

## CITY OF VAUGHAN

### **EXTRACT FROM COUNCIL MEETING MINUTES OF SEPTEMBER 27, 2021**

Item 2, Report No.39, of the Committee of the Whole, which was adopted without amendment by the Council of the City of Vaughan on September 27, 2021.

#### **2. REVISION TO DEVELOPMENT CHARGE INTEREST POLICY – UNDER SECTIONS 26.1 AND 26.2 OF THE DEVELOPMENT CHARGES ACT**

**The Committee of the Whole recommends approval of the recommendations contained in the report of the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer dated September 14, 2021:**

#### **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.

## Committee of the Whole (1) Report

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**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

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**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

# 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

<b>Section:</b>	Finance & Budgets		
<b>Effective Date:</b>	May 27, 2020	<b>Date of Last Review:</b>	Click or tap to enter a date.
<b>Approval Authority:</b>	<b>Policy Owner:</b>		
Council	DCM, Corporate Services & CFO		

### POLICY STATEMENT

A policy governing the charging of interest, as permitted under sections 26.1 and 26.2 of the *Development Charges Act, 1997*.

### PURPOSE

To establish the rules and practices for charging interest, as permitted 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, as permitted under sections 26.1 and 26.2 of the *Development Charges Act, 1997*. This includes all types of development and redevelopment in the City of Vaughan:

- That are eligible for installment payments under 26.1 of the *Development Charges Act, 1997*

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- Under section 26.2 of the *Development Charges Act, 1997*, where an application for an approval of a development in a site plan control area under subsection 41(4) of the *Planning Act* has been made, or where an application for an approval of a development in a site plan control area under subsection 41(4) of the *Planning Act* has not been made, but where an application has been made for an amendment to a bylaw passed under section 34 of the *Planning Act, 1990*.

### LEGISLATIVE REQUIREMENTS

Municipalities are permitted to charge interest pursuant to section 26.1(7) of the Act 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 *Development Charges Act, 1997* 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”

Currently there is no prescribed maximum interest rate.

### DEFINITIONS

1. **Act:** *The Development Charges Act, 1997*, S.O. 1997, c. 27, as amended, revised re-enacted or consolidated from time to time, and any successor statute.
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 the Development Charges By-law.
4. **DCM/CFO:** Deputy City Manager of Corporate Services, Chief Financial Officer, and Treasurer.
5. **Planning Act:** *The Planning Act*, R.S.O. 1990, c. P.13, as amended.
6. **Total Accrued Amount:** Equal to the total of the development charges and interest which has accrued.

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## **POLICY**

### **1. Legislative Framework**

#### 1.1. Installment payments under 26.1 of the Act

Under subsection 26.1(1), (2) and (3) of the Act, development charges 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.
- Non-profit housing development.

#### 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 under subsection 41(4) of the *Planning Act* was made, or,

1.3.2. If clause (i) does not apply, 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 clause c(i) or c(ii) to the date the development charge becomes payable.

#### 1.5. Maximum interest rate under section 26.1 and 26.2

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The Act allows a municipality to charge interest on the development charge 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.

## **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 calculated and payable. The applicant shall have fourteen (14) days interest free to make the payment. After the fourteen (14) day period, if payment has not been made, the interest will be recalculated and reflect the new amount owing. 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:



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- 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 installment 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 installment timeframe, 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 take effect as at January 1, 2020 at 12 a.m. 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:

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

- Still qualifies for installment 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,

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- 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 *Development Charges Act, 1997* would apply.

If a development is eligible under both section 26.1 of the *Development Charges Act, 1997* and a development charges deferral under an existing City policy, the *Development Charges Act, 1997* 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,
- 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.

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- 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.*

<b>Review Schedule:</b>	3 Years <small>If other, specify here</small>	<b>Next Review Date:</b>	December 1, 2022
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<b>Related Policy(ies):</b>	
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<b>Related By-Law(s):</b>	
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<b>Procedural Document:</b>	
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**Revision History**

<b>Date:</b>	<b>Description:</b>
Click or tap to enter a date.	
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