



**CORPORATE REPORT**  
**The Corporation of the Town of Wasaga Beach**  
**Meeting Date: 7/17/2025**

**DATE:** 7/4/2025

**SUBJECT:** 2025 Construction Financing – Beach Drive Re-Development

**CONTACT:** Jocelyn Lee, Chief Financial Officer and Treasurer

**REPORT NUMBER:** 2025/07/17-17

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**RECOMMENDATION:**

1. **THAT** the report titled: 2025 Construction Financing – Beach Drive Re-Development, to the Council meeting of July 17, 2025, be received; and
2. **THAT** Council authorize the Treasurer to proceed with the processing of the application for a Floating Rate Capital Loan – Non-revolving agreement with Infrastructure Ontario for a term of five (5) years from the date the loan funding is first drawn with a maximum amount of \$15,000,000.00; and
3. **THAT** upon application approval by Infrastructure Ontario, Council authorize the Mayor and Clerk to execute the agreement subject to technical review by the Treasurer.

**EXECUTIVE SUMMARY:**

- **The Town requires a construction-financing loan of up to \$15 million over a 3 year period to manage the cashflow of the Beachfront Redevelopment Project.**
- **Infrastructure Ontario offers a suitable product for this purpose – Floating Rate Capital Loan – Non-Revolving, 5 year term.**
- **It is anticipated that the revenue funding for the project will be received prior to the end of the 5-year term of the loan and no long-term debt will be necessary.**

**BACKGROUND:**

The Town's budget process includes capital project costs undertaken during the year. It also identifies how those capital projects are funded. Common funding streams include reserves, taxation, development charges, grants and loans. In the 2025 budget, two major roads capital projects are;

- Completion of the RRW project
- Beginning of the multi-year Beach Drive and Area Re-development

These projects are funded in the budget using Provincial Grant funding, Development Charges (DCs), Canada Community Building Fund (previously known as Federal Gas Tax), Ontario Community Infrastructure Funds (OCIF), and general reserves.

## DISCUSSION:

The River Road West (RRW) project will be completed in 2025 and sufficient funding is on hand for this project. The Beach Drive project is starting this year and it is a multi-year project carrying through to 2027. The Province is contributing a total of \$10,950,158 for funding of this project. The project is 50% DC eligible, however once the RRW project is completed, the Roads DC Reserve balance is exhausted. This presents a financing challenge for 2025, 2026, and possibly 2027. The DC Reserve balance is depleted due to the large capital projects that have been completed over the past four years which drew down heavily on the DC Reserves. In addition to drawing on the DC Revenues, the incoming DC collections have been extremely low over the past two years due to current economic conditions impacting development.

Adding to this challenge is the recent change in the collection of DCs from Bill 17 which defers payment until occupancy, whereas previously DCs were paid at time of building permit issue. While the intent of Bill 17 is to help Developers build homes faster by mitigating their cashflow pressures, it has transferred the cashflow requirement to the Municipality. Therefore, rather than the developer incurring interest costs and passing such costs on to the buyer of the new home, the Town will now incur interest costs to fund the cash-flow need resulting from the deferred DC payment and the taxpayers will carry the burden of the interest cost. The Development approach has previously been that growth pays for growth. Bill 17 has changed that approach to the taxpayer paying for a portion of that growth given the DC reserve circumstances in our municipality. For other municipalities that may have sufficient DCs in their reserves, they may not need to borrow, however, they will earn less interest on their DCs as the balances will be lower due to slower DC collections.

The total cost of the Beach Drive project is \$28,690,990 which includes other costs aside from the contract cost of \$25,919,764 plus 1.76% unrecoverable HST for a total contract cost of \$26,375,952.

The timing of the construction of the project will determine the cashflow payment requirements. It is estimated for budget purposes that the schedule will follow a 40%/40%/20% pattern, beginning in 2025. However, the actual schedule will likely be different and based on the actual work completed in each fiscal year. As the collection of DCs will not align with the payment of the work, the Town will need to use a credit line to fund the project. Infrastructure Ontario (I/O) provides a funding product designed for construction type projects – a Floating Rate Capital Loan – Non Revolving, or a construction-financing loan. The Town used this loan program to complete the new twin-pad arena and library. Presently there is \$17M owing in the existing construction-financing loan that will be debentured to long-term debt likely in the fall of this year. It was part of the financial plan to debenture this portion of the cost.

With a construction-financing loan the Town must pay the monthly interest owing on the outstanding balance. There is no principal payment required. At the end of the five-year period ending after the first draw on the credit line, the loan must either be paid off in full or debentured to long-term debt with interest and principal payments. The Term of the long-term debt is up to the Town, usually for a large amount it would be to 25 to 30 years. If a smaller amount is debentured it may be 5 or 10 years. Once a debenture loan is established, it cannot be paid off early without a penalty that in essence would end up paying the entire loan plus all of the interest due for the full term, therefore, not a feasible option. The interest rate is floating based on the rate in effect for each month. The current I/O construction-financing rate is 3.15%.

It is important to understand that we would only use the amount of the credit line that is needed. If internal financing can be used to bridge the Beach Drive project cashflow, it would be used first. As well, important to understand that once an amount is paid back against the credit line it cannot be drawn down again and re-used. It is a “non-revolving” credit line. Therefore, the full-term of the credit line requirement must be considered before making any payments back against funds drawn. Better to invest excess funds in short-term GICs to help offset interest payments on the credit line, providing more flexibility as the project is completed.

The following chart provides some understanding of the interest cost and the borrowing amount.

Period	Borrowed Amount	Cumulative Borrowing	Interest Rate*	Interest Amount	Tax Rate Impact %
2025	6,000,000	6,000,000	3.50%	210,000	0.55%
2026	6,000,000	12,000,000	3.50%	420,000	1.09%
2027	3,000,000	15,000,000	3.50%	525,000	1.33%
Total ->	<u>15,000,000</u>	<u>15,000,000</u>		<u>1,155,000</u>	

\*Variable interest rate each month. Estimated Yearly Average.

Based on the above table, the amount of the authorized credit line would be \$15,000,000. While not all used at one time, it could reach the maximum in the third year depending on the timing of funds received from the Province and the DC collections.

It is anticipated that the full DC amount required to fund the project will be collected before the end of the five-year construction-financing loan period, and therefore, long-term debt will not be required.

## **CORPORATE IMPLICATIONS:**

### Financial Implications:

The financial impact of the construction-financing loan is the increased cost of interest that will have to be paid through taxation in each year of the project. The Municipal Act requires that all debt obligations coming due in the upcoming budget year are included in the budget and raised through taxes if no other revenue stream is available for that budget year to meet the obligation.

Reserves are not a sustainable financing option to use to fund interest on debt, or principal debt payments. Rather if reserves are used, then the debt is not incurred. The Town does not have sufficient reserves to fund the cashflow requirements of the project. The Town is currently carrying \$6M of internal financing for the twin-pad arena and library project that was originally intended to be debentured in long-term debt. Due to the high interest rate costs that materialized after the original financing plan was established, the backup plan to use internal financing was leveraged to mitigate costs.

The temporary borrowing of construction-financing does not impact the Annual Repayment Limit (ARL) that is set by the province. However, all long-term debt does impact the limit. The current

ARL for 2025 is approximately \$11M in carrying cost. The long-term debt carrying cost at the end of 2024 is \$1.8M and another \$1M will be added to the carrying cost once the twin-pad arena and library \$17M construction-financing loan is debentured. The Town is still well within managing prudently its debt capacity.

#### Term of Council Priorities:

This report supports TOCP's under the Beachfront Redevelopment, Action 6 and in general supports the Well-Run pillar – Financial Sustainability.

#### **CONCLUSION:**

The Town is starting the multi-year Beach Drive capital project in 2025 and due to low development charge collections over the past two years, and the large amount of development charge revenues spent over the past four years, and the expected impact of the change in the timing of future DC payments, a construction-financing credit line is required.

The Infrastructure Ontario Floating Rate Capital Loan – Non-Revolving is a good product for addressing the Town's cashflow needs.

The next step would include submitting a loan application and obtaining an approved borrowing by-law for the loan. The I/O Representative will submit the application to the I/O review committee for approval to proceed, should Council approve the borrowing by-law.

It generally takes about three months to have all paperwork completed and the credit line to be put in place. The I/O Committee must present their recommendations to their Board, and we must present by-laws to Council. Therefore, it does take a long time-period to establish the credit line.

The Treasurer is requesting authority to begin the application process with Infrastructure Ontario.

Authored by:

Jocelyn Lee,  
Chief Financial Officer and Treasurer