

LOCAL REFORM INITIATIVE

MAD RIVER INSTITUTE FOR POLITICAL STUDIES

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Introduction

A Time for Change

There are many who say that municipal government is “closest” to the citizen. That is, it delivers the services that many receive on a day-to-day basis – from water to snow removal – and the citizen’s representatives are much more accessible than those in the provincial or national capital. This was true. Perhaps, in a way, it still is. However, the truth is that our local communities aren’t nearly as ‘close’ as we think. Much of the money that pays for those services comes from a different level. Our councillors now, quite often, are no easier to see or talk to than our MPPs, MLAs, or MPs. And municipalities are not really governments at all, but corporations overseen and overwhelmed by provincial authorities.

We’re not saying this situation is right or wrong, good or bad. What we are saying is that it must change. Our system is about 150 years old and it no longer works well enough; not for the people. We at the Mad River Institute believe that the time has come to make changes that will benefit Canadians. In this vein, we present our first paper on changing for the better our system of government.

Our Local Reform Initiative proposes what we believe are improvements, fitting with our goals. First, there is the question of what municipal government should do. Much of our public discourse, these days, is spent on giving cities more powers to accomplish their duties. Unfortunately, no one’s really bothering to consider if these are reasonable duties, and if municipalities can handle them, even with more control.

Second, we look at the realities of virtually unrestrained urban growth. It is our belief this could be rectified with relative ease, if politicians would simply be somewhat innovative and actually exert the power of government. Of course, this would entail them overcoming their fear and avarice.

Third, it is our view that citizens can be given a greater role in defining what they want for their communities. Too often, senior government simply rolls over municipalities, and even local councillors roll over the wishes of people. In the 21st century, citizens are much better able to take part in their democracy. We see ways to do this, as well as make people want to participate.

Finally, our Institute believes in fairer taxation. The property tax is inherently unfair and needs reform. We believe there is a way to make it progressive; either that or it should be eliminated.

Apportioning Responsibility

A New Deal for Disentangling

There is seldom a day that goes by lately that we don't hear something in the media regarding "A New Deal for Cities". For most municipal leaders, this phrase means more money and independence from higher levels of government. For many theorists and observers, it means cities being recognized as the core engine in driving the economy and society. For most others, it's a fight about which level of government collects and spends tax money.

But all this posturing about a new deal for cities masks the real question: what do we want our cities to do? In fact, what do we want all municipalities to do? The reality is that a 'new deal' is always couched in a demand for more powers and money, yet we, as a society, have not truly considered for what we want our cities and towns and townships to be answerable.

However, one thing is clear. Too many responsibilities have been put upon municipalities, far more than they can presently pay for or properly administer. Some pundits have suggested municipalities be granted greater taxation powers to rectify this. Frankly, this would be unwise. People already feel they are taxed at every turn. Adding on more fees and charges would be counterproductive to the democratic process. What would make far more sense would be that "soft" services should be uploaded to the province, with the overall tax burden being re-apportioned. In this way, municipalities would be left to deal exclusively with the predictable cost of "hard" services.

Though there are those who seem to refuse to accept facts, the reality of our constitution says that municipalities are simply a derivative of provincial powers. Thus, they are set up as municipal corporations, not legally governments at all. As a result, their actions come at the whim of their provincial betters. And though provincial legislators hate it, the federal government owes them nothing to pay for municipal costs, just as many feds hate they cannot influence municipal concerns.

But even in what should be a simple, one-way relationship, time has confused this into a morass of what is 20 colours of mixed mud. Some services are shared, some are not. Others are delivered by the level which offers them less efficiently, less directly, and/or is less able to pay for them. Some have suggested they have become tangled up and need to be reconsidered.

The notion of "disentanglement" is not new. The idea that some services would be better delivered at a different level of government has been around for the better part of two decades. In Ontario, the idea was under study during Bob Rae's NDP government, then came to pass under the successor. However, when Mike Harris and his minions decided to re-align the responsibilities of municipal government by uploading or downloading them, they clearly went into it more as an exercise to save money for tax cuts rather than one that would effectively

streamline service delivery.

What they decided to do was to take \$1.4 billion (or about 11%) from the education budget and misdirect the public through a shell game, where the “financial pea” would be moved between provincial and local budgets so that voters would be confused as to how much money was moving and where it was going. Their method was to ‘disentangle’ local responsibilities for education from those of the province.

Originally, the then Education minister, John Snobelen, like most people, believed school boards operated as “mini-fiefdom(s) fuelled by the power to hike property taxes at a whim. Though they may have been accountable to the voters at election time, they were less than 50% accountable to the province because less than half of their money came in transfers from it”*. His preference was for boards to be eliminated and to have individual schools run themselves. However, the dynamics of the government dealing with thousands of schools on an individual basis would have been nearly impossible to manage. Instead, it was decided they should “leave the boards alone, just take away their powers. Run the system from Queen’s Park, but leave trustees as straw men to take the blame for things people didn’t like. Take the tax money and dole it back on an equalized basis, with the boards having no ability to raise their own funds.”*

But the desire to disentangle was also coming from a direction other than education. “Upper-tier municipalities such as regional and county governments administered general welfare assistance (GWA), help for able-bodied people temporarily out-of-work (after the exhaustion of federal unemployment benefits) and had to pay for 20% of its costs. The province picked up 80% of this, plus administered and paid 100% of the costs of family benefits (FBA), considered long-term assistance, usually for single mothers with children.”* The government members, believing most on welfare were either slackers, cheaters, or had become dependent on the public purse, decided they wanted to establish a work-for-welfare programme that would force beneficiaries to labour for the money. However, given that municipalities were signalling they didn’t want to be involved and unions were threatening to boycott any organization that used workfare workers, Janet Ecker, then Community and Social Services’ minister, proposed taking over GWA and its total costs, and having the province run it. “If it had control, it faced no opposition and those on workfare could do their time with provincial government offices and affiliated agencies.”*

The problem was that this would have uploaded another \$5 billion onto the province. On top of what Snobelen was proposing, at \$5.4 billion, it would have meant the province taking on another \$10.4 billion in provincial income tax. Yet even with the property tax being cut by the same amount, and a committee of independent luminaries, most of whom were Conservatives, recommending this, the Tories didn’t believe people would understand the saw-off. They feared people – especially their own supporters – would see the provincial budget rise and

* Quotes from Byron Montgomery. The Common (Non)Sense Revolution: The Decline of Progress and Democracy in Ontario. Creemore, ON: Mad River Publishing, 2002, ISBN 0-9730682-0-5.

think they had tossed their election promises out the window. Given the regressive nature of property taxes, moving these costs to the income tax would have been fairer and far-thinking. But the Harris government wasn't about to be either.

This proposed re-balancing of responsibilities might have gone little further had it not been that the Ministry of the Solicitor-General wanted municipalities to take over costs for policing and the Ministry of Transportation wanted counties and regions to take over responsibility for most provincial highways. Some believed a revenue-neutral swap between municipalities and the province could be done, one that would disentangle a number of services. However, at best, the downloading of policing and highways would send \$2.9 billion to the municipalities. Municipal Affairs' minister Al Leach suggested a solution: the uploading of education, while entirely downloading welfare. His argument was that education affected everyone, especially those with children. Welfare affected a very small number of people.

Ecker objected. If welfare was dumped on municipalities, they would never cooperate on the implementation of workfare. As well, they might not be able to afford it – the property tax usually drops when times are bad, just when welfare rolls normally rise. What she may have missed on this latter argument was the widespread belief amongst her colleagues that welfare rolls went up because of cheaters, not need.

Instead of achieving 'disentanglement', the result was more like 're-entanglement'. In the end, most school boards were amalgamated with others while all were stripped of most of their powers, though they were left to negotiate contracts with teachers. Though funding was intended to come entirely from the provincial government through the income tax, this was dropped to 50% with the other half still coming from the property tax, but going up to the province. GWA and FBA were combined, left with municipalities, while being funded 50% by them. The province also off-loaded onto the municipalities financial responsibility for most highways, most of public transit, health units, and public housing. Despite the claim that this exchange was completely revenue-neutral, the truth was closer to municipalities being forced to eat an extra billion dollars or more per year.

Municipal leaders were angered and frustrated by this experience, with the first rumbles about the need for a new deal with cities coming in the summer of 2000, when the squabbles between the recently-amalgamated City of Toronto and the Province of Ontario were at their zenith. The government of Mike Harris had forced together the former municipalities of Metropolitan Toronto to form the new city three years earlier, raising the ire of most of the residents. This lack of control over their "home towns" made people angry. But it went further. Though claiming otherwise, the province also shorted the new Toronto about a half-a-billion dollars a year in funding. It was quickly evident, even with temporary provincial grants and a loan, that the city was no longer able to fund its own services at pre-amalgamation levels. As a result, a silly whispering campaign began, arguing Toronto not only needed more power to look after its own affairs but needed to be independent of Ontario, as a new province or quasi-city-state. The polemic went nowhere, though the seeds of debate had been sown.

Then, in January 2002, the Toronto Star's publisher, John Honderich, began to use the newspaper as a herald to trumpet the case for a new deal for cities. Over the late 1990s, a few scholars, notably local urban guru Jane Jacobs, were suggesting cities were the engines of economic success and the reality of modern-day life in the western world. The Star articles tailored this case for Ontario and Canada, and contended that the federal and provincial governments were ignoring cities at the peril of all citizens. After all, improper maintenance of an engine will eventually cause the car to stop going down the road or, at least, take a lot longer to get to its destination.

Then, in the run for Liberal Party of Canada leadership and the Prime Minister's job, Paul Martin Jr. adopted this position, though he tended to be somewhat more vague rhetoric than specific promise. Yet it was his taking up the torch of the cause that gave a 'new deal for cities' its real legs. Before, it had been the ideal vision of dreamers or the whines of the self-interested. But once someone with the national stature of Martin called for it, the media gave it the play – and the legitimacy – it had never had before.

With it becoming a national issue, the premiers took it up as a cause, to greater and lesser extents. However, the possibility that money would go straight from the federal government to municipalities was unacceptable to most. This would be a clear violation of constitutional jurisdictions. After all, municipalities only exist at the bidding of provincial governments. Of course, a cynic might also believe this would be a source of more money the provinces could bleed off the feds as they were already doing with unconditional transfers on health, education, and social services. If the funding went direct, cutting transfers to municipalities would be too obvious.

But, again, this 'new deal' had still to be defined. When Dalton McGuinty wanted to win seats in urban Ontario in the 2003 provincial election, he meant it as greater responsibility for cities to make their own decisions, along with two cents per litre of the provincial tax on gasoline sold to pay for them. Yet, when Paul Martin was on the verge of becoming an historical footnote by losing his 2004 national election, he reverted from a McGuinty-like position to one where a 'new deal' was 5¢ of federal gas tax money for all municipalities, not just cities, they wouldn't get the money directly, and greater local responsibilities were up to the provinces to decide.

There is no question that not delineating the specifics of any 'new deal' leaves it open for every politician to apply differently. After all, some provincial politicians like having weak cities and towns, while others would just as soon dump more responsibilities on them and could use this as an excuse. (Perhaps a few would even like stronger municipalities for their sake. Of course, these would likely be politicians looking to run for home-town mayor ...)

But what advantage is there to strengthening municipalities? Given the services most deliver now, "none" would seem the correct answer. After all, does it matter which level of government – provincial or municipal – people pay taxes to for road work? Well, of course, it does. Municipalities have to finance this through property taxes, a regressive and unfair tax.

Provinces, while their constitutionally-mandated primary source of funds is sales' taxes, bring in most of their cash through transferred federal income tax. This is the most progressive tax and one that sees those most able to pay pay the most. Unless federal or provincial governments are going hand over income tax points to municipalities (a dubious proposition constitutionally and politically), local government will never have the financial ability to handle more than a limited number of duties. And given the inflexibility of property taxes, it would only make sense to limit municipal government to delivering hard services, which do not vary in cost greatly from year to year.

Municipal governments have a plethora of responsibilities, from the construction, maintenance, and snow clearance of roads, streets, and bridges, the installation and maintenance of water pipes and water treatment and pumping facilities, sewer pipes and treatment facilities, land-use planning, subsidized housing, social assistance services and delivery, and policing. Some of these, like responsibility for water, are not conducive to local operation. While a large city might be able to afford the infrastructure for high water standards, small municipalities cannot. Others, such as social assistance, cannot be predictably financed by municipal property taxes. Yet time and the machinations of politics have left these obligations with the government least able to handle them.

Hard services cost a predictable amount of money per year. As a result, property taxes to finance them can be calculated on a solid set of numbers. On the other hand, the costs of soft services can vary greatly from year to year, and property taxes are difficult to adjust for rapid fluctuations. For example, public library costs can be fairly predictable from year to year, as the factors in cost would vary little. However, the costs of social services, primarily social assistance, can change greatly. From 1998-2003, public library spending in the City of Toronto went from \$117,060,800 to \$134,752,800. Given 12.78% inflation, this budget rose just 2.2% above inflation. Over the same period, social services' costs went from \$1,152,812,300 to \$934,105,000, a drop of 19%. If this drop sounds like a positive, it is. Of course, in the early 1990s, social services cases skyrocketed upward. In York Region, in just one year, 1991-1992, cases rose 107%. Of course, this would not be perfect. However, given the inflexibility of the property tax, there is no question we are just a recession away from testing how close municipalities can get to bankruptcy without falling in, or how much in the way of increases can be laid at the feet of property tax payers before the bankruptcies are theirs. This was exactly the scenario during the Great Depression, and that was when municipalities had far fewer responsibilities.

It might be possible for municipalities to deliver soft services if the provincial and federal governments were willing to establish their level as a constitutionally-legitimate one with a progressive tax collection system. Realistically, the chances of that happening are less than nil. When Paul Martin started talking to the Premiers about new funding for municipalities, most of the latter demanded any federal cash go through them to get to their cities and towns. As well, why would politicians want to create competition? When Mike Harris amalgamated Metro Toronto, he found he had created a large, powerful, focused opponent to his governing of Ontario.

Imagine if it had been independent, too. Now imagine one, two, or more of these in every province, annoying every Premier. It would be hard to imagine they would ever agree to give up their authority over municipalities, and the taxes they collect.

The only other possibility: what if the property tax could be made progressive? The details of this were discussed earlier, so there's no need to repeat them. However, even with this – a system that recognizes income as well as the value of property – the basic pool of property tax is still small, relatively. While a progressive property tax might permit municipalities to handle soft services, it would still be dubious in times of recession or depression, when property values usually decline at the same time social assistance cases are rising.

Before leaving this topic, there is one other entanglement issue which requires reform, and that is in the area of special purpose bodies. Too often, services are delivered or overseen by unelected agencies, boards, and commissions, which have no direct accountability to citizens. Examples at the local level are library boards and utility commissions or agencies. (I omit school boards because they are autonomous from municipalities.) So why do such things exist? Historically, there are probably two reasons: in the case of libraries, councils wanted residents to have the ability to participate in deciding what books they wanted to read; and, for utilities, they wanted people who had more specific expertise to advise or decide. And while these sound like perfectly reasonable explanations, in fact, they have reduced, not increased, the influence of regular citizens. Over time, most of these organizations became the homes of people who were regularly re-appointed, and/or were the “friends of council”, and simply did its bidding regardless of what was best for the establishment.

It is for this reason that we propose doing away with these types of bodies. The administration of a special purpose body does not require a board of unelected people to oversee it. It requires an administrator directly responsible to an elected municipal council. This would eliminate a layer of unnecessary, unrepresentative bureaucracy. An administrator is perfectly capable of examining borrowing patterns to see what books are needed. An administrator can see if sewage treatment rates are within standard. The line of responsibility is direct. If council feels the administrator is not doing the job, they can dismiss him or her. With an unelected board in-between, the process is much more nebulous.

And there are provincial special purpose bodies that should be eliminated. The best example is the Ontario Municipal Board. With powers to oversee and re-write official plans, zoning by-laws, plans of subdivision, severances, minor by-law variances, development charges, and gravel pit licences, it is a potent authority in local governance. Yet no board member is elected, and virtually all are partisan hacks living off the avails of political prostitution. They regularly interfere in strictly local planning matters that seriously undermine the decision-making of elected municipal councillors. Eliminating the OMB would return to the people's representatives considerable power to govern their municipality. And if the province feels the need to keep reasonable oversight, all it has to do is pass regulatory standards for municipalities to meet. (In planning, this would be especially true with the adoption of a province-wide official plan.) Instead, it has

allowed an autocratic leviathan to trump democratic decision-making time and time again.

For those who are alarmed that we are suggesting the complete reverse of their position to expand municipal powers, we are not. We are proposing to repair the relationship between municipal government and its senior partners to permit the former to best perform in the arenas for which it is responsible. Once this is done, it might be possible to see that other services become the responsibility of municipal government – those that would most naturally be delivered at the local level. However, it makes no sense to expand the scope and breadth of municipal fiscal responsibility as long as its service delivery responsibilities go far beyond a rational mandate.

But those who favour ‘a new deal for cities’ may find they have an unexpected opponent. If such a new deal comes with added responsibilities, there is little doubt municipal leaders from small towns and rural townships will oppose it. It’s one thing to get extra funding. It’s another to spend it on new duties imposed from on high.

Planning for the Future

Urban Sprawl Run Amok

Recently, there have been a number of media stories on urban sprawl, perhaps coincidentally at the same time that the new Ontario government had promised to stop further development on the ecologically-sensitive Oak Ridges Moraine, and a report from the David Suzuki Foundation has strongly condemned the waste of this spreading posture of growth. But what all the stories and recommendations have missed is that the present system is designed to create urban sprawl. As long as we are only willing to tinker with it, we will continue to destroy environmental and agricultural areas, but we will also waste billions of dollars in unnecessary infrastructure expenditures.

About a dozen years ago, I worked at The University of Western Ontario. I wanted to prove to a friend that the zoning laws of the City of London were, shall we say, flexible. Posing as a potential buyer of a residential property on mostly upscale north Richmond Street, I called the municipal planning department. I told the planner that I wanted this house to convert it to a professional office, and asked how long it would take to get a change of zoning to permit the new use. Her response was, if I followed all the rules, and there were no objections, it would take two weeks, four at the most. I have no idea if zoning change was truly this easy, or, if so, is as easy today, but it is clearly indicative of the attitude of most planners in most municipalities – their job is to facilitate development. Official plans are simply guidelines to be ignored when it's easier to ignore them, which is typically the case.

That was not the intent in the first fifty years or so of the 20th century. Planning controls were supposed to limit development to certain areas, with certain types of development parcelled into particular areas, while other types went into others. In this way, people would not be forced to live in the shadow of pollution-spewing factories, and development would be limited to areas in and around already-developed communities. That's not how it's worked out.

In certain high-growth areas, like around Toronto, the demand for inexpensive houses and land for industrial purposes quickly outstripped the available area ... or so it was perceived. The truth is that empty fields were much cheaper to develop than to purchase already used land and redevelop it. For the growing middle-class, this was particularly attractive because it permitted lower-cost, large-scale developments. Home ownership "with a white picket fence" became something to which a growing number of people could aspire. Suddenly, the masses no longer faced having to live in high-density urban developments, which had a history of often being dinghy, dirty ghettos. Unfortunately, the ease with which residential sub-urban areas, or suburbs, could be built completely belied the long-term damage that was being done, both to the environment and the economy.

Given the almost unrelenting demand for houses, Ontario is chalk full of a plethora of developers,

particularly those who focus on the creation of low-density, family homes built on the sprawling fields of undeveloped agricultural and rural land surrounding urban centres. It is a wealthy and influential sector of the economy, and one where a symbiotic relationship has grown up between the developers and politicians. Developers, construction companies, and engineering concerns have become prime donors to municipal and provincial politicians and political parties. As a result, elected officials have tried to hide their horrible conflict of interest.

On the provincial side, officials set the overall rules by which municipalities must follow regarding development. Historically, they acted as the court of last appeal, where municipalities and/or developers could make a request for a neutral judge to settle disputes. Perhaps due to occasional accusations of bias based on this conflict, the tendency has been to pass this responsibility off to unelected others who have no direct financial connection to those involved. However, this has had the effect of stripping the necessary accountability from the system.

On the municipal side, civic officials make the decisions as to what can be developed where through zoning controls, and under what terms through development agreements. Yet these politicians are the same people who take donations from those who want the developments, and want them on their terms. While it is true that municipally-elected officials must declare a conflict on a direct relationship with a significant donor, the general attitude most local politicians hold that 'development is good' has them generally accept most development proposals. That has not always been the case.

The Ontario Municipal Board, self-described as "an independent and impartial adjudicative tribunal", was a response to planning disputes between municipalities where provincial politicians preferred to stay above the municipal fray, fearing their governments could get bogged down in matters they felt were really civic, or could be accused of prejudice given their acceptance of donations from builders. In the early days, many of these battles were over the location of railways. Later, they were over development – where it should occur and its affect on neighbouring municipalities. Provincial politicians simply saw the ease of leaving many of these decisions to a board of appointees who would define the matters in a "neutral" fashion. Over time, the OMB came to examine matters including the oversight of annexations, amalgamations, official plans, property tax assessments, zoning by-laws, plans of subdivision, severances, minor by-law variances, development charges, and gravel pit licences. (In 1982, the OMB lost jurisdiction over municipal boundary changes and, in 1998, they ceased to take appeals on assessments.)

However, given the significance of the OMB to local planning and that appointments were for life, board membership became a prime patronage job in the province. As well, given Tory rule from 1943 to 1985, it was soon the case that the entire board was made up of Conservative appointees. Thus, the OMB's decisions came to promote what was perceived as good for the government, especially in the consistent approval of development and municipal annexations. Under the Peterson Liberals, life appointments were replaced with three-year terms. Unfortunately, since that was not retroactive, neither they nor the NDP were in office long enough

to replace many of the Conservative appointments, and the pro-growth mindset continued. And it isn't just the board members who have demonstrated this attitude, it has permeated the entire organization, right down to hearing officers.

By the late 1970s, the OMB had gained its reputation for being the friend of the developer, usually approving municipal changes to facilitate growth. However, it was the election of 1995 that changed this board completely. Before the coming of the "Common Sense Revolution", the Cabinet was the final arbiter of planning decisions, as it held the right to overturn OMB decisions. But the Mike Harris government changed that and made OMB decisions final. They also permitted developers to appeal to the OMB for assistance when municipalities were slow to make planning decisions. This has often resulted in the OMB making decisions without municipal opinion. From 1996 to 2003, the OMB became, in effect, a rubber stamp, and even promoter, of urban sprawl.

While this attitude of "develop at all cost" has skewed the original intent of the OMB, its lack of accountability to the public because its members are unelected has multiplied the problem. When elected representatives cede authority to the unelected, accountability for actions is lost. I can complain to my elected representatives, but they can simply throw up their hands and say, 'it wasn't our decision'. Ideally, decision-making will belong to elected officials exclusively. At worst, a citizen must be able to appeal the decision of an appointed board to them. When OMB members make a decision, it cannot be appealed, except for errors in fact. As a result, a losing party has no ability to have the decision reviewed. By definition, this is fundamentally undemocratic. It is my guess that the decision to exempt OMB decisions from appeal was made by elected representatives who purposely wanted to deflect responsibility for its judgments. In this way, they could avoid the accountability they are supposed to take on as part of being the people's representatives. As well, they could continue to take significant financial contributions from developers without the whiff of corruption.

But it's not just the decision-making of the board that is questionable. Even the OMB process has become slanted in a fashion which makes it inherently unfair. Estimates for a 48-day hearing on the Oak Ridges Moraine in 2002 suggested expenses of \$3 million or more for the opposing sides, including fifteen lawyers at \$36,000-\$60,000 per day, as well as several consultants, planners, and hydro-geologists. As one can see by these numbers, there is no way an average person, or even small groups or municipalities, can afford to deal on a level playing field before the OMB. The cost is simply too great. In reality, it has become increasingly common for one side to concede without a fight rather than face this level of expenditure. The result is often that poor planning choices are made, simply to avoid the expense of a dispute.

In this day and age, most development is for the purpose of building houses. While offices and factories are still built, this type of construction is small in comparison to residential subdivisions. People want inexpensive housing, and the cheapest available is usually the furthest from any urban core. This has been the primary impetus to local decision-makers allowing the sprawl of growth over rural and agricultural land. However, it has also led to the widespread ignorance

that this type of development is foolish from a financial perspective. Low-density development, such as housing subdivisions, do not pay for themselves. While a large industrial plant will pay far more in taxes over its life than it will receive from a municipality in services, such as roads and sewerage, this is not the case for a house. Homeowners, though they may complain about property taxes, do not come close to paying for the actual cost of servicing their homes. It is for this reason that municipal politicians have been terribly negligent in permitting the construction of vast acreages of nothing but rolling subdivisions of single, detached houses.

So why have they done this, when study after study has shown that “suburbia” is a net tax loss? It would seem the answer is twofold: some politicians refuse to accept the truth of this; and, many politicians simply feel the need to satisfy the desires of citizens, regardless of negative consequences. I have spoken to local politicians who deny that residential subdivisions cost more than are paid for by taxes, even given the evidence. They argue that houses are indicative of workers, and that, even if many of these commute a distance to their employment, larger numbers of people will bring more business, and taxes, to the community. And to some extent this is true, if one is interested in attracting low-paying, part-time, service jobs. However, “big business” that pays the best wages is increasingly big, and is consolidating in limited, large locations. As a result, people living in the suburbs must drive to get to that job. It is seldom the case that their life in the ‘burbs draws business to them. And the desire by people to have this life outside the urban core has led their elected representatives to ignore the upshot that the transplantation of urban housing to rural areas costs money. They don’t want to tell their voters that this lifestyle is wasteful, feeling that they won’t want to hear it and they won’t vote for them. Thus, most local politicians have chosen to exist under a veil of ignorance. Unfortunately for this view, ‘out of sight, out of mind’ is no longer possible, since these subdivisions are spreading across the land like swarms of locusts, consuming everything natural in their path.

So why should saving agricultural and natural land take precedence over using it for homes? The reality is starker than most people would like to admit. Canada is now a net importer of food. Without a secure source of healthy food, we have no control over cost or quality. Should foreign sources become diseased and unavailable, or cost should skyrocket, we would be at the mercy of others for the food we need to live! In a country with as much arable land as we still have, this is silly and short-sighted. Of course, once this land is covered in concrete, we leave ourselves no choice but to accept importation. And as for natural areas, Canada is one of the few countries that has any tangible wilderness left. Even looking at the issue from a selfish perspective, and ignoring our duty to protect other species, the more we “slash and burn” what’s left of nature, the more we open ourselves to natural disaster. Look at the floods in British Columbia. Be it from housing development or forest fires, highland was denuded of trees. Without their roots, heavy rains caused mudslides, which did millions of dollars in damage and killed two people. As well, with global warming, we require as many trees as possible to take in the carbon dioxide produced by our industrial society. To let nature be destroyed will be to destroy ourselves.

So how do we fix this? Land development in Ontario has been controlled primarily by local

government, both municipal and through planning boards. When your small town was your boundary, it was relatively simple to decide what industry should go where, what houses should go where. (In theory, at least. In fact, it was often poorly done.) However, when amalgamated municipalities came to include towns, villages, hamlets, rural townships, forests, and swamps, designing development demanded a much more complex and dynamic methodology, one which has never been applied in Ontario. This is even more true when one region abuts another, and planning decisions affect both. It was likely for this reason that the OMB has become as powerful as it is, having grown into the vacuum of the flawed planning system.

There is little doubt that the epistemology of planning must change. The system, as it is, and the attitudes of local officials, as they are, simply promote urban sprawl and waste. Development is considered the *raison d'être* of municipalities, and each seems to compete to pile in more and more subdivisions, industries, and commercial activities. In the process, more and more agricultural land, ecologically-sensitive areas, and wild animal habitats are lost. Unfortunately, the prevailing attitude is that it is more important to build factories to create jobs and build homes to house workers than save these lands. This is a short-sighted belief. In fact, both can be created while saving these areas.

Ontario is a hodgepodge of urban areas, including cities, towns, villages, and hamlets (though most of these last two no longer exist as separate municipalities). Many do not consider a village of 1,500 as urban, especially if it exists in a rural area. They should. The basis for all good planning demands it. Today's village might be the next century's metropolis. For this reason, planning would be better applied using two rules:

- 1) development should be limited to a 'locus', or zone, around each urban area; and,
- 2) the provincial government should lay out one, binding official plan for all of Ontario.

Locus development would permit development inside the perimeter of an urban area, but no further than a designated distance outside it. Once any vacant external area within the perimeter was developed, there would be no further area for expansion. The only permitted development could occur within the designated boundary. This is not to say that the perimeter would be the same distance out from the "urban zone", but would be dependent on other factors (e.g. flood plains, natural areas) as well. In this way, locus development would stop expansion beyond a certain point. Every urban area would be limited to a maximum territory. Outside it, natural and agricultural land would be protected. If, in the future, new development was needed, it would come through re-development within the locus.

So how would a locus be determined? The concept of an "official plan" is simple: "zones" are created that limit development in a particular geographic area to a specific type of "land use". For example, the most basic divides an urban area into residential, industrial, and commercial, with the theory that residential should be kept away from industrial, generally by putting commercial in-between. Over time, this expanded to permit potential multiple use, such as residential-commercial, where a house could be used as a business, or a building could be residential upstairs and commercial on the main level. Then, as urban areas encroached on

countryside, they expanded again to include agricultural and rural districts. Nowadays, zones are divided into a multiplicity of potential uses, with some strange ones like agricultural-industrial and natural-residential. In many ways, land-use planning has become a joke, as it sanctions so many optional uses, it restricts few. The whole point of zoning has become an exercise in futility. The fundamental problem with official plans is that they are too easily changed. As long as municipal planners and elected officials see their purpose as promoting growth, then urban sprawl will persist, and more environmentally-sensitive area and farmland will be paved over.

For this reason, we need a province-wide plan with serious restrictions on land-use in order to stop sprawl. The construction of such a plan need not be daunting, despite the size of the territory. It would be most simple for each municipal official plan to be adopted, as is, for the provincial plan. Then, provincial officials could examine these for contradictory land-use where boundaries abut, as well as proposed development on lands where such would be banned. There would be a short period for public and municipal appeals of any zoning re-designations. Once the province-wide plan was adopted, municipalities would only be permitted to alter land-use within the restrictions of the zones in their locus(es). The key focus of planning would be the protection of lands without local pressures pushing toward development. As a result, there would have to be basic rules of applying protection.

No development would be permitted on agricultural land. Once these lands are lost to development, it is generally impossible to resurrect them for farming thereafter. Given this ban, it would be necessary for government to set up a "pool" whereby any farmer who wanted to give up his land, and couldn't find a buyer prepared to live with the ban and keep the land in agriculture, would be able to sell it at the market value. It would then be left for sale or lease to anyone prepared to keep the land in agriculture.

No development would be permitted on environmentally-sensitive areas, such as wetlands, moraines, the habitats of endangered species and rare plants and animals, flood plains, and 'ecospheres' like the Niagara Escarpment.

No new highways could be constructed. We cannot pay for the infrastructure we have now, let alone spend more caused by sprawl. Corridors for public transit would be permitted only where highways already exist to limit further damage. In the best case, some highways could be replaced by public transit.

People must be convinced to live closer to their work to reduce the infrastructure costs from sprawl. While tolls are often proposed to pay for the upkeep of major thoroughfares, they can simply move traffic onto roads that cannot handle large traffic volumes, and spread congestion, pollution, and cost. As well, gasoline taxes, which were instituted on the argument that the money was needed to pay for highway repair (but is usually not), unfairly target those who are poorest and need to travel to work (where public transit is unavailable). Better would be the use of a tax based on the distance travelled each year by car owners, increasing in amount as the distance increases.

The most difficult part of change will come with the attitudes of ordinary people. All our lives, our societal norms tell us that we should aspire to own a house on a plot of green lawn. Unfortunately, it's the demand for this "ideal" that has led to sprawl. The fact is that we need to be more realistic about what we, as ordinary people, want. It's time politicians began to lead and to tell us the truth about what this wasteful fantasy is doing. There is a steep price to pay for steadily expanding our cities outward, eating up the land that grows our food and the natural area we need to help give us clean water and air. The price is our own extinction. Are we truly willing to risk that?

Enhancing Local Democracy

An Alternative to De-Amalgamation

During the last Ontario provincial election campaign, Liberal leader Dalton McGuinty said a government of his would look positively upon local referenda that approved the undoing of municipal amalgamations. This is generally called de-amalgamation. Unfortunately for those who took this as a promise, it was never even a possibility. As much as one might want to, you can't unscramble an egg.

A lot of people don't realize there are actually only two constitutional levels of government in Canada – national and provincial. Municipal is a creation of the provinces. As a result, they can change the rules and funding for municipalities whenever they want ... and they do. But what they do even more often is play with the boundaries of communities – adding, subtracting, multiplying ... though no dividing.

The past Conservative government, on municipal restructuring, could well be described as hypocritically zealous. Though Mike Harris had assured people his government favoured small municipalities, and might consider doing away with upper-tier regional governments, his administration actually became the most focused on doing the reverse. More local governments were wiped out of existence under The Common Sense Revolution than at any other time in Ontario history. And though it broke a promise, forcibly amalgamating municipalities was ideologically consistent with their 'revolutionary' view of government. The Tories came to believe fewer communities meant the cheaper administration of service delivery. Of course, this conviction was not backed up by any proof. In fact, the evidence suggests there has never been an amalgamation in any western industrialized country that can be proven to have saved a cent. Most can be readily demonstrated to have cost more.

The problem with the common sense of amalgamations is that it is based on the false premise that it's cheaper to operate one large municipality than several small ones. The reality is that the sum population of the large municipality is the same as the sum populations of the smaller ones. If services are being delivered to the same number of people, before and after-the-fact, then it will require virtually the same number of people to deliver them. Yes, it might mean a few department heads or managers become redundant and are no longer needed, but this does not substantially reduce staffing levels. In fact, it may well increase them, as service levels to one or more of the former municipalities are increased to meet those of the new, larger community.

Infrastructure costs may also increase. Most of it was built to service a given area. That service will continue, regardless. On occasion, it might be that a firehall or some such building is no longer required because of service area overlap, but it also may well be that service agreements already existed that meant fire fighters would cross these boundaries. It could also be that the divestment of one small hall requires an expensive addition to another to bring it up to the higher

standard of the new municipality.

And speaking of higher standards, it is usually the case that higher staff salaries are the result of amalgamations. Typically, the municipalities to be consolidated have different wage scales, some often being in unionized environments where others are not and must become so. Thus, it is necessary for wages to be equalized, and that seldom means being reduced. On occasion, it may mean they are equalized over a period of three or four years. Regardless, they increase at a much faster rate than they might have otherwise.

As well, if five municipalities have 500 kilometres of streets or roads before merging, they will still have 500 afterward. So if they had ten snowploughs and ten sanders before, they'll still need ten of each afterward. It may, in fact, be that equipment has to be purchased to handle higher service levels, or to replace equipment that is worn and not up to handling a bigger service area.

Amalgamations don't save money. Inevitably, there are higher costs. And as much as that irks residents, people living in such consolidated municipalities have also found a profound loss of local democracy. Where before their community had a small council dealing with a relatively small area, most are now small councils dealing with territory that is triple, quadruple, or more in size. This is at least partially because the Tories also cut the size of municipal councils throughout the province. So where four or five municipalities were forced together, that had previously had maybe 40 municipal councillors in total, they were suddenly down to six or eight. Where an old municipality might have had five councillors for 1,000 residents, that same community now has 1 in a municipality of 15,000. Where you used to be able to walk, or have a five-minute drive, to your councillor's house, you might now have people 30, 50, or even 100 kilometres away deciding what happens on your street or road. The result has been predictable.

It began with Toronto. Administratively, this was going to be the template for making municipal government more efficient. Politically, it turned into a nightmare. Perhaps this was as a result of the genesis of change. The Harrisites had not committed to municipal reform in their election campaign. It became an issue when a leftover task force, appointed by the NDP, reported on governance in the Greater Toronto Area in January 1996. It recommended eliminating the upper tier levels of government, both in Toronto and in the surrounding regions, as well as promoting property tax reform. Lower-tier municipalities would remain, with enhanced powers to take over what the upper tier had been doing. As proof the Tories had no plan for massive amalgamations, the, then, Municipal Affairs' minister hailed the report and promised to get cracking on its recommendations.

Two things happened, however, before action could be taken. First, municipal politicians in the Tory heartland of the GTA suburbs harshly criticized the report. Their disapproval was not focused on the abolition of the regional governments but on the proposed changes to pool education property taxes paid by businesses in the GTA. This would have hiked taxes on companies moving into the suburbs to avoid high City of Toronto property taxes in order to take away any incentive for moving and save the city's education tax base. And though this had

nothing to do with the recommended beheading of the regions, the whole exercise made core Conservative supporters leery.

The second occurrence came as part of the so-called Team Canada trip to southeast Asia to open new markets for business. When Mike Harris and other delegates were asked where they were from, answers like Scarborough and Etobicoke, and even Ontario, met blank stares. Toronto, however, was widely recognised. The story goes that Harris pondered the matter and concluded the answer was not to divide the metropolitan area, but to consolidate it as one, large Toronto.

The government's arguments for amalgamation mirrored the basic ones used for 40 years. It would eliminate "overlap and duplication, escalating costs, confused priorities and conflicting mandates". The mantra became 'one is cheaper to run than six', with the only evidence offered being a flawed study suggesting \$300 million a year in savings. Other arguments were that political responsibility would now be clear for citizens, without both Metro and city governments, a unified city could better create a climate for growth and business, community councils would ensure neighbourhood concerns were addressed, and this was an inevitable evolution of government in Toronto. The Toronto Star dubbed the plan as "Megacity".

However, the Tories did not appear ready for the nearly instant opposition that formed. Critics pointed out the plan called for a 57.5% loss of local council representation. They warned there would be a loss of the "small town" character that still existed in Toronto neighbourhoods, at least in as much as they still had different service levels. And they argued the government's claim of financial savings were bunk. The group believed in the work of urban theorist and Toronto resident Jane Jacobs. She argued that smaller cities are actually more cheaply administered, and better able to respond to local needs.

The Tories ignored complaints and planned to pass legislation to bring their changes into law. Opponents, in a last ditch attempt to stop it, convinced Metro mayors to hold a referendum to show the Harris government citizens were overwhelmingly opposed. They believed many Conservative MPPs would be sympathetic to such a populist expression of will. Regardless, the Tories went ahead, while doing their best to divide and conquer.

The megacity legislation was presented in one week of January 1997, along with major announcements on school boards and education property tax changes, a tougher curriculum with standardized report cards, funding and administrative changes on welfare, subsidized day-care, public health and public housing, long-term health care, the downloading of most highways, public transit, and GO Trains to the municipalities, the end of library grants and public subsidies for local policing, and the government's intention to bring in a new property tax assessment system for the entire province.

The municipal referenda were held on 3 March, with the resounding results anticipated by amalgamation foes. Toronto: 73.4% against. Scarborough: 81.5% against. North York: 79.4%

against. Etobicoke: 69.7% against. York: 71.2% against. East York: 80.8% against. The average was 76% against, with about 380,000 people voting. Though there were fair criticisms by government members as to process, even the Tories knew they had lost the political point. Regardless, they continued. Though a few minor amendments were proposed, the amalgamation legislation went ahead. The opposition parties presented 11,000 amendments of their own, but this simply delayed matters for two weeks. The bill to amalgamate Toronto passed on Friday, 11 April, and took effect on 1 January 1998.

Even before the Conservatives had managed one restructuring, there were local groups forming around the province to fight amalgamations. Once Toronto and its suburbs were forced together, with the ensuing political fallout, it was clear no area was safe from coerced merger. And the Harrisites were evangelical in their conversion. Initially, they would broach no opposition to these changes. That is, until many of their own supporters, in their own ridings, began to complain. Once these consolidations moved into areas of biggest Tory support, or were just proposed, it was clear they had begun to alienate the very people the Conservatives needed for re-election. As a result, as fast as the amalgamations began, they stopped, though not before 370 communities had been erased as self-supporting political entities. That was 45% of all the municipalities in the province.

Other than Toronto, the best example of opposition came in the Lindsay area, which as of 2001 saw Victoria County wiped out and all constituent municipalities forced together into the new City of Kawartha Lakes. Within a year of the union, the brides and grooms had decided they already had irreconcilable differences and wanted a divorce. Taxes were rising, precipitously for some. People in rural areas felt they had no functional representation on council. Anger was pervasive as many felt their home towns had been wiped out without them having any part in the decision. Most wanted the shotgun marriage undone.

And the locals felt they had a chance. Their MPP happened to be Municipal Affairs' minister Chris Hodgson. At the time, he was considered a contender to succeed Harris as party leader, and was definitely prone to pressure at home if he wanted to keep the goodwill of his core supporters. As a result, after some lobbying, he partially conceded and offered legislation authorizing a referendum for the time of the next municipal election. It would ask residents if they wanted to de-amalgamate Kawartha Lakes and return to the previous municipal structure. And though the plebiscite would not be binding, given the substantial level of discontent, most locals felt that de-amalgamation was just a vote away.

However, circumstances changed between the promise in November 2002 and November 2003. Hodgson decided to retire from public office, and dropped out of Cabinet. As a result, the locals no longer had the same influence to leverage a change. Then, the Tories lost their re-election attempt provincially, but held the riding. This gave the new Liberal government little incentive to worry about a local matter.

Regardless, many in the area and across Ontario who favoured de-amalgamations looked on the

change in government positively. They felt the Liberals, particularly given McGuinty's supposed promise, were much more likely to accept their argument. It was, in reality, a naive belief. It ignored that the Liberal caucus, much to the annoyance of most party members, had publicly supported the Tories' municipal boundary reforms, not just in Toronto, but in Hamilton and Ottawa, as well. In fact, it was only in the face of a by-election in suburban Hamilton – an area very opposed to merger – that the Liberals began to obfuscate on their position. But even if McGuinty's election comment led some to believe he wanted to permit de-amalgamations, practically, the Liberals cannot oblige.

The hope for de-amalgamation has been based largely on local groups and their local circumstances, with little consideration of the wider reality. If you, the government, permit one municipality to de-amalgamate, there will be dozens, maybe hundreds, of requests to do so, and a large number will be approved in local referenda. Likely, there will be attempts to undo municipal boundary changes going back before the Tory time, perhaps even decades. Even if government limited the rules to the 370 municipalities wiped out under the Harris regime, it could cause abject chaos if even a quarter chose to de-amalgamate.

However, having said all this, Quebec is attempting to unscramble the amalgamation egg. Just days before this year's federal election, a number of referenda were held around Quebec on the matter of amalgamations or, as they called them, "fusion".

At the beginning of 2002, 212 municipalities were amalgamated into just 42 megacities across Quebec by the, then, PQ government. The resulting discontent was such that the Liberals made the issue one of the central tenets of their 2003 election platform, one which brought them to power. They promised to permit these former municipalities votes on "de-merging". And given a great deal of anger with the government over service cuts they made in their first months, they had little choice but to go ahead with the referenda. They set out rules which stated a former borough could only break away if a majority of voters chose to de-merge, with a minimum of 35% of total registered electors voting in favour.

The results were massive. Of the 89 votes that were requested, 32 chose to de-merge, with 15 of Montreal's 22 suburbs deciding to go it alone (though they make up only 13% of residents). Anglophones and francophones in nearly equal numbers voted in favour. In the Quebec City region, 12 former boroughs voted, with ten deciding to leave the megacity. However, there were several communities where a majority voted to leave, but turn-out was sufficiently low they didn't meet the 35% threshold. The new cities will become official on 1 January 2006.

However, this de-amalgamation vote still leaves much up in the air. There are no guarantees the Jean Charest government will just leave things as is, given that rump cities now have geographic and financial holes in them. As well, most of these re-born suburbs still have to pay taxes to their neighbouring megacity for firefighting, economic development, and urban planning, even though they now have no say in how it is spent. Regardless, it seems likely none of these communities will ever regain exactly what they were. And how long can it be before municipal restructuring

begins again to correct the faults and, undoubtedly, creates more?

In our opinion, there's a hard truth people must accept ... you can't unscramble an egg, especially once it's been made into an omelet. For good or ill, the yolk is broken and mixed into the white – some employees are hired, some retire; pay levels are changed, usually in an upward direction; old equipment is scrapped, new is purchased; some buildings are kept, some are sold, sometimes new ones are built. It would be impossible to resurrect a rural township with 2,500 people which had to build a new administration office, hire a chief administrator at \$20,000 more per year, pay for an inherited \$120,000 grader, etc. Perhaps if it's done quickly, the scrambling can be undone to some extent in some municipalities. However, like in Quebec, most of the resurrections, if they truly succeed, will only be amongst larger, urban and suburban municipalities. In Ontario, most were rural, and there's little chance they could be revived.

So what's to be done if we can't undo municipal amalgamations, even though they come at the cost of more money and less democratic representation? The answer may come from two sources: an Athenian democracy of 2,500 years ago; and, pre-confederation government in Canada.

How's that? In Athens, male citizens gathered at the local assembly to discuss the governance of their city. This 'rule by the people' was called *demos kratos*. We call it democracy. Conversations covered a vast range of topics, where anyone who wanted to speak on something could do so (though citizens could be abusive of people who spoke outside their expertise). Then, after all were heard, those present would vote on decrees regarding what to do, or not do. To this day, it is considered the most democratic form of government that has ever existed (save the fact women had no political rights and slaves had no say, though they significantly outnumbered resident Athenians). However, for certain decrees, such as to confer citizenship, a minimum of 6,000 had to be in attendance (out of the 20,000-30,000 male citizens of Athens). However, it wasn't unusual to have many more there.

Before confederation, the colony of Canada had one parliament, which was divided between Canada West (Ontario) and Canada East (Quebec). For a decision to be considered valid, however, there needed a double majority – that is, it had to be passed by the overall parliament as well as that of either the Ontario or Quebec half. This meant decisions often took considerable negotiation. In this way, it was felt that it would be difficult to make a decision in which the English majority could impose their will on the French minority.

Why couldn't both these ideas be combined for municipal governance today?

Consider a hypothetical municipality named Orange, that was created from a union of two townships, Blue and Red, the village of Brown, and the town of Green. Under today's rules, and assuming a ward system, most councillors would always be non-residents of these former communities because none were large enough to give any one a majority of new councillors. As a result, local citizens will always see decisions made by people from somewhere else. This

cannot be good for democracy. However, a simple change could be made which would permit the new municipality to get on with governing while advancing the cause of local democracy.

Where decisions directly affect a former local community, say Green, they could be made by both the Orange council and the residents of Green. In this way, decisions would require the approval of both – a double majority. Ideas could be initiated at either the Green community or Orange municipal level, permitting the representative governance of the municipality while still permitting the local residents a very significant say in their own local community.

Each of the old jurisdictions could hold public meetings if there was an issue that only affected that community. For example, if Brown didn't have a sewer system and councillors felt they needed one, council could pass a motion. They could make the case to the people living in Brown, then permit them to meet and discuss it, then vote on it. If it was approved, then it would have received the double majority of Brown and Orange. Of course, the village residents could have initiated the motion themselves, then tried to sell it to Orange council. If at either level the details were unacceptable, then it would be rejected.

As well, this could be applied at an even more micro level. If there was concern about the speed limit on a street or road, everyone living along the stretch in question could be invited to a meeting to discuss the issue, and vote to make, or deny, a change. This, too, would have to be approved at both levels. And just like in any democracy, if people were not stirred to appear, that would be their choice.

Clearly, there are issues that would be beyond the local community's control. If provincial law required something, such as new electricity meters, neither the locals nor the council could reject it. If the municipality was not meeting minimum water quality standards and an upgrade was needed to the local Green waterworks, Green residents could not say no. If a blue box programme was required for recycling, then it would have to be implemented or maintained. As well, if a decision was to be made for the entire municipality, say that Orange trucks would not clear snow for roads and streets before 2.5 centimetres of snow had fallen, no residents could vote to change this within their former municipalities.

Of course, there could be substantial ramifications. In this day and age, it is common for municipal councils to routinely amend zoning. With this sort of system, neighbourhoods could stop it. In fact, abutting owners could kill entire developments before they're built. This may lead to trouble, given the NIMBY ("Not In My Back Yard") syndrome – the tendency for people to disapprove of anything that might be seen as disturbing to their neighbourhood. It already delays or ends plans for things such as halfway houses, palliative care hostels, landfills, or even some parks. On the other hand, it would also be a way of more tightly policing our zoning laws to see they aren't abused. Regardless, there would have to be some limited restrictions for the collective best interest.

And citizen initiatives can be misused. As has been seen in certain U.S. states, services are sometimes undermined by such votes when they deal with taxes. That's why the one thing that could not be done would be to initiate tax changes from the community level. Since taxes flow to the municipality for the delivery of services across the municipality, it would be impossible, for example, to have the residents of the old town of Green cut their property taxes, since this would have a considerable effect on service levels for people in the rest of Orange. However, it would be possible for these people to take on projects specifically for their community, as long as they were willing to pay for them separately from the municipality as a whole. For example, if they wanted a new, larger community hall, they could vote to build it as long as they also approved the costs of paying for the construction and operating costs through a strictly local levy.

And while we propose this in the light of the serious loss of local democracy due to the recent amalgamations, we believe this is something which should be instituted across the province and country. It not only restores a great deal of democracy to areas that lost it through unwelcome amalgamations, but it enhances democratic rights for all. There's no reason this could not apply everywhere. In fact, it would permit citizen initiatives that could reinvigorate all municipal government. It might, in a way, help us to bring back *demos kratos*.

Creating a Progressive Property Tax

Fairness in Taxation: Proposals on Reforming the Property Tax

Residential property tax is one of those taxes that fool many people. On the surface, it appears that it is a progressive tax – that is, the wealthier you are, the more you pay. However, in actuality, this is only partially true. While it does make those with ritzy homes pay more, in fact, the property tax discriminates against anyone without a healthy income who has worked to have a nicer house, or anyone who just happens to find themselves in a neighbourhood that becomes fashionable.

What is property tax?

The concept of property tax is pretty simple. Your property is assessed as being worth so much, then that is multiplied by a number – the mill rate – and voilà, you get your tax. For example, your single-level bungalow is assessed as being worth \$133,000. Your municipality has set a mill rate of 0.016. Thus, your property tax payable is \$2,128. If you have a three-storey ranch assessed at \$266,000, then you'll pay \$4,256, or exactly double. In theory, this makes it a very rational, fair tax.

| Assessment | Mill Rate | Tax Payable |
|------------|-----------|-------------|
| \$133,000 | 0.016 | \$2,128 |
| \$266,000 | 0.016 | \$4,256 |

Unfortunately, this apparent common sense is anything but, because it does not consider the ability of the person who owns the property to pay the tax. If the owner of the ranch is a millionaire earning \$500,000 per year, it would be reasonable to conclude the tax would be easily within that person's ability to pay. However, if the owner was a 70-year-old widow with an income limited to her Canada Pension, more than \$4,000 would be such that she could well be forced to sell her house and move somewhere less expensive. That's hardly fair, especially if the assessed value of her home is more the result of neighbouring properties becoming attractive and nothing she has done to hers, or if she has worked for 50 years to turn it into a nice home.

The other main problem is the assessed value. Nowadays, depending on jurisdiction, the assessment is usually based on market value (or the misnomer "actual value", which is just market value by another name). That is, the tax is based on what you would theoretically get for your house if you sold it. Of course, as with above, you might have a small, basic home, the value of which is pushed much higher because of the monster houses surrounding it. But, if you're not

selling it, the point is moot. Your taxes will escalate for no better service. It's for this sort of reason the methodology behind property tax should change.

Proposal #1: Making a progressive property tax

At present, the assessed value of a house is multiplied by the mill rate to determine one's property tax. The mill rate is an arbitrary number set by the municipal government to bring in whatever level of revenue they want. When assessed values decline, it is usual for municipal councillors to increase the mill rate, though perhaps it is less typical for them to reduce it when values rise. But what if the mill rate could be given a logic that would make the property tax more progressive?

Combined federal and provincial income tax rates for 2004 vary across Canada's provinces. While someone whose annual income is \$32,476 would pay 16% federal income tax anywhere in the country, this person would pay from a low of 6.05% provincial income tax if they lived in British Columbia or Ontario to a high of 11.0% in Saskatchewan. Thus, the combined federal/provincial rate at its low end would be 22.05%.

However, if this person earned \$113,804 per year, they would face a 29% federal tax. In Alberta, everyone pays the same rate of 10%, which is the provincial low. In Newfoundland & Labrador, we find the highest provincial rate, which works out to 15.6%. Therefore, the combined high would be 44.6%.

So, for the sake of argument, let's say Canadians paid at rate brackets of 22%, 33%, and 44%, as there are three brackets presently. Now what if municipalities adopted 1/20th of that as their mill rate? Thus, people earning in the low range would pay at 0.011, middle-income earners at 0.0165, and wealthier people at 0.022. Let us return to the ranch home assessed at \$266,000, which in our example has a tax of \$4,256 at a rate of 0.016. If the owner earned in the lowest bracket, their property tax would be \$2,926 or 68.75% of our original calculation. If in the middle, \$4,389 or just over 3% more. If you were a wealthier Canadian, you would pay \$5,852 or 37.5% more. This gives you an idea of how the arbitrary rate of today undercharges the biggest earners. However, what of the person in the \$133,000 bungalow? In this case, the three amounts would be \$1,463, \$2,194.50, and \$2,926.

| Assessment | Mill Rate | Tax Payable |
|------------|-----------|-------------|
| \$133,000 | 0.011 | \$1,463 |
| \$133,000 | 0.0165 | \$2,194.50 |
| \$133,000 | 0.022 | \$2,926 |
| \$266,000 | 0.011 | \$2,926 |

| | | |
|-----------|--------|---------|
| \$266,000 | 0.0165 | \$4,389 |
| \$266,000 | 0.022 | \$5,852 |

So how would the total vary from the original? Well, at 0.016, the municipality would take in \$6,384 on the three bungalows and \$12,768 on the ranch homes. Under the graduated proposal, this same municipality would take in \$6,583.50 on the bungalows and \$13,167 on the ranches, or 3.125% more. Of course, in a municipality with an abundance of seniors with more limited incomes, there would obviously be a drop in revenue, just as those with wealthier communities would see a rise. However, the provincial government could make up any difference by increasing and decreasing transfers accordingly.

But what of the fact this is still based on actual or market value assessment? Given its arbitrary nature, the tax to be paid would still be less than fair. So what if, as has been suggested by some, properties were only be taxed on the costs of actually delivering services to the residences? This would include water, sewerage, street maintenance, snow clearing, and any other “hard” service that requires concrete work to be done. In this way, people would be charged against real cost. Where people in Town A want more services, they would pay more than people who want, and receive, less in Town B. And individual homes that cost the municipality more to service would pay more in property tax.

It’s an intriguing, unfortunately untenable idea. In their wisdom (or lack thereof), provincial governments have tacked on the cost of various “soft” services, such as social assistance and education. As a result, it is impossible to consider just the actual cost of property-based services. Even if the property tax included only hard services, how can one say it costs \$200,000 per year to pave and maintain a certain road, then divide that amongst the property owners along it, when one business running gravel trucks is responsible for most of the wear on it? And for anyone who suggests taxing that business, how would you determine the fair amount? And if the business is outside your municipality, you’re out of luck.

Proposal #2: Creating a fairer method of assessment

Having said that, the theory of charging based on the cost of delivering services to a home is sound. It just needs to be done another way. We will call it Estimated Cost Assessment (ECA). Homes would be assessed on a scale based on their likely use of municipal resources. That is, it would be probable that occupants of a house with two bedrooms, one bathroom, and a one-car garage would be less demanding on the municipality for services than occupants of a five-bedroom, three-bathroom, two-car garage, home. Thus, a certain amount of money would be

assessed for each element of a home that would be indicative of cost to a municipality. For example, a bedroom indicates one or more people who will be using services. Bathrooms also represent the use of water and sewer pipes, and treatment facilities. Garages indicate cars and trucks which use streets.

However, certain service elements should not be included for assessment. For those on municipal systems, water and sewer usage are paid for through a fee. It wouldn't be very fair to tax people twice for them. And since rural people have to cover the costs associated with these themselves, taxing them would not be terribly just either. Given we all have to pay for electricity and whatever we use to heat our homes separately, those too should be out of bounds.

In determining how the scale should be set out, it could not be based on an average. That is, if the average home is a 50, then 50 would be the average tax, e.g. \$2,500. Yet if a community saw an influx of "more demanding" homes, this would drive up the average, which would be unfair for average home owners. However, this problem could be rectified by expanding the scale after the first assessment. If the average home is a 50, and 50 is the average tax, e.g. \$2,500 on the first assessment, it would remain there for future assessments, only to change by inflation. Unless the home was remodelled to move it away from 50 on the scale, it would remain at this rate in perpetuity.

Thus, should a community see an influx of monster homes, as they are known, the scale would go beyond 100 because it too would have been set from the first assessment. Let's say the house that receives the highest assessment at the time of the first appraisal – the 100 home – has eight bedrooms, 4 bathrooms, and a four-car garage. The 100 tax rate is set at \$5,000. However, the next year, a new home has been built with ten bedrooms, 4 bathrooms, and a four-car garage. Assuming no inflation, the 100 home doesn't change in tax rate, but the municipality would designate this new home at 108 or so, with a tax rate of about \$5,400.

Proposal #3: Income-contingent Estimated Cost Assessment

But this ECA scale would not be sufficient unto itself. The arguments for income-contingency still ring true, even with a fairer assessment. As a result, ECA would be adapted as a hybrid which considers income. Instead of a scale of 1-100+, each assessment factor would be considered at a certain value. For example, a bedroom could be assessed at \$20,000, each bathroom at \$10,000, and each "car-garage" at \$15,000. Using the first example, the house with two bedrooms, one bathroom, and a one-car garage would be assessed at \$65,000. The house with five-bedrooms, three-bathrooms, and a two-car garage would be assessed at \$160,000. The house with eight bedrooms, 4 bathrooms, and a four-car garage would be assessed at \$260,000.

Some might argue, as soon as money takes over from a scale, this is little different than the system

we have now. However, the difference is the removal of market value. Without it, houses would be assessed on a stable scale, not one jumping around based on the fantasy of what a property might be worth.

Also, there is an arbitrary nature to any decision as to what value to apply to a bedroom, bathroom, or garage. However, as long as the numbers are the same for all, and do not result in a property tax of \$1 million for a one-bedroom bungalow, there is no reason this should be a problem. Having said that, though, any estimation for the values must be set at a reasonable level, since they will only vary by inflation after the first assessment.

Now let us consider our income-contingent rate brackets of 22%, 33%, and 44%, with mill rates set for low-range earners at 0.011, middle-income earners at 0.0165, and wealthier people at 0.022. If each of the above homes was owned by a middle-income earner, then their respective taxes would be \$1,072.50, \$2,640, and \$4,290. If the poorest person owned the home with the lowest assessment, this person's taxes would be \$715. If the second home was owned by a middle-income earner, this house would be \$2,640. If the grandest home was owned by an upper-earner, then the taxes on this house would be \$5,720.

| ECA | Mill Rate | Tax Payable |
|-----------|-----------|-------------|
| \$65,000 | 0.011 | \$715 |
| \$65,000 | 0.0165 | \$1072.50 |
| \$65,000 | 0.022 | \$1,430 |
| \$160,000 | 0.011 | \$1,760 |
| \$160,000 | 0.0165 | \$2,640 |
| \$160,000 | 0.022 | \$3,520 |
| \$260,000 | 0.011 | \$2,860 |
| \$260,000 | 0.0165 | \$4,290 |
| \$260,000 | 0.022 | \$5,720 |

Now there is no question that communities with a large number of middle and upper-income earners in average-to-better housing would have a substantially larger tax base than those with smaller homes and residents with lesser incomes. However, in this situation, it would be incumbent upon the provincial government to make up any difference with varied transfers to municipalities. As well, the province could offer incentives for redevelopment in poorer

communities, such as a reduction on development charges and building permit fees. However, the provincial government would have to be careful to make certain municipalities did not favour the development of large homes over small ones, simply to increase their tax base.

There is also no question that any income-contingent property tax system would see noticeable increases for wealthier Canadians, unless they owned less substantive homes, and see considerable tax reductions for poorer people who own modest homes. And the second part of this equation is essential. Many Canadians of limited means have recently purchased houses, drawn by exceptionally low interest rates. In doing so, they have stretched their financial resources nearly beyond breaking. Should interest rates climb, even by a couple of points, there is little doubt that a significant number of Canadians will be unable to afford the increased cost and will default of their mortgages. The effect on the housing market, not to mention the entire economy and a lot of lives, would be devastating. An income-contingent property tax would reduce the financial strain on these people, perhaps enough for most to survive any moderate increase in interest rates.

One of the most important aspects of any change to property taxation is that any new system should apply province-wide. The only reason a \$150,000 home in Wawa is taxed at a different rate than a \$150,000 one in Windsor, other than mill rate, is market value. However, market value makes no sense, as it judges the value of property based on an arbitrary number than can vary greatly from year-to-year. My home has changed in assessed value in the past four years from \$110,000 to \$97,000 to \$108,000 to \$130,000, without any real changes to the property or those of my neighbours (though the property tax has managed to increase each year). Talking to people, I find these changes are equally random for others, even in other municipalities. It's so random that nearly identical properties can vary from one side of the street to the other when an arbitrary line is drawn in-between.

Non-residential property taxes

So far, this discussion of property tax reform has dealt exclusively with residential properties. But what of commercial and industrial properties, and farms and natural areas? Well, our proposal for reform could work in much the same way for these properties. The main change would be that the factors for assessment would be different. Things like number of offices and company cars could be considered. This would then be multiplied by a mill rate which was a percentage of the net profit of the company.

Farmers would not see much difference from residential. Income would still be considered. However, things like bathrooms and garages could be replaced by barns, driving sheds, and possible road equipment. And in order to assist farmers, rates would be kept below those for residential. As well, their houses would be exempt from residential property taxation, assuming the farmland did not have extra residential severances.

As for holdings of environmentally-sensitive lands, assuming they were zoned as such, there

would be no need to have a property tax on them at all since they receive nor require municipal services. In fact, this might just act as an incentive for the protection of wilderness.

Summary

Reform of property tax is essential. We have proposed three different possibilities: an income-contingent property tax; estimated cost assessment; and, our preference, the hybrid of the two. It is our belief that this tax can be assessed in a fashion which is more honest and fair, as well as consider people's ability to pay it.

However, if government is unwilling to make necessary changes to our system of property taxation, one that is thoroughly flawed and inequitable, then it should be scrapped entirely. Ideally, its elimination could be made up in income tax, as a much fairer, more progressive tax. However, given politicians' unwillingness to use the income tax for real income redistribution, this is a forlorn hope. That's why we have suggested changes to alleviate the worst aspects of the property tax, while making it much more progressive.

Changing Attitudes

Everything we are proposing is dependent on one other change – the attitude of municipal councillors. At the risk of generalizing, we think it is fair to say most local politicians believe it is necessary to “grow” their municipality at all cost. They see development as their prime responsibility as members of council. Their primary purpose is to attract new industry, commerce, and residences. Build, get bigger, and your community will be successful. The evidence is overwhelming that this is wrong. The truth is many people who are first elected to council have little experience and are swept along by too many who have been on council for years and mutter this mantra as second nature.

Here does this attitude come from? Two sources: the 19th century and myopia. When villages and towns were being built in the 1800s, their viability was in question. Politicians wanted to attract business to bring in jobs, and they wanted to bring in workers for those businesses. This attitude hasn't changed, even though circumstances have. We're no longer talking about the survival of 1,000 people on a square kilometre, surrounded by hundreds of square kilometres of natural and agricultural land. Today, in too many areas, we have hundreds of square kilometres of concrete holding tens of thousands of relatively comfortable people wiping out the viability of vastly reduced natural and agricultural land, even though these people are, in some ways, more dependent on these undeveloped areas.

Second, politicians, and not just municipal ones, generally lack a long-term vision. They are reactive and want immediate remedies to what are long-term problems. As a result, many councillors have come to use developers as community banks. The fees they pay from development charges are like immediate cash that can be used on a variety of municipal services. The more developments that are approved, the more the money flows. Many councillors close their eyes to the reality that development charges do not cover the on-going costs of servicing this spread of homes.

On a more cynical note, there is also the reality that many politicians have been effectively bought and paid for by developers. Builders can be big donors to political campaigns, especially local ones. And if developers are supplying 50% of the campaign funds for a prospective candidate, it is not hard to believe, should he or she be elected, that councillor would be appreciative toward the industry and/or individual builders. This can be true for far less than 50%.

Finally, and at the risk of being repetitive, there is our experience that the vast majority of municipal politicians refuse to accept the fact residential subdivisions cost more to service than they ever deliver back in property taxes. For example, in 2002, the city of Grande Prairie, Alberta had about 12,400 dwellings. From these, the city brought in an average of \$1,717 per unit in property taxes. However, the city spent about \$3,627 per unit, or 2.1 times as much as came in through the property tax. While the numbers may vary from place to place, the reality is universal

– property taxes do not come close to covering residential service delivery costs. This is one of the biggest reasons that municipalities tend to apply unfairly high rates against industrial interests, to make up for residential losses. Big industry tends to have deep pockets. Yet even knowing this, councillors cannot be weaned off the crack cocaine of development fees and continue to permit more and more suburban development, even at the cost of hurting the industries which are the engines of their fiscal health.

One way this will stop is for provincial governments to step in and adopt permanent, province-wide official plans and density regulations to effectively end “sub-urban” growth. Another is to change election financing rules to eliminate contributions from developers (a conflict of interest in our minds, anyway) and reduce individual donation limits to a small fraction of what is presently allowed in most jurisdictions. There is a third, but it is least likely. That is where councillors grasp the problem themselves and stop it themselves. Given the best predictor of future behaviour is past behaviour, it is hard to imagine this will ever happen without outside coercion.

Conclusion

There is little doubt this Local Reform Initiative will meet with opposition or blank stares. First, our suggestion that a 'new deal for cities' is premature will not endear us with big city mayors. We acknowledge that the resources available today to municipalities are insufficient. Nevertheless, we have been unable to get past the reality that the services for which municipalities are presently responsible are beyond them; some of which cannot be responsibly financed primarily through a property tax and transfers. It is, for this reason, we counsel the re-division of powers before any new deal.

Second, we will not be the favourite of developers or the politicians who live off their largesse. Little restrained, poorly-planned urban growth is destroying the fabric of the very communities that are trying to help themselves through growth. 'If you build it up, jobs and fortune will come.' Yet experience shows low-density residential development is a taxation loser, the destruction of farm acreage and the agricultural economy is real, and the demolition of natural lands could eventually kill us all. Economic bean-counting should not be the final word. Urban sprawl must stop, even if there are some negative effects to business, and to those who want their suburban house with a white-picket fence.

It is also foreseeable that municipal councillors and provincial parliamentarians may oppose our opinion that citizens can be given a greater role in local decision-making. Many people get into politics as a function of prestige and authority. Too often, this goes beyond good administration and policy-making. Politicians need to share decision-making with the people they are tasked to represent. In this way, the power – and true nature of democracy – can come to the fore. Decisions can be overseen by the people even beyond elections, and politicians can be given honest thanks for their work on behalf of the people.

However, there is one area where we believe few can argue – fairer taxation. The property tax is a lousy tax on which to base municipal services. It is relatively inflexible, and is not necessarily based on people's ability to pay. Having said that, we believe the tax can be reformed to make it fair and progressive. There will be those who may quibble with our recommendations for change, but no one should argue with the need for positive change.

Reform of municipal government is not on anyone's agenda, apparently. It should be. Municipalities deliver core services, yet do so under circumstances of extreme, and unnecessary, strain. Improper responsibilities, an unjust and insufficient revenue base, a lack of citizen participation, and a focus on the wrong priorities have made it indulgent and misdirected. People receive poor value for their tax dollar, and are poorly served by representatives who do not have their best interests at heart. This could so easily change.