



CITY OF VAUGHAN

CORPORATE POLICY

POLICY TITLE: DEVELOPMENT CHARGE INTEREST POLICY – UNDER SECTIONS 26.1 AND 26.2 OF THE DEVELOPMENT CHARGES ACT, 1997

POLICY NO.: 12.C.08

Section:	Finance & Budgets		
Effective Date:	January 1, 2020	Date of Last Review:	Click or tap to enter a date.
Approval Authority: Council	Policy Owner: DCM, Corporate Services & CFO		

POLICY STATEMENT

A policy governing the charging of interest on development charges deferred and/or frozen, under sections 26.1 and 26.2 of the *Development Charges Act, 1997*.

PURPOSE

To establish the rules and practices for charging interest on development charges deferred and/or frozen under sections 26.1 and 26.2 of the *Development Charges Act, 1997*.

This policy will support the City of Vaughan's 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 City 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.

SCOPE

This policy applies to the charging of interest on development charges that are eligible to be deferred and/or frozen. This includes all types of development and redevelopment in the City of Vaughan:

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- That are eligible for deferred payments under 26.1 of the Development Charges Act, 1997
- That are eligible to benefit from frozen payments under section 26.2 of the Development Charges Act, 1997

LEGISLATIVE REQUIREMENTS

Municipalities are permitted to charge interest on development charges that are eligible to be deferred or frozen under sections 26.1 and 26.2 of the Act.

For deferred payments, subsection 26.1(7) of the Act 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”.

For frozen payments, subsection 26.2(3) of the Act 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”

The Ministry of Municipal Affairs and Housing has not proposed to prescribe a maximum interest rate.

DEFINITIONS

1. **Act:** *Development Charges Act, 1997*, S.O. 1997, c. 27, as amended.
2. **Development:** The construction, erection or placing of one or more buildings or structures on land, or the making of an addition or alteration to a building or structure that has the effect of substantially increasing the size or usability thereof and includes redevelopment.
3. **Development Charges (DC):** A charge imposed against land in the City pursuant to any by-law passed by the council of a municipality pursuant to the Act for the imposition of a development charge against land where the development of land would increase the need for services.
4. **DCM/CFO:** Deputy City Manager of Corporate Services, Chief Financial Officer, and Treasurer.
5. **Planning Act:** *Planning Act*, R.S.O. 1990, c. P.13, as amended.

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6. Total Accrued Amount: Equal to the total of the development charges and interest which has accrued.

POLICY

1. Legislative Framework

1.1. Deferred payments under 26.1 of the Act

The province has mandated the deferral of development charges for:

- Rental housing development that is not non-profit housing development.
- Institutional development.
- Non-profit housing development.

Development charges for rental housing and institutional development 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 and the date the building is first occupied, and continuing on the following five anniversaries of that date.

Development charges for non-profit housing 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 and the date the building is first occupied and continuing the following twenty anniversaries of that date.

1.2. Interest on installment payments under section 26.1 of the Act

Subsection 26.1(7) of the Act allows a municipality to charge interest on the installments from the date the Development Charges would have been payable, under section 26 of the Act, to the date of the installment is paid, at a rate not exceeding the prescribed maximum interest rate.

1.3. Development Charge freeze under section 26.2 of the Act

Under subsection 26.2(1) of the Act, the total amount of a Development Charge is determined under the City's Development Charge By-Laws based on:

- 1.3.1. The day an application for an approval of development in a site plan control area under subsection 41(4) of the *Planning Act* was made, or,

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1.3.2. If an site plan application has not been applied for, the day an application for an amendment to a bylaw passed under section 34 of the *Planning Act* was made.

1.4. Interest under section 26.2 of the Act

Under subsection 26.2(3) of the Act, a 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 subsection 26.2.(1)(a) or 26.2.1(b) of the Act to the date the development charge becomes payable.

1.5. Maximum interest rate under section 26.1 and 26.2

The Act allows a municipality to charge interest on the development charge amounts that are deferred or on the development charges that are frozen at a rate not exceeding the prescribed maximum interest rate.

There is no prescribed maximum interest rate under subsection 26.1 and 26.2 of the Act.

2. Interest Rate Used

An interest rate of 5% shall be used.

3. Amendment or Revision of Interest Rate

In the event that the interest rate is amended or revised, the new interest rate shall apply to the Total Accrued Amount, prorated from the date of the interest rate amendment or revision to:

- The date the Total Accrued Amount is fully paid.
- A subsequent amendment or revision of the interest rate.

4. Interest Rate Publication and Notification

Upon Council approval, this policy and the interest rates being used shall be made available on the City's website.

The interest rates shall also be published as a part of the City's Development Charges pamphlet.

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5. Compounding and Prorating

All interest shall be compounded annually and shall accrue from the date of the applicable application until the date the accrued amount is fully paid. A 365-day calendar year shall be used for the purposes of prorating.

5.1. Subsequent Application(s)

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 Development Charge is determined;
- All interest that had accrued prior to the subsequent application shall be deemed to be zero (0);
- Interest will be compounded annually and begin to accrue from the date the subsequent application is made.

5.2. Interest under section 26.1

If a development was one of the eligible types of development for the deferred payments under section 26.1 of the Act, the Total Accrued Amount shall continue to accrue interest from the date of the issuance of building permit.

During the timeframe for which Development Charges are deferred, and the payment of same is being provided in annual installments, interest shall continue to accrue on the outstanding balance. This shall continue until the date the Total Accrued Amount has been fully paid.

6. Effective Date

Upon approval by Council, this policy shall retroactively take effect as at 12:00 a.m. on January 1, 2020. This policy may be repealed and/or modified by Council at any time.

7. Transition

To allow for a transition period, this policy does not apply to any development where:

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7.1. An application under section 34 or 41(4) of the *Planning Act* is not required, but:

- Still qualifies for deferred payments under section 26.1 of the Act, and,
- Has been issued a building permit for development by the City prior to July 1, 2020.

7.2. An application under subsection 41(4) of the *Planning Act* is:

- Made after January 1, 2020, and,
- Has been issued a building permit for development by the City prior to July 1, 2020.

7.3. An application for an amendment to a bylaw passed under section 34 of the *Planning Act* is:

- Made after January 1, 2020.
- Has been issued a building permit for development by the City prior to July 1, 2020.

8. Non-Applicability

In the instance where a development is eligible for a Development Charge deferral under any existing City policy, the interest as it relates to section 26.2 of the Act would apply.

If a development is eligible under both section 26.1 of the Act and a development charges deferral under an existing City policy, the Act and the interest charges outlined in this policy would apply only if the development avails itself of the deferral offered under the applicable City deferral policy.

9. Roles and Responsibilities

9.1. DCM Corporate Services, City Treasurer and Chief Financial Officer

- Maintains administrative authority and responsibility for the Development Charges Interest Policy -Under Section 26.1 and 26.2 of the *Development Charges Act, 1997*; and,

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- Approves department operating procedures and processes under this policy.

9.2. Director, Financial Planning and Development Finance

- Responsible for administering this policy, including but not limited to:
 - - Assisting stakeholders in determining the total amount of the Development Charge that would be determined under the bylaw and the applicable interest rate that would apply.
 - Ensure the Total Accrued Amount is being charged and collected when due.

9.3. Manager, Development Finance, Financial Planning and Development Finance

- Collect all Development Charges, including interest, when due and payable.
- Monitor all development applications and ensure that the correct amount of the Development Charge is being used and that the correct amount of interest has been received.

9.4. Director, Development Planning

- Confirm that a complete application was made for the purposes of determining the total amount of the Development Charge.

ADMINISTRATION

Administered by the Office of the City Clerk.

Review Schedule:	3 Years If other, specify here	Next Review Date:	December 1, 2022
Related Policy(ies):			
Related By-Law(s):			
Procedural Document:			

Revision History

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