


Development Charge Interest Rate Policy

	DEPARTMENT Finance	POLICY NUMBER
	EFFECTIVE DATE November 23, 2020	LEGISLATIVE AUTHORITY Development Charges Act, Bill 108 More Homes More Choice Act, Bill 197 the COVID-19 Economic Recovery Act.
	APPROVED BY: Resolution 2020-363	

BACKGROUND:

The Township of Wellington North collects development charges under the authority of the Development Charge Act, 1997 S.O. 1997, c 27 (DCA) to fund growth related capital expenditures resulting from new development. The introduction of Bill 108, More Homes, More Choices Act and Bill 197 the COVID-19 Economic Recovery Act amends twenty different pieces of legislation including the DCA. The Development Charge (DC) amendments include changes to when the DC charge is determined, when it becomes payable and gives municipalities the authority to apply interest to DC amounts owing.

PURPOSE:

1. To preserve the Township's ability to fund the cost of growth-related capital needs with DC's and promote the Township's goal for growth to pay for growth as much as the Development Charge Act (DCA) allows.
2. To establish the form and timing of interest applicable to Development Charges (DC) payable in the absence of guidance from the DCA on what the interest rate should be or how the interest rate is to be determined.

POLICY STATEMENT:

The fundamental principle of funding growth-related capital costs is that 'Growth should pay for Growth'. This policy serves to ensure that there is compensating interest income to fund the lost development charges (DCs) that will result from the DC rate freeze and deferred payment requirements.

Section 26.2 (3) of the DCA permits a municipality to charge interest from the date the DC is calculated to the date the DC is paid in full.

Section 26.1 (7) of the DCA permits a municipality to charge interest on the instalments required by subsection (3) from the date the DC would have been payable in accordance

with section 26 to the date the instalment is paid.

GUIDELINES:

DEVELOPMENT CHARGE RATE FREEZE:

The current Development Charge By-law requires development charges to be calculated and paid at the time of building permit issuance. However, Bill 108 now requires the development charge to be calculated on:

- a) The day a complete application is received for site plan control under subsection 41 (4) of the Planning Act, or
- b) if clause a) does not apply, the day a complete application is received for a zoning by-law amendment under subsection 34 of the Planning Act.
- c) If neither a) nor b) applies, the rate would be calculated the day the DC is payable according to subsection 26. Subsection 26 provides a DC is payable for a development upon a building permit being issued.

The development charge rate would remain “frozen” for up to two years from the date the application is approved, after which will revert to time of building permit issuance.

APPLICATION OF INTEREST:

This policy applies only to Development Charges administered in compliance with the current Development Charges By-law enacted under the authority of the Development Charges Act that are subject to interest charges.

The average annual historical five-year Statistics Canada Non-residential Building Construction Price Index for Toronto year over year change as of September 30th shall be the mechanism used as the foundation for establishing the interest rate.

The interest rate shall be established at the earlier of when the Development Charge is calculated or when the first payment is due. The established interest rate shall remain in effect until the final payment is received.

Interest accruing on the unpaid balance of the Development Charge shall be compounded annually.

The Township Treasurer, or designate, is authorized to execute the administrative

actions necessary to implement the Development Charge interest rate.

DEFERRED PAYMENT OF DEVELOPMENT CHARGES:

Bill 108 amends the DCA so that certain types of development qualify for deferred payment of development charges. Rental Housing that is not non-profit, institutional development and non-profit housing are classified as eligible to be deferred as follows:

- Rental Housing that is not non-profit and institutional development are to pay development charges in 6 annual instalments; and
- Non-Profit Housing is to pay development charges in 21 annual instalments.

The DC shall be paid in equal instalments beginning on the earlier of the date of the issuance of a permit under the Building Code Act, 1992 authorizing occupation of the building and the date the building is first occupied, and continuing on each instalment date. The interest rate shall be charged on the outstanding balance as at each instalment date, until the DCs are paid in full.

EARLY PAYMENT AGREEMENTS:

Section 27 (1) of the DCA allows for development charges to be paid at an earlier date than would otherwise be payable. Early payment agreements will be offered where the owner of a development would prefer to pay the full DC owing at time of building permit issuance.

Township Treasurer or designate has delegated authority of Council to enter into such agreements.

The following alternative payment options are recommended:

1. Rental Housing that is not non-profit and Institutional development that are required to pay development charges in 6 annual instalments be given an alternative payment option to pay at building permit issuance (the same time as non-deferred developments);
2. Non-Profit Housing that is required to pay development charges in 21 annual instalments be given the following alternative payment options:
 - a. Full development charge payable at time of building permit issuance; or
 - b. Full development charge payable at either 1- or 2-years after building

permit issuance.

NON-COLLECTION OF PAYMENTS:

The DCA does not explicitly permit the Township to secure payments from a developer but does provide that if any part of the development charges owing remain unpaid after it is payable, the amount unpaid, including any interest payable, shall be added to the tax roll and shall be collected in the same manner as taxes.

DEFINITIONS:

Deferred Developments Types:

Rental housing development - the construction, erection or placing of one or more buildings or structures for or the making of an addition or alteration to a building or structure for residential purposes with four or more self-contained units that are intended for use as rented residential premises

Non-profit housing development - the construction, erection or placing of one or more buildings or structures for or the making of an addition or alteration to a building or structure for residential purposes by a non-profit corporation.

Institutional development - the construction, erection or placing of one or more buildings or structures for or the making of an addition or alteration to a building or structure for:

- Long-term care homes;
 - Retirement homes;
 - Universities and colleges;
 - Memorial homes; clubhouses; or athletic grounds of the Royal Canadian Legion;
- and
- Hospices

Early Payment Agreement – an agreement with a person or business who is required to pay a DC providing for all or any part of the DC to be paid before it would otherwise be payable.

Interest Rate – the average annual historical five-year Statistics Canada Non-residential Building Construction Price Index for Toronto year over year change as of September 30th. The interest rate will be established at the earlier of when the DC is calculated or when the first payment is due. The established interest rate shall remain in effect until

the final payment is received. Interest accruing on the unpaid balance of the DC shall be compounded annually.

Occupancy – the earliest of either (1) the date on which an Occupancy Permit or Partial Occupancy Permit is issued by the member municipality, or (2) the earliest date on which the use or intended use of a building or part of a building for the shelter or support of persons, animals or property commences.