

TODOROVA: Feds short-changing infrastructure funding to communities

[Nadia Todorova](#) Published May 16, 2023

Ontario is in the midst of a housing crisis, yet new research reveals housing construction is taxed more like alcohol and tobacco — as if it is something society wants to punish. These huge taxes add to already high housing costs. Meanwhile, municipal budgets are in a dire place and the idea of raising taxes in this era of costly inflation and high housing costs would make the problem even worse. Something has to change.

Across Ontario, there's a need for more homes to be built and supporting public infrastructure put in place so Ontario can grow. City hall budgets are at a breaking point and high taxes on new housing construction make it more costly to build desperately needed new homes, worsening housing affordability. To create new homes and increase supply, governments can best help by streamlining approvals and regulatory burden to get shovels in the ground faster.

Immigration can help expand our workforce — and on this, the Ontario and federal governments are getting it right. Both governments have recognized immigration will be a key factor in addressing the current labour shortage in the construction industry. Recent immigration reforms aim to make it easier for industries to recruit skilled tradespeople needed to keep up with the demand for new critical infrastructure projects and housing to support Ontario's growing population.

To overcome the challenges however, governments must make it easier to get homes built and invest in critical public infrastructure, like roads, transit, sewage and water systems. This is where the federal government's stated goals are contradicted by its own actions and things need to change.

Housing affordability is becoming a significant drag on our economic potential and too many are without a home. On the purchase price of a new home listed at \$1 million, \$310,000 is going to taxes, with the federal government collecting 39% of all taxes on housing. In stark contrast however, the federal government only contributes 7% of funding from all three levels of government to help build infrastructure in our communities.

These are all part of findings in new research by the Canadian Centre for Economic Analysis (CANCEA), commissioned by the Residential and Civil Construction Alliance of Ontario (RCCAO).

This imbalance has resulted in public infrastructure investment being 30% below what economic analysis recommends. In Ontario, the municipal infrastructure deficit is estimated at about \$60 billion, with recent studies calculating that \$34.7 billion is attributed to roads and bridges alone. The City of Toronto's state-of-good-repair backlog is expected to grow from \$7.4 billion in 2022 to \$16.3 billion by 2031. Such backlogs are not a recipe for long-term economic competitiveness or success for anyone.

The CANCEA study revealed the tax burden on new homes is double the rate compared to the rest of the economy. Given the high tax haul on housing construction and under investment in public infrastructure, the research makes clear the federal government is uniquely positioned to resolve these challenges by funding its fair share of public infrastructure. Ontario cannot realize its economic and immigration growth goals without it.

The policy realities of municipal budgeting makes it difficult to plan and grow public infrastructure without long-term, sustainable funding. The yearly demands and negotiations that take place between Ottawa, provincial governments and municipalities is not sustainable.

The federal government should provide long-term, sustainable funding to municipalities to enable greater investment and planning in public infrastructure development and maintenance. It will help communities grow and upkeep the infrastructure we all rely on, while bringing a more consistent application of government policy to realize its stated goals that will benefit communities large and small.

[Nadia Todorova](#) is executive director of the [Residential and Civil Construction Alliance of Ontario \(RCCAO\)](#)