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## Report of the Commissioner of Finance 2024 Ontario Budget Consultation

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### 1. Recommendations

1. Council endorse this report, including the specific requests outlined in Tables 1 and 2, as York Region's submission to Ontario's 2024 Budget consultation.
2. The Regional Clerk send a copy of this report to the Premier of Ontario, Minister of Municipal Affairs and Housing, Minister of Finance, local Members of Provincial Parliament and local municipalities.

### 2. Purpose

This report largely summarizes requests made to the Province during 2023 and seeks Council's endorsement to include them as part of the Ontario 2024 Budget consultation process. The deadline to make submissions is January 31, 2024.

#### Key Points:

- As a result of Bill 23, *More Homes Built Faster Act, 2022* (Bill 23) changes to the *Development Charges Act, 1997*, (Act) currently in effect, staff estimate development charge collections would be reduced by approximately \$700 million over the next ten years. Reductions would increase once exemptions for affordable ownership and rental housing, contemplated by Bill 134, *Affordable Homes and Good Jobs Act, 2023*, take effect
- Without funding support from the Province, development charges collection reductions, would need to be offset by other funding sources, including a potential additional tax levy increase of 3.7% in 2024 and an additional user rate increase of 7.9% in 2025, to accommodate planned growth, maintain existing assets and avoid service level reductions

- York Region municipalities received targets totalling 150,000 new homes by 2031. To adequately service this growth and meet 100% of the targets, the Region would need to invest an additional \$2.6 billion for infrastructure in a fiscally sustainable way, which is over and above the near \$7.6 billion in growth-related infrastructure already included in the 2024, 10-year Capital Plan
- Despite providing vital housing-related infrastructure, upper-tier municipalities, like York Region, are not eligible for the Building Faster Fund and it is unclear if they will be eligible for the recently announced Housing-Enabling Water Systems Fund
- The Region continues to advocate for senior government funding to address critical infrastructure needs, meet Provincial mandates and deliver social programs to a growing population. The requests contained in this report are consistent with, and supported by, previous Council positions through 2023
- The Province is requested to amend the Act to ensure non-profit housing receiving exemptions delivers housing that meets a required level of affordability

### 3. Background

#### **Stakeholders will be able to provide input into the 2024 Ontario Budget until January 31, 2024**

On October 19, 2023, the Minister of Finance [announced](#) stakeholders would have the opportunity to provide input to the Province of Ontario's 2024 budget process. Pre-budget in-person consultations are being held across the province from November 2023 to January 2024, with the [opportunity](#) to provide written submissions by January 31, 2024. The 2024 Budget is expected to be delivered in March.

#### **Council has made a number of requests to the Province during 2023**

Council has made several requests to the Province during 2023 which have been used as the basis of York Region's proposed submission. These have been summarized into five categories: addressing the financial impact of Bill 23; infrastructure required to meet new provincial housing targets; housing affordability challenges; transit priorities; and human and health services needs.

#### **A \$700 million reduction in development charges collections is anticipated over the next ten years, for impacts of Bill 23 currently in effect**

Development charges are used to pay for the additional infrastructure needed to service new growth. Bill 23 reduced the amount of development charges the Region will be able to collect by phasing in Council-approved rates, eliminating or reducing eligible services and providing potential new discounts and exemptions to developers. Throughout 2023, the financial impact of Bill 23 was refined as more information from the Province became available. The most recent estimate, as reported in the 2024 [Fiscal Strategy Report](#), is that the collection reductions would

be approximately \$700 million over the next ten years, comprised of \$284 million in reduced collections for water and wastewater services and \$415 million for all other services. The \$700 million does not include changes to the Act, that are not currently in effect, that would provide exemptions for affordable rental, affordable ownership and attainable housing and would result in further reductions beyond the current estimate.

The Province recognized that Bill 23 posed a challenge to municipalities and in a November 30, 2022 letter to the City of Toronto and the [Association of Municipalities of Ontario \(AMO\)](#) indicated it will assist in transition by keeping municipalities financially whole. However, to date, the Province has not made any funding commitment to address the Region's expected development charges collection reductions.

In the absence of funding from other levels of government, collection reductions, due to Bill 23, would have to be made up from non-development charges revenue. As an example, the one-time additional tax levy and user rate increase required to fund the 2024 to 2033 development charges collection reductions would be 3.7% in 2024 and 7.9% in 2025, respectively.

### **To support 100% of Provincial housing targets, the Region would need an additional \$2.6 billion to build more unplanned and accelerated infrastructure**

To support the Provincial Housing targets, York Region would need to grow by about two to four times higher than historic trends. The significant advancement of population growth creates new infrastructure pressure for the Region. The 2024, 10-year capital plan includes nearly \$7.6 billion of growth-related infrastructure. Of this amount, just under \$3 billion will be for water and wastewater and just over \$3 billion will be for roads and transit spending to support growth across the Region. This investment represents the maximum that the Region can afford while maintaining its debt at a fiscally sustainable level.

To meet 100% of these targets, the 10-year Capital Plan would require an additional \$2.6 billion in unplanned and accelerated infrastructure, including transit, [water, wastewater](#), roads, and housing. If the Region is required to finance these projects using its own resources, it will cause debt levels to elevate and be maintained well above levels recognized in previous analyses to be fiscally sustainable.

In [November 2023](#), Council passed a resolution requesting the Province:

- Contribute funding toward the cost of unplanned and accelerated infrastructure to meet the housing targets
- Commit to keeping the Region financially whole from the reduced development charges collections
- Make upper-tier municipalities eligible for funding under the Building Faster Fund and the Housing-Enabling Water Systems Fund

## **Provincial support is needed for housing affordability needs, including increasing the supply of community housing**

Council declared that York Region is facing a housing affordability crisis in [February 2021](#). As in [prior years](#), in [March](#) and [June](#) 2023, Council requested that senior levels of government commit two-thirds of the cost to build an additional 1,852 housing units to address growing needs, with the Provincial one-third share totalling \$216 million. Council has also previously requested that the Province provide the Region with its share of Provincial revenues collected through the Non-Resident Speculation Tax (NRST) to support York's affordable housing initiatives, most recently through the [2023 Ontario budget consultation](#) process. The latest publicly available figures showed that between 2017 and 2022, the Province collected \$1.06 billion in NRST revenues, of which [\\$258 million](#) was collected from York Region.

Although the Canada-Ontario Community Housing Initiative (COCHI) and the Ontario Priorities Housing Initiative (OPHI) help provide support housing provider capital repairs, they are not sufficient to address both capital repair and new supply needs and funds such as OPHI are expected to taper off by 2027-28.

The [Community Housing Development Master Plan](#) will identify development opportunities, estimated costs, and potential funding sources. The Plan will support the Region's continued advocacy and will help the Region to respond quickly to available funding opportunities. Without increased funding for development, rent subsidies and new rental supply, the Region will not be able to sustain or increase the number of households offered housing in future years.

## **Rising cost of living and a lack of affordable housing options place increasing pressure on homelessness programs and supports**

In [February 2023](#), Council approved a total budget of \$31.8 million for programs aimed at combating homelessness, of which \$13.3 million is tax levy-funded. Also in February 2023, Council allocated [\\$12.8 million](#) over two years, with provisional funding sourced from the Pandemic Management and Recovery Reserve Fund, including \$4.1 million to address urgent needs of residents experiencing homelessness, \$5.5 million to increase, sustain and enhance the community housing system, and \$3.2 million to address human services gaps, including mental health and human trafficking supports. Although the Region continues to align with its mandate as Service Manager for housing and homelessness, senior government funding is critical to help meet growing demand.

This includes in [March 2023](#), York Region Council along with AMO requested that the Province acknowledge homelessness as a social, economic, and health crisis and take action to address it. In February 2023, York Region Council approved a gross expenditure budget of \$31.8 million for programs that directly address homelessness, with \$13.3 million funded through regional tax levy. A [June 2023](#) Memorandum reported the number of people experiencing chronic homelessness grew by 63% increase in between 2019 and 2022, and the number of people living unsheltered grew by 39% from 2021 to 2022.

## **Building a transportation network to accommodate growth requires partnership with all levels of government**

The Region's [2022 Transportation Master Plan](#) guides the long-term vision for the Region's transportation network and guides the Transportation Capital Program. To sustainably deliver on a connected, efficient and reliable transportation network for the Region's growing communities, Council has advocated for Provincial funding for priority [Bus Rapid Transit](#) projects. Although these can only move forward with the support of senior governments, the Region's [Tabled 2024 Budget](#) includes spending to advance priority bus rapid transit projects to a state of readiness. Council has also [requested](#) the Province to invest in 400 series highways, GO rail service expansion and other needs required to address growth.

## **Additional funding is required for critical health, child care, long-term care and other human services to meet growing needs**

While Provincial funding helps support critical programs like Public Health and Long-Term Care, it does not fully bridge the gap in funding impacts of legislation or fully fund the Province's share of costs. For instance, although the [Region continues to meet Ontario Public Health Standards](#) for the Region's growing population, York Region has historically contributed more than the required cost share for mandatory programs. Although the Province is responsible for mental health services and programs supporting survivors of domestic violence and human trafficking, [funding in these areas is insufficient](#) to meet growing needs.

The Region's [Ontario Works](#) caseload grew by 55% between 2018 and 2023, driven in part by an increase in refugee claimants, without an equivalent increase in administration funding. In addition, Ontario Works benefit amounts have not kept pace with growing costs. Council also [requested support](#) from senior governments to manage additional pressures on the Region's social services and emergency and transitional housing caused by an influx of asylum seekers.

The Federal-Provincial Canada-Wide Early Learning and Child Care (CWELCC) agreement's objectives include improving access to child care, increasing affordability, and addressing needs for priority populations. As reported in [March 2023](#) and in [September 2023](#), the Province's allocation of 1,882 new licensed child care spaces over five years (2022-2026) through CWELCC falls short of the Region's estimated need for 7,372 spaces.

## **Committed dedicated funding is needed to manage impact of other legislative requirements**

Direct compliance with the *Fixing Long-Term Care Act, 2021* and regulatory amendments which came into effect in April 2022 and April 2023 requires additional infrastructure and staffing resources. In [April 2023](#), Council endorsed a request to the Province to fully fund the impacts of the new legislation and to increase base level-of-care funding.

Under the *Police Services Act*, York Region is required to develop a [Community Safety and Well-Being Plan](#). The Community Safety and Well-Being Plan was approved by Council in May 2022 which supports the Healthy Communities Priority of the 2023-2027 Strategic Plan and

supports York Region’s vision of strong, caring and safe communities. Although mandated by the Province, there is no dedicated provincial funding to support the Plan. Regional Council has allocated approximately \$435,000 through the 2023 budget.

## 4. Analysis

### **Provincial support is requested to help continue delivering critical programs while addressing legislative changes, population growth, and affordability pressures**

While recognizing the Provincial support currently received, there is a need for additional funding to effectively manage capacity pressures, respond to legislation and accommodate growth. In line with previous advocacy and Council positions, Provincial support is requested to sustainably deliver critical infrastructure and services. Table 1 below summarizes the requests made during 2023.

**Table 1**  
**Proposed 2024 Provincial Budget Consultation Submission**

<b>Categories</b>	<b>Requests</b>
<b>Addressing Financial Impact of Bill 23</b>	<ul style="list-style-type: none"> <li>• Confirm that the Region will be made financially whole as a result of changes to the Act, due to Bill 23, including:               <ul style="list-style-type: none"> <li>○ For changes currently in effect, which are currently estimated to be at least \$284 million for water and wastewater-related infrastructure and \$415 million for all other infrastructure over the next ten years; and</li> <li>○ For changes not yet in effect, with respect to exemptions for affordable and attainable housing, from the reduced development charges collections</li> </ul> </li> </ul>
<b>Infrastructure Required to Meet Provincial Housing Targets</b>	<ul style="list-style-type: none"> <li>• Contribute funding towards the cost of the unplanned and accelerated infrastructure needed to meet the Provincial housing targets, including a capital contribution to York Region’s sewage, roads, transit and housing infrastructure costs that are increasing by more than \$2.6 billion</li> <li>• Make upper-tier municipalities eligible for funding under the Building Faster Fund which could provide up to \$400 million in total funding per year, for three years, to municipalities that are on track to meet their targets</li> <li>• Make upper-tier municipalities eligible for funding under the newly announced Housing-Enabling Water Systems Fund which could provide all Ontario municipalities with up to \$200 million in total funding, over three years</li> </ul>

Categories	Requests
<b>Housing Affordability Challenges</b>	<ul style="list-style-type: none"> <li>• Contribute \$216 million as the Province’s one-third share of funding for 1,852 new community housing units</li> <li>• Provide York Region with its share of Provincial NRST revenues to support affordable housing initiatives, reported to be \$258 million to the end of 2022</li> <li>• Provide increased, long-term and predictable capital programs such as OPHI and COCHI to support the Region’s goal to increase the supply of community housing and sustain existing supply</li> <li>• Provide increased, long-term and predictable funding beyond 2029 for the Canada-Ontario Housing Benefit to improve affordability and provide stability for renters</li> <li>• Increase capital and operating funding for construction and administration of required emergency and transitional housing facilities due to ongoing increases in service demand</li> </ul>
<b>Transit Priorities</b>	<ul style="list-style-type: none"> <li>• Maintain programs to support transit service recovery and growth including maintaining provincial gas tax funding at current levels</li> <li>• Provide the Region with additional funding for priority bus rapid transit projects including Jane Street North (Highway 7 to Major Mackenzie Drive), Enterprise Boulevard (Andre De Grasse Street to Kennedy Road), and Highway 7 East (Kennedy Road to York Durham Line)</li> <li>• Make a long-term commitment to fund fare integration required to support integrated transit in the GTA and improve utilization of cross-boundary services including Spadina and Yonge Subways</li> <li>• Support growth with new or improved 400 series and arterial highways and interchanges, GO Rail service expansion (new stations and extensions of two-way, all day and 15-minute or better service)</li> </ul>
<b>Human and Health Services Needs</b>	<ul style="list-style-type: none"> <li>• Contribute funding to ensure York Region will be made financially whole due to unplanned expenditures to support the influx of refugees, refugee claimants and asylum seekers, estimated to cost up to \$4.3 million until March 31, 2024 with possible additional costs if initiatives are extended</li> <li>• Increase and index Ontario Works rates with inflation, similar to Ontario Disability Support Program, and increase administration funding to manage a growing caseload</li> </ul>

Categories	Requests
	<ul style="list-style-type: none"> <li>• Allocate additional funding for a total of 7,372 licensed CWELCC child care spaces to York Region to respond to resident needs, and increase wages of child care centre staff, including Registered Early Childhood Educators to support recruitment and retention</li> <li>• Align operating funding for administration of Public Health programs with increases in service demand, population growth and inflation to the 75%/25% provincial, municipal split</li> <li>• Contribute funding towards ongoing operational and additional expenditures resultant from regulatory changes under the <i>Fixing Long-Term Care Act, 2021</i>, including estimated annual impacts of Phase 1 amendments of up to \$650,000 per home per year, and Phase 2 costs of an additional \$400,000 per home over a 10-year period</li> <li>• Provide dedicated, long-term funding for implementation of Community Safety and Well-being Plans as mandated under the <i>Community Safety and Policing Act, 2019</i></li> <li>• Provide increased and long-term funding for the provincial anti-human trafficking strategy and local capacity to respond to ongoing increase of these crimes in Ontario</li> </ul>

**It is recommended Council request the Province amend the *Development Charges Act* to ensure non-profit housing receiving exemptions delivers housing that meets a required level of affordability**

Currently, non-profit residential developments receiving a development charges exemption under section 4.2 of the *Development Charges Act, 1997* are not required to deliver any level of affordable housing or maintain their non-profit status for any timeframe.

To address this, Council could request that the Province make the changes outlined in Table 2. Staff recommend deferring to definitions of affordability contained in federal, provincial, or municipal funding programs rather than prescribing a specific, qualifying, ‘affordable’ definition. The rationale for not providing a prescribed ‘affordable’ definition is as follows:

- There are competing affordability definitions embedded within federal/provincial/ municipal programs
- Market rents are used in non-profit housing developments to help reduce overall operating costs or offset costs for subsidized units



- A non-profit housing provider’s non-profit status, and mandate to deliver affordable housing, would be reflected in its articles of incorporation, and would restrict what it can do with its revenues, which in turn should restrict what the provide can charge in rent

**Table 2**

**Proposed Amendments to development charges exemptions for non-profit housing**

- Amend section 4.2 of the Act, providing that non-profit rental or ownership housing developments, receiving this exemption, must be developed under a prescribed federal, provincial, or municipal program that includes affordability criteria\*.
  - In an instance where a non-profit rental or ownership housing development was developed without assistance from a federal, provincial, or municipal program, qualification to be determined by the municipal Council.
- Amend section 4.2 of the Act, providing that any non-profit housing development receiving this exemption must maintain its non-profit status, as defined under the Act, for 25 years (time frame aligning with the affordable ownership exemptions under the Act).
- To ensure developments receiving these exemptions maintain their non-profit status, it is requested that agreements be required and that they be registered on title. Together with registering agreements on title, should the non-profit status of the development change within the first 25 years, it is requested the development charges which would have ordinarily been due, become immediately payable plus interest, at a rate of Prime +1%\*\*

\*The Province is also requested to consult municipalities in developing prescribed list of programs

\*\*Prime + 1% aligns with the maximum interest charge applicable to freezing and installment provisions under sections 26.1 and 26.2 of the Act

**Responding to the 2024 Provincial Budget consultation supports York Region’s Vision focus of good government and economic vitality**

York Region’s [Vision](#) of good government is one that is democratic, accessible, equitable and reliable. This response is evidence of the reliability of Regional Council as well as Council’s commitment to delivering fiscally sustainable services in support of growth. The requests included in this report, if reflected in the 2024 Ontario budget, would support all areas of focus of the Region’s Vision, including Healthy Communities, and Sustainable Environment as well.

**5. Financial Considerations**

While there are no immediate financial considerations associated with the recommendations of this report, the submission is expected to help inform the 2024 Ontario budget. Should the Province adopt the proposed requests, our active participation could lead to crucial provincial investments and policy adjustments aimed at offsetting the financial burdens introduced by Bill 23, supporting the delivery of critical infrastructure required to achieve Provincially mandated housing targets, and continuing to deliver quality services to York Region’s growing population.

## 6. Local Impact

The submission as part of the 2024 Provincial Budget consultation process, is intended to support the continued provision of vital infrastructure and servicing required in a financially sustainable way to all nine local municipalities.

## 7. Conclusion

This report largely summarizes positions and requests that Council has made throughout the year that if endorsed, would form York Region's submission to the Ontario 2024 Budget consultation.

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For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by:



**Laura Mirabella**

Commissioner of Finance and Regional Treasurer

Approved for Submission:



**Erin Mahoney**

Chief Administrative Officer

December 14, 2023  
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