CORPORATE POLICY

THE CITY OF Waterloo

Policy Title:	**Development Charge Interest Policy**
Policy Category:	**Financial Control**
Policy No.:	FC-023
Department:	Corporate Services
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Attachments:	N/A
Related Legislation:	*Development Charges Act, 1997, S.O. 1997, c. 27* *Ontario Regulation 82/98*
Key Word(s):	Development Charges, Interest, Deferral, Rate Freeze

POLICY STATEMENT:

The City of Waterloo's Council is committed to demonstrating financial leadership and sustainability. This policy sets a financial risk management framework for charging interest, as permitted under sections 26.1, 26.2, and 26.3 of the Development Charges Act (DCA), and as amended by Bill 17, that provides a transparent process while protecting the City's financial interests.

PURPOSE:

This policy will support the City of Waterloo's ability to invest and build growth-related infrastructure funded by Development Charge (DC) revenue for an expanding population and employment base in a way that is transparent and fiscally sustainable.

DEFINITIONS:

Adjustment date:	Used in calculation of maximum interest rate in Section 26.3 of the DCA means January 1, April 1, July 1 or October 1
Development:	The construction, erection or placing of one or more buildings or structures on land or the making of an

	addition or alteration to a building or structure that has the effect of increasing the size or usability thereof according to one or more of the actions referred to in subsection 2(2) of the DCA, and includes redevelopment.
Development Charges Act:	(DCA) The Development Charges Act, 1997, S.O. 1997, c. 27, as amended and all regulations thereto.
Development Charge Deferral:	Ability for qualifying residential developments to spread DC payments over multiple annual instalment payments (Rental Housing and Institutional development), as defined in Section 26.1 of the DCA. All other residential developments may defer payment until first occupancy.
Development Charge Freeze:	Locking in DC rates as defined in Section 26.2 of the DCA.
Early Payment Agreement:	For clarity, a person required to pay a deferred Development Charge may pay the charge before the day it is payable even in the absence of an agreement under section 27 of the DCA.
Maximum Interest Rate:	As defined under Section 26.3 of DCA, the maximum amount of interest that a municipality may charge shall be an annual interest rate that is one percentage point higher than the base rate of interest in effect for that day.
Prime Rate:	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.
Security:	An agreed upon asset or assurance provided to the City in anticipation of later payment of Development Charges, to then be returned to the owner once paid in full.

SCOPE:

In December 2019, certain sections of Schedule 3 of Bill 108 More Homes, More Choice Act, 2019 (as amended by Bill 138) were proclaimed and came into force on January 1, 2020 which amended certain sections of the Development Charges Act (DCA). On December 19, 2019 Ontario Regulation 454/19 was also filed to amend the Ontario Regulation 82/98 under the DCA. Furthermore, on June 5, 2025, Schedule 4 of Bill 17, Protect Ontario by Building Faster and Smarter Act, 2025 received Royal Assent and made additional changes to the DC deferral framework. The relevant changes for DC deferrals became effective on November 3, 2025 which amended certain sections of the DCA that outline what DC payments can be deferred, and the application of interest charges.

This Policy applies to development applications that are eligible for a development charge freeze and/or deferral provided in Section 26.1 and Section 26.2 of the DCA, as amended. If at any time this policy is in conflict with the DCA and doesn't align, the DCA requirements will supersede this policy.

POLICY COMMUNICATION:

This interest rate policy shall be made available on the City's website for reference.

POLICY:

Section 26.1 (the "deferral"):

Section 26.1 of the DCA outlines the deferral of development charges in six (6) equal annual installments for rental housing development that is not non-profit housing development and institutional development. The equal annual instalment payments for DCs on those development types will begin on the earlier of the date a permit is issued under the Building Code Act authorizing occupancy or the date the building is first occupied.

As of the date Schedule 4 to the Protect Ontario by Building Faster and Smarter Act, 2025 came into force (November 3, 2025), all other residential development not classified as rental housing development or institutional development may defer the total DC due until the earlier of the date a permit is issued under the Building Code Act authorizing occupancy or the date the building is first occupied.

Section 26.1(7) of the DCA, as amended by Schedule 4 to the Protect Ontario by Building Faster and Smarter Act, 2025, provides that interest may be charged on each instalment from the building permit issuance date to the date Schedule 4 to the Protect Ontario by Building Faster and Smarter Act, 2025 came into force (November 3, 2025), but only to the extent that the interest being charged had accrued before that day, at a rate not exceeding the prescribed maximum interest rate. Interest will not be charged on DC deferrals after November 3, 2025.

For rental housing development or institutional development, annual payments are based on the calculated DC divided by the number of installments due, plus any accrued interest that has accumulated from building permit issuance date to November 3, 2025. The annual interest rate applied to installment balances for rental housing development or institutional development is determined at the time of building permit issuance and is locked in for the deferral period from building permit issuance to November 3, 2025.

All other residential development not classified as rental housing development or institutional development will be permitted to defer the DC until occupancy as of

November 3, 2025. No interest will be charged on the deferred payment, which is to be paid in full prior to occupancy being granted.

For clarity, and ease of administration, properties that have a deferred development charge may pay the balance owing before the day it is otherwise payable even in the absence of an agreement under section 27 of the DCA. Early payment agreements under section 27 will no longer be required to pay down deferred DC balances before they are otherwise due.

A person required to pay a development charge referred to above 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 that notice will result in the development charge, including any accrued interest if applicable, becoming payable immediately.

Section 26.2 (the "freeze"):

Section 26.2 of the DCA provides that the total amount of a development charge for a development that is proceeding through a site plan control approval or a zoning by-law amendment approval is to be determined under the DC by-law on the date when the complete site plan application or a zoning by-law amendment application is made, and be frozen for a period of eighteen months from the relevant application approval date (*freeze period*). If eighteen months have elapsed since the approval of the relevant application to when the first building permit is issued, the amount of the development charge is to be determined at the date of issuance of the building permit.

If a development was subject to both site plan and re-zoning applications, it is the date of the later application that is used to determine the DC. If neither of these applications apply to the development, then the DC is determined on the building permit issue date, or otherwise in accordance with the DCA, as amended.

If a development charge is to be calculated at the time of a site plan application or at the time of a zoning by-law amendment application, the municipality may charge interest on the DC amount at a rate not exceeding the prescribed maximum interest rate, from the date of the complete application referred to in the applicable clause to the date of issuance of the building permit.

The annual interest rate applied to a DC pursuant to Section 26.2 of the DCA is determined when the DC is calculated, and is locked in until such time as the DC becomes payable or deferred, with interest accruing to the date the DC would normally be paid in the absence of any deferrals under Section 26.1 of the DCA (i.e. at building permit issuance); and prorated accordingly based on when the interest starts accruing.

The DCA requires that the DC payable be the lower of the frozen DC rate (including any interest accrued) or current DC rate in effect at the time of building permit issuance.

If any development charge or interest charges, or any part thereof remains unpaid after it becomes payable (under both Sections 26.1 and 26.2 of the DCA), the amount unpaid shall be added to the tax roll of that property and collected in the same manner as property taxes.

Interest Rates to be Applied:

Pursuant to Section 26.1 of the DCA, the City of Waterloo will charge an annual interest rate of Prime + 0% for Development Charges that are deferred from the building permit issuance date to the date Schedule 4 to the Protect Ontario by Building Faster and Smarter Act, 2025 came into force (November 3, 2025), but only to the extent that the interest being charged had accrued before that day. The charging of interest on deferred DC payments for all residential development types, or the residential portion of a mixed-use development, will be discontinued on a go-forward basis, as of November 3, 2025.

Pursuant to Section 26.2 of the DCA, the City of Waterloo will charge an annual interest rate of Prime + 0% for Development Charges that are frozen prior to Building Permit issuance, prorated accordingly based on when the interest starts accruing. Interest will start accruing from the date of the applicable complete application until the date the total DC and accrued interest is to be paid, or otherwise deferred under Section 26.1 of the DCA.

Other Matters:

Pursuant to Section 26.2 of the DCA, the City considers an application of a Site Plan or Zoning Amendment to be made as of the date that the submitted application is deemed to be complete according to the City's Planning Division.

At this time, the City will not require additional security for deferrals eligible under Section 26.1 of the DCA. The deferrals will be monitored and will be addressed should non-payment become an issue, with any unpaid DCs transferred to the tax roll of the property.

The Chief Financial Officer and City Treasurer (or designate) is authorized to execute any agreements they deem necessary for the proper implementation or administration of this policy, in a legal form satisfactory to the City's Solicitor and upon business terms satisfactory to the Chief Financial Officer and City Treasurer.

COMPLIANCE:

In cases of policy violation, the City may investigate and determine appropriate corrective action.