

Subject: Ontario-Ottawa Funding Agreement

File Number: ACS2024-CMR-OCM-0001

Report to Council 3 April 2024

Submitted on April 2, 2024 by Wendy Stephanson, City Manager

Contact Person: Wendy Stephanson, City Manager

613-580-2424, ext. 13192; Wendy.Stephanson@ottawa.ca

Ward: Citywide

Objet : Entente de financement Ontario-Ottawa

Numéro de dossier : ACS2024-CMR-OCM-0001

Rapport soumis

au Conseil le 3 avril 2024

Soumis le 2024-04-02 par Wendy Stephanson, Directrice municipale

Personne ressource : Wendy Stephanson, Directrice municipale

613-580-2424, ext. 13192; Wendy.Stephanson@ottawa.ca

Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

- 1. Approve in principle the terms of the Ontario-Ottawa Agreement through the Ottawa Consultation Mandate (the "Agreement") in Attachment 1, and authorize the City Manager, the Chief Financial Officer and Treasurer, and other staff as required, to continue discussions with the Government of Ontario and to take the necessary actions, including acceptance of provincial funding in the amounts set out in the agreement, together with the execution of any necessary further agreements to do so, and to report back to Council to seek any authority as may be necessary to implement the terms of the agreement.**

- 2. Direct the City Manager, and other staff as deemed appropriate by the City Manager, to work with the Ottawa Police Service Board and the Chief of Police to implement the City's commitments in the agreement as they relate to the ByWard Market and on the transit system.**
- 3. Request the Federal Government to be a full partner in implementing the matters referred to in section 5 of the Agreement and transit and direct the City Manager to transmit the Agreement to the Federal Government.**

RECOMMANDATION(S) DU RAPPORT

- 1. Approuver en principe les modalités de l'Accord Ontario-Ottawa au moyen du mandat de consultation d'Ottawa (l'« Accord ») en annexe 1, et autoriser la directrice municipale, la cheffe des finances et trésorière, et d'autres membres du personnel au besoin, à poursuivre les discussions avec le gouvernement de l'Ontario et à prendre les mesures nécessaires, notamment l'acceptation du financement provincial aux montants établis dans l'Accord, conjointement avec l'exécution de toute autre entente nécessaire pour le faire, et de faire rapport au Conseil pour demander l'autorisation si nécessaire de mettre en œuvre les modalités de l'Accord.**
- 2. Demander à la directrice municipale, et à d'autres membres du personnel que la directrice municipale juge appropriés de travailler avec la Commission de services policiers d'Ottawa et le chef de police pour mettre en œuvre les engagements de la Ville figurant dans l'Accord en ce qui concerne le marché By et le réseau de transport en commun.**
- 3. Demander au gouvernement fédéral d'être un partenaire à part entière de la mise en œuvre des questions énoncées dans la partie 5 de l'Accord et demander à la directrice municipale de transmettre l'Accord au gouvernement fédéral.**

BACKGROUND

The Mayor and Council have identified as a priority, and have been advocating for, Provincial financial support for a range of challenges unique to Ottawa, including:

- the impacts of national security issues, the implications by the change in commuting patterns of the federal public service, and private sector since the COVID-19 pandemic and resulting decrease in economic activity;
- funding infrastructure investments critical to meet the demands of a growing population, particularly around enabling infrastructure that is critical for economic growth and housing; and,
- the heightened social challenges the City faces, including increased homelessness, mental health, and addiction issues.

To assist Ottawa with its recovery and to support revitalization, the Province and the City are agreeing to commitments and supports that reflect three key shared themes:

- Advancing shared priorities that contribute to economic recovery and sustainable growth.
- Acknowledging Ottawa's unique role as the Nation's Capital and second largest municipality in Ontario.
- Advancing key supports required by the federal government to support the revitalization and recovery of Ottawa and calling on the federal government to meet its obligations in areas of shared priority.

A working group of Provincial and City staff with a mandate to make recommendations to address funding support for Ottawa's unique challenges was established in late February 2024. The working group focused on areas of mutual interest, including areas where new or additional support from the federal government is appropriate. The working group was tasked with delivering recommendations for an agreement before the end of March 2024.

DISCUSSION

The working group held a series of meetings, in addition to Provincial and City staff sub-groups, to advance discussions on the following topics:

- Economic Recovery
- Transit and Transportation
- Housing, Shelters, Supportive Housing and Homelessness

- Safety and Security
- Infrastructure

These discussions included a review of current levels of City, Provincial and federal funding and funding support projections based on the City's Long-Range Financial Plans and the Provincial economic and fiscal outlook.

The Ontario-Ottawa Agreement

The Term Sheet for the Ontario-Ottawa Agreement includes sections on:

- Core Commitments required of the City to implement the agreement;
- Operating and Capital Financial Support from the Province to the City of Ottawa;
- Provincial Non-Financial Supports; and
- Requests to the Federal Government with joint Province-City support.

Core Commitments

Section 2 of the Agreement (Attachment 1 to this report) includes the following 11 commitments for the City:

- Develop modular home ownership on two City surplus land sites;
- Open up/provide municipal lands for housing development;
- Work with the Province to explore opportunities to help ensure availability of housing to residents through the Vacant Home Tax;
- Financial/Investment Partnerships;
- Shared Procurement Opportunities;
- Maximize Non-Fare Revenue on Transit;
- Respect for Taxpayers through Efficiencies and Value for Money;
- The Ottawa Hospital;
- Plan for Public Safety in the Downtown Core;
- Joint Advocacy for Federal Support; and

- Building Housing.

Financial Support to the City of Ottawa

Section 3 of the Agreement (Attachment 1 to this report) outlines the operational and capital financial supports provided by the Province to the City under the terms of the Agreement.

Operating Support over Three Years

- Ottawa Road 174 Maintenance (27 km Of Highway 174) – \$9M
- Economic Recovery for Downtown Ottawa including through the City’s economic development strategy and action plan – \$20M
- Public Safety, including Alternative Mental Health Response, Direct Policing, Cybersecurity and Transit Security – \$48M
- Shelters and Homelessness Support 2024 and 2025 funding conditional on federal operating support for refugee and asylum seekers for eligible costs – \$120M

The three-year operating support totals up to \$197 million.

Capital Support over Three to Ten Years

- Ottawa Road 174 capital contribution commencing in 2024 representing 100 per cent of the City’s estimated planned capital expenses to be incurred – \$47M
- Ottawa Road 174 Ownership - Subject to the outcome of the Three-Staged Phased Plan that includes: Stage 1 Operational Assessment; Stage 2 Due Diligence and Financial Assessment; and, Stage 3 Consideration/Implementation Phase.
- Building for Economic Growth, Recovery and Renewal of Major Connecting Routes includes:
 - Highway 416 Barnsdale – first stage of construction for phased interchange – \$51M
 - One-third of eligible costs for Kanata North Bus Rapid Transitway (BRT), subject to municipal and federal funding shares – up to \$80M

- Repair and upgrade of rural roads and related infrastructure outside of Ottawa's city centre to advance economic growth and connectivity – up to \$50M
- Building Faster Fund: The City will receive \$37.5M based on 2023 performance. 2024 and 2025 amounts are conditional on working towards achievement of 100% of housing targets the City has pledged to achieve by 2031. - \$118M over 3 years

The capital funding over 10 years totals up to \$346 million.

In all, the total operating and capital funding committed under this Agreement represents up to \$543M, not including the potential outcome of the Ottawa Road 174 ownership Three-Stage Phased Plan.

Provincial Non-Financial Supports

Section 4 of the Agreement (Attachment 1 to this report) identifies the Provincial commitments to the following non-financial supports:

- **Building Height Restrictions:** Reinstate modifications to the City's Official Plan, through Bill 162 – the *Get it Done Act, 2024* to grant greater height permissions along certain main streets, corridors and hubs in certain parts of the city, as requested by the City. Ongoing review of planning policies and legislation may provide further direction related to heights in some areas.
- **Alternative Opportunities for Debt Financing:** Explore leveraging the Provincial cost of borrowing to reduce debt financing costs for the City.
- **Ontario Infrastructure Bank Opportunities:** Explore, with the City, partnership with the Ontario Infrastructure Bank, where appropriate, to deliver City infrastructure.
- **Waiver of 3-Year Appeal Period (City-initiated zoning amendments):** In order to deliver much needed housing, the Province will explore potential changes to limit third-party appeals of City initiated zoning amendments.
- **Development Charges:** In order to deliver much needed housing, the Province will consider options to enable Ottawa to extend its existing Development Charges (DC) by-laws without having to prepare a new background study and

undertake most of the procedural requirements normally associated with passing a new DC by-law.

- **Debt Funding Flexibility:** Explore options for increasing the maximum allowable term for municipal debt and extending bond forward agreements from one to five years.
- **Police at Construction Sites:** Province to clarify requirements under *Highway Traffic Act* for police at construction sites.
- **Investing in Canada Infrastructure (ICIP) Barrhaven Town Centre:** Explore Ottawa's request for a timeline extension for the Barrhaven ICIP project from March 31, 2027, to March 31, 2029, which would also require federal approval.

The Federal Government's Role in Supporting the National Capital

As the Nation's Capital, the federal government has a critical role in supporting the City of Ottawa. Ottawa is committed to working with the Province to engage the federal government to meet their obligations in the following areas:

- Support for National Protests, Event Response and Public Safety - \$60M
- Federal Payment-in-Lieu of Property Taxes (PILT) - \$12M
- Refugee and Asylum Seekers Support - \$228M
- Affordable Housing enabling Infrastructure - \$67M
- Housing Reaching Home Funding Stream - \$16M
- Office to Residential Conversions Fund - \$30M
- Kanata North Bus Rapid Transitway (BRT) - \$80M

Next Steps

Subject to Council approval of the recommendations in this report, the City Manager, in collaboration with the General Manager, Finance and Corporate Services and Chief Financial Officer, City Solicitor and Deputy Treasurer and other City staff as warranted, will work with the Province, including the respective Provincial Ministry colleagues, to finalize the transfer payment agreements required to facilitate the financial support outlined in the Ontario-Ottawa Agreement. This collaboration will include discussions

related to implementation of the City's commitments and funding requirements outlined in the Agreement.

The City Manager will report back to Council by Q1 2025 on the status of the implementation of the Agreement.

FINANCIAL IMPLICATIONS

The Financial implications associated with the Ontario- Ottawa Funding agreement are outlined in this report and attachment 1, There are no financial impediments in approving the recommendations in this report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report.

CONSULTATION

Consultation was not required for this report

ACCESSIBILITY IMPACTS

No specific accessibility impacts have been identified in the preparation of this report.

DELEGATION OF AUTHORITY IMPLICATIONS

Delegation of authority to the City Manager, in consultation with other staff as necessary, is required to negotiate, finalize, and execute any agreements, to engage in discussions with other levels of government and local boards, and to develop any plans that may be necessary to implement and give effect to the Ontario-Ottawa Funding Agreement.

SUPPORTING DOCUMENTATION

Attachment 1: Ontario-Ottawa Agreement

DISPOSITION

The City Manager will report back to Council by Q1 2025 on the status of the implementation of the Agreement.