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**Date:** August 26, 2021  
**To:** Mayor and Council  
**Author:** Ryan McLeod, Director of Financial and IT Services  
**RE:** Shoreline Assistance Loan Program  
**Report No.:** FS-2021-16

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## **RECOMMENDED ACTION**

That Council receive the 'Shoreline Assistance Loan Program' report in response to Motion 233-2021.

## **BACKGROUND**

On March 22, 2021, the following motion was moved by Councillor Lucier and carried by Council:

### **233-2021**

**Moved By** Councillor Laura Lucier

**Seconded By** Councillor Larry Patterson

That Administration investigate and prepare a report in consultation with ERCA on the possibility of implementing a program to provide shoreline property owners with loans to repair or construct breakwalls to guard against high water and flooding.

**CARRIED**

In 2019, the Town of Essex, in consultation with ERCA, adopted a loan program to help private property owners finance shoreline protection projects.

Through their program, eligible property owners, can obtain a loan up to the lesser of;

- i) 30% of the Assessed Value of their Property; or
- ii) \$250,000

To be eligible for the program, the property owner must;

- be current on their property taxes
- provide evidence of consent from their mortgage lender(s)
- obtain all necessary approvals and permits from ERCA

Town staff are responsible for reviewing and approving all funding requests. If approved, Administration will enter legal agreement with the Property Owner, setting out the terms and conditions of the loan.

After the agreement is executed, the Town will advance the Property owner up to 20% of the approved value to help finance contractor deposits and other up-front costs.

Once the work is completed and verified by Town staff, the Town will advance the balance of the approved loan amount to the property owner.

The loan is considered a "Local Improvement" under O. Reg. 586/06 and is repaid by adding principle repayments and interest to the property owner's tax roll, each year, over the life of the loan. As a "Local Improvement" charge, the loan has priority lien status, which means the municipality can recover this debt in priority to every other lender, except debt owed to the Federal or Provincial governments and their agencies.

The information above is a summary of the Town of Essex Shoreline Assistance Loan Program. Please refer to Appendix A for full details.

## **DISCUSSION**

Although a Shoreline Assistance Loan Program will assist certain property owners in financing their shoreline protection efforts, there are a number of potential issues to consider;

- 1) Despite having 'priority lien status', the Town is still exposing itself to the potential for bad debts. Although the loan amount is limited to 30% of the assessed value of the property, there is always a risk, particularly with 'flood prone' properties, that the property will lose its market value. If there is no market value for the property, there is no security to collect the outstanding loan balance against in the event of default.
- 2) The Town does not have unlimited borrowing capacity or cash flows. If the program were to have substantial up take, the Town will need to take on debt to finance private land owner projects. This debt will impact the municipality's 'Annual Repayment Limit' which reduces the amount the municipality can borrow.
- 3) If a property has value, most land owners should be able to obtain a loan from their bank or credit union, at favourable rates, to complete their shoreline improvements. A Town sponsored loan program is likely to attract properties with little to no value or applicants with poor credit ratings.
- 4) A fair amount of time and human resources will be required to administer the loan process. This includes assessing project plans, validating contractor estimates and on-site inspections to ensure the work was actually completed. If

Council chooses to proceed with this program, a fixed administration fee should be added to the cost of borrowing, to fully offset the cost of processing applications.

- 5) There has been limited uptake at the Town of Essex. Despite several property owners expressing interest in this program, the Town of Essex has only completed 5 loan applications over the past 2 years.

Based on discussions with ERCA, there are often on-going maintenance considerations with shoreline improvements. If a private land owner fails to properly maintain their shoreline protection, the value created by the original protection efforts could be lost. ERCA has indicated they do not have the staff or resources to monitor the on-going maintenance of private breakwalls.

Given the potential drawbacks associated with a 'Shoreline Protection Loan Program', Administration is not recommending that Kingsville adopt such a program.

With the significant rise in property values in recent years, the vast majority of waterfront land owners should be able to obtain more cost effective borrowing through a secured line of credit or mortgage with their financial institutions.

## **LINK TO STRATEGIC PLAN**

Effectively manage corporate resources and maximize performance in day-to-day operations.

### **Link to Council 2021-2022 Priorities**

- COVID-19 and the health and safety of the community
- Customer Service: Training, Technology, Staff, Review Standards/Level of service
- Housing: Affordability (lot sizes, developer incentives, second dwellings, density, etc.)
- Greenhouse: lights & dark sky, odours (site plan compliance, bylaws, other tools)
- Programming Increase: Youth and Seniors
- A development plan for Downtown Kingsville / Main Street
- Financial savings: Schools closings, Migration Hall
- Economic Development: strengthen tourism/hospitality
- COVID - economic recovery
- Communications: Strategy – Policy (social media), Website refresh and other tools, Public engagement
- Housing: Migrant Worker Housing – Inspections (Building/Fire), regulate, reduce, or increase
- Committees / Boards: Review and Report
- Policy Update: Procedural Bylaw
- Economic Development: diversify the economy, create local jobs, industrial, Cottam

- Infrastructure (non-Municipal): Union Water expansion & governance
- Infrastructure (Municipal): Asset Management Plan update, the infrastructure funding deficit
- No direct link to Council priorities

## **FINANCIAL CONSIDERATIONS**

If Council were to pursue this program, they should establish a maximum dollar value of funds available for lending. This threshold is necessary to prevent the program from having a detrimental effect on cash flows or future borrowing capacity.

## **CONSULTATIONS**

Town of Essex  
ERCA

*Ryan McLeod*

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