City of Toronto's Implementation of the

# Development Charges Reduction Program

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**City of Toronto**

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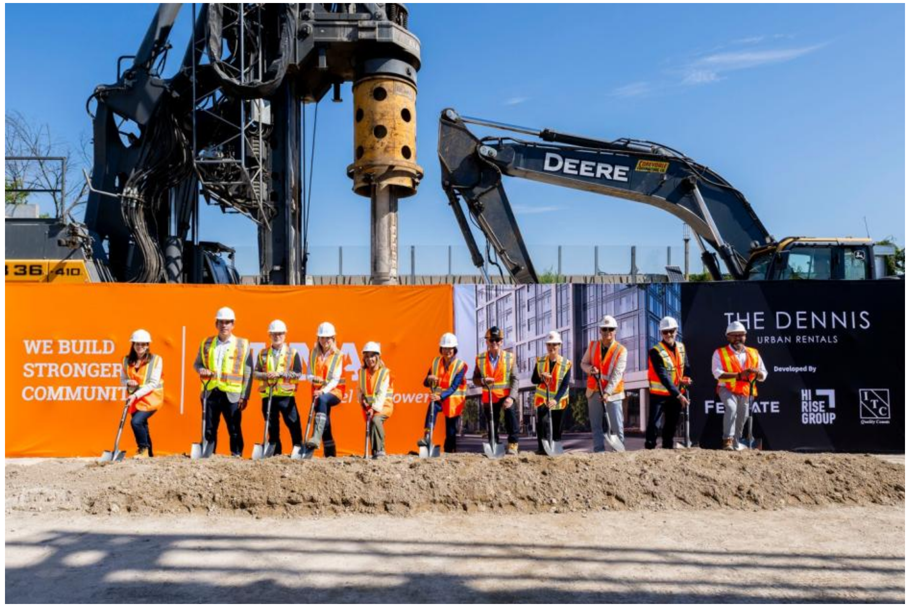
TORONTO

# Summary

- March 30, 2026: **Canada-Ontario Partnership to Build** announcement
- **Development Charge Reduction Program (DCRP)** released on June 1
  - City expedited intergovernmental discussions to ensure successful application in advance of June 19 deadline
- June 23, 2026: **funding announcement of $1.5 billion** for Toronto
- Funding enables **DC rate reductions of up to 60% for all residential development,** aimed at
  - Lowering development costs
  - Improving project viability
  - Increasing housing supply
- DC reductions complement existing City actions to incentivize housing
  - Implemented targeted DC relief, property tax discounts and fee waivers ($1.2 billion+ in financial contributions since 2024)
- Proposed **DC By-Law amendments** will implement reductions
  - Subject to the transfer payment agreement, expected mid-August
  - Annual indexing for *all* development removed from 2027-2029



2025 groundbreaking on over 400 homes at 8-16 Locust St., in York-South Weston

*Enhanced funding certainty enables City to complement reductions with **Phase 2 of the Purpose-Built Rental Homes Incentives Stream***

# DCRP Submission Process & Funding

- **$1.5 billion in DCRP funding confirmed:**
  - Expanded road network ($661 million);
  - Water and wastewater infrastructure ($327 million); and
  - Enhanced transit capacity ($511 million)

- Funding **reduces reliance on DCs** to **fund existing eligible growth-related capital projects** in 10 Year Capital Plan
  - 10Y Capital Plan includes $6.5 billion in DC funding
  - DCRP does not represent added funding for new or expanded capital infrastructure projects
  - Existing capital projects *not* included in the DCRP will continue as planned, subject to usual budget process

**DCRP Project Application & Prioritization Criteria:**

- ✓ Start no later than July 2030
- ✓ Completed by October 2035
- ✓ Included in DC Background Study
- ✓ Informed by Capital Plan
- ✓ City contribution must be >10%
- ✓ Maximum of 5 project bundles
- ✓ Housing-enabling infrastructure

**Additional Factors Considered:**

- ✓ Expected impacts on DC rates
- ✓ Existing intergovernmental funding restrictions
- ✓ Tax vs. rate-supported impacts
- ✓ Project timing & cash flow

# DC Rate Reductions

- **DC rate reductions of 40% to 60% for all residential development**
  - Above DCRP requirements
- Reductions applied to current DC rates
- Applicable from March 30, 2026, to three years after agreement (***~40 months total***)
- Promotes mixed-income developments with more family-sized homes
- Removal of annual indexing will keep current *and* discounted **rates flat**
  - Available to *all* development
  - No annual increases from 2027-2029

| Development Type | Current Rate | Proposed Discount | Discounted Rate |
|---|---|---|---|
| **Rental** | | | |
| Dwelling Room | $23,759 | 60% | $9,504 |
| Apartment: Studio & 1 Bedroom | $33,497 | 40% | $20,098 |
| Apartment: 2 Bedroom | $48,299 | 60% | $19,320 |
| Apartment: 3+ Bedroom | $45,280 | 60% | $18,112 |
| Multiples: Studio & 1 Bedroom | $36,351 | 40% | $21,811 |
| Multiples: 2 Bedroom | $68,199 | 60% | $27,280 |
| Multiples: 3+ Bedrooms | $63,937 | 60% | $25,575 |
| **Non-Rental** | | | |
| Dwelling Room | $37,356 | 60% | $14,942 |
| Apartment: Studio & 1 Bedroom | $52,676 | 40% | $31,606 |
| Apartment: 2+ Bedroom | $80,690 | 60% | $32,276 |
| Multiples: Studio & 1 Bedroom | $57,153 | 40% | $34,292 |
| Multiples: 2+ Bedroom | $113,938 | 60% | $45,575 |
| Singles & Semis | $137,846 | 60% | $55,138 |

# DC Reduction Eligibility

No application process, program caps or limits. Automatic eligibility based on:

**First building permit issued between March 30, 2026, and August 2029***

- **“Building permit”** means any permit to construct a building or structure pursuant to section 8 of the Building Code Act, 1992
  - Excludes permits for site servicing, demolition, drain, plumbing, heating ventilation and air-conditioning, or a permit for a temporary sales/rental office

**Above-grade permit issued by August 2029* or within 24 months of first building permit, whichever is later**

- “**Above-grade permit**” is the first permit that allows above-grade construction of all, or any part of, a building within the development
  - Excludes temporary sales office or building

**Above-grade permits cannot be revoked prior to occupancy**

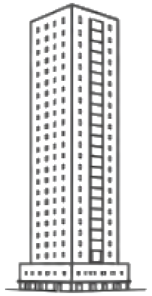
**Exact date will be three years after the execution of the TPA, expected in mid-August 2026*

# Example Development Scenarios

## Development #1

- First building permit on May 1, 2026
- First above-grade permit on Apr 1, 2027
- Permits are not revoked before occupancy

✓ **Eligible for reduced DCs**



## Development #2

- First building permit on Jun 1, 2026
- First above-grade permit on Jan 1, 2029
- Permits are not revoked before occupancy

✓ **Eligible for reduced DCs**

## Development #3

- First building permit on Feb 1, 2029
- First above-grade permit on Dec 1, 2030
- Permits are not revoked before occupancy

✓ **Eligible for reduced DCs**

## Development #4

- Site servicing permit only on Jan 1, 2026
- First building permit on Sept 1, 2026
- First above-grade permit on Mar 1, 2029
- Permits are not revoked before occupancy

✓ **Eligible for reduced DCs**

# Comprehensive DC Review

- **City's Comprehensive Development Charges Review is still ongoing**
    - Initiated in 2025 and expected report back in 2027

- **DC Review is intended to establish a longer-term DC framework**
    - Updated DC rates, structure of incentives and exemptions
    - Processes and policies
    - Enhanced alignment between capital plan and growth objectives
    - Prioritization of housing-enabling infrastructure

- **Continued discussions to explore opportunities with other orders of government**
    - Mitigate DC rates for a longer period of time
    - Limit expected impact to development industry in 2029
    - Support affordable housing and further investments in capital infrastructure

**Stay Informed:**
www.toronto.ca/DCreview

**Questions?**
Email the team at
DCreview@toronto.ca

# Next Steps

- **City Council adoption of amended DC By-law**
    - Removes annual indexing
    - Implements reductions and revised rate schedule
    - Will come into effect upon execution of the TPA

- **Execution of the intergovernmental transfer payment agreement**
    - City advocating for confirmed payment timing based on cash flow and no clawbacks
    - Expected to be signed by August 15
    - Enable DC rates to be reduced for all residential development for 3-year period
    - Launch Call for Applications for Phase 2 of PBR program

26 Gilder Dr. creating 341 new rental homes supported by PBR Phase 1

# Thank you

Launch of Phase 2 of the

# Purpose-built Rental Housing Incentives Program

**Matt Hilder**
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Housing Secretariat
**City of Toronto**

July 28, 2026

# Results from Phase 1

**7,985 homes**

Approved for incentives in 16 sites

**24% affordable**

Exceeding the 20% target

**1 in 5 rental starts**

Supported by the program since Jan. 2025

- The first phase of the Purpose-built Rental Housing incentives Stream is supporting approximately 8,000 rental homes including 2,000 affordable homes with a City investment of $654M.

- **Key Learnings from Phase 1:**
    - Stronger focus prioritizing shovel-ready projects
    - Improve coordination with CMHC
    - Maintain emphasis on simple program design and rapid implementation

# Phase 2 – Activating up to 10,000 New Rental Homes

- Enhanced funding certainty enables the City to complement overall residential DC reduction with Phase 2 of the PBR program.

- The City will approve 10,000 new rental homes, including up to 8,000 market rental homes and at least 2,000 affordable rental homes.

| | Affordable Rental Homes | Market Rental Homes |
|---|---|---|
| **Housing Outcomes** | 2,000 affordable rental homes at income-based definition for 40-99 years | Up to 8,000 new market, purpose-built rental homes |
| **Available Benefits** | Full package of Rental Housing Supply Program incentives<br>• Waivers of building permit fees<br>• Exemptions from DCs, Parkland, CBCs<br>• Property tax waiver for 40-99 years | Indefinite deferral of all residential DCs<br><br>15% property tax reduction via the New Multi-Residential Tax Subclass, for 35-year period |

# Eligibility Requirements

**Projects must meet minimum requirements to be eligible for incentives for affordable and market rental homes**

- Private sector, Indigenous, and community housing providers are eligible to apply
- At least 20% of units in the development must be affordable, meeting City requirements (next slide)
- Must have **approved Zoning in place and an active Site Plan Application**
- Development must be in pre-construction and have not yet paid or deferred DCs
- Demonstrates a **realistic path to construction start within 12 months**
    - Multi-phase developments should be submitted separately to enable focus on shovel-ready sites
- Must agree to enter into agreements securing the value of incentives, affordable housing obligations, and rental tenure

***Note:*** Proponents of in-flight projects on City-owned land are also eligible to apply. Approval of these applications will require an additional detailed financial review, including consideration of all benefits the City may already be providing.

# Affordable Rental Requirements

- **The City is prioritizing the creation of mixed-income complete communities that include new rental housing affordable to Toronto's current and future residents**

**20% of homes must be affordable rental:**

- Rents meet RHSP rent levels (see table)
- Maintain affordability for at least 40 years
- Rent increases capped at the Provincial Guideline
- Match the market units in bedroom mix and size
- Be secured by way of a mortgage registered on title

**RHSP Affordable Rents - 2026**

| Unit Type | Affordable Rent |
|---|---|
| **Studio** | $1,127 |
| **1-bedroom** | $1,426 |
| **2-bedroom** | $2,055 |
| **3-bedroom** | $2,290 |
| **4-bedroom** | $3,245 |

# Prioritization Criteria

The PBR Phase 2 call is focussed on **supporting shovel-ready projects** to achieve viability, reach construction start, and support the home building industry and workforce. Projects will be prioritized on two criteria.

**A viable path to construction start within 12 months**

- More advanced development review and building permit status, with a demonstrated path to secure outstanding approvals
- Financing status and experience securing construction financing

**Supporting complete, transit-oriented communities**

- Projects that unlock additional community infrastructure, services, and facilities (including recreation, childcare, parks, and community space)
- Projects that support creation of transit-oriented communities, near existing or planned higher order transit

# Key Dates

**First Call for Applications Opens**
***Mid-August***

**First Call Closes**
***Mid-September***

**First Call Decisions**
***October***

**Second Call for Applications***
***Late 2026***
*Subject to availability of incentives

- The Call for Applications will open upon execution of the DC Reduction Program Transfer Payment Agreement with the Province, anticipated by August 15
- All stakeholders will be notified via e-blast to the City's affordable housing opportunities list-serv, and updates on the City's webpage
- Complete applications to be submitted by email to rhsp@toronto.ca

**Stay Informed:**
www.toronto.ca/rentalsupply

**Questions?**
Email the team at rhsp@toronto.ca