



SUBJECT: Development Charge Interest

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1. POLICY OBJECTIVE

1.1. The primary principle underlying this policy is that is that 'Growth should pay for Growth'. This policy aims to ensure that there is compensating interest income to fund the carrying costs associated with provisions of the Development Charges Act (DCA) that allow Development Charges (DCs) to be deferred for a period of 5-20 years as well as provisions that allow for DC rates to be locked or frozen early in the planning process (DC rate-freeze).

1.2. This Development Charge Interest Policy aims to ensure that the Town is able to effectively fund the cost of capital required to support the delivery of infrastructure and services for new populations and businesses as the community grows.

DCs are the main source of funding for growth-related infrastructure and any funding shortfall caused by the deferral and rate-freeze provisions of the DCA must be made up by taxpayers. The Town's goal is for growth to pay for growth as much as the DCA allows.

1.3. 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.

1.4. Subsection 26.2 (3) of the DCA permits a municipality to charge interest from the date the DCs are calculated to the date the DCs are paid in full.

2. DEFINITIONS

2.1. **Development Charges Act (DCA)** means the Development Charges Act, 1997

2.2. **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.

2.3. **Eligible Developments** are not defined in the DCA. The following criterion will be used for the purposes of this policy to determine if an applicant is eligible for a deferral arrangement, unless these definitions conflict with any terms of the Town's DC By-law, in which case the Town's DC By-law shall prevail:

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- a) Institutional Development will have the meaning prescribed in O. Reg 454/19 being, a development of a building or structure intended for the following uses:
- as a long-term care home within the meaning of subsection 2 (1) of the Long-Term Care Homes Act, 2007;
 - as a retirement home within the meaning of subsection 2 (1) of the Retirement Homes Act, 2010;
 - by any of the following post-secondary institutions for the objects of the institution:
 - a university or college in Ontario that receives direct, regular and ongoing operating funding from the Government of Ontario,
 - a college or university federated or affiliated with a university described in sub-clause (i), or
 - an Indigenous Institute prescribed for the purposes of section 6 of the Indigenous Institutes Act, 2017;
 - as a memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion; or
 - as a hospice to provide end of life care.
- b) Non-Profit Housing will have the meaning prescribed in O. Reg 454/19 being, a building or structure intended for use as residential premises by,
- 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;
 - 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 Cooperative Corporations Act.
- c) Rental Housing will have the meaning prescribed in O. Reg 454/19 being, a building with four or more dwelling units all of which are intended for use as rented residential premises.

2.4. **Interest Rate** means the Bank of Canada Bank Rate plus 2% as at the December 31st or June 30th immediately prior to:

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

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2.5. **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 Ajax, 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.

3. SCOPE

3.1. This policy applies to all development applications where a DC is eligible for a payment deferral or rate-freeze on an installment basis as permitted under the DCA.

4. PROCEDURE

DEVELOPMENT CHARGE DEFERRALS

4.1. 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) of the DCA identifies the following developments to be eligible for DC deferral (collectively referred to as Eligible Developments and defined for the purposes of this policy in section 2.3 above):

- **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).

4.2. For Eligible Developments, the DC shall be paid in equal annual instalments 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 of 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.

4.3. 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: the Interest Rate will be applied to the DC balance owing and will be payable on each anniversary date.

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- 4.4. 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.
- 4.5. 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 Development Charge payments, including any interest payable up to the date of the change in use, become payable immediately.
- 4.6. 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 Development Charges become payable immediately.
- 4.7. If DCs or any outstanding part of DCs are not paid immediately as required in section 4.5 or 4.6, 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 Town's tax arrears interest rate in effect at the date of default. Interest will be applied monthly to the DC balance owing beginning on the first day of the month following the date of default.

DEVELOPMENT CHARGE RATE FREEZE

- 4.8. 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.
- 4.9. The DCA requires that the DC balance owing is due at building permit issuance for development applications eligible for rate freeze as set out of in section 4.8. If the period between the date of the DC calculation and issuance of the building permit is greater than one month, interest will be charged, as follows:

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- a) The Interest Rate in effect at the date of DC calculation will be compounded annually on the DC balance owing, beginning on the first day of the month following the date of the DC calculation. Interest will be accrued on a monthly basis.

PUBLICATION

- 4.10. The current Interest Rate shall be posted on the Town's website and the website shall be updated within 5 business days of each reset date (i.e. July 1 and December 31).

POLICY ADMINISTRATION

- 4.11. The Treasurer is delegated the 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.