



SEIZING THE MOMENT

BUDGET 2017 RECOMMENDATIONS FROM
CANADA'S LOCAL ORDER OF GOVERNMENT



FEDERATION
OF CANADIAN
MUNICIPALITIES

FÉDÉRATION
CANADIENNE DES
MUNICIPALITÉS

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SEIZING THE MOMENT TO BUILD TOMORROW'S CANADA

Finance Minister Morneau:

As we spend 2017 reflecting on our country's 150 years, we also ready ourselves to build tomorrow's Canada. Your government has an opportunity now to define the next steps that will lead Canadians into a brighter future. And if history has taught us anything—through progress and setbacks alike—we know we must take these next steps together.

These next steps must be very deliberately aligned with our shared objectives. That means fostering innovation to grow our economy into the future. It means building a fairer country where all Canadians can thrive. It means rising to meet the global challenge of climate change. And we must do all this while we continue to be an unwavering beacon of inclusion and hope.

Canada's cities and communities stand ready to help turn today's historic opportunity into historic outcomes from coast to coast to coast. We form the local order of government closest to the places where Canadians live, work and raise their families. And we have shown ourselves to be vital hubs for innovative solutions to economic, environmental and social challenges.

Budget 2016 recognized this, pledging unprecedented investment in local infrastructure. Phase 1 of that plan is already supporting repairs to transit, water and wastewater systems. It also funded new FCM programs to help municipalities optimize their asset management and innovate on climate change—to prepare for the more ambitious Phase 2 to come.

Your Fall Economic Statement expanded Phase 2 and its transformative potential. This is our chance to ensure every Canadian has a safe and affordable place to live. This is our chance to launch a new era of public transit that shortens commutes and boosts productivity. This is our chance to scale up local green innovation and spark genuine progress on climate change.

In short, this is our chance to build a more competitive and prosperous Canada—grounded in vibrant, livable cities and thriving rural areas.

Seizing this moment will require bold decisions in Budget 2017. If we want to build the communities Canadians deserve, optimizing the design of Phase 2 is crucial. FCM spent the year making this case to your government, through unprecedented and productive dialogue. This document summarizes our most urgent recommendations.

Community-building is nation-building. And with the right steps in this budget, "Canada 150" could be the year that launches a remarkable project to build tomorrow's Canada.



Clark Somerville
FCM President

HOUSING: FIXING THE FOUNDATION

Housing is the foundation of the livable, inclusive communities—and country—that we aspire to build together.

Every day, we see how safe, affordable housing supports newcomers, young people, Indigenous households, seniors and families of all kinds. We see how that security emboldens people to start businesses, take creative risks and contribute to their communities in the fullest sense.

Yet Canada now faces a housing crisis. One in five renters spends more than half their income on housing, and 1.5 million families simply can't find decent housing they can afford. This unacceptable situation is throttling economic and human potential in communities of all sizes in all regions.

Local governments are responding by investing in housing, implementing proven and innovative programs and streamlining development processes. (See *LOCAL LEADERSHIP ON HOUSING*, p. 15.) But all orders of governments must be part of the solution. And as we made clear in our submission to National Housing Strategy consultations, federal investment is critical.

Budget 2016 delivered new short-term support for social housing repairs, new affordable housing and homelessness initiatives. Now Budget 2017 is the opportunity—historic yet fleeting—to secure long-term investment on the scale needed to tackle this crisis. This will require a bold decision to dedicate much of the Phase 2 Social Infrastructure Fund to housing.

Priority #1 is to protect Canada's 600,000 existing social housing homes. Otherwise, as federal operating funding declines each year toward zero, vulnerable Canadians will be at risk, with effects reverberating throughout the housing sector. FCM's plan also calls for federal leadership in building affordable housing, helping non-profit providers form a more resilient sector based on mixed-income rentals. It kick-starts private markets, too, to offer more low-cost rental options.

Our plan is designed to foster innovation in the housing sector toward lasting solutions. The first step, however, must be to fix the foundation. Working closely with housing providers, we know that attempting to foster innovation without urgently addressing the affordable housing supply crisis will flounder. We need to work together to get this right.



20%

Renters spending more than **half their income** on housing



\$1.40

Economic growth generated per dollar invested in housing



UP TO
13,000

Jobs generated per \$1 billion invested in housing

“Safe, adequate and affordable housing is a catalyst that enables Canadians to achieve other goals—from raising healthy children to pursuing education, jobs and opportunity. When affordable housing is in short supply, Canada's whole economy suffers.”

Evan Siddall, President, Canada Mortgage and Housing Corporation, October 18, 2016



Budget 2017 recommendations

- **Launch the National Housing Strategy (NHS)**, committing to work with FCM, provinces, territories and other stakeholders to build long-term, durable solutions to ensure that every Canadian can find a safe and affordable home.
- **Secure base funding for urgent housing solutions** through a \$12.66 billion, eight-year carve-out in the Phase 2 Social Infrastructure Fund (SIF), while strategically growing existing housing and homelessness initiatives. This initial investment will stem the supply crisis as all partners—governments, First Nations and other stakeholders—develop and evaluate durable solutions through the NHS.
- **Urgently protect Canada's social housing homes** as their federal operating agreements permanently expire, allocating funds from the SIF housing carve-out as follows:
 - Ensure affordability for low-income households by replacing expiring rent-geared-to-income subsidies with predictable funding (estimated \$2.98 billion over eight years).
 - Ensure quality through a mix of grants and loans for required repairs and retrofits to keep homes safe, decent and efficient (estimated \$4.98 billion over eight years).
- **Build new social and affordable housing** to ease critical shortages. With \$3.98 billion over eight years from the SIF carve-out, leveraging provincial/territorial commitments, your government can drive the construction of an estimated 10,000 homes annually.
- **Renew Canada's non-profit housing sector** by designing the new-build program to foster better housing options, with financially resilient providers operating on a break-even basis:
 - Empower existing providers to grow by building mixed-income housing, promoting provider financial viability, social cohesion and housing assets for the long-term.
 - Include local governments in project selection so new housing meets local needs and integrates with wider municipal planning.
 - Leverage available federal land to reduce costs and promote affordability.
 - Support accessibility for people with disabilities.
- **Launch a portable housing allowance** so vulnerable households can choose among non-profit housing options, or private ones where circumstances permit (estimated \$90 million annually from SIF). But recognize that this is not an across-the-board solution: in areas with housing shortages, cash benefits won't build housing and may even inflate rents.
- **Kick-start rental housing markets** with incentives to widen choices for Canadians. FCM's NHS submission proposes tax measures, grants and loans to preserve existing low-cost housing, kick-start new builds with GST rebates, and support repairs and energy retrofits.
- **Reduce and prevent homelessness** by doubling investment in the proven Homelessness Partnering Strategy to \$350 million annually through Employment and Social Development Canada, expanding local flexibility to deploy innovative solutions to this complex challenge.
- **Distinctly support Northern and Indigenous communities**, along with cities and communities facing the most critical housing needs—recognizing unique geographies, environments, costs of living and socio-cultural realities.
- **Align Phase 2 Social and Green components** to reinforce and expand the level of funding available for complementary projects (e.g. energy efficiency retrofits to social housing and other buildings).

TRANSIT: GETTING CANADIANS MOVING

For the years ahead, we need world-class public transit to form the backbone of more competitive, livable and sustainable Canadian cities.

It's no coincidence that the world's most dynamic cities feature some of the best transit systems. People want to spend less time commuting and more time with their families. And those faster connections increasingly attract top employers, skilled workers and innovative professionals.

Local transit solutions will tackle national challenges as well. Getting people and goods moving faster will kick-start economic growth. Getting more cars off the road will reduce Canada's climate-changing emissions. And we'll finally start recovering that \$10 billion in productivity that our country loses to gridlock each year.

Phase 1 of your government's transit plan delivered significant support for state-of-good-repair work across Canada. But it's the upcoming Phase 2 that has the potential to be truly transformative.

Given the right financial tools, large and mid-sized cities have major transit expansions ready to go. These projects incorporate light rail, streetcars, hybrid buses, accessible transportation and beyond—as the backbone for innovative, lower-carbon models of urban land use and development. In many cases, planning, consultation and engineering are well underway.

To unlock this local potential, we recommend streamlining Phase 2 transit investment as long-term, predictable allocations based on existing ridership and population. This allocation-based approach is working in Phase 1 because it empowers cities to plan, consult, leverage local expertise, and move the most cost-effective projects forward.

Modernizing cost-sharing is critical as well. Recognizing cities' majority share of full-lifecycle costs and restrained fiscal capacity, your government grew its capital contribution to 50 per cent for Phase 1 projects. To ensure strategic transit projects move forward, this innovation should continue in Phase 2, with provinces contributing no less than their traditional one-third share.

In the 19th century, we built this country by laying rails to link our regions. In the 20th, we reached out to the world through our ports and highways. In tomorrow's Canada, we're looking to transit to shape the next generation of livable, sustainable cities to compete with the world's best.



\$3

Economic growth
generated per dollar
invested in transit



**\$10
BILLION**

Annual cost of
productivity lost
to traffic congestion



**2.4
MILLION TONNES**

GHG emissions
reduced annually
by transit use

“We truly believe that mobility is key to opportunities for Canadians, as well as to building sustainable communities... But our transit systems are aging and investments have not kept pace with the rapid development and growth of our cities.”

Hon. Amarjeet Sohi, Minister of Infrastructure and Communities, March 29, 2016



Budget 2017 recommendations

- **Optimize Phase 2 of the Public Transit Infrastructure Fund** to build the next generation of efficient, growth-supporting public transit in communities across Canada, directing the full value of the fund to municipalities with transit systems.
- **Commit to an allocation-based investment model**, building on the success of this approach in Phase 1, recognizing that predictable funding empowers local governments to plan, consult, leverage local expertise and move strategic transit projects forward.
- **Work with FCM to develop an allocation formula** that enables cities to realize large-scale, transformative transit projects—while ensuring that transit-providing communities of all sizes are included in this nation-building project.
- **Develop an additional mechanism**, in consultation with FCM, to support transit ridership-growth and system-expansion goals that cannot be achieved through the allocation-based investment model alone.
- **Maintain a 50 per cent federal contribution** to life-cycle capital costs of transit projects—with provinces contributing no less than their traditional 33 per cent share—to ensure that strategic projects can move forward in communities of all sizes.
- **Define project eligibility** to encompass both state-of-good-repair projects and transit expansions—and **expand cost eligibility** to include land acquisition, financing and P3-related costs, while extending the Phase 1 decision to include design and planning costs.
- **Build maximum flexibility into stacking rules**, allowing municipalities the local discretion to pool Public Transit Infrastructure Fund investments with other federal funding sources to move projects forward.
- As a general principle for transit investment, **empower municipalities to direct funds to locally-identified priorities** based on local data and expertise, supporting evidence-based asset management and capital planning practices.
- **Align Phase 2 Transit and Green components** to reinforce and expand the level of funding available for complementary projects (e.g. network extensions and expansions, greening of transit fleets).

BUILDING OUR GREENER FUTURE

Scaling up local green innovation can be the centrepiece of Canada's clean growth and climate change strategy.

At last November's COP22 climate change summit, municipal, provincial/territorial and federal leaders stood together in our resolve to deliver on the potential of the Paris Agreement. In Marrakesh, like never before, the world was looking to local governments for practical solutions.

Here at home, municipalities are already modelling some of Canada's most innovative green practices—such as building retrofits, district heating, modern transit, low-GHG waste systems, green vehicle fleets and sustainable urban planning.

With limited financial capacity, the 300-plus municipalities in FCM's Partners for Climate Protection program have cut 1.8 million tonnes from Canada's carbon footprint. Today, the richest potential to cut national GHG emissions lies in scaling up local green innovation, powered by the Phase 2 Green Infrastructure Fund.

Local governments are also on the front lines as new weather extremes cause property damage and economic disruption. Big cities and many smaller communities are developing plans to harden infrastructure to a world of increasing climate change. Moving forward will require

significant federal investment—to ensure communities across Canada are resilient enough to drive the sustainable economic growth this country needs.

At the same time, other environmental priorities require sustained investment. Some communities need support improving clean-water facilities or cleaning up contaminated sites. Many urgently need assistance upgrading wastewater facilities to comply with new federal environmental regulations that our sector supported with that expectation.

Budget 2016 reinforced your government's support for cutting-edge local innovation by investing an additional \$125 million in FCM's Green Municipal Fund. And your \$75 million investment in FCM's new Municipalities for Climate Innovation Program will raise local governments' capacity to make greener infrastructure decisions in the coming years.

Those investments set the stage for a deeper partnership with the local order of government, starting in Budget 2017, to build a greener and more prosperous Canada—one resilient, low-carbon, livable community at a time.



20-55
MEGATONNES

GHG reductions municipalities can achieve through **smart investment**



\$5
BILLION

Projected annual cost of extreme weather events by 2020



\$9-38

Saving achievable per dollar invested today in climate change adaptations

“Canada's big cities play a major role in addressing climate change: They are the centres of growth and innovation. In collaboration with businesses, the provinces, and the federal government, they will build healthy communities and dynamic economies for future generations.”

Environment Minister Catherine McKenna and FCM Big City Mayors' Caucus Chair Don Iveson, joint statement, October 19, 2016



Budget 2017 recommendations

- **Reduce greenhouse gas emissions** through dedicated investment in local climate change mitigation projects—including those that enable the next generation of infrastructure (e.g. high-efficiency wastewater treatment, landfill gas capture); render infrastructure more efficient (e.g. building retrofits, municipal fleet conversion); and support neighbourhood-based solutions (e.g. brownfield redevelopment supporting densification, active transportation network expansions).
- **Build climate-resilient communities** through dedicated investment in local climate change adaptation projects—including extreme weather adaptations (e.g. dams, dikes, wetland acquisition/preservation, sea-walls, snow/wind load enhancements, sewer network retrofits, surface water storage capacity, permafrost adaptations) and infrastructure incorporating natural and semi-natural elements (e.g. extended tree canopies in parks or natural grassland extensions).
- **Build greener communities** through dedicated investment in local infrastructure projects where responding to climate change is not the primary goal—including those designed to improve water quality, reduce waste and foster citizen engagement. These include urgent upgrades to meet new Wastewater Systems Effluent Regulations by federal deadlines.
- **Secure long-term, predictable funding for local green infrastructure projects** through a distinct municipal carve-out of the Phase 2 Green Infrastructure Fund, designed within the following parameters:
 - Provide funding commensurate with municipalities' ownership share of green infrastructure assets.
 - Adopt a predictable allocation-based funding model that empowers communities to plan, tap local expertise and move cost-effective projects forward.
 - Flexibly support local needs that vary by community (e.g. GHG reductions through big-city transit expansions vs. renewable energy transitions in diesel-dependent remote areas).
 - Include a mechanism to support strategic projects that reduce GHG emissions or support community resiliency that cannot be funded through an allocation-based model alone.
 - Recognize unique northern challenges in climate change mitigation and adaptation, due to geography, climate, costs and other factors.
 - Accommodate regional projects harnessing two or more municipalities (e.g. regional waste management solutions with efficiency improvements).
- **Align Phase 2 Social, Transit and Green components** to reinforce and expand the level of funding available for complementary projects (e.g. energy efficiency retrofits to social housing and other buildings, or greening of municipal fleets and transit systems).

STRENGTHENING RURAL AND NORTHERN CANADA

A thriving and inclusive Canada needs thriving rural, remote and northern regions — and for that we need sustained federal investment.

Rural communities are essential to Canada's prosperity, generating 30 per cent of national GDP in sectors like agriculture, manufacturing, transport and tourism—and significantly more in some provinces. But with limited fiscal capacity, rural governments face formidable challenges providing the infrastructure that sustains local economies and ways of life—in ways that retain talented youth and attract newcomers.

That's certainly true for municipalities serving the 150,000 Canadians living in our territories and the northern regions of half a dozen provinces. These northern and remote communities are integral to our national fabric, but they face unique challenges of distance, climate, isolation and rugged terrain.

In December, your government moved forward with the *Connect to Innovate* program to accelerate broadband Internet upgrades in rural areas. Now that the CRTC has designated broadband a basic service, FCM is ready to help develop a plan to make reliable and affordable broadband a growth-supporting reality nationwide.

FCM has consistently urged distinct support for rural, northern and remote infrastructure needs not addressed elsewhere in Phase 2. Last November, your government responded by announcing a \$2 billion, 11-year fund that

will support better roads and bridges, water and wastewater treatment and a full range of rural transportation needs. Budget 2017 should optimize this investment by ensuring the funding stability rural municipalities need to plan, with enough flexibility to accommodate unique local needs and opportunities.

We urge you to bring rural and northern lenses to all Phase 2 program criteria. More broadly, FCM is ready to work with you to explore a mechanism to ensure that all federal policies and programs respond to the specific needs of rural communities in all regions of Canada.

Community-building is nation-building, and in 2017 nation-building needs to bring out the best in communities of all sizes.



30%

Portion of national GDP generated in rural Canada



10.4
MILLION

Canadians living outside metropolitan areas (2011)



150,000

Number of people living in northern and remote communities



“Infrastructure, while critically important in big cities, can also make a real difference in rural communities. It is not only about mass transit systems; it is about roads and bridges.”

Finance Minister Bill Morneau, May 10, 2016



Budget 2017 recommendations

- **Design the new Rural and Northern Communities Fund to support the capital priorities of local governments**, including roads and bridges, culverts, water and wastewater treatment, septic system upgrades and a full range of transportation and mobility needs:
 - Develop a predictable allocation model that recognizes rural communities' fiscal limitations.
 - Maintain 50 per cent federal cost-sharing.
 - Empower municipalities to stack these funds with other federal funding sources.
 - Work with municipalities and provincial/territorial partners to provide enough program flexibility to respond to local realities.
 - Empower provinces/territories, in consultation with their municipal associations, to define population thresholds that reflect the size of small communities in their regions (up to 100,000).
 - **Apply a rural lens to all Phase 2 program eligibility criteria** to reflect fiscal limitations and sparse populations, with the aim of enhancing local economic development:
 - Streamline administration to ensure rural and remote communities can access funds efficiently and fairly through simplified project identification and consistent reporting requirements.
 - Empower local governments with the flexibility to collaborate and bundle projects to achieve economies of scale.
 - **Systematically elevate rural priorities**, working with FCM to explore a mechanism to ensure that all federal policies and programs respond to the specific needs of rural communities in all regions of Canada.
 - **Close the rural broadband gap, working with FCM and rural municipalities to implement *Connect to Innovate*** and extend reliable and affordable broadband Internet access to every Canadian community.
- For northern and remote communities specifically:**
- **Distinctly support northern and remote transportation needs** with a Trade and Transportation Infrastructure Fund carve-out for airport, marine and road infrastructure projects in these areas—vital to growing and diversifying local and regional economies.
 - **Accommodate northern realities** in the Trade and Transportation Fund and the Rural and Northern Communities Fund. This includes maintaining a 75 per cent federal cost-share in the territories, and enabling northern and remote communities to stack federal funding sources to cover up to 75 per cent of their share. They also require streamlined funding and reporting processes to cope with short construction seasons, high costs and unmet needs.
 - **Distinctly support Northern** and remote housing needs through the National Housing Strategy, with allocations to protect the affordability and quality of social housing and to build new housing, given the depth of unmet need and high local construction costs.
 - **Support Northern environmental priorities** by making Green Infrastructure Fund mechanisms flexible enough to provide northern and remote communities with equal opportunity to move projects forward—including by stacking federal funding sources.

MODERNIZING THE INVESTMENT TOOLBOX

The ambitious scale of the federal infrastructure plan creates opportunities both to transform communities and to modernize how investment works long-term.

Strengthening infrastructure together builds Canada. Each \$1 billion invested generates up to 18,000 jobs and \$1.65 billion in economic growth. At the same time, we're boosting national productivity, cutting GHG emissions, and building more livable, competitive communities to drive Canada's future prosperity.

Local governments are responsible for 60 per cent of the public infrastructure that supports Canada's economy and quality of life. We are uniquely accountable to residents' needs, and we deliver cost-effective local solutions with national impact. This is the core value we bring to our partnership. But with access to just 8-10 cents of the tax dollar, and with a growing array of public services to provide, what we do not bring is fiscal flexibility.

Even with one-third federal and provincial capital contributions, municipalities have borne up to 80 per cent of an asset's full lifecycle costs—from planning through operations. And unlike federal and provincial governments, we recover little of that investment through higher tax revenues. This fiscal reality limits municipalities' ability to move good projects forward.

Recognizing this, your government began modernizing the investment toolbox for some Phase 1 infrastructure projects. This included growing the federal cost-share to 50 per cent, expanding the scope of eligible costs, and adopting a predictable allocation funding model. For Phase 2 to deliver on its transformative potential, it will need to maintain and build on these innovations.

With the historic investment levels your government has committed, a well-designed Phase 2 can move municipalities onto stronger ground—enabling transformative projects across the country. This will also open a window of opportunity to begin engaging in a dialogue about updating fiscal arrangements for the long term.

Property taxes alone can no longer support the growing operating budgets of local governments on the forefront of our most pressing national challenges. Across the country, many are ready to champion responsible measures to grow and diversify municipal revenues. And we're ready to work with our federal and provincial partners toward sustainable solutions for Canada's next 150 years.

“You know what your communities need. We shouldn't tell you whether you need light rail or subways, better bridges, or climate resilient infrastructure. That's your job as municipal leaders to tell us what you need and how the federal government should help...we've laid out a vision of the kind of Canada we want to build, and we're leaving the project selection to the experts: you.”

Prime Minister Justin Trudeau to FCM Annual Conference, June 3, 2016

“We need to continue modernizing the partnership among orders of government to maximize our inherent strengths. The federal government brings its national vision. Provinces and territories support regional priorities and opportunities. Municipalities are the locally-tuned project specialists.”

FCM President Clark Somerville

Budget 2017 recommendations

- **Modernize cost-sharing** for Phase 2 infrastructure programs and beyond—with the federal government retaining its new 50 per cent capital contribution (75 per cent in the territories), and provinces contributing no less than their traditional 33 per cent
- **Favour long-term, predictable public funding** as a general principle for infrastructure investment—empowering local governments to plan, consult, tap expertise and drive projects forward. This is generally best achieved with allocation-based investment.
- **Build maximum flexibility into stacking rules**—empowering municipalities to pool funds from multiple federal sources to reach their allotment for cost-shared infrastructure projects (retaining at least 50 per cent stacking in provinces and 75 per cent in territories).
- **Expand eligible costs** for Phase 2 infrastructure programs and beyond, to better support long-term strategic investments by all orders of government. These should include:
 - *Design and planning costs* (as in Phase 1)—allowing projects to maintain momentum, and to plan how best to meet infrastructure needs, and regulatory or program requirements.
 - *State-of-good-repair costs* (as in Phase 1 Transit)—empowering municipalities to invest in needed repair and rehabilitation of existing assets, for all eligible infrastructure categories.
 - *Land acquisition, real estate and related property costs*—a direct, necessary and consistently growing cost-driver for many infrastructure classes, including transit.
 - *Debt financing charges* (as under the Federal Gas Tax Program).
 - *P3-related upfront costs*—including the development of P3 business cases, legal and other fees for large scale-projects being pursued as public-private partnerships.
- **Align Phase 2 Social, Transit and Green components** to reinforce and expand the level of funding available for complementary projects (e.g. energy efficiency retrofits to social housing and other buildings, or greening of municipal fleets and transit systems).
- **Design the Canada Infrastructure Bank in partnership with FCM**, to ensure this low-cost financing vehicle matches local needs and realities in communities of all sizes. Parameters should include:
 - Financing remains a complement—not an alternative—to stable, predictable public funding.
 - Decisions on using an infrastructure bank remain at the local level.
 - Financing is not conditional on certain types of projects or degrees of private-sector involvement.
 - The CIB supports multiple municipalities “bundling” smaller projects to secure low-cost financing.
 - The CIB launch timeline must not delay Phase 2 funding for public infrastructure programs.
 - Unused portions of the \$15 billion allocated from Phase 2 to the CIB are redirected to grant programs, after a period to be determined.
- Support a dialogue with FCM and other relevant stakeholders on innovating a **sustainable fiscal framework** for Canadian cities and communities.

EXPANDING TRADE AND TRANSPORTATION

Canada's prosperity depends on trade, and competing globally requires world-class infrastructure to link Canadians with international markets.

Canada's cities and communities are hubs of economic activity and innovation. But Canada's transportation system is a multi-modal network involving federal, provincial and local governments. We must all work together to develop a coherent, efficient, regionally-tuned system to support expanded trade and commerce.

The Fall Economic Statement deepened the federal commitment, with a new 11-year Trade and Transportation Infrastructure Fund. A comprehensive investment plan will support regional projects of national significance, with a balance of public-sector responsibility and private-sector support. But it must also include predictable public funding for municipal projects, including key arterial roads, linking cities and communities into trade-enabling gateways and corridors.

New investment is vital for rural, northern and remote communities that may rely on a single transport mode. Their inclusive economic development will depend on strengthening local infrastructure including deep sea ports, railways, highway extensions and regional airports. The large number of northern and remote airports with unpaved runways contributes to the high cost of living in Canada's North and should be a priority for Phase 2 investments.

Railway freight traffic is a growing safety and congestion concern for municipalities. Your government's recently announced Rail Safety Improvement Program was a welcome start. But as regional infrastructure upgrades increase railway traffic, additional investment will be required to grow local network capacity, particularly at grade-level crossings in our communities.



Budget 2017 recommendations

- **Dedicate funding to municipal transportation infrastructure projects** that improve access to strategic trade gateways and corridors—and that empower local governments to manage the effects of growing traffic, especially rail, through their communities.
- **Distinctly support rural, northern and remote transportation needs** with a Trade and Transportation Infrastructure Fund carve-out for airport, marine and road infrastructure projects—vital to growing and diversifying local and regional economies.
- Work with local governments to **improve passenger rail service and frequency across Canada** through dedicated funding for service improvements and to further integrate passenger rail services with municipal transit systems.
- **Optimize transportation funding** to ensure municipal projects move forward—including by maintaining 50 per cent federal cost-sharing (75 per cent in the territories) and empowering local governments to stack funding from multiple federal programs.



CANADA'S SMART CITIES CHALLENGE

Last year's Fall Economic Statement announced plans to seek out and support ambitious new visions to improve urban residents' quality of life through city planning and clean technology—including “greener buildings, smart roads and energy systems, and advanced digital connectivity for homes and businesses.”

FCM and the municipal sector should play a significant role in the design of the **Smart Cities Challenge**. We recommend that it:

- recognize the various types and degrees of innovation among local governments and be open to communities of various sizes;
- require that application teams include municipalities, while also incenting partnerships with the private sector and civil society;
- foster participation by municipalities already investing in smart city innovation—and those working hard to join them;
- encourage wide participation by supporting proposal development and offering multiple awards for a variety of communities and project types;
- promote the risk-taking required to pursue innovative infrastructure investments.

The **Smart Cities Challenge** has potential to foster the kind of innovation that can lead to tomorrow's greener, more productive and livable Canada. We look forward to working with your government to make it a success.

LOCAL LEADERSHIP ON HOUSING

Municipal governments are leading the way in responding to Canada's housing affordability crisis—even where this is not strictly their jurisdiction.

Many municipalities are expediting approvals, and reducing or eliminating development charges and property taxes on affordable housing projects. Others are moving forward with even more innovative efforts to grow the spectrum of housing options:

- In Ottawa, a mixed-income 254-unit fully-geothermal affordable housing project was just completed—its \$65 million project cost covered by \$18.8 million in federal/provincial funding, \$12 million from the city, and the balance through provider equity and debt.
- The Vancouver Community Land Trust Foundation is developing 358 units of mixed-income housing—enabled by 99-year token-charge leases from the city valued at \$24 million.
- The City of Toronto has committed \$970 million over 10 years for social housing repairs, calling on other levels of government for equal contributions.

These are three recent examples, among many, of municipal leadership on housing. But today's stark reality is that fiscal and construction capacity at the local level cannot come close to meeting housing demands in many Canadian cities.

Tackling the housing crisis will require a strong partnership among all orders of government, with significant federal investment. (See HOUSING: FIXING THE FOUNDATION, p. 4.)



ABOUT FCM

Founded in 1901, the Federation of Canadian Municipalities is the national voice of Canada's local order of government.

With nearly 2,000 members representing 91 per cent of Canada's population, FCM speaks for a strong and united municipal sector. That gives us unparalleled capacity to convene Canada's local order of government—from municipal leaders to stakeholders and policy experts. FCM is therefore well-placed to help design and implement responsive municipal-federal initiatives.

Municipal leaders work with FCM to express their vision for Canada and collaborate on solutions to grow the economy, create local jobs and improve people's quality of life. FCM conducts policy research in collaboration with networks of stakeholders. Our policy priorities are set by a Board of Directors comprising municipal officials and affiliate members from all regions and various-sized communities throughout Canada.

FCM also delivers programs empowering municipalities to innovate and share expertise. The Green Municipal Fund brings life to cutting-edge municipal environmental initiatives. FCM's international portfolio includes partnership-based projects in Africa, Asia, Latin America, the Caribbean and Eastern Europe. Other programs strengthen Indigenous partnerships, support women's involvement in government, and improve local asset management. (See FCM PROGRAMS, p. 18.)

When urgent needs emerge, FCM also coordinates rapid responses—for instance, as 300 municipalities welcomed 35,000 Syrian refugees this past year, and as our sector assisted Haitian municipalities in the wake of October's Hurricane Matthew.



FCM MEMBERS



1,976
MUNICIPALITIES



REPRESENTING
91%
OF CANADIANS

building **better communities together**

Local governments are the front line of essential services and programs.

Canadians who live and work in urban, rural or remote communities benefit every day from the many services managed by local governments. These are services that drive economic prosperity, promote citizenship engagement and make our communities liveable.

Municipal responsibilities include:

- Approximately 60 per cent of Canada's public infrastructure
- Protective services to ensure the safety of communities and their residents
- Local transportation, including road maintenance and public transit
- Public health, including school outreach programs and community vaccinations
- Parks, recreation, libraries and culture
- Local social services and housing
- Water and wastewater services
- Waste collection and management, and recycling programs
- Sustainability programs and initiatives

Shared municipal-federal priorities include:

- Job creation
- Economic development
- Infrastructure renewal
- Immigrant and refugee settlement
- Housing affordability
- Environmental stewardship including climate change
- Improving relations with Indigenous peoples
- Emergency management
- Community safety
- Crime prevention
- Disaster mitigation

Municipalities are central to this country's economic success. Whether they are big cities that serve as hubs for business, innovation and tourism, or smaller communities that serve our resource, agricultural and manufacturing sectors, vibrant and sustainable municipalities help drive Canada's long-term prosperity.

Strong municipalities are the foundation of a healthy economy and a better quality of life for Canadians. Overcoming Canada's biggest challenges requires close collaboration among all orders of government.

FCM PROGRAMS

For more than 30 years, FCM has designed and delivered programs with municipalities, for municipalities, as they continuously improve how they deliver local services.

The Government of Canada regularly partners with FCM on programs to achieve its domestic and international objectives—on climate change, democratic development, disaster recovery and beyond.

Through training and support, **Diverse Voices for Change** is increasing the number of women from diverse communities who are actively engaged in local government decision-making.

Since 2013, the **Community Economic Development Initiative** has catalyzed dozens of municipal-Indigenous partnership agreements on economic development, land management and infrastructure—with up to 30 more planned over the next five years.

FCM International helps strengthen local governments' capacity to deliver services, promote growth and foster citizen participation—through more than \$125 million in partnership-based projects in Africa, Asia, Latin America, the Middle East, the Caribbean and Eastern Europe.

Powered by a \$550 million federal endowment, the **Green Municipal Fund** brings life to cutting-edge initiatives to clean our land,

air and water and respond to climate change. And since 1994, the 300-plus members of the **Partners for Climate Protection** program have cut 1.8 million tonnes from Canada's carbon footprint.

Over the next five years, the two new programs will elevate municipalities as nation-builders. Through tools and training, the **Municipal Asset Management Program** will help thousands of communities optimize their long-term planning. And the **Municipalities for Climate Innovation Program** will help them systematically integrate climate change mitigation and adaptation goals.

This is just a sampling of the programs FCM delivers in partnership with private, not-for-profit and public stakeholders—including Infrastructure Canada, Environment and Climate Change Canada, Natural Resources Canada, Global Affairs Canada, Indigenous and Northern Affairs Canada, and Status of Women Canada.



“Canada’s big cities are tremendously diverse, but we’re at our best when we unite as one voice. In 2017, building dynamic, livable cities is both a deeply local process and the heart of contemporary nation-building.”

Don Iveson, Mayor of Edmonton and Chair of FCM’s Big City Mayors’ Caucus



BIG CITY MAYORS’ CAUCUS

Canada’s cities are engines that propel our country forward, creating local jobs and growth. They are also hubs for innovation, where solutions are found, tested and shared to meet national challenges playing out in communities across the country.

FCM’s Big City Mayors’ Caucus (BCMC) brings together 22 of Canada’s big cities, offering a forum for policy development on a range of issues affecting our largest centres. Together, they represent 86 per cent of Canada’s big-city population and the largest share of GDP.

Through BCMC, Canada’s big cities partner with the federal government in nation-building. They were among the first governments in the world to acknowledge and respond

to climate change. Since declaring homelessness a national disaster in 1998, they have led calls for a National Housing Strategy. And they are pioneering solutions to ease poverty, support newcomers and promote social inclusion.

Canada’s big-city mayors regularly coordinate actions to champion Canadians’ well-being. They emphasize the importance of public infrastructure, efficient transit and affordable housing as foundations for our economy and quality of life—for seniors, youth and families alike.

City-building is nation-building, and big-city mayors are leading the way to a brighter Canadian future.

