Title:	*Development Charge Interest Policy*		
Document #:	*FI-REP-0003*	Created by:	*Director of Finance/Treasurer*
Status of Document:	*Final*	Approved by:	*Council*
Effective Date:	*April 4, 2022*	Revision Date:	
Coverage:	*All Departments*	No. of Pages:	*6*

1.0   PURPOSE

The purpose of this policy is to establish the timing and rules for development charge calculations, as permitted under sections 26.1 and under section 26.2 of the *Development Charges Act, 1997.*

This policy establishes the conditions, duration, terms and other requirements on when and how the Town determines the total amount of a development charge, the installment methodology for eligible development types and the applicable interest rates as outlined in the Act.

2.0   SCOPE

This policy applies to all development eligible under section 26.1 and 26.2 of the *Development Charges Act, 1997.*

3.0   DEFINITIONS

Definitions for the purposes of this Procedure:

Act: The *Development Charges Act, 1997,* S.O. 1997, c. 27, as amended, revised, re-enacted or consolidated from time to time, and any successor statute.

Development: The construction, erection or placing of one or more buildings or structures on land. This includes the making of an addition or alteration to a building or structure that has the effect of:

a) Increasing the size; or

b) Change in use from non-residential to residential or from residential to non-residential and includes redevelopment.

Development Charges: Fees collected from developers at the time of building permit to help pay for the cost of infrastructure required for new development.

Total Accrued Amount: Equal to the total of the development charges and interest which has accumulated.

4.0 PRINCIPLES AND OBJECTIVES

This policy serves to ensure that there is compensating interest income to fund the lost development charges that will result from the development charge (DC) rate freeze and deferred payment requirements under Section 26.1 and 26.2 of the Act. This is to ensure the fundamental principle of growth-related capital costs be funded through DC's, further supporting that 'growth should pay for growth.'

Section 26.2 (3) of the Act 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 Act permits a municipality to charge interest on the installments required by subsection (3) from the date the DC would have been payable in accordance with section 26 to the date the installment is paid.

5.0 LEGISLATIVE FRAMEWORK

1. Installment Payments under section 26.1 of the Act

   a) Under subsections 26.1(1), (2) and (3) of the Act, development charges shall be paid in equal annual installments, beginning at the earlier of first occupancy or occupancy permit under the *Building Code, Act, 1992*, for:
      - Rental housing development that is not non-profit housing development
      - Institutional development
      - Non-profit housing development

   b) Interest on Installment Payments under section 26.1 of the Act

      Subsection 26.1(7) of the Act allows a municipality to charge interest on the installments from the date the development charges would have been payable, under section 26 of the Act, to the date the installment is paid, at a rate not exceeding the prescribed maximum interest rate. Interest rate charged found under section 2.

   c) Development Charge Freeze under section 26.2 of the Act

      Under subsection 26.2(1) of the Act, the total amount of a development charge is determined under the Town's Development Charge Bylaw on:

      i. The day an application for an approval of development under subsection 41(4) of the Planning Act was made, or

      ii. If clause (i) does not apply, the day an application for an amendment to a bylaw passed under section 34 of the *Planning Act* was made.

      iii. If 2 years have elapsed since the approval of the relevant application, the amount of the development charge will be determined at the issuance of the building permit.

d) Interest under section 26.2 of the Act

Under subsection 26.2(3) of the Act, a 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 clause c(i) or c(ii) to the date the development charge is payable.

e) Maximum Interest Rate under sections 26.1 and 26.2

The Act allows a municipality to charge interest on the development charge at a rate not exceeding the prescribed maximum interest rate.

There is no prescribed maximum interest rate under subsections 26.1 and 26.2 of the Act.

2. Interest Rate Used

a) An interest rate of 5% shall be used.

b) Notwithstanding clause 2(a), a rate of 0% shall be used for payments under section 26.1, beginning at building permit, for developments that have taken advantage of a Regional development charge incentive and/or relief, current or future.

3. Amendment or Revision to Interest Rates

In the event the interest rate is amended or revised, the new interest rate shall be applied to amounts the date the rate came into effect, prorated from the date of the interest rate amendment or revision to:

a) The date the total accrued amount is fully paid, or

b) A subsequent amendment or revision of the interest rate

4. Interest Rate Publication and Notification

Upon Council approval, this policy and the interest rates being used shall be made available on the Town's development charges website.

The interest rates shall also be published as part of the Town's development charges rate pamphlet publication.

5. Compounding and Prorating

All interest shall be compounded annually and shall accrue from the date of the applicable application until the date the total accrued amount is fully paid. A 365 day calendar year shall be used for the purposes of prorating.

a) Subsequent Application(s)

If a subsequent application(s) is made for a development:

- The date the subsequent application is made will become the new date under which the total amount of the development charge is determined.
- All interest that had accrued prior to the subsequent application shall be deemed to be zero (0).
- Interest will be compounded annually and begin to accrue from the date the subsequent application is made.

b) Interest under section 26.1

If a development was one of the eligible types of development for the installment payments under section 26.1 of the Act, the total accrued amount shall continue to accrue interest from the date of the issuance of a building permit.

During the installment timeframe, interest shall continue to accrue on the outstanding balance. This shall continue until the date the total accrued amount has been fully paid.

6. Unpaid Amounts

In accordance with subsection 26.1(8) and section 32 of the Act, if an installment is not paid when is due, the amount unpaid, including any interest payable, shall be added to the tax roll and shall be collected in the same manner as property taxes.

7. Changes in Development

If any part of the development is changed, so that it no longer consists of:
- Rental housing development that is not non-profit housing development
- Institutional development
- Non-profit housing development,

Then the DC charges, including any interest payable, less any installments already paid in accordance with the Act and this payable immediately.

8. Transition

To allow for a transition period, this policy does not apply to any development where:

a) An application under sections 34 or 41(4) of the *Planning Act* is not required, but:

- Still qualifies for installment payments under section 26.1 of the Act, and
- Has been issued a building permit for development by a local municipality to July 1, 2020

b) An application under subsection 41(4) of the Planning Act is:

- Made after January 1, 2020, and

- Has been issued a building permit for development by a local municipality prior to July 1, 2020

c) An application for an amendment to a bylaw passed under section 34 of the Planning Act is:

- Made after January 1, 2020, and
- Has been issued a building permit for development by a local municipality prior to July 1, 2020

6.0   RESPONSIBILITIES

The Treasurer or designate shall:

a) Ensure development charges interest collected is in compliance with this policy, the Development Charges By-law and the Act.

b) Ensure this policy and interest rates being used are be made available on the Town's Development Charges webpage.

c) Execute agreements related to Section 26.1 of the DCA, including Development Charges Installment Agreements and Early Payment Agreements under Section 27 of the Act.

d) Provide an Installment Payment Schedule to the person required to pay development charges once notified of occupancy.

e) Report on interest collected as a component of the Development Charges Annual Report to Council.

The Building Department shall:

Development Charge Freeze – 26.2 of the Act:

a) Determine if applications submitted are subject to this policy. If so, notify finance and Region accordingly.

b) Provide notification to the applicant of application approval date.

c) If more than 2 years have elapsed since the application approval date, notify the applicant that the DC fee will be determined at time of issuance.

Development Charge Installment Payments – 26.1 of the Act:

a) Provide acknowledgement letter at time of building permit issuance for all eligible development under 26.1.

b) Monitor notifications received of buildings being occupied and advise Region of occupancy permits issued by Town.

c) For all eligible development under section 26.1 of the Act an acknowledgement letter will be provided to the applicant / property owner at the time of building permit issuance

outlining the terms of the development charge annual installments as per the Act and policy.

7.0   REVISION HISTORY

Revision No.:

Date of Last Revision:

Last Approval Date:

Reason for Change(s):

Summary of Change(s):