



## City of Hamilton Memorandum

**To:** Mayor and Members of Council

**Date:** April 22, 2026

**Report No:** FCS26050

**Subject/Title:** Clarification of Loan Loss Risk – Better Homes Hamilton Pilot Program (Background Item (e), Reports PED23106 and PED26078)

**Ward(s) Affected:** (City Wide)

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### Information

#### Purpose

The purpose of this Memorandum is to provide clarification, as directed by Committee, regarding Background Item (e) of Report PED23106, specifically, the reference to loan loss provision for the Better Homes Hamilton Pilot Program and to outline the potential for loan loss related to loans repaid through Local Improvement Charges. This Memorandum also describes the risk mitigation strategies currently in place and provides staff's assessment of whether a loan loss provision is required for the Pilot Program.

#### Background

Council previously approved funding for the administration of the Better Homes Hamilton Pilot Program, including reference to loan loss provisions, through the Climate Change Reserve Account as part of Background item (e) of Report PED23106.

Under the approved program design, loans are issued by the City to eligible homeowners for qualifying energy retrofit improvements and are repaid through a Local Improvement Charge added annually to the property tax roll. The charge is attached to the property rather than the individual borrower.

Report PED26078 seeks Council approval of a by-law required to impose the second batch of local improvement charges under the Pilot Program.

### **Assessment of Loan Loss Risk**

Loans under the Better Homes Hamilton Program are not unsecured loans. Once certified by the City Treasurer and authorized by by-law, the loan amounts are imposed as special charges on the tax roll and secured by a priority lien on the property, consistent with Ontario Regulation 586/06.

Local Improvement Charges (LIC) have priority lien status similar to property taxes, rank ahead of most other encumbrances on title excluding Crown liens and remain enforceable regardless of property ownership changes. Collection and enforcement are carried out using the same processes available for property tax collection.

As a result, the risk of permanent loan loss is significantly reduced compared to traditional lending arrangements. While there may be circumstances where payments are temporarily delayed due to tax arrears, this does not represent a conventional loan default, as the charge remains recoverable through municipal tax enforcement mechanisms.

### **Existing Risk Mitigation Measures**

In addition to the statutory protections inherent to the local improvement charge framework, several risk mitigation measures have been incorporated into the program design. Participation is limited to properties with tax accounts in good standing at the time of approval. All registered owners of participating properties are required to consent to the program. Individual loan amounts are capped at a maximum of \$20,000, limiting exposure relative to overall property value. Loan balances are certified by the

Treasurer, with Better Homes Hamilton staff responsible for administering the loans and providing the annual amounts to Revenue Services for placement on the tax roll. Any non-payment is addressed using standard property tax recovery tools available to the City.

### **Clarification Regarding Loan Loss Provision**

The reference to loan loss provision in Background Item (e) of Report PED23106 was intended as a prudent and conservative consideration during the early incubation stage of the program, prior to operational experience with LIC-based repayment.

Based on experience to date and consultation with Corporate Services, the structure of the loans as Local Improvement Charges materially reduces the risk of loan default. As such, a conventional loan loss provision is not considered necessary for the Pilot Program, at this time. Any residual risk is mitigated through the security of the lien, established municipal tax collection authority and ongoing financial oversight by Revenue Services.

### **Conclusion**

Staff concludes that loans issued under the Better Homes Hamilton Pilot Program, once imposed as Local Improvement Charges, are highly secure and present a low risk of permanent loss. The existing lien and collection framework substantially mitigates loan loss risk. The previously approved reserve funding for program administration remains appropriate as a precautionary measure during the pilot phase and staff will continue to monitor repayment performance. Any findings or recommended adjustments will be reported back to Council as part of the two-year program review previously approved by Council.

### **Consultation**

Legal Services and Taxation have been consulted.

### **Appendices and Schedules Attached**

None.

**Prepared by:**

Cathrin Winkelmann: Senior Project Manager, Office of Climate Change Initiatives,  
General Manager's Office,  
Planning and Economic Development Department

Clayton Pereira: Director, Revenue Services, Corporate Services Department

**Submitted and Recommended by:**

Clayton Pereira, Director, Revenue Services, Corporate Services Department