



How Cities Can Reward Green Development

Municipal Policy Options

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Green Development Standards

Over a dozen municipalities in Ontario have green development standards in place to reduce carbon emissions from new construction projects and meet local climate and economic goals. Well-designed standards include voluntary higher tiers to encourage ambitious projects beyond minimum requirements. However, few developers are meeting those higher tiers due to increasing market pressures, slowing progress on much-needed building decarbonization.

Municipal policymakers are uniquely positioned to implement financial and non-financial incentives to increase uptake of high-performance, low-carbon construction. Participation in voluntary higher tiers or standards is critical to creating the industry capacity required to raise minimum standards in future.

This list of incentives outlines various options to enhance the adoption of high-performance buildings. Municipalities can ensure long-term savings and benefits for tenants, building owners, communities, cities, and utilities by implementing them.

**For more information
or to book a briefing, contact:**

Samia Anwer
Climate Policy Analyst
sanwer@taf.ca

Financial and Non-Financial Incentives

INCENTIVE TYPE	EXAMPLE	NOTES
Partial Development Charge Refund FINANCIAL	<ul style="list-style-type: none">• <u>Development Charge Refund (Toronto)</u>	<p>Simple and effective. Refunds can be held back until post-occupancy verification of compliance.</p> <p>A reduction in Community Benefits Charges (CBC) may be a viable alternative mechanism which is functionally similar although captures a slightly smaller share of development compared to Development Charges (DC).</p>
Low Interest Loan FINANCIAL	<ul style="list-style-type: none">• Sustainable Energy Plan Financing for New Development (Toronto)	<p>More complex than a DC refund, 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. Note the loan would be for the incremental costs associated with building to the voluntary tiers.</p> <p>A Community Improvement Plan (CIP) can be used to authorize the loan program, although it may not be necessary. It may be possible to secure external funding to support the loan program (e.g., FCM-GMF, CIB).</p>

INCENTIVE TYPE

EXAMPLE

NOTES

Grant

FINANCIAL

- [Green Communities Designation and Grants Program \(Canada\)](#)
- [Inflation Reduction Act: Building Provisions \(USA\)](#)

Simple and effective, like DC refund but not tied to development charges. Can also be held back pending post occupancy verification of compliance.

Can be limited to available funds on a first-come-first-serve basis to cap expense. A CIP can also be used to authorize but may not be necessary.

Local Improvement Charge

FINANCIAL

- [Home Energy Loan Program \(Toronto\)](#)

Effectively a low-interest loan, but secured via Local Improvement Charge (LIC) with repayment via property tax system. More secure than a conventional loan. Another potential benefit is that 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.

This can resolve the split incentive problem for many types of development where developers pay for energy efficiency measures but do not benefit from utility cost savings.

INCENTIVE TYPE

EXAMPLE

NOTES

**Density
Bonusing**

NON-FINANCIAL

- **Density Bonusing (Vancouver)**

This can take various forms. Toronto allows projects that avoid a mechanical penthouse (e.g. by using a geo-exchange system) to build additional ground floor area (GFA) where the mechanical penthouse would have been. Vancouver allows projects that meet the highest thermal performance standards to increase buildable area to compensate for the GFA lost to thicker insulation.

Many other possible variations could be broader (e.g. reduced setbacks, increased heights).

One challenge is that developers may not align with cities on what the baseline requirement would have been, considering how many projects receive zoning variances (e.g. they may feel they could get a variance without building to voluntary tiers).

**Expedited Planning
Approvals and/or
Building Permits**

NON-FINANCIAL

- **Gold Star Service (Toronto)**

While Toronto doesn't offer this as an incentive for higher tiers, they have offered this service for qualifying commercial/industrial/institutional projects, as an economic development tool (the Gold Star Service).

Expedited approvals are highly valued by developers. However, as with density bonusing, it can be difficult to determine what the baseline is in terms of approval timelines, and therefore what expedited approval means. May also present challenges in terms of planning staff capacity.

INCENTIVE TYPE

EXAMPLE

NOTES

Reduced Parking Minimums

NON-FINANCIAL

- **Toronto**
- **Edmonton**
- **Buffalo**

Provision of parking spaces can be costly (up to \$80,000 per parking stall). Reducing or waiving parking minimums for projects enrolled in voluntary tiers could be a significant incentive for some developments. There are also ancillary benefits in terms of encouraging modal shift.

Acronyms

- CIB** · Canadian Infrastructure Bank
- CBC** · Community Benefits Charge
- CIP** · Community Improvement Plan
- DC** · Development Charge
- GDS** · Green Development Standards
- FCM** · Federation of Canadian Municipalities
- GDF** · Green Development Fund
- GDA** · Ground Floor Area
- LIC** · Local Improvement Charge



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.

The Atmospheric Fund

Union Station,
61 Front St. W, East Wing
Toronto, ON M5J 1E6

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