

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING OF JUNE 20, 2017</b>
<b>FROM:</b>	<b>KATE GRAHAM, DIRECTOR, COMMUNITY &amp; ECONOMIC INNOVATION</b>
<b>SUBJECT:</b>	<b>UPDATE ON FEDERAL AND PROVINCIAL BUDGET ADVOCACY</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Director, Community & Economic Innovation, the following report providing an update on the federal and provincial budgets **BE RECEIVED** for information.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- Corporate Services Committee – November 15, 2016 – Federal Budget Submission
- Corporate Services Committee – December 13, 2016 – Provincial Budget Submission

<b>BACKGROUND</b>
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In late 2016, Council approved pre-budget submissions to the federal and provincial governments with three key priority positions: Transit, Affordable Housing and Homelessness Prevention, and Economic Development. These priorities are consistent with Council’s Vision statement: “a leader in commerce, culture and innovation – our region’s connection to the World”.

In addition to being submitted through the pre-budget consultation processes at both the federal and provincial levels, these submissions informed important engagements with a wide array of political-to-political meetings with government decision makers. Examples include:

- Meeting with Minister of Infrastructure Bob Chiarelli
- Meeting with Minister of Research, Innovation and Science Reza Moridi
- Delegation to the federal and provincial Finance Committees
- Presentation to provincial Parliamentary Assistant to the Minister of Finance Yvan Baker and Deputy Premier Deb Matthews
- Delegations at the Ontario Good Roads Association (OGRA) Conference, including:
  - Minister of Infrastructure Bob Chiarelli
  - Parliamentary Assistant to the Minister of Housing Natalie Des Rosiers
  - Minister of Transportation Steven Del Duca
  - Minister of Community Safety and Correctional Services Marie France Lalonde
  - Minister of Economic Development and Growth Brad Duguid
  - Members of the Ontario PC Caucus
  - Members of the Ontario NDP Caucus
- Roundtable discussion with NDP Leader Andrea Horwath
- Meetings with local MPs Peter Fragiskatos, Kate Young, Karen Vecchio, and Irene Mathysen

This report provides a summary of the sections of the federal and provincial budgets which relate to Council’s pre-budget advocacy, as well as some high level analysis.

**UPDATE**

Table 1.1 provides a brief overview of Council’s approved pre-budget advocacy positions to the federal and provincial governments along with the relevant announcements from each of the 2017 budgets pertaining to those advocacy priorities.

**Table 1.1: Budget Advocacy and Outcomes – At A Glance**

	<u>What London Advocated For</u>	<u>Federal</u>	<u>Provincial</u>
<b>Transit and Infrastructure</b>	Financial partnership for <i>Shift – Our Rapid Transit Initiative</i>	<p><u>Public Transit Infrastructure Fund (PTIF) Phase 2</u> – \$20.1 billion / 11 years starting in 2018/19</p> <p>Federal share for transit capital projects increased to up to 40% (previous cost share agreements were 33/33/33)</p> <p><u>Green Infrastructure Fund (GIF) Phase 2</u> – \$21.9 billion / 11 years for water/wastewater infrastructure, and climate change mitigation and prevention</p> <p><u>Trade and Transportation Fund</u> – \$10.1B / 11 years for strengthening transportation corridors</p>	<p>Recommitment to exploring cost sharing for Shift</p> <p><u>Moving Ontario Forward</u> – \$56 billion for public transit projects over the next 10 years</p>
<b>Housing</b>	Significant and sustained municipal investment through the <i>National Housing Strategy</i>	<u>National Housing Strategy</u> – \$11.2 billion over 11 years starting in 2017/18	Implementation of the <u>Fair Housing Plan</u> (previously announced on April 10, 2017)
<b>Homeless Prevention</b>	Renew the Homelessness Partnering Strategy, provide predictable and flexible funding for mid-sized cities like London	<p><u>Social Infrastructure Fund</u> – \$21.9B / 11 years starting in 2017/18. Renewing and updating the Homelessness Partnering Strategy</p> <p><u>Homelessness Partnering Strategy</u> – \$2.1 billion in total funding for initiatives, which will begin in 2018/19</p>	<p>Re-announcement of existing dollars from Budget 2016</p> <p><u>Community Homelessness Prevention Initiative (CHPI)</u> – \$90 million over three years</p>
<b>Economic Development</b>	Opportunities for innovation sectors in London through provincial/federal Innovation Strategies	<p><u>Innovation Superclusters</u> – \$950 million over five years in priority sectors, including Health Sciences</p> <p><u>Smart Cities Challenge Fund</u> – \$300 million over 11 years to encourage local strategic initiatives and planning</p>	Opportunity to collaborate on a regional economic development plan for Southwest Ontario

Overall, there is significant overlap between Council's advocacy priorities and the programs and investments identified in both the federal and provincial budgets. A more detailed breakdown of each advocacy position, the relevant sections of both the federal and provincial budgets, and initial local analysis follows below.

### **Transit and Infrastructure**

On transit, pre-budget advocacy to both the federal and provincial governments focused on advancing a funding partnership with all levels of government to bring Rapid Transit to London.

Overall, positive signals from both federal and provincial representatives, specific mention in the provincial budget, as well as significant funding allocation for public transit overall suggests that *Shift* is well positioned for future funding agreements at all levels of government. Both levels of government also identified significant funding for broader municipal infrastructure needs, including under the Public Transit Infrastructure Fund (PTIF) and the Green Infrastructure Fund (GIF).

#### **Federal Budget**

The 2017 Federal Budget contains high level details on the planned rollout of Phase 2 infrastructure funding. As Phase 1 projects are set to advance in the months ahead, Budget 2017 commits \$20.1 billion over 11 years for transformative Rapid Transit projects as well as needed capital repair projects. This is consistent with previous commitments outlined in the 2016 *Investing in Canada Plan*.

For new municipal transit projects, the Government of Canada will fund up to a maximum of 40% of capital costs. The maximum federal share is greater for provincial transit projects (up to 50%), rehabilitation projects (up to 50%) and projects in partnership with indigenous communities (up to 75%).

The Government of Canada will be working with the provinces and territories to secure the bilateral agreements required to begin to flow the funding to municipal priorities. These negotiations are expected to take place over the course of 2017, with potential agreements in place as early as Fall 2017.

The 2017 Federal Budget also delineates infrastructure funding for "Green Infrastructure" including water/wastewater and climate change mitigation and prevention. The *Green Infrastructure Fund* (GIF) will provide a total of \$21.9 billion over 11 years for projects, with \$9.2 billion flowing directly to provinces and territories to support projects that reduce greenhouse gas emissions, water and wastewater projects, climate change adaptation, and clean energy production and delivery. The \$21.9 billion includes \$9.2 billion for provincial/territorial projects, as well as "at least" \$5 billion towards the Canada Infrastructure Bank for green infrastructure projects, and \$2.8 billion towards federal projects. The latter program will be managed directly by the federal government and includes funding for municipal projects.

#### **Provincial Budget**

The 2017 Provincial Budget recommits to spending \$56 billion over the next 10 years on public transit projects, as part of the province's \$190 billion infrastructure plan.

The Provincial Budget also provided a clear recommitment by the Province to work collaboratively with the City of London to advance *Shift* to a stage where a funding decision can be made. London's Rapid Transit project received specific mention in the budget:

"London Rapid Transit Project. The Province continues to engage with the City of London on its proposed project to connect neighbourhoods, businesses, and key hubs and economic activities across the city."

- 2017 Ontario Budget: A Stronger, Healthier Ontario, pg. 159

On Green Infrastructure, the budget announces that Ontario's first cap-and-trade auction generated \$472 million, which will be reinvested into initiatives that reduce GHG emissions. Annual proceeds from future auctions is expected to yield \$1.8 billion in 2017/18 and \$1.4 billion in 2018/19.

These revenues will be geared toward initiatives such as the Municipal GHG Challenge Fund, supports for municipal energy or climate change plans (~\$55 million), modernizing transit and active transportation infrastructure (~\$420 million), strategic investments into the Green Investment Fund (~\$420 million) and various initiatives directed at individuals.

### **Local Implications**

*Shift* remains a well-positioned transit project at both the federal and provincial levels. Federally, *Shift* meets all of the prescribed priorities outlined in Phase 2 of the *Investing in Canada Plan*, and provincially the budget provided a strong commitment to working with the City at an important time in the business case updating process.

Further, the federal capital cost share cap of 40% will place additional pressures on the Province of Ontario to make up the funding required to advance the project. A commitment to funding 40% of transit projects is welcomed, as previous projects have tended to follow a 33% federal, 33% provincial, 33% municipal split.

If negotiations between the federal government and Ontario progress as planned, the City of London may receive positive federal momentum as early as Fall 2017. As the updated *Shift Rapid Transit* business case is prepared, these budget commitments provide some certainty that the province will be ready to advance a funding decision in the near future, and that PTIF program design will position *Shift* well for federal funding.

On green infrastructure, the Government of Canada is currently negotiating with provincial governments on program design elements. These funding sources provide opportunities to support London's Domestic Action Plan requirements (phosphorus loading through to Lake Erie) and accelerate water and wastewater programming that reduce utility electricity operating costs and overflows to the Thames River. The preliminary versions of the Domestic Action Plan specifically note these funding sources. It will be beneficial for the City to move quickly in identifying eligible projects once the program design details are made available.

### **Housing**

London's pre-budget advocacy has focused on ensuring that the previously announced *National Housing Strategy* (NHS) is well-funded and well-informed, and meets the needs of mid-sized cities.

Overall, the federal budget committed significant funding for the NHS, and set a goal of establishing the NHS by Fall 2017 through bilateral agreements with provinces/territories.

### **Federal Budget**

The 2017 Federal Budget earmarks \$11.2 billion over 11 years to be delivered through a *National Housing Strategy*, and provides a commitment to work in partnership with provinces, municipalities, indigenous communities, and service providers.

Of the \$11.2 billion, \$5 billion will be allocated to a National Housing Fund to address critical housing issues. This will include new co-investment funds to help pool the resources of housing providers, including governments.

The NHS will replace the *Investments in Affordable Housing* program, and see \$3.2 billion invested in a new housing multilateral investment framework.

Funding for the NHS also includes \$202 million to make surplus federal lands available at low or no cost to housing providers for affordable housing, as well as \$225 million over 11 years for Indigenous off-reserve housing programs.

## Provincial Budget

The majority of the housing-related initiatives within the provincial budget were streamlined through the *Fair Housing Plan*, which was announced in the lead-up to the budget. The budget provided some greater detail on several initiatives under the *Fair Housing Plan*, although there remain many unanswered questions on how some initiatives will be applied, especially outside the Greater Toronto Area.

The *Fair Housing Plan* focuses primarily on housing affordability, especially within the “Greater Golden Horseshoe” (GGH) region, which includes the Greater Toronto and Hamilton Area (GTHA), as well as the Niagara Region and Brantford to the southwest, Waterloo Region, Barrie in the north, and Peterborough in the northeast. Some of the notable policies contained in the *Fair Housing Plan* include:

- *Non-resident speculation tax*: A new 15% tax on the price of homes in the Greater Golden Horseshoe (GGH) for purchasers who are not citizens or permanent residents of Canada.
- *Increasing housing affordability in the rental market*: The province will expand rent controls to all private rental units, including those occupied on or after November 1, 1991.
- *Incenting the development of new apartment buildings*: The province will rebate a portion of development charges for eligible new multi-residential projects. Municipalities can opt into this program. This will provide \$125 million over 5 years for new projects.
- *Improving the fairness of the property taxation of apartment buildings*: The government is “freezing the municipal property tax burden for multi-residential properties in communities where these taxes are high”. It is currently unclear whether that includes all Ontario municipalities, or specific areas (eg. GTA).
- *Vacant homes property tax*: Geared primarily for the City of Toronto, the application of this new tax for vacant properties is open for other municipalities that express an interest.
- *Leveraging provincial lands to build affordable housing*: Infrastructure Ontario will be directed to identify ways to leverage provincial land assets to build more affordable housing units across the province. This program will be piloted within the GTHA only.
- *Additional land use reforms*: The province will continue to explore reforms to the Ontario Municipal Board (OMB) in addition to the recent announcements relating to inclusionary zoning and secondary suites as well as more fundamental reforms.

The province also committed to collecting more precise data on the real estate market to ensure the process “minimizes the risk of unintended consequences” for any policy or fiscal measures introduced.

## Local Implications

The *National Housing Strategy* was a key advocacy position both for the City of London, as well as for the Federation of Canadian Municipalities (FCM) and the Association of Municipalities of Ontario (AMO).

In the City's pre-budget submission, Council supported FCM's call for \$12.6 billion of the Social Infrastructure Fund to be earmarked for a NHS. The commitment of \$11.2 billion over 11 years represents a significant victory for cities and communities across the country.

Full details of the *National Housing Strategy* will follow bilateral negotiations between federal and provincial governments. Sustained advocacy to both levels of government will be important in ensuring municipal priorities are reflected in program design.

The impacts of the province's *Fair Housing Plan* to the City of London are still to be determined. Many questions remain on how the plan will impact local and regional housing markets. The introduction of a non-resident speculation tax may have a chilling effect on housing speculation in the Greater Golden Horseshoe area, but its application to only the GGH may pose challenges for cities like London that are facing similar pressures. Initiatives such as the opening of provincial lands for affordable housing are slated to be piloted in the GTHA with no timeline for when they might be extended to the rest of the province. The success of these initiatives will be dependent on meaningful engagement from cities like London to ensure that customized market solutions are identified.

### **Homeless Prevention**

London's pre-budget advocacy focus for homelessness prevention revolved primarily around increasing the total provincial funding for initiatives while also identifying the unique needs of mid-sized cities like London.

Federally, London advocated for reform of the Homelessness Partnering Strategy (HPS), which currently focuses heavily on a few large cities while leaving small and mid-sized cities at a significant disadvantage. The 2017 federal budget earmarked \$2.1 billion in new funding under the HPS, which by 2021-22 represents a near-doubling of 2015-16 amounts. Additional details on London's allocation under the HPS are currently pending.

Provincially, the budget provided a recommitment of increased funding to the Community Homelessness Prevention Initiative (CHPI), which has providing flexible funding for cities and communities like London. The provincial budget also contained significant enhancements to social supports like Ontario Works and the Ontario Disability Support Program.

#### **Federal Budget**

Budget 2017 includes \$2.1 billion over 11 years in new funding to expand the HPS beyond 2018-19, when the current funding was scheduled to end.

The federal government also commits to undertaking a review and redesign of the HPS. The 2017 Federal Budget announced an advisory panel would be tasked with undertaking a consultative process to provide recommendations on redesigning the strategy. This is directly in line with London's advocacy position and could mean significant enhancements to homelessness funding locally.

#### **Provincial Budget**

Provincially, the 2017 budget recommitments to previously announced funding and initiatives, including the *Long-Term Affordable Housing Strategy*. As part of this strategy, Budget 2017 provides \$200 million over three years for the *Supportive Housing Policy Framework*, to improve access to supported housing services such as counselling, assistance with medication and life skills training.

Budget 2017 includes a recommitment to increased funding of \$90 million over three years for CHPI, which was previously announced in the 2016 Fall Economic Statement.

## **Local Implications**

Federally, increased funding for the Homelessness Partnering Strategy (HPS) and a commitment to extending the program past 2018-19 is very positive news for the City. The current HPS agreement between the City of London and the federal government provides up to \$3,134,248 in total funding for homelessness initiatives between 2014/15 and 2018/19.

In addition, the review of the HPS program design has the potential to significantly grow the impact of HPS funding for London. In its current form, the HPS delivers exponentially greater funding to large cities than it does to mid-sized cities like London, even adjusted on a per-capita basis. If the increasing scope of challenges faced by mid-sized cities is taken into consideration in the new program design, London's share of the HPS may increase. This step is directly in line with Council's pre-budget advocacy position.

Provincially, the majority of funding for homelessness outlined in the 2017 budget was previously announced in the 2016 Fall Economic Statement and other discrete initiatives. Increased funding for the Community Homelessness Prevention Initiative (CHPI) was very positive for the City, as this program is a prime example of the type of flexible and predictable funding agreements which are most beneficial to municipalities.

## **Economic Development**

City Council's final pre-budget advocacy position focused on investments in economic development, calling attention to the fifth pillar of the Community Economic Roadmap - London as a Centre for Medical Innovation.

Federally, the budget included a focus on health sciences innovation as an economic driver through the "Innovation Superclusters" initiative. In addition to health sciences, the "Innovation Superclusters" focus on a number of other priority sectors for the city, including Digital Industries and Agri-Food.

Provincially, the innovation sectors selected for targeted investment were highly specific. The Business Growth Initiative, the province's primary fund for encouraging innovative economic development projects, focuses on advanced research and development areas like quantum computing and artificial intelligence.

In addition, the province has moved away from its focus on the "Innovation Supercorridor" previously mentioned in Budget 2016, but does make mention of moving toward the development of regional plans for the purpose of economic growth.

## **Federal Budget**

The 2017 Federal Budget provides greater clarity on a five year, \$950 million investment in innovation first announced in 2016. The "Innovation Superclusters" funding will support a small number of business-led consortiums in six priority sectors: Advanced manufacturing, agri-food, clean technology, digital industries, health/bio-sciences and clean resources. This funding includes the \$800 million announced in Budget 2016, plus the \$150 million from the PTIF and Green Infrastructure allocations announced in the Fall Economic Statement.

Shortly after the 2017 budget was released, the federal government launched the application process and guidelines for the "Innovation Superclusters" program. The two-phase process calls for applications from business-led consortiums to submit a letter of intent by July 21, 2017. A short list of eligible applicants will be created, and those groups will be invited to submit a formal application, with a deadline to be established once the first phase is complete.

Other significant funding for innovation impacting municipalities includes \$300 million over 11 years to launch a “Smart Cities Challenge Fund”. This funding will be awarded to cities based on a competitive application process, with the goal of supporting innovative infrastructure and planning initiatives which improve quality of life for residents through the use of new and emerging technologies.

## **Provincial Budget**

Ontario appears to have moved away from the concept of an Innovation SuperCorridor (geography based) and more toward a sector-based strategy

Budget 2017 provides a recommitment of \$650 million over five years into the *Business Growth Initiative (BGI)*. The BGI will focus on five specific industries, where investment may be prioritized: artificial intelligence, 5G broadband technology, quantum technologies, advanced computing and autonomous vehicles.

Budget 2017 includes specific mention of other key local industries including manufacturing and agri-food. The budget also includes a specific commitment to create regional economic development plans in partnership with communities, business, labour partners, and colleges and universities.

On health sciences innovation, the provincial budget mentions a push towards using health innovation as a means of improving patient care across the province, but does not provide specific details or funding commitments toward that goal.

## **Local Implications**

The 2017 Federal Budget’s focus on “Innovation Superclusters” and targeted economic sectors holds some promise for the local economy. A number of the industries specified make up significant parts of London’s rapidly diversifying economy. This includes established industries like agri-food and advanced manufacturing, as well as emerging sectors like digital industries, health sciences, and clean resources.

The “Smart Cities Challenge Fund” may present an opportunity for the City of London to seize on advance work already being done locally towards establishing a Smart City Strategy. Although program design and specifics were not provided in the budget, the initiative sets aside \$300 million over 11 years, which will be awarded to cities through a competitive application process. London’s Smart City Strategy is currently in the development stage, and it is possible that more details about the “Smart Cities Challenge Fund” will be available in time for the City to apply for funding.

The movement in the 2017 provincial budget away from the “Innovation Supercorridor” leaves some uncertainty about how the province will approach investment in economic development across the province. The “Innovation Supercorridor”, first mentioned in the 2016 budget, was intended to form a region of intensified economic activity and began in London to the southwest and ended at Ottawa in the northeast. With the *Business Growth Initiative (BGI)* promoting a sector based approach, and only vague mention of regional economic development plans, it remains to be seen how funding for economic development activities in the Southwest Ontario region will be structured moving forward.

In the meantime, this strategic shift raises questions for follow-up and signals the need for near-term collaboration with community, institutional, and private sector partners within London’s key economic pillars. Encouraging and maintaining open dialogue with ministry officials will also be important to ensure London is prepared to respond to new initiatives and strategies as they unfold.



The inclusion of “health innovation” in the 2017 provincial budget does present potential opportunities for growing the profile of the London Medical Network – an innovative partnership between the City, Western University, London Health Sciences Centre, St. Joseph’s, and private sector champions. Administration will continue to monitor opportunities to advance and promote this and other Community Economic Roadmap priorities going forward.

<b>CONCLUSION</b>
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This report is the result of collaboration spanning a wide range of service area divisions. For their invaluable contributions, Community & Economic Innovation would like to thank the staff and leadership in Community Services; Economic Partnerships; Environmental Services; Financial Planning and Policy; Homeless Prevention; Housing, Social Services, & Dearness Home; the London Housing Development Corporation; Neighbourhood, Children and Fire Services; Planning and Development; Transportation; and Water Engineering.

<b>PREPARED BY:</b>	<b>SUBMITTED BY:</b>
<b>NICK STEINBURG SPECIALIST, GOVERNMENT AND EXTERNAL RELATIONS</b>	<b>ADAM THOMPSON MANAGER, GOVERNMENT AND EXTERNAL RELATIONS</b>
<b>RECOMMENDED BY:</b>	
<b>KATE GRAHAM DIRECTOR, COMMUNITY &amp; ECONOMIC INNOVATION</b>	