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Infrastructure demands place communities in cash crunch

Metroland Day 2 horizontal. Ontario's swelling population makes it harder than ever for municipalities to find money for roads, sewers, schools and other needed infrastructure. Mercury news services file photo Source: Mercury news services file photo

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Second in a three-part series

GUELPH — You're getting a lot of new neighbours over the next few years as Ontario grows, but no one is sure how to pay for them.

All those new residents are going to need pipes to bring water to their homes, libraries and community centres in which to spend time and roads on which to drive. There isn't enough money to build it all.

The Greater Golden Horseshoe area's population alone will swell from to 11.5 million from 8 million by 2031, and the towns, villages and cities surveyed in a Metroland Special Report estimate they will need tens of billions of dollars they don't have in order to accommodate that growth.

Some of Ontario's fast-growing towns and cities are even threatening to effectively shut their doors if the province can't provide them with more money to undertake desperately needed construction, renewal and repairs.

The government's Places to Grow plan aims to promote intensification and make sprawl a thing of the past, but all those new residents and employees will still need infrastructure that municipalities say they don't have the ability to provide.

Infrastructure is the underpinning of every Ontario community, the public facilities that form the physical backbone that supports daily life. But there's a gap of about $100 billion between what's needed and what's available in funds.

The special report shows that communities are already pressed to their limits, with many in debt due to lack of funds for existing infrastructure. Now, they're balking at the new government-imposed pressures of accommodating such ambitious growth.

Halton Region, for example, estimates it needs $8.6 billion to pay for infrastructure related to growth through to 2031. That includes 50 new elementary schools and new community centres, 2,200 kilometres of roads, six police stations and 1,100 hospital beds.

It’s a similar story provincewide:

York Region estimates it will need $11.1 billion just for infrastructure to serve the 500,000 new residents expected by 2031. More than 80 per cent of the region’s budget is earmarked for infrastructure related to growth over the next decade.

- Peel’s capital budget over the next 10 years is just over $5 billion;

- Kitchener says it will need nearly $240 million for growth just in the next decade, with only one-third of that total coming from development charges. The rest will have to come from taxes;

- Niagara Falls says it will need more than $100 million in the next 10 years, with taxpayers on the hook for nearly half.

It isn’t just Places to Grow fuelling the concern. Providing the physical premises for other provincially mandated programs is an issue.

Schools have their own challenges. All-day kindergarten is still being phased in and is expected to cost about $1.5 billion a year provincewide.

“We will only proceed if we have the infrastructure coming … we will draw a line in the sand,” said Halton Regional chair Gary Carr, adding the province “has to decide if they’re going to invest in the future or not.”

Fairness for Halton, a public campaign launched in 2007, demanded a new deal that would allow the region to develop without overburdening taxpayers. All municipalities want the province to create a new, secure infrastructure funds program, rather than the piecemeal system in use now.

In fact, a new 10-year Ontario infrastructure plan is set to be released shortly, although Infrastructure Minister Bob Chiarelli declined to give details. He said, however, that the government recognizes there are needs to be met in high-growth communities.

When he flies into Toronto from Ottawa at night, Chiarelli says, he can see just how the city has grown into a continuous region stretching all the way to Niagara. Better co-ordination between governments and regional thinking are key to going forward, he said.

But the issue is not just about funding. There is much tug-and-pull over the place and responsibility of developers when a community grows.

One touchy element is that the cost of projects associated with growth are supposed to come from charges paid by developers. But those fees or taxes paid by developers on each new commercial, industrial or housing unit they build are increasingly inadequate.

A report released by the Residential & Civil Construction Alliance of Ontario in March said government levies now account for up to 30 per cent of the cost of new housing in the Toronto area, proposing that something needs to change to facilitate growth.

“You’ve got a good plan here and it makes a lot of sense, but you need to put infrastructure where you’ll get the best bang for the buck,” said the alliance’s executive director Andy Manahan.

There is a limit to how much the new-home market can absorb, he said.

Manahan agrees with municipal leaders that national programs for things such as transit and cities are crucial and that program-based, piecemeal funding won’t cut the mustard in the future.

Also difficult for municipalities is that revisions to the Development Charges Act by the former Mike Harris government mean many projects are exempt from the charges. So, if a growing municipality needs a new hospital or a new city hall, taxpayers have to pay.

Municipalities have repeatedly asked Premier Dalton McGuinty to revise the act but he has made it clear it is not in his plans.

Progressive Conservative Leader Tim Hudak has also publicly said revisions are not on his radar, but that doesn’t mean there won’t be lobbying for change over the next few months, said Halton chair Carr, a former Tory MPP.

His municipality of Halton is among the fastest growing in the country and councillors are not prepared to meet mandated growth targets if they don’t get help paying for that new population’s needs.

“We’re not going to have the taxpayers of Halton pay the costs while the developers make the profit,” especially when home sales are brisk, he said.

Home building is also booming in York Region, where the region has racked up a debt of $1.4 billion to build infrastructure it knows is needed while counting on development charges to pay for it later.

That’s how the region paid its share of massive projects, such as the $2 billion Spadina subway extension and the York Durham sewage system, the final phase of which cost more than $500 million.

Markham is driving growth in York Region, much as Milton is in Halton, and Mayor Frank Scarpitti is as serious as Carr about how much growth his booming municipality can handle if funding isn’t forthcoming.

“The reality is, with 150,000 people moving in over the next 20 years, I don’t think we can rely on the traditional funding models,” he said.

“Unless the province is going to come forward with stable funding for local projects, development charges will have to be one mechanism.”

Scarpitti proudly touts the three straight tax-freezes his council has passed on to residents, but he also knows there are problems looming for Markham and for York Region, on whose council he sits.

While the region has taken on record amounts of debt, Scarpitti is confident the money will be paid back and notes the region’s interest charges get passed along to developers.

Whether it’s the introduction of private-public partnerships or some other mechanism, something will have to change or the growth will occur without infrastructure being ready, he said.

Manahan, the Ontario construction association director, said the wave of growth is clearly already coming ashore, even if the funding hasn’t been settled. If new home and business costs are driven up, people will move further out, making the live/work/play communities envisioned by Places to Grow much harder to achieve, he said.

Places to Grow

The province’s 2006 Growth Plan for the Greater Golden Horseshoe was designed to curb sprawl and promote denser, transit-oriented communities.

Municipalities were directed to ensure a minimum of 40 per cent of all new residents settle within the already developed boundaries. That still means 60 per cent of development can go on virgin land, but some municipalities set the bar higher, with Markham having an extensive debate about preserving green space before settling on a maximum 40 per cent.

The province also identified 25 urban cores with even higher intensification targets for jobs and residents. The centres range from Waterloo to Milton and Pickering. While many, such as downtown Toronto and Hamilton, are already established, there are others, such as Vaughan and Mississauga, that were blank-slate suburban wastelands now aiming to be suburban mini-downtowns.

The plan dovetailed with other key pieces of legislation, such as the 2005 Greenbelt Act, that redefined the nature of development in Southern Ontario.

A controversial amendment to the Places to Grow plan was passed in 2009. It allows Simcoe County to develop employment lands that some have said will allow development to “leapfrog” the Greenbelt that is supposed to rein it in. The plan lays out principles and policy directions for infrastructure, but offers no specific funding mechanisms.

It also cites a report estimating costs of new infrastructure could be reduced by 20 per cent as communities become more compact and efficient.

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