



## Report to Council

Department: Corporate Services  
Division: Finance and Business Services  
Date: June 7, 2021  
Prepared by: Katelynn Giurissevich, CPA, CA, Manager, Finance and Business Services  
Report Number: Finance and Business Services Report-2021-01  
Subject: Development Charges - Interest Rate By-law  
Number of Pages: 7

### Recommendation(s)

**That** Finance and Business Services Report-2021-01 entitled Development Charges - Interest Rate By-law prepared by Katelynn Giurissevich dated June 7, 2021 be received, and

**That** Attached By-Law 2030, being a by-law to charge interest on outstanding development charges equal to the Town's borrowing rate plus 2%, fixed at the date of building permit issuance or at the date of related planning application, compounded annually, be read a first, second, and third time and finally adopted on June 7, 2021.

### Purpose

To implement an interest charge on all Development Charge Payment arrangements, as specified in By-Law 1850 and in accordance with subsection 26 of the Development Charges Act, to ensure the Town is offsetting the debt associated cost of new-growth infrastructure, as well as administration costs and lost interest, in relation to these Development Charge Payment arrangements.

## Background and Discussion

The Development Charges Act (DCA), 1997 permits a municipality to charge and collect Development Charges. Development charges are fees paid by new development to fund municipal infrastructure and services related to this growth. These improvements may include items such as sewer pipes and road improvements. Every five years, the municipality **conducts a development charges background study to forecast the community's future** residential and non-residential growth to determine future municipal needs and costs. The most recent background study was performed in 2019 and new charges were adopted with a Development Charges By-law in August 2019.

Changes to the Development Charge Bylaw are currently underway and will be presented to Council on June 21, 2021. These changes are a direct result of the introduction of Bill 108, More Homes, More Choices Act and Bill 197 the COVID-19 Economic Recovery Act. These bills impacted the Development Charge Act legislation effective January 1, 2020.

The following provisions became effective as of January 1, 2020 and have been included in **Essex's Draft** Development Charge by-law as a result of Bill 108/Bill 138:

- Institutional developments may pay Development Charges in 6 equal annual payments. (subsection 26.1 of the DCA)
- Rental housing may pay Development Charges in 6 equal annual payments. (subsection 26.1 of the DCA)
- Non-profit housing developments may pay Development Charges in 21 equal annual payments. (subsection 26.1 of the DCA)
- The Development Charge rate is frozen for Site Plan or Zoning By-law amendments until 2 years after approval (subsection 26.2 of the DCA)

An interest rate charge may be applied to these arrangements (subsection 26.1 and 26.2) for the following reasons:

- As development charges are no longer collected at the time of building permit issuance, and are instead delayed some manner, the interest earned on the development charge reserve will be lower.
- Should there be the requirement for growth related capital projects, the development charge reserve may need to advance funds for projects where certain properties may be under a payment arrangement, and the collection of the development charges to fund such projects has ultimately been delayed. In the case debt is required to fund these growth related projects an interest rate would be incurred.

An interest rate charge would minimize the impact of lost interest on reserve funds as well as offset the interest charged on potential debt as a result of growth related capital projects.

The following analysis has been prepared to assist in determining the appropriate rate of interest to be charged, as the newly revised subsection 26 does not specify a rate to be used.

Municipality	Rate Imposed
City of Barrie	Weighted Average Cost of Capital (end of 2019 - 4.78%)
City of Waterloo	Prime + 2% ( Rental Housing that is not Non-Profit, Institutional Development and frozen charges per s 26.2 of the Development Charges Act)  0% (Non-Profit Housing)
Regional Municipality of York	5% compounded annually

LaSalle	5%  0% (where developments are classified under a “development incentive/program”)
Lakeshore	Infrastructure Ontario rate plus 0.5% compounded annually
City of London	Statistics Canada Construction index for non-residential as of September 30th, compounded annually.

The rates of interest charged varies between municipalities. Currently the Town charges the following rates of interest, through approved applicable bylaw, on other types of offered financing:

Shoreline Assistance Loan	Infrastructure Ontario ( plus an administrative fee of \$1,250)
Drainage Construction Debentures	Infrastructure Ontario + 2% (administrative fee)
Local Improvements	Infrastructure Ontario + 2% (administrative fee)

To remain consistent with other Town financing, it is recommended that the rate of Borrowing + 2% be implemented through an adopted by-law.

# Application

## **Installments** (industrial/rental/non-profit)

Development charges will be paid in equal annual instalments, beginning on the earlier of the date of the issuance of a permit under the Building Code Act, authorizing occupation of the building and the date the building is first occupied, and continuing on each instalment date. The interest rate shall be charged on the outstanding balance as at each instalment date (compounded annually), until the Development Charges are paid in full.

## **Rate-Freeze** (Site Plan or Zoning By-law amendments)

**The development charge rate would remain “frozen” for up to two years from the date** the application is approved, after which will revert back to time of building permit issuance.

## **Early Payment Agreements**

Section 27 (1) of the Development Charge Act allows for development charges to be paid at an earlier date than would otherwise be payable. For any development that qualifies under section 26.1 (deferred 6 or 21 annual instalments), the option of an agreement for full development charge to be paid at building permit issuance is available.

## **Non-Collection of Payments**

If any part of the development charges owing remain unpaid after it is payable, the amount unpaid including any interest payable shall be added to the tax roll and shall be collected in the same manner as taxes.

## Financial Impact

The implementation of the interest rate would result in no Financial Impact as its intent is to offset any potential lost interest or interest expense.

## Consultations

Rita Jabbour, Manager, Planning

Lori Chadwick, Director, Development Services

Jeffrey R. Morrison, Director, Corporate Services

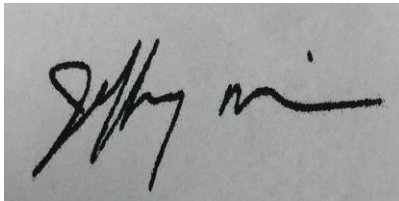
## Link to Strategic Priorities

- ☒ Manage, invest and plan for sustainable municipal infrastructure which meets current and future needs of the municipality and its citizens.
- ☐ Create a safe, friendly and inclusive community which encourages healthy, active living for people of all ages and abilities.
- ☒ Provide a fiscal stewardship and value for tax dollars to ensure long-term financial health to the municipality.
- ☐ Manage responsible and viable growth while preserving and enhancing the unique rural and small town character of the community.
- ☐ Improve the experiences of individuals, as both citizens and customers, in their interactions with the Town of Essex.
- ☐ **Improve the Town's capacity to meet the ongoing and future service needs of its citizens** while ensuring the corporation is resilient in the face of unanticipated changes or disruptions.

## Report Approval Details

Document Title:	Development Charges Interest Policy - Corporate Services-2021-01.docx
Attachments:	
Final Approval Date:	Jun 1, 2021

This report and all of its attachments were approved and signed as outlined below:

A handwritten signature in black ink, appearing to read "Jeffrey Morrison", on a light gray background.

**Jeffrey Morrison, Director, Corporate Services/Treasurer - Jun 1, 2021 - 11:53 AM**

A handwritten signature in black ink, appearing to read "Chris Nepszy", on a light gray background.

**Chris Nepszy, Chief Administrative Officer - Jun 1, 2021 - 11:57 AM**