



**Subject:** *Loan Program Updates - PACE and Well & Septic*  
**To:** Corporate and Residential Services Committee  
**Date Prepared:** November 14, 2024  
**Related Motions:** C20(243), C23(112)  
**Prepared by:** Seonaid MacDonell, Sustainability Coordinator  
**Approved by:** Adam Clarkson, Director Corporate Services

### Summary

This report provides an update on the status of two (2) financing loan programs that are currently running as pilot programs and gauges Council's decision on continuing the loan program(s) beyond their pilots.

Bylaw IO-500 was approved in May 2022, leading to the launch of the Property Assessed Clean Energy (PACE) financing program in June 2022. Council approved a maximum lending amount of \$100,000 for the pilot project to gauge community appetite for a home energy efficiency upgrade funding program. The PACE pilot program is being administrated through the Clean Foundation. As of the date of this report the \$100,000 has been allocated; with two (2) residents having completed their upgrades and three (3) residents moving through the approval process.

Following the July 2024 approval of Bylaw A-200, in September 2024 staff launched the Water Supply and On-Site Sewage Disposal System Upgrade Lending Program ("Well and Septic Loan Program"). Council approved a maximum lending amount of \$200,000 for the pilot project. As of the date of this report, \$125,000 has been allocated to five (5) residents; with three (3) residents having received full approval and two (2) moving through the approval process.

Both programs are now managed by the Sustainability Coordinator in Corporate Services, with support from Finance staff. Staff have identified an opportunity to provide a parallel update on the funding programs as Council's decision to continue the loan program(s) will impact the sustainability workplan.

When funds are loaned from these two programs they are recorded on the municipality's financial reports as either Loan Receivable - PACE Program, or Loan Receivable - Well and Septic Program. These are reflected on the balance sheet report.

### Financial Impact Statement

#### PACE Pilot Program Overview

- \$100,000 pilot program
- \$100,000 allocated in first two (2) years of program

#### PACE Program Recommendation

- \$250,000 program

#### Well & Septic Pilot Program Overview

- \$200,000 pilot program
- \$125,000 allocated in first two (2) months of program

#### Well & Septic Recommendation

- \$400,000 program

## Recommendation

If Council is interested in continuing to offer a Property Assessed Clean Energy program, staff recommend maintaining the relationship with the Clean Foundation as program administrator. Staff further recommend that the approved maximum program funding amount of \$100,000 be increased to \$250,000, and the maximum financing amount per household be increased from \$20,000 to \$25,000 to align with other East Hants funding programs.

For Well and Septic Loan Program, staff recommend that the approved maximum program funding amount of \$200,000 be increased to \$400,000, to allow for additional program participation and insight into the benefits of implementing a long-term program.

## Recommended Motion

*Move that the Corporate and Residential Services Committee recommend that Council direct staff to:*

- 1. Continue with the PACE Loan Program under Bylaw IO-500, with administration by the Clean Foundation, with the maximum program funding amount to be increased to \$250,000 and the maximum financing amount per household is to be increased to \$25,000.*
- 2. Extend the Well and Septic Loan Pilot Program under Bylaw A-200, with the maximum program funding amount to be increased to \$400,000.*

---

## Background

There are two (2) loan programs that are currently running as pilot programs. As of the date of this report, both programs are now managed by the Sustainability Coordinator in Corporate Services, with support from Finance staff.

### Property Assessed Clean Energy (PACE) Loan Program

In 2020, Council directed staff to enter into discussions with the Clean Foundation to join their clean energy financing program for a pilot project to gauge community appetite for a home energy efficiency upgrade funding program. In May 2022, Bylaw IO-500 was approved, and in June 2022 the PACE Program was launched through the Clean Foundation. The program launched as a pilot program, with a maximum loan amount of \$20,000 per applicant.

The approved loan is a ten (10) year financing term, allowing early repayment with no penalty, and is financed against the property as a lien against title. The interest rate is set per the Municipal Fee Policy, and is currently Prime rate less 1.6% at the time of borrowing. There is a program fee charged to each applicant that is included in the total financing amount to cover the costs of the Clean Foundation administering the program; the program fee was \$650 and as of July 2024 has increased to \$800.

The intent of the program is for the cost of clean energy upgrades, program fees, and the cost of borrowing to be less than or equal to the estimated energy savings over the financing period. The program will only finance an upgrade that meets this one-to-one debt to savings ratio. Eligible clean energy upgrades include: insulation, windows, doors, heat recovery, heat pumps, geothermal, wood/pellet stoves and boilers, and solar. A home energy assessment is required to participate in the program. If the home energy assessment is booked through the Clean Foundation, the cost is covered in the Clean Foundation's program fee.

The Clean Foundation began administering PACE programming for municipalities in 2016; they currently administer programs for twelve (12) municipalities. The Clean Foundation's role as administrator includes marketing, addressing inquiries, receiving and reviewing applications, supporting and/or coordinating home energy assessments, supporting homeowners with upgrade plans, and paying contractor invoices. Clean invoices

the participating municipalities and once upgrades are done the homeowner’s payment plan begins as an addition to their tax bill.

At the date of this report, the Municipality has seen two (2) applications move through to upgrade completion and three (3) applications are currently in progress. Two (2) applications have been rejected. The following table summarizes the approved and in progress PACE application files.

| File Code   | File Status               | Community       | Loan Approved Amount | Allocated Funds    |
|-------------|---------------------------|-----------------|----------------------|--------------------|
| CEFMEH-489  | Approved - Work Completed | Shubenacadie    | \$13,412.33          | \$13,412.33        |
| CEFMEH-806  | Approved - Work Completed | Nine Mile River | \$17,426.02          | \$17,426.02        |
| CEFMEH-505  | Application in Progress   | Hardwoodlands   | \$TBD                | \$20,000 (Maximum) |
| CEFMEH-1130 | Application in Progress   | East Noel       | \$TBD                | \$20,000 (Maximum) |
| CEFMEH-1184 | Application in Progress   | Mount Uniacke   | \$TBD                | \$20,000 (Maximum) |
|             |                           |                 | <b>\$30,838.35</b>   | <b>\$100,000*</b>  |

\*Actual loan approved amounts will not exceed the Council approved \$100,000. Maximum \$20,000/resident allocated as placeholder until loan is approved, informing balance of funds available for next-in-line.

There is also currently a waitlist of four (4) property owners. Thirty-two (32) property owners opted not to proceed with the program, categorized as “early exit” files; details on reasons for early exits are included in the Discussion section of this report.

**Well and Septic Loan Program**

During the creation of the PACE program, discussion was held on the possibility of a similar program for supporting residents with repairs and replacements of their water supply and septic systems. Discussion on potential program structure and funding options occurred throughout 2022 and 2023. In July 2024, Bylaw A-200 was approved, and in September 2024 staff launched the Water Supply and On-Site Sewage Disposal System Upgrade Lending Program (“Well and Septic Loan Program”). The program launched as a pilot program, with a maximum program funding amount of \$200,000, and a maximum loan amount of \$25,000 per applicant.

The approved loan is a ten (10) year financing term, allowing early repayment with no penalty, and is financed against the property as a lien against title. The interest rate is set per the Municipal Fee Policy, and is currently Prime rate less 1.6% at the time of borrowing. There is no administration cost for the program. The program is administered in-house in Corporate Services with support from Finance.

Program eligibility requirements include:

- A total taxable household income that does not exceed \$100,000;
- Be the registered Property Owner;
- The property must be occupied by the Property Owner for a minimum of 6 months of the year;
- Property must be an existing detached, semi-detached or row house style home within the East Hants municipal boundary; and
- There must be no defaults on municipal taxes, rates or charges.

Approved applicants have six (6) months from the Effective Date on their Financing Agreement to complete the upgrade work and submit their invoices to the Municipality’s Finance Department.

The Well and Septic Loan program has been advertised through our Municipal social media accounts and our Fall 2024 newsletter. At the time that this report was written, analytics from our website show that the Well and Septic Loan Program webpage has been viewed by nearly seven hundred (700) individuals and the application form was downloaded one hundred and sixty-two (162) times.

After the Fall 2024 Municipal newsletter was released, staff received a number of phone calls, emails and in-person inquiries about the program. This has led to staff sending out ten (10) application information packages, in addition to those who downloaded the form directly from the website. It's expected that after the winter season, there may be an influx of inquiries for the next construction season.

At the date of this report, the Municipality has had six (6) submitted applications within the first two (2) months of the program. One (1) application was rejected as the applicant was not within East Hants' boundaries. Three (3) applications have been approved with Financing Agreements fully executed and residents approved to proceed with the work. Two (2) applications are currently in progress, working through some final quote and/or application details.

The following table summarizes the approved and in progress Well and Septic Loan Program application files.

| File #   | File Status             | Community         | Loan Approved Amount              | Allocated Funds   |
|--|-------------------------|-------------------|-----------------------------------|-------------------|
| WS001  | Approved                | Hardwoodlands     | \$17,000                          | \$25,000 (Buffer) |
| WS002  | Approved                | Upper Rawdon      | \$20,700                          | \$25,000 (Buffer) |
| WS003  | Approved                | Rawdon Gold Mines | \$25,000                          | \$25,000 (Maxed)  |
| WS004  | Application in Progress | Mill Village      | \$19,550                          | \$25,000 (Buffer) |
| WS006  | Application in Progress | East Walton       | \$TBD<br>(anticipating ~\$15,000) | \$25,000          |
| <b>Currently approved: \$82,250</b>              |                         |                   |                                   | <b>\$125,000</b>  |
| <b>Anticipating:<br/>approximately \$100,000</b> |                         |                   |                                   |                   |

As of the date of this report, \$125,000 of the \$200,000 pilot project funds have been allocated. There is currently funding for three (3) more property owners to participate. Note: the pilot project has been structured to allocate a maximum loan amount of \$25,000/applicant to ensure a contingency buffer is available should applicant(s) require 'top up' funds beyond their initial loan approval amount, up to the maximum loan amount. While program documents/agreements clearly state that the loan approval amount is only for the loan amount approved in the financing agreement, and that any additional funding will be subject to availability of funds and approval by way of an amending agreement, staff have opted to take a conservative approach of maintaining a buffer for the pilot project.

Staff anticipate folks may run into surprises through the construction process requiring additional funds beyond their initial approval amount; understanding the demographics of property owners participating in this program, staff want to minimize or mitigate property owners finding themselves in a challenging spot of requiring additional funds to complete the work but not having access to said funds.

Staff anticipate another wave of interest come spring construction season; should sufficient funding remain available, and/or Council approve additional funding, staff plan to launch an advertising campaign pre-spring construction season.

## Discussion

Council’s decision on the status of these loan program(s) will influence the 2025/2026 sustainability workplan.

### PACE LOAN PROGRAM

#### Program Administration

The Clean Foundation brings significant value as program administrator. Having managed PACE programming for municipalities since 2016, the Clean Foundation brings years of program experience that municipal staff do not have. The Clean Foundation also provides a network of eleven (11) other participating municipalities, allowing East Hants to capitalize on their respective knowledge and program resources.

The Clean Foundation helps coordinate and/or conducts (depending on homeowner’s preference) the home energy assessment, which includes conducting in-person audits of property owner’s homes and the respective energy modelling and analysis. This is not a service East Hants would currently be able to provide in-house due to competency and capacity. The Clean Foundation has home energy assessors on staff who have the subject matter expertise to conduct home energy assessments and work with property owners to develop their home energy upgrade plans to ensure the debt to savings ratio is met.

The Clean Foundation also has extensive knowledge of other publicly available loans and grant programs, and can refer residents to and help them navigate other programs, such as HomeWarming, Canada Greener Homes Loan, Oil to Heat Pump Affordability program and Efficiency Nova Scotia rebate and Moderate Income Rebate programs. From the thirty-two (32) applicants who exited the program early, five (5) left the program for another financing or program opportunity. The other reasons documented for an applicant to leave the program early include: homeowners wanting to perform upgrades not eligible for the PACE program, upgrades did not meet the program return on investment (ROI), personal reasons, application expired, and no further contact with the applicant.

Continuing the relationship with the Clean Foundation as PACE Loan Program administrator allows municipal staff to focus internal capacity on more organization/community-wide items in the sustainability workplan.

#### PACE Pilot Program Learnings

Positives of the program include the ability to outsource administration, keeping municipal costs low, and the program’s requirement for a 1:1 debt-to-savings ration ensuring residents maximize the benefits of funded projects and receive a return on their investment. The program is a relatively passive way for East Hants to contribute to a cleaner community, through supports for resident action.

The Clean Foundation has noted that the \$20,000 financing limit per project is not sufficient for larger upgrades such as solar or for multiple upgrades packaged into one application. A jurisdictional scan of other municipalities providing similar PACE programming indicates a financing limit range of \$10,000 to \$40,000, as outlined in table below.

| Municipality           | Year Program Started | Number of Completed Projects | Interest Rate                                  | Term     | Loan Amount          |
|------------------------|----------------------|------------------------------|--|----------|----------------------|
| Town of Amherst        | 2019                 | 4                            | Based on the municipality’s cost to borrow +2% | 10 years | \$15,000 to \$25,000 |
| District of Barrington | 2017                 | 2                            | 4%   | 10 years | \$10,000             |

|                        |      |    |  |          |   |
|------------------------|------|----|--|----------|---|
| Town of Bridgewater    | 2016 | 69 | 1% (FCM loan to keep interest rate low)        | 15 years | \$15,000 to \$40,000  |
| District of Chester    | 2023 | 1  | 3%   | 15 years | Lesser of \$40,000 or 15% of the full assessed property value |
| Cumberland County      | 2019 | 3  | Based on the municipality's cost to borrow +2% | 10 years | \$15,000 to \$25,000  |
| District of Digby      | 2016 | 22 | 2%   | 15 years | \$10,000 to \$25,000  |
| District of East Hants | 2022 | 2  | Prime rate less 1.6% at the time of borrowing  | 10 years | \$20,000  |
| Inverness County       | 2022 | 12 | 1.5% (FCM loan to keep interest rate low)      | 15 years | \$15,000  |
| District of Lunenburg  | 2016 | 41 | 2%   | 15 years | Up to \$20,000  |
| Town of New Glasgow    | 2021 | 27 | 1.5% (FCM loan to keep interest rate low)      | 10 years | Up to \$15,000  |
| Victoria County        | 2021 | 4  | 4%   | 10 years | \$20,000  |
| District of Yarmouth   | 2019 | 3  | Based on the municipality's cost to borrow +1% | 10 years | \$15,000  |

They have also shared that the majority of energy upgrade modelling shows a payback period of 10-15 years; as such they recommend extending the loan duration from ten (10) years to fifteen (15). It is East Hants' standard to provide ten (10) year loan durations for similar loan programs. It's modeled after East Hants' local improvement process which are generally ten (10) years and it has been standard practice to have one payment per year with the final tax bill, and increasing the loan duration can increase our default risk.

The Clean Foundation also shared that lower interest rates are more appealing to homeowners and also increase the likelihood of a homeowner's desired upgrade meeting the program's 1:1 debt-to-savings ratio. Municipalities who have a lower interest rate tend and/or a longer loan repayment period to have a higher participation in the program.

Staff have identified some program changes depending on if the program is to move forward from an administrative standpoint, and would work with Clean to implement these changes to streamline the application process and overall program.

#### WELL AND SEPTIC LOAN PROGRAM Program Administration

The program is fully administered by internal staff. Unlike the PACE Program, there are no established third-party program administrators for programs like this, therefore, the administrative cost is absorbed into staff salaries.

### Well and Septic Pilot Program Learnings

The program is still in its infancy to have a comprehensive list of successes and challenges. Staff have heard feedback through discussions with interested residents that there is a value to this program being offered by the Municipality. Staff recommend extending the pilot program by increasing pilot program funds and reporting back after a full seasonal cycle of the program has been completed. At that time, staff would be able to provide more details on program pros and cons and could compile further feedback from residents. Currently we know that there is interest in the program, but we would like additional funds to extend the pilot to gain further insight on if it would benefit as a long-term program, and if so, what adjustments, if any, should be made to a more permanent program based on resident feedback.

### STRATEGIC ALIGNMENT

The PACE Program and the Well and Septic Loan Program both align with the Municipality's key strategies of Sustainable Infrastructure and Strong Communities.

### LEGISLATIVE AUTHORITY

Sections 81A(1)(a)-(d) of the *Municipal Government Act* (MGA) empowers municipalities to "...make by-laws imposing, fixing and providing methods of enforcing payment of charges for the financing and installation of... energy-efficiency equipment; renewable energy equipment; equipment for the supply, use, storage or conservation of water; and on-site sewage disposal equipment."

---

## Alternatives

### Alternative Option for the PACE Loan Program

Council may decide not to continue offering a PACE Loan Program. If this alternative is the preferred option of Council, a recommended motion is as follows:

***Move that the Corporate and Residential Services Committee recommend that Council direct staff to wrap up the PACE Loan Program under Bylaw 10-500, returning to Council to repeal the by-law once the initial \$100,000 and/or contract with Clean is exhausted.***

### Alternative Option for the Well and Septic Loan Program

Council may decide not to continue offering a Well and Septic Loan Program. If this alternative is the preferred option of Council, a recommended motion is as follows:

***Move that the Corporate and Residential Services Committee recommend that Council direct staff to wrap up the Well and Septic Loan Program under Bylaw A-200, returning to Council to repeal the by-law once the initial \$200,000 is exhausted.***

---