EXECUTIVE SUMMARY

Implementing the Growth Plan:

Seeking Provincial and Municipal Alignment to Support a Prosperous Ontario

Prepared for the RPWCO, RPCO, and ORSTT

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This report identifies key challenges and opportunities for the Province of Ontario and the municipalities in the Greater Golden Horseshoe to implement the Greater Golden Horseshoe Growth Plan (Growth Plan) in a way that is financially sustainable, uses infrastructure efficiently, creates livable communities and supports economic prosperity across the region. Findings reflect consensus positions developed amongst the Regional Planning Commissioners of Ontario, the Regional Public Works Commissioners of Ontario, and the Ontario Regional and Single Tier Treasurers. The analysis in the report draws upon the experience of eight of the largest municipalities included in the Growth Plan, the six inner ring regional and single tier municipalities (York Region, Durham Region, City of Toronto, Peel Region, Halton Region, and the City of Hamilton) and two outer ring municipalities, the Regions of Waterloo and Niagara.

While this report is focused on the experience of municipalities in implementing the Growth Plan in the Greater Golden Horseshoe (GGH), a number of the issues identified and recommendations in relation to financing growth, implementing efficient infrastructure and planning for employment are equally relevant to municipalities outside of the GGH.

Looking at challenges and opportunities in implementing the Growth Plan from the perspective of three disciplines- planning, public works and finance, allowed Commissioners to identify issues and their interlinkages. This provides a more complete picture of the landscape that municipalities are navigating as they manage growth in the Greater Golden Horseshoe.

Analysis and conclusions are presented in five sections: i) the policy and economic context within which the Growth Plan is being implemented on the ground; ii) conforming with Growth Plan projections and targets; iii) financing growth; iv) encouraging the efficient planning and deployment of growth-related infrastructure; and v) protecting employment lands.

The Policy and Economic Context

Misalignment of federal, provincial and municipal infrastructure investments

The 2008 recession and its aftermath accelerated an economic transformation that was already underway in Southern Ontario, resulting in a dramatic loss of manufacturing jobs and their replacement with jobs in the services sector, health and education institutions and logistics firms. These changes have had a significant impact on meeting Growth Plan projections and targets and financing growth, due to changes in employment, spatial demands for employment, and a decline in revenues from non-residential development charges (DCs) and property assessment in some areas of the GGH. While dips in business cycles are to be expected, the concern is that this structural change to the southern Ontario economy will not result in a cyclical rebounding of the manufacturing sector, despite a drop in oil prices and a decline in the value of Canadian currency.

This economic uncertainty reinforces the need for a coordinated federal- provincial and municipal economic strategy for the region, coupled with a commitment to strategic infrastructure investments to support this shared economic vision.

Instead, there is concern over what is seen as a misalignment in the timing and quantum of provincial and federal investments with municipal growth-related planning and infrastructure implementation. For example, at the provincial level, the Growth Plan requires that municipalities make detailed plans using a longer time horizon than provincial infrastructure plans or plans managed by Metrolinx.

At the federal level, Canadian cities are at a disadvantage compared to their OECD competitors, because Canada remains one of the only OECD countries without a long-term, predictable federal transit-investment strategy. This lack of a federal transit investment strategy puts municipalities at great risk and financial exposure when introducing or expanding transit .The announcement in the 2015 Federal Budget of a permanent transit fund beginning in 2017, albeit at a relatively low investment level, is a step in the right direction.

Growth Plan Projections and Targets

Lack of Confidence in Growth Plan projections

By 2041, it is projected that the Greater Golden Horseshoe (GGH) area in Ontario will be home to 13.5 million people and 6.3 million jobs. The pattern of development to accommodate this growth is being influenced by provincial policy contained in the Greater Golden Horseshoe Growth Plan, 2006, that encourages intensified, mixed use development.

The achievement of the Growth Plan is heavily dependent on the ability of municipalities to realize provincially assigned population forecasts and intensification and density targets. However, there is great concern that the Growth Plan jobs and employment projections and targets are too high or anticipate growth too soon in most areas of the GGH, outside of the City of Toronto. This is not to suggest that any one set of projections would be perfectly accurate. Economic conditions that shape growth temporally and spatially are inherently uncertain over a 30-year period. However, as municipalities are mandated to integrate Growth Plan projections and targets into their Official Plans (O.P.s), misalignment in the location and timing of population and jobs projections risks creating a systemic imbalance in municipal balance sheets, creating a risk of overbuilding or underbuilding critical, cost-effective, growth-related infrastructure. Greater flexibility in meeting projections and targets could save municipalities tens, even hundreds of millions of dollars.

There is slow progress in attracting jobs to greenfield development, particularly at higher densities. While there is value in a combined density target, a change in the way employment is defined under the target may be a more practical method of encouraging employment density in greenfield development.

Some progress is being made in inner ring and select outer ring municipalities to meet the Growth Plan's 40% residential intensification target. While this is good news, once achieved, the target still permits 60% greenfield development to continue. As municipalities in the inner ring with more mature economic activity reach the intensification target, there should be consideration of a review to raise the target, in consultation with the municipality.

Bringing O.P.s into conformity with the Growth Plan has proven to be a difficult and drawn out process. Every one of the eight municipalities surveyed for this study had their O.P. amendments appealed. Five of them continue to work through their appeals, five years after the 2009 adoption date.

Likewise, differences in the assumptions used by municipalities to determine their land budgets has made it difficult to defend the municipal comprehensive review at the Ontario Municipal Board, with appellants challenging the methodology for determining them. A uniform methodology, from the Province, for determining land budgets would help defend municipal land budgets at the time of municipal comprehensive reviews and avoid costly delays.

Financing Growth

Insufficient development charge revenue to pay for growth

Ultimately the successful implementation of the Growth Plan must be supported by a sustainable financial model whereby growth pays for growth. The inadequacy of development charge revenues, the risk inherent in paying in advance for large scale infrastructure, and the lag in payback for these major investments, are all contributing to the financial burden that municipalities are bearing in paying for growth. Simply put, growth is not paying for growth, leaving the remainder to be paid for by property tax and user rate payers.

As development charges are proving to be insufficient to pay for growth in intensified urban developments, many municipalities are using an increasing share of their debt capacity to finance growth-related infrastructure. Some municipalities are deferring growth related capital projects, and some are turning to front-ending agreements to reduce the risk associated with carrying considerable debt to fill the gap.

New transit systems to support intensification are proving to be the greatest financial burden and the most difficult to finance under the current *Development Charges Act* limitations.

Bringing the quantum and timing of growth revenues in line with growth costs through amendments to the *Development Charges* Act is essential to support the implementation of the Growth Plan, and to meet growth demands more generally. Proposed amendments to the *Development Charges Act* under Bill 73 go some way in addressing these concerns. Timely commitments from the federal and provincial governments with respect to transit funding and other strategic investments are also needed.

Infrastructure Efficiency

Better Integration of Land use and Infrastructure decisions

Infrastructure is the primary driver of growth costs. If it is deployed efficiently and appropriately, it can not only save municipalities money, it can be a public revenue generator by driving growth and other forms of value to the community. If it is deployed inefficiently, it can add to costs and become a drag on both growth and public revenues.

Building in an assessment of costs, benefits, and risk exposure to infrastructure planning and decision making can make the difference between the former vs the latter outcome.

Some municipalities and other public agencies are undertaking more sophisticated analysis to determine how to deploy infrastructure more efficiently to reduce costs, minimize risk and promote value, in balance with other operational, environmental and societal objectives. Better integration of land use and infrastructure decisions can also support planning for infrastructure efficiency.

External influences, like lengthy and complex provincial approvals and OMB decisions that go against Official Plans also contribute to infrastructure costs.

Employment Lands Protection

Stronger Provincial support for employment lands protection

Some GGH municipalities are under intense pressure to convert employment lands, leaving some areas with insufficient employment lands for the next twenty year period, particularly larger parcels of land.

Notwithstanding a strengthened provincial policy framework for protecting employment lands, municipalities have found that support for this strengthened provincial policy does not always extend across some provincial ministries and agencies, in the implementation of provincial plans, and in OMB hearings.

Greater support is needed from the Province to support the protection of employment lands, especially strategic employment lands that are essential to move people and goods, along 400 series highways, at border crossings, and around active ports and harbours.

In this shifting employment landscape, some developers are challenging municipal assumptions on which their employment land DC calculations are based, calling into question whether the currently accepted methodology to calculate employment DCs needs to be reconsidered.

Conclusions and Recommendations

Municipalities are still on a learning curve in planning for and servicing more intensified and dense growth in the GGH. They are adapting and improving their strategies along the way. This study explores the added challenges and opportunities posed by federal and provincial governments in supporting growth in the GGH. The compounding effect of the issues raised in this study stands in the way of the successful implementation of the Growth Plan, and is contributing to the strain of financing this growth.

To address these issues, the following recommendations were agreed to by the RPWCO, RPCO, and ORSTT Commissioners at a March 2 workshop. As noted above, while this report and its findings are focused on the Greater Golden Horseshoe and the Growth Plan, much of the analysis and many of the conclusions are relevant to municipalities outside of the GGH. **In order to highlight these, recommendations with broader geographic relevance have been identified with an asterisk (*).**

Policy and Economic Context

Recommendation #1

The Province's long term infrastructure plan should be required to conform with the Growth Plan over a planning horizon that is compatible with municipal planning horizons, that is, 15 + years, through an amendment to the proposed *Infrastructure for Jobs and Prosperity Act* (Bill 6) currently before the Legislature. The Infrastructure Plan should provide enough detail in terms of timing and specific projects so as to enable coordination with complementary municipal infrastructure investments.

***Recommendation #2**

The Federal Government should make a long term commitment (15 + years) to stable funding for transit, amounting to a minimum of 30% of capital costs.

Conforming with Growth Projections and Targets

Recommendation #3

In light of Ministry of Finance projections, Growth Plan population and employment projections should be reviewed and revised. Consideration should be given to building flexibility into the projections, providing a numeric and timing range within which the projected growth is expected to occur.

Recommendation #4

The Province should continue to prescribe the 40% minimum intensification target for inner ring municipalities but, once the target is achieved, based on the progress towards intensification in more 'mature' regions and cities over time, the Province should, in consultation with municipalities, raise the intensification target.

Recommendation #5

The Province should amend the combined employment and residential density target for greenfield development to distinguish among the types of employment that are included so that industrial and knowledge-based jobs would be excluded and only population-related jobs would be combined with the residential target.

***Recommendation #6**

The Provincial Government should provide a uniform methodology for determining land budgets, developed in consultation with municipalities.

Paying for growth

***Recommendation #7**

To ensure that growth pays for growth, the Province should amend the *Development Charges Act* (DCA) as follows:

- removal of the 10% discount (Sec. 5.(1) 8.)
- removal of service level cap based on 10 –year historical average (Sec. 5.(1) 4.)
- removal of all other service exemptions such as waste facilities, parks.
- removal of 50% industrial expansion exemption (4. (2)
- removal of clause in the DCA that prohibits municipalities from gaining, or developers from losing financially as a result of an OMB appeal. (16. (4))
- Metrolinx should not be given authority to charge DCs for growth related infrastructure and should no longer be permitted to invoice municipalities for costs associated with Metrolinx assets.

Infrastructure efficiency

Recommendation #8

The Province should limit appeals of Growth Plan-related OPs with significant infrastructure cost implications through amendments to the *Planning Act* and/or the *Places to Grow Act*.

***Recommendation #9**

The Province should introduce reasonable fixed timeframes for provincial decision points in the environmental assessment process, including Part II bump-up requests.

Recommendation #10

Relevant provincial legislation (*Places to Grow Act, Planning Act*, proposed *Infrastructure for Jobs and Prosperity Act* (Bill 6) and policies (Provincial Policy Statement) should be amended to facilitate and encourage municipalities to:

a) further integrate land use planning, infrastructure and financing considerations at the beginning of the land use planning process;

b) standardize the practice of making all lifecycle costs (ongoing operations and maintenance, replacement costs) transparent when considering costs of new growth related infrastructure;

c) undertake comprehensive business case assessments of major infrastructure works like transit, large water and wastewater treatment facility expansions, that includes consideration of costs, benefits and return on investment.

Employment lands

Recommendation #11a

The province should articulate criteria in the Growth Plan for identifying strategic employment lands, including but not limited to land adjacent to 400 series highways corridors, airport lands, border crossing areas, active ports and harbours, and strategic transit corridors, and allow for 'generational' protection of these lands, either with no time horizon, or a minimum 30 year horizon.

Recommendation #11b

The Province should limit appeals related to strategic employment lands through amendments to the *Places to Grow Act* and/or the *Planning Act.*

***Recommendation #12**

The Ministry of Municipal Affairs should launch Growth Plan training and specific implementation guidance for provincial ministries, boards and agencies whose policies may infringe or conflict with a municipality's efforts to protect employment lands.

Recommendation #13

The Growth Plan should establish a process to negotiate 'land swaps' between municipalities and the Province to allow for the protection of consolidated employment lands where provincial policy, e.g. provincially significant wetlands, has the effect of severing employment lands; where this involves the Greenbelt or Oak Ridges Moraine plans, the swap of equivalent land parcels to protect employment lands should result in 'no net loss' to the territory delineated in these Provincial plans.

Recommendation #14

Where designated employment lands are consistent with the Growth Plan, the Province should make these non-appealable to the OMB through amendments to the *Planning Act* or *Places to Grow Act.* When a municipality has planned for various categories of employment lands in a conformity exercise, appeals should be prohibited OR the scope of the appeal should be limited to population-based employment only.

***Recommendation #15**

The Province should support other measures of determining employment land DCs used in other jurisdictions that better reflect actual servicing costs, such as lot size, trip generation (people and distribution).