



REQUEST FOR DECISION

MEETING DATE: June 26, 2023

TITLE: C-1254-23 - Clean Energy Improvement Tax Bylaw - First Reading

DIVISION: Corporate Services

SUMMARY:

The passage of a Clean Energy Improvement Tax Bylaw is required to implement a Clean Energy Improvement Program (CEIP) in the City of Spruce Grove.

PROPOSED MOTION:

THAT first reading be given to C-1254-23 - Clean Energy Improvement Tax Bylaw.

BACKGROUND / ANALYSIS:

CEIP Bylaw

The Bylaw establishes the legal framework for CEIP including the roles of the key parties and borrowing and tax provisions.

Of note are the following sections:

- Section 2.1 authorizes borrowing and the application of a Clean Energy Improvement Tax;
- Section 6.1 establishes that both residential and non-residential properties will be eligible for the CEIP;
- Section 8.2(a): establishes the total project value minimum (\$3,000 for residential and non-residential property) and maximum (\$50,000 for residential and \$1 Million for non-residential properties);
- Section 8.4(a)(xiv): establishes the maximum value of incidental costs at 15 per cent of total capital costs; and
- Section 10 (and preamble): authorizes the \$8 Million maximum borrowing amount at a

maximum of seven per cent interest for a maximum 25-year term, with funds allocated in a lump sum.

Further Information Stemming from Questions and Feedback at the May 15, 2023 Governance and Priorities Committee

Based on questions and feedback received at the [May 15, 2023 Committee of the Whole](#) . Administration can advise the following:

1. Maximum allowable project costs for non-residential properties

Committee directed Administration to evaluate whether to limit the maximum allowable costs for upgrades to non-residential properties to \$500,000. Under *An Act to Enable Clean Energy Improvements*, Section 10(1) of the Clean Energy Improvements Regulation stipulates that the maximum allowable capital costs for non-residential property upgrades cannot exceed \$1 Million.

Administration has identified that some Alberta municipalities have chosen to reduce the \$1 Million capital amount for non-residential properties as follows:

- Several municipalities have lowered the allowable amount and made it applicable to project costs (capital, professional fees, incidentals):
 - \$1 M (Edmonton)
 - \$500,000 (Rocky Mountain House, Canmore, Grande Prairie, Athabasca, Westlock, Town of Pincher Creek, MD of Pincher Creek)
 - \$50,000 (Stettler)
- Beaumont has lowered the allowable amount to \$500,000 capital costs

Administration recommends the maximum allowable project costs for non-residential properties be \$1 Million. The City's Economic and Business Development department has indicated that the City has some larger light industrial and commercial facilities for whom energy efficiency upgrades may cost upwards of \$500,000, and Alberta Municipalities (ABMunis) concurs with this assessment.

2. Opportunity to link incentive amounts to total project costs

Committee directed Administration to assess the opportunity to link the value of CEIP incentives to the total project cost of the upgrade, to reduce the likelihood a property owner applies for a small upgrade in order to receive a relatively large incentive.

Administration has identified that two municipalities (Calgary and Sturgeon County) have linked incentive amounts to the cost of the upgrade. ABMunis recommends taking a similar approach in order to incentivize property owners to undertake larger projects and maximize the positive

environmental impact. Administration will undertake further analysis and present options to Council in November 2023 on the type and value of incentives. Details regarding incentives are not specified in the bylaw but will be included in the publicly available program details.

3. Early Repayment of Clean Energy Improvement Tax

Committee directed Administration to investigate what financial consequences there would be, if any, to the City if a property owner were to pay off the CEIP tax early. It should be noted that ABMunis indicated this has rarely occurred to date.

Under Section 390.6 of the *Municipal Government Act*, the owner of a property is allowed to pay the Clean Energy Improvement Tax at any time, however, under the guidelines of the Community Efficiency Financing (CEF), municipalities have limited options for early repayment to the Federation of Canadian Municipalities (FCM). If a property owner chooses to pay the Clean Energy Improvement Tax early, the City could use the funds to either:

- make additional payments against the higher interest debt the City will have incurred (20 per cent contribution) to fund CEIP; or
- make additional funds available through CEIP. The Clean Energy Improvement Tax payments would be used to fund the CEF debt payments.

OPTIONS / ALTERNATIVES:

n/a

CONSULTATION / ENGAGEMENT:

- June 27, 2023 - Commence advertising re: the borrowing outlined in the bylaw.
- July 7, 2023 - 15-day petition period re: borrowing commences.
- July 21, 2023 - 15-day petition period re: borrowing ends.
- August 22, 2023 - Commence Advertising for public hearing.
- September 11, 2023 - Public hearing, second, and third reading of the bylaw.

IMPLEMENTATION / COMMUNICATION:

- Following first reading, Administration will send the bylaw to ABMunis to formally commence the CEIP application process.
- Administration will then join ABMunis' fall cohort and undertake a market study, submit the initial and final applications to the FCM.
- If application is successful, Administration will assemble an internal team to finalize the program design, with an anticipated launch date of January 2025 for residential properties and January 2026 for non-residential properties.

IMPACTS:

Once passed, the Clean Energy Improvement Tax Bylaw formally establishes the CEIP and enables the City to proceed with securing loans, implementing a Clean Energy Improvement Tax, and finalizing program design.

Estimated environmental benefits of 140 residential property upgrades through CEIP over four years are:

- Lifetime energy savings: 222,535 GJ.
- Lifetime utility bill savings: \$3.0 M.
- Lifetime GHG emission savings: 13,835 t CO₂e.

FINANCIAL IMPLICATIONS:

There is expected to be a net positive impact to the budget for both the residential (\$70,000) and non-residential (\$37,500) over the first four years of the CEIP program; as the City is able to recover current staffing costs spent on the development of the program for the residential stream and through the five per cent administration fee on the non-residential stream covers more than the administrative costs for the program. Further details are available in the materials presented at the May 15, 2023 Governance and Priorities Committee.