

Subject: <b>Development Charges Interest Rate Policy</b>	Policy #	21-TSRY-01
	Effective Date:	July 27, 2021
	Replaces:	

## **PURPOSE**

The purpose of this policy is to establish the rules and procedures for charging interest that can be applied to Development Charges for certain types of development. This policy applies to development applications that are eligible for a development charge freeze and / or deferral provided in Section 26.1 and Section 26.2 of the Development Charges Act, as amended (DCA).

## **LEGISLATION**

Bill 108 *More Homes, More Choices Act*, received royal assent on June 6, 2019. On December 10, 2019, Bill 138 *Plan to build Ontario Together Act* received royal assent, which contained amendments to Bill 108. Combined, this legislation impacts how municipalities determine and collect development charges.

Section 26.1 of the DCA indicates that interest may be charged on each installment from the building permit issuance date to the date the instalment is paid at a rate not exceeding the prescribed interest rate. The province has not prescribed an interest rate, and the rate charged is at the discretion of the municipality.

Section 26.2 of the DCA sets out rules for when the amount of a DC is determined. The calculation will now be based on the date an application for a site plan control area, or an application for a zoning by-law change. If neither of these applications are made, the date will continue to be the date the building permit is issued. The DC's are "frozen" at the DC rate in effect at the time of submission of a complete site plan or zoning by-law amendment application.

Section 27 of the DCA prescribes rules regarding Early Payment Agreements for a person who is required to pay a DC providing for all or any part of the charge to be paid before it would otherwise be payable.

## **POLICY**

### **A. Section 26.1 (Payment Plan)**

Section 26.1 of the DCA provides for the deferral of development charges for the following:

- i. Rental housing development that is not non-profit
- ii. Institutional development
- iii. Non-profit housing

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The equal annual instalment payments for DC's on those development types will start on the earlier of the date of issuance of a permit under the *Building Code Act* authorizing occupation of the building, or the date the building is first occupied.

Rental housing development, that is not non-profit housing development, and institutional development, development charges shall be paid in six (6) annual instalments.

For non-profit housing development types, development charges shall be paid in twenty-one (21) annual instalments.

Annual Payments Calculation

The annual payment is calculated by dividing the development charge payable by the number of installments due, plus interest that is accumulated from building permit issuance date to the installment date.

Interest Rates

The following annual interest rates shall apply:

- Rental housing development that is not non-profit – Bank of Canada Prime +2%
- Institutional development – Bank of Canada Prime +2%
- Non-profit housing – 0%

Bank of Canada Prime rate will be determined on the first business day of the month.

**B. Section 26.2 (The Freeze)**

Section 26.2 of the DCA provides that the total amount of development charge for a development that is proceeding through a site plan control approval or a zoning by-law amendment approval is to be determined under the DC by-law on the date when the complete site plan application or a zoning by-law amendment application is made. If two years has elapsed since the approval of the relevant application to when the first building permit is issued, the amount of the development charge is to be determined at the date of the issuance of the building permit.

Should a development be subject to both site plan and re-zoning applications, the latter date shall be used to determine the DC. If neither of these applications apply, the DC

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shall be determined on the date the building permit is issued.

Payment Calculation

The annual interest rate will be calculated on the portion frozen prior to building permit issuance, prorated based on when the interest starts accruing. Interest will start accruing from the date of the applicable complete application until the date the total DC and accrued interest is fully paid.

Interest Rates

Interest will apply if the DC is to be calculated at the time of a complete site plan application or at the time of a complete zoning by-law amendment application. The province has not prescribed a maximum interest rate and interest that is charged is at the discretion of the municipality. Note that an application is considered complete as of the date that the submitted application is deemed to be complete according to County Planning staff.

The interest rate for DC's frozen at the date the completed site plan application or zoning by-law amendment application, prior to building permit issuance, shall be Bank of Canada Prime +2% annually.

Bank of Canada Prime rate will be determined on the first business day of the month.

**C. Other Matters**

Unpaid DC's or Interest Charges

If any development charges or interest charges, or any part thereof remains unpaid after it becomes payable under either Sections 26.1 or 26.2 of the DCA, the amount unpaid will be added to the tax roll of that property and collected in the same manner as property taxes.

Authorization

The County Treasurer and / or General Manager of Development Services shall be authorized to execute the Development Charge payment agreements, Section 27 agreements for payment before or after payments would otherwise be made (early payment agreements), and any other agreements he or she deems necessary for the implementation of this policy.



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Agreements

The owner and County shall enter into an agreement outlining the methodology of the interest rates and payment dates. Said agreement shall be registered on title as the first encumbrance prior to issuance of the building permit.