
TO: Mayor Kogon and Members of Council

SUBMITTED BY: Andrew Fisher, Manager of Planning & Strategic Priorities

DATE: April 23, 2019

SUBJECT: Property Assessed Clean Energy (PACE) Implementation

ORIGIN: On October 22, 2018 Council adopted a PACE Bylaw to enable financing of energy efficiency upgrades to qualifying residential properties through their municipal tax account. The following is intended to seek further Council direction on the implementation details of the program.

LEGISLATIVE AUTHORITY: Municipal Government Act (MGA), section 81A (1) *The council may make by-laws imposing, fixing and providing methods of enforcing payment of charges for the financing and installation of any of the following on private property with the consent of the property owner: (a) equipment installed pursuant to an expenditure under clause 65 (aca): providing for, financing and installing energy-efficiency equipment on private property including, without restricting the generality of the foregoing, solar panels...*

RECOMMENDATION: That Council refer to the April 29th Regular Council meeting, direction to staff to apply for Municipal PACE Program Funding Support, engage the Clean Foundation to administer the program in partnership with the Cumberland Energy Authority, and establish the following program parameters:

- Maximum funding amount per home - \$25,000
- Maximum number of homes - 10 / year
- Interest rate – Municipal Finance Rate + 2 %
- Default interest rate – 12% per annum compounded monthly
- Payback period – 10 years

BACKGROUND: The PACE program allows municipalities to offer financing to homeowners for energy efficiency retrofits that are paid back via their tax bill over a period of up to 10 years. All costs to provide the program are paid for by participants, and there are no costs to property owners who do not participate. The same or similar program is already in place in several other NS municipalities. The Municipality of the County of Cumberland via the Cumberland Energy Authority is adopting the same program.

The program will work as follows:

1. customer registers for the program;
2. administrator (Clean Foundation) confirms eligibility with the Town (tax accounts in good standing);
3. customer signs a PACE agreement;
4. customer books a certified energy audit;
5. customer chooses efficiency retrofit from audit report;



6. customer acquires quotes for retrofit and submits them to the administrator;
7. administrator assesses which costs are eligible based on the program's savings to debt ratio;
8. customer sends the administrator invoices from the contractor;
9. municipality pays the contractor, and the customer begins repayment.

The Town responsibilities include providing the financing, confirming customer eligibility, and applying the appropriate tax liens. There is also a 1-time start-up cost (ie. on-boarding fees) of approximately \$13,300 payable to the administrator that covers setup of the program with town staff; as well as, a communications and marketing package. Attached is an application to the Provincial Department of Energy to cover the start-up cost. Staff have been advised that approval typically takes less than one month, and the approval rate is very high. The Clean Foundation appears to be the preferable administrator as the administrative costs beyond the first year on-boarding fee are covered by the program participants, which is not the case with other administrators.

Based on a review of other municipal PACE programs and in consultation with the Cumberland Energy Authority, Staff recommend that the program include the following parameters:

- Maximum funding amount per home - \$25,000
- Maximum number of homes - 10 / year
- Interest rate – Municipal Finance Rate + 2 %
- Default interest rate – 12% per annum compounded monthly
- Payback period – 10 years

The attached application form lists 20 energy efficiency measures that must be offered under the program. It lists other optional measures that Staff recommend be included as eligible also. In particular, this includes solar PV systems.

DISCUSSION: The PACE program outlined above has become a common offering amongst NS municipalities, as it offers its residents a relatively low-cost way to finance energy efficiency retrofits. Aside from the initial start-up cost that is likely to be covered by the province, the town's major financial responsibility is the total amount that can be financed. Other costs would be attributed to staff time to assist in communication of the program, verifying customer eligibility, and managing the loan repayment.

This program was identified as one of the ways the town can partner with the Cumberland Energy Authority, who have a dedicated staff member that would help customers to navigate the various programs intended to reduce their energy costs. Alternatively, the town can offer the program independently from the Energy Authority, but this option would require more staff resources.

FINANCIAL IMPLICATIONS: a start-up fee of approximately \$13,300 that may be covered by the NS Department of Energy. The town must provide the up-front capital to finance the program; however, the interest rate charged to the participants is intended to cover the Town's costs to provide the program on an ongoing basis.

COMMUNITY ENGAGEMENT: Implementation of the program will include a marketing plan.

ENVIRONMENTAL IMPLICATIONS: Increased building stock efficiency and adoption of renewable energy reduces GHG emissions.

SOCIAL JUSTICE IMPLICATIONS: The program provides an opportunity for home owners of any income level to reduce their energy costs. Given that efficiency upgrades are chosen where the payback period is less the 10-year term of the loan, the participant should be cash positive in the first year.

ALTERNATIVES: 1) Direct Staff to not implement a program under the PACE Bylaw; 2) Direct Staff to make changes to the implementation details of the program.

ATTACHMENTS: Application for Municipal PACE Program Support

Report prepared by: A. Fisher
Report and Financial approved by: