ONTARIO STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS: MUNICIPALITIES, CONSTRUCTION AND BUILDING

KITCHENER

SUBMISSION BY

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CITY OF KITCHENER

JULY 15, 2020

STATEMENT TO ONTARIO STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS BY MAYOR BERRY VRBANOVIC, CITY OF KITCHENER – JULY 15, 2020

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Chair and Members of the Committee – thank you for inviting us to participate in the Municipalities, Construction and Building consultation process. COVID-19 has impacted our city, our area, and the province, and that includes many market sectors that drive the health of our municipal budget and economy.

I. Emergency Municipal Funding

Municipalities are facing a financial crisis, and we cannot tackle this crisis alone. The Federation of Canadian Municipalities (FCM) appealed for emergency municipal operating funding a couple months ago, and FCM's plan recommends the following:

1. **Nationwide, municipalities need at least $10 billion in emergency operating funding—$7.6 billion in general funding, plus $2.4 billion for municipalities with transit systems. Our federal and provincial/territorial partners will need to work together urgently to support municipalities with this funding.**
2. **Starting with the $14 billion commitment to provinces and territories, the allocation of federal funds intended for municipal needs must be clearly specified—so local leaders can make informed choices on the ground.**
3. **It must protect services Canadians rely on. Frontline municipal services like fire, ambulance, public transit, clean water, and shelters. Funding must address both initial COVID-19 lockdown costs and the implications of a gradual restart.**
4. **It must reach municipalities quickly and directly. Only an allocation-based funding mechanism can ensure that. And we strongly urge leveraging proven allocation-based tools like the Gas Tax Fund and the public transit stream of the Investing in Canada Infrastructure Program (directed to operating costs).**

Municipalities are working at maximum levels for our residents. But we have cratering revenues from property taxes, transit fares and user fees, and we don't have fiscal tools to service deficits. We're out of acceptable options. Enabling municipal deficits won't work because we couldn't service debt without huge property tax levies or significant service cuts, and shelving infrastructure projects undermines Canada's recovery. We need the federal and provincial governments to work together to solve this problem.

We watched the federal fiscal snapshot update last week, but were disappointed that there was not immediate financial relief for municipalities. We also heard Premier Ford's news conference last week that he was working towards a deal with the federal government for flexible funding that reflects Ontario's proportion of the national population. While we also want to make sure Ontario gets its fair share, I am concerned that discussions between the federal and provincial governments has become a power struggle, which is only delaying much needed funding to municipalities and other sectors. I urge you to set those differences aside, and work together for the benefit of all our residents.

Canada and Ontario will need municipalities to help lead this recovery. We understand local needs. And we deliver stimulus efficiently, in ways that create jobs, build needed infrastructure and boost the economy.

Cities and communities of all sizes are ready to build a more prosperous, resilient and connected Canada. But the first step needs to be getting municipalities the support we urgently need from both the federal and provincial governments.

II. Specific to Kitchener

I want to also provide an update on construction and building, from a municipal perspective.

Development applications remain strong in Kitchener, with building permit levels at about the same level so far this year compared to the same time last year. This has all been done with our Planning and Building Divisions working from home since the beginning of the pandemic. We have moved to online processes, but have noticed that there are additional costs for technology to sustain and improve this process. This impacts our ability to provide timely and efficient service to these sectors, thus impacting recovery and growth of this industry. **We recommend that due to budget shortfalls, the province provides funding to municipalities for improvements to technology to expedite site plan and building permit approval processes and improve online service delivery, as that will likely be the model for the foreseeable future.**

We also want to cut red tape. But we have noticed that there is a lot of process time from non-municipal staff to get to approvals. For example, the Ministry of Environment, Conservation and Parks requires many steps to secure the Record of Site Condition, and it is not a quick process. Also, there are sometimes other approvals needed, like from the Ministry of Transportation or from Conservation Authorities. While these approvals surely are needed, they are not controlled by the municipality and ultimately cause delays. **We recommend that the Province streamline provincial agency processes related to municipal permit issuance.**

iii. Industry Update-Kitchener

Finally, I wanted to provide an update on what we are hearing from our businesses. We are working with our local Business and Economic Support Team Waterloo Region (BESTWR) through this crisis, and for the eventual recovery.

- **Manufacturing**

  Manufacturers are operating at 50-70% of pre-COVID-19 volumes. They are incurring additional expenses for PPE, and in some cases the line speeds have been reduced to accommodate physical distancing, which adds to costs. At this point, supply chains have not been impacted, except for PPE.

- **Food and Beverage**

  Through take-out and patios, many restaurants and quick-serves are operating at 25-35% capacity which is not sustainable, and good summer weather will only enable patios to operate for the next three months. If in-dining becomes available and is restricted to 50% capacity, it is anticipated many establishments will close.

- **Retail**

  For retail, physical distancing, and the ability to try on clothing will impact in-store transactions. Cross-channels (or Omni-channels) are required, including the adoption of the Digital Mainstreet Program.

- **Small Business**

  Often small business owners use the equity in their homes to secure bank loans. They are worried if their business closes, it will force them into personal bankruptcy and result in a poor credit rating for seven years. **We recommend that if a business closes due to COVID-19, resulting in personal bankruptcy, to create a mechanism to allow their credit rating to not be impacted for seven years.**

We are all trying to be innovative. But all measures are temporary, to try to bridge the gap to a "new normal". By no means do they cover significant financial losses. They just try to minimize losses. We hope the province can continue to provide assistance. We hope you will take these ideas and recommendations into consideration. Thank you.