



Report to: General Committee

Meeting Date: May 23, 2023

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<b>SUBJECT:</b>	Development Charge Interest Policy
<b>PREPARED BY:</b>	Kevin Ross, Manager, Development Finance & Payroll, ext. 2126 Shannon Neville, Senior Financial Analyst, Development Finance, ext. 2659
<b>REVIEWED BY:</b>	Michael Toshakovski, Deputy City Solicitor, ext. 4732

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**RECOMMENDATION:**

1. That the report entitled “Development Charge Interest Policy” be received; and,
2. That the revised “Development Charge Interest Policy”, attached as Appendix A, be adopted by Council; and further,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

**EXECUTIVE SUMMARY:**

Not applicable.

**PURPOSE:**

The purpose of this report is to amend the City’s Development Charge Interest Policy to align with the recent legislative changes for charging interest on frozen development charge rates, as well as phased payments, as set out in the changes introduced by Bill 23, *More Homes Built Faster Act, 2022* and permitted under sections 26.1, 26.2 and 26.3 of the *Development Charges Act, 1997*, as amended.

**BACKGROUND:**

In 2019, the Province of Ontario introduced amendments to the *Development Charges Act, 1997* (“DCA”) through Bill 108, *More Homes, More Choice Act, 2019*, and further through Bill 138, *Plan to Build Ontario Together Act, 2019*, which introduced a development charge (“DC”) rate ‘freeze’ to site plan and zoning amendment applications. The amended legislation provided for the municipality to charge interest on the frozen DC rates from the date of the DC rate freeze, until the date development charges are paid. The legislation established the rules and practices for charging interest, however it did not prescribe or set a maximum interest rate to be charged. As each municipality was responsible for setting its own interest rate, the City introduced an interest policy which took effect in January 2020. In alignment with the Region of York and other lower tier municipalities within York Region, the interest rate charged was 5% per annum.

The Province has since passed further amendments to the DCA through Bill 23, *More Homes Built Faster Act, 2022*. The amendments include the addition of Section 26.3 which prescribes a maximum rate of interest to be charged, along with parameters on

when the interest rate is determined. The interest policy is now being amended to reflect the latest legislative changes.

## **OPTIONS/ DISCUSSION:**

### **PROPOSED POLICY AMENDMENTS**

The recent legislation amended the development charge interest calculation as follows:

- 1) The maximum interest rate to be charged for applications received after June 1, 2022 is the average prime rate in effect plus 1%. The average prime rate is defined as the mean prime interest rates for RBC, Scotiabank, CIBC, BMO and TD that are in effect on that date for commercial loans
- 2) The average prime rate is determined quarterly on January 1<sup>st</sup>, April 1<sup>st</sup>, July 1<sup>st</sup>, and October 1<sup>st</sup> of each year.

In line with the recent DCA amendments, staff are now revising the interest policy, as follows:

- The interest rate applied to site plan and zoning amendment applications received after June 1, 2022, will be the average prime rate in effect plus 1%, as of the date the complete application is received by the City (i.e. the date the development charge rates are determined/frozen).
- The interest rate applied to developments that qualify for annual instalment payments (i.e. rental housing and institutional developments), will be determined as at the date the development charges are deemed payable (i.e. building permit issuance), as this is also the date interest begins to accrue. As development charges are paid over six annual instalment payments, the interest rate for each subsequent instalment payment will be reset to the current instalment payment date.
- For applications received June 1, 2022 and prior, the 5% annual interest rate imposed under the City's previous interest policy, will apply.
- The average prime rate will be determined quarterly, in accordance with the dates outlined in the DCA.

### **FUTURE AMENDMENTS**

As the changes introduced by Bill 23 are new to all municipalities, the Development Charge Interest Policy may need to be amended from time to time. The Policy gives authority to the Treasurer to make changes that do not change the intent of the policy. This authority was included in the prior policy, and has not been adjusted in the amended version.

See Appendix A, *Development Charge Interest Policy*, for more detailed information.

## **FINANCIAL CONSIDERATIONS**

As the average prime rate plus 1% will fluctuate and vary amongst each application, forecasted development charge revenues will also vary. At times, the rate charged may be higher than the previously imposed 5%, while at other times, it may be lower. Interest rate fluctuations are inherent within the new regulations of the DCA and the City must

adhere to the legislation.

**HUMAN RESOURCES CONSIDERATIONS**

Not applicable.

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

Amending the Development Charge Interest Policy is meant to ensure that the City remains revenue neutral in light of the changes to the *DCA*, and is consistent with good fiscal policy.

**BUSINESS UNITS CONSULTED AND AFFECTED:**

Legal Services has been consulted and their comments have been included in the report.

**RECOMMENDED BY:**

Mark Visser  
Acting Treasurer

Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENTS:**

Appendix A: Development Charge Interest Policy