



City of  
**Peterborough**

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**To: Members of the General Committee**

**From: Jasbir Raina, Commissioner of Infrastructure and Planning Services**

**Meeting Date: September 12, 2022**

**Subject: Home Energy Efficiency Program Update, Report IPSIM22-022**

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## **Purpose**

A report to provide Council with an update on the Home Energy Efficiency Program status and next steps for program implementation.

## **Recommendations**

That Council approve the recommendations outlined in Report IPSIM22-022, dated September 12, 2022, of the Commissioner of Infrastructure and Planning Services as follows:

- a) That the presentation from Dunskey Energy + Climate Advisors (Dunskey) be received for information;
- b) That Council support an application to the Federation of Canadian Municipalities' Community Efficiency Financing program for capitalization of the Home Energy Efficiency Program; and,
- c) That, if the application is successful, a by-law be passed authorizing the Mayor and Clerk to execute the agreement and any subsequent corresponding agreements or amendments between The Corporation of the City of Peterborough and the Federation of Canadian Municipalities for the transfer of the Community Efficiency Financing program funding, in a form acceptable to the Commissioner of Corporate and Legislative Services and the City Solicitor.

## Budget and Financial Implications

To fully implement the Home Energy Efficiency Program, a projected \$10,940,000 in renovation loans are anticipated to be issued by Year 4 of the pilot program. This funding will be secured through FCM and third-party financial institutions at no cost to the City.

Total program administration costs of \$3,135,000 are expected to be incurred by Year 4 of the pilot program. Of this cost, \$2,875,000 will be covered by the FCM grant. The remaining \$260,000 will represent the City's cash contribution and will be funded from the uncommitted budget in the approved Climate Change Action Plan Capital Budget. The program administration costs will cover expenses for the program set up, third-party administration fees, grants to increase local energy advisor capacity, website creation, net-zero pathway report set up, legal fees for contracting, program evaluation, and loan loss reserves for participating partner financial institutions.

## Background

In 2019, the City of Peterborough declared a climate emergency and updated its target to reduce community greenhouse gas (GHG) emissions by 45% by 2030 and achieve net-zero emissions by 2050. Home retrofits are essential to realizing these goals, as 39% of GHG emissions in Peterborough come from its 34,660 low-rise residential dwellings. To lessen the GHG impact from the housing stock, the City is designing a comprehensive Home Energy Efficiency/Retrofit Program (HEEP). The HEEP aims to:

- Help residents reduce their homes' energy consumption;
- Reduce GHG emissions via energy efficiency, renewable energy, and other low carbon measures;
- Maximize community interest and participation in home renovations;
- Reduce overall retrofit transaction costs; and
- Prioritize the local economy and trades to directly benefit from the increased renovation activity and investments from the HEEP.

Nation-wide, innovative municipally supported financing programs are increasing residential energy upgrade activity by reducing the upfront cost barrier for homeowners who are either hesitant or unable to access the needed capital for renovations. The Federation of Canadian Municipalities' (FCM) Community Efficiency Financing (CEF) initiative has supported the recent launch or recapitalization of 17 municipally-led financing programs across Canada. These programs have seen significant interest, for example:

- Better Homes Ottawa received 600 applications requesting more than \$25M in its first six months,
- Better Homes Kingston received over 200 applications in its first month, and
- PACE Atlantic, which is active in 4 municipalities in Atlantic Canada, signed 430 loan agreements worth \$8M in its first ten months.

In some cases, the energy savings from municipally supported financing programs reduce energy bills enough to offset the loan repayment costs completely. In other cases, the added comfort and health benefits from an improved home provide the motivation for homeowners to pursue the upgrade.

While the loans are a significant part of supporting homeowner uptake, it is important to recognize that municipally supported financing programs also utilize complementary strategies to improve program outcomes, such as:

- Consolidated marketing approach with a one-stop-shop web portal to help homeowners understand and navigate the process of upgrading a home;
- Active homeowner support by employing an Energy Coach to support homeowners along their home upgrade journey; and
- Other enabling activities include local contractor training opportunities and skills development.

### **Program Design Update**

In December 2021, the City contracted Dunsky Energy + Climate Advisors (Dunsky), a leader in designing energy efficiency programs across North America to create a viable municipally supported financing program customized to fit the Peterborough context. Dunsky was tasked with identifying the preferred financing option, developing the program architecture, as well as designing additional enabling activities to support HEEP adoption rates among residents. Dunsky achieved this work by completing the following:

- Conducted a detailed background review of existing City documents and data;
- Created a Program Partner Working Group to solicit feedback from 11 different local organizations during three workshops which included representatives from:
  - GreenUP, Green Communities Canada, Fleming College, Kawartha Credit Union, Hydro One, Enbridge Gas, Peterborough and Kawartha Home Builders Association, Peterborough and Kawartha Chambers of Commerce, Peterborough and the Kawarthas Association of Realtors, Homesol Building Solutions, and Peterborough and the Kawarthas Economic Development Corporation;

- Facilitated cross-divisional meetings with City staff; presented to Commissioners, Peterborough Environmental Advisory Committee, and City Finance and Legal departments; and held one meeting with the administrator of the Peterborough Renovates program as well as with the Diversity, Equity & Inclusion Officer;
- Conducted a survey of Peterborough residents using Connect Peterborough to elicit program feedback which received 167 responses;
- Sub-contracted a marketing research company to perform a statistically representative phone survey of residents to receive additional HEEP input;
- Hosted two virtual public engagement meetings to gather feedback on program design;
- Led nine targeted interviews with seven major stakeholder groups to obtain feedback on design choices and explore partnership opportunities;
- Hosted two targeted workshops with local contractors and energy advisors to solicit their input on how to improve contractor experiences within the HEEP; and
- Completed a modelling analysis using Dunskey's proprietary finance model to estimate the program uptake and costs under three scenarios.

The in-depth engagement and research revealed that the best financing structure of the HEEP to ensure robust participation would feature a two-pronged approach to offering loans to homeowners. The two streams of renovation financing include:

- A. Local Improvement Charge:** Homeowners can access loans from \$15,000 to \$125,000, to be repaid via their property tax bill. This loan would be tied to the property and secured via a local improvement charge. In the event the property is sold, the loan would remain on the property; however, most mortgage lenders require that the loan be repaid at the time of sale. Capital for the loans is anticipated to come from FCM funding and partnerships with financial institutions.
- B. Unsecured Loan:** Homeowners can access loans starting at \$1,000 to be repaid directly to a partner financial institution. This loan will be tied to the homeowner. The City will support the financial institution by providing a loan loss reserve (using a portion of the FCM grant), reducing the risk of lending by covering some of the losses if a default occurs. Capital for the loan is anticipated to come from partnerships with several financial institutions.

The choice of loan stream will be decided by the homeowner upon application to the HEEP. The homeowner will be supported by a third-party administrator composed of an Energy Coach who will guide the homeowner through the renovation process and identify resources available on the one-stop-shop web portal. To note, the start-up and operating costs of the third-party administrator will primarily be funded using the FCM grant funding. Loan capital for both streams will be supported by FCM's CEF initiative and capital provided by private financial institutions.

The two-pronged feature of the HEEP and partnerships with private financial institutions are anticipated to ensure the long-term financial viability and scalability of the program once the one-time FCM capital funds are exhausted. Participation from financial institutions will allow for the continuation of the program offer beyond the initial 4-year time horizon of the HEEP and leverage private capital investments to help meet the City's climate change goals.

Once established, the HEEP will rely on a third-party administrator and financial institutions to operate. However, the City will continue to support the HEEP by providing property tax repayment history, placing local improvement charges when required, and undertaking collection repayments.

The HEEP is envisioned to be complementary to the Canada Greener Homes Loan (CGHL) that is currently available to Canadians. However, the HEEP will include different program features exclusive to Peterborough homeowners that the CGHL does not confer within its program. These added features improve the accessibility and affordability of homeowners accessing the HEEP while providing greater financing to realize deeper energy abatement for Peterborough's housing stock. Furthermore, the CGHL is only available to owner-occupied households across Canada and is capped at 175,000 applications, whereas the HEEP is available to landlords of low-rise rental units.

### Program Funding Approach

The estimated funding required for the City to support the HEEP in its first four years of operation, along with projected external funding sources, is outlined below in Table 1.

Table 1. HEEP Budget (2024-2027)

	Year 1	Year 2	Year 3	Year 4	Total
<b>Estimated Funding</b>					
Administrative Costs	\$1,480,000	\$600,000	\$495,000	\$560,000	\$3,135,000
Loan Disbursements	\$3,070,000	\$2,920,000	\$2,630,000	\$2,320,000	\$10,940,000
Total Annual Cost	<b>\$4,550,000</b>	<b>\$3,520,000</b>	<b>\$3,125,000</b>	<b>\$2,880,000</b>	<b>\$14,075,000</b>
<b>Funding Sources</b>					
City (In-Kind)	\$65,000	\$65,000	\$65,000	\$65,000	\$260,000
FCM (Grant)	\$1,415,000	\$535,000	\$430,000	\$495,000	\$2,875,000
FCM (Loan)	\$2,455,000	\$2,335,000	\$860,000	\$100,000	\$5,750,000
Financial Institution (LIC)	-	-	\$1,245,000	\$1,755,000	\$3,000,000
Financial Institution (Unsecured)	\$615,000	\$585,000	\$525,000	\$465,000	\$2,190,000
Portion covered by non-FCM sources	15%	18%	59%	79%	39%

In addition, the Home Energy Efficiency Program is anticipated to require a total of 1.5 FTEs of City staff support – 1.0 FTE for Infrastructure & Planning Services and 0.5 FTE for Corporate & Legislative Services – to perform the following functions:

- general program administrative support and program liaison;
- permit reviews;
- property tax standing review and repayment; and,
- legal support.

Grants available from the FCM Community Efficiency Financing program will cover 50% of these staff costs (0.75 FTE of the 1.5 FTE), with the remaining being designated as in-kind contributions of the City that will be funded through future contributions to the Climate Change Reserve.

### **Next Steps**

The FCM Community Efficiency Financing program has an open intake for applications and can approve applications as long as funding is available. If the funding application to FCM is successful, the next steps for implementation of the HEEP prior to launch in late 2023/early 2024 will be the following:

- Develop and implement an LIC By-Law, homeowner agreements, and contractor applications;
- Contract financial institutions for partnership through an RFP process for the LIC and Unsecured Loan streams;
- Finalize loan terms, interest rates, the flow of funds framework, and financial reporting requirements with onboarded financial partners;
- Complete risk management strategy;
- Establish loan loss reserve;
- Contract HEEP third-party program administrator through an RFP process;
- Contract HEEP infrastructure development which includes website development, secure customer and contractor database, and secure file transfer process;
- Develop HEEP forms which include Service and Privacy agreements, Pre-qualification Form, Emergency Replacement Funding Request Form, Funding Request Form, Supplemental Loan Application, and Work Completion Form; and,

- Create tenant information brochures.

## Summary

Pursuing FCM capitalization to implement the HEEP will allow the City to spearhead a market transformation of Peterborough's housing stock that will enable meaningful community GHG emission reductions. The HEEP is estimated to issue a total of \$10,940,000 in renovation loans by Year 4 of the pilot program and over 90% of the \$3,135,000 program administration costs will be covered by grants from FCM. The two-pronged financing approach of LIC and loan components will help participating homeowners select the option that best aligns with their financing needs. Finally, the third-party program administrator and Energy Coach will assist homeowners during the renovation journey by participating in HEEP.

Submitted by,

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Commissioner of Infrastructure and Planning Services

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