

Well and Septic Loan Program

Corporate & Residential Services Committee

February 14, 2023



EAST HANTS

Background

- The replacement and repair of well and septic systems can pose a substantial cost to residents.
- In October 2022, Staff presented a report of potential supports the Municipality could provide to alleviate the cost of well and septic systems.
- Committee directed staff to investigate a loan program for well and septic systems.
- Seven (7) municipalities in Nova Scotia currently have a similar program, outlined in Table 1.

Table 1 Municipal Well or Septic Loan Programs

Municipality	Service Funded	Loan Amount per Household
Halifax Regional Municipality	Wells and Septic	\$20,000
Victoria County	Wells and Septic	\$10,000
Annapolis County	Wells	\$10,000
District of Yarmouth	Wells	\$10,000
District of Chester	Wells	\$10,000
District of Argyle	Wells	\$15,000
District of Barrington	Wells	\$10,000

Background: Provincial Activities

- The Province provides a range of funding opportunities that may apply to well and septic systems. These are outlined in Table 2.

Table 2 Housing Nova Scotia Funding Streams

Funding Program	Program Details	Funding Type	Maximum Funding Amount
Small Loans Assistance Program	Improve housing conditions for qualified applicants.	Loan	\$20,000
Provincial Housing Emergency Repair Program	Help make emergency repairs to homes.	Grant	\$6,500
Home Ownership Preservation	Make major repairs and renovations to ensure livability.	Unknown	Unknown
Emergency Repair Program	Help rural homeowners make emergency repairs.	Grants	\$7,000
Canada-Nova Scotia Targeted Housing Benefit	Help people at risk of losing their homes stay in them.	Grant	Up to \$200 a month
Homeowner Residential Rehabilitation Assistance Programs	Help to ensure homes maintain/ meet minimum health and safety standards.	Loan	\$18,000

Discussion

- Staff spoke to a number of contractors throughout the Municipality that install septic systems.
- Committee requested detailed cost estimates for a variety of lot sizes and types, but contractors were only willing to provide an average cost for all lot types of \$20,000.
- Well installers did not respond to requests for average costs. Other municipalities that provide loans for wells provide an average loan of \$10,800, as seen in Table 1. Discussions with the Municipalities of Chester and Argyle indicate that is amount is no longer sufficient to cover the average cost of a well in Nova Scotia.

East Hants Program

- The Municipality could implement this program in two (2) ways:
 - Option 1: Open offer until funds are depleted; or
 - Option 2: One (1) -year pilot program.
- Staff recommend the following program design for either implementation options:
 - Maximum loan of \$20,000 per borrower;
 - Ten (10) year pay-back period;
 - A lien would be placed against the borrower's property;
 - Interest rate of Prime + 2%; and
 - Principle and interest would be paid back as an addition to the borrower's Municipal tax bill.
- Assuming the described design, a \$20,000 loan would cost a property owner \$2,957 annually on their tax bill.
- Defaulting on this loan will result in tax sale of the property.

East Hants Program: Financial Impacts

- The substantial costs of well and septic systems and the number of potential projects means the Municipality will have to borrow to fund these projects.
- As residents will pay off these loans over a ten (10) -year period, these loans would be revenue neutral to the Municipality.
- However, substantial uptake of the program may result in a negative impact on the Municipality's debt ratio and ability to borrow for future projects.
- Applications for funding would be due by a set date. Late applications may be accepted, but preference will be given to on-time applicants.

East Hants Program: Financial Impacts

- The number of projects that could be funded by this program is dependent on the loan taken out by the Municipality.
- The minimum number of projects that could be funded by various levels of funding is outlined in Table 3.

Table 3 Number of Projects Funded by Amount of Municipal Funding

Amount of Municipal Funding	Minimum Number of Projects
\$100,000	5
\$200,000	10
\$300,000	15
\$400,000	20
\$500,000	25

Option 1: Open Offer

- Committee may recommend to implement this program as an open offer to residents.
- In this option, staff recommend the Municipality would allocate \$500,000 to fund residential well and septic loans.
- Applications to the loan program would be processed in the order that they are received, prior to the cut-off date.
- Borrowing would be approved annually by Council to fund the approved applications.
- If this money is depleted, staff would return to Council for direction on the future of the program.

Option 2: Pilot Project

- Committee may recommend to implement this program as a one (1) -year pilot project.
- This pilot enables the Municipality to assess the need for, uptake of, and effectiveness of this program. It would also allow the Municipality to more effectively plan and budget for this program in future years.
- In this option, staff recommend the Municipality allocate \$200,000 to fund well and septic system loans.
- After the one (1) -year pilot, Committee may decide to permanently implement this program or end the pilot.

Low Income Thresholds

- The Municipality has an existing metric for determining if a resident is considered low-income based off the Municipal Tax Assistance Program (MTAP), outlined in Table 2. MTAP thresholds will increase by 7.7% on April 1, 2023.
- Committee may choose to recommend that this well and septic program apply only to low-income residents.
- This designation would ensure the residents who are most in need of the financial support can access it.

Table 4 Municipal Low-Income Thresholds

Family Size	Family Taxable Income
1 adult	\$25,948
2 adults	\$31,582
1 adult + 1 child	\$39,280
3 persons	\$48,345
4 persons	\$58,618
5 persons	\$66,474
6+ persons	\$74,934

Conclusions

- The Municipality has the opportunity to mitigate the costs of well and septic systems for residents through a Municipal loan program.
- Seven (7) other municipalities in Nova Scotia currently have a similar program.
- The Province provides a number of financing options that may apply to well and septic systems.
- Should the Municipality create this program, staff are recommending the following design:
 - A loan up to a maximum of \$20,000 per borrower;
 - A ten (10) year pay-back period; and
 - A lien be applied to the property.
- Committee may also recommend to implement this program in the following ways:
 - Option 1: An open offer until the funding is depleted; or
 - Option 2: A one (1) year pilot program.
- Committee may also recommend to apply low-income thresholds to borrowers.

Reccommendations

- That the Corporate and Residential Service Committee:
 - Provide direction to staff on if the Municipality should move to implement a loan program as described in this staff report;
 - If so, provide direction to staff if the Municipality should implement the program as an open offer or a one (1) year pilot program to gauge homeowner interest; and
 - If so, provide direction to staff if a low-income cap should be placed on the program.

Alternatives

- There are two (2) alternatives to this program:
 - Maintain the status quo; and
 - Conduct Consultation on the needs for this program.