



The Corporation of Town of New Tecumseth

Development Charge Interest Policy

Policy Type: Corporate

Policy No.: #FI-POL-001-2020

Name of Dept: Finance

1. **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.

2. **Purpose**

This DC Interest Policy aims to ensure that the Town of New Tecumseth is able to fund the new cost of capital required to maintain the delivery of services to new populations and businesses in the community. DCs are the main source of funding for infrastructure required to accommodate growth and without mitigation of the funding shortfall expected, the tax and rate payers would make up this difference. The Town's goal is for growth to pay for growth as much as the Development Charge Act (DCA) allows. The interest earned from this policy will fund the lost DC revenue resulting from the two-year DC rate freeze as well as the lost DC revenue on the time lapse between date of calculation and ultimate payment of the DCs to the Town.

Subsection 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.

Subsection 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.

3. **Scope**

This policy applies to all employees of the Corporation of the Town of New Tecumseth (the Town), all members of Council and all applicants for zoning by-law amendments, site plans and/or building permits.

4. **Definitions**

Early Payment Agreement means 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.

Institutional Development means 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 or college 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 means the published bank prime rate plus 3%.

Non-Profit Housing means 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. a non-profit housing co-operative that is in good standing under the Co-operative Corporations Act.

Occupancy means the earliest of either (1) the date on which an Occupancy Permit or a Partial Occupancy Permit is issued by the Town of New Tecumseth, 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.

Rental Housing means a building with four or more dwelling units all of which are intended for use as rented residential premises.

Security means an agreed upon asset or assurance provided in anticipation of later payment in full of DCs.

5. Policy

Rate Freeze

The new subsection 26.2 (1) of the DCA provides that DCs 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 by-law 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,
 - i. in the case of a DC in respect of a development to which section 26.1 applies, the day the DC would be payable in accordance with section 26 if section 26.1 did not apply, or
 - ii. in the case of a DC in respect of a development to which section 26.1 does not apply, the day the DC is payable in accordance with section 26.

Section 26 requires that the DC balance owing is due at Occupancy. If the period between DC calculation and Occupancy is greater than one month, interest will be charged, as prescribed below:

Where Security is provided, the Interest Rate in effect at the date of DC calculation will be applied annually to the DC balance owing beginning on the first day of the month succeeding the date of the DC calculation. The Interest Rate will be accrued on a monthly basis.

Where Security is not provided, the Interest Rate in effect at the Date of DC calculation plus 2% will be applied annually to the DC balance owing beginning on the first day of the month succeeding the date of the DC calculation. The Interest Rate will be accrued on a monthly basis.

DC Deferral

Subsection 26.1 (1) of the DCA states that, despite section 26, a DC in respect of any part of a development that consists of a type of development set out in subsection (2) is payable in accordance with section 26.1.

Subsection 26.1 (2) identifies the following development types eligible for a DC deferral:

- rental housing development that is not non-profit housing development (five years)
- institutional development (including long-term care homes, retirement homes, universities and colleges, memorial homes, clubhouses or athletic grounds of

- the Royal Canadian Legion and hospices) (five years)
- non-profit housing development (20 years).

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,

- a. the following five 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
- b. the following 20 anniversaries of that date, in the case of a DC in respect of non-profit housing development.

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

Where Security is provided, the Interest Rate will be applied to the DC balance owing and will be payable on each anniversary date.

Where Security is not provided, the Interest Rate plus 2% will be applied to the DC balance owing and will be payable on each anniversary date.

Early Payment Agreements will be offered if the owner of a development would prefer to pay the full DC owing at Occupancy.

6. Implementation

This policy applies to all complete applications received on or after January 1, 2020. The Director, Financial Services/Treasurer or designate will be responsible for:

- performing the interest calculations for each complete application
- tracking payments received and outstanding
- reviewing the DC Interest Policy annually to consider legislation updates and interest rate adjustments.

Approved By:

John Henry CPA, CMA,
Director, Financial Services /
Treasurer

Blaine Parkin, P. Eng., CAO

Department:

Finance

CAO

Status:

Approved - 06 May 2020

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