Saskatoon Environmental Advisory Committee Feedback to Council on Options for the Design of a Home Energy Loan Program

Re: Options for the Design of a Home Energy Loan Program [CK 1870-1 x 1860-1]

Introduction

On February 1, 2021 the Standing Policy Committee on Environment, Utilities & Corporate Services resolved that the report *Options for the Design of a Home Energy Loan Program* be forwarded to the Saskatoon Environmental Advisory Committee ("SEAC") for feedback.

On February 11, 2021, SEAC reviewed this report at its meeting and resolved to provide feedback for the February 22, 2021 City Council meeting.

Included in this letter are the following topics and corresponding comments provided by SEAC committee members:

1. Support for the Home Energy Loan Program;
2. Recommendations on the administration fees;
3. Education and Communication;
4. Measurement and Verification;
5. Other Considerations.

Support for the Home Energy Loan Program

SEAC supports the recommendation to proceed with the Home Energy Loan Program ("HELP") to advance energy and water conservation efforts within the residential sector, a sector that makes up about 22% of community emissions[1]. Because these properties are privately owned, there are relatively few options for the City of Saskatoon to influence energy consumption in this sector. Property assessed financing is one such mechanism, and it has been used in other municipalities to support efficiency efforts.

The Low Emissions Community Plan established the following guidance:

> **GHG Reduction Target:** 15% reduction in broader community emissions (from 2014 levels) by 2023 and a reduction of 80% by 2050;

[1] https://www.saskatoon.ca/sites/default/files/documents/low_emissions_report-aug8_web.pdf

Phase 2 Action: Incentivize and later mandate homeowners to perform deep energy retrofits; and

Milestone target: Through envelope and mechanical system retrofits and renovations, 50% of existing buildings are 50% more energy efficient by 2030, 90% by 2050.

SEAC is of the position that the voluntary pilot phase of the HELP program should prioritize proof of concept and demonstrate that the program can realize the greenhouse gas (GHG) emissions and the utility savings for residents that it estimates. Therefore, participant uptake is a first and essential step for this program to result in any GHG reduction for our community or utility savings for residents.

Recommendation that No Administration Fees be Charged

SEAC recommends that no administration fees be charged for the duration of the pilot program with the following rationale:

Residents are already covering the full cost of any upgrades, the audit, and accrued interest. We should not expect citizens to carry the full cost of administering a program that allows them to fund community greenhouse gas reduction goals. Additional fees extend the actual payback periods of potential projects considered by individuals within this program, diminishing intended incentives.

Participant enrollment is a first essential precursor to any GHG reduction. There may be long term savings for homeowners that result from participating in the HELP program, but that is not immediately and obviously apparent. Having an individualized home energy audit in hand is the critical piece of information that will demonstrate the value of participating, but without a guarantee the HELP program will benefit them, it is unlikely people will pay for an audit at all. All steps leading up to the audit, and including the audit, must be free and accessible without commitment.

The cost of administering the HELP program is an investment that multiplies impact. The cost of program administration will not increase with greater participation. However, participation will decrease with greater administration fees. The administration of this program is a relatively small and stable cost that leverages private investment over time. If there is a governmental desire for Saskatoon to be an environmentally-sound city, or even an environmental leader of Saskatchewan's green energy opportunities, environmentally-beneficial programs must be accessible and numerous for consumers.

Alternative Fee Structure Recommendations

If City Council determines that administrative fees are necessary, SEAC recommends creating a tiered fee structure based on project cost and that fees be waived for low-income residents.

A tiered fee structure is needed to maintain incentive structures and project paybacks periods for participants. A tiered approach would ensure that administrative costs are proportional to the amounts loaned. Failing to scale administrative costs to loan size will eliminate the incentive to undertake smaller or medium upgrades. The end result may be an "all or nothing" approach for participants with regards to upgrades, and reduced participation.

SEAC proposes that loans are categorized into small, medium and large and a different administration fee is associated with each category. For example, a possible tiered fee structure may be as follows:

Small	Loans under and including $5,000	$100
Medium	$5,001 to $20,000	$350
Large	$20,001 to $60,000	$500

Eliminating fees for low-income qualified applicants is a priority for program effectiveness. The greatest potential for GHG reduction in the residential sector exists within households who have not to date been able to access capital to finance retrofits, primarily lower income households.

Property assessed financing is unique in that it does not affect someone's personal credit score and may offer longer repayment terms. It is these aspects of the program that can make capital available to a new segment of the population. Replicating the same types of financial barriers that exist elsewhere limits the reach of the program and undermines the primary goal. The goal is to unlock barriers and engage a new, previously untapped demographic, in household energy efficiency retrofitting.

Education and Communication

The development of supporting educational material and communications for the HELP Program should:

Provide greater clarity on the intent and incentives within the program. The HELP program is presented as a solution; however, the exact problem that is addressed through this program has not been effectively communicated within existing reports. Are the majority of Saskatoon homes avoiding greening their homes due to a lack of access to loans, or are there other barriers such as environmental awareness, cost (both upfront and long-term payoff), or knowledge of benefits? Besides facilitating energy efficiency upgrades generally, a clear statement of what this program offers that differs from existing financial products on the market is needed.

Provide greater clarity on the target demographic. There are a significant number of variables for potential applicants to consider. What is the target age, income, length of ownership, loan term, financial situation, project type or project size for a candidate that is best suited to take advantage of this program? A clear explanation of what barriers this program addressed will assist potential applicants in evaluating if the HELP program is a good fit for them.

Develop educational materials with detailed information. It is critical that promotional materials include potential savings, even just based on an "average home". This will provide an initial understanding of the benefits for homeowners. Information on audits should also be provided, such as a sample audit featured on the program webpage. With the financial burden already on homeowners, there is a need for accessible information to support the roll-out of the program; these must be easy to read and incentivizing.

Measurement and Verification

During the pilot stages of the program, demonstrating achieved GHG emissions reductions and return on investment for residents is critical. Measurement should evaluate the estimated vs actual energy and water use reduction, payback timescales, and average installation costs for different types of retrofits. These indicators should be tracked for different housing types, demonstrating the effectiveness of retrofits for a range of housing sizes and types, and across homeowners from different socio-economic groups.

Demonstrating positive results from a variety of early participants will be necessary for the longer-term uptake of the program.

Other considerations

Consumer Protection Measures: These must be included in the program to ensure that appropriate accountability mechanisms are in place related to contracted work.

They should consider quality control, access to warranties, and dispute resolution mechanisms where the City pays contractors directly. The program should also consider what potential risks there are for residents and communicate how they can be managed.

Contractor List and Training: Training for approved contractors provides a great opportunity to provide additional guidance on how to include environmental outcomes reporting in their projects and to request environmental performance indicators of contractors and suppliers related to waste, water and energy.

Saskatoon Light and Power Net-Metering Program: The availability of net-metering should not be impacted by the introduction of the Home Energy Loan Program. Operational implications of this program should be addressed in coordination with SLP to ensure both programs can work synergistically.

Waste Management: This program may increase construction and demolition waste. Listed contractors and applicants should dispose of waste in a manner that is consistent with current best practices to support the goals of the Waste Reduction and Diversion Plan. Guidance on the management of construction and demolition should be provided within training for contractors.

Sale of the Home with a HELP Loan: Loan payments tied to a property may be a deterrent for individuals looking to purchase a home. This perception may also impact decision-making of the current homeowner to undertake a long-term loan. It is important to clearly communicate how the loan will be handled at sale and provide flexible options to manage these concerns.

Incentives for Landlords. The current program design offers little to no incentives for landlords to invest in household retrofits where the tenants are paying the utilities. Future programs could consider how best to reach this demographic and support efforts that reduce utility costs for renters.

New home construction. The design phase of a home is an important point of intervention for improving the efficiency of new home construction. Although outside the scope of this program, incentives for new home construction should be considered in future programs and policies.