

## Clean Energy Improvement Program Bylaw

### RECOMMENDATIONS:

That Council:

1. Hold a Public Hearing on Proposed Bylaw 53M2021; and
2. Give three readings to Proposed Bylaw 53M2021, the proposed Clean Energy Improvement Program Bylaw (Attachment 5).

### HIGHLIGHTS

- **What is the Bylaw?** The Clean Energy Improvement Tax Bylaw (Bylaw) establishes a Clean Energy Improvement Program in Calgary, authorizes The City to borrow up to \$15 Million for financing clean energy improvements, and enables clean energy improvements to be made to eligible properties.
- **What does this mean to Calgarians?** Enabling the Clean Energy Improvement Program in Calgary will allow eligible Calgary homeowners to access financing to complete clean energy improvements on their homes and repay through their property tax bill. This program will also generate projects for local energy efficiency and renewable energy contractors.
- **Why does it matter?** Clean energy improvements often have a high up-front cost that can be a barrier for homeowners. By leveraging The City's strong financial position to provide low-cost financing, homeowners will be able to contribute to achieving Calgary's climate goals through improved home energy performance and benefit from energy cost savings.
- The Economic Resilience Task Force identified green investments and low carbon financing as a pillar for economic recovery after the COVID-19 pandemic and requested a low carbon financing program be launched in 2022.
- Similar programs to the Clean Energy Improvement Program have been successful in other Canadian municipalities (e.g., City of Toronto and City of Halifax). Three municipalities in Alberta (Towns of Rocky Mountain House and Devon and the City of Edmonton) will be launching the Clean Energy Improvement Program in 2021.
- The City and the program administrator, the Alberta Municipal Services Corporation, will develop the program delivery processes in anticipation of opening the program to homeowner applications in fall 2022.
- Strategic Alignment to Council's Citizen Priorities: A healthy and green city
- Background and Previous Council Direction is included as Attachment 1.

### DISCUSSION

In September 2021, Council directed Administration to bring forward the Clean Energy Improvement Program Bylaw to Council for three readings before the end of Q4 2021 (PFC2021-1198). Passing an enabling bylaw is the first step to launch the Clean Energy Improvement Program in a municipality. The borrowing allowed through the Bylaw is anticipated to support up to 720 residential properties' clean energy improvements (assuming an average project cost of just under \$21,000).

The Federation of Canadian Municipalities is offering a loan and grant to municipalities launching community efficiency financing programs. The loan and grant can cover up to 80 per cent of the program costs (financing and operation costs), 20 per cent at minimum must be matched by The City of Calgary which is anticipated to be sourced through establishing an

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internal revolving fund for financing clean energy improvements (see Financial Implications section below). Additional details on the Federation of Canadian Municipalities' offering can be found in the Program Design Study (Attachment 2) and the Federation of Canadian Municipalities Loan and Grant Term sheet (Attachment 4).

Program development and delivery will involve efforts from across the organization. Environmental and Safety Management, Finance, Assessment, Roads (local improvements), Communications, Law and the Alberta Municipal Services Corporation (the program administrator) have been working to develop processes for program delivery and efforts will continue through 2022. A timeline of the program development process is included in Attachment 1 and an overview of the program provided by the program administrator is included in Attachment 3.

The first four years of program delivery can be supported by the Federation of Canadian Municipalities' loan and grant and will be considered a pilot phase. If the program is successful in the first few years, Administration will explore the feasibility of increasing the amount allocated for financing to scale up the number of clean energy improvements completed through the program as well as explore the opportunity to expand the program to commercial properties.

### **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

- Public Engagement was undertaken
  - Public Communication or Engagement was not required
  - Public/Stakeholders were informed
  - Stakeholder dialogue/relations were undertaken
- The Calgary Climate Panel members have been regularly informed on the progress of program development. The members have been supportive of the development of the Clean Energy Improvement Program.
  - A webpage ([calgary.ca/CEIP](http://calgary.ca/CEIP)) was launched in September 2021 for the public to view information on the Clean Energy Improvement Program and keep up to date on program development progress.
  - A public notice was printed in the Calgary Herald (September 21 and 28) to invite feedback on the proposed Bylaw at the Public Hearing.

### **IMPLICATIONS**

#### **Social**

The Clean Energy Improvement Program is intended to be a more accessible type of financing for energy improvements. With approval based on property tax payment history and not a credit check, long-term repayment periods, and low-interest rates, those who may not have access to low-cost traditional financing may be able to take advantage of the Clean Energy Improvement Program for their home upgrades leading to energy cost savings.

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### **Environmental**

Residential buildings contribute 29 percent of Calgary's community greenhouse gas emissions, and a significant portion of the buildings that will exist in Calgary in 2050 have already been built today. Calgary's Climate Mitigation Action Plan identifies innovative low carbon financing programs as an action to improve building performance and reduce greenhouse gas emissions. The Clean Energy Improvement Program provides a financing repayment mechanism to directly support homeowners to complete energy saving and emission reduction upgrades in their homes.

### **Economic**

Homeowners complete clean energy improvements which will generate energy and cost savings. It will lead to increased job opportunities for local energy efficiency and renewable energy contractors. The investments will also generate jobs throughout the supply chain (e.g., manufacturing), through additional spending in the economy due to increased income of workers, and through increased energy savings for participants.

### **Service and Financial Implications**

#### **Other: Financing and Grant**

\$20,000,000

#### Program Financing:

The *Municipal Government Act* states that borrowings made for financing clean energy improvements does not count against the debt limit or debt service limit of The City. The costs of financing (e.g., interest rate) are passed down to the participant and are captured in the Clean Energy Improvement Tax on the participant's property tax assessment.

Administration will apply to the Federation of Canadian Municipalities to secure the available \$10 Million loan once the Bylaw is passed. For the additional \$5 Million in financing, The City may borrow from an external lender or fund the program internally. Internally funding the program through a revolving capital fund (or similar mechanism) may be preferable to engaging a secondary lender as costs of borrowing are reduced, the interest rate can be set to match the interest rate of the Federation of Canadian Municipalities' loan, and funds can be revolved directly back into the program. Administration is currently exploring the development of an internal revolving fund and will bring forward the recommended fund details to Committee and Council within the next two months.

#### Operating Costs:

The Federation of Canadian Municipalities' grant is anticipated to off-set the administrative costs of the program for the first four years of program delivery. This is beneficial as the first few years of program delivery are usually the costliest as program materials and processes are developed. After the grant is exhausted, the legislation allows municipalities and the program administrator to charge an administration fee to the participants to offset operating costs.

### **RISK**

A risk assessment for program implementation is included in Attachment 2, the CEIP Program Design Study. Three main risks were identified (1) unknown program uptake, (2) unexpected

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default rates, and (3) quality control issues with installations. A process will be implemented that controls the intake of applications to mitigate higher than expected uptake and the program team will be prepared to increase marketing efforts if uptake is low. Eligibility criteria and financing limits have been put in place but if more defaults than expected occur, stricter criteria will be added to the program. Post-retrofit EnerGuide home evaluation reports will help The City ensure the upgrades that were submitted and paid for were installed. Contractors participating in the program must also sign a Contractor Code of Conduct and are subject to an Escalation Framework. If issues are brought forward by participants, contractors may be removed from the program.

Implementing the Clean Energy Improvement Program will support The City's actions to meet long term climate mitigation goals and place Calgary in line with the other ten Alberta municipalities who have passed Clean Energy Improvement Program bylaws and are developing programs. Not pursuing this program may pose a reputational risk to The City as others may perceive that Calgary is not aligned with climate mitigation trends in Alberta or nationally. Other types of programs developed to achieve similar greenhouse gas reduction goals to the Clean Energy Improvement Program, like incentive programs, are more costly to implement. While incentives can be used to boost participation in financing programs like the Clean Energy Improvement Program, the foundational financing mechanism is more sustainable for long term goals as funds can be revolved into multiple projects over time.

### **ATTACHMENT(S)**

1. Attach 1 - Previous Council Direction
2. Attach 2 – CEIP Program Design Study
3. Attach 3 – AMSC CEIP Overview
4. Attach 4 – FCM Loan and Grant Term Sheet
5. Attach 5 – Proposed Bylaw 53M2021

### Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Michael Thompson	Utilities and Environmental Protection	Approve
Stuart Dalgleish	Planning and Development	Approve
Carla Male	Chief Financial Officers Department	Approve
Christopher Collier	Utilities and Environmental Protection	Approve
Les Tochor	Chief Financial Officers Department	Consult
City Solicitor	Law	Consult
City Clerk	City Clerk's Office	Consult