

2024 Development Charge Deferred Revenue Activity and Balances

Date: November 25, 2025

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

Development charges are collected from new development and redevelopment projects for the purpose of recovering growth-related capital infrastructure costs. This report provides a statement of development charge (DC) balances and activity for 2024, as required by the Development Charges Act, 1997 (DC Act).

For the fiscal year ended December 31, 2024, the City collected \$383.0 million of development charges and earned interest of \$31.4 million on its DC balances. This is offset by \$680.2 million in earned revenue that was recognized to fund growth-related capital expenditures. As a result of these activities, the DC deferred revenue balance decreased by \$265.8 million from the prior year to \$2,840.2 million at December 31, 2024. This amount is reported as deferred revenue in the City's audited consolidated financial statements.

The 10-Year Capital Budget and Plan includes \$6,659.6 million in DC commitments and obligations to be funded through the City's DC deferred revenue balances and forecasted future DC collections. Additionally, there is over \$6 billion in further DC eligible projects that are not currently included in the City's 10-Year Capital Plan and will continue to be considered for inclusion as part of future year capital budget processes.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. Executive Committee receive this report for information.

FINANCIAL IMPACT

There are no financial implications arising from the adoption of the recommendation in this report.

The City's financial statements are prepared in accordance with Public Sector Accounting Standards (PSAS). Under PSAS, DCs are recognized as liabilities called "deferred revenues" on the City's Statement of Financial Position at the time of building permit issuance and are recognized as "earned revenue" on the City's Statement of Operations and Accumulated Surplus when the capital expenditures these funds are intended to support are incurred. Use of deferred revenues is restricted to activities specified in legislation or contractual agreements.

For the 2024 fiscal year, the City recognized \$383.0 million in DC contributions (net of \$44.8 million in refunds) and earned \$31.4 million of interest income on its DC balances. DC contributions are set aside in deferred revenue accounts until used, for each service category specified in the City's by-law (Amendment 1137-2022, Chapter 415 - Development of Land, Toronto Municipal Code).

In the same period, the City recognized earned revenue of \$680.2 million to match actual eligible capital project expenditures. DC deferred revenues are used to fund eligible growth-related projects. From a budget perspective, earned revenue allocations are budgeted based on planned eligible capital costs.

As a result, the City's DC deferred revenue balance \$2,840.2 million at December 31, 2024 (decreased by \$265.8 million from 2023). The DC deferred revenue balance, along with forecasted future DC contributions, is needed to fund DC commitments and obligations that total \$6,659.6 million over the City's 10-year planning period.

2025 Update

Recent amendments to the *Development Charges Act, 1997* have reduced the City's deferred DC revenue compared to prior years. Additional changes under Bill 17 will add further pressure, including an estimated \$1.9 billion cash flow impact over the next decade due to the deferral of payment until occupancy for non-rental residential developments.

To support market and affordable housing supply, Council approved indefinite DC waivers for 6,128 purpose-built rental units, as well as incentives for condominium and home ownership programs. Council also introduced new exemptions for multiplexes up to six units, removed annual indexing for 2025-2026, and rescinded the below grade conditional permit policy. While these initiatives support housing delivery, they also reduce DC revenue allocated for growth-related infrastructure.

As of Q3 2025, the City received \$103 million in net DC contributions. If current trends continue, contributions may total only \$137 million for 2025, a 74% decrease from the average over the previous decade. Combined revenue and legislative changes will likely

require the City to defer, reprioritize or cancel planned capital projects needed to support growth.

The City continues to monitor economic and policy trends to inform long-term financial planning.

The City's "Obligatory Reserve Funds, Reserves and Discretionary Reserve Funds as at September 30, 2025" provide additional details on historical and future development charges.

DECISION HISTORY

Section 43 of the DC Act requires the Chief Financial Officer and Treasurer to provide Council with an annual financial statement detailing activity in DC Deferred Revenues. The Chief Financial Officer and Treasurer is also required to provide a copy of the statement to the Minister of Municipal Affairs and Housing upon request.

Below are the links to the 2023 and 2022 DC Deferred Revenue Statement reports:

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX19.16>

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX10.6>

At its meeting on November 23, 2022, City Council adopted CC1.2 "Update on Bill 23, More Homes Built Faster Act, 2022", which provided City comments on Bill 23.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.CC1.2>

At its meeting on October 11, 2023, during consideration of EX8.4 "Deferred Revenue Report at June 30, 2023", the Interim Chief Financial Officer and Treasurer provided a Supplementary report on the Impacts of Bill 23.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX8.4>

At its meeting on May 22, 2024, Council adopted PH12.7 "City Comments on Proposed Bill 185 - Cutting Red Tape to Build More Homes Act, 2024, Provincial Planning Statement 2024, and New Minister Zoning Order Framework" providing comments on further proposed changes to legislation impacting municipal growth funding tools, among other matters.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.PH12.7>

At its meeting on November 13, 2024, Council adopted EX18.2 "Build More Homes: Expanding Incentives for Purpose Built Rental Housing" to defer development charges for 7,000 rental homes through a competitive process, provided that 20% of the proposed units are affordable.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX18.2>

At its meeting on December 17, 2024, Council adopted PH17.7 “Relaunch of the Home Ownership Assistance Program to Support New Non-Profit Affordable and Attainable Home Ownership Housing” to increase housing supply of affordable and attainable units.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.PH17.7>

At its meeting on December 17, 2024, Council adopted CC24.16 “Advancing Phase One of the Purpose-built Rental Housing Incentives Stream” to defer development charges for an additional 528 purpose built rental units bringing the total to 6,128.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.CC24.16>

At its meeting on March 26, 2025, Council adopted EX21.13 “Supporting Ownership Housing Developments” to provide development charges with no interest deferral and June 6, 2024 or lower rates for 3,000 condominiums units which site plans applications complete by March 1, 2025 and include at least 5% to 10% affordable units.

<https://secure.toronto.ca/council/agenda-item.do?item=2025.EX21.13>

At its meeting on June 25, 2025, Council adopted EX24.2 “Assessment of City Impacts from Bill 17, Protect Ontario by Building Faster and Smarter Act, 2025 and Provincial Budget” and requested the Government of Ontario to make the City whole for the financial impacts of Bill 17. Council also rescinded its below grade conditional permit practice, and amended the 2022 DC by-law to remove indexing.

<https://secure.toronto.ca/council/agenda-item.do?item=2025.EX24.2>

COMMENTS

The DC Act allows Council to pass by-laws that impose DCs on new residential and non-residential land development and redevelopment in the City, with certain exemptions. DC revenues are used to pay for new and upgraded municipal services such as transit, sanitary sewers and recreation centres, that support the resulting population and employment growth from the developments. DCs are generally paid in cash at the time of building permit issuance, although some are collected over time as required under legislation or pursuant to an agreement between the City and the developer that provides for a different payment timing. DCs are distributed to various DC deferred revenue accounts based on the proportions set out in the by-law. DCs are a key source of funding for growth-related capital costs.

Annual Statement Development Charges

As required under the DC Act, this statement provides the DC deferred revenue activity for the year ended December 31, 2024, as summarized in Schedules A and B, which are attached to this report.

Schedule A shows changes in the City's DC activity by service category. In 2024, the City's DC deferred revenue balance decreased to \$2,840.2 million as at December 31, 2024, from \$3,106.0 million as at January 1, 2024. In 2024, the City recognized \$383.0 million in DC deferred revenue collections to various deferred revenue accounts, in addition to \$31.4 million in interest allocation, and recognized \$680.2 million in earned revenue based on eligible growth-related project costs.

Schedule A also presents planned commitments to be funded by Development Charges for the 2025-2034 period. Specifically, the City has committed \$6,659.6 million of its DC deferred revenues balance based on contractual obligations to support growth-related infrastructure investments in the community, or other service or operational performance obligations. This indicates that the City's commitments are greater than two times the amount of DC deferred revenues available as at December 31, 2024. DC funding requirements grow even greater if you include the over \$6 billion in DC eligible projects that are not yet reflected in the City's 10-Year Capital Plan.

Schedule B provides a list of the projects that were funded from DC earned revenue in 2024, as well as the amount and source of other money that was spent on the project in the year.

The City is compliant with the DC Act requirement to spend or allocate at least 60% of the monies that are in a reserve fund at the beginning of the year for the water, sewer, stormwater management and roads DC service. Through the City's 10-year capital and operating budgets and adjustments, approximately \$2,587.5 million has been allocated to water, sewer, stormwater and roads DC services. This represents approximately 261% of the reserve fund balances.

The City has also complied with the requirements of subsection 59.1 (1) of the DC Act, in that it did not impose a charge related to a development, or a requirement to construct a service related to development, except as permitted by the DC Act or another Act.

More information, including links to relevant staff reports, can be found on the City's DC website: www.toronto.ca/devcharges.

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENTS

- Schedule A: City-wide DC Deferred Revenues
- Schedule B: Details of Project Funding Including DC Earned Revenues