

The Tile Loan Program

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Factsheet

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Installing tile drainage is a very common land improvement practice among farmers in Ontario. Corrugated plastic tubing, clay and concrete drain tile are installed beneath the surface of agricultural land to drain excess water from the crop root zone. The benefits of tile drainage for crop productivity, farm efficiency and even for reducing environmental impacts have been studied and are generally well known to farmers.

In Ontario, the Tile Loan Program, authorized by the *Tile Drainage Act*, provides loans to agricultural property owners to help them finance these tile drainage projects.

THE PROGRAM IN A NUTSHELL

Landowners in a municipality in Ontario planning to install a tile drainage system on their agricultural land are eligible for a tile loan under this program.

All tile loans have 10-year terms, and repayments are made annually. Landowners are eligible for a loan of up to 75% of the value of the tile drainage work, but the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the local municipality may have policies that further restrict the total dollar amount of any loan in any given year. The provincial government sets the program interest rate at a competitive level. This rate is fixed for the full term of the loan, regardless of changes in market interest rates. The interest rate is calculated annually, not semi-annually, as is done by most financial institutions. Check with your local municipality for more information on current tile loan policies and interest rates.

The application process is quite simple. Loan application forms, available at your municipality, must be submitted to the municipal council. Once council approves the application, the owner arranges to have the work completed by a licensed tile drainage contractor (for more information on licensing, see the

OMAFRA Factsheet *Agricultural Drainage Licensing*, Order No. 01-063). The municipality will inspect the work and may charge a fee for this inspection. Once a month, the municipality prepares loan documents to send to OMAFRA in the amount of all the loans for that month. After processing these documents, OMAFRA issues a cheque to the municipality, which distributes the loan funds to each individual applicant.

The municipality collects the loan repayments from the owner and remits them to OMAFRA. Defaulted payments are rare but are treated in the same manner as unpaid taxes.

The loan can be repaid in full at any time. Contact your municipality to find out the amount still owing at the time of your proposed payout date.

THE LOAN APPLICANT'S RESPONSIBILITIES

Consider installing tile drainage if you are the property owner and can answer "yes" to these questions:

- Is there a drainage problem on my agricultural land?
- Will the soil on my land respond to tile drainage?
- Is there a ditch or tile where my drainage system can be discharged that I may legally use?

Submit the completed tile loan application to your local municipality before any tile installation begins; some municipalities will not approve a loan if tiling starts before council approves the application. Only the agricultural property owner may apply for a loan. Farmers wishing to tile drain rented farmland must make their own arrangements with the property owner.

If the application is approved, the owner hires a licensed tile drainage contractor to do the work. Before the work begins, the owner must notify the municipality to arrange an inspection.

After receiving the loan, the agricultural property owner is responsible for making the loan repayments. The municipality sets the repayment method and schedule — either with the usual municipal tax bills or as a special tax bill on the anniversary date of the loan. Determine which collection method is used by your municipality before applying for and accepting the loan.

INELIGIBLE COSTS

Some costs are not eligible for funding through the Tile Loan Program:

Harmonized Sales Tax (HST): Farmers are eligible to receive a full HST rebate.

Costs Not Related to Tile Drainage: Indirect costs, such as the cost of removing tree stumps, cleaning up fence lines, land levelling, etc., are ineligible.

Costs Incurred off the Property: Any costs incurred off the applicant's property are ineligible.

Rebates and Refunds: Discounts received for volume purchases of tile or for early payment are not eligible.

Work Performed by an Unlicensed Contractor: Any tile drainage work that does not comply with the *Agricultural Tile Drainage Installation Act* is not eligible.

OMAFRA'S RESPONSIBILITIES

OMAFRA is responsible for ensuring that municipalities are aware of the loan policies and program details. OMAFRA also processes the loan documents received from the municipality and arranges the transfer of the loan funds to the municipality. The Financial Service Delivery Branch of Ontario Shared Services is responsible for collecting the annual repayments from municipalities, as well as any tile loan redemptions.

Under the *Agricultural Tile Drainage Installation Act*, a contractor installing tile drainage systems must be licensed by OMAFRA.

THE MUNICIPALITY'S RESPONSIBILITIES

The municipality must ensure that it has a valid borrowing bylaw under the *Tile Drainage Act* and that it is aware of the details of the current provincial Tile Loan Program policies. The municipal council must review each application for loan and approve or reject it.

Council may place borrowing restrictions on tile loans but must ensure that all loan applicants are treated equally. Council must appoint a drainage inspector to inspect the tile drainage work and file an inspection report. Once the work is completed, municipal staff prepare and submit the loan documents to OMAFRA.

After the municipality receives the loan funds, it distributes them to the loan applicants and is responsible for collecting the repayments from the property owner and repaying these funds to Ontario Shared Services. A penalty may be charged for late payments.

RESOURCES

Land Improvement Contractors of Ontario.
www.drainage.org

OMAFRA Factsheets:

Drain Problems, Order No. 84-017

Tile Drainage Outlets, Order No. 90-233

(online only):

Management of Drained Fields, Order No. 90-156

Maintenance of the Drainage System, Order No. 87-062

OMAFRA Publication 29, *Drainage Guide for Ontario*

Tile Drainage Act, available at www.e-laws.gov.on.ca

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