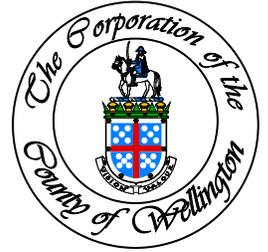


# COUNTY OF WELLINGTON

## POLICY & PROCEDURE MANUAL



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<b>DEPARTMENT</b>	TREASURY	<b>POLICY NUMBER</b>	TR-20-02
<b>SECTION</b>	FINANCIAL SERVICES	<b>EFFECTIVE DATE</b>	NOVEMBER 2020
<b>SUBJECT</b>	<b>DEVELOPMENT CHARGE INTEREST POLICY</b>		
<b>AUTHORITY</b>	PENDING COUNTY COUNCIL APPROVAL ON NOVEMBER 26, 2020		

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### **BACKGROUND:**

The County of Wellington collects development charges under the authority of the Development Charge Act, 1997 S.O. 1997, c 27 (DCA) in order to fund growth related capital expenditures resulting from new development. The introduction of Bill 108, More Homes, More Choices Act and Bill 197 the COVID-19 Economic Recovery Act amends twenty different pieces of legislation including the DCA. The Development Charge (DC) amendments include changes to when the DC charge is calculated, when it becomes payable and gives municipalities the authority to apply interest to DC amounts owing.

### **PURPOSE:**

1. To preserve the County's ability to fund the cost of growth related capital needs with DC's, and promote the County's objective for growth to pay for growth as much as the Development Charge Act (DCA) allows.
2. To establish the form and timing of interest applicable to Development Charges (DC) payable in the absence of guidance from the DCA on what the interest rate should be or how the interest rate is to be determined.

### **POLICY STATEMENT:**

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 lost development charges (DCs) that will result from the DC rate freeze and deferred payment requirements.

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

**GUIDELINES:****DEVELOPMENT CHARGE RATE FREEZE:**

The current Development Charge By-law requires development charges to be calculated and paid at the time of building permit issuance. However, Bill 108 now requires the development charge to be calculated on:

- a) The day a complete application is received for site plan control under subsection 41 (4) of the Planning Act, or
- b) if clause a) does not apply, the day a complete application is received for a zoning by-law amendment under subsection 34 of the Planning Act.
- c) If neither a) or b) applies, the rate would be calculated the day the DC is payable according to subsection 26 and subsection 26.1.
  - a. Subsection 26 provides a DC is payable for a development upon building permit issuance.
  - b. Subsection 26.1 provides a DC is payable for a development upon occupancy.

The development charge rate would remain “frozen” for up to two years from the date the application is approved, after which will revert back to time of building permit issuance. Interest at the rate in effect at the date of the DC calculation is applicable to the “frozen” rate and applied annually to the DC amount calculated beginning on the first of the month succeeding the date of DC calculation. Where development charges are calculated and paid at building permit, interest does not apply.

**DEFERRED PAYMENT OF DEVELOPMENT CHARGES:**

Bill 108 amends the DCA so that certain types of development qualify for deferred payment of development charges. Rental Housing that is not non-profit, institutional development and non-profit housing are classified as eligible to be deferred as follows:

- Rental Housing that is not non-profit and institutional development are to pay development charges in 6 annual instalments; and
- Non-Profit Housing is to pay development charges in 21 annual instalments.

The DC shall be paid in equal instalments beginning 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, and continuing on each instalment date. The interest rate shall be charged on the outstanding balance as at each instalment date, until the DCs are paid in full.

**EARLY PAYMENT AGREEMENTS:**

Section 27 (1) of the DCA allows for development charges to be paid at an earlier date than would otherwise be payable. Early payment agreements will be offered where the owner of a development would prefer to pay the full DC owing at time of building permit issuance. For any development that qualifies under section 26.1 (deferred 6 or 21 annual instalments), the option of an agreement for full development charge to be paid at either 1 or 2 years after building permit issuance is available. The interest rate shall be charged on the outstanding balance from the time of calculation, until the DC's are paid in full.

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**NON-COLLECTION OF PAYMENTS:**

The DCA does not explicitly permit the County to secure payments from a developer but does provide that if any part of the development charges owing remain unpaid after it is payable, the amount unpaid including any interest payable shall be added to the tax roll and shall be collected in the same manner as taxes. As the member municipalities collect development charges and property taxes on behalf of the County, they shall remit to the County all DC payments owing according to originally scheduled instalment dates and add any outstanding payments to the tax roll.

**DEFINITIONS:**

**Deferred Developments Types (Section 26):**

**Rental housing development** - the construction, erection or placing of one or more buildings or structures for, or the making of an addition or alteration to a building or structure for residential purposes with four or more self-contained units that are intended for use as rented residential premises

**Non-profit housing development** - the construction, erection or placing of one or more buildings or structures for, or the making of an addition or alteration to a building or structure for residential purposes by a non-profit corporation.

**Institutional development** - the construction, erection or placing of one or more buildings or structures for or the making of an addition or alteration to a building or structure for:

- Long-term care homes;
- Retirement homes;
- Universities and colleges;
- Memorial homes; clubhouses; or athletic grounds of the Royal Canadian Legion; and
- Hospices

**Early Payment Agreement** – an agreement with a person or business who is required to pay a DC providing for all, or any part of the DC to be paid before it would otherwise be payable.

**Interest Rate** – the average annual historical five-year Statistics Canada Non-Residential Building Construction Price Index for Toronto year-over-year change as of September 30<sup>th</sup>. The interest rate will be established at the earlier of when the DC is calculated or when the first payment is due. The established interest rate shall remain in effect until the final payment is received. Interest accruing on the unpaid balance of the DC shall be compounded annually.

**Occupancy** – the earliest of either (1) the date on which an Occupancy Permit or Partial Occupancy Permit is issued by the member municipality, or (2) the earliest date on which the use or intended use of a building or part of a building for the shelter or support of persons, animals or property commences.