

Well and Septic Loan Program

Corporate & Residential Services Committee

April 18, 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.
- Staff returned to the Corporate and Residential Services Committee in February of 2023, presenting potential options for a well and septic loan program.
- Staff presented the following recommended program to Committee:
 - A loan up to \$20,000;
 - A ten (10) year payback period;
 - Interest of Prime + 2%
 - A lien being applied against the property;
 - The Municipality borrowing money to fund these projects; and
 - The potential to only open this program to low-income residents using the Municipal MTAP thresholds.

Background

- A \$20,000 loan under this program design would cost a homeowner \$2,957 annually on their tax bill.
- Following this presentation, Committee requested staff return with the following information:
 - The financial details of well and septic loans in other municipalities;
 - Ways to reduce the annual cost to borrowers;
 - Identify an alternate means to fund the program; and
 - The potential to include middle income earners in this loan program.

Background: Provincial Activities

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

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

Other Municipal Loan Programs

- Staff spoke with five (5) of the seven (7) municipal units with current well or septic loan programs to better understand their financial design. A summary of this information is outlined in the Table below.

Municipality	Service Funded	Loan Amount per Household	Interest Rate	Loan Period	Funding Source
Halifax Regional Municipality	Wells and Septic	\$20,000	Prime + 2%	10 Years	Internally Funded
Victoria County	Wells and Septic	\$10,000	Prime + 2%	10 Years	Unknown
Annapolis County	Wells	\$10,000	Prime	10 Years	Unknown
District of Yarmouth	Wells	\$10,000	Prime	10 Years	Internally Funded
District of Chester	Wells	\$10,000	Prime	10 Years	Internally Funded
District of Argyle	Wells	\$15,000	Prime + 3.5%	10 Years	Internally Funded
District of Barrington	Wells	\$10,000	Prime + 3.5%	10 Years	Internally Funded

Reducing Annual Costs

- A potential means to reduce annual cost to borrowers would be to reduce the Interest Rate to Prime.
- This change would reduce the cost to borrow while also being considerate of the tax payer burden of these loans.
- A ten (10) -year, \$20,000 loan at this interest rate would cost a borrower \$2,808.19 annually.
- Committee may choose to recommend that these loans be blocked from monthly interest of 14% in the event the account enters arrears.
 - This approach is inconsistent with the Municipality's other Local Improvement Charges (LICs) and is not recommended.

Alternate Funding

- In February 2023, staff recommended borrowing to fund these programs.
- Alternatively, this program could be funded through transferring a portion of the Deed Transfer Tax into a special reserve. Loan repayments would be returned into this reserve.
- Accounting for the already allocated funds resulting from the 2022/2023 fiscal year Deed Transfer Tax Surplus, staff are recommending a one-time amount of up to \$400,000 be allocated from this fund for a well and septic loan program.

Expanding Eligibility

- Staff previously provided the option to open this program exclusively to low-income residents following the Municipal Tax Assistance (MTAP) thresholds; Committee directed staff to investigate expanding these thresholds to middle incomes.
 - These thresholds are significantly higher than comparable programs in other municipalities.
- Using Statistics Canada data from 2021 for East Hants, staff compared the Median Income for various households sizes to MTAP thresholds, with this comparison outlined below.

Family Size	MTAP	2021 Median Income
1 adult	\$25,948	\$35,600
2 adults	\$31,582	\$82,000
1 adult + 1 child	\$39,280	\$58,400
3 persons	\$48,345	Not Defined
4 persons	\$58,618	Not Defined
5 persons	\$66,474	Not Defined
6+ persons	\$74,934	Not Defined
Couple with Children	Not Defined	\$119,000

Expanding Eligibility

- Committee may choose to recommend applying the previously identified Median income levels per household to ensure eligibility in the program.
- Alternatively, Committee may recommend to apply an income cap to this program.
 - Any household exceeding this cap would not be eligible for a well or septic loan.
 - Should Committee recommend this option, staff have identified a potential pre-tax, household income cap of \$120,000 annually.

New Program Design

- Following these changes, staff are proposing the following new design for an East Hants Well and Septic Loan Program:
 - A loan up to \$20,000;
 - A ten (10) year payback period;
 - Interest at Prime;
 - A lien being applied against the property; and
 - \$400,000 allocated to this program.
- Committee may recommend to limit the eligibility for this program to low-income residents, middle income residents, or to apply an income cap to this program.
- Funds will be allocated on a first-come, first-served basis until the funding is depleted.

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 \$400,000 to fund residential well and septic loans.
- 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.

Conclusions

- The Municipality has the opportunity to mitigate the costs of well and septic systems for residents through a Municipal loan 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;
 - A lien be applied to the property;
 - Interest of Prime;
 - A lien being applied against the property; and
 - \$400,000 allocated to this program.
- 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.

Recommendations

- 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 on a preferred option addressing income eligibility.

Alternatives

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