

# Municipality of Lakeshore - Report to Council

## Finance Services



**To:** Mayor & Members of Council  
**From:** Rosanna Pellerito, Director of Finance/Treasurer  
**Date:** February 5, 2021  
**Subject:** Shoreline Assistance Loan Program

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### Recommendation

This report is for information only.

### 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 to offer competitive or better interest rates on personal loans than those offered through the program. Over the period the program was active (2001 to 2010), a total of 7 applications were made at a total loan value of \$157,800. The majority if not all of the debentures were issued by municipalities in either Essex County or Chatham-Kent.

In 2020, the Town of Essex through direction from its Council implemented a municipally managed Shoreline Assistance Loan Program for the residents of The Town of Essex. Following this, Lakeshore Council requested that Administration research the possibility of implementing a similar program in Lakeshore. At its May 15, 2020 meeting Council passed the following resolution.

*138-05-2020 "Direct Administration to bring a report regarding financial options to support private break wall repairs."*

Following this meeting, Administration began the process to more thoroughly investigate the Shoreline Property Assistance Act, and the requirements to implement a similar program in Lakeshore. Lakeshore sought input from The Town of Essex, the Ministry of Municipal Affairs and Housing and Lakeshore's current financial service provider, TD Bank, to understand how such a program could be structured and what, if any, would be the financial impacts to Lakeshore.

## **Comments**

A program of this nature would need to be structured in a way whereby Lakeshore would request a revolving line of credit from the bank and facilitate any financing applications through this loan. Lakeshore would secure the debt on behalf of the applicant. Loan payments would then be billed back to the applicant similar to a tile loan program. If an applicant were to default on the loan payment, Lakeshore would still be responsible for making that payment at the bank. The loan would have priority lien status against the property and as such Lakeshore would be able to levy the payment on the tax account should the resident default on their payment. However Lakeshore would be responsible for ensuring loan payments are made on time would hold all the risk should these payments not be made by the applicant. In other words the credit risk and default risk would be borne solely by Lakeshore. There would be no relationship between the bank and the applicant.

Through extensive research and various discussion with the Ministry of Municipal Affairs and Housing, it has been determined that this program could have a significant impact on the debt capacity of Lakeshore. The Municipality is required to report all outstanding debt to the Ministry on an annual basis. This in turn is used to calculate the Municipality's debt capacity for future debt. This is called the annual debt servicing cost indicator. A lower percentage is better than a higher percentage. In 2019 Lakeshore's debt servicing indicator was at a moderate level of 5.6%. Anything over 10% would be considered high risk. There is risk that this program could move that indicator to a high risk position as any additional debt would increase the percentage.

Given the number of large projects on the horizon for Lakeshore including but not limited to the Denis St. Pierre Water Treatment Plant facility expansion, it is not recommended that Lakeshore proceed with implementing this program that would require the Municipality to secure additional debt. Proceeding with this program could affect Lakeshore's ability to acquire debt in the future for projects that cannot be funded through internal sources. Property owners on the other hand, can access private lending through banks in order to finance the work that would otherwise be accessed through a shoreline assistant loan program.

## **Others Consulted**

Jeff Morrison, Town of Essex  
Ministry of Municipal Affairs and Housing

TD Bank

### **Financial Impacts**

There are no immediate financial implications resulting from this report. Should Council wish to proceed with the implementation of a Shoreline Loan Program, Administration will proceed with implementing a loan program similar in structure to the loan program previously provided by the Province and in accordance with the Shoreline Property Assistance Act.

### **Report Approval Details**

Document Title:	Shoreline Assistance Loan Program.docx
Attachments:	
Final Approval Date:	Feb 10, 2021

This report and all of its attachments were approved and signed as outlined below:

Kristen Newman

Truper McBride