax incentives.
- *Surplus lands*—Release government surplus lands for affordable residential development.

- *Affordable housing*—Maintain and grow Ontario’s affordable housing stock.
- *Community partnerships*—Partner with community organizations to deliver affordable and supportive housing.
- *Domestic supply chain*—Encourage the development of domestic supply chains for building materials. This could boost economic activity in Northern Ontario and other regions that have natural resources required for building, such as timber. A domestic building industry could also provide some protection from disruptions in the global supply chain.
- *Home renovation tax credit*—Encourage economic activity by creating a home renovation tax credit. The credit could be applied to energy performance improvements, aging in place renovations, or COVID-related upgrades. Consider making a tax credit permanent.
- *Surety bonds*—Require municipalities to accept surety bonds in place of letters of credit, in order to free up capital for other projects.
- *Retraining*—Provide opportunities for workers whose industries have been affected by the pandemic, particularly in the hospitality and tourism sectors, to retrain in the skilled trades. Encourage participation by underrepresented groups, like women and Indigenous people.
- *Recruitment*—Encourage the use of local labour and local supply chains for local infrastructure projects, where possible, through the request for proposal (RFP) process.
- *Apprenticeships*—Allow apprentices in the skilled trades to work for more than one company.

COMMITTEE RECOMMENDATIONS

The Standing Committee on Finance and Economic Affairs recommends the following:

1. Provide immediate emergency funding on an equitable basis to offset lost revenues and incremental service costs to fund current municipal operations in accordance with a call by the Federation of Canadian Municipalities.
2. Develop a comprehensive recovery plan to address COVID-related impacts for municipalities as they work to gradually reopen the economy.
3. Expedite approvals for projects for which federal, provincial and/or municipal governments have committed funding. Focus on “shovel-ready” projects.
4. Expedite approvals for projects that include significant affordable housing components, enhance transit development or support community priorities (e.g., daycares, community facilities, etc.).
5. Reduce red tape to bring housing and other developments to market faster. This could reduce costs for developers and homebuyers, while freeing up capital for other projects.
6. Streamline the planning approvals process. Encourage that zoning be updated to reflect where growth is anticipated in official plans, and to allow for greater density where appropriate.
7. The Ontario government should continue to expedite the existing Streamlining Development Approvals underway, and facilitate best practices and digital tools to support municipalities.
8. Encourage as-of-right zoning (e.g., second unit suites allowed as a right) and reducing minimum parking requirements around transit stations.
9. Further harmonize the Ontario Building Code with the National Building Code to improve consistency and familiarity. Consider including elevator traffic standards in the building code, similar to ISO standards.
10. Remove barriers for innovative homeownership and housing models through exemptions to the Ontario Land Transfer Tax.
11. Consider policies that will boost the province’s housing supply in order to make housing more affordable. These can include regulatory reform and tax incentives.
12. Maintain and grow Ontario’s affordable housing stock.
13. Partner with community organizations to deliver affordable and supportive housing.

14. Consider releasing additional surplus lands for community benefits including new Long-Term Care facilities and affordable housing.
15. Encourage the development of domestic supply chains for building materials. This could boost economic activity across the province, while providing protection from disruptions in the global supply chain.
16. Encourage economic activity by creating a home renovation tax credit. The credit could be applied to energy performance improvements, aging in place renovations or COVID-related upgrades.

WITNESS LIST

Organization/Individual	Date of Appearance
Association of Municipalities of Ontario	July 15, 2020
Building Industry and Land Development Association	July 15, 2020
Building Industry and Land Development Association, Canadian Home Builders' Association, and Ontario Home Builders' Association	Written Submission
Canadian Union of Public Employees	Written Submission
Carpenters' District Council of Ontario	July 13, 2020
Cement Association of Canada	July 15, 2020
City of Brampton	July 14, 2020
City of Guelph	Written Submission
City of Kitchener	July 15, 2020
City of London	July 14, 2020
City of Mississauga	July 14, 2020
City of Orillia	July 15, 2020
City of Timmins	July 13, 2020
City of Toronto	Written Submission
City of Vaughan	July 14, 2020
City Youth Council of Toronto	July 14, 2020
Concrete Ontario	July 13, 2020
Corporation of the City of Windsor	July 14, 2020
Corporation of the Municipality of Sioux Lookout	July 13, 2020
Corporation of the Town of Renfrew	July 13, 2020
Corporation of the Town of Tecumseh	July 15, 2020

Organization/Individual	Date of Appearance
Durham Region Home Builders' Association	Written Submission
Federation of Rental Housing Providers of Ontario	July 15, 2020
Greater Ottawa Home Builders' Association	July 14, 2020
Greater Toronto Apartment Association	July 15, 2020
Heating, Refrigeration and Air Conditioning Institute of Canada	July 15, 2020
Indwell (Hamilton)	July 13, 2020
Labourers' International Union of North America Ontario Provincial District Council	July 15, 2020
Large Urban Mayors' Caucus of Ontario	Written Submission
London and District Construction Association	July 14, 2020
London Home Builders' Association	July 15, 2020
Ministry of Municipal Affairs and Housing	July 13, 2020
Mortgage Professionals Canada	July 13, 2020
Municipal Finance Officers' Association of Ontario	July 13, 2020
Municipality of West Nipissing	July 15, 2020
National Elevator and Escalator Association	July 15, 2020
Niagara Home Builders' Association	July 14, 2020
Niagara Region, in partnership with the 12 Local Area Municipalities	Written Submission
Nicolas Smit	July 13, 2020
Ontario Aboriginal Housing Services	July 14, 2020
Ontario Building Officials Association	July 13, 2020
Ontario Home Builders' Association	July 14, 2020
Ontario Non-Profit Housing Association	July 13, 2020

Organization/Individual	Date of Appearance
Quinte Home Builders Association	July 15, 2020
Region of Peel	July 13, 2020
Region of Waterloo	July 14, 2020
Regional Municipality of Niagara	July 14, 2020
RESCON	July 14, 2020
Simcoe County Home Builders' Association	Written Submission
The Co-operative Housing Federation of Canada	July 13, 2020
The Ontario Real Estate Association	July 15, 2020
The Real Property Association of Canada	July 14, 2020
Toronto and York Region Labour Council	July 14, 2020
Township of Asphodel-Norwood	July 14, 2020
Township of Ear Falls	July 13, 2020
Walker Aggregates Inc.	July 14, 2020
Waterloo Region Home Builders' Association	Written Submission

**APPENDIX A:
TERMS OF REFERENCE***

That the Leaders of the parties represented in the Legislative Assembly as well as Independent Members may file copies of letters with the Speaker, who shall cause them to be laid upon the Table, containing their recommendations to the Minister of Finance with respect to the economic and fiscal measures they proposed to be included in the provisions of Bill 188, and such letters shall be deemed to be referred to the Standing Committee on Finance and Economic Affairs; and

That when the committees of the Legislature resume meeting, the Standing Committee on Finance and Economic Affairs shall be authorized to consider the Party Leader and Independent Member letters, together with An Act to enact and amend various statutes as passed by the Legislature today, with the first witness during such consideration to be the Minister of Finance;

**Votes and Proceedings, March 25, 2020, 42nd Parliament, 1st Session*

That, notwithstanding any Standing Order or Special Order of the House, the Standing Committee on Finance and Economic Affairs, and all other committees when they are authorized to resume meeting pursuant to the Order of the House dated March 19, 2020, are authorized to use electronic means of communication when meeting, and committee members, witnesses, and/or staff are not required to be in one physical place, in accordance with the following guidelines:

- a) The electronic means of communication is approved by the Speaker;
- b) The meeting is held in a room in the Legislative Building, and at least the Chair/Acting Chair, and the Clerk of the Committee are physically present;
- c) Other Members of the committee participating by electronic means of communication, whose identity and location within the Province of Ontario have been verified by the Chair, are deemed to be present and included in quorum;
- d) The Chair shall ensure that the Standing Orders and regular committee practices are observed to the greatest extent possible, making adjustments to committee procedures only where necessary to facilitate the physical distancing and electronic participation of Members, witnesses, and staff; and

That, notwithstanding the Order of the House dated March 19, 2020, the Standing Committee on Finance and Economic Affairs is authorized to meet at the call of the Chair to consider its Order of Reference dated March 25, 2020, respecting the *Economic and Fiscal Update Act, 2020* (Bill 188); and

To study the impacts of the COVID-19 crisis on the following sectors of the economy and measures which will contribute to their recovery:

- a) Tourism
- b) Culture and Heritage
- c) Municipalities, Construction, and Building
- d) Infrastructure
- e) Small and Medium Enterprises

f) Other economic sectors selected by the Committee

- The committee shall study Bill 188 and each specified economic sector for up to 3 weeks with one additional week allotted for report-writing for each.
- The Sub-committee on Committee Business shall determine the method of proceeding on the study, and at its discretion, may extend each sectoral study by one week where a public holiday may fall during the scheduled time for the sectoral study.
- The Legislative Research Service shall make itself available to the Committee collectively, and to members of the Committee individually, on a priority basis.
- That in accordance with s. 11 (1) of the *Financial Accountability Officer Act* the Financial Accountability Officer shall make the resources of his office available to the Committee collectively, and to members of the Committee individually, on a priority basis.
- The time for questioning witnesses shall be apportioned in equal blocks to each of the recognized parties and to the Independent Members as a group.
- The Committee may present or, if the House is not sitting, may release by depositing with the Clerk of the House, interim reports, and a copy of each interim report shall be provided by the Committee to the Chair of the Ontario Jobs and Economic Recovery Cabinet Committee; and
- The Committee shall present or, if the House is not sitting, shall release by depositing with the Clerk of the House, its final report to the Assembly by October 8, 2020 and a copy of the final report shall be provided by the Committee to the Chair of the Ontario Jobs and Economic Recovery Cabinet Committee; and

That notwithstanding Standing Orders 38 (b), (c), and (d) the interim reports presented under this Order of Reference shall not be placed on the *Orders and Notices Paper* for further consideration by the House nor shall the government be required to table a comprehensive response; and

That notwithstanding Standing Orders 116 (a), (b) and (c), the membership of the Standing Committee on Finance and Economic Affairs for the duration of its consideration of the Order of Reference provided for in this motion shall be:

Mr. Sandhu, Chair [Sub-committee Chair]

Mr. Roberts, Vice-Chair

Mr. Arthur

Mr. Cho (Willowdale) [Sub-committee Member]

Mr. Crawford

Ms. Hunter [Sub-committee Member]

Mr. Mamakwa

Mr. Piccini

Mr. Schreiner

Ms. Shaw [Sub-committee Member]

Ms. Skelly [Sub-committee Member]

Mr. Smith (Peterborough—Kawartha)

Ms. Andrew (non-voting member)

Mr. Blais (non-voting member)

Ms. Fife (non-voting member)

Mr. Hillier (non-voting member)

Ms. Khanjin (non-voting member)

Mr. Rasheed (non-voting member)

Mr. Vanthof (non-voting member); and

That, should the electronic participation of any voting Member of the Committee be temporarily interrupted as a result of technical issues, a non-voting Member of the same party shall be permitted to cast a vote in their absence.

**Votes and Proceedings, May 12, 2020, 42nd Parliament, 1st Session*

**APPENDIX B: DISSENTING OPINION OF THE NEW DEMOCRATIC PARTY
MEMBERS OF THE COMMITTEE**

The funding challenges faced by Ontario's municipalities were brought into stark relief by COVID-19, highlighting their overdependence on property taxes and user fees to pay for essential services. The lack of sustainable and adequate provincial funding for services like transit operations, infrastructure maintenance (roads) and social housing – a point emphasized by municipal leaders throughout the province for decades – had stretched many municipalities thin under normal conditions and pushed them to their breaking points as the pandemic interrupted these already tenuous revenue streams. The combination of inadequate provincial funding and COVID-19 also laid bare the inequalities that permeate our society, as municipalities were forced to consider record tax increases or making impossible decisions about services cuts, both of which would have a disproportionate effect on those already marginalized within these communities.

While recent agreements on emergency federal funding have been welcomed news, it is disappointing that the province has failed to step up to the plate and commit to becoming a true partner in the delivery of essential services in Ontario's municipalities. The overemphasis on unlocking new revenue streams continues to leave a disproportionate burden on the province's towns and cities to use what are essentially new user fees to cover the lion's share of these costs, despite the widely held understanding that these municipally provided services are essential to life in Ontario. The absence of a renewed commitment to accepting a fair share of the operating costs is a significant hole in this report and is a missed opportunity to strengthen recovery efforts. It is imperative that any new revenue tools only be implemented after real and meaningful engagement with municipal leaders, and must be accompanied by a long overdue new deal for municipalities where the provincial government acknowledges the full extent of its obligations to our rural and urban communities.

Another missed opportunity is the failure to leverage the reset brought about by COVID-19 to facilitate municipalities that work better for everyone. Although New Democrats welcome long-overdue injections into infrastructure, recent data highlights that conventional methods of stimulus often leave women and members of marginalized communities out of the gains made during recovery. Aside from promises to flow emergency dollars, the recommendations are surprisingly silent on the investments that the Ford government are committing to rebuilding efforts, instead heavily relying on reduced regulations and further pushing Ontario's municipalities into overdependence on local revenue generation or federal funding to shoulder operating costs on things that are essential to everyday life in the province.

The Ford government cannot continue to make others responsible for the changes that are necessary to help Ontario's towns and cities stronger post-COVID. The province must make the best of these difficult times and do what's necessary to usher in a fair and just recovery for Ontario's municipalities by:

1. Restoring adequate and sustainable provincial funding for municipal services such as transit, housing and roads, reducing the overreliance on property taxes and user fees for these items.

2. Ensuring that recovery strategies and plans emphasize a just recovery and address the challenges faced by marginalized groups, women and racialized communities, placing an emphasis on equity for all proposed solutions, such as universal childcare and community benefit agreements
3. Investing adequate provincial dollars to build broadband capacity in rural and northern communities
4. Leverage provincial investment to encourage the use of local labour and local supply chains for procurement and local infrastructure projects through the RFP process.

**APPENDIX C: DISSENTING OPINION OF THE LIBERAL PARTY MEMBERS
OF THE COMMITTEE**

Introduction

We heard from over 45 presenters and received over 40 written submissions from municipalities and stakeholders in the construction and building sector, all of whom have been affected by the COVID-19 pandemic.

We understand and acknowledge the impact that municipal services, construction, and housing have on the day-to-day lives of Ontarians and that these sectors require specific and immediate support to ensure the overall economic recovery of our province.

The recommendations in the committee report do not properly address the dire situation faced by municipalities across Ontario. Nor do they reflect the urgent actions needed to ensure municipalities can continue to provide essential front-line services to residents without the needs for massive tax and fee increases or service cuts and layoffs.

Our recommendations represent what the committee members heard and reflect what the municipal and construction sectors will require in the form of financial support, red tape reduction and regulatory changes, in order to recover from the COVID-19 pandemic.

Recommendations

1. Create an Ontario Emergency Municipal Support Fund which would make available a minimum of \$4 billion, cost-shared with the federal government, to provide urgent relief funding to municipalities facing financial hardship.
2. Double the funding provided to municipalities through the Provincial Gas Tax Program so that municipalities have the support needed to continue operating transit systems without fare increases.
3. Expediting provincial infrastructure funding to already approved and viable projects that municipalities have previously budgeted for as a form of important local and regional economic stimulus.
 - a. Simplify procurement and tendering procedures; and
 - b. Increase project eligibility and reduce the limitations on eligible costs that add layers of administration to complicated infrastructure projects.
4. Fully compensate Public Health Units for increased expenses related to COVID-19.
5. Create a comprehensive multi-year strategy that addresses the long-term COVID-19 related impact on municipalities and addresses the growing municipal fiscal imbalance.
6. Amend the Payment in Lieu of Taxes formula to include cargo and remove the 5% cap on passenger increases.
7. Provide funding to municipalities for improvements to technology to expedite site plan and building permit approval processes and improve online service delivery.

8. The Government increases funding for the Ontario Broadband and Cellular Action Plan, and redevelops it to ensure that every Ontarian has access to affordable and reliable high-speed internet by 2025.
9. Develop a comprehensive inventory of surplus public lands (provincial, municipal, school board and agency) and work with stakeholders to release these lands to support affordable housing.
10. Increase investments into affordable housing projects, with a special stream supporting indigenous communities.
11. Create a residential rent support program for tenants who will never be able to repay months of accumulated rent.
12. Prioritize measures to address the massive rental housing supply crisis we currently face in the province of Ontario.
13. Inject new housing supply into the market quickly, using time-limited tax incentives.
14. Reduce red tape to bring housing to market faster by streamlining the subdivision control process and other municipal permit issuance.
15. Harmonize the Ontario Building Code with the National Building Code.
16. Create a permanent Home Renovation Tax Credit for environmentally sustainable projects to stimulate job opportunities and reduce greenhouse gas emissions.
17. The Province permits apprentices in the skilled trades to work for more than one organization and provides incentives to hire and train new workers from the local area.
18. Increase resources available to the Local Planning and Appeals Tribunal to increase staff, increase the number of board members and ensure the appropriate technology is available to expediently tackle any backlog of appeals that emerges.

Municipalities

The COVID-19 crisis has dealt a devastating blow to Ontario municipalities. The combination of increased expenses and a dramatic reduction in revenues is a developing crisis that threatens to stifle economic recovery and lead to social discord.

With millions of Ontarians remaining at home over the first several months of the COVID-19 crisis, municipalities across the province have seen a significant revenue decline. Municipalities, like Toronto who reports a \$2.055 billion-dollar impact to their Tax Supported Programs for the year, require significant financial support to weather this storm.¹

While revenue from room rentals and fees for adult and youth programming have all but evaporated, the costs of maintaining and operating community centres, arenas and pools are mostly unavoidable. With record levels of unemployment as a result of COVID-19, some were unable to pay property taxes and utility bills in a timely

¹ City of Toronto written submission

fashion. This has had a direct impact on the municipal bottom line.

As like most other employers, municipalities also face increased costs related to physical distancing measures, personal protective equipment, and public health expenses.

All told, municipalities across Ontario are in deep financial trouble.

Unlike the federal and provincial governments, municipalities cannot run operating deficits. This leaves them with bleak options: draconian spending cuts, massive property tax increases, or both.

To avoid significant tax and user fee increases, layoffs and cuts to services that Ontarians rely on daily to maintain their high quality of life, the province must immediately assist its municipalities with direct financial relief.

The government must also recognize and take action to address the significant differences between Ontario municipalities and ensure there is sufficient flexibility to address the needs of large and medium urban centres, suburban neighbourhoods, rural towns, villages, agricultural regions and northern and indigenous communities.

Recent efforts to centrally manage local decision making with ideologically based conditions on funding is unacceptable. The province must recognize that locally elected municipal representatives, with the advice of their professional public service, are best positioned to understand their local needs and how best to allocate provincial recovery resources within their jurisdiction.

Public Transit

With millions of Ontarians remaining home, to comply with public health guidance, transit agencies have seen an unprecedented drop in ridership and the transit fares that fund the majority of their operating costs. Ontario's Large Urban Mayors have projected an 80% reduction in ridership and a shortfall in transit revenue of \$415 million from April to June². A lack of adequate support will force transit agencies to reduce service, increase fares and potentially lay off employees. As we contemplate Ontario's economic recovery, we cannot overlook the need for and value of public transit.

Efficient, effective and reliable public transit will be at the centre of economic recovery in many large and medium sized cities. Frontline employees who rely on public transit every day to commute to work cannot afford the service reductions or massive fare increases contemplated as a result of the revenue losses generated by COVID-19.

² LUMCO written submission

In large and medium-sized cities a true financial recovery cannot be realized without a return to fully operational transit service. The government must ensure that transit agencies are not forced to reduce service or increase fares as a result of COVID-19.

Moreover, recent attempts to force municipalities to accept conditions on transit funding for COVID-19 support are unacceptable. The government must not use the pandemic and try to force communities into the privatization of public transit.

Front-Line Services

As a result of the desperate economic conditions created by COVID-19 many municipalities took immediate action to reduce the financial burden on their residents. Through the deferral of tax and utility collection, waiving of penalties and interest, municipalities have experienced a sharp decline in cash flow and revenue.

Moreover, as provincially mandated public health measures were progressively ramped up, municipalities have seen a sharp decline, if not complete evaporation, of revenues related to recreation programming, room rentals, parking and other important revenue streams.

Many of the expenses related to these services are fixed and these revenue shortfalls will make it increasingly difficult to maintain basic public services over the medium and long-term. This will leave municipalities few options but to contemplate major increases to fees and taxes or draconian service cuts and layoffs which will only make the economic recovery more difficult.

In the absence of support from the provincial government cuts to core city services may hinder the economic recovery.

Public Health

Prior to the COVID-19 pandemic, the Progressive Conservative Government announced significant cuts to public health spending across Ontario.

According to the Financial Accountability Office, in fiscal year 2019-2020, the government spent \$49 million less than planned to support the Chief Medical Officer of Health and programs to promote and protect the public health of Ontario.³ The government further short changed Ontarians by \$65 million less in support for local health service providers, long-term care homes and other community health programs.⁴

Municipalities need to remain in a financial position where they can keep delivering these vital public health services to the most vulnerable members of their communities. The Region of Peel, for example, is incurring major costs for these additional public health services, all while losing revenue in other areas. They risk

³ FAO: Expenditure Monitor 2019-20: Q4

⁴ Ibid.

having to make severe cutbacks to public health in the coming months, jeopardizing both the quality and quantity of public health services being offered in the community.⁵

The provincial government must ensure that every dollar spent by local health authorities on COVID-19 is compensated for to ensure the precious public health resources such as maternal care for new mothers, dental screening, addiction counselling and other important public health programs are not compromised.

Municipal Revenues

For decades municipalities have been asked to provide more and more services while their options to ensure proper financial support for those services remains limited. This has led to a growing fiscal imbalance and inequity in the provision of services. As Mayor Crombie put it, municipal officials are expected to build 21st century cities, with 19th century tools.⁶

Cities and towns have taken the limited actions available to them to blunt the economic impact of COVID-19 on their residents. Many have delayed or deferred the collection of property taxes and waived penalties and interest on utility payments. Others have lost revenues from parking, development charges, building permits and recreation fees.

In Sioux Lookout, revenues from the municipal airport are down nearly 80% including aviation charges and fuel sales. Last year, the municipality invested significantly in the expansion of the airport to help support regional economic development. The loss of tourism and other traffic through the airport will make it exceedingly difficult for these loans to be repaid.⁷

We heard from the City of Mississauga, who faces a specific problem with the payments in lieu of taxes (PILT) formula, as their airport only pays PILTs on a passenger count and passenger increases are capped at 5%. Mississauga anticipates a \$162 million loss over the next two decades if changes to this formula are not made, resulting years of echoed impacts from COVID-19.⁸

The province must commit itself to ensuring municipalities are not burdened by the COVID-19 revenue shortfalls. Immediate action is needed to protect against the reduction of core municipal services, layoffs and massive increases to property taxes to cover the shortfalls.

⁵ Region of Peel testimony

⁶ Region of Peel testimony

⁷ Municipality of Sioux Lookout testimony

⁸ City of Mississauga testimony

Housing & Homelessness

Ensuring an adequate supply of affordable housing and protection for renters was also an important topic discussed at committee by municipalities and housing stakeholders across the Province.

Municipalities from across Ontario have discussed the challenges COVID-19 has posed to the shelter system and the urgent need for provincial investments to provide long-term affordable housing options.

Physical distancing within most shelter settings is difficult which has led to an increase in unhoused individuals.⁹ Moreover, as economic conditions have suffered a growing number of Ontario residents find themselves unable to afford to pay their rent. With the end of the evictions ban there is a growing risk of COVID-19 related evictions¹⁰ leading to an increase in temporary and long-term homelessness.

Resources must be made available to provide the opportunity to adapt shelters to reduce the risk of COVID-19 transmission and develop additional urgent options in the ahead of the upcoming winter.

Furthermore, shelters across the province are in dire need of financial infusion to manage the increase in demand. As an example, the Cochrane District Social Services Administration Board exhausted their provincial resources for feeding and sheltering the homeless in June.¹¹ Without an infusion of one million dollars from the local community the DSSAB would have seen a significant shortfall. In his testimony Nando Iannicca, from Peel Region, advocated for the removal for housing and homelessness from the property tax base.

In addition to immediate efforts to maintain and bolster temporary and emergency shelter capacity the provincial government must address the long-term housing needs of Ontarians.

The Co-operative Housing Federation of Canada called for a housing-first approach and urged that surplus public land be released to build affordable housing,¹² while the Federation of Rental Housing Providers of Ontario emphasized the challenges experienced by renters who will fall months behind in paying their rent.¹³

We are calling on the provincial government to create a rental housing program to ensure that Ontarians who are without work due to COVID-19 are not evicted from their homes while also providing support and security to their landlords.

⁹ Municipal Finance Officer's Association testimony

¹⁰ Gibson, Victoria, *More than 6,000 Ontario tenants could face eviction for nonpayment of rent during COVID-19, new figures show*, Toronto Star. July 25, 2020.

¹¹ City of Timmins testimony

¹² The Co-operative Housing Federation of Canada testimony

¹³ The Federation of Rental Housing Providers of Ontario testimony

Moreover, the government must develop a housing first model for managing the long-term housing crisis in Ontario. This will begin with creating a comprehensive inventory of available public lands and developing partnerships with the housing providers, agencies and the private sector to leverage these assets into the creation of long-term affordable housing.

Broadband

As millions of Ontarians work and learn from home during COVID-19 any question about the necessity and importance of broadband internet access must finally be put to bed.

The committee heard repeatedly about the need to address the ongoing gap in equitable broadband access across Ontario.

Don Eady, Mayor of the town of Renfrew, articulated the importance of ensuring broadband access is available to everyone. The lack of access for rural Ontarians cannot be ignored and COVID-19 has demonstrated that Ontarians in all communities rely on digital access. Residents need broadband to work, to learn and connect to community and government services.

“The future of commerce, work, medicine, education and services have changed, and, in some instances, permanently. Broadband has become the electricity of the 21st century.”¹⁴

Kevin Kahoot, Mayor of Ear Falls, discussed that broadband in the area is so poor in the region that schools may have a difficult time providing sufficient online resources to students. Jamie McGarvey, Chair of the Association of Municipalities of Ontario, echoed the importance of broadband connectivity and discussed recommended looking at 2 gig broadband service to support online learning and working from home.

Ontario can take a leadership role and ensure that all residents have access to fast, reliable and affordable broadband access within the next five years.

Construction & Building Sector

The Covid-19 pandemic has had lasting impacts on the construction and building industry in Ontario. Although many construction projects have proceeded during the pandemic, the industry is faced with delays and additional hurdles as it balances the increased public health requirements and copes with crippled supply chains. In the wake of this crisis, the construction and building sector will require a number of supports in the form of regulatory changes and red tape reduction to help kickstart construction and infrastructure projects, in order to provide key jobs, economic opportunity, and to bring affordable housing options to the market sooner.

¹⁴ Town of Renfrew, written submission

An essential element of moving Ontario into the economic recovery stage is to immediately bring more housing to the market, which can be achieved by streamlining the planning process and removing red tape from municipal permit issuance. We heard from the Ontario Home Builders Association who referred to several ways that the Province could streamline approvals and called for the government to reduce red tape, ultimately allowing more housing to get to the market quicker. The Province should allocate new resources to the LPAT to ensure it can operate at its full capacity and clear the back log of applications that have emerged during the pandemic. Without these additional staffing and technology resources, municipal planning approvals and housing construction will be further delayed.

In their submission, the Ontario Real Estate Association argued for necessary stimulus into the housing market, calling on the Province to remove the land transfer tax for homes under \$600,000 dollars. From an economic recovery perspective, this measure would create more inventory for buyers, and would generate thousands of new jobs in the construction and skilled trade sectors.

Equally important to the economic recovery of the construction sector, is to ensure that there are incentives for new home construction. According to Joe Vaccaro, incentives for new home construction should exist for consumers, but also for builders who are responsible for hiring and training new people. As part of the economic recovery, more programs are required to move people into the apprenticeship or into the skilled trades work.¹⁵ The OHBA recommends that government focus on attracting and retaining the next generation of skilled workers by incentivizing companies that train new construction workers from a project's local community.

¹⁵ Ontario Home Builders' Association testimony

**APPENDIX D: DISSENTING OPINION OF THE GREEN PARTY MEMBER OF
THE COMMITTEE**

There is no question that municipalities have shouldered a large burden during the Covid-19 pandemic. From shoring up much needed social services, addressing the impacts of the pandemic on homelessness and addictions, to ensuring transit systems continue to operate safely. All while facing significant revenue losses and employee layoffs.

These past six months have not been easy on municipalities.

The Committee heard from municipalities large and small right across the province who all said the same thing. They need financial help and they need it to be fast and flexible.

We heard from the Minister of Municipal Affairs and Housing, who suggested that he was urging the Federal Government to provide emergency funding for municipalities. It is the Green Party of Ontario's position that the provincial government must also provide adequate financial assistance to municipalities.

The Committee also heard from a variety of stakeholders in the housing and construction sectors who were affected by COVID-19. Ontario was facing a housing affordability crisis before the pandemic, and COVID-19 has highlighted how essential it is to ensure that everyone in Ontario has an affordable place to call home. The Green Party of Ontario is committed to working with all parties and stakeholders to develop a comprehensive housing affordability strategy for Ontario.

The Green Party of Ontario puts forward the following recommendations to provide additional and more flexible support to our municipalities, building and construction industries:

1. Increase funding to municipalities for public transit through increased revenue from the Provincial Gas Tax Program;
2. Negotiate a cost share agreement with the federal government to provide Ontario municipalities with \$10 billion in flexible emergency financial assistance;
3. Provide a provincial grant to cover fifty percent of operating funding for municipal transit systems in order to avoid fare increases;
4. Work with municipalities on ways to provide them with additional revenue tools to reduce the burden on the property tax base;
5. Work with the federal and municipal governments to develop cost share agreements that temporarily reduce the traditional municipal contribution to infrastructure projects to help municipalities proceed with infrastructure projects at a time when the pandemic has reduced municipal revenue;
6. Declare broadband an essential service available to all Ontarians and increase provincial funding for broadband services;

7. Invest in maintaining existing infrastructure in a state of good repair and consider life cycle costs when making infrastructure investments;
8. Partner with non-profit and co-op housing providers and community organizations to increase the supply of affordable and supportive housing while maintaining existing affordable housing units in a state of good repair;
9. Work with housing providers on a rent assistance program for tenants unable to afford rent due to the COVID-19 pandemic;
10. In addition to supporting the development of domestic supply chains for building materials, support local labour agreements through the RFP process;
11. Support retraining programs for entry into the trades with a focus on encouraging and supporting women and people of colour in the trades;
12. Work with municipalities to unlock capital for building projects by accepting surety bonds instead of letters of credit;
13. In addition to a home renovation tax credit focused on energy performance, accessibility and public health for homeowners, the government should implement a program to support retrofits for businesses and public buildings to improve energy performance, accessibility and public health measures.

Recognizing the severe financial impact this pandemic has also had on the provincial government's budget, the Green Party of Ontario urges the government to provide smart, flexible and responsible financial investments to municipalities as well as the construction and building industries, so that our communities can rebound in not only a sustainable, but a greener and more caring way.

Together we can build back an even better Ontario.