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Infrastructure

Federal loan program for municipalities will help boost low-cost jobs

\$2 billion for shared, shovel-ready jobs

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A \$2 billion low-interest loan fund for municipalities to tap into can only help get more construction and renovation projects underway, say some associations.

“It cannot hurt,” said Michael Atkinson, president of the Canadian Construction Association.

The federal government recently unveiled the Municipal Infrastructure Lending Program designed to help municipalities access \$12 billion in federal funding for cost-shared stimulus projects over the next two years. Municipalities are set to invest a record-setting \$15 billion in local infrastructure in 2009.

Jean Perrault, president of the Federation of Canadian Municipalities (FCM), said the lending program will “open the door” for more municipalities to get involved in cost-shared federal stimulus work. This will help drive front-line construction activity and increase local economic activity, he added in a statement.

The lending program will provide municipalities with simple-to-access credit at the same low interest rate available to the federal government. The only additional charge will be a small fee levied to recover the cost of the program. There will be a focus on projects that are shovel-ready, as this is a targeted, short-term, temporary measure intended to create jobs.

The program features a significantly lower interest rate than the best rates typically available to municipalities, saving local property taxpayers about 10 per cent on total financing costs over the life of the loan.

“It is the right strategy for that particular type of funding program,” added Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario.

FCM explained the program helps to address an urgent issue facing many municipalities: the challenge of meeting requirements to share one-third of the cost of stimulus projects at a point in the fiscal year when municipal budgets have already been approved.

While accessing credit is not generally a problem for municipalities, finding additional dollars, after budgets have been set, can be a challenge, FCM noted.

Some Liberals on Parliament Hill have criticized the streamlined application, review and approval process associated with the government’s infrastructure stimulus plans. They say the application form asks for only the most basic information and could allow the government to go on “a patronage fest” by funding projects only in Tory ridings. The government has countered that there will be oversight and accountability throughout the process.

FCM noted the support from Diane Finley, minister of Human Resources and Skills Development, in their collaborative work with officials at Canada Mortgage and Housing Corporation to provide front-line input and technical expertise in the lending program's development, including its interest rates and streamlined application process.

— with files from Canadian Press