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**REPORT**
**Meeting Date: 2026-04-23**
**Regional Council**

**For Information**

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| REPORT TITLE: | **Update on Development Charges Deferral and Grant Program (April 2026)** |
| FROM: | Davinder Valeri, CPA, CA, Chief Financial Officer and Commissioner of Corporate Services |

## OBJECTIVE

To update Regional Council on the status of Peel Region's Development Charges ("DC") Deferral and Grant Program ("Program") to support Council decision-making, including developments that have qualified to enter the Program to date and the potential financial impact.

## REPORT HIGHLIGHTS

- The Program was introduced in July 2025 to incentivize the building community by providing development charge deferrals and 50 per cent grants-in-lieu of Development Charges (DC) based on set criteria. The goal of the Program is to meet the Provincial objective of Building Homes Faster by reducing the cost of home ownership, with the infrastructure costs being funded instead by upper levels of government rather than homebuyers and or by increases to utility rates and property taxes.
- Regional Council approved an extension to the grant-in-lieu portion of the Program to November 13, 2026. Development Charge payments for non-rental residential developments are now mandated through legislation (Bill 17) to be deferred to occupancy as of November 3, 2025.
- Regional Council further amended the Program to include subdivision applications as well as 1-bedroom plus den, 2-bedroom and 3-bedroom purpose-built rental units as long as a building permit for footings and foundations is issued by November 13, 2027.
- Based on modeling forecasts developed in consultation with the local municipalities and as indicated in previous reports to Regional Council, developers could potentially be eligible for upwards of approximately $560 million in grants-in-lieu of DCs (Table 1).
- As of March 31, 2026, Peel Region has entered into agreements with developers that have incentivized 5,548 units to be eligible for approximately $144 million in grants-in-lieu of DCs. Of this amount, $7 million has already been granted, with another $55 million to be granted at occupancy having already met all eligibility criteria.
- On March 30, 2026, the Prime Minister and Premier of Ontario announced a new partnership between Canada and Ontario to build more affordable homes, infrastructure, and transit. This is a positive step which would have them cost-match a total of $8.8 billion over 10 years to support housing-enabling infrastructure projects for municipalities that reduce residential DCs between 30 to 50 per cent for a duration of three years. The province further mentioned that it will recognize municipalities that have already reduced their residential DCs and the province has also committed to working with the Association of Municipalities of Ontario ("AMO") to design the program. Peel Region staff have reached out to the province and AMO for further clarity and are closely monitoring any further developments.

## DISCUSSION

### 1. Background

Regional Council approved Resolution 2025-495, which established Peel Region's DC Deferral and Grant Program. The Program, which took effect July 10, 2025, was established to incentivize the building community and spur building activity by providing DC deferrals and 50 per cent grants-in-lieu of DCs to new residential developments based on a set of eligibility criteria. The goal of the Program is to meet the Provincial objective of Building Homes Faster by reducing the cost of home ownership, with the infrastructure costs instead funded by upper levels of government. On November 3, 2025, DC payments for non-rental residential developments are now mandated through legislation to be deferred to occupancy.

Resolutions 2025-583, 2025-783, 2025-952, 2026-59, 2026-91, and 2026-217 were subsequently approved, which amended various eligibility criteria for the Program, including retroactive expansions, increasing the grants-in-lieu of DCs to 100 per cent for specific purpose-built rental units and an extension of the Program to November 13, 2026.

Resolution 2026-59 and 2026-217 also amended the Program to provide greater flexibility so that subdivision applications, as well as 1-bedroom plus den, 2-bedroom and 3-bedroom purpose-built rental units, will maintain eligibility if a building permit for footings and foundations is issued by November 13, 2027.

**Federal and Provincial Announcement**

On March 30, 2026, the Prime Minister and Premier of Ontario announced a new partnership between Canada and Ontario to build more affordable homes, infrastructure, and transit. Highlights of the joint announcement, which will impact the administration of the Region's DC by-law and DC grant program were:

- **New Canada-Ontario Partnership to Build** - the federal government and Ontario will cost-match a total of $8.8 billion over 10 years, focused on housing-enabling infrastructure projects. This funding will support the reduction of municipal development charges by up to 50 per cent. These reductions will be in place for three years and target municipalities covering 80 per cent of the province's population.

- ***Bill 98, Building Homes and Improving Transportation Infrastructure Act, 2026*** - includes removal of DCs for non-profit retirement homes, changes to communal water/wastewater systems, and changes to the Water and Wastewater Public Corporations Act.

Limited details were provided on the new partnership; however, it was noted that municipalities are expected to reduce residential DCs between 30 to 50 per cent for a duration of three years to be eligible. In return, the province will work with municipalities to put forward a list of projects that funding could be used against. It was also mentioned that the province will recognize municipalities that have already reduced their residential DCs.

**Update on Development Charges Deferral and Grant Program (April 2026)**

Peel Region staff are closely monitoring developments on the Canada-Ontario Partnership to Build as details regarding the funding of DC reductions become available. The CAO has contacted the Deputy Minister of Municipal Affairs and Housing to seek further clarity on the announcement.

The Association of Municipalities of Ontario (AMO) has learned that the program design is in the early stages and the full program parameters have yet to be developed. The province has committed to working with AMO to design the program, most importantly, the mechanisms for determining and applying DC reductions, as well as identifying the timing of both the DC reductions and the delivery of the federal/provincial funding. While the Region is one of the few municipalities to have already reduced DCs, the Region may need to change its DC grant program to comply with the provincial framework. It is anticipated that the period of DC reductions for Peel will need to extend beyond the current deadline of November 2027 to match the changes with the new provincial framework.

## 2. Findings

### Development forecast for residential units that could be eligible for the Program

Based on modeling forecasts developed in consultation with the local municipalities and as indicated in previous update reports to Regional Council, developers could potentially be eligible for upwards of approximately $560 million in grants-in-lieu of DCs (Table 1).

**Table 1: Potential Units and Financial Impact of Grants-in-lieu of DCs**

| | Brampton | Caledon | Mississauga | Total Units | $Millions |
|---|---|---|---|---|---|
| Development Forecast as of June 12, 2025 | 4,271 | 1,454 | 11,159 | 16,884 | $406M |
| ***Resolution 2025-583*** (retroactive expansion back to January 29, 2025) | 490 | 552 | 456 | 1,498 | $42M |
| ***Resolution 2025-952*** (retroactive expansion for subdivision registrations between 2022-2024) | 688 | 445 | 0 | 1,133 | $38M |
| ***Resolution 2026-59*** and ***2026-217*** ***(***100% DC Grant for Purpose-built Rentals) | 0 | 0 | 0 | 0 | $49M |
| ***Resolution 2026-91*** (retroactive expansion for building permits issued after January 29, 2024) | 462 | 0 | 1,032 | 1,494 | $25M |
| **Total Potential Units Eligible for Grants-in-lieu of DCs** | **5,911** | **2,451** | **12,647** | **21,009** | **$560M** |

**Update on Development Charges Deferral and Grant Program (April 2026)**

### Actual units approved to date to enter the Program

As of March 31, 2026, a total of 50 applications for 5,548 units have been approved for DC grant funding under the Program. The current upside limit of grants-in-lieu of DCs is approximately $144 million. Of this amount, $45 million pertains to developments approved for retroactive eligibility under Resolutions 2025-583 and 2026-91 that previously paid DCs and received or will receive refunds, with the remaining $99 million related to new developments for which agreements were entered into after July 10, 2025. Peel Region has processed $54 million in refunds associated with developments approved for retroactive eligibility that had previously paid DCs for the purposes of deferring their DC payments to occupancy.

Of the 5,548 units approved under the Program, 2,348 units have met all eligibility criteria necessary to secure the grant, amounting to approximately $62 million in committed grant funding. Of this $62 million, $7 million has already been granted with another $55 million to be granted at occupancy, having already met all eligibility criteria (Table 2). A number of agreements are currently being drafted by staff or are nearing execution, which will increase the unit counts and grant funding upon execution.

**Table 2: Financial Impact of Grants-in-lieu of DCs for Actual Units Approved in the Program**

| | Total Units in the Program | | Eligibility Criteria Met | | Grant Funding Paid | |
|---|---|---|---|---|---|---|
| | Units | Potential Grant Funding ($Millions) | Units | Committed Grant Funding ($Millions) | Units | Realized Grant Funding ($Millions) |
| **Totals** | **5548** | **$144.4** | **2348** | **$61.6** | **279** | **$7.0** |
| | | | | | | |
| **Site Plans/ Building Permits** | **3621** | **$81.1** | **2149** | **$56.1** | **80** | **$1.5** |
| Non-Rentals | 1563 | $26.6 | 91 | $1.6 | 80 | $1.5 |
| Rentals | 2058 | $54.5 | 2058 | $54.5 | 0 | $0.0 |
| **Subdivisions** | **1927** | **$63.3** | **199** | **$5.6** | **199** | **$5.6** |
| | | | | | | |

## RISK CONSIDERATIONS

Peel Region has remained steadfast in its aggressive approach towards advancing growth related capital infrastructure to build capacity for future development and address Provincial housing targets. In doing so, Peel Region has been forced to operate with its DC reserve funds in a deficit balance (deficit of $411 million as at March 31, 2026) and continues to issue DC related debt to support these infrastructure investments, acknowledging the timing difference inherent to DC collections and spending. With the statutory shift in the collection of DCs to occupancy under Bill 17, this has further exacerbated the cash flow challenges Peel Region is facing to fund growth infrastructure, as well as meeting the growing annual debt servicing costs.

Considerable risk to DC collections exists should the slowdown in market activity and macroeconomic uncertainty continue. There is a risk that the DC collection forecasts developed and modeled in consultation with the local municipalities do not materialize at the levels forecasted, despite the introduction of development incentives at both the regional and local levels. This perspective has been validated by developers who have indicated through conversations with Peel Region staff that economic conditions and market demand will ultimately drive new home sales and building permit activity.

Peel Region staff have also encountered several instances where developers have subsequently deferred pulling building permits because of the two previous extensions to the DC Deferral and Grant Program authorized by Council, with these developers citing the extensions providing them with additional time for market conditions to become more favourable to build.

Peel Region staff are unable to predict the total number of building permits that will be actioned by developers by the prescribed deadlines of the Program, as this action solely rests with developers. Their actions will dictate the ultimate exposure to the funding required for grants-in-lieu of DCs.

## BILL 45, BILL 60, AND BILL 98 RISKS AND IMPLICATIONS

On December 11, 2025, Bill 45 (*Peel Transition Implementation Act, 2025*) received Royal Assent and initiated a phased transfer of certain services from the Regional Municipality of Peel to the Cities of Mississauga and Brampton, and the Town of Caledon. Responsibility for regional roads and stormwater infrastructure is scheduled to transfer by July 1, 2027, followed by waste collection services by October 1, 2027.

On November 27, 2025, Bill 60 (*Fighting Delays, Building Faster Act, 2025*) received Royal Assent and introduced additional changes, including amendments to the *Municipal Act, 2001* transferring jurisdiction over water and wastewater utilities to lower-tier municipalities effective January 1, 2029, or a later prescribed date. Bill 60 also enacted the *Water and Wastewater Public Corporation Act, 2025*, enabling designated public utility corporations to deliver water and wastewater services on behalf of municipalities. On March 30, 2026, the provincial government tabled Bill 98 (*Building Homes and Improving Transportation Infrastructure Act*), which provided further details respecting this model, although additional regulations are required to fully implement the proposed framework.

At this time, the full legal, financial, and operational implications of Bill 45, Bill 60, and Bill 98 for Peel Region and its local municipalities remain uncertain. Staff will continue to monitor legislative and regulatory developments and report back to Council as further information becomes available.

## FINANCIAL IMPLICATIONS

Discretionary grants-in-lieu of DCs must be funded from a non-DC related source, as per the Development Charges Act. Utility rate and property tax supported reserves are insufficient to provide the necessary funding to cover all potential eligible grants-in-lieu of DCs under this Program and drawing on these reserves would significantly reduce Peel Region’s financial health.

Based on modeling forecasts developed in consultation with the local municipalities and as indicated in previous reports to Regional Council, developers could potentially be eligible for upwards of approximately $560 million in grants-in-lieu of DCs.

**Update on Development Charges Deferral and Grant Program (April 2026)**

As of March 31, 2026, Peel Region has entered into agreements with developers which has incentivized 5,548 units that would be eligible for grants-in-lieu of DCs of approximately $144 million. Of this amount, $7 million has already been granted, with another $55 million to be granted at occupancy, having already met all eligibility criteria.

Financial forecasts of the DC Reserves indicate the growing DC Reserves deficit balance over the next several years, even after significant debt issuances. Given these current forecasts, it is expected that the annual debt service costs (i.e. principal and interest) will approach the 25 per cent limit before the end of the 10-year planning period. The rapid growth in capital expenditures, coupled with lower-than-anticipated capital revenues and greater dependency on debt, has placed considerable short-term strain on the Region’s financial health and AAA/Aaa credit rating.

## CONCLUSION

The Region’s DC Deferral and Grant Program continue to support the delivery of housing by incentivizing the building community via a grant-in-lieu of DCs. As of March 31, 2026, Peel Region has entered into agreements with developers which has incentivized 5,548 units that would be eligible for grants-in-lieu of DCs of approximately $144 million. Of this amount, $7 million has already been granted with another $55 million to be granted at occupancy, having already met all eligibility criteria.

Staff will continue to closely monitor Program performance and update figures as agreements are executed. Staff will also monitor details of the recently announced Canada-Ontario Partnership to Build and its impact on the Region’s Program and finances.

## APPENDICES

Appendix I – DC Deferral and Grant Program Dashboard

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