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Advisory Committee on the Environment ReThink sub-committee

PACE Financing: The triple-bottom line benefits for London

The City of London will benefit greatly from establishing a PACE (Publicly Assessed Clean Energy) program, a framework that gives benefits economically, environmentally, and socially. The ReThink subcommittee of ACE believes that the *ReThink London* exercise to establish a new official plan must incorporate the PACE program into their final proposal as a key element of "how we grow", "how we green", and "how we prosper". The City of London, through the Civic Works Committee, should also examine PACE to discuss how to implement it as a viable option to all Londoners, regardless of income level.

PACE covers a wide range of energy improvements and power generation. Some examples that can be implemented:

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| <input type="checkbox"/> new/upgraded insulation | <input type="checkbox"/> grey-water recycling |
| <input type="checkbox"/> replacing outdated windows & doors | <input type="checkbox"/> solar energy (heating and electricity) |
| <input type="checkbox"/> converting light fixtures to LED | <input type="checkbox"/> geothermal energy |
| <input type="checkbox"/> low-flow toilets | |

The benefit of PACE for homeowners is that the capital to put these improvements into place comes from the City and then gets put on the tax assessment for the property over a period of years (ex. 5, 10, 20 years). This ensures the City receives their money back (with charges to pay for administration of the program, etc. – even room for the City to make a minor profit by charging a low interest rate), and if the property is sold, the new property owner benefits from the improvement(s) without leaving the original owner stuck paying for the entirety of the improvement(s).

Economic benefits:

1. Since the homeowner will begin to benefit financially immediately (see their utility bills drop enough to make up for the increase in the tax assessment), they will have more money in their pocket to spend in the local economy.
2. Affordability: Residents who otherwise may not consider such a major investment may see it as affordable since the payment schedule can be over an extended period of time, possibly 20 years.
3. The City can put restrictions in place that require all work to be done by local companies (based in London, have their primary base in London, etc.), which benefits local small businesses and creates jobs.
4. Should the City wish to charge low interest on the monies borrowed, the City will see some revenue from the program, which can be used for tax relief.

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Environmental benefits:

1. All of the improvements falling under PACE would result in reduction in electricity, natural gas, and water consumption, all of which means positive impacts on the environment (cleaner air by reducing greenhouse gasses emitted fossil fuels, cleaner water and land by reducing nuclear waste, water conservation improves the local ecosystem, etc.).
2. In the case of power generation, distributed energy makes the most sense moving forward as it gets consumed at the source and does not require intrusive transmission lines that disrupt the ecosystem between the power plant and the consuming cities.

Social benefits:

1. Pride of ownership: improvements to the home make for happier homeowners and results happier neighbourhoods since they are saving money while also helping the environment.
2. With more money in the pocket, one has more leisure time available to spend with family, friends, and neighbours.

EXAMPLE:

Under the microFIT program with the Ontario Power Authority (OPA), a 5 kW solar electricity system (installed cost of roughly \$20 000 by a local London solar company) is financed over 20 years (at 0% interest for sake of simplicity) – the contract with OPA is also for 20 years. The property's assessment is now increased by \$1000/year, while the microFIT system generates about \$3500 for the homeowner: the homeowner now has an extra \$2500 per year to spend in the local economy.

Jobs are created for manufacturers of the solar equipment. Jobs are created for the installers of the solar equipment. All of these employed people can now participate in the local economy. The homeowner with an extra \$2500 will also spend that money locally.

The environment benefits by generating clean, green energy from a renewable source. Emissions are reduced by not burning coal or natural gas, reliance on nuclear power is reduced, and energy is created locally to cut down on transmission losses.

Society benefits from the pride of generating energy locally. We have energy security because of distributed generation instead of relying on ancient infrastructure and aging power plants (i.e. single points of failure). As Ontario strives to be the solar capital of North America, London can become the solar capital of Ontario.

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PACE primarily applies to residential properties, but can also benefit commercial, industrial, institutional, and other types of properties. If the program can be used across all zonings, imagine the jobs that could be created. *Environment Northeast* concluded the impacts of investment in energy efficiency created between 33 to 49 jobs per year for every million dollars of program and participant spending.

According to the *Ontario Clean-Air Alliance*, energy retrofits cost roughly 3 ¢/kWh to implement – contrast this to 21 ¢/kWh for new nuclear capacity. Not only can London benefit, but the entire province would be better off implementing wide-spread energy improvements. PACE gets us there quickly, efficiently, and in a win-win-win situation for the homeowner, local businesses, and the City.

Financing mechanisms

A few different models are available for the City to finance PACE:

1. The City accesses municipal funds (ex. FCM, bonds, loans, energy-efficiency funds) and the homeowner borrows through a local improvement charge (LIC);
2. The City pays to a non-profit organization, who accesses the funds and then provides financing to the homeowner, and the homeowner pays through LIC to the City;
3. The City partners with the banking sector to borrow the money, allowing the bank to provide the financing to the homeowner and obtain repayment from the city, while the homeowner pays the City through LIC.