



## **FINANCE AND ACCOUNTING**

### **Policy 5-009: Development Charge Interest Rate Policy**

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#### **1. Purpose**

- 1.1 The policy serves to ensure that there is compensating interest income to at least partially fund the lost development charges (DCs) that will result from the DC rate freeze and deferred payment requirements, as permitted under the Development Charges Act (DCA).
- 1.2 This policy will support the Town's ability to invest and build growth-related infrastructure for an expanding population and employment base in a way that is transparent and fiscally sustainable.

#### **2. Definitions**

This section should be read in conjunction with the Development Charge By-Law currently in force.

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“**Base Rate**” shall mean the rate as calculated in accordance with Section 26.3 of the DCA.

“**Council**” shall mean the Council of the Town of Tillsonburg. Herein also referred to as Town Council.

“**County of Oxford**” herein is also referred to as the **County**, or Oxford County.

“**Development Charges Act**” shall mean The Development Charges Act, 1997, S.O. 1997, c.7, as amended and all regulations thereto. Herein also referred to as the DCA.

“**Development Charge Deferral**” shall mean the ability for qualifying developments to spread Development Charges (DC) over multiple annual instalment payments as defined in Section 26.1 of the DCA.

“**Development Charge Freeze**” shall mean locking in DC rates as defined in Section 26.2 of the DCA.

“**Early Payment Agreement**” shall mean entering into an agreement with a developer 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).

“**Security**” shall mean an agreed upon asset or assurance provided to the Town in anticipation of later payment of a DC, to then be returned to the developer once paid in full.

### 3. Application

- 3.1 This Policy applies to development applications that are eligible for a development charge freeze and/or deferral provided in the DCA, as amended.
- 3.2 The Town will, at all times where applicable, coordinate with the County on the application of this policy and the DCA.

### 4. Responsibilities

- 4.1 General Responsibilities for All Departments
  - 4.1.1 Communicate with Finance as required for the administration of this policy.
- 4.2 Council

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4.2.1 Ensure, through administration as set out in section 4.3, that policies and procedures are in place to provide for the application of interest charges in accordance with the DCA and this Policy.

### 4.3 Finance

4.3.1 Responsible for administration and compliance monitoring of this Policy.

4.3.2 Establish procedures for use to ensure compliance with this Policy.

4.3.3 Managing processes within the Town's financial systems.

4.3.4 Respond to inquiries and investigate issues raised by departments, the County and/or the public.

## 5. Calculations under Section 26.1 of the DCA

5.1 Section 26.1 of the DCA provides for the deferral of development charges for rental housing development and institutional development. The equal annual instalment payments for DCs on those development types will start on the earlier of the date of the issuance of a permit under the Building Code Act authorizing occupancy of the building or the date the building is first occupied, and continuing on the following five anniversaries of that date.

5.2 Subsection 26.1(7) of the DCA provides that interest may be charged on the instalments required from the date the development charge would have been payable in accordance with Section 26 of the DCA to the date the instalment is paid, at a rate not exceeding the maximum interest rate determined in accordance with Section 26.3 of the DCA.

5.3 A person required to pay a development charge referred to above on a deferred basis shall, unless the occupancy of the building is authorized by a permit under the Building Code Act, notify the municipality within five business days of any part of the building first being occupied. Failure to comply with that notice will result in the development charge, including any accrued interest, becoming payable immediately.

## 6. Calculations under Section 26.2 of the DCA

6.1 Section 26.2 of the DCA provides that the total amount of a development charge for a development that is proceeding within a site plan control area under subsection 41(4) of the Planning Act, or a zoning by-law amendment approval is to be determined under the DC by-law on the date when the complete site plan application or a zoning by-law amendment application is made.

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- 6.2 If two years has elapsed since the approval of the relevant application to when the first building permit is issued, the amount of the development charge is to be determined at the issuance of the building permit.
- 6.3 Subsection 26.2(3) of the DCA provides that interest may be charged on the DC amount at a rate not exceeding the prescribed maximum interest rate, from the date of the complete application referred to in the applicable clause to the date the development charge is payable.
- 6.4 The annual interest rate applied to DCs pursuant to Section 26.2 of the DCA is determined when the DC is calculated, and is locked in until such time as the DC becomes payable, with interest accruing to the date the DC would normally be paid in the absence of any deferrals under Section 26.1 of the DCA, and prorated accordingly based on when the interest starts accruing.

### **7. Interest Rate to be Applied**

- 7.1 Pursuant to Section 26.3 of the DCA, the Town will charge an annual interest rate equal to the Base Rate plus 1%.

### **8. Communication**

- 8.1 The interest rates will be calculated on a quarterly basis in accordance with Section 26.3 of the DCA, and will be made available on the Town's website in line with the County's development charges and fees web page.
- 8.2 The Town and/or County will provide an Instalment Payment Schedule to the developer required to pay development charges once notified of occupancy.

### **9. Early Payment Agreement**

- 9.1 Early payment agreements will be offered if the developer of a development would prefer to pay the full DC owing at building permit issuance versus instalments over several years, thus removing interest charges on the DC payable. Agreements for payment of development charges at a date earlier than would be permitted pursuant to Section 27 of the DCA, but after building permit issuance, may also be accepted with accrued interest from building permit issuance date to the date DCs are paid.

### **10. Termination of the Instalment Schedule**

- 10.1 The remaining balance of all development charges shall be payable within 15 days immediately following the notification / determination of the following trigger event:

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- 10.1.1 Change of use to a development type that is not eligible for development charge instalments under the DCA, as of the day the change is made.

### **11. Unpaid Development Charges**

- 11.1 If any DCs (including interest) are unpaid, those DCs (including interest) may be added to the tax roll and collected in the same manner as taxes, in accordance with the DCA.
- 11.2 Interest on late payments added to the tax roll shall incur the applicable taxation interest rate (as provided under the Municipal Act).

### **12. Other Matters**

- 12.1 Pursuant to Section 26.2 of the DCA, the Town considers an application of a Site Plan or Zoning Amendment to be made as of the date that the submitted application is deemed to be complete according to County/Town Planning staff.
- 12.2 The Town will not require additional security for deferrals eligible under Section 26.1 of the DCA. The deferral plans will be monitored and will be addressed should non-payment become an issue, with any unpaid DCs transferred to the tax roll of the property.
- 12.3 The Treasurer is authorized to execute Development Charge payment agreements, agreements under Section 27 of the DCA for payment before or after payments would otherwise be made, and any other agreements the Treasurer deems necessary for the proper implementation or administration of this policy.

### **13. Retention Policy**

- 13.1 Documents supporting the reporting requirements related to this Policy shall be retained in accordance with the Town of Tillsonburg's Records Retention By-law 2024-062.

### **14. Review of Development Charge Interest Policy and Procedures**

- 14.1 This Policy shall be reviewed at least once every five years.