

**Planning & Development Services Report to
Executive Committee
2025 January 21**

**ISC: UNRESTRICTED
EC2024-1272**

Commercial Clean Energy Improvement Program Bylaw

PURPOSE

The purpose of this report is to recommend that Council approve proposed Bylaw 2M2025 to create a Commercial Clean Energy Improvement Program ('Program') and authorize The City to borrow up to \$10 million to finance the Program.

PREVIOUS COUNCIL DIRECTION

Council approved the Calgary Climate Strategy (CD2022-0465) in 2022 July, as well as the Climate Implementation Plan as part of the 2023-2026 Service Plans and Budgets (C2022-1051). These both included actions to implement innovative financing for commercial buildings to make energy efficiency and renewable energy upgrades.

RECOMMENDATIONS:

That the Executive Committee:

1. Direct Administration to publicly advertise Proposed Bylaw 2M2025 in Attachment 2 in accordance with sections 390.3(5) and 606 of the Municipal Government Act; and
2. Forward this report to the 2025 April 8 Public Hearing Meeting of Council.

That the Executive Committee recommend that Council:

3. Give three readings to Proposed Bylaw 2M2025, following the advertising and public hearing.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

General Manager Debra Hamilton concurs with this report. Expanding the Clean Energy Improvement Program to commercial properties will broaden the reach of this popular program, opening new opportunities for energy savings and local economic activity.

HIGHLIGHTS

- Proposed Bylaw 2M2025 will authorize The City to borrow up to \$10 million to finance a Commercial Clean Energy Improvement Program.
- Establishing the Program will provide eligible commercial property owners access to municipal financing to complete clean energy improvements on their properties, which will be repaid with interest through their property tax bill.
- By providing low-cost capital financing, commercial property owners will be able to benefit from future energy cost savings and contribute to achieving Calgary's climate goals through improved energy performance. Tenants in commercial buildings will benefit from lower energy bills for their rented spaces.
- The Program will generate additional jobs for local energy efficiency and renewable energy contractors.
- The City and the Program administrator, the Alberta Municipal Services Corporation, will develop the Program in anticipation of opening the Program to applications by commercial property owners in spring/summer 2025.

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DISCUSSION

Program Creation

Administration is proposing to create a Commercial Clean Energy Improvement Project in order to offer commercial buildings the same benefit that residential buildings have experienced. Commercial buildings account for 27 per cent of Calgary's greenhouse gas emissions, and industry associations have advocated for a Commercial Clean Energy Improvement Program (BOMA Calgary, BILD Calgary, Calgary Construction Association, NAIOP). This will enable eligible building owners to implement more energy efficiency upgrades and in buildings they may not have previously prioritized.

If passed by Council, proposed Bylaw 2M2025 will authorize Administration to borrow up to \$10 million to finance the Program. This financing will be secured as part of the Corporate Borrowing Strategy, utilizing debt prudently and efficiently in accordance with the Council Debt Policy and treasury management best practices. A potential source of financing includes the Loans to Local Authorities program offered by the Government of Alberta, whose offerings may align well with the anticipated cash flow requirements of the Program over the course of 2026 and 2027. City financing for this Program will support participants by allowing them to receive an attractive interest rate from The City relative to the financing options commercial property owners can secure in the market.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|---|---|
| <input checked="" type="checkbox"/> Public engagement was undertaken | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input checked="" type="checkbox"/> Public/interested parties were informed | <input type="checkbox"/> Public communication or engagement was not required |

Industry associations representing commercial property owners have been regularly informed about the progress of Program development. These industry associations have advocated for the development of the Commercial Clean Energy Improvement Program.

An engagement webpage was launched in July 2024 and was distributed to industry associations to encourage their membership to comment on the creation of a Commercial Clean Energy Improvement Program. Respondents indicated strong interest in participating in a Commercial Clean Energy Improvement Program. Focused conversations with representatives from the commercial building industry are currently underway to refine Program details.

Proposed Bylaw 2M2025 will be advertised and a Public Hearing will be held pursuant to the requirements in the Municipal Government Act. Also, a petition period needs to pass after the end of the advertising period before Council can give three readings to this amending Bylaw in order to inform citizens about the date of the public hearing.

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IMPLICATIONS

Social

The proposed bylaw will help Calgary commercial property owners make clean energy improvements to their buildings that they may not have been able to make without this funding mechanism. It will support participants by improving air quality in their buildings, better indoor air temperature and thermal quality, and more comfortable spaces. Lowering city-wide greenhouse gas emissions benefits citizens by improving overall air quality within The City of Calgary.

Environmental

Commercial buildings contribute 27 per cent of Calgary's community greenhouse gas emissions. The Commercial Program provides a financing repayment mechanism to directly support building owners to complete energy saving and emission reduction upgrades in their buildings.

Economic

Funds from the Program will be invested by commercial property owners into their properties to generate energy and cost savings. These savings will be passed along to tenants as most commercial building tenants either pay a portion of the building's energy bills based on their occupancy or are metered separately and are billed for their exact consumption. The creation of the Program will lead to increased job opportunities for local energy efficiency and renewable energy contractors. There are currently over 230 qualified contractors in Calgary participating in the residential Program. The investments will also generate further economic activity given the potential for increased worker incomes.

Service and Financial Implications

Self-supported funding and Existing Operating Funding – One-Time

Program Financing (Self-Supported Funding): The proposed borrowing authorization in the Commercial Clean Energy Tax bylaw would allow The City to borrow up to \$10 million of external debt that would be structured as self-supported debt and fully repaid by the Clean Energy Improvement Tax levied against the participant's property tax assessment. A predetermined estimate of the cost of financing (e.g., interest charges) and principal repayment is passed on to the participant and reflected in the Clean Energy Improvement Tax.

RISK

Not implementing a Commercial Program may pose a reputational risk to The City as the commercial sector may perceive that The City is not providing similar supports that are being provided for residential buildings or being offered by other municipalities in Alberta.

Program funding requirements may not be fully self-supported if the interest rate(s) offered to participants do not meet or exceed The City's cost of financing the Program over time. The profile of debt financing offered to participants as a whole and accompanying property tax payment profile, may present further challenges to how The City executes borrowing options to align cash inflows and outflows. Treasury will endeavour to recommend interest rate(s) for

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Program participants that reflect available financing structures and future anticipated borrowing costs when debt financing is anticipated to be required.

The risks identified for a Commercial Clean Energy Improvement Program were also identified in the Residential Clean Energy Improvement Program through an audit conducted by the City Auditors Office as well as a risk assessment by Enterprise Risk Management. These risks have been addressed in the Residential Clean Energy Improvement Program and these risk management techniques will be implemented in the development of the Commercial Clean Energy Improvement Program. 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.

ATTACHMENTS

1. Background and Previous Council Direction
2. Proposed Commercial Clean Energy Improvement Program Bylaw
3. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Debra Hamilton	Planning and Development Services	Approve
Les Tochor	Corporate Planning & Financial Services	Consult

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