



**Meeting Date: November 10, 2021**

**Submitted by: Tiffany Farrell, Director of Corporate Services**

**Report No: CPS-52-2021**

**Subject: Development Charge Interest**

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**Recommendation:**

THAT Report, CPS-52-2021, Development Charge Interest Policy be received;

AND THAT Policy appended to Report CPS-52-2021 be approved.

**Purpose:**

The purpose of this policy is to establish a framework for determining the interest rate that can be applied to Development Charges, as permitted under sections 26.1 and 26.2 of the *Development Charges Act*, 1997.

**Background:**

Bills 108 and 138

On May 2, 2019, the Province introduced Bill 108 “More Homes, More Choice Act, 2019”, an Act to amend various statutes with respect to housing, other development and various other matters. The Bill proposed a number of significant changes to the Development Charges Act (DCA) and the Planning Act. The Bill was amended by the Standing Committee on May 29, 2019 and received royal assent June 6, 2019.

On November 6, 2019, the Province introduced Bill 138 “Plan to Build Ontario Together Act, 2019”, an Act to implement Budget measures and to enact, amend and repeal various statutes. Among other things, the Bill modified some of the articles in Bill 108, was amended by the Standing Committee on November 27, 2019 and received royal assent on December 10, 2019.

The predominant impacts of the provisions that came into force January 1, 2020 after being proclaimed December 10, 2019 are:

## Payment in Instalments:

Nonprofit rental housing developments will pay their development charges (DC) in 21 equal annual payments, while other than nonprofit rental housing and institutional developments will pay their DCs in 6 equal annual payments commencing on the earlier of the date of the issuance of an occupancy permit or the date the building is first occupied. Any unpaid amounts may be added to the property and collected as taxes.

## When DC Amount is Determined:

The DC rate for all developments will be determined based on the charge in effect on the day of application for Site Plan Approval or Zoning By-law Amendment. In cases where there are no such applications required, the rate will be based on the charge in effect on the day of the building permit issuance. Any unpaid amounts may be added to the property tax roll and collected as taxes.

The changes listed above are a summary of matters related to development charges and are not an exhaustive list of all changes resulting from Bills 108 and 138.

In May 2020, Municipality of Middlesex Centre approved the following:

“That the Municipality authorize the following for the new mandatory deferral and instalment payments for non-profit housing, rental housing, and institutional developments in accordance with Section 26.1 (7) of the *Development Charges Act*: Interest charges will be set for the year, on January 1, in accordance with the most recent available twelve-month change in Statistics Canada Quarterly, “Building Construction Price Indexes”; and

That the Municipality authorize an interest charge for the year on January 1, in accordance with the most recent available twelve-month change in Statistics Canada Quarterly, “Building Construction Price Indexes” for the new “frozen” development charges fixed from the date of the Site Plan Approval or Zoning By-law Amendment application as the case may be and to the date of payment in accordance with Section 26.2 (3) of the *Development Charges Act*.”

In the fall of 2021, the Municipality is amending the current development charges bylaw and staff are recommending a formal policy to establish the framework for determining the interest rate that can be applied to Development Charges, as permitted under sections 26.1 and 26.2 of the *Development Charges Act*, 1997.

## **Analysis:**

Refer to Attached Policy.

To provide consistency with Middlesex Centre’s current development charge bylaw (bylaw 2019-073, section 12), interest rates will be based on the construction price index. Specifically, the interest rate will be established based on the average annual change in the Statistics Canada Non-residential Building Construction Price Index

(Toronto series), calculated for the five years immediately preceding the latest Third Quarter index. The interest rate shall be established at the earlier of when the Development Charge is calculated or when the first payment is due. The established interest rate shall remain in effect until the final payment is received.

**Financial Implications:**

The financial implications are minimal. The majority of the costs will be with staff time to administer this change and process.

**Strategic Plan:**

This matter aligns with following strategic priorities:

- Responsive Municipal Government

This report and policy is a legislative requirement under the *Development Charges Act* and additionally it responds directly to Objective 5.3– Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

**Attachments:**

A1 Development Charge Interest Policy