

March 8, 2023

Hon. Peter Bethlenfalvy, Minister of Finance Province of Ontario
Minister.fin@ontario.ca

Re: Support for Pre-Budget Submissions for the 2023 Provincial Budget from AMO and AMCTO

Dear Minister:

City Council, at its meeting held on February 27, 2023, considered the above-noted matter and passed Resolution No. R-230227-006 approving the following:

"THAT in consideration of Staff Report CM-23-005 respecting Pre-Budget Submissions for the 2023 Provincial Budget, City Council endorses the AMCTO and AMO recommendations for the 2023 Provincial Budget as outlined within the report."

Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Michelle Palmer, PMP, DASM, CSCMP, CPPB
Senior Manager, Strategic Initiatives and Operational Effectiveness

cc: Hon. Steve Clark, Minister of Municipal Affairs and Housing
Hon. Merrilee Fullerton, Minister of Children, Community and Social Services
Hon. Sylvia Jones, Minister of Health
MPP Rick Byers, Bruce-Grey-Owen Sound
Association of Municipalities Ontario
Association of Municipal Managers, Clerks and Treasurers of Ontario
MPP Catherine Fife Critic – Finance
MPP Monique Taylor Critic – Children, Community and Social Services
MPP France Gelinas Critic – Health
Tara Warder, Grey County Clerk

Attach.

Staff Report

Report To: City Council

Report From: Michelle Palmer, Senior Manager Strategic Initiatives and Operational Effectiveness

Meeting Date: February 27, 2023

Report Code: CM-23-005

Subject: Pre-Budget Submissions for the 2023 Provincial Budget

Recommendations:

THAT in consideration of Staff Report CM-23-005 respecting Pre-Budget Submissions for the 2023 Provincial Budget, City Council endorses the AMCTO and AMO recommendations for the 2023 Provincial Budget as outlined in the report.

Highlights:

- Owen Sound believes that partnerships with other levels of government are essential for the benefit of its residents, businesses, and social service providers.
- As the senior levels of government contemplate infrastructure investments, their urban/rural strategies, and economic development, Owen Sound must advocate for the social and economic requirements of the City to meet the needs of our citizens and businesses.
- Intergovernmental relations initiatives are an essential part of building the City's resiliency.

Strategic Plan Alignment:

[Strategic Plan](#) Priority: Collaborative City - KR1 - Leverage partnerships to improve or maintain delivery of targeted services without increasing tax levy

Previous Report/Authority:

[CM-21-031 Intergovernmental Relations Action Plan](#)

Background:

It is most effective for municipalities to speak with a united voice on many issues. When advantageous, Owen Sound partners with other municipalities to advance a common agenda with the other levels of government.

The Association of Municipal Clerks and Treasurer's of Ontario (AMCTO) is the Province's largest voluntary association of municipal professionals with members across various service areas, including CAOs, Finance, Legislative Services and Service Managers. A key component of AMCTO's mission of AMCTO is advocacy and leadership in the sector.

The Association of Municipalities of Ontario (AMO) is the primary association for Ontario's 444 municipalities. The association's mandate is to support and enhance strong and effective municipal government in Ontario. It promotes the value of the municipal level of government as an essential component of Ontario and Canada's political system.

In that spirit, to address Ontario residents' challenges, AMCTO and AMO have identified recommendations and submitted them to the Province as pre-budget submissions for the 2023 provincial budget. These include;

1. Municipal resilience requires stable, predictable funding and investment:
 - a. Provide financial support for municipal budget shortfalls due to reductions in development charges and other financial impacts resulting from Bill 23.
 - b. Re-start the Municipal Modernization Program and Audit and Accountability Fund to focus on assisting municipalities with implementing projects that require upfront financial investment for long-term returns and efficiencies. Consider how these programs can also support municipal internship components and provide municipalities with enough time to make proposals while reducing application and reporting burdens.
 - c. Protect and expand existing funding sources and investigate additional funding sources that appropriately address the infrastructure gap and tie these to inflation.

2. Collaboration with Municipalities:
 - a. Collect, analyze, and act on the recommendations put forward by municipal experts working in planning, finance, parks and recreation, and conservation authorities to address the significant unintended consequences identified, many of which will have a financial impact.
 - b. Co-design solutions and collaborate with municipalities and municipal professionals to ensure that the Province understands local impacts and opportunities before introducing measures that affect Ontario's communities.
3. Integrated and Collaborative Approach to End Homelessness:
 - a. Increase provincial social assistance rates and make good on promises to transform the social assistance system;
 - b. Increase the supply of deeply affordable housing by supporting a broad range of approaches – from acquisitions to conversions to renovations to rent subsidies;
 - c. Invest in community-based mental health and addictions services, including supportive housing; and,
 - d. Increase base funding for the Homelessness Prevention Program to enable municipalities to reflect ongoing urgent needs while we work to fix root causes.

Analysis:

AMCTO has offered a wide-angle lens to the challenges being faced by municipalities. They have identified recommendations focusing on building resilient local governments with provincial-municipal partnerships at the forefront.

AMO has focused on the need for a collaborative approach to end the homelessness crisis. It is recognized that the homeless crisis is taking a devastating toll on families and communities and requires a range of housing, social service and health solutions from government. Municipalities have been actively participating but do not have the resources, capacity or tools to address this complex challenge. Leadership and urgent action are needed from the provincial government on an emergency basis to develop, resource, and implement a comprehensive plan to prevent, reduce and ultimately end homelessness in Ontario.

These pre-budget advocacy priorities were reviewed against the City's advocacy priorities for 2022-2023 outlined within the Council-approved Intergovernmental Relations Action Plan. The City's identified advocacy priorities include homelessness and stable funding for municipalities that align with the recommendations contained within the pre-budget submissions by AMO and AMCTO.

Financial Implications:

There are no financial implications from this report.

Communication Strategy:

Upon approval by Council, a copy of this motion will be sent to the Minister of Finance; the Minister of Municipal Affairs and Housing; the Minister of Children, Community and Social Services; the Minister of Health; as well as to the Opposition Critics, the Association of Municipalities of Ontario, the Association of Municipal Clerks and Treasurer's of Ontario, Grey County and local MPP Rick Byers.

Consultation:

None

Attachments:

Attachment 1 – AMCTO Pre-Budget Submission 2023

Attachment 2 – AMO Provincial Pre-Budget Submission 2023

Recommended by:

Michelle Palmer, Sr Mgr, Strategic Initiatives and Operational Effectiveness

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Michelle Palmer, Senior Manager of Strategic Initiatives and Operational Effectiveness, at mpalmer@owensound.ca or 519-376-4440 ext. 1246.

February 8, 2023

The Honourable Peter Bethlenfalvy
Minister of Finance
c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, Ontario M7A 1Z1

Dear Minister Bethlenfalvy:

Thank you for the opportunity to make a submission to the 2023 Pre-Budget process.

AMCTO represents excellence in local government management and leadership. With more than 2,100 members working in municipalities across Ontario, AMCTO is Ontario's largest voluntary association of local government professionals, and the leading professional development organization for municipal professionals.

As you will see from our submission, this year we offer a wide-angle lens to the challenges in front of the municipal sector, our communities and our residents. We have put forward recommendations for your consideration that favour a resilient future for municipalities, with provincial-municipal partnership at the forefront.

Our recommendations include:

- Provide financial support for municipal budget shortfalls due to reductions in development charges and other financial impacts resulting from Bill 23.
- Re-start the Municipal Modernization Program and Audit and Accountability Fund to focus on assisting municipalities with implementing projects that require upfront financial investment for long-term returns and efficiencies. Consider how these programs can also support municipal internship components, and provide municipalities with enough time to make proposals while reducing application and reporting burdens.
- Collect, analyze, and act on the recommendations put forward by municipal experts working in planning, finance, parks and recreation, and conservation authorities to address the significant unintended consequences identified, many of which will have a financial impact.
- Co-design solutions and collaborate with municipalities and municipal professionals to ensure that the Province understands local impacts and opportunities before introducing measures that affect Ontario's communities.
- Protect and expand existing funding sources and investigate additional funding sources that appropriately address the infrastructure gap and tie these to inflation.



We are always ready and willing to collaborate and co-design with the Province so that we can work together towards positive outcomes for residents across Ontario.

For any questions, please do not hesitate to contact David Arbuckle, darbuckle@amcto.com, who will be happy to assist.

Yours sincerely,

Elana Arthurs
AMCTO President

cc. Steve Clark, Minister of Municipal Affairs and Housing
Deputy Minister Kate-Manson Smith, Ministry of Municipal Affairs and Housing
Greg Orencsak, Deputy Minister, Minister of Finance



AMCTO
THE MUNICIPAL EXPERTS

2023 Pre-Budget Submission

February 2023

Introduction

There has been enormous change over the last year for the municipal sector, between the provincial election in June, municipal elections in October, and even more so with the series of legislation introduced with cumulative impacts for municipalities. More and more, municipalities are being asked to do more with less, all while local experts have less opportunity to provide input on how to effectively achieve desired outcomes while limiting adverse impacts.

The 2023 budget represents an opportunity for the Province to invest in sustainable futures for municipalities and their residents and recommit to working collaboratively. Municipalities across the province strive for excellence in delivering services to their residents. Over the past generation, positive outcomes for communities have been achieved when the Province and municipalities and their staff work as partners in service to the infamous “one taxpayer”.

Given the unprecedented impacts to municipal financial sustainability, administration, governance, and operations, AMCTO’s pre-budget submission approach is different than in previous years. The focus of this submission is to bring a wide-angle lens to the challenges in front of the sector, our communities, our residents and indeed the Province itself particularly because of Bill 23 and the signals we are seeing and hearing about the future of municipalities in this Province. We offer recommendations for your consideration that favour a resilient future for municipalities, with provincial-municipal partnership at the forefront.

AMCTO and its members support efforts to build more homes to meet the needs of our growing population. We support the efforts to bring more attainable and affordable housing supply. However, municipalities cannot meet the challenges of today nor the opportunities of tomorrow with the rug being pulled out from under them.

Municipal Chief Administrative Officers, treasurers and financial directors, clerks and other municipal leaders cannot adequately plan when there is so much uncertainty, when it remains unclear where they will find the financial and human resources to address unprecedented losses, particularly in the face of increased resident demands and expectations.

Recommendations

We offer recommendations that are focussed and actionable to ensure that municipalities can be partners in securing a sustainable future for Ontario:

- Provide financial support for municipal budget shortfalls due to reductions in development charges and other financial impacts resulting from Bill 23.
- Re-start the Municipal Modernization Program and Audit and Accountability Fund to focus on assisting municipalities with implementing projects that require upfront financial investment for long-term returns and efficiencies. Consider how these programs can also support municipal internship components, and provide

municipalities with enough time to make proposals while reducing application and reporting burdens.

- Collect, analyze, and act on the recommendations put forward by municipal experts working in planning, finance, parks and recreation, and conservation authorities to address the significant unintended consequences identified in Bills 3, 23 and 39, many of which will have a financial impact.
- Co-design solutions and collaborate with municipalities and municipal professionals to ensure that the Province understands local impacts, challenges and opportunities before introducing measures that negatively impact Ontario's communities.
- Protect and expand existing funding sources and investigate additional funding sources that appropriately address the infrastructure gap and tie these to inflation.

As municipal experts, with financial, technical and leadership expertise, our members know that the cumulative impacts to municipalities have not always been considered when new legislation impacting the sector is introduced. Our recommendations speak to the need to work together, so that policy implications can be considered and unnecessary consequences which pose extra administrative burdens and costs on municipalities and the residents we all serve are limited.

Cumulative Impacts to Municipalities

The actions taken by the Province over the last few months in will have significant financial and operational impacts on municipalities and their municipal professionals. Taken together with the existing challenges of the municipal infrastructure gap, the added burden of ensuring climate resilient assets, the continued need to modernize and digitize services, increasing complexities of managing community well-being and public safety, homelessness and mental health, while continuing to provide traditional municipal services, impacts to municipalities are cumulative and significant.

Financial

Our colleagues at AMO have conservatively estimated that Bill 23 alone will have at least a \$5.1 billion impact on local communities in the coming years with no evidence that housing affordability will be improved¹: building new or renewing and making sustainable existing local infrastructure whether that be water and sewer systems, roads, bridges, parklands or numerous other critical infrastructure which the Province has dictated municipalities need to keep in a state of good repair through adequate financial and asset management planning. The impacts are likely to be higher as we have already seen from the analysis conducted by municipalities over the last few months.

¹ See AMO's Bill 23 Submission:
https://www.amo.on.ca/sites/default/files/assets/DOCUMENTS/Submissions/SC_HICP-LTR_AP_AMO_Submission_Bill%2023_More_Homes_Built_Faster_Act_20221116.pdf

Municipalities have limited revenue streams to cover the cost of providing services and operations. When municipalities talk about “revenue” it is not “surplus” monies but rather the funds needed to keep lights on, engines running, and programs delivered.

While more homes could potentially increase the amount of “revenue” a municipality collects, those revenues are collected after subdivisions or other developments have been built up and residents moved in. Other than development charges and potentially applying property tax revenues from existing properties in the municipality, funds are not always available to build the infrastructure necessary to service a new subdivision at the time of development such as roads, sidewalks, watermains, sewers, parklands, and fire hydrants.

Several municipalities have done preliminary analysis to estimate their revenue shortfall from Bill 23. For example, the Region of Peel estimates its revenue shortfall from development charges to be \$2 billion over the next 10 years², and the City of Mississauga stands to lose almost \$1 billion in revenue³, amounting to an operating budget increase of 8-10%, resulting in a proposed tax rate increase of 5.3%.

The Region of York estimates that \$180 million that would have been funded through development charges will have to be funded from the tax levy⁴, while local municipalities are expecting their own shortfalls, such as the City of Markham predicting \$1.65 million is needed for growth studies and reduced development charge collection impacts, as well as another \$1.7 million for the reduction of development cost funded salaries, resulting in a staff proposed tax rate increase of 6.4%⁵.

Until the details of regulations and any additional initiatives from the Province that may come forward are released, it is difficult for municipalities to determine the exact impact, and the necessary consequential increase in property taxes or user fees. As a result, some municipalities may defer any consideration for a more substantial increase until their next budget cycle.

Definitions of Affordable which Impact Collection of Development Charges

The definitions of attainable and affordable housing in the legislation are broad and are market dependent. Market rates are unpredictable and depend on several forces and considerations, none of which consider income. This means that as incomes rise unevenly, homes will never be attainable and affordable for many residents.

The disconnect here is even more concerning given the lack of alignment with federal definitions of affordable. The Canadian Mortgage and Housing Corporation (CMHC) defines affordable as: housing that costs less than 30% of a household’s before-tax income. This definition is one that many associations rely on. If the Province intends to

²[https://peelregion.ca/news/archiveitem.asp?year=2022&month=11&day=8&file=2022118.xml#:~:text=Bill%2023%20will%20have%20significant,DC\)%20to%20pay%20for%20growth](https://peelregion.ca/news/archiveitem.asp?year=2022&month=11&day=8&file=2022118.xml#:~:text=Bill%2023%20will%20have%20significant,DC)%20to%20pay%20for%20growth)

³ <https://www.mississauga.ca/council/council-activities/council-advocacy/bill23/>

⁴ <https://yorkpublishing.escribemeetings.com/filestream.ashx?DocumentId=37646>

⁵ [eSCRIBE Agenda Package \(escribemeetings.com\)](https://www.escribeagenda.com/)

leverage whatever amounts of money is allotted to Ontario through the federal funds, then it would be beneficial to align provincial and federal definitions.

If the market defines affordability, then potentially any development could be labelled “affordable” which means that exemptions, discounts, or caps would need to apply to costs municipalities could recover to fund services in new developments.

Municipal Administrative Impacts

When sweeping changes are made to legislation impacting municipalities, it is important to examine all areas where there may be impacts to municipal administration and operations. Unfortunately, without comprehensive consultation, unintended consequences can slip by. For example, Bill 23 makes changes to the role of conservation authorities, including prohibiting a municipality’s ability to request comment during the development review process on conservation and environmental matters besides flooding and erosion.

This means that rather than leveraging the expertise from conservation authorities, municipalities will have to rely on in-house expertise, thus downloading responsibilities onto local governments which may lack the resources and technical knowledge needed to ensure environmental oversight and sustainable development.

Similarly, section 29 of the *Accessibility for Ontarians with Disabilities Act (AODA), 2005* provides that Accessibility Advisory Committees shall review site plans and drawings, yet it takes time to make documents accessible, and it takes time to provide advice. And yet, because of various changes to local planning processes through Bills 109 and 23, municipalities may be penalized for approvals which do not meet certain timelines. There should be clear guidance provided by the Province on how to meet the various expectations they have set out in other pieces of legislation.

Housing as a Partnership between the Province, Municipalities and Development Sector

AMCTO is supportive of the Province’s stated goal to increase the supply of housing in Ontario and we leave the technical discussions on housing and homelessness to our colleagues in other associations to provide comment. However, AMCTO must convey its concern for the position municipalities are being put in, and the standard held to as a result of recent legislation: focussing narrowly on local governments does not account for the many other factors that affect housing supply.

Bill 23 does not, for example, introduce provisions to incentivize developers to begin work on projects that have already received a building permit, tackle long-standing supply chain issues, or address labour shortages. While municipalities must develop pledges outlining how they will meet their assigned housing quotas, the development sector has not been held to the same requirements.

Looking Forward

As the Province has indicated it will soon be evaluating municipal structures in Ontario, the relationship between the Province and municipalities will become more important for local government professionals, who are subject to provincial policies, laws, regulations and financial transfer arrangements to carry out their work. A strong relationship is also critical for the residents they serve.

To re-build a strong relationship and act effectively for the people of Ontario, policy analysis and decision-making need to adhere to certain principles:

- Apply an integrated municipal lens considering governance, finance, operations, resources and consultation with integrated policy analysis and development across government.
- Promote strong, stable, and sustainable municipal administration that supports accountable and transparent local government, through clear roles and responsibilities as well as effective guidance for implementation and operationalization of federal and provincial mandates.
- Streamline and simplify administrative and reporting requirements with reasonable timelines so that municipal public servants can spend time and resources on delivering better, more efficient services while ensuring accountability to the Province and the communities they serve.
- Ensure municipal public servants can secure resilient futures for their communities through access to financial planning tools and resources, the reduction of costs, and appropriate funding opportunities.
- Modernize the legislative and regulatory environment to support and enable the work of municipal public servants, making it easier to understand, enforce and be innovative while ensuring policies and practices reflect current needs and situations and focus on outcomes.

As the province's largest voluntary association of municipal professionals, AMCTO members are on the front lines of local government policy and management issues. The recommendations contained in this submission are opportunities where the Province can work with the municipal sector to support a resilient future for all Ontarians.

Any discussion about improving governance at the local level must begin with principles for improving and maintaining a strong provincial-municipal relationship. This includes utilizing opportunities to collaborate, co-design and share best practices and lessons learned to inform legislation, policies, programs and services.

Relying on municipal public servants who have the knowledge and expertise of what is happening 'on the ground' in neighbourhoods across the province can lead to improved outcomes for our communities.



Building Ontario Together

2023 Pre-Budget Submission

AMO Association of
Municipalities Ontario

Executive Summary

AMO continues to advance important work on housing supply and homelessness.

AMO will continue to shine a bright light on what is wrong with legislative changes that are based on a false premise. The provincial government's assertion that the housing supply crisis can be solved by limiting municipal access to infrastructure financing, eliminating environmental protections or changes to municipal governance is unsound.

Municipalities also understand that these laws are now in place and must be implemented as effectively as possible.

AMO continues to call on the province for a commitment to work with municipalities on the implementation of legislative changes; clarity about the province's commitment to fully offset financial losses associated with Bill 23; and openness to reversing legislative changes that have unintended consequences.

Increased housing supply is a top priority for municipalities in every part of Ontario. Despite recent legislative changes, municipalities are working with the industry to find ways of getting more homes built as quickly as possible.

At the same time that COVID-19 created an unanticipated spike in demand for houses in Ontario, it laid bare the failure of Ontario's public policy approach to homelessness.

The homelessness crisis in your community is a made-in-Ontario crisis brought about by the policy decisions and choices of successive provincial governments over the past three decades.

Inadequate investment in the health and mental health systems, and outdated approaches to addictions have failed people and families. Provincial policies on financial assistance contribute substantially to growing income disparity and poverty. Failures in provincial child welfare, social services, justice and corrections systems compound barriers to economic participation and contribute directly to homelessness.

The downloading of social housing and homelessness to municipalities in the 1990s hides the fact that our homelessness crisis is a product of provincial choices and policy levers entirely within the provincial sphere of authority, financial responsibility and accountability.

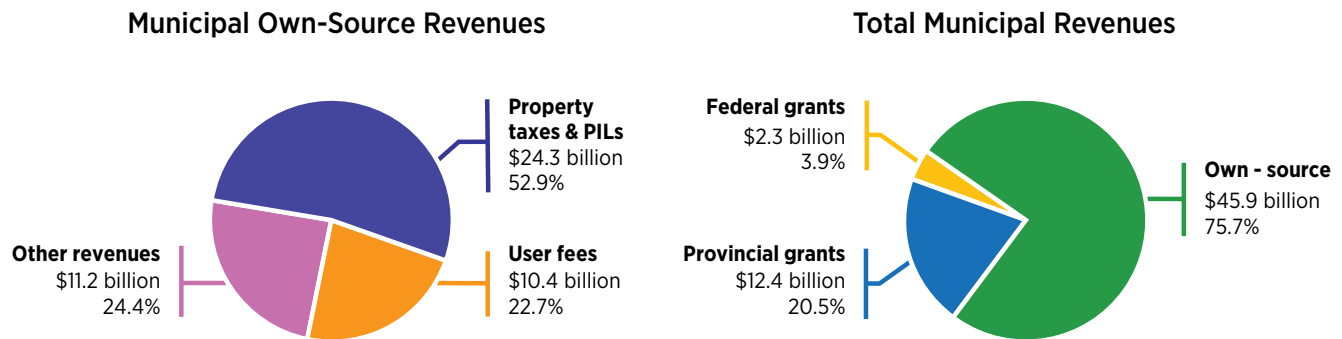
Ontario's homelessness crisis harms people and families. It undermines the social fabric and economic prospects of our communities. It imposes unnecessary costs on our institutions, community agencies and government.

The Government of Ontario has the tools and resources to end the homelessness crisis it has created over decades. It must surely possess the leadership, capability and political will to get the job done. AMO is calling on the Government of Ontario to take integrated and collaborative action to end homelessness in Ontario. Municipalities and partners in all social and economic sectors stand ready to assist with the task.

Key Partner in a Resilient Economy

A strong relationship between the Government of Ontario and its 444 municipal governments is the foundation for our collective prosperity. Municipal governments are a key partner in a resilient economy, investing revenues of \$61 billion annually in important public services and infrastructure.

Annual municipal own-source revenues were approximately \$46 billion in 2021, raised primarily through property taxes and payments-in-lieu of taxes. The other half was raised through user fees, and other revenues, such as development charges, licenses, and permits. Our federal and provincial partners provided an additional \$15 billion, bringing total municipal revenues to \$61 billion in 2021. In 2021, Ontario's provincial government had a revenue of around \$187.4 billion, meaning that Ontario's municipalities are equal to one third of total provincial revenue.



Municipalities are also doing their part to build key infrastructure, investing \$5.5 billion in own-source revenues annually since 2014 towards infrastructure projects across Ontario.

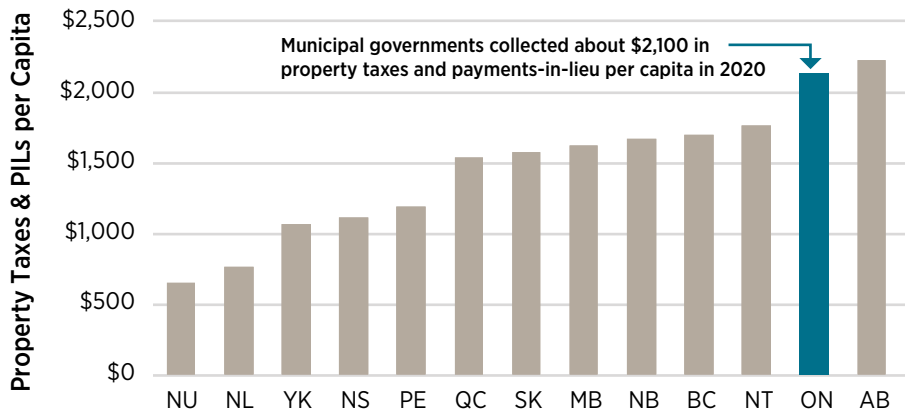
In addition to robust ongoing investment and service delivery, municipalities are engaging in ongoing and long-term processes for asset management planning. Municipalities use this to make the best possible investment decisions for their infrastructure assets – assets used every day by people across Ontario.

Not surprisingly, municipal reserves have grown over the past decade as municipalities have been required by the province to better coordinate decisions regarding the building, operating, maintaining, renewing, replacing and disposing of infrastructure assets. Municipal reserves are a good thing – a sign that we're in good hands and are ready to face new economic uncertainties facing us in 2023 and beyond. And while the overall state of municipal financial health is stable, being left solely responsible for many of the services and infrastructure that make Ontario a good place to live, work and raise a family is an ongoing concern.

Respecting the Single and Shared Taxpayer

Ontario and its 444 municipalities must work together and respect our single and shared taxpayer. Increased property taxes because of increased downloading of costs onto municipalities are passed directly on to current homeowners, including those on fixed incomes. Ontario already has the second highest property taxes and payments-in-lieu amongst all provinces and territories at \$2,100 per capita.

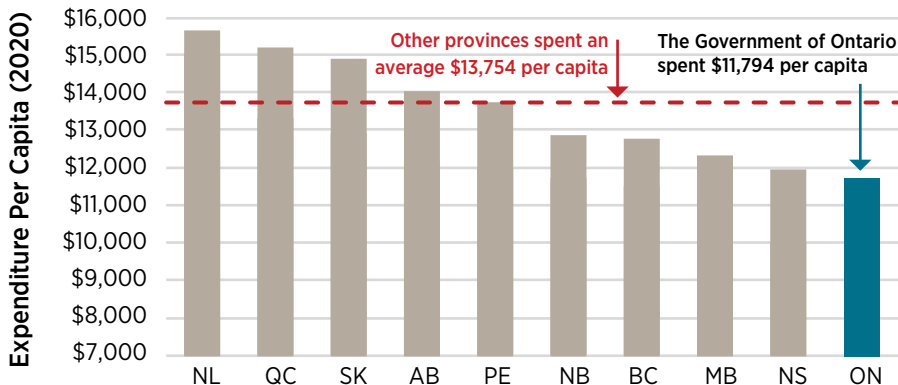
Per Capita Property Taxes & Payments-in-Lieu across Canada



The Cost of Chronic Provincial Underspending

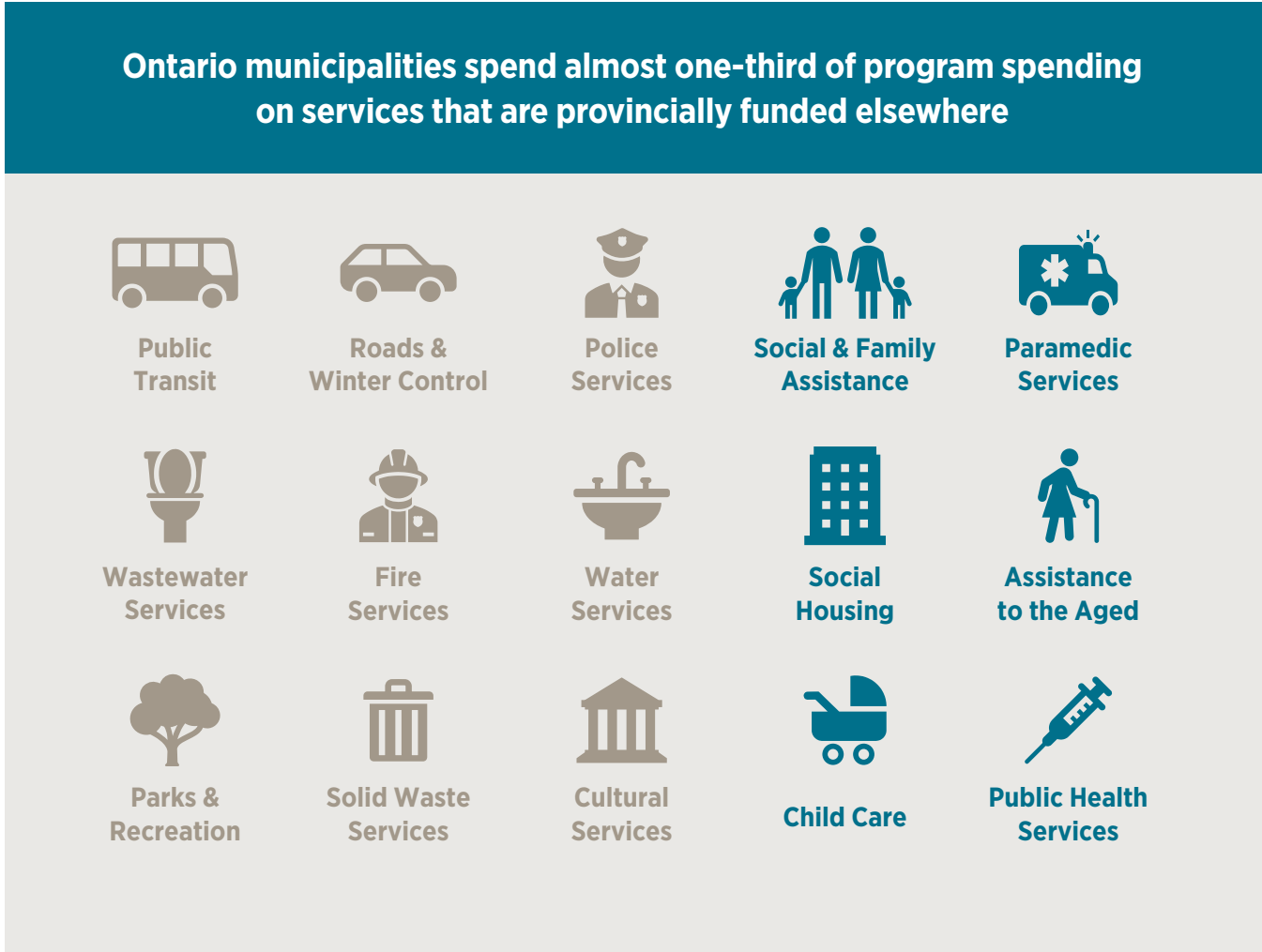
While property taxes in Ontario continue to be amongst the highest in the country, provincial program spending is the lowest in Canada at \$11,794 per capita. If Ontario’s program spending was equal to the average expenditures of the other provinces and territories, the Ontario budget would reflect an additional \$28 billion in expenditures annually.

Provincial Spending Per Capita across Canada



Municipalities in Ontario delivered \$61 billion in services and infrastructure in 2021, funded primarily through property tax and payments-in-lieu. Municipal governments provide the services that Ontarians rely on most on a day-to-day basis and at all stages of life, including garbage collection and recycling, public transit, water and sewage, parks and recreation, police and fire services, and electric utilities, amongst many others. In addition to these, Ontario’s municipalities spent 28.5% of their program spending on services that typically fall under provincial jurisdiction in other provinces in 2021.

As it prepares for the year ahead, AMO encourages the Government of Ontario to consider how provincial and municipal governments can work together to find the fiscal and policy solutions that support economic growth and prosperity.



Provincial Policy Changes Impacting Municipalities

AMO acknowledges and appreciates that many of the government's policy priorities seek to have a positive impact on municipalities.



Safe Restart Agreement

Over the past couple of years, historic investments in municipalities through the federal-provincial Safe Restart Agreement assisted municipalities in delivering important services to their residents and proceeding with capital projects that help drive economic growth across Ontario.



Social Services Relief Funding

The Social Services Relief Funding program helped municipalities in their frontline efforts to keep communities safe, deliver critical social services, support vulnerable individuals, and unlock supportive housing opportunities at the local level. This funding program has ended and there has been no clear commitment for future investment in Ontarians for 2023 despite the ongoing need.

The service needs supported through these programs still exist and are even growing as the pandemic has exacerbated complex policy challenges, including mental health and addictions. As a result, municipalities are struggling to meet these service needs in an economic environment that presents increased costs due to inflation, supply chain pressures and the highest cost of borrowing in over 10 years.



Ontario Municipal Partnership Fund

The Ontario Municipal Partnership Fund (OMPF) provides \$500 million in unconditional operating support from the province to 389 municipal governments. It uses an equalization approach to address challenges in rural and northern communities, with funding based on various community fiscal health indicators. As the main, unconditional transfer payment to municipalities, OMPF provides communities with access to predictable, formula-based funding that helps address enduring operational challenges.

While municipal governments continue to innovate and do more with less, they need more tools to help address increasingly complex policy challenges. Working together, we can find a better path to find solutions to complex problems felt on the ground first, including housing and homelessness.

Ontario's Housing Affordability and Supply Crisis

Municipalities agree that there are not enough homes being built to support population growth across Ontario, and what's more – that housing is becoming less affordable. We need to get homes built faster, but the provincial government's current approach jeopardizes our collective ability to meet this shared goal.

Simply put, the province's assertion that the housing supply crisis can be solved by limiting municipal access to infrastructure financing, eliminating environmental protections, and changing municipal governance is unsound.

Legislative changes in the fall of 2022 fundamentally altered the policy framework for land-use planning, environmental protection, growth and development, infrastructure financing, and municipal governance – all without any real collaboration with municipalities.

While AMO continues to identify significant challenges associated with recent legislative changes around housing, municipalities know that these laws are now in place and must be implemented as effectively as possible.

In 2023, AMO is calling on the province to commit to working with municipalities – on both a sound approach to implementation and on any new changes that will impact municipalities. An openness to course correcting recent legislative changes will be critical to successfully achieve effective change for Ontarians.

Investing in Municipal Infrastructure

Housing cannot be built without the critical water, wastewater, roads and transportation systems that that service development – regardless of whether it is built on new lands or as part of intensification efforts.

Municipalities have been clear that changes to the Development Charges Act significantly limit their ability to support growth. In many cases, these funding reductions will make it more difficult for municipalities to meet Ontario's ambitious housing supply goals. Suggesting that spending municipal reserves is the solution to making housing more affordable is a mistake. That is because most reserves are already allocated and restricted to specific infrastructure projects. Much of the remainder is fundamental to responsible asset management practices supported by all three orders of government.

Municipalities have estimated that additional funding of approximately \$1 billion annually will be needed to address this shortfall. The provincial government has committed to keeping municipalities' whole from the impacts of Bill 23 when it comes to delivering on the infrastructure to support growth. Details on when, where and how this funding will flow is urgently needed to enable the necessary planning, financing, and decision-making to build the public infrastructure required to support development.

In addition to sufficient funding, an efficient and effective system for planning and coordinating infrastructure across municipal boundaries will be a critical part of supporting growth. Bill 23's changes to the role of regional government raise serious concerns about how this will be accomplished going forward.

Working Together to Find Solutions

Legislative changes in the fall of 2022 fundamentally altered the policy framework for land-use planning, environmental protection, growth and development, infrastructure financing, and municipal governance. These are significant changes that will take time and money to effectively implement.

Building a better Ontario together requires housing targets that are realistic and achievable, and legislative and regulatory changes that support municipalities' ability to mitigate environmental risk and create livable communities. We need to take the time to get it right and be open to course corrections in the face of unintended consequences.

AMO Recommendations on Housing

The Government of Ontario should:

- Fully offset the costs of implementing the Housing Supply Action Plans – estimated at approximately \$1 billion annually until 2031.
- Work with municipalities to ensure that Ontario's land use planning system supports coordinated growth, responsible environmental management and liveable communities.
- Take a phased and practical approach to implementation that recognizes the scale of operational changes, includes transition funding, and builds sufficient capacity in the right places.
- Invite the municipal sector to the table as a full partner in future housing initiatives.

Ontario's Homelessness Crisis

On any given night, at least 16,000 Ontarians experience homelessness, with disproportionate impacts on Indigenous populations.¹ Homelessness has reached disastrous proportions in Ontario, with the COVID pandemic exacerbating underlying issues and making challenges much more visible. It is having a devastating impact on people, communities, and businesses across the province and will likely worsen with evolving economic conditions.

Homelessness is a challenge felt most by local governments but that has been fed by the policy choices of successive provincial governments over the past three decades. It is a systemic crisis that calls for an economic, social and health policy response. Factors that create and perpetuate homelessness are complex and varied. Solutions do not fit neatly into the responsibility of one order of government or any one ministry. While municipalities and District Social Service Administration Boards are doing their part, homelessness can only be solved through provincial commitment, resources and leadership.

Growing Income Insecurity

Across the province, a growing number of Ontarians can no longer afford the basic necessities of life. In Ontario, 45% of tenant households spend 30% or more of their total income on shelter. This is the highest rate across the country. By 2025, about 160,000 households will spend greater than 50% of their income on rent, putting their housing at risk and potentially becoming homeless. Food bank use in Ontario has skyrocketed, increasing 42% over the past 3 years alone. One-third of these visitors were using food banks for the first time, including growing numbers of workers.²

When people can't afford to pay rent and feed themselves and their families, they aren't able to work, take care of their kids, or contribute to the community. Despite recent increases to the Ontario Disability Support Program rates, in real terms ODSP and Ontario Works rates have never been lower, having not kept up with inflation for decades. Outdated and overly complicated rules keep people in poverty. Increasing social assistance rates and transforming social assistance to better help people to get back on their feet and fully participate in the economy will be a critical part of ending homelessness.

¹ Financial Accountability Office of Ontario – Housing and Homelessness Programs in Ontario (2021).

² Feed Ontario – The Hunger Report (2022).

Insufficient Supply of Deeply Affordable Housing

Deeply affordable housing includes a range of approaches – from government-owned buildings, to rent subsidies, to non-profit housing and co-operative developments – to provide housing for individuals who are unable to afford market rents. It is a smart way to invest tax dollars in community well-being and economic prosperity by providing people with dignity, opportunity, and a better quality of life.

Canada – including Ontario – lags significantly behind other OECD countries when it comes to the supply of social housing. A recent report from Scotiabank calls for Canada to double its social housing to begin to close this gap.³ Most social housing stock in Ontario has been made possible by past significant federal and provincial investments, primarily between the 1960s and 1990s. Provincial commitment has been limited since downloading responsibility for social housing to municipalities in the 1990s. Ontario remains the only jurisdiction in Canada where social housing is a municipal responsibility.

Each year, municipalities spend approximately \$1 billion in connection with provincial housing programs.⁴ During the pandemic, many municipalities invested in additional deeply affordable housing assistance to meet demand. Property taxpayers, including people on fixed incomes, cannot support the kinds of investments needed to keep up with demand. Bill 23 compounds this pressure by eliminating municipalities' ability to fund housing services with the help of development charges. Additional provincial investment is required to expand supply in a meaningful and sustainable way.

Inadequate Approach to Mental Health and Addictions

Ontario is currently experiencing a mental health and addictions crisis that intersects with and contributes to homelessness. People with poor mental health are more vulnerable; homelessness exacerbates mental illness – a tragic and costly cycle. Approximately 30-35% of those experiencing homelessness and up to 75% of women experiencing homelessness have mental illnesses.⁵

Ontario's Roadmap to Wellness program represents a step forward in addressing mental health and addictions challenges in Ontario. But progress has been slow and has not focused enough on people with complex social needs and the importance of integrating health and social supports. Inconsistent access to mental health and addictions services across the province results in gaps for many rural and northern communities that prevent progress on homelessness.

³ [Young, R. \(2023\). Canadian Housing Affordability Hurts: A Doubling of Social Housing Stock Could Help Those in Greatest Need. Scotiabank.](#)

⁴ Financial Accountability Office of Ontario – Ontario's Housing and Homelessness Programs (2021)

⁵ Homeless Hub. [Mental Health](#) (2023)

We know what works. Community-based mental health and addictions service providers work effectively with Ontario's most vulnerable, but decades of underfunding compounded by increased complexity of needs and health human resources challenges mean that demand is outpacing capacity.⁶ Supportive housing services are key to keeping many people with moderate to severe mental health and addictions challenges properly housed, yet estimates of the shortfall of units range from between 30,000 to 90,000.⁷ Municipal governments and District Social Administration Boards have stepped in to fill gaps in both capital and ongoing operating costs. This is not sustainable; the municipal property tax was never intended to fund health services like supportive housing.

An Emergency Response System Under Strain

The inter-related challenges of income, lack of deeply affordable housing supply, and mental health and addictions combine to put increasing strain on municipal tools and systems aimed at responding to the most acute needs. On most nights, demand far outpaces available spaces in emergency shelters in most Ontario municipalities. People are forced to relocate from small or rural communities where no emergency shelter is available. Highly visible informal encampments in public places create safety and fire risks. Outreach workers are reaching their breaking point, and more are needed to provide the services that can quite literally mean the difference between life and death.

During the pandemic, the provincial government responded with the Social Services Relief Fund (SSRF) – a significant and critical investment that went to services like emergency shelters and outreach workers. This program funding has ended despite an ongoing need. To adequately fund local homelessness prevention activities – including shelter beds, outreach, rent supplements, housing allowances and support to people to both find and maintain their housing – a significant and ongoing increase to base funding for the Homelessness Prevention Program (HPP) is required while we tackle system solutions.

⁶ [Ontario's CMHAs call for significant funding increase to community mental health and addictions this Bell Let's Talk Day \(2023\)](#)

⁷ Wellesley Institute – Supportive Housing in Ontario: Estimating the Need (2017)

AMO Recommendations on Homelessness

The Government of Ontario needs to demonstrate leadership on this critical issue where decades of provincial indifference have led to widespread failures in our social systems. The Government must demonstrate a commitment to action and bring together a broad range of partners to develop a plan to end homelessness.

As a foundation for ending homelessness, the Government of Ontario should take immediate action to:

- Increase provincial social assistance rates and make good on promises to transform the social assistance system;
- Increase the supply of deeply affordable housing by supporting a broad range of approaches – from acquisitions to conversions to renovations to rent subsidies;
- Invest in community-based mental health and addictions services including supportive housing; and,
- Increase base funding for the Homelessness Prevention Program to enable municipalities to reflect ongoing urgent need while we work to fix root causes.

Conclusion

AMO continues to advance important work on the affordability and supply of housing and ending homelessness. The province has the tools and resources to end the homelessness crisis it has created over decades and is why AMO is calling on the Government of Ontario to take integrated and collaborative action with municipal governments to these address complex policy challenges. It will take leadership, capability and political will from all orders of government to get the job done. Municipalities stand ready to assist with the task.

We all share a vision of a making Ontario the best place to live, work and raise a family. We are responsible to the same single and shared taxpayer in where we allocate our funds and what services we provide. AMO's vision for 2023 and beyond is to build on the strong municipal-provincial partnership fostered during the COVID-19 pandemic. Working together, we can build a better Ontario.