

Category

User Fees and
Regulatory Charges



Geography/ Location

AB, BC, NS, ON,
QC, MB, SK

Municipality Size

Large



Tier

Enabling



Constraints

Equity



Administrative Capacity Required

Medium



Fiscal Tool Brief: Development Cost Charges

Development Cost Charges require new developments to help fund growth-related infrastructure, ensuring growth pays for growth while protecting existing taxpayers.

Development Cost Charges (DCCs), also known as development charges, development impact fees, growth fees, or off-site levies, are fees levied by municipalities on new residential, commercial, industrial, or institutional developments to cover the capital costs of growth-related infrastructure and projects that benefit a community. The mechanism works by requiring private developers to contribute financially to infrastructure such as water, wastewater, stormwater, roads, transit, parks, and community facilities. Municipalities set the rates and adopt bylaws informed by background studies that assess infrastructure needs associated with projected growth. A critical feature of DCC systems is that revenues

collected must be placed into dedicated reserve funds.¹ These Development Charges Reserve Funds (DC Reserve Funds) are established following bylaw adoption and are used to hold, manage, and allocate DCC revenues for eligible capital expenditures.

These reserve funds are typically service-specific and segregated, such as water, sewer, and roads. They generate investment income, helping offset inflation and are subject to strict regulatory requirements regarding use, tracking, and reporting. This structure ensures transparency and reinforces the principle that growth pays for growth, while protecting existing taxpayers from subsidizing new development. In practice, DCCs can be calculated using either the inductive or deductive method. The inductive method applies broad benchmarks, while the deductive method uses detailed engineering and planning studies to allocate costs more precisely.



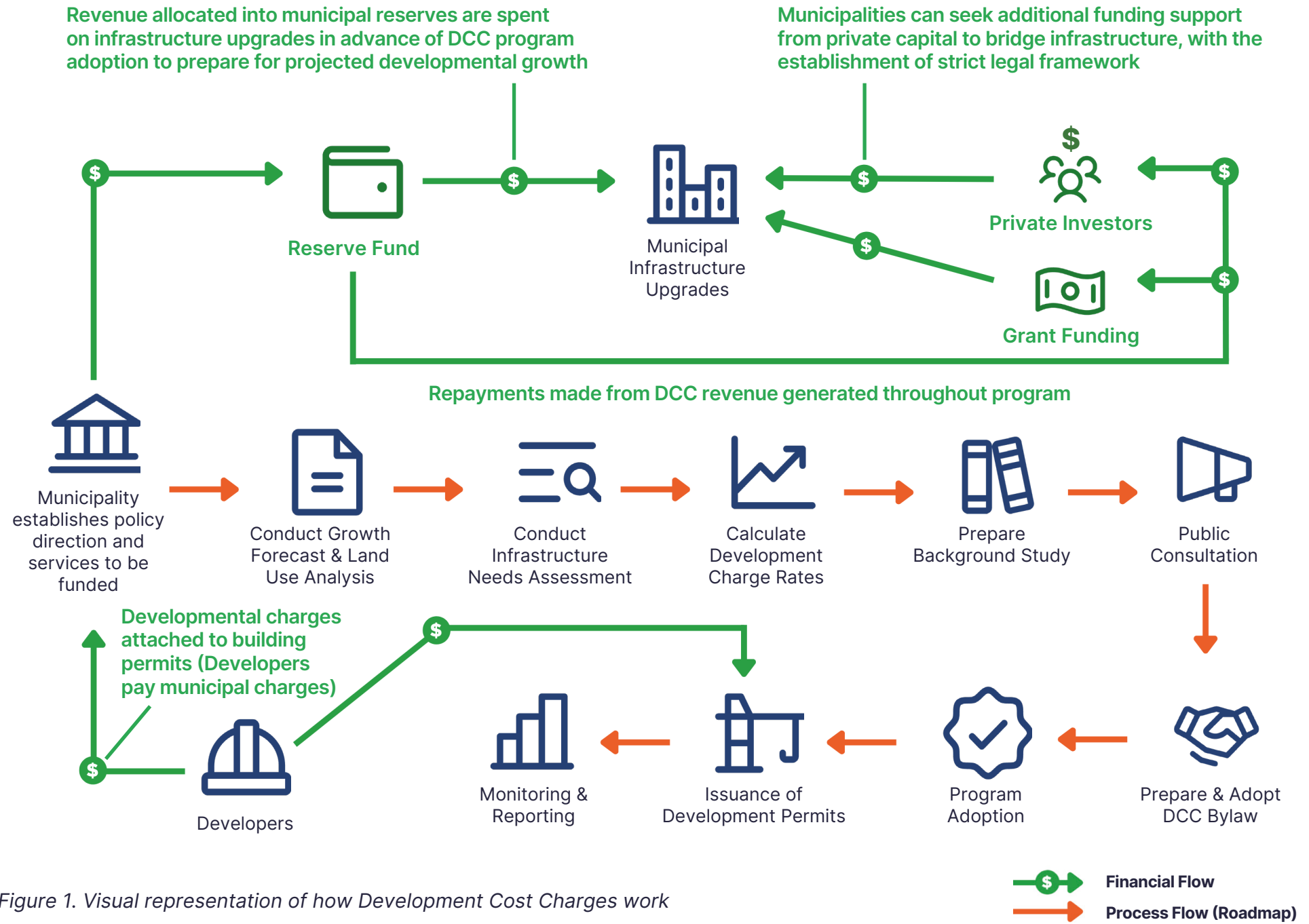


Figure 1. Visual representation of how Development Cost Charges work

Examples

Development Cost Charges (DCCs) are widely used across Canada. In [Regina \(SK\)](#), DCCs are applied to new subdivisions to help cover the cost of extending water, sewer, and road networks needed for expanding neighbourhoods, paying down debt for past growth works or for developing technical studies and plans. In [London \(ON\)](#), DCCs fund critical growth infrastructure (e.g., transportation, transit, water/sewer infrastructure, community centres, fire, police and libraries) with charges applied to both residential and non-residential developments, recent schedules show fees for a single-detached home at nearly \$49,000 reflecting the City's effort to recover the true cost of growth.² In [Woodstock \(ON\)](#), the City maintains a transparent fee schedule where charges vary by type of development, ensuring that residential, commercial, and industrial growth each contribute fairly to infrastructure costs. Larger urban centres are also adjusting fees in response to rapid growth pressures: [Toronto's \(ON\)](#) development charges have more than doubled in the past decade, with single-detached unit charges surpassing nearly \$138,000 by 2024, one of the highest in the country, while [Mississauga \(ON\)](#) introduced temporary 50% reductions and payment deferrals to balance housing affordability with municipal infrastructure funding needs.

[Halifax \(NS\)](#) applies a “growth pays for growth” model through Regional Development Charges (RDCs), ensuring that new developments cover the infrastructure costs they generate. These charges are carefully structured to break even, avoiding surpluses or deficits over time. [Calgary \(AB\)](#) maintains a comparatively moderate approach to development costs, with fees structured to support growth while avoiding the extreme affordability pressures seen in Toronto or Vancouver. Under the City's 2025 fee schedule,³

charges vary by project scale and type, keeping costs balanced across developments. These examples show how municipalities balance growth financing with affordability pressures through DCCs.

At the reserve fund level, municipalities such as the [Region of Peel \(ON\)](#) maintains DC Reserve Funds in accordance with Section 33⁴ of the Development Charges Act 1997, to ensure “growth pays for growth,” collecting developer fees into service-specific reserve funds for roads, water, wastewater and GO Transit. In 2023, collections dropped to about \$179 million while capital spending and debt repayments reached \$484 million, creating a net draw of roughly \$305 million.⁵ A Tribunal-ordered \$56 million refund added to the pressure, leaving a negative available balance of \$211 million and an over-commitment of about \$2.49 billion. Despite these challenges, Peel remains compliant with the Development Charges Act, maintaining separate reserves and publishing annual statements for transparency.⁶

Similarly, in British Columbia, under Section 188 of the Community Charter,⁷ municipalities such as the [District of Lake Country \(BC\)](#) can deposit DCC revenues into segregated reserve funds for infrastructure including water, sewer, and roads, ensuring funds are used exclusively for growth-related capital projects.

Relevance to Advancing Adaptation

DCCs can support climate adaptation by funding resilient infrastructure in growing communities. Revenues collected through DCCs and held in reserve funds create a dedicated and predictable funding stream for capital investments that enhance resilience. Through these reserve funds, municipalities can plan and finance multi-year adaptation projects, such as stormwater management

systems, flood protection infrastructure, green infrastructure, and water and wastewater system upgrades aligned with climate risks. Since funds are segregated and accumulate over time, they enable municipalities to phase large-scale adaptation investments without overburdening operating budgets. DCCs can also incentivize climate smart development by offering reduced fees for projects that incorporate resilience measures, such as permeable surfaces, energy efficient design, or increasing tree canopy coverage. For example, [Metro Vancouver \(BC\)](#) uses DCC revenues to expand water and wastewater infrastructure as well as to invest in regional parks and green spaces that deliver climate adaptation benefits, such as stormwater management, reduced urban heat islands, increased biodiversity, and carbon storage. Between 2024 and 2050, the Region is planning over \$803 million⁸ in DCC funded parkland acquisitions to increase its ecological resilience.

However, since DCC revenues depend on development activity, adaptation investments may be unevenly distributed, with slower-growing or historically underinvested areas receiving fewer benefits despite potentially higher climate risks.

Accessibility

DCCs are broadly available across Canada through provincially enabling legislation, making them a widely accessible tool for funding growth-related infrastructure.

In most jurisdictions, legislation requires that DCC revenues be placed into dedicated reserve funds, reinforcing accountability

and restricting their use to eligible capital costs. For example, Ontario requires municipalities to establish separate reserve funds for each service category under the Development Charges Act⁹; British Columbia mandates that DCC revenues be deposited into service-specific reserve funds under the Local Government Act¹⁰; and Quebec and Alberta have similar frameworks that restrict revenues to growth-related infrastructure.^{11,12} Despite broad availability, implementation requires technical studies, bylaw adoption, and administrative capacity, which may create barriers for smaller municipalities. No equivalent statutory reserve-fund regime for development charge revenues has been identified in Manitoba, Saskatchewan, the Atlantic provinces, or the territories. DC reserve funds therefore remain a tool primarily available in Ontario, British Columbia, and Quebec, with partial equivalents in Alberta.

Feasibility

Overall, DCCs are a politically and economically feasible tool because they are supported by provincial legislation and align with the cost recovery principle, which shifts the cost of new infrastructure from taxpayers to developers and new residents or businesses. The DC reserve fund system further supports feasibility by integrating with existing municipal financial management practices, requiring audited tracking and reporting, and enabling long-term capital planning. Many municipalities already manage significant reserve balances, demonstrating strong institutional capacity to administer DCC systems and associated reserve funds. However, feasibility varies. While fast-growing municipalities can accumulate substantial reserves, slower-growth municipalities may see limited revenue generation, reducing impact.

In addition, high DCC rates such as Toronto's increase from \$14,000 in 2011 to over \$138,000 in 2024 have raised concerns about their impact on housing affordability and development viability.¹³ *Budget 2025: Canada Strong* announced the Building Communities Strong Fund to help address housing affordability. However, provinces and territories will be required to cost match federal investments and ensure that supported municipalities reduce development charges and do not levy other taxes that hinder housing supply.¹⁴ Municipalities like [Mississauga \(ON\)](#) and [Vaughan \(ON\)](#) have responded to housing affordability concerns with temporary DCC reductions and payment deferrals to sustain development while maintaining infrastructure funding capacity. Overall, while DCCs are widely accepted and legislatively supported, their successful implementation depends on careful rate calibration, transparent governance, and sensitivity to housing-market pressures.

Risk

Several risks arise from both the DCC mechanism and its reliance on reserve funds. One of the most significant concerns is that DCCs may be partially or fully passed on to buyers and renters through higher housing prices, exacerbating affordability challenges in fast growing communities.¹⁵ This could create regressive impacts, where lower income households absorb a disproportionate burden despite not directly benefiting from new infrastructure. To be more precise, research suggests that markets where demand is high and supply is constrained may favor a higher burden on homebuyers and renters compared to developers and landowners.¹⁶ Additionally,

municipalities risk political backlash when rate increases are perceived as contributing to the housing crisis or discouraging development. Economic downturns or overestimated growth projections can further expose municipalities to financial gaps if expected DCC revenues do not materialize to cover planned infrastructure investments. Finally, inequitable application of waivers or exemptions such as preferential reductions for specific housing types can reduce municipal revenue stability and generate perceptions of unfairness among developers and residents.¹⁷

In terms of DC Reserve Funds, one of the risks is that revenues can decrease quickly when development slows. Because these funds depend on new construction, an economic downturn or delay in housing projects can leave municipalities without enough money to complete planned infrastructure or adaptation upgrades.¹⁸ Furthermore, municipalities can unintentionally commit to more projects than their reserve funds can support if they rely on growth forecasts that do not materialize. When development slows, they may need to delay projects, raise taxes, or take on additional debt to cover the gap. This situation occurred in Peel Region, where 2023 development charge collections were lower than expected and the Ontario Land Tribunal ordered a \$56 million refund under an amendment to Bylaw 77-2020.¹⁹ Large reserve balances can also be misunderstood as surplus funds, even though most of these funds are legally required for specific projects. If this is not communicated clearly, municipalities may face criticism or resistance to updating development charges, especially during periods of housing affordability concerns.

Scalability

DCCs scale with development activity, making them well suited for growing municipalities where infrastructure demand is increasing. As development increases, DCC revenues rise, reserve fund balances grow, and the capacity for capital investment also expands. This makes the fiscal tool well suited for municipalities with growing populations and increasing pressure on roads, water systems, parks, and stormwater networks. Ontario's Financial Information Return (FIR) data shows that reserve balances increase steadily in fast growing regions.²⁰ However, scalability varies across municipalities. For example, housing affordability pressures can limit rate increases; there are uneven development patterns across municipalities; and there may be political resistance to higher charges.

In response to mounting affordability pressures, several municipalities have introduced targeted reductions and deferrals rather than continued rate increases. The City of Mississauga approved a temporary 50% reduction in DCCs for residential projects beginning before November 13, 2026, saving an estimated \$28,000 per new single-family home.²⁰ The City also deferred DCC payments until first occupancy and waived charges for three-bedroom purpose-built rental units to encourage new housing supply, while urging the Region of Peel to introduce a 35% property tax discount for purpose-built rentals. Similarly, the City of Vaughan implemented a DCC Rate Reduction and Deferral Policy in November 2024, cutting fees by 88–92% depending on housing type up to \$44,273 in savings for detached homes and suspending interest

on DCCs to ease financing burdens.²² These examples show that while DCCs can scale with growth, further expansion through rate hikes is increasingly constrained by affordability limits and public pressure. Going forward, scalability will rely on innovative policy mechanisms such as flexible rate structures, which adjust DCCs based on factors like housing type, density or location, or phased payment options, which allow developers to pay charges over time rather than upfront.



Evaluation Matrix

Scoring: High = +1 | Medium = 0 | Low = -1

Criterion	Rating	Score	Key Evidence	Assessment
Effectiveness & Performance	Medium	0	Generates infrastructure funding tied to development activity	DCCs provide meaningful infrastructure revenue, but support adaptation indirectly and depend on ongoing development activity.
Economic Efficiency	Medium	0	Established system but requires forecasting, rate-setting, and administration	The tool supports growth-based cost recovery efficiently, but forecasting, rate calibration, appeals, and market sensitivity reduce overall efficiency.
Equity & Fairness	Medium	0	Costs passed to homebuyers/renters; affordability concerns	Costs are often passed to homebuyers and renters, creating affordability pressures despite partial alignment between payers and beneficiaries.
Political Acceptability	Medium	0	Widely used but increasing resistance due to housing affordability	DCCs are institutionalized and generally accepted, but growing concern about housing cost constrains political support.
Feasibility (Admin/ Legal)	High	+1	Legislatively supported and widely implemented across municipalities	Clear legal authority and established municipal practice make DCCs highly feasible despite moderate administrative complexity.
Coherence (Portfolio Fit)	High	+1	Integrated with reserve funds and capital planning systems	DCCs fit well within municipal growth-financing systems and complement reserve funds and broader infrastructure planning.

Best Use Context

DCCs are most effective in high-growth municipalities where development activity generates stable revenue for infrastructure expansion. They work best as a growth-linked financing tool within a broader municipal finance portfolio but are less suitable in low-growth settings and usually require complementary measures to address equity concerns and revenue volatility.

Context Factor	Relevance	Notes
Municipal Size	High	Most effective in large or fast-growing municipalities with sustained development activity.
Administrative Capacity Required	Medium	Requires technical capacity for forecasting, rate-setting, and fund management.
Development Pressure	High	Performance depends heavily on ongoing growth and construction activity.
Climate Risk Targeting	Low	Not inherently targeted; supports adaptation indirectly through infrastructure funding.
Fiscal Flexibility Required	Medium	Requires ability to manage revenue volatility and align spending with growth cycles.

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