



## REQUEST FOR DECISION

**MEETING DATE:** April 8, 2024

**TITLE:** Clean Energy Improvement Program for Residential Properties - Rebate and Innovations

**DIVISION:** Strategic and Communication Services

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### **SUMMARY:**

To seek Council's approval of a rebate and two innovations for inclusion in the City of Spruce Grove's Community Efficiency Financing (CEF) full application and program design for the residential stream as part of the Clean Energy Improvement Program (CEIP).

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### **PROPOSED MOTION:**

THAT the inclusion of a rebate of 10 per cent of total project financing for the residential stream in the Community Efficiency Financing full application be approved.

THAT the inclusion of a capacity building innovation for an energy coach for the residential stream in the Community Efficiency Financing full application be approved.

THAT the inclusion of a deeper retrofit innovation by reserving 20 per cent of the total project financing for the residential stream for homes built in 2000 and earlier in the Community Efficiency Financing full application be approved.

### **BACKGROUND / ANALYSIS:**

#### **Community Efficiency Financing**

As Council has not reviewed this complex program for a number of months, the following is provided as a brief overview of the main program elements.

## Overview

CEF is a Green Municipal Fund program for Property Assessed Clean Energy (PACE) that is administered by Federation of Canadian Municipalities (FCM). PACE refers to programs that:

- Reduce the property owner's upfront costs to install energy efficiency and renewable energy upgrades by adding the financing to the owner's property tax bill over the lifespan of the upgrade; and
- The financing is tied to the property, not the owner, so if and when the property is sold, any remaining amount owing on the tax roll can be transferred to the new owner should the owner choose not to pay the amount in full.

Alberta's provincial government has named its PACE program the CEIP.

## Requirements

Before a municipality can apply for CEF, the province/territory has to pass a legislative framework to enable PACE. Alberta was one of the earliest jurisdictions to pass the legislative framework (legislation came into force in 2018).

## Financial Parameters (See Appendices 1 - 2)

- Municipality: Must contribute 20 per cent of total program costs with a loan and grant from FCM covering the remaining 80 per cent.
  - The FCM grant is valued at the lesser of either 50 per cent of the FCM loan value or the ABMunis' (provincial program administrator) and the City's total administration program costs, inclusive of rebates and innovations.
- The City's detailed budget has been developed with advice from ABMunis. Budget norms identified by ABMunis include:
  - Municipality's administrative costs should not exceed approximately 5 per cent of total loan the City will borrow from FCM and third party lender;
  - Municipalities have generally tried to offer the maximum rebate possible within their budget; and
  - There are several relatively significant fixed costs (e.g., ABMunis' administrative costs, program reporting, legal review).

## CEIP - Council Direction/Decisions and Completed Steps to Date

May 15, 2023 Governance and Priorities Committee meeting:

- Supported applying for CEF to implement residential CEIP in January 2025
- Supported implementing non-residential CEIP in January 2026
- For the residential CEIP:
  - Allocate funds in lump sum

- Maintain \$50,000 maximum and \$3,000 minimum values apply to residential project costs; allow 15 per cent of capital costs to be used for incidentals
- Explore inclusion of financial incentives

**Table 1 - Updated Estimated Financials from May 2023**

	<b>Estimates presented to GPC May 15, 2023</b>	<b>Current Estimates for Recommended Options (10 per cent, energy coach, reserve 20 per cent financing for older homes)</b>
<b>Total Number Projects</b>	140	140
<b>Average Project Cost</b>	\$22,143	\$21,809
<b>Lending to Residential Property Owners (pre- rebate)</b>	\$3,100,000	\$3,053,297
<b>FCM Grant Amount (Cover City &amp; ABMunis administrative costs + 10 per cent rebate)</b>	\$1,033,000	\$999,261
<b>FCM Loan to City</b>	\$2,306,277	\$1,998,521
<b>City Borrowing from Third Party Lender (20 per cent of \$3,747,221)</b>	\$793,723	\$749,446

June 26, 2023 Council meeting:

- First reading of C-1254-23 - Clean Energy Improvement Tax Bylaw
- Maintain \$1M maximum value for non-residential project costs
- Assess opportunities to link the value of financial incentives to total project costs of the upgrade
- Provided requested information on implications of property owner doing early repayment of CEIP tax

Sept 11, 2023 Council meeting:

- Public hearing, second and third reading of Bylaw C-1254-23 - Clean Energy Improvement Tax

Fall 2023:

- Invited to join ABMunis' cohort of four municipalities ready to begin CEF application process
  - First reading of bylaw required prior to joining cohort
- Administration prepared preliminary CEF application

January 2024:

- Administration submitted preliminary CEF application and received approval from FCM to proceed with full CEF application

April 2024

- Pending Council's direction on rebate and innovations, proceed to full application

### **CEF Recent Changes - Competitive Process**

Effective mid-2023, FCM announced that CEF funding would be allocated in two streams:

- (Competitive): Growth Stream covering regions that have been heavily subscribed to date (Alberta, Ontario and some other provinces fall within this)
- (Not anticipated to be competitive at present): Seed Stream covering undersubscribed regions

Given the new competitive dimension, all municipalities in the Growth Stream, including the City, face a possibility that their CEF application may not be successful. FCM is not able to provide insight into a particular municipality's likelihood of success. Administration has worked with ABMunis to design a rebate and innovation program that will maximize the City's chances of success.

### **Rebate**

ABMunis highly recommends that a municipality offer a rebate to incentivize property owners to undertake upgrades:

- Based on lessons learned from other jurisdictions, the provincial program administrator (ABMunis) recommends that the rebate be a percentage of homeowner's total project financing<sup>1</sup> rather than a fixed figure. This will incentivize larger upgrades and minimize the likelihood of applicants making smaller cost upgrades that are just enough to qualify for the rebate.
- Once the rebate funds allocated from the grant are exhausted, no additional rebates will be available
- A rebate would:
  - Not be issued to a homeowner directly. The rebate will be applied directly to a homeowner's Clean Energy Improvement Tax, to reduce their total project financing amount and repayment owing.

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<sup>1</sup> Project financing includes eligible costs of capital, up to 15 per cent incidental costs, and any associated professional fees that may be incurred as part of the project. The minimum and maximum project values that can be financed through CEIP for a residential property are \$3,000-\$50,000.

- Only be applied to a homeowner's file once the project(s) are complete<sup>2</sup>

## **Innovations**

FCM indicated that for the new competitive Growth Stream, priority will be given to applications that propose innovative program elements such as:

- Targeting higher greenhouse gas (GHG) reductions
- Capacity building
- Deeper energy retrofits

ABMunis therefore highly recommends that a municipality propose innovation(s) in the full application. Administration has proposed two innovations:

### 1. Innovation for Capacity Building - Energy Coach

- Small portion (less than 5 per cent annually) of time of Administration's forthcoming Climate Change and Environment Specialist role (currently recruiting) costed at \$13,550 over four years to:
  - Provide applicants with energy coaching regarding:
    - Understanding and navigating the results of their energy audit, including advice on prioritizing and sequencing upgrades; and
    - Stacking CEIP financing with any other available sources of funding
- Conduct awareness building and education sessions on climate resiliency issues specific to the City, for Administration staff in divisions such as Planning and Development, Facilities and Fleet Management, and Public Works
- The costs associated with this are included in the City administrative cost envelope

### 2. Innovation for Deeper Retrofits - Reserve 20 per cent of CEIP financing for older homes

- Older houses would be categorized as those built in 2000 or earlier. This is consistent with ABMunis' categorization as mentioned in the market study submitted in the preliminary application.
  - These homes are more likely to use original equipment which are less energy efficient and coming due to be replaced, thus they will potentially realize higher energy savings from upgrades.
  - According to current City tax data (Computer Assisted Mass Appraisal), approximately 35 per cent of the residential properties (4642 of a total of 13,444) were built in 2000 or earlier.
- Does not draw on FCM grant as it is a \$610,000 carve-out of the total available financing (this is inclusive of 10 per cent rebate)

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<sup>2</sup> Should a homeowner apply for more than one project for the same property over the period the incentive is available (first four years of CEIP) the total financed value of all the projects per residential property can not exceed \$50,000 (specified in the Regulation) therefore the maximum available rebate for all projects on a property will be \$5000 under Option 1.

- Administration would monitor program uptake from owners of older homes. Should there be low uptake, Administration would undertake additional marketing and if low uptake persists, Administration will release the financing to all applicants at a time Administration determines (e.g., 10 to 16 months after launch)

**OPTIONS / ALTERNATIVES:**

The following section outlines recommended options for a rebate and innovations that will be made available over the first four years of the program, and fully covered by the FCM grant.

The options Council chooses will be specified in the full CEF application and program design, and the benefits to residents will be highlighted in the City’s CEIP communications and marketing plan.

**Decision 1 - Offer Rebate of 10 per cent of Applicant’s Project Financing**

Option 1 - 10 per cent of total project financing (RECOMMENDED) - See Appendix 2, Table 1 for additional detail

<b>Considerations - Recommended Option</b>
<ul style="list-style-type: none"> <li>• Maximum Rebate of \$5,000 assuming maximum project of \$50,000.</li> <li>• Average rebate expected to be \$2,181 based on average expected financing from other municipalities experience</li> <li>• 10 per cent rebate is expected to increase:               <ul style="list-style-type: none"> <li>○ Homeowner participation in CEIP</li> <li>○ Likelihood of homeowner undertaking larger upgrades being undertaken which maximizes energy efficiencies</li> </ul> </li> <li>• Optimizes mix of grant funding and borrowing by covering administrative costs while providing maximum reduction of costs to property owners</li> <li>• Aligns with ABMunis’ advice</li> </ul>

Option 2 - Do not offer a rebate

**Decision 2 - Innovation for Capacity Building - Energy Coach**

Option 1 - Include energy coach innovation (RECOMMENDED)

#### **Considerations - Recommended Option**

- Will provide significant value-add to Spruce Grove applicants (tried and tested in Leduc) using minimal amount of FCM grant and staff time
- Administration staff will gain expertise related to climate resiliency
- Enhance likelihood of Spruce Grove application being successful

Option 2 - Do not include energy coach innovation

#### **Decision 3 - Innovation for Deeper Retrofits - Reserve 20 per cent of Financing (Inclusive of 10 per cent Rebate) for Older Homes**

Option 1 - Reserve 20 per cent financing for older homes (**RECOMMENDED**) - See Appendix 2, Table 2 for additional detail

#### **Considerations - Recommended Option**

- Older homes more likely to benefit from deeper retrofits which can result in greater energy efficiencies
- Flexible - easy to release funds to all applicants if uptake is low
- No cost
- Enhances likelihood of the City's application being successful

Option 2 - Do not reserve any financing for older homes

### **CONSULTATION / ENGAGEMENT:**

Administration has been engaging closely with ABMunis in developing its full application, including options and costing for the rebate and innovations.

### **IMPLEMENTATION / COMMUNICATION:**

- April - October 2024 Submit application and await FCM notification
- December 2024: Complete program design
  - Complete necessary agreements (the City with each of FCM and ABMunis)
  - Assemble internal CEIP team (Climate, Finance and Tax, Information Systems, Communications, Planning and Development) to develop internal processes (e.g., tax roll)
  - Develop communications plan and marketing materials, engage residents and contractors
- Late January 2025: **Launch CEIP for residential Spruce Grove properties**
- Spring 2025: Prepare for launch of non-residential CEIP

- January 2026: Annual report to Council and **launch CEIP for non-residential Spruce Grove properties**

## **IMPACTS:**

Estimated environmental benefits of upgrades made by 140 residential properties over four years are:

- Annual Electric Savings 701,909 kWh
- Annual Gas Savings 4,703 GJ
- Lifetime utility bill savings: \$2.1 M
- Lifetime GHG emission savings: 15,206 t CO<sub>2</sub>e

## **FINANCIAL IMPLICATIONS:**

See Appendix 1 - Financial Overview - Residential and Non-Residential Streams and Appendix 2 - Financial Overview for Residential Stream Decisions 1 and 3

## **APPENDIX:**

Appendix 1 - Financial Overview - Residential and Non-Residential Streams

Appendix 2 - Financial Overview for Residential Stream Decisions 1 and 3

Appendix 3 - Cross-Jurisdictional Summary - Rebates and Innovations in Alberta Jurisdictions