

Local Improvement Charges

A Municipal Policy Tool to Finance Renewable Energy and Energy Efficiency

How do local improvement charges work?

Municipalities have a long history of using Local Improvement Charges (LICs) to help cover the costs of infrastructure improvements (roads, sidewalks, etc.). The benefiting property-owners are assessed the LIC on their property taxes until their share of the improvements have been paid for. The concept could be extended to energy efficiency and renewable energy improvements on individual properties, where the resulting reductions in global warming pollution would be a benefit to the entire community. If designed well, using LICs in this way should enable municipal action on climate change at no additional net cost to local government.

Why is encouraging renewable energy and energy efficiency in homes important?

The pressing need for climate change solutions is the main reason why municipalities are considering this type of local improvement charge. In B.C., the province has set aggressive targets to reduce emissions, and municipalities will need to be part of the solution to achieve overall success. Municipalities also want to benefit from the solutions, and local improvement charges ensure that the changes that help reduce emissions also strengthen local economies.

Why will local improvement charges help encourage renewable energy and energy efficiency?

The main advantage of an LIC program compared to traditional methods of financing energy efficiency and renewable energy is that the LIC is linked to the property as opposed to the property owner. This makes improvements with long payback periods more attractive to home-owners because their costs and benefits are both passed on to new owners. Like traditional financing options, LICs can also help make capital available to homeowners that might not have access to sufficient funds.

Is it legal to use LICs to support energy efficiency and renewable energy?

According to a legal opinion produced by *Lidstone, Young, Anderson* for the District of Central Saanich in 2007, local improvement charges can be used to support investments in energy efficiency and renewable energy.

Are local improvement charges a silver bullet for energy efficiency and renewable energy in homes?

Local improvement charges can help homeowners surmount some of the barriers that typically deter them from making capital intensive investments in energy efficiency and renewable energy. They are not a silver bullet however, and they will need to be accompanied by a mix of other important policies such as strong building codes and carbon taxes for example.

Are there unanswered questions?

Local improvement charges have been used to finance renewable energy and energy efficiency in the Yukon and Berkeley, California, but they are a new concept for almost all Canadian municipalities. As a result, there are many questions about the efficacy and efficiency of potential programs in Canada. Well-designed pilot programs can best answer these questions.

Is additional information available?

The Pembina Institute completed two pieces of research on local improvement charges, which are available at: <http://www.pembina.org/pub/197> and <http://www.pembina.org/pub/170>. Interested municipalities could also talk with Berkeley, California (which recently launched a similar type of program), and the Yukon (which has been using LICs to finance renewable energy systems for off-grid housing).