

Corporate Policy



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Effective Date May 17, 2022
Council
Approval
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TAB: Operations- Corporate
SECTION: Corporate Services
SUBJECT: Development Charges Interest

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1. POLICY STATEMENT:

The purpose of this policy is to establish the rules and practices for charging interest as permitted under sections 26.1 and 26.2 of the Development Charges Act, 1997 (DCA or the Act).

2. DEFINITIONS:

A. DEVELOPMENT CHARGES (DCS): MEANS ONLY THE MUNICIPALITY OF THE TOWN OF GRAVENHURST_ IMPOSED PURSUANT TO THE DEVELOPMENT CHARGE BY-LAW NO.2019-91 AND DOES NOT APPLY TO OTHER MUNICIPAL TIERS OR SCHOOL BOARD DEVELOPMENT CHARGES.

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- b. **Institutional Development:** For the purposes of this policy only, is defined as per O.Reg 454/19 (or as updated) meaning development of a building or structure intended for the following uses:
- i. A long term care home within the meaning of subsection 2 (1) of the Long Term Care Homes Act, 2007;
 - ii. A retirement home within the meaning of subsection 2 (1) of the Retirement Homes Act, 2010;
 - iii. A university in Ontario that receives direct, regular and ongoing operating funding from the Government of Ontario;
 - iv. A college or university affiliated with a university described above;
 - v. An Indigenous Institute prescribed for the purposes of section 6 of the Indigenous Institutes Act, 2017;
 - vi. A memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion; or
 - vii. A hospice to provide end of life care.
- c. **Non-Profit Housing Development:** For the purposes of this policy only, is defined as per O.Reg 454/19 (or as updated) meaning development of a building or structure intended for use as residential premises by:
- i. A corporation to which the Not-for Profit Corporations Act, 2010 applies, that is in good standing under that Act and whose primary objective is to provide housing;
 - ii. A corporation without share capital to which the Canada Not-for-profit Corporations Act applies, that is in good standing under that Act and whose primary objective is to provide housing; or
 - iii. A non-profit housing co-operative that is in good standing under the Cooperative Corporations Act.
- d. **Rental Housing Development:** For the purposes of this policy only, is defined as per O.Reg 454/19 (or as updated) meaning development of a building or structure with four or more dwelling units all of which are intended for use as rented residential purposes.
- e. **Development Charges Interest Rate (DC Interest Rate):** Refers to the Average Annual Statistics Canada Non-Residential Building construction Price Index (NRBCPI) at September 30th of each year plus 1%.

3. LEGISLATIVE FRAMEWORK:

DC Payment Deferrals

- a. Under subsections 26.1 (1), (2) and (3) of the Act, DCs shall be paid in equal annual instalments, beginning at the earlier of first occupancy or occupancy permit under the Building Code, Act, 1992 for:
- i. Rental Housing Development, with installments occurring over five years;
 - ii. Institutional Development, with installments occurring over five years; and

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- iii. Non-Profit Housing Development, with installments occurring over 20 years.
 - b. Subsection 26.1(7) of the Act allows a municipality to charge interest on the installments from the date the DCs would have been payable under section 26 of the Act.

DC Rate Freeze

- c. Under subsection 26.2(1) of the Act, the DC rate is determined under the Municipality of the Town of Gravenhurst's Development Charge Bylaw in effect on:
 - i. The day an application for an amendment to a zoning bylaw passed under section 34 of the Planning Act was made; or
 - ii. If the above clause does not apply, 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; or
 - iii. If neither of the above applies, the date the DCs would have been payable under section 26 of the Act, which is normally building permit issuance.

DC Interest Rate

- d. Under subsection 26.2(3) of the Act, a municipality may charge interest on DCs from the date when a completed application was made as described in section 3 c. of this policy to the date when the DCs are payable (i.e. building permit issuance for all development not eligible for the deferred payment plans under section 26.2 of the DCA).
- e. There is no prescribed maximum interest rate that a municipality may charge under subsections 26.1 and 26.2 of the Act.

4. OPERATING PRINCIPLES:

- a. 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 DC revenue that will result from the legislated DC rates being set earlier in the planning application process rather than at building permit issuance and the deferred payment program for certain types of development. The policy also serves to compensate municipalities for the additional resources required to administer sections 26.1 and 26.2 of the Act.

5. RESPONSIBILITIES:

- a. The goal of this policy is to have an integrated approach with the Departments of Planning and Development and Corporate Services and Finance of the lower tier municipalities and the District.

Planning and Development

- b. Assisting stakeholders during pre-consultation / planning approval meetings in determining eligibility for DC installment payments under section 26.1 of the Act.
- c. Confirming that a complete application was made for the purposes of determining the total amount of DCs and for recording and reporting the application submission date(s) and application approval date(s) made under section 34 and subsection 41(4) of the Planning Act.

Corporate Services / Finance

- d. Administering this policy, including but not limited to:
 - i. Determining the total amount of DCs under the by-law and the applicable interest rate that would apply;
 - ii. Collecting and monitoring all DCs, including interest, when payments are due / paid;
 - iii. Ensuring the total accrued interest amount is being charged and collected when due;
 - iv. Establishing and publicising the interest rate in accordance with this policy; and
 - v. Working with Town/District staff to ensure the policy is administered correctly.
- e. A work flow chart in Appendix 2 outlines the agreed upon collaborated tasks.

6. OPERATING DETAILS:

Applicability

- a. This policy applies to the charging of interest, as permitted under sections 26.1 and 26.2 of the DCA. This includes all types of development in the Municipality of the Town of Gravenhurst that:
 - i. Are eligible for annual instalment payments under section 26.1 of the DCA (DC Deferral); and/or
 - ii. Have a DC Rate that is frozen under section 26.2 of the DCA (DC Rate Freeze).

DC Rate Freeze

- b. Interest will be charged using the DC Interest Rate for developments subject to a frozen DC rate in accordance with section 3 c. of this policy.
- c. The DC Interest Rate will reflect the most current NRBCPI as of September 30th that is available on the date the DC rate is frozen.
- d. Interest will accrue from the date the DC rate freeze comes into effect until the date the DCs are paid (i.e. building permit issuance for all development not eligible for the deferred payment plans under section 26.2 of the DCA).
- e. As it is with the DC rate, the DC Interest Rate will be frozen for a period of no more than two years.
- f. The following will be taken into consideration when determining the date upon which the DC rate is frozen under section 3 c. of this policy:
 - i. The District and the applicable lower tier municipality will consider an application for a site plan control or zoning amendment to be made on the date that the submitted application is deemed to be complete according to the applicable local municipality's Planning staff;
 - ii. If a development is subject to both a site plan control and zoning amendment, the DC rate freeze will take effect on the date when the later of the two complete applications is made; and
 - iii. If a developer makes subsequent applications for the same development:
 - 1. The date the subsequent application is made will become the new date upon which the DC rate will be frozen;
 - 2. All interest that had accrued prior to the subsequent application shall be deemed to be zero (0); and
 - 3. Interest will begin to accrue from the date the subsequent application is made.
- g. Payment of interest is to be made in conjunction with the payment of the assessed DCs (i.e. when the building permit is issued for all developments except those that are eligible for, and participating in, deferred payment plans in accordance with section 3 a. of this policy).

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- h. For developments that are eligible for, and participating in, deferred payment plans, the interest (if applicable) accrued from the date when the DC rate freeze comes into effect to the date of the building permit issuance, will be added to the assessed DCs to determine the total DCs to be paid in instalments.
 - i. Where a completed application is made and a building permit is applied for and issued in the same calendar year, no interest will be accrued for a DC rate freeze.

DC Deferral

- j. Interest will be charged on DCs that are subject to a deferral (except those mentioned in section 6 l. of this policy) from the date of the issuance of the building permit to the date the DCs are fully paid in accordance with the installment timeframes identified in section 3 a. i. and ii. of this policy.
- k. Interest will be charged at a rate equal to the DC Interest Rate in accordance with section 6 c. of this policy.
- l. An interest rate of 0% will be charged for any DC charges deferred in relation to Non-Profit Housing Development.
- m. Section 27 of the DCA permits the payment of DCs before or after they would otherwise be due through agreements between municipalities and developers:
 - i. Developers may submit a request to pay DCs earlier than prescribed by the DCA to both the local municipality's and the District's planning departments, as separate agreements would be required from each;
 - ii. The Municipality of the Town of Gravenhurst may enter into an early payment agreement with the developer at the Municipality's discretion; and
 - iii. The Treasurer or designate have delegated authority to enter into such agreements on behalf of the Municipality of the Town of Gravenhurst.

Other Matters

- n. Effective Date: upon approval by the Council, this policy shall take effect retroactive to January 1, 2020. This policy may be repealed and/or modified by Council at any time.

Publication and Notification

- o. Upon Council approval, this policy and the applicable interest rates shall be made available on the Municipality’s website.
- p. The interest rates shall also be published as part of the Municipality’s development charges pamphlet publication.

Security

- q. At this time, the Municipality of the Town of Gravenhurst will not require additional security for deferrals eligible under Section 26.1 of the DCA. The deferral plans will be monitored and will be addressed should non-payment become an issue, with any unpaid DC’s transferred to the tax roll of the property.

REFERENCE (List all References to Legislation or Existing By-laws/Policies)

By-law No. 2019-91 Development Charges
Municipal Freedom of Information and Protection of Privacy Act

By-law Number:	
Replacing/Amending:	
Originating Department:	Corporate Services
Contact:	Treasurer
Departmental Procedures Manual:	No
Affected Departments:	All
Review Date:	2024

7. APPENDIX 1: SAMPLE CALCULATIONS

Note: Rates are for illustrative purposes only and do not reflect the Municipality's current DC Rates.

1. DC RATE FREEZE

For this example, it is assumed that, at the time a complete site plan/zone change application was received, the applicable DC rate for an apartment was \$15,000 per unit and the Average Annual Statistics Canada Non-Residential Building construction Price Index (NRBCPI) at the most recently published September 30th release was 3.45%. Assuming the development takes 1.5 years to proceed to building permit, then an effective interest rate of 6.67% $[(3.45\% + 1\%) \times 1.5 \text{ years}]$ is applied to the rate that was in effect at the application date (\$15,000) resulting in a DC rate of \$16,000 per unit assessed at building permit issuance.

DC Rate Freeze Example		
DC Rate at Site Plan/Zone Change	\$15,000	per unit
Average Annual Statistics Canada Non-Residential Building construction Price Index (NRBCPI) at September 30 th + 1%	4.45%	per year
Years Frozen	1.5	years
Effective Interest Rate	6.67%	
Applicable DC Rate	\$ 16,000	per unit

Assuming that the development consists of 10 apartment units, and that it does not qualify for a deferred payment plan under s.26.1, then the DC owing at building permit issuance would be \$16,000 x 10 units = \$160,000.

2. DC PAYMENT DEFERRAL

Assuming that the development from the example above qualifies for a deferred payment plan under 26.1 of the DCA, and six months pass before the occupancy permit is issued, then the payment schedule and interest charges for the development would be as set out in the table below with the first payment occurring at occupancy and annually over the subsequent 5 years:

DC Payment Deferral Example

Interest Rate

4.45%

Date	Outstanding Balance	Principal Payment	Interest Payment	Total Payment
Building Permit (BP)	\$160,000	\$-	\$-	\$-
Occupancy = BP + 6 months	\$160,000	\$26,667	\$3,560	\$30,227
Occupancy + 1 year	\$133,333	\$26,667	\$5,933	\$32,600
Occupancy + 2 years	\$106,667	\$26,667	\$4,747	\$31,413
Occupancy + 3 years	\$80,000	\$26,667	\$3,560	\$30,227
Occupancy + 4 years	\$53,333	\$26,667	\$2,373	\$29,040
Occupancy + 5 years	\$26,667	\$26,667	\$1,187	\$27,853
TOTAL		\$160,000	\$21,360	\$181,360

8. APPENDIX 2: DC FREEZE AND DEFERRAL WORKFLOW

