


Procedure Title: Development Charge Interest Policy			Policy Number FIN 090
Reference Resolution #378/20	Date Originated (m/d/y) July 27, 2020	Date Revised (m/d/y)	Pages 5
Approval: Interim Chief Administrative Officer 		Point of Contact Director, Finance & Treasurer	

Policy Objective

The fundamental principle of funding growth-related capital costs is that ‘Growth should pay for Growth’. This Policy serves to ensure that there is compensating interest income to fund the carrying costs associated with the provisions of the amended *Development Charges Act, 1997*, that allow development charges (DC) rates to be frozen early in the planning process, and DC payments to be phased from 5 to 20 years for certain development.

The purpose of this Policy is to establish the rules and practices for charging interest, as permitted under Sections 26.1 and 26.2 of the *Development Charges Act, 1997*, as amended.

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- 01 Definitions**
 - 01.01 **Development Charges Act (DCA)** – the *Development Charges DCA, 1997*, as amended.
 - 01.02 **Development Charges (DC)** – City of Pickering development charges only, does not apply to the Region of Durham development charges or school board development charges.

- 01.03 **Rental Housing Development** for the purposes of this Policy only, is defined as per O.Reg 454/19 meaning development of a building or structure with four or more dwelling units all of which are intended for use as rented residential purposes.
- 01.04 **Institutional Development** for the purposes of this Policy only, is defined as per O.Reg 454/19 meaning development of a building or structure intended for the following uses:
- a long term care home within the meaning of Subsection 2(1) of the *Long-Term Care Homes Act, 2007*;
 - a retirement home within the meaning of Subsection 2(1) of the *Retirement Homes Act, 2010*;
 - a university in Ontario that receives direct, regular and ongoing operating funding from the Government of Ontario;
 - a college or university affiliated with a university described above;
 - an Indigenous Institute prescribed for the purposes of Section 6 of the *Indigenous Institutes Act, 2017*;
 - a memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion; or,
 - a hospice to provide end of life care.
- 01.05 **Non-Profit Housing Development** for the purposes of this Policy only, is defined as per O.Reg 454/19 meaning development of a building or structure intended for use as residential premises by:
- a corporation to which the *Not-for-Profit Corporations Act, 2010* applies, that is in good standing under that Act and whose primary object is to provide housing;
 - 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,
 - a non-profit housing co-operative that is in good standing under the *Co-operative Corporations Act*.
- 01.06 **Eligible Developments** – defined above under Sections 01.03, 01.04 and 01.05, as per Subsection 26.1(2) of the DCA.
- 01.07 **Interest Rate** – Bank of Canada policy interest rate plus 2 percent.

02 Legislative Framework

Development Charge Deferral

- 02.01 Installment Payments under Section 26.1 of the DCA and as defined in O.Reg 454/19.

Under Subsections 26.1(1), (2) and (3) of the DCA, DC 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 (5 years);
- Institutional development (5 years); and,
- Non-profit housing development (20 years).

02.02 For Eligible Developments as prescribed under Subsection 26.1(2) of the DCA, the DC shall be paid in equal annual installments beginning on the earlier of the date of the issuance of a permit under the *Building Code Act, 1992*, authorizing occupation of the building and the date the building is first occupied, and continuing on:

- i) the following 5 anniversaries of that date, in the case of a DC in respect to rental housing development that is not non-profit housing development, and institutional development; or,
- ii) the following 20 anniversaries of that date, in the case of a DC in respect of non-profit housing development.

02.03 Subsection 26.1(7) of the DCA allows a municipality to charge interest on the installments from the date the development charges would have been payable, under Section 26, to the date the installment is paid, at a rate not to exceed the prescribed maximum rate.

02.04 The Interest Rate shall be charged on the outstanding balance as at each anniversary date, until the DC owing are paid in full. The interest will be calculated and charged as follows: the Interest Rate will be applied to the DC balance owing and will be payable on each anniversary date.

02.05 Early payment agreements will be offered if the owner of a development would prefer to pay the full DC owing at occupancy in accordance with Section 27 of the DCA.

02.06 Where there is a change in use of development during the course of the DC deferral period such that the property or properties no longer meet the definition of an Eligible Development, all outstanding DC payments, including any interest payable up to the date of the change in use, become payable immediately.

02.07 Where the party to a deferral arrangement fails to make payments in accordance with the agreed payment schedule, the account will be considered to be in default and all DC become payable immediately.

02.08 If DC or any outstanding part of DC are not paid immediately as required in Section 02.06 or 02.07, all outstanding charges shall be added to the tax roll and collected in the same manner as taxes, in accordance with Section 32 of the DCA. Interest on late payments added to the tax roll shall be calculated by reference to the City's tax arrears interest rate in effect at the date of default.

Development Charge Rate Freeze

02.09 Subsection 26.2(1) of the DCA provides that DC are to be calculated on:

- a) the day an application for an approval of development in a site plan control area under Subsection 41(4) of the *Planning Act*, was made in respect of development that is the subject of the DC;
- b) if clause (a) above does not apply, the day an application for an amendment to a bylaw passed under Section 34 of the *Planning Act* was made in respect of the development that is the subject of the DC;
- c) if neither clause (a) nor clause (b) applies, the date the DC would have been payable under Section 26 of the DCA, which is normally building permit issuance.

Interest Under Section 26.2 of the DCA

02.10 Under Subsection 26.2(3) of the DCA, 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 02.09 a) or b) to the date the development charge is payable.

03 Interest Rate Used

03.01 Interest Rate means the Bank of Canada policy interest rate plus 2 percent as at December 31st or June 30th immediately prior to:

- a) the date the DC would have been payable under the DCA for the installment payments under Section 26.1 of the DCA; or,
- b) the date an application for an approval of the development was made under Subsection 41(4) of the *Planning Act* for DC freezing under Section 26.2 of the DCA.

04 Interest Rate Publication

04.01 The current Interest Rate shall be posted on the City of Pickering website, and the website shall be updated within 5 business days of each reset date (i.e., July 1 and January 1).

05 Compounding and Prorating

05.01 All interest shall be compounded annually and accrue from the date of the applicable application as outlined in Section 26.1 and Section 26.2 of the DCA, until the date of the total accrued amount is fully paid. A 365 day calendar year shall be used for prorating all interest calculations.

05.02 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 zero (0); and,
- interest will be compounded annually and begin to accrue from the date the subsequent application is made.

05.03 Interest Under Section 26.1

If a development qualifies for installment payments under Section 26.1 of the DCA, 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.

The applicable interest applied to the annual installment payments determination shall be the Interest Rate in effect at each anniversary date.

06 Effective Date

06.01 Upon approval by City of Pickering Council, this policy shall take effect retroactively as at January 1, 2020. This policy may be repealed or modified by City of Pickering Council at any time.

07 Policy Administration

07.01 The Treasurer is the delegated authority to make administrative changes to this Policy as may be required from time to time due to legislative or other changes, if in the opinion of the Treasurer, the amendments do not change the objective of the Policy.

Please refer to all associated Procedures and Standard Operating Procedures, if applicable, for detailed processes regarding this Policy.