

# Town of Whitby

## Staff Report

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### Report Title: Proposed Industrial Development Charges Deferral and Installment Payment Program In Support of Tariff Relief

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**Report to:** Committee of the Whole

**Date of meeting:** April 14, 2025

**Report Number:** FS 18-25

**Department(s) Responsible:**

Financial Services Department

**Submitted by:**

Fuwing Wong – Commissioner, Financial Services / Treasurer

**Acknowledged by M. Gaskell,  
Chief Administrative Officer**

**For additional information, contact:**

Raymond Law – Manager, Development Finance ext. 2909

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#### 1. Recommendation:

1. That the proposed development charges deferral and installment program be approved for eligible industrial developments, as outlined in Staff Report FS 18-25, up-to April 30, 2027;
2. That the Treasurer be authorized to enter into agreements in accordance with Section 27 of the Development Charges Act, with eligible industrial development applicants up-to April 30, 2027, for the purpose of implementing the deferral and installment program as outlined in Staff Report FS 18-25; and,
3. That the proposed amendments to the Fees and Charges By-law included in Table 1 of Staff Report FS 18-25 be approved and a by-law amendment be brought forward to a future Council meeting for consideration.

#### 2. Highlights:

- On March 24, 2025 Council provided direction to Staff to review the development charges (“DC”) policy framework in co-ordination with other Durham municipalities and to propose a temporary DC installment program in support of

industrial development starts which may be delayed due to recent tariffs initiated by the United States of America.

- Staff propose the establishment of a temporary program to provide industrial development applicants the option to:
  - Defer the payment of Town DCs that are normally collected at time of building permit issuance;
  - Pay applicable DCs in six (6) equal installments over five (5) years:
    - First payment at occupancy/receipt of occupancy permit;
    - Payments two (2) to six (6) annually following the first payment.
- Participation in the program is not mandatory, and industrial development applicants that choose to participate will be required to enter into an Agreement, will be charged an administrative fee, and will have interest applied to the balance in accordance with Town policy.
- The proposed industrial DC deferral / installment dates for Town of Whitby development charges matches the dates approved at the Region of Durham in March, 2025.
- The implementation of a DC Deferral and Installment program where Town DC payments, normally collected at time of building permit is deferred over five years following occupancy, will likely result in growth-related/DC-funded projects planned for 2026 and 2027 to be shifted out/ delayed / deferred.

### 3. Background:

The recent imposition of tariffs by the United States of America (“**U.S.**”) on Canadian imports, and the subsequent retaliatory tariffs proposed by the Government of Canada on U.S. imports, have resulted in significant negative impacts on the economies of both countries.

On February 1, 2025, the U.S. government announced a 25% tariff on a wide range of Canadian goods, and a 10% tariff on energy resources, to be effective February 4, 2025. The U.S. administration justified this measure as a way to protect the U.S. economy and jobs, while addressing other issues related to border security.

These tariffs are widely viewed as unjustified and detrimental to the long-standing trade relationship between Canada and the United States. In response, the Canadian government has proposed retaliatory tariffs, including a 25% tariff on specific U.S. goods, with the potential to expand to an even broader range of goods should the U.S. tariffs remain in place.

Council provided Staff the following direction as part of [Resolution #53-25, on March 24, 2025](#), related to Staff Report FS 09-25 on the Town’s Development Charge Interest Policy Amendment:

*That Staff co-ordinate with other Durham municipalities to review the Town’s development charge policy framework, and prepare a report for the April 14, 2025 Committee of the Whole meeting, on a temporary Town commercial and industrial development charges installment program in support of industrial*

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*development starts despite tariffs proposed by the Federal Government of the United States of America.*

Although the sweeping tariffs scheduled to take effect on February 4, 2025, were postponed until March 4, 2025, and tariffs on various sectors (e.g., automotive and United States-Mexico-Canada Agreement-compliant goods) further postponed. However, 25% tariffs on the import of Canadian steel and aluminum came into effect on March 12, 2025 and a U.S. tariff on the import of automobiles from Canada was announced on April 2, 2025. These tariffs and the potential for additional (retaliatory) tariffs have created an environment of economic uncertainty. This uncertainty may delay or eliminate opportunities for business investment.

Town staff met with representatives from the Region of Durham and lower-tier municipalities within Durham to coordinate the implementation of a deferral and installment payment program aimed at supporting industrial developments amid the current economic uncertainty.

#### **4. Discussion:**

To support businesses looking to build or expand in Whitby, the deferral of applicable (Town of Whitby) DCs combined with payment by installment may provide necessary financial relief from tariffs (i.e. provides for liquidity / cash flow) to encourage timely development of non-residential projects in Whitby.

##### Current Process

Under the Development Charges Act, 1997 (“**DCA**”), municipalities are required to exempt expansions of existing industrial buildings from DCs for up to 50% of the existing floor area. For expansions exceeding 50% of the existing floor area, DCs apply only to the portion of the expansion that surpasses the 50% threshold.

DCs for industrial developments are calculated and collected based on the structures being developed, in accordance with the DCA, and the Town's Development Charge By-law. When a site plan agreement or zoning amendment is required, the rates in effect on the application submission date are used, provided building permits are issued within 18 months of approval (or 24 months if approval was granted prior to June 6, 2024). These charges must be paid prior to the issuance of a building permit.

##### Available Option Through DCA

Section 27 of the DCA permits municipalities to enter into an agreement with the applicant, enabling the payment of DCs either before or after the standard due date. Such agreements also allow municipalities to impose interest, as specified within the agreement, on any portion of the DC paid after its standard due date.

Although permitted by the DCA, municipalities often do not enter into Section 27 agreements as such agreements may result in DC cash flow issues for the municipality that results in the deferral of projects or debt-financing that would otherwise not be required. More information on the financial impact is provided in the Financial Considerations section of this report.

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**Commercial and Industrial Program Considerations**

A detailed review of two potential programs for deferral and payment by installment of DCs was conducted:

- 1) exclusively for industrial developments, and,
- 2) for both commercial and industrial developments.

The recommendation for an industrial development only program is primarily due to the program's potential impact on the Town's DC cash flow (refer to Financial Considerations).

This decision is further supported by the broader economic benefits associated with industrial developments. While both types of developments are important, industrial projects create cascading benefits for ancillary businesses, including resource suppliers, logistics providers, transportation services, and commercial retailers. These ripple effects also contribute significantly to job creation, enhancing their overall economic value.

**Proposed Deferral and Installment Program Details**

The proposed optional DC Deferral and Installment program is similar to the program approved at the Region of Durham on March 26, 2025. To mitigate Town system and administrative process changes, the proposed program also mirrors the statutory (but still optional) deferral program included in the DCA for institutional development and residential purpose-built rentals:

- Payment of Town DCs deferred (i.e. not collected) at time of building permit issuance. To be clear, building permit may be issued despite DCs not being paid in full for eligible developments;
- Town DCs are collected through six (6) equal installments over five (5) years;
  - The first payment starts the earlier of:
    - Actual occupancy date; or
    - Occupancy permit issuance date
  - Payments two (2) to six (6) annually, by the anniversary date, following the first payment

The Deferral and Installment Program is subject to Council's approval of this report and is not retroactive to building permits that have already been issued prior to approval of this report.

Participation in the Deferral and Installment Program is not mandatory and a one-time application fee of \$2,000 is proposed to offset the additional costs associated with preparing, administering, and monitoring the program. This fee is intended to recover the Town's legal costs related to a Section 27 agreement and administration costs to track and collect DCs over a period of five (5)+ years.

Participants would be required to enter into a Section 27 agreement that includes the following terms:

- a. The total amount of a DC payable is the amount of the DC that would otherwise be required under the Town's Development Charge By-laws.
- b. Deferral of the DCs will be over a period of five years and will consist of six equal payments.
  - i. One sixth of the total owing is due upon first occupancy or the issuance of an occupancy permit (whichever is earlier).
  - ii. The remaining five payments are due on the following five anniversaries of first occupancy or the issuance of an occupancy permit.
- c. Interest rates on the deferral amounts/balances are to be set at the maximum prescribed interest rate as set out in the DCA (average prime rate + 1%, adjusted quarterly). As outlined in the Town's DC Interest Policy, interest will accrue on the DC amount, commencing:
  - i. on the date a rate is locked-in if applicable; or,
  - ii. where no rate is locked-in, the DC rate in effect on the date of building permit issuance.
- d. In the event of default, either through non-payment or other breach of the terms within the agreement, any unpaid amounts will become payable immediately.
- e. Unpaid amounts will be transferred to the property tax roll 90 days after an event of default and recovered in the same manner as property taxes.

If a building permit is ready for issuance and required by the applicant prior to the full execution of the Section 27 deferral and installment agreement, then the applicant may provide payment of the DCs in full or an equivalent valued letter of credit, which will be refunded or released, upon execution of the Section 27 agreement.

Council approval is required for the Town to enter into Section 27 agreements to permit the later payment of DCs. It is recommended that the Commissioner of Finance/Treasurer be authorized to enter into agreements under Section 27 of the DCA with developers, for the purposes of implementing the Deferral and Installment Program as outlined in this report.

#### Program Implementation and Co-ordination

In accordance with Council Resolution #53-25, the proposed Town DC deferral and installment program is intended to support industrial development starts despite tariffs imposed by the U.S. government.

The proposed program utilizes current system set-up (e.g. for payment installment payment reminders, letters) and staff processes for similar statutory DC deferral and installment programs for institutional and purpose-built rental developments so it can be operationalized quickly and at minimal system set-up costs.

Additionally, on March 26, 2025, Region of Durham Council approved a similar Regional DC deferral and installment program for industrial developments. Under the Region's program, first and subsequent payment dates are aligned with the Town's proposed Deferral and Installment Program.

Since the Town collects DCs on behalf of the Town, Region, and School Boards, a coordinated program between the Town and the Region maximizes the benefits provided to eligible industrial developments (e.g. liquidity/cash flow), simplifies tracking, and leverages existing administrative processes and workflows within the Town and Region of Durham.

#### Program is Temporary

The program is designed to be a temporary measure in response to the current challenges arising from economic uncertainty. It is recommended that the program remain active for a duration of two years, ending April 30, 2027.

### **5. Financial Considerations:**

#### Interest on Deferred Payments

When a DC rate is locked in and/or paid in installments, the DCA permits the municipality to charge interest on the DC that is payable, accruing from the day the rate is locked-in to the day the amount is paid. The prescribed maximum interest rate is the average prime rate of the five major banks in Canada, plus 1%. It is the Town's policy to charge interest at the maximum prescribed rate to all DC payments that have a locked-in rate and/or payment by installment.

Charging interest on DCs serves several important purposes:

- **Compensating for Time Value of Money:** When payments are deferred, the value of the money owed decreases over time due to inflation and other economic factors. Charging interest mitigates this loss in value, ensuring that the funds collected retain their purchasing power.
- **Supporting Municipal Infrastructure:** DCs are used to fund public infrastructure and services like roads/bridges, storm water infrastructure, and fire stations. Prompt payment ensures that these projects can proceed without delay, benefiting the community at large. While the Town could, in certain cases, borrow funds to advance these projects and recoup the associated borrowing costs later, this approach shifts the financial burden to future developments. Further, if the Town had to borrow for DC/Growth-related infrastructure projects, the Town may have to temporarily use other reserve funds to pay for the principal and interest payments during periods of low development activity. That is, during period of low development activity, DC revenues may be insufficient to service the debt servicing costs.
- **Encouraging Timely Development:** Interest serves as an incentive for development to occur promptly. Developers are more likely to obtain building permits and proceed with construction knowing that delaying will incur additional costs.

The following example illustrates the interest payable on a 10,000 square metre industrial development, calculated based on the current industrial DC rate of \$86.07 per square metre and an annual interest rate of 5.95%. This calculation assumes the

development progresses from site plan application to building permit issuance within six months, followed by occupancy permit issuance after an additional 12 months.

	Date	Principal	Interest	Total Payment	Balance
Site Plan Application	4/14/25	\$ -	\$ -	\$ -	\$ 860,700.00
Building Permit	10/15/25	\$ -	\$ -	\$ -	\$ 860,700.00
Occupancy Permit	10/15/26	\$ 143,450.00	\$ 77,027.93	\$ 220,477.93	\$ 717,250.00
Year 1	10/15/27	\$ 143,450.00	\$ 42,676.38	\$ 186,126.38	\$ 573,800.00
Year 2	10/15/28	\$ 143,450.00	\$ 34,234.64	\$ 177,684.64	\$ 430,350.00
Year 3	10/15/29	\$ 143,450.00	\$ 25,605.83	\$ 169,055.83	\$ 286,900.00
Year 4	10/15/30	\$ 143,450.00	\$ 17,070.55	\$ 160,520.55	\$ 143,450.00
Year 5	10/15/31	\$ 143,450.00	\$ 8,535.27	\$ 151,985.27	\$ -
<b>Total</b>		<b>\$ 860,700.00</b>	<b>\$205,150.60</b>	<b>\$1,065,850.60</b>	

As shown above, the first payment of \$143,450 equating to one-sixth of the DCs (i.e. "Principal" amount of \$860,700) is due at occupancy. With the remaining five (5) payments occurring by the anniversary dates over the five (5) years following occupancy.

Based on historical industrial development levels, the Town could forgo up to \$1.1 million in net interest revenues per year if the program were to exclude interest. Further, allowing the deferral of DCs without applying interest would adversely affect the DC reserve funds. If projects are deferred until the Town collects in full, the revenues would be based on rates six (6) or more years ago but the Town's cost to build the infrastructure would have increased by at least six (6) years of inflationary pressure. Accordingly, DC deferral programs should include interest on the balance(s) owing.

### Cash Flow

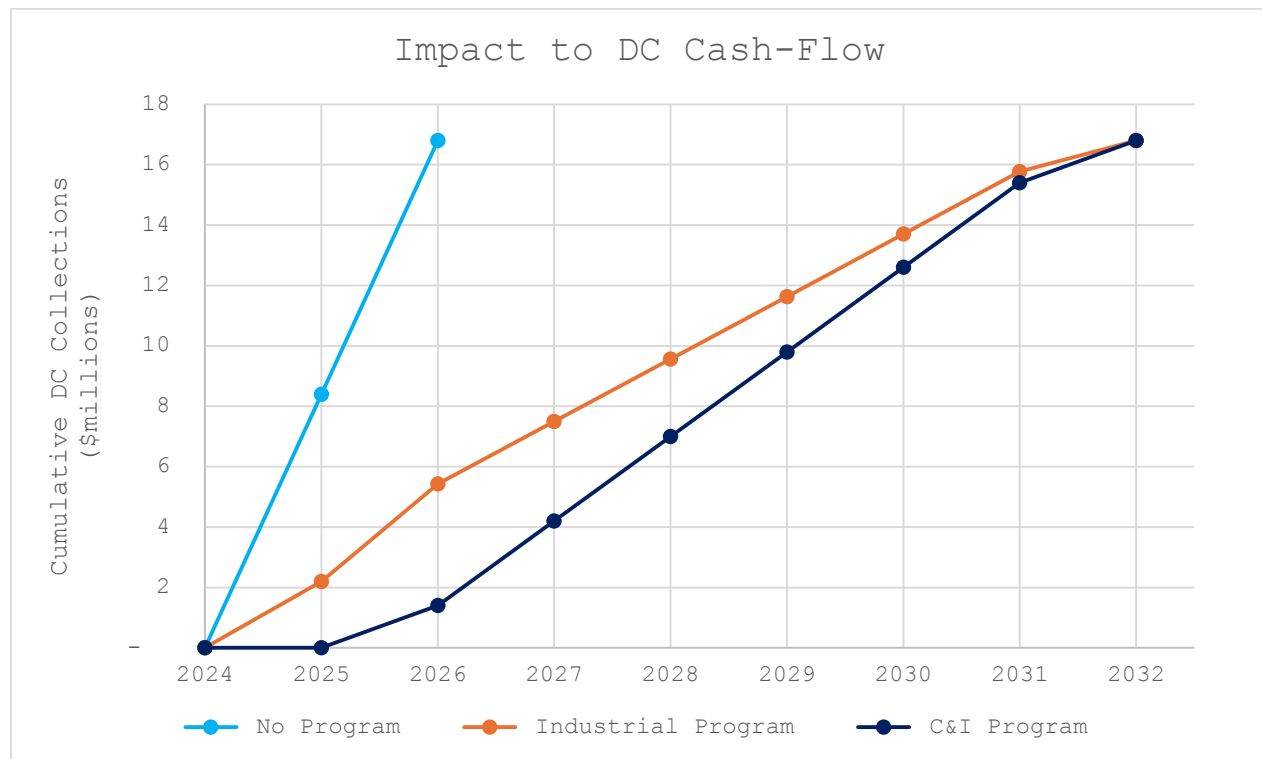
The proposed deferral of industrial DCs is expected to affect the Town's cash flow significantly. Payments that would typically be collected in full at the time of building permit issuance are instead distributed over a five-year period. This deferral begins only after occupancy, which delays the collection of funding an additional six (6) to 24 months, following the issuance of the building permit. Should the required funding be unavailable, the Town may need to rely on debenture financing, incurring borrowing costs. Alternatively, in the absence of available funds or debt, growth-related infrastructure capital projects may need to be delayed. Accordingly, this program should be temporary as a measure to encourage industrial development starts in the current environment of increasing tariffs initiated by the U.S. government and reciprocal tariffs.

In a typically productive year, the Town generates an average of approximately \$2.2 million in commercial DCs and \$6.2 million in industrial DCs, resulting in a total non-residential DC collection of \$8.4 million per year. Chart 1 (below):

- Outlines the potential impact the Deferral and Installment Program options considered for this report:
  1. No Program (or Status quo) – light blue line;

2. Deferral of Industrial (Town) DC's only – orange line;
  3. Deferral of both Industrial and Commercial (Town) DC's – dark blue line;
- does not reflect interest or inflation, which would further compound impacts of the program.
  - That, when compared to the status quo (i.e. no deferral program), after year two an industrial only program would see a reduction in non-residential DC cash flow of approximately 68%. A program that encompasses both industrial and commercial developments would result in a reduction of over 90% in non-residential DC cash flow.

Chart 1



As shown in the chart above, the impact of a DC Deferral program will result in DC revenues being collected over a longer period of time. Further, the addition of Commercial development to the program was considered but not recommended due to the significant impact on Town DC cash flows (e.g. the dark blue line, in Chart 1, identifying a combined Industrial and Commercial program).

The Town utilizes DC's to fund growth-related infrastructure projects (e.g. new roads/bridges, storm water, fire stations, etc.). **Accordingly, the implementation of a DC Deferral and Installment program where Town DC payments, normally collected at time of building permit is deferred over five years following occupancy, will likely result in growth-related/DC-funded projects planned for 2026 and 2027 to be shifted out/ delayed / deferred.** The Town will investigate debt



financing, however, if there is low development activity, DC collections/revenue inflows may be insufficient to service the debt payment (i.e. DC revenues may not cover principal and interest payments after we debenture for the project(s)). If DC revenues are insufficient to pay for debt servicing costs on DC-related projects, the Town may need to temporarily borrow and deplete other tax-funded reserves to meet the (DC) debt obligations. Temporary borrowing will be repaid from future DC revenues with interest which results in additional upward financial pressure on future (Town) DC rates.

### Fees

To recover the cost of drafting the Section 27 DC Deferral Agreements and tracking, collecting, and reconciling DC payments over six (6) installment for five to seven years (e.g. five years after the first installment at occupancy and possibly seven years from time that the initial building permit is issued), it is recommended that the Town's Fees and Charges By-law # 7220-17, be amended to incorporate a \$2,000 fee related to this program outlined as follows:

**Table 1**

Fee No.	Fee Title	Fee Basis	HST	2025 Fee
LES-81	Development Charges Deferral Agreement	Per Agreement	Yes	\$500
FIN-28	Development Charges Deferral and Installment Payment Agreement for Industrial Development	Per Agreement	Yes	\$1,500

## **6. Communication and Public Engagement:**

The approved development charge framework will be made publicly available on the Town's website, under the Non-Residential section of the Development Charges webpage.

## **7. Input from Departments/Sources:**

Not Applicable.

## **8. Strategic Priorities:**

Not Applicable.

## **9. Attachments:**

Not Applicable.