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## Report of the Commissioner of Finance 2025 Ontario Budget Consultation

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### 1. Recommendation

1. Council endorse this report, including the specific requests outlined in Appendix A, as York Region's submission to Ontario's 2025 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 outlines requests made to the Province during 2024 and in prior years, and seeks Council's endorsement to include them in the Ontario 2025 Budget consultation process. The deadline for submissions is February 3, 2025.

#### Key Points:

- While the Region is investing over \$8 billion in growth-enabling capital over the next 10 years, to adequately service growth, Provincial funding is needed, including for \$2.4 billion in unfunded critical bus rapid transit and community housing infrastructure.
- The Region continues to advocate for increased and sustained funding from senior levels of government to support affordable housing, growth-enabling infrastructure including the North York Durham Sewage System expansion, and social and human services.
- Provincial support is requested to address the estimated \$279 million reduction in development charges collections over the next ten years due to recent amendments to the *Development Charges Act, 1997*, to avoid the need for additional tax levy and user rate increases

### 3. Background

#### **Stakeholders will be able to provide input into the 2025 Ontario Budget until February 3, 2025**

On November 14, 2024, the Minister of Finance announced stakeholders would have the opportunity to provide input into the Province of Ontario's 2025 Budget process. Pre-budget in-person consultations are being held across the province from November 2024 to February 2025, with the option to submit written input by February 3, 2025. While the Province has not yet announced the date the 2025 Budget will be released, based on recent years, it is expected to be delivered in March.

#### **Previous advocacy efforts were the starting point for the proposed 2025 Ontario Budget submission**

Council's advocacy efforts through 2024, including participation in the [2024 Ontario Budget Consultation](#), and endorsement of the [Social and Economic Prosperity Review](#) proposed by the Association of Municipalities of Ontario (AMO), formed the foundation of York Region's proposed submission. Introduced as part of AMO's 2024 pre-budget submission, the review reinforces the critical need for infrastructure to support growth. It also highlights the challenges of housing affordability and the provision of health and social health services, emphasizing the importance of sustainability and a more accountable provincial-municipal relationship. These have been summarized into five categories: infrastructure required to support growth, housing affordability challenges, transit priorities, human and health services and other needs.

#### **Senior government funding is required to enable the Region to deliver priority growth-enabling infrastructure**

The [2025, 10-year capital plan](#) includes over \$8 billion in growth-enabling infrastructure, including \$3.2 billion for water and wastewater that will enable an additional 70,000 housing units in addition to the 80,000 already serviced and ready for construction. The other \$4.8 billion in growth-enabling projects include continuing to invest \$1.12 billion in the Region's share of the Yonge North Subway Extension, adding 101 kilometres to road networks, expanding transit services, and building 400 community housing units.

The \$8 billion in growth infrastructure includes \$31.3 million to advance environmental assessments and preliminary engineering for priority bus rapid transit (BRT). These efforts are to make the projects shovel-ready, enhancing the likelihood of securing funding from other levels of government.

To adequately service growth, the Region would need to invest an additional \$2.4 billion over the next 10 years for unfunded priority projects, including \$2.0 billion for BRT projects and \$380.2 million toward community housing. These amounts are not included in the Region's 10-year capital plan as they cannot go ahead without senior government support.

## **Building a transportation network to enable increased housing and job growth requires partnership with all levels of government**

Over the next 10 years, the \$2.0 billion in unfunded transit projects includes \$1.7 billion for the Region's priority BRT projects along Jane Street in Vaughan and Highway 7 East in Markham, and \$0.3 billion to advance environmental assessments, preliminary engineering and design and construction of future BRT corridors (Leslie Street and Major Mackenzie Drive).

On July 17, 2024, the federal government [launched](#) the Canada Public Transit Fund (CPTF), a new \$30 billion investment over the first 10 years aimed at expanding public transit, starting in 2026. Most of this funding, the \$20 billion Metro-Region Agreement stream, requires participation in a joint application led by the Province.

As detailed in an [October 24, 2024 report](#) to the York Region Rapid Transit Corporation (YRRTC) Board of Directors, The Region will continue to work with YRRTC, local municipalities and the Province to support the Metro-Region Agreement stream application requirements. In addition to the potential 40% Federal contribution to capital projects through the CPTF, a Provincial cost-share is needed. Early confirmation of the provincial government's share of costs will enable the Region and the York Region Rapid Transit Corporation to continue to effectively plan and proceed with priority BRT projects along Jane Street and Highway 7 East.

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

In [February 2021](#), York Regional Council declared a housing affordability crisis, emphasizing the urgent need for action. Information presented to the Region's Housing Affordability Task Force in [January 2024](#) and [May 2024](#), and information presented to Council in [June 2024](#) highlighted the need for increased and sustained funding to address residents' housing needs. Housing is not affordable to households with low and moderate incomes, and the Region's subsidized housing wait list continues to grow, with [15,716 households](#) waiting at the end of 2023.

## **An additional \$192.9 million is needed from the Province to meet a one-third funding share for community housing projects**

The Region's 2025 10-year capital plan includes spending for about 400 new community housing units for two pre-development projects, 62 Bayview Parkway in Town of Newmarket and 14<sup>th</sup> Avenue Box Grove in City of Markham.

In October 2024, a report on [Actions to Increase Affordable and Community Housing Supply under the next 10-year Housing and Homelessness Plan](#) outlined a further unfunded 915 new Housing York Inc. (HYI) units required. While the 2025 10-year capital plan includes \$74 million in Regional funding to advance these projects to a state of readiness, the remaining [\\$385.8 million](#) in costs are unfunded. The Region continues to advocate for a model where each level of government funds one-third of new development costs. Project costs for 1,315 total units are

\$597.6 million, with \$12.6 million in senior government funding allocated to these projects. An additional \$192.9 million is needed from the Province to meet a one-third funding share. These projects cannot move forward without long-term funding commitments from senior levels of government.

## **Ongoing Provincial funding would support the Region's sustainable investment in growth-enabling water and wastewater infrastructure**

The Region, along with the Towns of Aurora, East Gwillimbury and Newmarket, welcome the Province's investment of nearly \$140 million for Phase 1 of the York Durham Sewage System (YDSS) North Expansion project through the Housing Enabling Water Systems Fund (HEWSF). The HEWSF is a one-time fund, and as a successful recipient, the Region was ineligible to apply for the second intake.

The [2025 10-Year Capital Plan](#) includes Phase 2 and a portion of Phase 3 of the North YDSS Expansion, and the Region is continuing to explore partnering with the development community through DC credit agreements to [sustainably finance](#) these costs. Additional provincial funding would help support delivery of the complex growth-enabling projects included in Phases 2 and 3 of the North YDSS Expansion within required timelines.

## **Development charges are an essential tool to recover costs of growth-related infrastructure**

Development charges (DCs) help recover costs needed to fund vital growth-related infrastructure required to help build more homes faster throughout the Region and province. The *Development Charges Act, 1997* (DCA) requires municipalities to demonstrate the nexus between growth and the anticipated increased need for services, including considering the share of costs that benefit existing residents and businesses. This process provides a transparent and efficient way of funding the vital growth-related infrastructure required to build more homes faster throughout the Region and the Province.

However, as housing affordability challenges worsen, there have been recent efforts/considerations to further reduce DCs, such as through discounts and exemptions or eliminating some services to which they apply. Without funding from senior levels of government, DCs reductions would be funded from non-DC sources, shifting costs of growth to existing residents and businesses through increased property taxes and user rates. As a high growth municipality requiring significant growth-related infrastructure investments, shifting those costs to existing residential and commercial property taxes and water and wastewater rates would lead to unsustainable increases to maintain service levels. This would further exacerbate the housing affordability challenges and, from a commercial perspective, hinder the Region's economic competitiveness.

DCs as a funding source help keep property taxes and user rates more affordable, which helps homeowners afford monthly costs. These lower homeownership costs support affordability for

homebuyers as they are indirectly factored into lenders' mortgage assessments when considering household's monthly cashflow.

Through the Provincial Housing Affordability Task Force, one idea suggested to reduce upfront DCs was to remove the water and wastewater DCs and recover those growth-related costs through a utility model (i.e., user rates) under a municipal services corporation. Staff's preliminary analysis estimates that removing water and wastewater DCs could increase user rates in 2024 by about 85% or \$580 per household for York Region rates alone. While the Region supports the Province's effort to reduce upfront costs to building new homes, there is no guarantee or evidence that removing DCs would result in lower prices for new homebuyers.

### **Region continues to request the Province make it financially whole as a result of recent changes to how growth infrastructure is funded**

Bill 23, *More Homes Built Faster Act, 2022*, introduced significant changes to how the Region administers development charges, including reducing DCs through various discounts and exemptions. In [April 2024](#), the *Cutting Red Tape to Build More Homes Act, 2024* (Bill 185) reversed some of these changes.

The Region appreciates the Province's efforts to mitigate DC reductions by reversing some of the previous amendments to the DCA. In addition to legislative amendments requested to protect the affordability and rental tenure of housing receiving development charge exemptions, the Region continues to request that Housing Services be reinstated as a DC-eligible service. Additionally, the Region requests support to help address the \$279 million reduction in DC collections resulting from recent amendments to the DCA.

As an example, without additional funding, the one-time additional tax levy and user rate increase required to fund the 2024 to 2033 DC collection reductions would be 1.3% and 3.0% in 2025, respectively.

### **Sharing Provincial tax revenues could support housing development and growth-enabling infrastructure**

During the [2024 Ontario Budget Consultation](#) process, the Region renewed its request for the Province to allocate a share of revenues collected through the Non-Resident Speculation Tax (NRST) to support York's affordable housing initiatives. From 2017 to 2023, the Province collected \$1.14 billion in NRST revenues, of which [\\$283 million](#) was collected from the Region; however, the Province indicated net revenues collected are smaller, as a significant portion of NRST revenues are rebated to buyers who receive permanent resident status within three years of their home purchase. A November 28, 2024 [resolution](#) requested that the Province also share net Land Transfer Tax revenues from transactions of York Region homes, estimated to total \$250 million in 2023 alone.

## **Rising costs of living and a lack of affordable housing options continue to place increased pressure on homelessness programs and supports**

York Region continues to face an urgent need for affordable and community housing, compounded by a growing waitlist and rising homelessness. In 2023, Council invested \$12.8 million in critical social infrastructure, of which \$4.8 million was allocated to homelessness prevention initiatives. [The Homelessness Service System Plan 2024 to 2027](#) approved in June 2024, emphasized the critical need for increased investment and strategic action to meet the housing demands of the Region's most vulnerable residents.

Alongside the Homelessness Service System Plan, in [June 2024](#), Council approved a Rapid Deployment Action Plan to accelerate housing solutions, which included provisions for two new emergency and transitional housing projects totaling \$72 million (including land costs). These are included in the 2025 Budget, in addition to replacing three existing facilities, adding a total of 287 new emergency and transitional beds.

However, to fully implement these initiatives and meet the Region's growing needs, additional resources are essential. As requested in a July 10, 2024 [letter](#) to the Ministry of Municipal Affairs and Housing (MMAH) and members of parliament, an increase of \$7 million to York Region's annual Provincial Homelessness Prevention Program allocation starting in 2025 is needed to support operating costs associated with the Rapid Deployment Action Plan.

Echoing the asks above, a November 28, 2024 [memorandum](#) highlighted the need for continued investments in programs such as the Canada-Ontario Housing Benefit (COHB) beyond 2029 and sustained multi-year funding for affordable housing initiatives would help address homelessness and expand housing options across the Region.

## **Additional sustainable funding is needed for essential health, long-term care and other human services to meet growing needs**

As detailed in the May 2024 Municipal Operation of Long-Term Care Homes report, the Region's tax levy subsidizes growing costs of operating its two long-term care homes, Maple Health Centre and Newmarket Health Centre. In 2023 alone, property taxes contributed \$18.6 million to cover shortfalls in long-term care funding, and this reliance on property tax subsidies is projected to grow to \$22.9 million (45.5%) by 2026.

[The 2024 to 2027 York Region Plan to Support Seniors](#) noted that investments are needed in programs and supports that enhance seniors' access to technology and reduce digital divides. The Region recommends establishing a sustainable and equitable multi-year funding formula that covers total cost of operating municipal long-term care homes and includes a comprehensive assessment of individual's ability to contribute to cost of their care.

Community Paramedicine programs aim to reduce 911 calls, emergency visits, and long-term care waitlist pressures. The September 2024 [Update on the Paramedic Services Master Plan 2021-2031](#) identified the need for sustainable Provincial funding to support the Region's

Improving Patient Access to Care in the Community (IMPACC) Program, which involves on-scene diagnostics, treatment, and discharge with home care plans when hospital visits are not needed. While funding for the Community Paramedicine for Long-Term Care program has been extended until the end of 2026, stable funding is still needed for all community paramedicine programs to continue delivering essential services.

Similar to Long-Term Care, the Region's tax levy continues to subsidize operating costs for Public Health beyond the 75%/25% provincial-municipal cost-sharing ratio. In 2023, the Region contributed 43% of total Public Health operating expenses. Provincial funding for administering Public Health programs and services is needed to keep pace with the significant increase in service demand, population growth, service complexity and inflation.

As noted in York Region's [Child Care and Early Years Service System Plan 2024 to 2027](#), families need access to licensed child care. While York Region was allocated 1,882 new affordable child care spaces between 2022 to 2026 through Canada-Wide Early Learning and Child Care (CWELCC), this is below the 7,372 new spaces needed and requested.

[Ontario Works rates](#) for clients have not increased since 2018. A single person on Ontario Works receives \$733 per month (\$343 in basic needs and \$390 in shelter allowance). This creates pressures for a growing community housing waitlist as Ontario Works clients face limited affordable housing options. Similar to the Ontario Disability Support Program, increasing and indexing Ontario Works rates with inflation will better support Ontario Works clients.

As mandated under the Community Safety and Policing Act, 2019, [Community Safety and Well-Being Plan](#) for York Region is a long-term tool to enhance safety and well-being through proactive, targeted and community-driven actions. Permanent, dedicated funding is required to sustain progress made under the Region's Plan including community-led social infrastructure and new social development and prevention programs.

## **Proportionate funding allocation is essential to strengthen community safety and combat rising crime in York Region**

Public safety is a shared responsibility requiring collaboration across all levels of government. In York Region, public safety is a key priority, aligned with the Community Safety and Well-being Plan and the York Regional Police Service Board's business plan. In 2023, the Region's [Violent Crime Severity Index rose by 6.7%](#), driven by incidents of vehicle theft, sexual assault, and weapons-related calls, including firearms, with firearm discharge cases more than doubling across the Region.

Auto theft remains a concern, with 4,709 vehicles stolen in 2023, representing 15% of Ontario's 30,134 vehicle thefts that year. While York Regional Police received an allocation of \$300,000 annually over three years through the Preventing Auto Theft (PAT) grant, this funding represents only 5% of the total annual grant availability, despite the Region bearing a disproportionately high share of auto thefts.

As described in [November 2024](#), allocating funding for community safety initiatives based on the level of criminal activity and victimization within police jurisdictions can help enhance public safety efforts. This targeted approach ensures resources are directed to high-need areas, such as those experiencing elevated rates of auto theft and organized crime. It also supports more effective policing, advances implementation of the Community Safety and Well-being Plan, and helps restore public confidence in the safety of our communities.

## 4. Analysis

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

While recognizing and valuing the vital provincial support already provided, further funding is essential to manage capacity challenges, respond to evolving legislation, and support growth. Aligned with past advocacy and Council's ongoing priorities, Provincial assistance is crucial for sustainable delivery of key infrastructure and services. Appendix A summarizes proposed requests to be submitted as part of the 2025 Ontario Budget consultation.

Should the Province adopt the Region's proposed requests, our active participation could lead to crucial Provincial investments and policy adjustments, supporting delivery of critical infrastructure and continuing to deliver quality services to York Region's growing population.

## 5. Financial Considerations

This report does not present current or anticipated financial changes to the Region's budget or fiscal position. While there are no immediate financial considerations associated with the recommendations of this report, the submission is expected to help inform the 2025 Ontario Budget.

As part of this submission, York Region has recommended the Province not remove the water and wastewater DCs. As noted previously, if that were to happen, and without any guarantee that this would result in lower home prices, York Region's water and wastewater rates could increase by about 85%, or \$580 per household.

## 6. Local Impact

The submission as part of the 2025 Ontario 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 summarizes positions and requests that Council has made throughout the year that, if endorsed, would form York Region's submission to the Ontario 2025 Budget consultation.

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For more information on this report, please contact Bonny Tam, Acting Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 75885. 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

January 6, 2025

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Appendix A – Proposed 2025 Ontario Budget Consultation Submission

## Proposed 2025 Ontario Budget Consultation Submission

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### Requests

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#### Investing in Safer Communities

- Allocate funding to York Region Police for community safety initiatives based on level of criminal activity and victimization within the area for which a police service board has policing responsibility
  - Provide dedicated, long-term funding for implementation of Community Safety and Well-being Plans as mandated
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#### Enabling Growth in Our Communities

##### Infrastructure to Support Growth

- Contribute a one-third Provincial funding share (\$192.9 million) towards 1,315 new community housing units to support local municipalities to address the growing subsidized housing waitlist
- Provide additional funding towards the York Durham Sewage System North expansion program, with flexibility in scope and timelines to support achieving provincial housing targets
- Provide York Region with its share of Provincial NRST revenues to support affordable housing initiatives, reported to be \$283 million to the end of 2023
- Allocate portion of Provincial Land Transfer Tax revenues to York Region raised from transactions of York Region properties
- Confirm the Region will be made financially whole as a result of changes to the *Development Charges Act*, due to Bill 23, including:
  - Reinstate Housing Services as eligible for funding under the *Development Charges Act*
  - Provide funding to cover the shortfall currently estimated to be at least \$279 million over the next ten years
- Amend legislation to allow upper-tier municipalities to have, or participate in, Community Investment Plans

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## Requests

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- Clarify “use it or lose it” policies and consider allowing reassignment of servicing capacity, that has remained unused for a prescribed period (time to be determined through consultation), between different local municipalities for upper-tier municipalities
- Continue to focus on growth within municipally serviced areas where infrastructure is planned and financially sustainable through greater economies of scale
- Explicitly assess available municipal servicing or infrastructure in the process of considering Minister’s Zoning Orders
- Prioritize implementation of streamlined Municipal Projects Assessment Process regulations to provide structural changes to Environmental Assessments required to expedite delivery of infrastructure required to build more homes while protecting the environment
- Provide York Region with an opportunity to participate in Ministry consultations for enacting regulations required to bring certainty to approval timelines for municipal infrastructure projects

### Housing and Homelessness Prevention Initiatives

Increase the annual Provincial Homelessness Prevention Program allocation by \$7 million starting in 2025 to fund operating costs for the Rapid Deployment Action Plan

- Increase capital and operating funding for construction and administration of required emergency and transitional housing facilities due to ongoing increases in service demand
- Provide multi-year funding under the Federal/Provincial Ontario Priorities Housing Initiatives and Canada-Ontario Community Housing Initiatives for new supply and capital repairs
- Provide permanent long-term and predictable benefit programs like COHB beyond 2029 along with multi-year and sustained funding to tackle homelessness and expand access to affordable housing of all types

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## Requests

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### Health and Human Services

- Provide stable Provincial funding for Community Paramedicine program beyond 2026 and provide an update on the \$2 million Models of Care Innovation Fund application
- Establish a multi-year funding formula that covers total cost of operating municipal long-term care homes (\$22.9 million by 2026)
- Increase and index Ontario Works rates with inflation, similar to Ontario Disability Support Program
- Allocate additional funding for a total of 7,372 licensed CWELCC childcare spaces
- Increase annual Public Health funding to align with the 75%/25% provincial-municipal cost share

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### **Keeping People, Goods and Information Moving**

- Provide clarity on estimated investment for various streams for the permanent transit fund to support \$1.7 billion in two priority Bus Rapid Transit projects along the Jane Street and Highway 7 East corridors (including Enterprise Boulevard in Markham Centre), and provide long-term funding for capital and operating transit service budgets
- Elevate two priority Bus Rapid Transit projects in the Provincial submission for the Permanent Transit Fund and prioritize within the larger Provincial ask being coordinated through the Metrolinx Regional Transportation Plan