



Promising Practices

MUNICIPALITIES

Toronto helps property owners save money and energy using Local Improvement Charges

The City of Toronto is living up to its reputation as a nationwide leader amongst cities taking action to reduce carbon pollution by launching a pilot program utilizing Local Improvement Charges (LICs) to help facilitate property owners retrofitting their homes and buildings to save energy and money. The \$20 million pilot, approved by City Council in July 2013, is expected to launch in early 2014 and is innovative because it will ensure the loan related to financing the retrofit is tied to the property itself, rather than the owner. This should encourage those reluctant to invest in improvements realize that they are on sound financial footing, should they decide to sell the property before the loan is paid back.

Toronto conducted research which identified a number of barriers to property owners making energy retrofits, including: a) high, upfront cost; b) lack of access to low cost financing; and c) concern the property owner may sell the property before recouping the cost of the retrofit. "The end of government programs, such as the federal ecoENERGY program that provided direct financial incentives to homeowners for undertaking home energy retrofits, has left a void in the industry. Similarly, few financial incentives are available to aid private multi-residential property owners," Toronto says on its website.¹

Marco Iacampo, a supervisor of environmental policy in Toronto's Environment & Energy Office, says the potential for this type of program to yield significant carbon pollution reduction results is huge. He notes that 80% of Toronto's existing residential housing stock is expected to still be in use by 2050, and the residential sector there is responsible for 44% of the city's total annual greenhouse gas emissions.

And, since the retrofits have to occur where the buildings exist (and those buildings are located locally) the program will also have important local job creation benefits. City Councillor Mike Layton, who led a push at Toronto City Council to have it approve the program, estimates it should create 300 local jobs. In addition, he estimates that \$1 million of residents' money will be saved annually, and the City's carbon emissions

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Home Energy Loan Program

In July 2013, City Council unanimously approved a \$20 million pilot energy and water efficiency program for the residential sector that utilizes the Local Improvement Charge (LIC) financing mechanism to support improvements on private property. City staff will be finalizing the program design and implementation over the next several months, with the launch expected late in 2013.

Additional consultation events with community and industry stakeholders are being planned for the Fall of 2013. To receive updates on this program, including information on future consultation events, subscribe to updates on the 'Residential Energy Retrofit Program' at [Toronto E-updates](#).

Program Overview

The Home Energy Loan Program will help residential

Learn all about Toronto's Home Energy Loan pilot program here <http://goo.gl/4CJKzQ>.

reduction will be equivalent to taking 1000 automobiles off of the road. "The residential sector represents 54% of the Toronto's natural gas use and 30% of our electricity consumption. Taking steps to more significantly reduce consumption in our homes will not only reduce carbon emissions, but also reduce strain placed on the City's infrastructure. This means fewer blackouts and less energy grid maintenance costs," Layton wrote on his website in July 2013.²

Indeed, Iacampo says the program has many benefits since it is voluntary to participate, there will be competitive interest rates coupled with longer repayment terms, and the city can offer 'one-window' service covering natural gas, electricity and water conservation.

The retrofit measures that will be supported by this program will include: a) high efficiency furnace/boiler; b) air source heat pump; c) hot water heater; d) attic/wall/basement insulation; e) weatherization; f) drain water heat recovery; g) windows; and h) toilet replacement.

Iacampo says municipalities can mobilize the capital for the program by going to the capital markets or by issuing general obligation bonds. Another option, and this is what

they did in Toronto, is simply to use the city's own cash reserves and to set the interest rate at a level that is low enough to still be attractive, but high enough to recover any start-up, marketing or administrative costs incurred by the city.

An additional source of funding could potentially come from Infrastructure Ontario, as the Environmental Commissioner of Ontario recently recommended to the province that the Ministry of Infrastructure offer Infrastructure Ontario loans to municipalities as an option to facilitate home energy retrofits through local improvement charges.

Toronto will target both multi-residential buildings, as well as single family homes with its pilot. It is hoping approximately 1,000 single family homes will participate from four pilot neighborhoods. There will be individualized marketing campaigns in those four pilot neighborhoods to encourage participation. Of the multi-residential buildings, they will try to find 10 apartment buildings across the city to participate, those having five or more storeys, constructed prior to 1984.

"In total we hope to improve around 2,000 housing units, with the \$20 million funding envelope we've been given," says Iacampo. "At the end of our three-year pilot we hope to be able to report out to our City Council that 'yes it was a success', or 'no, maybe it wasn't a success', but we are hopeful we will then be able to scale up to a full-scale program, not only to include energy efficiency, but to then get to areas like renewables, district energy and other sectors as well."

Toronto anticipates using a five step process to have homeowners qualify and participate: 1) on-line application & pre-approval; 2) home energy assessment; 3) property owner agreement; 4) completing improvements; 5) repayment & cost savings. The payback periods will be 5, 10 or 15 year options, and the LIC repayment will appear as a surcharge on participants' property tax bill. There will also be an option to pay off the entire outstanding amount owed in one payment.

With funding from a variety of sources, the Clean Air Partnership based in Toronto has designed tools that municipalities interested in implementing similar programs suitable for their own local context would be wise to take advantage of. Throughout 2012 and 2013, the collaboration developed a recommended set of LIC pilot design parameters and formulated a pilot framework for local implementation. The website associated with this Collaboration on Home Energy Efficiency Retrofits in Ontario <http://www.cleanairpartnership.org/cheerio> contains tools and templates that will assist cities in communicating the rationale for municipalities utilizing

the LIC mechanism, including the potential risks and benefits associated with cities' use of LICs to advance energy efficiency.

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References:

- ¹ City of Toronto. "Home Energy Loan Program." Website text. <http://goo.gl/4CJKzQ>. Accessed Jan. 2014.
- ² Toronto City Councillor Mike Layton. "Energy Retrofit Program for your Home unanimously passes Executive." Website text. 4 July 2013. <http://mikelayton.ca/energy-retrofit-program-for-your-home-unanimously-passes-executive>.
- ³ Building Momentum: Provincial Policies for Municipal Energy and Carbon Reductions; Executive Summary, page 6. Sept. 2013. www.eco.on.ca/uploads/Reports-Energy-Conservation/2013v1/13CDMv1.pdf.