

# **Ashland Energy Retrofit Loan Program Outline**

## **Relationship to CEAP Goals and Priority Actions**

**Goals:** Reduce greenhouse gas emissions associated with Ashland's building energy use  
Increase energy and water efficiency in City and private buildings

**Strategy BE-1:** Support cleaner energy sources

**Priority Action BE-1-2:** Promote switching to low and non-carbon fuels

**Strategy BE-2:** Encourage increased building energy efficiency and conservation

**Priority Action BE-2-1:** Increase outreach efforts to expand participation in energy efficiency programs

**Equity Considerations:** Design of an energy retrofit loan program should reflect CEAP implementation equity considerations of "Shared Benefits" and "Accessibility" (p113)

The City of Ashland already offers residents advice and assistance to reduce home energy use. City staff are available to conduct an on site energy review to identify ways to conserve energy through weatherization or increase energy efficiency by upgrading heating and cooling systems and electric appliances. The City offers cash incentives to upgrade heating and cooling systems, refrigerators, clothes washers and dryers, and heat pump hot water heaters. Despite the availability of these cash incentives and the opportunity for long-term savings, many Ashland homeowners may not be able to pay the up-front cost of upgrades.

To address this need, the City offers zero-interest loans to eligible utility customers for heating system upgrades and window replacements under a Conservation Service Charge Financing Program. Maximum financing available is \$7,500, and repayment is collected monthly on the household utility bill over five years. The loan includes a \$50 recording fee to register the loan and attach a note to the property deed, and it must be paid in full if the home is sold or converted into a rental. The program is budgeted in the Electricity Fund; each of the last two biennial budgets appropriated \$160,000. Since 2013, the City has made 67 loans through the program for \$413,117. There have been just two partial defaults in 20 years out of about 250 loans.

## **Proposal**

The Conservation Service Charge Financing Program has served Ashland well and provided the City and residents a valuable tool to facilitate implementation of home efficiency improvements. City residents have shown great interest in reducing greenhouse gas emissions

related to their home's systems, appliances, and building envelope, but the cost is out of reach for many residents without low cost financing. In order to meet the greenhouse gas reduction goals in the Climate and Energy Action Plan adopted by the City Council in 2017, the current Conservation Service Charge Financing Program could be expanded and focused on high impact improvements as follows:

1. **Eligible expenses.** Installation of heating, ventilation, and air conditioning heat pump technology and control systems; high efficiency electric appliances; and building envelope insulation and sealing of roofs, doors, and windows.
2. **Financial terms.** Increase the maximum loan amount to \$15,000. Apply an interest rate of 3 percent on loans under \$7,500 to be repaid over 5 years; and 5 percent on loans up to \$15,000 to be repaid over 10 years. Replace the \$50 recording fee with a 1 percent front-end fee rolled into the loan amount.
3. **Relationship with other incentive programs.** The current loan program is not offered to residents who take a cash incentive. An expanded program should allow low income residents to take advantage of cash incentives and the loan program.
4. **Funding.** Continue to budget the program in the Electricity Fund. Increase the budget envelope by doubling the biennial appropriation to \$320,000 and adding \$100,000 from monetization of Clean Fuel Credits. In addition, explore with City finance department staff the feasibility of offering loan participations to local investors as a way of recycling loans more quickly and increase the availability of funding.

### **Next steps**

If the Climate Policy Commission endorses these basic elements of the approach, we will prepare a full proposal for approval in the February CPC meeting.

January 2, 2021