

STAFF REPORT

TO: Mayor and Councillors

FROM: Accounting Manager and Policy Planner

DATE: 12 March 2010

SUBJECT: **Voluntary Rates Repayment Scheme for Clean Heat Warm Homes Programme – RCN10-03-02**

PURPOSE/REASON FOR REPORT

To seek Council approval to establish a (voluntary) rates repayment scheme that enables ratepayers to fund upgrades to insulation and home heating and take advantage of subsidies offered by the government through the Energy Efficiency Conservation Authority (EECA), for inclusion in the Draft Annual Plan 2010/2011.

COMMENT/DISCUSSION

EECA is keen to promote the uptake of the scheme further and is working with Councils to establish systems whereby ratepayers can have insulation and upgraded home heating installed, and repay costs of installation back through their rates over ten years.

This scheme is aimed at assisting people to access government subsidies by making the balance of money more easily available. The homeowner can receive one third, up to \$1300, of the total costs of insulation and \$500 for the heating upgrade. Community services card holders are eligible for two thirds funding from EECA. The average total costs of work could be up to \$3,000 and \$4,000 respectively and many households would not have the available capital to fund the balance.

The Council has agreed in principle to investigate this possibility of adopting this project for Tasman District ratepayers.

This rates repayment scheme provides a cost effective alternative to other more costly options.

Council costs

The scheme will be cost neutral to Council. All additional costs incurred in respect of the scheme will be recovered by the targeted rate. This scheme would have no impact on the rates of ratepayers who do not participate in the scheme.

A rate will be struck for each ratepayer wanting to take advantage of the scheme that includes

- Recovery of the total amount paid to the service provider (less any subsidy from EECA)
- Interest costs and
- Administration costs

The same interest rate Council uses in its Annual Plan (currently 7.1%) will be applied to the grant over the term of the targeted rate. Information about the rate will be on the property file and provided in LIM reports.

Staff and administration costs of this scheme are highest at the set up stage and will decrease as the administration systems are established.

An additional benefit of this scheme is the establishment of systems and processes which can be adopted in the future to help ratepayers fund other services (e.g. solar hot water systems, water storage).

An overview of the mechanics of the scheme is appended to this report.

Finance

Ratepayers opting to take a grant from the scheme will be agreeing to pay a targeted rate over 10 years to repay the grant and administration fee. As the rate would not be included in the assessment notice as at 1 July, the rate is repaid over the subsequent nine years. The targeted rate would compromise the repayment of the grant, administration costs and interest costs. The interest cost will vary from year to year and will be tied to Council's Annual Plan interest rate.

The targeted rate will be charged as a percentage of the combined costs, the same percentage will be charged to all ratepayers opting to take part in the scheme regardless of where their property is located in the Tasman District.

The rate stays with the property not the owner. If the house was sold, the rate would continue until the grant had been repaid.

As an example of the calculation, using Council's current interest rate of 7.1% over a ten year period would equate to a rate of 15.55 cents per dollar of the combined cost. For a grant of \$2,500 and an administration fee of \$125.00 the rate would be \$406.03 (GST excl) per annum.

Further examples of the rate for varying grant costs:

Proposed factor for 2010/2011 0.1555

Total costs of Grant	Annual Rate
\$2,000	\$311.00
\$2,600	\$404.30
\$3,500	\$544.25

The average costs of retrofitting a house are around:

Insulation – costs range from about \$2200 to \$3400 for a ceiling and floor insulation retrofit (average \$2800).

Clean heat – a replacement heater about \$4000. The house must first be properly insulated before heating can be upgraded, to qualify for the EECA grant.

Assuming an average cost of \$1,868 for insulation, and \$3,500 for clean heating, along with ratios of one third and two thirds respectively the maximum commitment to Council would be around \$500,000. This is allowing for the \$1,300 and \$500 EECA subsidies.

RECOMMENDATION

- 1. THAT Council receives this report;**
- 2. THAT Council adopt a Clean Heat Warm Homes Voluntary Rates Repayment Scheme that;**
 - **Recovers the installed cost plus interest and administration costs, less any subsidy from EECA, for the installation of insulation and/or the upgrade of a clean air compliant heater from the ratepayer over a term of ten years,**
 - **Is available to all ratepayers not in rate arrears,**
 - **Is capped at \$2,600 for insulation, and \$3,500 for heating per household,**
 - **Is limited to work on insulation and home heating approved by EECA,**
 - **Is limited to a total of 200 houses.**
- 3. THAT Council seek the views of the Community likely to be affected, or have interest in this scheme by including the proposals in the Draft Annual Plan 2010/2011.**

Mary-Anne Baker
POLICY PLANNER

R Holden
ACCOUNTING MANAGER

Tasman Warm Homes

What is being offered?

The Tasman District Council is offering a service to ratepayers to help make their homes warmer and healthier. The Council can provide up to \$2,600 for insulation and \$3,500 for upgrade to clean air compliant heaters (including GST), which will be recovered over nine years through a property's rates.

The targeted rate will appear on rates assessment and invoices after July each year.

The rate is based on 7.1% interest which is set once a year and subject to change each year.

How it works

EECA has agreements with specific service providers which include product, price and performance requirements and includes an auditing process.

EECA will also establish an agreement with the Council linking EECA's undertaking to provide grants for clean heat and warm homes and the Council's undertaking this scheme in a coordinated manner.

The Council will establish agreements with service providers to facilitate and carry out the installation of insulation and upgraded home heating in Tasman.

A ratepayer may choose to engage a service provider to carry out specified insulation or home heating upgrades under this scheme. This is subject to normal contract provisions and consumer protections.

Once a ratepayer decides to have insulation or home heating upgraded, the Council establishes the rate.

The rate remains with the property. A person selling the house must advise the new owner of the rate. Information about the rate will be given with any LIM request.

Conditions

To be eligible for this service you must:

1. Be the ratepayer for the house
2. Be up to date with your rate payments
3. Have a house built before 2000
4. Be receiving an EECA grant through an EECA-approved service provider

How to apply

- Contact an EECA-approved service provider through www.energywise.govt.nz or 0800 358 676
- A service provider will assess your home for free and provide insulation and heating options. (You may wish to get more than one quote)
- The service provider will outline the funding options available to you through both EECA and Tasman District Council. The service provider you select will help you complete the application form