

STRENGTHENING
CANADA THROUGH
OUR HOMETOWNS

FCM BUDGET 2015
SUBMISSION

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INTRODUCTION

STRENGTHENING CANADA THROUGH OUR HOMETOWNS

“A strong Canada begins with strong hometowns. Hometowns propel our country forward; they are engines of innovation, creativity and our sense of community. Where we choose to work, live and raise our families is a powerful source of pride for most Canadians.”

FCM President, Brad Woodside

Each of us has a story about how a hometown teacher, librarian, firefighter, police officer, small business owner, artist, volunteer, entrepreneur, neighbour or friend has changed lives for the better. These stories are the building blocks for what makes Canada great.

These stories also point toward a better Canada—one of dynamic cities and communities with modern infrastructure that can compete with the best in the world; one with affordable, healthy and livable communities, both rural and urban, for Canadian families.

To realize this vision, we believe that all orders of government must work together and strengthen our economy from the ground up, shaping our future through our cities and communities.

With a strong federal partner, we can build the modern infrastructure we need to move forward. We can ensure our communities remain affordable and family-friendly. We can attract talent and investment and drive job creation.

By working together, we can strengthen our hometowns. That’s how we will build this country and ensure a better quality of life for all Canadians.

SECTION 1

LOCAL JOBS AND GROWTH

Canada's Future – Our cities and communities are engines of innovation and growth

Our country's future relies on healthy job growth and sustainable economic development. And this starts with strengthening Canada's hometowns.

Investing in local infrastructure provides a clear and measurable return on investment, and helps address some of the biggest challenges hindering our economic competitiveness. Predictable investments in core municipal infrastructure are vital to keeping goods moving and businesses operating.

Reducing crippling gridlock through improved public transit will generate tens of billions of dollars worth of productivity gains and improve our environment. Partnering on important wastewater-system upgrades will enable communities to meet new federal standards and help the environment.

Canada's municipalities have consistently demonstrated that we get shovels in the ground quickly on major infrastructure renewal. We are ready to partner with you on these solutions to keep our economy and country moving forward.

“Investing in infrastructure should be a top spending priority, to build a foundation under the Canadian economy and ensure that we remain globally competitive as an exporter and creator of wealth.”

- Conference Board of Canada

**CANADA'S FUTURE:
WHERE OUR WATER IS PROTECTED**

Ensuring that our lakes and rivers are clean, and that Canadians have safe and reliable drinking water, are obligations shared by all orders of government.

Municipalities continuously and publicly supported the Government of Canada's new national standards for Canada's more than 3,500 wastewater systems. This regulation will benefit all Canadians and our environment. It will also require investments by all orders of government, to make its successful implementation a reality.

Over the next three decades, the regulations require communities to substantially upgrade about one-in-four wastewater-treatment systems across the country. Based on conservative estimates developed through both Environment Canada and a survey of impacted municipalities, capital expenditures alone will be in excess of \$18 billion. Municipalities will also face significant additional costs in terms of up-front assessment and planning, as well as in operating expenses.

Without a partnership between all orders of government, these costs will force municipalities to defer other local infrastructure priorities that are critical to sustained economic growth and job creation, and could significantly increase property taxes for hundreds of thousands of families and small businesses. The Town of Burgeo, NL, for instance, faces a per-capita cost of \$24,000 to \$27,000. In Prince Rupert, BC, the number is \$10,000 to \$12,000; for the City of Montreal, complying with the new regulations will cost \$1 billion.

Municipalities are ready to partner with the federal government on a new *Clean Water Fund* to ensure that together we can meet these new regulations without straining the economy, job creation and Canadian families.

“Ensuring our communities have the resources they need to upgrade wastewater systems is absolutely essential to protecting our drinking water and our environment.”

- Robert Haller, Executive Director, Canadian Water and Wastewater Association

Identifying the Gap

Current levels of investment in all local infrastructure delivered through the permanent, indexed federal Gas Tax Fund and the application-based New Building Canada Fund, are important complements to the \$15 billion invested by municipalities themselves each year. As these programs are designed to cover all local infrastructure needs, they simply cannot also address the new costs associated with the implementation of the wastewater regulations.

To build a strong foundation for Canada's future and maximize the value of infrastructure investments by all orders of government, additional long-term, predictable and dedicated funding is needed to address new infrastructure priorities created by the federal wastewater regulations.

Approximately 850 wastewater systems are affected by the new regulations (See wastewater table upgrades, page 5). According to FCM cost estimates, communities with high-risk systems will need to invest approximately \$3.5 billion before the compliance deadline of 2020. Medium-risk systems are estimated to require investments of more than \$10 billion by 2030, while low-risk systems will require more than \$4 billion dollars by 2040. This represents current and future investments totaling at least \$18 billion dollars in capital expenditures alone.

Preliminary total cost estimates – selected municipalities:

- Metro Vancouver, BC: \$1.5 billion
- Halifax, NS: \$710 million
- Cape Breton, NS: \$423 million
- Montreal, QC: \$1.07 billion
- Greater Moncton, NB: \$105 million
- Regina, SK: \$88 million

Preliminary per capita cost estimates – selected municipalities:

- \$24,000-27,000: Town of Burgeo, NL
- \$10,000-12,000: Prince Rupert, BC
- \$7,145: Portage la Prairie, MB
- \$3,064: Rocky Harbour, NL
- \$3,017: Corner Brook, NL
- \$2,273: Port Clements, BC
- \$1,975: Powell River, BC
- \$1,652: Neepawa, MB
- \$1,279: Sackville, NB
- \$1,136: St. John's, NL



#HOMETOWNPROUD

CANADIANS FROM COAST TO COAST TO COAST ARE PROUD OF THEIR HOMETOWNS:

“In the Town of Souris, you will see our civic pride visible every day in many different ways. We believe in preserving our environment and we strive to make our town beautiful for all to enjoy.”

- Joanne Dunphy, Souris, PEI shared her pride in FCM's Hometown Proud Campaign

RECOMMENDATIONS: PARTNERING ON SOLUTIONS

Support immediate job creation and contribute substantially to Canada's GDP by partnering with municipalities on a new, *Clean Water Fund*.

- New federal investments of \$300 million annually, to be matched by municipal governments and by provincial and territorial governments, for a total program value of \$900 million per year; and
- Commit funding for at least 20 years to assist communities with the capital cost of rebuilding wastewater systems (estimated total cost: more than \$18 billion).

“All Newfoundlanders and Labradorians want to keep our water clean. The challenge for many of our communities is that if we have to bear these costs alone, we would use up entire town budgets. We all need to come to the table, ready to do our part.”

- Mayor Churence Rogers,
President of the Municipalities
of Newfoundland and Labrador

WASTEWATER FACILITIES REQUIRING UPGRADES, BY REGION

Jurisdiction	Number of Facilities Requiring Upgrades Based on National Ranking System			Total
	Low Risk 2040	Medium Risk 2030	High Risk 2020	
Alberta	3	30	2	35
British Columbia	0	4	8	12
Manitoba	0	81	0	81
New Brunswick	13	38	0	51
Newfoundland and Labrador	0	1	45	46
Nova Scotia	8	36	16	60
Ontario	99	4	3	106
Prince Edward Island	17	7	0	24
Quebec	0	144	30	174
Saskatchewan	0	29	1	30
Yukon	0	1	1	2
Federal	162	36	30	228
Total	302	411	136	849

Source: Environment Canada

CANADA'S FUTURE: WHERE PEOPLE AND IDEAS MOVE QUICKLY

When people can move around a city quickly, creative ideas also tend to move quickly. The ability to travel quickly is a foundation for a vibrant, modern city, and a necessity for a strong national economy.

It is no coincidence that some of the most dynamic places in the world—those that are true engines of their national economies—also have some of the world's best rapid-transit systems.

What's more, Canadians told us that they base their decisions on where to establish themselves on factors such as how easy it is to get from modern affordable neighbourhoods to their workplaces quickly. They want to work hard, and have time to relax with family and friends. They want to avoid traffic congestion and long commutes.

Today, the average Canadian commuter spends the equivalent of 32 working days a year travelling to and from work. The Greater Toronto Area and Metro Montréal have average daily commute times of more than 75 minutes, longer than London, New York and Los Angeles. Average daily commute times in Calgary are 66 minutes; in Vancouver, 67 minutes. These and many other urban regions need major investments to fight growing gridlock.

Our public-opinion research shows that traffic congestion, public transit and roads are consistently identified as primary issues affecting the quality of life for residents in municipalities across Canada; 64 percent of Canadians say that improved public transit will make life better in their communities.

Canada's municipalities are committed to reducing traffic and increasing available transit. But we cannot do it on our own. Fostering communities where people and ideas move quickly must be a priority all orders of government tackle together.

Identifying the Gap

In a recent study, the Canadian Urban Transit Association (CUTA) estimated transit capital needs of \$53.5 billion between 2012 and 2016. Approximately \$40 billion of this amount will come from existing funding commitments by all governments, including almost \$4 billion over five years from the federal government. This leaves a funding shortfall of \$13.5 billion. CUTA estimates the federal share of eliminating this \$13.5 billion shortfall to be approximately \$1 billion a year.

RECOMMENDATIONS: PARTNERING ON SOLUTIONS

Reduce traffic congestion, improve local mobility and support sustainable growth through committing to the development of a long-term, predictable and dedicated fund for municipal transit projects.

- New federal investments of at least \$1 billion annually dedicated to municipal transit projects, to be matched by municipal and by provincial and territorial governments, for a total program value of \$3 billion per year.
- Improve predictability and maximize value for money, by putting this investment on a long-term track with funding committed for 15–20 years, on five-year planning cycles.
- Allocate funding based on current and projected transit ridership.

Return on Investment:

- According to the Canadian Urban Transit Association, every dollar invested in public transit generates three dollars worth of economic growth.
- The \$2 billion invested in transit projects across Canada in 2007 generated 22,570 full-time equivalent jobs.
- The CD Howe Institute estimates that traffic congestion costs the Toronto region up to \$11 billion worth of lost productivity each year.

#HOMETOWNPROUD

CANADIANS FROM COAST TO COAST TO COAST ARE PROUD OF THEIR HOMETOWNS:

“Spruce Grove would be even better if we had a transit system that connected us to surrounding towns and cities on a regular basis.”

- Debbie Brown, Spruce Grove, Alberta shared her pride in FCM’s Hometown Proud Campaign

“Canadians don’t want to spend so much time in traffic; it’s costing our economy billions of dollars. Mayors from across the country are united and ready to partner with the federal government on cutting commute times.”

- Mayor John Tory, Toronto, Ontario

SECTION 2

LIVABLE COMMUNITIES

Canada's Future – A welcoming and affordable place to live and build a future

Together we can create vibrant, welcoming communities where people want to live and work, start businesses, build connections and contribute.

Housing that is affordable for newcomers, young families, the middle class and seniors alike lays the groundwork for healthy communities.

For too many Canadians, affordable home-ownership remains out of reach. Home prices have more than doubled since 2000. Forty two percent of young Canadians currently live with their parents. Household mortgages make up 68 percent of Canada's record high household debt, one of the greatest threats to our economy, according to the Bank of Canada.

Investments in housing make sense. Including the costs of rent and construction, housing

makes up 20 per cent of Canada's GDP. Housing that's affordable improves lives and strengthens communities.

Protecting federal investments in social housing and creating incentives to increase rental housing will help keep vulnerable seniors in their homes and out of the health care system for longer periods of time, make housing more affordable for the one-third of Canadians who rent, and take the pressure off the housing market and household debt.

According to our internal public-opinion research, which sampled more than 5,300 Canadians across the country, 63 percent of Canadians believe new affordable housing will make life better in their communities. Building affordable housing was seen as an important area of concern for all cities and communities, large and small.

Municipalities continue to invest significantly in housing and have been implementing an array of initiatives to increase and preserve the supply of rental and affordable housing. These include tax exemptions, intensification and redevelopment initiatives, and streamlining approvals, but the scope and range of problems are too complex for any one order of government to solve alone. It will require collaboration and leadership from the federal government to secure the future of housing in Canada.

Canada's municipalities are ready to work together to create healthier, more livable hometowns.

Identifying the Gap

The Government of Canada currently invests \$1.7 billion annually in federal operating agreements for Canada's 600,000 social-housing units. As these agreements wind down, annual federal spending will decline from \$1.7 billion in 2014/2015 to \$1 billion in 2020, \$530 million in 2025, under \$1 million in 2035 and to \$0 by 2040.

At the same time, the need for affordable housing is growing. Over 200,000 Canadians experience homelessness every year. The City of Calgary and the Region of Waterloo, for instance, each have social-housing waitlists of more than 3,000 households. In Metro Vancouver, the number is 4,100. Across the country, the number surpasses 150,000. Canada had approximately 1,086 homeless shelters in 2011, up from 859 in 2006.

According to the Bank of Canada, household debt, of which mortgages make up 68 percent, is one of the greatest risks to the economy.

One-third of Canadians rent, but investments in purpose-built rental housing have flatlined at 10 percent of all housing starts for more than a decade. Over the same period, conversions to condominiums and a poor state of repair have contributed to a net loss of affordable rental housing in Canada. According to the Conference Board of Canada "housing unaffordability is a structural feature of the Canadian economy affecting people at a wide range of income levels."

Increased investments in purpose-built rental housing will ease the pressure off both the home-ownership and social-housing systems, and provide additional affordable-housing options, helping lower the record levels of household debt that threatens Canada's economy.

"...improved ownership affordability will translate into reduced pressure for higher rents and a reduction in the need for housing assistance."

- Canadian Home Builder's Association, Housing Affordability And Accessibility, A Synopsis of Solutions, 2012

RECOMMENDATIONS: PARTNERING ON SOLUTIONS

Protect and make permanent Canada's \$2.072 billion annual federal affordable-housing programs and investments.

- Preserve rent and operational subsidies where needed and, where current operation agreements are no longer needed, invest funds as agreements expire in new social-capital repair and regeneration programs.
- Reinvest approximately 30 percent of expiring funds in a new Capital Repair and Regeneration Program to begin to address Canada's social-housing capital-repair deficit.
- Current allotments of \$253 million annually to the federal Investment in Affordable Housing (IAH) program and the \$119 million annually for Homelessness Partnering Strategy (HPS) should be renewed and made permanent when they expire in 2019.
- Delivery of all programs must ensure sufficient flexibility to meet the unique agreements, needs and circumstances of each region. It must also recognize that climate and geography are natural disincentives for investment in rental and other affordable-housing options in Canada's North. New investments, rental incentives and the reinvestment of expiring operating agreements should be targeted to address these barriers.

Preserve and increase affordable rental housing through tax incentives aimed at removing barriers to new affordable and market-rental housing.

- Invest \$400 million in innovative tax incentives to preserve existing rental units and remove barriers to new affordable and market-rental housing to begin to meet the needs of the almost 200,000 Canadian families on waiting lists for affordable housing.
 - **Eco-Energy Retrofit:** To improve the quality of rental stock, reduce high utility-cost burdens for renters, reduce emissions and environmental impacts, and increase resale and future rental value to landlords (insulation and windows, update heating systems and possibly replace older appliances). Potential cost: \$150 million annually



#HOMETOWNPROUD

CANADIANS FROM COAST TO COAST TO COAST ARE PROUD OF THEIR HOMETOWNS:

"A national housing strategy and more federal funding for affordable housing would make my hometown even better."

- Kelly McRae, Winnipeg, Manitoba shared her pride in FCM's Hometown Proud Campaign

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- **Rental Incentive Tax Credit:** To stop the serious erosion—through demolition and conversion to condominiums—of existing lower-rent properties, this incentive would credit property owners for selling affordable assets to eligible non-profit providers (including a municipality), thereby preserving assets and promoting long-term affordability. The credit would target small investors that face large tax-liabilities when they sell properties. Potential cost: \$250 million annually

Return on Investment:

- For every dollar invested in housing, Canada earns back \$1.40 in GDP.
- The annual cost to Canadians of homelessness is estimated at \$7 billion.
- The housing sector represents 20 percent of Canada’s GDP. A stable, secure housing system that creates and maintains jobs while allowing for a range of living options is essential to grow our economy.

“The price of buying a family home in Saskatchewan is up over 40% in the last decade, with vacancy rates below 2% in much of the province, including my community of Yorkton. We have to do better if we want our communities to grow and thrive, to attract young families, and to keep things affordable for our seniors.”

- Councillor and
FCM Board member
Randy Goulden,
Yorkton, Saskatchewan

The Federation of Canadian Municipalities is the national voice of municipal government representing 90 percent of Canada's municipal population.

Our members represent cities and communities from coast to coast to coast.





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