

CITY GUIDELINE

Number: 2013-4

Date Issued: August 20, 2013

Effective Date: Immediately

The policies and procedures in this City Guideline are to be implemented under the following programs:

- | | |
|--|---|
| <input checked="" type="checkbox"/> HSA*, Section 78, Market and RGI** | <input checked="" type="checkbox"/> Non-Profit Housing Section 95 |
| <input checked="" type="checkbox"/> HSA, Section 78, 100% RGI | <input type="checkbox"/> Rent Supplement Programs |
| <input type="checkbox"/> Federal Non-Profit Housing Section 26/27 | <input type="checkbox"/> Toronto Community Housing Corporation |

Please note: If your program is not checked, this City Guideline does not apply to your project.

** Housing Services Act, formerly section 110 of the Social Housing Reform Act **Rent-Geared-to-Income*

Subject: Use of Capital Reserve Funds for Energy Saving Initiatives - City of Toronto Incentives

Background:

The City of Toronto is committed to reducing greenhouse gas emissions and locally-generated smog. Social housing providers can play a huge part in helping the City meet its reduction targets. Housing providers can help reduce pollution and reduce their costs at the same time.

Utility costs, such as gas, water and hydro, account for up to 40% of housing providers' annual operating costs. Many energy reduction measures are low-cost and can easily be paid for from operating budgets. Examples of low-cost measures include replacing incandescent light bulbs with compact fluorescents and developing tenant/member education programs. See the ["low hanging fruit"](#) energy efficiency strategy checklist in the Social Housing Unit's Fall 2008 newsletter.

Large-scale energy reduction measures, such as replacing existing building systems, normally require a capital investment. Since 2008, the City has allowed housing providers who pay for major energy retrofits from their capital reserves to put the operational cost savings back into their capital reserve fund. This allows housing providers to pay for energy efficiency measures from energy cost savings.

The incentive is not additional subsidy. Housing providers can put the City-approved amount back into their capital reserve on an annual basis net of other financial incentives. Housing providers can deduct this amount from their surplus before any surplus sharing, as described in City Guideline 2013-3, is calculated.

The incentive is not available retroactively for any projects that are already completed or under way.

Action Required:

1. Housing providers who wish to use capital reserves for new energy initiatives must submit a proposal to their Social Housing Consultant that outlines:
 - a. an overview of the planned project, including details of the measures to be taken
 - b. a detailed forecast of the energy reduction potential,
 - c. the anticipated pay-back period for each proposed retrofit,
 - d. details of any other financial incentives that they applied for relating to the retrofit, and
 - e. details of their tenant education plan. The plan must include specifics on how the housing provider will inform tenants about the actions they can take to reduce their building's energy consumption.
2. The City may request additional information before determining whether it will support the plan.
3. Housing providers must receive written confirmation of the City's approval before starting work on the energy retrofit plan.
4. Housing providers with a City-approved energy retrofit plan may deposit the amount specified by the City into their capital reserve fund on an annual basis. Housing providers will deposit the amount annually until the capital cost of the retrofit is recovered.
5. Housing providers must report an annual surplus in order to make use of the incentive. Housing providers with an annual surplus that is less than the amount of the approved incentive may only transfer the annual surplus. The residual amount is not carried forward to future years.

6. Housing providers approved for the incentive must not include the incentive in the calculation of net income.
7. Housing providers must calculate the additional funds they are allowed to keep and report it on their Annual Information Return (AIR):
 - a. Section 78 mixed housing providers report on Line 1264
 - b. Section 78 100% RGI housing providers report on Line 1328
8. Section 78 housing providers must record this additional allocation as a capital reserve fund contribution, and report it on line 655 of the AIR.

Helpful Hints:

- ✓ The following are sources of information that could be helpful for housing providers when developing energy initiatives:

Ontario Power Authority's "Save on Energy" initiative - tenant education plans:
<https://www.saveonenergy.ca/Business/Program-Overviews/Retrofit-for-Commercial/Document-Links/RETROFIT-Tenant-Education-Proposal-Options.aspx>

GLOBE's sustainability toolbox:

<http://www.globeservices.ca/index.php/download-sustainability-toolbox/>

GLOBE is a subsidiary of Housing Services Corporation.

- ✓ Here is an example that shows the amount a housing provider could access from their surplus to pay for energy retrofits:

Toronto the Good Housing Corporation develops a proposal to replace its existing domestic hot water system with a more energy efficient system. The new system will cost \$100,000 and projected energy savings are \$25,000 annually. The City approves that a maximum of \$25,000 can be redirected to the housing provider's Capital Reserve fund for the four fiscal years following the completion of the project.

See the table on page 4.

<i>Example: Toronto the Good Housing Corp.</i>	s. 78 mixed	s. 78 100% RGI	Amount
A) Surplus	Line	Line	\$54,524
B) Max. Annual amount that can be redirected to the Capital Reserve Fund as an energy efficiency incentive	1260	1326	\$25,000
C) Subtotal			\$29,524
B) Amount kept by provider without restriction			\$14,762
C) Surplus repayable	Line	Line	\$14,762
	1262	1327	
D) Service Manager approved reduction [Lower of surplus repayable (\$14,762) or \$100 per unit (134 x \$100 = \$13,400)]	Line	Line	\$13,400
	1264	1328	
Net surplus repayable	Line	Line	\$1,362
	1269	1329	
Total service manager approved reduction (\$25,000 + \$13,400) Report this amount on line 592 (Page A4) of the Annual Information Return	Line	Line	\$38,400
	1264	1328	

For more information, or if you have questions or concerns, please contact your Social Housing Consultant.

Original signed

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