

How Cities Can Reward Green Development

Municipal Policy Options: 2nd Edition

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TAF

Green Development Standards

For years, municipalities across Ontario have used Green Development Standards to advance local climate and economic objectives, making communities healthier, more comfortable, and buildings more affordable to operate. However, recent provincial legislative changes, including Bill 98, the Building Homes and Improving Transportation Infrastructure Act, have limited municipal authority to require these standards and sustainable design features.

In this evolving policy landscape, incentives and voluntary compliance mechanisms will play an increasingly important role in encouraging uptake of high-performance, low carbon new development. Green Development Standards provide many benefits to municipalities, including better building quality, reduced strain on the electricity grid, skilled job creation, and operational savings for residents and building owners.

This updated list of financial and non-financial incentives outlines a range of options to encourage participation in voluntary standards. Implementing these measures will help maintain important progress toward housing, economic development, and climate goals, while continuing to transform building practices and market expectations.

For more information or to book a briefing, contact:

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Financial and Non-Financial Incentives

INCENTIVE TYPE	DEFINITION	EXAMPLE	NOTES
Partial Development Charge Refund FINANCIAL	Municipal fees collected from new development to help pay for infrastructure and services needed to accommodate growth. Municipalities may reduce, defer, or rebate these charges to encourage specific types of development.	• **Development Charge Refund (Toronto)**	Simple and effective. Refunds can be held back until post-occupancy verification of compliance.
Low Interest Loan FINANCIAL	Fixed-rate or below-market financing to support the design and construction of high-performance, low carbon buildings and offset the cost of upfront energy, electrification, and emissions reduction measures.	• **Sustainable Energy Plan Financing for New Development (Toronto)**	More complex, but with a strong likelihood of recovering funds. If the interest rate matches the city's cost of borrowing, it can be revenue-neutral, aside from program administration costs. A Community Improvement Plan (CIP) can be used to authorize the loan program and encourage voluntary uptake. It may be possible to secure external funding to support the loan program (e.g., FCM, GMF, CIB).

INCENTIVE TYPE	DEFINITION	EXAMPLE	NOTES
Grant FINANCIAL	Non-repayable funding to provide an economic catalyst for the construction of sustainable industrial, commercial, mixed-use, and multi-unit residential buildings.	• **LEED Grant Program (Hamilton)** • **Sustainable Built Environment Grant (Vaughan)**	Simple and effective. Can be held back pending post-occupancy verification of compliance. Can be limited to available funds on a first-come, first-served basis to cap expense. May also be structured as tax increment grants, where funding is paid from a portion of the additional property tax revenue generated by a development (see Hamilton example). A CIP can also be used to authorize, but is not necessary.
Local Improvement Charge FINANCIAL	A form of property-linked financing that functions similarly to a low-interest loan, with upfront costs recovered over time through charges attached to the property tax bill.	• **Home Energy Loan Program for existing homes (Toronto)**	More secure than a conventional loan. Can also resolve the split incentive problem, where developers pay for energy efficiency measures but do not benefit from the utility cost savings, since the repayment obligation runs with the property. For example, in a condominium, the repayment obligation can transfer to the condo corporation (which benefits from the energy savings) after turnover. Note: Ontario is exploring a C-PACE framework that would allow municipalities to facilitate private, property-secured financing for clean energy projects.

INCENTIVE TYPE	DEFINITION	EXAMPLE	NOTES
Reduced or Exempt Community Benefits Charge (CBC) FINANCIAL	Municipalities can now impose a CBC of up to 4% of land value on eligible developments, rather than negotiating benefits project-by-project. Used for broader growth-related capital facilities, services, and amenities than development charges.	• **Community Benefits Charge (Hamilton)**	CBCs are generally municipality-wide. By-laws can contain exemptions, reductions, and special treatment for certain types of development. Note: Not yet widely used to support voluntary green building standards. However, some municipalities have policy-based exemptions for certain areas or occupancies.
Planning Incentives and Built-Form Flexibilities NON-FINANCIAL	Can take various forms. Planning permissions or development standards that provide additional flexibility to encourage desired development outcomes. May be established through pre-defined municipal planning frameworks or other planning approval processes, subject to applicable provincial legislation and municipal authority.	• **Zero Emissions Zoning Variances (Vancouver)**	Can reduce development costs and support innovative building design through planning flexibility, such as additional gross floor area, reduced parking minimums, reduced setbacks, or increased heights. The value of planning incentives may be limited where developers believe similar approvals could be obtained through variances, rezonings, or other planning processes. Some approaches may require significant policy development and review through tools such as a Community Planning Permit System or other municipal planning frameworks.

INCENTIVE TYPE	DEFINITION	EXAMPLE	NOTES
Community Planning Permit System NON-FINANCIAL	A land use planning tool that enables municipalities to issue development permits in a streamlined manner. Formerly the Development Permit System.	• **Used in Guelph, Waterloo, Peterborough, Barrie, Ottawa – Kanata.**	Municipalities can establish a range of additional permissions and conditions that apply within a permit area. Must be adopted by a municipality for a specific area and embedded in the planning framework rather than negotiated on a site-specific basis. Requires by-law and policy development and is limited to designated permit areas.
Planning and Development Support Services NON-FINANCIAL	Dedicated municipal staff support, coordination, and/or guidance provided to help navigate planning, permitting, and development approval processes.	• **Gold Star Service (Toronto)**	Reduces uncertainty and improves project coordination. Toronto has offered this service for qualifying commercial, industrial, and institutional projects, as an economic development tool. Highly valued by developers. Requires municipal staff capacity and resources. The value of the incentive may vary depending on existing approval timelines and service levels.

Note: Given recent changes to municipal planning authorities, municipalities should consult their legal teams when designing and implementing incentive programs. While many of the options described are established tools, others are newer approaches whose application in the post-Bill 98 environment has not yet been fully tested.

Acronyms

CIB · Canadian Infrastructure Bank

C-PACE · Commercial Property Assessed Clean Energy

FCM · Federation of Canadian Municipalities

GMF · Green Municipal Fund

TAF The Atmospheric Fund

TAF is a regional climate agency that invests in low-carbon solutions for the Greater Toronto and Hamilton Area and helps scale them up for broad implementation.

We are experienced leaders and collaborate with stakeholders in the private, public, and non-profit sectors who have ideas and opportunities for reducing carbon emissions.

Supported by endowment funds, we advance the most promising concepts by investing, providing grants, influencing policies, and running programs.

We're particularly interested in ideas that offer benefits beyond carbon reduction such as improving people's health, creating local green jobs, boosting urban resiliency, and contributing to a fair society.

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TAF acknowledges that the land on which we work is part of the Treaty Lands and Territory of the Mississaugas of the Credit. The area also encompasses traditional territories of the Huron-Wendat, Haudenosaunee, Erie, Neutral, Anishinaabe, Mississaugas of Scugog Island First Nation, Chippewas of Georgina Island First Nation, and the Mississaugas of the Credit First Nations.

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