



GUIDE 101: DEVELOPMENT LEVIES FOR NEW CONSTRUCTION HOMES IN ONTARIO



A development charge is a fee imposed by municipalities in Ontario under the [Development Charges Act, 1997](#), to fund infrastructure required for new development. Cities such as Kingston apply these charges when [new residential](#) or commercial buildings are constructed so that the cost of expanding infrastructure is not borne by existing taxpayers.

The term development levies is often used more broadly to describe a combination of charges associated with new construction homes.

What charges are included?

- Development Charges - roads, water, sewage, emergency services
- Education Development Charges - funding for schools
- Parkland Dedication Fees - for parks and recreational spaces
- Community Benefit Charges - for community infrastructure in higher density developments

While these are governed under different legislation, they are commonly bundled together and included in the total cost of a new home.

How is a Development Charge calculated?

Development charges are calculated based on projected infrastructure costs required to support future growth.

For example:

- **Estimate infrastructure costs**
Municipality forecasts infrastructure needs of roads, water systems, and parks, assuming \$100 million.
- **Forecast development growth**
City estimates the number of new housing units to be 10,000 units.
- **Allocate cost per unit**
 $\$100 \text{ million} \div 10,000 \text{ units} = \$10,000 \text{ per unit.}$
- **Adjust for funding sources**
Grants, existing reserves, and non-eligible services are deducted, revised charge = \$8,000 per unit.
- **Apply rates by housing type**
Different rates apply for condos, townhomes, and detached homes and size of individual units. Rates depend on infrastructure demand.

These calculations are documented in municipal development charge background studies and approved through local bylaws.

Who pays for this charge?

Developers pay development charges at the time of building permit issuance, as required under Ontario legislation. However, in most cases, the cost is passed on to homebuyers through higher purchase prices or added closing costs, especially in pre-construction homes.

What does Cap to Development Levies mean?

A cap on development levies is a clause in a purchase agreement that limits how much a buyer must pay toward these charges at closing of a [new construction home](#).

For example, if a contract caps levies at \$10,000 and actual charges rise to \$15,000, the builder covers the \$5,000 difference. This protects buyers from unexpected cost increases between the time of purchase and closing.

Without a cap, buyers are responsible for the full amount of any increase, which can significantly raise closing costs.

Do builders ever waive development levies?

Some builders advertise that they have waived development levies, but in most cases, the cost is already included in the purchase price. Neither approach is necessarily an issue, as long as the levies are capped at a fixed amount.

In some situations, builders may request an increase in the purchase price several years into [construction](#). This may be tied to increases in levy-related costs rather than a true price change. Buyers should review their agreement carefully to understand how these adjustments are structured and whether any caps or protections apply.