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Greenbelt Foundation

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Backgrounder: New Greenbelt Foundation report on municipal finance

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Prepared For: Various media

Prepared By: Greenbelt Foundation

Overview

The [*Municipal Finances and Growth Planning in the Greater Golden Horseshoe*](#) report examines how land-use planning and financial management practices are interrelated and have the potential to be mutually supportive to promote sustainable growth in the Greater Golden Horseshoe (GGH).

An urban sustainability consultant worked with an expert panel of 13 academics and practitioners involved in municipal finance and land-use planning. The research involved case studies of nine municipalities in GGH to reveal whether fiscal instruments and processes are aligned with growth management goals.

Background

Continued success of the Greenbelt over the long-term is inextricably linked to effective implementation of the Growth Plan and smart growth objectives. The need for smart growth in the GGH region has never been clearer. Rising municipal debt, rapid population growth, climate change, housing affordability, farmland loss, and the biodiversity crisis are all impacted by decisions on how the GGH grows. As more attention is being paid to these important issues, provincial and municipal governments are beginning to rethink the alignment between growth planning and fiscal processes.

Financial management refers to the way municipalities prioritize, forecast and budget for services to manage their assets, reduce long-term costs, and raise revenue to support municipal infrastructure investments and other services. How this is done can have a significant impact on the execution of growth plans and priorities. It can help drive smart growth practices or can inadvertently incentivize sprawl.

A central tenet of growth management in the region has been that growth should pay for growth. The concept means that a municipality is expected to recover growth-related costs from the new developments that give rise to them. This research indicates that is not currently happening in GGH. Greater efficiencies in land-use and financial management are needed to reduce long-term costs for municipalities and drive sustainable growth.

Key findings

Municipalities in GGH are at different stages of financial and land use planning integration. There are good practices to build upon, and there are also gaps in processes that require regulatory changes and development of guidance materials. The municipalities can address some of these issues at the local level, and leadership from the Government of Ontario is needed for a broader vision and framework.

The report outlines two main ways to achieve better synchronicity between growth planning and financial management: 1. High-level opportunities to integrate fiscal sustainability into growth management processes;



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2. Restructuring of revenue instruments to promote smart growth practices and avoid subsidization of low-density development.

The report examined four categories of financial tools and processes:

1. **Integrated growth planning:** This approach integrates infrastructure and financial planning in order to achieve more efficient growth outcomes. Recommendations include that the Ontario government develop a handbook on municipal finances for smart growth and provide municipal staff professional training to transition to integrated growth planning. Also, municipalities should set up an integrated planning team, including planners, engineers and financial officials to coordinate implementation.
2. **Development charges:** Development charges calculated on area-specific basis, as opposed to city wide, give a more accurate representation of the cost of services to defined areas and encourage more efficient land development. The report recommends that the Government of Ontario amend the Development Charge Act to encourage municipalities to use area-specific charges for services such as water, wastewater, stormwater and road maintenance. In addition, the Act should be amended to ensure that all municipal services with a capital component and all costs related to those services are recoverable through development charges. The amendments should also allow municipalities to formulate their development charges based on planned levels of service rather than historic levels.
3. **Property taxes:** Many multi-residential units pay higher tax rates compared to lower density units, which increases the operating cost of those buildings. This makes them less attractive for investment and may lead to reduced density in an urban area. The report recommends the Ontario government amend the Municipal Act to require that municipalities apply the same tax rate on multi-residential properties, including old and new developments, as is used for other residential properties. The Ontario government should also introduce a provincial tax-increment grant to match municipal programs that incentivize private investments for the province's growth management goals – e.g., residential and employment intensification or affordable housing.
4. **User fees:** User fees can generate more reliable revenue sources for municipalities to pay for infrastructure services and incentivize smart growth outcomes. For example, stormwater fees generate revenue and encourage the adoption of on-site controls to reduce runoff. The report recommends the Ontario government amend the Municipal Act to require municipalities with stormwater management to impose user charges as a sustainable revenue source to fund those services. In addition, municipalities in the GGH should move towards charging for parking on an hourly, progressive, or demand-responsive basis in municipally operated parking lots and street parking in high-demand areas.

As the long-term costs related to inefficient growth patterns become increasingly obvious over time, the conversation on how to stem sprawl and move to more sustainable forms of growth is gaining ground. This report tries to bring attention to one aspect of this conversation, namely the use of financial processes and instruments to support Smart Growth outcomes.

Following the launch of the report, the Greenbelt Foundation will host a webinar in fall 2022 with Ray Tomalty, report author and urban sustainability consultant, to discuss the research findings and recommendations. The



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informational webinar will be available to a broad audience – anyone with an interest in land-use planning and municipal finance in the GGH, including local and provincial planners, financial officers, and municipal and provincial politicians. Details about the webinar will be available on the [Greenbelt Foundation website](http://www.greenbelt.ca) and shared on social media channels.

The report includes a total of 94 recommendations for provincial and municipal governments. These solutions need to work together over time to have a cumulative impact on promoting sustainable growth in the GGH.