



CHEERIO LIC PROGRAM EVALUATION QUALITATIVE RESEARCH STUDY

APRIL 2013

RESEARCH OBJECTIVES

- Ipsos Reid was contracted by the City of Toronto and CHEERIO to conduct qualitative research on the LIC program. The following outlines some of the objectives for this work:
 - Level of interest in undertaking energy retrofits, and specific retrofit measures.
 - Receptivity to LIC financing and identification of common property owner questions and concerns.
 - Key communications approaches to clarify LIC process to maximize consumer understanding and appeal and overcome barriers to uptake.
 - Other key barriers a LIC program should address to ensure uptake.

METHODOLOGY

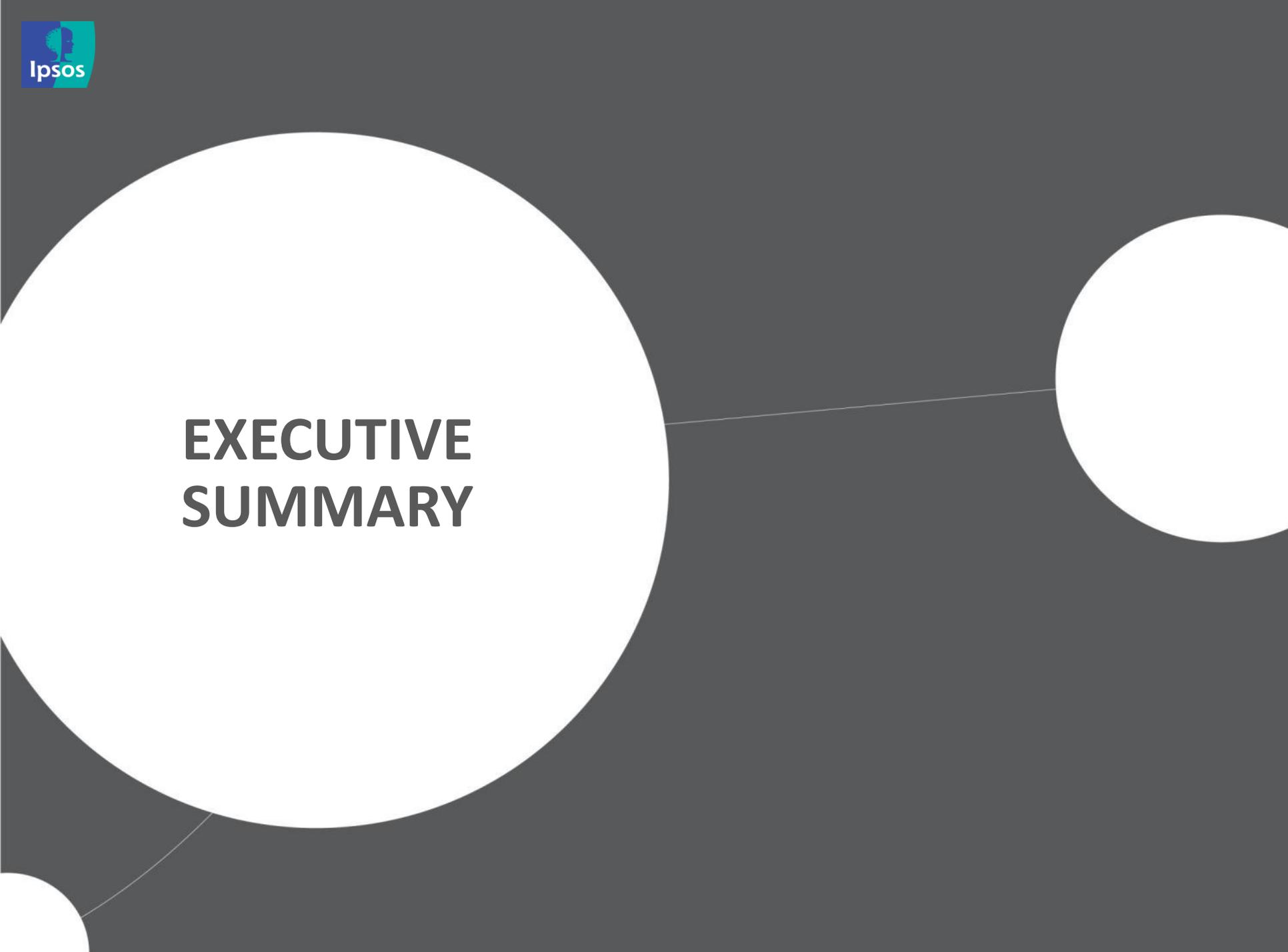
Focus Groups

- Focus groups with homeowners conducted in Toronto, Durham Region and Guelph
 - 2 groups in Toronto with single-family homeowners with homes built prior to 1980
 - 1 group in Durham Region with single-family homeowners with homes built prior to 1990
 - 1 group in Guelph with single-family homeowners with homes built prior to 1990
- All participants were interested in conducting home improvements in the next few years
- Relative mix of age, gender, education, household income and employment status in each group
- Groups conducted on March 18, 20 & 21, 2013

A NOTE ON REPORTING

The results from the focus group research conducted for this study are qualitative and thus should be considered directional in nature rather than representative of the entire target population.

Findings outlined in this report apply to all markets unless otherwise indicated.

The graphic features a dark grey background with three large white circles. A thin white line connects the right side of the largest circle on the left to the left side of a smaller circle on the right. The text 'EXECUTIVE SUMMARY' is centered within the largest circle.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

- Though residents are interested in undertaking energy efficient retrofits in the home, the question of definitive savings makes it difficult to make the initial investment. Because there is no guarantee how much money will be saved, making the investment is often difficult to justify. This is the main barrier to undertaking energy retrofits in the home.
- There was varied levels of interest in the program from participants. Though some saw the LIC financing as an interesting way to perform retrofits to the home, many of the program's drawbacks (as discussed in consequent slides) ultimately lessened interest.
- Though interest in the LIC program varied, common benefits, drawbacks and improvements were identified by residents in each market...

EXECUTIVE SUMMARY

Benefits

- Gives residents the ability to conduct energy updates in their home without incurring upfront costs.
- Helps guide homeowners through the process with information and resources.
- An energy evaluation is a useful step for everyone whether or not they ultimately decide to undertake the loan.
- The existence of the program has the potential to put energy efficiency and the environment in general on people's radar.

EXECUTIVE SUMMARY

Drawbacks/Proposed Improvements

- Takes control/choices from the homeowners, especially as it pertains to professionals the homeowner must hire (i.e. approved contractors and energy advisors from the City/Region).
- The cost savings associated with the improvements are not concrete. This is a key barrier for residents. They want to know a concrete number of what they're going to save but they are skeptical that anyone, even a certified energy advisor, can generate this figure. Furthermore, they believe many outside variables could impact their ability to pay back the program, (such as the cost of energy going up).
- The local improvement charge staying with the home rather than the homeowner is a key concern. Residents worry this will discourage people from buying the home who do not want to be saddled with this. **Residents want clear information on how exactly the charge is transferred upon sale of the home.**

EXECUTIVE SUMMARY

Drawbacks/Proposed Improvements

- There was some discomfort with the City/Region acting as a bank. For many, this was not the proper role for the City/Region.
- Terms like “nominal fees” and “surcharges” were seen in a very negative light and associated with hidden and unfair charges to the homeowner. **Clarifying these terms with exact amounts in any communication will be critical to put homeowners at ease.**
- The City/Region being privy to any changes in your home was of concern to some residents. They were not comfortable with the City/Region having this information and feared it could result in their property taxes going up.
- It was unclear whether or not there is a cost to having an energy evaluation and this was an important factor for residents. **Residents would like to know upfront if there is a price tag associated with an energy evaluation.**

EXECUTIVE SUMMARY

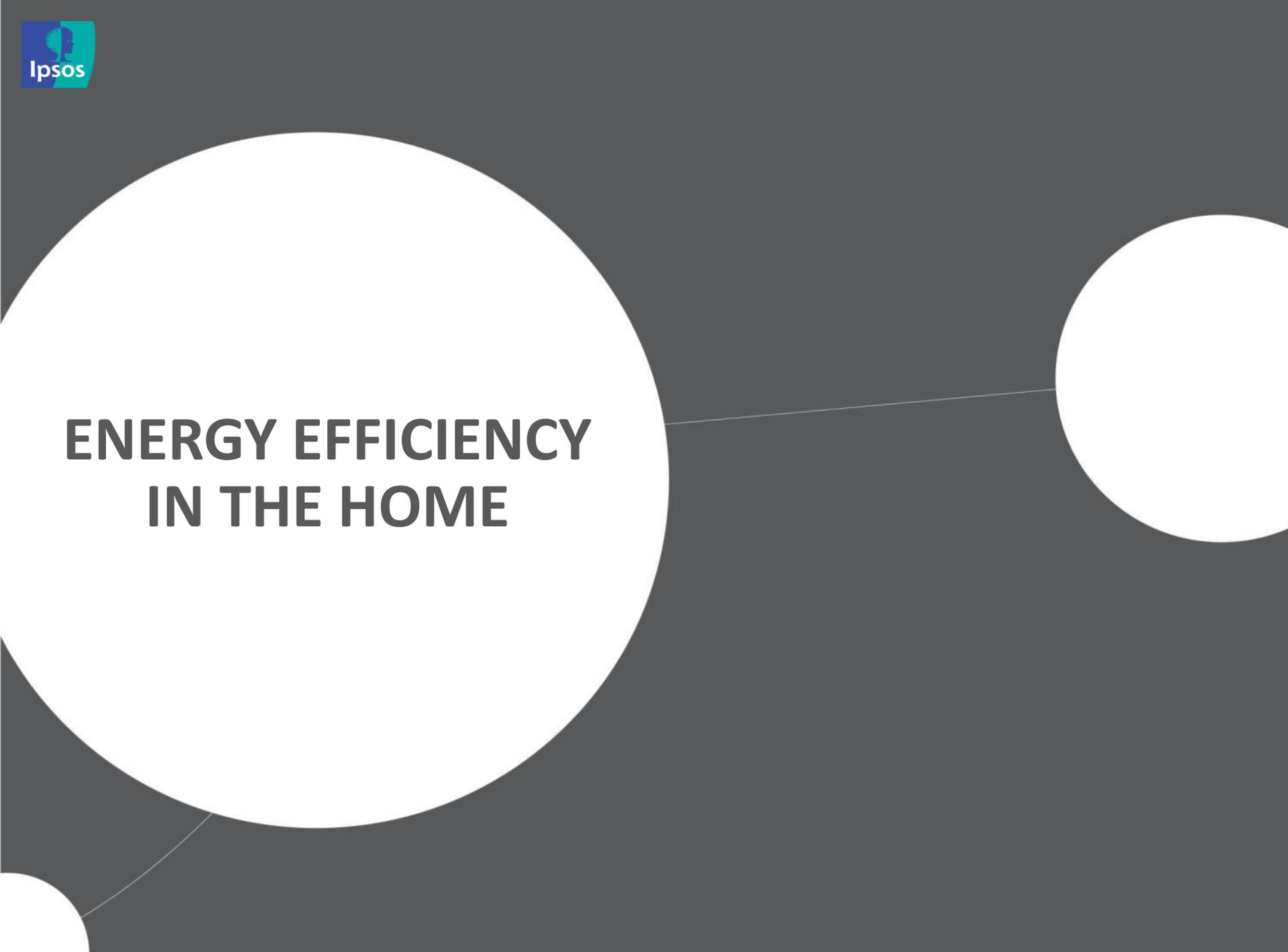
Drawbacks/Proposed Improvements

- Residents had concerns that there were too many parties involved in the process of this program.
Residents want definitive information about who will be held accountable and how if there are any disputes among the stakeholders in this program (homeowners, government, contractors, etc.).
Furthermore, residents want a clear point of contact who will manage the process and who they can go to with questions and concerns.
- Residents in all markets were left questioning why the City/Region was embarking on this program.
Providing additional context on the program will be important for communications moving forward.
- Though participants expect the City/Region to guide them through the process and to provide resources and information, the homeowner must still maintain a sense of control throughout the process of this program. It will be imperative for all communication material and program design elements to emphasize control and decision-making authority being in the hands of the homeowner.

EXECUTIVE SUMMARY

Drawbacks/Proposed Improvements

- Being provided with several options in each dimension of the program is of utmost importance to homeowners. The program must be flexible in order for it to be attractive to residents.
Participants want options in which contractors to use, the rate of the loan and the length of the term.



ENERGY EFFICIENCY IN THE HOME

TOP OF MIND THOUGHTS ON ENERGY EFFICIENCY



Top of mind thoughts on energy efficiency were mostly related to reduction. Reduction in energy used and on money spent were most common associations. Participants also noted sustainability and the importance of more green practices.

ENERGY EFFICIENCY IN THE HOME

Energy Efficiency in the home fell within three buckets:

- **Using less**: limiting use of key resources in the home, such as water, heat, and hydro. For example, turning off the faucet while brushing teeth, turning off the lights when leaving a room, or turning off the television while it is not in use.
- **Appliance/equipment upgrades**: upgrading appliances, lighting and home equipment such as the furnace was seen as an important way to save energy in the home.
- **Prevention**: some participants also identified things around the home that can be done to prevent energy waste. For example, properly insulating the home in order to prevent drafts reduces the need for heating or cooling.

“Keeping heat inside the house in the winter, and the AC inside in the summer. Without having to run it all the time.”

“I recently got a new home and replaced the furnace to one that is energy efficient and also put in new windows for the same purpose.”

ENERGY EFFICIENCY IN THE HOME: BENEFITS AND DRAWBACKS

Benefits

Saving money on heat and electric bills is by far the most compelling benefit

Helping to conserve resources and the environment

Ensuring more comfort in the home with more even and well distributed heating and cooling

Upgrades can be aesthetically appealing

Drawbacks

Energy efficient products cost more than the alternative (light bulbs, appliances, etc.)

Cost savings associated with being more energy efficient are marginal and long-term (i.e. not immediately seen to the homeowner)

Energy Efficiency in Home = \$ Saving Money



ENERGY EFFICIENCY PROGRAMS: AWARENESS & PARTICIPATION

- Energy efficiency rebate or grant programs are most familiar to participants. A few also noted the Peak Saver program. Residents attributed these programs to various levels of government.
- A few participants in each group had taken part in the rebate programs, specifically for replacing their windows and furnace. Timing was often the primary motivation for taking advantage of the rebates; the rebate was available and they were already planning to make the purchase.
- Those who participated in the rebate program noted that the rebate wasn't as lucrative as they had been promised but was still worthwhile overall.

"The only program I know about are the grant programs. When we moved in to our new house we had to replace the furnace so we took advantage."

"I expected to get a lot back [from the rebate program] but in the end it wasn't as much as I'd expected. It was still better than nothing though."

HOME ENERGY RETROFITS

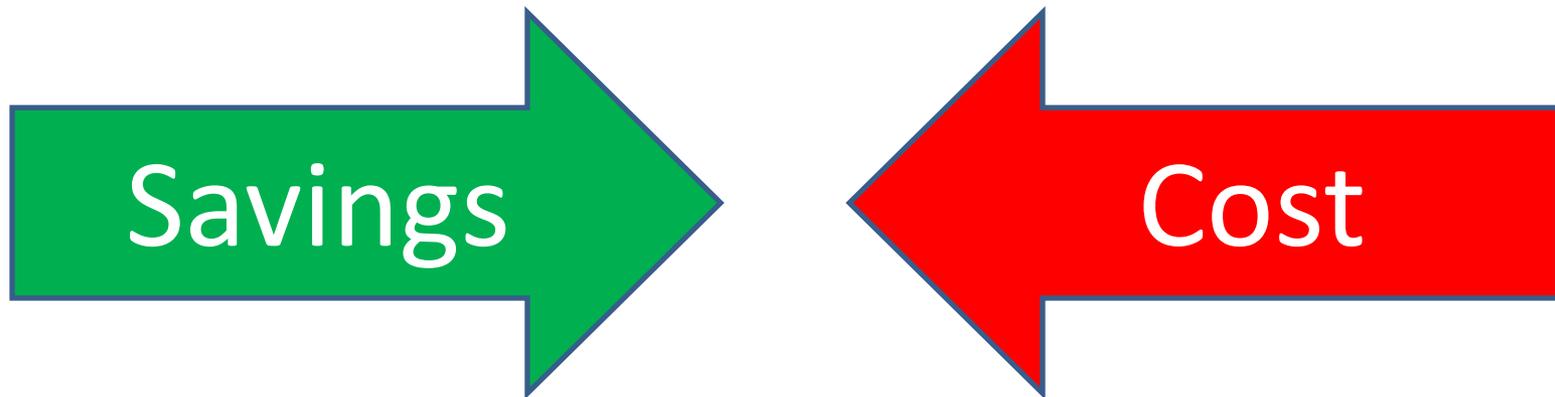
RETROFITS IN THE HOME: INTEREST

- Many participants had already done energy efficient retrofits in the home such as updated furnaces, insulation, and windows. Timing was usually the main driver of these retrofits; homeowners needed to replace these items and did so with more efficient upgrades.
- Participants across the board were interested in undertaking retrofits in the home but cost was often a key barrier.

“Sure, I’m interested to do upgrades. I’ve done some already but I’m always open to bring more value to our home.”

“Our house is 100 years old and it’s very cold inside. We have talked about what we can do to help this and hopefully use less heat.”

RETROFITS IN THE HOME: BENEFITS & DRAWBACKS



Though residents were quite interested in undertaking energy efficient retrofits in the home, the question of definitive returns makes it difficult to make the initial investment. Participants in all markets noted there was no guarantee how much money would be saved and thus making the investment was difficult to justify.

“You just have no guarantee of how much you are going to save. There are so many variables . The cost of energy may go up. How do you know if the investment is worth it?”

“We don’t know how much longer we will be in our home. How do we know how much we’ll make back on an energy efficient fridge? It’s hard to calculate and the initial investment might not be remade so it’s not worth it.”

INFORMATION ABOUT ENERGY HOME IMPROVEMENTS



Word of mouth (experiences of friends,
family, coworkers)
Online research and ratings
Crowd sourcing on social networks

Information provided by local utility,
Enbridge or other government sources
(at all levels – municipal, provincial and
federal)

INFORMATION ABOUT ENERGY HOME IMPROVEMENTS: RANKING

Friends, Family & Neighbours

Certified Energy Advisor

Government

Utility Companies

Home Renovations Contractors

Neighbourhood Associations

Retailers (i.e. Home Depot, local hardware salesperson)

Real Estate Agents

Google/Internet

Equipment Manufacturers

Google/internet and equipment manufacturer arose in ranking unaided.

When asked to rank the most trusted sources for information on undertaking a home energy retrofit friends, family & neighbours and a certified energy advisor came through on top. Government, utility companies and contractors were also noted as trusted sources. Though not offered as a response option, the internet and manufacturers came up unaided as possible sources.

LIC PROGRAM EVALUATION

STIMULI TESTED

Concept Overview:

The following steps are involved in participating in the proposed home energy retrofit program:

1. The first step is an **energy evaluation** by a certified energy advisor to understand your home's current energy efficiency. This evaluation will identify potential areas for improvements (retrofits). This could include things such as: upgrading your home's heating and cooling systems, upgrading the insulation in your attic or basement walls and sealing gaps to fix drafts.
2. Once you select the improvements you want to make, **certified contractors coordinated by the municipality/City** will perform the work at your home.
3. The municipality/City will provide **upfront, low-cost financing** to cover the cost of your home energy retrofit. You will then repay the City with the money you've saved on your energy bills.

How the financing works:

- With the agreement of the homeowner, the municipality/City will apply a surcharge on the owner's property tax bill, to cover the cost of the retrofit plus a nominal fee to help offset program overhead. The homeowner does not incur any upfront expense.
- The homeowner will repay the municipality/City over an agreed period of time (based on the terms agreed in the contract with the municipality/City).
- The energy bills savings that the property owner realizes will help offset the cost of monthly repayments.
- If a property is subsequently sold, any outstanding amount will remain with the property, not the property owner, and the responsibility for repaying would be assumed by the new property owner (who would also be benefiting from reduced energy bills)
- A homeowner is able to pay off the outstanding amount owing at anytime without penalty.

PROGRAM EVALUATION: KEY METRICS

Metric	Very	Somewhat	Not Very	Not At All
Favourability	7	20	7	1
Interest	4	16	11	4
Clarity	11	14	8	2

Interest in the program was somewhat split with most somewhat interested or not very interested. The key benefits and drawbacks associated with the program shed light on what drove interest one way or the other (discussed in subsequent slides). Results reveal clarity of the program to be quite good however participants noted having more context on the program as an important way to further clarify the exact intention and goal.

PROGRAM EVALUATION: BENEFITS

Benefits	Verbatim
<ul style="list-style-type: none">• Gives residents, who might not otherwise be able to afford it, the ability to conduct energy updates in their home without incurring upfront costs.	<p><i>“This can give people who can’t afford it a chance to upgrade their home and make it more energy efficient. I would probably pay out of pocket but everyone can’t afford that.”</i></p>
<ul style="list-style-type: none">• Helps guide homeowners through the process with information and resources. A few participants, specifically in Durham region, appreciated having a list of approved contractors. Having an approved contractors list vetted by the government gave some residents confidence that those on the list had the appropriate skills and qualifications	<p><i>“For some people it might be good to have a list [of contractors] from the City. At least you know they’ve done some checks on them.”</i></p>
<ul style="list-style-type: none">• The idea of an energy evaluation was well received by participants and was seen to be a useful step for everyone whether or not they ultimately decide to undertake the loan.	<p><i>“I like the word energy evaluation, it’s easy to understand. It’s also good for anyone to have one of these. When we had ours, it helped us understand our house’s efficiency more holistically.”</i></p>
<ul style="list-style-type: none">• The existence of the program has the potential to put energy efficiency and the environment in general on people’s radar and this was seen as a positive in the eyes of participants.	<p><i>“The program is sort of like motivation. It makes you think about it and it might not have been on your mind before.”</i></p>

PROGRAM EVALUATION: DRAWBACKS & IMPROVEMENTS

Drawbacks/Improvements	Verbatim
<ul style="list-style-type: none"> • Takes control/choices from the homeowners, especially especially if choice of contractor is restricted to a list approved by the City/Region. 	<p><i>“A real loss of control. As soon as you sign up for it...a bunch of people come over with tools and start doing stuff. You’re powerless.”</i></p>
<ul style="list-style-type: none"> • Residents were skeptical of how effectively the program can be repaid since there is no guarantee of what the actual energy savings will be from the improvements. <u>Residents want clear and accurate estimates of how much money will be saved, so they have confidence they will have the savings to apply to repayment.</u> 	<p><i>“I would be worried to do this if I didn’t know exactly what I’m going to be saving. It says it helps offset the costs, but how do you know what that amount will be?”</i></p> <p><i>“My issue is that there’s no real quant way to tell us dollar wise how much I’m actually going to save.”</i></p>
<ul style="list-style-type: none"> • For some, the upgrades listed in the concept have either already been done or can be undertaken by the homeowner out of their own pocket. <u>There was an appetite from some to see more extensive upgrades such as solar power installations.</u> 	<p><i>“I’d like to see some more innovative and big ticket things here like solar panels. That’s the sort of thing you have to fork out a lot of money for.”</i></p>
<ul style="list-style-type: none"> • The local program charge staying with the home rather than the homeowner was a key concern. Participants worried that this would discourage people from buying the home. <u>Residents want clear information on how exactly the program is transferred upon sale of the home.</u> 	<p><i>“I really don’t like the idea of the loan going to the new homeowner. That could make it much harder to sell your house if someone doesn’t want to deal with that.”</i></p>

PROGRAM EVALUATION: DRAWBACKS & IMPROVEMENTS

Drawbacks/Improvements	Verbatim
<ul style="list-style-type: none"> Some had concerns about the municipality giving residents financing. There was some discomfort with the City/Region acting as a bank. 	<p><i>“I’m not sure the government should be acting like a bank.”</i></p>
<ul style="list-style-type: none"> Terms like “nominal fees” and “surcharges” were seen in a very negative light and associated with hidden and unfair charges to the homeowner. <u>Clarifying these terms with exact amounts in any communication will be critical to put homeowners at ease.</u> 	<p><i>“What does nominal fee mean? Is it 10 dollars or a thousand dollars?! Needs to be clear how much it is.”</i> <i>“Words like surcharges and nominal fees just sound sneaky.”</i></p>
<ul style="list-style-type: none"> Applying a surcharge on property tax bills was not well received by some. Receiving the property tax bill is a negative experience and some would not want additional charges on it. <u>Residents suggested receiving a separate bill for this program.</u> 	<p><i>“I wasn’t happy to read that it’s going to be added to our property tax.. adding one more line onto that bill I was thinking how much more money to I have to pay to this city for a property that I own. I would rather see it as its own bill.”</i></p>
<ul style="list-style-type: none"> The City/Region being privy to any changes in your home was of concern to some residents. They were not comfortable with the municipality having this information and feared it could result in their property taxes going up. 	<p><i>“I don’t like the government knowing what’s going on in my house. It’s very big brother.”</i> <i>“If they know the improvements we’re doing, who’s to say my property taxes aren’t going to go up. You finish your basement with this program and now they’re slapping you with more taxes.”</i></p>

PROGRAM EVALUATION: DRAWBACKS & IMPROVEMENTS

Drawbacks/Improvements	Verbatim
<ul style="list-style-type: none"> Residents would like to know upfront if there is a price tag associated with an energy evaluation. 	<p><i>“Just to have the energy advisor come and look at our place for an eval cost \$90/hour. Is this free?”</i></p>
<ul style="list-style-type: none"> Because there are various players in this program (the government, contractors, energy consultants, homeowners), participants were concerned it would be unclear who would be responsible if something went wrong. <u>Residents want clear information about who will be held accountable and how. Furthermore, residents want a clear point of contact who will manage the process and who they can go to with questions and concerns.</u> 	<p><i>“What is the arbitrator for this if something goes wrong? Who’s the decision maker for this?”</i></p> <p><i>“I would be worried that suddenly the contractor does a bad job, they leave holes in your house, who is going to be responsible for that? If I call the City I don’t want them bouncing me back to the contractor and visa versa.”</i></p>
<ul style="list-style-type: none"> Residents in all markets were left questioning why the City/Region was embarking on this program. Many felt the main goal was missing. <u>Providing additional context on the program will be important for communications moving forward.</u> 	<p><i>“It just seems the ‘why’ is missing here.”</i></p>

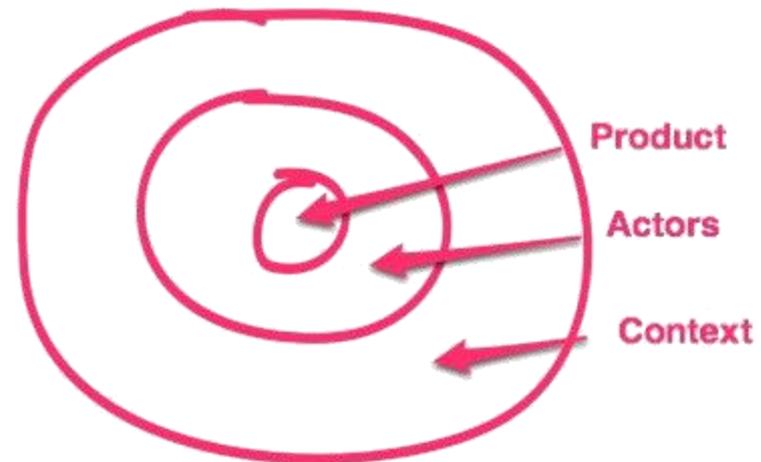
PROGRAM CONTEXT

Participants felt a key piece of information missing was the context surrounding the program. In order to improve clarity and credibility of the program, residents wanted to understand the City/Region's rationale for offering this program; what is the main goal?

The product itself and the key players within it were quite clear, however more information was desired on the context of the program in order to fully understand why it's being offered, what the City/Region is up to, and what the overall goal and outcomes are.

"Don't know motivation of who's pushing this through. Maybe if the government came forward and says, there's problems on the grid, so we need everyone to come together, and then people would say, oh, that's what's going on."

"Intent of program is missing from this – is it reducing emissions? Boost economy? I'm hoping it's reducing emissions."



AUTONOMY

- Retaining autonomy is of utmost importance to residence if they chose to partake in this program.
- Though participants expected the City/Region to guide them through the process and to provide resources and information, the homeowner must still maintain a sense of control throughout the process of this program.
- Residents were cautious of the City/Region having the authority to make decisions for them about their home. It will be imperative for all communication material and program design elements to emphasize control being in the hands of the homeowner.

“The way this is written makes me feel like the City is coming in and telling me what I’m doing to my house. That doesn’t fly with me.”

“I would only consider this if I had complete independence. The City can recommend things or offer help but ultimately all the decision have to be up to me. It’s my home.”

PROVIDING OPTIONS

Being provided with several options in each dimension of the program is of utmost importance to homeowners. Participants were not keen to participate in a program where they were not given ample options in how to go about the home improvements and the terms of the agreement with the City/Region. The program must be flexible in order for it to be attractive to residents.

Participants wanted options concerning contractors arrangements, the rate of the loan and the length of the term.

Having options with respect to contractor selections was a key concern. A list of at least 20 – 30 contractors in each area was expected. And, even then, some participants still wanted the flexibility to choose their own who did not appear on the City/Region’s list.

“I don’t want them choosing a contractor for me. I’m not comfortable with that at all. They have to give you tons of options and then you pick who you want. You don’t want to be bound to some guy who gets a kick-back.”

“I think there should be options for the term of the contract depending on your situation. What makes sense for me might not make sense for other people. Has to be customizable.”



UNIQUE PROGRAM OFFERING: RATE & TERM

- Participants felt the low-cost interest rate was a somewhat compelling feature of the overall program. Although, objections to the government acting as a bank led several participants to shy away from this as the main selling feature of the program.
- Participants expected the rate to either be zero or prime; this is how they interpreted “low-cost financing.”
- Residents expected the term of the financing to be flexible depending on the size of the loan and the financial situation and standing of the person taking out the loan. Flexibility related to the rate and term was expected by participants.
- An extended repayment term was not seen as a selling feature as many felt that a bank or alternative loan institution would provide the same options. Though this may not be the case, this was the perception among participants.

UNIQUE PROGRAM OFFERING: REPAYMENT MECHANISM

- The local improvement charge being attached to the property and the homeowner not generating any personal debt were compelling features to some participants, however the barriers associated with the repayment mechanism made this selling feature tricky to endorse (i.e. what is the concrete number associated with savings that will go towards the program? Will the program deter potential home buyers? , etc.).
- Before participants could feel comfortable with the repayment mechanism, they needed their questions answered about the details.

“I’m not sure the repayment is a good thing or not. There are so many unknowns there. It makes me nervous.”

“The fact that there is no personal debt to the homeowner is a good thing for sure. I would still be concerned about selling the house with that kind of debt attached to it.”

UNIQUE PROGRAM OFFERING: BENEFITS

- The general benefits associated with undertaking energy improvements in the home were by far the most compelling selling feature among participants (i.e. could potentially do deeper energy retrofits than would otherwise be feasible, reduce energy bills, reduce energy waste/greenhouse emissions, increase energy performance, increase home comfort).
- Increasing home energy efficiency, reducing energy bills, and increase home comfort were the most compelling for participants and would be most likely to motivate them to participate in the program.

“The comfort of our home is a big one for us. Our house is freezing in the winter and hot in the summer. Equalizing that would be a big bonus for us.”

“Reducing energy bills and just being more green in general are important ones. Those are the best features of the program.”

UNIQUE PROGRAM OFFERING: CONVENIENCE

- Some participants liked the idea of having the City/Region available to guide them through an energy retrofit process, but overall this was not a very compelling feature of the program.
- Most participants didn't like the idea of having the City/Region arrange contractors for them.
- For some, the City/Region's involvement was actually a deterrent. Residents worried that the government's involvement would drive up timelines and costs for the project.

"From my experience, you get the government involved and suddenly things are moving at snail pace. Renovations are already a nightmare, you don't want more layers to deal with."

"It would be nice to have someone there to give you resources and such but I definitely don't want them to choose the contractor for me. There has to be options."

UNIQUE PROGRAM OFFERING: MARKET RECOGNITION

- Some participants saw the value in market recognition associated with the program. They believed having energy upgrades to the home would be attractive to prospective buyers.
- However, participants were also concerned with the program attached to the home being a deterrent for potential buyers.

“It could be a selling feature if you pay off the loan before you sell the home. But what if the new buyer doesn’t want to deal with the loan?”

“I wouldn’t want to buy a house that had a debt attached to it. It just wouldn’t be motivating to me.”

PROGRAM NAME: TORONTO

Name	1 st Choice	2 nd Choice	3 rd Choice
Toronto Home Energy Retrofit Program	4	4	8
Smart Home: Toronto's Energy Retrofit & Savings Program	6	3	7
HEAT – Home Energy Assistance Program	1	9	6

Smart Home was the most frequently chosen 1st choice among the three names presented to Toronto groups. Participants felt Smart Home was a good program name and had the most potential for name recognition among residents.

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