

Capital Loan and Grant from the Federation of Canadian Municipalities to the City of Toronto for the Home Energy Loan Program (HELP)

Date: August 30, 2021

To: Infrastructure and Environment Committee

From: Acting Director, Environment and Energy Division

Wards: All

SUMMARY

Through the Home Energy Loan Program (HELP), the City offers low-interest loans to help homeowners make their homes more energy efficient and reduce greenhouse gas emissions, in support of the City's TransformTO climate action strategy and net-zero emissions target. Further developing HELP program offerings will advance the Council-approved GHG reduction efforts established by TransformTO, Toronto's climate action strategy and the net zero ambitions outlined in the Climate Emergency Declaration. This support provided by FCM will also help advance the goals of the Net Zero Existing Buildings Strategy adopted by City Council at the July 2021 meeting.

The Federation of Canadian Municipalities (FCM) Community Efficiency Financing (CEF) program has approved the City of Toronto, through the Home Energy Loan Program (HELP), for up to \$9,712,000 in financing and \$4,856,000 in grants to support energy-efficient retrofits and pathways to net zero for single-family homes in Toronto. Initial discussions with FCM indicate favourable terms for repayment. The funding will be used to enhance the City's current HELP program and help Toronto homeowners undertake home energy efficiency retrofits and support the local economy.

The purpose of this report is to provide the outcomes of the FCM application made by the City; authorize the City to enter into an agreement with FCM to accept the loan and grant funding; and reflect those funds in the 2021-2030 Capital Budget and Plan.

The financing and the grant funding provided by FCM through CEF will allow the City to enhance current HELP program offerings and support broader decarbonization efforts in the single-family residential sector.

To enable implementation, this report seeks approval to introduce changes to the residential single-family homes stream of the Residential Energy Retrofit Programs,

specifically the Home Energy Loan Program, and authorize amendments to the existing Program By-law 1105-2013 in accordance with Appendix B.

RECOMMENDATIONS

The Deputy City Manager, Corporate Services recommends that:

1. City Council authorizes the Deputy City Manager, Corporate Services, the Chief Financial Officer and Treasurer, and the Mayor to enter into a grant and loan agreement with the Federation of Canadian Municipalities to accept a loan in accordance with Chapter 30 of the City of Toronto Municipal Code of up to \$9,712,000 and a grant of up to \$4,856,000 under the Federation of Canadian Municipalities Green Municipal Fund Program, upon terms satisfactory to them and in a form acceptable to the City Solicitor, to support energy-efficient retrofits through the Home Energy Loan Program, in accordance with this report.
2. City Council amend the 2021–2030 Capital Budget and Plan for the Environment and Energy Division by increasing the total project cost of the Home Energy Loan Plan (HELP) capital project by \$9,712,000 to \$26,612,000 in recoverable loans with cash flows of \$438,664 in 2021, \$1,890,026 in 2022, \$3,131,877 in 2023 and \$4,251,433 in 2024, subject to finalizing negotiations with the Federation of Canadian Municipalities.
3. City Council amends the Residential Retrofit Program By-law (By-law 1105-2013) to:
 - a. expand the category of eligible measures to align with FCM's list of eligible measures which would allow for inclusion of ancillary supports for secondary units and health and safety measures when combined with primary decarbonization and energy efficiency retrofits, with ancillary supports capped at 30% of total project costs.
 - b. authorize the increase of the current cap on the Special Charge to a maximum of \$125,000 for the Home Energy Loan Program.
 - c. authorize changes to the Local Improvement Charge program by-law and associated program guidelines to allow tax-exempt property owners to participate in the program.
 - d. authorize the disbursement of grants and incentives to property owners as an eligible withdrawal using grant funding provided by the Federation of Canadian Municipalities.

FINANCIAL IMPACT

The Federation of Canadian Municipalities (FCM) has awarded the City of Toronto a loan of up to \$9,712,000 and a grant of up to \$4,856,000 to support enhancements to the Home Energy Loan Program. Early discussions with FCM have indicated that the loan portion would carry favourable terms for repayment and an interest rate as low as

zero percent, however the details of the loan have yet to be finalized. The City of Toronto will negotiate a loan agreement with FCM taking into account the FCM requirement that the combined loan and grant disbursements must maintain a 2:1 dollar ratio (loan:grant).

The loan portion of the funding will be used to provide financing to single-family property owners through the existing Local Improvement Charge (LIC) mechanism to complete decarbonization and energy efficiency retrofits. Amortization of the FCM loan is up to 20 years and customized based on the terms offered to homeowners. Repayments from program participants will be used to pay back the loan to the Federation of Canadian Municipalities. The LIC allows the payment for the homeowner loan to go directly on their property tax bill and it gives the City the first priority lien status in case of default. The LIC provides a high level of security that the loan will be repaid, thereby minimizing the risk to the City.

The Local Improvement Charge Energy Works Reserve Fund was established by the City with a \$20 million contribution from the Working Capital Reserve Fund to support the Home Energy Loan Program (HELP) and the High-Rise Retrofit Improvement Support Program (Hi-RIS) programs. To date, \$5.71 million in loans have been issued through HELP, and there are \$2.43 million in loans outstanding.

The grant portion of the funding will be used to enhance current HELP offerings and to promote deeper reductions in greenhouse gas emissions in single-family homes in Toronto.

Existing operating and capital for the Home Energy Loan Program (HELP) was leveraged as the City's in-kind contribution in the application to FCM to maximize the loan and grant made available to the City. Grant funding made available through FCM will substantially enhance the City's capacity to enhance the HELP program.

Capital Funding Impact:

FCM funding will result in adjustment to the 2021-2030 Capital Budget and Plan of the Environment and Energy Division, as well as consideration of new projects as part of the 2022 Capital and Operating Budget and Plan Process. With the receipt of the FCM funds, the estimated gross impact to the City's 10-Year Capital Budget and Plan will be finalized through the 2022 Budget Process or reported back to Council separately if funding is delayed. The debt incurred from the FCM loan is recoverable from the property owners who participate in the program and does not rely on the property tax levy for payments back to FCM.

Operating Impact:

Estimated gross impact to the Environment and Energy's Operating budget will be finalized through the 2022 Budget Process or reported back to Council after receipt of the FCM funds.

FCM grant funding will be used to support operating expenses associated with the program. Anticipated grant funding is planned to support operating costs associated

with staffing, required technical and consulting services, marketing, communications and engagement needs.

Recognizing a need for additional staffing resources to support program growth and program enhancements, staff proposed that FCM grant funding would be used to fund two temporary positions. Utilization of this grant funding would include hiring both a Senior Energy Consultant and a Project Lead for two years, for an estimated net-zero operating budget impact of \$600,000.

Additional grant funding will be used to provide a limited number of financial incentives for eligible Home Energy Loan Program participants.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

EQUITY IMPACT

The Residential Retrofit Programs, both HELP and Hi-RIS support efforts to improve the quality of housing, including affordable housing. Energy poverty has been identified as an issue facing many Torontonians, including both renters and owners of single-family housing. As the necessity to decarbonize buildings grows, it will be vitally important to ensure programs and policy to increase decarbonization and energy efficiency retrofitting and reduce emissions do not negatively impact populations made already vulnerable by historic inequities that resulted in certain equity deserving groups living in lower quality housing, specifically women and children, indigenous people, people with disabilities and racialized groups.

Allowing tax-exempt property owners to participate in the program will allow community-based housing providers to participate in the HELP program and improve the quality of housing available to residents. By participating in the program, property owners undertaking the work are not able to apply for above guidance increases, which could be passed along to residents living in rented accommodation.

Staff are working to improve access to City-run programs as well as promoting provincial and utility-run programs such as Enbridge's Home Winterproofing Program. A key issue remains awareness of existing programs and supports, to address this staff are working to increase engagement and provide resources in different languages.

Through the proposed FCM funded activities staff plan to develop a prescriptive program offering targeted at modest income homeowners, further develop accessible and multi-lingual educational and informational resources and identify partnerships with City and non-City partners to provide resources and supports to vulnerable populations.

DECISION HISTORY

At its July 14, 15 and 16, 2021 meeting, City Council adopted the Net Zero Existing Buildings Strategy which introduces voluntary programs and policy in the near term, followed by a transition to mandatory requirements in the medium to long-term to

support existing buildings, including single family homes, achieving net zero emissions by 2050.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>.

At its October 27, 28 and 30, 2020 meeting, City Council adopted the Towards Recovery and Building a Renewed Toronto report. This report identifies climate resilience as a key priority to address in Toronto and in particular highlights the need for retrofits in older apartment towers to improve health and well-being of tenants' while reducing emissions.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX17.1>

In October 2019 City Council declared a climate emergency for the purpose of deepening a commitment to climate action and endorsed a net zero greenhouse gas emission target in line with keeping temperature rise below 1.5 degrees Celsius with a commitment to identify opportunities to invest in and accelerate emission reductions areas identified in TransformTO, such as building retrofits. Link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM10.3>

In July 2019 City Council further extended the HELP and Hi-RIS programs and authorized loans terms to maturity of up to 20 years for qualifying single family HELP projects as well as amended the Residential Retrofit By-Law (By-law 1105-2017) to expand the category of eligible measures. Link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IE6.5>

In June 2018, City staff presented an update on the Programs, requesting an extension to December 31, 2019. Staff were asked to report back in 2019 with an evaluation of program outcomes and options for a permanent program. The report also authorized the Director, Environment and Energy and Executive Director, Social Development, Extending Retrofitting Programs Finance and Administration to allocate a portion of the unused funding envelope attributed to the Home Energy Loan Program (HELP) to the High-rise Retrofit Improvement Support Program (Hi-RIS) as part of the extension of the programs and include the staffing and funding resources needed for the extension in the 2019 Operating Budget Submission for Social Development, Finance and Administration. Link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PE27.4>

In March 2017, City staff provided a Program Evaluation Report (PE18.4/2017) which presented the results of a third-party evaluation of the Residential Energy Retrofit Pilot Program. The report included seven recommendations for program refinements to further drive participation. At its April 2017 meeting (PE18.4/2017), City Council adopted all of the recommendations put forward in the Program Evaluation Report, including an extension of the program to December 3, 2018. Link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PE18.4>

In 2016, City Council adopted TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto - Report #1 (PE 15.1/2016) which included a package of short-term strategies designed to accelerate actions to reduce greenhouse gas emission by 2020. Pursuant to this authority, the City Manager was also directed to negotiate and enter into all necessary agreements, including funding agreements, to support the

implementation of the TransformTO short-term strategies. Link:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PE15.1>

At its July 2013 meeting, City Council approved an energy and water efficiency pilot program for the residential sector (EX33.22/2013) – the first municipality to do so in Ontario. Subsequently, the HELP and Hi-RIS Programs were launched in 2014 to support homeowners and the multi-unit residential building sector, respectively. Each program was allocated a \$10 million funding envelope to be administered to qualifying property owners interested in undertaking retrofit investments. Link:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX33.22>

COMMENTS

In 2019 the federal government contributed \$300 million to the Federation of Canadian Municipalities (FCM) Green Municipal Fund (GMF) to establish the Community Efficiency Financing (CEF) program. The funding is intended to support eligible initiatives through to 2026 with approximately \$50 million made available annually to support municipal programs. The CEF program was established specifically to support energy efficiency financing programs for low-rise residential properties through Property Assessed Clean Energy (PACE) or Local Improvement Charge (LIC), utility on-bill financing and third-party lending partnerships.

As one of the few municipalities in Canada with an existing LIC financing program targeted at supporting energy efficiency and decarbonisation, the City of Toronto was eligible to apply for the first round of financing.

Toronto's application to FCM was developed to address current barriers to HELP and support expansion of the program. The City's application to the Federation of Canadian Municipalities' (FCM) Community Efficiency Financing (CEF) will build on lessons learned from the development and operation of HELP to date.

Launched in 2014, the Residential Energy Retrofit Program, HELP has provided financing to support capital improvements or retrofits for residential properties with energy efficiency and water conservation benefits.

HELP uses the provincial Local Improvement Charge regulation which means the financing is considered a special charge that uses the local improvement charge (LIC) mechanism for repayment. The repayments are added to the property tax roll and collected through the property tax system. The LIC has the same priority lien status as property taxes, and this secures the City's investment over time. To date HELP has committed approximately \$5.65 million in retrofit financing to 229 projects across the City.

FCM funding is intended to support program development in four ways:

- Support the development of a more holistic, resident centred program
- Allow staff to better support equity deserving applicants
- Enable deeper retrofits and enhance project level decarbonisation

- Build out partnerships with key stakeholders to deepen program impacts

The loan received from FCM will be used to provide HELP capital (over the next 4 years) and enhance other program offerings to drive decarbonisation in the single-family housing sector. Early discussions with FCM have indicated the City will receive highly preferential terms from FCM, including an interest rate possibly as low as 0%. Additional are included in Table 1 below.

**Table 1: Standard versus City Secured Financing Terms
(Subject to final agreement)**

	Standard FCM Offer	Enhanced FCM Offer
Interest rate	Market rates – set at time of disbursement, consistent with GMF practice for rate setting	As low as 0% fixed rate for duration of loan term
Loan term	Up to 25 years (fixed)	Up to 20 years (fixed)
Advance disbursements	Up to 50% of loan and grant funds as advances	Up to 50% of loan and grant as advances, limiting each advance to up to 25% of eligible amount
Fees	Early loan re-payment fees are applicable	Fees waived

The grant funding, once finalized, is intended to be used to provide a limited number of incentives/rebates and fund additional supports, staffing resources and program enhancements. Anticipated program supports and enhancements include:

- FCM grant funded incentives to drive decarbonisation
- Resources to support additional staff focused on residential energy retrofitting and decarbonisation
- The development of prescriptive program pilot to support fixed, low-middle income homeowners
- Training, education, and resources for homeowners, contractors, and other stakeholders to build capacity and drive an uptake in retrofitting
- Investment in software solutions to manage program growth and reporting
- Alignment with Home Energy Reporting and Disclosure (HERD) policy and program supports
- Enhanced program marketing, capacity building and information sharing

The proposed program enhancements are aligned with recommendations in the Net Zero Existing Buildings Emission Strategy, in particular recommended actions for program acceleration and emissions reduction in the single-family housing sector.

The application, disbursement, and repayment process for will follow the same process of the current Home Energy Loan Program.

Figure 1: Home Energy Loan Program Application Process

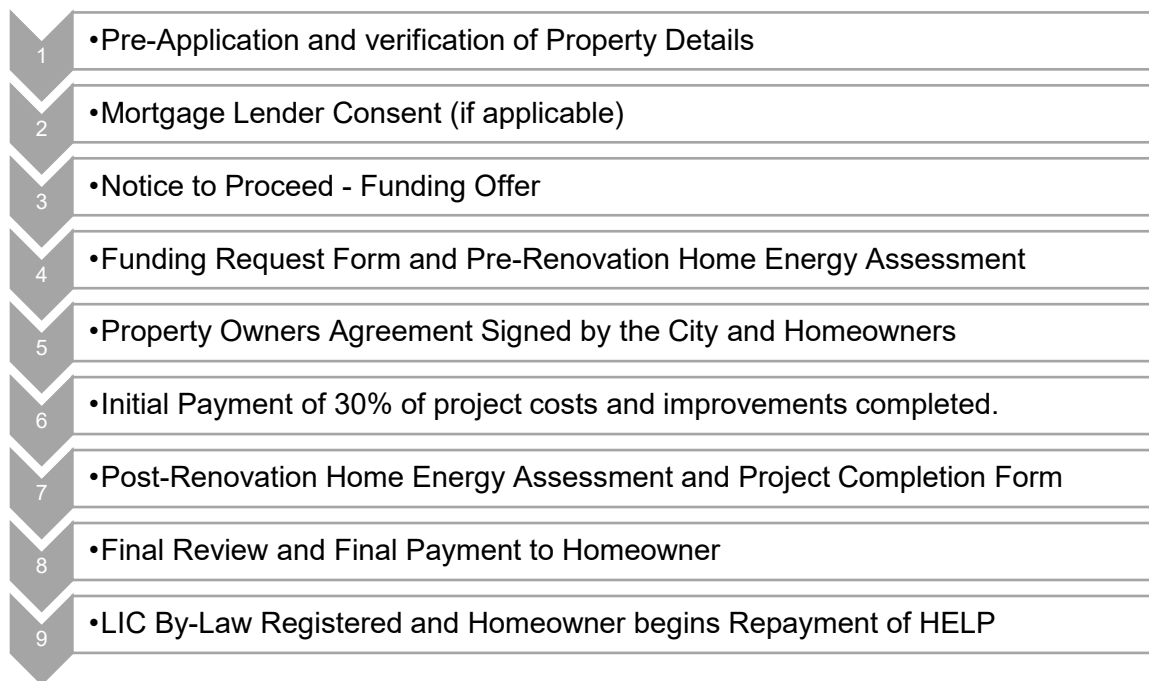


Table 2: Comparison of Home Energy Loan Program

Criteria	Current Home Energy Loan Program	NEW FCM-Funded Home Energy Loan Program																						
Eligibly	Detached, semi-detached, row/town house; duplex, triplex or apartment building three stories or less, with up to 6 units.	Detached, semi-detached, row/town house; duplex, triplex or apartment building three stories or less, with up to 6 units.																						
Interest Rates	<table border="0"> <tr> <td>Terms</td> <td>Fixed</td> </tr> <tr> <td>Interest Rate</td> <td></td> </tr> <tr> <td>5 years</td> <td>2.05%</td> </tr> <tr> <td>10 years</td> <td>3.54%</td> </tr> <tr> <td>15 years</td> <td>4.74%</td> </tr> <tr> <td>20 years**</td> <td>5.26%</td> </tr> </table> <p>** Projects that include any of the following measures, solar PV, windows, geothermal and/or heat pumps are eligible for a 20-year term.</p>	Terms	Fixed	Interest Rate		5 years	2.05%	10 years	3.54%	15 years	4.74%	20 years**	5.26%	<table border="0"> <tr> <td>Terms</td> <td>Fixed Interest Rate</td> </tr> <tr> <td>5 years</td> <td>as low as 0.00%</td> </tr> <tr> <td>10 years</td> <td>as low as 0.00%</td> </tr> <tr> <td>15 years</td> <td>as low as 0.00%</td> </tr> <tr> <td>20 years**</td> <td>As low as 0.00%</td> </tr> </table> <p>** Projects that include any of the following measures, solar PV, windows, geothermal and/or heat pumps are eligible for a 20-year term.</p>	Terms	Fixed Interest Rate	5 years	as low as 0.00%	10 years	as low as 0.00%	15 years	as low as 0.00%	20 years**	As low as 0.00%
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Administration Fee	2% of funded amount.	2% of funded amount.																						
Maximum Loan Amount	Up to \$75,000	Up to \$125,000** **Only decarbonization projects that achieve net zero or passive house designation will be eligible to borrow \$125,000																						

Eligible Measures	<ul style="list-style-type: none"> • High-efficiency furnaces / boilers / air conditioners • Air-source heat pumps • Window / door replacements • Basement/attic/exterior wall insulation • Air sealing (e.g., weather stripping or caulking) • Geothermal systems • High-efficiency water heaters • Tankless water heaters • Drain-water heat recovery systems • Toilet replacements • Solar hot water systems • Rooftop solar PV panels • Electric vehicle charging stations (Level 2) • Battery storage • EnerGuide home energy evaluation 	<ul style="list-style-type: none"> • High-efficiency furnaces / boilers / air conditioners • Air-source heat pumps • Window / door replacements • Basement/attic/exterior wall insulation • Air sealing (e.g., weather stripping or caulking) • Geothermal systems • High-efficiency water heaters • Tankless water heaters • Drain-water heat recovery systems • Toilet replacements • Solar hot water systems • Rooftop solar PV panels • Electric vehicle charging stations (Level 2) • Battery storage • EnerGuide home energy evaluation • Ancillary supports for secondary units and health and safety measures (only when combined with primary decarbonization and energy efficiency retrofits; ancillary supports capped at 30% of total project costs)
Rebates, Grants, or Incentives	None	FCM – Grant Funded
Technical Support	None	On-staff Energy Concierge (Energy Advisor or Building Specialist)

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SIGNATURE

Nancy Ruscica
Interim Director, Environment & Energy Division

ATTACHMENTS

Appendix A: Home Energy Loan Program FCM Program Design
Appendix B: Home Energy Loan Program