City of Toronto

Home Energy Loan Program (HELP)

Partners Climate Protection Workshop

November 14, 2013

TORONTO Tower Renewal Livegreen Toronto

Amendments to Local Improvement Charge (LIC) Regulation

October 2012: Minister of Municipal Affairs and Housing amends City of Toronto Act LIC regulation (O.Reg 596/06)

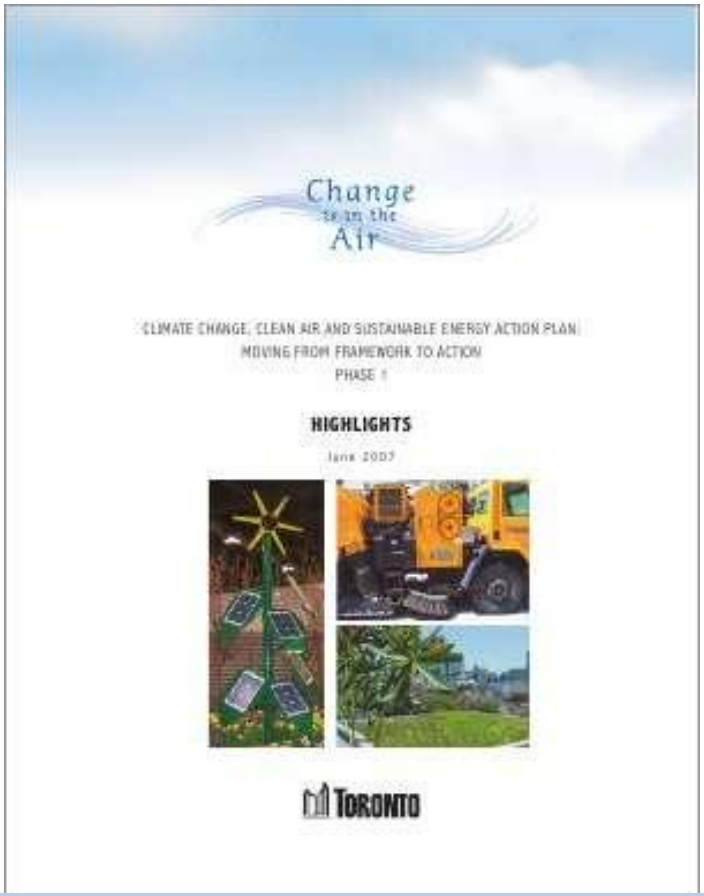
Amended regulation:

1. expands definition of qualifying capital works to include energy efficiency retrofits, renewable energy installation, water conservation
2. expands list of qualifying property to which LICs can apply to include individual private property itself, exclusive of City-owned frontage
3. Introduces use of property agreement between municipality and property owner (in addition to by-law to place charge on tax roll)
4. enables special charge for these particular works on these particular properties to be placed on property tax roll and receive priority lien status

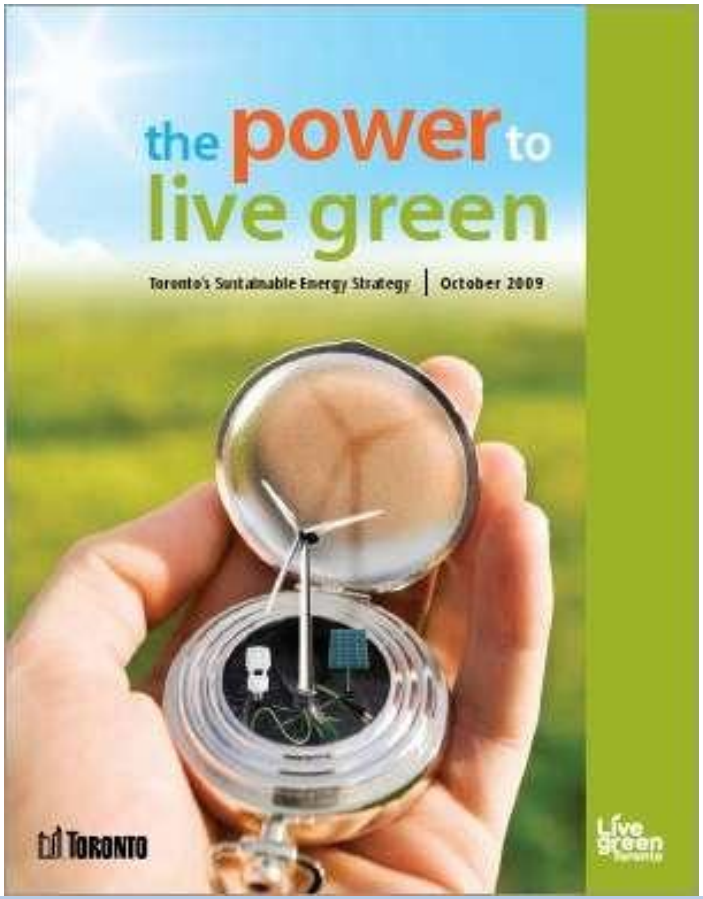
Current Conditions – Residential Sector

- 1 million housing units in Toronto
  - 45% low rise, single family homes
  - 55% multi-unit residential buildings
- Legacy of inefficient buildings and equipment
  - 80% of housing stock will be in use by 2050
- Sector energy consumption
  - 54% total natural gas
  - 30% total electricity
- GHG emissions
  - 44% of total annual emissions

Policy Context



Change is in the Air: Clean Air and Sustainable Energy Action Plan (2007)



The Power to Live Green: Toronto's Sustainable Energy Strategy (2009)

ecoENERGY Results

ecoENERGY
an ecoACTION initiative

Single Family Homes

Vintage	Housing Stock (#)	Uptake (%)	E&F Evaluations (#)	Actual Energy Savings (%)	Potential Energy Savings (%)	Energy Savings Shortfall (%)
Before 1945	132,555	11%	15,167	24%	37%	12%
1945-1959	113,589	12%	13,585	22%	35%	13%
1960-1969	58,262	18%	10,531	20%	32%	12%
1970-1979	39,744	22%	8,615	20%	28%	8%
1980-1989	33,823	26%	8,951	20%	27%	6%
1990-1999	20,510	9%	1,879	13%	20%	7%
2000-2009	17,544	2%	384	9%	15%	6%
Total:	**416,027**	**14%**	**59,112**	**21%**	**32%**	**11%**

Measures Installed

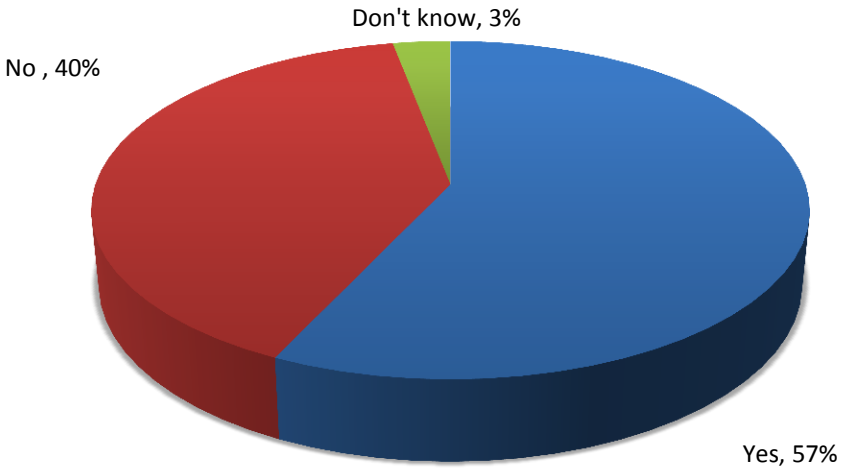
Heating Equipment	78%
Air Sealing	31%
Windows	29%
Cooling System (Central)	28%
Attic Insulation	27%

Domestic Hot Water (excluding solar)	11%
Foundation Insulation	10%
Wall Insulation	8%
Foundation Header Insulation	6%
Domestic Hot Water (solar)	1%

Market Research Findings

Barriers to Undertaking Retrofits

- Among those that did undertake the recommended energy efficiency improvements from their Energy Assessment (87%), over half (57%) did not undertake all of the recommendations, mostly because improvements were too costly.

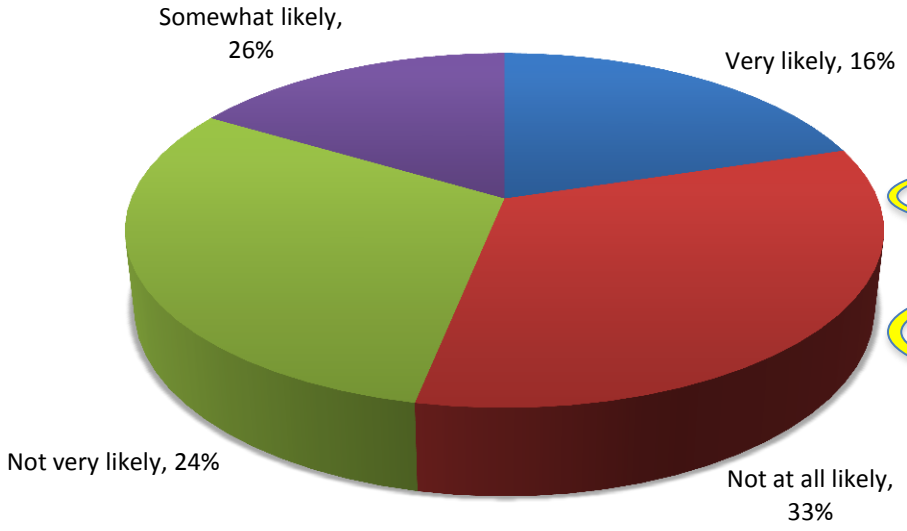


	Top Barriers	%
1.	Cost/too expensive	66%
2.	Haven't had time/gotten around to it	14%
3.	Large project/difficult	11%

Market Research Findings (con't)

Support for a City Loan Program

- About two fifths of Toronto homeowners said that they would be likely to apply for the Low Interest Loan to make energy efficiency improvements or upgrades to their home – just over half said that they would not be likely to apply.
- Top reasons for applying for the Low Interest Loan program were the low interest rate itself (also the cheaper option) and simply needing to make home energy improvements. Some mentioned that they would not be able to afford the improvements otherwise.

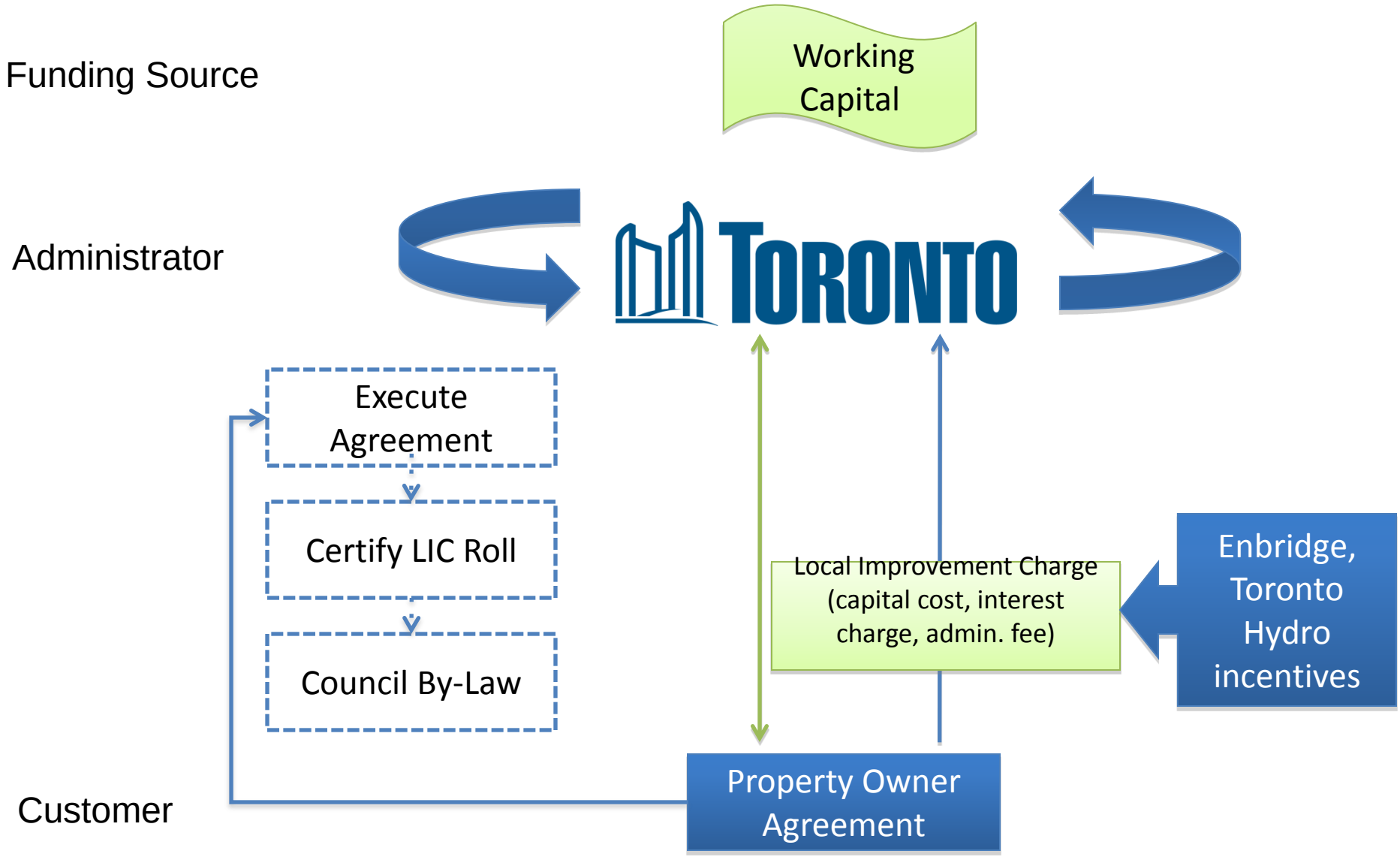


	Top Reasons for Applying	%
1.	Low interest rate	26%
2.	Cheapest option/ Can't afford it otherwise	26%
3.	Need for energy retrofit	21%

HELP Highlights

- Voluntary
- Pay for energy improvements over time while avoiding large upfront cost
- Charge resides with the property, not the owner
- Competitive interest rates and longer repayment terms
- ‘One-window’ service covering natural gas, electricity and water conservation

LIC Financing Model



Pilot Objectives

1. Testing of LIC financing mechanism to accelerate the uptake for deep energy retrofits
2. Confirm the validity of savings-to-investment and property value appreciation
3. Testing the value of a one-widow approach to customer service delivery
4. Identifying the best ways to collaborate with utility partners to streamline access
5. Development of a business case to support senior management and City Council decision making as it relates to a full-scale program

Pilot Overview

	Key Features	Additional Details
Term	3 year pilot period	2013 – Q4 launch
Resource Conservation	Single Family Stream: Focus on 25-50% reduction in overall energy use	Natural gas, electricity and water efficiency and conservation
	Multi-Residential Stream: Target projects with simple paybacks of over 3 years	
Target Markets	Single Family Homes	Testing neighbourhood-based marketing approaches in 4 pilot neighbourhoods
	Multi-Residential Buildings	Focused on apartment buildings of 5 or more storeys city-wide constructed prior to 1984
Participation Targets	Approximately 1,000 single family homes	Completing energy assessments, installing energy efficiency measures, and accessing the City financing
	Approximately 10 buildings (representing 1,000 housing units)	
Average Project Value (less rebates)	$10,000 - Single family home	Up to $2,000 in utility company incentives may be available
	$1 million - Multi-unit residential building	Up to $100,000 in utility company incentives may be available.
Retrofit Measures Supported	Building envelope improvements, mechanical systems and water efficiency upgrades	Examples include: Furnace/boiler replacement Insulation upgrades Window replacement Low-flow toilets
Funding Envelope	$20 million in retrofit funding – evenly allocated between both Program streams	Funding to be sourced from City working capital reserve with no reliance on general property tax revenues.

Case Study: Singh Family of Scarborough

<u>Singh Family:</u>

- Concerned about rising energy costs
- Desire to improve home comfort and value
- Lack upfront capital for a home retrofit
- Lack equity to qualify for traditional financing (i.e. line of credit)

Case Study: Singh Family of Scarborough

House Type: Split Level Bungalow
Built: 1960-1970
Location: Suburbs

Singh Family Home:

- Inefficient heating equipment
- Air leakage problems
- No basement insulation

Retrofit Opportunities:

- Upgrading heating system
- Air sealing
- Upgrade Insulation (attic, exterior and basement walls)

Toronto Energy Retrofit Financing Program

HOW IT WORKS – 5 Easy Steps!

STEP 1

Pre-Qualification

- Homeowner completes online application to City

Qualifying Criteria

1. Building Type
- pre-1980 vintage
- Detached, semi-detached, town/row homes
- Multi-unit residential buildings

2. Consent from all property owners

3. Status of property tax/utility bill
- Current: Up-to-date with payments & 5 year review

4. Mortgage Lender Consent (if applicable)

STEP 2

Home Energy Assessment

- Home visit by certified energy auditor
- EnerGuide Rating Score
- Customized report on home's energy efficiency, identifies retrofit measures for improvement
- Cost: $250 paid by homeowner
- Submits funding request form to City

Retrofit Measures Supported

- High efficiency Furnace/Boiler
- Air source heat pump
- Hot water heater
- Attic/wall/basement insulation
- Weatherization
- Drain water heat recovery
- Windows
- Toilet replacement

STEP 3

Property Owner Agreement

Maximum LIC Amount

- 5% of Current Value Assessment (CVA)
- Average Toronto Home CVA: $474,368 → $23,718 max. LIC

Interest rate

- Pass thru rate from City
- Reflect City's foregone earning on investment (i.e. opportunity cost)

Term

- Tied to asset useful life → 5, 10, 15 year terms

Repayment

- LIC appears as a 'surcharge' on property tax bill
- Pre-authorized payment plan (11 annual payments)

Early Buyout Option

- Single payment to clear outstanding balance owing

STEP 4

Completing Improvements

To what degree does the City need to ‘undertake’ the energy efficiency works?

Options Evaluated with Legal Services:

1. Direct Installer (under City contract)
2. Roster of City-qualified contractors
3. Owner-hired contractor(s)

Recommended: Option 3 Owner-hired contractor(s)

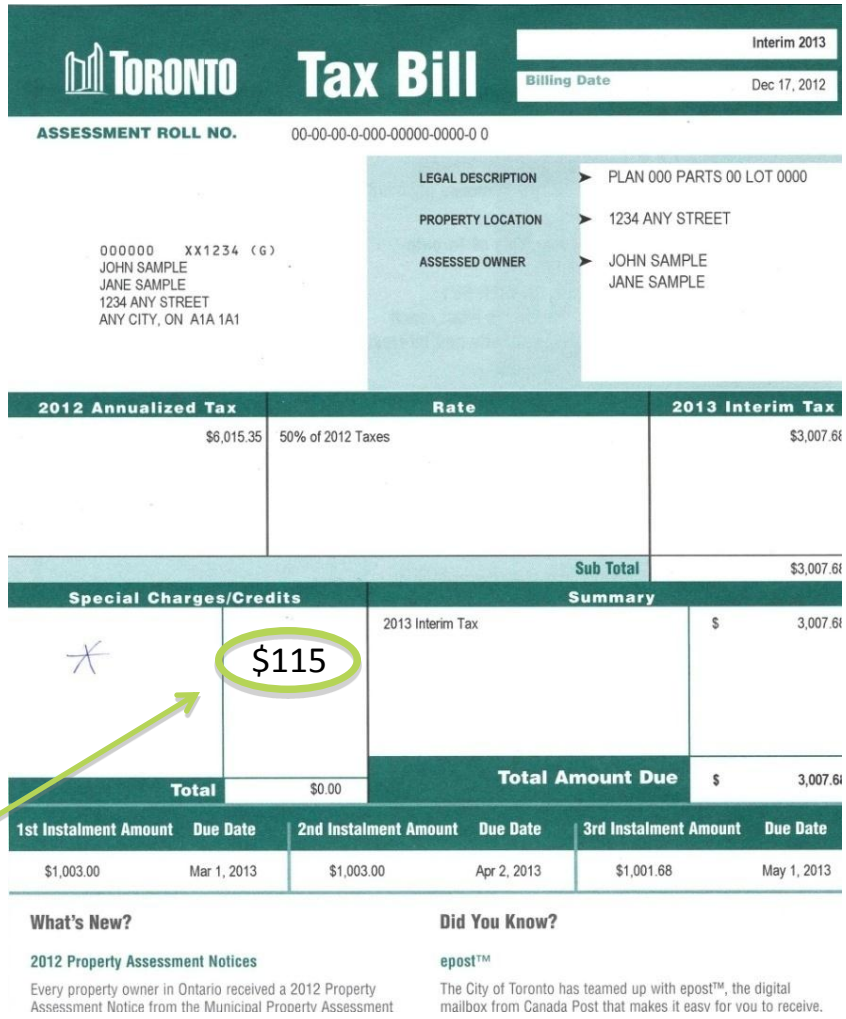
- City to disburse funds to property owners to then transmit to hired contractors upon verification of work completed.
- Least risky/costly option for the City
- City involvement is minimal

STEP 5

LIC Costing – 10 Year Term

Retrofit Project Cost		$12,000
Less: Utility Incentive		-$1,600
LIC Principal		$10,400
Fixed Interest Charge	3.5%	$1,803
Subtotal		$12,203
Admin Fee		$405
TOTAL LIC		**$12,608**

Amortized Monthly Payments over 10 years **$115**



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