



#PW-32-2023 Better Homes Lanark Parameters

Public Works Committee

October 18th, 2023

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Purpose

- The purpose of this report is to:
 - Provide a high-level overview of the Better Homes Lanark program

Attachments:

Sample letter of support for local municipalities



Background

- The feasibility study and program design for the Lanark County home energy retrofit program, Better Homes Lanark (BHL), are currently underway

FCM Community Efficiency Financing (CEF) program:

- Funding for up to 80% of eligible costs
- Loan up to \$10 million (FCM clarified that the likely maximum loan is \$5M)
- Grant up to 50% of the loan amount (not to exceed the total start-up and operating costs)



Benefits of Better Homes Lanark

Social

- Reduces energy poverty and increases home affordability
- Increases home comfort, health, and quality of life for Lanark County residents

Economic

- Creates jobs and training opportunities for local trades and contractors
- Increases property value
- Homeowner energy savings can be reinvested locally

Environmental

- Reduces energy usage and greenhouse gas emissions of existing homes
- Improves air quality, increases climate resiliency, conserves water, increases renewable energy generation



Draft Program Design Overview

Housing/customer focus

- Any age home using fuel oil or propane
- Low-income households with high energy cost burden (>6% after-tax income spent on energy)
- Older homes (pre-1991) using electricity or natural gas with at least 40% GHG/energy savings potential

Homeowner eligibility

- All owners of property must consent
- Good property tax standing (paid in full at time of application)



Draft Program Design Overview

Eligible retrofits

- Energy efficiency (insulation, heating and cooling systems, windows and doors)
- Renewable energy installations (such as solar rooftop photovoltaics)
- Fuel switching (fuel oil/propane to electricity)
- Non-energy improvements can account for up to 30% of the total retrofit cost (e.g., back-up power generators, battery storage systems, electrical panel upgrades, flood prevention measures, etc.)

Eligible costs:

- Cost of equipment and related materials including installation
- Cost of energy audit (unless reimbursed under Canada Greener Homes)
- Up to one-year service maintenance/warranty

Draft Program Design Overview

Local Improvement Charge Loan Terms

- Participating lower-tier municipalities must approve an LIC bylaw for each property
- Repayment is arranged as an addition to individual property tax payments
- Homeowners have up to 20 years to repay the loan
- Low interest rate (TBD – potentially match that of FCM to be <3%)

Underwriting Criteria

- Retrofit costs up to the lesser of 10% of the current property value, or \$40,000
- Average cost of retrofit is \$25,000

Risk Mitigation

- Loan loss reserve, channel partnerships, training and education campaigns, equipment commissioning and maintenance warranties



Capital Contribution

- FCM requires a minimum 20% contribution of total program costs (\$1.9 million if we receive a \$5M loan and \$2.5M grant)
- Lanark County's contribution can come from capital reserves and will be allocated to loans over a 4-year period so that it can be recoverable debt
- For the loans to remain low interest, Lanark County would need to match FCM interest rate ~2.5-3.0%. Compared to current GIC rates of 6%, this represents a potential opportunity cost of up to ~\$66,500 per year if Lanark County contributes \$1.9M.
- To expand the reach and energy cost savings of BHL, staff recommend that Lanark County increase our capital contribution beyond the 20%
- If Lanark County were to match FCM's loan of \$5 million, BHL could support retrofits in ~400 homes. This would make the County's annual contribution to the program up to $\$5M \times 3.5\% = \$175,000$ per year (if all loaned out).

Capital Contribution Scenarios

	Scenario 1 – Minimum contribution (20%)		Scenario 2 – Matched contribution	
	Capital contribution	Number of homes retrofitted*	Capital contribution	Number of homes retrofitted*
Lanark County	\$1.9 million	76	\$5 million	200
FCM	\$5 million	200	\$5 million	200
TOTAL	\$6.9 million	276	\$10 million	400
* Assumes average cost of retrofit per home is \$25,000				



Proposed Operating Expenses

- Assuming a CEF grant of \$2.5 million, it could cover the following operating/start-up expenses:

Expense
Incentives for homeowners
Loan loss reserve (required at 5% of FCM loan)
Program delivery (including energy coach service)
Administration fees to lower-tier municipalities
Customer relationship management (CRM)/User interface tool
Mandatory program evaluation (can't be program designer)
Training (contractors)
Promotion/marketing
Contingency



Proposed Operational Flow and Roles

Party	Role
FCM	<ul style="list-style-type: none">• Approves funding application• Disburses funds to Lanark County• Receives loan repayment from County
Lanark County	<ul style="list-style-type: none">• Manages flow of FCM loan and grant \$• Establishes program delivery agent, energy coach, contactor training, reporting etc.• Disburses funds to lower tiers for approved loan applications
Lower-tier municipalities (with LIC bylaw)	<ul style="list-style-type: none">• Researches tax history of homeowner loan applicant• Passes LIC bylaw for each application/property• Disburses funds to loan applicant• Collects payments and disburses them to County

Proposed Operational Flow and Roles

Party	Role
Program delivery agent (Lanark County staff or third-party TBD)	<ul style="list-style-type: none">• Reviews all applications and manage files• Liaison between applicants and lower-tier municipalities• Provides ongoing homeowner support throughout entire retrofit process
Applicant	<ul style="list-style-type: none">• Submits application• Schedules audits and retrofits• Receives funds through lower-tier• Repays loan on property tax bill
Contractors	<ul style="list-style-type: none">• Completes audits and retrofits• Promotes program to clients• Participates in training programs

Conclusions

- Program design is underway for Better Homes Lanark. Details are subject to change as stakeholder consultation continues.
- To apply for FCM-CEF funding, the following steps need to be completed:
 - County Council resolution of capital contribution
 - Letter from County CAO or Treasurer to be included in the funding application
 - Written support in principle from local municipalities wishing to participate and consider an LIC bylaw
 - LIC bylaws don't need to be passed before the application goes in, but before program implementation
 - A sample letter of support and draft LIC bylaw will be provided to all local municipalities



Recommendations

THAT, the Clerk circulate report #PW-32-2023 and the sample letter of support to all local municipal clerks.

