

BUILDING STOCK

58,600 housing units

34% single family houses **66%** condominiums

39% privately-owned **32%** social housing **22%** student housing **7%** other

TERRITORY

Area of 649 km²



Carbon footprint of the city housing stock

PEOPLE

Population of 101,044



The issue

A challenge to achieve the climate goals

In 2003, Delft adopted a **Local Energy Action Plan**¹ with the following main goals to be achieved by 2012 compared to 1990:

- Decrease the energy consumption of Delft by 15%.
- Reduce CO₂ emissions by 15%.
- Cover 5% of total energy consumption with renewable energy.

No financial instruments available to homeowners for energy renovation of the existing housing stock

In 2003, Delft set up the **Delft Climate Investment Fund (DCIF)**. A budget of **€12 million** was made available for 9 years to invest in the built environment - office buildings, industrial buildings, new housing, social housing companies, etc.

At first, the “3E Delft Climate plan 2003-2012” focused on the **new**

housing areas and renewable energy. One of the Fund’s main goals was therefore to develop new highly energy-efficient houses. To stimulate this, the DCIF provided grants to housing associations and developers who implemented ambitious energy saving and renewable energy production measures (at least 15% better than the Dutch EPC² legislation).

Although the housing sector was an important energy consumer back in 2003, **existing private residential buildings were excluded from the DCIF** and there were no financial instruments available to private homeowners – neither at the national level nor at the local or regional levels.

¹ 3E Klimaatplan Delft 2003-2012 (Local Energy Action Plan)
² Dutch Energy Performance coefficient for new buildings

Solution

In 2006, the city council decided to set up a **specific financial instrument** that would encourage homeowners

and tenants to invest in energy saving measures and renewable energy. The instrument was also made available to community organisations, associations and NGOs. As subsidies were not an option for the private housing sector (individual house owners), due to the restrictions of the DCIF regulation, a **Delft Revolving Fund (Fund) and a soft loan scheme** were set up.

In 2010, Delft started a new programme to encourage private homeowners to renovate their homes. A wide range of new instruments was set up in cooperation with the local energy agency. As part of a “neighbourhood-based approach”, a team of advisors, builders and public officials visited neighbourhoods to promote measures suited to their specific types of houses. A communication campaign was also launched to raise awareness about the benefits of energy renovation.

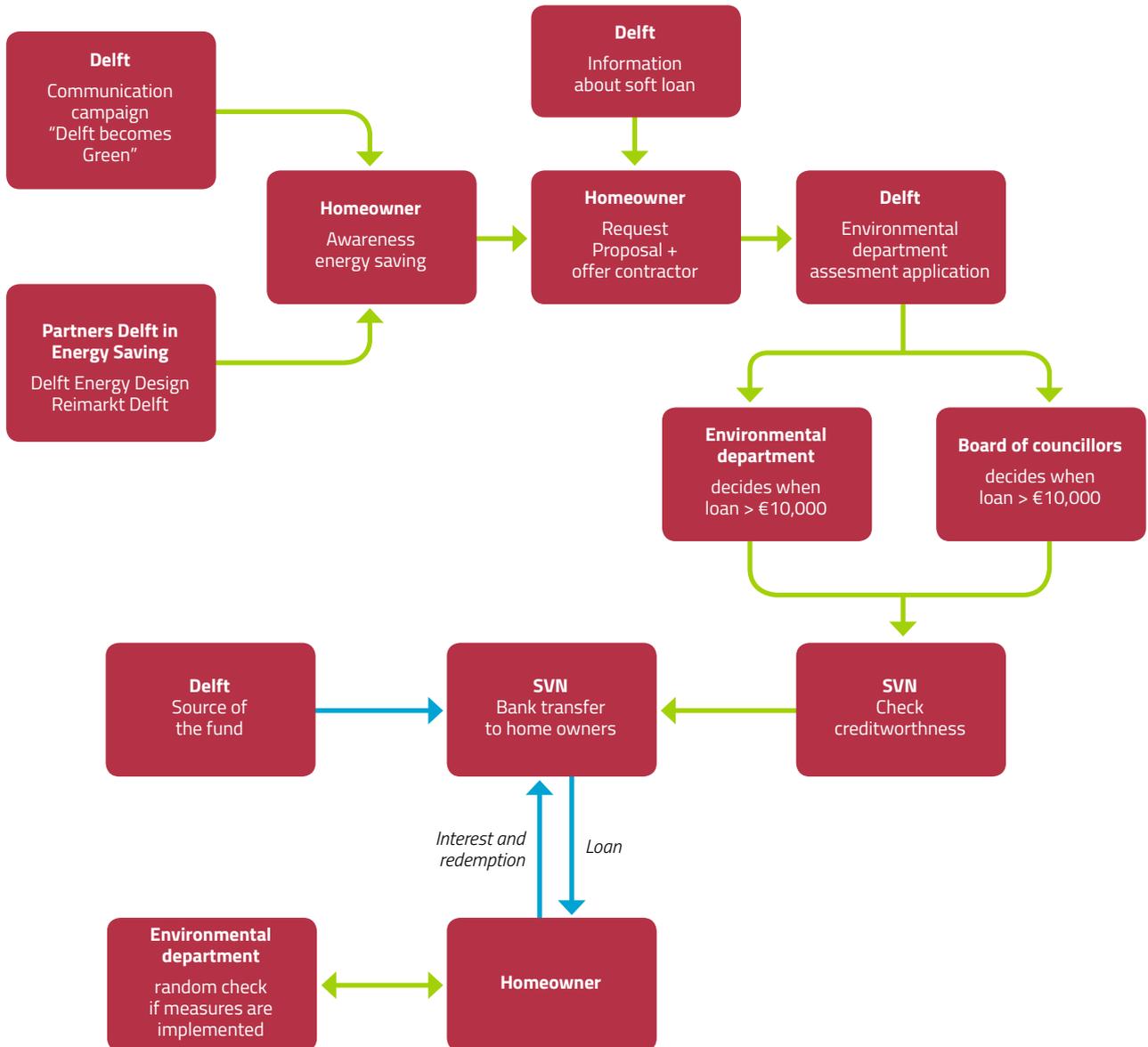


Business Model

Low-interest energy renovation loans
The city of Delft used its own budget to establish the Fund. The Fund issues low-interest loans on attractive terms

to homeowners. The Fund is governed by the municipality and managed by the bank - Stichting Volkhuysvesting Nederland (SVn). SVn operational costs

are paid by the municipality: 0.9% of the loan until maturity of the loan.



 services / relations flow
 money flow

Business model step by step

Step	Action
Set up a team	To examine the options for a financial instrument to encourage private homeowners, the environmental department set up a project team of experts with financial, juridical, communication and environmental backgrounds. An independent project leader was assigned to lead the project team.
Carry out a market study	<p>Delft did not conduct a market study for the following reasons:</p> <ul style="list-style-type: none"> - When the Fund was created, there were no other financial instruments available for energy renovation of the private housing stock. - It was clear from the beginning that the fund should be available to all homeowners in Delft. - Partnerships and a campaign relating to energy savings were already operating in Delft.
Develop a business model	<ul style="list-style-type: none"> - The Delft Revolving Fund and a soft loan scheme were set up with the seed money of €200,000 earmarked from the DCIF. The instrument was requested by the city council which is why setting up the scheme was relatively easy. - The Fund was launched in 2006 and since then both the Fund and the approach of homeowners have evolved. The Fund has been growing over the years as more money has been injected into it. In 2013, the Fund value reached €500,000. In 2015 the Fund merged with other municipal revolving funds (e.g. a fund issuing a renovation loan for historical buildings, a mortgage for first-time-buyers on the housing market, etc.). The total value of the merged 'Delft SVn Fund' now totals €3.5 million. - Since the Delft Revolving Fund is part of the Delft SVn Fund, the Financial Department of the Delft Municipality no longer manages the process. The fund is now on a bank account at the SVn and is more flexible as it does not need to undergo regular administrative procedures linked to municipal budget negotiations and allocations. For the first 9 years, the fund was under the direct control of the Delft financial department. - Since 2010, the soft loan scheme has been part of a multi-annual programme to stimulate awareness and activate investment in energy saving measures. In the 2010 – 2013 period, the municipality ran a successful campaign in several areas in Delft with pre-selected builders. Because houses in a particular area often have the same characteristics, the costs of the measures could be reduced. For this campaign, the Delft Climate Investment Fund (DCIF) was adjusted so that a combination of a subsidy and soft loan could be provided. In 2014, the municipality modified the campaign to test out a more market-driven model bringing supply and demand together using a so-called 'market funnel'. The subsidy was ended and the soft loan remained.
Set up strategic partnerships	<p>Partnerships with banks</p> <ul style="list-style-type: none"> - The fund is managed by the SVn - a bank owned by municipalities (Bouwfonds Nederlandse Gemeenten) - founded in 1996 at the initiative of several Dutch municipalities. Dutch municipalities in cooperation with the national government have funded several urban renewal projects using SVn funds. - As Delft participated in the SVn from the beginning and was already using financial instruments to facilitate social development, it was a natural partner to deal with the fund management and administration of the loans. Delft did not face any competition rule issues as the SVn holds the status of fund manager for municipal initiatives.
Set up strategic partnerships	<p>Partnerships with other key actors</p> <ul style="list-style-type: none"> - Delft has signed agreements valid for four years with two private organisations who act as local Energy Advice Centres. 'Delft E Design' is a cooperative structure of energy advisors from Delft who provide personalised advice to homeowners. 'Reimarkt Delft' is a company that was selected through a tender and uses a more standardised approach. These organisations guide homeowners through the process of renovation and recommend reliable constructors. Together with the municipality, both organisations are currently working on a more market-driven approach. However, homeowners can also obtain the loan when they hire other consultants or builders. - With both companies it was agreed that the municipality will keep the Fund operating during the term of the agreement (4 years). Private homeowners thus have the opportunity to finance energy saving investments recommended by the advisors. - The city of Delft is also cooperating with other local stakeholders such as the Technical University of Delft, energy companies, etc.



Launch the scheme & communicate

- Information about the soft loan is available on the **Delft website**. Homeowners are informed about the criteria and procedures to obtain the loan and can also download the loan application form.
- Delft is using the **communication campaign “Delft wordt Groen (Delft becomes Green)”** on **Facebook** to raise awareness and stimulate action and investments. The soft loan scheme is promoted more discreetly, as in the municipality’s view it is not desirable to encourage citizens to live ‘on credit’. For this reason the campaign focuses on energy saving as its goal. As people were interested in taking measures, the soft loan (the instrument) was introduced.

Monitoring and improvement

- Since 2006 the municipality has approved 35 loans for a total amount of €400,000. The total costs of measures carried out was €500,000. More households have been applying for the loan, since the one-stop-shop run by Reimarkt and Delft E Design was launched.
- The municipality does not monitor results in terms of energy savings or type of households who took a loan. It has set the minimum value for insulation measures and can thus estimate energy savings.

Homeowners’ advantages

Information and technical assistance

1. Homeowners visit the Delft website where they can get all the information about the soft loan.
2. They prepare an energy renovation plan with the expected costs and an offer from one or more builders. If homeowners so wish, they can get support from Delft E Design or Reimarkt Delft but they can also hire another advisor or make their own renovation plan.
3. Homeowners apply for a soft loan. The City board decides in a maximum of eight weeks about the application (this can be extended by another 8 weeks). The work can only start once the loan is approved and granted. Homeowners or organisations can submit special requests for a larger loan.
4. Delft E Design or Reimarkt Delft guide the homeowners through the process of renovation and ensure contacts with reliable builders.

Loans - conditions

Eligibility criteria		
Type of housing	Type of households	Measures
<ul style="list-style-type: none"> - All privately-owned housing units (18,000 units concerned) and with the approval of the housing association also publicly-owned units (specific for solar panels). Delft does not make any distinction between different types of housing or areas. - Community organisations, associations and NGOs. 	<p>No eligibility criteria related to income or age. Investments in energy saving measures have to compete with other investment priorities (e.g. a new kitchen). City strives to make the loan as open, easy to obtain and attractive as possible.</p>	<ul style="list-style-type: none"> - Insulation of building envelope meeting certain values. - Electricity and heating systems. - Ventilation and heat recovery. - Renewable energy production technologies.

Loan conditions

Loan amount: max. € 10,000. A higher amount is possible upon a special request. This amount is sufficient for individual measures but not for extensive renovation. If homeowners opt for extensive renovation they can submit a special request and the city board can decide to offer a higher amount.

Interest rate: 4% lower than the market (10 year interest) with a minimum of 1.5%

Maturity: 10 years (early repayment is encouraged, not penalised)

Guarantee: SVn runs a financial check on creditworthiness. The revolving fund is a guarantee for SVn. In the event of defaulters the size of the fund is reduced. The risk is thus covered by the municipality of Delft.

Beneficiary's own contribution: no own contribution is requested from homeowners other than paying back the loan and interest.

Financing scheme highlights

Strong points

- Short internal procedures
- Clear management costs
- Own fund which means control and flexibility to change the eligibility criteria when needed (customised for extensive renovation)
- Fund is simple and easy to set up
- Use of existing good relations (SVn)

Weak points

- Limited budget
- Risks for the municipality

Recommendations: Start with a small fund financed by the municipality to make the launch relatively easy. Later, you can make your fund grow or revise it.

Need more details about this case study?

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