



Staff Report for Committee of the Whole Meeting

Date of Meeting: February 19, 2025

Report Number: SRPBS.25.013

Department: Planning and Building Services

Division: Policy Planning

Subject: **SRPBS.25.013 - Federation of Canadian Municipalities Community Efficiency Financing Grant for Home Energy Retrofit Financing Program Feasibility Study**

Purpose:

The purpose of this report is to inform Mayor and Council on a joint project identified as Home Energy Retrofit Financing Program Feasibility Study (Feasibility Study) between the Cities of Richmond Hill and Markham, and to request the execution of a Memorandum of Understanding to give effect to the joint Feasibility Study as part of the Federation of Canadian Municipalities (FCM) Community Efficiency Financing (CEF) grant conditions.

Recommendation(s):

- a) That staff report SRPBS.25.013 be received;
- b) That the Mayor and City Clerk be authorized to execute the Memorandum of Understanding between the Cities of Richmond Hill and Markham to give effect to the joint Feasibility Study as part of the Federation of Canadian Municipalities Community Efficiency Financing grant as recommended in SRPBS.25.013, upon the recommendation of the Commissioner of Planning and Building Services.

Contact Person(s):

- Derek Lau, Project Manager Climate Change and Sustainable Development, Sustainability; ext. 2407
- Ruth Rendon, Manager of Sustainability, ext. 2420
- Maria Flores, Director of Policy Planning, ext. 5438
- Gus Galanis, Commissioner of Planning and Building Services, ext. 2465

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Report Approval:

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

Key Messages:

- Richmond Hill Council approved the Community Energy and Emissions Plan (2021) which identifies actions to support the goal of achieving net-zero greenhouse gas emissions by 2050, including the need to significantly retrofit existing buildings to increase energy efficiency and greener heating and cooling systems.
- A joint application with the City of Markham to FCM's CEF grant of \$175,000 to cover up to 80% of eligible costs was conditionally awarded in January 2024 to support a collaborative study to explore options and opportunities for a municipal home energy efficiency retrofit financing program that aligns with the goals of each respective municipal/community energy plans.
- Completing a Memorandum of Understanding as recommended by this staff report between the municipalities is required to finalize the grant agreement and begin the process of the joint feasibility study.
- Collaboration is expected to benefit both municipalities through costing and resource efficiencies, strengthening community engagement, improving consistency of recommendations/actions across municipal borders, and sharing outcomes to benefit other local municipalities on shared climate goals.

Background:

In 2021, Richmond Hill's Community Energy and Emissions Plan (CEEP) was approved by Council. The CEEP established a goal of net-zero greenhouse gas (GHGs) emissions by 2050 and guides the City's efforts to reduce GHGs, conserve energy and explore related economic opportunities. The CEEP recognizes that building efficiency, especially from private dwellings, contributes to 30% of the City's total community GHGs, and ensures that the City's pathway to net-zero requires that 80% of buildings be retrofitted for energy efficiency and to switch to greener heating and cooling systems.

Council approved direction to explore home energy retrofit programming is found in both Action 2.4 of the CEEP "*implement Property Assessed Clean Energy (PACE) programs to finance/deliver building retrofits, including heat pumps and solar PV, for different sectors/building types*" and Action 1.6 of the City's updated Environment Strategy "*explore and implement ways to support deep energy retrofits in a range of buildings, such as through PACE or related subsidies*".

Community Efficiency Financing Initiative Overview

The CEF grant is a subcomponent of FCM's Green Municipal Fund, consisting of \$300 million to be allocated to municipalities and partner organizations through 2026. The

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objective is to create, launch and expand innovative financing programs for energy projects in low-rise residential buildings to generate triple bottom line benefits (e.g. energy and water efficiency, cost savings and improved quality of life for residents). Through a mix of grants, low-interest loans and credit enhancements, CEF aims to create a new financial offering and services to help more homeowners upgrade the energy performance of their homes through energy efficiency measures, renewable energy installations, or both.

The CEF offers funding to municipalities for studies, pilot projects and capital projects to advance community energy efficiency financing programs. Richmond Hill and Markham staff worked collaboratively to prepare the joint CEF application which was submitted to FCM in July 2023 for funding consideration within the “studies” stream, which offers grants of up to \$175,000 to cover up to 80% of eligible costs for feasibility, design, or program evaluation studies. In March 2024, Markham received the FCM conditional agreement for the joint application to work on a collaborative municipal home energy retrofit financing program feasibility study (feasibility study).

Discussion:

The following section summarizes the benefits of the proposed partnership and the work to be completed as part of the collaborative feasibility study.

Partnership opportunity with the City of Markham

In late 2022, the City of Markham approached the City of Richmond Hill to propose a partnership opportunity that leverages grant funding available through the CEF for a joint feasibility study on community energy financing. The feasibility study will explore options and opportunities for a municipal home energy efficiency retrofit financing program that aligns with the goals of our municipal/community energy plans.

Collaborating with Markham on this initiative is expected to benefit both municipalities in the following ways:

- Cost and resource efficiency – as up to 80% of project costs will be covered, and the remaining expenses will be shared equally. Staff time will also be reduced since Markham will lead administration and project management;
- Improved consistency across municipal borders – following a similar model to the established Sustainability Metrics Program partnership, working in lock-step with Markham on our shared climate goals will help strengthen community engagement, reduce confusion and misinformation, and build momentum for community climate action; and,
- The outcomes of the study can also be shared with and benefit other local municipalities and/or York Region.

Home energy retrofit financing program feasibility study details

The purpose of the feasibility study is to obtain recommendations to support home energy retrofit financing options for residents. Expected outcomes include:

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- A baseline assessment of the community's housing stock (in Richmond Hill and Markham) to identify energy upgrade potential;
- An analysis of how energy efficiency financing may address homeowner barriers to energy upgrades and participating in energy efficiency programs;
- An evaluation of available financing models within the context of municipal law, including the feasibility of establishing PACE-enabling legislation, or another innovative financing instrument;
- Engagement with key municipal and external stakeholders on shared goals for a local financing initiative;
- Exploring the potential to design a program focused on low-income households, which have traditionally seen less uptake in home energy retrofit financing programs across Ontario; and,
- Identifying community engagement strategies to increase education on deep energy retrofits through the CEF for a joint feasibility study on community energy financing.

By undertaking this study, Richmond Hill is not obligated to continue with the program design or pilot stages with Markham, or independently. The purpose of the feasibility study is to seek recommendations that will inform future decision making within the context of each municipality.

Memorandum of Understanding with the City of Markham

The partnership and feasibility study will be governed by a Memorandum of Understanding (MOU). It has been pre-determined that Markham will serve as the primary lead for the project as part of the FCM application process. Markham staff was the administrative lead for the FCM funding application and will continue to lead key aspects of the project moving forward including procurement and consultant management, with support from Richmond Hill staff.

Further to FCM's conditional approval of the CEF grant to support the feasibility study, Sustainability and Legal staff from both cities have been diligently finalizing the details of the MOU. This MOU includes key sections that will establish and govern the collaborative nature of this project, including:

- Project description;
- Roles and responsibilities (including details of the Project Team, Steering Committee and Stakeholder Working Group);
- Financial matters;
- Dispute Resolution;
- Liability and Indemnification and Term/Termination of Project clauses; and
- Project workplan and timelines.

The MOU has been reviewed by the City's Legal Department, which has provided comments for incorporation into the final draft. The MOU has also been reviewed by the City's Risk and Insurance Manager, who had no further comments. This report

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recommends that the City enter into a MOU with the City of Markham to formalize the partnership as required by the FCM grant. The final MOU for this project is to be signed by the Mayor and City Clerk of each respective municipality.

Next steps

Once the MOU has been signed by each respective City, staff will collaborate on the following next steps:

- Finalize Scope of Work for the purposes of retaining a consultant for the study through a formal Request for Proposal (led by the City of Markham, with input from the City of Richmond Hill, expected Q1 2025); and
- Develop a draft Terms of Reference for establishing a Steering Committee and Stakeholder Working Group.

Climate Change Considerations

The feasibility study directly supports climate change mitigation by exploring financial models for more homeowners to upgrade the energy performance of their homes through energy-efficiency measures, renewable energy installations, or both, that will contribute to the reduction of GHG emissions from existing buildings in the City.

Financial Implications:

The estimated total cost for the feasibility study is \$220,000. As per the FCM agreement, the maximum funding allocation of \$175,000 has been granted, and both Markham and Richmond Hill will contribute \$22,500 each to cover the remaining cost.

The funding source for Richmond Hill's monetary contribution to the project is allocated from the approved capital project account for climate change initiatives.

Relationship to Strategic Plan 2024-2027:

The recommendations of this report align with the City's Strategic Plan Pillar 1 Growing a Livable, Sustainable Community, by working collaboratively with municipal partners and government agencies to support climate change mitigation planning by examining financial models to increase the energy efficiency of existing homes and buildings within the municipality. The collaborative home energy retrofit financing program feasibility study supports core priorities within the Strategic Plan as well as other efforts being undertaken to reduce GHG emissions from buildings that supports the City's overall net-zero emissions goal by 2050.

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Report Approval Details

Document Title:	Federation of Canadian Municipalities Community Efficiency Financing Grant with City of Markham.docx
Attachments:	
Final Approval Date:	Jan 27, 2025

This report and all of its attachments were approved and signed as outlined below:

Maria Flores - Jan 24, 2025 - 4:32 PM

Antonio Dimilta - Jan 24, 2025 - 4:39 PM

Gus Galanis - Jan 27, 2025 - 10:10 AM

Gigi Li - Jan 27, 2025 - 12:30 PM

Darlene Joslin - Jan 27, 2025 - 3:36 PM