



Subject: *Well & Septic Loan Program*
To: Corporate & Residential Services Committee
Date Prepared: 4/3/22
Related Motions: C22(344), C23(45)
Prepared by: Nathan Hoffmann, Policy Analyst
Approved by: Adam Clarkson, Director Corporate Services

Summary

In October of 2022 and February of 2023, staff presented information on various options for a well and septic loan program.

This report provides further options that may increase the affordability of loans, expand the eligibility for this program, and present alternate sources of funding for these loans.

Financial Impact Statement

The financial impacts of this program are detailed within this report.

Recommendation

That the Corporate and Residential Service Committee:

- Provide direction to staff 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 undertake an open offer program (Option 1) or implement a one (1) year pilot program (Option 2) to gauge homeowner interest; and
- If so, provide direction to staff on a preferred option addressing income eligibility.

Recommended Motion

There is no recommended motion associated with this report.

Background

The Municipality of East Hants (the 'Municipality') has recently enacted Bylaw IO-500, the 'Property Assessed Clean Energy Program (P.A.C.E) Bylaw.' This bylaw enables the Municipality to provide loans to homeowners to complete energy efficiency retrofits on their property. During the development of this program, the possibility of expanding funding to wells and septic systems was raised. However, these additions were out of the scope of the chosen program administrator, the Clean Foundation.

In October of 2022, staff presented to the Corporate and Residential Services Committee on potential Municipal options for supporting residents with the costs of well and septic systems. During this meeting, Committee members provided direction to investigate a loan program similar to the Municipal PACE program. Members of Committee also instructed staff to requests quotes for well and septic systems across the various regions of the Municipality.

Staff returned to the Corporate and Residential Services Committee in February of 2023, presenting potential options for a well and septic loan program.

Provincial Activities

Housing Nova Scotia, a Provincial Government agency, offers a variety of loans and grants to homeowners that may apply to wells and septic systems. The most applicable funding streams are described in Table 1. Staff can point residents searching for financial support to these programs.

Table 1 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

Average Well and Septic Costs

For the February 2023 Staff Report, staff spoke with various contractors for average estimates on the costs to install well and septic systems in the Municipality. Contractors indicated that a septic system currently costs and average of \$20,000. Well installers did not provide an average costs, but discussions with other municipal units indicate that \$10,000 is not sufficient to cover the cost of a drilled well.

Previous Recommendation

In February of 2023, staff recommended a well and septic loan program with the following design:

- 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.

A \$20,000 loan with these parameters would cost a resident \$2,957 annually on their tax bill.

At the February 2023 meeting, Committee directed staff to return with a report outlining 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.

Discussion

Other Municipal Loan Programs

Following Committee's direction, staff spoke with five (5) of the seven (7) municipal units with current well or septic loan programs to understand their program design. Results of these conversations are outlined in Table 2.

Table 2 Municipal Well or Septic Loan Programs

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

All the municipal units that staff spoke with fund these loans internally, rather than from borrowing. All units provide loans for ten (10) years. Interest rates for these loans range from Prime to Prime + 3.5%.

Reducing Annual Costs

A potential means to reduce annual cost to borrowers would be to reduce the Interest Rate to Prime. When compared to the previous recommendation of Prime + 2%, this change would reduce the cost to borrow for loans. This nominal interest would also be considerate for 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.

In the event a loan payment is missed, Committee may choose to recommend that these loans be blocked from the monthly interest of 14% applied to accounts in arrears. This approach would be inconsistent with the Municipality's other Local Improvement Charges (LICs) and is not recommended.

Alternate Funding

In the February 2023 Staff Report, staff recommended borrowing to fund these programs. After discussion with other municipal units who fund this program internally, an alternate means to temporarily finance this money has been identified. Committee may choose to recommend to allocate an annual portion of the Deed Transfer Tax Surplus to a reserve to finance the debt over the ten (10) year period. Loan repayments will be returned into this Special 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. This level of support would fund a minimum of 20 well or septic systems.

Expanding Eligibility

Staff previously provided the option to open this program exclusively to low-income residents following the Municipal Tax Assistance Program (MTAP) thresholds. These thresholds are significantly higher than comparable programs in other municipalities. Staff were directed to assess the potential to further expand these thresholds to middle incomes. Using 2021 Census data for East Hants, staff identified the median income of various household sizes. A comparison of the low-income thresholds from MTAP and the median-income thresholds from the Census Data is outlined in Table 3.

Table 3 Potential Low and Median Income Thresholds per Household Size

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

Due to differing metrics between the MTAP and Census data, it is not possible to make a direct comparison for each household size.

Alternatively, Committee may recommend that this program be subject to an income cap, in which anyone whose household income exceeds a certain level is not eligible for this program. Based off of the median income from Statistics Canada, 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 of Prime;
- A lien being applied against the property; and
- \$400,000 allocated to this program for 2023/2024 fiscal year.

This program design improves the affordability of these loans for residents and prevents the Municipality from increasing its debt burden to fund these loans.

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.

Implementation Options

Option 1 - Open Offer

To operate this program, Council could allocate \$400,000 to fund well and septic upgrades for residents. Applications to the loan program would be processed in the order that they are received. The funding may be withdrawn from Reserves over multiple years. If the \$400,000 is depleted, staff would return to Council for direction on the future of this program.

Option 2 - Pilot Project

The Municipality may opt to run this program as described on a one (1) year pilot project to gauge community interest. This approach would mimic the Municipality's pilot project for the PACE program. Should the program be a success, the Municipality may choose to extend it or make it a permanent offering. Should the Corporate and Residential Services Committee recommend this program as a pilot project, staff recommend a maximum of \$200,000 be allocated to provide loans as a means to assess community interest.

STRATEGIC ALIGNMENT

Creating this program would align with the Municipality's key strategies of Sustainable Infrastructure and Strong Communities.

LEGISLATIVE AUTHORITY

Sections 81A(1)(c)-(d) of the *Municipal Government Acts (MGA)* empowers municipalities to "...make by-laws imposing, fixing and providing methods of enforcing payment of charges for the financing and installations of... ..equipment for the supply, use, storage or conservation of water; and on-site sewage disposal equipment."

FINANCIAL CONSIDERATIONS

Funds for a proposed Well & Septic loan program could be drawn from the year end surplus from the Deed Transfer tax. This transfer would avoid the Municipality from borrowing to fund these loans as was previously proposed.

Alternatives

There are two (2) alternatives to this program as proposed:

Status Quo

Committee may recommend to maintain the status quo and not provide financial support for well and septic system costs.

Conduct Consultation

Committee may recommend to instruct staff to conduct an online consultation to assess the need for and how to best implement this program within the Municipality.

Attachments

N/A