

Committee of the Whole (1) Report

DATE: Tuesday, March 31, 2026

WARD(S): ALL

TITLE: TIME LIMITED EXEMPTION OF CITY DEVELOPMENT CHARGES FOR RESIDENTIAL DEVELOPMENTS – RESPONSE TO MAYORAL DIRECTIVE 1-2026

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To provide a response to the Mayoral Direction to Staff 1-2026 dated February 25, 2026, to explore a policy framework to enable a time-limited exemption of Vaughan City-wide Development Charges for residential developments.

Report Highlights

- This report responds to the Mayor’s direction to stimulate housing construction and support provincial housing priorities, with a clear, implementable policy framework.
- Vaughan recorded only 968 Canada Mortgage and Housing Corporation (“CMHC”) reported housing starts in 2025, far below the provincial target for the City.
- Builds upon Council’s previously approved Policy 12.C.22, which established a residential development charges rate reduction and deferral framework.
- Recommends a time - limited development charge exemption program for residential development with clear eligibility milestones: Section 27 agreement, building permit issuance, foundation completion, and successful inspection.
- Proposed program to be in effect for a maximum of 12 months (February 25, 2026 – February 28, 2027).

Recommendations

1. That Council provide direction to develop a policy framework for a time-limited city-wide development charges exemption for residential developments, in accordance with this report, and that the policy be drafted to the satisfaction of the City Manager, in consultation with the City Solicitor and the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer; and
2. That Council repeal Policy 12.C.22 – Development Charges Rate Reduction and Deferral for Residential Developments upon Council ratification, in light of the commencement of the new city-wide residential development charge exemption policy.

Background

On Feb. 25, 2026, Mayor Steven Del Duca issued Mayoral Direction to Staff 1 - 2026, requiring staff to evaluate policy options to support a city-wide development charge exemption to assist in accelerating residential construction, referencing the City's legislated housing targets and construction challenges. The direction is intended to support achieving the City's housing targets and supporting the approximately 50,000 Vaughan residents who work in the construction industry and links the initiative to the provincial priority of constructing 1.5 million homes by 2031. The direction speaks to a time limited development charge exemption for residential developments that can achieve permit issuance and begin construction within a defined limited time period.

The Federal and Provincial governments have also previously announced several initiatives and programs to help reduce the cost of building new homes. This direction, along with previous Council direction and initiatives, continues to build on the effort and action to reduce construction costs and accelerate residential housing construction.

Housing Context

The latest CMHC housing data shows Vaughan achieved 968 housing starts in 2025, significantly below provincial housing expectations. This represents a decrease of approximately 55 per cent from 2024 housing starts of 2,197. In terms of building permit issuances, the City issued 276 residential building permits in 2025.

In November 2024, Council approved the Development Charge Rate Reduction and Deferral Policy (12.C.22), which also provides residential development charge rate reductions and deferrals, demonstrating Council's prior commitment to incentivizing housing delivery. There has been significant interest in this policy; however, given current market conditions and other external factors, it has not resulted in the anticipated permit issuances or housing starts.

Previous Reports/Authority

Not Applicable

Analysis and Options

Reduced development activity and high financing/construction costs have hindered progress toward Vaughan's housing pledge. The City previously approved a residential development charges rate reduction and deferral policy to provide an incentive to the industry; however, external economic and market factors have resulted in minimal construction activity. A temporary city-wide residential development charges exemption could create additional incentive and short-term financial relief to help projects reach the construction stage more quickly. The proposed policy would not be applicable to area-specific development charges.

The time limited development charge exemption program is proposed to be in effect for a period of 12 months (from February 25, 2026 to February 28, 2027) ("**Program Window**").

To access the residential development charge exemption, developers must complete all of the following before program expiry:

- Enter into a Section 27 development charge agreement under the *Development Charges Act, 1997*.
- Achieve building permit issuance for the qualifying residential units.
 - Units currently under construction without a permit would not qualify.
- Complete the physical foundation construction milestones required to enable a CMHC recognized housing start, specifically, "at grade" foundation for low-rise developments, or the lowest level foundation for mid- to high-rise developments.
- Pass the backfill/foundation inspection conducted by Building Standards for low-rise developments, or submit formal, certified professional proof of foundation construction for mid- to high-rise developments.

The policy would require that a building permit be issued, construction of footings/foundations be completed and backfill/foundations be inspected within the Program Window. The requirement for permit issuance and successful building inspections is to ensure that only construction-ready projects can proceed. Completion of the foundation will ensure that the City is enabling housing starts that are recognized by CMHC. As the Chief Building Official has the ability to revoke building permits under the *Building Code Act, 1992*, any permit issued under this program that becomes revoked would lose this incentive and subsequently be required to pay any development charges under a new building permit. Residential units where construction has unlawfully started without a permit being issued are not eligible for this policy incentive. Expanding the eligibility to developments that previously paid their development charges but have not started construction would result in refunding previously collected development charges, increasing the financial burden on the City. This is not recommended by staff.

A 12-month window balances the need for urgency with the time developers require to mobilize early-stage construction. This also reduces the potential for projects entering into an agreement too early in their development cycle and mitigating any foregone

development charge collections. At the expiry of the 12-month period, any agreements that have not achieved the requirements listed above, would lose the incentive and be obligated to pay their development charges at first occupancy as per the *Development Charges Act*.

The policy would also contain a provision that would allow for the early termination of the program after an initial six-month period, at the discretion of Mayor and Members of Council. This decision will be informed by a proposed report in Q3/Q4 2026, on housing construction activity levels. In the event of an early termination of the program, any development that has fully executed a Section 27 agreement prior to the termination date shall remain eligible for the exemption, provided all remaining construction and inspection milestones are achieved before the expiry of the original 12-month program window. The ten-year annual average CMHC housing starts from 2016 - 2025 is approximately 2,620 housing unit starts (see Table 1 below). The proposed 6-month target is 1,310 housing unit starts (50% of the ten-year annual average).

Financial Impact

A development charge exemption policy will result in forgone development charge collections for the City. The impact of the foregone collections will depend on the amount of residential development that occurs during the exemption period. Current estimates of the amount of development charges collections that will be foregone over a 12-month period range from approximately \$15.4 million to \$27.7 million.

The financial impact is estimated based on the following:

- Lower-range (\$15.4 million): open building permit units that have not started construction (470 units) at the reduced development charges rate policy.
- Upper-range (\$27.7 million): the City's 2025 housing starts (968 units) at the reduced development charges rate policy.

Based on a current assessment of building permit activity, it is believed that the financial impact would likely fall closer to the low-end scenario shown above.

Table 1 – CMHC Housing Start Data for City of Vaughan (2016 to 2025)
CMHC Data 2016-2025

	Single	Semi	Multiples (Row/Towns)	Apartment	Total
2016	813	18	484	102	1,417
2017	736	20	1,169	2,227	4,152
2018	504	6	192	1,615	2,317
2019	230	10	597	577	1,414
2020	578	4	223	1,227	2,032
2021	540	6	257	4,761	5,564
2022	384	46	341	3,538	4,309
2023	228	6	493	1,108	1,835
2024	111	14	467	1,605	2,197
2025	45	2	71	850	968
average	416.9	13.2	429.4	1,761.0	2,620.5

	Single/Semi	Multiples (Row/Towns)	Avg Apartment	
DC rate - reduction policy	\$ 50,193	\$ 41,401	\$ 26,337	assumes even split between large and small apartments
DC Impact Scenarios				
DC impact based on 2025 starts and reduction policy	\$ 2,359,071	\$ 2,939,471	\$ 22,386,450	\$ 27,684,992
DC impact based on current open permit units and reduction policy	\$ 3,990,466	\$ 3,216,256	\$ 8,238,243	\$ 15,444,964

Residential developments that have previously entered into a Section 27 agreement under the Development Charges Rate Reduction and Deferral for Residential Developments policy (12.C.22) that have not yet achieved building permit issuance and have not started construction, are also eligible for this new incentive, which would require a separate agreement with the City. The anticipated development charge collection impact for these housing units has been included in the figures above.

The development charge collection impacts outlined above could result in future restrictions and/or delays to the delivery of growth-related capital projects, and repayment to developers who have front-ended works on the City's behalf.

More specifically, once the City has determined the final impact on development charges collections, staff may identify any projects which would need to be delayed and removed from the applicable development charge background study through the annual budget process. In addition, staff would seek funding from other levels of government,

through available grants and other avenues, to address any shortfall arising from this policy. Examples of grants received include Housing-Enabling Water Systems (HEWS) \$35M (2025) and Housing-Enabling Core Servicing (HECS) \$20M (2025), and most recently, the province of Ontario has announced the transfer of nine acres of provincial surplus lands to the City of Vaughan, valued at approximately \$24M for a nominal fee to help facilitate the future Kleinburg-Nashville Community Centre. Future development charge background studies would need to account for the foregone collections, as required by the *Development Charge Act*, to avoid placing the burden on future development through higher development charge rates.

It should be noted that previously paid development charges would not be eligible for a refund under this policy.

Operational Impact

Any additional administrative work arising from this policy will be managed by Development Finance and Legal Services staff within the existing staff complement.

Broader Regional Impacts/Considerations

There would be no Regional impacts, as this policy would be limited to City development charge collections.

Conclusion

The proposed time limited development charge exemption program provides a targeted, time- sensitive incentive to accelerate residential construction in Vaughan and builds on Council's existing development charges incentive policies. Approval will signal strong municipal support for builders to advance shovel- ready residential housing projects.

For more information, please contact: Michael Marchetti, Director Financial Planning & Development Finance.

Attachments

Not applicable

Prepared by

Nelson Pereira, Manager Development Finance, extension 8393