



Report to Council

Department: Corporate Services

Date: September 16, 2019

Prepared by: Jeffrey R. Morrison, CPA, CGA
Director, Corporate Services

Submitted by: Jeffrey R. Morrison, CPA, CGA
Director, Corporate Services

Report Number: Corporate Services Report 2019-05

Subject: Shoreline Assistance Loan Program

Number of Pages: 5

Recommendation(s)/Conclusion(s)

The following are provided for Council's consideration:

1. That Corporate Services Report 2019-05 entitled "Shoreline Assistance Loan Program" be received; and
2. That Council approve Administration to move forward with finalizing a Shoreline Assistance Loan Program using the structure identified under Scenario 1 of the report (local improvement) to replace the Shoreline Assistance Loan Program that was discontinued by the Provincial government effective April 1, 2010.

Purpose

Council approval is required for revenue allocations or expenditures that fall outside of the annual budget process.

Background

On April 1, 2010 the Province of Ontario discontinued the Shoreline Assistance Loan Program administered by the Ministry of Municipal Affairs and Housing.

The Program provided loans to private owners of shoreline properties to repair or construct protective works, or repair, raise or relocate buildings or structures damaged by high-water levels under the authority of the Shoreline Property Assistance Act, RSO 1990.

The program was discontinued in 2010 due to minimal uptake as a result of lower lake levels and economic conditions which allowed financial institutions competitive or better interest rates on personal loans than those offered through the program.

The period, number of loans, and total value per year across the entire province is summarized below.

Period	Number of Loans	Total Principal Value
2001-02	2	\$96,600
2002-03	2	\$18,300
2003-04	0	\$0
2004-05	2	\$30,700
2005-06	0	\$0
2007-08	0	\$0
2008-09	1	\$12,200
2009-10	0	\$0
2010-11	Program cancelled as of April 1, 2010	
Total 2001 to 10	7	\$157,800

It has also been identified that the majority if not all of the debentures were issued by municipalities in either Essex County or Chatham-Kent.

During the first quarter and last quarter of 2018 the Town received two requests for information as it pertains to the former program. At this point Administration began to research the program, only to identify that it had been cancelled in April 2010. Conversations were also initiated with the Ministry of Municipal Affairs and Housing to see if the program would be relaunched; the answer was no.

The Shoreline Property Assistance Act, RSO 1990 remains in place, however through conversation with our Municipal Advisor at the Ministry of Municipal Affairs and Housing the act will be repealed in the near future; although no definitive date has been provided.

In April 2019 Administration began the process to more thoroughly investigate the Act and the former loan program. At this point it was determined that the municipality may be in a position to offer replacement of the program aimed at properties where the need for repair or construction of protective works to protect existing development from high water levels is identified.

Feasibility

A working group including: Town of Essex, ERCA, Legal, and a Local Financial Institution, was created to ensure that all facets of the program were reviewed and to determine whether the program would be feasible if Council support were to be received. It's been determined that the program can effectively operate with the support of our partners.

The goal of the program would be to provide residents and/or property owners another tool in their fight to protect and maintain their investment along Lake Erie.

Intent

Through consultation with the Essex Region Conservation Authority (ERCA), it has been determined that the program should be limited to existing development and/or property and

their current use. Participation in the program, or improvements made to shoreline infrastructure does not guarantee future development or construction on site. Any future activities would need to comply with all current municipal, agency and Ministry regulations.

One of the underlying goals in developing the program was affordability. When the Province eliminated the Shoreline Assistance Loan Program in 2010 the interest rate was approximately 6.5%. Through partnerships with a local lender the interest rate under the proposed program would be comparable to the current residential posted mortgage rate at the time of the loan (September 2019 approximately 2.99%).

Scenarios

Another underlying goal of the program was to structure in such a way that the loans would: be collected like tax (on the final two property tax installments annually), be secured for the lender, and the loans would not impact the municipality's debt level.

With benefit of legal counsel it's been identified that there are two scenarios that would be feasible for the program:

- 1) the Town would loan the funds for repairs and/or improvements directly to the property owner, with the Town having borrowed the funds for the loan from a financial institution; or
- 2) the property owner would borrow the funds directly from the financial institution with the Town providing a guarantee of said loan to ensure a preferential rate of interest on the loan.

Scenario 1 mimics the structure under the cancelled Provincial program, and would be collected by way of local improvement through property tax. This is the preferable and recommended scenario as it is collected as tax, secured, and does not impact the municipality's debt level. The Owner and the Town may under section 36.1 of Part III of O.Reg 586/06: Local Improvement Charges – Priority Lien Status enter into an agreement for the undertaking of private work (i.e. work owned privately or undertaken on private property).

Section 1(2.1) of the Act and 1(2) of O. Reg. 586/06 further identifies that a special charge can be imposed as a local improvement and added to the property owner's tax roll.

Scenario 2 would require the Town to act as the 'guarantor' for the property owner's loan obtained from a financial institution. Although this scenario would allow the municipality to collect as tax and provide a secured loan, it may impact the municipality's debt level if the guarantor provisions were exercised in the event of a default on the underlying loan.

Additionally the ability to collect as tax under scenario 2 doesn't necessarily provide priority lien status to the loan in case of default and eventual tax registration/sale.

Next Steps

Upon adoption of this Report and its recommendations, Administration will work with the Town's strategic partners to finalize the steps involved in the application, approval, and completion of the process to finalize a program that can be brought to market. A communication and marketing campaign will be developed once adopted.

Financial Impact

All costs associated with the administration of the program will be recoverable.

Link to Strategic Priorities

This report is linked to the Strategic Priority: "Manage the Town's finances and human resources in a responsible manner".

Reviewed by: Chris Nepszy, Chief Administrative Officer	concur
Doug Sweet, Director, Community Services / Deputy CAO	concur
Lori Chadwick, Director, Development Services	concur
Robert Auger, Legislative Services / Clerk	concur
Heather MacDonald, Manager, Finance and Business Services	concur