



CORPORATE POLICY MANUAL

Policy Name: Development Charge Interest	Policy Number: CP-2020-04
Adopted: April 15, 2020	Division/Department: Finance
Authority: Resolution No: COW-2020-6	Supersedes: N/A
Review by Date: February 1, 2023 (New Council)	Last Modified: April 15, 2020

- Purpose

The purpose of the policy is to establish the ability for the Town to charge interest on development charges that are payable in instalments or where the amount has been frozen for two years as a result of a valid zoning amendment or site plan application.

- Policy Statement

This Development Charge Interest Policy (“Policy”) uses the authority granted to municipalities under Sections 26.1 (7) and 26.2 (3) of the *Development Charges Act, 1997 SO 1997*, which state:

s. 26.1 (7) A municipality may charge interest on the instalments required by subsection (3) from the date the development charge would have been payable in accordance with section 26 to the date the instalment is paid, at a rate not exceeding the prescribed maximum interest rate.

s. 26.2 (3) the 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 the applicable clause to the date the development charge is payable.

- Responsibilities

Finance will administer the policy and perform a review in the first year of a new term of Council to confirm or adjust the application and interest rate prescribed. Finance will also create the Standard Operating Procedures (SOP) for use by the Community and Development Services Department - Planning and Building Services Division and the Finance Department, required to adhere to the provisions of the Policy and in compliance with Provincial legislation.

- Application

This Policy applies to all development charges owing for Town services. It does not apply to amounts owing for County of Simcoe or Education development charges as those entities will apply their own rates and policies. However, Town staff may be called upon to administer them in a similar manner to those developed for its own purposes.

The interest rate to be charged on all development charge amounts owing covered by this Policy will be 5% compounded annually from the date the amount is owing. This rate may be amended from time-to-time to reflect changing economic conditions, subject to Council approval. All existing instalment or frozen rate situations will not be impacted by a change to the rate unless there is a default in the payment plan or change in Provincial legislation, or the two-year rate freeze has expired.

Appendix A (attached)

- Correspondence from Ministry of Municipal Affairs and Housing dated December 19, 2019

Appendix "A" to CP-2020-04
Development Charge Interest Policy

**Ministry of
Municipal Affairs
and Housing**

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**Ministère des
Affaires municipales
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234-2019-68

December 19, 2019

Dear Head of Council,

As you know, I released our government's action plan to tackle Ontario's housing crisis earlier this year. This plan, which is supported by the *More Homes, More Choice Act, 2019*, is intended to put affordable home ownership in reach of more Ontario families and to provide more people with the opportunity to live closer to where they work.

Since its release, our government has been consulting with municipalities and the public on several aspects of the legislation, including a regulatory approach for changes to the *Development Charges Act*. I value the input of our municipal partners.

I am writing today to inform you of changes to the *Development Charges Act*, made by the *More Homes, More Choice Act*, and relevant amendments to Ontario Regulation 82/98 (General) under the *Development Charges Act*, which come into effect on January 1, 2020.

As of January 1, 2020, builders of rental housing, non-profit housing, and institutional developments will be able to defer paying development charges until occupancy. Furthermore, payments will be made in annual installments in accordance with the *Development Charges Act*.

Development charge rates, as of January 1, 2020, will be set for a development when a site plan or zoning amendment application is submitted to a municipality. Changes to Ontario Regulation 82/98 mean that the rate would continue to be frozen for two years after planning approvals have been received. This will encourage more homes to be built.

We recognize that municipalities may incur some additional costs as a result of these requirements, and for that reason, the legislation provides authority for municipalities to charge interest to cover costs associated with the deferral and the freeze. In addition, a maximum interest rate will not be prescribed.

Finally, our government has also made a housekeeping amendment that revises the index to which development charges may be linked in development charge by-laws.

If you have technical questions, please feel free to contact Caspar Hall, Director, Municipal Finance Policy Branch at Caspar.Hall2@ontario.ca.

Our government is committed to ensuring families across Ontario can access housing that meet their needs and their budget. I appreciate your input and participation in our consultations.

Sincerely,

A handwritten signature in black ink that reads "Steve Clark". The signature is written in a cursive, flowing style.

Steve Clark
Minister

C: Chief Administrative Officer