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January 24, 2012

Hon. Kathleen Wynne  
Minister of Municipal Affairs and Housing  
College Park  
777 Bay Street - 17th Floor  
Toronto ON M5G 2E5

Dear Minister Wynne:

AMO understands that Ministry staff have reviewed the possibility of municipalities utilizing Local Improvement Charges (LICs) to provide residential homeowners with secure, low-interest financing for home energy retrofits, repaid through a temporary surcharge on the owner's property tax bill. The association requests that you direct staff to develop a regulatory remedy to provide clear authority for willing municipalities to use LICs to finance energy improvement retrofits on private property, amend the cost allocation method to accommodate retrofit costs with associated fees and pro-rated administrative expenses, recognize the public benefit of the private energy improvements and enable municipalities to have the authority to sell the LIC financing to banks.

AMO and its members strongly support programs and policies that enable conservation and demand management, including the 13 Terawatts of consumption savings by 2015 as laid out in the *Long Term Energy Plan*. The energy we stop wasting is the cheapest and most readily available energy source there is. Conservation helps avoid the construction of new, expensive and often unpopular energy supply projects and has many other system benefits. Conservation also helps save customers money even as the rate or unit price of energy climbs—something that will help mitigate impacts once the *Clean Energy Benefit* expires in 2015. Perhaps most importantly in this current economy, conservation creates lots of local jobs—which will be crucial to extending Ontario's lead when it comes to clean energy, sustainable growth and job creation. That is why AMO supports using Property Assessed Payments for Energy Retrofits (PAPER). This is a concept derived from the Local Improvement Charges mechanism under the *Ontario Municipal Act, 2001* in three reports written for the David Suzuki Foundation (in a project funded by the Ontario Trillium Foundation which looked at energy retrofit barriers and solutions).

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This financing concept (under other names) is available in Yukon Territory and in Halifax Regional Municipality and is being explored by Alberta and British Columbia. A slightly similar mechanism is being implemented in the City of Vancouver. PAPER would be delivered at no cost to those municipalities interested in offering it since it would be financed by property owners who wish to participate in such a program and would benefit from collaborations among municipalities and with higher level governments and industry that would reduce overall program and project costs while providing benefits to all stakeholders. The financing would be associated with the property, not the property owner and on sale any remaining amount would be repaid by the new owner who would also benefit from the installed measures. This is an innovation which can fuel local job creation, the leveraging of the best possible financial rates for both a large number of projects and the homeowner, the long-term repayment schedules for cost effective measures installed with economies of scale to make energy savings viable, and the piggybacking of existing programs offered by the Ontario Power Authority (OPA) and other agencies. Twenty-six U.S. states passed enabling legislation and many other regions commenced pilots; in the U.S. endorsers include the Royal Bank of Canada International Council for Local Environmental Initiatives (ICLEI) and 12 Ontario municipalities.

Allowing municipalities the option to offer homeowners the financial and program support to engage in cost-effective energy improvements will mitigate the risks of rising and volatile energy costs to those homeowners, while circulating capital to the benefit of financing institutions and creating green jobs which benefit the community. Provincial budgets would benefit from increased income tax revenues plus the reduction of unemployment costs and of provincial and individuals' health care costs related to non-renewable energy sources. The program would result in reductions in energy use to help the Province and municipalities meet their targets and would reduce needs for costly power generation plants.

Presently, however, we cannot move forward with the PAPER Initiative. We believe the current LIC mechanism (*Ontario Regulation 586/06*) needs the following amendments to make this proposal work. This would include:

- explicitly noting that municipalities are permitted to use LICs for energy improvements on private property,
- defining reduced energy use and reduced GHG emissions as public benefits,
- amending the allocation criteria to recognize retrofit costs plus associated fees and pro-rated program administrative expenses, as well as
- allowing any PAPER financing balance to remain associated with the property on sale and repaid by the new owner.

The priority lien status applicable only to defaulted payments must clearly remain in place as well as *Ontario Regulation 403/02* to ensure the PAPER mechanism is workable and does not adversely affect a municipality's debt totals. While these changes are being put into place we would also like to request your support in working with:

- Infrastructure Ontario (IO) to help ensure interested municipalities can obtain financing at low rates to initiate a local PAPER program.
- The Energy, Environment and Finance Ministries for:
  - necessary collaboration supports and technical assistance for establishing pilots and potentially a provincial program,
  - loan loss reserves,
  - energy efficiency income tax credits equivalent to the property tax increment from the installed measures.

I would like to thank you once more for the very productive working relationship between your ministry and our Association as we work together to create a culture of conservation and green economy. AMO believes that enabling municipalities to utilize LICs for residential energy efficiency retrofits is one small step towards accomplishing these mutually beneficial policy goals.

Yours sincerely,



Gary McNamara  
President

cc: Honourable Christopher Bentley, Minister of Energy  
Audrey Bennett, Assistant Deputy Minister (Acting), Local Government and Planning Policy Division, Ministry of Municipal Affairs and Housing  
Michael Ptolemy, Manager, Tax and Revenue Policy Section, Municipal Finance Branch, Ministry of Municipal Affairs and Housing  
David Lindsay, Deputy Minister, Ministry of Energy  
Sue Lo, Assistant Deputy Minister, Renewables and Energy Efficiency, Ministry of Energy