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REPORT PRESSES FEDS FOR INFRASTRUCTURE STIMULUS

# RECOVERY AT RISK

**Andrew Reeves**

The federal government risks stymying the creation of 55,000 jobs annually over the next 20 years, and the creation of up to $13 billion in revenue for the province of Ontario, if it fails to intervene in the municipal financial crisis unfolding across the country, according to a recent analysis from a Toronto-based research and data firm.

The report, titled *Navigating the COVID-19 Socio-economic Shock: How infrastructure investments will facilitate future growth in Ontario* penned by the **Canadian Centre for Economic Analysis** (CCEA), was commissioned by the **Residential and Civil Construction Alliance of Ontario** (RCCAO). "We thought, 'We're in the middle of COVID-19, and there's a lot of discussion about stimulus spending and what that means," RCCAO executive director **Andy Manahan** told *NRU*. Working with CCEA to analyze the potential impacts of various infrastructure spending scenarios made sense.

In the report, CCEA models three outcomes for infrastructure spending in Ontario: a "risk scenario" in which Queen's Park and Ottawa maintain pre-COVID-19 levels of infrastructure spending, and Ontario alone helps municipalities cover pandemic-related operating shortfalls; a "preferred scenario" in which both the provincial and federal governments maintain their pre-COVID-19 infrastructure spending levels, but Ottawa covers more than half of the budget shortfalls facing municipalities, allowing local and regional governments to maintain their capital spending plans; and a "status quo" option, in which Ontario and Ottawa continue with pre-COVID-19 levels of infrastructure spending, and no new measures are taken.

"The 'risk scenario' results in significantly lower employment and government revenue over 30 years," the report states, while the preferred scenario, in which Ottawa and Ontario cover municipal governments' budget shortfalls at a 56 per cent/44 per cent split, "generates net benefits after twenty years." In this model, 61,000 jobs are gained on average every year, in addition to generating $9 billion and $13 billion in federal and provincial government revenues, respectively, above the status quo. Do nothing and both levels of government risk creating 55,000 fewer jobs on average per year, in addition to losing out on $8 billion and $12 billion in respective federal and

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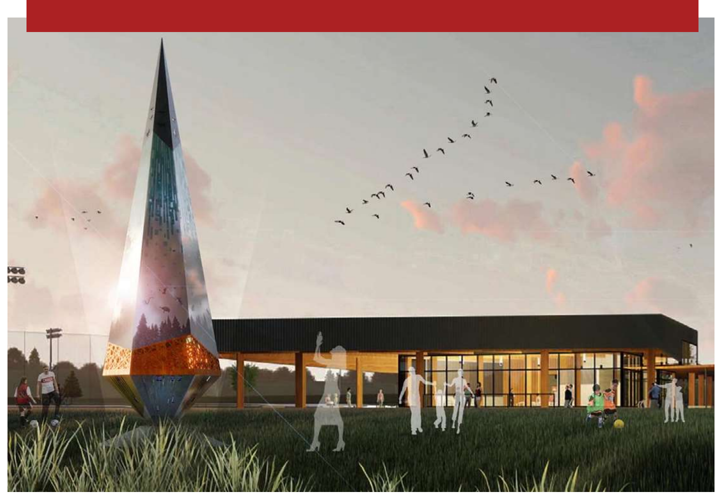
Rendering of the public art piece "Soar" by artist Hooman Mehdizadehjafari, to be installed in front of a new pavilion being constructed at City View Park in Burlington. The metal sculpture concept was chosen from among an initial pool of over 50 artists' submissions to become a part of Burlington's City View Park Master Plan. See People, page 12.

SOURCE: CITY OF BURLINGTON



# RECOVERY AT RISK

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provincial government revenues until 2030.

But even the "risk scenario" and its assumption that Ottawa and Queen's Park can maintain their promised pre-COVID-19 infrastructure spending levels could be "optimistic," Manahan admitted. "If we don't get the summertime construction season underway, we're going to miss the tenders that could be happening right now," he said. "There could be a worst-case scenario, which would be that the [new] planned levels are even lower than what they were in the past. That means our socio-economic recovery is at even greater risk."

Yet before COVID-19 threw government budgets out of whack, Ontario's infrastructure investments remained "well below the long-term growth maximizing level," according to the report. A 2011 study by CCEA (then known as **RiskAnalytica**) argued that Ontario needed to dedicate 5.1 per cent of its GDP to infrastructure spending to yield the greatest long-term benefits. Between 2000 and 2010, RiskAnalytica found, Ontario earmarked no more than 3.1 per cent of GDP to infrastructure spending, a percentage that has dropped to 2.79 per cent in recent years. Meanwhile, the GDP investment needed to maximize long-term economic gains has risen to 5.4 per cent.

**Yves Giroux**, Canada's Parliamentary Budget Officer, noted in a March 2019 study on the effectiveness of the Invest in Canada Plan (IICP) – Ottawa's 12-year, $188 billion stimulus package – that an infrastructure funding gap was not unique to Ontario, though the disparity was more pronounced in Canada's most heavily populated province. "Provincial capital spending was $5.4 billion lower than what it should have been after accounting for additional infrastructure funding delivered through the IICP," he wrote, signalling that the program's ability to entice provincial infrastructure spending had come up short. "This spending gap suggests that funding from the federal government probably displaced provincial investments after the IICP began. Another possibility," Giroux wrote, is that "provincial governments postponed or cancelled capital investments after the start of the IICP" in 2016.

"Pre-COVID-19, there were clues that there wasn't enough funding for provincial projects," Manahan said. He pointed to the cancellation of the LRT in the **City of Hamilton**, the scuttled courthouse project in **Halton Region**, and the scaling back of the Hurontario Loop at Square One in the **City of Mississauga** as examples of major infrastructure projects that have been reined in in recent years. "It's understandable to a certain degree that those types of projects were pared back, because there's only so much a province can do," he added. ~~But Manahan is looking ahead to projects like the Eglinton Crosstown West Extension to Toronto Pearson International Airport and the Scarborough subway extension as potential ventures that could become big drivers of the region's economic recovery.~~ See June 24-page 11 correction below.

Municipal budget shortfalls, meanwhile, could top $12 billion in 2020, according to a June 9 analysis from **RBC Economics**. Little of the financial support from Ottawa to date has been sufficient to fill in the existing financial gaps, RBC wrote, given that the funds offered to date must be repaid. Ottawa and provincial governments have much larger budgets and borrowing capacity than municipalities, RBC noted, which are "ill-placed to smooth revenue shocks of this magnitude." Preventing significant tax increases or deep spending cuts by local governments will require higher orders of government to step up, "perhaps even [with] non-repayable support."

On June 1, Prime Minister **Justin Trudeau** announced that the federal government would accelerate the transfer of $2.2 billion in federal gas tax funds to cities as a single payment in June, rather than the previously agreed upon twice yearly installments. Trudeau and Infrastructure Minister **Catherine McKenna** said the funding, which is split between 3,600 municipalities across Canada, can be banked, pooled with neighbouring jurisdictions to pay for shared projects, or spent as local governments see fit.

In a June 1 media release, **Federation of Canadian Municipalities'** president and **City of Halifax** regional councillor **Bill Karsten** lauded Trudeau's recognition that the financial crunch facing

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>
> \- Andy Manahan

# RECOVERY AT RISK

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municipalities was a "national crisis," but called the gas tax transfer proposal a "modest" and "preliminary" measure. "To be clear: this is not new money. This money has already been accounted for in municipal budgets and does not address our crisis of non-recoverable losses, or the stark choices cities and communities now face," Karsten noted. "Municipalities are on the front lines of this pandemic and still face $10-15 billion in non-recoverable losses. That's why we have appealed for emergency operating funding."

Not all capital projects from local governments have been sidelined due to financial constraints brought on by COVID-19. "We've got multi-million dollar projects going ahead for 2020," **Durham Region** works commissioner **Susan Siopis** told *NRU*. These include arterial road expansions, water main rehabilitations, and sanitary sewer upgrades. "We aren't cancelling or postponing anything significant," she said. "In fact, a number of our projects have gone to tender and are already under construction. So our programs have not been affected, to date, by COVID-19."

The region is certainly aware that the fluid nature of the economic recovery could force a rethink of their current capital project timelines. "Right now we are of the mind that we budgeted for these projects, we have funding in place, and they keep people working," Siopis said. "These projects continue to support businesses and residents throughout the region. Stopping work on them, other than for reasons of health, safety, or something financially dire – there's really no good reason to, at least, to our way of thinking, at this point in time."

The picture is less rosy when it comes to earmarked federal and provincial funding for transit initiatives, including the expansion of the Durham-Scarborough bus rapid transit project (PULSE BRT) along the Highway 2 and Simcoe Street corridors. These projects cannot progress beyond the work that Durham Region has already done to the design and construction phases, Siopis said, until the money committed by **Infrastructure Canada** is delivered, which, to date, it has not been. The region is also working closely with provincial transit planning agency **Metrolinx** to ensure that the planned expansion of the Lakeshore East GO line from the **City of Oshawa** to the **Town of Bowmanville** is completed.

**Peel Region**'s chief financial officer **Stephen VanOfwegen** told *NRU* in a written statement that the region is currently forecasting a reduction in development charges revenue of $700 million between 2020 and 2024 as a result of the pandemic-driven recession. Hoping to ensure there is no change to planned annual expenditures, he said, the lower-than-expected revenue from development charges will mean a "significant increase in debt requirements," which will "reduce Peel's financial flexibility and sustainability." VanOfwegen said that in coming weeks, regional staff will be taking a look at what programs or services could be deferred with the smallest impact on the community. An update on a proposed strategy to manage cash flows and financial flexibility should be brought to Regional Council on July 9.

In **York Region**, most planning and development activity related to housing, institutional, commercial and industrial development, and planning policies have continued unabated, York's corporate communications director **Patrick Casey** told *NRU*. "While there was an initial pause as municipalities adjusted to closed front counters and working remotely," he said, "the processing of development applications has continued effectively during the pandemic." And while there "may be potential impacts to future capital delivery plans due to market uncertainty and external pressures," Casey added, "there may also be potential for reduced revenue risks and uncertainties [through] provincial or federal government funding for key infrastructure projects."

Ultimately, infrastructure is a long-term investment, Manahan said, and won't provide the short-term stimulus to be had by proceeding with state-of-good-repair or asset management projects. "Because it takes so long to plan and go through environmental approvals, you may not get that stimulus for many years." The work done today lays a foundation for the economy and society, he said, to see better results in terms of taxation and higher business profits and wages.

But the findings of the report and its defence of greater levels of infrastructure spending is not simply the construction industry talking up the need for more construction, Manahan added. "This is a partnership with our municipal allies in saying, 'A lot needs to be done to get these projects going.'"

# COMMITTEE AGENDAS

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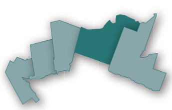
## Mississauga Rd.-Financial Dr. stacked townhouses proposed

At its June 22 meeting, Brampton Planning & Development Committee considered a preliminary report regarding a rezoning application by **Kaneff Properties Limited** for lands on the south side of Financial Drive, west of Mississauga Road, within the Bram West Secondary Plan area. Kaneff proposes 90 three-storey stacked townhouses within eight blocks.



YORK

## North Leslie subdivision proposed

At its June 17 meeting, **Richmond Hill** Council Public Meeting considered a preliminary report regarding applications by **Leslie Elgin Developments Inc.** for official plan and zoning by-law amendments for lands at 0 McCague Avenue. Leslie Elgin proposes 19 live-work and 16 back-to-back townhouse dwellings on the 0.95-hectare site.

## Heritage designation recommended for Markham farmhouse

At its June 22 meeting, **Markham** Development Services Committee considered a staff report recommending council state its intention to designate the property at 33 Dickson Hill Road under *Part IV* of the *Ontario Heritage Act*. The property contains the Joseph & Leah Pipher Farmhouse, built in 1861 and described in the staff report as Markham's finest remaining stone building.

## Maple Village townhouses proposed

At its June 23 meeting, **Vaughan** Committee of the Whole considered a preliminary report regarding rezoning and draft plan of subdivision applications by **1954294 Ontario Ltd.** for 10316 Keele Street. 1954294 proposes 20 three-storey freehold townhouse units accessed by a private road.

**Erratum**

In the June 17, 2020 issue, NRU inaccurately reported that Residential and Civil Construction Alliance of Ontario executive director Andy Manahan believes the Scarborough Subway Extension and the Eglinton Crosstown West as large-scale infrastructure projects could become drivers of the province's economic recovery from the COVID-19 pandemic. In fact, in light of the severe budget constraints placed on the provincial and municipal budgets across Ontario because of COVID-19, Manahan was actually suggesting that these projects might need to be re-evaluated by the provincial government. NRU regrets the error.

# — PEOPLE —

**Ralph Walton** has been appointed **Township of Brock** acting chief administrative officer. He is also **Durham Region** legislative services director and regional clerk. Walton replaces former chief administrative officer **Robert Lamb**.

**Antonietta Minichillo** has been appointed **Town of Grimsby** planning director. Previously, she was **City of Brampton** community innovation and resilience manager. Minichillo replaces former planning director **Michael Seaman**, who left the position in February 2019.