



**Meeting Date:** January 11, 2023

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

**Report No:** CPS-09-2023

**Subject:** Development Charge Interest

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**Recommendation:**

That Report, CPS-09-2023, Development Charge Interest Policy be received;

AND THAT Policy appended to Report CPS-09-2023 be approved.

**Purpose:**

The purpose of this policy is to update the Development Charge Interest Policy as dictated under Bill 23.

This policy establishes 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:**

Middlesex Centre implemented a Development Charge Interest Policy in response to Bills 108 and 138 that came into force January 1, 2020. Originally, interest calculation was included in the Development Charge Bylaw and then it was removed and a separate policy was created.

The predominant impacts related to Development Charge interest 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.

In the fall of 2021, the Municipality amended the current development charges bylaw and implemented 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.

At that time, the interest rate set by council was inline with Middlesex Centre's current development charge bylaw (bylaw 2019-073, section 12), interest rates were based on the construction price index. Specifically, the interest rate was 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.

### **Analysis:**

However, notwithstanding the above, with the passing of Bill 23, there is now a prescribed interest rate that has to be used. The maximum interest rate for installments and the determination of charge for eligible site plan and zoning By-law amendment applications is Bank of Canada's prime rate plus one percent.

This will have an impact on the Development Charge rate the Municipality can charge. Our previous policy was the non- residential construction price index year over year percentage change as of September 30<sup>th</sup> of the prior year. For context, the year over year increase in the non-residential construction price index from September 30, 2021, to September 30, 2022, is 15.6%. The prime rate, as defined in Bill 23 would be 5.95%, plus 1%, resulting in a maximum interest rate of 6.95%. The resulting loss will be significant for Middlesex Centre on future developments.

Refer to Attached Policy.

### **Financial Implications:**

Financial costs are unknown at this time. No historical data.

There will also be significant costs with staff time to administer this 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