



**City of Kingston  
Report to Council  
Report Number 26-176**

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**To:** Mayor and Members of Council  
**From:** Lanie Hurdle, Chief Administrative Officer  
**Resource Staff:** Paige Agnew, Commissioner, Growth & Development Services; Ian Semple, Commissioner, Transportation & Infrastructure Services; Lana Foulds, Director, Financial Services  
**Date of Meeting:** June 16, 2026  
**Subject:** Canada-Ontario Development Charge Reduction Program: Application and Financial Analysis

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**Council Strategic Plan Alignment:**

Theme: 1. Support Housing Affordability

Goal: 1.1 Promote increased supply and affordability of housing.

**Executive Summary:**

This report recommends that the City apply to the Development Charge Reduction Program (DCRP), the funding vehicle under the \$8.8 billion Canada-Ontario Partnership to Build announced on March 30, 2026. The program offers up to 90 percent federal-provincial funding for housing-enabling infrastructure projects in exchange for a minimum 30 percent across-the-board reduction to residential development charge (DC) rates, maintained for three years. Applications are due through a single competitive intake by June 19, 2026, and funding approval is not guaranteed.

Staff have analyzed the DCRP parameters and identified an approach that enables the City to commit to the minimum 30 percent residential DC rate reduction for the required three-year period while ensuring the City remains whole. This approach relies on a 90 percent federal-provincial grant on the eligible costs of three identified housing-enabling capital projects —

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Cataraqui Woods Drive, Midland Avenue, and Front/King Phase 2B with Utilities Kingston — to offset the estimated \$21 million DC revenue loss over the three-year period. These three projects represent a minimum recommended submission. Guidance from the Province suggests that a municipality may apply for a maximum of 5 projects so staff will continue to evaluate if there are additional projects that meet the eligibility requirements to include by the submission deadline.

Under the scenarios assessed, deeper reductions of up to 50 percent would increase the City's revenue risk without a corresponding increase in the available grant, and are not warranted given that Kingston's residential development charges are already comparatively low relative to comparable municipalities as outlined in Exhibit A. It is important to understand that the incentives of this program are intended to help to accelerate the timing of new housing starts, but unlikely to stimulate additional growth. The 2026 housing starts have been much lower than in the last few years.

The program award is competitive and the province controls the final funding allocation, therefore this recommendation allows the City to participate in the program without committing prematurely: the DC rate reduction takes effect only if the City is satisfied with the provincial contribution and a Transfer Payment Agreement (TPA) is signed. Staff will report back to Council with the confirmed funding allocation and a recommended course of action before any agreement is executed ahead of the August 15, 2026 deadline.

Applying to the program does not, on its own, approve or implement a DC reduction. The recommended application expresses the City's interest in the program and opportunity for funding, while the City's substantive decision point would occur once the actual funding allocation and conditions are known. The 30 percent reduction is also the minimum reduction contemplated by the application and would apply only for the required three-year period of 2026 to 2028 if Council ultimately authorizes execution of a Transfer Payment Agreement.

**Recommendation:**

**That** Council direct staff to submit an application to the Development Charge Reduction Program by the June 19, 2026 deadline, based on a 30 percent reduction to residential development charge rates, maintained for three years, in accordance with program requirements; and

**That** the application will seek to offset the loss of development charge revenue through the recovery of 90 percent of the eligible costs of the infrastructure projects included in the submission; and

**That** staff report back to Council on the outcome of the application following the funding decision of the federal and provincial governments, including the confirmed funding allocation, the financial implications for the City, and a recommendation on execution of a Transfer Payment Agreement prior to the deadline of August 15, 2026.

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**Authorizing Signatures:**

ORIGINAL SIGNED BY CHIEF

ADMINISTRATIVE OFFICER

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**Lanie Hurdle, Chief  
Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Paige Agnew, Commissioner, Growth & Development Services

Jennifer Campbell, Commissioner, Community Services Not required

Neil Carbone, Commissioner, Corporate & Emergency Services Not required

David Fell, President & CEO, Utilities Kingston

Desirée Kennedy, Chief Financial Officer & City Treasurer

Jenna Morley, City Solicitor

Ian Semple, Commissioner, Transportation & Infrastructure Services

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**Options/Discussion:****Background**

On March 30, 2026, the federal and provincial governments announced the Canada-Ontario Partnership to Build, a shared commitment to accelerate housing construction across Ontario. Staff reported to council on that announcement in [Report Number 26-128](#) on April 21, 2026, noting that a reduction in development charge (DC) revenues without a predictable and stable replacement funding model would create a funding gap that would shift costs onto taxpayers or delay infrastructure needed to support new housing.

On June 1, 2026, the Province opened the application intake for the Development Charge Reduction Program (DCRP), the funding vehicle delivering on that commitment. The DCRP is a voluntary, application-based program providing up to \$8.8 billion in combined federal and provincial capital funding for capital infrastructure projects through one single application intake. The province is moving quickly on the DCRP program to coincide with the HST rebate which expires in 2027. To be considered for funding municipalities must:

- Reduce residential DC rates across the board, for all residential development types in all areas of the municipality, by a minimum of 30 percent from rates in effect on March 30, 2026;
- Maintain the reduced rates for three years;
- Contribute a minimum of 10 percent of eligible infrastructure project costs, with the federal and provincial governments funding up to 90 percent;
- Bear all ineligible costs, including design, engineering and other soft costs, as well as any cost overruns;
- Complete an application by June 19, 2026 at 10:00 a.m. and enter into a transfer payment agreement (TPA) by August 15, 2026; and
- Commit to starting all eligible project no later than July 31, 2030 and complete all eligible projects no later than October 31, 2035.

For an infrastructure project to be eligible under the program it must be in the city's most recent DC background study and must not have started construction before the TPA is executed and have funding that flows on a milestone basis over the life of each project.

Applications are assessed primarily on the depth of the DC rate reduction, the number of housing units benefiting from the relief and enabled by the projects, and the size of the municipal contribution, with shovel-ready, housing-enabling infrastructure projects, such as roads, water, wastewater and transit, will be prioritized. Funding is not guaranteed, and the province has reserved the right to reduce or adjust funding amounts for approved applications.

**Kingston's Development Charge Context**

Development charges are an important growth funding tool that allows the City to recover a portion of the capital costs of growth-related infrastructure, including roads, water, wastewater,

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transit, parks and emergency services. The City has historically taken a measured approach to DC rates, balancing support for housing development against the principle that growth should contribute appropriately to the infrastructure required to service it.

The City's current rates were established through the 2024 Development Charges Background Study and implemented through DC By-Law 2025, which came into force on May 20, 2025 and is the by-law in effect as of the program's March 30, 2026 eligibility date. A recent municipal comparison survey prepared by Watson & Associates Economists Ltd. (Exhibit A) shows Kingston's residential development charges fall well within the lower half of the range of municipalities surveyed (ranking 29<sup>th</sup> lowest of the 35 municipalities surveyed).

The scope of the 2024 DC study was intentionally limited pending completion of the new Official Plan, Integrated Mobility Plan, and Water and Wastewater Master Plans, and a new background study is anticipated following those initiatives. This context matters for the DCRP in two ways. First, because Kingston's rates are already comparatively low, the absolute dollar relief delivered to builders by a percentage reduction is smaller than in higher-rate municipalities, which affects competitiveness on one of the program's scoring criteria. Second, because the program measures reductions against rates already in effect, the City's comparatively low DC rates are not otherwise recognized in the program design.

The City is also already absorbing the effects of mandatory provincial DC exemptions and deferrals. For fiscal 2025, \$4.2 million in tax and rate supported statutory payments were made to the Development Reserve Fund, instalment payments of \$4.1 million remained outstanding under the deferral program, and approximately \$9.0 million in DCs that would otherwise have been collected at building permit issuance were deferred to occupancy. These measures have already shifted a portion of growth-related infrastructure costs onto municipal funding sources and creates further pressures on the City's operational budget.

**Proposed Application**

Staff have completed an initial screening for projects in the 2024 DC Background Study against the program's eligibility rules. Only the portion of project costs identified in the background study as recoverable through DCs is eligible under the program; costs attributed to benefit to existing development are excluded. On this basis, staff recommend an application for the following three projects outlined in Table 1, as a minimum, to support a 30% reduction in the DC rates.

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**Table 1: Proposed Infrastructure Projects for the DCRP Application**

<b>Project</b>	<b>Expected Grant (90% DC funding)</b>	<b>Original Municipal Contribution</b>	<b>Municipal Contribution Under DCRP (10% funding)</b>
Cataraqui Woods Drive (new two-lane road)	\$5.40M	\$6.0M	\$0.60M
Midland Avenue (urban standard upgrade)	\$20.25M	\$22.50M	\$2.25M
Front/King Phase 2B (with Utilities Kingston)	\$11.61M	\$12.90M	\$1.29M
<b>Total</b>	<b>\$37.26M</b>	<b>\$35.40M</b>	<b>\$4.14M</b>

The three projects together are expected to enable housing units consistent with the growth projections in the 2024 DC Background Study for 2026 to 2028. The minimum additional municipal contribution, at 10 percent of eligible costs per project, is approximately \$4.14 million in total.

Program guidance suggests that a municipality may submit up to five projects to the program intake. The three projects identified in Table 1 represent the minimum submission for an application structured to provide a 30 percent DC reduction. Staff are continuing to review other infrastructure projects within the DC background study that would meet the program eligibility requirements that may be included in the proposed submission.

Staff note that the 30% DC reduction is the minimum permitted under the program however this approach is recommended as:

- Deeper reductions of up to 50 percent would increase the City’s revenue risk without a corresponding increase in the available grant; and
- Kingston’s residential DC’s are already comparatively low, ranking 29<sup>th</sup> out of 35 comparable municipalities.

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## Financial Analysis

Participation in the program involves a trade: the City forgoes 30% of three years of DC residential revenue on every residential building permit issued city-wide, in exchange for 90% capital funding on the application projects. The net position therefore depends on three variables: the depth of the reduction, the pace of residential construction during the three-year window, and the share of the eligible portfolio the province ultimately funds.

The 30% maximum residential rate reduction is being recommended based on analysis that best ensures that the City will remain whole. The following was assumed in this analysis:

- Housing units as projected in the 2024 DC Background Study for 2026 to 2028;
- Residential DC revenue of \$70 million over the three-year window, based on the medium growth scenario (estimated revenue ranges from \$55 million to \$80 million depending on residential permit issuances);
- An average \$21 million loss of revenue based on the 30% DC reduction assumption;
- A 10 percent municipal contribution per project, with 90 percent federal-provincial funding;
- Interest of 3 percent per year over the ten-year period; and
- All three projects, successful at the 10 percent municipal contribution, as outlined in the Table 1 above.

The analysis is intentionally conservative. It uses the medium growth housing unit targets from the 2024 Development Charges Background Study, while the infrastructure project costs are based on 2024 estimates and project execution will occur in future years. This approach is prudent because it avoids overstating the financial benefit of applying and recognizes that project costs may change before construction.

Based on these assumptions the total grant expected on the recommended project portfolio is approximately \$37.26 million at the 90 percent funding level. At the minimum eligible 30 percent reduction and 90 percent funding, the expected grant of approximately \$37.26 million is designed to offset the revenue loss and ensure the City remains whole.

## Risks and Mitigations

The application does not bind the City to implement the DC reduction unless Council later authorizes execution of a TPA. This creates a clear decision point for Council after the City confirms the funding amount from the Province.

The DCRP program is competitive and could be overprescribed depending on how many municipalities opt in and the scale of reductions they chose to pursue. The province may approve some projects and not others, or fund less than the maximum share. Staff will report back to council on the confirmed funding allocation before any TPA is executed, and the application prioritizes projects so that a partial award funds the strongest candidates first.

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In terms of construction market recovery risk, if residential construction exceeds the medium growth scenario, the revenue forgone rises toward the upper end of the \$55 million to \$80 million revenue range, a loss of up to approximately \$24 million at a 30 percent reduction, while the grant remains fixed. Through the financial modelling the City, even at the high end of the revenue range, remains in a position to be made whole at the 30 percent commitment level with the full portfolio funded; staff do not recommend exceeding the required 30 percent minimum reduction.

From a timing risk standpoint the identified infrastructure projects are scheduled to start construction within the program window, ahead of the July 31, 2030 deadline. The application scope, schedule and dependency disclosures will reflect the timing assumptions in the application and the City would further refine these risks based on Provincial input.

The housing unit estimates in the application may be audited against actuals under the TPA when in place. Estimates will be finalized by the City based on approved and anticipated development applications in each project area, and supporting documentation will be retained.

Finally, soft costs, overhead, and any cost overruns are the City's responsibility, although soft costs count toward the municipal contribution for assessment purposes. To mitigate this risk the financial analysis treats the 10 percent contribution as a floor, and project budgets carry the City's standard contingency provisions.

### **Implications of Not Applying to the DCRP**

Staff reviewed and analyzed the impacts of not applying to the DCRP as Kingston's DCs are already comparatively low, the program's design favours higher-rate municipalities, and a reduction in growth revenue places pressure on a capital program already facing the constraints outlined in [Report Number 26-121](#) and the City's asset management plans.

These concerns shaped the structure of the recommendation rather than its direction. One single intake means a decision not to apply removes the opportunity permanently. Applying with conditions preserves the potential for up to approximately \$37.3 million in federal and provincial capital funding for projects already in the City's capital plan, while protecting the City from the downside scenarios identified in the analysis. Should the funding allocation prove insufficient, the City declines to execute and is in the same position as if it had not applied.

There is also a reputational and partnership risk if the City chooses not to apply. Housing supply and affordability are stated priorities for council and are also linked to provincial and federal housing objectives, including housing targets assigned to municipalities and recent federal housing investments in Kingston. Broader market conditions, including construction costs, financing conditions, labour market uncertainty and weaker demand, have contributed to lower housing starts and more cautious residential construction activity in 2026. Not applying could be perceived by residents, builders, other levels of government and community partners as inconsistent with the City's commitment to support housing delivery.

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Applying does not resolve the broader affordability challenge, nor does it guarantee that developers will translate reduced DCs into lower purchase prices or rents. It does, however, demonstrate that the City is a partner and willing to support development, housing-enabled infrastructure and growth. This is important as new housing and assessment growth are part of the City’s long-term response to mounting cost and service pressures. The recommended approach therefore balances two public interests: maintaining fiscal discipline and continuing to show constructive support for partnerships that can deliver new housing and infrastructure in the community.

**Consultation with the Development Community**

Staff had the opportunity to meet with representatives from the Kingston Homebuilder’s Association on June 11, 2026. The representatives expressed general support for the City making applications to the DCRP program with the parameters outlined in this report.

**Comparable Municipal Approaches**

Staff reviewed recent DCRP reports from the cities of Barrie, Waterloo, and York Region. While each municipality’s financial position, DC structure, and infrastructure needs differ, the reports show that they are generally approaching the DCRP as a conditional opportunity: preserve eligibility by applying or seeking authority to apply, identify housing-enabling infrastructure projects already reflected in DC background studies or capital forecasts, and manage risk by tying implementation of the DC reduction to confirmation of funding and execution of a TPA.

A summary of these DCRP approaches from other municipalities are outlined in Table 2.

**Table 2: Summary of DCRP Approaches from Ontario Municipalities**

Municipality	Proposed DC Reduction Approach	Infrastructure / Project Focus	Risk Management Approach	Relevance to Kingston
City of Barrie	Considered participation through a substantial residential DC reduction, including analysis of a 50 percent reduction scenario.	Housing-supportive infrastructure linked to growth and municipal capital needs.	Assessed forgone DC revenue under different housing scenarios and identified the option of applying before making a final decision on TPA execution.	Supports Kingston’s approach of preserving eligibility while retaining a later Council decision point once funding is confirmed.

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Municipality	Proposed DC Reduction Approach	Infrastructure / Project Focus	Risk Management Approach	Relevance to Kingston
City of Waterloo	Recommended a 30 percent reduction in principle for residential DC categories over the required three-year period, subject to funding approval.	Specific housing-enabling infrastructure projects in the capital forecast and DC framework.	Implementation of the DC reduction is tied to DCRP funding approval and program requirements.	Most closely aligns with Kingston’s recommended 30 percent minimum reduction and conditional implementation approach.
York Region	Contemplated a 50 percent Region-wide residential DC reduction, conditional on sufficient funding.	Major wastewater infrastructure with regional growth and servicing implications.	Conditioned participation on sufficient funding and identified fiscal pressures, including reserve, user rate and tax levy implications.	Reinforces the importance of assessing affordability, reserve impacts and implementation risk before executing a TPA.

Taken together, the comparable municipal reports indicate that Kingston’s recommendation is consistent with the broader municipal response to the DCRP. Similar to Waterloo, Kingston is recommending the minimum 30 percent reduction rather than a deeper reduction that would materially increase financial exposure. Like Barrie and York, Kingston is preserving Council’s ability to make a final decision after the funding allocation and TPA terms are known. The proposed approach therefore positions Kingston to compete for senior government infrastructure funding without committing the City to implement the DC reduction unless the final program terms are financially supportable.

**Next Steps**

Should Council endorse this report, staff will submit the DCRP application by the June 19, 2026 deadline. The application will be framed to commit to the minimum 30 percent residential DC rate reduction for three years and identify, at a minimum, the three housing-enabling capital projects outlined in Table 1 for 90 percent federal-provincial cost-sharing. Staff will continue to

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review additional eligible projects from the 2024 DC Background Study for potential inclusion in the submission prior to the deadline.

Following the Province's funding decision, staff will report back to Council with the confirmed funding allocation, the financial implications for the City, and a recommendation on whether to execute a Transfer Payment Agreement. Council's authorization is required before any TPA is signed; Transfer Payment Agreements must be executed before August 15, 2026.

**Financial Considerations**

There are no immediate financial implications associated with the application to the Development Charge Reduction Program recommended by this report. The application does not commit the City to a reduction in development charge rates or any capital expenditure. Should Council subsequently authorize execution of a Transfer Payment Agreement, the associated financial implications, including the three-year residential DC rate reduction and the required minimum 10 percent municipal contribution, will be presented to Council at that time.

**Contacts:**

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**Other City of Kingston Staff Consulted:**

Luke Follwell, Director, Engineering Services

Holly Wilson, Manager, Government Relations

**Exhibits Attached:**

Exhibit A – Watson & Associates Economists Ltd., Municipal Development Charge Comparison Survey



**Municipal Comparisons, prepared by Watson & Associates Economists Ltd.**

Single Family Dwelling Development Charges, as of June 9, 2026

Municipality	Lower/Single Tier Charges	Water, Wastewater, Charges	Upper Tier Charges	Education DCs	Total Charge	Rank
Markham Centre - Sciberras <sup>2</sup>	\$148,942	\$39,640	\$56,644	\$8,550	\$253,776	1
Markham Centre - Clegg <sup>2</sup>	\$83,774	\$39,640	\$56,644	\$8,550	\$188,608	2
Markham Centre <sup>2</sup>	\$75,835	\$39,640	\$56,644	\$8,550	\$180,669	3
Brampton (Full Rate)	\$69,420	\$62,441	\$16,884	\$5,376	\$154,121	4
Oakville - Greenfield	\$59,108	\$38,512	\$41,369	\$12,021	\$151,010	5
Toronto	\$122,104	\$15,742	\$0	\$3,893	\$141,739	6
Mississauga (Full Rate) <sup>1</sup>	\$53,242	\$62,441	\$16,884	\$5,376	\$137,943	7
Oakville - Built Boundary	\$59,108	\$13,327	\$45,781	\$12,021	\$130,237	8
Barrie - Salem & Hewitt's Secondary Plan Area	\$80,442	\$44,004	\$0	\$3,711	\$128,157	9
Oshawa	\$40,462	\$42,528	\$32,439	\$7,535	\$122,964	10
Barrie - Former City Municipal Boundary Areas	\$87,161	\$26,987	\$0	\$3,711	\$117,859	11
Brampton (Reduced) <sup>4</sup>	\$69,420	\$31,221	\$8,442	\$5,376	\$114,459	12
Hamilton (City) - Separated Sewer System Urban Area A	\$72,945	\$29,506	\$0	\$3,579	\$106,030	13
Hamilton (City) - Combined Sewer System	\$60,217	\$29,506	\$0	\$3,579	\$93,302	14
Hamilton (City) - Separated Sewer System Urban Area B	\$52,183	\$29,506	\$0	\$3,579	\$85,268	15
Peterborough <sup>8</sup>	\$65,783	\$14,790	\$0	\$1,770	\$82,343	16
Kitchener (Suburban Area)	\$25,514	\$22,519	\$26,839	\$5,187	\$80,059	17
Guelph	\$49,338	\$22,738	\$0	\$4,321	\$76,397	18
Mississauga (Reduced) <sup>4 5</sup>	\$26,621	\$31,221	\$8,442	\$5,376	\$71,659	19
Ottawa (Outside Greenbelt)	\$53,393	\$11,241	\$0	\$4,020	\$68,654	20
Ottawa (Inside Greenbelt)	\$49,297	\$8,530	\$0	\$4,020	\$61,847	21
London (Inside Urban Growth Area)	\$42,724	\$7,840	\$0	\$0	\$50,564	22
Prince Edward County (Wellington)	\$17,328	\$30,801	\$0	\$0	\$48,128	23
Windsor (except Sandwich South Planning District)	\$37,295	\$7,769	\$0	\$1,805	\$46,869	24



Municipality	Lower/Single Tier Charges	Water, Wastewater, Charges	Upper Tier Charges	Education DCs	Total Charge	Rank
St. Catharines	\$13,770	\$15,509	\$16,865	\$0	\$46,144	25
Port Hope (Urban)	\$18,553	\$16,956	\$3,657	\$0	\$39,166	26
Quinte West	\$10,716	\$24,823	\$0	\$0	\$35,539	27
Brighton <sup>3 7</sup>	\$18,601	\$12,202	\$3,657	\$0	\$34,461	28
Kingston	\$19,927	\$13,921	\$0	\$365	\$34,213	29
Belleville	\$22,244	\$9,939	\$0	\$0	\$32,183	30
Alnwick/Haldimand (Grafton Area) <sup>6 7</sup>	\$15,209	\$11,125	\$3,657	\$0	\$29,991	31
Hamilton (Township) <sup>6</sup>	\$14,116	\$11,705	\$3,657	\$0	\$29,478	32
Loyalist	\$11,444	\$16,425	\$0	\$344	\$28,213	33
Trent Hills <sup>6</sup>	\$23,021	\$0	\$3,657	\$0	\$26,678	34
Greater Sudbury	\$10,456	\$11,706	\$0	\$0	\$22,162	35

<sup>1</sup> Charge includes stormwater based on a net acre basis assuming 11 units per acre

<sup>2</sup> Charge includes area specific based on a net acre basis for low, medium, and high scenarios

<sup>3</sup> New D.C. by-law is currently within the 40-day appeal period

<sup>4</sup> Upper tier D.C. payable reduced by 50% for residential developments with building permits allowing footings and foundations issued before November 13, 2026.

<sup>5</sup> Lower tier D.C. payable reduced by 50% for residential developments with building permits allowing footings and foundations issued before December 31, 2027.

<sup>6</sup> Upper tier D.C. rates indexed to determine the estimated D.C.

<sup>7</sup> Lower tier D.C. rates indexed to determine the estimated D.C.

<sup>8</sup> Average over all planning area

\* Unknown if the D.C. By-law was appealed