Corporate Policy and Procedure

Policy	**Development Charge Interest Policy**
Category	Corporate
Authority	Finance
Related Policies	Development Charge By-law, General Reserve and Reserve Fund Policy, Letter of Credit Policy, Investment Policy
Approved By	Council
Effective Date	Wednesday, January-01-2020
Revision Date	Upon each Development Charge By-law update

Policy Statement

The fundamental principle of funding growth-related capital costs is that 'Growth should pay for Growth'. This policy serves to ensure that there is compensating interest income to fund the lost development charges (DCs) that will result from the DC rate freeze and deferred payment requirements.

Purpose

This DC Interest Policy aims to ensure that the City is able to fund the new cost of capital required to maintain the delivery of our services to new populations and businesses in the community. DCs are the main source of funding for infrastructure required to accommodate growth and without mitigation of the funding shortfall expected, the tax and rate payers would make up this difference. The City's goal is for growth to pay for growth as much as the Development Charge Act (DCA) allows. The interest earned from this policy will fund the lost DC revenue resulting from the two-year DC rate freeze as well as the lost DC revenue on the time lapse between date of calculation and ultimate payment of the DCs to the City.

Subsection 26.2 (3) of the DCA permits a municipality to charge interest from the date the DC is calculated to the date the DC is paid in full.

Subsection 26.1 (7) of the DCA permits a municipality to charge interest on the instalments required by subsection (3) from the date the DC would have been payable in accordance with section 26 to the date the instalment is paid.

Definitions

Early Payment Agreement means an agreement with a person or business who is required to pay a DC providing for all or any part of the DC to be paid before it would otherwise be payable.

Interest Rate means the non-residential construction price index year over year change as of September 30th of the prior year.

Occupancy means the earliest of either (1) the date on which an Occupancy Permit or a Partial Occupancy Permit is issued by the City of Guelph, or (2) the earliest date on which the use or intended use of a building or part of a building for the shelter or support of persons, animals or property commences.

Security means an agreed upon asset or assurance provided in anticipation of later payment in full of DCs.

Guidelines

Rate Freeze

The new subsection 26.2 (1) of the DCA provides that DCs are to be calculated on:

a) the day an application for an approval of development in a site plan control area under subsection 41 (4) of the Planning Act was made in respect of development that is the subject of the DC,
b) if clause (a) above does not apply, the day an application for an amendment to a by-law passed under section 34 of the Planning Act was made in respect of the development that is the subject of the DC;
c) if neither clause (a) nor clause (b) applies,
    i. in the case of a DC in respect of a development to which section 26.1 applies, the day the DC would be payable in accordance with section 26 if section 26.1 did not apply, or
    ii. in the case of a DC in respect of a development to which section 26.1 does not apply, the day the DC is payable in accordance with section 26.

Section 26 requires that the DC balance owing is due at Occupancy. If the period between DC calculation and Occupancy is greater than one month, interest will be charged, as prescribed below:

Where Security is provided, the Interest Rate in effect at the date of DC calculation will be applied annually to the DC balance owing beginning on the first day of the month succeeding the date of DC calculation. The Interest Rate will be accrued on a monthly basis.

Where Security is not provided, the Interest Rate in effect at the date of DC calculation plus 2% will be applied annually to the DC balance owing beginning on the first day of the month succeeding the date of the DC calculation. The Interest Rate will be accrued on a monthly basis.

DC Deferral

Subsection 26.1 (1) of the DCA states that, despite section 26, a DC in respect of any part of a development that consists of a type of development set out in subsection (2) is payable in accordance with section 26.1.

Subsection 26.1 (2) identifies the following development types eligible for a DC deferral

- rental housing development that is not non-profit housing development (five years)
- institutional development (including long-term care homes, retirement homes, universities and colleges, memorial homes, clubhouses or athletic grounds of the Royal Canadian Legion and hospices) (five years)
- non-profit housing development (20 years).

The DC shall be paid in equal annual instalments beginning on the earlier of the date of the issuance of a permit under the Building Code Act, 1992 authorizing occupation of the building and the date the building is first occupied, and continuing on,

a) the following five anniversaries of that date, in the case of a DC in respect to rental housing development that is not non-profit housing development, and institutional development; or
b) the following 20 anniversaries of that date, in the case of a DC in respect of non-profit housing development.

The Interest Rate shall be charged on the outstanding balance as at each anniversary date, until the DCs owing are paid in full. The interest will be calculated and charged as follows:

Where Security is provided, the Interest Rate will be applied to the DC balance owing and will be payable on each anniversary date.

Where Security is not provided, the Interest Rate plus 2% will be applied to the DC balance owing and will be payable on each anniversary date.

Early Payment Agreements will be offered if the owner of a development would prefer to pay the full DC owing at Occupancy.