

2023 Region of Peel

Federal Pre-Budget Submission



Introduction

Peel Region has worked closely with all levels of government to overcome unprecedented challenges over the past few years. The collaborative approach used to meet the needs of Peel residents and businesses over the course of the pandemic demonstrates the importance of continued partnership as the Canadian economy enters an era of uncertainty and instability.

Many Peel's services that slowed down or paused during the pandemic have resumed, but the demands for these services have increased to beyond pre-COVID-19 levels. Further, Peel is facing a volatile economic environment, which includes rising interest rates and heightened inflation, creating more affordability challenges for Peel's most vulnerable population.

Further, Peel Region has played an important role in support of hundreds of Ukrainians fleeing their country by providing housing, emergency financial assistance and other social service supports. However, these unbudgeted, escalating costs to Peel total more than \$6.5 million thus far, and Peel will require dedicated funding from the federal government to cover these costs and the growing financial liability that continues to incur for this humanitarian response.

As Peel Region moves forward in 2023, ensuring that service levels meet the needs of Peel's communities will require additional investments in key areas such as affordable housing, paramedic response time, and seniors' services as well as strategic capital investments to address the climate change emergency and state of good repair for housing.

While additional funding has been allocated in Peel Region's 2023 Budget to help meet the growing needs of Peel' communities, ongoing support and funding from the federal government is required. Peel Region appreciated the federal emergency funding received during the pandemic; however, moving forward, Peel requires adequate, sustainable and predictable funding to sustain the level of services needed to help Peel residents and businesses thrive and succeed.

Peel Region looks forward to working with the federal government as new funding programs for municipal infrastructure and services are being developed. Engaging with the municipal sector at all stages of the development of these federal programs can help ensure effective and efficient implementation of funding.

As such, Peel Region has outlined several policy recommendations in the Peel Region 2023 Federal Pre-Budget Submission for consideration, which highlights opportunities where the federal government and municipal sector can partner under the following key themes:

- Support housing solutions
- Invest in climate change mitigation
- Promote sustainable transportation
- Partner on infrastructure
- Fund Ukrainian Humanitarian Response

Summary of key recommendations

Support housing solutions

- Ensure housing is used for homes, through measures to curb the use of housing as a speculative financial tool.
- Quickly advance the Housing Accelerator Fund to support municipal efforts to address the affordable housing crisis.
- Contribute housing funding in the form of contributory grants, which are allocation-based and flexible.

Invest in climate change mitigation

- Provide sustained climate change funding to ensure Peel's services and assets are more resilient to extreme weather events and future climate conditions.
- Provide support to enable the clean energy transition and ensure adequate grid mix and capacity.

Promote sustainable transportation

- Continue advancing the Permanent Public Transit Fund as a catalyst for economic growth and in support of connected communities and environmental sustainability.

Partner on infrastructure

- Partner with the provincial government to ensure that Peel receives sustainable and timely infrastructure investments.
- Ensure funding is commensurate with expected high inflation through 2023 to maintain real spending levels.

Fund Ukrainian Humanitarian Response

- Provide dedicated financial support to reimburse Peel's Ukrainian Humanitarian Response efforts.

Support housing solutions

Peel's growing population, combined with the current economic downturn, has escalated affordable housing challenges. In Peel, it is estimated that approximately 91,000 households, both low and moderate-income, live in housing that is unsuitable, inadequate, or unaffordable. Addressing these challenges requires the federal government to work closely with its municipal and provincial partners.

To help achieve this, the federal government should:

- Ensure housing is used for homes, through measures to curb the use of housing as a speculative financial tool.
- Quickly advance the Housing Accelerator Fund to support municipal efforts to address the affordable housing crisis.
- Contribute housing funding in the form of contributory grants, which are allocation-based and flexible.

Addressing the affordable housing crisis

Investments in housing lead to better outcomes for residents that drive cost savings in government spending, contribute to economic growth and improve the lives of equity-seeking communities in Peel. The commitment between Peel Region and the federal government to seek solutions to the current housing crisis is rooted in a shared belief that housing provides a sense of safety and economic opportunity for residents.

Housing is also a social determinant of health. The Canadian Centre for Economic Analysis has found that every dollar invested in affordable housing within the Greater Toronto Area (GTA) reduces social assistance costs by 95 cents and health care costs by 50 cents, increases federal/provincial tax revenues by 60 cents, increases GDP by \$2.40, and reduces neighborhood crime.

The reality is that there are limited pathways for low-income or middle-income households to access traditional home ownership in Peel. Addressing these challenges requires federal leadership, and the federal government working closely with its municipal and provincial partners.

In 2022, the average price of a residential resale home was \$1.17 million – approximately 12 times the average household income. Setting aside 10 per cent of their earnings, it would take the average household 26 years to save enough for a down payment at current market prices, and a dual minimum-wage

income household 51 years to do the same while paying between one-half to two-thirds of their income toward rent.

Federal housing support for Peel has been strengthened through investments made prior to and during the pandemic. Specifically, Peel Region has benefited from support received through several federal housing initiatives, including:

- Co-investment funding through the 10-year National Housing Strategy
- Rapid Housing Initiative funding as part of the 10-year National Housing Strategy
- Reaching Home funding
- Canada Housing Benefit

However, in 2023, only 24 per cent of Peel Region's Housing operating budget is funded by either the federal or provincial government. Federal and provincial funding for housing subsidies dropped 20 per cent between 2017 and 2021, and the 2023 projected State-of-Good-Repair funding gap for Peel's aging community housing is \$594.6 million.

Peel's Housing Master Plan

Peel Region continues to demonstrate leadership in serving as an affordable housing service manager. The \$1 billion initial phase of Peel's Housing Master Plan (HMP) will develop approximately 2,240 new affordable units and shelter beds. Peel appreciates the \$303 million in federal support toward the capital funding envelope; however, this federal contribution is currently structured as a repayable loan, which is almost 70 per cent of the funding.

In addition, as a result of the enactment of Bill 23, *More Homes Built Faster Act, 2022* in Ontario, there is a major funding loss for Peel Region, including municipal revenues as well as other previous funding commitments from CMHC and other agencies. In the absence of either provincial or federal funding to compensate for this revenue gap, there is a significant risk to full implementation of the HMP.

Affordable housing funding program design

There is an urgent need for the federal government to provide predictable and sustainable long-term funding to ensure that municipalities can provide adequate housing services to meet the needs of their respective communities. An all level-of-government approach is needed to secure, through the Housing Accelerator Fund, an amount responsive to the scale of Peel's core housing needs.

It is critical that as the federal government consult with municipalities, like Peel, in the design of new housing funding programs. Peel Region provided

recommendations for the design of the Housing Accelerator Fund and the Rent-to-Own Program in January of 2022 and would be pleased to continue conversations on the design of new housing funding programs in the future.

Funding needs to keep pace with the elevated cost of housing. Even with 2022 increases to mandatory program funding, available financial resources are not keeping up with population growth, increased service needs, and cost of living increases.

It is also critical that funding be in the form of contributory grants, which are long-term, allocation-based, non-debt related, and can be used for sustainable capital and operational funding. This will provide for flexibility in the use of funding for both current housing stock and new rental development. Funding should also be provided in a timely manner, as significant expenditures require a funding source; otherwise, municipalities are forced to issue debt, which is more expensive for taxpayers.

Overall service funding responsibility and cost-sharing between governments should be proportional to the funding capacity of the revenue tools of each respective government. Ultimately, the responsibility for funding income redistribution programs, such as affordable housing, should not be financed through the property tax base but, more appropriately, through income-based revenue sources.

In the face of multiple significant priorities and pressures, municipalities do not have room to absorb additional financial burdens related to growth. Peel Region looks forward to working with the federal government as new housing funding programs are developed to help ensure much needed safe, affordable and sustainable housing in communities across Canada.

Invest in climate change mitigation

All levels of government will be impacted by the consequences of climate change, particularly by the costs of maintaining infrastructure. Global greenhouse gas (GHG) emissions are at dangerous levels and continue to rise, resulting in more frequent and severe impacts of climate change that threaten Peel's services and infrastructure.

To address these pressing challenges facing municipalities, the federal government should:

- Provide sustained climate change funding to ensure Peel's services and assets are more resilient to extreme weather events and future climate conditions.
- Provide support to enable the clean energy transition and ensure adequate grid mix and capacity.

Provide sustained climate change funding

Tackling climate change, reducing emissions and advancing a green economy are high priorities for both the federal government and Peel Region. To achieve these priorities, the federal government should provide sustainable and predictable funding, tools and information to support municipalities.

Peel Region declared a climate emergency in 2019 and continues taking a proactive, science-based approach to address climate change, in alignment with federal environment priorities. To help expedite the flow of federal funds to much-needed municipal infrastructure projects, Peel has continued to advocate to the Ontario government to apply a climate change lens, consistent with the federal climate change objectives.

Peel continues to leverage federal support to address the climate crisis, including the NRCan EV Charging Station Program and welcomes green initiatives and programs supported through the Federation of Canadian Municipalities (FCM). Peel is also investing in low-carbon technologies to reduce GHGs across 10 Peel Housing Corporation buildings. This innovative project is currently being funded through the Canada Community Building Fund and Peel Region's reserves; however, with additional federal funding, Peel could expand this approach, further reducing emissions.

Every dollar invested in climate adaptation saves \$6 in future costs. Proactively investing in resilient infrastructure, rather than reacting to impacts of extreme weather, will help mitigate costs to municipalities.

Inaction on climate change can have a wide range of impacts on municipalities. Complementing the progress being made in Peel through federal funding and resources can further reduce social and economic inequalities, as low-income and marginalized communities are often disproportionately affected by the impacts of climate change.

Provide support to enable the clean energy transition and ensure adequate grid mix and capacity

Peel Region recognizes that reaching its climate change mitigation outcome requires a significant switch from fossil fuel energy to clean electricity. This switch means greater clean electricity is needed to phase out natural gas-fired electricity and meet the growing demand as customers electrify their vehicles and heating.

The switch also requires making the electricity system smarter. This means making both supply and demand more flexible to support more variable supply, such as solar and wind, and to respond to changing weather conditions and disruptions, including extreme weather events driven by climate change.

Recognizing that there is a need for reliable, resilient and low-carbon electricity, the federal government should continue to accelerate and advance the development of the clean energy regulations to increase supply and ensure that all electricity generation has net-zero emissions.

Continued engagement with municipalities

Municipalities play a critical role in protecting communities from the impacts of climate change and increasingly must adapt their design and planning processes to enhance climate resilience to extreme weather events, such as floods, droughts and heatwaves, and longer-term impacts, such as increased temperatures.

Methodologies for incorporating climate information into local government decision-making processes to assess impacts, risks and vulnerabilities are constantly evolving and as such, municipal governments could benefit from the federal government exercising its legislative authority to help build local adaptation capacity and define municipal resilience.

The federal government should ensure sufficient resources are allocated to implement Canada's National Adaptation Strategy and support Action Plan that was released in late 2022. The Strategy has a range of actions that were recommended by Peel Region during the consultation process, and continued municipal engagement during its implementation is strongly encouraged to ensure that there is collaboration among all levels of government and sectors to increase resilience and adaptive capacity.

Promote sustainable transportation

Peel Region appreciates collaborative efforts to date by the federal government to advance sustainable transportation in high-growth communities, such as Peel. Specifically, the Permanent Public Transit Fund (PPTF) can create complete and healthy communities by supporting vastly improved transit and mobility, which, in turn, can underpin greater housing density and supply, in addition to housing access and affordability. These visionary plans support a shared priority to move communities and Canada forward.

Specifically, the federal government should:

- Continue advancing the Permanent Public Transit Fund as a catalyst for economic growth and in support of connected communities and environmental sustainability.

Invest in growing communities

Renewed reliance on transit and the broader transportation network are critical components of Peel's and the country's post-pandemic recovery. This period, combined with an anticipated time of financial challenges, presents an opportunity for the federal government to partner with Peel Region on transportation investments that address shared priorities, such as full participation in the economy, community social and economic benefits, enhanced access to affordable housing and lowered GHG emissions.

Peel region, comprised of the diverse municipalities of Mississauga, Brampton and Caledon, is the second largest municipality in the Greater Toronto Area and growing steadily. Peel's population is expected to grow from 1.5 million to 2.28 million by 2051. Along with the strength of diversity, the strategic location of Peel and its vast transportation network, including the proximity to Toronto Pearson International Airport, contribute to this long-term growth and vitality.

The federal government can continue to support Peel's growth through the PPTF, which has the potential to create jobs, provide alternative modes of travel and other economic benefits. The federal government should also prioritize funding for transit projects that connect high-density community clusters to employment areas, offset the direct impacts of construction with business support funding, and ensure the economic participation of vulnerable residents, by including funding for paratransit.

As a trusted municipal partner, Peel Region shares a mission with the federal government to ensure transportation remains safe, efficient, reliable and accessible. Peel also recognizes the expected growth to the region cannot be met simply by adding more road lanes. The PPTF initiative and others like it are needed from all levels of government to establish an integrated and accessible transportation system in the GTA and beyond and should remain a top priority of the federal government.

Transit investments can better connect residents, especially those who are vulnerable, to employment.

Partner on infrastructure

Investment in infrastructure will play a key role in stimulating economic growth across Canada in the coming years.

To ensure the most efficient and effective use of taxpayers' dollars, the federal government should:

- Partner with the provincial government to ensure that Peel receives sustainable and timely infrastructure investments.
- Ensure funding is commensurate with expected high inflation through 2023 to maintain real spending levels.

Funding program and design

As all governments enter a period of economic uncertainty and volatility, it is critical to move forward on collaborative measures that provide stability and economic growth to communities across Canada.

To this end, Peel Region also recognizes the importance of immigration to Canada's economy and understands the objectives under the recent "Immigration Plan to Grow the Economy" released in November 2022 to bring in close to 1.5 million newcomers between 2023-2025.

With Peel continuing to be an attractive municipality for newcomers to settle and establish themselves and their families, Peel Region will need support from the federal government. This includes the support needed to ensure Peel's growing communities have the necessary and fully funded infrastructure to support newcomers to settle and thrive successfully.

Investment will help achieve key federal priorities, such as creating jobs, building an integrated transportation network, providing safe drinking water, and investing in climate change initiatives, all of which will be essential for Canada's economic recovery.

Suggested project types to achieve these priorities include:

- Wastewater plant rehabilitation, energy resiliency projects (including energy efficiency, recovery, and generation)
- Inflow and infiltration projects, and
- Road construction (widening, extension of active transportation and green infrastructure) projects.

Peel Region is currently facing a capital infrastructure deficit of \$5.8 billion over the next 20 years, just to maintain its existing infrastructure in a state of good repair. Peel has instituted property tax levies and utility rate increases to cover these gaps. However, as a result of the provincial government's changes to the *Development Charges Act*, Peel Region's infrastructure deficit is expected to grow, placing added pressure on the property tax base, as well as Peel's ability to fund frontline services and core infrastructure.

Increased investment from all levels of government in these projects will not only help achieve national economic objectives but also help Peel Region build the much-needed infrastructure to help Peel's communities thrive.

Reforming municipal infrastructure funding programs

In the face of increasing costs due to factors such as rising inflation and decreasing revenue resources, the federal government has an opportunity to work with municipalities to address design-related challenges of existing and future infrastructure funding programs that can maximize the value of remaining funds.

It is important to note that additional housing and transit construction can mean additional costs in other areas. Construction projects may force premature replacement or updating of water/wastewater infrastructure, and expanded infrastructure implies greater life cycle and asset management costs. Funding for such projects should include the costs to be borne by impacted services to ensure these inter-dependent assets are in place in a timely and sustainable fashion. Aligning related funding programs to avoid delays or barriers that can be created when one type of infrastructure project is contingent on the timely completion of another will also help expedite these much-needed projects.

Future funding programs must allow for more flexible project parameters.

In addition, funding programs with limited timeframes for completing construction can create temporary supply shortages, as municipalities rush to complete projects. This, in turn, can lead to increased resource and labour costs. Municipalities require timeframes that correspond to a realistic infrastructure planning and implementation cycle (i.e., 10 years) to maximize value for tax dollars and ensure that the desired asset performance outcomes are requested in the reporting requirements for these projects.

Infrastructure funding has the potential to create jobs and other economic benefits. Investments can better connect residents to employment, creating gains in both worker productivity and quality of life.

Allocation vs. application-based funding

Increased infrastructure funding through an allocation-based funding model will help municipalities invest in priority projects consistent with each municipality's asset management plan. This can also help reduce the overall cost for municipal infrastructure projects as price fluctuations and contractor shortages associated with application-based funding can be avoided.

An encouraging example of how this can be effectively applied is the program design for the COVID-19 Infrastructure Resiliency Stream, which was based on an allocation-based funding model. Peel Region appreciated the predictability of this funding stream.

As new infrastructure funding programs are being developed, Peel Region looks forward to working with the federal government to ensure these programs include flexible parameters and timeframes that are necessary for municipalities to help support existing and future residents.

Fund Ukrainian Humanitarian Response efforts

It has been nearly a full year since Russia's unjustified invasion of Ukraine, and the resulting brutal war has uprooted hundreds of thousands of Ukrainian citizens, many of whom have fled the conflict in their country to seek safety in communities across Canada. While immigration matters are a federal responsibility, Peel Region has stepped up to support displaced Ukrainians with housing and other social supports. However, costs related to these urgent efforts have already exceeded \$6.5 million so far and continue to mount.

To address these unbudgeted expenses, the federal government should:

- Provide dedicated financial support to reimburse Peel's Ukrainian Humanitarian Response efforts.

Supporting those in need

Peel Region, along with other municipalities in the Greater Toronto and Hamilton Area (GTHA), has worked with all levels of government to coordinate efforts to help the thousands of citizens arriving from Ukraine. Peel has also collaborated with local community agencies to maximize efficiency and provide support for basic needs in a culturally appropriate way.

While federal support programs such as the Canada-Ukraine Transition Assistance Initiative and the short-term hotelling program are much appreciated, these initiatives simply do not provide the level of support needed.

Through Canada-Ukraine Transition Assistance, Ukrainian newcomers are eligible for one-time emergency financial aid of \$3,000 per adult and \$1,500 per child from the federal government. However, in Peel and the rest of the GTHA, this is often merely enough to cover deposits on rental housing, with very little remaining for daily costs of living or additional settlement expenses.

With respect to the federal short-term hotelling program, there are now 265 hotel rooms available in the GTA that provide Ukrainian newcomers with up to a two-week stay; however, this does not meet demand. The two-week time limit does not cover the average length of stay needed for Ukrainian arrivals to get settled independently in the community, as the average length of stay in Peel's Ukraine shelter system is 44 days, while the average across the GTHA is over 50 days and trending upwards.

In 2022, Peel assisted **680** Ukrainian newcomers with housing needs; **569** of them have obtained independent housing.

In 2022, the estimated cost to municipalities of the coordinated GTHA response was approximately \$15 million (including more than \$5.7 million in Peel), most

of which was attributed to emergency shelter and basic needs supports. With no dedicated federal funding in place, municipalities are forced to draw on reserve funds to cover these expenditures, which is not sustainable. While the funding required for 2023 will depend on the volume and needs of Ukrainians arriving over the course of the year, the projected costs in Peel alone are estimated to be \$10.4 million.

While Peel is committed to supporting displaced Ukrainians, financial assistance from the federal government is critical to meet this continuing need. If no federal funding is provided, it is unclear whether Peel or other municipalities in the GTHA will be able to support these efforts in 2023.

