

 <p><b>GRAVENHURST</b> GATEWAY TO MUSKOKA</p>	<b>THE CORPORATION OF THE TOWN OF GRAVENHURST</b>	
	<b>To:</b>	<b>Committee of the Whole</b>
	<b>From:</b>	<b>Val Sequeira, Director of Corporate Services and Chief Financial Officer</b>
	<b>Date:</b>	<b>May 17, 2022</b>
	<b>Subject:</b>	<b>Development Charges Interest Policy Report No. COR 2022-10</b>

## **RECOMMENDATIONS**

The Director of Corporate Services and Chief Financial Officer recommends:

**THAT** Report No. COR 2022-10 re: Development Charges Interest Policy be received for information;

**AND THAT** the Development Charges Interest Policy be approved.

## **PURPOSE**

The purpose of the Development Charges Interest Policy Report is to present a Development Charges Interest Policy that complies with Section 26.1 and 26.2 of the Development Charges Act.

## **BACKGROUND**

*The More Homes, More Choice Act, 2019 (Bill 108)* received Royal Assent on June 6, 2019. Schedule 3 of this *Act* introduced amendments to the *Development Charges Act (DCA)* that allow an earlier determination of development charges (DCs), as well as allowing certain types of developments to defer development charge payments.

*Ontario Regulation 82/98 (General)* is a Lieutenant Governor in Council Regulation under the *DCA* that prescribes specific rules related to development charges. Changes to the Regulation came into effect on January 1, 2020, in support of the Bill 108 changes. Under the new Regulations, although DCs are collectible at the time of building permit issuance, the determination of DC rates for a particular development are “frozen” at the later of site plan approval or the passing of a zoning by-law amendment, if applicable. Further, deferred payment plans are available for institutional and rental housing developments (6 payments over 5 years starting at occupancy) and for non-profit housing (21 payments over 20 years starting at occupancy).

Municipalities can charge interest on development charges payable during the deferral and during the DC “freeze” from the date the applicable Planning Act application is deemed complete, to the date the development charge is payable (i.e., at the time of building permit issuance or the date of occupancy under a deferral). While the legislation includes authority to prescribe a maximum interest rate, one was not prescribed, allowing municipalities to determine their own interest rate. An interest rate was approved by Council on June 15, 2021, when it received [Report COR 2021-14 Interest Rate on Development Charge Freezing and Deferrals](#).

The DC “freeze” is only applicable for a two-year period from when the applicable Planning Act application is approved. If more than two years elapse between the applicable Planning Act approval and the issuance of a building permit, the DC rate in effect at that date of building permit issuance would apply.

The freezing of DCs prior to development and the deferral of DC payments benefit the development industry. From the perspective of the municipality, the introduction of Bill 108 and its amendments to the DCA has added significant complexity and administrative effort to implement and maintain going forward.

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 partially compensate municipalities for the additional resources required for administration.

## **ANALYSIS**

Pursuant to the above legislation and related regulations coming effect, the Muskoka Treasurers representing all the Area Municipalities in Muskoka, including the District of Muskoka have been working together to assess its implications, develop a consistent approach across Muskoka in meeting the new requirements, and ensuring compatibility between the lower tier municipality and the District of Muskoka. The Town of Gravenhurst, through the Treasurer, took a leading role in this process which has culminated in the standard Development Charges Interest Policy being presented with this Report. To date the District of Muskoka, the Town of Bracebridge, the Town of Huntsville and the Township of Muskoka Lakes have adopted this or a modified development charges interest policy and it is expected that all Muskoka municipalities with development charges will follow suit directly.

Policy highlights include:

- A consistent interest rate will be used across the District, both at lower and upper levels, set using the Average Annual Statistics Canada Non-residential Building Construction Price Index (NRBCPI) at September 30 of each year, plus 1%
- At the time that the development charge is frozen, the interest rate to be applied for both DC freezes and deferrals is also frozen. This allows for the predictability that developers seek, and it also eases the administrative burden of managing the process.
- Interest begins to accrue at the time that the applicable Planning Act application is deemed complete, being the later of either a site plan amendment or a zoning by-law amendment.
- Non-profit housing developments whose prime objective is to provide affordable housing, as defined by subsection 11.1 (1) of the *Development Charges Act (DCA)*, is exempt from paying interest.
- Responsibilities to administer are established and impact human resources in the Planning, Building, and Corporate Services/Finance departments at both the Town and the District.
- The effective date of the policy is January 1, 2020.

There will be financial and human resource impacts resulting from the DCA and *Ontario Regulation 82/98 (General)*. These impacts will be in Planning, Buildings and Finance. They will be closely monitored and addressed, as needed, through the 2023 Budget. This Policy partially mitigates the financial impacts of the legislation.

## **CONSULTATION**

The following individuals / community groups were consulted:

- Muskoka Treasurers
- Director of Development Services

## **CORPORATE FINANCIAL IMPACT**

The Policy strives to lessen the financial impact of amendments to the DCA and related regulations.

## **COMMUNICATIONS**

The Policy will be shared with developers, where applicable, and posted on the Town web site for full transparency

## **FUTURE CONSULTATIONS**

The Policy will be reviewed in 2024 concurrent with the Town's next Development Charge Background Study.

## **CONCLUSIONS**

Administration concludes that the amendments to the *DCA* provide substantial incentives to developers while negatively affecting Town DC collections and DC cash flows. Policy No. A09-DCINT applies a reasonable interest rate to DCs that are frozen or deferred which makes good business sense and should be approved by Council.

## **CLIMATE CHANGE IMPLICATIONS**

This Report does not contribute to meeting the intentions of the Climate Change Declaration.

## **RELATION TO STRATEGIC PLAN**

This Report does not directly advance or support the Town of Gravenhurst Strategic Plan.

## **RELATION TO OTHER MUNICIPAL REPORTS, PLANS OR APPLICABLE LEGISLATION**

This Report related to other municipal reports, plans or applicable legislation including:

1. Town of Gravenhurst Development Charges By-law 2019-091
2. *Development Charges Act, 1997 S.O. 1997, c.27*
3. *Ontario Regulation 82/98*
4. Report No. COR 2021-14 dated June 15, 2021

## **ATTACHMENTS**

1. Attachment A – Policy Development Charges Interest

## **RESPECTFULLY SUBMITTED BY:**

Author: Ross Jeffery, Treasurer

Approved by: Val Sequeira, Director of Corporate Services and Chief Financial Officer

Approved by: Scott Lucas, Chief Administrative Officer