

CATEGORY: FINANCIAL MANAGEMENT

SUBCATEGORY: REVENUES

SUBJECT: DEVELOPMENT CHARGE INTEREST RATE POLICY

A. PURPOSE

The purpose of this policy is to establish a financial risk management framework that provides a consistent and transparent process that responds to the evolving circumstances arising from the *Development Charges Act, 1997* (“DCA”) while protecting the Region’s financial interests.

B. SCOPE

This Policy applies to development applications that are eligible for the regulated development charges freeze and/or deferral provided in Section 26.1 and Section 26.2 of the DCA.

C. DEFINITIONS

- “By-law” means the Region’s Development Charges By-laws;
- “Chief Financial Officer” means the Chief Financial Officer of the Region or the person acting in that capacity from time to time;
- “DCA” means the *Development Charges Act, 1997*, SO 1997, c.27;
- “DC Freeze Interest Rate” means the interest rate(s) authorized in this policy used for application under Section 26.2(3) of the DCA;
- “DC Deferral Interest Rate” means the interest rate(s) authorized in this policy used for application under Section 26.1(7) of the DCA;
- “Deferral” means the change in collection of development charges for rental housing, institutional, and non-profit housing from the date the development charges would have been payable under Section 26 of the DCA (ordinarily the date of building permit issuance) to the installment date provided for under Section 26.1 (3) of the DCA;
- “Development” means the construction, erection or placing of one or more buildings or structures on land or the making of an addition or alteration to a building or structure that has the effect of increasing the size or usability thereof, and includes redevelopment, but does not include such actions or redevelopment

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- in relation to a temporary building or structure as defined in the Region's Development Charges By-law;
- "Development Charges" means a charge imposed pursuant to by-laws enacted by Regional Council pursuant to the *Development Charges Act, 1997*, as amended;
 - "Development Charges Payment Agreement" means an agreement between an applicant and the Region, that outlines the terms of the Development Charges payable on a Development;
 - "Financial Security" means a form of security obtained by the applicant from a financial institution authorizing the Region to draw on the financial instrument up to a specified amount;
 - "instalment" means development charges for Rental housing developments and Institutional uses to be collected in six annual payments over the course of five years or development charges for non-profit housing to be collected in 21 annual installments over 20 years pursuant to Section 26.1(3) of the DCA;
 - "Institutional" means a 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.
 - "Interest Rate(s)" means the interest rate(s) authorized in this policy used for application under Section 26.1(7) and/or Section 26.2(3) of the DCA;

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- “Non-profit housing” means a development of a building or structure intended for use as residential premises by,
 - a) 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;
 - b) 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
 - c) non-profit housing co-operative that is in good standing under the *Co-operative Corporations Act*.
- “Rental housing” means a building or structure with four or more dwelling units all of which are intended for use as rented residential premises;
- “Region” means The Regional Municipality of Peel;

D. POLICY

1. General

In December 2019, certain sections of Schedule 3 of Bill 108 (the *More Homes, More Choices Act, 2019 S.O. 2019 c.9*) were proclaimed to come into force on January 1, 2020. These provisions amended the *Development Charges Act, 1997*.

On December 19, 2019 Ontario Regulation 454/19 was filed to amend the Ontario Regulation 82/98 under the DCA.

Section 26.2 of the DCA as amended provides that the total amount of a development charge for a development that is proceeding through a site plan control approval or a zoning by-law amendment approval is to be determined under the DC by-law on the date when the site plan application or a zoning by-law amendment application is made. If two years have elapsed since the approval of the relevant application, the amount of the development charge is to be determined at the issuance of the building permit (if the development charge has been deferred pursuant to section 26.1 of the DCA) or at the time the development charge becomes payable (if the development charge has not been deferred pursuant to section 26.1 of the DCA).

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Section 26.2(3) of the DCA provides that where pursuant to section 26.2(1)(a) or (b) the determination of a development charge is to be made at the time of a site plan application or at the time of a zoning by-law amendment application the municipality may charge interest on the development charge amount at a rate not exceeding the prescribed maximum interest rate from the date of development application to the date the development charge is payable.

Section 26.1 of the DCA provides for the deferral of development charges for Rental housing development that is not non-profit housing development, Institutional development and Non-profit housing development. The annual equal instalment payments on those development types will start on the earlier of the date of the issuance of a permit under the *Building Code Act* authorizing occupation of the building and the date the building is first occupied. For the non-profit housing development type, the development charges shall be paid in 21 instalments; and for the other two development types the DCA provides for 6 instalments to be paid.

Section 26.1(7) of the DCA provides that interest may be charged on each instalment from the building permit issuance date to the date the instalment is paid, at a rate not exceeding the prescribed maximum interest rate.

If any development charges or interest charges or any part of thereof remains unpaid after it becomes payable, the amount unpaid shall be added to the tax roll and shall be collected in the same manner as taxes.

2. Interest Rates to be Applied

DC Freeze Interest Rate

- a) As permitted under Section 26.2(3) of the DCA, a DC Freeze Interest Rate of 5.5 percent per annum, as amended from time to time per Schedule A, will be payable on the amount of development charges determined at the time of site plan application or zoning by-law amendment application from the date of such application to the date the development charge is payable.
- b) Should a development (to which section 26.2(3) of the DCA applies so as to cause the amount of the development charge to be determined at the time of application for site plan approval or zoning by-law amendment) be issued a building permit for development by a local municipality prior to August 1, 2020, an interest rate of zero percent (0%) per annum will be applied.

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DC Deferral Interest Rate

As permitted under Section 26.1(7) of the DCA, a DC Deferral Interest Rate of zero percent per annum, as amended from time to time per Schedule A, will be applied from the date the development charges would have been payable under Section 26 of the DCA (ordinarily the date of building permit issuance) to the date each instalment is paid. The applicant shall enter into a Development Charges Payment Agreement with the Region prior to the issuance of the building permit, in a form satisfactory to the Regional Solicitor and with contents satisfactory to the Commissioner of Finance and Chief Financial Officer.

3. Calculation of the Interest Charges and the Timing of Payment

- 1) The development charge interest with respect to a development that is eligible pursuant to section 26.2(1)(a) or (b) of the DCA to have development charges determined at the time of an application for site plan approval or at the time of an application for a zoning by-law amendment or pursuant to Section 26.1(2) of the DCA to have development charges payable by annual installments shall be calculated as follows:
 - a. With respect to a development that does not consist of a type of development set out in Section 26.1(2), the interest will be accrued from the date of the site plan or rezoning application to the date when the full amount of the development charge is paid on the full amount of the development charges payable at a rate equal to the Region's DC Freeze Interest Rate in effect from time to time. The total interest is payable at the time when the development charge is payable.
 - b. With respect to a development that consists of a type of development set out in Section 26.1(2), the total interest payable is:
 - i. The interest accrued from the date of the site plan or rezoning application to the date when the building permit is issued on the full amount of the development charges payable at a rate equal to the Region's DC Freeze Interest Rate in effect from time to

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time; the interest is payable at the time when the first instalment of the development charge is payable; and

- ii. the interest accrued from the date when the building permit is issued to the date when the full amount of the development charge is paid, which interest will be charged on the balance of the development charges that remains unpaid at a rate equal to the Region's DC Deferral Interest Rate in effect from time to time. The interest accrued is payable when each instalment is payable.
- 2) The interest will be compounded on any unpaid amount of interests when it becomes due. If any arrears of interest and compound interest on such arrears are not paid in full when the payment is due, such arrears and compound interest will be added to the principle amount on such date and interest at the interest rate will be charged on such increased principal amount.

4. Other Matters

- 1) If a development application is eligible for the regulated development charges deferral provided for by Section 26.1 of the DCA,
 - a. Should the applicant choose to pay the full amount of the development charges payable at the time when the building permit is issued, a Development Charges Pre-payment Agreement, in lieu of a Development Charges Payment Agreement, may be entered between the applicant and the Region.
 - b. Payment of development charges at a date earlier than would be permitted pursuant to Section 26.1 may be accepted, with accrued interest where payment is made after a building permit is issued.
- 2) The Chief Financial Officer is authorized to execute Development Charges Payment Agreements, Section 27 agreements for payment before or after payments would otherwise be made and any other agreements and to require any security which he or she deems necessary to the proper implementation or administration of this policy, in a legal form satisfactory to the Regional Solicitor and upon business terms satisfactory to the Chief Financial Office.

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- 3) Without limiting the authority of the Chief Financial Officer to delegate authority generally, the Chief Financial Officer may delegate authority to both the Regional Treasurer and the Director of Treasury Services or either of them, for the purposes of the implementation or administration of this policy.

5. Schedules

The following schedule to this policy forms an integral part of this policy:

Schedule A – Development Charge Interest Rates

6. Effective Date

This policy shall come into force on January 1, 2020.

E. RESPONSIBILITIES

1. Finance Department, Financial Policy and Development Financing shall review, and if necessary, update this policy on annual basis or in conjunction with the Region's Development Charges By-law review.

F. REFERENCES

1. [Development Charges Act, 1997](#)
2. [Ontario Regulation 454/19](#)
3. [Ontario Regulation 82/98](#)
4. [The Regional Municipality of Peel Development Charges By-law No. 46-2015](#)
5. [The Confirming By-law of the Peel Regional Council Meeting March 12, 2020 \(link to be updated\)](#)

APPROVAL SOURCE:	Provided by issuer &/or Clerk's, Legislative Services
ORIGINAL DATE:	Provided by original issuer
LAST REVIEW DATE:	Provided by issuer
LAST UPDATE:	Provided by issuer



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EFFECTIVE DATE:	Provided by issuer
RESPONSIBILITY:	Finance Department, Financial Policy and Development Financing

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SCHEDULE A
to the
DEVELOPMENT CHARGE INTEREST RATE POLICY
EFFECTIVE JANUARY 1, 2020

REGION OF PEEL DEVELOPMENT CHARGE INTEREST RATES	
Interest Rate Type	Interest Rate to Be Applied
As permitted under Section 26.2 of the DCA DC Freeze Interest Rate	5.5%
As permitted under Section 26.1 of the DCA DC Deferral Interest Rate	0.0%