



The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2025-F-7
Date: May 13, 2025

Subject:

Medium and High-Density Residential Development Charge Deferral Program

Recommendation:

That the Committee of the Whole recommends to Regional Council that:

- A) A Medium and High-Density Residential Regional Development Charge Deferral Program be implemented for the 2025 construction season to provide immediate relief for medium and high-density developments (i.e. high-rise condominiums, townhouses and plexes) to ensure Durham Region continues to supply much needed higher density housing opportunities during these economic uncertain times, subject to the following conditions:
- i) The applicable development charges owed under the Region's Residential and Non-residential Development Charges By-law No. 42-2023, Transit Development Charges By-law No. 39-2022 and GO Transit Development Charges By-law No. 86-2001 for high-rise condominium, townhouse condominium and plex developments that meet the "apartment building", "plex" or "townhouse building" definitions in the by-laws (excluding any purpose built rental and non-profit developments, which already benefit from statutory deferrals and exemptions, respectively) be deferred from building permit until first occupancy at the option of the applicant;
 - ii) The applicable development charges owed under the Region's Residential and Non-residential Development Charges By-law No. 42-2023, Transit Development Charges By-law No. 39-2022 and GO Transit Development Charges By-law No. 86-2001 for townhouse developments approved through a plan of subdivision (e.g. freehold townhouses) have the option to defer payment of hard services DCs at subdivision agreement execution until building permit.
 - iii) That full payment for the residential medium and high-density developments that qualify for the deferral be due at first occupancy (excluding freehold townhouse

developments), with a security provided to the Region at building permit issuance and **any default of** the deferral payment being subject to an interest rate of 2.6 per cent that accrues from building permit issuance until payment.

- iv) That full payment for the freehold townhouse developments approved through a plan of subdivision that qualify for the deferral be due at building permit issuance for each unit;
 - v) That default provisions apply if deferral payments become overdue;
 - vi) That applicants electing to use the deferral program enter into a deferral agreement with the Region; and,
 - vii) That other such terms and conditions as deemed appropriate by the Commissioner of Finance be included;
- B) That the Medium and High-Density Residential Development Charge Deferral Program be available to building permit applications for residential developments as set out in Recommendation A) that are submitted on or after the date of Council approval of this report, until December 31, 2025;
- C) That Regional staff submit a report to Regional Council in December 2025 with a review of the uptake of the Medium and High-Density Residential Development Charge Deferral Program to-date;
- D) That the Commissioner of Finance be authorized to enter into deferral agreements for purposes of the Medium and High-Density Residential Development Charge Deferral Program, subject to the conditions set out in Recommendation A) and any additional conditions deemed appropriate by the Commissioner of Finance, and to the satisfaction of the Regional Solicitor; and
- E) That the Provincial Minister of Municipal Affairs and Housing, be advised of the Region of Durham's interest in working to modernize the Development Charges Act and related regulations to ensure that growth related municipal infrastructure, including water, sewer, transit and roads, is appropriately funded by that growth balanced with a recognition that i) growth may benefit existing development through the provision of more accessible and efficient services to the entire community, and ii) recognizing that new development that has occurred over the past three decades has already paid development charges, this existing development should not have to contribute again to the cost of future growth.
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Report:

1. Purpose

- 1.1 The purpose of this report is to establish a Regional Medium and High-Density Residential Development Charge Deferral Program for higher density

developments (i.e. high-rise condominiums, townhouses and plexes) in Durham Region in response to the threat of new tariffs and heightened economic uncertainty.

2. Background

- 2.1 The uncertain economic climate from ongoing Canada-US tariff discussions has significantly affected the housing market. A recent CMHC report suggests that housing starts in the GTA will decline this year, driven by a drop in the condominium segment. In Durham Region, the high-rise condo, condo townhouse, and townhouse market provides key housing solutions for increasing the rental stock and opportunities for first time home buyers. Developers are seeking temporary deferral of the payment of Regional DCs with the posting of securities for the 2025 construction season. To address this, regional staff are seeking to implement a DC deferral program for medium and high-density residential development.
- 2.2 Development Charges (DCs) are fees imposed by municipalities on new developments to recover the costs of infrastructure and services necessitated by growth. These charges ensure that growth-related capital expenses, such as roads, water treatment, sewage systems, police and paramedic stations are funded by those who benefit from the new developments, rather than existing taxpayers.
- 2.3 The Region currently collects residential DCs for water supply, sanitary sewer, roads, Regional Transit, and other soft services under the Region's Residential and Non-residential Development Charges By-law No. 42-2023, the Region's Transit Development Charges By-law No. 39-2022 and the Region's GO Transit Development Charges By-law No. 86-2001 ("Region's DC By-laws").
- 2.4 On February 4, 2025, the President of the United States of America announced that a 25 percent tariff would be imposed on most Canadian goods, which came into effect on March 4, 2025. Select sectors were granted a 30-day pause on tariff implementation, but the ongoing threats and consideration of a reciprocal response from Canada led to considerable economic uncertainty.
- 2.5 In anticipation of the tariff announcement, the Regional Chair and the Mayors of the Area Municipalities in Durham Region released a statement on February 3, 2025, that stated, "we align to stand up for our people and businesses" and that "we must safeguard and support the businesses that are the backbone of our local economy and community". Over the past two months Durham, area municipalities, boards of trade and chambers of commerce, and post-secondary institutions are working collaboratively on the Durham Economic Task Force (DETF) to share information and coordinate a response to the business community. Durham has also been actively engaged with development associations on the topic of DCs and initiatives in place to address market needs.

- 2.6 Seeking opportunities to support expansion and growth of companies in Durham Region, as well as evaluating opportunities to provide financial relief to businesses seeking growth or expansion in Durham Region amidst the current uncertain economic climate, Regional Council approved a Development Charge Deferral Program for Industrial development on March 26, 2025, which allows the payment of Regional DCs on industrial developments over a five-year period in installments with interest.
- 2.7 Although, at the time of this writing, Canada largely escaped the on-again off-again reciprocal tariffs that the US levied on the world on April 2, 2025, tariffs on several goods – including non-compliant CUSMA (Canada – United States – Mexico Agreement) goods, steel and aluminum, that were imposed in March 2025, remain in place.
- 2.8 There have been ongoing conversations between Regional staff and the Building Industry and Land Development Association (BILD) and the Durham Region Home Builders Association (DRHBA) regarding the slowdown of the local housing industry and potential avenues for Regional support.
3. **Existing Treatment of residential condominium and freehold townhouse developments under the DC Act and Region's DC By-laws**
 - 3.1 Development Charges for residential medium and high-density developments (i.e. high-rise condominiums, condominium townhouses and plexes) are typically paid at building permit issuance.
 - 3.2 The water, sewer and roads component of the DCs for freehold townhouses that are part of a subdivision agreement are payable upon the owner entering into a subdivision agreement with the Region. There is also an option to pay those DCs in two installments: 50% upon signing the subdivision agreement, and 50% on the first anniversary of the agreement, or at building permit issuance, whichever is sooner.
 - 3.3 Developments that meet the definition of "apartment building" and pay the "apartment" DC rate in the Regional residential DC by-laws (e.g. high-rise condominium and stacked townhouses developments) shall qualify for the deferral program. Durham's Regional DC rate schedules include two DC rates for apartment dwellings; one rate for units with one bedroom or less, and another for units with two or more bedrooms.
 - 3.4 Developments that meet the definition of "townhouse building" or "plexes" that pay the "medium density multiples" DC rate shall qualify for the deferral program.
 - 3.5 Development of purpose-built rental housing and non-profit housing are already subject to statutory deferrals and discounts under the Development Charges Act, 1997 ("DC Act"). Therefore, these developments will not be subject to the Medium and High-Density Residential DC Deferral Program.

- 3.6 The Region collects DCs for residential developments in Seaton based on rates outlined under the Seaton Area Specific DC By-law No. 2024-029 but collection is linked to DC credit arrangements under a Front Ending Agreement. It is proposed that the Residential DC Deferral Program not apply to DCs under the Seaton Area Specific DC By-law since most of these charges have already been paid through the construction of services.

4. Legislative Options for the Creation of a Development Charge Deferral Collection Program

- 4.1 Section 27 of the DC Act allows municipalities to enter into agreements that allow for an applicant to pay the applicable DC before or after it would otherwise be payable.
- 4.2 Any agreement made under Section 27 of the DC Act allows the municipality to charge interest, at a rate stipulated in the agreement, on that part of the development charge paid after it would otherwise be payable.
- 4.3 The advantage of using Section 27 deferral agreements as part of the Region's Medium and High-Density Residential DC Deferral Program is that it will not require an amendment to the Region's DC By-laws. The DC Act requires a lengthy public process for any amendments to a DC by-law and it is generally understood that immediate relief is required by the higher density residential development market and that deferring DC payments better aligns the payment of DCs to these developers' cashflow generation. If the deferral program was incorporated into the Region's DC By-laws through an amendment, then any future changes to the program (including the decision to end the program at some unknown point in the future) would require a further amendment to the DC By-laws which would trigger another public process to pass such an amendment.
- 4.4 Currently Regional Council approval is required for the Region to enter into a Section 27 deferral agreement for late payments of DCs. It is recommended that authorization be provided to the Commissioner of Finance to execute residential DC deferral agreements, as outlined under Section 27 of the DC Act with developers for applicable residential DCs.

5. Medium and High-Density Residential DC Deferral Program Details

- 5.1 As evidenced in the Toronto Regional Real Estate Board March 2025 MLS Home Price Index Report, for Durham Region and much of the GTA, there is an inverse relationship between dwelling density and price, with average prices increasing as density decreases. This suggests that higher density dwellings, such as condos and townhouses, are more attainable for first time homebuyers due to their lower average price point. Additionally, higher density developments encourage efficient use of land and resources available to service that land, such as transit.

- 5.2 It is recommended that the applicable development charges under the Region's Residential and Non-residential Development Charges By-law No. 42-2023, Transit Development Charges By-law No. 39-2022, and GO Transit Development Charges By-law No. 86-2001 for qualifying medium and high density residential developments be deferred from the building permit until first occupancy at the applicant's option, with water, sewer and roads component of the DCs for town houses that are developed as a part of a plan of subdivision agreement (e.g. freehold residential townhouse developments) recommended to be deferred from the execution of the subdivision agreement until the building permit issuance for each unit at the applicant's option.
- 5.3 As outlined in section 3.5 above, purpose built rental high-rise developments already qualify for the five-year deferral of DCs under the DC Act, so are not within scope of this program.
- 5.4 The program would commence upon Regional Council approval of this report and be applicable up to December 31, 2025.
- 5.5 The Medium and High-Density Residential DC Deferral Program will not be mandatory. If an Applicant elects to use the Medium and High-Density Residential DC Deferral Program, the Applicant would be required to enter into a deferral agreement subject to the following terms:
- a. The total amount of a development charge payable is the amount of the development charge that would otherwise be required under the Region's DC By-laws.
 - b. Deferral of residential DCs for qualifying medium and high-density developments will be from building permit issuance until first occupancy, when DCs owed will be due in full.
 - c. Deferral of townhouse developments approved through a plan of subdivision (e.g. freehold townhouse developments), the water, sewer and roads component of the DCs will be from the execution of subdivision agreement until building permit issuance, when DCs owed will be due in full.
 - d. A security in the form of a Letter of Credit (LC) or Surety Bond for the full amount owing will be provided to the Region prior to building permit issuance for qualifying medium and high-density development projects (excluding developments approved through a plan of subdivision).
 - e. Any late payment, over 90 days and with at least two notices to the last known contact, would deem the agreement in default and the Region would draw upon the security provided at building permit for the amount unpaid, and interest owed to the Region would be recovered by adding the interest amount to the property tax roll for collection pursuant to the DC Act.
 - f. Interest rates on the deferral payments are to be set at 2.6 per cent for the qualifying medium and high-density developments (excluding freehold townhouse developments approved through a plan of subdivision), which is the current rate of interest earnings on Regional Development Charge Reserve Funds, from building permit issuance to occupancy.

- 5.6 Developers can request the deferral when entering into the standard subdivision or servicing agreement with the Region for their development project or when applying for a building permit in cases where such an agreement is not required. As noted above, a separate deferral agreement will be required to qualify for the DC deferral.
- 5.7 If a building permit is required prior to the full execution of the deferral agreement, then the program would require the DCs to be paid in full.
- 5.8 Regional Staff will continue to work collaboratively with staff from area municipalities to track deferrals to occupancy and ensure alignment throughout the process.
- 5.9 The Treasurer will report to Regional Council in December 2025, with a review of the Medium and High-Density Residential DC Deferral Program to-date, including a summary of the number of applications received, and recommendations whether to renew the program.

6. Financial Implications

- 6.1 Under a deferral program that allows for DC collection for medium and high-density developments at occupancy and freehold townhouse developments at building permit issuance, the Region would be required to finance the cost of servicing that is completed in advance of DC collection.
- 6.2 The average annual DC collection over the previous ten years is approximately 4,000 units. It is estimated that on average, approximately 1,400 units would be required to pay at building permit issuance (i.e. includes condominium units and purpose-built rental units). It is estimated that roughly half have been purpose built rental (which are excluded from the analysis as purpose built rental units already qualify for a DC deferral as per the DC Act), meaning about 700 units per year are condominium units that would be in scope for this agreement. Using recent Regional historical averages, this would translate to about \$18 million in condo DCs for the remainder of 2025 that would be deferred out at least two years (time from building permit to occupancy varies with every development but is typically at least two years).
- 6.3 Utilizing 4,000 units as the annual average DC receipts for a given year, it is estimated that roughly 1,000 are medium density units (i.e. freehold townhouse units) that would be deferred from execution of subdivision agreement to first building permit issuance. This translates to about \$45 million in deferred DC revenue for the remainder of 2025.
- 6.4 The deferrals estimates outlined in 6.2 and 6.3 would lead to the Region increasing short-term borrowing to cover the revenue shortfalls, which could lead to additional financing costs for the Region in instances where the cost of

borrowing exceeds the interest the Region is charging on the deferred payment. Using recent market-based borrowing rates, the recommended higher density residential DC deferrals for 2025 could potentially cost the Region over \$250,000 in financing costs. It is important to note that this analysis is based on historical averages and that the composition of development can vary from year to year, which could impact the actual financial impact to the Region.

7. Previous Reports and Decisions

- 7.1 Report No. 2025-COW-16: Industrial Development Charge Deferral Program (<https://www.durham.ca/en/resources/2025-COW-16---Deferral-Program-for-Regional-Industrial-Development-Charges.pdf>)

8. Relationship to Strategic Plan

- 8.1 This report aligns with/addresses the following Strategic Direction(s) and Pathway(s) in Durham Region's 2025-2035 Strategic Plan:
- a. Connected and Vibrant Communities
 - C1. Align Regional infrastructure and asset management with projected growth, climate impacts, and community needs.
 - b. Resilient Local Economies
 - R1. Attract and retain quality employers that strengthen key economic sectors, including energy and technology.
 - R2. Support the growth of new business startups and small to medium local businesses.
 - R3. Develop, attract, and support a skilled and qualified workforce, including youth and newcomers.
- 8.2 This report aligns with/addresses the following Foundation(s) in Durham Region's 2025-2035 Strategic Plan:
- a. People: Making the Region of Durham a great place to work, attracting, and retaining talent.
 - b. Processes: Continuously improving processes to ensure we are responsive to community needs.

9. Conclusion

- 9.1 It is recommended that the Commissioner of Finance be authorized to implement a temporary Medium and High-Density Residential DC Deferral Program for development charges under the Region DC By-laws (Nos. 42-2023, 39-2022 and 86-2001) for projects submitted on or after the date of Council approval until December 31, 2025.

- 9.2 It is recommended that the Provincial Minister of Municipal Affairs and Housing be advised of the Region of Durham's interest in modernizing the Development Charges Act and related regulations to ensure that growth related municipal infrastructure is appropriately funded while promoting the need for new more modest housing construction.
- 9.3 Regional staff will continue dialogue with BILD and DRHBA and provide further recommendations and updates to Council as appropriate.
- 9.4 This report has been reviewed by the Commissioners of Work and Community Growth and Economic Development and the Regional Solicitor and Director of Legal Services.

Respectfully submitted,

Original Signed By

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Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
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