

May 21, 2019

Messrs. Michael Fenn and Ken Seiling,  
Regional Governance Advisors  
Local Government Policy Branch  
Ministry of Municipal Affairs and Housing  
777 Bay Street, 13<sup>th</sup> floor  
Toronto, Ontario M5G 2E5

Dear Messrs. Fenn and Seiling,

**Responses to Questions Asked by Special Advisors  
at Public Meeting re Regional Government Review on May 14, 2019**

We appreciate this opportunity to submit answers to various questions you raised during our presentations to you on the Regional Government Review on May 14, 2019.

The following is an executive summary of our thoughts on these questions; detailed answers are in the 5 attachments to this letter.

1. Division of responsibility between District and lower tier municipalities

We believe the existing two tier structure is the best structure for Muskoka and should be maintained. Each lower tier municipality should be given control over planning decisions for its own area. The District should maintain control over growth targets, infrastructure, and watershed management. (For further details, see Attachment 1 – Division of Responsibility between District and Lower Tier Municipalities.)

2. The role the District should play in watershed management

A Conservation Authority should be established for Muskoka, in order to protect its value to Ontario and even Canada. Through their Act, Conservation Authorities (CA) can hold and manage lands, manage water to control floods and pollution and manage natural resources. They have all the tools needed to govern the watershed with their municipal partners – a model that has proven successful in 36 watersheds in Ontario for over 60 years. If the Province rejects this Conservation Authority, the District's ability to manage the watershed should be enhanced, including greater resources for the Muskoka Watershed Council that the District relies on for expertise and guidance. (For further details, see Attachment 2 – The role the District should play in Watershed Management.)

3. Sustainability of local municipalities that have a smaller growth allocation.

There is little concern that Townships will struggle to cover their costs as a result of being given a smaller growth allocation, given their highly assessed property values and their

predominantly seasonal economies and service needs. Townships currently have slower growth than Towns, which helps preserve their natural environment that is the key to their economic success. (For further details, see Attachment 3 – Sustainability of Local Municipalities that have a Smaller Growth Allocation.)

#### 4. Impact of an amalgamation on Seasonal Residents

The well-being of the District relies on Seasonal Resident tax dollars, since Seasonal Residents fund a disproportionate share of the District's spending. Significant recent growth in the tax burden is impairing the ability of Seasonal Residents to maintain ownership of their properties. We should avoid the risk that Seasonal Residents reconsider their investment in Muskoka because an amalgamation causes their tax rates to increase and takes away the local voice in decisions affecting their experience of Muskoka. If Seasonal Residents start to leave, property values will decline and the tax burden will be placed on the residents that remain. (For further details see Attachment 4 – Impact of an Amalgamation on Seasonal Residents.)

#### 5. Appropriate way to allocate District costs to lower tier municipalities

Currently the Townships contribute more for certain District services because of their higher property assessments and with a large seasonal population use less services. We believe the cost of many District services should continue to be allocated to lower tier municipalities based on property assessments (eg. District roads, affordable and community housing) or usage (eg. municipal water and wastewater). However, OPP, EMS and solid waste services should be charged based on a combination of property assessments for infrastructure and the basic level of services, and usage for services received above the basic level. (For further details see Attachment 5 – Appropriate Way to Allocate District Costs to Lower Tier Municipalities.)

We hope this is helpful, and would be pleased to address any further questions you may have.

Sincerely,

Muskoka Lakes Association



by Lawton Osler, President,

Friends of Muskoka



by Laurie Thomson, President

## Division of Responsibility between District and Lower Tier Municipalities

*Questions: Should the multiple levels of approvals and inconsistent application of building approvals be resolved by consolidation? Is it inconsistent to suggest that planning should move to the lower tier, and environment planning stay at the District?*

The salient point is that each lower tier municipality needs to have control over its own planning decisions in order to ensure its unique characteristics, characteristics that have encouraged people to invest in different parts of the District, remain distinct. It is a planning system that has built the most successful and wealthiest waterfront recreation area in Ontario, arguably in Canada. Why would you put that at risk?

Muskoka sits in the middle of two planning worlds – the Greater Golden Horseshoe and Northern Ontario. Planning recommendations by the province are absent for this area – and maybe that is a good thing for Muskoka is unique and should have control over planning for its character and environment.

We have suggested that planning matters be concentrated in the local municipalities but that the District retains oversight over growth targets, infrastructure and watershed management. The District is in a very good position to assess the bigger picture of growth, infrastructure, and watershed management such that they could act in place of the province to ensure appropriate growth and overarching development controls.

There is inconsistency in zoning across the District, but it is not significant and we believe it is appropriate. For example, TML permits two tier boathouses and Lake of Bays prohibits them.

This inconsistency is justified, because it reflects the unique historical character of these different areas. We believe local municipalities should have control over planning rules like these that establish and preserve their area's unique historical character.

Currently, the District controls certain planning decisions, including subdivision and condominium approvals. The District asks local municipalities for their comments, but the ultimate decision lies with the District. We believe this should change. District Council should maintain control over whether growth should occur in a local municipality; however, local municipal governments should be given control over where and how that growth occurs since they are in the best position to address the impact and needs of their area.

## The Role the District Should Play in Watershed Management

*Questions: What role should the Watershed Council and District play in the watershed? How should the biosphere designation on the west side of Muskoka be managed? Is it inconsistent to suggest that planning should move to the lower tier, and environment planning stay at the District? Given the reliance you're putting on the MWC to do analytical work and research under the supervision of the District, are you concerned about an organization that isn't directly politically accountable making those kinds of determinations?*

Watershed management is a partnership activity. But like any project, it needs an initiator; a leader. Both the Ministry of Natural Resources and Forestry (MNRF) and The District of Muskoka have leadership positions in watershed management in Muskoka.

The way watershed management works in southern Ontario is through first developing a watershed plan that has the objective of determining the existing conditions and then assessing a variety of future conditions. These future conditions can be any combination of scenarios to be explored that will meet the objectives of why the watershed plan was undertaken. In developing areas, the scenarios may include the impact of future land development on water quantity or quality; in areas to be restored plans could assess how much naturalization or storm water retrofitting is required to return a system to health. The preferred scenario is defined and the actions necessary to achieve it are outlined and assigned to the appropriate implementation partner. These partners may be the province, the municipalities and special interest groups.

Watershed plans are different than land use plans in that they are intended *to inform* official plans and land use plans so that the right controls can be applied through planning policy.

In Muskoka, the Muskoka River Water Management Plan is the closest thing to a watershed plan that we have but it is limited in scope addressing water management and levels in the lake for recreation, fish and power generation. Further it is dated and, given the recent bouts of flooding, clearly does not provide the guidance that it needs to today. The governance of that plan has largely ended and the province has abandoned the process to update it regularly (*Lakes and Rivers Improvement Act (LRIA) technical bulletin, Maintaining Water Management Plans*). Despite the District and MLA having been partners in that plan, the MNRF has steadfastly refused to honour partner requests to open the plan to ensure it meets the needs of the watershed stakeholders.

But the watershed is more than the water. It includes forests, habitats for wildlife including many endangered species, wetlands, biosphere reserves, cultural heritage and the built environments that all contribute to the observed environmental quality. How do we ensure



that we have the appropriate tools to demonstrate that the watershed and all its components will be protected or improved in the future?

So, governance of a watershed is complicated and not made easier if there is no clear leader for it. The MNRF leads on waterflow. The District has been the lead on the remainder, aided by the Muskoka Watershed Council and other organizations like the Muskoka Conservancy. But do we leave one of Ontario's most significant environments, both naturally and economically, in the hands of a few staff and an army of volunteers? The watershed volunteers are absolutely key to shaping and delivering the watershed plan, but they cannot be responsible for all aspects of watershed management.

Hence, we believe that a conservation authority is the best choice to bring the watershed management expertise needed to Muskoka. Through their Act, Conservation Authorities (CA) can hold and manage lands, manage water to control floods and pollution and manage natural resources. They have all the tools needed to govern the watershed with their municipal partners – a model that has proven successful in 36 watersheds in Ontario for over 60 years. A CA would take over the responsibilities for water management that MNRF currently undertakes. It is accountable to the municipal governments through board representation and budget support. This makes getting work done to support the management of the watershed in the hands of the District and local government and reduces the impasse with the Provincial ministries.

However, if the Province does not support creating a CA for Muskoka, a new model will be necessary that builds on the Muskoka Watershed Council and Muskoka Conservancy so they can provide effective guidance to the District on watershed management.



### **Sustainability of Local Municipalities that have a Smaller Growth Allotment**

*Question: Will local municipalities that are given a smaller growth allotment (for example, to protect their environment) be able to have sufficient tax dollars to pay for their core services and activities?*

We believe that all municipalities should have an allotment for growth and development, but the greatest growth should be in the Towns where municipal services are available and have excess capacity.

The slower growth Townships have tax bases that are substantially larger than those of the Towns, given their much higher assessed property values. However, the Townships' economies and service requirements are largely seasonal, and therefore lower than the Towns'. If the Towns were to grow faster than the Townships, their assessment base would become relatively larger which would enable them to shoulder a larger percentage of the District tax burden. As a result, there is little concern with the Townships being able to cover their costs if growth is restricted there.

In fact, there has been very little growth in the Townships. From 2004-2017 total households grew by 0.4% per annum, and from 2011-2017 by 0.7%. Assessed property values grew by many multiples of that.

Maintaining the desirability of investing in property in the Townships is essential to the maintenance/enhancement of property values and the success of the Townships, not unbridled growth. The quiet pristine environment is key to the economic attraction of Muskoka. People don't want to escape the city to come to another city. There is a tipping point to growth and development beyond which waterfront property values will decline.

## Impact of an Amalgamation on Seasonal Residents

*Question: The Special Advisors expressed interest in research regarding the drop in property values in Connecticut.*

### Risk of an Amalgamation Driving Away Seasonal Residents

Seasonal Residents represent approximately 47% of homes in the District and pay about 68-73% of the total of municipal, education and district taxes paid by all residential, commercial and industrial property owners, due to their relatively high waterfront property tax assessments. Seasonal Residents are throughout Muskoka's lower tier municipalities but are concentrated in the three Townships.

Although they pay the lion's share of the taxes, the Townships have a weaker voice on District Council because there are more Councillors representing the Towns (12) than the less populated Townships (10). This would be the case even if each Seasonal Resident was counted as one person when determining lower tier representation on District Council. In fact, the Township of Muskoka Lakes alone contributes 37 cents of every dollar of District tax collected and has only 4/22, or 18% of seats at District Council. Decisions concerning the Townships would not be made by Township representatives and would likely favour the priorities of the Towns vs the Townships.

For many decisions this may not matter, but for decisions affecting the local communities of the Townships or decisions adversely affecting the Seasonal Residents, it would matter and could result in a situation where the Seasonal Residents feel so disenfranchised that they leave. The local, lower tier municipal governments provide the mechanism through which the voice of the most significant tax base can be heard. Allowing the lower tier governments the ability to implement the overarching goals of the District through their individual OPs and ZBLs that reflect their unique priorities and needs, is the mechanism through which this tax base can be protected.

By way of example, the District's OP may set a goal of attracting businesses that create jobs. The lower tier municipalities may then establish planning details such as the location, setbacks and built form of businesses. Townships could require businesses to be located away from sensitive forested, wetland and waterfront property.

If the District Council had the authority to decide on planning applications in the Townships, decisions would be made that reflect the growth aspirations of the Towns; decisions that might not be in the long term best interests of the Townships and, ultimately, of the entire District.

Add to this the increase in taxes that Township residents would face should tax rates be harmonized throughout the District with an amalgamation, and Seasonal Residents will reconsider their investment in Muskoka.

Why would we want to take this risk? The wellbeing of the entire District relies on Seasonal Resident tax dollars. If the wealthiest of them, the ones who have choices as to where to invest and spend their leisure time, start to leave, property values will decline and the tax burden will be placed on the residents that remain.

This is what happened in Connecticut (CT). There was no income tax in CT before 1991. The government recently announced the fourth major increase in the top margins tax rate to 9%, 2x the initial 1991 rate of 4.5%. Connecticut has the second-highest property tax in the nation, ranking 49th out of 50. Connecticut ranks second highest in terms of state and local income-tax collections per person. As a result, people are leaving.

Last year the Internal Revenue Service released tax data from 2015 which shows a record loss of high-income tax filers and their families in 2015 following CT's second largest tax increase. A total of \$2.6 billion in adjusted gross income was lost to other states as Connecticut experienced a net loss of roughly 20,179 residents. The state also lost their 2 largest companies in the past 5 years due to its high tax jurisdiction. As a result, property values in towns such as Greenwich have fallen by up to 50%, devastating municipal budgets.

Effectively, income and property taxes increased to the point that the reason people moved to CT in the first place (i.e. a low tax rate jurisdiction) was no longer compelling, so they started to leave. The state went from being one of the wealthiest in the US to one of the most fiscally challenged. This situation is described in the Yankee Institute for Public Policy's article "Connecticut billionaire moves to Florida; could add \$30 million to the deficit" at this link: <https://yankeeinstitute.org/2016/06/30/connecticut-billionaire-moves-to-florida-add-deficit/>

If we take away what is attractive about investing in Muskoka (i.e. assurance that the beautiful natural setting we have invested in, with clean water and a certain amount of tranquility and privacy, will be maintained at a tax rate that is reasonable), we risk a similar fate to that of CT.

## Appropriate Way to Allocate District Costs to Lower Tier Municipalities

*Questions: Isn't the cost allocation by the District the universal way to allocate costs from an upper tier to lower tier? If we abandon the equalized assessment system, should seasonal residents not pay for community spaces since they don't use them? In addition to OPP, what other services should be charged to the lower tier municipalities differently? EMS services are more expensive to run the further you are from centre. Should municipalities further from the core pay a greater rate for EMS services since they're further out and more costly to operate? Should the charge be based on actual usage, or on the cost to provide the service?*

We believe that many District costs should continue to be allocated to lower tier municipalities using the assessed value of property or usage of services, but certain services should be allocated based on a combination of assessed property value and usage; in particular, on an assessment basis for the basic level of service, and on a usage and cost of delivery for service above the basic level.

Currently, municipal water and wastewater services are charged to property owners based on usage and cost of delivery and not apportioned using property assessment. We agree this is appropriate.

We also believe it appropriate for the cost of District roads, affordable housing and community housing to be charged based on property assessment, as well as other services that are appropriate for everyone to support.

However, we believe that OPP, EMS and solid waste services should be charged based on our alternative model: property assessment for infrastructure and the basic level of services, and usage for services received above the basic level. For example, each property owner would be charged for a share of the infrastructure to provide solid waste services (eg transfer stations, garbage trucks), and would be charged based on usage for garbage pick-up services.