

Priced Out:

The High Cost of Development Charges

DECEMBER 2025





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Housing: An Economic Driver for Regional Competitiveness

The Toronto region's economic success depends on its ability to attract and retain both people and investment. In 2021, The Board released a report that underscored this connection clearly, spotlighting the lack of family-appropriate housing across the region. [Meeting in the Middle](#) started a critical conversation: regions that fail to provide attainable, family-sized housing in well-served, complete communities lose not only residents, but also employers, innovation, and long-term competitiveness. Since that time, the need for more 'missing-middle' housing, faster approvals, and modern infrastructure has only become more urgent.

Inter-provincial migration patterns illustrate why. Between 2018 and 2023, the Greater Toronto Area (GTA) lost more than 80,000 residents per year to other parts of Canada.¹ While international immigration continues to drive overall population growth, those leaving are disproportionately young adults and families, key enablers of a thriving workforce.

This segment of the talent pool is increasingly leaving in search of attainable housing within a reasonable commute. Talent goes where housing is attainable and where communities provide reliable transit, parks, schools, childcare, and cultural and recreational amenities. These are not secondary features; they are core components of a region's value proposition. For employers, this translates into a shrinking talent pipeline, labour shortages, and rising recruitment costs.

At the same time, the economics of delivering new housing have shifted dramatically. Over the past 5 years, construction costs have risen nearly four times faster than inflation,² interest rates have squeezed builders and buyers, and land values have surged across the GTA. These forces magnify the cost of building the infrastructure required to service new homes while municipalities, constrained by provincially defined revenue tools, face limits in funding housing-enabling infrastructure.

Layered onto these challenges is a generational shift in how Ontario pays for infrastructure. For decades, major public works, water and wastewater, roads and transit, were financed gradually through property and incomes taxes with significant federal and provincial funding. Earlier generations bought homes at far lower relative prices and paid for infrastructure over time as their incomes rose and property values increased.



Municipalities face \$250 to \$290 billion in infrastructure needs this decade, including more than \$100 billion directly tied to population growth.

Today's homebuyers face the opposite. Housing prices are at record highs and the cost of long-lived infrastructure is increasingly embedded upfront in the price of new homes through development charges (DCs). In effect, younger households are being asked to pre-pay for 50- to 75-year assets, rather than amortize them over time. Unlike earlier generations, they now appear far less likely to benefit from long-term property value growth. The system downloads more cost, more risk, and more responsibility onto those entering the market now.

This is ultimately a question of intergenerational equity. A system that asks today's homebuyers to shoulder the full cost of long-lived public infrastructure upfront - costs previous generations paid gradually over decades. Restoring that balance requires a modern fiscal framework for growth, one that aligns the cost of infrastructure with the lifespan of the assets and the generations that benefit from them.

The current structure has created a profound misalignment: the economics of building no longer support the scale of housing Ontario needs, and the economics of municipal finance no longer support the scale of infrastructure required. Ontario municipalities face \$250 to \$290 billion in infrastructure needs this decade, including more than \$100 billion directly tied to population growth, yet Federal and Provincial programs, combined with the roughly \$3.5 billion³ collected annually in DCs, cover only a fraction of these costs.

The consequence is that we are falling behind. Despite a provincial target of 1.5 million new homes by 2031, Ontario remains far off pace. In 2024, the target was 125,000 new completions - but only 74,600 homes were finished.⁴ Housing starts are projected to fall to 64,300 units in 2025 before gradually recovering later in the decade.⁵

Housing costs are not a peripheral concern - they are a core competitiveness issue. Regions cannot grow their economies without the ability to house their workforce, and they cannot attract investment without complete communities that offer the amenities talent expect. Attainable housing and well-serviced neighbourhoods draw people; people attract investment; and investment drives productivity and prosperity.

Addressing Ontario's housing crisis therefore requires both more attainable homes and a modern, sustainable approach to funding the infrastructure that makes communities desirable places to live, without continuing to make the next generation pay upfront.



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What Are Development Charges

When new homes, apartments, or commercial buildings are constructed, they bring new residents and workers into a community. That growth increases the need for public services and the foundational infrastructure needed to support expanding communities - roads, water pipes, sewers, fire stations, parks, schools and transit.

DEVELOPMENT CHARGES ARE “GROWTH-PAYS-FOR-GROWTH” FEES.

Municipal development charges (DCs) emerged in the late 1980s and then were modernized in the late 1990s. DCs are collected by municipalities from builders to help pay for the new infrastructure needed to support that growth. They typically cover about 60% of growth-related capital costs, which leaves the remainder to be covered by other sources, such as property taxes, user fees and grants from other senior levels of government.



WHY THEY EXIST

Municipalities use development charges to:

- Ensure new neighbourhoods have the infrastructure they need from day one.
- Avoid shifting the full cost of growth to current residents.
- Reduce the burden on property taxes.



HOW THEY WORK

1. The municipality estimates the long-term cost of infrastructure needed for future growth.
2. It divides those costs across expected new homes and commercial buildings.
3. Developers pay the fee when they apply for building permits or at another set point.
4. The municipality must spend the collected funds on eligible growth-related infrastructure. E.g. Roads, water, wastewater and transit development.



WHAT THEY DON'T DO

- DCs do not pay for all municipal infrastructure — only those linked to growth.
- They do not go into general revenue.
- They do not pay for ongoing operations, staffing, or maintenance.

Calls to Action

Ontario cannot meet its housing or economic-growth ambitions with a municipal financing system built for a different era. Municipalities are increasingly dependent on DCs as other funding tools have eroded; yet rising DCs make new housing less attainable and weaken the very growth the province is trying to accelerate. To unlock housing supply, maintain infrastructure, and keep communities competitive, Ontario needs a modern, predictable, and fair growth-funding framework.

The following calls to action outline the critical steps required to realign responsibilities, restore fiscal balance, and ensure that growth is financed sustainably and equitably.



1. MODERNIZE THE DEVELOPMENT CHARGES ACT

Create a clear, stable framework that supports both housing affordability and municipal fiscal sustainability. Ontario's Development Charges Act (DCA) is overloaded and outdated, functioning as a patchwork replacement for declining provincial and federal funding



2. REMOVE WATER AND WASTEWATER COSTS FROM DCs

Stop front-loading half-century infrastructure onto the first purchaser of a new home and instead finance it over the life of the asset. This action could reduce DCs in the Greater Toronto Area (GTA) by between 30% to 50% depending on the municipality.



3. UPLOAD TRANSIT-RELATED DCs TO SENIOR-LEVEL GOVERNMENTS

Recognize transit as a regional, multi-generational public good, instead of a cost borne by the first purchaser of a new home. This action could reduce DCs in Toronto by 42%.



4. EXPAND MUNICIPAL FINANCING TOOLS

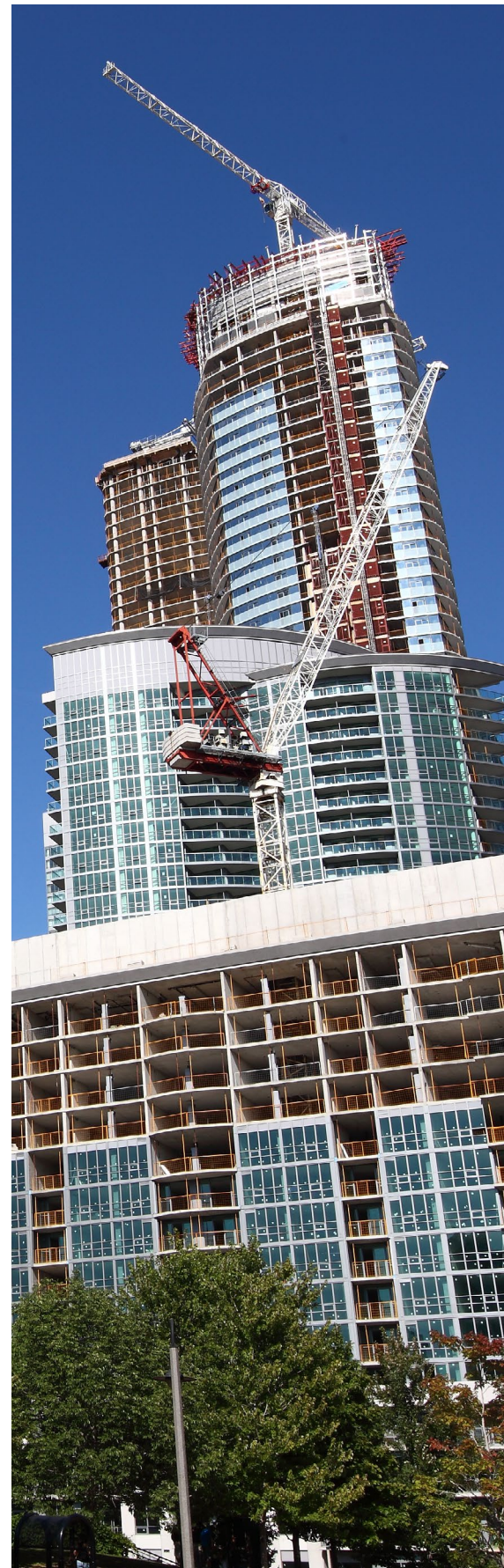
Expand the tools available to municipalities to finance growth through diversified capital mechanisms. This would open new options for growth-related and state-of-good-repair infrastructure needs.



5. REBUILD FEDERAL AND PROVINCIAL INFRASTRUCTURE PARTNERSHIPS

Restore the intergovernmental funding model from the 1970s and 80s that previously enabled coordinated, affordable growth across the GTA with corresponding governance to ensure coordination and accountability.

Taken together, these actions will modernize Ontario's growth-funding system, reduce upfront costs for new housing, expand municipal fiscal capacity, and restore the senior-government partnership required to build complete communities. Growth must once again be a shared, intergenerational investment - not a burden carried by first purchasers of a new home.



Understanding the Problem

How We Got Here

Ontario's housing system depends on infrastructure: roads, water, wastewater, and amenities that make new homes viable. But the cost of building and maintaining that infrastructure has grown dramatically.

Development charges, one of the primary municipal tools to fund growth-related infrastructure, have increased by an average of 176% across the GTA between 2011 and 2023, with the average for a single-detached unit being \$101,190 as of 2023.⁶

This rise in costs is the result of structural fiscal misalignment. At present, municipalities now collect nine cents of every household tax dollar, even though they own and maintain more than 60 per cent of Ontario's public infrastructure.⁷ For decades, transfers from Provincial and Federal governments have not kept pace with population growth, inflation, or the expansion of local responsibilities - leaving municipal governments to fill widening gaps in their budgets. As a result, every time a new subdivision, condo tower, or transit line is built, much of the cost of servicing must be embedded directly into the sale price of the home. The costs of building essential infrastructure have been effectively downloaded onto first purchasers of a new home, while the benefits of those investments, including better transit, new roads, and upgraded water systems, are shared by future owners.

The problem is compounded by timing. Development charges are typically collected up front, years before municipalities see property tax revenues from the new homes. This creates a financing mismatch: municipalities must fund infrastructure before growth occurs, while developers must carry the cost of fees long before they earn any return. In a high-interest-rate environment, this dynamic further increases costs for homebuyers and halts developers' appetite to invest in new supply.

GTA Municipality Housing Targets and Status (as of December 31, 2024)⁸

Municipality	Ten-year housing target	Housing target status
Toronto	285,000	On track
Mississauga	120,000	Not met
Brampton	113,000	Not met
Markham	44,000	Not met
Vaughan	42,000	Not met
Oakville	33,000	Exceeded
Burlington	29,000	Not met
Richmond Hill	27,000	Not met
Oshawa	23,000	Not met
Milton	21,000	Exceeded
Whitby	18,000	Not met
Ajax	17,000	Not met
Clarington	13,000	On track
Pickering	13,000	Exceeded
Caledon	13,000	Not met
Newmarket	12,000	Not met
Halton Hills	9,500	Not met
Aurora	8,000	Not met
Whitchurch-Stouffville	6,500	Not met
Georgina	6,200	On track
East Gwillimbury	4,300	On track

Every time a new subdivision, condo tower, or transit line is built, much of the cost of servicing must be embedded directly into the sale price of the home.

Roles and Responsibilities: Municipalities and the Province

In Ontario, municipalities operate entirely within a Provincial framework that determines what services they must deliver and how they can be funded.

MUNICIPAL ROLE AND FISCAL CAPACITY

Municipalities plan, build, and maintain most of the infrastructure that makes housing possible - local roads, water and wastewater systems, parks, and community amenities. They have only three primary revenue tools to fund these investments: property taxes, user fees, and DCs, complemented by Provincial and Federal grants.

Unlike senior levels of government, municipalities are not permitted to run operating deficits, and face a strict Annual Repayment Limit (ARL) that caps debt servicing at 25 percent of annual own-source revenues. The result is a structural mismatch between responsibility and fiscal capacity:

- Property taxes account for over 50% of all municipal revenues, but this source is already stretched to fund essential services, leaving little room for large-scale capital expansion.⁹
- Municipalities fund over 80% of local capital spending from their own-source revenues, despite being the order of government with the least fiscal flexibility.¹⁰

In practical terms, this means that when municipalities need to build new roads, watermains, or transit systems to support new housing, they must either raise property taxes, increase user fees, or increase DCs. Each option has limits: property taxes are politically constrained and regressive; user fees are capped by affordability; and DCs, while necessary, drive up the cost of new housing.

Ontario's municipal finance system was never designed for the scale or pace of growth the province now faces. Without new tools and expanded funding partnership with provincial and federal governments, municipalities have limited means to deliver the infrastructure needed to meet housing supply targets.



PROVINCIAL ROLE AND FUNDING GAP

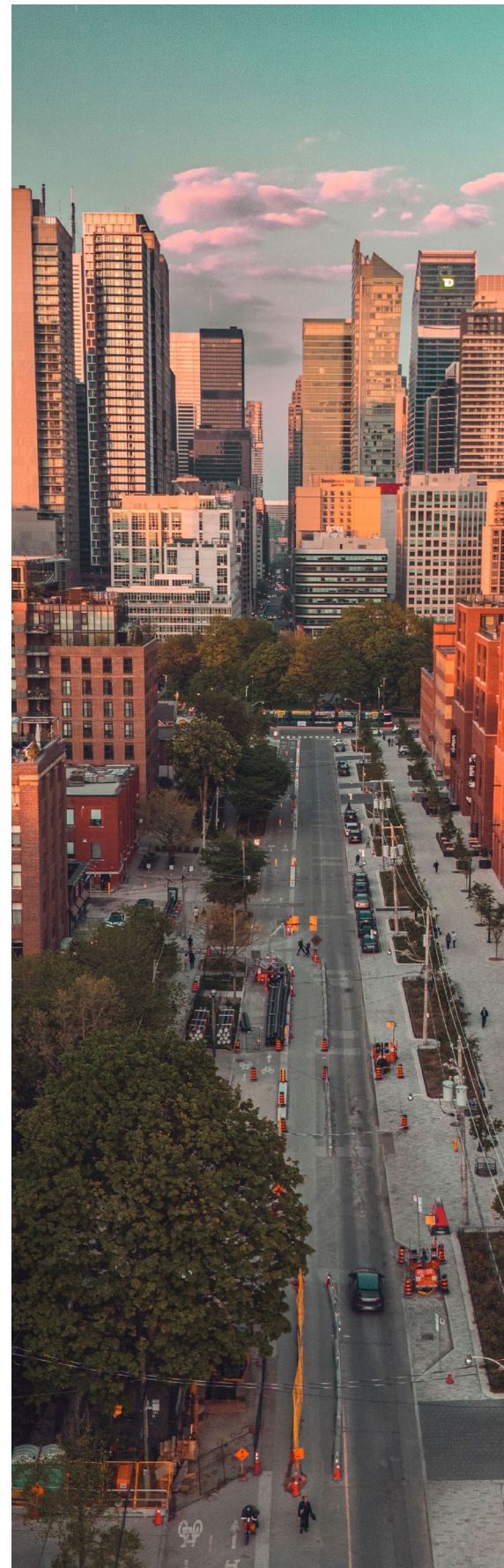
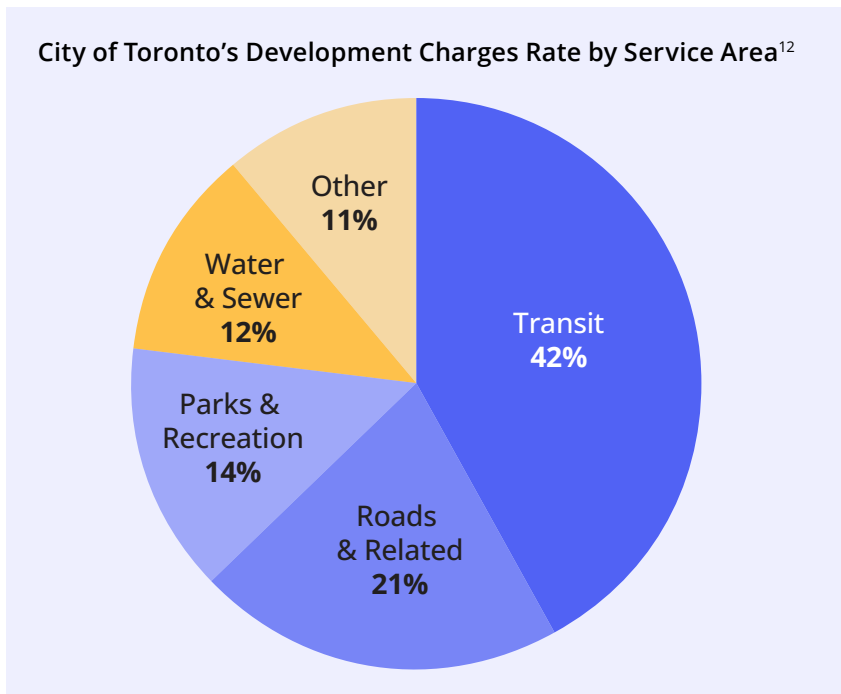
While municipalities are responsible for delivering most local infrastructure, the Province controls the rules of the game. Through legislation such as the DCA, the Municipal Act, and the Planning Act, the Province dictates both the fiscal framework and the growth management system that shape housing delivery.

Further, over the past three decades, the Province’s financial participation to support municipal services has steadily declined. Since the late 1990s, successive governments have required municipalities to assume major responsibilities, such as housing, homelessness prevention, public health, childcare, social services, and portions of transit funding, without providing revenue sources to match these costs. These downloaded services now represent roughly \$10 billion annually in costs that were once provincially funded.¹¹

This imbalance has created a system where municipalities carry the largest share of infrastructure delivery but possess the smallest share of fiscal capacity.

At the same time, the Province’s policy ambitions have expanded. Housing supply targets, growth management frameworks, and regional transit strategies all rely on municipal implementation. Municipalities are being asked to deliver on Provincial objectives with fiscal tools designed for a different era.

The outcome is predictable: infrastructure investment lags population growth, pushing up the cost of housing and slowing new construction. Without new funding tools and an updated financial partnership, Ontario will continue to fall short of its housing and economic growth goals.





Development Charges: How They Work

These one-time fees are levied on new development to fund the infrastructure needed to support growth. When new homes, offices, or industrial facilities are built, they create demand for roads, water and wastewater systems, and other municipal services. DCs are intended to ensure growth pays for growth.

There are some important considerations in relation to DCs:

- They are restricted to capital infrastructure and cannot be used for operations or maintenance.
- Revenues are deposited into service-specific reserve funds and must be spent on eligible growth-related projects.
- Each municipality must undertake a comprehensive background study, typically every five years, that forecasts population and employment growth, identifies required infrastructure, and allocates growth-related shares of costs across services.
- The Provincial government must approve the DCs.

What DCs Fund

Nearly three-quarters of all municipal DC revenues in Ontario are allocated to five core services:¹³



Roads

38%



Water

16%



Wastewater

15%



Parks & Recreation

13%



Transit

6%

These proportions vary by municipality based on service needs and growth patterns. For example:

Toronto

– Transit accounts for roughly 42% of total DCs per unit, while water and wastewater combined account for about 12%.¹⁴

York Region

– Water and wastewater services make up nearly 50% of total DCs, reflecting the region’s reliance on large-scale linear infrastructure.¹⁵

Peel Region

(Mississauga/ Brampton) – Water and wastewater represent approximately 45% of total DC costs; transit averages about 10%.¹⁶

Halton Region

– Water and wastewater total 41%, while roads account for 32% and transit about 8%.¹⁷





Scale and Financial Impact

DCs represent an important source of municipal capital funding but are not the largest source of funding. They typically cover about 60% of the total cost of a growth-related capital project, requiring municipalities to draw on property taxes, user fees, or debt for the remainder.¹⁸

Toronto's current 10-year capital plan includes \$6.1B in DC-funded projects, accounting for roughly 10% of all planned capital investment. The City collects an average of \$520M in DCs annually, though revenue varies with construction cycles.¹⁹

Provincewide, between 2018 and 2022, Ontario municipalities collected an average of \$3.5B per year in DCs while spending \$2.4B annually.²⁰ Yet the infrastructure needs of municipalities greatly outpace this revenue. The Association of Municipalities of Ontario (AMO) reports municipalities are planning for \$250B to \$290B in capital investments over the next decade, \$100B of which is growth-related.²¹

Why DCs Matter

While they don't cover all the costs of growth, DCs remain a critical tool.

As construction and infrastructure costs have climbed, DCs have become one of the largest government-imposed costs. In some communities, they add \$100,000 to \$200,000 to the cost of a single-family home.

Between DCs and other government taxes, including HST and land transfer taxes, these fees can add up to 25% to the cost of a new home in the GTA.

Sample of 2025 Development Charges in the Greater Toronto Area²²

Municipality	Detached/Semi-Detached DC (includes Regional and School Boards DCs where applicable)
Vaughan	\$199,886.00
Markham	\$178,120.00
Richmond Hill	\$170,949.00
Brampton	\$151,706.24
Mississauga	\$139,170.54
Toronto	\$137,846.00
Oshawa	\$127,747.00
Oakville	\$111,284.13
Burlington	\$87,342.77



Why the System Needs to Change

Municipalities rely on DCs because they have limited tools, but high and rising DCs make new housing less attainable for home buyers and less attractive for investors, reducing the very growth those charges are meant to fund. A lack of alignment between Provincial policy and municipal capacity has created this fiscal challenge.

If Ontario is to meet its housing and economic growth targets, it needs a financing model that reflects current realities: a growing population, escalating construction costs, and the need for long-term, predictable infrastructure investment. Reform is not about eliminating DCs. It is about modernizing the framework to distribute costs more fairly, aligning repayment with long-term benefits, and introducing financial tools that ensure growth is sustainable.





1. Recommendation: Modernize the Development Charges Act (DCA)

ISSUE:

Ontario's DCA has become overloaded and outdated. Originally designed to ensure "growth pays for growth," it now functions as a patchwork replacement for declining provincial and federal funding. As a result, municipalities are under pressure to maximize every eligible cost, and developers face rising fees that add tens of thousands of dollars to the price of a new home.

The current system lacks clarity, consistency, and transparency. Key assumptions, such as growth forecasts, benefit-to-existing (BTE) ratios, and local service policies (LSPs), vary widely across municipalities and are often negotiated rather than standardized. This creates uncertainty for everyone involved.

RECOMMENDATION:

Modernize the DCA to provide a clear, stable, and transparent framework for growth funding that balances affordability, fiscal sustainability, and accountability.

Reform should narrow the definition of "growth-related" costs to focus on enabling infrastructure and standardize core methodologies, such as percentage attributed towards growth for new community centres, across municipalities.

POTENTIAL IMPACT:

A modernized DCA could improve transparency and consistency, while supporting housing affordability and municipal fiscal sustainability.

ACTIONS:

I. CLARIFY AND STANDARDIZE LOCAL SERVICE POLICIES (LSPS)

Require municipalities to adopt uniform definitions and processes for what constitutes "local" versus "growth-related" infrastructure. Currently, LSPs are inconsistent across jurisdictions, creating both cost and timing uncertainty.

For example, some municipalities include certain collector roads or stormwater ponds as "growth-related," others classify them as "local," requiring developers to bear 100% of the cost. Establishing a provincial LSP template could improve transparency, align costs and permit benchmarking.

II. STANDARDIZE TRANSPARENCY OF "BENEFIT TO EXISTING" (BTE) CALCULATIONS

BTE calculations identify how much of an infrastructure project benefits existing residents versus new ones. Those assumptions vary across municipalities, even for identical facilities, because there is no common method for calculating or disclosing them.

As a result, one municipality may assume only 10% of a new recreation centre benefits existing residents, while another assumes 40%. These differences directly shape DC rates.

Requiring municipalities to publish BTE assumptions in plain language, and using provincially benchmarked ranges for common services, would bring greater consistency to how costs are allocated.

III. MERGE AND SIMPLIFY SERVICE CATEGORIES

Municipalities often maintain more than 20 separate service categories (the City of Toronto has 22 individual accounts) each requiring detailed calculations, reserves, and credits. This fragmentation increases administrative burden and limits flexibility.

By combining overlapping service categories where they naturally align through master planning, such as combining roads and transit, or parks and recreation, municipalities could pool funds more efficiently, avoid stranded reserves, and direct money toward priority projects.

IV. REVISIT LAND VALUATION IN DC CALCULATIONS

Develop provincial guidance for how land costs are incorporated into DC rate setting, particularly in rapidly appreciating markets.

Rising land values have an outsized effect on DC rates. In some cases, where land costs have doubled or tripled, municipalities rely on current market appraisals. This inflates the overall cost of new housing.

Recognizing not all municipal land needs should be financed through DCs, the Province should require the use of average historical land values over a defined period (such as 5 or 10 years) and allow valuation adjustments or caps to smooth market volatility.



2. Recommendation: Remove Water and Wastewater Costs from DCs

ISSUE:

Under the current system, DCs are collected as an upfront payment for the purchase of a new home. This means the first home purchaser bears the full cost of water and wastewater infrastructure that will serve the property for decades and benefit future owners of that home.

RECOMMENDATION:

Amortize the cost of water and wastewater infrastructure over time so that future homeowners share in paying for the systems they benefit from. This approach would align infrastructure financing with asset lifecycles and improve affordability for new buyers.

POTENTIAL IMPACT:

For a detached or semi-detached home in Toronto, amortizing water and wastewater components could reduce the upfront cost by approximately \$15,990.



ACTIONS:

I. DEDICATED UTILITY CORPORATIONS

Encourage municipalities to establish separate entities, either municipally-owned or public-private, to build, maintain and operate water and wastewater infrastructure.

Examples include municipal service corporations such as those operating in Innisfil, Oro-Medonte, and Frontenac, which provide local control while allowing infrastructure investment to be amortized. The Province has recognized this approach as part of Bill 60 and is setting this direction for Peel Region.

Public-private models, like Ontario's electricity distribution system, could also be considered. These would enable municipalities to operationalize infrastructure financing and potentially monetize mature assets to reinvest in other community priorities.

II. AREA SPECIFIC UTILITY CAPITAL CHARGES

Permit municipalities to recover capital infrastructure costs through area-specific utility fees applied to monthly water and wastewater bills. This approach would phase costs over the lifespan of the asset, ensuring ongoing users contribute proportionately while maintaining transparency and financial sustainability.

Several Ontario municipalities already differentiate DC rates based on geography, such as York Region and Halton Region, where charges reflect varying servicing costs between urban and greenfield development. However, these models still recover the capital cost upfront through DCs.

In contrast, Metro Vancouver provides a precedent for a regional utility model, where infrastructure costs are recovered over time through user rates apportioned to local demand. This approach aligns cost recovery with asset life cycles avoiding embedding long-term infrastructure costs in the price of new housing.



3. Recommendation: Upload Transit-Related DCs to Senior-Level Governments

ISSUE:

Like water and wastewater infrastructure, transit benefits not only the first purchaser of a home but the broader region by reducing congestion and improving productivity. While transit represents roughly 6% of DCs across the GTA, it accounts for 42% in Toronto due to the scale of the network. This translates to an additional \$57,895 in upfront costs for the first purchaser of a detached or semi-detached home.

Overall Funding Breakdown of TTC 10-Year Capital Program²³

Source	Amount (Billion \$)	Share of Total
City of Toronto	\$10.9	66%
Province of Ontario	\$2.1	13%
Government of Canada	\$3.4	21%
Total Capital Plan	\$16.4	100%

The Toronto Transit Commission’s 10-year capital program totals \$16.4B, with the City covering two-thirds of all costs and the Provincial and Federal government contributing one-third. Of the City’s \$10.9B share, most funding comes from the City Building Fund - a dedicated property tax levy delivering \$7.8B. DCs account for only \$1.44B, reflecting the limited portion of the program that qualifies as growth-related.²⁴

RECOMMENDATION:

The growth-related cost of transit construction should be funded through predictable, ongoing contributions from the Ontario and Federal governments. A formula-based transfer for transit expansion, allocated based on population and ridership, would provide municipalities with stable, long-term funding aligned growth, rather than relying on one-time DCs.

POTENTIAL IMPACT:

For a detached or semi-detached home in Toronto, removing the transit component from DCs would reduce the upfront cost by approximately \$57,895.

Monetizing Mature Public Assets to Unlock Capital for Growth

Ontario municipalities own billions of dollars in mature, revenue-generating assets, especially water, wastewater, and transit systems, yet lack mechanisms to leverage their value to fund the next wave of infrastructure. In many jurisdictions, these stable, depreciated, user-fee-supported assets are monetized through long-term concessions, regulated private operators, or utility-corporation models that provide upfront capital while maintaining public oversight.

Canada already offers credible examples. Montréal’s REM light rail line is being delivered through a public-private model led by CDPQ Infra (a subsidiary of Quebec’s public pension *Caisse de dépôt et placement du Québec*), which provided billions in upfront investment and recovers costs through a mix of operating revenues and government per-passenger subsidies. In the water and wastewater sector, Alberta municipalities frequently contract private operators, and EPCOR (a municipally owned but commercially structured utility) manages systems across Alberta, B.C., and the U.S., using operating revenues to finance upgrades and expansion.

For Ontario, exploring similar models could provide a significant cash infusion for other community priorities, while establishing dedicated, revenue-backed financing for future growth infrastructure. With strong public-interest protections, monetizing mature assets can reduce reliance on property taxes, DCs and senior-level government grants, while aligning costs with the long-term benefits these assets deliver across generations.

While transit represents roughly 6% of DCs across the GTA, it accounts for 42% in Toronto due to the scale of the network.



4. Recommendation: Expand Municipal Financing Tools

ISSUE:

Ontario municipalities have limited financing options for growth-related and state-of-good-repair infrastructure. Borrowing is capped by the ARL, while property taxes, user fees, and DCs are insufficient to fund infrastructure at the pace required.

RECOMMENDATION:

Expand and modernize the financing tools available to municipalities to authorize a broader range of revenue-secured borrowing mechanisms and value-capture models tied to new development.



ACTIONS:

I. TAX INCREMENT FINANCING (TIF)

Municipalities already benefit from the property tax uplift that results from new development. However, a TIF model would allow them to dedicate that future increase in property tax revenue to repay debt issued for the infrastructure that enabled the development. By tying future assessment growth along intensification corridors to the repayment of upfront borrowing, municipalities could finance portions of major capital works and reduce pressure on property taxes and one-time DCs.

II. MUNICIPAL REVENUE BONDS:

While most Ontario municipalities rely on general obligation bonds repaid from property taxes, the City of Toronto has the authority to issue revenue-backed bonds, financing repaid entirely from user fees rather than the general tax base. For example, rate-supported services such as Toronto's Solid Waste Management borrow against their own revenues, ensuring users of the service pay for the capital infrastructure that supports it.

Revenue bonds operate on this same principle and are widely used by municipalities across the United States. They are secured by income generated from a specific project, such as a parking structure, water system, or transit line, rather than by general municipal revenues. Project earnings first cover operating costs and then service the debt, creating a self-financing model that attracts investors.

Extending this authority to all Ontario municipalities could unlock new sources of capital and align repayment with those who directly benefit from the investment.

III. REFORM THE ANNUAL REPAYMENT LIMIT (ARL)

Exclude rate-supported borrowing, such as water and wastewater projects financed through user rates, from the ARL calculation. This has the potential to expand borrowing capacity while maintaining fiscal responsibility.



5. Recommendation: Rebuild Federal and Provincial Infrastructure Partnerships

ISSUE:

The rise in DCs has mirrored a decline of senior-level government investment in municipal infrastructure. In earlier decades, Federal and Provincial programs played a central role in financing the infrastructure that enabled suburban growth across the GTA.

Peel Region’s early expansion in the 1970s and 80s was supported through senior-level government servicing programs, while York Region’s growth was made possible by the provincially funded “Big Pipe” starting in the 1980s. These large-scale investments demonstrated how coordinated senior-level participation in growth financing allowed new communities to be built.

Recent commitments from Federal and Provincial governments signal a shift back toward this model.

The Federal Budget introduced a \$51B Build Communities Strong Fund for national infrastructure over ten years. Ontario has likewise committed \$4B to its Municipal Housing Infrastructure Program. These investments represent meaningful steps toward rebuilding the partnership that once supported growth.

Yet even with these programs, the scale of Ontario’s municipal infrastructure needs exceeds available funding. Municipalities face \$250B to \$290B in required capital investment over the next decade, including more than \$100 billion directly tied to growth. Current Federal and Provincial programs, combined with the approximately \$3.5B collected annually in DCs, remain significantly below what is required to meet Ontario’s housing targets.

Overview of Approved Federal Housing Accelerator Funding in relation to the 2025 Capital Budgets of 10 GTA Municipalities

Municipality	Housing Accelerator Funding (Multi-Year)*	2025 Capital Budget	% of 2025 Capital Budget*
Toronto	\$471M	\$5.2B	9.0%
Mississauga	\$112.9M	\$628.2M	18.0%
Brampton	\$114M	\$358.6M	31.8%
Markham	\$58.8M	\$178.9M	32.9%
Vaughan	\$59M	\$424.7M	13.9%
Oakville	\$1.2M**	\$202.2M	0.6%
Richmond Hill	\$31M	\$89.5M	34.6%
Burlington	\$21M	\$105.4M	19.9%
Oshawa	\$0	\$82.5M	0.0%
Whitby	\$24.9M	\$50.8M	49.0%

* Housing Accelerator Funding is multi-year so its expenditure would be spread across more than just one year of a municipality’s capital budget. For illustrative purposes though, this shows the scale of infrastructure investment municipalities are making from their own-source revenues.

** Oakville had its Housing Accelerator Funding cancelled because council voted against a motion requiring greater density housing

RECOMMENDATION:

The Ontario and Federal governments should expand predictable, formula-based transfers that fund growth-related infrastructure with corresponding governance to ensure coordination and accountability. This approach would allow for reductions in DCs while ensuring municipalities retain the capacity to deliver the infrastructure required to support housing growth. Predictable funding would also give municipalities the certainty needed to plan long-term capital investments and leverage their borrowing capacity, rather than waiting to learn whether a competitive grant will materialize.

ACTIONS:

- Establish a dedicated Federal and Provincial transfer to backfill the 50% reduction in DCs, ensuring municipalities can still deliver required infrastructure while lowering DCs to support housing affordability.
- Expand predictable, formula-based infrastructure funding for growth-related capital needs, replacing reliance on short-term, application-based programs and giving municipalities the certainty required for long-term planning and servicing.



Conclusion

Ontario's housing and infrastructure challenges are not simply technical or financial - they are fundamentally intergenerational. The current system asks young households to do what previous generations never had to: pay record prices for housing while simultaneously pre-paying, through DCs, for infrastructure that earlier generations funded gradually over decades. This approach is neither equitable nor sustainable. It drives up the cost of new homes, suppresses supply, and undermines the region's ability to attract and retain the talent its economy depends on.

Rebalancing the system requires a shift in how we finance long-lived, growth-enabling infrastructure. Infrastructure with 50- to 75-year lifespans should not be recovered upfront through the price of a single home. Housing-enabling infrastructure should be funded in ways that reflect the value it creates across generations, not loaded onto those entering the market today.

A modernized framework, one that blends predictable Federal and Provincial transfers, long-term amortization, diversified municipal revenue tools, and targeted use of DCs, would ease the burden on today's buyers, restore intergenerational equity, and support the scale of housing Ontario needs. It would also enhance Ontario's competitiveness by ensuring communities have the infrastructure, amenities, and services that attract investment and talent.

Ontario has a choice: maintain a system that makes the next generation pay upfront or build a framework that aligns costs with lifecycles, benefits, and the realities of today's housing market. Ensuring that growth is funded fairly and sustainably is not only a matter of financial prudence - it is essential to building a region where young people and families can afford to live, work, and thrive.



Endnotes

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