

Home Energy Loan Program – Contractor List Requirement Changes

ISSUE

At its regular business meeting on February 22, 2021, City Council received a report titled, *Options for the Design of a Home Energy Loan Program*. The report provided a base program design, best practice research, funding options, the benefits of the proposed program, and minimum requirements for a qualified contractor list to be used voluntarily by program participants. City Council requested further engagement and review of the requirements for the qualified contractor list, and this report details options for consideration.

BACKGROUND

History

At its regular business meeting on February 22, 2021, City Council received the *Options for the Design of a Home Energy Loan Program Report* and resolved that:

- “1. The Home Energy Loan Program design elements as set out in Table 1, Home Energy Loan Program – Base Design Elements in All Options, plus Option 2: Administration fee waived for income-qualified residents, be authorized for implementation in accordance with The Cities Act;
2. The City Solicitor be directed to develop a bylaw to establish the Home Energy Loan Program;
3. Capital Project P1956 – Property Assessed Clean Energy Financing Program be increased by \$352,750, funded from the existing FCM grant of \$102,750 and \$250,000 from the Environmental Sustainability Reserve;
4. Internal borrowing in the amount of \$2,500,000 be allocated, subject to public notice and an intent to borrow report, for capital loans for the participants of the Home Energy Loan Program; and
5. The Administration complete an application for the Federation of Canadian Municipalities’ (FCM) Community Efficiency Financing program, which if approved, would be utilized for the Home Energy Loan Program set out in this report, including up to \$10,000,000 of borrowing for loan capital from the Federation of Canadian Municipalities (borrowing will be subject to public notice and an intent to borrow report).”

In addition to the resolutions above, City Council resolved:

“That the Administration engage the Saskatoon Homebuilders' Association and report back on the possibility of introducing a Qualified Contractor List or the requirement for a 3rd party warranty.”

Current Status

Original Contractor List Requirements

Among the base design elements approved by City Council on February 22, 2021 is the use of a voluntary qualified contractor list for the program, with requirements that include:

- Proof of registered corporation in Saskatchewan;
- Proof of Workers Compensation Board compliance;
- General liability insurance of at least \$2M; and
- Training course provided by the City about the Home Energy Loan Program (HELP) details.

The *Options for the Design of a Home Energy Loan Program* February report also states that contractors will be required to apply annually to be on the list. Contractors must meet minimum requirements, the list will be made available to program participants, and that use of the list will be voluntary as participants can choose a non-vetted contractor or do the work themselves.

Public Engagement

The Administration met with representatives from the Saskatoon and Region Home Builders Association and Saskatchewan New Home Warranty to discuss requirements for the qualified contractor list. From this meeting, the following additional requirements were considered:

- Proof of registration with a third-party warranty organization;
- Proof of safety training through at least one the following courses:
 - Leadership for Safety Excellence (offered through the Saskatchewan Construction Safety Association)
 - Health & Safety for Supervisors and Managers (Occupational Health & Safety Canada Online)
 - COR/SECOR Designation (offered through the Saskatchewan Construction Safety Association);
- GST registration number; and
- Training course for business fundamentals for the home renovator.
 - This is a 15-hour course at a cost of \$500. This online course is designed to build knowledge in how to start, grow and maintain a Home Renovation business.

Engagement was sought for further feedback on the requirements for the pre-vetted contractor list and to identify education and training resources required for contractors. Survey questions were included within the Renewable Energy Strategy: Options Identification Survey, which was open from April 15th, 2020 to May 6th, 2021. The survey was sent to key stakeholder groups including specific installers, property managers, and industry professionals that participated in previous engagement activities. A total of 58 individuals participated in the survey. The largest group of respondents were those involved in the energy sector (29%), followed by professional or technical consultants (17%), residential or commercial construction (16%), and real estate and property management (10%).

The survey comprised a total of five open- and closed-ended questions about the additional requirements being considered, and respondents were able to provide explanations for their preferences. The survey was designed to update specific components of the Home Energy Loan Program, such as training resources for contractors and requirements for the pre-vetted contractor list.

Out of the suggested requirements under consideration for being added to the pre-vetted contractor list, the majority of participants supported providing proof of registration with a third-party warranty organization (61%), proof of safety training through at least one of the identified courses (55%), and providing a GST registration number (55%).

Most respondents did not feel that any of the new requirements would be a significant barrier for contractors to be added to the list (72%).

Support was limited (36%) for requiring completion of a *Business Fundamentals of the Home Renovator* training course. In the survey commentary, some respondents suggested this training course would not be beneficial, and that it would have limited direct relevance to the program. However, one respondent suggested the training course might be a good way to ensure only legitimate trades participate.

City of Saskatoon's Current Approach

Saskatoon Land maintains a list of qualified home builders who are eligible to purchase lots directly from the City. The requirements for this list are well aligned with the HELP list requirements and include that builders provide annual proof of:

- Registered corporation;
- Liability insurance;
- Proof of third-party warranty; and
- Workers Compensation Board (WCB) compliance.

To be considered for the list, prospective home builders are also required to complete safety training and seven courses provided by the Saskatoon and Region Home Builders Association, at a cost of \$500 per course, including:

- Building Codes;
- Construction Technology;
- Customer Service;
- Legal Issues in Housing;
- Financial Planning & Management;
- Project Management & Supervision; and
- Business Fundamentals for the Home Renovator.

Approaches in Other Jurisdictions

Contractor Lists

SaskPower and SaskEnergy also maintain contractor lists with similar requirements to HELP such as:

- GST registration;
- WCB compliance;

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- PST vendor license (optional);
- Business license/proof of registered corporation in Saskatchewan;
- Minimum liability insurance of \$2,000,000;
- Business in good standing, the business and employees have no criminal convictions or orders or judgements for neglect; and
- Skilled tradesperson does the work and possesses journeyman's qualifications and certifications.

In addition, SaskEnergy requires contractors to pay an annual membership fee and have a physical storefront.

Warranties

The Saskatchewan *New Home Warranty Program* provides warranties on home renovations, including insuring initial deposits, workmanship and materials (up to one year) and water penetration or structural defects (up to two years) related to renovation projects with a value over \$20,000. Therefore, small renovation projects less than \$20,000 would not be covered if a contractor is a member of this organization. Where the contractor's warranty typically covers the workmanship and actual construction, there are also manufacturer's warranties for products used - elements such as furnaces, boilers, solar panels, etc. Warranty services on specific elements relating to their performance are agreements between the component-owner (i.e. home-owner) and the manufacturer.

The Saskatoon and Region Home Builders Association requires that to be a *Renomark Certified Professional Renovator*, a business must maintain membership in a third-party warranty program and offer third-party warranty on renovation work valued over \$20,000.

OPTIONS

Option 1: Maintain the original contractor list requirements as proposed in the *Options for the Design of the Home Energy Loan Program* report with no additions, as follows:

- Proof of registered corporation in Saskatchewan;
- Proof of Workers Compensation Board compliance;
- General liability insurance of at least \$2M; and
- Training course provided by the City about the Home Energy Loan Program (HELP) details.

Advantages

- The original requirements demand less from contractors that are applying to be on the list and may be more inclusive to a broader range of industry professionals.
- Slightly reduced administration burden and turnaround time as there are less requirements requiring verification.
- Received support during initial HELP engagement conducted in the fall 2020. However, additional requirements were not included in the engagement at that time.

Disadvantages

- Provides program participants with less protection from poor quality installations and faulty materials as there are no warranty requirements.

- Not supported by the Saskatoon and Region Home Builders Association who have expressed that additional requirements are needed to ensure participants are protected.

Option 2: Include the base requirements from Option 1, plus following additional requirements to the qualified contractor list:

1. Proof of registration with a third-party warranty organization for projects over \$20,000.
2. Proof of safety training through at least one the following courses:
 - a. Leadership for Safety Excellence (offered through the Saskatchewan Construction Safety Association);
 - b. Health & Safety for Supervisors and Managers (Occupational Health & Safety Canada Online); and/or
 - c. COR/SECOR Designation (offered through the Saskatchewan Construction Safety Association).
3. Proof of GST registration number.

Advantages

- Provides better protection for program participants from poor quality installations and faulty materials, as a third-party warranty organization will keep contractors accountable for their work.
- The Saskatoon and Region Home Builders Association was strongly in favour of including third-party warranty and safety training in the contractor list requirements.
- May improve safety outcomes as it ensures contractors that are included on the list have standardized safety training.
- Supported by the majority of industry surveyed during May 2021 public engagement, with 61% in favour of providing proof of registration with a third-party warranty organization, 55% in favour of proof of safety training through at least one of the following courses, and 55% in favour of providing a GST registration number.
- 72% of those surveyed in May 2021, did not feel this would be a barrier to participation.

Disadvantages

- May pose additional barriers for smaller contractors to participate in the list due to the additional time and financial requirements. However, because the contractor list is voluntary for program participants to use, smaller contractors can still complete upgrades for the program if a homeowner selects them for their project.
- Minor increase in turnaround time and administrative burden compared to *Option 1*.

Option 3: In addition to the additional requirements included in *Option 2*, add:

1. Training course for *Business Fundamentals of the Home Renovator*, a 15-hour course at a cost of \$500, designed to build knowledge in how to start, grow and maintain a home renovation business.

Advantages

- Provides similar advantages as *Option 2* in terms of improved consumer protection, safety, and industry support.

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- Was supported for inclusion by the Saskatoon and Region Home Builders Association.
- Provides basic training for businesses on topics such as business goals and structure, financial management, costing and estimating, evolving trends, and client relations.

Disadvantages

- Further increases the barriers for smaller contractors to participate compared to both *Option 1* and *Option 2* due to the increased time and cost associated with taking another course (\$500 for the course and 15-hour time commitment).
- Administrative review of the course curriculum indicated little additional value toward the outcomes of HELP. For example, the course is not specific to energy efficiency upgrades or net zero housing, and appears to be for general business skills.
- Only 36% of industry stakeholders supported inclusion of this course as a requirement and received negative feedback including “seems like a cash grab”, is not beneficial for existing businesses, and may be insulting to contractors to be trained on how to run their own business.

Table 1: Summary of Options 1-3

Options	Base Requirements	Expanded Requirements	Additional Business Training
	Registered corporation in Saskatchewan; <ul style="list-style-type: none"> • Workers Compensation Board compliance; • General liability insurance of at least \$2M; and • Training course provided by the City about the Home Energy Loan Program (HELP) details. 	Registration with a third-party warranty organization <ul style="list-style-type: none"> • Proof of safety training. • GST registration number 	<ul style="list-style-type: none"> • Training course for <i>Business Fundamentals of the Home Renovator</i>
1. Maintain the original contractor list requirements as proposed in the <i>Options for the Design of the Home Energy Loan Program</i> report with no additions	Yes	No	No
2. Include the base requirements from option 1, plus expanded requirements	Yes	Yes	No
3. Base requirements, plus additional requirements, plus Business Fundamentals training course.	Yes	Yes	Yes

RECOMMENDATION

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council that Option 2 - Base Requirements plus Expanded Requirements, are included in the requirements for the qualified contractor list for the HELP program.

RATIONALE

Option 2 is recommended as it provides better protection for program participants over Option 1. Option 2 includes additional requirements proposed by the Saskatoon and Region Home Builders Association and aligns with stakeholder survey responses without the increased time and cost of a business fundamentals course.

While Option 2 is not as flexible for contractors as Option 1, the benefits for the homeowner relating to safety and reduced risk of poor workmanship outweighs the additional burden for contractors.

Option 3 was not supported in the community engagement and it was not seen to add significant value for program participants specific to the HELP program goals compared to the increased cost and time required for contractors.

FINANCIAL IMPLICATIONS

The cost of any additional requirements for the contractor list would be borne by the contractors themselves. There are no financial implications to the City for this change.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

The Home Energy Loan Program Bylaw No. 9762 is not impacted by a change in the contractor list requirements and allows for adjustments to these requirements.

Once implemented at full future capacity (of 350+ homes per year) the Home Energy Loan Program could reduce emissions by 4,687 tCO₂e per year, and 136,000 by 2050. In the first two years, with 100 participants, the initiative has the potential to eliminate 308 tonnes of CO₂e per year. It is projected within the first four years that up to 76 new rooftop solar installations could occur within the program providing up to 618 kW of additional renewable energy generation within the city.

There are no social implications associated with the recommendations in this report.

COMMUNICATION ACTIVITIES

When asked what additional training resources are needed for contractors to understand how the program works, respondents suggested the following:

- Providing short webinars;
- Ongoing live support to answer questions quickly;
- Creating a website that clearly defines terms and conditions as well as the rules; and
- Have support staff available to field questions and approve applications.

A comprehensive communications plan is in development as part of the implementation planning in 2021.

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Based on previous engagement activities, most industry participants (76%) supported advertising the financing program on behalf of the City to potential new clients if they were provided with appropriate materials.

APPENDICES

1. Industry Engagement on Home Energy Loan Program – Contractor List Requirements

Report Approval

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