



Staff Report

Finance and IT Services

Report To: Committee of the Whole
Meeting Date: April 21, 2020
Report Number: FAF.20.071
Subject: Development Charge Payment Plan Interest Rate
Prepared by: Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets

A. Recommendations

THAT Council receive Staff Report FAF.20.071 entitled "Development Charge Payment Plan Interest Rate";

AND THAT Council set an interest rate at X.XX% for Rental Housing and Institutional Developments Payment Plans;

AND THAT Council set an interest rate at X.XX% for Non-Profit Housing Development.

B. Overview

Starting on January 1, 2020 the Town must offer 5 year payment plans for Rental Housing and Institutional Developments and 20 year payment plans for Non-Profit Housing Developments for the payment of Development Charges.

C. Background

On January 1, 2020 the Provincial Government introduced changes to the Development Charges Act (The Act) that requires municipalities to offer a 5 year payment plan for Rental Housing and Institutional Developments and 20 year plans for Non-Profit Housing Developments for the 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 interest rate.

D. Analysis

Section 26.1 of The Act outlines the new payment plans and the rules around the plans.

- Specifically relates to Rental Housing, Institutional, and Non-Profit Housing Developments
- Payable in equal installments starting on the date of the occupancy permit over 5 or 20 years based on the development type

- The municipality can charge interest at a rate not exceeding the prescribed maximum rate (1.25%/month as per the Municipal Act)
- Unpaid installments are added to the tax roll and given priority lien status
- If any of the development has a change in type, all outstanding installments and interest are due immediately

With these changes to the legislation the Town will need to set an interest rate to be charged if any developments that meet the criteria of The Act are built in the Town. The Town can choose to set one interest rate for both payment terms or can charge different rates.

The highest rate that the Town can charge is 1.25% per month which would be consistent with unpaid property taxes and utilities. Council can also choose an interest rate that aligns with Development Charges. For example the Development Charges are inflated each January 1st using the previous year 3rd quarter Construction Price Index. For January 1, 2020 the Development Charges were indexed by 3.30%. The Town could set this as the rate for any applicable development types as the five or 20 year term interest rate.

Another option for Council would be to set the rate at 0.00%. Other interest rates that Council could consider is what the Town is making on investments (currently around 1.00%) or cost of borrowing long-term (currently around 2.70%). Through this report staff are looking for some direction from Council on what interest rate the Town should charge on the new Development Charge payment plans. Staff have split the recommendations which will allow Council to set different rates however Council can set one rate for both payment 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

N/A

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

N/A

Respectfully Submitted,

Sam Dinsmore
Deputy Treasurer/Manager of Accounting and Budgets

Ruth Prince
Director of Finance and IT Services

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