

Attachment 1

Appendix A:

Residential Retrofit Program Design

I. Single-Family Housing Program Stream

1.0. Overview

The Single-Family Stream of the Program supports homeowners of single-family properties across the City. The Program is designed to facilitate the installation of qualifying natural gas, electricity, renewable energy technologies and water conservation improvements, and related energy assessments and then to secure payment by imposing a local improvement charge on the private residential property, as authorized by Ontario Regulation 596/06, as amended (O.Reg. 596/06").

1.1 Objectives

The Program design will balance the need to attract participation and address the objectives of enabling a higher incidence and depth of investment in single-family housing improvements to align with a number of City objectives to:

- increase the quality and durability of existing housing stock;
- address housing affordability by mitigating pressures on homeownership due to rising utility costs;
- realize economic development opportunities in connection with investments in retrofitting of houses, including industry development and job creation;
- achieve greenhouse gas emission reductions; and
- achieve a higher level of energy, water efficiency, and conservation and renewable energy generation.

1.2 Program Eligibility

Residential low-rise buildings located within the City of Toronto of the following forms are eligible: detached, semi-detached, townhouse, and more generally housing forms with fewer than seven units. Properties with a property tax account and properties with a tax-exemption, are eligible. Additionally, where the property owner anticipates seeking rebates from Toronto Hydro, Enbridge Gas, in connection with this program, the property must also be a customer of the respective utility.

The maximum eligible funding amount for a property (inclusive of the cost of borrowing and an administrative charge) would be limited to the lesser of 10 percent of the Current Value Assessment of the property to a maximum of \$125,000 per property.

Participation is voluntary, owner-initiated and subject to the following conditions:

- All registered owner(s) of the property must consent to participating in the Program;

- The applicant cannot have more than two late payments on property taxes, utility bills, or other City fees or charges for the past three years; and
- Consent from all mortgage lenders, if the property is subject to one or more mortgages.

In instances where an applicant appeals the eligibility 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. The Executive Director, Environment and Climate will report to Council on instances where reasonable exceptions have been made.

1.3. Home Energy Assessments

City's Program will utilize the EnerGuide Rating System (the "ERS") that provides a standard measure of a home's energy performance. It provides a standardized tool and process to assess home energy efficiency and can model energy savings and renewable energy generation projects.

The property owner must hire an Energy Advisor (the "EA") - certified by Natural Resources Canada ("NRCan") - to perform pre- and post-retrofit assessments in accordance with ERS. EAs are experts in the field of energy efficiency and trained in the 'whole home' approach to home energy systems, technologies and products. The cost of the energy assessments are paid by the homeowner to the EA.

Upon completion of the pre-retrofit home energy assessment, a Renovation Upgrade Report with a home EnerGuide rating is provided to the homeowner along with recommendations for energy improvements that could potentially improve the rating. This report is to be provided to the City in order to access funding.

After the retrofit is complete, a second and final home assessment is performed by the EA to obtain a second EnerGuide home rating and to verify the completion of the improvements. Provided that the second assessment that the homeowner provides to the City indicates that the EnerGuide rating has improved and the work has been completed, then the utility incentives (described in Section 1.8. – *Access Rebates & Incentives*) can be determined and the City can issue the final disbursement of funds, minus those incentive amounts.

1.4. Qualifying Energy Efficiency, Renewable Energy Technologies and Water Conservation Measures

The home energy assessment must demonstrate the potential to achieve cost-effective energy improvements in order to qualify for LIC funding. Funding is designated for capital costs (not maintenance costs) with an expected useful life of 5 years or greater and for measures that are permanently affixed to a property. The expected useful life of the improvements shall not exceed the LIC term selected by the homeowners.

Only costs associated with improvements of up to the lesser of 10 percent of the Current Value Assessment of the property to a maximum of \$125,000 are eligible for the Program.

A non-exhaustive list of the categories of improvements support by the Program includes:

- i. *Thermal envelope upgrades*: attic, wall and basement insulation, windows and doors, air-sealing.

- ii. *Mechanical systems*: furnace and boiler replacement, air and ground source heat pumps, air conditioners, heat and energy recovery ventilators, water heater replacement, thermostats and controllers, drain water heat recovery systems.
- iii. *Water efficiency*: low-flow toilets and fixtures.
- iv. *Renewable Energy Technologies*: solar thermal heating, solar photovoltaics for electricity generation, geothermal heating and cooling, energy storage technology, electric vehicle chargers (Level 2 and above) and associated works.
- v. *Health and safety measures to support aging in place*.
- vi. *Secondary units*.
- vii. *Energy efficient resilience measures*

Ineligible measures include equipment or products not permanently affixed to the property, previously installed in another home and are deemed general maintenance. Incidental costs essential and integral to facilitate the energy improvements – such as electrical and plumbing upgrades, demolition and construction waste removal and environmental remediation may be funded by the program subject to review and approval of the Program Manager. In instances, where the homeowner chooses to pursue a high performance building certification (e.g. Passive House) the Program Manager may choose to waive the requirement for an EnerGuide Home Evaluation.

Ancillary supports for secondary units and health and safety measures combined with primary decarbonization and energy efficiency retrofits, with ancillary supports capped at 30 percent of total project costs.

By recommending categories of retrofit improvements and associated measures, the City makes no guarantees of the materials, performance, cost-effectiveness or any warranty of the measures supported by the Program.

1.5. Completing the Retrofit through Contractor Engagement

The City will provide funding to homeowners for eligible measures covered by the Program that have been recommended by the EA, verified by the City and installed by contractors hired by the property owner. The City will not pre-qualify contractors or procure contractors to perform energy assessments or install retrofit improvements on behalf of homeowners in connection with this Program. The homeowner will use the funds disbursed by the City to pay contractors directly. When an incentive is not available or does not cover the full cost of the energy assessment, the cost of the energy assessment may be included as an eligible cost.

The City is not responsible for the work quality of any contractors hired in connection with this Program and assumes no liability for the works undertaken. All retrofit improvements and renovations must adhere to local codes and by-laws. The homeowner is responsible for ensuring that hired contractors are licensed, bonded, and insured. Any issues that may arise relating to the

quality of workmanship or post-installation performance of energy measures, for example, should be dealt with by the property owner and contractor.

1.6. Application Process

The steps below outline the process and requirements homeowners need to follow as part of the Program. City staff will periodically review this process to ensure effective Program implementation and, where deemed appropriate, the City may make changes in its sole discretion.

Step 1: Pre-qualification

Homeowners submit an online or hardcopy pre-application form that includes, but is not limited to, the following information:

- Property assessment roll number to confirm no late or outstanding payments owed to the City in the last three years; and
- Evidence of mortgage lender consent (where applicable)

If a homeowner has one or more outstanding mortgage(s) associated with the property, then the homeowner must obtain (at his or her own expense) consent from the mortgage lender(s) through a form that the City will provide. Property owners will advise their mortgage lender(s) of their intention to participate in the Program and receive permission from the lender(s) (perhaps up to only a specific dollar amount) as a requirement of the Program.

Once the property owner has been prequalified by City staff, based on the above criteria, the City will provide Notice to Proceed to the homeowner.

Step 2: Energy Assessment and Funding Request Form

1. Energy Assessment

The homeowner completes the pre-retrofit home energy assessment in accordance with Section 1.3 (Home Energy Assessments) and submits to the City the resulting Renovation Upgrade Report that the REA provides to the homeowner.

That Renovation Upgrade Report must include:

- the current NRCan EnerGuide home rating;
- recommended improvements that have been customized for the home based on existing conditions which could potentially improve the EnerGuide home rating;
- potential eligibility for utility rebates and incentives offered by Independent Electricity System Operator, Toronto Hydro and Enbridge Gas or other government sponsored programs.

2. Funding Request Form

Along with the Renovation Upgrade Report, the homeowner also will need to submit a Funding Request Form that:

- identifies the improvements that the property owner intends to install based on the Renovation Upgrade Report;

- identifies the cost for each improvement (including equipment, materials and labour costs) inclusive of HST; and
- requests an initial disbursement (up to a maximum of 30 percent of the estimated cost of the work from the City upon signing the POA

Following receipt of the Funding Request Form, the City will:

- confirm the eligibility of the works (e.g. items affixed to property);
- verify the reasonableness of retrofit costs and labour costs by consulting manufacturer pricing and prevailing labour rates;
- calculate the administrative costs using a formula that apportions the cost to the City to operate this program between participating properties as percentage of the cost of the work undertaken relative to the percentage of the cost of the work to the overall Program budget for each Program Stream; and
- estimate the eligible utility rebates and incentives available to the homeowner.

Step 3: Property Owner Agreement

After the City has confirmed the acceptability of the Renovation Upgrade Report and the Funding Request Form, the City will prepare a property owner agreement ("POA") for the homeowner(s) to review and sign.

Step 4: Completing Improvements

1. Initial Funding Disbursement

Following execution of the POA, the City will provide the homeowner with the initial disbursement agreed upon in the POA of up to thirty percent of the estimated cost of the work that can be used by the homeowner to pay contractors or suppliers (i.e. security deposit). Requests for additional disbursements will be evaluated on a case-by-case basis subject to the project information submitted by homeowners to the City. The Program Manager has sole discretion in determining if an initial disbursement is warranted and determining the amount. The property owner will be contractually obligated to repay this initial disbursement, together with any applicable administrative fee, to the City if the property owner does not complete the improvements.

The property owner can then proceed with hiring contractor(s) and performing the approved improvements to the property. The improvements must be completed within a reasonable timeframe, as stipulated in the POA, to be determined by the City in its sole discretion.

2. Final Funding Disbursement

As will be detailed in the POA, the City will provide the final disbursement only after the homeowner provides a copy of the EnerGuide home rating label from the EA that:

- includes a Certificate of Completion that attests the approved improvements having been installed and provides an EnerGuide rating of the house after the improvements have been completed which is better than the original EnerGuide rating; and
- indicates the actual costs and useful life for all the works.

Step 5: LIC Repayment

Following the City Treasurer's periodic certification of the local improvement roll, (which occurs after the improvements on a given set of properties are complete and the final amounts of funding are confirmed), the City Solicitor will submit a corresponding bill for Council to adopt a by-law pursuant to Section 35.14 of O.Reg 596/06 to impose the special charges on the participating properties. For each property included in the by-law, the Treasurer will then add to the City's tax roll for that property each year that portion of the imposed special charge that is due in that year. These collective steps will provide priority lien status for the annual amount that the Treasurer adds to the tax roll and will ensure that any subsequent property owner who was not a party to the POA is bound to pay that amount.

To facilitate repayment of the annual special charge, the POA will require homeowners to sign-up for the pre-authorized payment plan option of 11 monthly instalments similar to the existing Program for property tax payments.

At any time, a homeowner can make a one-time payment of the total outstanding amount owing to clear the property of the LIC charge. In this case, the outstanding funding amount and administrative fee becomes payable to the City. If a one-time payment is made prior to the creation of a LIC by-law the full 2% administrative charge will be payable to cover administrative costs associated with the Program.

Failure to make payments is treated with the same remedy as uncollected property taxes which may include penalties and interest charges.

1.7. LIC Disclosure

As indicated above, the subsequent owner of a property on which the City has imposed a special charge is required to pay the City the annual LIC amount even though that subsequent owner was not a party to the original POA. In addition to notice that the City will be giving in accordance with the provisions of O.Reg 596/06, the City also will take the following steps to ensure even greater transparency of the LIC to interested parties by:

- i. posting on the City's website notice of the special charge by-law to impose the charge on the property in advance of its introduction and after its adoption; and
- ii. updating the Tax Certificate to include the full LIC amount, amount payable in the current year, outstanding amounts owing and a note to reference the by-law pursuant to which the special charge was imposed.

1.8. Access to Rebates & Incentives

The City will promote relevant offerings from utilities and other incentive providers (i.e. Enbridge Gas, The Independent Electricity System Operator (IESO), Toronto Hydro, and Municipal, Provincial, Federal governments) in the delivery of the program to facilitate homeowner's access to incentives and promotions. Incentives are subject to change and availability.

The funding advances by the City will be net of any rebates or other incentives received by the homeowner.

1.9. Quality Control

As a means of additional oversight to confirm that the funded improvements were completed, the POA will indicate that the City reserves the right to have a City official or third party contractor arrange with the property owner for an inspection. The property owner(s) is also responsible for keeping original copies of contractor invoices and photos of installed measures, especially for the EA to verify measures like insulation, and be prepared to disclose this information to the City upon request.

1.10. Measurement and Verification

Via the POA, the property owner(s) must consent to providing the City with access to the property's utility usage data in order to monitor results and evaluate the Program's effectiveness for a period of five years after completion of the retrofit. Also, the property owner(s) agrees to participate in surveys and other follow-up activities to help the City evaluate the Program.