

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

From: Kelly Strueby
Acting Commissioner of Finance and Regional Treasurer

Date: April 19, 2022

Re: 2022 Federal Budget – Potential impact for York Region

On April 7, 2022, Finance Minister Freeland delivered the 2022 Federal Budget (the “Budget”) titled, “A Plan to Grow Our Economy and Make Life More Affordable.” This memo highlights some of the key announcements contained in the Budget and their potential impact for York Region.

The Budget’s primary themes include investing in people, investing in ‘the Green Transition’ and investing in innovation and productivity. The government proposes significant investments in housing, healthcare, infrastructure, and economic development initiatives to support those themes.

Once the Budget is passed, the Federal government will have the authority to implement the proposed funding initiatives outlined below.

Canada’s economy has reached pre-pandemic levels for most major indicators, with inflation being the primary concern

Information contained in the Budget suggests Canada’s economy has largely recovered from the pandemic. By the end of 2021, Canada’s real Gross Domestic Product (GDP) had surpassed pre-pandemic levels, and additional growth of 3.9% is projected for 2022.

The Budget anticipates higher inflation rates during 2022 (5.7% in February) but expects the rates to decline in the coming years (see Table 1).

Table 1
Macro-Economic Indicators

Indicator	2022	2023	2024	2025	2026
Real GDP Growth	3.9%	3.1%	2.0%	1.9%	1.8%
CPI Inflation	3.9%	2.4%	2.2%	2.1%	2.0%

Significant new investments in housing are proposed

Finance Canada and the Canada Mortgage and Housing Corporation (“CMHC”) estimate Canada will need to build 3.5 million new homes by 2031, which represents a more than 20% increase over the current housing stock. To achieve this goal, the Budget contains several new initiatives and enhancements to existing programs:

- **Housing Accelerator Fund:** CMHC to launch a [new fund](#), totaling \$4 billion over five years, that will target the creation of 100,000 net new housing units.
 - Proceeds from the fund could be used to hire additional planning staff, offer offsets for land purchases, infrastructure, assistance with costs related to inclusionary zoning bylaws, and identify vacant or underused property that should be converted to housing. While program details are not yet available, this initiative could support the Region’s current efforts to develop options for identifying vacant homes and incentives for owners to sell or lease the property to someone who will occupy it.
- **Rapid Housing Initiative:** A third round of funding for this initiative, totalling \$1.5 billion over two years, to create 6,000 new affordable units with 25% of the funding going towards women-focused housing projects.
 - York Region has previously applied for funding under the Rapid Housing Initiative but was unsuccessful. As the Region has several projects that could meet the criteria, staff will consider reapplying for funding when permitted.
- **National Housing Co-investment Fund:** Advancing \$2.9 billion of spending associated with the \$13.2 billion National Housing Co-investment Fund, a CMHC program designed to support the new and revitalization construction of mixed-income, mixed-tenure, mixed-use affordable housing, so that all remaining funds will be spent by 2025-26. This could accelerate the creation of up to 4,300 new units and the repair of up to 17,800 units.
 - York Region has successfully applied for funding from this program in the past. Staff will review the program changes and where appropriate, apply for future projects.
- **Rental Construction Financing Initiative (“RCFI”):** Enhancements to this initiative are intended to help incentivize developers to provide more affordable and energy efficient rental units.

- The Region has [financial programs](#) for incentivizing rental development. Staff will evaluate this program for any potential funding opportunities and synergies with the Region's activities.
- **Co-operative Housing Development Program:** The Budget proposes to reallocate \$500 million from the National Housing Co-Investment Fund to launch a new program aimed at expanding co-op housing in Canada,
- The Budget also proposes to reallocate \$1 billion from the Rental Construction Financing Initiative to establish loans that support coop housing projects.
 - Although program details are unknown, this funding appears to be directly available from CMHC to housing providers building co-operative housing. The Region may not be eligible for this program, as it typically builds non-profit housing, which is a different governance model.
- **Public Transit Shortfalls:** The Budget confirmed an earlier commitment from March 22, 2022, to provide up to \$750 million in 2021-22 to support municipalities as they address their public transit shortfalls.
 - York Region has experienced a significant drop in transit ridership and resulting additional costs due to the pandemic. Recovering to pre-pandemic levels is expected to be gradual over the next few years. Staff will review the program details once they are available and will plan to apply for funding if the Region meets the eligibility criteria.

The Budget includes other initiatives aimed at enhancing affordability

- **Foreign investment in residential property:** Investment will be banned for a period of two years
- **Underused Housing Tax:** A new tax has been proposed for non-resident non-Canadians who purchase a home.
- **Multigenerational Home Renovation Tax Credit:** A new tax credit to support families with multiple generations living in one home will provide up to \$7,500 (15% of the construction cost up to \$50K) in support for constructing a secondary suite for a senior or an adult with a disability.
- **Canada Community-Building Fund (formerly the Federal Gas Tax):** Greater flexibility in the use of funds will be offered to help to increase housing supply. Any modifications to the fund will occur after the current administrative agreements expire in 2023.
- **Large corporations and housing:** The Federal government will review the role of large corporations in the housing market and the impact on Canadian renters and homeowners. Staff had previously examined home ownership data to determine the extent and corporate ownership within the Region. The data at the time was

inconclusive. Staff will monitor the Federal review and report on any relevant developments.

- **Review of the impact of foreign money on housing costs:** The government will also continue to monitor this impact across Canada. York Region staff previously attempted to study this issue at the Regional level, however data limitations did not allow for any meaningful conclusions.

The Federal government renewed its commitment to infrastructure investments

The Budget restated the Government's long-standing commitment to investing in Canada's infrastructure. Existing programs were enhanced to compensate for Covid-related delays while new programs to upgrade the supply chain infrastructure and rail systems were introduced.

- **Investing in Canada Infrastructure Program ("ICIP"):** The deadline for provinces to fully commit their remaining funding under the ICIP will be shortened from March 31, 2025, to March 31, 2023. The Province of Ontario has \$1.1 billion in Federal funding that has not been allocated to projects. At this juncture, it is unclear which ICIP funding streams still have funding available and what opportunities may exist for the Region. Staff will follow up with provincial officials to discuss potential projects and eligibility to determine if any Regional projects could benefit from the remaining funding.

The Budget also announced the deadline for completing ICIP construction projects will be extended from October 2027 to October 2033. This extension recognizes delays caused by the pandemic. The Region is a recipient of ICIP funding under several funding streams and is currently planning to complete its projects within the original timeframe.

- **Zero Emission Vehicle Infrastructure:** The Budget committed an additional \$900 million for new Zero Emission Vehicle Infrastructure program through the Canada Infrastructure Bank and Natural Resources Canada. Once additional program details are available, staff will evaluate potential funding opportunities for the Region.

Staff will continue to monitor the roll-out of budget announcements to assess opportunities, evaluate potential impacts, and bring forward reports and recommendations as required.

For more information on the memo, please contact Edward Hankins, Director of Treasury Office and Deputy Treasurer, at 1-877-464-9675 ext. 71644.



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