



Development Charge Interest Policy

Department: Corporate Services and Treasury

Effective Date: July 1, 2022

Council Approval:

1. Policy Statement

This Policy is to establish a financial risk management framework governing the charging of interest, as permitted under sections 26.1 and 26.2 of the Development Charges Act (DCA) that provides a transparent process while protecting the Municipality's financial interests.

2. Definitions

For the purpose of this Policy, the following definitions shall apply:

Complete Planning Application – a planning application submitted under the authority of the *Planning Act*, deemed complete by the Municipality.

- 02.01 Development - the construction, erection or placing of one or more buildings or structures on land. This includes the making of an addition or alteration to a building or structure that has the effect of:
 - i. increasing the size, or
 - ii. change the use from non-residential to residential or from residential to non-residential and includes redevelopment.
- 02.02 Development Charge (DC) - a charge imposed against land pursuant to any Municipal Development Charges By-law.
- 02.03 Development Charge Deferral - ability for qualifying developments to spread DC's over multiple annual installment payments as defined in Section 26.1 of the DCA.
- 02.04 Development Charge Freeze - locking in DC rates as defined in Section 26.2 of the DCA.

- 02.05 Development Charges Act (DCA) - the Development Charges Act, 1997, as amended and all regulations thereto.
- 02.06 Early Payment Agreement - a municipality may enter into an agreement with a person who is required to pay a DC providing for all or any part of the charge to be paid before it would otherwise be payable (as referred to in Section 27 of the DCA).
- 02.07 Eligible Developments - defined above under Sections 02.08, 02.10 and 02.14, as per Subsection 26.1(2) of the DCA.
- 02.08 Institutional Development for the purposes of this Policy only, is defined as per O.Reg 454/19 meaning development of a building or structure intended for the following uses:
- a long-term care home within the meaning of Subsection 2(1) of the Long-Term Care Homes Act, 2007;
 - a retirement home within the meaning of Subsection 2(1) of the Retirement Homes Act, 2010;
 - a university in Ontario that receives direct, regular and ongoing operating funding from the Government of Ontario;
 - a college or university affiliated with a university described above;
 - an Indigenous Institute prescribed for the purposes of Section 6 of the Indigenous Institutes Act, 2017;
 - a memorial home, clubhouse, or athletic grounds by an Ontario branch of the Royal Canadian Legion; or
 - a hospice to provide end of life care.
- 02.09 Interest Rate - Bank of Canada prime interest rate plus three (3) percent.
- 02.10 Non-Profit Housing Development for the purposes of this Policy only, is defined as per O.Reg 454/19 meaning development of a building or structure intended for use as residential premises by:
- a corporation to which the Not-for-Profit Corporations Act, 2010 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 Co-operative Corporations Act.
- 02.11 Occupancy - the earliest of either (1) the date on which an Occupancy Permit or a Partial Occupancy Permit is issued by the

Municipality of Mississippi Mills, 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.

02.12 Planning Act - the Planning Act, R.S.O. 1990 c. P.13, as amended.

02.13 Prime - the prime lending rate, being the annual interest rate as indicated on the Bank of Canada website.

02.14 Rental Housing Development for the purposes of this Policy only, is defined as per O.Reg 454/19 meaning development of a building or structure with four or more dwelling units all of which are intended for use as rented residential purposes.

02.15 Total Accrued Amount- equal to the total of the development charges and the interest that has accrued.

3. Purpose/ Application

The purpose of this Policy is to establish the rules and procedures for charging interest, as permitted under sections 26.1 and 26.2 of the DCA.

This Policy will support the Municipality of Mississippi Mills ability to invest and build growth-related infrastructure for an expanding population and employment base in a way that is transparent and fiscally sustainable.

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 DCs that will result from the DC rate freeze and deferred payment requirements.

This Policy will support the Municipality of Mississippi Mills ability to build growth-related infrastructure in a way that is fiscally sustainable and will help to achieve the following objectives:

- Reliable delivery of growth-related Municipality's programs and services.
- Continued delivery of complete communities in a financially sustainable way.
- Fair and equitable treatment of all stakeholders involved in delivering housing supply, including residents, businesses, and developers.

This Policy applies to development applications that are eligible for a DC deferral and/or DC freeze provided in Section 26.1 and Section 26.2 of the DCA, respectively.

- Subsection 26.1 (7) of the DCA permits a municipality to charge interest on the installments required by subsection (3) from the date the DC would

have been payable in accordance with section 26 to the date the installment is paid.

- 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 payable.

4. Legislative Framework

Municipalities are permitted to charge interest pursuant to section 26.1(7) of the DCA which states: "A municipality may charge interest on the installment required by subsection (3) from the date the development charge would have been payable in accordance with section 26 to the date the installment is paid, at a rate not exceeding the prescribed maximum interest rate".

In addition, section 26.2(3) of the DCA states: "Where clause 1(a) or (b) applies, 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"

5. Development Charge Deferral

05.01 Installment Payments under Section 26.1 of the DCA and as defined in O.Reg 454/19.

Under Subsections 26.1(1), (2) and (3) of the DCA, DCs shall be paid in equal annual installments, beginning at the earlier of first occupancy or occupancy permit under the Building Code Act, 1992, for:

- Rental Housing Development that is not Non-Profit Housing Development;
- Institutional Development; and,
- Non-Profit Housing Development.

05.02 For Eligible Developments as prescribed under Subsection 26.1(2) of the DCA, 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:

- i. the following 5 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

- ii. the following 20 anniversaries of that date, in the case of a DC in respect of Non-Profit Housing Development.
- 05.03 Subsection 26.1(7) of the DCA allows a municipality to charge interest on the installments from the date the DCs would have been payable, to the date the installment is paid, at a rate not to exceed the prescribed maximum rate.
- 05.04 The Interest Rate shall be an additional charge 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.
- 05.05 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.
- 05.06 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 DC payments, including any interest payable up to the date of the change in use, become payable immediately.
- 05.07 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 DCs become payable immediately.
- 05.08 If DCs or any outstanding part of DCs are not paid immediately as required in Section 05.06 or 05.07, 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 Municipality's tax arrears interest rate in effect at the date of default.

6. Development Charge Rate Freeze

- 06.01 Subsection 26.2(1) of the DCA provides that DCs are to be calculated on:
 - a) the day a complete 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 a complete application for an amendment to a bylaw 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, the date the DC would have been payable under Section 26 of the DCA, which is normally building permit issuance.

06.02 Interest Under Section 26.2 of the DCA

Under Subsection 26.2(3) of the DCA, a municipality may charge interest on the DC, at a rate not exceeding the prescribed maximum interest rate, from the date of the application referred to in clause 06.01 a) or b) to the date the DC is payable.

7. Interest Rate Used

07.01 Interest Rate means the Bank of Canada Prime interest rate plus three (3) percent as at June 30th or December 31st immediately prior to:

- a) the date the DC would have been payable under Section 26 of the DCA for the installment payments under Section 26.1 of the DCA; or,
- b) the date a complete application for an approval of the development is made under Subsection 41(4) or Subsection 34 of the Planning Act for DC freezing under Section 26.2 of the DCA

8. Compounding and Prorating

08.01 All interest shall be compounded annually and accrue from the applicable date identified in Section 7 of this Policy, until the date of the Total Accrued Amount is fully paid. A 365-day calendar year shall be used for prorating all interest calculations.

08.02 Subsequent Application(s) under Section 26.2 of the DC If

a subsequent application(s) is made for a development:

- the date the subsequent application is made will become the new date under which the total amount of the DC is determined;
- all interest that had accrued prior to the subsequent application shall be deemed zero (0); and,
- interest will be compounded annually and begin to accrue from the date the subsequent application is made.

9. Effective Date

- 9.01 Upon approval by Municipality of Mississippi Mills Council, this Policy shall take effect retroactively as at July 1, 2022, at 12 a.m. This Policy may be repealed or modified by Council at any time.

10. Early Payment Agreement

- 10.01 Under section 26.1 of the DCA, the DCs shall be paid in equal annual installments for Eligible Development. Under section 27 (1) of the DCA, an Early Payment Agreement will be required if the person required to pay DCs chooses to pay all or any part of a DC before it would otherwise be payable. If a person chooses to pay the full DCs plus accrued interest owing under Section 26.1 of the DCA earlier than required, the Director of Corporate Services & Treasurer has the authority to issue and execute all Early Payment Agreements.

11. Unpaid Development Charges

- 11.01 If any DCs (including interest) are unpaid, those DCs (including interest) 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 incur the applicable taxation interest rate.

12. Interest Rate Publication/ Policy Communication

- 12.01 The current Interest Rate shall be posted on the Municipality of Mississippi Mills website, and the website shall be updated after each reset date (i.e., January 1st and July 1st).
- 12.02 An interest rate notice shall also be published as part of the Municipality's annual DCs pamphlet publication.
- 12.03 Not publishing the current Interest Rate does not invalidate the authority of the municipality to charge and collect the interest as calculated and due.

13. Policy Administration

- 13.01 The Director of Corporate Services & Treasurer is the delegated 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 Director of Corporate Services & Treasurer, the amendments do not change the objective of the Policy.