

Home Energy Loan Program – Review of Eligibility Requirements

Date: March 6, 2023

To: Infrastructure and Environment Committee

From: Deputy City Manager, Corporate Services

Wards: All

SUMMARY

Launched in 2014, the Home Energy Loan Program (HELP, the 'Program') is administered by the Environment and Climate Division in coordination with other Divisions, including Revenue Services. The Program provides funding to support homeowners interested in making their homes more comfortable, healthier and energy efficient, while also reducing greenhouse gas emissions, and is a key program of TransformTO, Toronto's net-zero strategy.

Through HELP, Toronto homeowners can access low-interest loans to cover the costs of a wide range of decarbonisation and energy efficiency measures including air-source heat pumps, window/door replacements, rooftop solar photovoltaics, electric vehicle chargers and more. Since July 2022, with up to \$9.7M in funding from the Federation of Canadian Municipalities (FCM), the City has been able to offer a limited amount of zero-interest financing to homeowners on a first come, first served basis which has generated a significant spike in uptake. The City received over 1200 applications after the launch of the zero-interest stream, with financing only being available for a maximum of approximately 300 applicants. The City is engaging with those waiting in the queue on other options to support their retrofits, including accessing the low-interest HELP stream, and is undertaking a broader review of HELP as per direction received during the 2023 Budget process.

At its December 14, 2022 meeting, City Council adopted [Member Motion MM2.11](#) which requested the City Manager to review the homeowner eligibility requirements for HELP with respect to allowing residents who have a *minor late payment* to qualify for the Program. This report details the results of a review of homeowner eligibility within the scope of tax and utility account history, including arrears, late payments and other fees or charges. It recommends changes to HELP's current eligibility criteria and applicant approval process aimed at relaxing criteria and providing greater clarity for homeowner qualification.

RECOMMENDATIONS

The Deputy City Manager, Corporate Services recommends that:

1. City Council approve changes to the Residential Energy Retrofit Program in accordance with Attachment 1 to the report.
2. City Council amend the Residential Energy Retrofit Program By-law, By Law 1105-2013, to reflect the recommended changes in Part 1 above.

FINANCIAL IMPACT

There are no additional funding requirements to the City resulting from this report.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the information as presented in the Financial Impact section.

DECISION HISTORY

At its December 14 and 15, 2022 meeting, City Council adopted Member Motion 2.11 which requested the City Manager to review the eligibility requirements for the Home Energy Loan Program as part of the report to the March 20, 2023 meeting of the Infrastructure and Environment Committee.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.MM2.11>

On December 15, 2021 City Council authorized the extension of the Home Energy Loan Program component of the Residential Retrofit Program from its current expiration date of December 31, 2021 to make the Program permanent, using existing resources in the Local Improvement Charge Energy Works Reserve Fund, Local Improvement Charge repayments as well as funding provided by the Federation of Canadian Municipalities to support project and programming needs.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE26.17>

COMMENTS

The Home Energy Loan Program (HELP) is an initiative intended to support the City's TransformTO target of reducing emissions to zero by 2040. Emissions from residential buildings, including low-rise houses, are a major contributor of greenhouse gas emissions. Through HELP, applicants are provided with support and funding to make their homes more comfortable, healthier, and energy efficient, while reducing greenhouse gas emissions.

Since HELP launched in 2014, staff have been working to improve the Program and build-out additional supports to assist Toronto homeowners in undertaking decarbonisation and energy efficiency upgrades. As an example, staff secured funding from Natural Resources Canada (NRCAN) to launch the BetterHomesTO initiative focused on providing homeowners with information and resources to undertake decarbonisation projects.

Most recently, staff were successful in securing up to \$9.7 million in funding from the Federation of Canadian Municipalities (FCM) to offer a limited amount of zero-interest financing on a first come, first served basis. In July 2022, the City launched the zero-interest HELP funding stream and saw an unprecedented increase in the volume of applications received by the Program.

To mitigate the City's collection risk, HELP utilizes the Provincial Local Improvement Charge (LIC) regulation to collect repayment through the property tax system and secure the City's financing through a priority lien that is applicable to any LIC arrears.

Currently, applicant eligibility requirements for participation in the Home Energy Loan Program, as per By-Law 1105-2013, are as follows:

- All registered owner(s) of the property must consent to participating in the Program;
- The applicant cannot have had any late payments on property taxes, utility bills, or other City fees or charges for the past five years; and
- Consent from all mortgage lenders if the property is subject to one or more mortgages.

Though the by-law states that there must be no late payments in the past five years, Program staff consider the relevancy and recency of any late payments when adjudicating eligibility. Staff are mindful that certain circumstances can result in applicants missing payments, for example, when a property is undergoing a transfer of ownership or a late payment of a few days due to the time it takes to process a property tax payment by a financial institution.

The above requirements have been the key information the City has used to assess applicant eligibility, as the City *does not* require information on an applicant's income, credit history and/or credit rating.

The City's eligibility criteria for HELP is consistent with other municipally delivered residential LIC programs across Canada. Many recently launched programs based their eligibility criteria off those used for Toronto's Program. While the LIC mechanism provides a means of securing repayment, the established eligibility criteria was intended to limit the administrative costs and other risks associated with managing payment delinquencies.

Review of Eligibility Criteria and Recommended Changes to Program Design

In response to the motion, City staff met to review the current eligibility criteria and approach to assessing applicant eligibility. Currently, when an applicant applies to HELP, Revenue Services reviews the payment history for an applicant's property over the past 5 years and identifies the following:

- Late payments on the applicant's property taxes or utility charges, or associated City fees or charges on property tax bill e.g., interest charges; and

- Water to tax transfers – where a City utility bill goes unpaid for 60 days after 2 reminder notices are sent, then the payment is transferred to the property tax bill for repayment.

Operationally, in instances where an applicant had two or less late payments, they have been let into the Program. When applicants have had three or more late payments or a water to tax transfer, applicants are deemed ineligible as this demonstrates a pattern of late payments or delinquencies, which while sometimes minor are still substantive. These issues are substantive as past behaviour can be indicative of future behaviour, and in this context a higher likelihood that applicants may have challenges meeting their repayment obligations under HELP. At times, this determination will be appealed by the applicant, and Program staff further evaluate the file in collaboration with Revenue Services.

In undertaking this review, staff discussed some of the risks associated with changes to the current eligibility criteria and approach to applicant review. For example, the administrative costs associated with HELP participants missing payments. Even though participants are automatically enrolled in the pre-authorized tax payment (PTP) they can be removed due to non-sufficient funds (NSF). The process of reinstating a client is not trivial, and it is estimated that addressing these issues costs the City between \$104 - \$208 per property.

If the City needed to execute a tax sale, staff estimate the costs associated with executing the property between \$3,500 and \$5,000. While the City would likely recover these costs, the process would result in an onerous and administratively costly process.

To date, and due in part to the current eligibility criteria, the Program has not experienced any significant issues with delinquencies or defaults.

Recognizing issues have been limited and potential risks (e.g., potential mortgage lender concerns, equity considerations, administrative burden) can be managed, changes will be made to the existing Residential Retrofit Program Design, including the following:

- Applicants with up to two (2) late payments will be eligible to participate in the Program;
- The period over which an applicant cannot have had any late payments on property taxes, utility bills, or other City fees or charges will be formally reduced from five (5) years to three (3) years;
- The period for applicants to re-apply will also be reduced from five (5) years to (3) years from the date of the last late payment. As an example, an applicant whose last late payment was in November 2020 would be eligible to apply in November 2023; and
- Properties subject to a mortgage will continue to be required to receive lender consent, if applicable.

City of Toronto By-law 1105-2013 *Appendix A - Residential Retrofit Program Design* will be updated to reflect the changes above. These changes will not be applied retroactively but will take effect on a go-forward basis.

The Program website will also be updated to outline Program eligibility more explicitly and how instances of late payments on property taxes or utilities, including water to tax transfers, can disqualify applicants from participating.

In instances where an applicant appeals the decision of staff, applicants will have the option to request a reconsideration of the decision. The request must be in writing and supporting documentation may be requested. This process will allow for exceptions to be made provided a sufficient justification and/or documentation can be provided. Examples of considerations for granting exceptions will include, but are not limited to, late payments around the time of sale, and personal circumstances, including illness and unforeseen circumstances. The Executive Director, Environment and Climate will report to Council on instances where reasonable exceptions have been made.

In instances where the City deems an application ineligible or where the client's lender denies participation in the Program, staff will continue to provide the applicant with information on other available programs and supports.

Most recently this has included the Canada Greener Homes Loan, a Government of Canada program providing zero-interest (0%) loans of up to \$40,000 for home energy retrofits, and the Home Efficiency Rebate Plus, the new combined program between Enbridge Gas and the Government of Canada's Greener Homes Grant for Ontario residents, with up to \$10,000 in enhanced rebates available.

Program staff will actively evaluate the impact of these changes to homeowner eligibility and if necessary, modify this approach.

CONTACT

James Nowlan, Executive Director, Environment & Climate Division,
416-392-6064, james.nowlan@toronto.ca

SIGNATURE

Josie Scioli
Deputy City Manager, Corporate Services

ATTACHMENTS

Attachment 1: Residential Energy Retrofit Program - Residential Retrofit Program Design