

Title: Development Charge Interest Rate Policy

Date: July 14, 2021

Adoption: July 14, 2021 through Council Resolution No. 2021-208

Subject: DEVELOPMENT CHARGE INTEREST RATE POLICY
File No: A09 DEV

1. Policy Statement

Changes to the Development Charges Act, 1997 allows for certain types of development to defer **development charge** payments. This Policy establishes the form and timing of interest applicable to these deferred payments. This ensures that the **Township** is compensated through interest income to fund delayed **development charge** payments, ensuring growth in the **Township** pays for the cost of that growth.

2. Definitions

- a.) **Development charges:** means any **Development Charges** that may be imposed by the **Township** pursuant to a By-law enacted under the authority of the *Development Charges Act, 1997 S.O. 1997, c.27*, as amended.
- b.) **Early Payment Agreement:** An agreement between the **Township**, and a developer who is required to pay **Development Charges**, providing for the **Development Charges** to be paid earlier than it would otherwise be payable. The agreement can also include the County of Wellington as a third party.
- c.) **Institutional Development:** Development of a building or structure intended for use:
 - a. as a long-term care home within the meaning of subsection 2 (1) of the *Long-Term Care Homes Act, 2007*;
 - b. as a retirement home within the meaning of subsection 2 (1) of the *Retirement Homes Act, 2010*;
 - c. by any of the following post-secondary institutions for the objects of the institution:

- i. a university in Ontario that receives direct, regular and ongoing operating funding from the Government of Ontario,
 - ii. a college or university federated or affiliated with a university described in subclause (i), or
 - iii. an Indigenous Institute prescribed for the purposes of section 6 of the Indigenous Institutes Act, 2017;
- d. as a memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion; or
- e. as a hospice to provide end of life care.
- d.) **Non-Profit Rental Housing Development:** Development of a building or structure intended for use as residential premises by:
- i. a corporation without share capital to which the Corporations Act applies, that is in good standing under that Act and whose primary object 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 object is to provide housing; or
 - iii. a non-profit housing co-operative that is in good standing under the Co-operative Corporations Act.
- e.) **Rental Housing Development (that are not Non-Profit Rental Housing Developments):** Development of a building or structure with four or more dwelling units all of which are intended for use as rented residential premises.
- f.) **Township:** means the Corporation of the Township of Puslinch.
- g.) **Treasurer:** means the individual appointed by **Township** Council in accordance with the Municipal Act, 2001.

3. Applicability

- a.) This Policy applies only to **Development Charges** administered in compliance with the current Development Charges By-law enacted under the authority of the *Development Charges Act* that are subject to interest charges.

4. Development Charge Rate Calculation

- a.) The *Development Charges Act* requires **Development Charges** to be calculated on:
- i. The date a complete application is received for site plan control under subsection 41(4) of the Planning Act, if applicable;
 - ii. If clause i) does not apply, the date a complete application is received for a zoning by-law amendment under subsection 34 of the Planning Act, if applicable;
 - iii. If both clauses i) and ii) apply, the later complete application date is deemed to be used to freeze Development Charge rates;
 - iv. If both clauses i) and ii) do not apply, the rate would be calculated the day the **Development Charges** is payable.
 - For **Rental Housing Developments** that are not **Non-Profit Rental Housing Developments, Institutional Developments, and Non-Profit Rental Housing Developments, Development Charges** are payable on the earlier of the date of occupancy permit issuance and the date the building is first occupied;
 - For all other development, **Development Charges** are payable upon building permit issuance.
- b.) After the **Development Charges** rate is calculated under i), ii), or iii) above, the rate remains frozen for up to two (2) years from the date the application was approved. After this two (2) year period has elapsed and the first building permit has not been issued on the development, the timing of calculation of **Development Charges** will revert to the time of building permit issuance.

5. Development Charge Deferred Payments

- a.) **Rental Housing Developments** that are not **Non-Profit Rental Housing Developments** and **Institutional Developments** are to pay **Development Charges** owing over six (6) equal annual installments.

- b.) **Non-Profit Rental Housing Developments** are to pay **Development Charges** owing over twenty-one (21) equal annual installments.
- c.) Timing of payment of first installments for a) and b) above is based on the earlier of the date of occupancy permit issuance and the date the building is first occupied.
- d.) Timing of payment of second and all future installments for a) and b) above is based on the annual anniversary date determined in c).

6. Interest Rate

- a.) The average annual historical five year Statistics Canada Non-residential Building Construction Price Index for Toronto year over year change as of September 30th shall be the financial mechanism used as the foundation for establishing the interest rate.
- b.) The interest rate shall be established and begin accruing at the earlier of when the **Development Charges** are calculated or when the first payment is due. The established interest rate shall remain in effect until the final payment is received.
- c.) For developments where Development Charge rates were frozen upon site plan application or zoning by-law amendment, the interest rate shall be established and begin to accrue on the date the Development Charge rates were frozen and shall remain in effect until the final payment is received.
- d.) Interest accruing on the unpaid balance of the **Development Charges** shall be compounded annually.
- e.) No interest would be charged if **Development Charges** are calculated and paid at building permit issuance.
- f.) The **Township Treasurer** or designate is authorized to execute the administrative actions necessary to implement the **Development Charges** interest rate.

7. Early Payment Agreements

- a.) Section 27(1) of the Development Charges Act allows for **Development Charges** to be paid at an earlier date than would otherwise be payable. **Early Payment Agreements** will be offered, where a developer would prefer to pay **Development Charges** at dates that are earlier than as outlined in the Act. This results in a reduction in interest owing, as calculated in this Policy.

- b.) For **Rental Housing Developments** that are not **Non-Profit Rental Housing Developments**, **Institutional Developments**, and **Non-Profit Rental Housing Developments**, **Early Payment Agreements** are available as follows:
- i. Payment of full **Development Charges** owing at building permit issuance;
 - ii. Payment of full **Development Charges** owing at the one (1) year anniversary of building permit issuance;
 - iii. Payment of full **Development Charges** owing at the two (2) year anniversary of building permit issuance;
- c.) For developments where **Development Charges** rates are frozen at site plan application or zoning by-law amendment, and part b) above is not applicable, **Early Payment Agreements** are available requiring payment of full **Development Charges** owing at building permit issuance.
- d.) The **Township Treasurer** or designate is authorized to execute the administrative actions and agreements necessary to implement **Development Charges Early Payment Agreements**.
- e.) The **Township** has delegated authority to enter into **Development Charges Early Payment Agreements** on behalf of the County of Wellington.

8. Non-Collection of Payments

- a.) If **Development Charges** owing remain unpaid after it is payable, the amount unpaid including any interest payment shall be added to the tax roll and shall be collected in the same manner as taxes.