GREEN MUNICIPAL FUND
FONDS MUNICIPAL VERT

An Overview of PACE Legislation in Canada

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Contents

About this report

This report offers a snapshot of legislation that enables PACE programs (i.e., property assessed clean energy programs) across Canadian provinces and territories as of 2024.

It has been written for policymakers, municipal officials and administrators, local efficiency financing program designers, and financial institutions and private investors interested in PACE programs.

Understanding the PACE landscape in Canada is invaluable to municipalities and stakeholders who want to design and implement community energy financing projects.

This report is intended to help you to:

- Identify and summarize existing PACE-enabling legislation
- Compare legislative frameworks across provinces and territories
- Understand the roles and responsibilities of municipalities in PACE programs

FCM's Green Municipal Fund supports municipalities and their partners to design and launch PACE programs and expand their scale and impact across Canada. For more information, visit the Community Efficiency Financing initiative at: greenmunicipalfund.ca/community-efficiency-financing

1.0 Introduction

1.1 Property assessed clean energy (PACE) programs

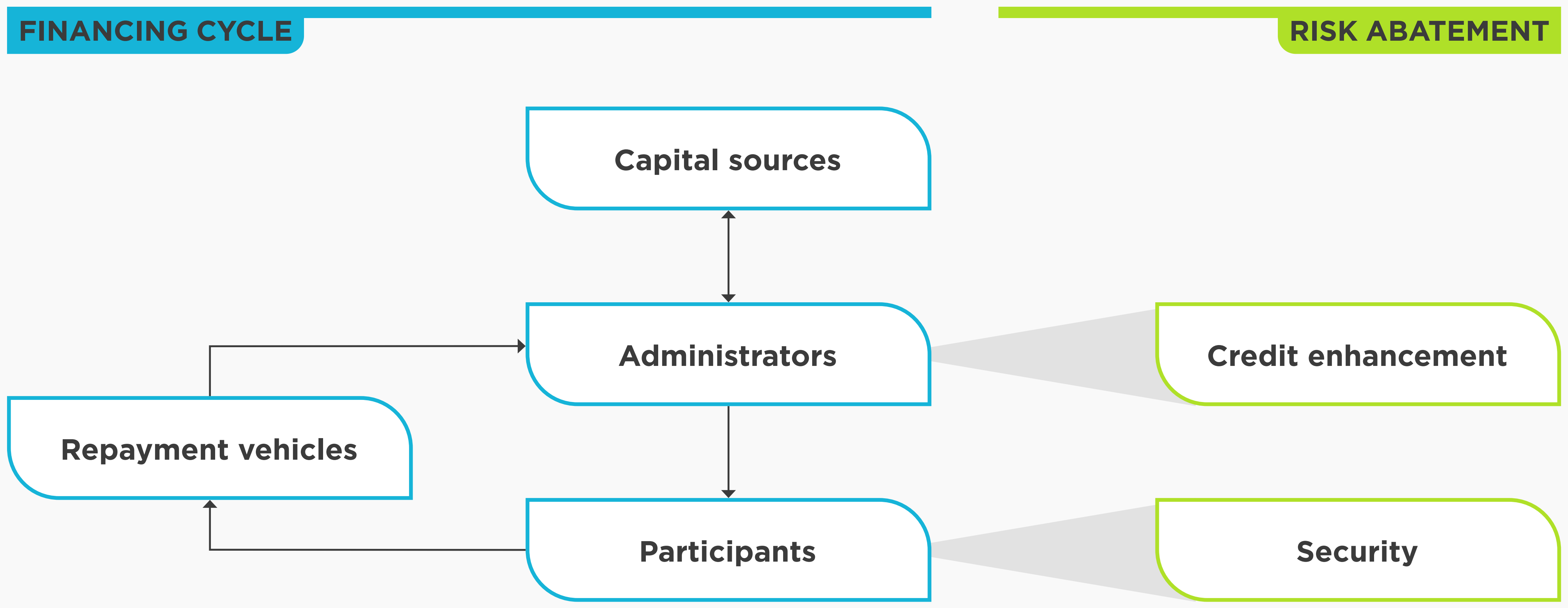
Buildings—and particularly the energy they require for space heating—are a major source of emissions in Canadian municipalities, representing 12 percent of Canadian emissions[1]. Many Canadian municipalities are implementing financing programs to improve energy efficiency in new and existing buildings and to meet emissions reductions targets.

These community energy financing programs are an important complement to incentive programs because they provide the capital homeowners need to make what are often costly energy upgrades. The financing programs in place across Canada vary, with different types of capital sources, administration models, participants and risk-abatement measures[2].

The repayment vehicles (i.e., how the participant repays the loan) that a program offers are key. They drive consumer participation and may impact repayment terms and length. For example, on-bill lending programs leverage utility bills as a repayment vehicle, while a traditional loan program from a financial institution may require direct repayment on a fixed schedule.

1 2030 Emissions Reduction Plan: Clean Air, Strong Economy

2 Examples of risk-abatement measures include credit enhancements, which typically reduce risk for capital lenders, and customer protection measures, which limit risk to participants. Credit enhancements, which often require public capital, may enable programs to offer more attractive or flexible loan terms to participants. Examples of credit enhancements include loan guarantees or loan loss reserves, where part or all of a consumer loan is guaranteed by a third party.



Property assessed clean energy (PACE) programming, the subject of this report, is a financing tool that municipalities can use to enable low-cost, long-term funding for energy efficiency and other improvements to buildings. PACE programs provide upfront capital for eligible projects and use municipal property assessments as the repayment vehicle over a set period (typically 10 to 20 years).

PACE programs are governed under common legislation[3]. They are delivered under two distinct tracks: R-PACE generally covers properties that would be eligible for a typical residential mortgage (i.e., an owner-occupied building with one to five housing units), and C-PACE covers properties that would require a commercial mortgage.

R-PACE and C-PACE differ in their marketing, underwriting criteria, maximum loan value and financing terms, making each well-tuned to the needs of its target market. R-PACE programs typically carry lower interest rates that are competitive with other types of secured lending (e.g., a residential mortgage or HELOC[4]). C-PACE programs often offer more project development support, and provide much larger loans with more discretion over the range of retrofit measures covered.

PACE programs are unique in that the loan assessment is essentially a *property* tax lien, and it is attached to the property rather than the *owner*. The following benefits make PACE an effective financing tool even in a low interest rate environment:

- PACE programs offer access to long-term financing to fund energy retrofits, with 20-year terms or longer that reflect the longer payback periods associated with deep energy retrofits.
- Their priority lien status is considered very secure. A PACE loan would be paid back ahead of the outstanding mortgage in the case of a default. This low risk profile makes PACE attractive to lenders, enabling programs to offer financing at competitive interest rates with streamlined underwriting criteria.
- PACE's repayment obligation being attached to the property rather than a person allows PACE assessments (i.e., the obligation to repay the cost of the measure) to be transferred when the property is sold. The assessment stays with the new property, and the new owner continues repayment.
- PACE programs experience extremely low to no defaults. The link to the property provides stability for property owners in the event of default. Only past-due payments can be enforced through the tax lien. This means that the full principal balance cannot be called due, unlike a traditional mortgage.

3 PACE is enabled by legislation in six Canadian jurisdictions (provinces and territories) and 37 U.S. states. With over $8.3 billion (USD) in investment in nearly 300,000 individual projects in a diverse range of jurisdictions, PACE is a maturing financing model.

4 Home equity line of credit

THE MUNICIPAL ROLE IN PLACE

Municipalities play a **key role in de-risking PACE** programs by using their property tax collection systems to manage financing and secure PACE loan repayments. Tying loans to property tax assessment reduces risks to lenders and investors while providing a reliable repayment structure.

Municipal involvement in PACE programs can vary:

- A light touch, such as passing an ordinance and collecting payments (private administration)
- Deep involvement, such as administering the program and providing capital

1.2 PACE-enabling legislation in Canada

The legislation governing PACE financing varies across Canadian jurisdictions

The legislation governing PACE financing varies across Canadian jurisdictions (i.e., provinces and territories). As of 2024, PACE-enabling legislation exists in Prince Edward Island, Nova Scotia, Ontario, Saskatchewan, Alberta, Northwest Territories and Yukon. There are also some jurisdictions that do not have clear PACE-enabling legislation, but which have had pilot initiatives or done some other work on establishing PACE programs.

TYPICAL LEGISLATIVE VEHICLES

PACE is typically enabled by making changes to the legal statutes that define municipal authority.

PACE-enabling legislation gives local governments the power to finance improvements on private properties and to collect repayment from homeowners through their municipal tax bills.

For example, Ontario's PACE legislation was applied to the regulation on local improvement charges (O.Reg. 586/06) under the province's *Municipal Act*. Key changes to that legislation allowed local governments to "undertak[e] the private work as a local improvement as if the municipality were undertaking its own work."

Most PACE models allow municipalities to finance and administer the programs themselves or work in partnership with a third-party administrator. However, some PACE models in Canada allow third-party entities and lenders to act as administrators, which can reduce the burden of program administration on local governments.

This report presents key factors that impact how PACE is implemented through its enabling legislation across Canada, including:

- Inclusion of commercial and residential properties
- Definition of commercial and residential properties (e.g., categorization of multi-unit residential buildings (MURBs), condominiums, etc.)
- Categories of eligible measures (e.g., energy efficiency, adaptation, beneficial electrification)
- Financing details and terms (e.g., term lengths, interest rates, underwriting criteria, cost-effectiveness requirements, availability of third-party financing)
- Program administration models
- Sources of capital and flow of funds
- Use of private capital and ability of the municipality to borrow capital
- Consumer protection measures

1.3 Local improvement charges

LICs allow municipalities to recover the costs of local improvement projects

Many provincial and territorial jurisdictions in Canada legislate **local improvement charges** (LICs). LICs allow municipalities to recover all or part of the costs of projects through charges to the properties that benefit from the work. Municipalities must notify affected property owners in advance of the project and legislation typically allows for feedback from property owners, such as petitions.

Although LICs were originally intended for projects that benefit property owners at the community level, amendments to LIC legislation can insert language that allows municipalities to levy LICs for *individual* homes undertaking energy efficiency or renewable energy upgrades. This is a relatively straightforward way for provinces and territories to create a legislative pathway to enable PACE within their jurisdictions.

Laws governing LICs[1] are usually found in provincial or territorial legislation that governs municipalities (see Table 1).

1 Note that the term "LIC" is not used uniformly across jurisdictions in Canada, but we will use it throughout this report to refer to these policy vehicles.

TABLE 1: LIC-governing legislation across Canada

JURISDICTION	LEGISLATION GOVERNING LICS
British Columbia	*Community Charter* (Part 7, Division 5)
Alberta	*Municipal Government Act* (Section 263)
Saskatchewan	*Local Improvements Act*
Manitoba	*The Municipal Act* (Part 10)
Ontario	*Municipal Act* (Local Improvement Charges regulation: O.Reg. 586/06)
Quebec	*Municipal Code of Quebec* (Article 979)
New Brunswick	*Local Governance Act* (Part 12)
Newfoundland and Labrador	*Towns and Local Service Districts Act* (Division 7)
Nova Scotia	*Municipal Government Act* (Section 81)
Prince Edward Island	*Municipal Government Act* (Part 7, Division 5 and 6)
Yukon	*Municipal Act* (Division 3)
Northwest Territories	*Cities, Towns and Villages Act* (beginning Section 117)
Nunavut	*Cities, Towns and Villages Act* (beginning Section 157)

CLIMATE ADAPTATION AND RESILIENCY MEASURES IN PACE PROGRAMS

While language in the relevant legislation and regulations varies between jurisdictions, no province or territory currently explicitly refers to climate adaptation or resiliency measures in its PACE-enabling legislation. (The precise language for each program's eligible measures can be found in the tables for each jurisdiction.)

However, some PACE programs in Canada do include resiliency measures. For example, the Better Loans Ottawa Loan Program covers things like sump pumps, basement waterproofing and tree planting[1]. Decisions to include adaptation or resiliency measures in PACE programs can be made at the municipal level in jurisdictions where the definitions of "eligible measures" are lenient enough to scope in measures beyond energy efficiency.

1 Better Loans Ottawa Loan Program, City of Ottawa. betterhomesottawa.ca/rebate-and-incentive-programs/better-homes-loan-program/

2.0 Provincial PACE-enabling legislation

PACE financing is offered across seven provinces and territories in Canada: Alberta, Saskatchewan, Ontario, Nova Scotia, Prince Edward Island, Northwest Territories and Yukon (see Figure 1). PACE programs have also been established in a limited number of municipalities in British Columbia and Quebec, despite neither province having yet enacted PACE-enabling legislation.

Enabling legislation and program designs for PACE vary greatly across Canada. Alberta's legislative and regulatory framework offer the most specific guidelines for municipalities, while legislation in Saskatchewan, Ontario, Northwest Territories and Nova Scotia is without significant direction on aspects of program design. Prince Edward Island and Yukon each offer a unique policy environment for municipalities. In the former, program design must work within the province's centralized property tax collection system. In the latter, existing legislation only permits PACE financing in areas outside of defined municipalities.

This report offers a snapshot of what PACE-enabling legislation exists (or does not exist) in each province and territory as of 2024.

FIGURE 1: Provinces and territories with established PACE-enabling legislation

Enabling legislation and program designs for PACE vary greatly across Canada

2.1 British Columbia

Currently, British Columbia **does not have PACE-enabling legislation**. To enable PACE in British Columbia, the province would need to amend several statutes that currently govern local government powers, including the *Community Charter, Vancouver Charter, Local Government Act*, and the *Taxation (Rural Area) Act*.

Amendments required to enable PACE in the province would need to allow municipal tax collectors in municipal boundaries and the surveyor of taxes in rural areas to collect PACE annual charges in the same manner and with the same remedies as they collect property taxes.

Amendments would not be required to allow for provincial or municipal borrowing, financing or program administration because several supports for local governments' borrowing already exist under the *Municipal Finance Authority Act* and in municipal and regional district statutory liability constraints.

Through CleanBC, the provincial government's emissions reductions plan, the province has stated its **intent to proceed with a PACE program** but no additional public details have been shared to date[1].

1 Gov.bc.ca, 2024, Buildings and Communities.

2.2 Alberta

The *Clean Energy Improvements Act*, Alberta's PACE-enabling legislation, was passed in July 2018 and came into force in January 2019. The act amended the *Municipal Government Act* to allow municipalities to collect a "clean energy improvement tax" from property owners and to allow borrowing from municipalities to pay for costs associated with clean energy improvements.

Alberta's program is referred to as the Clean Energy Improvement Program (CEIP). An additional regulation (the Clean Energy Improvement Regulation[1], referred to here as "the regulation") sets out the program's framework and parameters.

Interested municipalities in Alberta must pass a CEIP tax bylaw and secure capital required to finance eligible projects before they can offer the program. There are currently 27 municipalities that have passed clean energy improvement tax bylaws and 17 active CEIP programs in Alberta.[2]

1 canlii.org/en/ab/laws/regu/alta-reg-212-2018/latest/alta-reg-212-2018.html
2 abmunis.ca/products-services/clean-energy-improvement-program

Alberta's program is referred to as the Clean Energy Improvement Program

INCLUSION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Both commercial and residential properties are eligible under CEIP but only the City of Edmonton currently offers commercial PACE. The other municipalities only offer residential PACE.

DEFINITION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

The legislation allows for the following types of private property to be eligible for CEIP:

(a) agricultural property (farmland)
(b) non-residential property
(c) residential property

In the City of Edmonton, commercial property applicants must be the current legal owner of a non-residential property or farmland and must have an ownership and corresponding tax payment history of at least five consecutive years[3].

Written permission from the condominium board is required if the property fits the definition of a condominium and the improvement will impact common property.

Definitions of each type of property are included in the *Municipal Government Act*:

(a) "Farmland" means land used for farming operations as defined in the regulations
(b) "Non-residential" means linear property, components of manufacturing or processing facilities that are used for the co-generation of power, or other property on which industry, commerce or another use takes place, or is permitted to take place under a land use bylaw passed by a council, but does not include farmland or land that is used or intended to be used for permanent living accommodation
(c) "Residential" means property that is not classed by the assessor as farmland, machinery and equipment, or non-residential

3 Further details on commercial eligibility can be found at ceip.abmunis.ca/commercial/

CATEGORIES OF ELIGIBLE MEASURES

The legislation defines a "clean energy improvement" as a renovation, adaptation or installation on eligible private property that:

(a) will increase energy efficiency or the use of renewable energy on that property; and
(b) will be paid for in whole or in part by a tax under this division.

The regulation further states that the program administrator must establish and update a list of types of renovations, adaptations or installations for which clean energy improvement agreements may be made. This list must be published on the program administrator's website.

Eligible measures[4] could include:

- doors, windows, insulation and air sealing
- heating, ventilation and air conditioning
- lighting
- renewable energy, solar PV and thermal
- water heating

4 Full lists of eligible measures for residential programs can be found at ceip.abmunis.ca/residential/ and a full list of eligible measures for commercial programs can be found at ceip.abmunis.ca/wp-content/uploads/CEIP-Commercial-Upgrades.pdf.

FINANCING DETAILS AND TERMS

Under the regulation, capital costs of undertaking all clean energy improvements to the property must be a minimum of $3,000 and may reach a maximum of:

(a) $50,000 for residential properties

(b) $1 million for non-residential properties

(c) $300,000 for farmland

The participant's annual CEIP repayment cannot exceed the annual municipal property tax amount over the lifetime of the measure.

Interest rates and other terms are not designated in the legislation or regulation. Each municipality can set its own interest rate.

PROGRAM ADMINISTRATION MODELS

Alberta Municipalities has been designated as the program administrator. Municipalities that pass a CEIP tax bylaw must enter into an agreement on program administration with Alberta Municipalities before they can offer the program to property owners.

SOURCES OF CAPITAL AND FLOW OF FUNDS

Municipalities must provide the capital required to finance eligible projects. As the program administrator, Alberta Municipalities verifies project completion and requires municipalities to transfer funds to it to pay the qualified contractor for the completed project. Property owners then repay the municipality for the cost of the project via their regular property tax bill.

USE OF PRIVATE CAPITAL AND BORROWING ABILITY

Municipalities must source capital for the program, either internally or from a third party (i.e., a financial institution or other lender). The legislation and regulation do not prevent the use of private capital for the program.

Borrowing made by a municipality to pay for costs associated with the program does not count against that municipality's debt limit or debt service limit.

CONSUMER PROTECTION MEASURES

The program administrator is required to establish and update a list of qualified contractors on its website[1]. The administrator also must publish a code of conduct for qualified contractors, marketing guidelines, and a policy for removing contractors if they fail to comply with those measures.

The program administrator may request that applicants participate in technical assessments or energy audits before it approves their applications.

1 ceip.abmunis.ca/directory/

OTHER ADDITIONAL OR NOTABLE ASPECTS

N/A

2.3 Saskatchewan

Saskatchewan passed PACE-enabling legislation in July 2020. Bill 194, The *Miscellaneous Municipal Statutes Amendment Act*[1] made various amendments to the *Cities Act*, the *Municipalities Act* and the *Northern Municipalities Act*, including the ability to implement energy efficiency programs for properties by adding costs to property taxes. Although the legislation allows for new regulations to facilitate the creation of PACE programs, no such regulations have been published to date.

Saskatoon is the only municipality in Saskatchewan to have implemented a PACE program, named the Home Energy Loan Program (HELP).

1 publications.saskatchewan.ca/#/products/103943

Saskatoon is the first municipality in the province to implement a PACE program

INCLUSION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Municipalities may choose to include commercial or residential property, or both.

DEFINITION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Residential and commercial properties are not defined in the legislation.

CATEGORIES OF ELIGIBLE MEASURES

The legislation does not prescribe eligible measures. It says that programs may “encourage energy-efficient, renewable energy and other environmental improvements.”

FINANCING DETAILS AND TERMS

The legislation does not prescribe financing details and terms. It does note that the cost of improvements will be added to the owner’s property taxes and that the agreement between the municipality and the property owner is considered a lien on the land, and not a loan or guarantee.

PROGRAM ADMINISTRATION MODELS

The legislation does not prescribe a program administration model. Municipalities are to establish programs via bylaw.

SOURCES OF CAPITAL AND FLOW OF FUNDS

There are no restrictions or guidelines on sources of capital or flow of funds.

USE OF PRIVATE CAPITAL AND BORROWING ABILITY

There are no restrictions on private capital or borrowing ability. This means municipalities could fund programs internally or seek external sources of funding (i.e., from a financial institution or other lender).

CONSUMER PROTECTION MEASURES

The legislation does not prescribe any consumer protection measures.

OTHER ADDITIONAL OR NOTABLE ASPECTS

Unlike some other provinces (e.g., Alberta) that have set specific program terms via regulation, Saskatchewan has enacted PACE-enabling legislation without developing regulations to provide a framework for municipalities. As a result, there is a significant amount of flexibility on program design for municipalities.

SASKATOON HELP PROGRAM

The Saskatoon Home Energy Loan Program (HELP)[1] is currently the only municipal PACE program in Saskatchewan. The program offers loans of $1,000 to $60,000 to Saskatoon homeowners over terms ranging from five to 20 years.

Only the residential sector is eligible for HELP (i.e., single-family residential homes, detached homes, semi-detached homes and row housing). Interest rates vary based on term length and other factors, but currently they range from 3.6 to 4.5 percent.

Projects financed through HELP can include energy efficiency measures (e.g., window replacement, air sealing and smart thermostats), renewable energy measures (e.g., heat pumps and solar PV panels), water conservation measures, and other measures (including electric vehicle charging and battery storage).

The program offers a list of pre-vetted contractors, but homeowners do not have to use a contractor on the list to access financing.

1 saskatoon.ca/environmental-initiatives/energy-water/home-energy-loan-program-help#:~:text=A%20HELP%20loan%20provides%20a,the%20property%2C%20not%20the%20individual

2.4 Manitoba

Manitoba **does not currently have PACE-enabling legislation**. However, the province offers several programs to bolster energy efficiency, including its Home Energy Efficiency Loan program, Manitoba Hydro's Energy Finance Plan, and Efficiency Manitoba's Energy Efficiency Assistance Program.

Enabling PACE in Manitoba would require amending various acts governing municipalities, including *The Municipal Act* and *The Local Government Districts Act*. To date, the province has not indicated any plan to introduce PACE-enabling legislation.

2.5 Ontario

Ontario passed regulatory amendments related to the *Municipal Act*[1] and the *City of Toronto Act*[2] in 2012 to enable municipalities to establish PACE programs. The new regulations allow municipalities to use local improvement charges (LICs), which are typically used to recover capital costs from property owners for community improvement projects like streetlight installation or construction of sidewalks or parks, to recover costs for individual energy efficiency or renewable energy projects.

There are several municipal PACE financing programs in Ontario. These include programs in Toronto (the HELP program and Hi-RIS program), Ottawa (Better Homes Ottawa Loan Program), Guelph (Guelph Greener Homes) and Kingston (Better Homes Kingston), among others.

1 O.Reg 586/06: Local Improvement Charges – Priority Lien Status
2 O.Reg 323/12: Local Improvement Charges – Priority Lien Status

Ontario uses LICs for community improvements and renewable energy projects

INCLUSION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Municipalities may choose to include commercial or residential property, or both.

DEFINITION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Residential and commercial properties are not defined in the regulations, but private property is defined as "a work or property that is not owned by the municipality or a local board of the municipality."

CATEGORIES OF ELIGIBLE MEASURES

The regulations do not prescribe eligible measures, only noting that work must be related to energy efficiency or renewable energy.

FINANCING DETAILS AND TERMS

The regulations do not prescribe financing details and terms. The regulations do note that eligible expenses for recouperation via LICs include interest on short- and long-term borrowing as well as the estimated cost of incurring long-term debt. But specific values for these expenses are not defined.

PROGRAM ADMINISTRATION MODELS

The regulations do not prescribe a program administration model. Municipalities are to establish programs via bylaw.

SOURCES OF CAPITAL AND FLOW OF FUNDS

There are no restrictions or guidelines on sources of capital or flow of funds.

USE OF PRIVATE CAPITAL AND BORROWING ABILITY

There are no restrictions on private capital or borrowing ability. This means municipalities could fund programs internally or seek external sources of funding (i.e., from a financial institution or other lender).

CONSUMER PROTECTION MEASURES

The regulations do not prescribe any consumer protection measures.

OTHER ADDITIONAL OR NOTABLE ASPECTS

The amendments to the enabling regulations essentially added the construction of energy efficiency works or renewable energy works as eligible "work" that a municipality may pass a bylaw to undertake and may impose special charges on. This means there are few program design prescriptions that municipalities must follow when creating a program.

2.6 Quebec

Quebec **does not currently have PACE-enabling legislation**. The province does offer several energy efficiency programs through rebate or incentive programs, but it does not offer financing via PACE.

Despite Quebec not having enabling legislation, attempts have been made to offer PACE programs in the province. For example, a small pilot program called Innovative Financing for Efficient Municipalities began operating in 2016 but was cancelled in 2019 when the administrator ceased operations.

To enable PACE, Quebec would need to amend various acts governing municipalities, including the *Municipal Code of Quebec*, the *Cities and Towns Act* and the *Act Respecting Municipal Taxation*.

To date, the province has not indicated any plan to introduce PACE-enabling legislation.

2.7 New Brunswick

New Brunswick **does not currently have PACE-enabling legislation**. There are some financing programs available in the province, like the Greener Homes Loan program offered by the New Brunswick Teachers Association Credit Union.

Introducing PACE-enabling legislation in New Brunswick is complicated by the way its property tax collection works: the province runs the system—not municipalities. This means municipalities do not have a direct billing relationship with property owners. However, the provincial government could look to Prince Edward Island's enabling legislation, as that province operates under a similar property tax management system.

To date, the province has not indicated any plan to introduce PACE-enabling legislation.

2.8 Newfoundland and Labrador

Newfoundland and Labrador **does not currently have PACE-enabling legislation**. There are some on-bill financing programs available in the province, offered by Newfoundland Power and NL Hydro, in which participants repay loans through their monthly utility bill.

To enable PACE, Newfoundland and Labrador would need to amend various acts governing municipalities, such as the *Towns and Local Service Districts Act* and the *Assessment Act*.

To date, the province has not indicated any plan to introduce PACE-enabling legislation.

2.9
Nova Scotia

Nova Scotia enabled PACE via amendments to the *Municipal Government Act*[1] (section 81A) in 2010. The amendments enable municipalities to create bylaws to allow the financing and installation of energy efficiency and other equipment.

There are several PACE programs currently operating in Nova Scotia. Some are administered directly by a municipality, but most are administered by a third-party, non-profit entity like Clean Foundation or SwitchPACE.

1 nslegislature.ca/sites/default/files/legc/statutes/municipal%20government.pdf

INCLUSION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Municipalities may choose to include commercial or residential property, or both.

DEFINITION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Residential and commercial properties are defined in the *Assessment Act* as:

(a) Residential property: “property or part thereof used or intended to be used for residential purposes, but does not include the portion of a hotel or motel used for the purpose of lodging for the public or an apartment hotel”

(b) Commercial property: “all property or part thereof except residential or resource property, and includes the forest property owned by a person who owns fifty thousand acres or more of forest property in the Province”

CATEGORIES OF ELIGIBLE MEASURES

The legislation does not prescribe eligible measures but does allow for the following categories of measures:

(a) energy efficiency equipment

(b) renewable energy equipment

(c) equipment for the supply, use, storage or conservation of water

(d) on-site sewage disposal equipment

There are several PACE programs currently operating in Nova Scotia

FINANCING DETAILS AND TERMS

The legislation does not prescribe financing details and terms.

PROGRAM ADMINISTRATION MODELS

The legislation does not prescribe a program administration model. Municipalities in Nova Scotia typically use a third-party administrator, although some programs are municipality administered.

SOURCES OF CAPITAL AND FLOW OF FUNDS

There are no restrictions or guidelines on sources of capital or flow of funds.

USE OF PRIVATE CAPITAL AND BORROWING ABILITY

There are no restrictions on private capital or borrowing ability. This means municipalities could fund programs internally or seek external sources of funding (i.e., from a financial institution or other lender).

CONSUMER PROTECTION MEASURES

The legislation does not prescribe any consumer protection measures.

OTHER ADDITIONAL OR NOTABLE ASPECTS

Unlike some other provinces (e.g., Alberta) that have set specific program terms via regulation, Nova Scotia has enacted PACE-enabling legislation without developing regulations to provide a framework for municipalities. As a result, there is a significant amount of flexibility on program design for municipalities.

2.10 Prince Edward Island

Like New Brunswick, Prince Edward Island's uses a centralized property tax model. The province collects annual property taxes and charges on behalf of both it and the municipality. This means municipalities do not have a direct billing relationship with property owners.

However, a third-party entity (at the time of writing it is an organization called SwitchPACE) acts as an administrator for a PACE-like program for municipalities in the province, including Charlottetown and Stratford. Instead of repaying loans on their property tax bills, participants repay the municipality directly through a traditional monthly loan payment, just as they would with a traditional financial institution. However, like PACE programs in other jurisdictions, the loan is tied to the property rather than the individual property owner.

Bylaws governing PACE programs in Charlottetown (Bylaw #2021-Switch-01) and Stratford (Bylaw 52) rely on the province's Municipal Government Act[1], Part 7, Division 6, "Services." Like other jurisdictions, this section of the act governs local improvement charges and services, and the process by which municipal governments in the province may levy them. However, unlike other jurisdictions, the act has not been amended to specifically scope in energy efficiency or renewable energy measures. There are also no associated regulations that govern or oversee the creation of PACE programs in Prince Edward Island.

1 princeedwardisland.ca/sites/default/files/legislation/m-12.1-municipal_government_act.pdf

INCLUSION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Any property type where a service charge could be applied is eligible.

DEFINITION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Residential and commercial properties are not defined in the *Municipal Government Act*.

CATEGORIES OF ELIGIBLE MEASURES

The legislation does not prescribe eligible measures related to PACE programs.

FINANCING DETAILS AND TERMS

The legislation does not prescribe financing details and terms. However, Section 207(2) of the *Municipal Government Act* notes that the amount borrowed by a taxpayer for a "service" shall not exceed 25 percent of the assessed value of the property.

PROGRAM ADMINISTRATION MODELS

The legislation does not prescribe a program administration model.

SOURCES OF CAPITAL AND FLOW OF FUNDS

There are no restrictions or guidelines on sources of capital or flow of funds.

USE OF PRIVATE CAPITAL AND BORROWING ABILITY

There are no restrictions on private capital or borrowing ability. This means municipalities could fund programs internally or seek external sources of funding (i.e., from a financial institution or other lender).

CONSUMER PROTECTION MEASURES

The legislation does not prescribe any consumer protection measures.

OTHER ADDITIONAL OR NOTABLE ASPECTS

Prince Edward Island has not amended its legislation governing municipalities to explicitly scope in PACE programs. There are also no associated regulations to provide a framework for municipalities. With few provincial guidelines and requirements for the creation of a PACE program, there is a significant amount of flexibility on program design for municipalities.

2.11 Yukon

Yukon was the first jurisdiction in Canada to offer PACE financing via the use of local improvement charges to rural residents through the Rural Electrification and Telecommunications loan program in 1984, which was intended to assist residents in rural areas with receiving services such as access to the electrical grid and telephone landlines. The program was expanded in 1998 to fund off-site, off-grid renewable energy systems and energy efficiency retrofits for specific buildings.

In 2021, the *Assessment and Taxation Act* and the *Municipal Act* were amended via Bill No. 3, the *Act to Amend the Assessment and Taxation Act* and the *Municipal Act*[1] to allow municipalities to leverage local improvement charges for energy efficient building retrofits.

1 laws.yukon.ca/cms/images/LEGISLATION/AMENDING/2022/2022-0002/2022-0002.pdf

Yukon was the first jurisdiction in Canada to offer PACE financing

INCLUSION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Municipalities may choose to include commercial or residential property, or both.

DEFINITION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Residential and commercial properties are not defined in either the *Assessment and Taxation Act* or the *Municipal Act*.

CATEGORIES OF ELIGIBLE MEASURES

The legislation does not prescribe eligible measures but it does specify that construction must "increase [the building's] energy efficiency."

FINANCING DETAILS AND TERMS

The legislation does not prescribe financing details and terms.

PROGRAM ADMINISTRATION MODELS

The legislation does not prescribe a program administration model.

SOURCES OF CAPITAL AND FLOW OF FUNDS

There are no restrictions or guidelines on sources of capital or flow of funds.

USE OF PRIVATE CAPITAL AND BORROWING ABILITY

There are no restrictions on private capital or borrowing ability. This means municipalities could fund programs internally or seek external sources of funding (i.e., from a financial institution or other lender).

CONSUMER PROTECTION MEASURES

The legislation does not prescribe any consumer protection measures.

OTHER ADDITIONAL OR NOTABLE ASPECTS

Unlike some other provinces (e.g., Alberta) that have set specific program terms via regulation, Yukon has enacted PACE-enabling legislation without developing regulations to provide a framework for municipalities. As a result, there is a significant amount of flexibility on program design for municipalities.

2.12 Northwest Territories

The Northwest Territories made amendments to the *Cities, Towns and Villages Act* in 2018 to enable energy efficiency and renewable energy home projects to be included as part of the definition of Local Improvement Charges. Section 121 establishes the levy and use of LICs, including those on private property for energy efficiency or renewable energy. local improvement charges for energy efficient building retrofits.

The Northwest Territories have enabled energy efficiency and renewable energy home projects

INCLUSION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

The legislation is agnostic to property type; municipalities may choose to include commercial or residential property, or both.

DEFINITION OF COMMERCIAL AND RESIDENTIAL PROPERTIES

Residential and commercial properties are not defined in either the *Cities, Towns and Villages Act*.

CATEGORIES OF ELIGIBLE MEASURES

The legislation does not prescribe particular eligible measures. Language in the legislation is specific that construction must be an “energy efficiency works or renewable energy works”.

FINANCING DETAILS AND TERMS

The legislation does not prescribe financing details/terms. It notes that the municipality would pass a bylaw to prescribe program terms, including the estimated cost of work (may include engineering expenses, reasonable administrative costs, and interest on borrowing), the apportionment method, the amount of LICs to be imposed, how a cost overrun is dealt with, and conditions on which the LIC may be paid in a lump sum.

PROGRAM ADMINISTRATION MODELS

The legislation does not prescribe particular program administrator models.

SOURCES OF CAPITAL AND FLOW OF FUNDS

There are no restrictions or guidelines on sources of capital or flow of funds.

USE OF PRIVATE CAPITAL AND BORROWING ABILITY

There are no restrictions on private capital or borrowing ability; therefore, municipalities could fund programs internally or seek external sources of funding (i.e. financial institution or other lender).

CONSUMER PROTECTION MEASURES

There are no consumer protection measures prescribed in legislation.

OTHER ADDITIONAL OR NOTABLE ASPECTS

Unlike some other provinces (e.g. Alberta) who have set specific terms of programming via regulation, the Northwest Territories has moved forward with enabling legislation without developing regulations to provide a framework for municipalities. As a result, there is a significant amount of flexibility for municipalities when moving forward with program design.

2.13 Nunavut

Nunavut **does not currently have PACE-enabling legislation**.

To enable PACE, amendments would be required to the *Cities, Towns and Villages Act* to allow municipalities to use local improvement charges for energy efficiency and renewable energy projects in individual homes.

To date, the territory has not indicated any plan to introduce PACE-enabling legislation.

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