

## Canada-Ontario Partnership to Build: City of Toronto's Submission to the Development Charges Reduction Program and Updates to Purpose-Built Rental Incentives

**Date:** June 23, 2026

**To:** City Council

**From:** Chief Financial Officer and Treasurer

**Wards:** All

### SUMMARY

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On March 30, 2026, the Government of Canada and Province of Ontario announced the Canada-Ontario Partnership to Build which identified a total of \$8.8 billion available for infrastructure investments, including a portion intended to reduce municipal development charges.

On June 1, 2026, the application process was initiated and further details regarding the Development Charge Reduction Program (DCRP) were released. The program will deliver federal and provincial funding over 10 years for existing municipal housing-enabling infrastructure projects, with funding prioritized for municipalities that reduce development charges (DCs) for all residential types by at least 30% to 50% for a minimum three-year period.

The City of Toronto has been actively engaged with the Province of Ontario to ensure that a timely and successful program application was completed in advance of the deadline of June 19, 2026. As was announced on June 23, 2026, between representatives from the federal and provincial government and the Mayor of Toronto, the City is pleased to have since confirmed a total of \$1.5 billion in DCRP funding which will be provided to the City over 10 years.

While this does not represent added funding for new or expanded capital infrastructure projects, it reduces the City's reliance on DCs to fund existing growth-enabling projects in the 10 Year Capital Plan. This funding now enables the City to implement DC rate reductions for all residential development of 40% to 60% for over a three-year period (2026–2029), exceeding the program requirement. These reductions aim to lower development costs, improve project viability and support increased housing supply.

This report reflects an immediate update to City Council on the submission process and resulting DC rate changes, with further technical requirements to be presented to the

July City Council meeting. Given the urgency of finalizing and confirming DCRP funding, this report requests authorization for the Chief Financial Officer and Treasurer to negotiate and execute a Transfer Payment Agreement. The report back in July will include any necessary by-law amendments and additional implementation details.

While the confirmed funding amount of \$1.5 billion will support delivery of capital projects in the 10 Year Capital Plan, greater certainty on growth-related funding and reduced foregone DC revenue impacts, following the implementation of a widespread DC reduction, has enabled staff to reassess the City's financial capacity to complement the DCRP with an additional phase of the City's Purpose-Built Rental (PBR) Homes Incentives Stream. The DCRP will provide an "as of right" DC reduction of 40% to 60% for residential development, and the recommended expansion of the City's PBR incentive stream will build upon the DCRP to provide full DC reductions to eligible developments that include 20% or more affordable units.

In recognition that projects containing affordable housing face additional financial barriers to viability, and the City's commitments through the HousingTO Action Plan to create homes affordable to current and future generations, staff are recommending the launch of a Call for Applications for Phase 2 of the PBR Program, with financial support available for up to 10,000 rental homes including a minimum of 2,000 affordable homes and up to 8,000 market rental homes. This reflects added efforts from the City of Toronto to complement the broader DC reductions that all residential development will have access to, which is expected to unlock an average of 6,250 new units annually beyond base development forecasts, which, as a further benefit of this program, will have a positive impact on the creation of both direct and indirect jobs.

## **RECOMMENDATIONS**

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The Chief Financial Officer and Treasurer recommends that:

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.

9. City Council direct the Deputy City Manager, Development and Growth Services, in consultation with relevant City Divisions, to include information about the delivery of projects under the Purpose-built Rental Housing Incentives stream on the Toronto Housing Data Hub.

## **FINANCIAL IMPACT**

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### **Development Charge Reduction Program**

The City's current 10 Year Capital Plan includes \$6.5 billion in development charge funding to support investment to eligible capital growth-related infrastructure projects. This amount reflects projected revenues based on current reserve fund balances and development forecast assumptions, which are reviewed and updated on an ongoing basis during the annual budget process.

During the 2026 budget process, the City identified concerns regarding the availability of DC funding to support new or expanded capital projects based on current revenue trends. In recent years, the City has seen a decline in incoming DC revenue. This is due to both provincial legislation, which amended payment timing such that DCs are now payable at occupancy rather than at building permit, as well as reduced development activity due to market conditions. Current revenue trends may not be sufficient to support approved and planned capital spending and therefore cannot accommodate additional investments in new capital projects. Further, while the City has taken extensive actions to incentivize development, the City has not been able to accommodate additional incentives to support housing delivery without either intergovernmental support or, alternatively, reducing funding towards growth-enabling capital infrastructure.

The total funding of \$1.5 billion from the DC Reduction Program enables the City to reduce its reliance on development charges to support the existing 10 Year Capital Plan. This funding allows the City to reduce DC rates over an approximately three-year period; however, this does not reflect additional funds available for the City of Toronto to invest in new or expanded capital projects. Upon confirmation and execution of the Transfer Payment Agreement and corresponding DC rate reductions, approved capital projects in the DCRP will adjust their budgets to reflect increased intergovernmental funding and decreased DC funding.

Capital projects selected through the DCRP will not be prioritized over other City capital projects, although they are required to adhere to project timelines established by the provincial and federal governments (projects or specified project phases must be initiated by July 31, 2030, and completed by October 31, 2035). Existing capital projects not included as part of the DCRP application list will continue as planned, subject to the usual budget process which ensures capacity to spend and confirmation of available funding. As part of final agreements and in development of the TPA, staff are seeking retained flexibility to substitute capital growth-related infrastructure projects as needed, to ensure full maximization of the \$1.5 billion, based on ongoing discussions with the

provincial and federal governments.

## **Funding Certainty**

With the current state of market conditions, as noted above, the City has been challenged to prepare revenue forecasts which are sufficiently reliable to support investments in the City's 10-Year Capital Plan based on the scale of funding required. One major benefit associated with the DCRP funding announcement is the added certainty in receiving a confirmed \$1.5 billion amount which allows the City to proceed with municipal investments in critical capital infrastructure with a reduced level of financial risk.

Staff are continuing to discuss the importance of funding certainty and confirmed payment timing with the Province in advance of the execution of the TPA.

The City will also be monitoring the level of development activity that occurs over the three-year period as it's expected the rate reductions will spur increased development. Staff currently estimate that the reductions will result in an average added number of 6,250 units annually. Increased development activity will result in additional future funding certainty, albeit at reduced DC rates per unit, which will support ongoing investments in the current 10-Year Capital Plan.

While the City would welcome additional funding beyond the \$1.5 billion to further reduce project funding risks, and to consider increased actions to spur development such as deeper, longer, or targeted DC discounts, this confirmed funding through the DCRP will enable the City to provide widespread DC rate reductions. As part of the submission process, staff identified an additional \$250 million in project values, should additional DCRP funding be available to the City based on total municipal applications.

## **Phase 2 of the City's Purpose-Built Rental (PBR) Homes Incentives Stream**

As the City of Toronto will receive intergovernmental support in providing widespread DC reductions, staff have also been able to reassess its financial capacity to provide an additional phase of the PBR Program based on a reduced financial risk profile. The City acknowledges that development projects containing affordable housing components often face additional financial barriers to project viability. Further, as detailed later in this report, Phase 1 of the PBR Program, which was launched in 2024, drew strong interest, with financial support ultimately being allocated to up to 8,152 new rental units, including 6,128 market rentals and 2,024 affordable homes.

Based on these factors, staff recommend proceeding with a Call for Applications for Phase 2 of the PBR Program for development projects which include a minimum of 20% affordable homes, for up to 10,000 total new units. With widespread DC rate reductions to be in place, there is a reduced incremental impact to deliver Phase 2 of the PBR Program as indefinite deferrals of DCs can be provided at ~50% less than was delivered in Phase 1.

In total, Phase 2 would represent an additional financial contribution by the City of Toronto of \$578 million towards spurring development activity, as outlined in Table 1 below. This includes foregone revenues comprised of:

- A full DC deferral for 8,000 market rental units (\$158.0 million) and DC exemptions for 2,000 affordable rental units (\$39.5 million), which incorporates the proposed DC rate reductions available to all residential development;
- A 15% property tax rate reduction for 8,000 market rental units for a 35-year period (\$163.2 million), provided through the New Multi-Residential (Municipal Reduction) Property Tax Subclass, available to all new multi-residential properties;
- A full property tax exemption for 2,000 affordable rental units for a 40-year period (\$190.3 million); and
- Additional exemptions of Community Benefits Charges, Parkland Dedication Funds and building permit fees for 2,000 affordable rental units (\$27.5 million).

**Table 1: Estimated Financial Impact of Phase 2 of PBR Program**

	Estimated Value Per Unit <sup>1</sup>	Total Estimated Value (\$ millions)
<b>Market Rental</b>		
Development Charge Deferral	\$19,744	\$158.0
15% Property Tax Reduction (35 years) <sup>2</sup>	\$20,396	\$163.2
<b>Market Rental Total (8,000 units)</b>	<b>\$40,140</b>	<b>\$321.1</b>
<b>Affordable Rental</b>		
Development Charge Exemption	\$19,744	\$39.5
Property Tax Exemption (40 years) <sup>3</sup>	\$95,148	\$190.3
CBC & Parkland Exemption	\$12,600	\$25.2
Building Permit Fees	\$1,164	\$2.3
<b>Affordable Rental Total (2,000 units)</b>	<b>\$128,656</b>	<b>\$257.3</b>
<b>Total Phase 2 of PBR Program (10,000 units):</b>		<b>\$578.4</b>

<sup>1</sup> Assumes weighted average unit mix of 25% studio, 45% 1 bed, 20% 2 bed, 10% 3 bed

<sup>2</sup> Average property tax reduction based on an assumed CVA of \$405,000 per unit

<sup>3</sup> Average property tax exemption based on an assumed CVA of \$231,439 per unit

## DECISION HISTORY

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At its meeting on November 12 and 13, 2025, City Council adopted the 2024 to 2025 Annual Progress Report on the HousingTO 2020–2030 Action Plan and Housing Action Plan (2022–2026), including requests to the federal and provincial governments for funding and financing to support purpose-built rental, affordable, and supportive housing delivery.

Item PH25.4 <https://secure.toronto.ca/council/agenda-item.do?item=2025.PH25.4>

At its meeting on July 23 and 24, 2025, City Council adopted amendments to Chapter 415 of the Toronto Municipal Code (Development of Land) to expand development charge and parkland dedication exemptions for multiplex housing. The changes exempt multiplexes of up to six units and permit an additional garden or laneway suite to qualify for exemptions when subject to a development charge deferral agreement.

Item MM32.5 <https://secure.toronto.ca/council/agenda-item.do?item=2025.MM32.5>

At its meeting on July 23 and 24, 2025, City Council adopted a report providing an update on implementation of the Purpose-built Rental Housing incentives stream, and reiterated requests to the provincial and federal governments to provide the City with additional funding and a dedicated portfolio of low-cost financing to support a second phase of the PBR program.

Item PH23.5 <https://secure.toronto.ca/council/agenda-item.do?item=2025.PH23.5>

At its meeting on June 25 and 26, 2025, City Council adopted changes to remove mandatory rate indexing in 2025 and 2026, and rescinded the requirement for applicants seeking conditional below-grade permits to enter into agreements to pay Development Charges at the higher of the rate in effect at permit issuance or the rate applicable at the time of payment.

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

At its meeting on February 11, 2025, City Council adopted Budget Implementation Including Property Tax Rates, User Fees and Related Matters which requested staff initiate a comprehensive review of development charges and introduced a 15% property tax reduction for new multi-residential properties.

Item CC27.1 <https://secure.toronto.ca/council/agenda-item.do?item=2025.CC27.1>

At its meeting on December 17 and 18, 2024, City Council adopted a report advancing Phase 1 of the Purpose-Built Rental Housing Incentive Program, including additional approvals beyond EX18.2 to defer development charges for 528 purpose-built rental units and authorize property tax exemptions for eligible units.

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

At its meeting on November 13 and 14, 2024, City Council adopted a report to create a new Purpose-Built Rental Housing Incentive Program, including approximately \$461M in total financial incentives, comprised of \$325M for market purpose-built rental homes (5,600 units) and \$136M for affordable rental housing (1,400 units), through development charge deferrals, property tax reductions, and other fee waivers.

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

At its meeting on June 26 and 27, 2024, City Council adopted the launch of the Rental Housing Supply Program, transforming the City's former Open Door Affordable Rental Housing program into a new program to support the delivery of rent-geared-to-income, affordable rental, and rent-controlled homes in response to updated HousingTO 2020-2030 Action Plan targets and current market conditions.

Item PH13.8 <https://secure.toronto.ca/council/agenda-item.do?item=2024.PH13.8>

At its meeting on March 21, 2023, Executive Committee adopted the Housing Action Plan 2022-2026- Priorities and Work Plan, outlining the City's strategy to meet or exceed the provincial housing target of 285,000 homes through a combination of market, non-market, and mixed housing production.

Item EX3.1 <https://secure.toronto.ca/council/agenda-item.do?item=2023.EX3.1>

At its meeting on July 19 to 22, 2022, City Council adopted the City's Development Charges By-law, which incorporated a municipal discount on rental units and expanded exemptions for multiplex units.

Item EX34.1 <https://secure.toronto.ca/council/agenda-item.do?item=2022.EX34.1>

## COMMENTS

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### Canada-Ontario Partnership to Build

The Canada-Ontario Partnership to Build program was announced on March 30, 2026, committing \$8.8 billion in shared federal and provincial infrastructure funding over a 10-year period for housing-enabling infrastructure, with a portion of funding prioritized for municipalities that temporarily reduce DC rates by 30% to 50% for a minimum of three years. Rate reductions are to be retroactive to March 30, 2026, and then in place for an additional three years following the signing of the Transfer Payment Agreement, for a total duration of ~40 months. The announcement highlighted that participating municipalities are expected to contribute to the targeted DC reductions; however, past actions to reduce residential DCs are expected to be recognized as part of this contribution.

Since the announcement on March 30, the City has been proactively engaged with the Province of Ontario to ensure a program was delivered as quickly and efficiently as possible, in order to prevent further development delays. On June 1, 2026, the Province released further details of the Development Charges Reduction Program (DCRP) which has clarified project eligibility, timing and further requirements.

While the application process was open until June 19, 2026, the City expedited discussions with the Province to ensure a timely and successful application, ultimately resulting in a funding announcement of \$1.5 billion on June 23, between the federal and provincial representatives and Mayor of Toronto.

## **Existing City of Toronto Actions to Incentivize Development**

The Canada-Ontario Partnership to Build was a welcomed announcement to complement the City of Toronto's existing efforts to incentivize development.

Since 2024, the City of Toronto has implemented multiple targeted actions and programs to reduce the cost of development and support increased housing supply by enhancing project viability. These initiatives include targeted DC relief, alongside complementary property tax and fee waivers. Combined, these actions have represented \$1.2 billion in financial contributions by the City of Toronto as of 2026 Q1, and include:

- Freezing development charges at 2024 levels by forgoing annual indexing in 2025 and 2026;
- Introducing a New Multi-Residential (Municipal Reduction) Property Tax Subclass which provides a 15% property tax rate reduction for all new multi-residential properties;
- Delivering the Purpose-Built Rental Housing Incentives Stream of the Rental Housing Supply Program, which provided an indefinite deferral of DCs for up to 6,128 market rental units, as well as full exemptions of development-related fees, charges and property taxes for 2,024 affordable housing units;
- Delivering Toronto Builds and Affordable Rental and Rent-Controlled Housing Incentives (ARRCHI) programs which, combined, provided DC exemptions for 946 rent-controlled homes, and a suite of incentives including exemptions of development-related fees, charges and property taxes, for 5,956 net new affordable rental homes;
- Operating the Home Ownership Assistance Program which provides DC exemptions to eligible homes; and
- Expanding DC exemptions for multiplexes with up to six units.

## **DCRP Project Submission Process**

City staff estimated that, to provide an average discount of 50% over a three-year period, Toronto would require at least \$1.5 billion in funding through the program. The purpose of this funding is to replace DC revenue that would otherwise be generated through current DC rates and does not constitute net new funding to expand or accelerate infrastructure projects.

While the City would welcome additional funding beyond the \$1.5 billion to further reduce project funding risks, consider additional actions to spur development such as deeper or longer DC discounts, or to support a phased transition in 2029, this confirmed funding through the DCRP will enable the City to enhance existing actions taken by providing additional widespread DC rate reductions of 40% to 60%, improving

development project viability. As part of the submission process, staff identified an additional \$250 million in capital project values, should additional DCRP funding be available to the City based on total municipal applications.

The City has approximately \$6.5 billion in planned spending, supported by development charge funding, in the 10 Year Capital Plan. When preparing the DCRP application, staff reviewed all capital projects included in this amount against the provincial and federal eligibility and prioritization criteria. Among other requirements, the DCRP identified the following for a capital project to be eligible:

- Projects or specified project phases must start no later than July 31, 2030;
- Projects or specified project phases must be complete by October 31, 2035;
- Projects must be included in the most recent DC Background Study; and
- Projects should be informed by the current Capital Plan.

Further, they indicated that housing enabling infrastructure projects (such as roads, water, and transit) would be prioritized over community infrastructure projects, with a maximum of five total project bundles allowed. They also noted that the municipal contribution should be at least 10% towards eligible project costs.

When preparing the final project application list, in addition to the above elements, the City considered the following factors:

- Opportunities to bundle related eligible growth-related capital projects to prepare an application which adheres to the maximum number of projects permitted;
- Expected impact on DC rates (e.g. the City prioritized projects with higher amounts of DC funding to be able to deliver a higher DC rate reduction);
- Whether projects with existing intergovernmental funding had any conflicting stacking restrictions;
- Consideration of tax-supported vs. rate-supported capital projects to prevent any unintended impacts on the property tax base; and
- Consideration of expected project timing to help alleviate potential cash flow concerns, with further analysis ongoing.

The final project funding list of \$1.5 billion is detailed in Attachment 1 of this report, with a total of three project bundles ultimately selected, based on the above criteria and approach:

- Expanded road network (\$661 million);
- Water and wastewater infrastructure (\$327 million); and
- Enhanced transit capacity (\$511 million).

Capital projects selected through the DCRP will not be prioritized over other capital projects, although they are required to adhere to project timelines established by the provincial and federal governments (projects must be initiated by July 31, 2030, and completed by October 31, 2035). Existing capital projects not included as part of the DCRP application list will continue as planned, subject to the usual budget process which ensures capacity to spend and confirmation of available funding.

As part of final agreements and in development of the TPA, staff are seeking retained flexibility to substitute projects, as needed, to ensure full maximization of the \$1.5 billion, based on ongoing discussions with the provincial and federal governments.

**As of Right DC Rate Reductions**

The \$1.5 billion of funding to be received from the DCRP is intended to provide a widespread reduction of DCs across all residential development types. On average, this funding will allow for a reduction of more than 50%, with specific unit sizes receiving varying discounts of 40% to 60%.

All reductions will apply to the development charge rates currently in effect as of June 6, 2024, and build upon existing discounts that are incorporated into current rates. The complete updated DC rate structure will be provided in the July City Council report, however, Table 2 below outlines the proposed discounted total rates by development type. The City has an important role in providing and maintaining a diverse range of housing in terms of building form, tenure and affordability. Staff are recommending that a deeper discount be provided to residential development with at least two bedrooms or more, dwelling rooms, and single and semis, to promote mixed-income developments that deliver more family-sized homes and contribute to complete communities.

The majority of development in Toronto is within the rental and non-rental apartment (studio, 1 bed, 2 bed and 3+ bed) categories, followed by those considered “multiples”. The City estimates, based on a 10-year average annual growth forecast, baseline development of up to 25,150 units over the three-year period. Preliminary analysis of development forecasts and market feasibility indicates that an incremental 18,750 new units could benefit from the DC rate reduction during this period. The reductions will not be capped during the three-year period, however, and uptake is dependent on market demand. The additional 18,750 units expected during this period is estimated to generate over 28,000 direct jobs (in person years, generally construction), and over 33,300 indirect and induced jobs<sup>1</sup>.

**Table 2: Proposed Discounted DC Rates by Development Type**

Development Type	Current Rate	Proposed Discount	Discounted Rate
<b>Rental</b>			
Dwelling Room	\$23,759	60%	<b>\$9,504</b>
Apartment: Studio & 1 Bedroom	\$33,497	40%	<b>\$20,098</b>
Apartment: 2 Bedroom	\$48,299	60%	<b>\$19,320</b>

<sup>1</sup> Based on a 2025 report by Peter Norman for Altus Group, which references each apartment unit generates 1.5 person years of employment, plus further indirect and induced jobs: <https://www.bildgta.ca/wp-content/uploads/2025/06/6.18.25-Job-Risk-Housing-Pipeline-GTA-Altus-Group.pdf>

<b>Development Type</b>	<b>Current Rate</b>	<b>Proposed Discount</b>	<b>Discounted Rate</b>
Apartment: 3+ Bedroom	\$45,280	60%	<b>\$18,112</b>
Multiples: Studio & 1 Bedroom	\$36,351	40%	<b>\$21,811</b>
Multiples: 2 Bedroom	\$68,199	60%	<b>\$27,280</b>
Multiples: 3+ Bedrooms	\$63,937	60%	<b>\$25,575</b>
<b>Non-Rental</b>			
Dwelling Room	\$37,356	60%	<b>\$14,942</b>
Apartment: Studio & 1 Bedroom	\$52,676	40%	<b>\$31,606</b>
Apartment: 2+ Bedroom	\$80,690	60%	<b>\$32,276</b>
Multiples: Studio & 1 Bedroom	\$57,153	40%	<b>\$34,292</b>
Multiples: 2+ Bedroom	\$113,938	60%	<b>\$45,575</b>
Singles & Semis	\$137,846	60%	<b>\$55,138</b>

The City hopes to continue further discussion regarding longer-term approaches to DCs, investing in growth-related capital infrastructure, and supporting residential development. Staff would like to explore opportunities with the provincial and federal governments to mitigate DC rates for all residential development over a longer period of time and limit the expected impact to the development industry in 2029 once the temporary reductions are lifted.

**Phase 2 of the City’s Purpose-Built Rental (PBR) Homes Incentives Stream**

The \$1.5 billion in DCRP funding is intended to broadly reduce DCs across all residential projects to enhance project viability. The City also aims to maintain viability for projects delivering affordable housing, which face greater financial challenges. Despite being more viable than condominium projects, new rental projects still face significant challenges from high construction costs and financing issues. Without additional government action, the necessary supply of affordable workforce housing will not be sufficient to meet the city’s long-term projected population growth.

As the funding received from the DCRP provides greater assurance in the City’s ability to deliver growth-related projects in the 10 Year Capital Plan, the City’s financial risk profile has evolved. With widespread DC rate reductions to be in place, there is also a reduced incremental impact to deliver Phase 2 of the PBR Program (i.e. full deferrals of DCs can be provided at ~50% less than was delivered in Phase 1). Staff have determined that a Phase 2 of the PBR program could proceed at this time, with financial capacity to support up to 10,000 new rental homes, including up to 8,000 market rental homes and a minimum of 2,000 affordable rental homes.

While the DCRP will not be funding the PBR Program, the certainty it provides enables the City to launch a second phase of the program and provide additional DC reductions to rental projects that deliver at least 20% affordable housing. This report recommends proceeding with a Call for Applications following the execution of the TPA to ensure that there is alignment achieved between the overall DCRP and PBR Program such as timing or milestone considerations.

### *Success and Lessons of Phase 1 of the PBR Incentives Stream*

In November 2024, City Council approved the new Purpose-built Rental (PBR) Homes Incentives stream under the Rental Housing Supply Program (RHSP) ([Item EX18.2](#)). The PBR program deferred the payment of all DCs for all purpose-built rental homes within City approved projects that contained at least 20% affordable rental homes for a minimum of 40 years, up to 99 years. City Council endorsed immediate action to support over 8,000 new rental homes, and requested the provincial and federal government provide funding for the City to expand this program into a second phase, reiterating this request in July 2025 ([Item PH23.5](#)).

The PBR Phase 1 Call for Applications received 75 applications in 21 wards representing over 32,600 purpose-built rental homes and over 7,400 affordable rental homes, significantly exceeding expectations, with City staff approving 17 applications. As of June 2026, 16 projects are advancing within the program, with over 2,700 homes under construction. The remaining approximately 5,200 homes approved through the PBR Phase 1 program are expected to start construction by the end of 2026.

Since the launch of PBR Phase 1, City staff in the Housing Secretariat and the Housing Development Office continue to consult with the development sector on programs and policies that could unlock additional purpose-built rental and affordable rental housing. There is strong stakeholder support to launch another round of the PBR program, with additional feedback collected and incorporated into the proposal of Phase 2, as further described below.

### *Proposed Phase 2 Purpose-built Rental Housing Incentives Program*

In addition to considering the progress and lessons learned of projects supported through Phase 1 of PBR, the City retained an independent consultant, N. Barry Lyon Consultants Limited (NBLC), to provide an updated proforma tool to test the feasibility of high-density residential development in Toronto in support of staff's ongoing review of City affordable housing programs. This tool has been used by staff in their analysis of the financial viability of purpose-built rental housing projects under current economic conditions and in different submarkets of the City.

Echoing feedback from industry and experiences in Phase 1, the tool indicates that new rental housing developments face viability challenges that vary by project specifics. Staff expect that PBR Program incentives will continue to support more projects, beyond those unlocked through widespread DC rate reductions, in achieving construction starts while also delivering affordable housing. Stacking of government benefits, including low-cost financing from the federal government, continues to be

important to realizing viable projects.

This report requests Council authority for the Executive Director, Housing Secretariat, to update PBR program eligibility requirements and guidelines (as outlined in this report and others as may be required to meet the program's objectives), launch a Call for Applications, review and approve eligible applications, and enter into agreements to provide financial incentives to eligible projects, alongside the Executive Director, Housing Development Office.

As part of launching Phase 2 of the PBR program, staff will incorporate lessons learned from Phase 1 and will implement adaptations to the program to improve performance in supporting shovel-ready projects while providing more certainty to industry, within the City's available resources:

- Prioritize shovel-ready projects, by requiring applicants to have advanced through the development review process to at least having received a Notice of Complete Application for a Site Plan Application, prior to submitting a PBR Program application;
- Accept, review, and approve applications on an ongoing basis, ensuring projects that meet minimum eligibility requirements and have demonstrated a feasible path to construction start within 2 years of receiving incentives. The rolling call window will remain open until the City has allocated the maximum 10,000 incentives available; and
- Require ongoing demonstration of progress towards construction start, to ensure that projects are proceeding through the development process and enable the City to reallocate incentives to other projects if requirements such as timelines or financial commitments are not being met. Monitoring of progress may include, but not limited to, the following:
  - At least monthly review of project progress by assigned HDO staff
  - Requirement for proponents to provide detailed project updates on a regular basis, including development milestones, and funding and financing details
  - Consideration of a project's construction financing, development review, and building permit application advancement, with incentives subject to reallocation if a project is not demonstrating continued ability to reach construction start by deadline.

Proceeding as a rolling call rather than a single window application period will provide the City with the flexibility needed to ensure the program is supporting projects in alignment with changing financial conditions, and in parallel with CMHC financing and BCH funding programs, which is consistent with stakeholder feedback received during Phase 1. A rolling call also enables better coordination with Development Review on development applications to ensure that projects supported through the City's PBR program are advancing through development-related approvals in alignment with City PBR and CMHC/BCH program milestones.

The program will continue to implement core requirements of the City's Rental Housing Supply Program (as further detailed in Attachment 2), including that 20% of units be affordable rental, implementing the City's income-based definition for a minimum of 40 years, and a target of 99 years. Consistent with the approach taken for Phase 1, applications from projects on City-owned land will be subject to additional financial review and analysis in consultation with the Chief Executive Officer, CreateTO, prior to any approval, in recognition of other benefits the City is providing to these developments.

### **Further Considerations**

This report is intended to provide an initial update on the funding made available through the DCRP. Staff need to consider specific details based on the final terms of the Transfer Payment Agreement with the provincial and federal governments and provide further analysis to City Council in July 2026. This will include:

- Analysis as to the expected timing of intergovernmental funding and whether, and to what extent, upfront financing will be required to advance capital infrastructure projects;
- Technical consideration as to whether DC rate reductions will be applied equally across all DC services or limited to those areas receiving project funding;
- Request to authorize necessary budget adjustments to reflect the replacement of development charge funding with intergovernmental funding for applicable capital projects in the 10 Year Capital Plan;
- Ensuring that the DC rate reductions achieve their intended outcome of incentivizing timely development and construction by implementing mechanisms that require developments to achieve application milestones within certain timeframes (such as achieving occupancy within a specific time period);
- Confirmation of the method to deliver retroactive DC relief to development projects which received their building permit as of March 30, 2026, as required by the DCRP; and
- Any other technical adjustments required to amend the Development Charges By-Law to reflect the intent of the DCRP.

### **Next Steps**

The City continues to engage with the Province on final details of the announced DCRP funding and expects the Transfer Payment Agreement to be completed in July, with a latest execution date of August 15, 2026. Following execution of the Agreement, the City intends to immediately implement a temporary DC rate reduction, dating back to March 30, 2026, and applying for a three-year period from the date of execution. Staff will also launch a Call for Applications for Phase 2 of an updated Purpose-Built Rental Homes Incentives Program.

The Chief Financial Officer & Treasurer will report to City Council via Executive Committee in July 2026, with recommendations to implement a DC rate reduction through a by-law amendment for consideration, along with any other technical requirements or adjustments needed.

All orders of government need to work together to support the recovery of the development industry and build a housing system that creates homes affordable to a range of residents. The City hopes to continue further discussion regarding longer-term approaches to DCs, investing in growth-related capital infrastructure, and supporting development of affordable housing. Specifically, staff would like to explore opportunities with the provincial and federal governments to mitigate DC rates for all residential development over a longer period of time and limit the expected impact to the development industry in 2029 once the temporary reductions are lifted.

Specific to the PBR Program, staff will also engage with CMHC and Build Canada Homes on opportunities to stack the program with available financial incentives and will request they dedicate a portfolio of low-cost financing to support projects enabled in Toronto through the tri-government investment reflected in the DCRP. By streamlining access to low-cost financing, the federal government can expand the impact of DC reductions on project viability and enhance affordability for more residents. Build Canada Homes may also introduce a new opportunity to access additional financial support where a project will build community housing sector capacity or use modern methods of construction.

Combined, Phase 1 and Phase 2 of the PBR Program would result in the City providing support for over 18,000 new purpose-built rental homes, including over 4,000 affordable rental homes. These projects support the creation of complete communities with homes affordable to a range of residents, including essential workers in professions such as health care, skilled trades, arts and culture, and education, among others. This, when coupled with the additional units that are expected to proceed due to the broader DC rate reduction, will have a meaningful impact on development and housing supply in Toronto.

## **CONTACT**

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## **SIGNATURE**

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Stephen Conforti  
Chief Financial Officer and Treasurer

## **ATTACHMENTS**

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Attachment 1: City of Toronto Project List - DCRP Funding

Attachment 2: Summary of Proposed Phase 2 of Purpose-Built Rental Homes Incentive Stream

## Attachment 1: City of Toronto Project List - DCRP Funding

Project	Project Component	Project Component Timing	Total Project Funding in 10 Year Capital Plan	DCRP Funding Amount
<b>Expanded Road Network</b>				
Steeles Widening	Widening of Steeles Avenue East (Tapscott Road to Ninth Line) and construction of Morningside Avenue extension	2028 - 2030	\$60 M	\$25 M
St. Clair Transportation Master Plan	Corridor widening and network expansion along St. Clair Avenue West including associated extensions	2026 - 2030	\$460 M	\$391 M
Liberty New Street	Construction of new street from Dufferin Street to Strachan Avenue	2027 - 2029	\$75 M	\$64 M
John Street Revitalization	Streetscape reconstruction from Front Street to Stephanie Street to support intensification in a high-density area	2028 - 2031	\$69 M	\$41 M
Broadview Extension	Extension of Broadview Avenue south from Eastern Avenue including grade separation works at rail corridor	2026 - 2035	\$120 M	\$102 M
Doris Avenue Extension	Construction of road connection from Tradewind Avenue to Sheppard Avenue East via Bonnington Place	2027 - 2028	\$12 M	\$10 M
Scarlett Road Bridge	Integrated bridge replacement and intersection reconstruction project	2027 - 2031	\$89 M	\$28 M
<b>Expanded Road Network Sub-Total Funding:</b>				<b>\$661 M</b>
<b>Water and Wastewater Infrastructure</b>				
Watermain Replacement	City-wide watermain upsizing program to support growth-related servicing capacity	2027 - 2033	\$67 M	\$17 M
New Sewer Construction - Port Lands	Construction of new gravity sanitary sewer along Carlaw Avenue	2027 - 2032	\$237 M	\$60 M
Black Creek (Phase 1)	Keele relief trunk sewer serving the Black Creek sewershed	2027 - 2032	\$743 M	\$250 M
<b>Water and Wastewater Infrastructure Sub-Total Funding:</b>				<b>\$327 M</b>

Project	Project Component	Project Component Timing	Total Project Funding in 10 Year Capital Plan	DCRP Funding Amount
<b>Transit Capacity</b>				
Purchase of Buses	Procurement of new buses to increase transit capacity supporting population growth	2026 - 2035	\$492 M	\$66 M
Yonge-Bloor Capacity Enhancements	Bloor-Yonge Station platform, concourse and entrance expansion to increase passenger capacity in key growth node	2027 - 2035	\$1,316 M	\$143 M
Line 2 Automatic Train Control	Line 2 resignalling (Kipling to Kennedy) to increase service frequency and capacity	2026 - 2035	\$1,011 M	\$302 M
<b>Transit Capacity Sub-Total Funding:</b>				<b>\$511 M</b>
<b>Total DCRP Funding:</b>				<b>\$1.5 B</b>

## Attachment 2: Summary of Proposed Phase 2 of Purpose-Built Rental Homes Incentives Stream

The table below outlines the proposed eligibility requirements for projects to be approved for incentives through the new Purpose-built Rental Housing Incentives program (Phase 2). As outlined in the report the eligibility requirement and other implementation details will be further spelled out in Program Guidelines to be released with the Call for Application.

**Table 1: Purpose-built Rental Homes Incentives Stream Overview**

<b>Minimum Eligibility Requirements</b>	
Proponent Type	Private sector organizations, community housing providers, and public organizations are eligible.
Affordable Housing	20% of rental homes must be affordable rental and comply with the City's RHSP requirements (including the income-based definition).  Affordable unit mix and size must comply with City requirements. <sup>1</sup>
Duration of Agreement	Affordable units must be secured for a minimum of 40 years, with a target of 99 years.  Project rental tenure secured for a minimum of 40 years, target of 99 years.
Rent Control	Affordable rental units must comply with Provincial Rent Increase Guideline and cannot be increased to an amount exceeding the Affordable Rent.  Market rental units must comply with Provincial legislation.
Project Development Status	Project must have advanced through the development review process to at least have received a Notice of Complete Application for a Site Plan Application. <sup>2</sup>
Construction Start	Project must demonstrate a feasible path to construction start within 2 years.
<b>Incentives Available</b>	
Development Charges	Affordable rental homes eligible per RHSP.  Eligible for an indefinite deferral of development charges payable for the market rental homes.
Parkland Dedication & Community Benefits Charges	Affordable rental homes eligible per RHSP.  Market rental homes not eligible.

Planning Fees	Not eligible.
Building Permit Fees	Affordable rental homes eligible per RHSP, where not already paid. Market rental homes not eligible.
Property Taxes	Affordable rental homes eligible for 100% exemption as per the RHSP. Market rental homes receive automatic 15% reduction through New Multi-residential Property Tax Subclass.

<sup>1</sup>Unit mix and size requirements will be detailed in the Program Guidelines and may include a requirement that the affordable units match the mix and size of the market rental units.

<sup>2</sup>Additional details will be provided in Program Guidelines, as determined by the Executive Director, Housing Secretariat.