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*2015-2016 Federal Budget Consultation  
Submission*

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Northwest Territories Association of Communities

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## *2015-2016 Federal Budget Consultation Submission*

The Northwest Territories Association of Communities (NWTAC) has prepared this submission in response to the invitation by the House of Commons Standing Committee on Finance to provide recommendations for measures in the 2015-2016 federal budget.

The submission has been prepared by the NWTAC on the basis of the adopted resolutions of the organization, analysis of municipal governance issues and priorities for improvement of NWT economic and social conditions, and the priorities shared with partner organizations including the Federation of Canadian Municipalities.

### **The NWTAC**

The NWTAC is the non-profit, non-governmental organization representing the interests of all 33 incorporated NWT communities. The NWTAC presents a unified voice for communities on municipal goals and issues, based upon the membership's democratic adoption of resolutions and policy. We promote these priorities through advocacy to the territorial and federal governments and through our membership in the national Federation of Canadian Municipalities.

Services to member communities include:

- Territorial and national advocacy for achievement of NWTAC resolutions objectives
- issues research and analysis
- development and delivery of programs serving community needs, such as group insurance
- support for development of members' management capacity, particularly in community planning, energy management, and development of management support tools and best practices
- exchange of information and technical services support

### **Budget Recommendations**

This submission focuses on three major priorities for federal action in the upcoming budget:

1. Long term infrastructure planning
2. Northern Residents Tax Deduction
3. Increasing the supply of housing

#### **1. Long Term Infrastructure Planning (LTIP)**

The unique conditions of Northern and remote communities greatly affect how municipal

infrastructure is built and maintained. Northern communities face extreme isolation; a shorter and highly variable construction season; limited human resource availability and capacity; limited access to funding; growing demands on aging and existing infrastructure; early stages of corporate development; and unique project needs.

Extreme weather conditions shorten the life of many assets in the North, and climate change, which is occurring more rapidly than in the south, exacerbates this effect. The private marketplace has not been efficient in delivering assets considered critical to social and economic development in the region, including housing, communications infrastructure, recreational facilities and deep seaports.

To accommodate and respond to these unique conditions, infrastructure funding programs must be designed and customized for northern communities. For example, with the North's much higher construction costs, most Northern communities have limited resources to contribute the proportional share of costs required by traditional application-based funding programs. In some cases, capital planning and project funding is managed by the territorial government in consultation with communities. This model addresses many of the challenges with traditional application-based programs, by reducing administrative burdens, maximizing project flexibility and increasing the federal share of eligible costs. These elements need to be incorporated in any federal Long Term Infrastructure Planning mechanism.

The Gas Tax Fund works very well in the territorial North, because of its flexibility and predictability and because it does not require cost-sharing.

The NWT Association of Communities endorses the recommendations put forward by the Federation of Canadian Municipalities in its 2012 Report, "The Road to Jobs and Growth: Solving Canada's Municipal Infrastructure Challenge". An "LTIP -Territories" component should:

- Use "base + population" or a similar approach for the national allocation formula to ensure the territories receive funding adequate to their unique needs.
- Generally disburse funds using a transfer-style mechanism like the GTF ; very few funds should be application based;
- Maximize the ability of communities to "stack" federal funds from various programs, given the limited local availability of capital;
- Application forms and reporting requirements should be simplified, and designed specifically for the territories;
- Ensure territorial municipal associations or other partners are allowed to apply for funding on behalf of northern municipalities;

- Include the broadest possible list of eligible project categories, including recreational infrastructure, in recognition of the importance of all public infrastructure in these small communities.

Building communities in the North is important for local social and economic sustainability. Given the role this region plays in national sovereignty and supporting resource development, these investments should be seen as critical to nation building.

### **Recommendation:**

Customize infrastructure funding programs for northern communities. The Gas Tax Fund works very well in the NWT, because it is flexible, predictable and does not require cost-sharing. The NWT Association of Communities endorses the recommendations in Federation of Canadian Municipalities 2012 Report, “The Road to Jobs and Growth: Solving Canada’s Municipal Infrastructure Challenge”, according to the specifics listed on page 16.

These improvements will result in equalization of regional opportunities, reduction of geographically based obstacles to improved standards of living and comparable economic development. Construction and service industries will benefit from the ability of municipalities to effectively access and spend funds in the northern economy and provide training and management development opportunities. Northerners’ standard of living will be increased by the improvement of community services.

## **2. Northern Residents Tax Deduction**

The Northern Residents Tax Deduction has not been increased since it was first introduced in 1991. While the tax credits are intended to alleviate the high cost of residency and of travel faced by northern residents relative to their southern counterparts, it has not kept pace with inflation, is officially measured only for the cities of Yellowknife and Whitehorse and is generally considered inadequate to effectively offset differences in cost of living compared to southern Canada.

Economic development would be promoted by the attraction and retention of skilled workers and spending in the NWT of wealth generated in the NWT. National equalization of economic opportunity and access to comparable standards of living would be promoted. The NWT’s severe levels of poverty and inequity of income distribution would be alleviated by this progressive tax measure. Standard of living will be improved by the increased ability of workers and families to meet the high northern costs of living.

Finance Canada has estimated that the NRTD accounts for, on average, \$132.5 million in lost revenue annually. This figure includes both the residency deduction and the travel deduction. If the residency portion of these amounts were increased by 50 per cent or were indexed to

inflation, or increased by a specific amount per year, it is estimated that federal expenditures would increase by \$60 million per year.

**Recommendation:**

To entice people to remain in the territory, and move to, stay and invest in the NWT, the amount of the Northern Residents Tax Deduction should be substantially increased. The NRTD could be scaled according to distance from a major southern centre, increased to the post-inflation 1991 value, and/or indexed to the Territory's consumer price index. Basing the amount of the deduction on the cost of living differential data collected for each community would provide the most sensitive and accurate compensation in offsetting disparities in the cost of living.

### **3. Increasing the Supply of Housing**

In the majority of NWT communities, heavy reliance upon public housing is required as a result of high unemployment and the lack of a private housing market. The Government of the Northwest Territories (GNWT) spends roughly 25 times more per capita on housing than does a typical Canadian province. Relative to the rest of Canada, more NWT residents live in more crowded conditions and in housing more in need of major repair. The percentage of households in core need (households with a housing problem and income below the core need income threshold) stands at 12% in communities considered to have a private housing market, and 42% in non-market communities. Although rental vacancy rates are rising in Yellowknife (the only community where data is available), there is no territory-wide estimate of the volume of the shortfall in housing units. The NWT Housing Corporation routinely reports waiting lists for housing units in excess of 400 applicants.

An extremely significant issue facing the NWT Housing Corporation is the declining Canada Mortgage and Housing Corporation (CMHC) funding for social housing. In the 1990's the federal government began withdrawing its support for the construction of new social housing in Canada and entered into arrangements where ownership of the social housing stock would be transferred to the provinces and territories. The federal government provides funding to pay any outstanding debt on these units and agreed to fund operations and maintenance for these units, although the amount will decline to zero in 2038-39.

In its national campaign, *Fixing Canada's Housing Crunch*, the Federation of Canadian Municipalities has identified lack of affordable housing as "the most urgent financial issue facing Canadians today". At its 2014 Annual General Meeting, the NWT Association of Communities adopted a resolution calling lack of housing "a violation of human dignity and of human rights...representing the most extreme form of poverty and deprivation" and called on the territorial government "direct and fund its departments to end homelessness in the Northwest Territories." Progress on overcoming the deficit in affordable, adequate and available housing in the NWT cannot be achieved without a renewed federal commitment to funding the construction and renewal of social housing, through a national housing strategy.

Recommendation:

The dire state of housing inadequacy requires extra-ordinary allocation of federal funds to overcome the deficit in the housing supply. A long-term federal funding commitment for housing is critical to address the unmet housing needs of NWT residents. Affordable housing agreements must be flexible and respect provincial and territorial jurisdictions chronic homelessness and inadequacy of housing must be eliminated through proven strategies; tax incentives or other measures must be used to stimulate new rental and affordable housing construction; and, special, territorial funding transfers are required to preserve and renovate existing social housing units.