2. LAUNCH OF THE BETTER HOMES LOAN PROGRAM TO SUPPORT RESIDENTIAL RETROFIT PROJECTS
LANCEMENT DU PROGRAMME DE PRÊTS POUR LA MISE EN VALEUR DES HABITATIONS DESTINÉ À SOUTENIR LES PROJETS DE MODERNISATION DES BÂTIMENTS RÉSIDENTIELS

COMMITTEE RECOMMENDATIONS

That Council:

1. **Approve the Better Homes Loan Program attached as Document 1 and as summarized in this report;**

2. **Provide delegated authority to the Chief Financial Officer/Treasurer and the City Solicitor to negotiate, execute and implement the Funding Agreement with the FCM subject to any loan being at zero per cent interest;**

3. **Provide delegated authority to the Chief Financial Officer/Treasurer and the City Solicitor to negotiate and execute a Funding Agreement with VanCity Community Investment Bank as provided in Document 4;**

4. **Provide delegated authority for Chief Financial Officer/Treasurer and General Manager (GM) of Planning Infrastructure Economic Development (PIED), to approve loan disbursements within the VanCity Funding Agreement;**

5. **Provide delegated authority to the Chief Financial Officer/Treasurer to open separate capital accounts for the loan funds and the grant funds for tracking and reporting purposes;**

6. **Approve the creation of a Loan Loss Reserve Fund as described in Document 1 and provide delegated authority to the Chief Financial Officer/Treasurer to transfer funds, as required, as described in this report;**

7. **Provide delegated authority to establish and amend the Better Homes Loan Program interest rates and administrative fees to the**

Chief Financial Officer;

8. **Provide delegated authority to amend the Better Homes Loan Program documents and delivery contracts to the GM of PIED;**

9. **Provide delegated authority to the General Manager of PIED to negotiate and execute the Service Agreement with EnviroCentre as provided in Document 2 and as summarized in this report**

10. **Approve a Local Improvement Charge (LIC) program bylaw to advance energy efficiency, renewable energy and water conservation in alignment with municipal goals and policies and in accordance with provincial legislation, as provided in Document 1 and as summarized in this report;**

11. **Provide delegated authority for the General Manager (GM) of Planning Infrastructure Economic Development (PIED), along with the City Solicitor, to list special charges bylaws on Council agenda, and provide a list of the affected properties to the relevant Ward Councillor; and**

12. **Direct staff to report back to Committee and Council in 2024 on the results of the program with recommendations for a continued program.**

RECOMMANDATIONS DU COMITÉ

Que le Conseil :

1. **Approuve le Programme de prêts pour la mise en valeur des habitations joint en tant que document 1 et tel que résumé dans le présent rapport;**

2. **Approuve l’entente de financement avec la FCM dont les conditions sont approuvées par la cheffe des finances et l’avocat général, sous réserve d’un intérêt de zéro pour cent sur tout prêt;**

3. **Délègue à la cheffe des finances et à l’avocat général le pouvoir de conclure une entente de financement avec la VanCity Community**

Investment Bank, tel que prévu au document 6;

4. **Délègue à la cheffe des finances et au directeur général (DG) de la Direction générale de la planification, de l'infrastructure et du développement économique (DGPIDE) le pouvoir d'approuver la répartition des fonds dans le cadre de l'entente de financement conclue avec VanCity;**

5. **Délègue à la cheffe des finances le pouvoir d'ouvrir des comptes d'immobilisations distincts pour les fonds de crédit et les fonds de subvention;**

6. **Approuve la création d'un fonds de réserve pour pertes sur prêts tel que décrit dans le document 1;**

7. **Délègue à la cheffe des finances le pouvoir de modifier les taux d'intérêt et les frais administratifs du Programme de prêts pour la mise en valeur des habitations;**

8. **Délègue au DG de la DGPIDE le pouvoir de modifier les documents et les contrats de prestation du Programme de prêts pour la mise en valeur des habitations;**

9. **Délègue au directeur général de DGPIDE le pouvoir de négocier et d'exécuter l'entente de services avec EnviroCentre, comme indiqué dans le document 2 et résumé dans le présent rapport;**

10. **Approuve un règlement municipal portant sur une taxe d'améliorations locales pour promouvoir l'efficacité énergétique, l'énergie renouvelable et la conservation de l'eau en accord avec les objectifs et les politiques municipaux et conformément à la législation provinciale, tel que prévu au document 1 et tel que résumé dans le présent rapport;**

11. **Délègue au directeur général (DG) de la Planification, de l'Infrastructure et du Développement économique (PIED) et à l'avocat général de la Ville le pouvoir d'énumérer les règlements municipaux sur les redevances spéciales dans les rapports du Conseil et de fournir une liste des propriétés touchées au conseiller du quartier concerné; et**

12. Demande au personnel de faire rapport au Comité et au Conseil en 2024 sur les résultats du programme et de formuler des recommandations pour le poursuivre.

DOCUMENTATION/DOCUMENTATION

1. General Manager’s report, Infrastructure and Economic Development Department, dated June 23, 2021 (ACS2021-PIE-CRO-0011)

   Rapport du Direction générale, Direction générale de la planification, de l’infrastructure et du développement économique, daté le 23 juin 2021, (ACS2021-PIE-CRO-0011)

Report to
Rapport au:

Finance and Economic Development Committee
Comité des finances et du développement économique
6 July 2021 / 6 juillet 2021

and Council
et au Conseil
7 July 2021 / 7 juillet 2021

Submitted on June 23, 2021
Soumis le 23 juin 2021

Submitted by
Soumis par:
Don Herweyer
Director / directeur
Economic Development and Long Range Planning/ Développement Économique et Planification à long terme, Planning, Infrastructure and Economic Development Department / Direction générale de la planification, de l'infrastructure et du développement économique

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE

File Number: ACS2021-PIE-EDP-0029

SUBJECT: **Launch of the Better Homes Loan Program to Support Residential Retrofit Projects**

OBJET: **Lancement du Programme de prêts pour la mise en valeur des habitations destiné à soutenir les projets de modernisation des bâtiments résidentiels**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend that Council:

1. **Approve the Better Homes Loan Program attached as Document 1 and as summarized in this report;**

2. **Provide delegated authority to the Chief Financial Officer/Treasurer and the City Solicitor to negotiate, execute and implement the Funding Agreement with the FCM subject to any loan being at zero per cent interest;**

3. **Provide delegated authority to the Chief Financial Officer/Treasurer and the City Solicitor to negotiate and execute a Funding Agreement with VanCity Community Investment Bank as provided in Document 4;**

4. **Provide delegated authority for Chief Financial Officer/Treasurer and General Manager (GM) of Planning Infrastructure Economic Development (PIED), to approve loan disbursements within the VanCity Funding Agreement;**

5. **Provide delegated authority to the Chief Financial Officer/Treasurer to open separate capital accounts for the loan funds and the grant funds for tracking and reporting purposes;**

6. **Approve the creation of a Loan Loss Reserve Fund as described in Document 1 and provide delegated authority to the Chief Financial Officer/Treasurer to transfer funds, as required, as described in this report;**

7. **Provide delegated authority to establish and amend the Better Homes Loan Program interest rates and administrative fees to the Chief Financial Officer;**

8. **Provide delegated authority to amend the Better Homes Loan Program documents and delivery contracts to the GM of PIED;**

9. **Provide delegated authority to the General Manager of PIED to negotiate and execute the Service Agreement with EnviroCentre as provided in Document 2 and as summarized in this report**

10. **Approve a Local Improvement Charge (LIC) program bylaw to advance energy efficiency, renewable energy and water conservation in alignment**

with municipal goals and policies and in accordance with provincial legislation, as provided in Document 1 and as summarized in this report;

11. **Provide delegated authority for the General Manager (GM) of Planning Infrastructure Economic Development (PIED), along with the City Solicitor, to list special charges bylaws on Council agenda, and provide a list of the affected properties to the relevant Ward Councillor; and**

12. **Direct staff to report back to Committee and Council in 2024 on the results of the program with recommendations for a continued program.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande ce qui suit au Conseil :

1. **Approuver le Programme de prêts pour la mise en valeur des habitations joint en tant que document 1 et tel que résumé dans le présent rapport;**

2. **Approuver l'entente de financement avec la FCM dont les conditions sont approuvées par la cheffe des finances et l'avocat général, sous réserve d'un intérêt de zéro pour cent sur tout prêt;**

3. **Déléguer à la cheffe des finances et à l'avocat général le pouvoir de conclure une entente de financement avec la VanCity Community Investment Bank, tel que prévu au document 6;**

4. **Déléguer à la cheffe des finances et au directeur général (DG) de la Direction générale de la planification, de l'infrastructure et du développement économique (DGPIDE) le pouvoir d'approuver la répartition des fonds dans le cadre de l'entente de financement conclue avec VanCity;**

5. **Déléguer à la cheffe des finances le pouvoir d'ouvrir des comptes d'immobilisations distincts pour les fonds de crédit et les fonds de subvention;**

6. **Approuver la création d'un fonds de réserve pour pertes sur prêts tel que décrit dans le document 1;**

7. **Déléguer à la cheffe des finances le pouvoir de modifier les taux d'intérêt et les frais administratifs du Programme de prêts pour la mise en valeur des habitations;**

8. Déléguer au DG de la DGPIDE le pouvoir de modifier les documents et les contrats de prestation du Programme de prêts pour la mise en valeur des habitations;

9. Déléguer au directeur général de DGPIDE le pouvoir de négocier et d'exécuter l'entente de services avec EnviroCentre, comme indiqué dans le document 2 et résumé dans le présent rapport;

10. Approuver un règlement municipal portant sur une taxe d'améliorations locales pour promouvoir l'efficacité énergétique, l'énergie renouvelable et la conservation de l'eau en accord avec les objectifs et les politiques municipaux et conformément à la législation provinciale, tel que prévu au document 1 et tel que résumé dans le présent rapport;

11. Déléguer au directeur général (DG) de la Planification, de l'Infrastructure et du Développement économique (PIED) et à l'avocat général de la Ville le pouvoir d'énumérer les règlements municipaux sur les redevances spéciales dans les rapports du Conseil et de fournir une liste des propriétés touchées au conseiller du quartier concerné; et

12. Demander au personnel de faire rapport au Comité et au Conseil en 2024 sur les résultats du programme et de formuler des recommandations pour le poursuivre.

EXECUTIVE SUMMARY

In March 2021, the Federation of Canadian Municipalities (FCM) announced that Ottawa's application was successful in securing $12,169,500 in Green Municipal Fund Community Efficiency Financing to launch and capitalize a proposed Better Homes Loan Program. The FCM funding consists of a grant up to $4,056,500 and a 20-year, zero interest rate loan up to $8,113,000 to be spent by February 28, 2024. An additional $3.887 million in loans was secured from VanCity Community Investment Bank at fixed, low interest rates for 20-year terms.

Council directed staff to apply for the funding in July 2020 (ACS2020-PIE-EDP-0020) and approved the Better Homes Loan Program in principle. This report responds to Council's direction to report back to the Finance and Economic Development Committee (FEDCO) and Council for approval of the final Better Homes Loan Program and secure external financing to launch the program, as required.

This report and its attached documents include:

1. A description of the role residential building retrofits play in meeting Ottawa's target to reduce greenhouse gas (GHG) emissions 100 per cent by 2050 and the opportunity for the municipality to catalyze those retrofits;
2. A description of the Local Improvement Charge (LIC) mechanism, relevant legislation and the effectiveness of LICs in driving energy efficiency improvements;
3. A description of the approved funding from the Federation of Canadian Municipalities (FCM) Community Efficiency Financing stream;
4. An overview of the proposed Better Homes Loan Program, including eligibility criteria, application process, program delivery, budget, benefits, and potential risks;
5. A description of the proposed Service Agreements to support implementation of the Better Homes Loan Program; and
6. A description of the next steps to launch the Better Homes Loan Program.

Assumption and Analysis

Existing buildings are a large source of GHG emissions in Ottawa, with residential buildings contributing 26 per cent of the GHG emissions in 2019. Since most of these emissions are associated with space heating and water heating, effective emissions reduction programs for Ottawa focus on reducing and decarbonizing space heating and water heating in residential homes. The Energy Evolution Strategy calls for a 64 per cent energy reduction in residential buildings over business as planned by 2040.

Municipalities are uniquely able to offer financing tied to a property using a Local Improvement Charge (LIC) mechanism under the *Municipal Act (2001)*. Ontario Regulations 322/12 and 323/12, 586/06 and 596/06 authorize municipalities use LICs for improvements in energy efficiency, renewable energy generation and water conservation when it supports municipal goals and policies.

Experience from leading jurisdictions has shown that LIC programs can improve energy efficiency by approximately 30 per cent per building retrofit.The main benefit to the building owner under an LIC financing program is that the repayment of the financing is added to the property tax account and stays with the property, eliminating the concern of homeowners that they will not own the building throughout the payback period. When the property is sold, the new owner continues the LIC payment and continues to benefit from the energy retrofit. From the municipal government perspective, the payment obligation attaches to the benefitting property, not the owner, and is secured by a statutory lien with priority status. Property owners have the option to repay the loan over the term of the agreement or repaying the LIC in lump sum without penalty. As governments have access to competitive interest rates, they can pass these along as another benefit to the homeowner through the LIC program.

Given that municipalities are uniquely positioned to offer LICs and that experience in other municipalities has demonstrated that LICs have driven energy efficiency improvements and reduced barriers to energy retrofits for homeowners, staff propose launching the Better Homes Loan Program (attached as Document 1 and summarized in this report) and using the $12,169,500 in FCM funding to offer financing tied to properties through the use of the LICs and enter into a Service Agreement with a service delivery partner to deliver the program (provided in Document 2) as well as other service agreements with related parties.

The proposed Better Homes Loan Program would make it easier and more affordable for homeowners to pay for home energy improvements that contribute to meeting the City's GHG emission reduction targets, create jobs in the contractor, trades, and renovation sectors and make the building stock more comfortable, healthy, and resilient to extreme weather events.

Through the Better Homes Loan Program, Ottawa homeowners could get a low-interest loan of up to the lesser of $125,000 or 10 per cent (5 per cent in the case of properties that hold CMHC Mortgage Loan Insurance) of the current value of their home to cover the cost of home energy improvements such as thermal envelope upgrades (basement/attic/exterior wall insulation, window/door replacements), mechanical systems (thermostats and controllers, air/ground source heat pumps, solar hot water systems), renewable energy (solar photovoltaic systems) and electric vehicle chargers (Level 2). The minimum loan amount approved is proposed to be $15,000 with at least two retrofit measures required. The loan would be tied to the property as a lien.

Participation in the proposed program would be voluntary, owner-initiated and available to any owner of a private home in Ottawa that meets the following eligibility requirements:

- Residential, detached, semi-detached, townhouse, residential multi-unit buildings of three stories or less, that fall under Part 9 of the Ontario Building Code;
- The property must have a property tax account in good standing with the City of Ottawa;
- Property tax, utility bills and all other payment obligations to the City of Ottawa for the past five years must be in good standing and not participating in the tax or mortgage deferral programs; and
- All registered owner(s) of the property must sign a consent form agreeing to participate in the Program.

The Better Homes Loan Program is proposed to be delivered through a combination of existing staff, one new temporary full-time employee (FTE) in Climate Change and Resiliency Section, one half FTE each in Revenue Services and Financial Services, and an external service delivery partner. Other service delivery partners will be used for limited roles which will be procured through standard procurement channels.

The $4,056,500 grant portion of the FCM funding would be used to cover program start up and peripheral costs in the first three years including website and resource development, training for contractors, outreach and education for residents, and supports for low income residents.

The $8,113,000 loan portion of the FCM funding and the $3,887,000 million from VanCity would be used to flow through to homeowners for the eligible renovations, which they would pay back to the City over 20 years. An administration fee will be added as a closing cost of the loan. Interest rates on loans to homeowners will initially be zero; however, market-based interest rates may be charged in future years if it is deemed acceptable to program success. Fees and interest rate spreads will cover the cost of City staff time to implement the program, develop a Loan Loss Reserve Fund, and achieve a self-sustaining program model for future years.

If approved, staff propose to launch the Better Homes Loan Program in Q3 2021 for an initial term of three years. Steps to launch will include signing the funding agreements with FCM and VanCity, service agreements with EnviroCentre and other related parties, launching the program website, implementing the marketing plan, opening the application intake portal, and commencing contractor trainings. Home energy assessments and retrofit support services will be offered on an on-going basis. Staff will return to Council to seek approval for additional service agreements as they are developed. One such service agreement is expected to be an incentive of bulk procurement program for heat pumps. Discussions with Envari are currently underway to define the agreement.

After the first three years, staff will conduct a review of the program with a report and refinancing recommendation (if successful) to FEDCO and Council by Q4 2024.

Financial Implications

The total budget for this project is $16,056,500. Funding consists of a $4,056,500 grant and a $8,113,000 interest free loan from FCM and a $3,887,000 low interest loan from VanCity Community Investment Bank. A Loan Loss Reserve Fund will be created that will value over $1 million after the three-year term of this Program.

Public Consultation/Input

The program is based on lessons learned from similar municipal programs across North America and consultation with internal and external stakeholders.

The proposed Better Homes Loan Program was developed with input from city staff. An LIC advisory group was convened as a sub-committee of the Energy Evolution Interdepartmental Working Group. This sub-committee included representatives from Legal, Finance, Collections, Water, the Ontario Renovates program office, and Planning, Infrastructure and Economic Development.

External stakeholder consultation included meetings and online engagement with the Energy Evolution Building Retrofit Sub Committee. Industry consultations were undertaken with the Greater Ottawa Home Builders Association; the Heating, Refrigeration and the Air Conditioning Institute of Canada; the North American Insulation Manufacturers Association; and Smart Net Alliance. Perspectives were also sought from mortgage lenders and eligible landlords.

Public engagement included presentations at the Green Homes Showcase and through Smart Net Alliance’s webinar series. An Engage Ottawa page was launched in April 2021 and targeted:

- Ottawa residents (homeowners, renters and landlords);
- Community associations, community environmental groups and other community groups;
- Home renovation contractors;

- Real estate agents;
- Mortgage lenders; and
- Climate change newsletter subscribers.

SOMMAIRE

En mars 2021, la Fédération canadienne des municipalités (FCM) a annoncé l’acceptation de la demande d’Ottawa en vue d’obtenir un financement communautaire pour les économies d’énergie d’une valeur de 12 169 500 $ du Fonds municipal vert afin de lancer et mettre à profit un Programme de prêts pour la mise en valeur des habitations. Le financement de la FCM consiste en une subvention d’un montant maximal de 4 056 500 $ et d’un prêt sur 20 ans à zéro pour cent d’intérêt d’un montant maximal de 8 113 000 $ à dépenser d’ici le 28 février 2024. Un montant supplémentaire de 3,887 millions de dollars en prêts a été obtenu auprès de la VanCity Community Investment Bank à de faibles taux d’intérêt fixes sur des périodes de 20 ans.

Le Conseil a demandé au personnel de présenter une demande de financement en juillet 2020 (ACS2020-PIE-EDP-0020) et a approuvé en principe le Programme de prêts pour la mise en valeur des habitations. Le présent rapport répond à la directive du Conseil de faire rapport au Comité des finances et du développement économique (CFDE) et au Conseil aux fins d’approbation de la version finale du Programme de prêts pour la mise en valeur des habitations et d’obtenir un financement externe en vue de lancer le programme, le cas échéant.

Le présent rapport et ses documents annexés comprennent :

1. Une description du rôle que joue la modernisation des bâtiments résidentiels dans la réalisation de l’objectif d’Ottawa visant à réduire de 100 % les émissions de gaz à effet de serre (GES) d’ici 2050 et de la possibilité pour la municipalité de catalyser ces travaux de modernisation;
2. Une description du mécanisme de financement fondé sur des taxes d’améliorations locales, de la législation pertinente et de l’efficacité de ces taxes pour promouvoir les améliorations en matière d’efficacité énergétique;
3. Une description du financement approuvé de la voie de financement d’efficacité communautaire de la Fédération canadienne des municipalités (FCM);

4. Un aperçu du Programme de prêts pour la mise en valeur des habitations proposé, y compris les critères d'admissibilité, le processus de demande, l'exécution du programme, le budget, les avantages et les risques potentiels;

5. Une description des ententes de services proposées afin de soutenir la mise en œuvre du Programme de prêts pour la mise en valeur des habitations; et

6. Une description des prochaines étapes en vue du lancement du Programme de prêts pour la mise en valeur des habitations.

Hypothèse et analyse

Les bâtiments existants représentent une source importante d'émissions de gaz à effet de serre à Ottawa, les bâtiments résidentiels ayant produit 26 % de ces émissions en 2019. Puisque la plupart de ces émissions sont associées au chauffage des locaux et de l'eau, les programmes efficaces de réduction des émissions d'Ottawa sont axés sur la réduction et la décarbonisation du chauffage des locaux et de l'eau dans les habitations. La stratégie de l'Évolution énergétique vise une réduction de 64 % de la consommation d'énergie dans les habitations par rapport aux activités commerciales prévues d'ici 2040.

Les municipalités sont les seules à pouvoir offrir un financement lié à une propriété en utilisant un mécanisme de taxe d'améliorations locales en vertu de la *Loi de 2001 sur les municipalités*. Les règlements de l'Ontario 322/12 et 323/12, 586/06 et 596/06 autorisent les municipalités à utiliser les taxes d'améliorations locales pour améliorer l'efficacité énergétique, la production d'énergie renouvelable et la conservation de l'eau lorsqu'elles appuient les objectifs et les politiques municipaux.

L'expérience des principales administrations a montré que les programmes de taxes d'améliorations locales améliorent l'efficacité énergétique d'environ 30 % par modernisation de bâtiment. Le principal avantage pour le propriétaire de l'habitation dans le cadre d'un programme de financement de la TAL est que le remboursement du financement est ajouté au compte d'impôt foncier et reste avec la propriété, ce qui élimine la crainte des propriétaires de ne pas posséder le bâtiment pendant toute la période de remboursement. Lorsque la propriété est vendue, le nouveau propriétaire continue le paiement de la TAL et continue à bénéficier de la modernisation énergétique. Du point de vue de l'administration municipale, l'obligation de paiement se rattache à la propriété bénéficiaire, et non au propriétaire, et est garantie par un statut de privilège prioritaire. Les propriétaires fonciers ont la possibilité de rembourser le prêt sur la durée de l'entente ou de rembourser la TAL en un paiement forfaitaire sans pénalité. Comme les gouvernements ont accès à des taux d'intérêt compétitifs, ils peuvent en faire également bénéficier le propriétaire par le truchement du programme de TAL.

Étant donné que les municipalités sont particulièrement bien placées pour offrir des TAL et que l'expérience dans d'autres municipalités a démontré que les TAL ont permis de favoriser l'amélioration de l'efficacité énergétique et de réduire les obstacles à la modernisation énergétique pour les propriétaires fonciers, le personnel propose de lancer le Programme de prêts pour la mise en valeur des habitations (joint en tant que document 1 et résumé dans le présent rapport) et d'utiliser le financement de 12 169 500 $ de la FCM pour offrir un financement lié aux propriétés par l'entremise des TAL ainsi que de conclure une entente de services avec un partenaire de prestation de services pour l'exécution du programme (fourni au document 4), en plus d'autres ententes de services avec des parties concernées.

Le Programme de prêts pour la mise en valeur des habitations proposé permettrait aux propriétaires fonciers de payer plus facilement et à un prix plus abordable les améliorations énergétiques de leur habitation qui contribuent à l'atteinte des objectifs de réduction des émissions de gaz à effet de serre de la Ville, à la création d'emplois dans les secteurs de l'entrepreneuriat, des métiers spécialisés et de la rénovation, et qui contribuent à rendre le parc immobilier plus confortable, plus sain et plus résistant aux événements climatiques extrêmes.

Dans le cadre du Programme de prêts pour la mise en valeur des habitations, les propriétaires fonciers d'Ottawa pourraient obtenir un prêt à faible taux d'intérêt pouvant atteindre soit 125 000 $, soit 10 % (5 % dans le cas des propriétés ayant une assurance prêt hypothécaire de la SCHL) de la valeur actuelle de leur maison pour couvrir le coût des améliorations énergétiques résidentielles, telles que les mises à niveau de l'enveloppe thermique (isolation du sous-sol, du grenier et des murs extérieurs, remplacement des fenêtres et des portes), des systèmes mécaniques (thermostats et régulateurs, thermopompes à air/pompes géothermiques, systèmes de chauffage solaire de l'eau), des énergies renouvelables (systèmes photovoltaïques) et des chargeurs de véhicules électriques (niveau 2). Le montant minimal du prêt approuvé est proposé à 15 000 $ avec au moins deux mesures de modernisation requises. Ces prêts seraient liés à la propriété en tant que privilèges.

La participation au programme proposé serait volontaire, à l'initiative du propriétaire et offerte à tout propriétaire d'une maison privée à Ottawa qui répond aux critères d'admissibilité suivants :

- Habitation résidentielle, isolée ou jumelée, maison en rangée ou immeuble résidentiel à logements multiples de trois étages ou moins qui relèvent de la partie 9 du *Code du bâtiment de l'Ontario*;
- La propriété doit avoir un compte d'impôt foncier en règle avec la Ville d'Ottawa;
- Les impôts fonciers, les factures de services publics et autres obligations de paiement auprès de la Ville d'Ottawa des cinq dernières années doivent être en règle et la propriété ne doit pas faire partie d'un programme de report d'impôt foncier ou d'hypothèque; et
- Tous les propriétaires enregistrés de la propriété doivent signer un formulaire de consentement signalant leur accord à participer au Programme.

Il est proposé d'exécuter le Programme de prêts pour la mise en valeur des habitations par l'intermédiaire du personnel existant, d'un nouvel employé à plein temps (ETP) temporaire de la section des Changements climatiques et de la résilience, d'un ETP temporaire à 50 % des Services des recettes et d'un ETP temporaire à 50 % des Services financiers, ainsi que d'un partenaire externe de prestation de services. D'autres partenaires de prestation de services seront appelés à remplir des rôles limités au moyen de canaux d'approvisionnement standard.

La subvention de 4 056 500 $ de la FCM servirait à couvrir les coûts de démarrage du programme et les coûts connexes au cours des trois premières années, y compris l'élaboration du site Web et des ressources, la formation des entrepreneurs, la sensibilisation et l'éducation des résidents, et le soutien aux résidents à faible revenu.

La portion du prêt de 8 113 000 $ du financement de la FCM et le montant de 3 887 000 $ de VanCity seraient utilisés au profit des propriétaires pour leur permettre de réaliser les travaux de rénovation admissibles, qu'ils rembourseraient à la Ville sur 20 ans. Des frais administratifs seront ajoutés en tant que frais de clôture du prêt. Les taux d'intérêt sur les prêts aux propriétaires seront d'abord nuls; toutefois, des taux d'intérêt basés sur le marché pourront être appliqués dans les années à venir si cela est jugé acceptable aux fins de la réussite du programme. Les frais et les écarts de taux d'intérêt couvriront le coût lié au temps consacré par le personnel de la Ville à la mise en œuvre du programme, à la création d'un fonds de réserve pour pertes sur prêts et à la mise en place d'un modèle de programme autonome pour les années à venir.

Si approuvé, le personnel propose de lancer le Programme de prêts pour la mise en valeur des habitations au troisième trimestre de l'année 2021 pour une durée initiale de trois ans. Les étapes en vue du lancement comprendront la signature des ententes de financement avec la FCM et VanCity, des ententes de services avec EnviroCentre et d'autres parties concernées, le lancement du site Web du programme, la mise en œuvre du plan de commercialisation, l'ouverture du portail de réception des demandes et le début de la formation des entrepreneurs. Des évaluations de la consommation énergétique des habitations et des services d'aide à la modernisation seront proposés de manière continue. Le personnel reviendra devant le Conseil pour solliciter l'approbation des ententes de services supplémentaires au fur et à mesure de leur élaboration. L'une de ces ententes de services devrait constituer une mesure incitative au programme d'achat en gros pour les thermopompes. Des discussions avec Envari sont en cours pour définir l'entente.

Après les trois premières années, le personnel procédera à un examen du programme et présentera un rapport et une recommandation de refinancement (en cas de succès) au CFDE et au Conseil d'ici le quatrième trimestre de l'année 2024.

Répercussions financières

Le budget total de ce projet est de 16 056 500 $. Le financement consiste en une subvention de 4 056 500 $ et en un prêt sans intérêt de 8 113 000 $ de la FCM, ainsi qu'en un prêt à faible taux d'intérêt de 3 887 000 $ de la VanCity Community Investment Bank. Un fonds de réserve pour pertes sur prêts sera créé, dont la valeur dépassera les 1 million de dollars après la durée de trois ans de ce programme.

Consultation et commentaires du public

Le programme est basé sur les leçons tirées de programmes municipaux similaires en Amérique du Nord et sur la consultation auprès d'intervenants internes et externes.

Le Programme de prêts pour la mise en valeur des habitations proposé a été élaboré avec la participation du personnel de la Ville. Un groupe consultatif sur la TAL a été convoqué en tant que sous-comité du groupe de travail interdirections sur l'Évolution énergétique. Ce sous-comité comprenait des représentants des Services juridiques, des Services financiers, de la Perception des comptes, des Services d'eau, du bureau du programme Rénovations Ontario et de la Direction générale de la planification, de l'infrastructure et du développement économique.

La consultation auprès des intervenants externes incluait des réunions et un échange en ligne avec le sous-comité sur la modernisation des bâtiments dans le cadre de l'Évolution énergétique. Des consultations avec l'industrie ont été menées auprès de la

Greater Ottawa Home Builders Association, du Heating, Refrigeration and the Air Conditioning Institute of Canada, de la North American Insulation Manufacturers Association et de la Smart Net Alliance. On a également sollicité les points de vue des prêteurs hypothécaires et des locateurs admissibles.

La consultation publique comprenait des présentations à l'occasion du Green Homes Showcase et par l'entremise de la série de webinaires de la Smart Net Alliance. Une page ciblée a été lancée sur Participons Ottawa en avril 2021 :

- Résidents d'Ottawa (propriétaires fonciers, locataires et locateurs);
- Associations communautaires, groupes environnementaux communautaires et autres groupes communautaires;
- Entrepreneurs en rénovation résidentielle;
- Agents immobiliers;
- Prêteurs hypothécaires; et
- Abonnés au bulletin d'information sur les changements climatiques.

BACKGROUND

Council Direction

In May 2014 (ACS2014-COS-ESD-0011) and February 2016 (ACS2016-COS-ESD-0005), Council received an assessment of Local Improvement Charges (LIC) to finance renewable energy and energy efficiency retrofits in buildings. At the time, staff recommended ongoing review of the program's viability by monitoring programs in other municipalities and consulting with federal and provincial governments on funding opportunities.

In April 2019, Council declared a climate emergency and directed staff to:

- Develop climate change mitigation and adaptation priorities for next five years (2019-2024) to embed climate change considerations across all elements of City business; and
- Work with senior levels of government to accelerate ambition and action to meet the urgency of climate change and provide additional resources for municipalities and the public to reduce their greenhouse gas emissions and build resiliency to climate impacts.

In January 2020, Council approved the Climate Change Master Plan (ACS2019-PIE-EDP-0053) and set a new target to reduce community greenhouse gas (GHG) emissions 100 per cent by 2050. The Better Homes Loan Program helps advance two of the eight priority actions: implementing Energy Evolution and encouraging community action though education, incentives, support and advocacy to senior levels of government.

In July 2020, Council directed staff to apply to the Federation of Canadian Municipalities (FCM) for funding and approved the Better Homes Loan Program in principle (ACS2020-PIE-EDP-0020). If successful, staff were also directed staff to:

- Report back to Finance and Economic Development Committee (FEDCO) and Council for approval of the final Better Homes Loan Program
- Update the city's current Local Improvement Charge (LIC) policy to include energy efficiency, renewable energy and water conservation in alignment with municipal goals and policies in accordance with provincial legislation; and
- Secure external financing to launch the program, as required.

In October 2020, Council approved the Energy Evolution Strategy (ACS2020-PIE-EDP-0036). The Residential Building Retrofit Accelerator Program (now called the Better Homes Loan Program) and Local Improvement Charges are two of 20 Energy Evolution projects to meet Ottawa's greenhouse gas reduction targets.

In March 2021, the Federation of Canadian Municipalities announced that Ottawa was successful in securing $12,169,500 in Green Municipal Fund Community Efficiency Financing to launch and capitalize a proposed Better Homes Loan Program. This consists of a grant up to $4,056,500 and a loan up to $8,113,000. A memo was circulated to the Mayor and members of Council to advise them of Ottawa's successful funding application.

In April 2021, the Federal Budget "A Healthy Environment for a Healthy Economy" included $4.4 billion for the Canada Mortgage and Housing Corporation (CMHC) to help homeowners to complete deep home retrofits through interest-free loans worth up to $40,000. Details on this program have not been announced, but in order to meet the expectation set by CMHC, FCM has offered the loan up to $8,113,000 to the City at zero percent interest. The City can flow this through to homeowners through the BHLP at that rate.

In June 2021, Natural Resources Canada (NRCan) launched the Greener Homes Grant program which offers homeowners $5000 grants for home energy retrofits and $600 for home EnerGuide assessments. NRCan also released $10 million for training energy advisors.

As a result of these programs, demand for energy assessments and energy retrofits has surged. This context provides an opportune time to launch Better Homes Loan Program and leverage both funding and training that supports deeper retrofits.

DISCUSSION

Rationale

According to the Intergovernmental Panel on Climate Change (IPCC) "rapid, far reaching and unprecedented changes in all aspects of society" are required to avoid catastrophic impacts associated with climate change"[1].

The buildings sector is currently the largest contributing sector to greenhouse gas (GHG) emissions in Ottawa and the largest energy consumer. Residential buildings alone contributed 26 per cent of Ottawa's emissions in 2019. Since most of these emissions are associated with space heating and water heating, effective emissions reduction programs for Ottawa should focus on reducing and electrifying space heating and water heating loads in residential homes.

Integrated emissions modeling done through Energy Evolution shows that the residential building stock must be transformed the following ways over the next 30 years to achieve the necessary GHG reductions:

- Residential existing buildings must be retrofit for 70 per cent heating savings and 30 per cent electrical savings at a rate of 27 per cent of buildings by 2030 and 98 per cent by 2040 (or 327,000 single family units);
- 20 per cent of residential roofs must have solar photovoltaic systems (PV), totalling 320 MW by 2050;
- 560,350 residential heat pumps must be installed by 2040; and

[1] IPCC Press Release. Summary for Policymakers of IPCC Special Report on Global Warming of 1.5ºC approved by governments. October 8, 2018. https://www.ipcc.ch/site/assets/uploads/2018/11/pr_181008_P48_spm_en.pdf

- 15 per cent of residential buildings must be served by zero carbon district energy by 2050.

Financial analysis completed through Energy Evolution identified that significant incremental investment is needed to achieve residential retrofit measures community-wide. Due to the scale of the investments, the ownership structure, and the other competing priorities for municipal investments, it is expected that the vast majority of the investments in retrofits will be private investments. There is, however, a role for municipalities to play in catalyzing these investments and driving down the costs to residents while optimizing GHG reductions from the investments. One way to do so is through the Local Improvement Charge (LIC) mechanism.

Local Improvement Charges

Municipalities are uniquely able to offer financing tied to a property using a LIC mechanism under the *Municipal Act (2001)*. Ontario Regulations 322/12 and 323/12, 586/06 and 596/06 authorize municipalities use LICs for improvements in energy efficiency, renewable energy generation and water conservation when it supports municipal goals and policies. Participation is voluntary and only affects one property.

Through an LIC program, municipalities can:

- Enable property owners to improve the comfort and environmental performance of their buildings;
- Target areas in transition or in need of repair, rehabilitation and redevelopment;
- Support appropriate building upgrades through expert advice and oversight;
- Stimulate private investment in property upgrades that reduce energy cost exposure to residents and businesses; and
- Stimulate local job creation in the contractor, trades, and renovation sectors.

To date, programs using LICs or similar mechanisms have been offered in 14 Canadian municipalities and 36 American states to finance green technologies or improvements in homes and commercial buildings. Along with Ottawa, 12 other municipalities are receiving funding from FCM and are launching similar programs. Experience from leading jurisdictions has shown that LIC programs improve energy efficiency by approximately 30 per cent per building retrofit. The Energy Evolution Strategy calls for a 64 per cent energy reduction in residential buildings over business as planned by 2040, therefore this program will be a good start but will need to be strengthened over the coming 20 years to increase the energy reductions realized. A summary of the relevant legislation, existing programs and their effectiveness is included in the Better Homes Loan Program Feasibility Study, approved by Council in July 2020 and attached to this report as Document 3.

Role of Local Improvement Charges in Retrofits

The main benefit to the building owner under an LIC financing program is that the repayment of the financing is added to the property tax account and stays with the property. When the property is sold, the new owner can continue the LIC payment unless it is paid off in full as part of the sale transaction. From the municipal government perspective, the payment obligation attaches to the benefitting property, not the owner, and is secured by a statutory lien with priority status. Property owners have the option to repay the loan over the term of the agreement or repaying the LIC in lump sum without penalty. As governments have access to competitive interest rates, they can pass these along as another benefit to the homeowner through the LIC program. The LIC financing program helps address the following key barriers limiting the uptake of energy retrofits by homeowners:

- Relatively low energy prices, especially natural gas, result in the payback period of a comprehensive energy retrofit being longer than the time a homeowner expects to remain in the home (typically five years);
- Inability to acquire long-term financing or unattractive financing terms from financial institutions;
- Lack of awareness of how to implement a deep energy retrofit;
- Complexity of utility and government incentive programs; and
- Delays between project completion and receipt of incentive payments.

Federation of Canadian Municipalities' Green Municipal Fund

Given that municipalities are uniquely positioned to offer LICs and that experience in other municipalities has demonstrated that LICs have driven energy efficiency improvements and reduced barriers to energy retrofits for homeowners, the Federation of Canadian Municipalities (FCM) launched a Green Municipal Fund (GMF) Community Efficiency Financing(CEF) stream to launch financing programs for energy efficiency retrofits and renewable energy in residential homes. Ottawa and 12 other municipalities were approved for funding in the first round of CEF funding. Ottawa was awarded $12,169,500, consisting of a grant up to $4,056,500 and a loan up to $8,113,000. Staff are working with FCM, relevant federal departments, and the other municipal funding recipients to share learnings and experience to improve the success rates of all the programs across Canada.

Recommendation #1: Direct staff to launch the Better Homes Loan Program, attached as Document 1 and as summarized in this report.

Program Overview

The Better Homes Loan Program is intended to make it easier and more affordable for homeowners to pay for home energy improvements that contribute to meeting the City's GHG emission reduction targets.

The grant portion of the FCM funding would be used to cover most program delivery costs in the first three years. Through the Better Homes Loan Program, Ottawa homeowners could get a low-interest loan of up to the lesser of $125,000 or 10 per cent (5 per cent if the property has CMHC Mortgage Loan Insurance) of the current value of their home to cover the cost of home energy improvements, such as:

- Thermal envelope upgrades (ex. basement/attic/exterior wall insulation, window/door replacements, weather stripping or caulking, etc.);
- Mechanical systems (ex. thermostats and controllers, energy or heat recovery ventilators, air/ground source heat pumps, heat pump, electric water tanks, drain water heat recovery systems, solar hot water systems, etc.);
- Renewable energy and energy storage (ex. solar photovoltaic systems, battery storage devices, associated electrical and load management equipment, etc.);
- Electric vehicle (EV) charging stations (Level 2) and electrical and load management equipment, etc.;
- Water efficiency (ex. low-flow toilets, hot water circulation pump and system, greywater treatment system, closed-loop shower water recovery system, rainwater harvesting system, etc.);
- Health and safety measures (ex. environmental remediation, electrical wiring and panel upgrades that are required undertakings to permit energy improvements, etc.);

- Climate adaptation improvements (ex. such as back-flow prevention valves, sump pumps, basement waterproofing, permeable pavement, and tree planting); and
- Additional dwellings such as granny suites or basement apartments[2].

With low fixed interest rates and terms and 20-years amortization periods, the Better Homes Loan Program would make it easier and more affordable for homeowners to pay for these home improvements over time. Once the loan is approved, homeowners would be able to hire the contractor of their choice and complete their renovations. The minimum loan amount approved is proposed to be $15,000 with at least two retrofit measures required. Eligible measures must be Energy Star certified where applicable. An overview of program eligibility, application process, and program delivery are provided below. The final program design is attached in Document 1 and summarized below.

Eligibility

Participation in the proposed program would be voluntary, owner-initiated and available to any owner of a private home in Ottawa that meets the following eligibility requirements:

- Residential, detached, semi-detached, townhouse, residential multi-unit buildings of 3 stories or less, that fall under Part 9 of the Ontario Building Code;
- The property must have a property tax account with the City of Ottawa;
- Property tax, utility bills and all other payment obligations to the City of Ottawa for the past five years must be in good standing. If it is not, the homeowner must submit a suitable credit check;
- The property must not be in either CHMC's Mortgage Deferral Program or the City's Tax Deferral Program; and
- All registered owner(s) of the property must sign a consent form agreeing to participate in the Program.

Application Process

[2] Only 30 per cent of the total loan amount for additional dwellings would be eligible under the current FCM offering.

Eligible homeowners would complete the following steps as part of the proposed Better Homes Loan Program process:

- Submit a pre-qualification application form to confirm eligibility;
- Complete a home energy assessment using the EnerGuide Rating System and submit a funding request to make the planned improvements;
- Finalize a property owner agreement that confirms the funding for the planned improvements;
- Complete the improvements and submit the project completion report; and
- Repay the loan over time through the property tax bill.

Program Delivery

The Better Homes Loan Program will be delivered through a combination of existing staff, one new temporary full-time staff in each of Finance and the Climate Change Section of PIED, as well as an external delivery agent partner, namely EnviroCentre.

Staff support to delivery the program will involve:

- Launching the proposed program, including managing delivery agents, engaging stakeholders, education and outreach, and supporting program marketing (PIED, Climate Change and Resiliency);
- Verifying applicant eligibility and creditworthiness (Finance, Revenue Services);
- Dispersing funds (Finance, Financial Services);
- Recording priority lien on the property and collecting repayment (Finance, Revenue Services);
- Reporting on program results (PIED, Climate Change and Resiliency); and
- Recapitalizing the program (PIED, Climate Change and Resiliency in consultation with Finance, Financial Services and Revenue Services).

Third party delivery agent services will include:

- Outreach and marketing of the program;

- Resident education and capacity building;
- Contractor training;
- Processing and verifying applications; and
- Industry engagement and stakeholder relations.

In the first three years, one new temporary FTE in PIED and one-half temporary FTE each in Revenue Services and Financial Services will be required to manage the program. For every 300 applications received, Revenue Services will require one half temporary FTE to administer credit verification, lien recording, repayment and collections for the duration of the program and 20 years after the program ends to cover the duration of the loans. Admin fees will cover the cost of the staff in Finance Services as well as the administrative functions provided by a third-party delivery agent, to ensure future continuity of these critical positions throughout the loan terms. The FCM grant will be used to cover the staff time in PIED to launch the program. The grant will also be used to develop a Loan Loss Reserve Fund, which can be tapped into for any staff cost overruns in future years.

All program start-up costs, including website and resource development, training for contractors, outreach and education for residents, and supports for low income residents will also be funded through the grant for the first three years of the program. These services will be provided by EnviroCentre through the Service Agreement provided in Document 2.

If approved, funding agreements and the EnviroCentre Service Agreement will be signed, the program website will be launched, the marketing plan implemented, the application intake portal opened, contractor trainings will commence, and further service agreements will be developed. Home energy assessments and retrofit support services will be offered on an on-going basis.

A review of the program will be conducted in 2024 based on the first three years, with a report and refinancing recommendation (if successful) to FEDCO Committee and Council by Q4 2024. At that point, if the program is extended, it is expected that temporary staff will be made permanent.

Hydro Ottawa, the Greater Ottawa Home Builders Association, the Ottawa Climate Action Fund, and the Community Associations for the Environment Sustainability all sit on the program steering committee and have committed to supporting the launch, implementation and review of the program.

Budget

The maximum FCM contribution to any program is 80 per cent of eligible costs. The City is required to contribute 20 per cent of all program costs through matching contributions.

To fulfill the City's matching requirements, an additional $3.887 million in low interest financing has been committed from VanCity Community Investment Bank. Staff are currently negotiating final terms. Staff have arranged this private financing with the goal of scaling up the program in the future.

As such, the maximum amount of financing that can be offered to residents through this program is $12 million (made up of the FCM and VanCity loans), until further capital is secured. The remaining funds in the budget are grant funds and will be spent on program delivery and incentives. The budget allows for an estimated 600 home energy retrofits valued at $20,000 each to be completed in three years. The full budget authority required is $16,056,500.

All program delivery costs will be covered by the FCM grant in the first three years. The administration fee collected on the $12 million loans is projected to total $500,000 over 20 years. Staff will determine at the $6 million dollar mark whether a change to the administration fee or interest rate is necessary to ensure the City's expenses are fully recovered.

Priority Neighbourhoods

The Better Homes Loan Program will prioritize initial program marketing and outreach efforts in neighbourhoods with the highest density of older single and row homes in need of major repair and where there is a high proportion of home ownership (details in Document 3). The neighbourhoods that fell in the intensification areas identified by the Official Plan were removed because they are more likely to see redevelopment with increased density. Although the neighbourhoods listed below have been identified as priority neighbourhoods for initial program marketing and outreach efforts, the program will remain open to all homeowners in Ottawa who meet the eligibility criteria above.

Row Homes

- Manor Park
- Old Ottawa South
- Overbrook - McArthur

- Lindenlea - New Edinburgh
- Glebe-Dows Lake
- Sandy Hill
- Centretown
- Byward Market
- Old Ottawa East

Single Homes

- Rothwell Heights - Beacon Hill North
- Chapel Hill South
- Whitehaven – Queensway Terrace North
- Crystal Bay – Lakeview Park
- Braemar Park - Bel Air Heights - Copeland Park
- Hunt Club East - Western Community
- Parkwood Hills - Stewart Farm
- Cityview - Crestview - Meadowlands
- Elmvale – Canterbury
- Carlington
- Civic Hospital-Central Park

Equity and Inclusion

The BHLP has been designed with equity and inclusion considerations in mind. To ensure that the program is available to more homeowners and to support those who are most vulnerable to energy poverty, the following program supports will be available:

- 30 per cent of loan funds will be available up front to enable homeowners with limited cashflow to cover security deposits;
- Admin fees will be waived for qualifying low income applicants; and
- Free, turn-key energy retrofit management services will be available for low income homeowners.

Because housing availability is related to housing affordability, this program also aims to increase the availability of rental units with interest-free financing for the addition of secondary suites in existing homes.

Benefits

The following benefits are expected with the launch of a Better Homes Loan Program:

- GHG reductions;
- Job creation in the contractor, trades, and renovators' sectors;
- Improved health outcomes from more comfortable, healthier, and more quiet dwellings;
- Increased access to housing and affordability of housing; and
- More resilient building stock to extreme weather events.

GHG Reductions

Experience in other municipalities has shown that LIC programs improve energy efficiency by approximately 30 per cent per building retrofit. If retrofits completed through the Better Homes Loan Program reduce emissions by 30 per cent, as experienced elsewhere, GHG emissions per household would reduce from an average of 3.6tCO_2e in 2018 to an average 1.1tCO_2e after the retrofit. This is a good start, but to meet the GHG reductions in Energy Evolution, energy reductions per-retrofit will need to increase from the expected 30 per cent with this program, to 64 per cent by 2040.

Job Creation

Reducing energy consumption and promoting the use of renewable energy is already credited with the creation of new green jobs in manufacturing, construction, and trades. Retrofitting homes and buildings increases the demand for various low-carbon and renewable energy technologies while also generating a demand for workers who can perform building upgrades, such as adding insulation, installing building automation systems, or replacing inefficient furnaces. Analysis completed through Energy Evolution shows that retrofits of existing residential buildings has the potential to create approximately 30,000 jobs and one study estimated that 30 job-years of employment will be created for every $1 million invested in energy efficiency[3].

The job creation potential associated with renewable energy is equally well established. Canada's clean energy sector is growing faster than the rest of the country's economy (4.8 per cent versus 3.6 per cent annually between 2010 and 2017), while also attracting tens of billions of dollars in investment every year. It's a large and growing employer, accounting for 298,000 jobs in Canada in 2017 which is equal to direct employment in the real estate sector.[4]

Given the scale of potential job creation, the Better Homes Loan Program could support economic recovery efforts. The residential retrofits targeted in Energy Evolution are projected to result in 30,000 jobs over the next 20 years, most of which would be local contractors. This program is a first step towards realizing that job creation which would also maximize the benefit to homeowners from other incentive programs such as the utility rebate programs and the free energy audits promised from the federal government.

Better Buildings

Retrofits have the potential to improve health outcomes from more comfortable, healthier, and quieter dwellings that are more resilient to power outages[5]. Ottawans are already spending $2.9 billion on building renovations annually. By steering these renovations towards energy saving, these funds will result in healthier, more valuable,

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[3] Dunsky Energy Consulting "The Economic Impact of Improved Energy Efficiency in Canada" 2018.
[4] Clean Energy Canada. (2019). Missing the Bigger Picture: Tracking the Energy Revolution 2019. Accessed on Nov 18, 2019 from https://cleanenergycanada.org/report/missing-the-bigger-picture/
[5] Clean Air Partnership "Accelerating Home Energy Efficiency Retrofits Through Local Improvement Charge Programs: A Toolkit for Municipalities" 2020. Accessed on Jun 22, 2020 from https://www.cleanairpartnership.org/wp-content/uploads/2020/05/FINAL-LIC-TOOLKIT-Accelerating-Home-Energy-Efficiency-Retrofits-Through-LIC-Programs-2020-1.pdf

and more efficient buildings. A 2019 Edmonton study found that energy efficiency measures in a home increased the resale value and speed. High efficiency heating equipment increased the value by 2.44 per cent, insulation by 6.74 per cent, efficient windows by 5.10 per cent, and renewable energy by 2.66 per cent[6]. The price premiums found in this study are within the range of values found in literature more generally.

More Resilient Building Stock to Extreme Weather Events

Although the Better Homes Loan Program is primarily targeted at reducing energy consumption and improving energy efficiency, eligible measures include the addition of rental units and climate adaptation improvements such as insultation, basement waterproofing, and permeable pavement, which can make buildings more resilient to heating, cooling and extreme weather events.

Risks

There are risks associated with the proposed Better Homes Loan Program. Key risks and proposed mitigation strategies are identified below:

- Interest rate escalation risk – mitigated through long-term fixed debt facilities and associated agreements with homeowners;
- Contractor performance risk – mitigated through recommended certifications for contractors, energy coaches and project management support tools for homeowners;
- City liability risk – mitigated through contractual arrangements and lack of engagement of City in individual procurement choices;
- Participation uptake risk – mitigated by the grant in the launch years to enable achieving a self-sustaining program long-term;
- Ongoing collections cost risk – because the loans are offered for 20 years, there will be a role for staff in Revenue Services to continue to administer and collect on loans from homeowners well after the end of the Program. Revenues generated through admin fees and interest rate spreads may not be sufficient to cover these future costs. The Loan Loss Reserve Funds may be insufficient to cover ongoing staff costs or may be allocated elsewhere; and

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[6] https://homes.changeforclimate.ca/wp-content/uploads/2019/08/City-of-Edmonton-Hedonic-Price-Analysis-Energy-Efficiency-Final.pdf?5f4561&5f4561

- Loan default or collections overrun risk – mitigated through a $1 million Loan Loss Reserve Fund (which will be increased over time as the program scales up), tax and water payment history checks, title searches, and priority liens on property.

Because of the steps proposed to mitigate these risks, staff recommend launching the Better Homes Loan Program in Q3 2021.

Next Steps

Q3 2021: Program Launch

- Sign delivery contracts and terms with funders
- Implement new City processes, systems and resources to support the program
- Launch website, marketing and outreach
- Recruit participants
- Launch contractor training
- Finalize service agreement(s) with delivery partners

Q3 2021 – Q2 2024: Program Delivery

- Mid term program review after the earlier of $6 million loaned or 300 participants
- Adjustments as necessary to respond to changes in the proposed federal home renovation financing program
- Refinancing plan
- Update report(s) to FEDCO as needed

Q3 - Q4 2024: Program Audit, Final Capital and Grant Disbursements, Report to Council, and Recapitalization (if approved by Council)

Recommendation #2: Provide delegated authority to the Chief Financial Officer/Treasurer and the City Solicitor to negotiate, execute and implement the Funding Agreement with the FCM subject to any loan being at zero per cent interest.

The draft Funding Agreement from FCM has been received and reviewed by Legal and Finance. FCM has committed to offering the loan portion at zero percent interest for 20-year terms with no penalties for early repayment. The grant portion of the Agreement is to be provided to the City in a ratio of 1:2 alongside the loan. Upon signing the Agreement, 50 percent of the grant funds will be advanced to the City. All further funding will be dispersed based on distribution of the BHLP loans to homeowners. When the final Funding Agreement has been received, staff recommend providing delegated authority to the Chief Financial Officer/Treasurer and the City Solicitor to sign the Agreement, provided that all loans are at zero percent interest.

Recommendation #3: Provide delegated authority to the Chief Financial Officer/Treasurer and the City Solicitor to negotiate and execute a Funding Agreement with VanCity Community Investment Bank as provided in Document 4.

To fulfill the City's matching funding requirements of 20 per cent, an additional $3.887 million in low interest financing has been committed from VanCity Community Investment Bank. The draft terms of a loan facility with VanCity Community Investment Bank have been defined as per Document 4. Staff recommend providing delegated authority to the Chief Financial Officer/Treasurer and the City Solicitor to enter into a Funding Agreement with the VanCity Community Investment Bank provided that it is approved by Legal and Finance and that the terms are at least as favourable as those provided in Document 4. These terms include: a total loan amount of at least $3.887 million; interest rates at prime plus 1 percent or less; and a fixed interest rate for a 20-year term.

Recommendation #4: Provide delegated authority for Chief Financial Officer/Treasurer and General Manager (GM) of Planning Infrastructure Economic Development (PIED), to approve loan disbursements within the VanCity Funding Agreement.

Once the Funding Agreement has been signed with VanCity Community Investment Bank, staff propose that the Chief Financial Officer/Treasurer and General Manager of PIED be granted delegated authority to approve loan disbursements as agreed to in the Agreement.

Recommendation #5: Provide delegated authority to the Chief Financial Officer/Treasurer to open separate capital accounts for the loan funds and the grant funds for tracking and reporting purposes.

In order to track the funds from FCM and VanCity, staff recommend providing delegated authority to the Chief Financial Officer/Treasurer to open a capital account for each. These will be managed by the Financial Services Unit.

Recommendation #6: Approve the creation of a Loan Loss Reserve Fund as described in Document 1 and provide delegated authority to the Chief Financial Officer/Treasurer to transfer funds, as required, as described in this report.

A risk of the BHLP is homeowner default risk. Providing financing to homeowners could inadvertently result in financial hardship for some, thus resulting in either a forced tax sale or foreclosure events. The frequency of loan default in similar programs internationally has been shown to be less than one percent and the remedies of municipalities are very strong as they stand in priority position to all other lenders and can force a sale.

However, because these programs are relatively new to Canada, mortgage holders have concerns about the risk posed to them, as second in line in the case of a forced tax sale. In order to reduce the chance that mortgage holders hamper the uptake of the BHLP, a Loan Loss Reserve Fund is proposed to be funded by a portion of the grant provided by FCM.

The objectives of the Loan Loss Reserve Fund are to:

1. Offset the risk of financial loss to mortgage lenders associated with a homeowner’s participation in the BHLP by:
    - providing loss coverage for non-performing BHLP assessments;
    - ensuring a clear and marketable property title in the unlikely event of a tax sale initiated by the municipality;
2. Build confidence with mortgage lenders for BHLP financing for building energy upgrades; and
3. Build confidence with municipal leaders for the BHLP and other such programs by ensuring the municipality is made whole for costs associated with Program delivery and collections on defaulting loans.

The Loan Loss Reserve Fund can be used for the following:

1. Settle any outstanding BHLP assessment arrears at final procedural collections step prior to triggering a tax sale event;

2. Settle any outstanding BHLP assessment arrears to clear title in the event of a mortgage lender-initiated foreclosure proceeding;
3. Recapture municipal costs associated with collecting on underperforming BHLP loans; and
4. Recapture any municipal costs associated, including staff time, to deliver or expand the Program.

The terms of the Loan Loss Reserve Fund are described below:

1. Proposed Structure: By way of a dedicated Loan Loss Reserve Fund, the Program will guarantee the remedy of any non-performing BHLP charges provided that such guarantee shall at no time exceed the Loan Loss Reserve Fund provision.
2. Loan Loss Reserve Fund Provision: Fifteen percent of the loan from FCM shall be allocated to the Loan Loss Reserve Fund.
3. Eligible Coverages:
    - Any in-year charges and arrears that are deemed unrecoverable by the municipality. Outstanding principal and interest amounts are not considered eligible amounts that can be claimed against the Loan Loss Reserve.
4. Loss Coverage Rate: Program to remedy 100 per cent of non-performing BHLP assessments.
5. Expiration: Access to the Loan Loss Reserve Fund to remedy eligible losses will have an expiration date equal to the amortization terms for BHLP financings entered into by the municipality and participating homeowners.

The LIC is payable over 20 years. Only a portion of the special charge is due in a given year through the tax bill. Only in-year amounts and past arrears stand in priority position, can be added to the cancellation price in a tax sale, and can be claimed against the Loan Loss Reserve Fund. The BHLP is projected to accrue a Loan Loss Reserve Fund of over $1 million in the first three years, unless otherwise allocated for eligible purposes.

Recommendation #7: Provide delegated authority to establish and amend the Better Homes Loan Program interest rates and administrative fees to the Chief Financial Officer.

Staff recommend that Council delegate authority to the Chief Financial Officer to amend interest rates and administrative fees offered to participants. Increases in administration fees and interest rates is not expected in the three-year term of this project due to the commitment of interest free capital from FCM and the grant to cover program delivery costs. In future years of the program, it is expected that the interest rate offered to homeowners will be equivalent to the lending rate of VanCity plus a small interest rate rider to cover ongoing program delivery costs.

Recommendation #8: Provide delegated authority to amend the Better Homes Loan Program documents and delivery contracts to the GM of PIED.

To facilitate a streamlined program delivery and ensure program delivery costs are fully covered, staff recommend that PIED GM have authority to amend the program documents and program delivery contracts as necessary.

Recommendation #9: Provide delegated authority to the General Manager of PIED to approve the Service Agreement with EnviroCentre as provided in Document 2 and as summarized in this report.

Staff recommend using EnviroCentre as a service delivery partner. The services to be provided include marketing, education, energy coaches, retrofit management for low income homeowners, contractor training, administration, and reporting. EnviroCentre has agreed to take on some of the program delivery risk through a deliverables-based remuneration model. Details of the Service Agreement are provided in Document 2.

EnviroCentre is one of the two local providers that is qualified to deliver single family and multi-family home energy assessments. Of these, EnviroCentre is unique in its capacity to administer a program of this scale. EnviroCentre is also the only local provider who delivers the Enbridge Gas Home Winterproofing (low-income) program. As a local non-profit, EnviroCentre is a long-time partner of the City for delivery of programs involving energy efficiency, communications, outreach, and community engagement.

Recommendation #10: Approve a Local Improvement Charge (LIC) program bylaw to advance energy efficiency, renewable energy and water conservation in

alignment with municipal goals and policies and in accordance with provincial legislation, as provided in Document 1 and as summarized in this report.

Municipalities are uniquely able to offer financing tied to a property using a LIC mechanism under the *Municipal Act (2001)*. Ontario Regulations 322/12 and 323/12, 586/06 and 596/06 authorize municipalities use LICs for improvements in energy efficiency, renewable energy generation and water conservation when it supports municipal goals and policies. Participation is voluntary and only affects one property.

Part III of Ontario Regulation 586/06 authorizes Council to pass a by-law to undertake works on private property as local improvements for the purpose of raising all or part of the cost of the work by imposing special charges on lots upon which all or some part of the local improvement is or will be located.

An enabling bylaw to authorize the program, as per *Municipal Act* Regulation (36)(5), is attached in Document 1. Notification of the proposed bylaw was posted on the City's website on June 11, 2021.

In accordance with the regulation, section 36.14, for each participating homeowner, a charge is applied on the property level via a property-specific bylaw, as attached in Document 5. To facilitate implementation, some or all of the loan funds may be distributed to the participating homeowner(s) prior to the implementation of the property level bylaw provided that all agreements and documentation requirements have been met by the homeowner.

Recommendation #11: Provide delegated authority for the General Manager (GM) of Planning Infrastructure Economic Development (PIED), along with the City Solicitor, to list special charges bylaws on Council Reports, and provide a list of the affected properties to the relevant Ward Councillor.

To authorize the imposition of special charges on a "benefitting property" and to facilitate a streamlined delivery process, staff recommend that the General Manager of PIED, along with the City Solicitor, be granted delegated authority to list special charges bylaws at the property level on Council reports without a staff report to Council. Staff also recommend sharing a list of the participating properties for which a bylaw has been implemented with the relevant Ward Councillor. A template is provided in Document 5.

Recommendation #12: Direct staff to report back to Committee and Council in 2024 on the results of the program with recommendations for a continued program.

Staff will provide an annual update on the program as part of the annual Climate Change Master Plan status update. Throughout the first three years, staff and steering committee will monitor uptake and implementation. Following allocation of the confirmed $12 million in capital, staff will review the program and report back to Committee and Council with proposed recommendations. This report is estimated in Q3 of 2024 but may be earlier or later depending on program uptake rates.

RURAL IMPLICATIONS

The program will be eligible to all residents in Ottawa.

CONSULTATION

The program is based on lessons learned from similar municipal programs across North America and consultation with internal and external stakeholders. The program is largely similar with Toronto's Home Energy Loan Program for consistency for contractors.

The proposed Better Homes Loan Program was developed with input from city staff. An LIC advisory group was convened as a sub-committee of the Energy Evolution Interdepartmental Working Group. This sub-committee included representatives from Legal, Finance, Collections, Water, the Ontario Renovates program office, and Planning, Infrastructure and Economic Development.

External stakeholder consultation included meetings and online engagement with the Energy Evolution Building Retrofit Sub Committee. Industry consultations were undertaken with the Greater Ottawa Home Builders Association; the Heating, Refrigeration and the Air Conditioning Institute of Canada; the North American Insulation Manufacturers Association; and Smart Net Alliance. Perspectives were also sought from mortgage lenders and eligible landlords.

Public engagement included presentations at the Green Homes Showcase and through Smart Net Alliance's webinar series. An Engage Ottawa page was launched in April 2021.

The purpose of engagement was to:

- Gather high level feedback on the proposed program;
- Identify barriers homeowners may have in undertaking residential retrofits;

- Identify community groups interested in promoting the program to their members and any support they would need to do so;
- Raise awareness of the program and encourage interested homeowners to sign up to the climate change newsletter to receive information once the program is launched; and
- Identify contractors interested in participating in the program.

The engagement targeted:

- Ottawa residents (homeowners, renters and landlords);
- Community associations, community environmental groups and other community groups;
- Home renovation contractors;
- Real estate agents;
- Mortgage lenders; and
- Climate change newsletter subscribers.

COMMENTS BY THE WARD COUNCILLORS

This is a city-wide report – not applicable.

As stated above, notice of the program was given on the City's website on June 11, 2021.

LEGAL IMPLICATIONS

There are no legal impediments to the adoption of the recommendations in this report. The authority granted by the recommendation will permit the City to negotiate and finalize the relevant agreements and documents to permit the City to proceed with the residential retrofit program as set forth in the report and the attached documents.

In contrast to traditional local improvements which concern the construction of municipal infrastructure within public lands or easements and which, subject to certain exemptions, require petitions in support and can be subject to appeal to the Ontario Land Tribunal, local improvements under Part III of Ontario Regulation 586/06, as amended, permit a municipality to raise the cost of works done on private property where there is agreement with the owner(s). The regulation sets forth the matters which the agreement, special assessment roll and special charges by-law must address. The Better Homes Loan Program has been designed so that it meets the requirements of Part III of the regulation.

RISK MANAGEMENT IMPLICATIONS

There are risks with implementing a new program. These risks and their mitigation measures are detailed below:

- Interest rate escalation risk – mitigated through long-term fixed debt facilities and associated agreements with homeowners;
- Contractor performance risk – mitigated through pre and post energy audits following NRCan's guidelines, energy coaching for homeowners throughout the retrofit, documentation of all retrofit measures and contractor invoices, recommended certification for contractors, project management support tools for homeowners, the right to inspect homes and documents where necessary.
- City liability risk – mitigated through legal agreements and homeowner authority over contractor selection;
- Participation uptake risk - mitigated by the grant in the launch years to support significant marketing and outreach to enable achieving a self-sustaining program long-term;
- Ongoing collections cost risk – because the loans are offered for 20 years, there will be a role for staff in Revenue Services to continue to administer and collect on loans from homeowners well after the end of the Program. Revenues generated through admin fees and interest rate spreads may not be sufficient to cover these future costs. The Loan Loss Reserve Funds may be insufficient to cover ongoing staff costs or may be allocated elsewhere;
- Redevelopment risk (risk that properties with LIC liens will not be redeveloped if the lien has not been removed) - mitigated by the fact that redevelopment rates are not expected to replace more than 20 per cent of homes in intensification neighbourhoods over the term of this program (therefore 80 per cent of the homes will remain and need retrofitting). Also, only redevelopments requiring site plan applications (more than 4 units) would require removal of the lien, in which case the significant property value increase would more than cover the cost to pay off the lien; and

- Loan default risk – mitigated through homeowner payment history checks, title searches, debt service ratio verifications, Loan Loss Reserve Funds, priority liens on property, and mandatory direct debit payments.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with the recommendations of this report.

FINANCIAL IMPLICATIONS

The total budget for this project is $16,056,500. Funding consists of a $4,056,500 grant and a $8,113,000 interest free loan from FCM and a $3,887,000 low interest loan from VanCity Community Investment Bank. Access to loans and grants are proportional to the uptake of retrofit loans to homeowners. FCM will provide an advance of 50 per cent of all the funds (loan and grant) upfront to facilitate launching of the program. The balance of the funds must be spent and claimed by February 28, 2024. If homeowners do not utilize the program as expected, any previously advanced funds may need to be returned after that date.

To protect against this risk, the program is proposed to be delivered by third party agencies through service agreements that are also substantially tied to loan distributions (details provided in Document 2). The total value of this Service Agreement is $1.315 million over three years, some of which is expected to be spent on energy auditors and sub-contractors. The breakeven point for all committed, unrecoverable costs in year one is 35 homeowner loans of $20,000 each. Over the three years, the breakeven point is 117 loans, however, service agreement terms and staffing can be adjusted throughout that time if the program is underperforming. This will provide sufficient grant funds to cover the committed costs. The program projects deploying 600 loans of that value over the three-year term.

The loan portion from FCM is offered at zero per cent interest for 20 years with no early repayment penalties. VanCity is offering a loan at 20-year fixed low interest rates in the range of prime plus 0.5 per cent, which is currently approximately 3 per cent. Loans to homeowners will be offered at zero percent, in order to be competitive with the anticipated CMHC program also offering zero per cent interest rates for home retrofits. In future years, a market-based interest rate may be offered.

In the first three years, one new temporary FTE in PIED and one-half temporary FTE each in Revenue Services and Financial Services will be required to manage the program. For every 300 applications received, Revenue Services will require one half temporary FTE to administer collection activities for the duration of the program and 20 years after the program ends. Admin fees will cover the cost of the staff in Finance Services as well as the administrative functions provided by a third-party delivery agent, and the FCM grant will cover the PIED staff.

A Loan Loss Reserve Fund will be created that will value over $1 million after the three-year term of this program. This fund will be able to be applied to homeowner defaulting loans as well as to program cost overruns in future years of the program.

Regardless of the substantial Loan Loss Reserve Fund, there still exists a risk that staff costs to collect on the loans to homeowners over their full 20-year terms will exceed the program revenues and Reserve Fund. In that case, there may be a future budget pressure for staff time to collect on homeowner loans.

ACCESSIBILITY IMPACTS

The program design incorporated feedback from Ontario Renovates, an accessibility grant program for low income seniors and those with mobility challenges, to add energy efficiency retrofits as a turn-key service for qualifying homeowners. The program will provide information on accessibility recommendations for housing when providing information on renovation options.

ENVIRONMENTAL IMPLICATIONS

The Better Home Loan Program directly contributes to the Environmental Stewardship strategic outcome to grow and protect a healthy, beautiful and vibrant city that can adapt to change within the City's 2019-2022 Strategic Plan.

CLIMATE IMPLICATIONS

In January 2020, Council unanimously approved the Climate Change Master Plan, which is the overarching framework for how Ottawa will mitigate and adapt to climate change over the coming decades. It set short, mid, and long-term targets to reduce community GHG emissions by 100 per cent by 2050 and corporate emissions by 100 percent by 2040.

The Climate Change Master Plan is supported by two key strategies:

- Energy Evolution: Ottawa's Community Energy Transition Strategy: Received by Council in October 2020, this strategy is the framework for how Ottawa can achieve its GHG reduction targets.

- Climate Resiliency Strategy: Still under development, this strategy will assess how Ottawa is vulnerable to climate change and identify strategies to mitigate the greatest risks.

In 2019, residential buildings accounted for roughly 26 per cent of total emissions in Ottawa, and Energy Evolution identified retrofitting residential buildings as one of the top actions to take to achieving Ottawa's GHG targets. A total of 20 projects were identified through Energy Evolution to accelerate action and investment, one of which is the Better Homes Loan Program. Overall, the proposed program is projected to enable GHG emission reductions of 29,000 tCO2e by 2050.If retrofits completed through the Better Homes Loan Program reduce GHG emissions by 30 per cent per home, as seen in leading jurisdictions, Ottawa would reduce from an average of 3.6t CO2e in 2018 to an average 1.1 tCO2e after the retrofit.

Although the Better Homes Loan Program is primarily targeted at reducing energy consumption and improving energy efficiency, eligible measures include the addition of rental units and climate adaptation improvements such as insulation, basement waterproofing and permeable pavement. These measures can make buildings more resilient to such weather impacts as hotter and drier summers and extreme weather events. The City's on-going climate vulnerability and risk assessment will continue to assess ways in which Ottawa's buildings can be made more resilient.

TECHNOLOGY IMPLICATIONS

There are no technology implications as part of this report. Technological solutions may be a factor in the implementation of the proposed program.

TERM OF COUNCIL PRIORITIES

This work aligns with the 2019-2022 Term of Council Priorities, Environmental Stewardship, to grow and protect a healthy, beautiful, and vibrant city that can adapt to change.

SUPPORTING DOCUMENTATION

Document 1: Better Homes Loan Program Bylaw and Final Program Design

Document 2: Service Agreement with EnviroCentre

Document 3: Better Homes Loan Program Feasibility Study

Document 4: VanCity Community Investment Bank Financing Discussion Paper

Document 5: Template Property Level Bylaw

DISPOSITION

Planning, Infrastructure and Economic Development will coordinate the Program with involvement from Finance to implement the LIC payments, charges, and collections.