



Memorandum

TO: Chairman and Members of Regional Council
FROM: Bill Hughes, Commissioner of Finance
DATE: September 21, 2017
RE: **Federal and Provincial Funding Opportunities: 2017 Update**

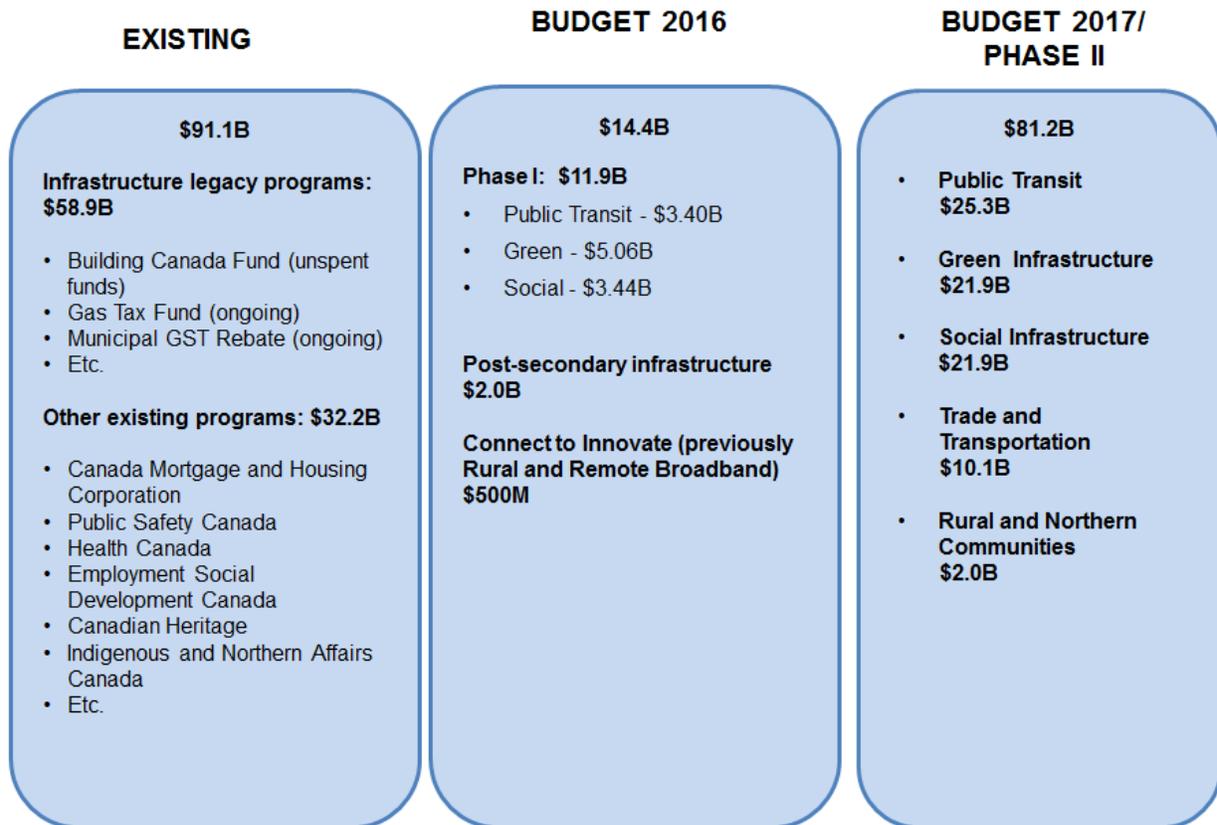
This memorandum updates Council on the federal and provincial government's infrastructure funding initiatives and the status of the Region's applications.

In its 2016 Budget, the federal government announced new infrastructure funding programs to be delivered in two phases

In its 2016 Budget, the federal government unveiled the Investing in Canada Plan, a long-term plan to invest in infrastructure across Canada. These investments were divided into two phases, with Phase I focused on near-term projects and Phase II focused on projects with a longer horizon. At that time, the federal government announced that it would invest approximately \$66 billion through the two phases during the 2016-17 to 2025-26 period.

Subsequently, through the 2016 Fall Economic Statement and the 2017 Budget, the federal government increased the funding under the Investing in Canada Plan to \$95.6 billion, and extended the plan to fiscal 2027-28. Combined with programs announced by previous governments, the federal government plans to invest a total of \$186.7 billion from 2016 to 2028 (Figure 1).

Figure 1
Components of the Federal Infrastructure Funding Programs



In 2016 and 2017 Council endorsed a number of projects for Phase I and other federal infrastructure funding

Following federal Budget 2016, Council endorsed priority projects for federal funding as shown in Table 1.

When identifying candidate projects for federal funding submissions, staff considered:

- whether the project supports the Region's policy priorities
- the extent to which federal funding could help reduce the Region's debt and tax levy pressures
- maximization of federal and provincial funding

Table 1
Phase I and other federal programs

Fund	Top priority projects
Phase I	
Public Transit Infrastructure Fund (PTIF)	Yonge North Subway Extension (pre-construction)
Clean Water and Wastewater Fund (CWWF)	Total of 29 projects including: York-Durham Sewage System Sewer Rehabilitation; Water Transmission Main Replacement; Upper York Sewage Solutions-Phosphorus Offset and Membrane Filtration Pilot
Green Municipal Fund	Electric Vehicle Base Case – Feasibility Study
	Non-emergency Electric Vehicle Replacement – Feasibility Study
	Municipal Building Retrofits – Pilot Project
Connect to Innovate (previously Rural and remote Broadband)	York Telecom Network
Other federal programs	
Provincial-Territorial Infrastructure Component (PTIC)	Priorities include: Road widening to optimize provincial investments in Regional Express Rail; Humber sewage pump station; 16th Avenue sewer rehabilitation etc.
Railway Safety Improvement Program (RSIP)*	Safety assessment and improvements at rail crossings
	Rail level crossing safety improvements will be implemented on six regional road crossings on the Stouffville GO line in the City of Markham

Note:

* Council endorsed submission in December 2016

In 2017, the federal and provincial governments approved \$72.3 million for York Region's projects under three infrastructure programs

In 2017, the federal and provincial governments approved \$72.3 million in funding for 31 York Region projects under the Public Transit Infrastructure Fund, Clean Water and Wastewater Fund and the Rail Safety Improvement Program. The Region's share of the cost of these projects is \$11.9 million. Table 2 summarizes the outcomes of the applications submitted in 2016.

Staff are working with the federal government to finalize funding arrangements, and to ensure that the Region is able to receive its full allocation. Both the Public Transit Infrastructure Fund and the Clean Water and Wastewater Fund have strict requirements that recipients complete their projects by March 31, 2019.

Table 2
Federal funding approvals

Program	Date approved (2017)	Total funding approval (\$ Million)	Federal share (\$ Million)	Provincial share (\$ Million)	Municipal share (\$ Million)
Phase I					
Public Transit Infrastructure Fund	February 23	36.3*	36.3	36.3*	0*
Clean Water and Wastewater Fund	May 24	34.8	23.2	11.6	11.6
Other federal programs					
Railway Safety Improvement Program	April 27**	1.48	1.18	0	0.3

Notes:

* The federal government approved \$36.3 million in funding for the Region under the Public Transit Infrastructure Fund to be used for the design and engineering for the Yonge North Subway extension. The required municipal cost-matching is achieved through the \$55 million in Metrolinx funding commitment for the design and engineering of Yonge North Subway extension. \$36.3 million of which is shown above as “provincial share”.

** The Region sought approximately \$4.28 million in funding through two applications to the federal government. One of the two applications was successful (\$1.48 million). Transport Canada is currently reviewing the second application

The Region is seeking additional funding from the federal government

There are a number of applications currently underway for additional federal funding. The highest cost one is for the York Telecom Network through the Connect to Innovate program (previously Rural and Remote Broadband). In addition, there are two more applications underway: the Railway Safety Improvement Program and the Affordable Rental Innovation Fund. Table 3 outlines these funding requests.

Table 3
Active Funding Applications for Federal Programs*

Program	Funding sought (\$ Million)	Deadline	Status
Phase I			
Connect to Innovate	12.3	April 20, 2017	Application submitted, decision expected August - September 2017
Green Municipal Fund (feasibility studies)	Less than or equal to 0.175	Applications taken year-round for feasibility studies	Application in progress
Municipal Asset Management Program	Less than or equal to 0.05	Applications accepted year round. Intake period ends Jan 31, 2020	Application in progress *
Municipalities for Climate Innovation Program	Approximately 2.1**	Applications accepted year round. Intake period ends Jan 31, 2020	Eligible projects to be confirmed
Affordable Rental Innovation Fund	0.05	December 31, 2017	Application in progress (report on September 7 agenda)
Other federal programs			
Railway Safety Improvement Program***	2.8	August 1, 2017	Application submitted, decision expected, November 2017

Notes:

* Requires Council approval – anticipated fall 2017

** This figure is only for Environmental Services projects. Transportation Services staff also intend to apply (project costs are still to be determined)

*** Transport Canada is currently reviewing the Region's second application under this program

In June 2016, staff also identified a list of projects that could be candidates for Phase II funding

In anticipation of Phase II infrastructure funding, staff identified a number of candidate infrastructure projects based on:

- the project's importance to the provincial growth plan
- ability to benefit more than one municipality
- contribution to economic growth
- expected completion time horizon
- complexity and project cost

- potential to maximize any potential federal grant.

Table 4 identifies these projects and their approximate costs.

Table 4
Projects for potential Phase II funding

Project	Estimated project cost (\$ Million)
Yonge North Subway Extension (construction)	5,600*
Upper York Sewage Solutions	715
Grade Separations to optimize Regional Express Rail	800 (scalable 30-800)
Bus Rapid Transit Plan	2,150 (scalable 440 – 2,150)
Northeast Vaughan Servicing	253
West Vaughan Sewage Servicing	332
Langstaff Road Extension (crossing the Macmillan CN rail yard)	620

Note:

- * 75 per cent of the Yonge-North Subway extension lies in York Region, while 25 per cent lies in the City of Toronto. \$5.6 billion is the current estimate, adjusted to future dollars for the expected years(s) of construction.

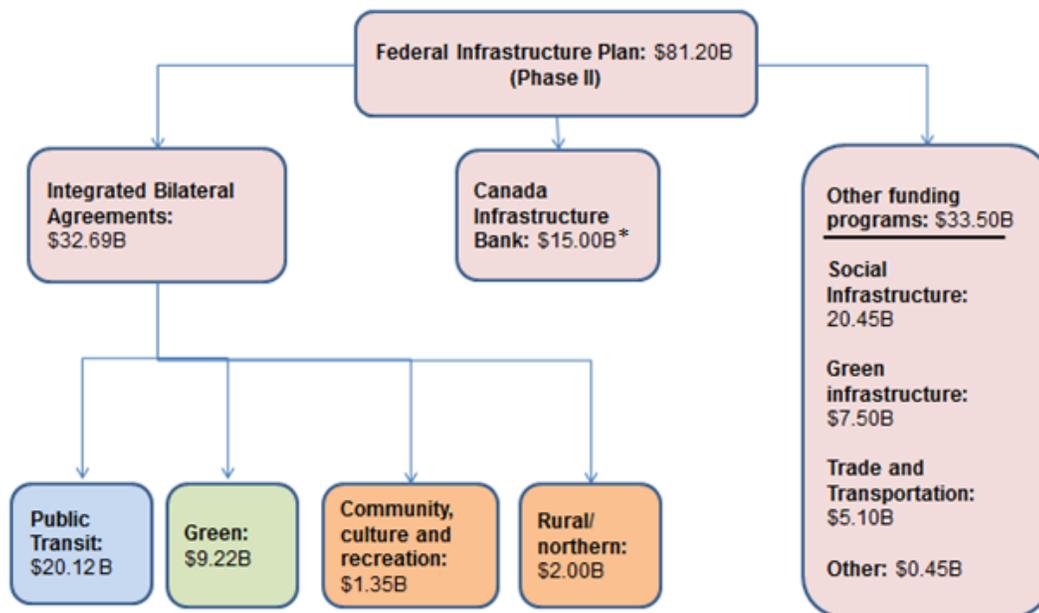
Phase II infrastructure funding will be delivered through a complex array of programs that are still under development

The federal government plans to deliver Phase II funding (\$81.2 billion over 11 years) through a complex array of programs, including:

1. \$32.69 billion under Integrated Bilateral Agreements. Funding delivered through this channel requires a provincial cost-share
2. \$15.0 billion allocated to Canada Infrastructure Bank, which will focus on leveraging private sector investment towards large-scale revenue generating infrastructure projects
3. \$33.5 billion through other funding programs, including:
 - \$20.45 billion for social infrastructure which includes funding delivered through the Canada Mortgage and Housing Corporation, funding for early learning and child care, and funding for indigenous communities

- \$5.10 billion for trade and transportation infrastructure, including the \$2 billion National Trade Corridors Fund, \$1.325 billion for the Oceans Protection Plan, and \$1.925 billion to support VIA Rail and various operators of marine routes
- \$7.50 billion for green infrastructure, including \$2.8 billion for a series of national programs, \$2 billion for Indigenous communities, and \$2 billion in reserved funding not yet allocated to specific programs
- \$300 million for city-building plans under the Smart Cities Challenge and \$150 million allocated to the Superclusters Fund for business-led innovation

Figure 2
Phase II funding arrays



Note:

* In addition to \$15 billion allocated to the Canada Infrastructure Bank in the 2017 Budget, the Government of Canada will be making another \$20 billion available for the Canada Infrastructure Bank. The latter portion is “repayable” to the Government of Canada.

York Region should also benefit from some initiatives under Phase II

Some of the Phase II initiatives could benefit the Region. Elements of projects such as the Yonge North Subway Extension, Bus Rapid Transit Plan and Upper York Sewage Solutions could be potential candidates under the Integrated Bilateral Agreements.

Table 5 highlights Phase II funding opportunities for York Region based on projects endorsed by Council.

Table 5
Funding opportunities under Phase II

Funding Program	Total (\$ Billion)	Applicable to York Region?	Notes
Integrated Bilateral Agreements	32.7		
Public Transit	20.1	Y	Higher order transit is eligible under both Public Transit and Green Infrastructure
Green Infrastructure	9.2	Y	
Community Culture and recreation	1.3	N	
Rural and northern	2.0	N	
Canada Infrastructure Bank	15.0*		
Public Transit	5.0	?	Staff are working with the federal government to gather further details on the bank
Green Infrastructure	5.0	?	
Trade and Transportation	5.0	?	
Other	33.5		
Trade and transportation	5.1	Y	Some grade separations projects are eligible under the \$2 billion National Trade Corridors Fund
Social	20.45	Y	The Region will likely benefit from \$8.17 billion in affordable housing funding through a “new” investment in an affordable housing program, and the National Housing Fund
Green	7.5	?	Includes \$2 billion to support national, provincial and municipal infrastructure required to deal with climate change
Other	0.45	?	Includes \$300 million for the Smart Cities Challenge available to municipalities
Total	81.2		

Note:

* Canada Infrastructure Bank will have \$35 billion to invest: \$15 billion split between the categories mentioned above and \$20 billion in capital in the form of equity or debt.

Ontario's share under the Integrated Bilateral Agreement is \$11.85 billion over 10 years

On July 7, 2017, Minister Sohi sent a letter to the provinces and territories regarding the \$32.6 billion in funding to be allocated through Integrated Bilateral Agreements. Ontario's share is \$11.85 billion (Table 6).

Funding is expected to begin in the 2018-19 fiscal year. Approximately 71 per cent of Phase II funding through Integrated Bilateral Agreements is expected to occur after 2022-2023.

Table 6
Funding under Integrated Bilateral Agreements

Integrated Bilateral Agreements	Total available nation-wide (\$ Billion)	Ontario's share (\$ Billion)	Provincial-territorial allocation formula
Public Transit	20.1	8.34	Transit ridership (70 per cent) and population (30 per cent)
Green infrastructure	9.2	2.85	Base amount of \$200 million for each province and territory Remainder is allocated on a per capita basis, using 2016 Statistics Canada Census data
Community, culture and recreation	1.3	0.41	Base amount of \$25 million for each province and territory to ensure meaningful funding in smaller jurisdictions Remainder will be allocated on a per capita basis (using 2016 Statistics Canada Census data)
Rural and northern	2.0	0.25	Base amount of \$75 million for provinces and \$150 million for territories Remainder is allocated on a per capita basis based on populations of communities under 30,000 (using 2016 Statistics Canada Census data)
Total	32.6	11.85	

The incrementality criterion for funding under the Integrated Bilateral Agreements will be less stringent than under Phase I

Under the Phase I of the Investing in Canada Plan, funding recipients were required to use their allocation towards previously un-budgeted/un-funded activities or to accelerate projects. This requirement was problematic because it limited the flexibility for municipalities to invest in their priorities, particularly for those municipalities that follow good asset management practices and have multi-year budgets.

Through the consultations for Phase II funding, the Region and organizations such as the Association of Municipalities of Ontario and the Regional Public Works Commissioners of Ontario requested that the incrementality criterion be changed for Phase II.

The federal government relaxed the incrementality criterion under Integrated Bilateral Agreement funding. Having a project funded in a municipality's long-term capital budget, will not disqualify that project. Furthermore, the provinces will be asked to attest that investments do not displace municipal spending on a particular asset class. The effect of this is that the Region's cost share need not be incremental.

The Regional share of projects outside of the capital plan will require either new revenue sources or capital offsets.

The Region's share of the Public Transit Infrastructure stream is estimated to be approximately \$200 million

The Public Transit stream is the largest component under the Integrated Bilateral Agreement. This funding stream is for new, expansion or rehabilitation of transit infrastructure. There is a 15 per cent national cap on the portion that can be used for rehabilitation.

Ontario's share is approximately \$8.3 billion. Minister Sohi's letter indicated that funding will be allocated to public transit systems based on ridership, with some flexibility to address regional variation. It is unclear what flexibility will be provided for Ontario municipalities.

Staff estimate that York Region's allocation would be \$200 million based on 2015 ridership reported by Canadian Urban Transit Association. Using the same formula, Toronto and GO Transit's allocation are approximately \$4.8 billion and \$600 million respectively.

In addition the federal government has already announced that Ontario's share includes \$872.2 million for Ottawa.

The Region could seek federal and provincial cost sharing for \$500 million in public transit costs under the Public Transit Infrastructure stream

The federal government will fund up to 50 per cent for rehabilitation projects and 40 per cent for new construction and expansion. Ontario's minimum cost share is 33.33 per cent. Table 7 illustrates the maximum funding that the Region could leverage based on two scenarios:

- 100 per cent of grant funding directed to new construction and expansion projects
- 85 per cent of grant funding directed to new projects, and 15 per cent for rehabilitation

Table 7
Infrastructure scenarios under Phase II - Public Transit (approximate)

Infrastructure scenarios	Federal share (\$ Million)	Provincial share (\$ Million)	Region's share (\$ Million)	Total (\$ Million)
100 per cent new construction and expansion	200	167	133	500
85 per cent new, 15 per cent rehabilitation	200	162	123	485

In an April 2017 letter to Minister Sohi, the Federation of Canadian Municipalities 'big-city mayors' caucus asked the Liberal government to ensure the provinces match any federal funding for transit (a '40:40:20' federal-provincial-municipal cost sharing arrangement). A '40:40:20' cost share arrangement would mean that York's cost share would be \$104 million for new construction and \$85 million for a blend of 85 per cent new and 15 per cent rehabilitation projects (see Table 8).

Table 8
Infrastructure scenarios under Phase II - Public Transit 40 per cent provincial cost share scenario (approximate)

Infrastructure scenarios	Federal share (\$ Million)	Provincial share (\$ Million)	Region's share (\$ Million)	Total (\$ Million)
100 per cent new construction and expansion	200	200	100	500
85 per cent new, 15 per cent rehabilitation	200	200	85	485

Allocating public transit funding based solely on ridership puts municipalities with newer transit systems at a disadvantage

While the federal government allocated public transit funding to the provinces and territories based on a combination of transit ridership (70 per cent) and population (30 per cent), they have indicated that the allocation to individual transit systems will be based on ridership, with some flexibility possible to address regional requirements. A ridership-based funding formula favors municipalities with larger established transit systems. It is biased against growing municipalities looking to expand their transit systems to meet the demands of their residents.

In the case of York Region, a funding formula based on ridership provides less funding than methodologies that consider the size of the municipal population. A ridership-based funding formula yields a total funding estimate of \$200 million for York region, or \$180 per capita, compared to \$4.8 billion in Toronto, or \$1,757 per capita. This is a near 10-times difference on a per capita basis (Table 9).

The Growth Plan sets a target of 718,000 additional residents for York Region between 2011 and 2041, while the City of Toronto's population is expected to grow by only 675,000 over the same period. An allocation formula premised solely on ridership does not recognize the need for transit systems looking to achieve substantial ridership growth.

Table 9
Phase II - Public Transit infrastructure funding allocation scenarios

Provinces and Major Cities*	Approximate allocation - 100 per cent ridership (\$ Million)	Approximate allocation – 70 per cent ridership/30 per cent population** (\$ Million)	Approximate allocation – 100 per cent population** (\$ Million)
Ontario***			
Toronto	4,800	4,080	2,080
York Region	200	370	760
Alberta			
Calgary	1,100	1,040	910
Edmonton	890	820	660
Quebec****			
Montréal	3,900	3,500	2,700
Québec City	420	540	800

Notes:

* Top two cities, in terms of population, chosen for comparison

** Population is based on the 2015 CUTA service area population estimates.

*** Estimated allocation for Toronto and York region is calculated based on the portion of Ontario's allocation net of GO Transit and Ottawa's ridership based allocations

**** Ridership excludes Agence métropolitaine de transport (AMT). Without Agence métropolitaine de transport, ridership is 532,392,138. The Agence métropolitaine de transport network consists of 6 commuter train lines, 1 express metropolitan bus service, 15 metropolitan terminals, 19 transportation corridors (including 100 km of reserved bus lanes) and 72 park-and-ride facilities

It may be possible for York Region and other municipalities to use public transit funding towards PRESTO System capital requirements

Since 2006, in the Province of Ontario the transfer of provincial gas tax revenues to transit agencies in the Greater Toronto and Hamilton Area and the City of Ottawa has been dependent on participation in the PRESTO program. The new PRESTO operating agreements currently being negotiated with Metrolinx will require municipalities to assume significant costs for PRESTO.

The current PRESTO devices installed on YRT/Viva vehicles, stations and terminals have served their useful lives and need to be replaced.

Municipalities in the Greater Toronto and Hamilton Area and Ottawa could jointly apply to use a portion of the public transit funding towards PRESTO capital.

The municipal role under the Green Infrastructure stream remains unclear

The Region may benefit from the Green Infrastructure stream under the Integrated Bilateral Agreements. However, the municipal role is unclear.

The federal government has indicated that this program is intended to fund initiatives identified by the provinces and territories under the Pan-Canadian framework on Clean Growth and Climate Change. The federal government will be working with the provinces and territories to identify projects.

As noted on Table 6 (page 9), Ontario's share is \$2.8 billion and is to be directed to three separate areas:

- greenhouse gas emission mitigation
- climate change adaptation, resilience, and disaster mitigation
- environmental quality investments

A minimum of \$1.3 billion, or 45 per cent, of Ontario's allocation must be invested in greenhouse gas emission mitigation, which can be used to fund higher order transit (such as bus rapidways and subways).

Funds under the Public Transit stream and the Green infrastructure stream could be bundled to fund the Region's higher order transit projects

Higher order transit is eligible for funding under both the Public Transit stream and the Green infrastructure stream. The Region could propose a project to bundle funding from both streams to fund a portion of the Bus Rapid Transit Plan or another phase of the Yonge North Subway Extension.

As an example, the City of Ottawa bundled \$872 million received from the Public Transit stream and \$219 million from the Green Infrastructure stream to help fund its 'Ottawa Light Rail Transit 2' system.

The role of the Canada Infrastructure Bank is still to be determined

Through the 2016 Budget, the federal government announced that a Canada Infrastructure Bank would be established, with a goal of leveraging private sector investment for public infrastructure projects.

The Canada Infrastructure Bank has seed funding of \$35 billion to invest in large-scale, revenue-generating projects. The 2017 Budget specified that, at minimum, a total of \$15 billion will be split evenly between the following priorities: \$5 billion for public transit, \$5 billion for green infrastructure, and \$5 billion for trade and transportation infrastructure.

All investments through the Canada Infrastructure Bank require a private investor/partner as a precondition. The Bank's investment may take the form of an ownership stake in infrastructure projects or the Bank may act as a creditor to others. Staff have confirmed that the Canada Infrastructure Bank would require a share of any revenue generated from projects.

As of July 2017, the Canada Infrastructure Bank has appointed a chairperson (Janice Fukakusa, former chief financial officer for the Royal Bank of Canada). The government plans to appoint a chief executive and board members for the bank in the coming months, with the expectation that the Bank will be operational by late 2017.

When considering the applicability of the Canada Infrastructure Bank for Regional projects, it is important to note that the Region has ready access to capital markets at favorable rates and is seeking to minimize additional debt.

The \$2 billion National Trade Corridors Fund under the Trade and Transportation program may present an opportunity for the Region

The National Trade Corridors Fund is providing \$2 billion over 11 years to fund infrastructure that supports trade and goods movement. Of this \$2 billion, \$400 million is dedicated to support trade and transportation infrastructure investments in the territories, leaving \$1.6 billion available for municipalities outside the territories, such as York Region.

The federal government is providing a 50 per cent cost share up to \$500 million. This program will be delivered by Transport Canada and is outside of the Integrated Bilateral Agreement framework.

The Region's grade separations that cross freight corridors may be good candidates for the National Trade Corridors Fund. Investments in these grade separations would help improve safety and travel time. A separate Council report, considered by Committee of the Whole on September 7, 2017, provides additional details.

The Region should benefit from nearly \$8.2 billion in funding for affordable housing

The 2017 federal budget also provided nearly \$8.2 billion to increase the supply of affordable housing and sustain existing social housing. This includes:

- \$3.2 billion through a new program called the Federal-Provincial-Territorial Partnership in Housing, which will replace the current Investment in Affordable Housing Initiative, starting in 2019-2020. This funding will target the construction of new affordable housing units, the renovation and repair of existing housing, rent subsidies and other measures to make housing more affordable, and other initiatives to support safe independent living for Canada's seniors and persons with disabilities.
- \$5 billion for a new National Housing Fund (to be administered through the Canada Mortgage and Housing Corporation).

Historically, the Region has participated in both the capital and operating components of the Investment in Affordable Housing program, with the majority of funds directed at upfront capital costs to build new housing.

The Region's priority projects may be candidates for Phase II funding

Table 10 outlines the Council-endorsed priority projects from June 2016. Staff reviewed these projects and aligned them with the funding opportunities that are potentially available for York Region under Phase II.

Table 10
Priority projects: Phase II stream suitability

Council-endorsed priority projects	Approximate project cost (\$ Million)	Phase II stream suitability			
		Public Transit	Green	Trade and Transportation	Social Infrastructure
Yonge North Subway Extension	5,600	✓	✓	x	x
Grade separations to optimize Regional Express Rail	30-800 (scalable)	x	x	x*	x
Langstaff Road Extension (across the MacMillan CN rail yard)	620	x	x	x	x
Bus Rapid Transit Plan: Yonge Street to Gamble Road to Mulock Drive	710	✓	✓	x	x

Council-endorsed priority projects	Approximate project cost (\$ Million)	Phase II stream suitability			
		Public Transit	Green	Trade and Transportation	Social Infrastructure
Upper York Sewage Solutions	715	x	✓	x	x
Bus Rapid Transit Plan: Highway 7 East – Unionville GO Station to Cornell Terminal	440	✓	✓	x	x
West Vaughan Sewage Servicing	332	x	✓	x	x
North East Vaughan Servicing	253	x	✓	x	x
16 th Avenue Sewer Rehabilitation	105	x	✓	x	x
Conventional bus expansions	43	✓	x	x	x
VIVA bus expansion	25	✓	✓	x	x
VIVA bus replacement	128	✓	✓	x	x
GO Station Egress and Access	25	✓	✓	x	x
PRESTO Capital	14	✓	x	x	x
Affordable housing investments	327 (scalable)	x	x	x	✓

Note:

* Grade separations over freight corridors are good candidates for the National Trade Corridors Fund, under the Trade and Transportation Stream.

Local municipalities could benefit from the Community, Culture and Recreation Infrastructure Stream

The 2017 Budget proposes new investments of \$1.3 billion to support new, expanded or renewed community centres and hubs, amateur sport, cultural, and recreational installations and facilities. Ontario's allocation under this stream is approximately \$407 million. Local municipalities could benefit from this funding program.

Priority will be placed on facilities that are aimed at supporting vulnerable populations. A minimum funding level will be set in each jurisdiction to address the infrastructure needs of the indigenous population living off-reserve.

A community size threshold for funding under the Rural and Northern Communities Infrastructure stream has yet to be determined

The 2017 Federal Budget also allocated \$2 billion for infrastructure in rural and northern communities. Ontario's allocation is approximately \$250 million. This funding stream is intended to support infrastructure priorities in small, rural and remote communities, including food security, local roads, renewable energy and broadband connectivity.

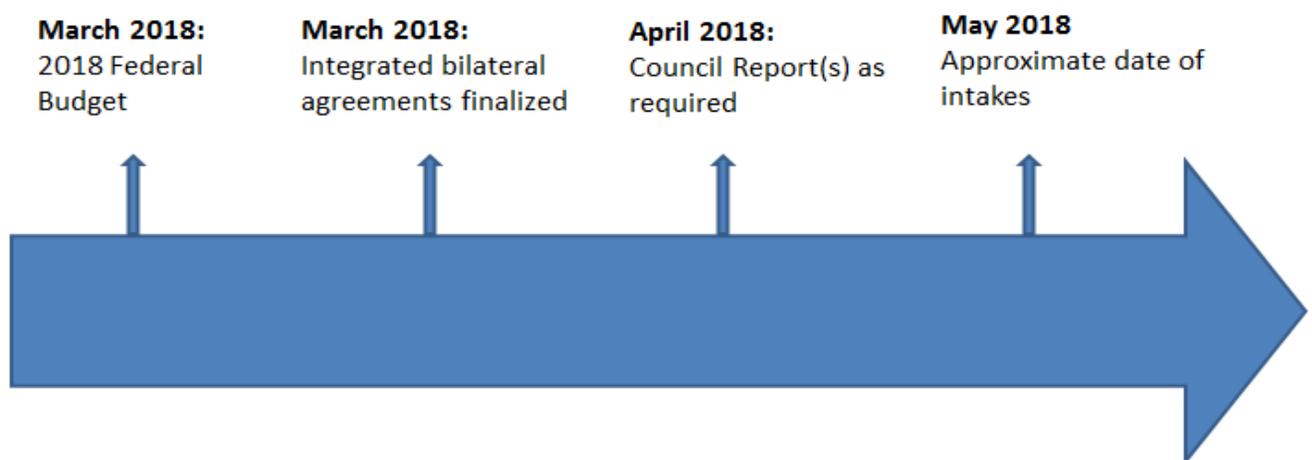
The community-size threshold for funding under this stream will be determined as part of the dialogue informing the signing of the integrated bilateral agreements. The federal government has indicated the maximum threshold being considered is 100,000 people.

According to the 2016 Census, the local municipalities in York Region with a population of less than 100,000 people include: Aurora, East Gwillimbury, Georgina, King, Newmarket, and Whitchurch-Stouffville.

Municipalities will need to respond promptly once the agreements are negotiated and intakes are launched

Intakes under the Integrated Bilateral Agreements will be announced upon finalization of those agreements, expected to occur by March 2018. Under Phase I, there was approximately a two month lag between agreement finalization and the intake. Figure 3 provides a preliminary timeline for this process, including potential Council engagement.

Figure 3
Preliminary timeline for Phase II Integrated Bilateral Agreement funding



The province is using the proceeds from its Cap and Trade program to invest in initiatives that reduce greenhouse gas emissions

On January 1, 2017 Ontario's Cap and Trade program came into effect. Under this program, the province sets allowances for carbon emissions by corporations. Companies can trade carbon emission allowances to comply with the regulation.

Provincial legislation requires that money raised through trading carbon be directed to initiatives that reduce greenhouse gas emissions. The province has created a number of infrastructure programs that are funded through the proceeds from its cap and trade program, including the \$325 million Green Investment Fund, and the \$42.5 million Ontario Municipal Commuter Cycling Program¹.

Since the province implemented its Cap and Trade program, there have been three auctions, raising approximately \$1.5 billion. Based on the 2017 provincial budget, the auctions were expected to raise \$1.8 billion in the 2017-2018 provincial fiscal year and \$1.4 billion annually starting in 2018-2019.

The Region has received approximately \$1.1 million from provincial infrastructure programs for social housing and cycling infrastructure

The Region has received \$1.1 million from Cap and Trade funded programs so far (Table 11).

The Social Housing Electricity Efficiency Program (SHEEP) provided \$768,123 of funding for five housing providers to improve energy efficiency and reduce greenhouse gas emissions.

The Region also received \$325,000 for a 3.7 kilometre section of the "Lake to Lake" cycling and walking path.

¹ Note: Included in the Green Investment Fund are the Social Housing Electricity Efficiency Program (SHEEP) and the Social Housing Apartment Retrofit Program (SHARP). The \$42.5 million available in the Ontario Municipal Commuter Cycling Program is for the first year. Subsequent years will be determined by cap and trade proceeds.

Table 11
Provincial funding programs

Program	Funding received (\$ Million)	Top priority projects
Social Housing Electricity Efficiency Program (SHEEP)*	0.77	Housing York Inc. - Trinity Square (Markham) Trinity Glen (Newmarket) Oakwil Non-profit Homes Corporation (Richmond Hill) Landsberg/Lewis Housing Co-operative (Richmond Hill) Richmond Hill Co-operative Homes (Richmond Hill)
Ontario Municipal Cycling Infrastructure Program (OMCIP)**	0.33	Design and construction of the Markham segment of lake to lake cycling route and walking trail - Phase 1

Notes:

- * York Region applied for funding under both the Social Housing Electricity Efficiency Program (SHEEP) and the Social Housing Apartment Retrofit Program (SHARP). On March 30, 2016, the Ministry of Municipal Affairs and Housing announced that due to limited availability of funds, allocations were given under one of the two Ministry programs, but not both.
- ** York Region applied to the Ontario Municipal Commuter Cycling Program in September 2017.

The province recently announced the new Municipal Greenhouse Gas Challenge Fund

On August 14, 2017, the provincial government announced the Municipal Greenhouse Gas Challenge Fund, which is aimed at supporting community-led action on climate change and forms part of Ontario's Climate Change Action Plan. The Ontario government will be investing up to \$100 million of proceeds from the Cap and Trade program through the Municipal Greenhouse Gas Challenge Fund in 2017-18. In addition, the province intends to launch future rounds of funding under this program.

Eligible projects could be in any sector, including buildings, transportation, water and wastewater and waste management, provided that the projects directly lead to greenhouse gas emission reductions. While the province could provide up to 100 per cent of the eligible costs, applicants that can provide a 50 per cent cost-share will be favoured.

The Municipal Greenhouse Gas Challenge Fund is an application-based program. Any Ontario municipality with a council-approved community-wide greenhouse gas emissions inventory, emissions reduction targets, a strategy to reduce emissions, and up-to-date conservation and demand management plans is eligible to apply.

Staff are working with the province to determine York Region's eligibility for the Municipal Greenhouse Gas Challenge Fund. In May, 2016, York Region Council endorsed an [Energy Conservation and Demand Management Plan](#), which includes a greenhouse gases emission inventory and sets targets for greenhouse gas emission reductions across the organization.

The province recently announced funding for social housing retrofits contingent on carbon market proceeds.

On August 24, 2017, the province announced that it would provide up to \$657 million over five years for repairs and retrofits to social housing across the province, including for indigenous communities. This five-year commitment, is also part of Ontario's Climate Change Action Plan and is funded from the Cap and Trade program. The funding commitment includes \$82 million from the Social Housing Apartment Retrofit Program (SHARP) which started in 2016-17.

Projects eligible for funding include upgrades to social housing buildings such as new energy efficient heating, improved insulation, and window replacements.

The City of Toronto will receive \$343 million, over half of the total funding for the province. Toronto's share includes a contribution of \$43 million in 2016-17, which was its allocation under the Social Housing Apartment Retrofit Program (SHARP). It is unclear whether the remaining funds of approximately \$314 million will be allocated to municipalities based on a funding formula or an application process.

Additional provincial funding may be made available through proceeds from the Cap and Trade program.

Proceeds from the province's Cap and Trade program may also be used to fund other aspects of Ontario's Climate Change Action Plan. The Climate Change Action Plan is wide-ranging, including initiatives to:

- Achieve low-carbon and zero-emission transportation, including accelerating construction of GO and Regional Express Rail
- Improve energy efficiency in homes and buildings
- Support conservation efforts for individuals
- Strengthen the connection between land-use planning and climate action

The province may also use proceeds from the Cap and Trade program to fund its contribution under the Integrated Bilateral Agreements for the Public Transit and Green Infrastructure streams of the federal infrastructure programs.

Staff will continue to monitor federal and provincial programs for opportunities to obtain funding for York Region.

Bill Hughes
Commissioner of Finance
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