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To: ["Direct to Mayor and Council - DL"](#)

Date: 8/1/2023 12:18:48 PM

Subject: City of Vancouver's Federal 2024 Pre-Budget Consultation Submission

Attachments: City of Vancouver - Written Submission for the Federal Pre-Budget Consultations in Advance of 2024 Budget.pdf

Dear Mayor and Council,

On Monday, the City provided its written submission to the House of Commons Standing Committee on Finance, as part of their formal pre-budget consultation in advance of the 2024 Federal Budget. The City's submission, which conforms to the required template and word count, is attached for your reference. The City's recommendations are in alignment with FCM's priorities, including its commitment to pursue a modernized fiscal framework for municipalities.

Recommendation 1: That the federal government modernize the municipal funding framework to better align funding sources with population growth, inflation, economic growth and the evolving role of municipalities.

Recommendation 2: That the federal government partner with municipalities to enable housing delivery through funding for infrastructure required to accommodate growth.

Recommendation 3: That the federal government move away from project by project applications for projects that require long term planning such as housing related infrastructure, disaster mitigation and climate adaptation.

Following translation, the written briefs will be posted on the Committee's website.

If you have any questions about the City's submission, please contact Sandra Nikolic, Senior Manager, Intergovernmental Relations at: Sandra.nikolic@vancouver.ca.

Thanks,
Karen

Karen Levitt, Deputy City Manager (she/her)
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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməθkʷəy̓əm/Musqueam, Skwxwú7mesh/Squamish and səliwətaʔ/Tsleil-Waututh nations.

Written Submission for the Pre-Budget
Consultations in Advance of the 2024 Budget
By: City of Vancouver

Recommendations

Recommendation 1: That the federal government modernize the municipal funding framework to better align funding sources with population growth, inflation, economic growth and the evolving role of municipalities.

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Recommendation 1: That the government modernize the municipal funding framework to better align funding sources with population growth, inflation, economic growth and the evolving role of municipalities.

The over reliance on property tax and utility fees to fund essential services, maintain critical infrastructure and accommodate growing populations is no longer appropriate nor sustainable. These revenue sources are regressive and not reflective of economic growth or the changing nature of business (e.g. increase in e-commerce). As property taxes only apply to bricks and mortar businesses, municipalities are not generating revenue from e-commerce businesses.

The mandate of local government has grown in recent decades with municipalities taking a more active role in childcare, housing, health and social services and climate change adaptation and mitigation. Demands for service delivery are increasing, particularly in urban centres such as Vancouver where issues such as poverty, homelessness, and the overdose crisis continue to have a major impact. These issues add complexity to traditional responsibilities such as police, fire, waste management and water and wastewater services.

For example, Vancouver Fire and Rescue Services (VFRS) response to medical calls (including overdose calls) is approximately 49% of total response calls. Response to overdose incidents increased from 5,351 in 2019 to 6,447 in the first three quarters of 2021. The amount of time spent on scene at each medical call has increased by almost 30% over the same period.

The impacts of climate change are not confined by municipal boundaries and the cost of mitigation and adaptation are too immense to be borne by individual municipalities. The work and funding must be done at a regional and provincial level. The costs of inaction on climate change will affect all levels of government. In November 2021, the impacts of the atmospheric river in B.C. disrupted supply chains across the province and the country, resulting in significant costs to local and national economies.

Insufficient safe and affordable housing resulting from unsupported mental health conditions, substance abuse and addiction, and poverty lead to homelessness and often street and park-based encampments. The costs related to these encampments creates financial pressures and impacts the ability of municipal Engineering, Parks and Recreation, Arts, Culture and Community Services, Fire and Police to deliver services expected by taxpayers.

While the City is eligible for, and has received, senior government funding to address some of these issues, a more permanent, reliable, and predictable solution is required. This must be treated as more than solely a housing issue and the core issues must be addressed and funded. There is an opportunity for improved collaboration with senior governments to ensure that the delivery of services, as well as the policy

and funding tools are aligned across all levels of government to optimize how taxpayer dollars are used to address the increasingly complex challenges facing society. Financial challenges at all levels of government require all governments to look at priorities and align resources to where services can be delivered most effectively.

The City of Vancouver supports the “New Growth Framework for Canadian Municipalities” resolution (see Appendix 1) adopted at the 2023 FCM Annual Conference. This resolution calls for a modernized municipal financial framework that results in financial capacity being more accurately linked to population growth, inflation, economic growth and the role of Canadian municipalities in the 21st Century.

Recommendation 2: That the federal government partner with municipalities to enable housing delivery through funding for infrastructure required to accommodate growth.

The City of Vancouver shares the Government of Canada’s view that every Canadian deserves a safe and affordable home and that partnerships at all levels of government are required to address the increasing demand for affordable housing.

The City of Vancouver is a regional and national leader in setting and delivering on aggressive housing targets outlined in the Housing Vancouver Strategy. As affordability has worsened, Vancouver has intentionally transitioned to delivering the “right supply” of housing. The City has approved more rental and non-market housing than condominiums in each of the three past years. This shift to rental and non-market housing, coupled with escalation in land and construction costs and successive interest rate hikes has meant that the “growth pays for growth” principle to pay for infrastructure and amenities through land value capture is increasingly challenging and the delivery of the “right supply” of housing is becoming financially unviable.

The “right supply” of housing is crucial to meet the housing requirements associated with new Federal immigration targets. Recently released Statistics Canada data and the Federal government’s new immigration policies forecast strong, consistent growth in the Canadian population over the foreseeable future. In 2022, we saw a record-breaking 431,000 new immigrants to Canada. Recent analysis based on new federal immigration targets shows that immigration to the Metro Vancouver region could reach 65,000 by 2025, with approximately 20,000 immigrants looking to settle in the City of Vancouver annually.

While increased Immigration will have a positive impact on economic growth, it is also increasing demand on housing.

The City of Vancouver can use its regulatory tools to densify and expedite housing delivery to help address this increased demand. We are urging senior governments to partner with municipalities to upgrade basic infrastructure (e.g., water, sewer) and amenities (e.g., childcare, parks, etc.) to support this growth and help ensure that new housing is affordable for all.

Municipalities need reliable ongoing funding in order to plan for and deliver the infrastructure and amenities to support housing in a timely manner.

Recommendation 3 - That the federal government move away from project by project applications for projects that require long term planning, such as housing related infrastructure, disaster mitigation and climate adaptation.

Addressing climate change, preparing for disasters such as earthquakes and floods and ensuring infrastructure is in place to support increased housing required to address population growth require long term planning. Senior governments have recognized that municipalities cannot address all of these issues on their own; partnership from senior governments is required. However, competitive applications are not efficient or effective ways to provide this partnership funding.

It is difficult to plan when municipalities do not know when funding opportunities will arise and what the parameters such as maximum eligible expenditures and required completion dates.

Once applications are completed, there is no certainty as to when funding decisions will be made. Often contracts for the applicant projects cannot be tendered until a funding decision is made or a funding agreement is signed. This can result in unnecessary cost escalation while waiting for these events, with no guarantee that the funding application will be successful. In addition, when funding decisions take longer than expected, it can become challenging for projects to meet the required completion dates.

Funding allocated to municipalities on a regular, ongoing basis will allow municipalities to develop and implement long-term funding strategies using a prioritization framework based on need/risk versus based on timing of senior government applications. Staff resources at all levels of government will be more effective if used to ensure priority projects are completed on a timely basis, versus on meeting various application requirements with no certainty of funding.

Appendix 1

FCM Resolution: New Growth Framework for Canadian Municipalities, adopted at the 2023 FCM Annual General Meeting

WHEREAS, Municipalities are constrained in their ability to generate revenue to fund their capital and operating expenses, with property taxes being an unsuitable and unsustainable tool for Canadian municipalities to support essential services, maintain critical infrastructure, accommodate growing populations and contribute to economic growth; and

WHEREAS, The COVID-19 pandemic significantly impacted municipal revenue, especially transit fare revenue in the bigger cities, creating multi-year budgeting challenges and laying bare the inadequacy of the current municipal fiscal framework, including the limited powers that municipalities currently have to raise their own revenue; and

WHEREAS, The post-pandemic recovery has led to growth in provincial and federal revenue through sales and income taxes while municipal revenue, namely property taxes, has either stagnated or declined over the last five years when adjusted for inflation; and

WHEREAS, Canada's population grew by over one million in 2022—the highest annual growth rate since 1957; and

WHEREAS, Municipalities own and operate around 60 per cent of Canada's core public infrastructure and are responsible for the full lifecycle cost of operating, maintaining and replacing capital assets, while federal and provincial/territorial governments typically only contribute to the upfront capital costs; and

WHEREAS, Municipalities are generally responsible for operating costs, including large and growing budget lines for police and protective services and public transit, and municipalities are limited in their ability to borrow for operating costs and are prohibited from running deficits; and

WHEREAS, The role of local governments has evolved significantly in recent decades, with municipalities taking on new responsibilities with respect to health and social services, housing and economic development; and longstanding responsibilities like policing, waste management and water and wastewater services becoming more complex due to societal issues like mental health, homelessness and climate change; and

WHEREAS, Municipalities are critical to solving national policy challenges and political priorities like housing affordability, homelessness, mental health and the opioid and addiction crisis, adapting to climate change, reducing GHG emissions, economic development, and, ultimately, achieving a high quality of life for Canadians; now therefore be it

RESOLVED, That Canada needs a modernized fiscal framework for municipalities; and be it further

RESOLVED, That the Federation of Canadian municipalities (FCM) lead the development of a new municipal growth framework that results in municipal financial capacity being more accurately linked to items such as national population growth,

inflation, economic growth and the role of Canadian municipalities in the 21st century; and be it further

RESOLVED, That FCM call on the federal government and provincial and territorial governments to engage FCM and provincial territorial associations in the development of a Municipal Growth Framework through a process by which new sources of municipal revenue— including predictable intergovernmental transfers and new direct taxation powers—are proposed, evaluated and implemented.