



Staff Report

Finance and IT Services

Report To: Committee of the Whole
Meeting Date: May 5, 2020
Report Number: FAF.20.085
Subject: Development Charge Payment Plan Follow-up Report
Prepared by: Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets

A. Recommendations

THAT Council receive Staff Report FAF.20.085 entitled "Development Charge Payment Plan Follow-up Report";

AND THAT Council set a mechanism to determine annual interest rates for Rental, Institutional and Not-for-Profit Rental Housing Development.

B. Overview

The report serves as a follow-up to staff report FAF.20.071 entitled Development Charge Payment Plan Interest Rate to provided Council with more information and options.

C. Background

On January 1, 2020 the Provincial Government introduced changes to the Development Charges Act (The Act) that requires municipalities to offer a five year payment plan for Rental Housing and Institutional Developments and 20 year plans for Non-Profit Housing Developments for their Development Charges. One aspect of this new section of The Act is the Town can charge interest on the payment plan, this report looks to establish the mechanism to set the interest rate.

At the April 21, 2020 Committee of the Whole meeting Council asked staff to investigate whether a floating interest rate could be used for these payment plans. After additional research staff have found that yes a floating rate can be used. The new legislation only specifies the maximum rate (1.25% monthly) but nothing else giving municipalities flexibility when setting this rate.

D. Analysis

While conducting the research two example were found of similar interest rate mechanisms that staff believe Council is interested in.

- City of Ottawa – Construction Price Index plus 0.5% or Average Interest Rate on Development Charge project debentures plus 0.5%
- Town of Shelburne – Bank of Canada Prime plus 5%

These are just a few examples for context.

Staff have developed a few mechanisms for Council's consideration:

1. Construction Price Index plus a percentage mark-up: this is a good mechanism as the Development Charges are indexed annually using this index and it ties them together.
2. The borrowing rate on a 20 year loan plus a percentage mark-up: using this mechanism ties the interest rate to any potential borrowing costs the Town may have to do for capital projects.
3. The interest rate on the One Fund Savings Account plus a percentage mark-up: this ties to the interest rate to lost investment income as the Town would be out the Development Charges to invest. The One Fund holds the majority of the Town's savings.
4. 1.25% per month: this would use the same interest rate as outstanding property taxes and utility bills (or 15% per year).
5. No interest.

Included in mechanisms one to three is the idea that Council could add additional percentages above these other rates, which is a decision of Council and can be set to 0%. In addition, Council can set two different mechanisms for the five and 20 year plans.

E. The Blue Mountains Strategic Plan

The Blue Mountains Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence

Objective #4: To Be a Financially Responsible Organization

F. Environmental Impacts

None.

G. Financial Impact

Any interest income earned through these payment plans will be added to the appropriate Development Charge Reserve Fund.

H. In consultation with

Ruth Prince, Director of Finance and IT Services

I. Public Engagement

The topic of this Staff Report has not been subject to a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. Comments regarding this report should be submitted to Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets at finance@thebluemountains.ca.

J. Attached

None.

Respectfully Submitted,

Sam Dinsmore
Deputy Treasurer/Manager of Accounting and Budgets

Ruth Prince
Director of Finance and IT Services

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