
SUBJECT: Financial Impact and Funding Strategy for Temporary Residential DC Exemptions
TO: Council
FROM: Finance
N/A

Report Number: DGM-03-26

Wards Affected: All

Date to Council: February 17, 2026

The purpose of the memo, as discussed at Committee of the Whole (COW) on February 10, 2026, is to provide some additional information on the potential financial impact and funding sources for the following committee approved motion related to staff report DGM-03-26:

“Direct the Commissioner of Development & Growth Management and Chief Financial Officer to initiate a temporary Development Charge bylaw amendment for a two-year residential Development Charges exemption on all units that pull a building permit and demonstrate active construction within the two year period, as outlined in Option 1A in report DGM-03-26”.

While the intent of the motion is to stimulate development by increasing building permits being issued for the next two years. The City’s financial subsidy of DCs could extend for a number of years beyond the two-year exemption period. For example, under the Development Charges Act, DCs rates are locked in or frozen at the time of site plan approval, provided a building permit is issued within 18 months of the application approval. Therefore, any site plans approved towards the end of year 2 of the DC exemption period will be locked into the exemption for another 18 months to pull permits. Once construction is completed and occupancy achieved, the City will have to subsidize DCs, several years past the intended DC exemption period.

As a result, it is difficult to estimate the dollar amounts and timelines and the City will have to subsidize the DCs related to this exemption. However, in the short term, there will be no impact on the approved 2026 operating or capital budget. Going forward, each year as part of the year-end reporting and the annual budgeting exercise, staff will make recommendations on funding options for any required DC subsidies including any impacts on the City’s capital plan.

Capital Plan:

As presented in the 2026 Capital Budget, the 10-year growth expenditure is forecasted at \$126.5M, and \$94.4M is currently expected to be funded from DCs.

Potential Funding Sources:

1.) Retained Savings

As alluded to during COW, staff anticipates that year-end retained savings would be utilized to fund exemptions provided in 2026. Funds from retained savings are typically used to replenish the City's reserves and reserve funds, including the Tax Rate Stabilization reserve fund. This reserve fund is used to finance one-time expenditure and a tool to support financial stability.

Although staff are currently in the process of closing for 2025 year-end, it is important to note that the target balance for the City's consolidated stabilization reserve funds (excluding Building Permit Stabilization Reserve Fund) is set at 10%-15% of the city's own source revenues. As referenced in staff report FIN-11-25, Operating Budget Performance Report as of December 31, 2024, and Summary of Year End Financial Position, as of December 2024, the consolidated balance of these reserve funds is below target at 5.6%.

2.) Infrastructure Renewal Reserve Funds

The next funding source to be considered would be the Capital Infrastructure Renewal reserve funds. These reserve funds are supported by the City's Infrastructure Renewal Levy and allocated to the City's infrastructure renewal projects. However, as per the City's 2025 Asset Management Plan, the City is currently facing a deficit of an estimated \$350M over 10 years. The approved levy for 2026 was 2%.

3.) Increased use of Debt to fund the City's capital plan.

The City's debt capacity is currently at 8.42% for total debt (the limit is 12.5%). Our current outstanding debt as of December 31, 2025, is \$139.4M.

Author:

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Memo Approval:

Supplemental staff memos are reviewed and approved by the Commissioner.