

The City of Toronto's **Comprehensive Development Charges Review**

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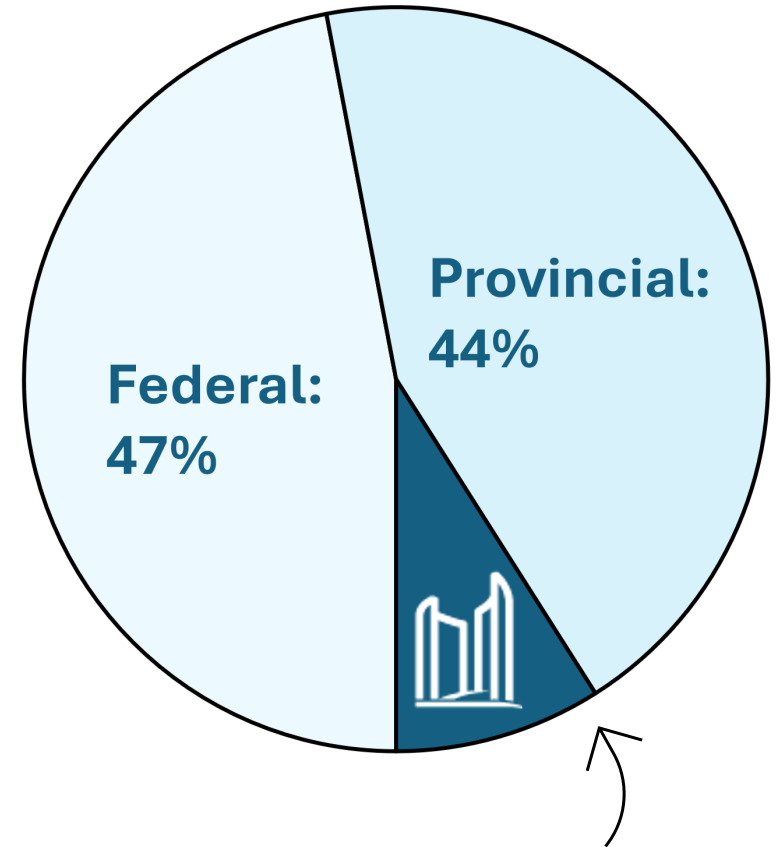


1 | Municipal Fiscal Background



Overview of the Municipal Fiscal Context

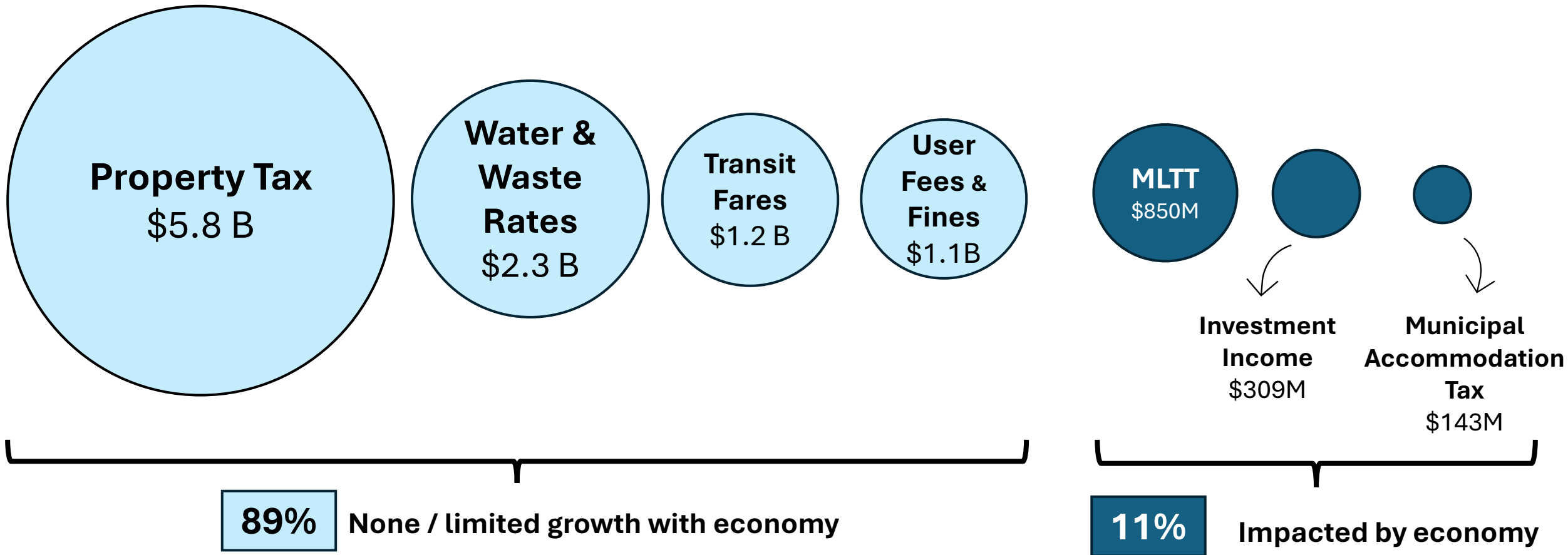
- Largest city in Canada, with over **35% population growth** in past decade
- Toronto Region contributes to **20% of Canada's GDP**
 - Accounts for 1 in every 5 jobs in Ontario
 - Attracts more than 26 million visitors annually
- City of Toronto ranks **8th overall among all Canadian governments** by budget size (larger than many provinces)
- Delivers **the largest municipal services in Canada:**
 - Public transit system;
 - Social housing portfolio;
 - First responder service;
 - Childcare system.
- Municipalities are **responsible for 60% of public infrastructure**, yet don't have sufficient funding tools



For every tax dollar paid in Canada, municipalities only receive **9 cents**

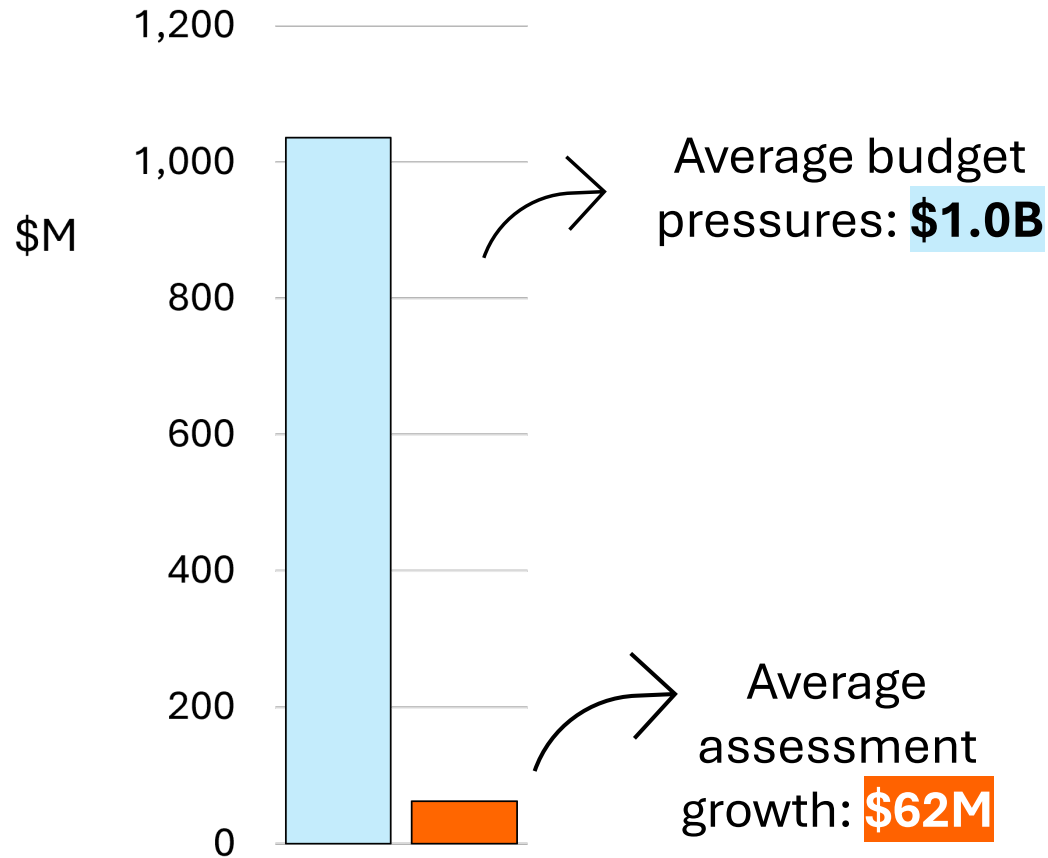
Limited Access to Revenue Tools

The City's **2026 Operating Budget** of **\$18.9 billion** is supported primarily by revenue tools that do **not** capture economic growth:



Growth-Related Operating Pressures

**Average Operating Budget Pressure (\$1.04B) vs.
Average Assessment Growth (\$62M)
2021-2026**



Excludes pandemic impacts (2021-2023) & additional unanticipated pressures (2026)

The 2026 opening budget pressure of **\$1.3 billion** was equivalent to a **27%** property tax increase.

Unlike other orders of government, the City does not have a direct way to capture the financial benefits of growth.

However, the City **faces increasing demand for City services and growing costs.**

City Investments in Infrastructure

The City's 10-Year Capital Plan of **\$63 billion** also faces competing priorities and limited funding including:

Maintaining \$215B of Existing Municipal Assets

\$33 billion invested in **state-of-good repair** (52%)

SOGR needs are growing – as existing assets age, and as new assets are built.

Despite added investment, the SOGR backlog is projected to grow to **\$24.7B** in 2035.

Delivering Housing Enabling Infrastructure

\$18 billion allocated to **critical infrastructure** like water pipes, sewers, roads and transit

Supporting Community Infrastructure

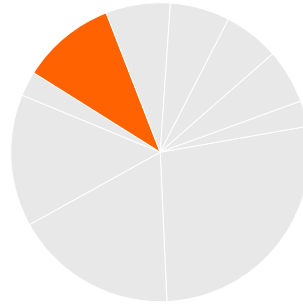
\$9 billion for **community services** to support a growing population, including emergency services, childcare, libraries and recreation

\$27 billion

For growth-related and service improvement projects (43%)

Development Charge Revenues

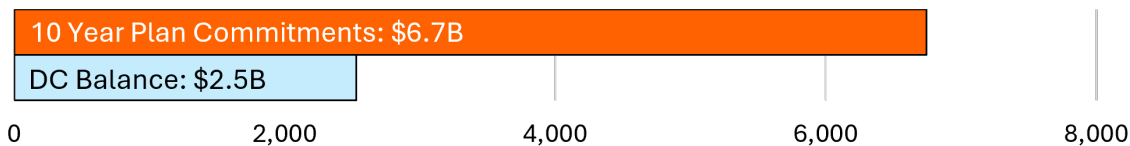
Despite large investment in growth infrastructure, **development charges** only account for **10%** of funding in the 10 Year Capital Plan, or **\$6.1 billion**.



Exemptions, exclusions, and service caps mean that **DCs only cover 60%** of eligible capital costs.

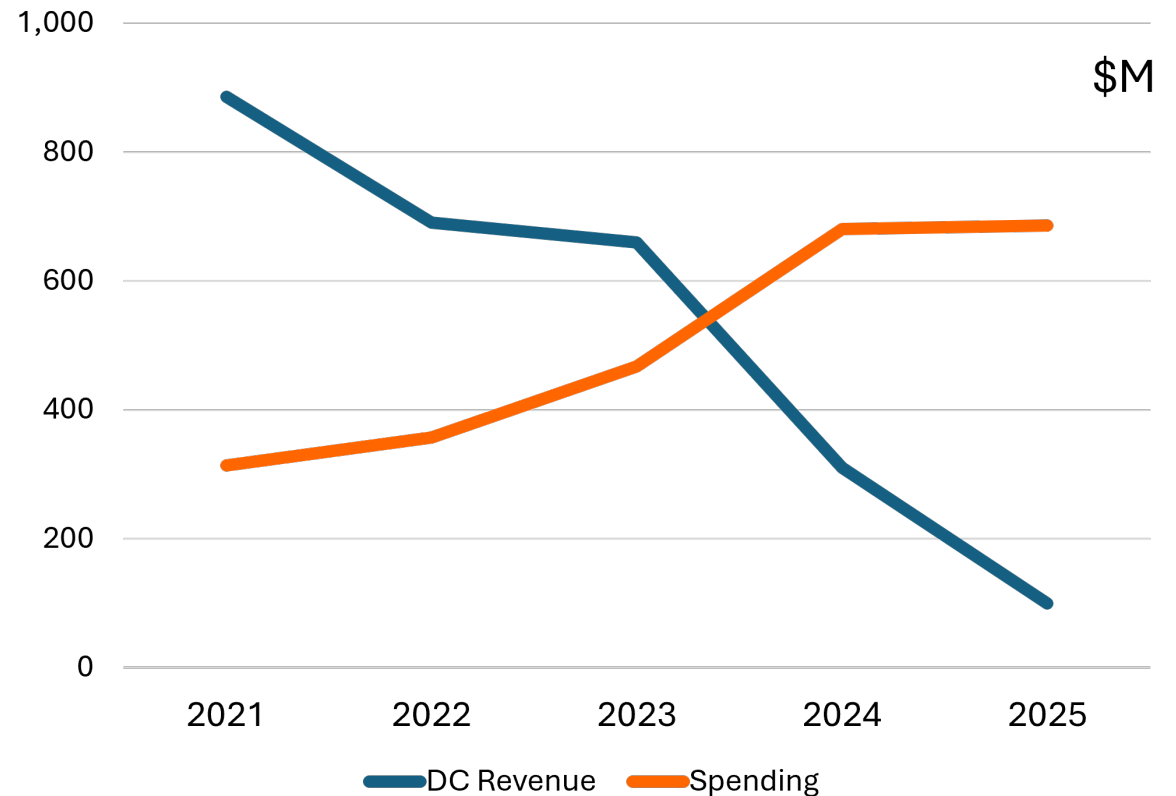


The City's DC balance of **\$2.5 billion** today is not enough to cover the **\$6.7 billion** in commitments over the next decade.

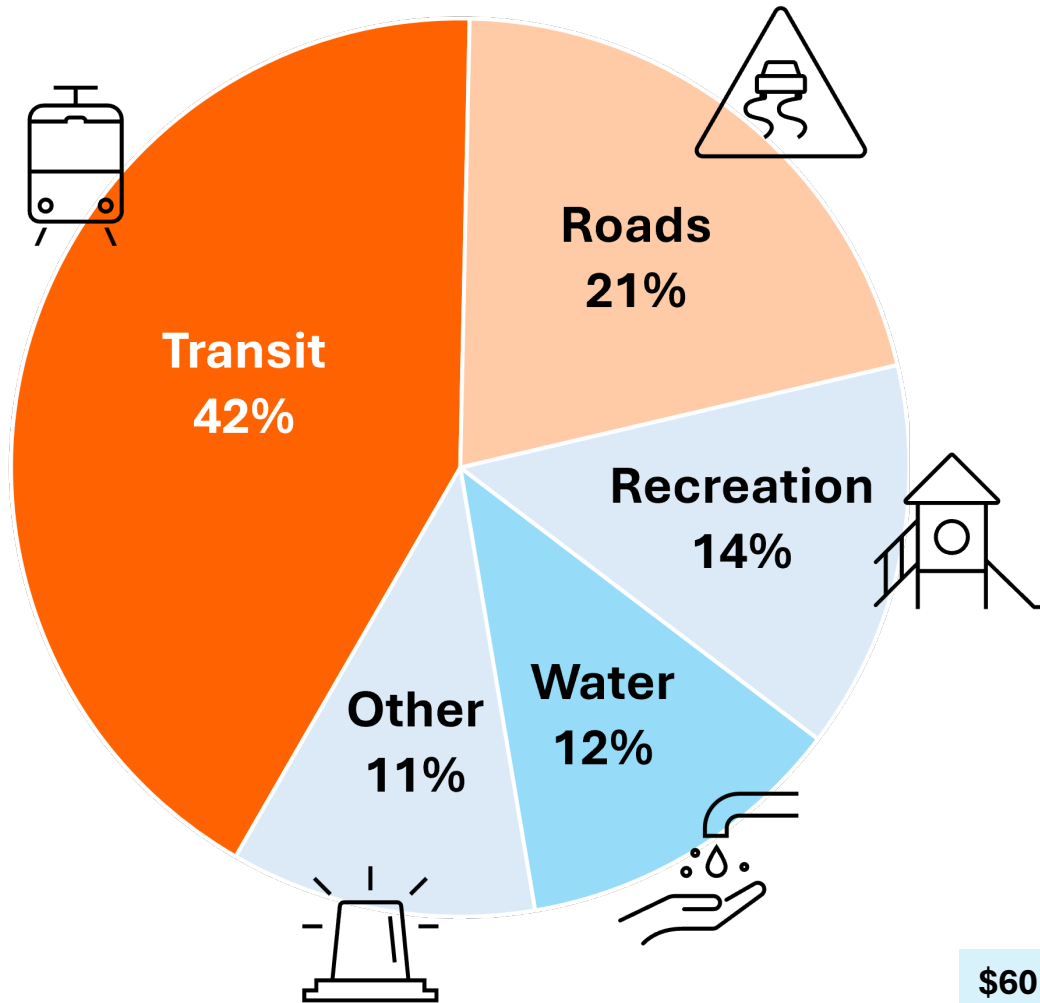


The current level of DC revenue is insufficient to support approved and planned spending

Projects have already had to be deferred beyond the 10Y Capital Plan



Key Drivers of DC Rates



The main contributor to Toronto's DC rates is **transit**

- **42%** of all DC revenue collected is for transit services
- In comparison, surrounding municipalities typically attribute 2 – 15% of their DCs for transit
- Combined with the City's **road network**, mobility-related infrastructure accounts for **63%** of DC rates

Typically, **water, stormwater and sewer infrastructure** represents the largest pressure on DC rates. In Toronto, these only account for **12%**.

\$60,716: current average weighted DC rate based on development trends (non-rental)

\$80,690: current DC rate for a 2-bedroom apartment (non-rental)

DC-Related Actions to Support Housing Supply

Available to all development projects:



- Added rental housing discount beyond provincially required levels

- Frozen development charges at 2024 levels

- Full exemption for up to 6 units in a multiplex

- Full deferral for laneway and garden suites

- Removal of the below-grade conditional permit policy to ensure projects are charged the lowest applicable DC rate



The City also provides targeted incentives within a variety of new and existing housing programs including:

- DC waivers for purpose-built rental units (Phase 1 of 6,100 units +)
- DC waivers for rent-controlled units (Toronto Builds & ARRCHI)
- DC exemptions for affordable housing units

All new multi-residential properties also get a property tax discount of 15%.

The City has **no additional financial capacity** to provide further incentives, without intergovernmental support

2 | Comprehensive Development Charges Review



Toronto's Development Charge Framework

The City of Toronto's last DC Background Study was **completed in 2022**.

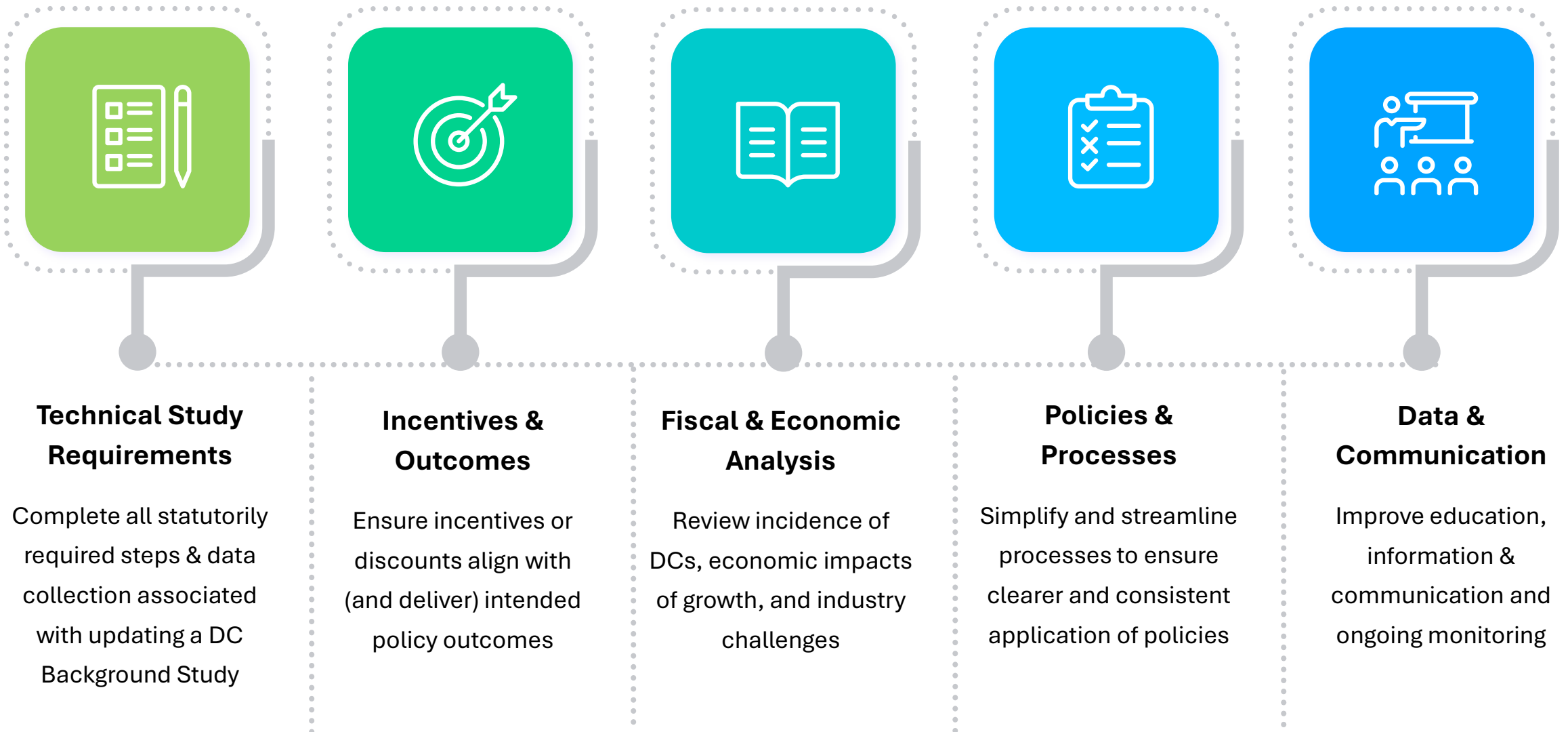
Since then, there have been changes to:

- 1 Provincial legislation
- 2 Market & economic conditions
- 3 City priorities & approach to long-term financial sustainability

The City will be completing a **comprehensive** in-depth review of development charges (including policies, rates and processes) to develop recommendations which incorporate the **City's growth-related requirements**, while considering **affordability**, and **market trends**.



Scope of the Comprehensive DC Review



Technical Study Requirements

Complete all statutorily required steps & data collection associated with updating a DC Background Study

Incentives & Outcomes

Ensure incentives or discounts align with (and deliver) intended policy outcomes

Fiscal & Economic Analysis

Review incidence of DCs, economic impacts of growth, and industry challenges

Policies & Processes

Simplify and streamline processes to ensure clearer and consistent application of policies

Data & Communication

Improve education, information & communication and ongoing monitoring

Key Considerations To Date



Slowing development forecast

- After a period of strong growth, Toronto's population is forecasted to **slow down** considerably
- Growth projected to then accelerate post 2036



Balanced growth required

- **Trade-off** between **DC rates** (project viability) and delivering growth-related **infrastructure** (service impacts)
- Priority focus on housing-enabling infrastructure



Canada-Ontario Partnership to Build

- \$8.8B announced, aimed at reducing DCs up to 50% for 3 years
- Need a 'made for Toronto' solution to ensure sufficient allocation of available funding, and actual impact on project viability
- Both immediate actions and longer-term solutions required

Next Steps

The City expects the outcomes of the **Comprehensive DC Review** to be published in **early 2027**.

**We can't
do it
alone**

We need to work with other orders of government on longer-term fiscal solutions which consider:

- Growing SOGR needs
- Access to revenue tools that reflect economic growth
- Direct funding for major growth-related infrastructure projects, such as regional transit, to reduce reliance on DCs

We will be releasing information throughout 2026 on topics such as:

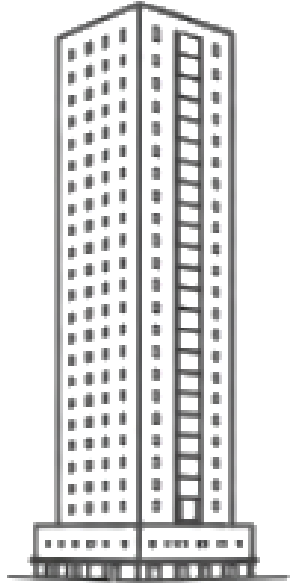
- Growth Projections
- Incentives
- Economic Incidence
- Capital Program

During this time, we will be engaging with industry stakeholders in both technical and overview sessions.

More information will be made available shortly at www.toronto.ca/DCreview.



Thank you



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