

SUBJECT: Two-year temporary City Development Charges reduction

TO: Pipeline to Permit Committee

FROM: Finance
N/A

Report Number: FIN-41-25

Wards Affected: N/A

Date to Committee: October 9, 2025

Date to Council: October 14, 2025

CIP date: N/A

Recommendation:

Receive for information finance department report FIN-41-25 regarding a two-year temporary City Development Charges reduction.

Executive Summary:

On September 16, 2025, Council approved the motion to direct the Commissioner of Development & Growth Management and the Chief Financial Officer to report back to Pipeline to Permit Committee on October 9, 2025 on options for a 2-year temporary development charge (DC) reduction with an appropriate impact analysis.

Purpose of report:

- To present an impact analysis of implementing a temporary reduction to City development charges for two years.

Key findings:

- The potential tax supported impact of implementing a 20% temporary two-year reduction to DCs is estimated to range between \$3M-\$7.5M.
 - Equates to a property tax impact of approximately 0.6%-1.44%
- Recent changes to the *Development Charges Act*, particularly regarding housing developments, include:

- For applications where a Site Plan or Zoning By-law Amendment is required, DC rates are frozen for 18 months following approval.
 - Municipalities are allowed to charge interest over this time, not to exceed a maximum rate as prescribed by the DC Act.
- Full exemptions for affordable housing units.
- Full exemptions for non-profit housing developments.
- Full exemptions for two (2) additional residential units within and/or ancillary to existing and new developments.
- DC discounts for rental housing based on number of bedrooms per unit.
- DC installment plan for purpose-built rental units.
 - 6 annual installments payable starting from date of occupancy.
- On May 12, 2025, the Province introduced the *Protect Ontario by Building Faster and Smarter Act, 2025* (Bill 17) and the legislation and associated regulations received Royal Assent on June 5, 2025. In respect to timing of DC payable, Bill 17 approved the following:
 - Defer payment of all DCs for all residential developments to the date of occupancy.
 - Municipalities will not be able to charge interest on any legislatively deferred payments.
 - Includes removing interest payments on existing legislated deferrals for rental and institutional developments.

As of the time of writing this report, the above changes will be in effect on a future date to be named by the Lieutenant Governor.

- Streamlined the process for implementing city-wide DC reductions and other policy decisions that would lower the DCs, such as removing the indexing provision. The new legislation eliminates the need for a full development charge study and public meeting when the only effect(s) of the by-law amendment is to decrease and/or exempt DCs. Under these circumstances, the amended by-law cannot be appealed to the Ontario Land Tribunal.
- Under the DC Act, any discretionary DC discounts from an amended by-law would need to be funded from the general tax base.

Implications:

- Development charge revenues are difficult to estimate as it is highly dependent on development activity which is closely tied to the state of the economy.

- The City must fund any DC reductions from a tax-supported funding source, as DC revenue shortfalls resulting from reduction/exemption policies have to be made up.
 - An option would be to utilize existing property-tax supported capital reserve funds.

- In the 2025 Budget, the growth capital program for 2026 and 2027 totals almost \$27M. Amid a significant inflationary environment, cashflow to fund the growth capital program is a concern and delivery of the projects may be delayed if sufficient funds are not readily available.

Information Report

Background

Development charges (DC) are imposed by municipalities on development and re-development to recover growth-related capital costs under the *Development Charges Act* and are payable at building permit issuance. City of Burlington's current DC by-law 41-2024, as amended by By-law 68-2024, was approved May 21, 2024, and came into force June 1, 2024. As part of considerations of the potential impacts of the proposed DC fee increases, Council and staff recognized the impediment to development, and meeting the City's housing pledge targets. As a result, four projects were deferred to reduce DCs that went into effect on June 1, 2024. Residential DCs saw a 28% reduction and Non-residential DCs were reduced by 32%.

In addition to City DCs, applicants are subject to DCs payable to Halton Region and Halton Schoolboards. The fees for each agency are determined by their respective by-laws and policies. Within the Region's built boundary, the City's current portion of total DCs for residential developments is approximately 25% and non-residential developments is 17% for Retail and 43% for Non-retail use. These proportions are subject to change due to timing of indexation, updates to the agencies' DC background studies and legislative changes.

There have been numerous changes to the DC Act, to incentive development:

- For applications where a Site Plan or Zoning By-law Amendment is required, DC rates are frozen for 18 months following approval.
 - Municipalities are allowed to charge interest over this time period, not to exceed a maximum rate as prescribed by the DC Act.
- Full exemptions for affordable housing units.
- Full exemptions for non-profit housing developments.
- Full exemptions for two (2) additional residential units (ARUs) within and/or ancillary to existing and new developments.
- DC discounts for rental housing based on number of bedrooms per unit.
- DC installment plan for purpose-built rental units.
 - 6 annual installments payable starting from date of occupancy.

As evidenced by the exemptions above, housing continues to be at the forefront of provincial legislation, and a priority at the municipal level. The Community Investment Plan (CIP) (Reports DGM-24-25, DGM-33-25) was approved by Council in April 2024 and several of the programs were formally funded in May 2024, which further incentivizes affordable rental housing developments in the city. In addition to fee waiver programs and tax incentives, the CIP waived the interest on the installment plan for purpose-built rental units if at least 10% of

the units are affordable and City DCs on a third ARU. Many of these programs have not been funded and will add additional pressure to the City's property tax base.

A scan has been completed and a listing of DC relief and reduction programs offered by other municipalities has been compiled. Please refer to Appendix A for more information. It should be noted that Peel Region Council approved a 50 percent reduction in DCs dependent on the Province funding through an agreement to be in place by October 2025. At the time of writing this report, staff are not aware of any provincial or federal programs to support municipalities with DC reductions.

Protect Ontario by Building Faster and Smarter Act (Bill 17)

On May 12, 2025, the Province introduced the Protect Ontario by Building Faster and Smarter Act, 2025 (Bill 17). Bill 17 received Royal Assent on June 5, 2025, and in regards to timing of DC collection, approved the following changes:

- Defer payment of all DCs for all residential developments to the date of occupancy.
- Municipalities will not be able to charge interest on any legislatively-deferred payments
 - Includes removing interest payments on existing legislated deferrals for rental and institutional developments.

At the time of writing this report, the above changes have not yet been proclaimed by the Lieutenant Governor and therefore, not in effect. However, once in effect, DCs from residential developments will be collected on the date of occupancy. The duration to occupancy widely varies across applications due to factors that are beyond the City's control.

Please refer to [Report CAF-03-25 Preliminary analysis of Bill 17, Protect Ontario By Building Faster and Smarter Act, 2025](#) for additional information on the impacts of Bill 17 that was received by Committee on June 9, 2025.

Analysis

Staff's analysis uses a scenario of a 20 percent two-year discount for DCs. To complete this impact analysis, a reasonable forecast of development activity is required. Recognizing the limited time given to prepare this report, Planning staff have refined the data from the P2P dashboard to provide a high-level forecast of estimated applications that has probability of pulling Building permits within two years. A summary of the data can be found in Appendix B.

Given the state of market trends, staff felt it is sensible to use the low-estimate unit data that was generated for analysis. Applying current DC rates, staff estimate the residential impact of reducing DCs by 20% over the next two years could be approximately \$7.5M. This amount could be higher if non-residential data is factored in.

Recent events have greatly shifted the economy and market demand over the last couple of years. Staff recognize that the typical assumptions previously used may not be applicable to the current state, as market variables and factors have changed, and continue to change, relatively quickly. Applicants may delay approvals until their projects are more economically viable.

With this in mind, staff looked at actual DC collection receipts over the last three years, while also considering recent building permit activities. It is estimated that over the next two years, if the market remains relatively similar to current conditions, the City could collect approximately \$15M in DCs. DCs revenues collected to-date in 2025 are approximately \$6M.

Using the estimates based on DC collection data, and applying current DC rates, staff estimates that the impact of reducing DCs by 20% over the next two years could range between approximately \$3M to \$7.5M. This would equate to a 0.6% to 1.44% property tax impact. Alternatively, funding can be directed from existing property-tax funded capital reserve funds.

If City DCs are reduced by 20%, residential units would see an overall reduction to DCs payable of approximately 5%. Retail developments would see a reduction of 3.5% and non-retail developments would be reduced 8.6%. Breakdown of the rates can be found in Appendix C.

Property Tax and Development Charges

Based on 2025 tax rates, it is estimated that it would take approximately a year and a half after occupancy to recover lost DCs through new property tax revenues. However, it is important to remember that DCs are used to fund growth related capital infrastructure such as roads, storm drainage, fire stations, vehicles, recreation centres and libraries. Property taxes from new homes or growth are used to fund additional operating costs needed to deliver municipal services to the new residences. For example, additional road services, transit services, fire services and library services. As noted previously, the impact of a temporary 20% reduction may cost the existing tax base between \$3M to 7.5M. Please refer to Appendix D for more information.

Implementation and Other Options

If Council wishes to proceed with a broad DC reduction, a DC By-law amendment will be required. Bill 17 allows for streamlined DC by-law amendments to lower DC rates without an updated background study and public meeting. However, there is some uncertainty if a DC by-law amendment under Bill 17 allows for a limited time reduction in DC's followed by a return to the higher non-discounted rates. At the time of drafting this report, staff were unable to fully address this concern.

Another option for Council to consider is to eliminate annual indexing for April 2026, which can also be addressed in a by-law amendment. The prescribed index (Statistics Canada Quarterly, Construction Price Index) for 2026 is currently not available and will be released Q1 2026. A four percent index to City DCs occurred on April 1, 2025.

Council may want to take a more targeted approach in DC reductions, focusing on specific geographic locations, such as Major Transit Station Areas (MTSAs). To avoid bonusing under section 106 of the Municipal Act, the City would need to follow the planning process to amend the Community Improvement Plan.

Key Dates & Milestones

N/A

Implications

Forecasting future development charges is difficult due to its heavy reliance on construction activity. Even if development applications are submitted and progressing through the development pipeline, applicants can deliberately delay pulling building permits until the economic environment is more favourable. That magnitude is difficult to estimate and quantify, as evidenced in the estimated impact range of \$3M-7.5M as previously discussed.

Similar to the requirement for all non-statutory exemptions and grants, the City has to fund any DC reductions from a tax-supported funding source, as DC revenue shortfalls resulting from reduction/exemption policies must be made up. This could pose as a more-immediate impact to the City, as this funding would be required at building permit issuance, until the relevant Bill 17 provisions come into effect. Once those Bill 17 provisions are effective, the City will be able to fund DC reductions at building occupancy. An option available could be to utilize tax-supported capital reserve funds to fund the DC reductions.

Cashflow of the DC and capital reserve funds are closely monitored, as they are essential sources of funding for the City's overall capital program. However, the economy has experienced significant cost pressures and inflationary increases that have put immediate pressure on capital projects, which could impact the need for readily available funds. The immediate outcome of insufficient funds would be deferral of capital projects.

References

- [Report Preliminary analysis of Bill 17, Protect Ontario By Building Faster and Smarter Act, 2025](#)
- [Council Motion approved at September 11, 2025 P2P Committee](#)

Strategic Alignment

- Designing and delivering complete communities
- Providing the best services and experiences
- Protecting and improving the natural environment and taking action on climate change
- Driving organizational performance

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Appendices:

- A. Municipal Development Charge (DC) Reduction Efforts to Date
- B. P2P Dashboard Residential Units Data
- C. Development Charge Unit Rates with Reduction
- D. Property Taxes and Development Charges

Report Approval:

All reports are reviewed and approved by the Commissioner, Head of Corporate Affairs, Chief Financial Officer, and Commissioner of Legal and Legislative Services/City Solicitor.