



The Corporation of the Town of LaSalle

To: Mayor and Members of Council
Prepared by: Dale Langlois, Director of Finance
Department: Finance
Date of Report: October 6, 2020
Report Number: FIN-22-2020
Subject: Development Charge Interest Policy

Recommendation

That the report of the Director of Finance dated October 6, 2020 (FIN-22-2020) regarding Development Charge Interest Policy BE RECEIVED; and that

1. Council APPROVE the charging of interest pursuant to sections 26.1 and 26.2 of the *Development Charges Act, 1997*:
 - a. Effective as at January 1, 2020
 - b. At a rate of 5% annually
 - c. Notwithstanding Recommendation 1b, a rate of 0% be used for payments under section 26.1, beginning at building permit, for developments that have taken advantage of a Town development charge incentive and/or relief, current or future
2. Council APPROVE the policy in Attachment 1, to administer the charging of interest in Recommendation 1.

Report

As part of Bill 108, beginning on January 1, 2020, development charges are frozen at application, and some types of developments can phase their payments. Prior to these changes, development charges were typically calculated and charged at the prevailing rate at building permit issuance. Development charge rates are now frozen at site plan application or zoning bylaw application date. The rates would be reassessed and frozen upon resubmission. Once the application is approved, building permit issuance must occur within two years to maintain the frozen rate.

In addition, under bill 108, as amended by Bill 138, institutional and rental housing development can now defer development charge payment to first occupancy and have payments phased in equal installments over 5 years. In the case of non-profit development, the phasing period is 20 years. The first installment in both instances is payable upon occupancy.

Development charge interest policy

Bill 108 allows municipalities to charge interest on frozen and phased development charges. Neither Bill 108 nor the accompanying regulatory framework prescribes how a municipality should implement this interest charge. The Province indicated that it does not intend to prescribe a maximum interest rate, even though the legislation allows it to do so through regulations. Municipalities have the flexibility to design an interest charging program.

Administration recommends an interest charging framework as described in Attachment 1 to support the Town in charging interest as permitted through legislation in a manner that is transparent and simple to administer. Having a policy provides clarity to stakeholders. Charging interest on frozen development charges can help encourage timely development, because the interest owed will continue to accumulate until a developer pulls a building permit to begin construction.

Interest on frozen development charges

As it pertains to the freezing of development charges, the interest would apply to developers who lock in development charge rates under section 26.2 of the Act, that is, developers who submit a site plan application or zoning bylaw amendment application on or after January 1, 2020. For developers proceeding without a zoning bylaw amendment or site plan application, development charges would continue to be calculated and payable at building permit.

Administration recommends an interest rate of 5% be used for frozen development charges. This is based on the average historical growth in Statistics Canada Non-residential Building Construction Price Index for Toronto plus consideration based on the average historical fluctuation to the index to mitigate the risk of cost fluctuations to the Town. Interest shall continue to accrue beginning from the date of the application until the date development charges are paid. The interest rate could be updated by Council at any time and the new interest rate applies on a going forward basis, including all active developments. Table 1 summarizes the key features and rationale for the proposed policy.

Key Features of the Proposed Development Charge Interest Policy	
Feature	Description
Fixed rate	<ul style="list-style-type: none">• Provides transparency and cost certainty to developers
Prorated to the date	<ul style="list-style-type: none">• Prorating the interest to the date ensures the interest rate is applied fairly for the period of the interest charge
Effective Date – Retroactively and Transition	<ul style="list-style-type: none">• The Policy retroactively takes effect as at January 1, 2020• For building permits issued prior to January 1, 2021, no interest will be charged on frozen development charges as the rates have not changed

Interest on phased development charges

The types of development eligible for the phased payment plan are institutional development (e.g., long-term care homes, retirement homes, post-secondary institutions, Royal Canadian Legion memorial homes, clubhouse or athletic grounds, and hospices), purpose-built rental, and non-profit housing development.

As is the case with the frozen development charges, staff recommend charging an interest rate of 5%. However, for developments that have taken advantage of a Town development charge relief and/or incentive, a 0% rate be used during the phased payment plan period. These developments would still be subject to interest on the frozen portion of development charges.

Consultations

Administration has consulted with Watson & Associates Economists Ltd. on creation of the Development Charge Interest Policy. As with any new policy, administration will continuously monitor the policy's effectiveness and make adjustments if required.

Financial Implications

Implementing an annual interest charge for both frozen and phased development charges will help offset any lost revenue resulting from Bill 108 and accompanying regulatory framework. Lost revenue includes: 1) year-over-year inflation of development charges (based on construction price index) which is lost on frozen charges, 2) lost interest from not holding upfront development charge payments in the Town's bank account on deferred development charges.

Prepared By:



Director of Finance/Treasurer

Dale Langlois, CPA, CA

Link to Strategic Goals

	Enhancing organizational excellence
Yes	Sustain strong public services and infrastructure
	Strengthen the community's engagement with the Town
	Grow and diversify the local economy
	Build on our high-quality of life

Communications

Yes	Not applicable
	Website
	Social Media
	News Release
	Local Newspaper
	Bids & Tenders
	Notification pursuant to the Planning Act

Notifications

Name	Address	Email

Report Approval Details

Document Title:	FIN-22-2020 Development Charge Interest Policy.docx
Attachments:	
Final Approval Date:	Oct 7, 2020

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



Chief Administrative Officer

Joe Milicia