Canadian Federation of Apartment Associations
Fédération canadienne des associations de propriétaires immobiliers

**<u>CFAA input on the new energy conservation program</u>**

**April 8, 2019**

The Canadian Federation of Apartment Associations ("CFAA") represents the owners and managers of close to one million residential rental suites across Canada. The private rental housing sector provides four million rental homes for nine million Canadians of all ages, incomes and situations. Of those nine million Canadians, about three million live in low income households in any given year, a rate far higher than the low-income rate in the home ownership sector. Every year, about two out of every three low income renters live in for-profit rental housing, mostly at the affordable end of the rental market. However, due to their low incomes, they struggle to pay their rent.

We understand that a new program is being created to use a part of the carbon tax revenue being received in the provinces which do not have their own carbon tax.

CFAA presents the following proposals to help the government achieve its objectives of reducing energy consumption and greenhouse gas emissions, while at the same time improving housing affordability for low-income people and various vulnerable populations.

## Program targeting

CFAA's suggestion is that the program be aimed at rental housing properties. The policy arguments for that are the following:

1. In the past, programs have often omitted rental housing properties. (Examples are the federal Conservatives' Homeowner Renovation Tax Credit which ran from 2009 to 2010, and the recent Ontario Healthy Homes Renovation Tax Credit which applied to accessibility renovations in homes occupied by senior sand family members who live with them.) Yet rental properties often need work, and incenting more energy conservation can provide an excellent return for the environment.

2. In many rental properties, the occupants pay for the energy usage, but the owner pays for building repairs or upgrades. CFAA believes that there is still a large congruence of interest because the rent is affected by energy usage costs, so that there is a small "split incentive", but some people think there is a large split incentive. A subsidy which assisted in energy conservation in rental buildings would eliminate or reduce the split incentive.

3. Rental housing is disproportionately occupied by people with relatively low incomes, and the affordability question is addressed in a very targeted way by assisting rental housing providers, thereby moderating cost increases, which tends to increase rental supply and moderate rent increases.

## Program design

Two years ago CFAA surveyed our members on the features they believed would make for an energy conservation program which would lead to high take up. Attached is the article we published about the results. In brief, the main suggestions were:

- Rebates work best when distributors and contractors can handle the entire process and use the rebates as added value in their offerings.
- Whenever possible use one-time (single) application, rather than multi-stage application process

- Retroactive applications accepted, rather than being paced by pre-approval processes
- Avoid incentives that are too low or have too many program restrictions
- Use prescriptive incentives for standard retrofits (lighting, motors, E-star appliances, low-flow toilets, etc.)
- Use custom incentives for performance based initiatives (BAS, VFD controlled ventilation/pumping, motion-controlled lighting, etc.)
- Incentives that help in the areas listed below would particularly beneficial.
    - Insulation
    - Window replacement
    - Boiler upgrades
    - Programmable/smart thermostats
    - Heating system conversions
    - Lighting initiatives
    - Supporting the implementation of sub-metering

**An additional key feature is to omit any requirement to state that the work is capital.** That is for the reasons we discussed at our meeting, namely the risk such a statement would have of negative impact on the tax treatment of the net cost of the work as a current expense or a capital item (with a 4% CCA rate).

We recommend the foregoing features in the program which is now being designed.

**Conclusion**

We would be happy to provide further input on these issues or any issues which the program designers may want to discuss.

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**What rental providers want in energy retrofit incentives**

*Published in RHB Magazine in January 2017*

The federal government is considering energy retrofit incentive programs to achieve greenhouse gas reductions and energy savings for rental providers and tenants. In order to make our submission to the government, CFAA polled a number of major landlords to find out what they want to see in energy retrofit incentive programs. Many of the suggestions would also be important for small scale landlords. Here is what we heard.

*Overall issues*

- Rebates work best when distributors and contractors can handle the entire process and use the rebates as added value in their offerings.
- Processes should be as easy and streamlined as possible to minimize the demand on applicants.
- Avoid frequent program turnover, and programs which end unexpectedly or don't look far enough ahead.

*Communications*

- Clear, timely communication is important. (We often hear about programs – new programs, changes to programs, end dates for programs - from industry contacts rather than through program providers.)
- Clear communication of program details is required to optimize program use. Projects which could have benefited from a program may fail to go ahead if project managers are not aware of the full benefit available.
- Alternate pathways are useful, especially if they are communicated well.

*Timing issues*

- Whenever possible use one-time (single) application, rather than multi-stage application process
- Retroactive applications accepted, rather than being paced by pre-approval processes
- Minimal lead time for application approval
- Quick funding payouts
- Commit to turnaround times and meet the time commitments.

*Quantum issues*

- Avoid incentives that are too low or have too many program restrictions
- The easiest programs to participate in often provide lower incentives. The larger incentives usually have a more rigorous application process to ensure incentive programs are not being abused. Many rental providers do not want programs to be simplified at the expense of the amount of the incentive.
- Programs with no upfront cost allow for quick adoption.

*Flexibility and alternate pathways*

- Flexibility to select an appropriate product avoids concerns about the quality of the product or its suitability for the property. Where a program prescribes specific products, provisions should be in place to allow other products which will perform the same or better to be accepted.

- Offer both prescriptive (quick and easy) programs, and custom programs based on performance requirements (to support other - possibly newer – technologies which can also meet the program objectives).
- Provide alternate pathways. For example:
  - Sometimes removal and disposal records are not available. Program designers should be aware of this point and provide an alternative such as a letter template which can be signed and provided in place of a formal disposal record. Ontario's SaveOnEnergy programs have this option.
  - Some programs require third party involvement to qualify for incentives. Alternative pathways would allow organizations which have the in-house expertise to complete these tasks, along with a process for holding those parties accountable (for example with the stamp of a professional engineer).

*Other program design issues*

- Use prescriptive incentives for standard retrofits (lighting, motors, E-star appliances, low-flow toilets, etc.)
- Use custom incentives for performance based initiatives (BAS, VFD controlled ventilation/pumping, motion-controlled lighting, etc.)
- Use incentive streams, rather than loan structures, to assist with large capital investment projects leading to energy/demand savings (windows, EIFS, CHP, heat fuel-switching, etc.)
- Provide certainty that incentives will still be available when the project is complete or the incentives can be applied for.
- Support project planning and budgeting activities by providing certainty regarding the incentive amount.
- Allow exceptions to program rules where variations support the program objectives.

*Other program implementation issues*

- Avoid forms and portals which are difficult to work with (e.g., too complex, poor guidance, poor navigation, slow to move through or upload to) or that require the same information to be provided more than once.
- Having knowledgeable, helpful staff available at the incentive provider to support the program will make it more effective. Having the option to deal with a human being is a plus.

*Target areas*

- Incentives that help in the areas listed below would particularly beneficial.
  - Insulation
  - Window replacement
  - Boiler upgrades
  - Programmable/smart thermostats
  - Heating system conversions
  - Lighting initiatives
  - Supporting the implementation of sub-metering