

May 16, 2025

TO: Mayor and Members of Council

## FYI – Highlights of the 2025 Ontario Budget

### Overview

- On May 15, 2025, the Honourable Peter Bethlenfalvy, Minister of Finance, tabled the 2025 Ontario Budget entitled "*A Plan to Protect Ontario*".
- This document summarizes Budget highlights of interest to Toronto and the provincial economic outlook.
- Budget documents (including a news release, backgrounder and other supporting documentation) can be found at: <https://budget.ontario.ca/2025/index.html>
- Supporting legislation was introduced as Bill 24, Protect Ontario Act (Budget Measures), 2025, available here: <https://www.ola.org/en/legislative-business/bills/parliament-44/session-1/bill-24>

### Highlights of Interest to the City of Toronto

#### Housing

##### *Housing-enabling infrastructure funding*

- The Budget announced an additional \$400 million in the immediate term to address high demand for the Municipal Housing Infrastructure Program and the Housing-Enabling Water Systems Fund (in addition to \$2 billion already committed over 4 years).
- The investments are intended to complement existing and ongoing provincial investments in housing and community-enabling infrastructure, including the Ontario Community Infrastructure Fund and the Building Faster Fund
  - As a recipient of New Deal funding, Toronto is not eligible for either program.

##### *Modular Housing*

- The Budget announced \$50 million over 5 years through Invest Ontario to grow the industrial capacity in modular construction. Funding is aimed at supporting companies to improve production, technology and output.
  - The [HousingTO 2020-2030 Action Plan](#) commits to creating 1,000 new modular homes in Toronto. The City's [Modular Housing Initiative](#) and other programs, such as the Rapid Housing Initiative, have utilized modular construction.

### *Building Faster Fund extension*

- The Budget announced that the Province is extending the time that municipalities have to spend the Building Faster Fund awards they have earned, to 2028. The Budget noted that housing start forecasts are down significantly compared to the 2024 budget, (only 72,000 expected starts in 2025 instead of the 92,000 previously projected), with a slow recovery to 75,000 expected starts in 2026 and 82,500 expected starts in 2027.
  - In February 2024, the Government of Ontario committed to providing the City of Toronto with \$114 million in funding through its Building Faster Fund in response to action taken by the City and to support future home building targets set in the HousingTO 2020-2030 Action Plan and Housing Action Plan.
  - City Council has also requested that the Province support an additional 10,400 purpose-built rental homes by providing a Build More Homes Rebate to the City, equivalent to the value of development charges payable and 85 percent of property taxes owed by eligible projects for 35 years, estimated at \$1.0 billion ([EX18.2](#)).
  - At its May 2025 meeting, City Council will consider [PH21.4 - Toronto Builds - A Policy Framework to Build More Affordable Rental Homes on Public Land](#), through which City staff are recommending that City Council request the Ontario government to join the City and launch a Canada-Ontario-Toronto Builds program to build more affordable and purpose-built rental housing.

### *Developing the Port Lands*

- The Budget re-iterated the January 28, 2025 announcement that Ontario, along with the Government of Canada and the City of Toronto, was investing \$975 million to accelerate the delivery of Waterfront Toronto's revitalization plan. Like earlier phases of waterfront revitalization, each order of government would contribute approximately one-third each, with a provincial contribution of up to \$325 million over seven years.
- The Budget indicated that to prepare for the construction of new homes beginning in 2026, site servicing work will begin in 2025 with the goal of first occupancy in 2031.

### *Homelessness and Supportive Housing*

- The Budget re-iterated previous Provincial announcements regarding helping municipalities provide vulnerable people living in encampments with appropriate short- and long-term housing alternatives. Investments of \$75.5 million in 2024–25, included:
  - \$50 million for ready-to-build affordable housing projects, to help projects near completion but in need of additional targeted funding to open their doors faster;
  - \$20 million to expand shelter capacity and create additional temporary accommodation spaces; and
  - \$5.5 million to top up the Canada-Ontario Housing Benefit to immediately free up emergency shelter spaces for people living in encampments by helping people living in shelters move into longer-term housing.
- While beneficial, the COHB top-up funding was not sufficient to meet the demands of all those eligible for COHB. The City continues to reiterate its request to the Provincial and Federal Government to increase Canada-Ontario Housing Benefit allocations across Ontario (see [MM20.38](#)).

## **Transportation**

### *Line 2 Subway Funding*

- The Budget reiterated the prior commitment of \$758 million to help the Toronto Transit Commission (TTC) purchase 55 new trains for Toronto's Line 2 subway and noted that the Province had requested (on April 24, 2025) that the City consider procuring from Alstom, which would support Ontario workers in Thunder Bay and across the province.

### *East Harbour Transit Hub*

- The Budget reiterated the March 2025 announcement that Ontario has awarded the construction contract for the East Harbour Transit Hub in Toronto.
  - The hub's connectivity supports the development of a high-density, mixed-use community, aligning with Transit-Oriented Development principles, and, by providing alternate transfer points, would alleviate pressure on Union Station and reduce overall transit congestion.
  - City Planning is tracking a report to June 12 Planning and Housing Committee to consider the East Harbour Employment Area Conversion Request.

### *Bike Lanes*

- The Budget indicates that the Province is working to reinstate vehicle lanes on Bloor Street West, Yonge Street, University Avenue, Avenue Road and Queen's Park Crescent, while maintaining bike lanes where possible or moving them to secondary roads.
- The related legislative amendments to the Highway Traffic Act are in [Schedule 9](#) of Bill 24.
  - In addition to identifying new corridors where motor vehicle lanes are to be reinstated (Avenue Road and Queen's Park Crescent), the proposed legislative changes would also enable reconfiguration as an alternative to the outright removal of bike lanes, provided motor vehicle lanes are reinstated.

### *Highway 401 Tunnel*

- The Budget reiterated the April 28, 2025 announcement that the Province has released a [Request for Proposals](#) to explore the feasibility of building a new driver and transit tunnel expressway under Highway 401 from west of Mississauga to east of Scarborough.
  - In October 2024, City Council adopted a motion to consider alternatives to a tunnel under the 401, including high speed rail ([2024.MM22.8](#)).

### *Advancing GO 2.0*

- The Budget confirms that the Province is taking the next steps to advance planning and feasibility studies for GO 2.0 — a proposal to deliver the next generation of passenger rail service for the Greater Golden Horseshoe, including potential for improved transit service along the existing Kitchener and Milton rail lines as well as new passenger rail corridors through midtown and Etobicoke.
  - New Higher Order Transit lines would trigger Major Transit Station Area-related land use changes around each station including increased densities. This may introduce neighbourhood change to areas not previously experiencing transit-induced change. Improved access to Higher Order Transit would also potentially expose many new areas to Avenues policies under OPA 778.

### *Prohibition on road tolls / congestion charges*

- The Budget announced implementation of the PC election commitment to prohibit municipal road tolls and congestion charges. [Schedule 2](#) of Bill 24 would amend the City of Toronto Act accordingly.
  - Section 2.4(3)(b) of the Official Plan includes language that the City will actively pursue measures to change travel behaviour. This change would limit the City's ability to implement any road pricing mechanisms to influence travel behaviour.

## **Infrastructure**

### *Building Ontario Fund*

- The Budget announced that the Province will provide an additional \$5 billion to the Building Ontario Fund.
- The BOF was established in 2024 as an arms-length, board-governed Crown agency to partner with trusted Canadian institutional investors to help unlock infrastructure projects in priority areas of energy, affordable housing, long-term care, municipal and Indigenous community infrastructure, and transportation.
  - The BOF's focus on affordable student housing and long-term care is in line with the City's priorities, as the City has adopted an [Academic Housing Strategy](#) and works closely with the Toronto Seniors Housing Corporation on the maintenance and development of long-term care homes.

### *Building Long-Term Care homes*

- The Budget reiterated the Province's multi-year \$6.4 billion strategy (in effect since 2019) to build 58,000 new and upgraded long-term care (LTC) beds.
- The Budget also announced a supplemental increase to the Construction Funding Subsidy that would advance construction on 103 long-term care projects that started between April 2022 and April 2025
  - No amount was indicated and no City LTC capital projects are within this timeframe.
  - City Council has approved redevelopment of 1,232 existing LTC beds and requested a revised funding model from the province to allow for the addition of 978 new beds as part of the redevelopment plan; the Budget does not address this request.

## **Community Safety**

### *Automated Speed Enforcement and Red Light Cameras*

- The Budget notes that the Province is proposing amendments to the Highway Traffic Act (HTA) to require municipalities to make Automated Speed Enforcement and Red-Light Camera locations more transparent and to focus their traffic cameras on road safety objectives.
  - [Schedule 9](#) of Bill 24 would create a new Part XIV.5 "Automated Camera Enforcement for Road Safety" under the HTA to implement this initiative.

### *POA fine collection and enforcement*

- The Budget announced that the Province will work with municipalities to help drivers pay outstanding traffic tickets or fines by streamlining the collection process. Consultations will focus on fine collection and enforcement of offences such as traffic violations under the Provincial Offences Act, in an effort to help keep costs down for drivers with outstanding fines, improve customer service and reduce possible duplication.
  - New collection tools would increase the City's ability to enforce and collect defaulted fines; staff look forward to learning further details.
  - This initiative may align with the Auditor General's report on Court Services' collection of POA fines in default (see [2018.AU12.1](#)).

## **Health Care**

### *Hospital Funding*

- The Budget noted up to \$1.1 billion in additional hospital funding for 2025–26, which includes up to 4 per cent in base and targeted funding, and one-time funding for the surgical system, and indicated the Province will work collaboratively with hospitals to enhance accountability and operational improvements.
  - This will potentially help reduce paramedic in-hospital wait times.

### *Nurse training and education*

- The Budget announced \$56.8 million over the next 3 years for training and education funding to increase enrollment to address health human resource needs and support the demand for health care workers (including long-term care) with investments to support direct hours of care through staffing, training and education, as well as improve quality of care in the long-term care sector.

### *HART Hubs*

- The Budget re-announced the Province's investment of approximately \$550 million over four years to support 28 new HART Hubs across the province.
  - On April 1, 2025, the Board of Health directed Toronto Public Health to begin implementation of the interim Downtown Homelessness and Addiction Recovery Treatment (HART) Hub model at 277 Victoria Street, pending confirmation of Provincial funding ([HL23.8](#)).
  - Staff continue to analyze potential impacts of the Province's [Community Care and Recovery Act, 2024](#) (which reduced access to harm-reduction services and was announced concurrently with the HART Hubs model), and plan for how the homelessness service sector can meet the current and emerging needs of people experiencing homelessness who use drugs in Toronto.

### *Mental Health and Addictions*

- The Budget announced \$303 million over the next three years to stabilize the community-based mental health and addictions services sector (4% increase in the sector's base funding).
  - City Council has made numerous requests of the Province to increase investments in mental health and addictions treatment as part of key City initiatives such as the Toronto Community Crisis Service ([2023.EX9.10](#)), the Downtown East Action Plan, ([2022.EC31.21](#)), and SafeTO ([2022.EX29.2](#)).

## **Social Services**

### *Support for Human Trafficking Survivors*

- The Budget announced investment of an additional \$1 million over three years to support Victim Services Toronto's Reclaim Project, which helps survivors of human trafficking by working with Canadian creditors to remove coercive debt from the survivor's name. This investment will complement Ontario's recent legislation to help protect victims from coerced debts incurred by traffickers and support economic empowerment and long-term recovery for survivors.
  - This initiative aligns with the City's [EndTraffickingTO](#) initiative.

### *Funding for veterans*

- The Budget announced \$3 million over the next three years, beginning in 2025–26, to establish a dedicated veteran-focused funding stream within the existing Seniors Community Grant Program. This initiative supports community-based learning opportunities and promotes social and physical activities.

## **Economic Development and Tax Measures**

### *Protecting Ontario Account (POA)*

- The Budget announced the Protecting Ontario Account (POA), a fund of up to \$5 billion designed to provide businesses with critical support to protect jobs, transform businesses, and grow strategic sectors of the economy. The POA will work in tandem with federal government supports to provide up to \$1 billion in immediate liquidity relief aimed at protecting Ontario businesses and workers facing significant tariff-related business disruptions. This liquidity relief will complement existing supports and serve as an emergency backstop for Ontario businesses that have exhausted available funding.
- The Province will continue to assess the tariff-related impacts to Ontario's economy and will leverage the POA, which will make up to an additional \$4 billion in funding available for a variety of programs designed to support businesses affected by tariff-related disruptions, as needed.

### *Business Tax Deferrals*

- The Budget announced that the Province would implement the deferral of payments for taxes owed, without incurring interest and penalties from April 1, 2025, to October 1, 2025, for all businesses who pay taxes under 10 of Ontario's business focused tax programs.
- This measure will provide up to \$9 billion in cash flow support to about 80,000 Ontario businesses, giving them more flexibility to deal with any challenges resulting from U.S. tariffs.

### *Enhancing the Ontario Made Manufacturing Investment Tax Credit*

- The Budget announced changes to the Ontario Made Manufacturing Investment Tax Credit (OMMITC) to allow qualifying corporations to claim a 15 per cent credit instead of the current 10 per cent. The credit would be temporary and available for eligible investments made on or after May 15, 2025, and before January 1, 2030
  - Manufacturing is one of the key sectors prioritized in the [Mayor's Economic Action Plan in Response to United States Tariffs](#).

### *Making Gas and Fuel Tax Cuts Permanent*

- The Budget proposed amendments to the Gasoline Tax Act and the Fuel Tax Act to remove scheduled future rate increases and keep the rate of tax on gas and fuel (diesel) at 9 cents per litre going forward.
  - Amendments to the Gasoline Tax Act have been tabled as [Schedule 7](#) to Bill 24.

### *Trade-Impacted Communities Program*

- The Budget announced up to \$40 million in grants, starting in 2025–26 for the Trade-Impacted Communities Program (TICP), which will provide flexible and tailored funding to meet the needs of individual communities and local industries.
- Funding will support projects that help communities respond to trade disruptions and pivot to procurement from domestic and local suppliers where possible. Municipal governments, economic development organizations, business accelerators, and incubators, as well as sector or industry associations, will be eligible for the program.
  - Staff are seeking further details about this new program.

### *Alcohol tax reductions*

- The Budget proposes the following tax reductions for beer, wine and spirits:
  - Reduce the spirits basic tax from 61.5 per cent to 30.75 per cent, effective August 1, 2025.

- Reduce the beer basic tax rates applicable to beer made by Ontario microbrewers. The rates would be reduced from 35.96 cents per litre to 17.98 cents per litre for draft beer and from 39.75 cents per litre to 19.88 cents per litre for non-draft beer, effective August 1, 2025.
- Reduce the basic mark-up rate applied by the LCBO to cider from 60.6 per cent to 32.0 per cent, effective August 1, 2025.
- The mark-up rates applicable to wine-based RTDs that do not have an alcohol-by-volume (ABV) content of greater than 7.1 per cent would be reduced from 60.6/64.6 per cent to 48 per cent, and the mark-up rates applicable to spirit-based RTDs that do not have an ABV content of greater than 7.1 per cent would be reduced from 68.5/96.7 per cent to 48 per cent.
- [Schedule 11](#) of Bill 24 includes the requisite amendments to the Liquor Tax Act.

#### *Increasing the LCBO discount rate*

- The Budget announced a temporary increase to the Liquor Control Board of Ontario (LCBO) wholesale discount rate from 10 per cent to 15 per cent on beer, wine, cider, spirits, and Ready-to-Drink beverages wholesaled by the LCBO to bars, restaurants, convenience stores, and LCBO Convenience Outlets from spring 2025 until the end of 2025.

This measure is supportive of several actions in the [Action Plan for Toronto's Economy](#) related to boosting Toronto's main streets and strengthening the food and dining scene.

#### *Invest Ontario Fund*

- The Budget allocates an additional \$600 million to the Invest Ontario Fund (on top of the \$700 million already allocated) to provide the agency greater stability in executing its mandate of job creation and investment attraction.

#### *Vehicle industry funding*

- The Budget announced an additional \$73 million over the next four years, starting in 2025–26, to continue the Ontario Vehicle Innovation Network (OVIN) program delivered by the Ontario Centre of Innovation. The funding will support regional technology development sites, research and development (R&D) partnerships, and incubator projects for automotive and mobility small and medium-sized enterprises (SMEs).
- The Budget also announced \$12 million over the next three years, starting in 2025–26, to continue the Ontario Automotive Modernization Program (O-AMP). The program is designed to support Ontario's automotive parts suppliers by helping these SMEs upgrade outdated equipment and adopt new tools and technologies to innovate their product lines and continue to modernize their processes.
  - These measures are supportive of several actions in the [Action Plan for Toronto's Economy](#), including:
    - Action #22 – Grow Toronto's global competitiveness in key anchor and high growth sectors.
    - Action #23 – Champion technology and innovation.
    - Action #70 – Drive competitiveness of local green sectors with new Green Industry Cluster Alliance.

#### *Buy Ontario, Buy Canadian Day*

- The Budget announced establishment of a “Buy Ontario, Buy Canadian” day to be held annually on the last Friday in June to help consumers support local businesses and workers through programs such as Ontario Made, Ontario Wood, Vintners Quality Alliance (VQA) for wine, and Foodland Ontario.

- This announcement is aligned with the [‘Love Local’ campaign](#), one of the ten actions identified in the Mayor’s Economic Action Plan to support local and Canadian businesses.

#### *Venture capital funding*

- The Budget provides an additional \$90 million in venture capital (VC) funding through Venture Ontario to support the growth of early-stage Ontario companies. This includes \$50 million to Ontario-based VC funds focused on technologies that support national defence and related technologies such as AI and cybersecurity, and \$40 million to VC funds that will help life sciences companies and biomanufacturers innovate and grow.
  - This initiative aligns with Action #22 of the [Action Plan for Toronto’s Economy](#), “Grow Toronto’s global competitiveness in key anchor and high growth sectors”.

#### *Ontario Research Fund*

- The Budget invests an additional \$207 million over three years through the Ontario Research Fund – Research Infrastructure (ORF-RI), starting in 2025–26, to provide Ontario institutions with funding to acquire infrastructure and engage in global R&D.

#### *Expanded use of Municipal Property Assessment Corporation (MPAC) data*

- The Budget announced introduction of legislation that would create regulatory authority to facilitate expanded municipal uses of MPAC’s property assessment information, such as for research or operational needs.
  - [Schedule 1](#) of Bill 24 includes amendments to section 53 of the Assessment Act to create the necessary regulation-making authority.
- In addition, the Budget indicated potential tools are being evaluated to help municipalities manage their assessment base. Work is also underway with MPAC on plans to enable them to provide centralized online access to assessment roll information rather than requiring on-site viewing in municipal offices.
  - This measure could result in improved access to data for the purposes of planning research and analytics. This would enable municipalities to work with Academic Institutions on housing development, urban sustainability and options for land use planning policy to accelerate housing supply.

### **Education and Training**

#### *Skills Development*

- The Budget announced an additional \$1 billion for the Skills Development Fund (SDF), bringing the total funding commitment to \$2.5 billion. This includes \$100 million that was announced in January 2025 for the SDF Training Stream, plus \$705 million over the next three years.
- The Budget also announced \$150 million over three years starting in 2025–26 to support increased demands in the SDF Capital Stream.

#### *Skilled trades funding*

- The Budget announced an additional \$159.3 million over three years to support ongoing growth and program stability in various skilled trades programs, including expanding the In-Class Enhancement Fund to increase the number of training seats available and fund the classroom fees for Level 1 apprentices.

### *Training and support centres*

- The Budget announced \$20 million in 2025–26 to mobilize new training and support centres, formerly known as action centres, providing immediate transition supports for laid-off workers, including those impacted by U.S. tariffs. These centres coordinate access to programs to help workers, employers and communities impacted by mass layoffs, and will bring together partners like Service System Managers, unions, local community organizations, and colleges and universities to help laid-off workers. The centres provide temporary places for affected workers to receive services, including referrals to in-demand training, job search assistance, upskilling and Employment.

### *School and Child Care Spaces*

- The Budget noted over \$30 billion being invested over the next 10 years, including approximately \$23 billion in capital grants, to support new and redeveloped schools and child care projects, and close to \$2 billion for the 2025–26 school year to repair and maintain schools.
  - In addition to completion of Bloor Collegiate Institute in Toronto (924 students), the Budget proposes the following new schools in Toronto:
    - one English Catholic secondary school (1,300 students),
    - one English Catholic elementary school (350 students + 49 licensed childcare spaces).

### *Canada-Wide Early Learning and Child Care Agreement (CWELCC)*

- The Budget confirmed ongoing implementation of the Ontario Canada-Wide Early Learning and Child Care (CWELCC) agreement.
  - This ongoing commitment is supportive of Toronto's Licensed Child Care Growth Strategy.
  - While operational funding through CWELCC is welcome, additional investments in capital/infrastructure funding are needed to ensure new spaces can be built to meet the Province's goal of creating new affordable and high quality child care spaces.
  - Additionally, increased investments to further increase wages and benefits for all staff in the early years and childcare workforce will ensure success as CWELCC continues to be implemented.

## **Environment**

### *Energy Efficiency Programs*

- The Budget identified \$10.9 billion over 12 years for energy efficiency programs.
  - Such funding supports the City's climate mitigation objectives, including the TransformTO Net Zero Strategy (see [IE3.3](#)). If significant funding is available for businesses undergoing major renovations, it may assist with meeting improved energy reduction targets (e.g. higher tiers of the Toronto Green Standard)

## **Economic Outlook**

- The Budget indicates Ontario's economic outlook has deteriorated since the 2024 Fall Economic Statement, due to Ontario's exposure to U.S. trade policy and related uncertainty. Real GDP growth is projected to be only 0.8 per cent in 2025, with slight increases projected in the following years:
  - 2026: 1.0 per cent;
  - 2027: 1.9 per cent;
  - 2028: 1.9 per cent
- Recent employment growth has been outpaced by strong labour force growth; Ontario's unemployment rate is expected to rise to 7.6 per cent in 2025, then decline slightly to 7.3 per cent in 2026 and 6.6 per cent in 2027.
- Consumer Price Index inflation is projected to ease, reaching 2.3 per cent in 2025 and declining to within the Bank of Canada's target range of 2 per cent by 2026.
- The deficit is projected to be \$14.6 billion in 2025–26 (\$10 billion higher than was projected in the 2024 Budget), \$7.8 billion in 2026–27, and on a path to balance by 2027–28. The net debt-to-GDP ratio is projected at 37.9%, comfortably under the Province's target of 40%.