

# Community Energy Loan Programs – Additional Program Options

## ISSUE

The Standing Policy Committee on the Environment, Utilities, and Corporate Services (EUCS) received the [Community Energy Loan Programs Report](#) which recommends parameters for an energy loan program using Property Assessed Clean Energy (PACE) financing for single family and multi-unit residential buildings (MURB). At the meeting, the EUCS Committee directed the recommended loan amount to be \$25M and requested further reporting on the proportion of single-family, multi-unit, and commercial buildings that could be included in the program.

## BACKGROUND

### History

On March 5, 2024, EUCS received the [Community Energy Loan Programs Report](#). The EUCS Committee directed the recommended loan amount to be \$25M and requested further reporting on the proportion of single-family, multi-unit, and commercial buildings that could be included in the program.

On March 27, 2024, City Council received the Community Energy Loan Programs Report, and resolved that:

1. Up to \$25M of internal borrowing be allocated, subject to public notice and an internal borrowing report, to implement a program incorporating all three sectors (residential, multi and commercial); and
2. Administration be directed to apply to the Federation of Canadian Municipalities (FCM) Green Municipal Fund – Net Zero Transformation Pilot Program.

On March 27, 2024, City Council received the [Home Energy Loan Program 2024 Annual Status Update Report](#), and resolved that:

1. The proposed HELP Rebate Values” provided in Table 2 be approved. If approved, the new rebate values will come into effect on April 1, 2024.

Additional details on the history and status of this program can be found in [Community Energy Loan Programs Report](#).

### Current Status

Options have been prepared for a \$25M community energy loan program that could be offered to single-family residential, commercial, and multi-unit residential building owners using PACE financing (the Program). While costs for the single-family sector are well known based on the existing Home Energy Loan Program (HELP), developing program options for the commercial and multi-unit residential sectors required further analysis and research.

## OPTIONS

Three additional PACE program options have been developed to meet the \$25M parameter. Analysis of the options was conducted to compare the total cost,

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administration fees, loan amount / total number of buildings targeted, greenhouse gas (GHG) reduction estimates, equity considerations, uptake risk, and complexity; this analysis is available as Appendix 1. The three options are:

1. Balanced funding split;
2. Residential focus; or
3. Most GHG emission reductions.

Option 1 provides a balanced funding split across the single-family residential, commercial, and multi-unit residential sectors and would be open to all building owners and property managers. Option 2 prioritizes the MURB sector and provides the greatest opportunity to build equity into the program using income and/or building size caps and Option 3 prioritizes the commercial sector and is the best opportunity to decrease GHG emissions.

HELP received a loan and grant from the FCM’s 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. Additional assumptions used to compare the options are available in Appendix 1.

### Comparison of Program Options

Table 1 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, more detail on each option can be found in Appendix 1.

Table 1 - Comparison of Proposed Options

	<b>Option 1 – Balanced Funding Split</b>	<b>Option 2 – Residential Focus</b>	<b>Option 3 – Most GHG Emission Reductions</b>
<b>Estimated Participants</b>	240 single-family homes, 6 MURBs, and 16 commercial buildings	100 single-family homes, 19 MURBs, and 6 commercial buildings	100 single-family homes, 3 MURBs, and 34 commercial buildings
<b>Total Loan Capital Required</b>	\$25M total <ul style="list-style-type: none"> <li>• HELP \$8.6M</li> <li>• MURBs \$8.2M</li> <li>• Commercial \$8.2M</li> </ul>	\$25M total <ul style="list-style-type: none"> <li>• HELP \$3.1M</li> <li>• MURBs \$19.7M</li> <li>• Commercial \$2.2M</li> </ul>	\$25M total <ul style="list-style-type: none"> <li>• HELP \$3.1M</li> <li>• MURBs \$5.3M</li> <li>• Commercial \$16.6M</li> </ul>
<b>Admin Fee (% of loan and per participant)</b>	<ul style="list-style-type: none"> <li>• HELP: 2.5% (\$750)</li> <li>• C-PACE: 1.6%</li> </ul>	<ul style="list-style-type: none"> <li>• HELP: 2.5% (\$750)</li> <li>• C-PACE: 1.6%</li> </ul>	<ul style="list-style-type: none"> <li>• HELP: 2.5% (\$750)</li> <li>• C-PACE: 1.6%</li> </ul>

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<b>Financial Sustainability</b>	<ul style="list-style-type: none"> <li>• CEF funds can cover ~\$76K of the HELP operating costs</li> <li>• Surplus of \$107K to use to reduce admin fees or offer rebates</li> <li>• May leverage additional grant funds</li> </ul>	<ul style="list-style-type: none"> <li>• CEF funds can cover ~\$36K of the HELP operating costs</li> <li>• Surplus of \$189K to use to reduce admin fees or offer rebates</li> <li>• May leverage additional grant funds</li> </ul>	<ul style="list-style-type: none"> <li>• CEF funds can cover ~\$36K of the HELP operating costs</li> <li>• Surplus of \$132K to use to reduce admin fees or offer rebates</li> <li>• May leverage additional grant funds</li> </ul>
<b>GHG Reductions</b>	2163 tonnes of CO <sub>2</sub> e	1665 tonnes of CO <sub>2</sub> e	2794 tonnes of CO <sub>2</sub> e
<b>Uptake Risk</b>	<p>Lowest</p> <ul style="list-style-type: none"> <li>• Current HELP program has high demand</li> <li>• Smallest-scale new programs</li> </ul>	<p>Moderate</p> <ul style="list-style-type: none"> <li>• Current HELP program has high demand</li> <li>• Proposed multi-unit program is large scale</li> </ul>	<p>Highest</p> <ul style="list-style-type: none"> <li>• Current HELP program has high demand</li> <li>• Proposed ICI program is very large scale</li> </ul>

### RECOMMENDATION

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

1. That the Community Energy Loan Program parameters incorporating single-family residential, multi-unit residential and commercial sectors as set-out in *Option 1: Balanced Funding Split*, be approved in principle for program implementation.

### RATIONALE

Option 1: Balanced Funding Split, is recommended as it is an approach in which PACE loans to the single-family residential sector continue, and loans for the commercial and multi-unit residential building sectors are piloted. This would allow the City of Saskatoon (City) to build on the momentum established with HELP while providing new resources to owners of MURBs who face unique challenges for energy efficiency renovations and to commercial buildings that may have the largest impact on reducing GHG emissions.

#### Benefits of Option 1

- Provides balanced funding for all three sectors regardless of building type, size or annual income;
- Maintains a high number of single-family residential loans at a similar size as the current version, meaning that the new program will be closer to meeting community demand;
- Second highest potential annual GHG emission reductions (2,163 tonnes CO<sub>2</sub>e) of the three options; and
- Low uptake risk/complexity for large single-family program, with some increased risk/complexity due to the increase in commercial buildings, but likely lower than Option 2 and 3.

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### Cons of Option 1

- Targets fewer MURBs than Option 2, which likely face the most barriers for performing energy retrofits;
- Provides less opportunity to embed equity into the program than Option 2 if there are no income or building size caps (to be confirmed during design); however, reduced admin fees and rebates may still be offered to improve equity; and
- Generates the lowest surplus.

### **ADDITIONAL IMPLICATIONS/CONSIDERATIONS**

#### TBL Benefits and Considerations

PACE financing programs are anticipated to achieve multiple TBL benefits as shown in Appendix A of Appendix 2 in the Community Energy Loan Programs Report.

#### Financial Implications

##### *Program Design and Implementation*

The cost of designing and implementing the proposed program option would be funded by existing capital funding. Funds are available in P.10033.01 and can be accessed from the existing FCM CEF grant for HELP in P.1956.01. FCM has indicated that costs associated with implementing a HELP extension program are eligible within the existing grant.

##### *Operating Costs and Revenues*

The Program will require approximately \$411,000 for operating expenses over the next three years and expects to bring in \$518,000 in revenue to offset costs. As well, the existing CEF grant from FCM will cover around \$76,000 of the new HELP operating costs. An additional application to FCM will be made for up to \$500,000 to cover administration fees and provide other programming such as reduced administration fees and or rebates. The Program will result in a surplus of \$107,000, which will also be used to further enhance the Program. Operating costs for Option 1 are detailed below in Table 2.

Table 2 - Financial Analysis of Option 1 – Balanced Funding Split

	<b>Community Energy Loan Program</b>
<b>Revenue</b>	<b>(518,000)</b>
Administration Fees	(442,000)
FCM Grant	≥(76,000)
<b>Expenses</b>	<b>411,000</b>
Program Administration	310,500
Marketing & Education	51,000
Liens	23,500
Contingency	26,000
<b>Net Cost (Surplus)</b>	<b>107,000</b>

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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 2.

### *Loan Capital Program Costs*

Loan capital in the amount of \$25M was approved by City Council in March 2024, subject to public notice and an internal borrowing report. For Option 1, this would provide loans to approximately 240 HELP participants 6 MURB owners or property managers, and 16 commercial building owners; assuming an average of \$30K/loan and \$240/m<sup>2</sup> 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) would then be received over the repayment term of 5, 10 or 20 years. 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.

### FCM Green Municipal Fund Net-Zero Transformation Pilot Project

Administration will apply for FCM's [Net-Zero Transformation Pilot Project](#) grant funding and if successful, the City's internal loan would be used for matching funds. The grant would provide up to \$500,000 or up to 50% of total project cost for the C-PACE portion of the program. 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.

FCM also offers a [Net-Zero Transformation Capital Project](#) with a similar funding offering to the CEF funding that was received for HELP. Upon successful completion of the pilot program, administration will likely be eligible to apply for a combined grant and loan funding of up to 80% of eligible costs, up to a maximum of \$10M. With the increase scope of the Community Energy Loan Program, Administration will work with FCM to identify if the increased scope will satisfy eligibility requirements.

### Design Implications/Considerations

Preparation of the detailed program design would follow direction of the program option, and the program details would be brought to City Council for approval prior to the launch of the Program. Full detail on the preliminary design elements that will be considered for the program are available in the [Community Energy Loan Programs Report](#).

### Legal Implications

Introduction of the Community Energy Loan program will require amendments to the *Home Energy Loan Program Bylaw, 2021, Bylaw No. 9762* to allow for additional design consideration and to allow commercial and multi-unit residential property owners to be eligible. These changes will be drafted and brought forward by the City Solicitor upon completion of the program design.

## COMMUNICATION ACTIVITIES

A communications plan for the new 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.

## NEXT STEPS

- Completion of the detailed design study and program implementation plan for the Community Energy Loan Program and approval report;
- Intent to Borrow Report;
- Bylaw Amendment Report;
- Complete and submit application for FCM’s Green Municipal Fund [Net-Zero Transformation Pilot Project](#); and
- Completion of the implementation plan and implementation of [Energy Star Portfolio Manager](#), which is a benchmarking tool for the commercial sector (including municipal buildings).

## APPENDIX

### 1. Program Options

#### Report Approval

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