



# 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Inadequate investment in the health and mental health systems, and outdated approaches to addictions have failed people and families.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.

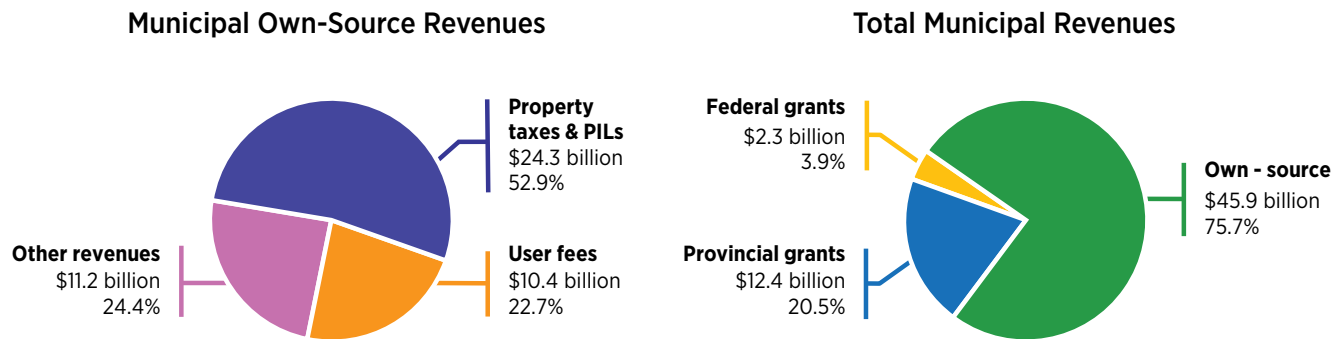
Ontario's homelessness crisis harms people and families. It undermines the social fabric and economic prospects of our communities. It imposes unnecessary costs on our institutions, community agencies and government.

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.

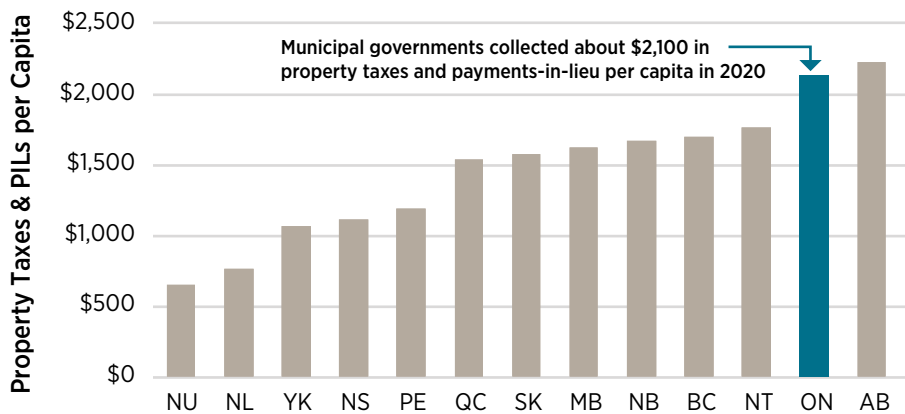
In addition to robust ongoing investment and service delivery, municipalities are engaging in ongoing and long-term processes for asset management planning. Municipalities use this to make the best possible investment decisions for their infrastructure assets – assets used every day by people across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

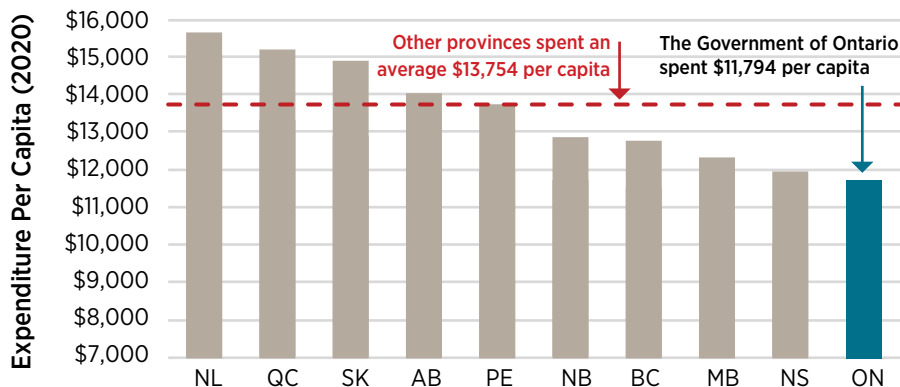
## Per Capita Property Taxes & Payments-in-Lieu across Canada



## 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.<sup>1</sup> 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.<sup>2</sup>

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.

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

<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup>

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.

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

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

<sup>5</sup> 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.<sup>6</sup> 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.<sup>7</sup> 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.

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

<sup>7</sup> 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.