

Committee of the Whole (1) Report

DATE: Tuesday, September 14, 2021

WARD(S): ALL

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

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To revise the Development Charges Interest Policy and introduce an interest free grace period, to allow for ease of administration of the policy.

Report Highlights

- Include a 14-day interest free grace period in the current DC Interest policy.
- Reduce any negative customer service due to constant DC interest charge increases and reduce any inefficiencies due to the recalculation process.

Recommendations

1. That Council approve the inclusion of a 14-day interest free grace period in the Development Charges Interest Policy; and
2. That Council approve the revised Development Charges Interest Policy [Attachment 1] to administer the charging of interest.

Background

On May 27, 2020, Council approved the Development Charge (DC) Interest Policy, in response to the changes to the Development Charges Act, 1997 introduced through Bill 108, More Homes, More Choices Act, 2019. The collection of DC interest would help

mitigate the effects of the DC freeze introduced through Bill 108 by improving the cost recovery and encouraging developers to proceed with development in a timely manner. The current policy does not include an interest free grace period and requires that DC interest be paid up to the date a building permit is issued. To date this policy has only been administered a few times as it would only apply to building permits affected by the DC freeze provisions of the DC Act, however as more developments are impacted by the provisions of Bill 108, the interest policy will be administered on a regular basis with increased volume.

Previous Reports/Authority

<https://pub-vaughan.escribemeetings.com/filestream.ashx?DocumentId=43525>

Analysis and Options

In the initial DC interest policy, no interest free grace period was considered or included due to this being relatively new legislation. As staff continued to learn and understand the process and system to freeze DCs and collect DC interest it was discovered that there would be a problem to administer. After a review of the collection process and timing of payments, staff began to realize that calculating DC interest to the date the permit is issued would mean constant recalculation of the DC interest amount. This constant recalculation would be inefficient and would also not allow the development community sufficient time to produce their DC payment to the City.

In consultation with staff from Building Standards, a high-level review of DC payment timing resulted in a recommendation to include an interest free grace period. This would lessen the administrative burden of having to recalculate DC interest and also provide some time for the development industry to make their payment with a high degree of certainty. Initially a 30-day interest free grace period was contemplated, however further discussions with development finance staff from York Region and the local municipalities, it was determined that a 14-day interest free grace period would be sufficient. DCs that are not collected within the 14-day period, would result in a recalculation process of the DC interest amount.

Financial Impact

Providing a 14-day interest free grace period will result in foregone DC interest revenue. At this time, it is not possible to determine the exact amount of foregone revenue, however at 5% per annum would equate to 0.2% interest charge for the 14-day period. On a \$100,000 DC charge, this would result in less than \$200 of foregone interest. The City would still mitigate some of the impacts of the DC freeze by collecting DC interest, while not creating any additional collection and customer service issues.

Broader Regional Impacts/Considerations

Regional staff are also proposing to include a 14-day interest free period in their DC interest policy. As the City collects DC and DC interest on behalf of the Region, this change would be consistent among both our respective DC interest policies and avoid constant recalculations and potential payment issues from applicants.

Conclusion

Providing a 14-day interest free grace period provides the development community time to prepare their DC payment, while avoiding the constant interest charge recalculation that would otherwise be required. This would avoid any negative customer service issues and reduce any inefficient and burdensome staff recalculations.

For more information, please contact: Nelson Pereira, Manager Development Finance.

Attachment

1. "Development Charges Interest Policy – Under Sections 26.1 and 26.2 of the *Development Charges Act, 1997*"

Prepared by

Nelson Pereira, Manager Development Finance, 8393

Approved by



Michael Coroneos, DCM Corporate Services, City Treasurer and CFO

Reviewed by



Nick Spensieri, City Manager