

DECISION/DIRECTION NOTE

Title: Residential Energy Coach and Efficiency Program

Date Prepared: November 27, 2024

Report To: Regular Meeting of Council

Councillor and Role: Deputy Mayor Sheilagh O'Leary, Community Services

Ward: N/A

Decision/Direction Required:

For Council to approve the partnership between Newfoundland and Labrador Environmental Industry Association (Econext), the Federation of Canadian Municipalities (FCM) and the City. This partnership will support the implementation of a residential energy efficiency retrofit concierge and financing program for the residents of St. John's.

Discussion – Background and Current Status:

Energy poverty is a significant issue in Newfoundland and Labrador, with over one-third of households spending more than 6% of their after-tax income on energy. In St. John's, 34% of households experience energy poverty. This situation could worsen without interventions, as energy costs rise over time.

The City's Resilient St. John's Climate Plan aims to address this by promoting energy efficiency and reducing reliance on fossil fuels. This combined approach is crucial for avoiding an increase in energy poverty rates. The residential sector in St. John's is key for net-zero efforts, it accounts for 6% of the energy used and 18% of the community's greenhouse gas emissions.

In August 2020, the City of St. John's partnered with Econext (formerly the Newfoundland and Labrador Environmental Industry Association) to design a Community Efficiency Concierge and Financing Program, thru funding from the Federation of Canadian Municipalities (FCM). The process was performed with participation from Newfoundland Power, the Provincial Government, and industry stakeholders.

ST. JOHN'S

Across Canada, at least 27 energy efficiency and clean energy implementation and financing programs have been implemented through various municipal partnerships, involving cities such as Charlottetown, Halifax, Colchester, Wolfville, Stratford, Toronto, Guelph, Whitby, and the Durham Region. The partnership between Econext and the City of St. John's is the first of its kind in the country as an industry-led (non-utility) partnership aimed at enhancing the energy efficiency of existing residential buildings.

The program design study identified two main gaps in our province: a financial gap, where middle-income, fixed-income, and aging residents struggle to utilize existing programs, and an implementation gap, where homeowners need assistance with the application, decision-making, and implementation process.

About the Program:

This Residential Energy Efficiency Concierge and Financing Program aims to address these gaps by providing coordination and financial support to residents of St. John's pursuing home energy upgrades. The program would begin by targeting single family dwellings that are owner-occupied.

The program's implementation would include:

- Energy concierge services available to residents at no cost during the 4-year implementation to help homeowners with questions about energy efficiency upgrades (made possible through the FCM grant of up to \$5,000,000);
- Financial Institutions would be able to access a loan loss reserve of up to \$2,000,000 from FCM (administered by the City), to facilitate Financial Institutions to issue at least \$10,000,000 in low-interest loans and bridge financing with favorable terms for eligible projects to residents in St. John's;
- Over \$200,000 in direct grant incentives for homeowners targeting retrofits greater than 50% reduction in energy use;
- Over \$430,000 towards residential contractors net-zero and clean technology capacity building and training programs.

The program encourages a bottom-up approach to local program design and delivery, ensuring it meets the needs of residents. This collaborative effort could serve as a model for others in the region facing similar challenges, to promote energy efficiency and bring a comprehensive approach to managing energy poverty across the province.

Roles:

This implementation plan outlines a collaborative effort involving three key partners:

1. Econext: The lead organization, responsible for:
 - Delivering the Energy Coach Services.
 - Collaborating with the City to define eligible energy efficiency projects aligned with the City's plan.
 - Developing communication and marketing materials.
 - Delivering industry capacity building and training.
 - Reporting to FCM on project implementation progress.
2. City of St. John's: Supporting partner, tasked with:
 - Participating in the Steering Committee.
 - Procuring financial institutions to require them to mobilize their capital to deliver low-interest loans with favorable terms to residents for eligible energy efficiency projects. In exchange, the City will provide access to the loan loss reserve funded by FCM.
 - Supporting communication efforts.
 - Reviewing claims from the Financial Institutions for loan loss reserve payments from FCM.
 - Reporting to FCM on progress.
3. Financial Institution: Contracted through the City, responsible for:
 - Capitalizing low-interest loans with favorable terms to residents for eligible energy efficiency.
 - Administering and processing applications.
 - Supporting communication efforts.
 - When relevant, submitting claims to the City for review for loan loss reserve payments from FCM.
 - Reporting on progress and if any, on loan losses.

Proposed Minimum Low-Interest Loans Terms:

The City would require that Financial Institution partnering would meet the following terms at a minimum:

Loan Product Details	Structure/Minimum Standards										
Loan Type	Unsecured										
Eligible Improvements	<p>Eligible improvements will be defined through an EnerGuide Home Energy audit conducted by an NRCan certified home energy advisor. Typical Residential Energy Efficiency and Renewable Energy Measures include, but are not limited to:</p> <ul style="list-style-type: none"> • Air sealing; • Insulation; • Window replacement; • Heating and cooling equipment replacement; • Water heating upgrades; • Renewable energy systems (e.g. rooftop solar photovoltaic (PV),); and • Electric vehicle (EV) charging infrastructure. <p>While the Lending Institution’s loan agreement may define the purpose of each loan is to complete Eligible Improvements, the Lending Institution will not be responsible to ensure funds approved through this loan are spent in the manner intended.</p>										
Additional Improvements	<p>30% of the loan amount may be used for directly related residential construction and home improvements.</p> <p>For example, (1) roof replacement/repair is eligible to the extent that such replacement/repair is necessary to support the energy efficiency or renewable measure, or (2) asbestos must be addressed in order to complete an energy efficiency upgrade to meet code requirements, and the energy efficiency upgrade must be the primary use of loan funds.</p>										
Loan Amounts	\$5,000 to \$40,000										
Loan Term	<p>For loan amounts \$5000 to \$15,000, lengths up to 84 months. For loan amounts greater than \$15,000, lengths up to 120 months. Participating homeowners can select shorter terms.</p>										
Loan Rates	<p>The Lending Institution may offer rates below those shown. Rates shall not exceed the rates shown below. Variable rate with no prepayment penalty.</p> <table border="1" data-bbox="659 1650 1214 1829" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Term Length</th> <th>Variable Rate</th> </tr> </thead> <tbody> <tr> <td>3 Year</td> <td>Prime + 0.25%</td> </tr> <tr> <td>5 Year</td> <td>Prime + 0.50%</td> </tr> <tr> <td>7 Year</td> <td>Prime + 1.25%</td> </tr> <tr> <td>10 Year</td> <td>Prime + 1.50%</td> </tr> </tbody> </table>	Term Length	Variable Rate	3 Year	Prime + 0.25%	5 Year	Prime + 0.50%	7 Year	Prime + 1.25%	10 Year	Prime + 1.50%
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Eligible Properties	Single-family (1-4 unit) owner-occupied homes.
Minimum Beacon Score (Credit Score)	FICO: 680 and Above FICO below 680 may be considered on an exception basis BNI: N/A
Bankruptcy, Foreclosure, Repossession	None in last 7 years.
Unpaid Collection Accounts	Must be confirmed paid prior to advance.
Judgments and Tax Liens	Must be confirmed paid prior to advance.
Income Verification Requirements	Subject to Lending Institution's usual underwriting requirements. Required for all loan requests.
Salaried Employment Income	Most recent year Notice of Assessment (NOA) confirming no taxes owing and one of the following: <ul style="list-style-type: none"> (a) Pay stub with YTD earnings; (b) Direct deposit with Lending Institution (copy of bank statement to be retained on file confirming direct deposit); or (c) Letter of employment from employer (letter must include Participating Homeowner names and be dated within 30 days of the application and supported by Lending Institution standard release form allowing the Lending Institution to contact employer).
Retirement Income	3 months bank statements showing direct deposit or recent pension stub/pension statement along with the most recent Notice of Assessment (NOA) confirming no taxes owing.
Self-Employment Income	2 most recent NOA's and personal income tax returns including all relevant schedules along with most recent month's bank statement. For the purpose of calculating gross income, the Capital Cost Allowance and Use-of-Home Allowance as stated on the homeowner's tax returns may be added back to the homeowner's NOA income. If the homeowner's business is Limited or Incorporated, 2 most recent year's accountant prepared financial statements are also required.
Other Income (if applicable)	When income other than primary income is being used to qualify for the loan, such as rental, non-employment, pension or investment income, verification is required subject to lender requirements.
Total Debt Service Ratio	
Total Monthly Obligations to Total Monthly Income	<ul style="list-style-type: none"> • Max TDS = 40.00% • TDS is not waived under any circumstance
Total Monthly Obligations	<ul style="list-style-type: none"> • Any loan that has a remaining term of less than 3 months may be excluded from the calculation. • When revolving accounts do not show a minimum payment, use 3% per month. • Real estate taxes and homeowner's insurance (if not included in the mortgage payment) must be included in ratio.

	<ul style="list-style-type: none"> • A minimum of \$150 for heat and hydro must be included in the ratio
Application Processing and Loan Closing	
Application	<ul style="list-style-type: none"> • The Lending Institution shall establish and implement a loan application intake system. The Lending Institution shall provide homeowners the option to apply for the loans using an application form, via the Lending Institution’s website (if available), in-person or by telephone. • The Lending Institution shall confirm that the project meets eligibility criteria, then enable participating homeowner application to be completed, and either approve or deny the application within 5 business days. • If the Program Loan is approved and accepted by the homeowner, the Lending Institution shall make available a closing date for the Program Loan within 5 business days.

Key Considerations/Implications:

1. Budget/Financial Implications: No cash contribution is being requested from the City, in-kind contribution of up to \$60,000 (Staff time for the administration of the loan loss reserve fund thru the Sustainability Manager and Coordinator, and support to share content thru our communication channels at the City’s discretion) over the 4-year implementation to support communication, awareness, and program review.
2. Partners or Other Stakeholders: Econext, Newfoundland Power, Government of Newfoundland and Labrador, MNL, FCM, Financial Partner to be determined thru RFP.
3. Alignment with Strategic Directions:
 - A Sustainable City: Work collaboratively to create a climate-adapted and low-carbon city.
 - A Sustainable City: Facilitate and create the conditions that drive the economy by being business and industry friendly; and being a location of choice for residents, businesses and visitors.
4. Alignment with Adopted Plans: Resilient St. John’s Community Climate Plan
5. Accessibility and Inclusion: N/A
6. Legal or Policy Implications: N/A
7. Privacy Implications: N/A

8. Engagement and Communications Considerations: Implementation would be led by Econext. The City would administer the Loan Loss Reserve and support in steering the program, as well as with communications. There could be opportunities to engage with the public to gather and provide feedback to the program.
9. Human Resource Implications: In-kind support from the Sustainability Manager as part of the steering committee, communications efforts to share items designed by the lead applicant, and some administration to review claims, and pay the Financial Partner if/when a loan loss claim is submitted and eligible (up to twice per year) over the next 14 years.
10. Procurement Implications: The City would RFP for financial institutions to access to the FCM funded loan loss reserve for the 4 years of program implementation and up to 10 additional years for loans repayment period to the financial institution(s).
11. Information Technology Implications: N/A
12. Other Implications: N/A

Recommendation:

That Council approve the implementation of the proposed Residential Energy Efficiency Concierge and Financing Program, and its in-kind contribution of up to \$60,000 over the implementation and administration of the loan loss reserve provided by FCM.

Prepared by:

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Manager, Sustainability