



Canadian  
Federation  
of Apartment  
Associations

Fédération  
Canadienne Des  
Associations  
De Propriétaires  
Immobiliers

# **RECOMMENDATIONS CONCERNING ENERGY SUBSIDY PROGRAMS**

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## Background

### *The Canadian Federation of Apartment Associations*

The Canadian Federation of Apartment Associations (“CFAA”) represents the owners and managers of close to one million residential rental homes in Canada. CFAA is the sole national organization representing the interests of Canada’s private for-profit rental housing industry, which houses more than 7,000,000 Canadians in 3,300,000 private rental homes. Another 1,500,000 Canadians live in 600,000 rental homes in the social housing sector.

### *Energy Consumption by Canada’s Residential Rental Sector*

- Canada consumed 7,968 petajoules of energy in 2007.<sup>1</sup>
- Canada’s housing sector consists of 12 million dwellings.<sup>2</sup>
- The residential sector is responsible for 17 % of Canada’s energy use.<sup>3</sup>
- Within the residential sector, 31% of housing is in the rental sector.<sup>4</sup>
- Rental housing tends to be older than owner-occupied housing.
- Rental sector is responsible for 5 to 6% of Canada’s energy use.
- Residential rental units in Canada consumed approximately 450 petajoules of energy in 2007.
- The Office of Energy Efficiency states that improvements in energy efficiency can decrease energy use by 25%.<sup>5</sup>
- The experience of CFAA members accords with the 25% reduction figure.

### *Division of rental units between the two NRCan Retrofit Incentive programs*

- The rental sector is divided into buildings of 4 or more stories, and those which are 3 ½ stories or less.
- Buildings of 4 or more stories comprise approximately 35% of the rental stock and fall under the eco-ENERGY Rental Incentive for BUILDINGS program.<sup>6</sup>
- Buildings of fewer than 4 stories comprise approximately 65% of the rental stock and fall under the eco-ENERGY Rental Incentive for HOMES program.<sup>7</sup>

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1 Statistics Canada. “Energy Supply and Demand.” Daily Press Release: 18 November, 2008. <<http://www.statcan.gc.ca/daily-quotidien/081118/dq081118a-eng.htm>>. One petajoule is the amount of energy that is required to operate the Montreal subway system for an entire year.

2 Council of Energy Ministers “Moving Forward on Energy Efficiency in Canada: A foundation for Action:” 18 December, 2008 <<http://www.nrcan-rncan.gc.ca/com/resoress/publications/cemcme/buibat-eng.php>>.

3 Canadian and Mortgage Housing Corporation. “Canadian Releases Comprehensive Report on Housing in Canada.” 22 October, 2007 <http://www.cmhc-schl.gc.ca/en/corp/nero/nere/2007/2007-10-22-0815.cfm>.

4 Canadian Mortgage and Housing Corporation “Canadian Housing Observer 2008”.

5 Office of Energy Efficiency. “Improving Energy Performance in Canada – Report to Parliament Under the Energy Efficiency Act for the Fiscal Year 2006-2007: Chapter 3: Housing. <<http://oeef.nrcan.gc.ca/Publications/statistics/parliament06-07/chapter3.cfm?attr=0>>.

6 CFAA calculation based on the information found in Table 11 of the Canadian Housing Observer 2008 at p. A-14, and an estimate of the division of apartment buildings that have fewer than five stories between the two categories.

7 See the preceding footnote.

## General recommendations

To make energy conservation subsidy programs more effective in serving residential landlords and tenants, the Canadian Federation of Apartment Associations (CFAA) recommends that action be taken in the following areas:

### *Overall issues*

1. Whenever possible, the programs should be simple. For example several very simple programs are highly effective, such as giving away digital thermostats (so that residents can program their heating during the day).
2. Programs should be easy to understand.
3. Grant or rebate amounts should be fair as between single family home owners on the one hand and tenants and landlords on the other. Subsidies per unit are often substantially lower for rental housing, while per unit costs are only slightly lower.
4. Rebate programs offer advantages in time and simplicity over grant programs.
5. Be open to having programs which overlap. For example a rebate program could serve buildings of up to 50 units, while a contractual contribution program serves buildings of 20 units and over, so that owners of buildings between 20 and 50 units could qualify under either program.
6. Ensure programs accept energy saving repair or maintenance work to avoid negative income tax consequences for owners.
7. Consult industry associations regarding proposed energy program changes
8. Seek out the assistance of industry associations to promote energy conservation subsidy programs.
9. Information services should be expanded and promoted so that owners can obtain information from government agents with detailed knowledge of the program rules.

### *Application process issues*

10. The application or claim **form** should be simple.
11. The application or claim form should be standard across programs and consistent from year to year.
12. The application or claim **process** should be simple.
13. The application or claim process should be standard across programs and consistent from year to year. Harmonization is desirable.
14. When possible, one application or claim should access two or more programs (“harmonization”). For example, the New Brunswick Energy Efficiency program is harmonized with the Federal Retrofit Incentive Programs, so that both programs are accessed through the one process.
15. The time delays involved in approvals or agreements should be as short as possible (preferably days, and certainly less than one month).

16. The requirement for work by consultants should be eliminated or reduced as much as possible, because requirements to pay for consultants reduce the amount of energy savings per dollar spent by the government.
17. Programs which put consultants in a conflict of interest should be avoided (for example situations where the consultant is the auditor, but also will be doing the work on the project to be audited.)
18. Programs should accept energy audits in any reasonable form in order to keep professional costs to a minimum.
19. For some items the savings are obvious and should not need justification (e.g. the replacement of 20 year old refrigerators, 20 year old boilers or 40 year old windows).
20. Recognizing that “checks and balances” are required so that governments can be satisfied that fraud or abuse is minimized, the pre-inspection and/or post-inspection processes should be kept as simple and inexpensive as possible.
21. Site audits should be considered as an alternative to documentation.
22. The outcomes (i.e. grants or rebates) to be received should be predictable and provide certainty. If the grant is based on the energy savings, it should be based on the projected savings, not the achieved savings after-the-fact. (Reducing a grant after the retrofit increases a landlord’s risk because the grant reduction would be stacked on top of the shortfall in the retrofit results.)

#### *Quantum issues*

23. Subsidies need to be deep enough to attract attention and to make the applications worthwhile.
24. The federal budget for energy programs needs to be increased in order to provide deeper subsidies for more conservation measures, while preserving general access to the programs.
25. It would be useful to have a program that would allow for subsidy money to be obtained for items with long pay-back periods (such as windows).

## **Recommendations regarding the eco-ENERGY Retrofit Incentive Programs**

CFAA has discussed the programs with landlords with holdings that range from very large to very small. The informal focus groups included those who have used the programs, those who rejected them and those who were not aware that the HOMES program applied to low-rise rentals.

### **Eco-ENERGY Retrofit Incentive for BUILDINGS**

As to eco-ENERGY Retrofit Incentive for BUILDINGS, the general recommendations above apply. Landlords are most concerned about:

- complexity,
- time delays,
- the role of consultants (which should be supplemented by an expanded information service able to answer questions about the program), and
- the low amount of the subsidy.

### **Eco-ENERGY Rental Incentive for HOMES**

As to eco-ENERGY Retrofit Incentive for HOMES, the general recommendations above apply. Landlords are also very concerned that the rebate amounts are not fair as between single family home owners on the one hand and tenants and landlords of MURBs on the other hand. Per unit costs are sometimes somewhat lower for rental buildings, but the difference in costs is not as large as the shortfall in the subsidy amounts. See the attached Sample Project as an example of how this discrimination occurs.

There is also evidence that even sophisticated landlords of smaller rental properties think that the eco-ENERGY Rental Incentive for HOMES Program does not apply to them, but rather only to homeowners.

See also the submission CFAA made the NRCAn on the eco-ENERGY Rental Incentive for HOMES Program specifically.

## **Conclusion**

With the foregoing improvements, CFAA believes that the federal energy subsidy programs will experience greater take up and wider use by landlords, resulting in substantially greater reductions in energy use in the rental housing sector.

## CANADIAN FEDERATION OF APARTMENT ASSOCIATIONS

### eco-ENERGY Rental Incentive for HOMES -Sample Project

Item	Single Family Homes		8 unit rental building		
	Cost	Subsidy	Cost	Subsidy	Subsidy per unit
Initial energy assessment	\$300	0	\$1,000	0	
New furnace (Hot water boiler for the rental building)	\$3,000	\$500	\$25,000	\$500	\$62. <sup>50</sup>
Attic insulation	\$2,000	\$200	-	-	
Wall insulation (MURB "factor" applies)	-	-	\$15,000	\$2,400 (2.0 x 1200)	\$300
Air sealing (MURB "factor" applies)	\$800	\$150	\$2,000	\$300 ( 2.0 x 150)	\$37. <sup>50</sup>
Replace toilets	\$800 (2 @ \$400)	\$100	\$2,800 (8@ \$350)	\$400	\$50
Energy assessment (after the work)	\$200	0	\$300	0	
<b>TOTAL COST or ENERGY SUBSIDY</b>	<b>\$7,100 (A)</b>	<b>\$950</b>	<b>\$46,100(A)</b>	<b>\$3,600</b>	<b>\$450</b>
of which: Cost of assessments	\$500		\$1,300		
Cost of work	\$6,600 (B)		\$44,800(B)		
<b>TOTAL NET COST</b>	<b>\$6,150 (C)</b>		<b>\$42,500(C)</b>		
Percentage (C)/(B)	93%	7%	95%	5%	
Percentage (C)/(A)	87%	13%	92%	8%	

**Conclusion:** The 8 unit building is subsidized at two-thirds the rate of the single family home, largely because of the absence of a multiplier on the furnace replacement work. Because of the cap on the multiplier at 2.0, a 16 or 20 unit building would probably be subsidized at one third of the rate of a single family home.

When the New Homeowner Renovation grant is taken into account (\$915 in this case), the homeowner's net cost of the work is \$5,235, which is 74% of the total cost, for a total subsidy of 26%. That is three times the subsidy rate for the 8 unit building, and probably five times the subsidy rate achieved by a 16 or 20 unit building.