



STAFF REPORT INFORMATION ONLY

Sustainable Energy Funds- Private Sector Pilot Program – Supplementary Report

Date:	February 19, 2010
To:	City Council
From:	Chief Corporate Officer
Wards:	All
Reference Number:	P:\2010\Internal Services\Fac\Cc10003Fac- (AFS 11428)

SUMMARY

This report responds to recommendations 9 and 10 added to the February 1, 2010 Executive Committee Decision Item EX40.14, which provide that tenants also benefit from any financial benefit gained by Building Owners/Landlords (landlords) in receipt of zero interest loans from the Sustainable Energy Funds.

Financial Impact

No additional financial impacts.

DECISION HISTORY

At its meeting on July 16, 17, 18 and 19, 2007, Council adopted “Climate Change, Clean Air and Sustainable Energy Action Plan: Moving from Framework to Action”
<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-07-16-cc11-dd.pdf>

At its meeting on December 11, 12 and 13, 2007, Council adopted “Implementation of the Sustainable Energy Funds”, which included the request for a report on expanding the scope of the Sustainable Energy Funds to include the private sector.
<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-12-11-cc15-dd.pdf>

In approving the Mayors Tower Renewal report at its meeting on September 24, 2008, Council approved the recommendation to develop “approaches to help ensure that any rent increases or other negative impacts to tenants that may result from energy efficiency and site improvements are avoided or minimized”.

<http://www.toronto.ca/legdocs/mmis/2008/ex/reports/2008-09-02-ex23-cr.pdf>

At its meeting of February 1, 2010, the Executive Committee Decision considered report EX40.14, “Sustainable Energy Funds – Private Sector Pilot Project”. The recommendations made by staff were approved (the report is available at <http://www.toronto.ca/legdocs/mmis/2010/ex/decisions/2010-02-01-ex40-dd.htm>).

In approving this report, the Executive Committee requested that a report be made directly to Council on the two additional recommendations:

9. Loans be granted on the condition that at least 50 percent of the savings from reduced energy costs will be passed back to the tenants.
10. Verification of compliance with the criteria be built into the program.

ISSUE BACKGROUND

The Sustainable Energy Funds program helps to implement Council’s overall policy objective of encouraging and supporting non-profit and private sector landlords to introduce energy efficiency measures into their rental buildings. The Sustainable Energy Funds program includes the Toronto Energy Conservation Fund and the Toronto Green Energy Fund. The Funds provide zero-interest financing to help overcome the barrier created by high upfront costs for energy efficiency and conservation measures in buildings (new or retrofitted), and renewable energy projects.

Council also has policy objectives related to ensuring affordable housing for its citizens, including its ten-year Housing Opportunities Toronto (HOT) Plan, approved August 6, 2009. In addition, Council has approved numerous actions aimed at protecting the existing affordable rental housing stock and the tenants living in that housing. Actions include recommendations relating to the sub-metering of rental housing and requests for the Ministry of Municipal Affairs and Housing to amend existing provincial laws that regulate rental matters in Ontario.

It is clear that the City has deemed both energy conservation and housing people affordably as integral issues. However, at times these goals may compete with each other – capital work that conserves energy may also contribute to rent increases in order to pay for the capital work. This is perhaps best demonstrated by the recommendation made as part of approving the Mayor’s Tower Renewal project which acknowledges that when significant capital work is undertaken in rental buildings, there may be a need to also have strategies aimed at minimizing rent increases, and required staff to develop “approaches to help ensure that any rent increases or other negative impacts to tenants that may result from energy efficiency and site improvements are avoided or minimized”.

Recommendations 9 and 10 are intended to address these competing interests. The recommendations seek to ensure that the City support to landlords in making improvements to their buildings will enhance conservation and help meet climate change goals, while at the same time ensuring that tenants benefit and are not negatively impacted.

COMMENTS

Benefits of Sustainable Energy Fund Zero-Interest Loans

Under the Sustainable Energy Funds program, eligible private sector landlords would be provided with zero-interest loans to help fund comprehensive and significant environmental performance improvements to their buildings. The total amount of funds available for repayable loans is ten million dollars, to be drawn equally from the Toronto Energy Conservation Fund and the Toronto Green Energy Fund. Repaid loans are used to fund future loans.

Sustainable Energy Funds zero-interest loans are limited to 49% of the energy retrofit project value (landlords usually find other funding sources for the remaining costs) and capped at a maximum of \$1,000,000 per project. The Sustainable Energy Funds loan repayment periods are set at a maximum of 10 years for zero-interest loans from the Toronto Energy Conservation Fund and a maximum of 20 years for zero-interest loans from the Toronto Green Energy Fund for renewable energy projects.

The benefits to the landlord obtaining a Sustainable Energy Funds loan include:

- access to financing that might otherwise not be available
- a zero-interest loan for part of the project
- anticipated reduced energy costs, which should cover the costs of financing and the repayment of the Sustainable Energy Funds loan

The benefits to the City providing zero-interest Sustainable Energy Funds loans to landlords include:

- helping to achieve Council's objectives on energy efficiency and conservation
- the preservation of existing rental housing stock through building improvements
- encouraging other financiers to provide loans for energy efficiency and conservation

The benefits to tenants where their landlords obtain zero-interest Sustainable Energy Funds loans include the following:

- improvements to their buildings which reduce the risk of future rent increases
- may enhance comfort of their rental property and address related maintenance concerns
- energy costs reductions may be realized by tenants who are individually metered and directly pay for the electricity use

Energy Savings Pay for Loans

The implementation of energy efficiency measures in buildings and renewable energy projects requires a capital investment by landlords, which is often financed. Virtually all projects of this kind operate on the principle of “pay from savings”; the projected savings in annual utility costs are used to meet the repayment obligations of the projects, including repayment of the Sustainable Energy Funds zero-interest loan.

Recommendation 9, if approved, would require landlords to share 50 percent of the energy savings with the tenants. If this were implemented, in addition to administrative costs to the City for implementing such a requirement, it would be a disincentive to participate in the Mayor Tower Renewal project and the Sustainable Energy Funds programs. Landlords may not realize sufficient operating cost savings to make loan repayments. Therefore, the proposed condition that at least 50 percent of the energy savings from reduced energy costs be passed back to the tenants, should not be a criteria for eligibility for the Sustainable Energy Funds.

Since the landlords are receiving a benefit through the zero-interest loan, Recommendation 9 seeks, in principle, to ensure tenants also share in the benefit. Benefits to tenants are noted above. There is a risk that sitting tenants in buildings regulated by the Residential Tenancies Act may be negatively impacted due to rent increases, however, this may vary significantly from case to case. Therefore, staff will review the eligibility criteria and funding conditions in partnership with Shelter, Support and Housing Administration Division to look for further opportunities to share benefits with the tenants while maintaining the viability of the Sustainable Energy Funds program, and staff will amend the criteria and funding conditions as needed.

CONTACT

Richard Morris, Manager
Energy Efficiency Office
Phone: 416-392-1452
Fax: 416-392-1456
E-mail: rmorris@toronto.ca

Jim Kamstra, Acting Director
Business & Strategic Innovation
Phone: 416-338-1295
Fax: 416-392-4828
E-mail: jkamstra@toronto.ca

SIGNATURE

Bruce Bowes, P. Eng.
Chief Corporate Officer