
Sent via e-mail to: Minister.fin@ontario.ca

November 1, 2022

The Honourable Peter Bethlenfalvy
Minister of Finance
Frost Building South, 7th Floor
7 Queen's Park Crescent
Toronto, Ontario
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Re: Housing Supply and Ontario's Fall Economic Statement

Dear Minister Bethlenfalvy:

As you plan for Ontario's Fall Economic Statement and the 2023/24 Budget you have an opportunity to work with municipalities to increase the supply of housing and to take real steps to improve housing affordability for all Ontario families.

AMO will respond to the many and complex policy aspects of Bill 23 in a way that reflects the economic, social, and environmental interests of municipal government, property taxpayers, and our communities. This letter is intended to begin a discussion about the fiscal framework needed to support the objectives of the Bill.

Ontario's development charges framework has been very effective since it was put in place in the 20th century. The legislation has resulted in the construction of millions of homes, generating billions in provincial and municipal taxes, and billions in industry profits. By any measure, it has been effective.

Its purpose has always been to balance public and private interests by ensuring growth pays for itself, thereby protecting the interests of current property taxpayers and future generations. The government's current proposal shifts that balance sharply, which jeopardizes the ability for municipalities to pay for core infrastructure. With the only alternative being increased property taxes, the province and municipalities will need to work together to rebalance the scale through other means.

Suggesting that spending municipal reserves is the solution to making housing more affordable is a mistake. As you are aware, most reserves are already allocated and restricted to specific infrastructure projects and much of the remainder is fundamental to responsible asset management practices supported by all three orders of government.

AMO is eager to work with the provincial and federal governments to ensure the federal Housing Accelerator Fund is put to work in Ontario municipalities to support additional housing starts. The \$1.6 billion intended for Ontario municipalities is an important start.

Addressing the problem of housing supply and affordability will require adequate investment in the infrastructure necessary to support it. Whether intensification or building on new lands, it will not happen without the expansion of public infrastructure.

As you plan for the Fall Economic Statement and next provincial budget, there is ample opportunity for the province to invest in the infrastructure necessary to get the job done.

The province's Land Transfer Tax (LTT) generated \$5.8 billion last year in provincial revenue, none of which is earmarked to support housing affordability. The amount exceeded the budget plan by \$2 billion in 2021/22 as the result of housing market conditions. This provincial tax provides an ideal opportunity to reallocate a consistent portion of revenue into a predictable stream of municipal infrastructure funding that supports housing growth and is tied to housing market activity.

The province also receives billions in HST revenue from housing construction and new home sales. This HST revenue, net of new home buyer rebates, provides a substantial source of provincial revenue that could be invested into municipal infrastructure. As in the case of the LTT, allocating a portion of these housing related provincial revenues to the municipal infrastructure needed to support housing growth can help the government succeed in meeting its new housing targets and would be tied to housing market economics.

We are also eager to discuss the opportunities that a conventional, multi-lateral infrastructure program can provide to spur economic activity and support increased housing supply. Past programs have built this province and the country and sparked economic growth and prosperity in Ontario in challenging economic times.

AMO would also welcome a discussion about the aspects of the provincial-municipal fiscal framework that limit our ability to invest municipal own source revenue in infrastructure. As you are aware, in the 1990s a previous government transferred financial responsibility for social housing to municipalities in order to reduce the provincial budget deficit. This is a problem unique to Ontario that, according to 2019 provincial data, results in municipalities making net expenditures of \$1.5 billion a year in what should be a provincial fiscal responsibility.

The provincial policy that requires municipalities to provide 10 percent of capital funding for new provincial hospitals is another example of municipal revenue diverted from municipal infrastructure and should be addressed as soon as possible.

In 2008, AMO and the City of Toronto negotiated the transfer of the municipal 20 percent contribution to social assistance benefit costs back to the province, which is now generating savings for municipalities of \$2 billion a year. In AMO's 2020 budget submission, AMO demonstrated that, by 2017, the savings leveraged \$4 billion in annual incremental municipal infrastructure investment – a return of 2:1. This submission also showed that the Government of Ontario's per capita program spending was the lowest of any province in Canada and that only BC was worse off than Ontario when it came to housing affordability.

It is also time that the province and municipalities have a broader conversation about housing affordability and homelessness. There is much the province can do to address these problems to increase opportunity, economic participation, and quality of life.

The discussion needs to be expanded to recognize that income disparity and declining incomes is an important affordability factor. AMO is also eager to engage the government on the other factors that contribute to homelessness including mental health and addictions and related policies in the provincial healthcare, justice and child welfare systems. The crisis in homelessness calls for broad, bilateral discussions and a whole of government commitment.

As you prepare for the year ahead, the provincial and municipal governments can work together to find the fiscal and policy solutions that support economic growth and prosperity. Let's build on your government's record of collaboration and support for municipalities which was so evident during the COVID pandemic. Municipalities share the government's goal of improved access to housing in Ontario. Let us help you get the job done.

Yours truly,



Colin Best
AMO President
Halton Regional Councillor

cc. The Honourable Doug Ford, Premier of Ontario
The Honourable Steve Clark, Ontario Minister of Municipal Affairs and Housing
The Honourable Kinga Surma, Ontario Minister of Infrastructure
The Honourable Dominic LeBlanc, Minister of Intergovernmental Relations,
Infrastructure and Communities
The Honourable Ahmed Hussen, Minister of Housing and Diversity and
Inclusion
Mayor John Tory, City of Toronto
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