Communication Update

To:	Mayor and Members of City Council
Date:	August 26, 2026
Subject/Report No.:	Development Charge Reduction Program (DCRP) Funding Decision
Ward(s) Affected:	City Wide
Submitted By:	Chris Phillips Director, Government Relations City Manager's Office
Signature:	

Summary

This Communication Update provides Council with information on the City's successful application to the Development Charge Reduction Program (DCRP), including $572 million in funding approved for infrastructure projects that will support housing growth and improve transportation and water and wastewater infrastructure, and the City's commitment to eliminate Development Charges (DCs) for residential development for three years.

Background

The City of Hamilton has demonstrated a proactive and sustained commitment to supporting both residential and non-residential development. In August 2025, Council approved a temporary DC exemption of 20% to new residential and non-residential developments for two years beginning on September 1, 2025. Subsequently, in May 2026, Council approved an additional 4.0% temporary reduction to offset a scheduled inflation increase for all development types effective June 1, 2026, to May 31, 2027. These actions were advanced to provide immediate relief to the development community, stimulate housing starts and encourage construction activity during a period of economic uncertainty.

On March 30, 2026, the Government of Canada and Government of Ontario announced the Development Charge Reduction Program (DCRP) initiative as an $8.8 billion cost-shared partnership that will be delivered over 10 years (2026–2035). The DCRP is administered by the Province, with federal funding delivered through the Build Communities Strong Fund's Provincial and Territorial stream. DCRP details – including application requirements – were released on June 1, 2026, providing municipalities three weeks to apply before the deadline of June 19, 2026.

The DCRP is designed to accelerate housing construction and improve housing affordability in Ontario by funding housing-enabling infrastructure, and – in return – requiring municipalities to reduce DCs. Under the DCRP, municipalities are eligible to receive funding of up to 90% toward eligible housing-enabling infrastructure projects, including roads, water and wastewater systems, and transit. To qualify, municipalities must contribute at least 10% of the eligible project costs. In addition, municipalities must commit to reducing DCs for all residential development by a minimum of 30%–50% from the rates in effect on March 30, 2026, and maintain those reductions for at least three years.

On June 17, 2026, Report FCS26063 ("Federal-Provincial Development Charge Reduction Program 2026-2035") was submitted to the General Issues Committee, outlining staff's recommended approach to the City's DCRP submission. Staff assessed eligible growth-related infrastructure projects against a range of criteria, including their potential to maximize Provincial funding, advance the City's long-term infrastructure and financial strategies, enable additional housing supply, and support housing affordability and broader economic outcomes. Following Council's ratification of the report at a Special Council Meeting on June 17, 2026, the following projects were submitted for DCRP funding consideration:

1. Application #1: Barton Street - Fifty Road to Fruitland Road/Lewis Road - Barton Street to Highway 8
2. Application #2: Rymal Road from Upper James to Dartnall Road / Garner Road Urbanization - Highway 6 to Upper Paradise Road
3. Application #3: Queenston Road Diversion Sewer – Woodman Drive to Centennial Parkway
4. Application #4: Greenhill PS W-HD05A Upgrades (W-28)
5. Application #5: Woodward Avenue W.W.T.P. Upgrades

Collectively, these projects have an estimated total cost of $1,045,023,737. Of that total, $624,250,574 was deemed eligible under DCRP guidelines and the City's submission requested the maximum funding amount of 90% ($561,825,517) from the DCRP. If the City's submission was approved in its totality, the City anticipated being in the position to support a 100% DC reduction for residential developments for the required three-year period.

Details

On August 13, 2026, the City was notified of approval for $572,040,664 toward four of the five submissions. A detailed funding breakdown has not been provided yet. Application #3: Queenston Road Diversion Sewer – Woodman Drive to Centennial Parkway did not receive funding approval.

The approved funding will accelerate infrastructure projects that improve transportation connections and expand water and wastewater capacity, creating the infrastructure needed to support new housing and future communities. The City's three-year elimination of residential DCs will also reduce the cost of building new homes, with savings of up to $100,442 per home.

The DCRP funding will be confirmed once the Province and City enter into a Transfer Payment Agreement (TPA). The Province has confirmed that the City will need to agree to meet the following key conditions, among others, that will be outlined in the TPA:

1. Municipal DC rate reduction: The City will eliminate development charges for all residential developments for three years, based on the DC rates in effect as of March 30, 2026.
2. Municipal contribution toward projects: DCRP funding may not exceed 90% of project costs, excluding soft costs. Soft costs include those related to design, engineering, legal fees, and permitting and insurance. The City will be responsible for project costs not covered by DCRP funding, as well as costs associated with any cancelled or delayed projects.
    - The City has received verbal confirmation from Provincial representatives that the City's 10% funding contribution can come from its DC Reserve Fund. This will be confirmed through the TPA execution process.
    - Until the TPA is executed, property developers and home builders will continue to pay DCs through the current process. Once the TPA is executed, the City will establish a refund process for eligible residential developments, retroactive to March 30, 2026, based on the final DC reduction set out in the TPA. Next Steps

Staff will review the terms and conditions of the draft TPA and bring forward a report to General Issues Committee in September 2026 that includes:

- a financing plan for the required municipal contribution and any direct costs associated with the DC reductions, including potential impacts on reserves, water and wastewater user rates and the property tax levy, to be finalized through the 2027 Budget and financing plan;
- clarification on how the new three-year residential DC elimination will affect the City's existing temporary DC reductions for residential and non-residential development. Supporting materials including public communication and key message products for Council, industry partners, and staff are under development.

If you require any further information on the above matter, please contact Chris Phillips, Director of Government Relations, by email at Chris.Phillips@hamilton.ca or at (905) 536-0368.

Appendices and Schedules Attached

N/A