TORONTO

REPORT FOR ACTION

Building New Homes: Results of Phase Two of the Purpose-built Rental Housing Incentives Stream

Date: November 16, 2026
To: City Council
From: Executive Director, Housing Secretariat
Wards: All

SUMMARY

On June 24, 2026, City Council adopted "MM42.44 – Reducing Development Charges in Partnership with the Provincial and Federal Governments" and directed the Executive Director, Housing Secretariat, to launch a second phase of the City's successful Purpose-built Rental Housing Incentives Stream (PBR Program) and, subject to the execution of a Transfer Payment Agreement (TPA) between the City and the Province of Ontario under the Development Charges Reduction Program (DCRP), select and approve new rental housing projects to create up to a total of 10,000 new purpose-built rental homes, with at least 2,000 affordable, rent-controlled homes and up to 8,000 market rental homes. Phase 2 of the PBR Program will provide City financial incentives for new affordable rental homes and an indefinite deferral of development charges for market rental units within projects that contain at least 20% of homes as affordable rental, meeting the City's income-based definition for a period of at least 40 years.

Phase 2 of the PBR program followed an announcement on June 23, 2026, of $1.5 billion in infrastructure funding from the provincial and federal governments for the City of Toronto through the DCRP. The City is awaiting the receipt of the TPA from the Province of Ontario to enact the reduced rates and finalize payment terms. This will provide the City with sufficient certainty regarding future infrastructure funding to go further and provide deeper municipal incentives to housing developments that commit to providing 20% affordable rental housing through the PBR Program.

The Call for Applications for Phase 2 of the PBR Program closed on September 18th, 2026, and received 58 applications representing 27,201 new rental homes, indicating continued interest in the program and its potential to enable new affordable and rental housing delivery at scale.

Following a cross-Divisional review process, 19 housing developments were selected across 12 wards and provided with conditional approval under the program, representing 9,667 new rental homes, including 2,059 affordable, rent-controlled

homes. The City's approval is conditional on the execution of the TPA referenced above, and on proponents meeting the City's requirements and executing necessary legal agreements. All proponents have been notified of the outcome of their application(s). To support getting shovels in the ground as quickly as possible, the City will require all projects to advance to construction start within 12 months to maintain eligibility for the City's financial support. This report provides more information for City Council about the program, the selected projects, and outlines program risks and success enablers.

Through Phases 1 and 2, the PBR Program is now supporting 34 rental housing developments across the City to deliver 16,886 new purpose-built rental homes including 3,849 affordable, rent-controlled homes. City staff estimate that one in four rental housing starts in Toronto between Q1 2025 and Q3 2026 were supported by Phase 1 of the PBR Program, highlighting its impact on unlocking new rental developments, securing new affordable homes, and supporting jobs in the construction sector.

This program is demonstrating the significant impact government action, in partnership with the rental development sector, can have to shift the housing system towards building more affordable and purpose-built rental homes, after decades of underinvestment in new rental housing.

RECOMMENDATIONS

The Executive Director, Housing Secretariat, recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

The City uses a number of financial incentives to support the development of a range of new rental homes to meet Council's targets in the HousingTO 2020-2030 Action Plan. The Purpose-built Rental Housing Incentives Stream (PBR Program) provides waivers, exemptions, and/or indefinite deferrals from various development-related fees and charges, as well as property tax exemptions, to eligible units, and does not provide direct funding contributions to projects.

City Council received an estimate of the Financial Impact of Phase 2 of the PBR Program in June, 2026, through item MM42.44. As noted in that report, confirmation of $1.5 billion in funding for infrastructure through the DCRP has provided the City with sufficient certainty of revenue for development-related infrastructure projects to enable a second phase of the PBR program, to provide additional development charge relief to purpose-built rental housing projects that also commit to delivering at least 20% affordable rental housing and meet other City requirements.

Following a review of eligible applications, City staff have identified and selected 19 projects under Phase 2 of the PBR program, representing a total of 2,038 net new affordable rental homes and 21 replacement affordable rental homes, and 7,578 net new market rental homes and 30 replacement market rental homes. The financial impact below excludes rental replacement homes which are not eligible for City incentives under the Rental Housing Supply Program (these homes are eligible for the City-wide 15% property tax reduction through the New Multi-Residential (Municipal Reduction) Property Tax Subclass). Additional details on the financial impact of providing incentives under Phase 2 of the PBR Program are provided in Table 1 below.

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

Unit and Financial Incentive Type	**Estimated Value Per Unit[1]**	**Total Estimated Value ($ millions)**
Affordable Rental[2]		
Building Permit & RoDARS Fee Waiver	$1,349	$2.8
Property Tax Exemption[3]	$95,148	$193.9
Affordable Rental Total	$96,497	$196.7
Market Rental		
Indefinite Development Charge Deferral (after DCRP reduction)	$19,644	$148.9
15% Property Tax Reduction (35 years)[4]	$20,396	$155.2
Market Rental Total	$40,040	$304.1
Total Phase 2 of PBR Program (9,667 new homes[5])		**$500.8M**

[1]Based on actual unit mix in approved PBR Phase 2 projects of 8% studios, 52% 1-bedroom, 29% 2-bedroom, 11% 3-bedroom or larger
[2]2,038 of the 2059 affordable rental units are eligible for these incentives, being net new.
[3]Average property tax exemption based on an assumed CVA of $231,439 per unit, over 40 years
[4]Average property tax reduction based on an assumed CVA of $405,000 per unit. Note, this reduction is provided to all 7,606 market rental housing units regardless of being net new or rental replacement.
[5]Includes 2,038 net new affordable rental homes, 21 affordable rental replacement homes, 7,578 net new market rental homes, and 30 market rental replacement homes.

In addition to incentives provided by the City, affordable rental homes are eligible for an exemption from payment of Developments Charges, Community Benefit Charges and Parkland dedication requirements under the provincial *Development Charges Act* and *Planning Act*, as amended through Bill 23. The value of these as-of-right exemptions is estimated to be $32,616 per affordable unit, or $66.5 million.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the information as presented in the Financial Impact section.

DECISION HISTORY

At its meeting on June 24 and 25, 2026, City Council adopted Item MM42.44 - Reducing Development Charges in Partnership with the Provincial and Federal Governments, which recommended the City enter into agreements to implement the Development Charges Reduction Program and authorized City staff to launch Phase 2 of the Purpose-built Rental Housing Incentives Stream and select and approve eligible projects.
https://secure.toronto.ca/council/agenda-item.do?item=2026.MM42.44

At its meeting on July 23 and 24, 2025, City Council adopted a report providing an update on implementation of Phase 1 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.
https://secure.toronto.ca/council/agenda-item.do?item=2025.PH23.5

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 2024.EX18.2 to defer development charges for 528 purpose-built rental units and authorize property tax exemptions for eligible units.
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.
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.
https://secure.toronto.ca/council/agenda-item.do?item=2024.PH13.8

COMMENTS

City Actions to Build More Rental Homes

Guided by the HousingTO 2020-2030 Action Plan, the City has taken coordinated action across the housing continuum to preserve existing affordable homes and support the

creation of a range of new rental homes affordable to low- and moderate-income residents. Along with the rest of Canada, Toronto's housing development industry has faced significant challenges since the Covid-19 pandemic driven by supply chain disruptions, escalating construction costs, inflation, and rising interest rates. Meanwhile, incomes and social assistance rates have not kept pace with the rising cost of living for the majority of residents.

These and other factors have led to a decline in the construction of new homes across Ontario, particularly condominiums, which has significantly impacted residential development activity in Toronto. The Canada Mortgage and Housing Corporation's (CMHC) monthly housing starts data indicates a 72% decline in the number of homes starting construction in Toronto in the first nine months of 2026 as compared to the same period in 2023. In response to the condominium market slowdown, many developers have pivoted to building purpose-built rental housing, which now comprises 87% of year-to-date housing starts, as compared to 26% three years ago.

In response to these challenging market conditions and to support the development of new purpose-built rental homes, including affordable homes, in November 2024 City Council approved Phase 1 of the Purpose-built Rental Housing Incentives stream. Recognizing that purpose-built rental developments containing affordable housing face additional financial barriers, the program provides an indefinite deferral of development charges to all market rental units within a development, subject to also providing at least 20% of the units as affordable rental homes, using the City's income-based definition for at least 40 years. Through Phase 1, City Council approved financial support for 8,152 new rental homes, including up to 6,128 market rental homes and 2,024 affordable, rent-controlled homes.

As of November 2026, the City is supporting 15 developments through Phase 1 to deliver 7,219 rental homes, including 1,787 new affordable rental homes and 5,432 market rental homes. Eight of these projects delivering 3,365 rental homes, including 674 new affordable rental homes are now under construction.

City staff estimate that one in four rental housing starts in Toronto between Q1 2025 and Q3 2026 were supported by Phase 1 of the PBR Program, highlighting its impact of on unlocking new rental developments, securing new affordable housing, and supporting jobs in the construction sector.

City staff have secured commitments from the remaining seven projects (that have not yet started construction) to advance towards defined construction milestones, and continue to work closely with the proponents to realize construction starts by the end of 2026, as required under Phase 1 of the program. Staff will continue to monitor awarded projects against program requirements and construction milestones and may revoke approvals where projects fail to meet program requirements for demonstrating sufficient progress and achieving construction starts. This ongoing review ensures proponent accountability as well as the efficient allocation of available financial incentives.

Overview of Phase 2 of the PBR Program

On June 23, 2026, all three orders of government announced a $1.5 billion infrastructure funding commitment for the City through the DCRP, which will support eligible capital projects, principally in the areas of transit, transportation and water and wastewater infrastructure. This $1.5 billion in funding will provide for a widespread reduction in development charges of on average more than 50%, with discounts ranging from 40% to 60% depending on unit size, for a period of three years (2026-2029). More information on the DCRP is available in Item MM42.44.

The funding committed in the DCRP provides greater assurance of the City's ability to deliver growth-related projects and enabled the release of a second round of the PBR Program to provide additional financial incentives to rental housing developments that commit to delivering much needed new affordable rental housing.

On June 24, 2026, City Council approved Phase 2 of the PBR Program, subject to the execution of the TPA, to support at least 2,000 new affordable rental homes and up to 8,000 market rental units within eligible developments that meet the City's minimum requirements. The minimum eligibility requirements under Phase Two include:

- Providing at least 20% of units as affordable rental housing meeting the City's requirements (detailed below).
- Advanced development readiness including, at minimum having received a Notice of Complete Application for Site Plan from the City
- Demonstrate a viable path to construction start within 12 months; and
- Include a clear path to a complete funding and financing plan that does not require additional funding contributions from the City.

The affordable rental units in the development must meet the City's Rental Housing Supply Program (RHSP) requirements including: be rented at or below the City's income-based definition, be rent controlled, be secured for a minimum period of 40 years, and be generally equivalent in unit mix, size, and finishes as the market rental units in the development.

Projects approved under the Program receive financial incentives intended to support the development of new purpose-built rental homes including at least 20% affordable rental homes. Incentives include:

- For affordable rental homes, a waiver of building permit fees and Road Disruption Activity Reporting System (RoDARS) fees, and a full property tax exemption for the duration of affordability (at least 40 years), subject to City Council approval.
- For market rental homes, an indefinite deferral of all remaining development charges payable (after City discounts and reductions, such as through the DCRP), and also benefitting from a 15% property tax reduction through the new Multi-Residential Property Tax Subclass (for a period of 35 years).

Affordable rental homes in selected projects also receive a statutory exemption from Development Charges, Parkland dedication requirements, and Community Benefits Charges as available under the *Development Charges Act* and *Planning Act.*

Based on the City's experience with Phase 1, program changes were made to improve the application and review process and better identify shovel-ready projects. This included increasing requirements related to project development review status, requiring projects to demonstrate a 12-month path to construction, and enhanced coordination with CMHC and Build Canada Homes (BCH) in the review of applications as it relates to financing status.

Applications that met the minimum eligibility requirements were prioritized on the following criteria:

- Degree of construction readiness within 12 months, including development application status, outstanding approvals required to achieve construction start, status of funding and/or financing applications, viability of proposed capital funding/financing stack, and CMHC Frequent Builder status; and
- Delivering on City-building objectives, specifically supporting the creation of transit-oriented communities, and delivering new community services and facilities as part of the development.

Results of the Phase 2 Call for Applications

The City's Call for Applications opened on August 25 and closed on September 18, 2026, with the City receiving 58 applications across 20 wards representing 27,201 proposed rental homes. Review of applications was completed by the Housing Secretariat and Housing Development Office, with input from Development Review, City Planning, and other Divisions.

A total of 19 projects were selected, representing a total of 9,667 rental homes, including 2,059 affordable rental homes and 7,608 market rental homes. These totals include 51 rental replacement homes that are currently required across three projects under the City's Rental Housing Demolition and Conversion Control By-law (as further detailed in Table 2). The City does not provide RHSP financial incentives towards rental replacement units and does not permit those units to be counted towards the minimum 20% affordable rental housing requirement.

None of the 19 selected projects are being developed on City-owned land, continuing the focus from Phase 1 of leveraging City incentives to assist private-led developments to achieve viability, move towards construction start, while also securing at least 20% new affordable rental homes.

The selected projects represent the strongest of the eligible applications received, with the most advanced development review status and likelihood of achieving construction start within the program timelines. These projects will contribute to complete communities by delivering 40% family-sized homes, and largely being located within walking distance of transit stations and/or along existing and planned higher order transit lines. In addition to affordable housing, ten of the approved projects will deliver new community services and facilities including new parkland, community and recreation space, and childcare centres.

Table 2: Projects Conditionally Approved under Phase 2 of the PBR Program

No.	Project Address	Applicant	Ward	Total Market Units	Total ARH Units	Total Units
1	5359 Dundas St W	SN Impact 5359 Dundas Inc.	Etobicoke-Lakeshore	393	178	571
2	5-9 Jopling Ave S	Jopling Residences LP	Etobicoke-Lakeshore	328	110	438
3	111 Pacific Ave, 66 Oakmount Rd, 255 Glenlake Ave	M Park Place Corp and 2463588 Ontario Inc.	Parkdale-High Park	550	138	688
4	340-376R Dufferin St and 2 Melbourne Ave	Hullmark Asset Management Partners	Parkdale-High Park	379	95	474
5	1871-1885 Weston Rd	Weston Beauty Block II GP Inc.	York South-Weston	726	182	908
6	1798-1812 Weston Rd	Castlepoint Weston GP Inc.	York South-Weston	272[1]	68	340
7	1911 Finch Ave W	Hullmark Asset Management Partners	Humber River-Black Creek	796	200	996
8	1474 St Clair Ave W	Format Earlscourt Inc.	Davenport	48	12	60
9	178-180 Queens Quay E	Keyfront Limited	Spadina-Fort York	487	122	609
10	125R Mill St	WDL 20 GP INC.	Spadina-Fort York	672	170	842
11	250 Dundas St W	Dundeal Canada Limited Partnership	University-Rosedale	561	141	702
12	561 Jarvis St, 102-120 Earl Pl, 6 & 8 Huntley St	Jarvis & Earl Inc. and Jarvis & Earl 2 Inc.	Toronto Centre	499[2]	151[3]	650
13	2275 Sheppard Ave E	2509225 Ontario Inc.	Don Valley North	245	77	322
14	125 Steeles Ave E	2854820 Ontario Inc	Willowdale	12	4	16
15	5294-5306 Yonge St	5300 Yonge GP Ltd.	Willowdale	351	88	439
16	6035 Bathurst St	6035 Bathurst Street Limited	Willowdale	182	46	228
17	985 Woodbine Ave and 2078, 2086, 2100, 2102, 2106 Danforth Ave	CP REIT Ontario Properties Limited	Beaches-East York	481[4]	120	601
18	9 & 25 Dawes Rd	Minto (Dawes) LP Inc.	Beaches-East York	615	154	769
19	958 Midland Ave	Atif Aqeel Management Consultancy Inc.	Scarborough Centre	11	3	14
	Total			**7,608**	**2,059**	**9,667**

[1] Includes 6 market replacement units, not eligible for incentives
[2] Includes 10 market replacement units, not eligible for incentives
[3] Includes 21 affordable replacement units, not eligible for incentives
[4] Includes 14 market replacement units, not eligible for incentives

Program Implementation, Success Factors, and Next Steps

The selected proponents have been issued conditional approval letters outlining the City's requirements prior to providing financial incentives. This includes that the City's final approval will not be provided until the execution of the TPA with the Province of Ontario under the DCRP, in addition to other conditions that must be met by proponents.

In order to receive financial incentives proponents must also enter into a series of legal agreements with the City. This includes a Section 27 Agreement which provides the indefinite deferral of development charges for market rental homes, a Section 4.1

Agreement to provide statutory exemptions to eligible affordable rental homes under the Development Charges Act, and a Contribution Agreement which secures the City's requirements related to the development and operation of the affordable rental homes. Default provisions are in place across these agreements to secure the affordable rental housing and rental tenure.

City staff have identified success factors and enablers that are important to ensuring projects are able to reach construction start within the program's aggressive timelines. These include:

- Access to funding and financing through federal, provincial and private sources;
- Stability in market conditions including related to construction and development costs and financing rates; and
- Coordination across City Divisions to prioritize the resolution of any outstanding technical matters required prior to construction start.

The most important milestone to project success is the proponent's securing construction funding and financing as soon as possible, to avoid risk of exposure to worsening market conditions. While it is the responsibility of proponents and their financial partners to reach these financing commitments, City staff will proactively liaise with intergovernmental partners (including CMHC, BCH, and Building Ontario Fund) where possible to support faster reviews of applications from conditionally approved projects. Concurrently, staff from across Development and Growth Services will work collaboratively with proponents and across Divisions to ensure outstanding City development approval requirements are met and resolved in a timely manner.

To support transparency and accountability on the progress of projects supported by the PBR program, information about projects supported by both phases of PBR will be available on the Toronto Housing Data Hub.

In addition to the City supporting projects to advance through coordination internally and with financial partners, controls will be established to ensure projects are advancing over the 12-month period. Specifically, by the end of Q1 2027 proponents will be required to have significantly advanced their applications for construction funding and financing. In April 2027, City staff will undertake a formal review of proponents' progress in securing such funding and financing. Proponents that have not demonstrated sufficient progress or have otherwise not been able to advance a viable development project may have their approval of financial incentives revoked due to inability to meet the program timelines for construction start.

Subject to additional PBR financial incentives becoming available through projects being unable to advance, and in consultation with the Chief Financial Officer & Treasurer, the City may release a further Call for Applications in 2027 to provide an opportunity for additional projects to apply under the program, including those that were not eligible or successful in Phase 2 but have since made additional progress. More information about a potential further call for applications will be provided at a later date subject to availability of incentives.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Map of Projects Selected under Phases 1 and 2 of the Purpose-built Rental Housing Incentives Stream

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