# Community Energy Loan Programs

## ISSUE

Energy use from buildings is the largest producer of greenhouse gas (GHG) emissions in Saskatoon, representing 62% of community inventory. Thirty-five percent of these are from Industrial, Commercial, and Institutional (ICI) buildings, which includes multi-unit residential buildings (MURBs), and 26% are from single-family residential buildings.

Since 2021, the City of Saskatoon (City) has been offering the Home Energy Loan Program (HELP), a property assessed clean energy (PACE) financing program for single-family residential home energy efficiency renovations and renewable energy retrofits. This program has seen high success and is full; continuation of the program requires additional financing.

A feasibility study was completed to develop program options for the ICI sector. This report includes the results of the feasibility study and presents options for continuation of PACE programs for the single-family and multi-unit residential sectors.

Does the City want to continue providing loans through PACE financing to the community? If so, what complement of single-family and multi-unit buildings should be targeted given current financing limitations?

## BACKGROUND

History

The Low Emissions Community (LEC) Plan was presented to City Council in 2019. The plan recommends 40 actions to reduce emissions in Saskatoon; eight of these actions refer to residential and commercial building improvement.

The City of Saskatoon's 2022-2025 Strategic Plan establishes Environmental Sustainability as a City Council priority and helps to transform Saskatoon as a high per capita emitter of GHGs to a model city of innovation in energy conservation, renewables, waste diversion, and natural area protection. The 2022-2025 Strategic Plan refers directly to implementation of the *Low Emission Community Plan*, *Corporate Adaptation Plan, Solid Waste Reduction and Diversion Plan,* and the *Green Infrastructure Strategy* and implementation plan within their proposed timeframes.

Provincial legislation that allows for the City (and all municipalities in Saskatchewan) to offer PACE loans to residents was passed on July 3, 2020. Since that time, a residential HELP program has been established. Further details on the history of this program can be found in Appendix 1.

On April 26, 2023, City Council updated its long-term GHG reduction target to net-zero by 2050.

Current Status

P.01956 – Property Assessed Clean Energy (PACE)

PACE programming is where loans are provided by the City to home and business owners that are then paid back through their property taxes and a lien applied to their property. P.01956 includes the implementation of HELP, a residential PACE (R-PACE) program for owners of single-family residential properties to make energy efficiency and renewable energy retrofits to their homes. The program also includes educational enhancements broadly available for the community, such as a Solar Potential Map, Home Energy Map, Energy Coaching Services and Residential Energy Efficiency Course for Real Estate Agents.

A second *HELP Annual Status Update* report is being presented to the March 5, 2024, Standing Policy Committed of Environment, Utilities, and Corporate Services (EUCS) with full details on the project's status. The report details that existing loan funding has been allocated to current participants and is anticipated to be fully spent by the end of 2025. To continue with HELP, additional loan funds are required.

HELP received a loan and grant from the Federation of Canadian Municipalities (FCM) Community Efficiency Fund (CEF). Leftover grant funds, which were allocated for program administration, education programming and enhancement, and rebates, could be used for administration, communications, and rebates associated with a HELP extension during the approved grant period which ends in June 2026. This funding has been incorporated into the financial analysis for each of the HELP extension options below.

P.10033 – ICI Energy Efficiency and Generation Project

P.10033 was allocated $375,000 during the 2022/2023 business plan and budget deliberations to establish an energy education and incentive/financing program for the ICI sector. To date, the project has completed best practice research, stakeholder engagement, and a feasibility study with proposed program options. The *Feasibility Study for an Industrial, Commercial, Institutional and Multi-Unit Residential Building Energy and Water Retrofit Program in Saskatoon* (ICI Feasibility Study) is available in Appendix 2.

Under the FCM's Green Municipal Fund (GMF), the Net-Zero Transformation Pilot Project grant funding of $500,000 or up to 50% of total project cost, whichever is less, may be available for an ICI PACE program.

In discussions with FCM, they have indicated that the City would be eligible for the Pilot Project Funding at this time and could potentially apply for the Capital Project funding after a successful pilot. Administration is completing a pre-application and requires City Council approval to complete the full application.

Public Engagement

Public Engagement on the ICI Feasibility Study was carried-out from May through October 2023. Engagement included in-person and virtual discussions with key stakeholders and two online surveys. It included one survey for impacted stakeholders and a survey for subject matter experts, where the public and stakeholders commented

on program components. The City's internal stakeholders were also engaged. Full details on the public engagement process and results are available in the *Comprehensive Engagement Report* which is Appendix B of Appendix 2 - ICI Feasibility Study.

Overall, participants of the engagement process provided positive feedback about the program options and were largely in agreement on most program components. The feedback received from surveys, and one-to-one meetings has been used to adjust the final program options.

City of Saskatoon's Current Approach

PACE Programming

Currently, the City is providing HELP loans to homeowners using PACE financing to encourage retrofits of single-family homes, as described in the Annual Status Update 2024. No ICI PACE loans have been made available to date.

Education and Capacity Building

External funding from FCM has facilitated development of five education / capacity building programs for the residential sector which are also described in the *HELP Annual Status Update 2024*. These programs will continue throughout 2024 with most extending to 2025.

The Energy Star Portfolio Manager benchmarking tool for the ICI sector (including municipal buildings) will be implemented starting in 2024. As shown in the ICI Feasibility Study, benchmarking, labelling, and disclosure (BLD) programs are a common approach used by other municipalities to encourage or mandate reporting on energy efficiency, which in turn informs energy efficiency retrofit initiatives.

Approaches in Other Jurisdictions

R-PACE programs have been growing in popularity over the last two years, in large partly because of FCM's CEF program that the City and 12 other municipalities have taken advantage of. An updated municipal scan of R-PACE financing programs offered in Canada is available as Appendix 3.

Some key findings from the municipal scan include:

- Administrative fees and interest rates for these programs range from 0% to 5% of the loan amount, or $0-$1,500 (see Table 1, Appendix 3);
- Two cities require retrofits to show that they will reduce energy use by 20-50%; Saskatoon's HELP only requires this for the net-zero loan of $60,000 (50% reduction);
- Third-party administration – many cities have outsourced their program administration, especially for bigger programs, potentially allowing for operational efficiencies; and
- The City of Durham has a direct lending program that partners with two financial institutions that directly finance homeowner retrofits instead of the city financing the loans.

A municipal scan of measures, being used in Canada to encourage multi-unit and commercial buildings to perform energy retrofits, was conduced through the ICI Feasibility Study and is available in Chapter 7 of Appendix 2. The key findings include:

- Financing, and financial incentives (rebates and free items) provide the most significant combined benefits due to their direct ability to encourage retrofits and remove financial barriers;
- Three Commercial-PACE (C-PACE), financing programs have been established including Edmonton's *Clean Energy Improvement Program*, and Toronto's *High-Rise Retrofit Improvement Support* and *Taking Action on Tower Renewal Programs*, with a fourth program expected to launch in 2024;
- Many municipalities and other jurisdictions (federal/provincial government or utilities) also offer various forms of financial incentives;
- BLD programs are seen as foundational in the effort to reduce GHGs resulting from stationary energy use and are being used by numerous municipalities either as a voluntary or mandatory mechanism; and
- Targeting MURBs can provide additional equity benefits. MURB owners, property managers, and tenants, were found to face greater complexities in implementing energy retrofits due to shared infrastructure, diverse ownership, and the landlord-renter split incentive gap. The landlord-renter incentive gap occurs when a landlord and renter share the cost of the utilities, which often leads to excessive energy use as neither party is motivated to conserve energy since they are not the ones realizing the benefits. Furthermore, building owners and landlords may not be quick to invest in energy efficiency upgrades if they are not realizing the payback, which leads to an even further misalignment of the benefits and incentives[1]. MURBs also offer enormous potential to scale up due to the ease of replication in other similar ICI/MURB buildings.

## OPTIONS

Five options have been developed using the findings from the ICI Feasibility Study (Appendix 2), a review of HELP and best practices for R-PACE programming (Appendix 3). The five options are:

1. HELP (R-PACE only), No C-PACE;
2. Extra-small HELP and Small C-PACE;
3. Small HELP and Extra-small C-PACE, with options for reversion;
4. Direct Lending (No PACE); and
5. No Community Energy Loans Programs.

Three of the options continue to use PACE financing, meaning that the City would provide the loans to home and business owners, which are then paid back through their property taxes. This model has several benefits:

- Takes advantage of the City's low rate of borrowing to offer lower-than-market interest rates;

[1] Elsevier Ltd (2027). The split incentives energy efficiency problem: Evidence of underinvestment by landlords. Retrieved from https://www.sciencedirect.com/science/article/abs/pii/S0301421517308157

- Ties loans to property taxes and applies a lien, which reduces the risk of default; and
- Allows the City to remove traditional loan eligibility criteria such as creditworthiness and debt-servicing ratios, making the program more equitable.

The fourth option moves away from PACE financing and instead would direct the City to seek a financial institution to partner with to provide loans directly to participants.

The fifth option provides the City with a do-nothing approach. If the City does not want to continue to be in the business of loaning money to the community, this may be the preferred option.

Table 7 below, provides a summary of the options and program details are available in Appendix 4 – Community Loans Program Options and Additional PACE Scenarios Explored.

*Analysis and Assumptions*
Analysis of the options was conducted to compare the total cost, administration fees, loan amount / total number of buildings targeted, GHG reduction estimates, equity considerations, uptake risk, and complexity. The outcomes of the analysis are provided in the option descriptions below with the benefits for each option.

The assumptions used in the analysis are:

- Total loan capital required is $10.5M;
- Programs run for three years (2025 to 2028);
- Programs require up to one year of planning and implementation (depending on the option chosen) using existing funding for staff time;
- Educational programming and the development and implementation of a BLD program are not included in the program costs and would be funded from other sources;
- Programs aim to break-even; operational costs are included in the total capital cost of the program. The operational costs will be re-paid either by program participants through administration fees or through external grant funding. CEF grant funds are approved to be used for the HELP extension until June 2026, and are shown in the financial analysis. New grant funds from FCM for C-PACE would be applied for but are not shown in the financial analysis as these funds are unconfirmed. Final administration fees and additional equity components (i.e. waived administration fees or rebates) are not included in the analysis, and will be brought forward during final design;
- C-PACE programs are targeted at MURBs;
- HELP assumes an average reduction of 2.5 $tCO_2e$/year for each home, based on the existing program's average GHG reductions; and
- C-PACE assumes an average of 20% energy reduction per retrofit to calculate GHG reductions.

Large-scale C-PACE scenarios targeting commercial buildings (described in Appendix 4) were assessed but are not included as options for consideration as they are not feasible with current funding limitations. Compared to large-scale PACE scenarios, the options presented have limitations such as:

- Higher administration fees as compared to the original version of HELP and compared to a scaled-up version. If a full-scale program was implemented, efficiencies may be realized, and program administration could be out-sourced;
- None of the proposed options for HELP meet the estimated community demand of 480 homes per year, or align with the GHG reduction targets in the LEC Plan for residential or ICI projections; and
- Equity considerations like waived administration fees and financial incentives (rebates and give-aways) have not been built in as they are not feasible in a cost-recovery model despite this being identified as important by both the ICI stakeholder engagement and the best practise research.

PACE for new builds was also considered but is not included as a recommended option at this time due to limited resources. While C-PACE is being used in the United States to help finance new building construction, this practice is not yet being used in Canada.

In January 2024, the Province of Saskatchewan adopted Tier 2 of the energy performance tiers for small buildings and houses of the 2020 National Building Code, and Tier 1 of the 2020 National Energy Code of Canada for larger buildings. Therefore, all new buildings will be constructed to a higher level of energy efficiency. PACE programs will help existing buildings achieve the minimum current code requirements by completing energy efficiency retrofits. Therefore, options targeting retrofits have been prioritized at this time as they are expected to achieve higher GHG reductions and help maintain or enhance performance of our existing building stock.

### Option 1 - HELP (R-PACE only), No C-PACE

This option includes an updated version of a single-family R-PACE program targeting 342 participants based on the current version of HELP with no PACE program for other sectors. For program details including GHG emissions reductions, operating costs, administration fees, as well as other considerations and a financial analysis, see Appendix 4.

<u>Pros</u>

- Momentum and awareness built with the current iteration of HELP is maintained with a program similarly sized to the existing version;
- Largest version of HELP, meaning it is closest to meeting community demand;
- Uses existing processes and staff that are continuously being improved meaning reduced risk of timeline delays or other problems with launch; and
- Program is well-known in the community and has demonstrated demand so there is low risk that it will not fill up.

Cons

- Program will be available to single family homes only, no programming for multi-unit residential; and
- No further FCM funding can be accessed for HELP.

**Option 2 – Extra-small HELP and Small C-PACE**

This option includes a smaller, updated version of a single-family R-PACE program targeting 118 participants based on the current version of HELP and a C-PACE financing program targeted at up to 15 MURBs (five buildings per year). For program details including GHG emissions reductions, operating costs, administration fees, as well as other considerations and a financial analysis, see Appendix 4.

Pros

- R-PACE and MURB C-PACE programs would be provided; maintaining momentum built with HELP and targeting an additional sector that has known challenges in completing energy retrofits; and
- Ability to leverage FCM funds which may allow for lower/waived administration fees, rebates, or other ICI/MURB programming.

Cons

- Least number of single-family residential loans will be provided, potentially causing community frustration;
- Highest complexity and uptake risk as a new C-PACE program would be introduced; however, a 15-building program is still relatively small, and the administrative processes and program design would build on the learnings from HELP; and
- Smallest amount of surplus projected from administration fee revenue, increasing risk that cost overruns may occur.

**Option 3 - Small HELP and Extra-Small C-PACE, with Options for Reversion**

This option is similar to Option 2 but with more HELP loans and less C-PACE loans. The program will target 265 single family residential homes and 5 MURBS. HELP and C-PACE loans have been set as a minimum target within this option but would be flexible and adjusted based on demand within the available financing. For a summary of the program details including GHG emissions reductions, operating costs, administration fees, as well as other considerations see Appendix 4. Table 8 below, provides a detailed financial analysis of this program option.

Contingency if FCM Funding is Unsuccessful

This option requires FCM grant funding to be financially feasible as administration fees would need to be increased to re-cover the operating costs. If the application is unsuccessful, Administration would need to revert to Option 1 or Option 2.

Option 3a. If FCM funding is not successful, administration would revert to Option 1.
Option 3b. If FCM funding is not successful, administration would revert to Option 2.

Pros

- HELP is larger than Option 2 to help maintain momentum built with current HELP program;
- Still able to target MURBs that have known challenges in completing energy retrofits;
- Pilots a very small C-PACE/MURB program to reduce uptake risk and provide an opportunity to learn; and
- Ability to leverage FCM funds which may allow for lower/waived administration fees, rebates, or other ICI programming.

Cons

Proposed administration fees will not recover the full operating costs for C-PACE/MURB due to small-scale of the pilot. If FCM funding is not successful, either administration fees will need to be increased or a reversion to Option 2 will be necessary.

**Option 4 - Direct Lending (No PACE)**

In this option, the City would not offer any PACE loans. Instead, partnerships with local financial institutions would be sought to offer a direct lending model as seen in Durham, Ontario. Financial institutions would directly lend the funds to the participants, setting the terms for interest rates, loan length, and eligibility (including credit checks). The City would need to hold funds in a loan loss reserve to backstop the risk of default.

The City may have some discretion over program design elements such as eligible projects, but it is not known how much control the City would have over financing terms, eligible participants, and equity components for the program. More research and planning are required to pursue this scenario as there is currently no partner lending institution in place for this type of program and funding would be required for the loan loss reserve. See Appendix 4 for a financial analysis of this program option.

Pros

- Loan programs for home energy and/or multi-unit/commercial building retrofits may still be provided and potentially at a larger scale, potentially meeting community demand;
- Quantifiable GHG emissions reductions would depend on the scale of the program and could be anywhere between 855 – 3,600 $tCO_2e$ for a R-PACE program over three years; and
- The City would not need to find loan capital for the full cost of the upfront loan funds, instead borrowing or capital would only be required for the loan loss reserve (up to 20% of loan amount).

Cons

- There is a risk that the City will not find a lending partner willing to provide loans for this type of program. If a funding partner is found, there is uncertainty around the City's role, level of control in design, and what level of administrative burden would be required.

- Loans will no longer be tied to property taxes which may increase the risk of default; it is unknown how common defaults are with this type of loan given that Durham is the first municipality with this type of program, and it has only existed for one year.
- Financial institutions are likely to have stricter eligibility criteria around creditworthiness and debt-servicing ratios which may have detrimental impact on income-qualified households that cannot meet the criteria.
- Highest cost for participants. Residents would pay higher interest rates that are closer to market rates and may pay higher administration fees.
- The City would still need to fund a loan loss reserve, typically around 20% of the total loan capital, which would only be used in the case of loan defaults.

### Option 5 – No Community Energy Loans Programs

In this option, the City would discontinue HELP by the end of 2025 after existing loan funding has been fully spent and not explore additional opportunities to offer a community energy loan program. Retrofit financing programs would be left to the private sector.

The Energy Star Portfolio Manager benchmarking tool for the ICI sector (including municipal buildings) will continue to be developed with existing funds, starting in 2024.

### Comparison of Program Options

Table 7 provides a comparison of the proposed program options including program type and estimated number of participants, total loan capital required, administration fees, financial sustainability, GHG emission reductions, and uptake risk.

Table 1. Comparison of Proposed Options

| | **1**<br>**HELP R-PACE, No C-PACE** | **2**<br>**Extra-small HELP, Small C-PACE** | **3**<br>**Small HELP, Extra-Small C-PACE** | **4**<br>**Direct Lending, No PACE** | **5**<br>**No Community Energy Loans** |
|---|---|---|---|---|---|
| Estimated Participants | 342 single-family homes | 118 single family homes & 15 MURBs | 265 single family homes & 5 MURBs | TBD | None |
| Total Loan Capital Required | $10.5M for HELP | $10.5M<br>• HELP: $3.6M<br>• C-PACE: $6.9M | $10.5M<br>• HELP: $8.14M<br>• C-PACE: $2.34M | TBD, loan loss reserve (20% of total) + admin costs | None |
| Admin Fee (% of loan and per participant) | 2.5% or $750 | • HELP: 2.5% $750<br>• C-PACE: 1.6% $7,000 | • HELP: 2.5% or $750<br>• C-PACE: 1.6% $7,000 | TBD, approximately 2-4% interest rate rider | None |

| | | | | | |
|---|---|---|---|---|---|
| Financial Sustainability | • Requires loan capital<br>• Breaks even by using existing CEF funds | • Requires loan capital<br>• Breaks even by using existing CEF funds<br>• May leverage additional grant funds | • Requires loan capital<br>• Breaks even by using existing CEF funds<br>• May leverage additional grant funds | • Requires less loan capital (20%)<br>• Admin costs may not be covered by fees | NA |
| GHG Reductions | 855 tonnes of $CO_2e$ | 887 tonnes of $CO_2e$ | 860 tonnes of $CO_2e$ | TBD | None |
| Uptake Risk | Low - current program has high demand | Moderate / High - new program type and audience | Moderate - new program type, only 5 MURBs being targeted | Moderate/ High - interest rates and fees likely higher than other options | None |

**RECOMMENDATION**

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

1. Up to $10.5M of internal borrowing be allocated, subject to public notice and an internal borrowing report, to implement Option 3b; and
2. Administration be directed to submit an application to the Federation of Canadian Municipalities (FCM) Green Municipal Fund – Net Zero Transformation Pilot Program.

## RATIONALE

Option 3b is recommended as it provides the opportunity for the City to continue to offer PACE loans to the residential sector as well as piloting a C-PACE program for MURBs. This will allow the City to continue to build on the momentum established with the HELP program while providing resources to owners of MURBs who face unique challenges for energy efficiency renovations. Starting with a five-building pilot could allow scaling up later to achieve much higher levels of GHG reductions in alignment with resource availability. Option 3b potentially leverages up to $500,000 from FCM to reduce administration fees for a new program and offer equity components such as rebates or waived administration fees.

Option 3b provides the contingency to revert to Option 2 if FCM funding for C-PACE is not successful. Administration has recommended reverting to Option 2 as this provides similar benefits by offering both HELP and C-PACE/MURB, but with a larger C-PACE program to achieve cost neutrality for that program and a smaller HELP program.

The HELP program marks the first time the City has provided PACE financing to community members, and it is not a typical role for the City. Choosing option 3b will expand the City's role in financing that has traditionally been the role of the financial sector.

## ADDITIONAL IMPLICATIONS/CONSIDERATIONS

TBL Benefits and Considerations

PACE financing programs are anticipated to achieve Triple Bottom Line (TBL) benefits. The full TBL Improvement Review can be reviewed in Appendix A of Appendix 2 – ICI Feasibility Study:

- Provides financing for energy efficiency and renewable energy and other environmental upgrades that support environmental health and integrity;
- Supports the local construction and renovation industry;
- Provides greater comfort, improves indoor air quality, and offers operational efficiencies with associated cost-savings for home and building occupants;
- Aligns with numerous actions in the LEC Plan and provides between 800-900 tonnes $CO_2e$ reductions per year (at full build-out);
- Achieves cost-neutrality and potentially accesses external grant funding;
- Improves building resilience to a changing climate;
- Can be scaled up over time, with ability to achieve much higher GHG reductions; and
- Targeting MURBs and low-income residents helps improve equity outcomes in Saskatoon.

Some considerations noted in the TBL review include:

- Additional safety, adaptation, and heat island reduction measures could be added to further encourage resiliency;
- Introduce mandates to manage construction and demolition waste associated with building retrofits, which will reduce waste and increase waste diversion;
- Explore embodied carbon requirements for construction both upstream (building with low carbon materials) and downstream (recycling of low carbon materials);
- Improve equity by adding rebates targeted for MURBs/low income;
- Look for ways to ensure that savings are passed on to tenants of MURBs and that tenant displacement is avoided;
- Provide education, training, and decision-making tools to improve uptake and build capacity in the community for energy efficiency retrofits;
- Expand the scope to non-residential sectors; and
- Mandate energy and water reporting and disclosure.

Financial Implications

*Program Design and Implementation*

The cost of designing and implementing the HELP extension and C-PACE programs, if approved, will be covered by existing capital funding. This will include the funding in P.10033.01 and from the FCM CEF grant for HELP in P.1956.01. FCM has indicated that implementing a HELP extension program are eligible costs within the existing grant.

*Operating Costs and Revenues*

Combined, the programs require approximately $348,000 for operating expenses over the next three years and expect to bring in $233,750 in revenue to offset a portion of the costs. As well, the existing CEF grant from FCM will cover around $76,000 of the HELP operating costs. This leaves a surplus of $11,750 in HELP and a deficit of $50,000 for the C-PACE pilot. An application to FCM will be made for up to $500,000 to cover these administration fees and provide other programming. Operating costs for Option 3 are detailed below in Table 8.

Table 2. Financial Analysis of Option 3 – Small HELP & Extra-small C-PACE

| | **HELP** | **C-PACE** |
|---|---|---|
| **Revenue** | **($274,750)** | **($35,000)** |
| Administration Fees | ($198,750) | ($35,000) |
| FCM Grant | ($76,000) | TBD |
| **Expenses** | **$263,000** | **$85,000** |
| Program Administration | $205,000 | $70,000 |
| Marketing & Education | $23,000 | $10,000 |
| Liens | $24,000 | $1,000 |
| Contingency | $11,000 | $4,000 |
| **Net Cost (Surplus)** | **($11,750)** | **$50,000** |

Accounting, management, and customer service support will also be required for the program to continue, and may see increased use; however, these costs are currently covered through mill-rate funding and are not included in the financial analysis in Table 8.

*Loan Capital Program Costs*

Loan capital in the amount of $10.5M is required to provide loans to approximately 265 HELP participants and five C-PACE / MURB participants; assuming an average of $30K/loan and $450K/loan respectively. The City would borrow internally for the program and use existing cash balances to cashflow loans to participants. Repayment of loans from participants (with interest) is then received over the repayment term of 5, 10 or 20 years. It is important to note that the interest rate charged on these loans would be equivalent to what the City would expect to receive through its investment portfolio, resulting in no lost investment income to the City. This allocation would essentially be the City deciding to invest its available capital into the community through Community Energy Loans as opposed to in the bond market.

The City's internal investment committee has recommended the $10.5 million allocation, based on the following considerations:

- It is based off of forecasted future cash flow requirements, including potential impact of the Downtown Event and Entertainment District;

- It is not a liquid investment; therefore, it would be challenging to turn it back into cash in the event it was required before the conclusion of the loans; and
- The programs can be expanded and improved over time when new funding opportunities arise.

Regardless of the option chosen, an intent to borrow report would be developed with loan details for City Council approval.

FCM Green Municipal Fund Net-Zero Transformation Pilot Project

Application to FCM's Net-Zero Transformation Pilot Project grant funding, which provides $500,000 or up to 50% of total project cost for the C-PACE program is recommended. The City's internal loan would be used for matching funds. Securing FCM funding could allow the City to offer lower administration fees for the C-PACE participants, expand education, offer rebates, or even use as loan funding. If successful, a follow up report to accept the funding and specific plans for it will be required.

Design Implications/Considerations

Design will be confirmed prior to the launch of a new and/or extended program, if approved.

The current design elements for HELP that will be maintained in the new version include:

- Loan amounts up to $40,000 per standard retrofit and up to $60,000 for deep energy (50% energy reduction or more) or net-zero retrofits;
- Direct payment of contractors and allowance for 30% up-front deposit;
- Use of in-house administration model, existing applications process and loan repayment process, and pre-vetted contractor list;
- Requirement for pre- and post-project EnerGuide Assessments;
- Interest rate derived from calculating what the City would receive if the principal were instead invested in the market for the same period, updated annually based on current market rates; and
- Loan terms of 5, 10, or 20 years.

HELP design elements that will be considered for the next version include:

- Add a performance threshold minimum of 20-50% energy reduction;
- Remove standard air conditioners (AC) as eligible retrofits and only allow heat pumps for home cooling;
- Add an Income cap – only allow participants below a certain income threshold to use the program (income level to be determined); and
- Calculate interest monthly instead of daily - makes payments easier at payout time for revenue staff.

C-PACE design would be built on HELP design, some of the elements that will be considered and confirmed through further reporting include:

- Maximum eligible loan amount for incremental capital costs associated with building efficiency retrofits;
- Direct payment to contractors;
- Additional eligibility criteria, including the caveat that building owners and property managers will not be eligible to submit more than one application;
- Administration fees and waived administration fees for affordable housing participants;
- Full list of eligible retrofits and required technical specifications;
- Other mandatory requirements such as energy audits, participation in benchmarking, labelling, and disclosure (BLD), minimum energy efficiency reduction or performance expectations; and
- Equity considerations - the program design will also look at ways to minimize housing cost increases, tenant displacements, utility cost increases and community trust and buy-in.

Legal Implications

Introduction of a C-PACE program will require amendments to the *Home Energy Loan Program Bylaw, 2021, Bylaw No. 9762* to allow for commercial property owners to be eligible. These changes will be drafted and brought forward by the City Solicitor.

## COMMUNICATION ACTIVITIES

A communications plan for an extended HELP and new C-PACE program would be developed as part of the design and implementation. The scale of the communications efforts will be dependant on whether grant funding is available. More effort is expected to be required to market a new C-PACE program to attract interest, while HELP extension communications would focus more on program updates as interest in the program has been established.

## APPENDICES

1. HELP Resolution Summary
2. Feasibility Study for an Industrial, Commercial, Institutional and Multi-Unit Residential Building Energy and Water Retrofit Program in Saskatoon
3. Jurisdictional Scan of R-PACE Programs in Canada
4. Community Loans Programs Options and Additional Scenarios Explored

Report Approval.

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|---|---|
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