

# FCM Funding Decision for Home Energy Loan Program

## ISSUE

The City of Saskatoon (City) launched the Home Energy Loan Program (HELP) on September 1, 2021. Prior to launching the program, the City applied for the Federation of Canadian Municipalities' (FCM) Community Efficiency Financing Program to secure additional capital to enhance the program.

FCM has confirmed their offer to provide loan and grant funding for the expansion of the City's HELP program. City Council approval is required to accept the FCM funding, and a decision is required for rebate package offerings and income cut-off definition.

## BACKGROUND

### History

On February 22, 2021, City Council approved the base program elements and financing for HELP and resolved, in part, that:

"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)."

### Current Status

#### Base Program

HELP was launched on September 1, 2021, with approved capital of \$250,000 to operate the program and \$2,500,000 to loan to program participants. It was initially estimated that this would be sufficient for approximately 100 participants assuming the average loan provided was \$25,000.

Currently, 69 applicants have been approved to participate in the program ("participants"), with an average loan request of \$29,700, 5 applicants have been denied for ineligibility reasons, 5 applicants have dropped out voluntarily, and 256 are on the program waitlist ("waitlisted applicants"). When a participants' project information about construction scope and cost becomes available, and if loans are requested of less than \$40,000 or participants drop out, waitlisted applicants move up to participate in the program. To date, there is one participant in the program targeting a net-zero ready renovation (greater than 50% reduction in energy efficiency).

Of the HELP participants, there are 17 projects under construction for a total value of \$510,389.

A status update for HELP, including a summary of successes and challenges, is available in Appendix 1 – HELP Program Status Update and Lessons Learned.

### FCM Community Efficiency Financing Loan and Grant

Notification of approval from FCM's Community Efficiency Financing Program was received in December 2021. The funding provides an additional \$7,333,200 in a loan for the City to distribute to participants and a grant of \$3,666,600 for non-loan purposes. Further information on the total budget for HELP is provided in the financial implications section.

Assuming an average loan of \$29,700 per participant, the FCM loan capital would provide enough funding for approximately 247 additional participants, allowing HELP to grow to approximately 331 participants when combined with City funding.

With the FCM grant funding, \$1,317,000 is available for rebates to be used within four years. The timeline is flexible and if the funds are fully spent before the end of four years, the rebates can be removed from the program offering. Alternatively, if rebates are under budget in any of the four years, more can be provided in subsequent years to fully utilize the funds available. However, if rebates are underspent after four years, then the grant portion of the funding will be reduced to match expenditures.

The remainder of the FCM grant portion is valued at \$2,349,600 for program enhancements such as:

- A city-wide energy map;
- A renovation concierge software service for residents;
- Communication and education materials for residents both participating in HELP and households that have not applied for the program yet; and
- Administrative costs to run the enhanced program.

The city-wide energy map for residents involves the use of a contracted software platform, which could include archetype analysis and renovation payback calculators. The energy map could allow residents to search for their specific home and receive advice on upgrades based on their housing type as well as payback estimates for potential upgrades, allowing residents to model out different renovation options and see the potential results before undertaking a project. Other program functionality options will also be explored.

Administrative costs for the enhanced program consist of staff salaries, attendance to mandatory peer learning workshops hosted by FCM, a third-party program evaluation and a financial audit of the program in the final year of funding.

### **City of Saskatoon's Current Approach as Applied to FCM Funding**

#### Rebate Options

HELP was initially launched with City funding, with loans averaging \$29,700 to approximately 84 participants. The program has now received over 335 applications and initial planning projected a program duration of approximately two years, not

including the loan pay-back period. No rebates are currently included in the HELP program.

With the FCM funding contributing to an enhanced HELP program, rebate packages can be offered, and the program duration would likely extend up to four years with the additional participation. The base program already has waitlisted applicants, many of whom are still defining their work scope. With the enhanced program there are opportunities to influence the type of retrofits, size of projects, and greenhouse gas reduction scope that participants consider.

As part of the application package for FCM, ICF Consulting prepared a report with options for rebates, insight on reasonable rebates for individual project types and outlined how this offering would interact with the Canada Greener Homes Grant program. The ICF report provides insight, recommendations and funding amounts which have informed the development of the proposed rebate options. The full consultant report is provided in Appendix 2 - ICF Consulting - Saskatoon HELP Rebate Design Report.

### Low-Income Qualification

To assist a broader audience of low to moderate income households, this report recommends increasing the income cut-off amount to 2.5 times Statistics Canada's Low Income Cut-off (LICO) as it applies to application fees and rebate eligibility. In the core program, 1.5 times LICO before tax amount for 2020 has been used to qualify low- to moderate-income households for waived administration fees when participating in HELP. LICO is an income threshold used to determine eligibility for programs and takes the household size and community population into account.

### Approaches in Other Jurisdictions

A jurisdictional scan of rebate offerings has been carried out on a variety of project types across Alberta, Ontario, Nova Scotia, British Columbia, Newfoundland and Labrador as well as the Canada Greener Homes Grant. This data, along with further administrative information, has been used to propose rebates options and amounts for HELP. A summary of the jurisdictional scan and proposed HELP rebates is available in Appendix 2, Exhibit 3.

Other rebates are offered in Saskatchewan include:

- Provincial Home Renovation Tax Credit provides a 10.5% reimbursement for the cost of multiple home upgrades, including window and door replacement and rooftop solar. This program is expected to close at the end of 2022.
- SaskEnergy's Residential Equipment Replacement Rebate Program provides rebates ranging from \$100-\$1,000 for eligible furnaces, boilers, heat recovery ventilators (HRVs), and water heaters.

### **APPROVAL – LOW-INCOME QUALIFICATION**

In the base HELP program, the administration fee of \$500 is waived for income-qualified households, set at 1.5 times Statistics Canada's Low Income Cut-Off (LICO) and 2 of 69 participants (3%) are below this cut-off.

This report recommends increasing the income cut-off amount to 2.5 times LICO to provide greater access to the program for low to moderate income households. The new cut-off could also be used to qualify participants for rebates and base / free items. If the income qualification cut-off is increased to 2.5 times LICO, 20% of the program participants would have access to the waived administrative fee and rebates. Statistics Canada's LICO, the base HELP program 1.5 times LICO, and the proposed HELP income cut off at 2.5 times LICO are illustrated in Table 1 below.

*Table 1 - Income qualification LICO, base program, and proposed*

Number of people per household	Statistics Canada LICO for 2020 (before tax)	Base program HELP income qualification cut off (1.5xLICO)	New proposed HELP income qualification cut off (2.5xLICO)
1	\$ 22,926	\$ 34,389	\$ 57,315
2	\$ 28,540	\$ 42,810	\$ 71,350
3	\$ 35,087	\$ 52,631	\$ 87,718
4	\$ 42,600	\$ 63,900	\$ 106,500
5	\$ 48,315	\$ 72,473	\$ 120,788
6	\$ 54,493	\$ 81,740	\$ 136,233
7+	\$ 60,670	\$ 91,005	\$ 151,675

The rationale for this approval is that increasing the income-qualification cut-off will reach a broader audience of low to moderate income households that have applied for the program and provide these participants with additional opportunities for upgrades.

## **OPTIONS - REBATES**

### Rebate Option Summary

Three rebate package options are proposed in alignment with the FCM grant requirements. They are designed to incentivise retrofits that will have the highest GHG reductions, target 20-50% of incremental costs, and are not currently rebated through other offerings such as the Provincial Home Renovation Tax Credit or SaskEnergy's Residential Equipment Replacement Rebate Program. The total rebate budget is assumed to be \$1,317,000 and income-qualified is assumed to be 2.5 times LICO.

The rebate options are summarized in Table 2 and categories and item values are shown in Table 3. The options include:

- Option 1: Income-qualified households eligible for all base / free items, standard rebates, and additional rebates.
- Option 2: Income-qualified households eligible for all base / free items, standard rebates, and additional rebates. Participants with homes built in 1990 or prior eligible for standard rebates.
- Option 3: Income-qualified households eligible for base / free items and standard rebates, all households eligible for standard items.

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Table 2 - Option Summary – Qualifying groups for basic / free, standard, and additional rebate categories

Rebate Category	Option 1			Option 2			Option 3		
	Income Qualified	1990 or older	1991-2021	Income Qualified	1990 or older	1991-2021	Income Qualified	1990 or older	1991-2021
<b>Basic/Free Items<sup>1</sup></b>	△			△			△		
<b>Standard Rebate<sup>2</sup></b>	△			△	△		△	△	△
<b>Additional Rebate<sup>3</sup></b>	△			△					

Table 3 - Rebate categories and values per item

Rebate Category	Rebate Value
<b><sup>1</sup>Basic / Free Items</b>	
<i>Low-cost items that can improve energy performance but not typically included in loans</i>	
Programmable smart thermostat	\$180
Weather stripping	\$200
Air sealing	\$900
A Low flow toilet	\$200
Low flow faucet aerators	\$15
Low flow showerheads	\$25
Rainwater catchment (for outdoor landscaping purposes)	\$100
Window glazing and embedded markers for birds	\$130
<b><sup>2</sup>Standard Rebate</b>	
<i>Highest GHG reduction potential and not rebated through other programs</i>	
Insulation (exterior wall, attic, and basement)	Wall \$1,000; Attic \$900; Basement \$1,000
Air sealing	\$200
Heat Pump	\$4,000
EV charging station	\$600
Solar water heater	\$1,000
A bonus incentive to encourage Net Zero Ready or Net Zero home renovations of up to \$10,000.	\$10,000
<b><sup>3</sup>Additional Rebate</b>	
<i>Either have lower GHG potential or are already rebated through other programs</i>	
Windows (maximum 10 per household)	\$120 per window max. of \$1,200/household
Exterior Doors (maximum 2 per household)	\$100 per door up to max. of \$200/household
HRV	\$400
Drain water heat recovery	\$300
Furnace	\$450
Boiler	\$450
Tankless water heater	\$350
Rooftop solar	\$3,500

## Analysis

The analysis is informed by triple bottom line assessment, financial analysis, and GHG reduction calculation. The results of the options' analysis are summarized in Table 4 highlighting how they differ in terms of eligible participants, total cost, GHG reductions, and equity.

Table 4 - Rebate Options Analysis

Criteria	Option 1	Option 2	Option 3
<b>Program participants that are eligible</b>	20% (income-qualified only)	90% eligible for standard items, 20% eligible for additional items	100%
<b>Estimated Total Cost</b>	\$725,440 (\$591,560 under rebate budget)	\$1,256,382 (\$60,618 under rebate budget)	\$1,239,530 (\$77,470 under rebate budget)
<b>Estimated Lifetime CO<sub>2</sub>e reduction</b>	4,930 Tonnes CO <sub>2</sub> e	9,450 Tonnes CO <sub>2</sub> e	8,055 Tonnes CO <sub>2</sub> e
<b>Equity</b>	Income-qualified households are eligible for the most types and amounts of rebates	Income-qualified households are eligible for the most types and amounts of rebates. Rebates will be available to older homes that may have owners with higher incomes.	Income-qualified households eligible for less types and amounts of rebates (i.e., no "additional rebates") compared to options 1 and 2. Rebates available to all homes regardless of income.

## RECOMMENDATION

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council that:

1. The income-qualification cut-off for the HELP program be calculated at 2.5 times Statistics Canada Low Income Cut-Off;
2. Option 2: Income-qualified households eligible for all base/free items, standard rebates, and additional rebates; and participants with homes built in 1990 or prior eligible for standard rebates; be approved for the HELP program;
3. Table 3: Rebate categories and values per item be approved for application in the HELP program while rebate funding is available; and
4. Capital Project P1956 – Property Assessed Clean Energy Financing Program be increased by \$3,666,600 for the grant portion and \$7,333,200 for the loan portion (subject to an intent to borrow report and public notice) of FCM's Community Efficiency Financing Program Funding.

## OPTIONS RATIONALE

Option 2 is recommended because it maximizes the rebate budget available and greenhouse gas reductions by providing incentives for more participants to make impactful energy upgrades that are not already incentivized through other programming.

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This option still provides a comprehensive package of rebates and free items for income qualified households to reduce their utility bills and increase home health or comfort. This is aligned with the previous program goal to attract more income-qualified households by waiving the administration fee for these participants. Option 2 also targets older homes that may need a deeper retrofit than homes built more recently. Table 5 provides a summary of each option.

Table 5 - Options Summary of Advantages and Disadvantages

Advantages / Disadvantages	Option 1	Option 2	Option 3
Advantages	<ul style="list-style-type: none"><li>Income-qualified households eligible for the most types and amounts of rebates so may further equity outcomes</li><li>Rebates on a broad variety of upgrades could result in more innovative projects</li></ul>	<ul style="list-style-type: none"><li>Expands the pool of participants that can access Standard Rebates, while still providing Free Items and Additional Rebates to income-qualified households (same rebates for income-qualified as option 1)</li><li>Targets some rebates at older homes that are most in need of upgrades</li><li>Uses most of the available budget</li><li>Has the highest GHG emissions reduction potential</li><li>Rebates on a broad variety of upgrades could result in more innovative projects</li></ul>	<ul style="list-style-type: none"><li>All participants will have access to the same Standard Rebates</li><li>Income-qualified households still have access to Free Items</li><li>Uses most of the available budget (but less than Option 2)</li><li>Has the second highest GHG emissions reduction potential</li><li>Reduced potential perception of unfairness</li></ul>
Disadvantages	<ul style="list-style-type: none"><li>Only 20% of current participants are eligible for any rebates</li><li>Will use up the least amount of the available budget</li><li>Has the lowest GHG reduction potential</li><li>Public may perceive targeted rebates as unfair</li><li></li></ul>	<ul style="list-style-type: none"><li>Public may perceive targeted rebates as unfair</li></ul>	<ul style="list-style-type: none"><li>Less items are rebated, which could result in less innovative projects that would be pursued with a rebate</li><li>Income-qualified households have access to fewer rebates than Options 1 and 2</li><li>Does not target rebates based on income levels or age of home</li></ul>

Option 2 is limited to *rebates* as they relate to specific applicant groups and eligible items. Approval of Option 2 does not impact *loan* funding eligibility; criteria for loans remains as approved in the base HELP program.



## FINANCIAL IMPLICATIONS

Table 6 summarizes the HELP Program funding.

Table 6 - Program funding with FCM grant & loan

	Funding for operations & rebates	Loan capital for participants	Total
Original Internal Funding for Base Program	\$250,000	\$2,500,000	\$2,750,000
FCM Community Efficiency Financing - Grant	\$3,666,600		\$3,666,600
FCM Community Efficiency Financing - Loan		\$7,333,200	\$7,333,200
Total Program Funding	\$3,916,600	\$9,833,200	\$13,749,800

The grant portion of \$3,666,600 is proposed to be used for rebates, a city-wide energy map, additional communications materials or programming and administrative costs, with no impact on the City's borrowing limit.

Of this grant portion, the funding allocated specifically to rebates was originally estimated as \$1,317,000. If Option 2 is approved, then an estimated \$1,256,382 is projected to be spent on rebates with \$60,618 remaining. The project team will closely monitor the rebate budget as funds are distributed to ensure this budget is not overspent. If the rebate budget is used up while the program is still ongoing, rebates will no longer be offered. If there is substantial rebate budget remaining after one year, the rebates can be increased to use up the grant funding in the following years. The remainder of the FCM grant portion is \$2,349,600 will fund program enhancements as noted earlier in the report including:

- a city-wide energy map;
- a renovation concierge software service for residents;
- communication and education materials for residents both participating in HELP and households that have not applied for the program yet; and
- Administrative costs to run the enhanced program.

The loan funding of \$7,333,200 will impact the City's overall debt limit. An intent to borrow report detailing the loan implications in detail will be presented at a future public hearing of City Council.

Original estimates for cost of administrative fees for income-qualified households at 1.5 times LICO was \$22,300. It is estimated that increasing the income-qualification to 2.5 times LICO will increase the cost to \$44,600 due to more households eligible for the waived administrative fee. The FCM grant funding can be used towards administrative expenses for the program, meaning the City is less reliant on administration fee revenues to offset additional program costs.

## ADDITIONAL IMPLICATIONS/CONSIDERATIONS

### Triple Bottom Line Implications

A triple bottom line analysis was completed to identify benefits, impacts, and considerations for the HELP rebate enhancements. Some of the key takeaways from the review included:



- Increase the income-qualification threshold to provide a broader group of participants with benefits like a waived administration fee.
- Prioritization should be made for rebates that aid with utility savings, health, and comfort of a home such as HRVs, furnace replacement, insulation and windows and doors.
- Offering free items would reduce barriers for income qualified households to make small changes to their home.
- Encourage renovations in older homes, core neighbourhoods, and increase uptake amount income-qualified households.
- Targeted education and communication options should be utilized including education about overall home maintenance and energy efficient behaviours.
- Providing in person workshops and utilizing community champions could expand future iterations of the program to more demographics.

For the full detailed summary of the triple bottom line analysis, refer to Appendix 3 - HELP Rebate Recommendations - Triple Bottom Line Analysis.

### COMMUNICATION ACTIVITIES

Existing participants of the program will be notified about the new rebate package and any that have completed projects will be eligible for rebates retroactively.

Part of the FCM funding includes additional communication activities to build knowledge and capacity in the community around energy efficiency for different types of homes.

### NEXT STEPS

With City Council approval, changes will be made to the program income-qualification cut-off and to communication materials informing HELP participants of the new rebate package.

Following the approval to borrow, wait-listed applicants will be processed until all the loan capital is fully allocated. Uptake will be monitored, and updates provided to the Standing Policy Committee on Environment, Utilities and Corporate Services in late 2022.

### APPENDICES

1. Appendix 1 – HELP Program Status Update and Lessons Learned
2. Appendix 2 – ICF Consulting - Saskatoon HELP Rebate Design Report
3. Appendix 3 – HELP Rebate Recommendations Triple Bottom Line Analysis

#### Report Approval

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