



**City of Kingston**  
**Information Report to Environment, Infrastructure & Transportation Policies**  
**Committee**  
**Report Number EITP-24-001**

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<b>To:</b>	<b>Chair and Members of the Environment, Infrastructure &amp; Transportation Policies Committee</b>
<b>From:</b>	<b>Paige Agnew, Commissioner, Growth &amp; Development Services</b>
<b>Resource Staff:</b>	<b>Julie Salter-Keane, Manager, Climate Leadership</b>
<b>Date of Meeting:</b>	<b>December 12, 2023</b>
<b>Subject:</b>	<b>Potential to Extend the Better Homes Kingston Program</b>

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**Council Strategic Plan Alignment:**

Theme: 2. Lead Environmental Stewardship and Climate Action

Goal: 2.2 Support climate action and sustainability for residents, businesses and partners.

**Executive Summary:**

Council's 2023-2026 Strategic Plan [2.2.3 A](#) includes a commitment to evaluate and report on the potential to extend the Better Homes Kingston program beyond the initial four years. The purpose of this report is to provide details on the feasibility to expand the program including options for recapitalizing the program, the creation of a fee for service model for the program to ensure long-term feasibility, and other programmatic changes under consideration, including support for low-income homeowners.

The four-year program with funding from the Federation of Canadian Municipalities (FCM), Community Efficiency Financing (CEF) program is currently in its pilot-phase and is intended to operate from 2022-2025. The Better Homes Kingston program launched on April 11, 2022, and has received the targeted 500 registrations at this time with an additional 54 added through the waitlist. The year 1 annual report ([Report Number 23-166](#)), provided a comprehensive update on the program to date, including the numerous key performance indicators (KPIs), identified in [Report Number EITP-21-007](#), in order to evaluate program progress.

Better Homes Kingston is performing extremely well, with all loan funding currently allocated to projects, with new applicants being processed from the waitlist when funding becomes available. More than one hundred and twenty-five (125) projects have been completed to date, achieving more than double the target of an average GHG emissions reduction of 30% per home (63%+).

Continuation of the program beyond the initial four years is proposed to be included in the City's 15-year capital plan, with financing options to be provided including offering competitive interest rate loans using the same local improvement charge (LIC) mechanism as the pilot.

Staff will report back to the Environment, Infrastructure & Transportation Policies Committee in Q3 2024, with the final program changes and financial considerations for phase two of the program, including the required loan financing to be provided by the City, details of the fee-for-service model for program cost recovery, and options for continued incentives.

**Recommendation:**

This report is for information only.

**Authorizing Signatures:**

ORIGINAL SIGNED BY COMMISSIONER

**Paige Agnew, Commissioner,  
Growth & Development Services**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief  
Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Jennifer Campbell, Commissioner, Community Services	<input checked="" type="checkbox"/>
Neil Carbone, Commissioner, Corporate Services	Not required
David Fell, President & CEO, Utilities Kingston	Not required
Peter Huigenbos, Commissioner, Major Projects & Strategic Initiatives	Not required
Brad Joyce, Commissioner, Infrastructure, Transportation & Emergency Services	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	<input checked="" type="checkbox"/>

## **Options/Discussion:**

### **Program Overview and Background**

Council's 2023-2026 Strategic Plan [2.2.3 A](#) includes a commitment to evaluate and report on the potential to extend the Better Homes Kingston program beyond the initial four years. Launched on April 11, 2022, the Better Homes Kingston program is intended to operate until September 2025, with funding provided by the Federation of Canadian Municipalities (FCM), Community Efficiency Financing (CEF), and the City. The program offers access to loan financing (i.e. attached as Local Improvement Charges to the participating property and arranged for loan repayment on property tax bills), incentives and free ongoing energy coach support.

Since the launch of Better Homes Kingston, more than 125 projects have been completed, achieving an average greenhouse gas (GHG) emissions reduction of 63%+. Program interest has been sustained, with ongoing applications to join the program waitlist being submitted on a weekly basis. To date, 554 applications have been received, with 98 of these applications being removed or voluntarily withdrawing from the program, and 9 being found ineligible.

As outlined in [Report Number EITP-21-007](#), the long-term program goal to retrofit 25 – 50% of Kingston's pre-1991 construction one-family homes by 2040 achieving an average carbon reduction impact of 30% per home, requires ongoing access to loan capital, to continue beyond the pilot period. This requires a transition to an alternative source of financing, which could include City of Kingston financing, third-party financing through utility providers, other financial institutions, or private capital investment.

Earlier this year, staff undertook a comprehensive review of the program process, intended to identify opportunities for streamlining, and efficiency, to enable the long-term scale up of the program. Resulting from this review, numerous operational enhancements were made, including the development of new information resources, a new program guide video, and improvements to the Better Homes Kingston Portal, in a continuous effort to scale. As these ongoing efficiencies are realized, the average timeline for the completion of projects is being reduced, with current applications proceeding at a faster rate than earlier participants, with less human-capital being spent on average per applicant.

### **Potential to Extend the Program beyond the Four-Year Funded Program**

One of the most innovative and impactful aspects of the program is the Energy Coaching Services, offered through a Service Level Agreement with Sustainable Kingston. The Energy Coaching Services team offers free, ongoing home energy expertise and administrative support, to ensure participants maximize their impact, cost effectiveness of their project and complete them in the most expedited timeline possible. These services allow for one-on-one personal support for all program participants at no-cost, allowing for precise attention to detail when planning projects, considering the unique characteristics of each home and homeowner

participating in the program. The Energy Coach help participants to understand their home energy assessment results, assist with detailed planning of their retrofit projects, including support sourcing quotes from contractors, and meeting participants at their level of need. For some, this means providing high-level overviews of the program, and for others it requires ongoing comprehensive support.

Beyond Energy Coaching Services, the programs performance threshold system incentivises participants to achieve deep energy retrofits, with a particular focus on GHG emissions reduction. From the 2022 Community Greenhouse Gas Emission Inventory (Report Number 24-009), programs that assist homeowners with the expenses of enhancing home energy efficiency and transitioning away from natural gas (as well as fuel-oil and propane) are critical, as home heating represents over 48% of the community's energy sector emissions, making it a priority in the pursuit of emission reductions. The Canadian Climate Institutes report, [Heat Pumps Pay Off: Unlocking lower cost heating and cooling in Canada](#), demonstrates that air-source heat-pump systems are the lowest cost-option for home heating and cooling for the majority of Canadian households, over the lifetime of the equipment.

However, while fuel-switching from natural gas to an air-source heat-pump system significantly reduces GHG emissions, and more modestly reduces energy consumption (particularly for homes that did not previously have air-conditioning), as well as being the lowest cost heating and cooling option over the lifetime of equipment, the energy cost savings associated specifically with natural gas fuel-switches are significantly less likely to result in a debt-to-savings ratio of 1:1 when compared with fuel-oil or propane furnaces. This means that the cost incurred and repayment of financing for natural gas to heat-pump projects is marginally higher than the cost-savings resulting from them (regardless of the consistent result of GHG emissions, energy, and related cost savings), and so continuing to offer incentives for deep energy retrofits will lead to the greatest ongoing uptake and program impact.

When considering financing sources to extend the program beyond the pilot, maintaining a competitive interest rate, and accessing sufficient capital necessary to support the program at scale is imperative. Moving beyond the program pilot, transitioning program administration costs, including Energy Coaching services, to a fee for service model, will allow the program to achieve long-term feasibility through cost recovery. Furthermore, ensuring continued access to funding is important, so the program does not lose momentum, and local Energy Advisors and contractors do not lose engagement with the program due to decreased demand, which has been a common occurrence due to the periodic boom and bust cycle that home energy efficiency programs have historically followed.

In consultation with internal departments, as well as other Municipalities in the FCM CEF community of practice, several financing options have been investigated to continue to deliver Better Homes Kingston program beyond the 4 years, including municipal debentures, accessing syndicated private capital funding through FCM, and internally financing the program.

Staff have concluded that the most efficient and equitable financing option to extend Better Homes Kingston beyond the four-year pilot period, is that the City continues to offer competitive interest rate loans, utilizing the same local improvement charge (LIC) mechanism as the pilot. This option will allow Better Homes Kingston to operate with the lowest possible interest rate for homeowners, and to sustain uptake and impact.

Through the creation of a fee for service model, homeowners would pay for the administrative cost to operate the program, including administrative functions performed by the City, and Energy Coaching Services offered by the program service delivery partner, Sustainable Kingston, through the established service level agreement (SLA).

The form of a fee for service model can vary, with either an upfront administrative fee, an interest rate rider, or a hybrid of both, with their own distinct pros and cons. A one-time upfront fee would provide quick cashflow from the start of phase two of the program but can be seen as a barrier to participation. Alternatively, an interest rate rider can be instituted, where a nominal interest rate is added-on in addition to any lending rate attached to the financing, to recoup administrative costs over the life of the financing. This option is perceived as less of a barrier to participation, as it is paid over a longer period (up to 20 years), but results in less upfront cashflow, and can also come at a higher cost to the applicant. A hybrid of the two options could also be instituted, balancing the pros and cons of each.

While financing can be offered by the City, and operating costs can be recouped from participants, if incentives are to be retained, they will require continued subsidization. At the completion of the pilot, FCM will no longer provide the grant funding currently enabling the City to offer performance-based incentives to homeowners. To continue to drive deep impact for projects completed under Better Homes Kingston, Council may consider funding some level of continued incentivization. Based on participants responses to the mandatory homeowner survey, which was presented in the year 1 annual report ([Report Number 23-166](#)), as well as the debt to savings ratio analysis offered in this report, and ongoing homeowner feedback, it is clear that incentives are a significant motivator for participants.

### **Program Changes for Scale and Efficiency**

While the program has seen consistent demand, with momentum building from launch, the aggressive program milestones remain a primary goal of the pilot and achieving them remains the focus before program expansion takes place.

Despite comprehensive support, home energy retrofit projects are complicated and time-consuming, and project completion timelines can vary greatly, from as little as 3-5 months, to over a year depending on the availability of equipment and required services.

Table 1 below outlines the four-year FCM funded program milestones:

#	Key Milestones		Actual Start Date	Actual Completion Date
M1	Program Start-up and Soft (test) Launch	25 Projects completed	April 11, 2022	April 10, 2023
M2	Year 1 Implementation	125 Projects Completed	April 11, 2022	April 10, 2023
M3	Year 2 Implementation	150 Projects Completed	April 11, 2023	April 10, 2024
M4	Year 3 Implementation	200 Projects Completed	April 11, 2024	April 10, 2025
M5	Program Wrap-up	Perform evaluation, identify succession plan and final reporting	April 11, 2025	September 30, 2025
<b>Total Projects to be Completed 500*</b>				

The programs performance threshold system, requiring and incentivizing significant GHG emissions reductions, and other program requirements such as the need to receive proactive funding approval, attain itemized quotes from contractors, and undergo comprehensive energy coaching support all enhance the program, and lead to the significant impacts that have been achieved in the pilot so far. However, as the program continues to scale, it is necessary to balance efficiency and strong oversight, while allowing more projects to be completed year over year. Already, many small program enhancements have been made to streamline the process and ensure participants can receive approval quickly.

As projects are completed, staff are continuously looking at process improvement. The following outlines some of the changes that are being considered for when the program continues beyond the four-year pilot period.

1. Quote requirement changes - Through the simplification of quote requirements, participants may receive quotes more quickly, requiring less back and forth with contractors, allowing for expedited funding approval.
2. Introduction of Energy Concierge or Retrofit Planning Service - homeowners could enter into an agreement with Sustainable Kingston, who could then be authorized to act more autonomously, significantly expediting project completion timelines, and even paying contractors directly (numerous other programs across Canada and the USA, such as [SwitchPACE](#) have instituted this arrangement), reducing the administrative burden for the City to make payments to homeowners, who then pay contractors, thereby reducing timelines.
3. Minimum loan amounts - By establishing a minimum amount of loan financing (e.g. \$10,000.00), the City could limit the inclusion of low cost projects, which still have to follow the same Energy Coaching support and administrative process when being registered as LIC's, and therefore result in a higher administrative cost relative to their total project cost and impact.

## Equity Considerations

Beyond the pilot, important changes are being considered to retain and enhance Better Homes Kingston's equity considerations, to support low-income homeowners to complete home energy retrofit projects. It is proposed that Energy Coaching Services would remain free to all income qualified candidates, with the upfront cost of the required home energy evaluation being paid directly by the City, to remove this barrier to entry. The Better Homes Kingston program currently follows the same income thresholds as the provincially funded [Kingston Frontenac Renovates Program](#). It is proposed that a more inclusive household income threshold could be established, following best practices from other home energy efficiency programs in Canada, such as two-times the low income cut-offs (LICOs) used by the [Alberta's Home Upgrades Program](#).

Specific marketing will be completed to identify and attract homeowners who have a high home energy cost burden, defined as those households that spend 6% or more of their after-tax income to pay for their home energy consumption (in some cases high home energy cost burden can surpass 10-15% of after-tax income). However, many Kingston residents who experience high home energy cost burden do not own their homes and are therefore limited by the improvements they can make. Support targeting renters will be examined, and Better Homes Kingston will remain open to rental properties, provided they meet the determined eligibility criteria for the program.

Through the energy coaching services provided by Sustainable Kingston, qualifying homeowners are being supported to receive other third-party funding from existing programs such as [The Oil to Heat Pump Affordability Program](#), offered by the Government of Canada.



With the launch of the Canadian Climate Institute's [Heat Pump Calculator](#), it is demonstrated that heat pump systems have crossed the threshold as the most affordable home heating (and cooling) option for most homes in Ontario, and as costing data becomes more reliable, it would be ideal to be able to provide highly accurate cost-savings estimates, and eventually even guaranteeing a 1:1 debt-to-savings ratio, where the total cost of financing, including all program fees and the cost of borrowing, are equal to or less than the achieved energy cost savings, similarly to the Town of Bridgewaters home energy program supported by [Clean Energy Financing](#).

For those very low-income households, who are unable to take on loan financing without guaranteed net savings, the Climate Leadership Division is collaborating with Housing and Social Services staff on a proposed partnership when delivering the [Kingston Frontenac Renovates Program](#). The Kingston Frontenac Renovates Program offers eligible homeowner's forgivable loans and grants for home repairs, with eligibility based on household income and home value assessment. The program currently provides funding for emergency heating system repairs, completing approximately five heating system projects per year. It is proposed that the City could offer subsidization for projects, where a fossil fuel-based heating system is at end of life, to install a heat-pump system, providing low-carbon heating and cooling. This integration could be implemented easily, as the program already has defined criteria and operating procedures, not requiring the Better Homes Kingston process to be undertaken. This partnership with Housing Services would amount to approximately less than \$100,000 per year subsidization and would guarantee the lowest-income households receive support to install the most efficient and low-carbon heating systems, at the appropriate end of life of the fossil fuel-based systems (primarily natural gas furnaces).

### **Next Steps**

Staff will report back to the Environment, Infrastructure & Transportation Policies Committee in Q3 2024 with the final program changes and detailed financial considerations for phase two of the program, including the required loan financing, details on available interest rates, specifics of the fee-for-service model for program cost recovery, and options for continued incentives to be offered.

### **Existing Policy/By-Law:**

By-Law Number 2021-23, "A By-Law to Authorize the Undertaking of Energy Efficiency and Water Conservation Works on Private Residential Property as Local Improvements under the Better Homes Kingston Program.

### **Notice Provisions:**

None

**Accessibility Considerations:**

None

**Financial Considerations:**

Staff are reviewing options to extend the Better Homes Kingston Program through capital financing, offering competitive interest rate loans, and utilizing the same local improvement charge (LIC) mechanism as the pilot. The estimated impact is projected to be \$5.3 million for 200 projects. City financing is the most efficient and equitable option, following the standard capital project financial planning process, and allowing Better Homes Kingston to operate with the lowest possible interest rate for homeowners, and to sustain uptake and impact. A fee-for-service model will be instituted, allowing program cost recovery through an upfront fee or interest rate rider charged to participating homeowners. In order to continue incentivising deep energy retrofits, it is proposed that the City could continue to subsidize some level of cash incentives, with a range of options.

The table below outlines the current Better Homes Kingston Program shared program capital commitments, as outlined in Report Number [Report Number EITP-22-001](#).

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Totals</b>
<b>Program loans to participating homeowners</b>	\$2,500,000	\$3,750,000	\$5,250,000	\$1,000,000	\$12,500,000
<b>Program operations and homeowner incentives (including in-kind)</b>	\$1,613,750	\$1,613,750	\$1,613,750	\$1,613,750	\$6,455,000
<b>Total Program Funding</b>	<b>\$4,113,750</b>	<b>\$5,363,750</b>	<b>\$6,863,750</b>	<b>\$2,613,750</b>	<b>\$18,955,000</b>
<b>FCM loan portion</b>	\$2,000,000	\$3,000,000	\$4,200,000	\$800,000	\$10,000,000
<b>City of Kingston loan portion</b>	\$500,000	\$750,000	\$1,050,000	\$200,000	\$2,500,000

<b>FCM grant portion for program operations</b>	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000	\$5,000,000
<b>City of Kingston grant portion (including in-kind)</b>	\$363,750	\$363,750	\$363,750	\$363,750	\$1,455,000
<b>Total Program Funding</b>	<b>\$4,113,750</b>	<b>\$5,363,750</b>	<b>\$6,863,750</b>	<b>\$2,613,750</b>	<b>\$18,955,000</b>

**Contacts:**

Julie Salter-Keane, Manager, Climate Leadership, 613-546-4291 extension 1163

Soren Christianson, Project Manager, Climate Leadership, 613-546-4291 extension 1325

**Other City of Kingston Staff Consulted:**

Lana Foulds, Director, Financial Services, 613-546-4291 extension 2209

John Henderson, Housing Program Administrator, Housing & Social Services, 613-546-4291 extension 4976

**Exhibits Attached:**

None