



Subject: Development Charge Interest Rate Policy

Report Number: FIN 24-030

Department: Finance Department

Submitted by: Renato Pullia, Interim Director of Finance/Treasurer

Meeting Type: Council Meeting

Meeting Date: Monday, September 9, 2024

RECOMMENDATION

- A. THAT report FIN 24-030 titled “Development Charge Interest Rate Policy” be received as information; and
- B. THAT a by-law to adopt Development Charge Interest Rate Policy 5-009 be presented to Council for consideration.

BACKGROUND

In accordance with the Development Charges Act, 1997 (DCA), interest is charged for developments eligible to pay in instalments and/or when a development charge freeze is applied.

Previous Town (and County) Development Charges (DC) by-laws incorporated how interest would be calculated for the applicable development into the by-law. For the 2024 DC By-law, the Town and County (and area municipalities) worked to align the administration of development charges to ease the processes for staff and developers. As such, the calculations of interest are referenced in policy instead of the by-law, as it will be easier should the need arise to amend the policy than to amend the DC by-law.

Thus, this report is a housekeeping item, to present a policy with respect of interest to apply to development charges.

DISCUSSION

The policy serves to ensure that there is compensating interest income to at least partially fund the lost DCs that will result from the 1) DC rate freeze and 2) deferred payment requirements, as permitted under the DCA.

DC Rate Freeze

As per Section 26.2 of the DCA, where the development of land results from the approval of a site plan or zoning by-law amendment for which a complete application was received on or after January 1, 2020, the development charges shall be calculated on the development charge rates in effect on the date of the complete application,

including interest. The development charge rates will be locked-in/frozen for a prescribed period from the approval of the related planning application. Interest will accrue from the date a complete application is received until the building permit is issued.

Deferred Payments/Instalments

As per Section 26.1 of the DCA, specified development types are able to defer the payment of development charges. Developments that meet the definition of rental housing development, or institutional development, are payable in equal annual instalments beginning at occupancy and on the following five anniversaries of that date, for a total of six instalment payments when finally paid in full.

- The interest rate will be established on the date the development charges would have otherwise been payable;
- The interest rate will be fixed for the duration of the instalment payments;
- An instalment payment schedule will be provided to the developer once the Town/County is notified of occupancy.

CONSULTATION

County of Oxford, Watson & Associates Economists Ltd.

FINANCIAL IMPACT/FUNDING SOURCE

It is difficult to ascertain amount of interest income arising from the policy, as that is dependent on the timing and number of applications received. Interest rates referenced in the policy are based on the average prime rate plus 1%, and are adjusted quarterly in accordance with the DCA. As of July 1, 2024, the interest rate was 8.2%.

CORPORATE GOALS

How does this report support the corporate goals identified in the Community Strategic Plan?

- Lifestyle and amenities
- Customer service, communication and engagement
- Business attraction, retention and expansion
- Community growth
- Connectivity and transportation
- Not Applicable

FIN 24-030 Development Charge Interest Rate Policy

Does this report relate to a specific strategic direction or project identified in the Community Strategic Plan? Please indicate section number and/or any priority projects identified in the plan.

Goal – The Town of Tillsonburg will accommodate and support sustainable growth.

Strategic Direction – Plan and develop a long-term financing strategy for new services and infrastructure to support growth.

Priority Project – *Immediate Term* – Development Charges Study

ATTACHMENTS

1. Appendix A – Policy 5-009 - Development Charge Interest Rate Policy