



Policy

Section: 2.0 Finance/Treasury

Policy: Development Charge Interest Policy

By-Law: 2022-XX

Date: 18 April 2022

Revision: N/A

Coverage:

This policy applies to all development charges for Township services. It does not apply to amounts owing for County of Bruce or Education development charges, where applicable as those entities will apply their own rates and policies. However, Township staff may be required to administer them in a similar manner to those developed for its own purposes.

Policy Statement:

The fundamental principle of funding growth-related capital costs is that 'growth should pay for growth'. This policy shall ensure that there is compensating interest income to fund the lost development charges resulting from development charge rate freezes and deferred payment requirements.

Legislative Authority:

Sections 26.1 and 26.2 of the Development Charges Act, 1997 S.O. 1997, as amended

Contents:

Definitions

- a) Act: The Development Charges Act, 1997 S.O. 1997, c.27 as amended, revised, re-enacted or consolidated from time to time and any other successor statute.
- b) Development: The construction, erection or placing of one or more buildings or structures on land. This includes the addition or alteration to a building or structure in which increases the size or changes the use from non-residential to residential or from residential to non-residential and includes redevelopment.
- c) Total Accrued Amount: This is defined as the total of the development charges and interest that has accrued.
- d) Two Year Rate Freeze: The freezing of development charge rates from when an application is made to when the payment is due. The Province has established a two-year time limit for these rate freezes.

- e) Early Payment Agreement: This is an agreement with a person or business who is required to pay development charges which provides for all or any part of the development charges to be paid before it would otherwise be payable.

Policy Application

Sections 26.1 (7) and 26.2 (3) of the Development Charges Act, 1997 S.O. 1997 state:

s. 26.1 (7) A municipality may charge interest on the instalments required by subsection (3) from the date the development charge would have been payable in accordance with section 26 to the date the instalment is paid, at a rate not exceeding the prescribed maximum interest rate.

s. 26.2 (3)...the municipality may charge interest on the development charge at a rate not exceeding the prescribed maximum interest rate, from the date of the application referred to in the applicable clause to the date the development charge is payable.

The Act allows a municipality to charge interest on the development charge at a rate not exceeding the prescribed maximum interest rate, although a maximum interest rate is not specified by the Act.

The interest rate that shall be used is 5%. This rate may be amended from time to time to reflect changing economic conditions, subject to Council approval. All existing instalment or rate freeze situations will not be affected by a change to the rate unless the legislated two-year rate freeze has expired.

Rate Freeze

The new subsection 2.2 (1) of the Act provides that development charges are to be calculated on:

- a) The day an application for an approval of development in a site plan control area under subsection 41 (4) of the Planning Act was made in respect of development that is the subject of the development charge;
- b) If clause a) above does not apply, the day an application for an amendment to a by-law passed under section 34 of the Planning Act was made in respect of the development that is the subject of the development charge;
- c) If neither clause a) or clause b) applies,
 - i. In the case of a development charge in respect of a development to which section 26.1 applies, the day the development charge would be payable in accordance with section 26 if section 26.1 did not apply, or
 - ii. In the case of a development charge in respect of a development to which 26.1 does not apply, the day the development charge is payable in accordance with section 26.

The interest rate in effect at the date of development charge determination will be applied annually to the development charge balance owing beginning on the first day of the month succeeding the date of development charge calculation. The interest rate will be accrued on a monthly basis.

Development Charge Deferrals

Subsection 26.1 (1) of the Act states that despite section 26, a development charge in respect of any part of a development that consists of a type of development set out in subsection (2) is payable in accordance with section 26.1.

Subsection 26.1 (2) identifies the following development types eligible for a development charge deferral:

Rental housing development that is not non-profit housing development (5 years)

Institutional development, including long term care homes, retirement homes, universities and colleges, memorial homes, clubhouses or athletic grounds of the Royal Canadian Legion and hospices (5 years)

Non-profit housing development (20 years)

The development charge 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:

1. The following five anniversaries of that date, in the case of a development charge in respect to rental housing development that is not non-profit housing development, and institutional development; or
2. The following twenty anniversaries of that date, in the case of a development charge in respect of a non-profit housing development.

Section 26.1 requires that the development charge balance owing is due at occupancy. If the period between development charge calculation and occupancy is greater than one month, interest will be charged. The interest rate shall be charged on the outstanding balance at each anniversary date, until the total accrued amount is paid in full.

Early payment agreements will be offered if the owner of a development would prefer to pay the full development charge owing at occupancy.