

SUBJECT: To address Mayoral Decision requesting additional information regarding a temporary elimination of Development Charges

TO: Council

FROM: Finance

N/A

Report Number: Mayoral Decision 2026-03

Wards Affected: All

Date to Council: February 17, 2026

This memo is to provide additional information as requested in Mayoral Direction 2026-03, in response to Report DGM-03-26, Options for a Temporary Elimination of Development Charges.

QUESTION 1: Development Charge Exposure Assumptions

Provide a detailed breakdown of the assumptions underlying the estimated Development Charge (DC) exposure range of \$16 million up to \$42 million, including:

- o The assumed total number of residential units;
- o The assumed unit mix by housing type;
- o The applicable DC rate per unit type; and
- o The resulting aggregate totals supporting both the \$16 million and \$42 million scenarios.

This information shall be presented in chart form and clearly outline all assumptions used in each scenario to enable Council to evaluate the likelihood and scale of the potential financial exposure.

ANSWER:

Under the Development Charges Act, the DC rate is locked in at time of submission of a development application for 24 months and 18 months after an approval is granted. Development Charges are confirmed at the time of issuance of the Building Permit but are collected at occupancy. This means that if a 2 year residential DC freeze were to be implemented, not only would the freeze apply to building permits but also to development applications and that the reduced/eliminated DC rate would effectively extend beyond the 2 year time frame.

The analysis undertaken by staff was based not only on the potential number of units that will be authorized to be constructed through the issuance of a building permit, but also took into consideration existing and pending development applications.

The data supporting the potential impact of \$42M was pulled from the P2P dashboard and further vetted by Planning staff. Objectively, the data collectively records the range of projects that have a high likelihood of being in a position to obtain building permits because of the state of their planning approvals, through discussions with development proponents or other evidence. This assumption does not consider broader challenges or market absorption capability it simply reflects the number of units that could be pulling building permits in the two-year period.

Please see Attachment A for financial breakdown of \$16.7M and \$42M.

QUESTION 2: Forecast of 2026 Residential Completions

Provide a forecast, informed by recent CMHC data and historical local development trends, identifying the number and type of residential units reasonably anticipated to achieve substantial completion in 2026, together with the corresponding DCs payable under current rates.

ANSWER:

Staff considered the number of “building permit approved housing units” in 2023, 2024 and 2025 as reported in the City’s Pipeline to Permit Dashboard.

At the time of the staff analysis and preparation of the staff report, the CMHC 2026 Housing Forecasts were not available. While the Pipeline to Permit Dashboard data is not exactly the same as either the CMHC housing starts or “substantial completion” the number of housing units approved over the past 3 years provides useful context. Please refer to Table 1 in Attachment B.

CMHC anticipates that in 2026, that a low range of 400 housing starts could be expected, of which 100 would be ARUs and that a high range of 650 housing starts could be expected, of which 150 would be ARUs. Conservatively, staff may expect that annually, over the next two years it is possible to see as low as 400 units per year reaching substantial completion.

In accordance with the Development Charges Act, ARU’s are exempt from DCs.

Although 2025 saw a low number of total units authorized based on building permit approvals in the context of the past three years (i.e. 467 units in 2025 vs an average of 778 units), the 2025 data provide an estimate consistent with the range provided by CMHC and there it may

be useful to assume similar activity.

Staff propose to use the low estimate for housing starts (400) to represent the number of units expected to achieve substantial completion. Based on the past three years staff assume approximately 20% of the units will be in the form of ARUs these units would not be included, as ARUs are not subject to DCs, in accordance with the DC Act.

Of the balance, 320 units, looking at the past three years the percentage of Low and Mid to High Rise Residential vary tremendously. For the purposes of assumption if staff were to generally apply the same percentages as were seen in 2025 we could expect to see 40% Low Rise and 60% Mid and High Rise. To translate the pipeline to permit data to reflect DC categories this would mean annually for the next two years:

- o 128 units (40%) are singles and semis
- o 192 units (60%) are Apartments
 - o 60% assumed Bachelor/1BR
 - o 40% assumed 2BR+

These estimates are significantly lower than both the growth forecasts in the Development Charges By-law background study and the recently updated Growth Forecasts. The housing type assumption is also significantly different from the forecasted mix in the growth analysis, which favours mid- and high-rise development. Please see Table 2 in Attachment B. Staff continue to believe that the long-term forecasts are still appropriate and have always noted that those forecasts are higher than historical trends, as identified in the City's Growth Analysis. These assumptions are provided for the purposes of understanding potential foregone DC revenues. Please see Table 3 in Attachment B.

While not accounting for units that are not subject to Site Plan Control, the City historically has received 15 Major Residential Site Plan Applications annually, though 2025 saw significant application volume declines. The average number of units in Major Residential Site Plan applications in 2023 and 2024 was 263 units. If we were to assume lower average (125 units) and a lower than historical average volume (8) then potentially 1,000 units, annually, may be able to take advantage of the temporary exemption, well beyond the two-year time frame.

QUESTION 3: Associated Development Revenues

For the realistic forecast described in Item 2, as well as for the \$16 million and \$42 million scenarios, provide the estimated corresponding:

- o Assessment growth;
- o Building permit revenue;
- o Parkland dedication revenue;
- o Community Benefits Charge (CBC) revenue; and

o Any other development-related revenues.

The analysis should clearly identify revenues that would not be realized if such projects do not proceed.

ANSWER:

Assessment Growth – More time is required to complete this request.

Building permit revenue - Due to limited time, staff was unable to prepare a fulsome analysis. However, based on recent high-density applications, permit fees average \$2900/unit based on high-density residential applications. Typical 150-unit developments range from \$400k to \$500k in permit fees based on scope, complexity and depth of parking structures. Please see Attachment C for more information.

Parkland dedication revenue – Due to limited time, staff was unable to prepare a fulsome analysis. However, the 2023 Parkland Dedication by-law Review (staff report F-11-23, Bill 23 Parkland Dedication Bylaw Review) identifies estimated revenues of \$147.69M over the forecast period of 2022-2041.

Community Benefits charge revenue – Due to limited time, staff was unable to prepare a fulsome analysis. However, the 2024 Community Benefits Charge Strategy (staff report F-05-24, 2024 Community Benefits Strategy and Bylaw) identifies estimated revenues of \$14.96M over ten years.

QUESTION 4: Historical Residential Assessment Growth

Provide the City's residential assessment growth for each of the past ten (10) year.

ANSWER:

Please see Attachment D

QUESTION 5. Historical and Recent Residential Development Charge Revenues

Provide the actual residential DC revenues collected in each of the past ten (10) years, together with the amount of DC revenues received in January 2024, January 2025, and January 2026, to provide historical context and assist in assessing recent trends relative to the projected exposure scenarios.

ANSWER:

Please see Attachment E

QUESTION 6. Anticipated Funding Source – Realistic Scenario

For the realistic forecast described in Item 2, identify the anticipated funding source(s) required

to offset any foregone Development Charge revenue, including:

- o The potential use of operating surplus;
- o The potential use of capital reserves and any other applicable reserves;
- o The current balance of applicable capital reserves and other reserves available to support such funding

ANSWER:

As alluded to during COW on February 10, 2026, staff anticipates that year-end retained savings would be first utilized to fund exemptions provided in 2026. Estimating amounts are difficult, as various factors, of which many are beyond the City's control, contribute to the magnitude of the annual surplus. If retained savings are insufficient, staff will be drawing from Capital Infrastructure Renewal reserve funds.

Staff are in the process of closing 2025 year-end and December 2025 reserve fund balances are unavailable. The September 30, 2025, uncommitted balances are as follows:

- o Tax Rate Stabilization RF - \$11.3M
- o Infrastructure Renewal RFs - \$9.2M

QUESTION 7. Alternative Implementation – Development Charge Grant Program

Provide an analysis of whether, as an alternative to amending the City's DC Bylaw, Council could establish a Development Charge Grant program that would:

- o Provide a grant equivalent to the DC payable upon commencement of construction within a defined two-year period;
- o Avoid amendments to the DC By-law; and,
- o Reduce the risk of potential statutory challenges or unintended rate locking implications associated with future by-law revisions.

ANSWER:

To clarify, the staff recommendation in DGM-03-26 to pursue an amendment to the existing housing related Community Investment Plan (CIP) would not be limited to only affordable or rental tenure housing, an amendment also has the potential to rebrand the existing CIP to focus on supporting the creation of housing generally. Pursuing an amendment to the CIP presents the opportunity to identify criteria for a temporary program that meets the needs of the City and the development community. Those criteria could be location based, type of housing based or a combination of both.

A fulsome legal analysis has not been completed. However, as mentioned through a CIP, the City could include the aforementioned criteria and provide a grant equivalent to DCs payable, which would avoid amendments to the DC By-law, and reduce other risks associated with timing and costs. Providing such a grant outside of a CIP and not amending the DC by-law,

would be considered bonusing under the Municipal Act.

QUESTION 8. Eligibility Criteria for Grant Program

As part of the analysis in Item 7, assess whether eligibility for a DC Grant program could be limited to residential units below a specified value threshold (for example, \$1.75 million or another defined amount), thereby excluding luxury residential units from eligibility

ANSWER:

Similar to the answer for item 7, as noted in report DGM-03-26, through a CIP, Council could establish targeted criteria for a DC grant program. Providing such a targeted grant outside of a CIP would be considered bonusing under the Municipal Act.

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Attachments:

- A. Question 1
- B. Question 2
- C. Question 3
- D. Question 4
- E. Question 5

Memo Approval:

Supplemental staff memos are reviewed and approved by the Commissioner.