

### Summary of Changes:

- Prime +2% changed to Prime + plus the percentage in force under the DCA
- Addition of language regarding the determination of the maximum interest rate
- Removal of Non-Profit housing development under DC Deferral as it is now fully exempt
- Development Charge rate freeze timeframe reduced from two years to 18 months
- Updated effective date from September 23, 2020 to October 23, 2024

<b>POLICY TITLE</b>	Development Charges Interest Policy
<b>CATEGORY</b>	Financial
<b>POLICY NUMBER</b>	A09 FIN 003
<b>DEPARTMENT</b>	Corporate Services
<b>POLICY AUTHOR</b>	Financial Services
<b>POLICY TYPE</b>	City Policy
<b>APPROVED BY</b>	City Council
<b>EFFECTIVE DATE</b>	10/23/24
<b>REVIEW DATE</b>	To be reviewed in conjunction with updates to the City's Development Charges Bylaw

### POLICY STATEMENT

This policy establishes a financial framework governing the charging of interest, as permitted under sections 26.1 and 26.2 of the Development Charges Act (D.C.A). This supports the City's strategic goal of focusing on the responsible management of financial resources, ensuring transparency and accountability.

### PURPOSE

The purpose of this policy is to establish the rules and procedures for the City of Cambridge to enter into an agreement with a developer to charge interest on certain types of developments, as permitted under sections 26.1 and 26.2 of the Development Charges Act. This policy also establishes the process whereby a developer could elect to opt out of incurring interest charges.

## DEFINITIONS

**Adjustment Date:** The date used to determine the average prime rate to apply the interest on development charges. As per Section 26.3 of the DCA, the base rate of interest shall be determined for April 1, 2022 and for each adjustment date after April 1, 2022, and shall be equal to the average prime rate on,

- i) October 15 of the previous year, if the adjustment date is January 1,
- ii) January 15 of the same year, if the adjustment date is April 1,
- iii) April 15 of the same year, if the adjustment date is July 1, and
- iv) July 15 of the same year, if the adjustment date is October 1.

**Agreement:** A legally binding arrangement between a developer and the City as to DC payment terms that differ from what is permitted in the DCA, as allowed under Section 27 of the DCA.

**Average Prime Rate:** The average rate on a particular date, announced by each of the Royal Bank of Canada, The Bank of Nova Scotia, the Canadian Imperial Bank of Commerce, the Bank of Montreal and The Toronto-Dominion Bank to be its prime rate of interest in effect on that date.

**Complete Applications:** Pursuant to Section 26.2 of the DCA, the City considers an application of a Site Plan, under Section 41 of the Planning Act, R.S.O 1990 c.P13 or Zoning Amendment under Section 34 of the Planning Act, R.S.O 1990 c.P13 to be made as of the date that the submitted application is deemed to be complete according to the City's Planning staff.

**DC:** Development Charges imposed by Council approved bylaw for charges against land to pay for increased capital costs required due to increased services arising from development of the area to which the bylaw applies.

**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 increasing the size or usability thereof according to one or more of the actions referred to in subsection 2(2) of the Development Charges Act, and includes redevelopment.

**Development Charges Act (DCA):** The Development Charges Act S.O. 1997, c. 27, as amended and all regulations thereto.

**Development Charge Deferral:** The ability for qualifying developments to spread their DCs over multiple annual installment payments as defined in Section 26.1 of the DCA.

**Development Charge Freeze:** Locking in DC rates as defined in Section 26.2 of the DCA.

**Early Payment Agreement:** A municipality may enter into an agreement with a person who is required to pay a DC providing for all or any part of the charge to be paid before it would otherwise be payable (as referred to in Section 27 of the DCA).

**Institutional Development** – is defined by O. Reg. 454/19, s. 3 (1) and means development of a building or structure intended for use,

- a) as a long-term care home within the meaning of subsection 2 (1) of the Long-Term Care Homes Act, 2007;
- b) as a retirement home within the meaning of subsection 2 (1) of the Retirement Homes Act, 2010;
- c) by any of the following post-secondary institutions for the objects of the institution:
  - i. a university in Ontario that receives direct, regular and ongoing operating funding from the Government of Ontario,
  - ii. a college or university federated or affiliated with a university described in subclause (i), or
  - iii. an Indigenous Institute prescribed for the purposes of section 6 of the Indigenous Institutes Act, 2017;
- d) as a memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion; or
- e) as a hospice to provide end of life care.

**Non-Profit Housing Development** – is defined by O. Reg. 454/19, s. 3 (1) and means development of a building or structure intended for use as residential premises by,

- a) a corporation without share capital to which the Corporations Act applies, that is in good standing under that Act and whose primary object is to provide housing;
- b) a corporation without share capital to which the Canada Not-for-profit Corporations Act applies, that is in good standing under that Act and whose primary object is to provide housing; or
- c) a non-profit housing co-operative that is in good standing under the Co-operative Corporations Act.

**Prime:** The prime lending rate, being the annual interest rate as indicated on the Bank of Canada Website.

**Qualifying Developments:** as defined in Section 26.1 (2) of the DCA and include:

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

**Rental Housing Development:** as defined by O. Reg. 454/19, s. 3 (1) and means development of a building or structure with four or more dwelling units all of which are intended for use as rented residential premises.

**Security:** An agreed upon asset or assurance provided to the City in anticipation of later payment of DC's, to then be returned to the owner once paid in full.

## AUTHORITY

This policy operates under the authority of the Development Charges Act S.O. 1997, c. 27, Section 26.

## SCOPE

This policy applies to City of Cambridge employees involved with development of all lands in the City and the collection of applicable revenue.

## POLICY

The City's Development Charges Interest Policy provides the specifics of the City's policy without reiterating most aspects of the DCA itself. The City's policy is meant to be interpreted in accordance and in conjunction with the DCA. To help clarify, example calculations are provided.

### Development Charge Deferral

Section 26.1 of the DCA provides for the deferral of development charges for the following types of development:

- Rental housing development that is not non-profit housing development, and
- Institutional development

The equal annual installment payments for DC's on those development types shall be paid on the earlier of the date of the issuance of a permit under the Building Code Act authorizing occupation of the building or the date the building is first occupied.

For rental housing development that is not non-profit housing development or institutional development, development charges shall be paid in 6 annual installments.

Section 26.1(7) of the DCA provides that interest may be charged on each instalment from the building permit issuance date to the date the instalment is paid. An annual interest rate of Prime plus the percentage in force under the DCA will be applied to installment balances, as determined at the time of building permit issuance, and locked

in for the term of the deferral. Interest will be charged for any DC charges deferred for rental housing development or institutional development. The Prime interest rate to be used will be the rate in effect at the time of building permit issuance.

Early payment agreements will be offered if the owner of a development would prefer to pay the full DC owing at building permit issuance versus installments over several years, thus removing interest charges on the DC payable. Agreements for payment of development charges at a date earlier than would be permitted pursuant to Section 26.1, but after building permit issuance, may also be accepted with accrued interest from building permit issuance date to the date DC's are paid.

A person required to pay a development charge referred to above on a deferred basis shall, unless the occupancy of the building is authorized under the Building Code Act, notify the municipality within five (5) business days of any part of the building first being occupied. Failure to comply with that notice will result in the development charge, including any accrued interest, becoming payable immediately.

### **Development Charge Freeze**

Section 26.2 of the DCA provides that the total amount of a development charge for a development that is proceeding through a site plan control approval or a zoning by-law amendment approval is to be determined under the DC by-law in effect on the date when a complete application is made. Pursuant to Bill 185, Section 26.2 (5), if more than 18 months has elapsed since the approval of the relevant application to when the first building permit is issued, the amount of the development charge is to be determined at the issuance of the building permit (if the development charge has been deferred pursuant to section 26.1 of the DCA) or at the time the development charge becomes payable (if the development charge has not been deferred pursuant to section 26.1 of the DCA).

Pursuant to Section 26.2(4) of the DCA, if a development was subject to both site plan and zoning bylaw amendment applications at the same time, it is the date of the later one that is used to determine the DCs payable. If neither of these applications apply to the development, then the DC is determined on the building permit issuance date.

If a development charge is to be calculated at the time of a site plan application or at the time of a zoning by-law amendment application, the City may charge interest on the DC amount from the date of the complete application referred to in the applicable clause to the date the development charge is payable. An annual interest rate of Prime plus the percentage in force under the DCA will be charged for any DC rate frozen during the development process. The Prime interest rate to be used will be the rate in effect when complete applications are submitted.

The annual interest rate applied to DC's pursuant to Section 26.2 of the DCA is determined when the DC is calculated, and is locked in until such time as the DC becomes payable, with interest accruing to the date the DC would normally be paid in the absence of any deferrals under Section 26.1 of the DCA (i.e. at building permit issuance); and prorated accordingly based on when the interest starts accruing.

Similar to early payment agreement options for deferrals under Section 26.1 of the DCA, the City may enter into an early payment agreement with a person who has locked in a DC rate pursuant to Section 26.2 of the DCA. The agreement can provide for all or any part of the DC to be paid before it would otherwise be due to mitigate interest charges.

If any development charges or interest charges, or any part thereof remains unpaid after it becomes payable (under both Sections 26.1 and 26.2 of the DCA), the amount unpaid shall be added to the tax roll of that property and collected in the same manner as taxes.

### **Maximum Interest Rate**

Pursuant to Bill 185, the maximum amount of interest that a municipality may charge shall be determined according to the following rules:

An adjustment date shall be used to determine the average prime rate to apply the interest on development charges. As per Section 26.3 of the DCA, the base rate of interest shall be determined for April 1, 2022 and for each adjustment date after April 1, 2022 and shall be equal to the average prime rate on,

- i) October 15 of the previous year, if the adjustment date is January 1,
- ii) January 15 of the same year, if the adjustment date is April 1,
- iii) April 15 of the same year, if the adjustment date is July 1, and
- iv) July 15 of the same year, if the adjustment date is October 1.

### **Other Matters**

At this time, the City will not require additional security for deferrals eligible under Section 26.1 of the DCA. The deferral plans will be monitored and will be addressed should non-payment become an issue, with any unpaid DC's transferred to the tax roll of the property.

Section 27 of the DCA allows a municipality to enter into an agreement with a person who is required to pay a development charge providing for all or any part of a development charge to be paid before or after it would otherwise be payable. The Chief Financial Officer is authorized to execute Development Charge payment agreements, Section 27 agreements for payment before or after payments would otherwise be made, and any other agreements he or she deems necessary for the proper implementation or

administration of this policy, in a legal form satisfactory to the City's Solicitor and upon business terms satisfactory to the Chief Financial Officer.

## **POLICY COMMUNICATION**

The interest rates being used shall be made available on the City's development charges website. The interest rates shall also be published as part of the City's development charges pamphlet publication.

## **RELATED PROCEDURES**

There are no related procedures.

## **RELATED DOCUMENTS/LEGISLATION**

Development Charges Act S.O. 1997, c. 27, as amended and all regulations thereto.