

To: ONE Joint Investment Board
From: Colin MacDonald, Manager of Policy, MFOA
Date: May 29, 2025
Re: Municipal Insights Report – Q2 2025
Report: ONE JIB 2025-027

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

In Q2 2025, Ontario's political landscape saw significant developments impacting municipalities. The Progressive Conservative (PC) party secured a third consecutive majority, reinforcing its mandate to standardize development charges (DCs), accelerate infrastructure, and support housing-enabling projects. The introduction of Bill 17, *Protect Ontario by Building Faster and Smarter Act*, signals a shift toward regulatory authority over DCs, including deferrals, exemptions, and potential restructuring of water and wastewater services through Municipal Services Corporations. While the bill expands provincial powers, it also commits to collaboration with municipalities and developers.

Federally, the Liberal party, under new leadership by Prime Minister Mark Carney, won a fourth term with a minority government. Their platform includes halving DCs on multi-residential developments while compensating municipalities for lost revenue—a notable shift from past approaches. The appointment of Gregor Robertson (former Mayor of Vancouver) as Minister of Housing, Infrastructure, and Communities may bring a more municipal-informed perspective to federal policy.

Strong mayor powers, initially limited to select cities, have now been extended to 212 municipalities with councils of six or more. This expansion could lead to administrative shifts and changes in municipal leadership, potentially affecting the Prudent Investment Program.

Overall, while funding stability is expected in the short term, both provincial and federal governments could implement transformative policies that could significantly impact municipal planning, infrastructure financing, and governance.

3. BACKGROUND

The Provincial Progressive Conservative party was successful in securing a third consecutive majority government, elected on a mandate that included standardizing development charges across the Province

On February 27, 2025, the Progressive Conservative party was successful in securing a third consecutive term with a majority government. While the party's platform was largely focused on protecting Ontario's economy from the threat of tariffs, it also touched on housing and infrastructure, which was largely focused on municipalities. The platform included commitments to:

- Encouraging municipalities to accelerate planned public infrastructure projects,
- Standardizing development study and building code permit approval requirements across the province,
- Working with "housing-forward municipalities" by leveraging the province's housing enabling infrastructure funding commitments to revise the development charges approach.

In addition to these housing focused commitments, the platform also includes continued expansion of GO Transit, a tunnel under Highway 401, a Pothole Prevention Fund for road maintenance and a permanent cut of the provincial gas tax.

On March 19, 2025, MPP Rob Flack was appointed Minister of Municipal Affairs and Housing, succeeding Minister Paul Calandra who became the Minister of Education. Minister Flack had previously been Associate Minister of Housing and Parliamentary Assistant to the Minister of Agriculture, Food and Rural Affairs.

The Federal Liberal party was successful in forming government for a fourth consecutive term on April 28, 2025, and Prime Minister Carney has signaled an intent to halve development charges on multi-residential development while keeping municipalities whole

Following a successful Liberal leadership campaign in early 2025, Prime Minister Mark Carney called an election two weeks later. The Federal Liberal party was successful in securing a fourth consecutive mandate – a minority government. While the party's platform was primarily tariff focused, housing and affordability were a secondary issue. Included in the platform was a commitment to cut development charges on multi-residential housing in half while promising to offset related municipal revenue losses.

On May 13, first time MPP, and former Mayor of Vancouver (2008-2018), Gregor Robertson was appointed to cabinet as Minister of Housing, Infrastructure, and Communities.

On April 9, 2025, the Province announced that strong mayor powers would be extended to all municipalities with a council size greater than six on May 1, 2025

On September 8, 2022, the *Strong Mayors, Building Homes Act, 2022* received royal

assent. The Act gave the mayors of the City of Toronto and the City of Ottawa greater authority over municipal decisions that are traditionally divided amongst Council. The powers were then extended in December 2022. The powers include, but are not limited to:

- Authority over the budget, including the ability to veto Council amendments subject to 1/3 support of Council.
- The authority to hire and fire city managers and department heads, with some exceptions.
- The authority to restructure municipal administration.
- Veto power over by-laws that conflict with provincial priorities, with provincial priorities being established in a second regulation.
- Pass a by-law with only 1/3 support of Council, if it aligns with provincial priorities

The powers have since been extended to other municipalities on three separate occasions – the powers were initially assigned to municipalities with provincial housing targets, but on April 9, 2025, the province announced their extension to any municipality with a Council size of six or greater. This brings the total number of municipalities with strong mayors up to 216.

On May 12, 2025, the Province introduced a new housing bill that could have longer term impacts on how municipalities fund and finance growth-related infrastructure

On May 12, 2025, the recently appointed Minister of Municipal Affairs and Housing, Rob Flack, tabled the *Protect Ontario by Building Faster and Smarter Act* (Bill 17).

Bill 17 includes several proposed changes intended to incentivize the reduction of development charges (DCs), increase standardization of DC calculations and building standards, and improve transparency and accountability around the use of DCs collected. Many of the measures introduced were not prescriptive but will give the province increased authority to implement future-defined changes through regulation. These changes include but are not limited to:

- Deferring DC payments for all residential developments to occupancy
- Exploring a public utility model for water and wastewater infrastructure
- Create regulation-making authority to merge DC service categories for credit purposes
- Create regulation-making authority to define a local service
- Exempting long-term care homes from DCs
- Create regulation-making authority to prescribe limits on recoverable capital costs
- Signaled intent to prescribe methodologies for benefit to existing calculations for DCs

The announcement coincided with Minister Bethlenfalvy's (Finance) announcement of a \$400M top up to the Municipal Housing Infrastructure Fund and the Housing-Enabling Water Systems Fund, bringing the combined total of those programs to \$2.3B.

4. ANALYSIS

The re-election of the Progressive Conservative party in Ontario will ensure stability of existing funding programs with a few potential tweaks but may lead to somewhat turbulent policy changes in the near-term on housing

The PC party being elected to its third consecutive majority means that there will be stability in existing funding programs for municipalities with some potential tweaks, for example, the \$400M increase to the housing enabling infrastructure funds.

As demonstrated through the introduction of Bill 17, the Province will begin implementing its mandate commitments. The resulting majority government will likely lead to swift and potentially disruptive policy action within the initial few years with increasing stability coming as a next election draws near. While Bill 17's approach appears minor at first, it does expand the province's power to act more swiftly through regulation later. In particular, the regulatory authority expansion to impose limits on recoverable capital costs under the *Development Charges Act, 1997* could be leveraged to imposed significant reductions to DCs. Additionally, the exploration of Municipal Services Corporations (MSCs) for water and wastewater could result in billions of dollars of services, and reserves, being shifted to an arms-length corporation if the result is applied to all municipalities.

However, embedded in the communication with respect to Bill 17 is a commitment to work with developers and municipalities (through the Association of Municipalities of Ontario) to scope out many of these changes to identify solutions that work for all parties. Many of these changes could have significant impacts on municipal cash-flow forecasts, but there is still a lot of uncertainty in the proposed legislation.

The re-election of the Federal Liberal party to its fourth consecutive term will lead to stability in the short term on existing infrastructure funding programs, but it being a minority government could result in another election soon

Prior to the election many municipalities noted uncertainty with respect to federal infrastructure programs. The Liberal platform confirmed that they intended to continue these programs if re-elected. They will resume, potentially with some tweaks, which means that infrastructure projects that intended to use that funding will likely continue as planned, perhaps with a slight delay.

The specter of US tariffs and their impact on the Canadian economy dominated the election campaign and when combined with a change in leadership resulted in a resurgence in the polls for the Liberal party and contributed significantly to their victory. They were unable, however, to secure a majority government. While they do have a strong minority government, with 170 seats, their ability to govern with confidence may be challenged especially with two parties, the NDP and the Bloc Quebecois, likely looking to regain ground after an election that split many voters between two parties. Minority governments at the federal level have lasted on average 1 year and 140 days. Should a trade agreement be reached with the US, many opposition parties may be incentivized to

bring down the sitting government on a vote of non-confidence.

The appointment of Minister Robertson to Housing, Infrastructure and Communities could result in a federal government that better understands the purpose of DCs and the municipal fiscal circumstance in general.

The platform's commitment to keeping municipalities whole for any DC reductions is a shift from previous programs from the Federal Liberal party, which attempted to incentivize DC freezes, which would have cost municipalities more in revenue than they would have received through grant funding.

Strong mayor powers have now been extended to every participating single-tier and lower-tier municipality in the Prudent Investment Program, which could result in significant changes with staff or perspectives on investing

While strong mayor powers have been leveraged in an incremental way to date, with many mayors delegating new authorities back to council and the CAO, there have been instances where mayors have exercised their power to restructure the municipal organization and to replace existing leadership. For Participating Municipalities, this means that support for prudent investor could shift from mayor to mayor or changes in senior leadership. It could result in some administrative friction where ONE staff may be required to educate and onboard new staff on the program and how it works. Additionally, it could create opportunities where incoming mayors and staff may see value in joining the Prudent Investment Program. Except for Durham Region and the District of Muskoka, all Participating Municipalities are subject to strong mayor powers.

5. CONCLUSION

The second quarter of 2025 marked a pivotal period for Ontario, with new mandates from multiple orders of government poised to reshape infrastructure funding and development charge frameworks. While these changes introduce uncertainty, they also present opportunities for municipalities to collaborate across orders of government on more sustainable and streamlined growth strategies. Continued engagement and adaptability will be essential for municipalities to navigate evolving policies while maintaining fiscal and operational stability.

Drafted by: Colin Macdonald, Manager of Policy, MFOA

Approved by: Judy Dezell and Donna Herridge, Co-presidents/CEOs, ONE Investment