
Municipal Financing of Home and Business Energy Retrofits

A Unique Opportunity for the
City of Ottawa

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Key Features

- Saves homes and businesses money through lower energy bills
- Savings greater than costs every year
- No cost to city – all costs recovered
- Covers major energy retrofits spread over long term
- Financing obligations and benefits can be transferred upon sale
- Voluntary participation
- City administered - lower risks and provides credibility
- Creates local jobs
- Makes Ottawa a green buildings leader

Why Energy Retrofits make Sense

- Rising energy prices are hurting Ottawa homeowners and small businesses
- Energy prices will continue to go up
- New knowledge of building science can make certain that energy retrofits result in homes and businesses that are more comfortable, less expensive to maintain and safe
- Retrofits of buildings are the only sure way of reducing energy bills

Barriers to Energy Retrofits

- Retrofits pay for themselves in time, but many families and businesses lack up front capital
- Families and businesses move every 5 years on average, and will not make an investment that cannot be recouped
- Banks do not value energy savings and are therefore reluctant to provide loans for retrofits

Municipal Financing is the Answer

Municipalities can:

- Associate financing with property to make it transferable to new owners
- Provide lower cost financing because they can access low cost funds
- Provide quality control of the process and instill confidence to property owners
- Set the financing term and interest rate to ensure full cost recovery

Municipal Financing is Known by Many Names

- PAYS – Pay as you Save
- PACE – Property Assessment of Clean Energy
- PAPER – Property Assessed Payments of Energy Retrofits
- LIC Financing – Use of Local Improvement Charges to finance energy retrofits

Support is Growing

- Over 20 US States have passed enabling legislation
 - Many US municipalities offer now offer programs
 - Vancouver, Halifax, and other Canadian municipalities are considering such a financing program
 - There is growing stakeholder support across Ontario for enabling changes to municipal regulations
 - The City of Windsor has passed a council resolution recommending the Province make these changes.
 - The Toronto Real Estate Board recommends the creation of municipal financing programs in Ontario
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Examples of Municipal Financing

Vancouver:

- ❑ 500 pilot home retrofit financing program
- ❑ Loans up to \$10,000 attached to property via title
- ❑ Administered by Van City

Halifax:

- ❑ Solar water heating financing program
- ❑ Financing assessed to property
- ❑ Enabled by modifications to City Charter

Babylon, Long Island, NY:

- ❑ Retrofit financing up to \$15,000 assessed to property
- ❑ >100 homes retrofitted to date
- ❑ Led to New York State enabling legislation

Ottawa can Do It

- Ottawa already has a Green Buildings Initiative
- Ottawa has an experienced retrofit and green buildings industry
- City staff are already communicating with other municipalities to:
 - Investigate approaches to program implementation
 - Identify provincial regulations to be changed
 - Describe what is needed for implementation

Preparing for a Financing Program

- Select retrofit measures to be covered
- Decide on max and min financing amount
- Identify sources of investment – Municipal Finance Corp, Bond Issue, etc.
- Set financing rate to cover all program costs
- Publish list of qualified/certified energy auditors and contractors
- Set up working arrangements and responsibility centres
- Develop application processes and procedures

Financing a Typical Project (1)

1. Home or business owner registers with City
2. Energy audit carried out / scope of retrofit decided
3. Project eligibility assessed by the City
4. Quotes obtained for the retrofit work
5. Home or business owner applies for financing
6. City sets financing term so that:
 - Annual energy savings are greater than annual financing payments
 - All City costs are recovered

Financing a Typical Project (2)

7. Financing agreement signed
8. Financing obligation assessed to the property
9. Quality assurance to ensure work performed properly.
10. Home or business owner repays financing to City over the agreed term.
11. On sale of property, obligation for remaining financing passes to new owner.

Example

- Typical Major retrofit: Cost = \$10,000
 - Annual Savings = **\$1000** per year
- Municipality Cost:
 - 15 year borrowing @ 4% = \$13,315
 - Admin = 12% of financing = \$1,200
 - Total = **\$14,515**
- Municipality Revenue:
 - Retrofit Financing: 15 year term at 5.5%
 - Annual = **\$980** Total= **\$14,708**

Changes Required to Provincial Regulations

- Define energy retrofit as a public benefit
- Allow Municipalities to finance private improvements
- Allow Municipalities to assess costs against property
- Allow voluntary participation by property owners
- Streamline application process
- Allow Municipalities to recover all costs
- Make retrofit financing transferable to new owner
- Give retrofit financing priority over mortgage payments

Next Steps for City of Ottawa

- City staff undertake feasibility study (2012):
 - Program design and roles of departments
 - Sources of financing
 - Cash flow forecast
- Mayor and City council work with other municipalities, the AMO and Municipal Affairs and Housing to make required changes in Provincial regulations
- Implement program in 2013