



Policy Name: Development Charges Interest Rate Policy

Policy Number: FI-022-2023

Administrative Approval Date: 2023/07/14

Council Approval Date: 2023/08/10

Most Recent Amendment Date: 2023/07/14

Effective Date: 2023/08/10

By-law reference:

Supersedes:

1. Policy:

This Policy has been developed to comply with Section 26.3 of the *Development Charges Act, 1997* (DCA) which defines the maximum interest rate that may be applied to development charge (DC) deferral or early determination agreements.

This Policy also supports the development of agreements under Section 27 of the DCA which allows municipalities to enter into agreements to allow for early or late payments of DCs.

2. Purpose:

The purpose of this policy is to establish The District Municipality of Muskoka's (District) process for determining interest rates and application of the interest rate within all DC deferral and early determination agreements permitted under the relevant sections of the DCA.

3. Application:

This policy applies to all District DC deferral and early determination agreements.

4. Definitions:

Development Charge Deferral: Ability for qualifying or approved developments to spread DCs over multiple annual installment payments as defined in Section 26.1 or permitted in Section 27 of the DCA.

Development Charge Freeze: Ability for qualifying or approved developments to establish DCs in advance of when they would typically be payable as defined in Section 26.1 or permitted in Section 27 of the DCA.

Average Prime Rate ("Prime"): The mean, rounded to the nearest hundredth of a percentage point, of the annual rates of interest 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 or reference rate of interest in effect on that date for determining interest rates on Canadian dollar commercial loans

by that bank in Canada.

Adjustment Date: Is one of four dates within the calendar year as prescribed within Section 26.3 of the DCA: January 1, April 1, July 1, and October 1.

Affordable House Price: Until such time as Section 4.1 of the DCA is proclaimed, and the “Affordable Residential Units for the Purposes of the *Development Charges Act, 1997 Bulletin*” is released, the District shall define affordable housing using the annually developed Ministry of Municipal Affairs and Housing (MMAH) “All Households Incomes and Affordable House Prices” at the 80th percentile for The District Municipality of Muskoka.

5. Development Charge Deferral for Rental or Institutional development

- 5.1 Section 26.1 of the DCA provides for the deferral of DCs for certain types of development and prescribes the number of annual installments.
- 5.2 Annual installments shall commence beginning on the earlier of the date of the issuance of an occupancy permit under the Building Code Act, 1992 and the date that the development is first occupied and will continue to be payable on the following five (5) anniversaries of that date.
- 5.3 Section 26.1 (7) of the DCA provides that interest may be charged on each installment in accordance with the prescribed maximum interest rate as outlined in section 26.3.
- 5.4 Interest will be applied to deferrals as outlined in section 8. of this policy.
- 5.5 Early payment agreements will be offered to the owner of a development.
 - 5.5.1 The owner may pay the full DC owing at the time of building permit issuance rather than over the installment period to avoid interest charges on the DC owing.
 - 5.5.2 The owner may enter into an agreement for payment of the DC at an earlier date than would otherwise be permitted under section 26.1 of the DCA to reduce interest charges on the DC owing.
- 5.6 Any party required to pay a DC on a deferred basis shall, unless the occupancy of the building is authorized by a permit 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 notification will result in the DC, including any accrued interest, becoming payable immediately.

6. Development Charge Freeze:

- 6.1 Section 26.2 of the DCA allows for determination of the DC payable in advance of the building permit being issued.
 - 6.1.1 The amount of the DC may be determined on the day that an application

for a development proceeding through a site plan control approval is made.

- 6.1.2 The amount of the DC may be determined on the day that an application for a zoning by-law amendment approval is made.
- 6.1.3 Where 5.2.1.1 and 5.2.1.2 do not apply, the amount of the DC will be determined at the time of building permit issuance or as otherwise payable under section 26.1 of the DCA.
- 6.2 Section 26.2 (3) provides that interest may be charged on the DC in accordance with the prescribed maximum interest rate as outlined in section 26.3.
- 6.3 Interest will be applied as outlined in section 8. of this policy.
- 6.4 Early payment agreements will be offered to the owner of a development who has locked in a DC rate pursuant to Section 26.2 of the DCA.
 - 6.4.1 The owner may pay all or a portion of the DC in advance of when it would otherwise be payable to reduce or avoid interest charges.

7. Deferrals and Freezes for Other Developments

- 7.1 Notwithstanding Sections 26.1 and 26.2 of the DCA, Section 27 allows municipalities to enter into an agreement with the owner of a development that allow for payment of DCs at a date before or after they would normally be payable.
- 7.2 The District may consider applications for prepayment or deferral of DCs if the:
 - 7.2.1 Development proposed is eligible for a deferral if the units meet the definition of Affordable House Price as contained within this policy and based on the on the annual All Households Incomes and Affordable House Prices data published for implementing section 1.4 of the Provincial Policy Statement to support provision of an adequate supply of affordable housing (developers can request this data from the District).
 - 7.2.2 The developer of the property agrees to comply with the regulatory and all reporting requirements of the DCA and the District's DC by-law.
 - 7.2.3 The developer agrees and accepts that the District reserves the right to levy DCs and any applicable interest if the development is not meeting or in compliance with any of the criteria laid out in this policy and the DCA. Additionally, by entering into a deferral agreement with the District the developer agrees keep the District informed about any change in scope of the development from the time of the deferral application to the time of occupancy.
- 7.3 Annual installments on deferral agreements shall commence beginning on the

earlier of the date of the issuance of an occupancy permit under the Building Code Act, 1992, and the date that the development is first occupied and will continue to be payable on the following one (1) anniversary of that date.

- 7.4 The District Treasurer, in consultation with the District Solicitor and Chief Administrative Officer, may consider a deferral period of an additional year, to a maximum of two (2) years following the earlier of the date of issuance of occupancy permit under the Building Code Act, 1992 and the date that the development is first occupied.
- 7.5 Interest will be applied to deferral as outlined in section 8. of this policy.
- 7.6 If required by the District, a deferral agreement may be required to be registered on title of the applicable property at the cost of the applicant.

8. Interest Rates to be Applied

- 8.1 As permitted under Section 26.1 (7) and 26.2 (3) of the DCA, the District will charge interest rates as follows: Prime plus 1%.
- 8.2 The adjustment date will be deemed to be the most recent adjustment date in accordance with section 26.3 (2) of the DCA. This anniversary date (adjustment date) will be used throughout the term of the agreement.
- 8.3 Prime will be adjusted annually based on the adjustment date as outlined in section 26.3 (2) of the DCA.

Related Policies/Procedures:

Policy FI-018-2020 – Securities for Development Agreements

Reference: (approval and amendment details, legal references):

Development Charges Act, 1997

By-law 2019-49 Being a by-law to Impose Development Charges