

Bylaw 19144 - The Clean Energy Improvement Pilot Program

Update on the proposed pilot program

Recommendation

That the March 22, 2021, Urban Form and Corporate Strategic Development report CR_7834, be received for information.

Previous Council/Committee Action

At the December 2, 2019, Executive Committee meeting, the following motion was passed:

That Administration move forward with Energy Efficiency Alberta on implementing the Clean Energy Improvement Program in Edmonton and bring forward the enabling bylaw as soon as possible.

Executive Summary

Reducing greenhouse gas emitted by buildings is key to reaching the goals in Edmonton's Community Energy Transition Strategy and The City Plan. One initiative proven in other jurisdictions to support building emissions reduction is Property Assessed Clean Energy (PACE), an innovative financing tool for energy efficiency and renewable energy improvements. In January 2019, the Government of Alberta passed legislation which enabled municipalities to participate in a PACE-like program. The Alberta program is called the Clean Energy Improvement Program (CEIP). This program leverages an innovative financing mechanism to provide owners of residential and non-residential properties access to low-cost, long-term financing for energy efficiency and renewable energy projects. The financing is provided by the municipality in which the property is located and is then added to the property taxes of a property owner to be repaid over a number of years. Details of the Clean Energy Improvement Program are available in Attachment 1.

A bylaw will be required in order to establish a Clean Energy Improvement Program in Edmonton and to allow the City to borrow funds that enable the financing to property owners. A draft bylaw is provided in Attachment 2 and is available for Committee's review, but cannot be passed by Council until a number of procedural steps have occurred.

Report

In January 2019, the Clean Energy Improvement Program was enabled through amendments to the *Municipal Government Act* and the passing of the Clean Energy Improvements Regulation. These legislative changes designated a CEIP Administrator. This Administrator would manage the applications, disburse financing and connect contractors with building owners (including consumer protection measures). The named Administrator has recently been announced as changed from Energy Efficiency Alberta (EEA) to the Alberta Municipal Services Corporation (AMSC).

Administration has been working with first EEA and now AMSC to establish a CEIP Pilot program in Edmonton. This work includes finalizing program details, designing the application experience and finalizing contractual agreements. Administration's original intention was to launch this pilot program in 2020. However, due to a provincial fiscal and regulatory review of many government programs, the launch date was delayed to ascertain if EEA's role as program administrator would change. EEA was dissolved effective September 30, 2020, and AMSC announced as the new program administrator. City Administration was notified February 26, 2021, that a Ministerial Order naming AMSC as the official program Administrator had been granted (February 11, 2021), and the Order has been published.

Administration pursued the Federation of Canadian Municipalities Green Municipal Fund (FCM GMF) programs and were successful in securing FCM's approval for a potential loan of \$8,434,400 and grant of \$1,264,500, which was announced December 15, 2020. Before this loan can be finalized and paid out, the CEIP Bylaw needs to be passed.

This financing program is a tool to reduce greenhouse gas emissions in Edmonton and one of initiatives identified in the 1.5 Energy Transition Strategy update with the potential to catalyze energy efficiency retrofit investment in privately owned buildings. The benefits of the Clean Energy Improvement Program include but are not limited to:

- Greenhouse gas reductions;
- Energy utility cost savings;
- Local job creation and capacity building;
- Regional economic development;
- Investment in local infrastructure renewal;
- Improved citizen comfort in their homes and workplaces; and
- Public health benefits and healthier buildings.

Lessons from other jurisdictions have shown that Clean Energy Improvement Programs are an effective tool for engaging private building owners to reduce

greenhouse gas emissions. The resulting energy savings also provide a societal return on investment.

- In Canada
 - Halifax PACE program “Solar City” from 2016-2019 resulted in \$10.3 million investment with an equivalent of 3,050 tonnes eCO₂ GHG emissions reductions per year. (Source: Item 15.1 Environment and Sustainability Standing Committee/Audit and Finance Committee January, 2020 City of Halifax)
 - Toronto’s Home Energy Loan Program (HELP) (2018- March 2021) resulted in \$5.1 million investment with an equivalent of 272 eCO₂ GHG emissions reductions per year. (Source: City of Toronto, Project Lead, Hope Energy Loan Program.
- In the U.S. where PACE originated, by 2019, 37 States and Washington D.C have PACE enabling legislation¹
 - 22 states have active Commercial programs contributing 18,000 job years, \$2.7 billion in economic output, 7.9 billion kWh saved and 2.8 million metric tonnes of carbon abated
 - 3 states have active Residential Programs contributing 109,000 job years, \$13 billion economic output, 21.1billion kWh saved and 4.5 million metric tonnes of Carbon abated

The program budget is forecast at \$12.25 million and includes the loan and grant award from the Federation of Canadian Municipalities Green Municipal Fund, along with operating budget and funds from existing complementary City Environmental Strategies rebate programs.

Per million dollars of direct stimulus to the building construction industry, the local job creation potential for this CEIP pilot ranges between 6.8 and 7.3 jobs² over the duration of the program. This translates to between 66 and 70.8 jobs based on an assumed investment of \$9,698,900.

Next Steps

In preparation for a program launch the following steps must occur:

1. Publication on March 9, 2021 of the Ministerial Order granted to name AMSC as an approved Administrator.
2. Finalize:
 - a. the terms of the Master Agreement with AMSC, for program administration

¹ Link to file [Wa0hBN7HEyB4/view?usp=sharing](#)

² Statistics Canada. Table 36-10-0113-01 Input-output multipliers, provincial and territorial, summary level; jobs impact refers to the sum of the direct, indirect, and induced jobs multipliers per million dollars of output for the non-residential and residential building construction industries in Alberta.

- b. the Bylaw draft, incorporating final language from the Master Agreement (eg. roles and responsibilities)
3. Finalize the terms of the FCM-GMF Agreement for loan/rebate award
4. Bylaw approval:
 - a. advertising
 - b. public hearing,
 - c. petition period, and
 - d. Council approval
5. Enter into Master Agreement with the program Administrator (AMSC)
6. Enter into agreement with FCM-GMF for loan/rebate award
7. Launch program. The target dates, dependant on the timelines above, are:
 - a. August, 2021 for Residential applicants
 - b. March, 2022 for Commercial applicants

Budget / Financial

For the two year pilot program, the total program budget will total \$12.27 million. This includes:

Retrofit Investment: \$11.25 million

FCM Financing: \$9,698,900 (Loan of \$8,434,400 and Grant of \$1,264,500)

COE Rebates: \$1.55 million

Program Administration: \$1,020,000

City of Edmonton Resources: \$555,000

AMSC Administration: \$465,000

Resources from City Environmental Strategies, Finance, Tax, Communications and Law will be leveraged to support the effective administration of the project outside of the services that the Program Administrator, AMSC, will provide. The value of these City resources is projected at \$555,000. The services of AMSC to administer the program, on behalf of City of Edmonton, are forecast at \$465,000 for a combined total of \$1,020,000 in program costs that will be absorbed by City of Edmonton over the two year pilot.

The FCM grant of \$1.2 million can be used to address costs (including program administration costs) incurred by the City of Edmonton in the implementation of this pilot program.

If the project extends past the pilot and is implemented on a go forward basis, an additional cost of up to \$700,000 will be needed to upgrade the TACS system. Preliminary work to clarify projects costs is already planned for 2021/22. Additional funding for system analysis, design, construction and testing has not been included

here. The duration of the system enhancement work is expected to be approximately one year. If the system is to be ready at the conclusion of the pilot project, it should be approved to initiate not less than one year prior to the conclusion of the pilot.

The Clean Energy Improvement Program pilot program will be financed through the Federation of Canadian Municipalities Green Municipal fund. The program provides owners of residential and non-residential properties access to low-cost, long term financing for energy efficiency projects to their property, which will be paid back through property tax on the benefiting property. The tax revenue collected on CEIP benefitting properties specific to the energy improvement amounts will be used to fund the City’s principal and interest payments on the financing from FCM.

Legal

Bylaw 19144 would allow the City to set up a CEIP program and to borrow money to a maximum of \$8,434,400. Bylaw 19144 must meet the requirements of Section 390.3 of the *Municipal Government Act* and the *Clean Energy Improvements Regulation*. The Bylaw sets out various tests for when the City would and would not allow a clean energy improvement to proceed on a property. The Bylaw allows the Program Administrator to determine the types of improvements that would be approved under the program and the term of the repayment of the financing. Should the funding allowed under this Bylaw be fully used, and there was a desire to continue with the program, an additional bylaw would need to be passed to allow additional borrowing. The Bylaw must be advertised and go through a public hearing before third reading.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton is an environmentally sustainable and resilient city			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmonton is an environmentally sustainable and resilient city	Corporate Measure: Community greenhouse gas emissions	17,216,000 tonnes of carbon dioxide equivalents (2019). A decrease of 5.7% below 2005	35% below 2005 levels (11,861,000 tonnes of Carbon Dioxide equivalents by 2035)

Attachments

1. AMSC CEIP Program Summary
2. Draft Bylaw 19144

Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services

- C. Owen, Deputy City Manager, Communications and Engagement
- K. Armstrong, Deputy City Manager, Employee Services
- K. Fallis-Howell, Acting City Solicitor