



MOTION WITHOUT NOTICE

Reducing Development Charges in partnership with the Provincial and Federal Governments

Moved by:

Mayor Chow

Seconded by:

Councillor Carroll

SUMMARY:

On June 23, 2026, the Premier of Ontario announced that \$1.5 billion in funding will be provided to the City of Toronto over ten years through the Development Charge Reduction Program, funded through the Canada-Ontario Partnership to Build.

This landmark funding deal will pay for major infrastructure projects in the City's 10 Year Capital Plan, including our road network, water infrastructure, and enhanced transit capacity to support a growing population, instead of through development charges collected from residential homebuyers.

Through the Provincial and Federal funding, the City can now reduce its residential development charges by 40 to 60 per cent for the next three years. These reductions will apply across the board for residential development. Deeper development charge discounts (60 per cent) will be offered to units two or more bedrooms, to help incentivize building more housing for families.

In a time when our housing market has slowed down, these development charge reductions will help make projects more financially viable, build more of the kind of housing we need, and make homes more affordable for residents.

This program will not only catalyze building more housing in Toronto, it will also support jobs through construction and related industries. These investments are estimated to generate over 143,000 jobs, including 65,800 direct jobs, and 78,000 indirect or induced jobs.

These investments are in addition to the \$1.2 billion in financial contributions from the City of Toronto since 2024 to help get more housing built, including a freeze on development charges, exempting multiplexes up to six units from development charges, a 15 per cent property tax reduction for rental housing, and programs to incentivize the construction of affordable housing.

It is critically important that we continue to increase the supply of affordable housing in the city.

With the greater financial stability provided through the \$1.5 billion in federal and provincial infrastructure funding, the City of Toronto is now in a position to launch a new phase of our Purpose-Built Rental Incentives Stream through our own financial resources. This program provides full 100 per cent waivers of development charges for projects that include a minimum of 20 per cent affordable housing.

Phase 1 of this program launched in Fall 2024 and supported approximately 8,000 units, including approximately 2,000 affordable units. It was highly successful at incentivizing new projects with affordable housing to break ground across the city – some are nearly complete. There was significant interest in the program, with 75 applications received representing over 32,600 new units - far exceeding expectations.

Phase 2 of the program will support up to 10,000 new rental homes, including a minimum of 2,000 affordable rental homes. We will prioritize shovel-ready projects and City staff will review and approve applications on a rolling basis over the coming weeks and months.

The attached report from City staff outlines the details of the \$1.5 billion in funding from the Canada-Ontario Partnership to Build, and the launch of Phase 2 of the Purpose-Built Rental Incentives program. The recommendations below outline the authorities required to execute these important measures for unlocking supply of new market housing and affordable housing in Toronto.

Reason for Urgency: This matter is urgent because it is time-sensitive to execute a transfer payment agreement with the Provincial government to reduce development charges and incentivize construction as quickly as possible.

RECOMMENDATIONS:

That City Council adopt the following recommendations in the report (June 23, 2026) from the Chief Financial Officer and Treasurer:

1. City Council authorize the Chief Financial Officer and Treasurer, on behalf of the City of Toronto, to negotiate terms and execute a Transfer Payment Agreement (TPA) with the Government of Canada and/or Province of Ontario, for the purposes of receiving funds for the provision of a development charge rate reduction effective from March 30, 2026, and ending at three years after the date of the TPA, in a form satisfactory to the City Solicitor.
2. City Council direct the Chief Financial Officer and Treasurer to report back to the July 2026 City Council meeting with proposed by-law amendments for City Council's consideration which include a decrease of the current development charge rates for residential developments as follows, that will apply contingent on the execution of the Transfer Payment Agreement and on other such circumstances specified in the amendments:

- a. For all rental and non-rental units with 1 bedroom or less, a discount of 40% from current rates; and
 - b. For all rental and non-rental units with 2 bedrooms and larger, as well as dwelling rooms, singles and semis, a discount of 60% from current rates.
3. City Council direct the Chief Financial Officer and Treasurer to include in the report to the July City Council meeting further implementation considerations required to successfully implement the direction in Recommendation 2.
4. City Council approve Phase 2 of the Purpose-built Rental Homes Incentives stream of the Rental Housing Supply Program substantially on the terms and conditions set out in Attachment 2 to this Report, and on such additional terms and conditions satisfactory to the Executive Director, Housing Secretariat, provided that such additional terms and conditions do not give rise to financial obligations on the part of the City that have not been previously approved by City Council.
5. City Council authorize the Executive Director, Housing Secretariat, following the execution of the Transfer Payment Agreement referenced in Recommendation 1 above, to release a Call for Applications under Phase 2 of the Purpose-built Rental Homes Incentives stream of the Rental Housing Supply Program to identify up to a total of 10,000 new rental homes, including a minimum of 2,000 affordable homes and up to 8,000 market rental homes in eligible rental housing projects, and to approve:
 - a. City benefits available under the Rental Housing Supply Program to eligible affordable rental homes within the approved projects; and
 - b. A deferral of development charges payable by the purpose-built rental units within the approved projects in accordance with Recommendation 6 below.
6. City Council authorize severally the Executive Director, Housing Secretariat and Executive Director, Housing Development Office to negotiate and execute any agreements or documents necessary to implement the program referenced in Recommendations 4 and 5, including agreements with the appropriate legal entities pursuant to Section 27 of the Development Charges Act, to defer the payment of development charges payable in relation to market rental units within projects approved through the Call for Applications for as long as they meet program eligibility requirements, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and Executive Director, Housing Development Office, and in a form satisfactory to the City Solicitor.
7. City Council direct the Executive Director, Housing Secretariat and Executive Director, Housing Development Office to require approved projects, as referenced in Recommendation 5, to continually demonstrate progress towards construction start, and where necessary reallocate incentives to other eligible projects, in accordance with program guidelines and agreements.
8. City Council direct the Executive Director, Housing Secretariat, to consult with the Chief Executive Officer, CreateTO to assess any applications received from in-flight housing projects on City-owned or City-controlled land under Phase 2 of the Purpose-built Rental Housing Incentives stream, in consideration of other financial support provided by the City to these developments.

June 24, 25 and 26, 2026