

Clean Energy Improvement Program Update

Background

The Clean Energy Improvement Program (CEIP) program, formerly Property Assessed Clean Energy (PACE), is a financing program that helps residents make energy efficient upgrades to their properties without having to put money down. The cost of the upgrade is recovered through the home owner's property taxes.

A CEIP Market Study and development of a Clean Energy Bylaw are pre-requisites to apply for a FCM Clean Energy Financing (CEF) grant, which can offset the first four years of City of Leduc administration costs, including program start-up and incentives. After a four-year pilot project, administration costs can be evaluated and a fee can be added to new projects to cover future administration costs (up to 5% of project cost).

Baseline Market Information

Based on residents' participation in previous provincial energy efficiency projects, there is interest from residents and contractors to complete projects in Leduc; approximately 30 applications are expected per year. Residential buildings make up 26% of GHG emissions in Leduc. Both old and new housing is eligible for the program.

Table 1. Anticipated Project Uptake and Budget Summary

Project Forecast - Residential	Year 1	Year 2	Year 3	Year 4
Number of Projects	28	30	32	34
Average Project Cost	\$17,617	\$18,498	\$19,423	\$20,393
Anticipated Project Investment	\$493,276	\$554,940	\$621,536	\$693,392

Controls will be in place to ensure the City will not commit to financing above the agreed upon maximums. Provincial legislation states that the borrowing made by a municipality for CEIP does not count against its debt limit or debt service limit.

Administrative Costs

The Municipal Climate Change Action Centre (MCCAC) is designated as the provincial program administrator. MCCAC will process all applications and establish contracts with contractors and participants. City of Leduc would borrow the capital, track the funds to be collected for each approved project, and issue the tax charge to participants.

See page 14 in the Market Study for reference to estimated City of Leduc and MCCAC administration costs.

Should the City consider expanding into a future commercial PACE program, the lower application volumes and higher impact projects could also support a more sustainable and cost-effective program long-term.

Securing Financing

The City of Leduc is exploring two options for securing financing: borrowing through a third-party lender, and funding opportunities available through FCM. The key considerations for Leduc are the interest rate and carrying costs of the loan.

Clean Energy Tax Bylaw

The Bylaw is a requirement under the MGA to authorize the chosen financing mechanism. It must reference maximum and minimum project values, the interest rate, the payback term (the probable lifetime of the improvement), and eligible projects (e.g. solar panels, furnaces door replacements, etc. to make houses more energy efficient), as outlined in the *Clean Energy Improvements Regulation*.

Timeline/Next Steps

With a bylaw and market study in place, the City can apply for the FCM February 2021 grant. The grant review will take 3-5 months; if approved, the City may need to pass an additional Borrowing Bylaw to finance the program. Program launch would be anticipated for Fall 2021.