

Development Charge Reduction Program

Ontario Big City Mayors

June 2026

REFER TO PROGRAM GUIDELINES FOR DETAILS

Context

Canada-Ontario Partnership to Build (COPB)

- COPB commitment requirements to unlock housing include:
 1. **Funding** – up to \$8.8 billion to be prioritized for municipalities that reduce development charges (DCs).
 - Funding will also be made available for rural, small and northern municipalities, with more details to be announced at a later date.
 2. **DC Rate Reductions** – Reductions of 30%-50% or greater required for three years for municipalities to access funding.
 3. **Population Coverage** – Targeted municipalities to cover at least 80% of Ontario's population.
 4. **Housing Enabling Infrastructure Projects** – Prioritize investment in shovel-ready municipal infrastructure projects that support creation of new housing.
 - Community infrastructure projects, that support the development of complete communities, will be considered, though not prioritized, for funding.
 5. **Recognition of Retroactive Actions** – Eligibility for funding includes municipalities that took demonstrated early action (i.e., prior to the COPB announcement) to lower DCs.

Need for Expedient Action

- This year is a unique opportunity as it is the only year where the DC reductions would coincide with the enhanced HST rebate that is set to expire on March 31, 2027. This underscores the need to move expeditiously on this commitment.
- Accordingly, Ontario has established the **Canada-Ontario Development Charge Reduction Program (DCRP)**. The focus of this deck is to provide an outline of the program design and parameters.

Development Charges

- Municipalities are often **responsible for providing the local infrastructure to service new developments** (i.e., water, wastewater, roads, libraries, community centres, utilities to service growth) in Ontario.
- Under the *Development Charges Act, 1997* (DCA), municipalities have the authority to recover a **portion of growth-related capital costs** incurred to provide services to new residents and businesses.
 - Levying a DC is a local municipal decision.
- DCs cannot recover costs for state of good repair, capital replacement or operational expenses.

Purpose and Overview

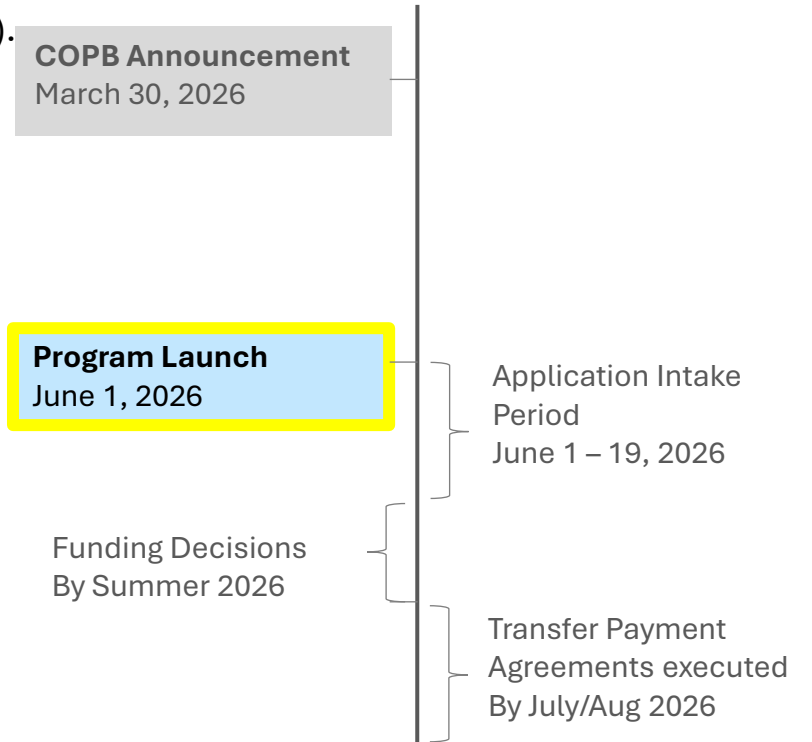
Purpose

- To outline design and parameters of the new Development Charge Reduction Program (DCRP).

Overview

- Development Charge Reduction Program:
 - provides partial relief to the homebuilder/developer community from DCs (with deeper municipal DC reductions resulting in a stronger incentive for developers to build homes); and
 - mitigates the impact of the forgone DC revenue on municipalities and enables them to continue to invest in housing-enabling infrastructure to unlock more housing supply over the next ten years.
- DCRP is an application-based program
 - *Single Intake Period [Late applications will not be accepted]*
 - All 219 DC-levying municipalities have been invited to apply via a Minister's letter.
 - Funding decisions to be made on the merits of eligible municipalities' applications.
 - Applications prioritized based on the depth of DC rate reduction and the number of housing units that would benefit from DC relief provided to builders.

Proposed Implementation Timeline



Note: this presentation is intended for informational purposes only and should not be relied upon for application purposes. Specific program details and parameters are found in the DCRP Application Guidelines on [Ontario.ca](https://www.ontario.ca).

DC Program Structure

DC Reduction Commitment

- Application to include a municipal:
 1. commitment to Ontario that their residential DCs rates effective March 30, 2026 would be reduced by 30% to 50% or greater, and the reductions will be maintained for 3 years.
 - Note: Municipalities are encouraged to reduce DC rates by more than 50% to access more program funding for their infrastructure projects.
 2. estimate of the amount of DC relief as a result of the committed DC rate reduction.
 3. estimate of housing units supported through the direct DC relief to developers and municipal infrastructure project.
- Retroactive Application

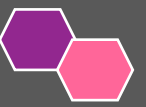
Municipalities that have already reduced their DCs prior to March 30, 2026 will have case-by-case negotiated DC reduction requirements. These municipalities would need to ensure that the DC reduction is maintained for three years and results in new housing.

Eligible DC Reduction Mechanisms

- Municipalities to demonstrate immediate DC reductions through, but not limited to, the following mechanisms:
 - Providing non-statutory DC discounts and exemptions
 - Providing grants to offset DCs
 - Removing or reducing capital projects within the DC by-law term horizon from DC background study

Eligible Housing Types

- DC rate reductions to apply broadly – i.e., to all types of residential development, to encourage increased supply of a mix of housing types to provide a full range of housing options.



Eligible Projects – Shovel Ready

1. Construction on Project must not start prior to the Transfer Payment Agreement being fully executed.
2. Project construction start: Projects must start no later than **July 31, 2030**.
3. Project construction completion: Project construction must be complete by **October 31, 2035**.
[Completion means a project can be used for the purpose for which it was intended.]
4. Development charge background study: Projects must be included in the applicant's most recent DC background study supporting the DC by-law.
 - Municipalities recognized for retroactive application would be eligible for putting forward infrastructure projects that are not included in their DC background study.

Projects will be assessed on the following potential shovel-readiness indicators:

- Environment Assessment, as applicable
- Land acquisition
- Conceptual engineering
- Detailed engineering
- Planning and design
- Tender/contract awarded but construction has not started

In addition, availability of dedicated DC reserves towards the project will be considered in determining the shovel-readiness of the project.

Joint Projects

- Joint applications among municipalities permitted (e.g., joint lower and upper-tier applications) in circumstances where a single infrastructure project might span multiple municipalities.

Municipal Contribution

- Municipalities to contribute at least 10 per cent toward eligible project costs to ensure “skin in the game.”

Eligible Project Costs

- COPB funding to cover costs including construction costs (e.g., labour, material and equipment) and land acquisition.
- Municipalities to fund the soft costs such as design, engineering, legal fees, permitting and insurance. These latter costs would not be covered by DCRP.

DC Program Structure– Cont'd

Compliance Mechanism

- Ontario-Municipal Transfer Payment Agreements (TPAs) to be executed.
 - Conditions could include, where applicable, that municipalities are to use the streamlined process (*established through Bill 17, the Protect Ontario by Building Smarter and Faster Act, 2025*) to immediately reduce their DC rates in their DC by-law and post the new by-law on their website.
- The TPA will include a condition that funding amounts may be revised down if developments receiving DC relief do not proceed in a timely manner and/or do not result in the housing numbers identified in a municipality's application.
- For example, a holdback on 5% of the funding to be released upon municipal submission of final year report.

Cash Flow Timeframe

- Funds to be flowed over ten years (2026-27 to 2035-36) based on project milestones as executed in the TPAs.

Annual Reporting

- TPA would specify that a municipality would need to provide, among other data points, for the period April 1 to March 31 of the following year:
 - actual DC relief provided for each of the three-year DC reduction period,
 - the new housing units enabled as a result of the DC reduction over three years,
 - the progress to completion of the funded municipal infrastructure project,
 - the housing units enabled through the funded municipal infrastructure project.
- Municipality would also need to complete an annual reconciliation between funds spent and the funds received from Ontario.

Audit Requirements

- TPA would specify that Ontario has the right to audit the project spending, the records supporting the actual revenue forgone and housing units supported (e.g., number of developments that availed of the reduced rate and number of units created).

Next Steps

To move expeditiously, timelines, subject to government decision-making are as follows:

- 1. Application intake** (3 weeks – June 1 – 19, 2026)
- 2. Application evaluation and funding decisions** (Summer 2026)
- 3. TPAs to be executed, wherever possible, by August 21, 2026** (nominations close for Ontario municipal elections)